

2011 Corporate Social Responsibility Report

TO BUILD A BETTER LIFE

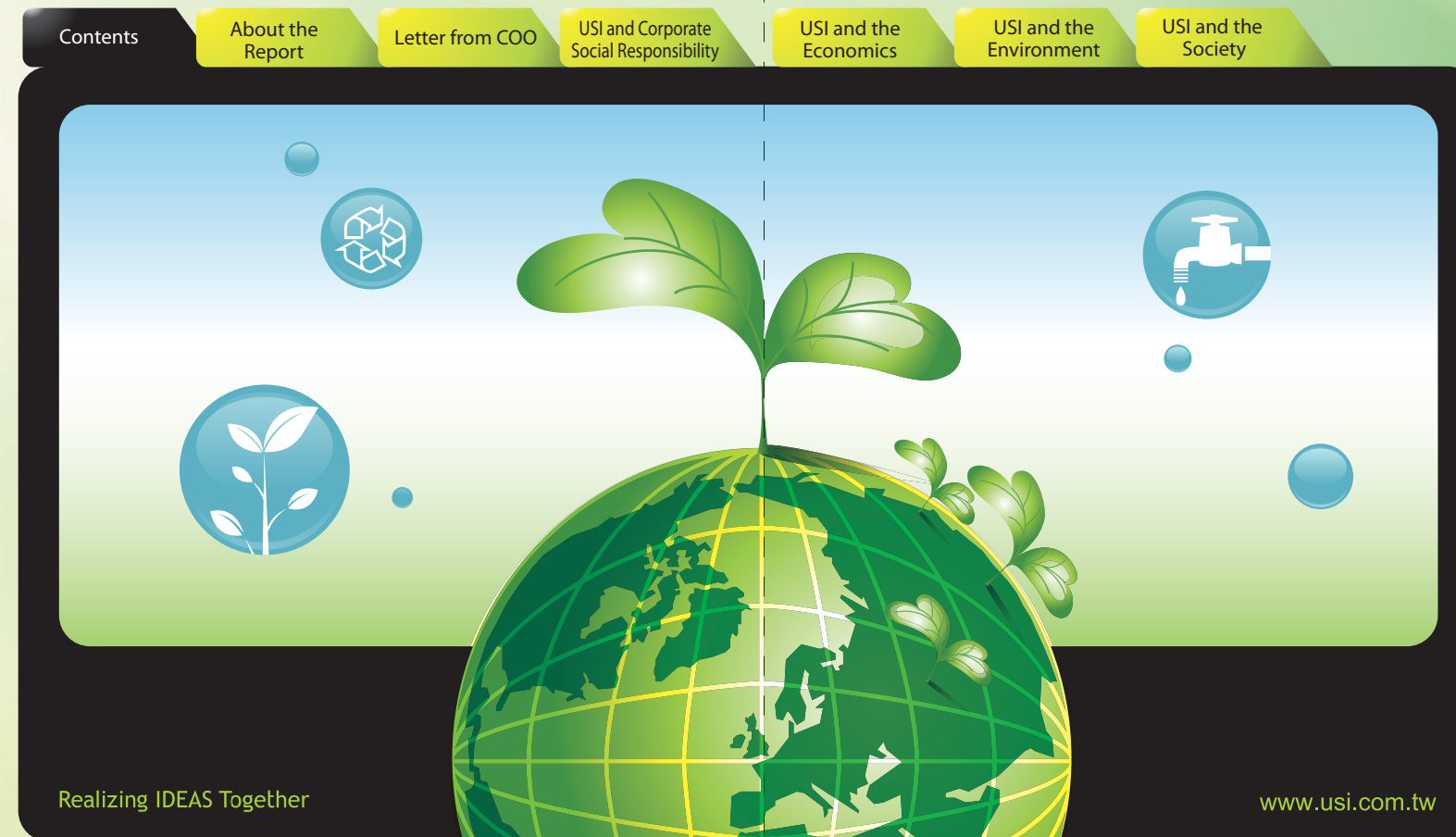
Through
Electrical Technology



Realizing IDEAS Together

www.usi.com.tw

 Universal Scientific Industrial Co., Ltd.



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

Building a better place to live for future



USI has been in the electronics manufacturing for more than 3 decades, and now is one of the leading global firms in electronics design, manufacturing that provide professional and 360° service in terms of new product design, manufacturing and logistics. Our competitive superiority comes from our integrity and reliability, the down-to-earth business philosophy and the attitude of constant innovation. These efforts, no doubt, have facilitated the economic prosperity of human society and yet brought to us the tension between human being and the environment!

An old saying goes: "give back to the society what we take from it." On the pursuit of better profitability and efficiency, we know deep in our hearts that there will be no future if we don't start allocating part of our efforts and resources on the building a better place to live for future. Naturally, caring for the planet becomes the consent and obligation for everyone in USI.

This year, the focus of our corporate social responsibility is on not only the realization of "USI's green commitments" by enforcing the energy efficiency and waste reduction policy, but also the employees' interests and corporate ethics.

USI does understand that the natural resource on Earth is limited. Therefore, it is without a doubt important to have energy conservation issue as one of the priority action initiatives every year. These initiatives cover from product development and design, material purchase, production and manufacture, logistics to after-sale service. We communicate our code of conduct for energy conservation with our employees, suppliers as well as clients. This year, we launch a whole new GPMS (Green Product management System) platform that allows suppliers to upload environmental data faster for more convenient green data management.

A company is an organic body and employees are the individual cells that are tiny building blocks of this body. There are more than 11,000 employees standing at their posts and finishing the jobs at hand in China, Taiwan, Japan and Mexico. What they are doing is not only to maintain the sustainable growth of the corporation, but also realize the spirit of USI for corporate social responsibility – to build a better place to live for future. It is always an important agenda to have a safe working environment and a group of employees healthy both physically and psychologically. So, all heads of department, including me, have to show that they care about employees' satisfaction with their jobs. As a result, internal training programs and accident rehearsals were provided this year to enhance the safety of the environment for the employees, and medical service was contracted to provide health consultation for employees and prevention of occupation-related diseases.

Believing in good company governance, USI is promoting the "Sunshine Law" and enforcing anti-corruption and anti-bribery policies. A full-scale campaign is conducted through e-Learning programs, allowing our fellow workers, clients and suppliers to understand why USI is highly focusing on eliminating any foul play. The purpose is to stop the foul plays of the minority, such as law violation, abuse of personal powers and fattening one's personal pocket, from affecting the interests of the majority, including corporate reputation, profits and the trust of company to its employees.

I would like to appreciate all USI stakeholders for your attention on corporate social responsibilities. We will continue to have our focus on agendas regarding ethics, labor relations, environment and communities, and let's work together to build a better place to live for future.

Sincerely

Chief Operating Officer
CY Wei



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USI and Corporate Social Responsibility

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

1.1 Vision and Promise

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

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

We commit to:

- Provide rewarding and challenging working environment for employees
- Generate consistent return on investment for our shareholders
- Build a better place to live for future

2011

- USI Shanghai was awarded "Cleaner Production Industry"
- USI Shenzhen was elected as one of "Top 100 Corporations in Shenzhen"
- USI Shenzhen was awarded "National Excellent Foreign Investment Corporation – Award for Facilitating Harmonic Employment Relation"
- USI Shenzhen was awarded "Advanced Enterprise of Waste Reduction of Shenzhen"

2010

- Global Views Monthly Magazine appraised USI as one of "The Best 65 Industries in Corporate Social Responsibility Performance"
- Awarded "Wenxin Award-Silver Award" by "Council for Cultural Affairs"
- USI Shenzhen was awarded "2010 Chinese Outstanding Enterprise Citizen Award"
- USI Shanghai was awarded "Water Saving Enterprise of Shanghai"
- USI Shenzhen was awarded "Advanced Enterprise of Waste Reduction of Shenzhen"

2009

- Common Wealth Magazine appraised USI as the industry among "Excellence in Corporate Social Responsibility TOP 50"
- Global Views Monthly Magazine appraised USI as one of "The Best 50 Industries in Corporate Social Responsibility Performance"
- USI Shanghai was appraised as "Happy Production" outstanding industry of humane concern
- USI Shenzhen was awarded "Chinese Growing Enterprise Citizen Award"
- USI Shenzhen was awarded "Cleaner Production Industry"

2008

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

2007

- Shenzhen, Mexico, and Shanghai sites passed IECQ QC080000 HSM Authentication
- Recognized by "Outstanding Healthy Workplace Quality Certification" of Department of Health

2006

- The first DMS corporation passing IECQ QC080000 HSM Authentication
- Promotion of Green Quality Management System

1.2 Policy and Operation

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

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

* Child labors under the age of 16.

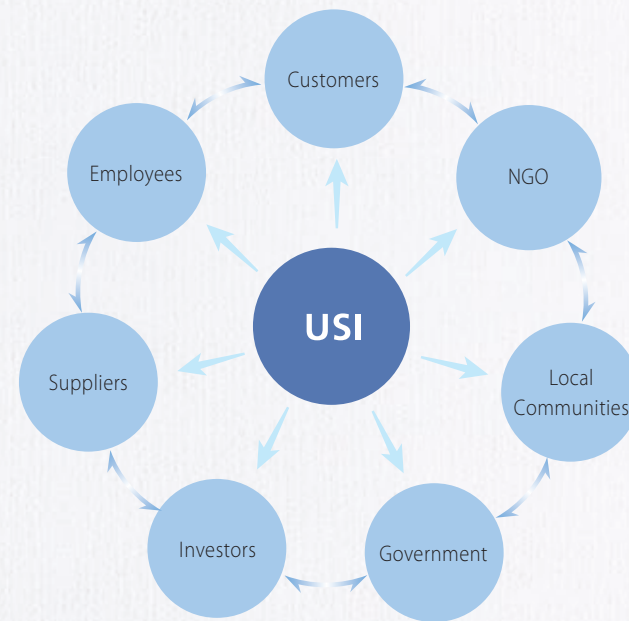
USI participated in 'E-TASC' (Electronics-Tool for Accountable Supply Chains) in 2008 and registers in 'EICC-On Tool' platform in 2012, evaluating performances in employees' human rights, workplace health and safety, industrial morality, and environmental protection of USI. USI also followed EICC (Electronic Industry Code of Conduct) and asked all worldwide sites to realize their social responsibilities.

All worldwide sites have passed ISO14001 environmental management system, ISO9001 quality management system, and OHSAS18001 occupation health and safety assessment series. These authentications ensured the product quality and ESH management of USI correspond with international standards. USI cooperated with upstream and downstream companies to establish sustainable green supply chains. USI applied green environmental protection to raw material purchase, product designing, and production to meet EU environmental protection directives. China sites practiced cleaner production to enforce preventive policy of environmental protection and lower the influence on environment caused by production, product, and service. Meanwhile, USI is dedicated to improving employees' interests, ensuring the sanitation and safety of work place and providing a complete range of training programs, which was recognized by the "TTQS Gold Medal" of Council of Labor Affairs and the nomination of "National Training Quality Award."

1.3 Identification and Selection of Stakeholders

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

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



High

Influence on corporate operations

Low

Level of concerns for stakeholders

High

Legal Compliance
Employees' Code of Conduct
Labor Relations
Employment Status
Employment Policies
Training

Business Performance
Financial Transparency
Quality Management
Green Products
Employees' Welfare

Employees' Human Rights
Product Packaging
Product Transportation

Non-financial Information Disclosure
Supply Chain Management
Innovation and R&D
Environmental Policies
Communications with Stakeholders
Occupational Safety

1.4 Stakeholder Communication

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

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



2 Realizing IDEAS Together

USI and the Economics

- 2.1 Corporate Operation
- 2.2 Investor Relations

2.1 Corporate Operation

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

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

2.1.1 Corporate Introduction

| | |
|----------------------------|---|
| Company Name | Universal Scientific Industrial Co., Ltd. |
| Headquarter Location | Administration Center: No.141, Lane 351, Sec. 1, Taiping Rd., Caotun Township, Nantou County, Taiwan (R.O.C.) Manufacture and Operation Center: No.1558, Zhang Dong Road, Zhangjiang Hi-Tech Park, Shanghai, P.R. China |
| Capital | Approx. US\$144 million |
| Location of Stock Issue | Shanghai Stock Exchange |
| Stock Number/Code | 601231/USI Shanghai |
| Date of Stock Issue | Feb 20 2012 |
| Main Products and Services | Professional service in 5 major categories of electronic products, including communications, computer and storage, consumer electronics, industrial products and others (mainly car electronics); specialized in design and development, material purchase, logistics and maintenance |
| Number of Employees | Approx. 11,000 (As of 2011/12) |
| Area of Operation | Taiwan, China, Japan, USA, Mexico, India |

USI Shanghai Manufacture and Operation Center was founded in 2003, its products are well reputed internationally, and provide professional design, manufacturing services and solutions as a large design and manufacturing service providers. In addition to manufacturing services, USI is also focusing on cultivating R&D talents actively, investing in communications, consumer electronics, computers and storage, industrial and automotive, the five main segments of electronic products development and design. In addition to this, USI also provides materials procurement, manufacturing, logistics, maintenance and other professional services to both domestic and international branding manufacturers.

Currently, as a member of the ASE Group, through the internal integration, we provide our customers the best solution from IC packaging and testing, SiP (System in Package), PCBA to system assembly. USI combines itself advanced microelectronics packaging technologies to establish a unique competitive advantage in order to provide customers a total solution in terms of high efficiency, high-quality, high added value and highly competitive cost.

Currently, USI has set up R&D and manufacturing sites in China and Taiwan. In terms of customers' profile, we have many well-known international companies. There are five main manufacturing sites, Taiwan, Shanghai, Shenzhen and Kunshan, China, and Mexico sites. The global service network covers Asia and Americas.



