



## **SDI Corporation**

**20 14 Corporate Social Responsibility, CSR**

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## Report Overview

The subjects presented in this report are derived from discussions among the task forces and stakeholders, in which they are selected, prioritized and analyzed.

### Scope

This report encompasses SDI's performance in terms of corporate social responsibility from January 1 to December 31, 2014. The major indicators are from production bases in Taiwan, including Changhua and Nantou plants.

### Outline

This report is written based on Guideline G3.1 B by Global Reporting Initiative (GRI) and covers issues, strategies, objectives and measures related to corporate sustainability with AA1000 (2008) as the guiding principle for the content, scope and definition.

### Report Verification

To improve transparency and reliability, the 2015 report will be verified by a third party based on Type 1 guarantee in AA 1000 and GRI G3.1 B+.

## Publication

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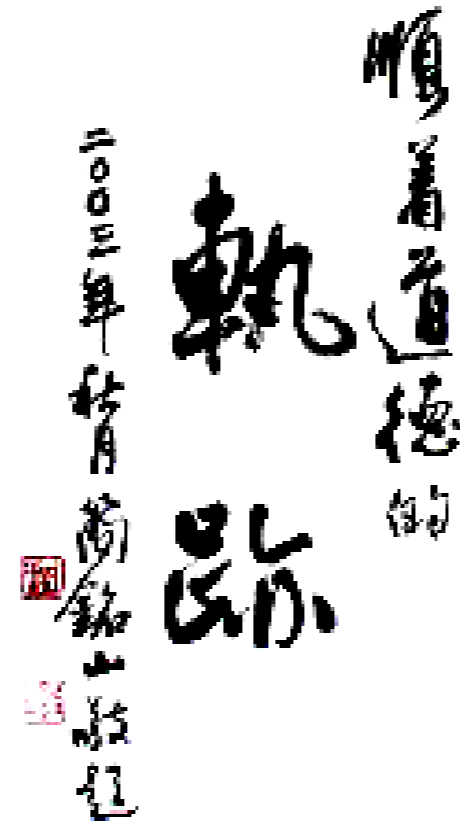
# Corporate Philosophy – Words from the Chairman

## 1-1. Words from the Chairman

Established in 1953, SDI celebrated its 60th anniversary in 2013. The company attributes its six decades of success to all members of the company. In the future, SDI will continue to root firmly in Taiwan, integrating local resources with global perspective and deployment and pursue sustainability with geographic, labor and environmental advantages. The same principles shall be universally applied to all branches to create shared values and benefits. In 2014, SDI was awarded the Gold Award for the Talent Quality-management System (TTQS) by the Ministry of Labor and the Award for Best Companies to Work For by Taipei City Government. Being acknowledged for SDI's achievements in cultivating talents, focusing on talents is no longer a goal but a reality.

In terms of management, SDI continues with R&D and technological innovations. In recent years, SDI has also been actively developing new businesses and products of high competitiveness. In the next 10 to 20 years, SDI will be committed to developing key technologies and new processes for energy-saving, power management, and automobile products. This year, SDI will also continue to upgrade its manufacturing technologies in response to market demand and diversify its portfolio, providing clients with precision industry solutions of high quality and reasonable prices that meet clients' needs.

In terms of the environment, SDI is responding to the global trend on green design and energy saving. To meet this trend, SDI has been aggressive in the development of products with replaceable parts to reduce plastic waste in recent years. Examples include replaceable electric and manual pencil sharpeners, utility knives, correction tape, and electric eraser. SDI incorporates environmental measures that minimize pollution as well as energy and water consumption, starting from product design and technological development.



The environmentally friendly and safe design reduces any possible impacts and risks to the environment, allowing consumers to truly enjoy green living.

On the social aspect, SDI is fully aware of its social responsibility. In 2007, the company established SDI Foundation. In recent years, SDI has also continued the services of the SDI volunteer team as well as participated in and donated to charity events, including helping Holy Family for Special Education to establish service centers for early intervention in child development in Yongjing, where visit and exchange opportunities are open to schools in the vicinity in central and south Taiwan while offering cooperative education and student internship opportunities to cultivate talents. The Foundation will continue to fulfill its mission of love, care and active participation, bringing good will and blessings to the society and the nation. With sincerity, stability, challenge and innovation, the Company stands firmly with honesty and integrity while charging into the new territory of precision industry, building a solid foundation for corporate sustainability and furthering the cause of corporate social responsibility.



# 1. General Overview

## 1-1 Company Overview

### 1.1.1 Foreword

1.60 years have gone by since SDI Corporation was founded in 1953. With Changhua City as its headquarter, SDI started out with stationery products such as pencil sharpeners. The Electronics Department, which is in charge of the production of semiconductor lead frame, was established in 1983. In 1996, the company stock went public. To each and every member of SDI, “Sincerity, Stability, Challenge, Innovation” are more than guiding principles. They are also reflected in personal and business conducts. This firm’s belief is what kept all of our employees heading forward with SDI, starting from the foundation up. They created one glorious legend after another, not just for the company, for also for themselves

2. In light of the trend of globalization and free trade, SDI has been collaborating with international name brands and investing in multiple affiliates. The vertical integration that incorporates the up and down stream as well as international marketing is increasing SDI’s competitiveness in the international community. For the future, SDI is aspired to become a multi-national corporation, establishing the foundation for sustainability and bringing SDI under the spotlight in the international stage.

- (1) Listed on the stock market in the electronics sector. (Stock Symbol:2351)
- (2) The leader of semiconductor lead frame manufacturing in the nation.
- (3) One of the top 500 manufacturing enterprises in the nation.
- (4) The leading metal and hardware manufacturing company in the nation.
- (5) SDI has adopted management systems including ISO 9001, ISO/TS 16949, ISO 14001 and OHSAS 18001.
- (6) SDI introduced Oracle’s ERP system in 2000.
- (7) SDI develops and manufactures high precision and high quality precision consecutive stamping die, which is the leader in the mold industries in Taiwan.
- (8) SDI stationary has a long history and high market share. The product quality has been widely recognized. In recent years, SDI has expanded the brand globally while still leading the domestic stationary market.
- (9) SDI is equipped with the complete R&D system, including the HP workstation and the world class CAD/CAM system (UGII and AutoCAD). SDI also has advanced machining equipment and testing instruments, including line cutting machines, electrical discharging machining, high speed precision press, ultra-precision coordinate measuring machine, non-contact coordinate measuring machine, jig grinder, horizontal machining center, optical projection

grinder and ultra-precision surface grinder from Switzerland, Japan, Germany and the US.