2003

- Shanghai Manufacture and Operation Center was established
- R&D center started operating

2004

- Completed first plant in Shanghai
- Started manufacturing flat panel display control boards and wireless communication products
- Expanded production capacity to six SMT production lines
- Successfully integrated SAP, PDM and SFIS system

2005

- Expanded production capacity to 15 SMT production lines
- Be ranked 71 in Shanghai Top 100 Import & Export Enterprises
- Taiwan Site became the first manufacturer to develop automatic vehicle navigation system

2006

- Completed second plant in Shanghai
- Expanded production capacity to 30 SMT production lines
- Began to mass produce storage and palm appliances
- Implemented supplier management inventory system

2007

- Expanded production capacity to 39 SMT production lines
- Began to mass produce automotive electronic products

2008

- Successfully developed light weight Mobile Internet Device (MID)

2009

- Continued to strengthen the penetration of ODM product, targeted wireless communication technology, digital storage and flat screen display

2010

- Committed to rise ODM product ratio, developed miniaturization technology and enhance cloud computer technologies

2011

- Official mass production at Kunshan Site
- Production automation improvement project initiated at Shanghai Site; introduction of test automation in SiP products completed

2.1.2 Product and Service

| Product | Appliance |
|----------------------|--|
| Communications | Wireless communication modules of laptops, corporate-level wireless access points, wireless network NIC modules  |
| Consumer Electronics | LCD control panels -- laptop/monitor/TV, LED light bars -- laptop/monitor/TV, LCD FET, LED driver boards for TV motherboards, TV – power control panel/keyboard  |
| Computer and Storage | Network storage equipment, dick array products, network storage server, solid state hard drives, server motherboard, server expansion card, server adoption card, server back board, computer peripherals  |
| Industrial | Sales system, warehouse data collector  |
| Others | Car parts and other electronics products  |

2.1.3 Global Operative System

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



2.1.4 Business Geography

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

Unit: US\$ 1,000

| Area | 2010 | 2011 |
|---------------|-----------|-----------|
| China | 196,713 | 159,461 |
| Outside China | 1,774,259 | 1,665,415 |
| Total | 1,970,972 | 1,824,876 |

Note: Consolidated results shown

According to MMI (Manufacturing Market Insider) data in Jan 2012, which provides the average revenue of US\$ 337.5 billion estimated by IDC for the Global Contract Manufacturing Industry (EMS+ODM) in 2011, the consolidated revenue of USI in 2011 was US\$ 2.0168 billion with a market share of 0.60%.

2.1.5 Financial Performance

The consolidated revenue of 2011 was US\$ 1.829 billion, which resulted in a profit margin of 11.52% or the amount of US\$ 211 million. In addition to maintaining superior market competitiveness of our products, our quality management and after-sale service are highly recognized by various clients. We run a tight control on internal manufacturing costs and inventories, as well as are committed to lowering sale and management expenses, making our operations even better. Therefore, the consolidated profit margin was slightly better in 2011 than in 2010.

Unit: US\$ 1,000 (US\$ for EPS)

| | 2010 | 2011 |
|----------------------------------|-----------|-----------|
| Operations (Note) | | |
| Revenues | 1,972,942 | 1,829,016 |
| Gross Profit | 226,252 | 210,708 |
| Selling General & Administrative | 35,982 | 33,823 |
| Research and Development | 100,461 | 96,718 |
| Operating Income | 89,810 | 80,167 |
| Net Income | 77,576 | 65,055 |
| Earnings Per Share | 0.09 | 0.07 |
| Financial Standing | | |
| Total Assets | 1,112,550 | 892,631 |
| Shareholders' Equity | 344,416 | 296,488 |

Note: Consolidated results shown

Sales Volume and Value List

Dollars and Units in Thousands

| Main Products | 2010 | | | | 2011 | | | |
|------------------------------|----------|-----------|---------|------------|----------|-----------|---------|------------|
| | Domestic | | Export | | Domestic | | Export | |
| | Volume | Value | Volume | Value | Volume | Value | Volume | Value |
| Communication | 63,109 | 443,699 | 20,981 | 968,591 | 82 | 35,155 | 5,582 | 525,035 |
| Computer & Peripherals | 1,127 | 905,342 | 98,857 | 6,372,559 | 59 | 24,142 | 51,869 | 5,353,632 |
| Electronic Packaging and EMS | 450,602 | 4,197,839 | 133,006 | 1,853,236 | 18,389 | 2,443,292 | 60,410 | 1,431,953 |
| Industrial and Automotive | 29,487 | 302,562 | 55,908 | 5,785,086 | 87 | 272,536 | 11,667 | 1,738,464 |
| Storage & Server | 561 | 96,044 | 27,721 | 1,865,907 | 14 | 39,130 | 15,602 | 1,863,070 |
| Total | 544,886 | 5,945,487 | 336,474 | 16,845,379 | 18,631 | 2,814,255 | 145,130 | 10,912,154 |

Note: Data covers only Taiwan site

2.1.6 Honorable Records

USI's overall corporate performance and the efforts we put in product development in 2011 are highly recognized by various institutions and win many awards. In addition to good corporate performance and innovative product development, USI is also committed in realizing corporate social responsibility. For the promotion of arts and culture, USI won the recognition of "Silver Medal – Arts and Business Award" held by Council of Cultural Affairs in 2008 and 2010. The winners of this award are elected once every two years.

Industrial Performance

- The "Council for Labor Affairs" provides the "Taiwan Training Quality System (TTQS)" and the "First National TrainQuali Prize". USI Taiwan was recognized by the gold medal of TTQS for the establishment of USI University for the integration of the corporation's global training resources, and was nominated for the National TrainQuali Prize.
- USI Taiwan was awarded "2011/05~2012/03 no record of disaster working-hour" certificate by "Council of Labor Affairs, Executive Yuan"
- USI Shanghai was awarded "Cleaner Production Industry"
- USI Shenzhen was elected as one of "Top 100 Corporations in Shenzhen"
- USI Shenzhen was awarded "National Excellent Foreign Investment Corporation – Award for Facilitating Harmonic Employment Relation"
- USI Shenzhen was awarded "Advanced Enterprise of Waste Reduction of Shenzhen"
- USI Kunshan was recognized as one of the "People of the Year for Housing Fund in Kunshan City, 2011"



USI Shanghai was awarded "Cleaner Production Industry"



USI Shenzhen was awarded "National Excellent Foreign Investment Corporation – Award for Facilitating Harmonic Employment Relation"



USI Shenzhen was elected as one of "Top 100 Corporations in Shenzhen"

Product Research and Development

- The "Bureau of Standards, Metrology and Inspection, M.O.E.A." organized the third "Electro-Magnetic Compatibility (EMC) Design Competition." A good number of major Taiwanese firms participated in this event. A fierce competition later, USI was awarded as excellent performance for the outstanding EMC design and analysis capability, a demonstration of the solid R&D capability of USI in integrating mechanism and system design.
- USI filed 86 patent applications worldwide in 2011 and over 53 are approved. As of now, there are 398 patents pending for review and 476 were approved.



USI Taiwan was awarded the gold medal of TTQS for integration of global resource and nominated for National TrainQuali Prize



USI Taiwan won the excellent performance award for the outstanding EMC design and analysis capability

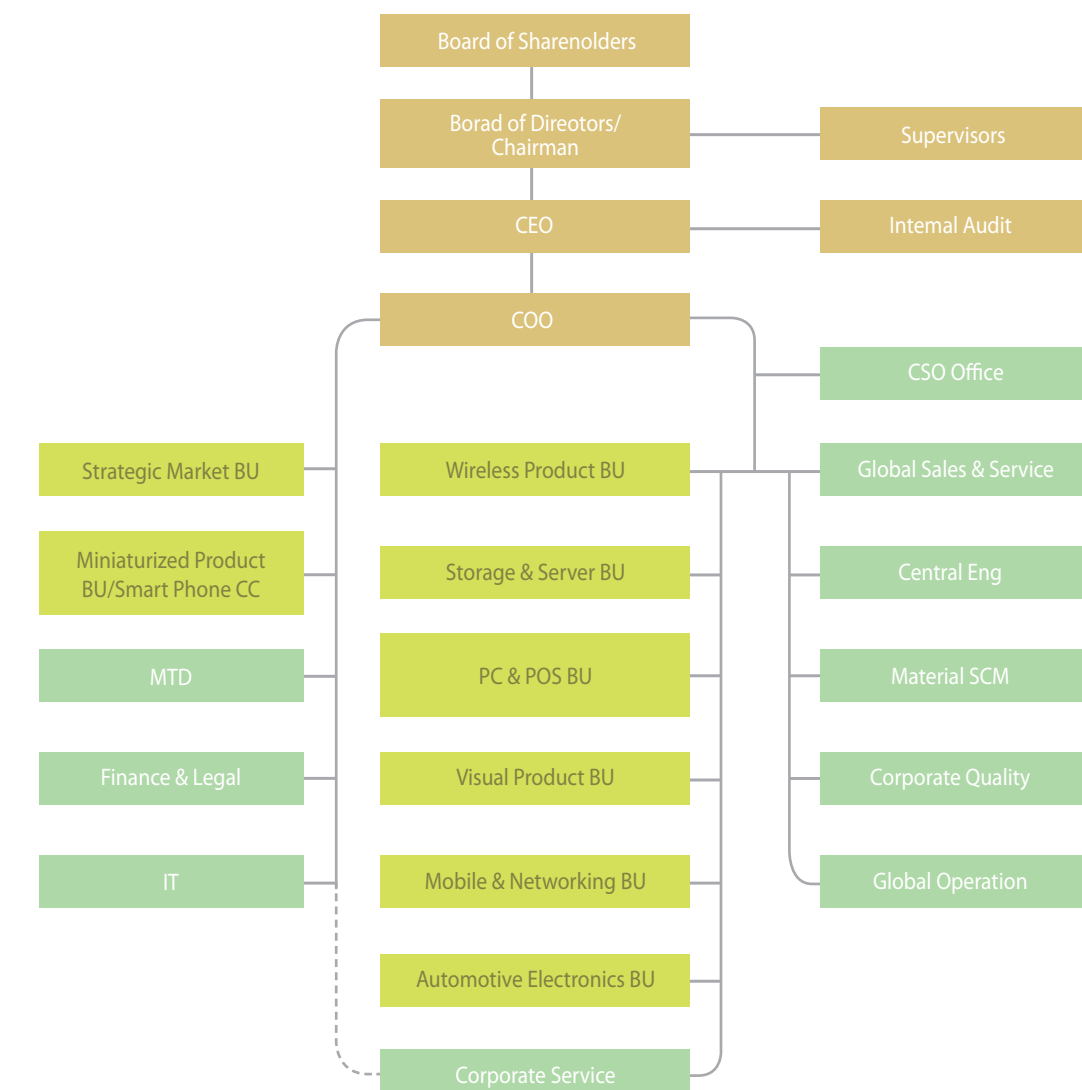
2.2 Investor Relations

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

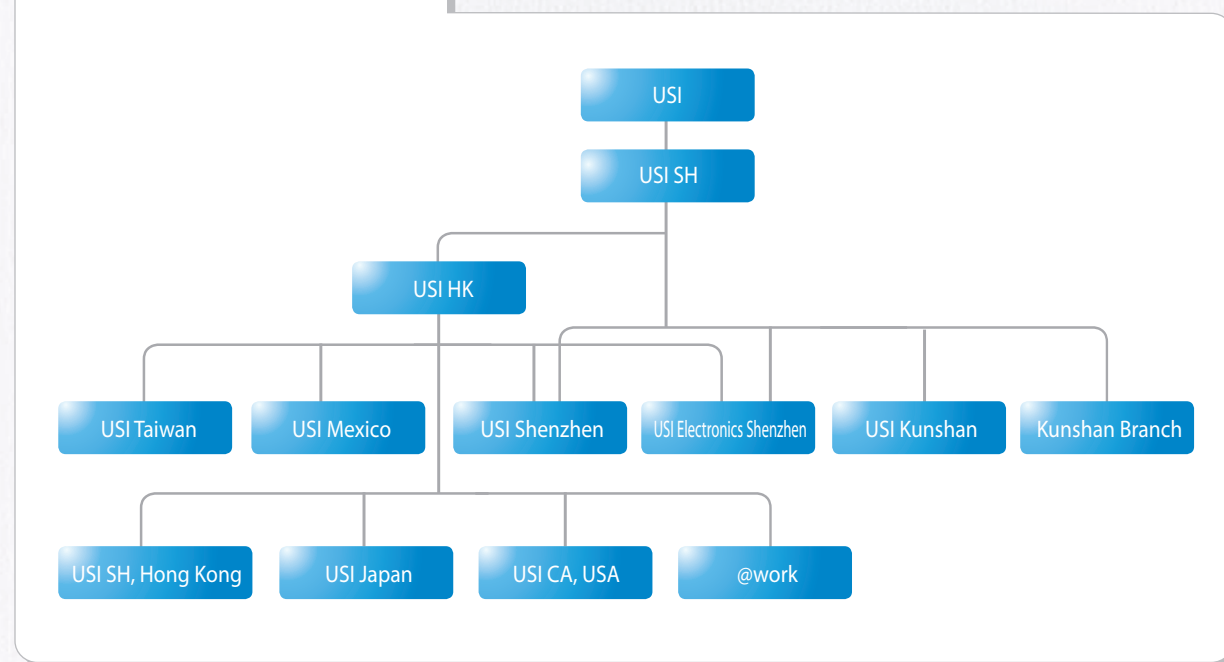
Through the investor relations section on the company website, USI publicizes the internal operating conditions, financial information and self-critic analysis openly to strengthen investors' confidence.

2.2.1 Corporate Governance

Managing Structure



Association Organization Map



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

Board of Directors

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

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

List of Directors and Supervisors

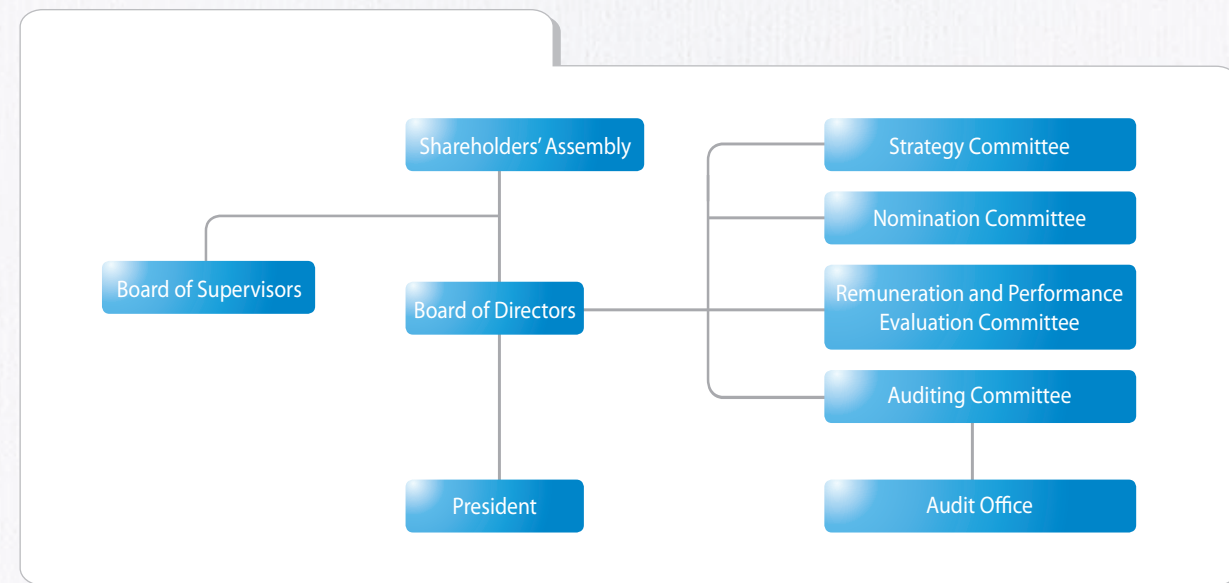
Each of the company's directors and supervisor has at least 5 years of professional experience knowledge in business, legal affairs, financial affairs, accounting or company operations, and is committed to protecting shareholders' interests and stabilizing the company's business. All the directors and supervisors are male, and 8 of them are above the age of 50 and 1 below.

| Title | Name | Educational background | Present part-time duty in USI and other institutes |
|----------------|--|--|--|
| President | ASE Inc. Representative: Chang Hong Ben | Department of Industrial Engineering, Chung Yuan University | Vice President and General Manager of ASE Inc. |
| Director | ASE Inc. Representative: Chang Qien Shen | Master of Science, University of Illinois, America Department of Electrical Engineering, National Taiwan University | President of ASE Inc. |
| Vice President | J&R Holding Limited Representative: He Hong | MBA, University of Iowa, America | Senior Vice President, Supervisor representative of ASE Inc. |
| Director | Rutherford Chang | Wesleyan University | Director of ASE Inc. |
| Director | Cheng-Yen Wei | National Chiao Tung University | President of USI, director of USI Shenzhen, CEO of USI CA |
| Director | Fu-Hui Wu | PhD in Mechanical Engineering, Brown University | Sr. Vice President of USI, Vice President of USI |
| Director | Wei Tung | | Board Chairman of Chung Lee Securities, Vice Chairman of Shanghai Fraternity Association |
| Director | Chi-Chieh Chen | PhD in Economics | Director of Graduate Study, Shanghai University of Finance and Economics |
| Director | Fei Pan | PhD in Management | Deputy Dean of Accountancy, Shanghai University of Finance and Economics |
| Supervisors | Hung-Szu Tung | Master, University of California | Representative and Vice President of ASE Group, USI supervisor representative |
| Supervisors | Meng-Kuo Shih | Master, Graduate Institute of Management Science, National Chiao Tung University | Sr. Vice President and head of finance, USI |
| Supervisors | Tien-Yi Huang | United Junior College | Director of Purchase and Logistics Service Department |

The Organization and Operation of Internal Audit

Internal Audit Organization

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



The Operation of Internal Audit

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

Salary Policy

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

2.2.2 Risk Management

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

The Organization and Operation for Risk Management

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

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

List of Risk Management Organizations

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

2.2.3 Anti-Corruption and Anti-Bribery

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

Examination Policy of Integrity Deeds

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

2.2.4 Regulations Abidance

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

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

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

2.2.5 Government Subsidy

USI is a leading global DMS provider with outstanding R&D ability and manufacturing service. In 2011, Taiwan Site received funding from the consultation and development programs provided by various institutions; for example, USI received a subsidy of NT\$ 610,410 from the "Assisting Enterprises Program to Upgrade Human Resource" offered by the Central Training Center, Bureau of Employment and Vocational Training, Council of Labor Affairs.

2.2.6 External Participation

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

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





USI and the Environment

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

3.1 USI and Climate Change

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

3.2 EHS Policy of USI

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

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



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

3.3 Green Promise of USI

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

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

USI actively delivers Green Promises through four directions: **Green Management, Green Supply Chain, Green Expenditures and Green Education**



Four Green Promises of USI

Green Management

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

Green Supply Chain

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

Green Education

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

Green Expenditures

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

3.3.1 Green Management

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

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

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

USI's DFE Strategy

USI established an environmentally hazardous substance database (EHS Database), helping the sales and project management unit to confirm Green Product specifications with customers. It enabled the R&D staff to assess the life cycle of each Green Product and obtained environmental labels on customer's requirements to reduce environmental impact. Meanwhile, USI also facilitated all worldwide sites to pass strict audit for Hazard Substance Process Management by external assurance. This fully proved that USI's Green Product Management System can make fast and flexible adjustments to adapt to changes of international environmental protection regulations.

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

Carbon Footprint Verification

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

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

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

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

Schedule for the Introduction of Green Management System

| Management System | Taiwan | Mexico | Shenzhen, China | Shanghai, China | Kunshan, China |
|-------------------|-----------|--------|-----------------|-----------------|----------------|
| ISO 14001 | 1998 | 2006 | 2001 | 2004 | 2012 |
| IECQ QC080000 | 2006 | 2007 | 2007 | 2007 | 2012 |
| ISO 14064-1 | 2005-2006 | | 2009 | 2009 | 2012 |



ISO 14001 Certificate



IECQ QC080000 Certificate



ISO 14064-1 Certificate

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

Shanghai site was certified on Oct 2011 for cleaner production. This call for a series of precautionary environmental measures applied to manufacture process, products and service to achieve the goal of cleaner production by, for example, reducing the use of organic solvent, lowering the company's energy consumption, greenhouse gas emission and total generation of wastes.

3.3.2 Green Supply Chain

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

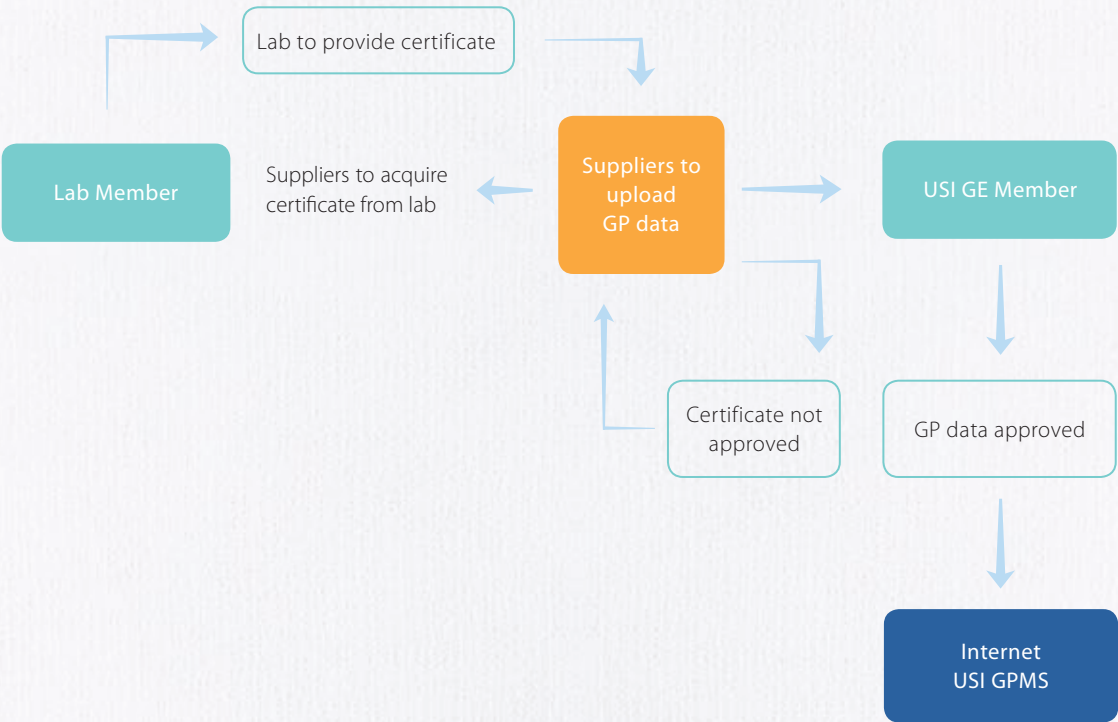
Many studies and empirical data indicated that the difference in manufacturing process will lead to varying levels of materials/ resources consumption and environmental impact. USI conducted an evaluation of product life cycle stages. It ensured each stage of production---from planning and designing,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

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

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

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

GPMS System:



3.3.3 Green Expenditures

| USI Environmental Expenditures | | | In 1,000 NT dollars |
|--|---|-------------------------------|---------------------|
| Expenditure Items | Details | Amount of Expenditure in 2011 | |
| Cost of pollution prevention | Including the prevention of air, water and other forms of pollution | 1,251 | |
| Cost of investing in energy-saving equipment | The investment in resource conservation (e.g. energy and water resources) | 4,581 | |
| Cost of disposing industrial waste | | 3,075 | |
| Cost of building an environmental management system, and obtaining the certification | Fees for ISO14001 and ISO14064-1 | 444 | |

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

| Benefits of USI Environmental Protection Efforts | | | In 1,000 NT dollars |
|--|--|-------------------------|---------------------|
| Items | Details | Total Benefits For 2011 | |
| Recycled industrial waste | Including waste paper, waste plastics, IC trays, solder residues/ paste, waster products (registered quarterly), PCB end pieces, miscellaneous metal, used product trays, and wrapping materials | 35,562 | |

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

3.3.4 Green Education

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

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

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

The Green Education Training Program for Employees

| Introduce the GP quality management system | Assess the specs of GP and parts |
|--|--|
| <ul style="list-style-type: none">International environmental regulations and requirements for green productsFramework of green management systemThe operating procedure for GP design/manufacture | <ul style="list-style-type: none">Require the data about green partsKeep track of Green raw-materials inventoryRecognition and change of Green raw materials |

3.4 Environmental Protection of USI

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

3.4.1 Material Management

USI conducts an ecological assessment in the product planning stage to ensure efficient use of raw materials, for example, using materials with comparatively low environmental impact, recyclable/reusable raw materials, and materials made from recyclables. USI also prefers low-polluting and non-toxic raw materials such as the halogen-free ones. At present, USI has 243 substances that have impact to environment under control, including 8 prohibited substances and 235 for observation. We are planning to increase the number of controlled substances of environmental impacts for the improvement of environmental performance of the manufacture processes employed and to share with our clients and supply chain partners the value of environmental protection from limited use of hazardous substances in our production process.



USI collects the data of the consumption of major to control the efficiency of raw materials use, reduce the consumption of raw materials and lower the use of environmental resources. The table below shows the statistics of major raw materials consumption in 2011.

Consumption of Main Materials

| Category | Total weight (Tons) |
|-------------------------------------|---------------------|
| IC, chip, resistors, conduct cords | 2,275 |
| PCB boards | 1,324 |
| Paper | 11,206 |
| Metals | 812 |
| Solder bars/paste, ink and adhesive | 1,411 |
| Organic solvent | 136 |

Note: The consumption data covered Shanghai, Shenzhen and Kunshan sites

3.4.2 Greenhouse Gas Emission Reduction Management

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

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

Greenhouse Gas Emissions

The most recent report of USI covers 2011 and includes 4 production bases in Taiwan, Shanghai, Shenzhen and Kunshan. Kunshan site is the new element of this report compared to the previous year, resulting in additional 2758.69 tons of emission compared to 2010.

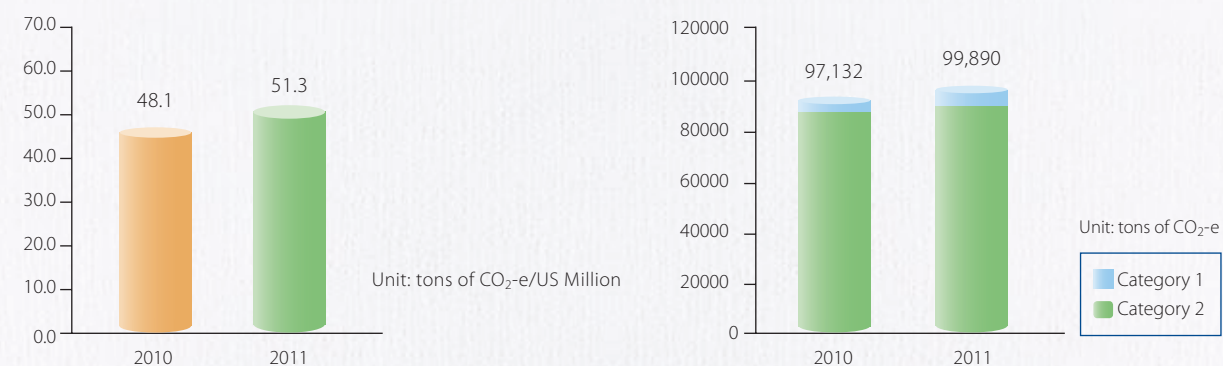
Third party certification was acquired in 2010 and 2011, so was the verification statement for the reasonable certification level. The third party DNV verification for 2011 was approved in June 2012 along with the verification statement for reasonable certification level.

All Greenhouse Gas Emissions

| Year | Greenhouse gas emissions (Tons, CO ₂ e/year) | | | | |
|------|---|-------------------------|-------------------|---------------------|--------------------------|
| | Fixed burning emission | Mobile burning emission | Fugitive emission | Processing emission | Indirect energy emission |
| 2010 | 1,194 | 212 | 991 | 0 | 94,734 |
| 2011 | 3,249 | 254 | 1,033 | 0 | 95,354 |

Categories of Greenhouse Gas Emissions

| Year | Emissions of each category (Tons, CO ₂ e/year) | | |
|------|---|------------|--------|
| | Category 1 | Category 2 | Total |
| 2010 | 2,397 | 94,734 | 97,132 |
| 2011 | 4,536 | 95,354 | 99,890 |



Note: The data collected above were rounded

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

2011: 50 tons of CO₂-e /US Million 2012: 45 tons of CO₂-e /US Million
 2013: 43 tons of CO₂-e /US Million 2014: ≤42 tons CO₂-e /US Million

3.4.3 Energy Management

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

Energy Consumption

| | Direct energy consumption | | | | | | Indirect energy consumption | |
|----------------------|---------------------------|-----|--------|--------|-------------|--------|-----------------------------|---------|
| | Gasoline | | Diesel | | Natural gas | | Electricity | |
| | KL | GJ | KL | GJ | Km3 | GJ | kWh | GJ |
| 2011 | 26 | 941 | 80 | 25,560 | 1,483 | 57,750 | 114,313 | 411,132 |
| Amount of change | 6 | 230 | 11 | 336 | 938 | 36,552 | 987 | 3,510 |
| Percentage of change | 24% | | 13% | | 63% | | 1% | |

Note: Data illustrations:

A. The data shown are those collected during the ISO14064 inventory procedure and verified internally and externally.

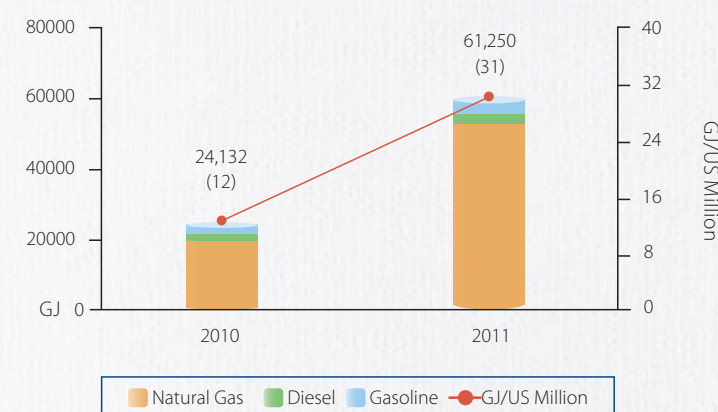
B. The 2011 envelope covers the production bases of Taiwan, Shanghai, Shenzhen and Kunshan. Kunshan is the new addition to the 2010 envelope.