### 1.1.2 History

|               |   |
|---------------|---|
| 1953          | Mr. Chen Shui-Jing established Shun De Production. With a factory size of 20 m2, six employees, and \$3,000 NT in capital, the company started producing pencil knives.   |
| February 1961 | The company relocated to Nansiao Street in Changhua City. The factory was expanded to 80 m2 with twelve employees and \$15,000NT in capital.  |
| October 1967  | The company was restructured into a limited liability company named SDI Corporation with Mr. Chen Shui-Jing as the president and \$300,000NT in capital.  |
| January 1968  | The new plant at Dapu Road inaugurated with a total area of 1,485m2, 115KW of electric equipment and one set of heat treatment equipment. The plant also started producing blades with the high carbon steel imported from Japan.           |
| April 1968    | Chairman Chen Shui-Jing passed away. Mr. Chen Chao-Liang succeeded as the Chairman.   |
| January 1969  | Mr. Chen Chao Hsiung was appointed the president.   |
| August 1973   | SDI relocated to the new plant at Dazhu. The property takes up a total of 15,800 m2, the plant is 3,750 m2 with a capital increase of \$10 million NT.  |
| December 1978 | SDI raised \$30 million NT in capital increase to bring in precision production equipment for the development of precision progressive die.   |
| January 1983  | SDI increased its capital to \$60 million NT and received approval from Ministry of Economic Affairs for its strategic expansion. The Electronics Department was established for the production of semiconductor lead frame and IC sockets. |

|               |   |
|---------------|---|
| April 1984    | The installation of IBM38 computers took SDI into the computer era.   |
| February 1986 | SDI increased its capital to \$100 million NT and received approval from Ministry of Economic Affairs for phase II of the strategic expansion                                       |
| December 1987 | SDI successfully developed large-scale IC lead frame, PLCC 44L.   |
| August 1988   | SDI purchased 38,000 m2 of industrial property in Nangang Industrial District.  |
| March 1989    | SDI established invested enterprise, CSM, which broke ground in April 1990.   |
| January 1990  | SDI obtained the license for electronics bonded factory.  |
| July 1993     | SDI issued new shares and then completed the public offering. The capital increase reached \$35,987 NT.   |
| July 1994     | SDI registered the ISO 9001(CNS 2681) certification for quality management system with Bureau of Standards, Metrology and Inspection, Ministry of Economic Affairs                  |
| April 1996    | SDI is listed on the TWSE under electronics category.   |
| August 1997   | SDI established invested enterprise, TBT.   |
| October 1997  | The Investment Commission of Ministry of Economic Affairs approved SDI’s indirect China investment proposal. SDI established SHUEN DER(B.V.)CORPORATION to invested in SDI Jiangsu. |
| December 1998 | SDI increased investment in the China plants to a total of \$11.6 million USD, completed the construction of the 36,000 m2 factory and tested the production facility.              |



|                |  |
|----------------|--|
| May 1999       | SDI passed UL QS-9000 quality system standards.  |
| September 1999 | SDI increased investment to the China plants to a total of \$17.6 million USD.   |
| July 2000      | Chairman Chen Chao-Liang retired. President Chen Chao-Hsiung took the concurrent post of Chairman.                             |
| September 2000 | SDI officially adopted the Oracle ERP system and stepped into a new era of information application.                            |
| July 2001      | SDI Jiangsu plant successfully launched the Oracle ERP system.   |
| October 2003   | SDI celebrated its 50th anniversary with a series of activities.   |
| October 2003   | SDI increased investment to the China plants to a total of \$20 million USD.   |
| January 2004   | SDI obtained BSI ISO-14001 EMS certification for environmental management system.  |
| August 2004    | SDI received TS16949 certification for quality management system.  |
| January 2005   | SDI launched the digital document approval system.   |
| October 2005   | SDI increased investment for China plants to a total of \$23 million USD.  |
| July 2006      | SDI successfully launched phase III of Product Lifecycle Management (PLM).   |
| April 2007     | SDI received BSI OHSAS18001 certification for occupational health and safety.  |
| October 2007   | SDI received the certification for strategic alliance from Customs Administration.   |
| December 2007  | Profits from the China plant was turned into capital increase of \$7 million USD. The paid-in capital reached \$30 million NT. |
| March 2008     | SDI launched the e-learning system.  |

|                |  |
|----------------|--|
| July 2009      | SDI launched Business Intelligence System (B.I.), SDC electronic signature system and CSM attendance system.                         |
| July 2009      | SDI obtained IECQ HSPM QC080000 certification for hazardous substance management.  |
| July 2010      | SDI issued private placement of \$46.67 million NT worth of ordinary shares and increased capital to \$1.782 billion NT.             |
| January 2011   | Nantou plant and TBT obtained the license for bonded factory.  |
| March 2012     | Profits from the China plant was turned into capital increase of \$5 million USD and the paid-in capital reached to \$35 million NT. |
| December 2012  | SDI issued restricted stock, and increased capital to \$1.802 billion NT.  |
| December 2013  | SDI received AEO certification from Customs Administration.  |
| September 2014 | SDI received Award for Best Companies to Work For 2014 from Taipei City Government Department of Labor.                              |
| November 2014  | SDI received the Gold Award for the Talent Quality-management System (TTQS) from the Ministry of Labor.                              |

### 1.1.3 Structure

1. The headquarter of SDI Corporation is located at No. 260, Section 2, Dazhu Vil., Zhangnan Rd., Changhua City, Changhua County. As the company grows, the enterprise is expanding. SDI Corporation is the sole proprietor of SDI in Taiwan and SDC in China, which produce electronic parts and stationery. In 1990, SDI co-founded CSM with Hayashio Metal Corporation from Japan. The company produces cold rolled strip, galvanized strip, high carbon cold rolled strip, stainless steel strip and semiconductor lead frame.

In 1997, SDI co-founded TBT with Nippon Filcon Co. from Japan. TBT produces high precision etching products including etched lead frame, suspension/gimbals for HDD/FDD, encoder and FPC processing.

2. Individual and combined shares of invested enterprises with stockholding held by SDI, its Chairman, supervisor and manager, or by companies directly or indirectly controlled by SDI.



| Invested Enterprises (Note) | Company Investment |            | Investments controlled directly or indirectly by the Chairman, supervisor or manager |            | Combined Investment |            |
|-----------------------------|--------------------|------------|--|------------|---------------------|------------|
|                             | Shares             | Percentage | Shares   | Percentage | Shares              | Percentage |
| TBT                         | 9,896,869          | 54.98%     | 3,131  | 0.02%      | 9,900,000           | 55.00%     |
| CSM                         | 14,809,864         | 84.62%     | 1,949,732  | 11.14%     | 16,759,596          | 95.76%     |
| SHUEN DER(B.V.I)CO.         | 8,920,000          | 100.00%    | -  | -          | 8,920,000           | 100.00%    |

Note: Company investment made based on equity method.

### 1.1.4 Corporate Branches and Locations

To keep up with the rapidly changing electronics market, time is of the essence. The response time for development, production, delivery as well as costs of the electronics production chain is reduced year by year. SDI built seven service stations worldwide in order to provide timely response and increase its competitiveness. Three are manufacturing plants located in Taiwan and China, and the rest are SDI sales offices for electronics and stationery products.

| SDI Locations                                |
|--|
| SDI Europe Office                            |
| SDI U.S. Office                              |
| SDI Jiangsu                                  |
| SDI Japan Co., Ltd.                          |
| SDI Electronics Japan Co., Ltd.              |
| Nantou Plants 1 and 2, DG Plant, GSM and TBT |
| SDI Headquarter                              |



### 1.1.5 Affiliations:

SDI is a member of many professional associations, including educational materials, publications and stationery to promote industry and businesses development.