C. The "Amount of change" and "Percentage of change" are the result compared to the data of 2010.

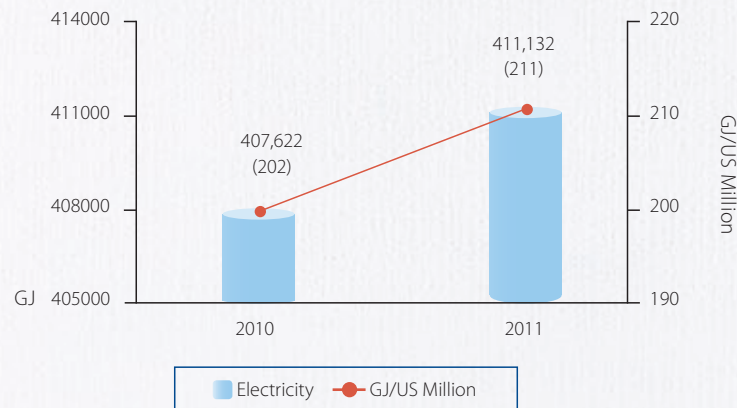
D. The data collected above were rounded.

The table above shows that the energy consumption is higher in 2011 than in 2010. The increase comes mainly from the increase of direct energy consumption. The cause is primarily the initiation of production at Kunshan site in 2011. The analysis is shown below:

Direct Energy Consumption



Indirect Energy Consumption



Measures Taken to Save Energy and the Results:

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

| | Electricity-saving measures | Results |
|---------------|--|---|
| Shanghai site | Energy improvement for lighting in Building B (T8 fixtures replaced with LED) | Saving approximately 1367 kWh (4916 GJ) |
| Shenzhen site | Energy improvement for facility lighting (T8 replaced with energy efficiency fixtures) | Saving approximately 1176 kWh (4229 GJ) |

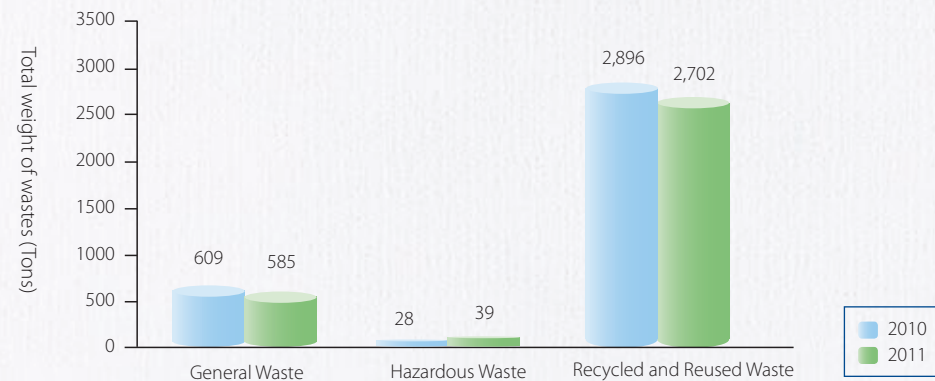
Note: The results above were the estimations based on the potential running time

3.4.4 Waste Management

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

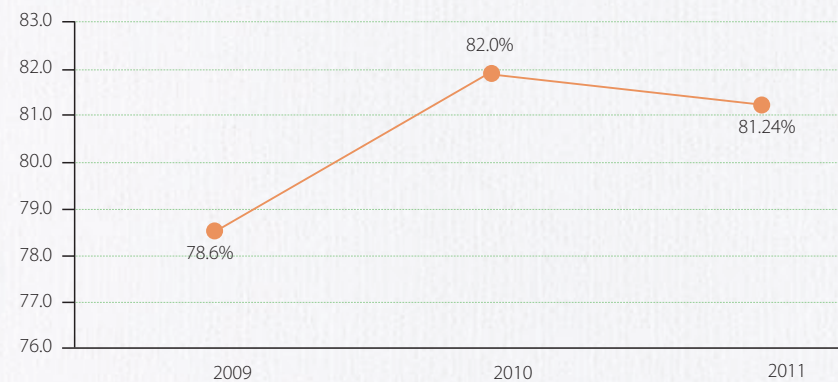
The statistics show that the production of general industrial wastes decreased by 3.94% in 2011, hazardous industrial waste production increased by 39.29%, and production of recyclable wastes decreased by 6.70% compared to 2010. Further, the waste recycling exceeded 80% in 2011, which dropped slightly compared to 2010. USI vows to effectively carry out the waste reduction policy in order to achieve the sustainable use of resources (i.e., recycle and reuse).

The Total Wastes



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

Percentage of Waste Recycled



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

3.4.5 Water Resource Management

USI collects the data of wastewater discharge reduction and water saving at the 5 sites (Taiwan, Shenzhen, Shanghai, Kunshan and Mexico) around the world for the control of water consumption at these sites. The data show that the water consumption of USI increased by 25.65% and wastewater discharge by 27.05% compared to 2010. The main cause is the new chillers and cooling water towers added to Shanghai site for increase of operation needs. Another cause is the initiation of production at Kunshan site.

Total Amount of Water Consumed and Wastewater Discharged

| | Total water consumption (tons) | Total amount of wastewater discharged (tons) |
|----------------------|--------------------------------|--|
| 2010 | 399,935 | 347,740 |
| 2011 | 502,524 | 441,809 |
| Percentage of change | 25.65% | 27.05% |

Note: 1. The water consumption data covered Taiwan, Shanghai, Shenzhen, Kunshan and Mexico sites.
2. The wastewater discharge data covered Taiwan, Shanghai, Shenzhen and Kunshan sites.
3. Water supply comes from utility water supply.

To reduce water consumption, USI adopted water-saving measures, such as adjusting water supply of the water-saving equipment in restrooms on each floor to avoid unnecessary consumption. The spent water recycling program for RO pure water equipment was initiated at Shanghai and Kunshan sites in 2011. It is estimated to save 40277.8 tons of utility water every year for Shanghai and 5482 tons for Kunshan (25.73% of water was recycled in this manner). The reduction water consumption is achieved through wastewater recycling and reuse.

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

3.5 Green Prospects of USI

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



Realizing IDEAS Together

USI and the Society

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

4.1 USI and Its Employees

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

USI Promises for Employees From Five Aspects



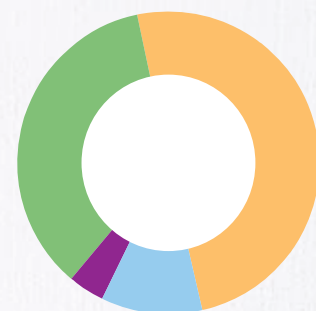
4.1.1 Employee Composition Profile

Employee Structure

In the end of 2011, USI had a total number of 11,913 employees, where both Taiwan and China possessed a total number of 1,600 and 9,959 employees respectively; the rest 354 employees were distributed to other overseas sites. And among all employees, there were 1,344 technicians, 1,320 managers and administrators and 9,249 assistant technicians. The number of female employees in USI reached 6,973, 59% ratio.

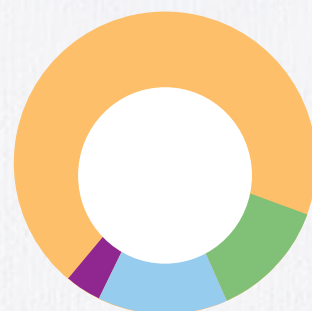
The percentage of hiring local employees as managers in Taiwan, Shanghai, Kunshan and Shenzhen sites are 100%, 75%, 90% and 94%; the others are Taiwanese executives because of operating requirements.

According to Age



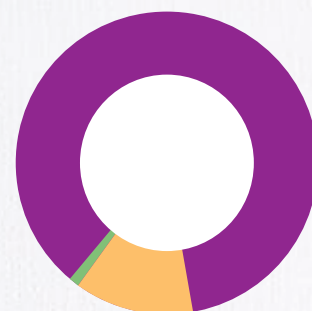
Under 20 (30%)
21–30 Years Old (50%)
31–40 Years Old (15%)
41–50 Years Old (5%)

According to Degree



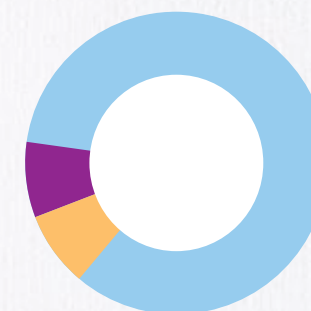
Doctor (0%)
Master (5%)
Bachelor (16%)
Senior high school (12%)
Under senior high school (66%)

According to Region



Taiwan (13%)
China (84%)
Other foreign sites (3%)

According to Job



Assistant technician (78%)
Technician (11%)
Administration and business personnel (11%)

According to Nationality



Taiwan (14%)
China (82%)
Others (3%)

The Proportion of All Types of Employees

| Type \ Site | Taiwan | | Shenzhen | | Shanghai | | Kunshan | |
|----------------------|--------|--------|----------|--------|----------|--------|---------|--------|
| | Male | Female | Male | Female | Male | Female | Male | Female |
| Executive | 1 | None | 1 | None | 1 | None | None | None |
| Middle-level Manager | 1 | 0.2 | 1 | 0.2 | 1 | 0.2 | 1 | 0.3 |
| Primary Supervisor | 1 | 0.3 | 1 | 0.5 | 1 | 0.5 | 1 | 0.2 |
| Indirect Labor | 1 | 0.5 | 1 | 0.9 | 1 | 0.7 | 1 | 0.4 |
| Direct Labor | 1 | 3.2 | 1 | 2 | 1 | 1.9 | 1 | 1.4 |

Note: Executives exclude members of the Board

Employing the Disabled on December 2011

| | |
|--|----|
| The Employment Number in Accordance With Regulations | 17 |
| The Employment Number in Accordance With Regulations | 17 |
| The Number Fails to Make Full | 0 |
| Paid Fully Differential Subsidy | 0 |

Note: The data only cover site in Taiwan

Employee Retention

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

Turnover Rate by Gender

| Site \ Gender | Male | Female | Average |
|---------------|------------|-------------|-------------|
| Taiwan | 9%(90) | 3%(21) | 6%(111) |
| Shanghai | 92%(2,037) | 158%(5,433) | 132%(7,470) |
| Shenzhen | 60%(684) | 108%(2,473) | 92%(3,157) |
| Kunshan | 45%(274) | 66%(519) | 57%(793) |
| Average | 62%(3,085) | 116%(8,446) | 94%(11,531) |

Turnover Rate by Age

| Site \ Age | <20 | 21-30 | 31-40 | >40 | Average |
|------------|--------------|-------------|----------|--------|-------------|
| Taiwan | 0%(0) | 8%(24) | 7%(72) | 3%(15) | 6%(111) |
| Shanghai | 144%(1,883) | 139%(5,381) | 49%(203) | 5%(3) | 132%(7,470) |
| Shenzhen | 82%(1,027) | 112%(2,039) | 27%(90) | 4%(1) | 92%(3,157) |
| Kunshan | 65%(238) | 60%(529) | 18%(24) | 18%(2) | 57%(793) |
| Average | 107%(3,148) | 116%(7,973) | 21%(389) | 3%(21) | 94%(11,531) |

Note 1: Data covered Taiwan, Shanghai, Shenzhen and Kunshan sites

Note 2: The turnover rate in China was rather high, presumedly because of labor shortage in the entire area

Parental Leave

The reinstatement in 2011: female employees account for 80%, and male employees account for 50%.

Correlation analysis is as follows:

| Parental Leave | Female | Male | Total |
|---|--------|------|-------|
| A) The number of employees who immediately back to work after take parental leave | 4 | 1 | 5 |
| B) The number of employees who apply for non-pay parental leaves after the expiration of non-pay parental leave | 0 | 0 | 0 |
| C) The number of employees who quit after the expiration of non-pay parental leave | 1 | 1 | 2 |
| D) The number of employees who apply for non-pay parental leaves (D=A+B+C) | 5 | 2 | 7 |
| Reinstatement rate(A/D) | 80% | 50% | 71% |
| The number of retention | 2 | 1 | 3 |
| Retention Rate | 50% | 100% | 60% |

Note: The data only cover factory in Taiwan

4.1.2 Equal Employment Opportunity

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

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

Employee Recruitment

New Staff Ratio-According to Gender

| Site \ Gender | Male | Female |
|---------------|-------|--------|
| Taiwan | 75.4% | 24.6% |
| Shanghai | 31.6% | 68.4% |
| Shenzhen | 29.6% | 70.4% |
| Kunshan | 39.2% | 60.8% |

New Staff Ratio-According to Age

| Site \ Age | <20 | 21-30 | 31-40 | >40 |
|------------|-------|-------|-------|-------|
| Taiwan | 0.0% | 35.8% | 44.9% | 19.3% |
| Shanghai | 33.2% | 62.8% | 3.8% | 0.2% |
| Shenzhen | 28.7% | 68.9% | 2.3% | 0.1% |
| Kunshan | 55.6% | 42.7% | 1.5% | 0.2% |

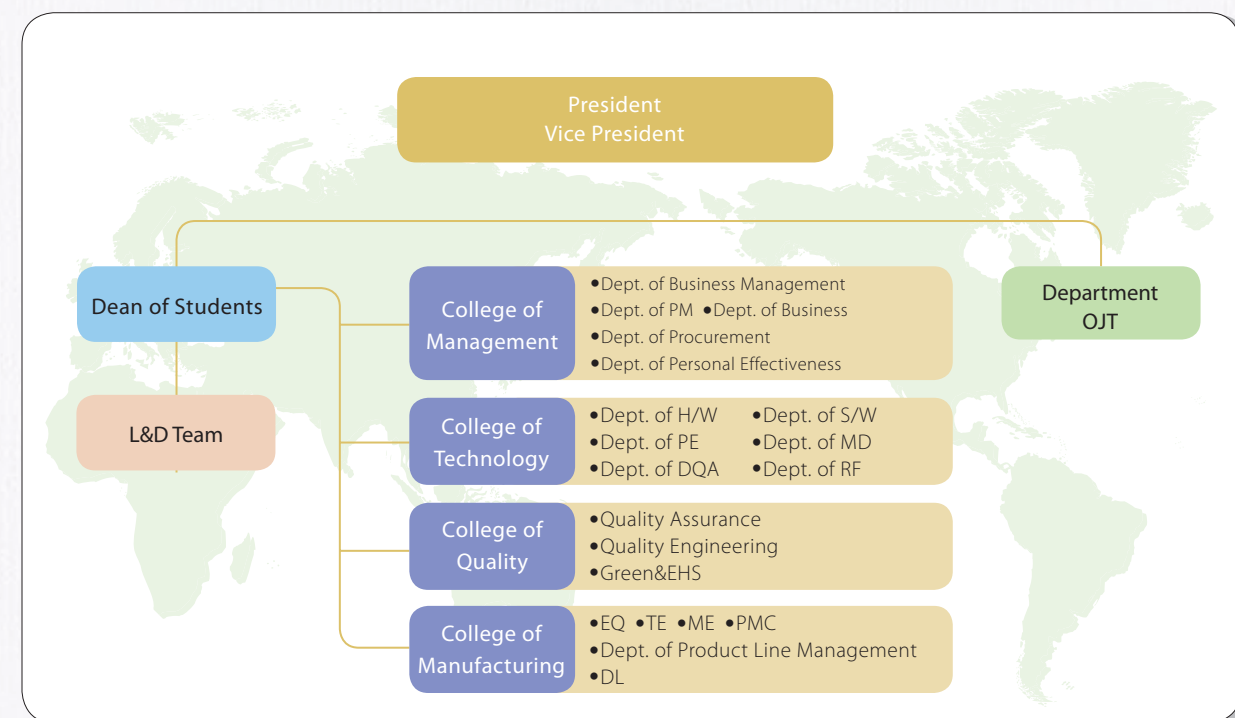
Note: Data covered Taiwan, Shanghai, Shenzhen and Kunshan sites



4.1.3 Integral Learning and Development Program

Employee Learning and Development

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



Vision of USIU

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

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

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

Various Employee Education and Training Courses of USI

- **Orientation training program:**

When newcomers enter the company, USI quickly arranges guidance courses with three phases to help them understand the operation of company. Then, USI will provide tailor-made professional skill courses for each newcomer to quickly get into the working environment. The training program of sites in Shenzhen, Shanghai, and Kunshan include EICC(Electronic Industry Code of Conduct) training courses, and site in Taiwan will introduce the courses in 2012.