- (1) Taiwan Association of Stationery Industries
- (2) Trade-Guild of Books & Educational Tools, Taiwan
- (3) Trade-Guild of Books & Educational Tools, Taipei
- (4) Trade-Guild of Books, Culture and Education, Kaohsiung
- (5) Trade-Guild of Books & Educational Tools, Changhua County
- (6) Stationery Wholesale Improvement Committee, Taiwan
- (7) Stationery Wholesale Improvement Association, Taipei
- (8) Stationery Wholesale Improvement Committee, Kaohsiung
- (9) Stationery Wholesale Improvement Association, Kaohsiung
- (10) Central Regional Stationery Wholesale Division
- (11) Alpha Stationery Network Association
- (12) The Taiwan Society for Metal Heat Treatment
- (13) The Taiwan Society for Abrasive Technology

## 1.2 Product Overview:

### 1.2.1 Stationery

1. SDI advanced from the traditional metal stationery to a full-range of products thanks to its strong design team at the R&D center, leading mold design, as well as production and stamping technology.

Its independent production process allows SDI to move from industrial to consumer business. Sincerity is what connects SDI with its clients and distributors and brings mutual benefits. SDI has been in the metal stationery industry for over half a century with products including staplers, staple, correction tape, utility knives and blades, clippers, and electronic and manual pencil sharpeners. Be it the SDI brands, ODM or OEM, these products are popular in the both the international and domestic markets.

2. To provide better service, SDI highly values the information gathered by product managers and distributors about its own brands. The information allows swift adjustment and flexible product design to meet the market demands. In terms of OEM and ODM, SDI collaborates closely with clients and integrates R&D, production as well as marketing. Product design is customized according to customer needs and user habits to maximize the values for clients.






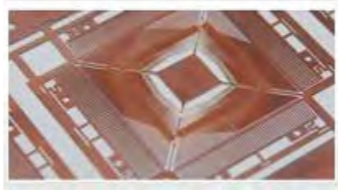
### 1.2.2 Semiconductor Lead Frame





1. Lead frame production is mainly through IDM and OEM. Currently, SDI does not have its own brand. There are two types of lead frames—LED lead frame and semiconductor lead frame, as illustrated in Figure 1-1.



Figure 1-1

2. SDI provides one-stop service that covers mold development, material processing, manufacturing, inspection, packaging and delivery. It is effective in time management and cost control while improving competitiveness. SDI is capable of meeting all customer demands.

| Product Category         | Product   | Product Information  |
|--------------------------|---|--|
| Semiconductor Lead Frame |    | Monomer Lead Frame<br>Monomer (detached) semiconductor parts can be used toward augmentation, switch, pressure stabilization, signaling and many other applications. |
|                          |    | The application of integrated circuit is ubiquitous, including computers, cell phones, computation, telecommunication, manufacturing and transportation system.      |
|                          |  | SDI designs and produces the molds with precision stamping, injection molding and precision etching to meet client needs.  |

| Product Category | Product  | Product Information   |
|------------------|--|---|
| LED Lead Frame   |   | Top view LED<br>A type of SMD LED for billboards, screen backlit and signalization. |
|                  |   | Side view LED<br>A type of SMD LED for cell phones and backlight for tablets.       |
|                  |   | High Power LED<br>Applied mostly for outdoor lighting, light bulbs and headlights.  |
|                  |  | Laser Device<br>Used for the optical reader for CD/DVD/Blue ray.                    |

### 1.3 Dialogues with Stakeholders

#### 1.3.1 Stakeholder Materiality Analysis

SDI has introduced materiality analysis into the corporate sustainability report since 2013 in hope of identifying sustainability issues that stakeholders are concerned about through systematic analysis. It serves as the basis of disclosure in this report to help communicate effectively with different stakeholders.

#### Step 1. Communication Objectives

SDI regards the CSR report as part of strategic sustainable management and therefore establishes six communication objectives that will hopefully achieve the strategic goals through the disclosure in the CSR report.

1. Enhance coherence among employees and allow them to identify with the SDI.
2. Increase the effectiveness and performance on energy conservation, carbon reduction and environmental protection.
3. Improve risk control to foster steady growth and development.
4. Strengthen interaction and communication between SDI and investors.
5. Improve client recognition and satisfaction toward SDI's CSR.
6. Give back to the society and fulfill corporate culture.

**Step 2 Stakeholder Identification**

SDI identified 9 stakeholders based on its communication goals, including employees (trade union), investors (shareholders), clients (distributors), suppliers, organizations, media, consumers, governmental agencies, and academic institutions.

**Step 3 Issues on Sustainability**

SDI identified the major issues by communicating with stakeholders and interviewing high-level management. Interviews and investigations further identify the critical issues and communication targets related to sustainable management. Interviewees include agencies related to environmental protection, health and safety, R&D, procurement, quality assurance, human resources, public relations, customer service, legal affairs, financial affairs and charity foundation. Internal and external communication platforms are established to address the critical issues, solidify SDI's vision on sustainability and enhance communication with the stakeholders for mutual development.

**Step 4 Materiality Analysis**

To discern the key issues from the stakeholders, the materiality analysis is conducted with risks as the key consideration. When the information disclosed in the CSR report does not meet the needs of the stakeholders, it is deemed invalid. Therefore, risk identification and risk assessment analysis are used to assess the occurrence rate and severity.

The factors are scored and weighted for risk calculation. The major issues and scope of influence are then ranked and listed in the matrix.

**Step 5 Result Evaluation and Analysis**

Based on the materiality analysis after the factors are weighted, eight key issues are identified. They are health and safety, client relations management, financial performance, environmental protection, social care and charity, training, green products, as well as health care and management. They will serve as the sound foundation for SDI to communicate effectively.

**2014 Major Stakeholder Issues**

|  |        |  |   |  |
|--|--------|--|---|--|
| <b>Major issues recognized by the stakeholders</b> | High   | Product Safety and Health Issues   | Labor Rights<br>Public Safety<br>Occupational Health and Safety                           | Corporate Governance<br>Financial Performance<br>Customer Relation Management<br>Operational Management    |
|  | Medium | Energy and Resource Management<br>Charity and Social Programs                                | Staff Training<br>Green Product Management<br>Recruitment                                 | Patents and Laws<br>International Certification<br>Regulatory Compliance<br>Energy and Resource Management |
|  | Low    | Food Safety<br>Welfare and Activities<br>Political and Economic Exchange<br>Corporate Visits | Health Care and Management<br>Industry-Academia Cooperation<br>Water Resources Management | Environmental Protection<br>Product Specifications<br>Inspection Standards<br>Environmental Issues         |
|  |        | Low  | Medium  | High   |
|  |        | Influence over the corporation   |   |  |



### 1.3.2 Stakeholders' issues and communication platform

| Stakeholders                          | Issues  | Communication Management  | Corresponding Chapters | Note |
|---------------------------------------|---|---|------------------------|------|
| Employees (including the trade union) | <ol style="list-style-type: none"> <li>1. Health and safety</li> <li>2. Health care and management</li> <li>3. Food safety</li> <li>4. Company provided recreational activities</li> <li>5. Employee training</li> </ol>      | <ol style="list-style-type: none"> <li>1. Training and drills to improve professional skills.</li> <li>2. Conduct internal communication with internal memos or announcements.</li> <li>3. Labor Safety Committee supervises the safety and healthcare.</li> <li>4. Conduct bilateral communication through E-newsletter, email and telephone.</li> <li>5. Employees express comments and suggestions through the staff comment form.</li> <li>6. Conduct performance interview to provide necessary assistance.</li> <li>7. The trade union may assist with communication. Employee Welfare Committee and Labor Management Committee conduct bilateral communication.</li> <li>8. Protect employee health with annual physical checkups.</li> <li>9. Provide group insurance to provide better care for the employees and their families.</li> </ol> | Chapter 4              |      |
| Investors (shareholders)              | <ol style="list-style-type: none"> <li>1. Corporate governance</li> <li>2. Financial performance</li> <li>3. Innovative management</li> <li>4. Environmental protection</li> <li>5. Business continuity management</li> </ol> | <ol style="list-style-type: none"> <li>1. Hold annual shareholder's meeting during mid-year and provide complete financial information, future directions and communication.</li> <li>2. Establish a service hotline to maintain positive and long term interaction with investors.</li> </ol>  | Chapter 2              |      |
| Clients (Distributors)                | <ol style="list-style-type: none"> <li>1. Innovative management</li> <li>2. Customer relations management</li> <li>3. Labor index</li> <li>4. Patent laws and authority concerning international certification</li> </ol>     | <ol style="list-style-type: none"> <li>1. Disclose SDI's current self-audit on EICC through E-TASC.</li> <li>2. Conduct meetings with clients to communicate on issues including future prospect, product development, quality and delivery.</li> <li>3. SDI applies for patent owner claim scope statement, and provides international certificates and contracts to protect its patents.</li> </ol>   | Chapter 6              |      |

| Stakeholders                         | Issues   | Communication Management   | Corresponding Chapters | Note |
|--------------------------------------|--|--|------------------------|------|
| General Public (including residents) | <ol style="list-style-type: none"> <li>1. Environmental protection</li> <li>2. Public safety</li> <li>3. Social care and charity</li> <li>4. Water resources management</li> <li>5. Recruitment</li> </ol> | <ol style="list-style-type: none"> <li>1. Give back to the community regularly and participate the community development meetings</li> <li>2. Arrange for local residents and officials to conduct visit and communication at the plant.</li> <li>3. Regularly inspect environmental sanitation.</li> </ol>  | Chapters 4 and 5       |      |
| Suppliers                            | <ol style="list-style-type: none"> <li>1. Product specification</li> <li>2. Inspection standards</li> <li>3. Financial performance</li> </ol>  | <ol style="list-style-type: none"> <li>1. Provide technical drawings or product specifications to protect the intellectual property right.</li> <li>2. Provide quality inspection certification to protect the rights of both parties.</li> <li>3. Hold annual shareholder's meeting during mid-year and provide complete financial information, future directions and communication.</li> </ol>   | Chapter 6              |      |
| Organizations                        | Social care and charity  | <ol style="list-style-type: none"> <li>1. Regularly post social care and charity programs on the company website.</li> <li>2. Assist the schools, government and companies with the visit.</li> <li>3. Regularly conduct volunteer service programs.</li> </ol>  | Chapter 5              |      |
| Media                                | <ol style="list-style-type: none"> <li>1. Social care and charity</li> <li>2. Financial performance</li> <li>3. Green product management</li> </ol>  | <ol style="list-style-type: none"> <li>1. Regularly post social care and charity programs on the company website.</li> <li>2. Conduct regular shareholder's meeting and provide complete financial information, future directions and communication.</li> <li>3. Conduct media interview from time to time.</li> <li>4. Publish the monthly revenues on the company website.</li> </ol>  | Chapters 2 and 5       |      |
| Consumers                            | <ol style="list-style-type: none"> <li>1. Environmental protection</li> <li>2. Product health and safety</li> </ol>  | <ol style="list-style-type: none"> <li>1. Regularly update the company website with news concerning environmental protection, health and safety.</li> <li>2. Regularly publish newsletters for the consumers and general public.</li> <li>3. Establish service hotline and online inquiry page as consumer services.</li> <li>4. Adopt product packaging and print advertising that comply with the standards.</li> <li>5. Regularly conduct marketing and promotion campaign as well as exhibitions.</li> </ol> | Chapter 6              |      |

| Stakeholders          | Issues  | Communication Management   | Corresponding Chapters | Note |
|-----------------------|---|--|------------------------|------|
| Governmental Agencies | 1. Governmental Agencies<br>2. Environmental protection<br>3. Labor rights<br>4. Political and economic exchange<br>5. Energy and resource management | 1. Conduct random on-site check for compliance.<br>2. Conduct on-site visits.<br>3. Issue paperwork to corporations to provide assistance for various affairs.<br>4. Conduct on-site labor inspection.<br>5. Conduct exchanges and mutual learning through corporate visits. | Chapters 3 and 4       |      |
| Academic Institutions | 1. Industry-academia cooperation<br>2. Corporate visit  | 1. Conduct industry-academia cooperation programs.<br>2. Participate in technical seminars.<br>3. Participate in technical seminars.   | Chapter 4              |      |

## 1.4 R&D Achievements

Consumer products are incorporating green concepts in recent years. SDI is actively developing products with replaceable parts and reducing unrecyclable wastes to meet this trend. Such products include replaceable manual and electronic pencil sharpeners, correction tape, sticky tape and electronic erasers. SDI's stationery products are also awarded repeatedly in the Golden Pin Design Award held by Taiwan Design Center, for example, 2Way Exchanger and i-Stick flue. SDI thinks green from the start by developing and designing new products and introducing new technology that reduces pollution while conserving energy. This approach balances operational safety and prevents environmental impacts and risks from the very beginning.



## 1.5 Awards

### (1). SDI is awarded the golden award of 2014 TTQS

Talent is the most important asset of corporations. Cultivating talent is also what SDI has always been dedicated to. In 2014, it was awarded the Gold Award for the Talent Quality-management System (TTQS) by the Workforce Development Agency, Ministry of Labor. SDI considers competency as the basis for talent development, and actively practicing this philosophy within daily management and corporate culture is more than just a slogan to SDI. It closely links competency to personal promotion and salary increases so that every employee at SDI enjoys enhancement in terms of their position and salary, making SDI a truly happy and friendly working environment.



### (2). Happiness at Home and at Work

Did you that if a person spends 8 hours a day at work, he/she would work for more than 40 years in his/her lifetime (from graduation from university to retirement at the age of 65). The best years of our lives are taken up by work.