- **Professional development course:**

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

- **Management training course:**

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

- **Direct employee training:**

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

- **Indirect employee training:**

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



- **External training:**

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



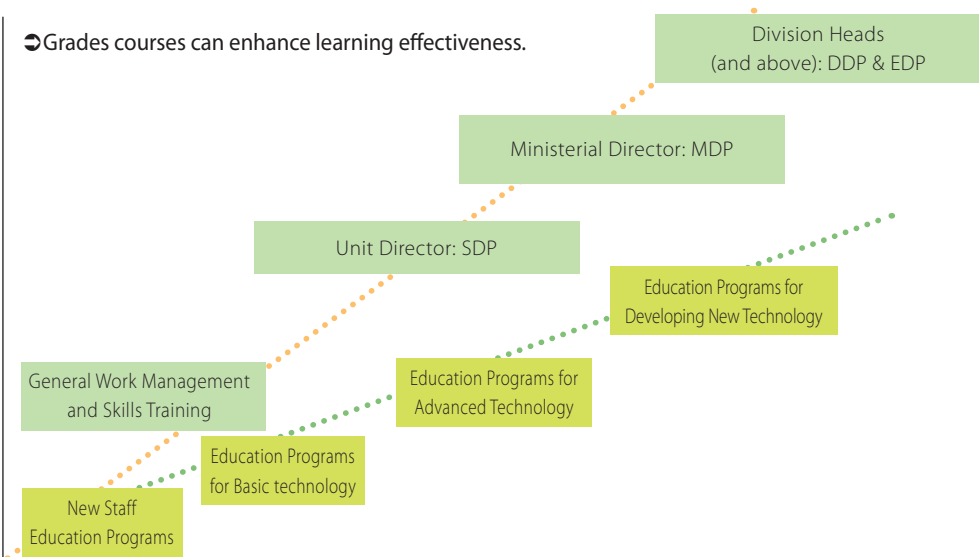
Development of Employee Education and Training

Grades courses can enhance learning effectiveness.

Long-term

Medium-term

Short term



Stage I (G4, G5)

- Basic professional courses
- Internal work processes
- The culture and value of company

Stage II (G6, G7)

- Advanced professional courses
- Unit Management Program
- Team building
- Personnel management

Stage III (G8~ G10)

- High-end professional courses
- Ministerial Management Program
- Lead, Plan and Implement

Stage IV (Above G11)

- Division (and above) Management Program
- Strategy and decision analysis
- Change Management
- Vision Planning

Average Time of 2011 Employ Education and Training (hour)

| Sites | Direct Employees | | | Indirect Employees | | |
|----------|------------------|--------|---------|--------------------|--------|---------|
| | Male | Female | Average | Male | Female | Average |
| Taiwan | 7.4 | 8.0 | 7.8 | 11.2 | 12.5 | 11.6 |
| Shanghai | 19.1 | 17.6 | 18.0 | 13.3 | 10.1 | 12.1 |
| Kunshan | 8.10 | 5.69 | 6.55 | 5.00 | 6.35 | 5.51 |
| Shenzhen | 28.9 | 22.9 | 24.5 | 13.3 | 13.4 | 13.3 |

| Sites | Supervisor | | | Executive | | |
|----------|------------|--------|---------|-----------|--------|---------|
| | Male | Female | Average | Male | Female | Average |
| Taiwan | 9.2 | 15.4 | 10.1 | 10.8 | 15.3 | 11.5 |
| Shanghai | 6.9 | 7.7 | 7.1 | 6.3 | 9.7 | 6.8 |
| Kunshan | 12.29 | 9.68 | 11.44 | 6.93 | 15.00 | 7.88 |
| Shenzhen | 15.9 | 15.5 | 15.7 | 8.6 | 9.0 | 8.7 |

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

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

Employee Performance Appraisal

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

4.1.4 Perfect Welfare System

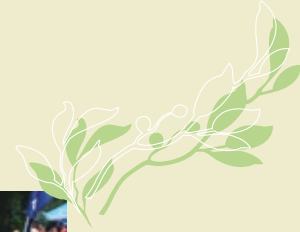
For providing USI employees (full-time employees) mature welfare systems, USI established Employees' Welfare Committee in each site. To hope with their different specialties, each committee member could be responsible for recreation, medical care, education, and other benefit activities for employees to seek better welfare measures.

Employee Recreation

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

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

Taiwan Site



Shanghai Site



Shenzhen Site



Kunshan Site



Employee Incentives

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

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



Employee Insurance and Retirement

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

Shenzhen site buys various social insurances for its employees in according to the government regulation. Shanghai site changes employees' small town insurances into social insurance for urban workers, or changes employees' comprehensive insurance into new social insurance for urban workers; also, pay for employees' accidental injury insurance. Kunshan site purchases social insurances in accordance with government's regulations, and employees and company pay premiums on their own; to protect employees' lives, the company pays for premiums of group accident insurance, including outpatient medical, hospital, etc.

Welfare Systems of USI

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

Various Leisure Facilities

Taiwan site-



Recreation Area



Visual Room

Shanghai site-



Fitness Room



Tennis Cour



Children's Playroom

Kunshan site-



Network Center

4.1.5 Harmonious Industrial Relations

Salary Management Strategy

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

The Proportion of Remuneration of All Staff Categories

| Category | Taiwan | | Shenzhen | | Shanghai | | Kunshan | |
|----------------------|--------|--------|----------|--------|----------|--------|---------|--------|
| | Male | Female | Male | Female | Male | Female | Male | Female |
| Executive | 1 | None | 1 | None | 1 | None | None | None |
| Middle-level Manager | 1 | 0.9 | 1 | 1.1 | 1 | 0.9 | 1 | 1.1 |
| Primary Supervisor | 1 | 0.9 | 1 | 1 | 1 | 0.9 | 1 | 0.7 |
| Indirect Staff | 1 | 0.9 | 1 | 0.9 | 1 | 0.9 | 1 | 0.8 |
| Direct Staff | 1 | 1 | 1 | 0.9 | 1 | 0.9 | 1 | 0.9 |

USI sets up salary systems according to the following concepts:

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

Industrial Relations Communication Mechanism

To establish an outstanding industrial relation communication mechanism, USI Corporate Service FU set up employee relation website (Employee Mutual Aid Center in Kunshan site) and employee suggestion box. USI holds COO free talk quarterly (Kunshan site holds General Manager's Communication every month), managers and all employees are invited to join the communication conference; Kunshan site convenes employee communication meeting every two months, and conduct Employee Satisfaction Survey so as to promote labor relations and all employees' loyalty.

In 2011, Shanghai site chose representatives of caring from each department, and worked as a team to solve employees' problems at work or of life; the factory arranges for professionals to interview employees every month, in order to understand employees' demand and their recognition of related laws and company rules and regulations, and listen to employees' opinions and suggestions.

Employee Relation Website (Taiwan site)



Employee Mutual Aid Center (Kunshan site)



Employee Opinion Survey

A. Purpose

1. Evaluation of managerial levels' leadership, management, ability to supervise, fairness and righteousness of task designation and evaluation, communication and authorization, etc., as a reference for managerial levels to improve their ability of development and management.
2. Evaluation of efficiency of internal management, operation, team work, coordination and communication between departments as a reference to adjust USI's internal operational mechanism.

B. Targets: indirect employees with a 1/3 sampling survey.

C. Questionnaire mode: in written form, anonymously.

D. Aspects: 8 aspects, including working responsibilities and environment, learning and development, payroll and performance evaluation, career development, internal service and benefits, direct supervisors, organization communication, job dedication and satisfaction, etc.



Labor-Management Communication in All Sites

| Sites | Industrial Relations and Communication Channel |
|----------|---|
| Taiwan | According to the regulations, industrial organizations with more than 100 employees should have more than 5 representatives from both the labor and capital. Taiwan site hold Labor-Management Meeting quarterly, the labor and capital designates five representatives respectively. |
| Shanghai | "Employee Representative Congress" is established with 30 employee representatives. Currently, Shanghai site discusses issues about employee systems through meeting and voting. |
| Shenzhen | Industrial relations committee is established for solving labor-capital disputes, a total of 11 representatives from both parties. Human resource communication conference is held quarterly and all employees could participate. If both parties can't reach an agreement, they will hold employee representative meeting to make the agreement. |

The Use of Communication Channel in Shenzhen Site

| | |
|---|--|
| Interviews with employees | Since October 2010, the HR department has arranged monthly interviews with employees in each department; 20-30 employees will be sampled to fill in a questionnaire. Based on the answers to the questionnaire, the HR department will arrange interviews with employees to understand their needs and cognition of related laws and company regulations. The HR department will also report employees' opinions and suggestions to related departments and managerial levels. |
| Interviews between Site General Manager and DL employees who will resign | Since December 2010, HR department samples 3-4 employees who will resign every week and arrange interviews with Site General Manager, in order to understand the reasons they want to resign and listen to their opinions and suggestions. So that the managerial levels can know employees' thoughts and the turnover rate will be decreased. |

"Complaint Box"

Since September 2010, each department has selected Representatives of Love to form the Group of Love. Employees in need can seek help from Group of Love actively; the Group of Love can also take the initiative to give hands to those in want of assistance. Group of Love calls a monthly meeting, pools the wisdom of the masses and effectively resolves employees' difficulties both of work and of life.

Wages and Benefits Consultation

The consultation starts from February 2011, HR regularly organizes seminars to answer employees' questions on wages and benefits on site, and employees take voluntary participation.

Effective Use of Communication Channels in Kunshan Site

Staff Interviews

Staff Interviews start from March 2011, HR employees relations officer takes charge of the arrangement of interview every Monday/Wednesday/Friday, so as to arrange for factory director and Site General manager to interview employees, understand their current situation, listen to their opinions and suggestions of management. Through listening to employees, the company can decrease turnover rate to a certain extent.

New Employee Communication Meeting

From June 2011, the company holds "New Employee Communication Meeting" every two months, supplies employees with a platform to raise questions for HR&ADM colleagues to answer timely, so as to help new employees better integrate with the company quickly.



4.1.6 Excellent Working Environment

Safety and Health Management

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

In 2011, USI's related rates of injury, occupational diseases, lost day and absentee are as followed: (There is no death related to occupational diseases and work.)

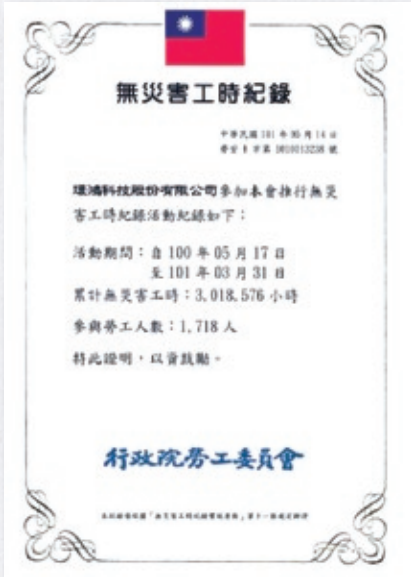
| | Injury Rate (IR) | | Occupational Diseases Rate (ODR) | | Lost Day Rate (LDR) | | Absentee Rate (AR) | |
|----------|------------------|--------|----------------------------------|--------|---------------------|--------|--------------------|---------|
| | Male | Female | Male | Female | Male | Female | Male | Female |
| Taiwan | 0.00 | 0.13 | 0.00 | 0.00 | 0.00 | 1.17 | 179.33 | 594.19 |
| Shanghai | 0.03 | 0.02 | 0.00 | 0.00 | 0.03 | 0.06 | 188.80 | 575.96 |
| Shenzhen | 0.00 | 0.04 | 0.00 | 0.00 | 0.00 | 0.22 | 612.21 | 1006.86 |

- Note: 1. The data covered Taiwan, Shanghai and Shenzhen sites.
2. The working hours of male and female in Shanghai and Shenzhen are calculated according to proportion of total working hours of male and female in 2011.
3. The data above is calculated according to GRI G3.1.

In addition, from May 17, 2011 to March 31, 2012, Taiwan site took part in the activity of Zero-accident Days Record, which was promoted by "Council of Labor Affairs". And the site was awarded a "Zero-accident Days Record" certificate.



OHSAS 18001 Occupational Health and Safety Management System Certification



Council of Labor Affairs, Executive Yuan- Zero-accident Days Record

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

Fire Drill

Taiwan Site



Shenzhen Site



Kunshan Site



Evacuation Drill

Taiwan Site



Fire Evacuation Drill

Shanghai Site



Shenzhen Site



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

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

Physical and Mental Health Care

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

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

In addition to annual physical examination, health data filing, follow-up examinations and management of physical abnormalities, special examination, health management and prevention & treatment of infectious disease, the company also cooperates with local health authorities, health examination centers of hospitals, and South Occupational Health Promotion Center implementing a variety programs to promote health, for instance, free cancer screening (such as mammography and pap smear), traditional Chinese medicine courses, bone densitometry, fight against allergy, nutrition and sports courses of "2011 Taiwan Health Promotion Activity," Hepatitis B vaccination, and Influenza vaccination, etc. The company not only participated in press conference of "2011 Taiwan Health Promotion Activity" declaring its determination to managing weight, but also took part in the national contest of Nantou's Health Bureau, which indirectly led to Nantou's achievement in "Weight Management"; the cooperation between government and enterprise created an atmosphere of "Social Health Management" in workplace and household.