“Being happy at work” is what people seek. It would be wonderful if people can go to work with a smile on their face and still have that smile when they leave work. Each person has their own definition of a happy working environment. According to the criteria selected by the Department of Labor, Taipei City Government for “Happy Enterprises,” the following are the most appreciated by employees:



providing a safe and hazard-free working environment, providing reasonable salary, offering an appropriate welfare and reward system, as well as a friendly workplace culture.

SDI has been awarded the Top Level of “the 2014 Happy Enterprise Award” by the Department of Labor, Taipei City Government. It’s a recognition of our company’s long term efforts and is one of which our employees are equally proud.

Let’s see how our employees interpret their “happy imprint”



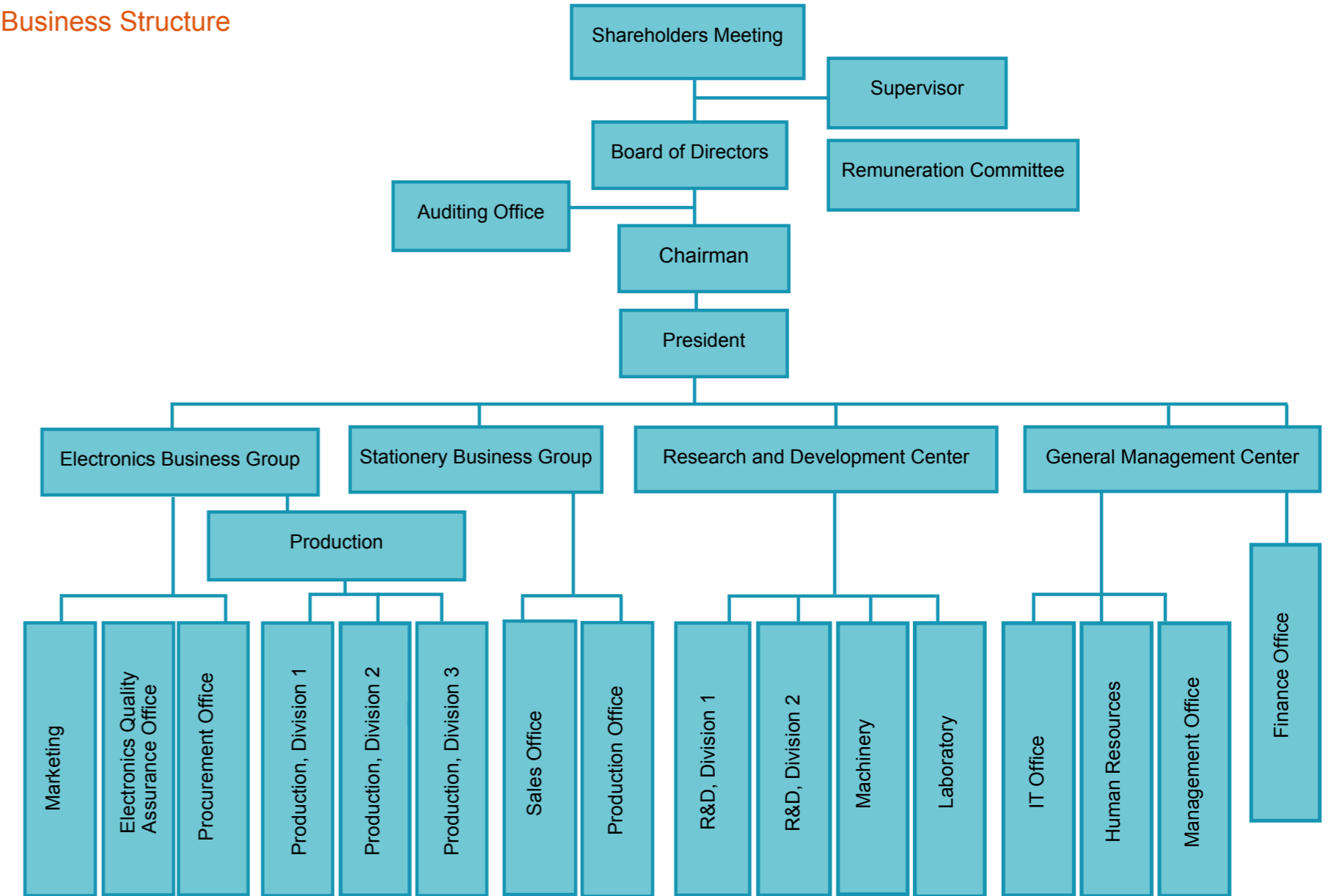
## 2. Corporate Governance

### 2.1 Organizational Governance

#### 2.1.1 Major departments and duties

| Departments                     | Business Tasks   |
|---------------------------------|--|
| Auditing Office                 | The planning, execution and tracking of internal audit. Provide recommendations to ensure effective implementation of the internal audit system. |
| Electronics Business Group      | The procurement, production and sales of electronics products.   |
| Stationery Business Group       | The procurement, production and sales of stationery products.  |
| Research and Development Center | Research and development on new products, new technology and moldings as well as the production of moldings.                                     |
| General Management Center       | Operation and management, rationalization, project implementation, new business planning, human resources planning and information management.   |
| Finance Office                  | Financial planning, capital management and control, accounting, shareholder services and budget management.                                      |

#### 2.1.2 Business Structure





### 2.1.3 The independence of Chairman and supervisors

April 30, 2015

| Conditions       | With 5 years of professional experience and the following qualifications   |  |   | Compliance on independence (Note) |   |                       |                       |                       |                       |                       |                       |                       |                       | Number of public companies where concurrent positions are held on the board of directors |
|------------------|--|--|---|-----------------------------------|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|--|
|                  | Lecturer or above in business, law, finance, accounting or other subjects essential to the business operation at a public or private college or university | Judge, attorney, accountant or other professional or technical positions essential to the business operation with professional or national exam certifications | Professional experience in business, law, finance, accounting or other fields essential to the business operation | 1                                 | 2 | 3                     | 4                     | 5                     | 6                     | 7                     | 8                     | 9                     | 10                    |  |
| Name             |  |  |   |                                   |   |                       |                       |                       |                       |                       |                       |                       |                       |  |
| Chen Chao-siung  |  |  | <input type="radio"/>   |                                   |   |                       |                       | <input type="radio"/> |                       | <input type="radio"/> |                       | <input type="radio"/> | <input type="radio"/> | -  |
| Chen Chao-Ming   |  |  | <input type="radio"/>   |                                   |   |                       |                       | <input type="radio"/> |                       | <input type="radio"/> |                       | <input type="radio"/> | <input type="radio"/> | -  |
| Chen Chao-Hung   |  |  | <input type="radio"/>   |                                   |   | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | -  |
| Chen Chie-Hsuan  | <input type="radio"/>  |  |   | <input type="radio"/>             |   | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | -  |
| Chong Tsong-Ding | <input type="radio"/>  |  |   | <input type="radio"/>             |   | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | -  |
| Hsieh Sheng-Yen  |  |  | <input type="radio"/>   | <input type="radio"/>             |   | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | -  |
| Chen Shu-Ying    |  |  | <input type="radio"/>   | <input type="radio"/>             |   | <input type="radio"/> |                       | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |                       | <input type="radio"/> | <input type="radio"/> | -  |

Note: For directors and supervisors who meet the following conditions during their tenure and two years prior, please check “” in the corresponding box.

- (1) Not employed by the company or its affiliated enterprises.
- (2) Not a director or supervisor of the company or its affiliated enterprises. However, this condition does not apply to independent directors of SDI, its parent company, or subsidiaries where SDI directly or indirectly holds over 50% of company shares with voting rights.
- (3) Not an individual, his/her spouse or underage children holding over 1% share of the public shares issued by the company under his/her own identity or others', or a natural person with top 10 shares of the company.
- (4) Not a spouse of those who qualify conditions (1) to (3) or relatives within the second degree of kinship and blood relations within the third degree of kinship.
- (5) Not a director, supervisor or employee of juristic shareholders directly in possession of over 5% of the total public shares issued by the company or the director, supervisor or employee of juristic shareholders with top 5 shares.
- (6) Not a director (executive director), supervisor, manager or shareholder with over 5% of shares in a company with financial or business relationship with the company.
- (7) Not a business owner, partner, director, executive director, supervisor, manager or the spouse thereof of the professional, sole proprietor, partnership, company or organization providing business, legal, financial and accounting services or consultation to the company or its affiliates.

- The above term shall not apply to members of remuneration committee fulfilling duties as stipulated by Article 7 of Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter.
- (8) Not a spouse or relative of another director within the second degree of kinship.
  - (9) Not under any of the circumstances referenced in Article 30 of Company Act.
  - (10) Not elected as a governmental agency, juristic person or its representative as referenced in Article 27 of Company Act.

## 2.2 Operational Management

2.2.1. SDI provides guidance for its employees, management and the board of directors in accordance with governmental regulations. When developing the code of conducts and company guidelines, it is the goal to promote integrity and morality while supporting and complying with the regulatory requirements. SDI also establishes policies addressing the workplace, health and safety, gender discrimination, bribery, conflict of interests as well as protection of company assets and reputation.

The management team at SDI pays close attention to domestic and international policies and regulatory provisions that may affect the company and established corresponding risk control procedures. In 2014, there were no violations of corporate governance regulations involving fines or other penalties.

**2.2.2.** SDI established corporate internal control system in accordance with Regulations Governing Establishment of Internal Control Systems by Public Companies promulgated by Financial Supervisory Commission. All units conduct self-evaluation periodically and commission certified public account to check for compliance. It is the hope that such mechanism would make the company operation healthier, protect company assets, ensure complete and credible financial information and improve business efficiency. SDI holds annual shareholders' meetings to encourage two-way communication.

**2.2.3.** The Auditing Office reports directly to the board of directors and assist with the management to evaluate the efficiency of internal control system. The result is submitted for regular review by the supervisors and board of directors. Once the audit is completed, the audit report shall include follow up and improvement plans addressing deficiencies.

**2.2.4**Discrepancies between actual practices and Corporate Governance Best Practice Principles for TWSE/GTSM-Listed Companies and reasons

| Criteria  |     |                       | Operation   | Discrepancies between actual practices and Corporate Governance Best Practice Principles for TWSE/GTSM-Listed Companies and reasons |
|---|-----|-----------------------|---|---|
|   | Yes | No                    |   |   |
| I. The Company has and discloses corporate governance best practice principles based on Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies. |     | <input type="radio"/> | The company has yet to formulate corporate governance best practice principles. | The principles shall be formulated based on the needs for corporate development or per laws and regulations.                        |
| II. Structure of the company share and shareholders' rights   |     |                       |   |   |

| Criteria   |                       |                       | Operation  | Discrepancies between actual practices and Corporate Governance Best Practice Principles for TWSE/GTSM-Listed Companies and reasons |
|--|-----------------------|-----------------------|--|---|
|  | Yes                   | No                    |  |   |
| (1) The Company have internal operating procedures in place for shareholder suggestions, ambiguities, disputes, and litigations and operate as per the procedures. | <input type="radio"/> |                       | The Company has a system of spokesperson and deputy spokesperson as well as stock affair specialists and deputy stock affair specialists for processing shareholder suggestions and disputes.  | No discrepancies.   |
| The Company has the roster of major shareholders and persons having ultimate control over the company.   | <input type="radio"/> |                       | The Company is always closely informed on the share changes of directors, supervisors, managers, and major shareholders and disclose such information monthly on declaration websites designated by competent authorities.                                     | No discrepancies.   |
| (3) The Company has established and executed risk management and firewall mechanism with affiliated companies.   | <input type="radio"/> |                       | The finance and accounting of the affiliates are handled independently by designated personnel with internal audit established in accordance with the regulatory requirements.   | No discrepancies.   |
| (4) The Company has internal regulations against internal personnel of the Company to use information undisclosed to the market to trade securities.               | <input type="radio"/> |                       | The Company has established the "Major Internal Information Processing Procedure."   | No discrepancies.   |
| III. Board of Directors and Duties   |                       |                       |  |   |
| (1) The board of directors formulates and executes diversified guidelines based on the composition of members.   |                       | <input type="radio"/> | SDI' s directors have professional industry backgrounds and practical managerial experiences. It has been planned that at this year' s shareholder meeting, two independent director seats will be established as per the Company's articles of incorporation. | No significant discrepancies.   |

| Criteria  |                       |                       | Operation  | Discrepancies between actual practices and Corporate Governance Best Practice Principles for TWSE/GTSM-Listed Companies and reasons |
|---|-----------------------|-----------------------|--|---|
| (2) In addition to forming the Remuneration Committee as per regulations, the Company voluntarily establishes other functional committees.  | Yes                   | No                    | No functional committee has been established in addition to the Remuneration Committee.  | Functional committees shall be formed based on the needs for corporate development or per laws and regulations.                     |
| (3) The Company has established board of directors performance evaluation regulations and has annually executed performance evaluations accordingly.  |                       | <input type="radio"/> | The Company has not formulated such regulations.   | Such regulations shall be established based on the needs for corporate development or per laws and regulations.                     |
| (4) The Company regularly evaluates the independence of certified public accountant (CPA).  | <input type="radio"/> |                       | The accounting firm of the Company practices an accountant rotation policy, achieving the independence of accountants.   | No discrepancies.   |
| IV. The Company has spokespersons and stock affair specialists while providing contact information on the Company website. Stakeholders are able to voice their concerns via telephone or the website.  | <input type="radio"/> |                       | The Company has spokespersons and stock affair specialists while providing contact information on the Company website. Stakeholders are able to voice their concerns via telephone or the website. | The Company has planned to establish a stakeholders section on the Company website by the end of the year.                          |
| V. The Company commissions a professional stock affairs agency to process shareholder meeting affairs.  | <input type="radio"/> |                       | The Company has commissioned the stock affairs agency department of Capital Securities Corporation for processing shareholder meeting affairs.   | No discrepancies.   |
| VI. Open Information  |                       |                       |  |   |
| (1) The Company has website for financial information disclosure and corporate governance.  | <input type="radio"/> |                       | SDI established a website for disclosing company finance and related information.<br>Website: www.sdi.com.tw   | No discrepancies.   |
| (2) The Company has other ways of information disclosure, such as English website, designated personnel for information gathering and disclosure, spokesperson system and the posting of institutional investor meeting on the company website. | <input type="radio"/> |                       | SDI has designated personnel in charge of information gathering and disclosure and has implemented the spokesperson system.<br>Website: www.sdi.com.tw   |   |