Bone Densitometry



Pap Smear



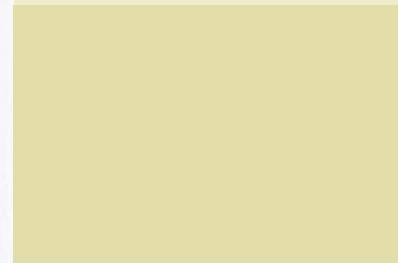
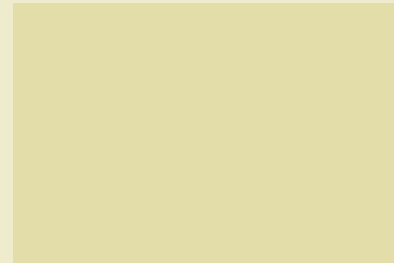
Traditional Chinese Medicine Course



Fight Against Allergy



Shanghai Site- Blood Donation

The Declaration of "2011 Taiwan Health
Promotion Activity"Nutrition Courses of "2011 Taiwan Health
Promotion Activity"

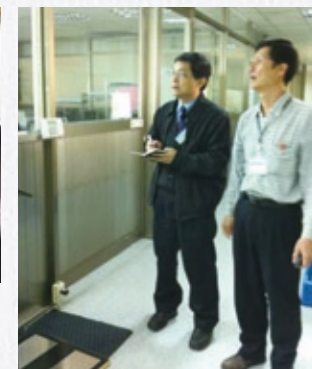
Sports Courses of "2011 Taiwan Health Promotion Activity"



Through health education and promotion, personal health skills training, health Newsletter, health information Email, and journal of internal distribution, the company wants to extend the content of health promotion activities to each factory, so as to promote employees' nutrition knowledge and education, sports knowledge, health psychology knowledge, change their lifestyle, and decrease diseases and social medical costs after promoting physical and psychological health.



Doctor's Health Advisory

The doctor is inspecting the factory's
working environment

Since June 2011, the contracted doctor hired by company not only supplies employees with convenient health advisory, but also promotes professional environmental health and safety management and enhances the effect of occupational disease prevention; moreover, the contracted doctor will solve related health care problems of employees and their dependents, and promotes the quality of medical services. About mental and spiritual aspects, the company will constantly provide colleagues with services and programs of assistance for free.

Enforcement of Human Rights Policy

On June 2008, USI included EICC in its Corporate Social Responsibility Policy to protect employees' freedom of employment, humane treatment, the right to freedom of association, and prohibition of discrimination; also, USI preserves employees' record database carefully, and each factory informs employees about changes in jobs in accordance with local government's regulations, offers employees related promotion of human rights education, and will provide comprehensive online human rights training courses. In 2011, USI had neither cases related to discrimination or violation of employee rights nor appeals on human rights through formal complaints mechanism.

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

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

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



4.2 USI and Its Customers

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

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

4.2.1 Production and Quality Management

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

Management System Certifications

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

USI considerably emphasizes on the voices of customers, and consequently introduces a mechanism that incorporates customers' demands into product design. The company's products and operating system are also in line with international standard requirements. For example, it adopts stringent rules and uses only the low-pollution, non-toxic raw materials. For product planning, USI ensures products meets the specifications required by environmental regulations, and then conducts the life cycle assessment and eco-design evaluation. Meanwhile USI generates eco-profile in response to EU's Energy-related Products (ErP) Directive and ensure the fine quality and safety of products. In 2011, USI received zero complaint cases over products harmful to the human health and safety, and its information on product labels and services also comply with related regulations.

Eco-labels

Percentage of USI products bearing the label



Wireless Products (WP): 100%
Mobility and Networking solution (M&N): 100%
Storage and Computing system (S&C): 100%
Visual Product Devices (VPD): 100%
Application-Specific Devices (ASD): 100%



IEC 61249-2-21

Wireless Products (WP): 79%
Storage and Computing system (S&C): 94%
Visual Product Devices (VPD): 43%
Application- Specific Devices (ASD): 3%



CHINA RoHS Regulation

Wireless Products (WP):100%
Mobility and Networking solution (M&N): 100%
Storage and Computing system (S&C):100%
Visual Product Devices (VPD): 100%
Application-Specific Devices (ASD): 100%
Automotive (Auto): 100%

4.2.2 Product Marketing Management

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

Driving up Customer Satisfaction

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

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

In 2011, the satisfaction of major customers with products supplying, manufacturing and customer service has been among the best which fully showed USI's competitiveness.

All-Encompassing After-Sales Service

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

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

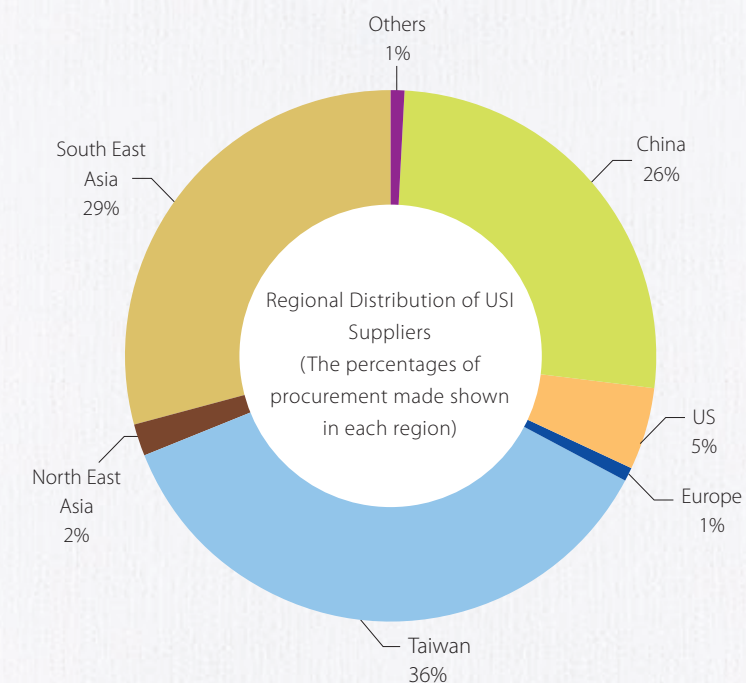
Categories of USI After-Sales Services

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

4.3 USI and Its Suppliers/ Contractors

4.3.1 The Suppliers of USI

USI's major production sites are in Taiwan and China; in 2011, more than 60% of USI's raw material purchase came from local suppliers (74% of Taiwan's raw materials came from Taiwan's suppliers; sites in China purchased 24% of raw materials from local suppliers), so USI not only decreased consumption of energies and time during transport but also reduced environmental pollution.



4.3.2 Supplier Management

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

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

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

Most of suppliers have obtained certificates for their quality management system and environment, safety and health management system, and they have kept a long term sound partnership with USI. Material Supply Chain Management Division of USI deploys the procurement strategies flexibly in response to industry development.

Procurement strategy is varied with material being procured to ensure our material cost can be competitive.

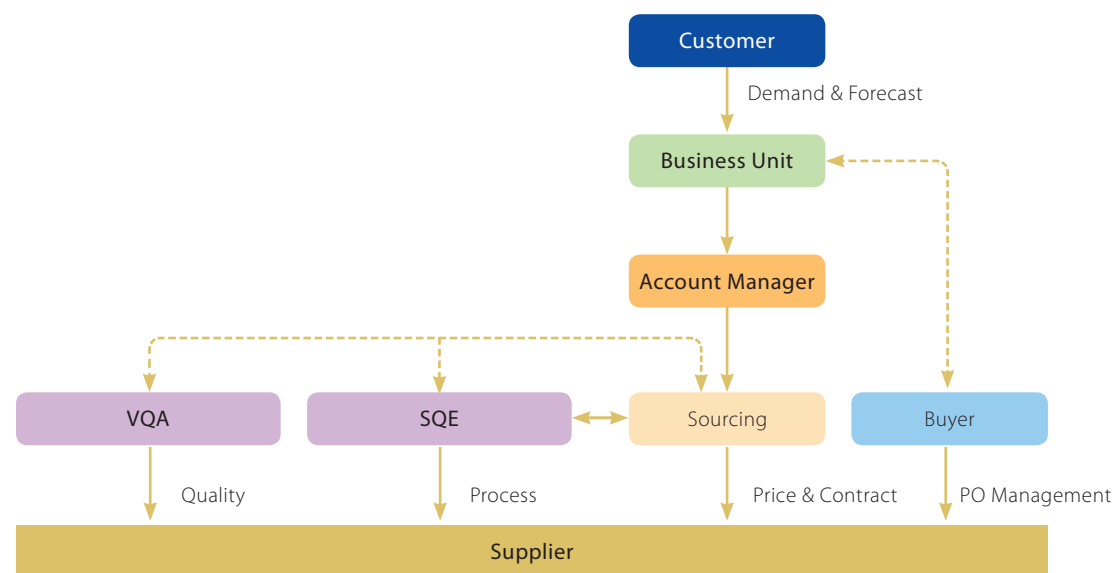
To reduce the procurement risk, we have developed multiple sources to ensure reasonable and competitive purchasing cost, good quality and on time delivery of the procured parts to support our business need.

In USI's Corporate Social Responsibility Policy, USI promises not to purchase metals and materials from conflict areas, also includes the policy into supplier management mechanisms, and asks suppliers to convey the policy to their supply chains; in 2011, USI investigated those suppliers who might purchase specific metals from conflict areas, violate mutual agreement operations and freedom of association, hire child labors, force labors to work, and other human rights matters. So far, USI has not found any suppliers that involve human rights violations, business ethics violations, and other violations mentioned above after USI investigated 157 suppliers.

Supplier Evaluation System

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

Supplier Management Workflow



Supplier Performance Assessment

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

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

4.3.3 Supplier Communication

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

4.3.4 The Green Supply Chain

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

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

Also, USI cooperates with supply chain partners to limit the use of hazardous substances during manufacturing process targeting on the substances banned under RoHS Compliance, Halogen specification material, prohibited substances and other substances need to be reported; therefore, to reduce the whole supply chain's impact on environment, USI has controlled a total of 243 environmental impact substances since 2010, including 8 prohibited substances and 235 substances need to be observed.

Green Supply Chain Seminar

TW Site



SH Site



SZ Site



4.3.5 Contractor Management

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

Contractor Management

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

Assessment of Contractors

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

Through training and evaluation by USI Green & Environment-Health-Safety Management Department in 2011, 238 contractors had successfully obtained the construction licenses, and no contractors were involved in any industrial accident at USI sites.

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



4.4 USI and the Community

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

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



4.4.1 Invest in Education

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

Sponsorship of the Taiwan Literacy and Culture Foundation

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



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

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



Sponsorship of the National Students Literature Contest

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

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

USI has been dedicated to promoting education over a long period of time. From 2008 to 2010, USI had been awarded "Wenxin Award" by Council for Cultural Affairs and "Education Promotion Award" by Ministry of Education, R.O.C. With the belief in education promotion, USI will continue to support activities about education, reading and literatures, cultivate more innovative personnel, and bridge the rural-urban divide in the future.



2011 Refurbished Computers Project

To extend its intentions of caring digital education of underprivileged children, USI attended "Your Used Computer, His New Hope" program, and donated used computers and components to Triple -E Institute, so as to assemble refurbished computers, and the other breakdown or not applicable computers will be recycled by professional or legal recycling companies. Through donating used computers, USI helped underprivileged students in elementary schools and junior high schools receive refurbished computers, in an attempt to assist their learning, give them more cultural stimulation, enrich their growth process, decrease the digital gap between urban and rural areas, create environmental high-quality educational environment, improve disadvantaged group's information literacy, reduce environmental pollution, and carry responsibilities of citizens of the Earth.



4.4.2 Promote Artistic Events

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

Sponsorship of the Annual Autumn Tour of Cloud Gate Dance Theatre

Since 2005, USI has been patronizing the annual autumn tours of Cloud Gate Dance Theatre. In 2007, USI invited children in townships of Nantou who love reading and 150 elementary school students who were adopted by Taiwan Fund for Families and Children, Taichung County Branch, to the "Nine Songs" performance of Cloud Gate Dance Theatre at Zhongshan Hall, Taichung City. It was an activity of "Cloud Gate Dance Theatre: Exclusive for "Corporations" and "Libraries of Love". In 2008, for the very first time, USI invited the Art Director of Cloud Gate Dance Theatre to give a speech to the USI employees, expecting a stimulation of innovation by this conversation between liberal arts and technology. In 2011, USI sponsored "Cloud Gate Dance Theatre's Winter Season -How Can I Live on Without You". The show presented two innovations: it featured many popular songs that are familiar to audiences, and the dancers wore colorful clothes, and especially invited their parent company, The Advanced Semiconductor Engineering Group, to watch Lin Hwai-min's 2011 latest work in "USI's Night of the Cloud Gate".





Sponsorship of Stacks of Love Charity Concerts

"2011 NTSO International Music Festival: Stacks of Love Charity Concerts" was jointly held by Taiwan Read Cultural Foundation and National Taiwan Symphony Orchestra. To support high-quality arts groups, and enhance employees' humanistic quality by encouraging them to attend arts activities, USI especially sponsored "Ode an die Freude" that performed in Taichung Chung-Hsing Hall.



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

To coordinate with Caotun Township Office of Nantou County's Year-end Gala every November, USI constantly sponsors "Ming Hwa Yuan Arts & Cultural Group"'s local performances, and invites local residents, employees and their dependants to watch and experience Taiwan's unique opera culture. Ming Hwa Yuan Arts & Cultural Group receives an enthusiastic response every year, and attracts thousands of people to watch its superb performance; the performance gradually becomes a distinguished gathering, and USI also receives high praises from government agencies at all levels for promoting opera culture.



4.4.3 Contribute to the Community

With the belief in caring about the society and friending the community, USI gathers the power of employees and participates in public affairs and social activities of public welfare. In the meantime of seeking corporate growth, USI wishes to repay the community and devotes itself to the society. In 2011, USI participated in the affairs listed as follows:

Taiwan Site

- Participate in temple fairs and public service activities in neighboring communities, such as Caotun Zihwei Temple, and Shihkuang Senior High School's athletic meet, etc.
- Greened roads and adopted the medial strips from the Zhongxing Road to the A1 abutment of Maoluo River Bridge, and from Zhongxing Exit of National Freeway No. 3, Shengfu Road, to Shanlin Police Station. The expense is about NTD660,000 per year.
- Donated to sponsor the activities to console the army and participated in regular activities of volunteer police and firefighters.

Kunshan Site

- Pay attention to local cultural activities: 2011 the 5th Qiandeng Mass Culture and Art Festival and the closing ceremony and excellent theatrical performances of the 4th Qiandeng Reading Festival.
- Participate in athletic meet in neighboring communities.