| Criteria   |                       |    | Operation | Discrepancies between actual practices and Corporate Governance Best Practice Principles for TWSE/GTSM-Listed Companies and reasons  |
|--|-----------------------|----|-----------|--|
| VII. The Company has other information contributing to the understanding of the company's corporate governance and operation, including and not limited to Employee rights/ Staff care/ Investor relations/ Supplier relations/ Stakeholders' rights/ Continuing education provided for directors and supervisors/ Risk management policies and risk assessment standards and the application thereof/ Application of client policies/ Liability insurance for directors and supervisors purchased by the Company. | Yes                   | No |           | 1. Employee rights: SDI protects the legal interests of its employees in accordance with Labor Standards Act.<br>2. Staff care: SDI established employee welfare committee and provides subsidies for weddings and funerals, educational scholarship for employees' children and subsidized company trips.<br>3. Investor relations: SDI has designated spokesperson to deal with shareholder's comments.<br>4. Supplier relations: SDI has always maintained good relationships with its suppliers.<br>5. Stakeholders' rights: The stakeholders are able to communicate with and propose to the companies to protect their legal interests.<br>6. Continuing education provided for directors and supervisors: SDI's directors and supervisors have rich industry backgrounds and practical experience. They are also kept current on regulatory requirements related to corporate governance. The followings are continuing education provided in 2014. |
|  | <input type="radio"/> |    |           | No significant discrepancies.  |



| Criteria   |    | Operation |  | Discrepancies between actual practices and Corporate Governance Best Practice Principles for TWSE/GTSM-Listed Companies and reasons |
|--|----|-----------|--|---|
| Yes  | No |           |  |   |
|  |    |           | 7. Risk management policies and risk assessment standards and the application thereof: Internal regulations are established as per relevant laws for risk management and assessment activities.<br>8. Application of client policies: The Company maintains good and stable relations with clients.<br>9. Liability insurance for directors and supervisors purchased by the Company: The amended Articles of Corporation state explicitly that after directors and supervisors are elected, the Board of Directors may decide to purchase liability insurance for directors and supervisors within their term and within their scope of responsibilities. |   |
| VIII. The Company has corporate governance evaluation conducted in-house or by external professional agencies. Describe suggestions from the Board of Directors and the deficiencies, recommendations or improvements identified in corporate governance evaluation conducted in-house or by external agencies, if available.) |    |           |  |   |

Continuing Education for Directors and Supervisors in 2014:

| Title      | Title            | Title     | Organizer                        | Course Title   | Hours |
|------------|------------------|-----------|----------------------------------|--|-------|
| Director   | Chen Chao-Ming   | 103/08/28 | TWSE                             | Seminar on Ethical Corporate Management Best Practice and Corporate Social Responsibility for TWSE/GTSM Listed Companies | 3     |
| Director   | Chen Chao-Hsiung | 103/08/28 | TWSE                             | Seminar on Ethical Corporate Management Best Practice and Corporate Social Responsibility for TWSE/GTSM Listed Companies | 3     |
| Supervisor | Chen Shu-Ying    | 103/11/20 | Financial Supervisory Commission | 10th Corporate Governance Forum  | 3     |

(4) If the Company has a remuneration committee, the organization, responsibilities, and operation of the committee should be disclosed: It was decided by the Board of Directors to establish a remuneration committee on December 15, 2011.

1. Member information of the Remuneration Committee

| Position | Name           | Qualification | Work experience of over 5 years with the following professional qualifications   |   |  | Compliance with Independence (Note 1) |                       |                       |                       |                       |                       |                       |                       | Number of part-time positions at the remuneration committee of other publicly-traded companies | Remarks                     |
|----------|----------------|---------------|--|---|--|---------------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|--|-----------------------------|
|          |                |               | Public or private college lecturer or above in departments related to commerce, law, finance, accounting, or other areas related to the operation of the company | Nationally licensed professional service or technical personnel as judge, prosecutor, lawyer, accountant, or other professions involved in the operation of the company | Experience in commerce, law, finance, accounting, or other fields involved in the operation of the company | 1                                     | 2                     | 3                     | 4                     | 5                     | 6                     | 7                     | 8                     |  |                             |
| Other    | Chiang Wen-Yi  |               | <input type="radio"/>  |   |  | <input type="radio"/>                 | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | -  | -                           |
| Other    | Huang Lan-Ying |               | <input type="radio"/>  |   |  | <input type="radio"/>                 | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | -  | -                           |
| Director | Chieh-Hsuan    |               | <input type="radio"/>  |   |  | <input type="radio"/>                 | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | -  | Dismissed on March 18, 2014 |
| Other    | Tseng Kuo-Chao |               | <input type="radio"/>  |   |  | <input type="radio"/>                 | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | -  | Appointed on March 18, 2014 |

Note 1: For members who meet the following conditions during their tenure and two years prior, please check “○” in the corresponding box.

(1) Not employed by the company or its affiliated enterprises.

(2) Not a director or supervisor of the company or its affiliated enterprises.

However, this condition does not apply to independent directors of SDI, its parent company, or subsidiaries where SDI directly or indirectly holds over 50% of company shares with voting rights.

(3) Not an individual, his/her spouse or underage children holding over 1% share of the public shares issued by the company under his/her own identity or others’ , or a natural person with top 10 shares of the company.

(4) Not a spouse of those who qualify conditions (1) to (3) or relatives within the second degree of kinship and blood relations within the third degree of kinship.

(5) Not a director, supervisor or employee of juristic shareholders directly in possession of over 5% of the total public shares issued by the company or the director, supervisor or employee of juristic shareholders with top 5 shares.

(6) Not a director (executive director), supervisor, manager or shareholder with over 5% of shares in a company with financial or business relationship with the company.

(7) Not a business owner, partner, director, executive director, supervisor, manager or the spouse thereof of the professional, sole proprietor, partnership, company or organization providing business, legal, financial and accounting services or consultation to the company or its affiliates. The above term shall not apply to members of remuneration committee fulfilling duties as stipulated by Article 7 of Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter.

(8) Not under any of the circumstances referenced in Article 30 of Company Act.

Note 2: Mr. Chen Chieh-Hsuan was appointed member of the Remuneration Committee as a director. His term ended on March 19, 2014. As per laws and regulations, the position was succeeded by Mr. Tseng Kuo-Chao as elected by the Board of Directors on March 18, 2014.

2. Information on the Operation of the Remuneration Committee

(1) The Company’ s Remuneration Committee comprises 3 members.