Shenzhen Site

- Attended Foreign Ventures' Mid-Autumn Party in Shenzhen in 2011
A total of 250 enterprises took part in the party: Shenzhen site performed unique mixed quartet in the party, and their varied singing and beautiful tone not only received audiences' praises but also presented good corporate image and social influence.
- Took part in Tree Planting Activities---Tree planting in memorial forest of green Universiade.

Kunshan Site

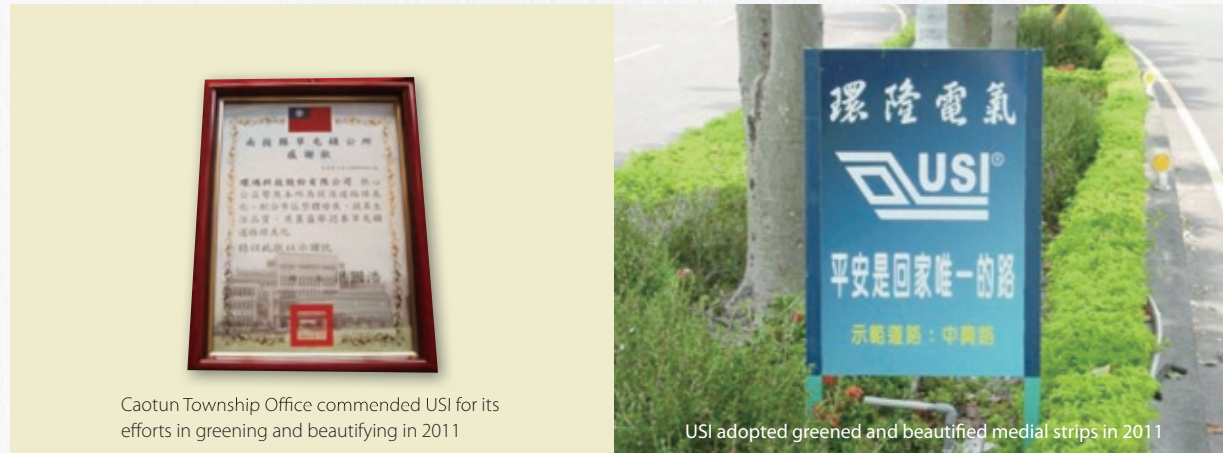


Shenzhen Site



Sponsorship of Road Maintenance Program

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



Caotun Township Office commended USI for its efforts in greening and beautifying in 2011

USI adopted greened and beautified medial strips in 2011

Groups of Public Welfare

USI employees volunteered to establish groups of public welfare, such as Club of Tzu Chi and Club of Compassion, which care for minority groups and regularly donate to Tzu Chi Foundation. In 2011, the amount of donation came to more than NTD140,000. With the belief in "Everyone Saves NTD100 and Saves the World," volunteers will be deducted a fixed amount of money from their monthly payroll to be compassion funds. More than 100 employees have participated in this activity.

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



Sponsored Genesis Social Welfare Foundation's 2011 Year-end Send Dish Activity

Sponsored Quixotic Implement Foundation

Third Party Assurance Statement

INDEPENDENT ASSURANCE OPINION STATEMENT

2011 Universal Scientific Industrial Co., Ltd. Corporate Social Responsibility Report

The British Standards Institution is independent to Universal Scientific Industrial Co., Ltd. (hereafter referred to as USI in this statement) and has no financial interest in the operation of USI other than for the assessment and assurance of this report.

This independent assurance opinion statement has been prepared for USI only for the purposes of assuring its statements relating to its corporate social responsibility (CSR), more particularly described in the Scope, below. It was not prepared for any other purpose. The British Standards Institution will not, in providing this independent assurance opinion statement, accept or assume responsibility (legal or otherwise) or accept liability for or in connection with any other purpose for which it may be used, or to any person by whom the independent assurance opinion statement may be read.

This independent assurance opinion statement is prepared on the basis of review by the British Standards Institution of information presented to it by USI. The review does not extend beyond such information and is solely based on it. In performing such review, the British Standards Institution has assumed that all such information is complete and accurate.

Any queries that may arise by virtue of this independent assurance opinion statement or matters relating to it should be addressed to USI only.

Scope

The scope of engagement agreed upon with USI includes the followings:

1. The assurance covers the whole report and focuses on systems and activities during the 2011 calendar year on the USI headquarter and relevant operations, including Taiwan, China Shanghai, Shenzhen, Kunshan and Mexico (partial environmental performance only).
2. The evaluation of the nature and extent of the USI's adherence to all three AA1000 AccountAbility Principles in this report as conducted in accordance with type 1 of AA1000AS (2008) assurance engagement and therefore, the information/data disclosed in the report is not verified through the verification process.

This statement was prepared in English and translated into Chinese for reference only.

Opinion Statement

We conclude that the 2011 USI Corporate Social Responsibility Report Review provides a fair view of the USI CSR programmes and performances during 2011. We believe that the 2011 economic, social and environment performance indicators are fairly represented. The CSR performance indicators disclosed in the report demonstrate USI's efforts recognized by its stakeholders.

Our work was carried out by a team of CSR report assurers in accordance with the AA1000 Assurance Standard (2008). We planned and performed this part of our work to obtain the necessary information and explanations we considered to provide sufficient evidence that USI's description of their approach to AA1000 Assurance Standard and their self-declaration of compliance with the GRI guidelines were fairly stated.

Methodology

Our work was designed to gather evidence on which to base our conclusion. We undertook the following activities:

- a top level review of issues raised by external parties that could be relevant to USI's policies to provide a check on the appropriateness of statements made in the report.
- discussion with managers and staffs on USI's approach to stakeholder engagement. However, we had no direct contact with external stakeholders.

- 10 interviews with staffs involved in sustainability management, report preparation and provision of report information were carried out.
- review of key organizational developments.
- review of the findings of internal audits.
- review of supporting evidence for claims made in the reports.
- an assessment of the company's reporting and management processes concerning this reporting against the principles of Inclusivity, materiality and responsiveness as described in the AA1000 AccountAbility Principles Standard (2008).

Conclusions

A detailed review against the AA1000 AccountAbility Principles of Inclusivity, Materiality and Responsiveness and the GRI G3.1 guidelines is set out below:

Inclusivity

This report has reflected a fact that USI is seeking the engagement of its stakeholders. The participation of stakeholders has been initiated in developing and achieving an accountable and strategic response to sustainability. The reporting systems are being developed to deliver the required information. There are fair reporting and disclosures for economic, social and environmental information in this report, so that appropriate planning and target-setting can be supported. In our professional opinion the report covers the USI's inclusivity issues, however, the future report should be further enhanced by the following areas:

- Encouraging update sustainable development trend about electronic industry continuously and integrated with corporate core strategy to ensure sustainable development performance.

Materiality

USI publishes sustainability information that enables its stakeholders to make informed judgments about the company's management and performance. In our professional opinion the report covers the USI's material issues, however, the future report should be further enhanced by the following areas:

- Continually combine the CSR vision with material issues to develop corporate core strategy of the company.
- Publishing a written guideline for the methodology to identify and prioritize USI's material issues to enable all departments to follow continuously.

Responsiveness

USI has implemented the practice to respond to the expectations and perceptions of its stakeholders. An Ethical Policy for USI is developed and provides the opportunity to further enhance USI's responsiveness to stakeholder concerns. Issues that stakeholder concern about have been responded timely. In our professional opinion the report covers the USI's responsiveness issues, however, the future report should be further enhanced by the following areas:

- Encouraging to work towards a type 2 of AA1000AS (2008) engagement with a view to providing the reliability of sustainability performance information that stakeholder concerns.
- Encouraging direct stakeholders' participation, meanwhile, continuing to develop and update the responsive strategy for stakeholders.

GRI-reporting

USI provided us with their self declaration of compliance within GRI G3.1 Guidelines and the classification to align with application level A+. Based on our review, we confirm that social responsibility and sustainable development core indicators with reference to the GRI Index are reported, partially reported or omitted. In our professional opinion the self declaration covers the USI's social responsibility and sustainability issues.

Assurance level

The moderate level assurance provided is in accordance with AA1000 Assurance Standard (2008) in our review, as defined by the scope and methodology described in this statement.

Responsibility

This CSR report is the responsibility of the USI's President as declared in his responsibility letter. Our responsibility is to provide an independent assurance opinion statement to stakeholders giving our professional opinion based on the scope and methodology described.

Competency and Independence

The assurance team was composed of Lead Auditors and Carbon Footprint Verifiers experienced in industrial sector, and trained in a range of sustainability, environmental and social standards including AA1000 AS, ISO14001, OHSAS18001, ISO14064 and ISO 9001. BSI is a leading global standards and assessment body founded in 1901. The assurance is carried out in line with the BSI Fair Trading Code of Practice.

For and on behalf of BSI:



Peter Pu
Managing Director BSI Taiwan
08 Aug, 2012



Taiwan Headquarters: 5th Floor, No. 39, Ji-Hu Rd., Nei-Hu Dist., Taipei 114, Taiwan, R.O.C.
BSI Taiwan is a subsidiary of British Standards Institution.

GRI G3 Index

● Disclosed ▲ Disclosed partly ○ Undisclosed or Inapplicable

| GRI Indicator Description | | Chapter | Page | Additional Illustration | Disclosed Situation |
|---------------------------|---|---|----------|---|---------------------|
| Strategy and Analysis | | | | | |
| 1.1 | Statement from the most senior decision-maker of the organization(e.g., CEO, chair, or equivalent senior position) about the relevance of sustainability to the organization and its strategy | Letter from COO | 4 | | ● |
| 1.2 | Description of key impacts, risks and opportunities | Letter from COO | 4 | | ● |
| Organization Profile | | | | | |
| 2.1 | Name of the organization | 2.1.1 Corporate Introduction | 11 | | ● |
| 2.2 | Primary brands, products, and/or services | 2.1.2 Product and Service | 13 | | ● |
| 2.3 | Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures | 2.2.1 Corporate Governance | 17-18 | | ● |
| 2.4 | Location of organization's headquarters | 2.1.1 Corporate Introduction | 11 | | ● |
| 2.5 | Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report | 2.1.3 Global Operative System | 14 | | ● |
| 2.6 | Nature of ownership and legal form | | | Each operational base of USI is an independent equity company, one of these companies, Universal Scientific Industrial (Shanghai) Co., Ltd is a listed company in Shanghai. | ● |
| 2.7 | Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries) | 2.1.4 Business Geography | 14 | | ● |
| 2.8 | Scale of the reporting organization | 2.1.1 Corporate Introduction 2.1.5 Financial Performance | 11 15 | | ● |
| 2.9 | Significant changes during the reporting period regarding size, structure or ownership | 2.1.1 Corporate Introduction | 12 | | ● |
| 2.10 | Awards received in the reporting period | 2.1.6 Honorable Records | 16 | | ● |
| Report Parameters | | | | | |
| 3.1 | Reporting period (e.g., fiscal/calendar year) for information provided | About the Report | 2 | | ● |
| 3.2 | Date of most recent previous report (if any) | | | The USI Corporate Social Responsibility Report of 2010 was published in September, 2011. | ● |
| 3.3 | Reporting cycle (annual, biennial, etc.) | About the Report | 2 | This report is published annually. | ● |
| 3.4 | Contact point for questions regarding the report or its contents | About the Report | 2 | | ● |

| GRI Indicator Description | | Chapter | Page | Additional Illustration | Disclosed Situation |
|---|--|--|------------------|---|---------------------|
| 3.5 | Process for defining report content | About the Report | 2 | | ● |
| 3.6 | Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers) | About the Report | 2 | | ● |
| 3.7 | State any specific limitations on the scope or boundary of the report | About the Report | 2 | | ● |
| 3.8 | Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations | | | Not influential. | ● |
| 3.9 | Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the indicators and other information in the report | About the Report | 2 | | ● |
| 3.10 | Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement | | | None. | ● |
| 3.11 | Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report | | | Organizational rotation and the establishment of new site (see 2.9) | ● |
| 3.12 | Table identifying the location of the Standard Disclosures in the report | GRI G3 Index | 78 | | ● |
| 3.13 | Policy and current practice with regard to seeking external assurance for the report | About the Report Third Party Assurance Statement | 2 75 | | ● |
| Governance, Commitments, and Engagement | | | | | |
| 4.1 | Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight | 2.2.1 Corporate Governance | 19 | | ● |
| 4.2 | Indicate whether the Chair of the highest governance body is also an executive officer | | | The chairman does not serve as general manager. | ● |
| 4.3 | For organizations that have a unitary board structure, state the number of members of the highest governance body that are independent and/or non-executive members | 2.2.1 Corporate Governance | 19 | | ● |
| 4.4 | Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body | 1.4 Stakeholder Communication 2.2 Investor Relations 4.1.5 Harmonious Industrial Relations | 9 17 52-55 | | ● |
| 4.5 | Linkage between compensation for members of the highest governance body, senior managers, and executives (including departure arrangements), and the organization's performance (including social and environmental performance) | 2.2.1 Corporate Governance | 20 | | ● |

| GRI Indicator Description | | Chapter | Page | Additional Illustration | Disclosed Situation |
|---------------------------|---|---|------------------------|---|---------------------|
| 4.6 | Processes in place for the highest governance body to ensure conflicts of interest are avoided | | | In accordance with recusal of "Rules and Procedures of Board of Directors Meeting". | ● |
| 4.7 | Process for determining the qualifications and expertise of the members of the highest governance body for guiding the organization's strategy on economic, environmental, and social topics | 2.2.1 Corporate Governance | 19 | | ● |
| 4.8 | Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation | 1.1 Vision and Promise 1.2 Policy and Operation | 6 7 | | ● |
| 4.9 | Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles | 2.2.1 Corporate Governance 2.2.2 Risk Management 2.2.4 Regulations Abidance | 18 20-21 22 | | ● |
| 4.10 | Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance | | | Performance appraisal of the highest management is reviewed by board of directors. | ● |
| 4.11 | Explanation of whether and how the precautionary approach or principle is addressed by the organization | 1.2 Policy and Operation 2.2.1 Corporate Governance 2.2.2 Risk Management 2.2.4 Regulations Abidance | 7 20 20-21 22 | | ● |
| 4.12 | Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses | 1.2 Policy and Operation 3.3.1 Green Management | 7 27-28 | | ● |
| 4.13 | Memberships in associations (such as industry associations) and/or national/international advocacy organizations | 2.2.6 External Participation | 22-23 | | ● |
| 4.14 | List of stakeholder groups engaged by the organization | 1.3 Identification and Selection of Stakeholders | 8 | | ● |
| 4.15 | Basis for identification and selection of stakeholders with whom to engage | 1.3 Identification and Selection of Stakeholders | 8 | | ● |
| 4.16 | Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group | 1.4 Stakeholder Communication | 9 | | ● |
| 4.17 | Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting | 1.4 Stakeholder Communication | 9 | | ● |

| GRI Indicator Description | | Chapter | Page | Additional Illustration | Disclosed Situation |
|---|--|---|----------------------------|--|---------------------|
| Economic Performance Indicators | | | | | |
| Management Approach | Management approach of economic performance | 2.1 Corporation Operation 2.1.1 Corporate Introduction 2.2 Investor Relations 2.2.1 Corporate Governance | 11 11-12 17 17-20 | | |
| EC1 | Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments | 2.1.5 Financial Performance GRI G3 Index 4.4 USI and the Community | 15 86 69-74 | | ● |
| EC2 | Financial implications and other risks and opportunities for the organization's activities due to climate change | 3.1 USI and Climate Change 3.3.3 Green Expenditures 3.5 Green Prospects of USI | 25 30 36 | | ● |
| EC3 | Coverage of the organization's defined benefit plan obligations | 4.1.4 Perfect Welfare System | 45-51 | | ● |
| EC4 | Significant financial assistance received from government | 2.2.5 Government Subsidy | 22 | | ● |
| EC5 | Range of ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation | 4.1.5 Harmonious Industrial Relations | 52 | | ● |
| EC6 | Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation | 4.3.1 The Suppliers of USI 4.3.2 Supplier Management 4.3.3 Supplier Communication 4.3.4 Green Supply Chain | 65 65-66 67 67 | | ● |
| EC7 | Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation | 4.1.1 Employee Composition Profile | 38 | | ● |
| EC8 | Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement | 4.4.1 Invest in Education 4.4.2 Promote Artistic Events 4.4.3 Contribute to the Community | 69-74 | | ● |
| EC9 | Understanding and describing significant indirect economic impacts, including the extent of impacts | | | USI does not assess indirect economic impacts. | ● |
| Environment Performance Indicators | | | | | |
| Management Approach | Management approach of environment performance | 3.2 EHS Policy of USI 3.3 Green Promise of USI | 25 26 | | |
| EN1 | Materials used by weight or volume | 3.4.1 Material Management | 31 | | ● |
| EN2 | Percentage of materials used that are recycled input materials | | | USI does not use renewable materials. | ● |
| EN3 | Direct energy consumption by primary energy source | 3.4.3 Energy Management | 33 | | ● |
| EN4 | Indirect energy consumption by primary source | 3.4.3 Energy Management | 33-34 | | ● |
| EN5 | Energy saved due to conservation and efficiency improvements | 3.4.3 Energy Management | 34 | | ● |

| GRI Indicator Description | | Chapter | Page | Additional Illustration | Disclosed Situation |
|---------------------------|--|--|-------------|---|---------------------|
| EN6 | Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives | 3.3.1 Green Management 3.4.3 Energy Management | 27-28 34 | | ● |
| EN7 | Initiatives to reduce indirect energy consumption and reductions achieved | 3.4.3 Energy Management | 34 | | ● |
| EN8 | Total water withdrawal by source | 3.4.5 Water Resource Management | 35 | | ● |
| EN9 | Water sources significantly affected by withdrawal of water | 3.4.5 Water Resource Management | 36 | | ● |
| EN10 | Percentage and total volume of water recycled and reused | 3.4.5 Water Resource Management | 36 | | ● |
| EN11 | Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas | | | USI does not own, rent or manage any sites located in Ecological Protection Zone. | ● |
| EN12 | Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas | | | Ditto, no influence. | ● |
| EN13 | Habitats protected or restored | | | There is no protected habitat within USI sites. | ● |
| EN14 | Strategies, current actions, and future plans for managing impacts on biodiversity | | | USI actively participates in green construction so as to maintain good ecological environment. | ● |
| EN15 | Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk | | | There are no protected species within USI sites. | ● |
| EN16 | Total direct and indirect greenhouse gas emissions by weight | 3.4.2 Greenhouse Gas Emission Reduction Management | 32 | | ● |
| EN17 | Other relevant indirect greenhouse gas emissions by weight | | | There are no data on the indirect emissions of Greenhouse gases produced during employee commutes and business travels. | ● |
| EN18 | Initiatives to reduce greenhouse gas emissions and reductions achieved | 3.4.2 Greenhouse Gas Emission Reduction Management | 32 | | ● |
| EN19 | Emissions of ozone-depleting substances by weight | | | USI does not use any materials that damage the ozone layer while producing products or providing services. Parts of the air conditioning system used R-22 and R-12 refrigerant, and there was no record of filling in 2011; We estimated emission rate at 8%, so the air conditioning system emitted about 312KG. | ● |


| GRI Indicator Description | | Chapter | Page | Additional Illustration | Disclosed Situation |
|--|--|--|-------------------------------------|--|---------------------|
| EN20 | NOx, SOx, and other significant air emissions by type and weight | | | No NOx or SOx are discharged in any USI's manufacturing process. The estimation of VOC emission of USI's Taiwan Site in 2011 is 8.6 tons. | ● |
| EN21 | Total water discharge by quality and destination | 3.4.5 Water Resource Management | 35 | USI does not discharge wastewater, and only domestic sewage is produced. | ● |
| EN22 | Total weight of waste by type and disposal method | 3.4.4 Waste Management | 35 | | ● |
| EN23 | Total number and volume of significant spills | | | No serious leakage events happened in any site. | ● |
| EN24 | Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally | | | USI has no import and export of hazardous waste, and related clean-up complies with relevant environmental laws and regulations. | ▲ |
| EN25 | Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff | 3.4.5 Water Resource Management | 36 | | ● |
| EN26 | Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation | 3.3 Green Promise of USI 3.3.1 Green Management 3.3.2 Green Supply Chain | 26-29 | | ● |
| EN27 | Percentage of products sold and their packaging materials that are reclaimed by category | | | Recyclable proportion of products is more than 90%, which complies with WEEE's requirements. The recycle ratio of cartons in Taiwan site is 66%. | ● |
| EN28 | Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations | 3.2 EHS Policy of USI 3.3.1 Green Management | 25 27 | USI obeyed local government laws about environmental protection and did not violate any environmental law in 2011. | ● |
| EN29 | Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce | 3.3.2 Green Supply Chain | 29 | | ▲ |
| EN30 | Total environmental protection expenditures and investments by type | 3.3.3 Green Expenditures | 30 | | ● |
| Labor Practices & Decent Work Performance Indicators | | | | | |
| Management Approach | Management approach of labor performance | 4.1 USI and Its Employees 4.1.2 Equal Employment Opportunity 4.1.3 Integral Training Program 4.1.4 Perfect Welfare System 4.1.5 Harmonious Industrial Relations 4.1.6 Excellent Working Environment | 38 41 42 45 52 55-56 | | |
| LA1 | Total workforce by employment type, employment contract, and region broken down by gender | 4.1.1 Employee Composition Profile | 38-39 | | ● |

| GRI Indicator Description | | Chapter | Page | Additional Illustration | Disclosed Situation |
|---------------------------|--|--|-------------|--|---------------------|
| LA2 | Total number and rate of new employee hires and employee turnover by age group, gender, and region | 4.1.1 Employee Composition Profile | 40 | | ● |
| | | 4.1.2 Equal Employment Opportunity | 41 | | |
| LA3 | Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation | 4.1.4 Perfect Welfare System | 45-51 | | ● |
| LA4 | Percentage of employees covered by collective bargaining agreements | | | The labor contracts that USI signs with employees complying with local regulations, and it specifically agreed the related rights and obligations so as to protect both parties, and urge both employers and employees to comply with. | ● |
| LA5 | Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective agreements | 4.1.6 Excellent Working Environment | 61 | Notify before the effective date. | ● |
| LA6 | Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs | | | The labor proportion that participates in Occupational Safety and Health Committee conforms to related Act. | ● |
| LA7 | Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region and by gender | 4.1.6 Excellent Working Environment | 56 | | ● |
| LA8 | Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases | 4.1.6 Excellent Working Environment | 59-60 | | ● |
| LA9 | Health and safety topics covered in formal agreements with trade unions | | | | ○ |
| LA10 | Average hours of training per year per employee by gender and by employee category | 4.1.3 Integral Training Program | 44-45 | | ● |
| LA11 | Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings | 4.1.3 Integral Training Program | 42-44 | | ● |
| LA12 | Percentage of employees receiving regular performance and career development reviews by gender | | | | ○ |
| LA13 | Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity | 2.2.1 Corporate Governance 4.1.1 Employee Composition Profile | 19 38-39 | | ● |
| LA14 | Ratio of basic salary of women to men by employee category, by significant locations of operation | 4.1.5 Harmonious Industrial Relations | 52 | | ● |
| LA15 | Return to work and retention rates after parental leave, by gender | 4.1.1 Employee Composition Profile | 40 | | ● |

| GRI Indicator Description | | Chapter | Page | Additional Illustration | Disclosed Situation |
|--|---|---|----------|---|---------------------|
| Human Rights Performance Indicators | | | | | |
| Management Approach | Management approach of human rights performance | 4.1.2 Equal Employment Opportunity 4.1.6 Excellent Working Environment | 41 61 | | |
| HR1 | Percentage and total number of significant investment agreements and contracts that include clauses incorporating human rights concerns or that have undergone human rights screening | | | No important investment agreement was made during the report period. | ● |
| HR2 | Percentage of significant suppliers, contractors and other business partners that have undergone screening on human rights and actions taken | 4.3.2 Supplier Management | 66 | In 2011, USI completed the investigation of 40% of important suppliers/contractors and other business partners, and committed and signed "USI Suppliers' Corporate Social Responsibility Undertaking". | ● |
| HR3 | Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained | 4.1.3 Integral Training Program 4.1.6 Excellent Working Environment | 43 61 | | ● |
| HR4 | Total number of incidents of discrimination and corrective actions taken | 4.1.6 Excellent Working Environment | 61 | There were no discrimination cases in 2011. | ● |
| HR5 | Operations and significant suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and actions taken to support these rights | 4.1.6 Excellent Working Environment 4.3.2 Supplier Management | 61 66 | There were no related cases in 2011. | ● |
| HR6 | Operations and significant suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the elimination of child labor | 4.1.6 Excellent Working Environment 4.3.2 Supplier Management | 61 66 | USI hires no child labor, and it is also prohibited to recruit child labor under 16 years of age. | ● |
| HR7 | Operations and significant suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of all forms of forced or compulsory labor | 4.1.6 Excellent Working Environment 4.3.2 Supplier Management | 61 66 | There were no related cases in 2011. | ● |
| HR8 | Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations | | | USI's security personnel have received professional training that including relevant human rights policy: They understand their works, and will never involve in and violate human rights when performing duties. | ● |
| HR9 | Total number of incidents of violations involving rights of indigenous people and actions taken | 4.1.6 Excellent Working Environment | 61 | | ● |
| HR10 | Percentage and total number of operations that have been subject to human rights reviews and/or impact assessments | 1.2 Policy and Operation | 7 | Operating activities on sites all consider the local situation of human rights. | ● |

| GRI Indicator Description | | Chapter | Page | Additional Illustration | Disclosed Situation |
|---------------------------------------|---|--|---------------------|--|---------------------|
| HR11 | Number of grievances related to human rights filed, addressed, and resolved through formal grievance mechanisms | 4.1.6 Excellent Working Environment | 61 | There were no relevant complaint cases of human rights in 2011. | ● |
| Society Performance Indicators | | | | | |
| Management Approach | Management approach of society performance | 2.2.3 Anti-Corruption and Anti-Bribery 4.4 USI and the Community | 22 69 | | |
| SO1 | Percentage of operations with implemented local community engagement, impact assessments, and development programs | 4.4 USI and the Community 4.4.1 Invest in Education 4.4.2 Promote Artistic Events 4.4.3 Contribute to the Community | 69-74 | All operating activities take part in community development. | ● |
| SO2 | Percentage and total number of business units analyzed for risks related to corruption | 2.2.3 Anti-Corruption and Anti-Bribery | 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 2011. | ● |
| SO3 | Percentage of employees trained in organization's anti-corruption policies and procedures | 2.2.3 Anti-Corruption and Anti-Bribery | 22 | All USI employees have signed "USI Staff Code of Conduct". We held no related training in 2011, but we begin to hold education and training for whole employees in 2012. | ● |
| SO4 | Actions taken in response to incidents of corruption | 2.2.3 Anti-Corruption and Anti-Bribery | 22 | | ● |
| SO5 | Public policy positions and participation in public policy development and lobbying | | | USI didn't canvass for public policies. | ● |
| SO6 | Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country | | | In 2011, Ministry of Finance approved factory in Taiwan for donating each political candidate the total amount of NT\$50,000. | ● |
| SO7 | Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes | 2.2.4 Regulations Abidance | 22 | USI was not involved in any lawsuits of anti-competitive behavior, anti-trust or monopoly practices in 2011. | ● |
| SO8 | Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations | 2.2.4 Regulations Abidance | 22 | | ● |
| SO9 | Operations with significant potential or actual negative impacts on local communities | 3.4 Environmental Protection of USI | 31 | No negative operating activities so far. | ● |
| SO10 | Prevention and mitigation measures implemented in operations with significant potential or actual negative impacts on local communities | 1.4 Stakeholder Communication 3.3 Green Promise of USI 3.4 Environmental Protection of USI | 9 26-30 31-36 | | ● |

| GRI Indicator Description | | Chapter | Page | Additional Illustration | Disclosed Situation |
|--|---|---|------|---|---------------------|
| Product Responsibility Performance Indicators | | | | | |
| Management Approach | Management approach of product responsibility performance | 4.2 USI and Its Customers | 62 | | |
| PR1 | Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures | 4.2.1 Production and Quality Management | 63 | Before we produce mass system products, such as cash register, mobile devices, memory unit, server, wireless router, wireless networking equipment, etc, we always obtain safety certification of the machines in accordance with related laws and regulations of each country; As for parts products, such as motherboard, wireless module, auto parts, etc, we always verify relevant safety regulations and apply for certification at customers' final system assembly. | ● |
| PR2 | Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes | 4.2.1 Production and Quality Management | 62 | | ● |
| PR3 | Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements | 4.2.1 Production and Quality Management | 63 | We always clearly mark relevant safety phrases and correct operating instructions on user manuals of all the system products that obtained safety certification. | ● |
| PR4 | Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes | 4.2.1 Production and Quality Management | 62 | | ● |
| PR5 | Practices related to customer satisfaction, including results of surveys measuring customer satisfaction | | | | ○ |
| PR6 | Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship | 2.2.4 Regulations Abidance | 22 | | ● |
| PR7 | Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes | | | In 2011, USI did not violate any marketing laws. | ● |
| PR8 | Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data | | | In 2011, USI was not accused for invasion of customers' privacy or losing customers' data. | ● |
| PR9 | Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services | | | In 2011, USI did not violate any regulations. | ● |

The background of the page is a stylized landscape. The top half is a light blue sky. Below it is a white, rolling hill with a small white plant on the left. The middle section is a green hill with a small green plant on the left. The bottom half is a green field with a large green recycling symbol in the center and a green world map in the background. The bottom of the page is decorated with green grass and a small green flower.

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