(2) Term of the committee members: From June 28, 2012 to June 27, 2015. Two

(A) Remuneration Committee meetings were held recently, with the following attendees, whose qualifications are listed in the following.

| Title       | Name           | Actual instances of attendance (B) | Instances of substituted attendance | Actual attendance rate (%) (B/A) | Remarks |
|-------------|----------------|------------------------------------|-------------------------------------|----------------------------------|---------|
| Chairperson | Chiang Wen-Yi  | 2                                  | -                                   | 100%                             | -       |
| Member      | Huang Lan-Ying | 2                                  | -                                   | 100%                             | -       |
| Member      | Tseng Kuo-Chao | 2                                  | -                                   | 100%                             | -       |

Other Required Information:

1. If the Board of Directors decline or modify suggestions from the Remuneration Committee, provide the date of the board meeting, term of the meeting, content of the discussion, decision of the Board, and the action taken by the Company upon the suggestion from the Remuneration Committee (If the remuneration decided upon by the Board is higher than that suggested by the Remuneration Committee, provide the details on the difference and the reasons thereof.): None.

2. Concerning the decisions made by the Remuneration Committee, if any committee member offers opposition or reserved opinion that is recorded or stated in written form, provide the date of the committee meeting, the term, content of discussion, the opinions of all members, and action taken upon the opinion from the members: None

### 2.2.5 Fulfillment of social responsibility

| Criteria   | Operation             |    |   | Discrepancies between actual practices and Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies |
|--|-----------------------|----|---|--|
|  | Yes                   | No | Remarks   |  |
| I. Fulfill corporate governance  |                       |    |   |  |
| The Company has established corporate responsibility policies or systems and has reviewed the results of the implementation thereof. | <input type="radio"/> |    | SDI has not established Corporate Social Responsibility Best Practice Principles. | SDI may establish the principles based on practical considerations.  |

| Criteria   | Operation             |    |   | Discrepancies between actual practices and Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies |
|--|-----------------------|----|---|--|
|  | Yes                   | No | Remarks   |  |
| (2) The Company regularly organizes social responsibility training.  |                       |    | SDI has not established Corporate Social Responsibility Best Practice Principles.   | SDI may establish the principles based on practical considerations   |
| (3) The Company has established exclusively (or concurrently) dedicated unit in charge of proposing and enforcing corporate social responsibility, managed by high-level management as authorized by the Board of Directors, to whom the processes are reported. | <input type="radio"/> |    | The management of the Company shall be in charge of overall planning and relevant departments shall appoint employees to implement corporate social responsibility. | No significant discrepancies.  |

| Criteria   | Operation             |    |   | Discrepancies between actual practices and Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies |
|--|-----------------------|----|---|--|
|  | Yes                   | No | Remarks   |  |
| (4) The Company has established reasonable remuneration policies, integrated employee performance evaluation with corporate social responsibility policies, and established clear and effective reward and disciplinary systems. | <input type="radio"/> |    | Based on the supply and demand in the labor market, the Company conducts annual salary surveys to understand the salary levels of various professions in the market and the responsibilities of internal positions to provide basis for remuneration policies. The Company also conducts annual employee performance evaluation and has established clear and effective reward and disciplinary systems. However, the Company has not yet integrated employee performance evaluation with corporate social responsibility policies. | No significant discrepancies.  |
| II. Foster a sustainable environment   |                       |    |   |  |
| (1) The Company is committed to enhancing the efficiency of the utilization of various resources and has adopted the use of recycled materials that have less environmental impact.  | <input type="radio"/> |    | SDI obtained ISO14001 certification and established comprehensive mechanism addressing environmental impact assessment and the classification, management and reuse of disposable waste.  | No discrepancies.  |
| (2) The Company has established proper environment management systems based on the characteristics of its industries   | <input type="radio"/> |    | SDI complies with all national regulatory requirements as well as international standards on environmental health and safety with the certification from ISO14001 for environment management system and OHSAS18001 for occupational health and safety management.   | No discrepancies.  |
| (3)The company monitors the impact of climate change on its operation, implements checks on greenhouse gases, and establishes company-wide energy-saving and greenhouse gas reduction policies.                                  | <input type="radio"/> |    | In addition to conduct regular testing and remove disposable waste as required, SDI also voluntarily reduces energy consumption during production to minimize the impacts to the environment.   | No discrepancies.  |



| Criteria  | Operation             |    |   | Discrepancies between actual practices and Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies |
|---|-----------------------|----|---|--|
|   | Yes                   | No | Remarks   |  |
| III. Preserve public welfare  |                       |    |   |  |
| (1)The Company has established managerial policies and procedures in compliance with the International Bill of Human Rights.  | <input type="radio"/> |    | SDI complies with relevant labor laws and regulations, protects the legal rights and interests of the employees and encourages and open and two-way communication between the management and the employees for the promotion of company policies.   | No discrepancies   |
| (2) The Company has established employee grievance systems and channels and has appropriately handled grievances thus submitted.  | <input type="radio"/> |    | (2) The Company has established employee grievance systems and channels and has appropriately handled grievances thus submitted.  | No discrepancies   |
| (3) The Company provides employees with safe and healthful work environment, including health and safety education  | <input type="radio"/> |    | SDI obtained BSI OHSAS18001 certification on health and safety. The company promotes 5S for the environment as well as TPM for the equipment, maintains the cleanliness and safety of the operation environment and provide annual physical checkup for employees.  | No discrepancies   |
| (4)The Company facilitates regular communication between the management and the employees and informs employees of operation changes that may significantly impact by reasonable means. | <input type="radio"/> |    | SDI installs staff comment box to timely response to their concerns and regularly issues internal newsletter to notify employees of the most current information on company operation.  | No discrepancies   |
| (5) The Company establish effective career ability development training programs for employees.   |                       |    | SDI believes in training potential recruits that corporations and the society need and regards it as its corporate responsibility. To ensure the effectiveness of its training system, SDI has obtained certification from Taiwan TrainQuali System (TTQS) since 2012 and won silver, bronze, and gold awards from the Workforce Development Agency | No discrepancies   |

| Criteria  | Operation             |    |  | Discrepancies between actual practices and Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies |
|---|-----------------------|----|--|--|
|   | Yes                   | No | Remarks  |  |
| (6) The Company has established consumer protection policies and grievance processes for research and development, procurement, production, operation, and service processes.   | <input type="radio"/> |    | SDI established SOPs for dealing with customer complaints and feedback. The Company has established a client-oriented quality assurance system and evaluated the products and services objectively and comprehensively to assess the gap between customer expectations and needs. These measures are references for quality improvement so that SDI can achieve corporate sustainability.            | No discrepancies   |
| (7) The Company complies with laws, regulations, and international standards in the marketing and labeling of products and services.  | <input type="radio"/> |    | In terms of design, the Company's products have obtained multiple international certifications. In the future, the Company plans to incorporate EU's Ecodesign standards, which are being discussed in the EU, to gain the trust of the public in the Company's efforts in environmental protection and user safety as the Company moves toward sustainability and excellent global corporate image. | No discrepancies   |
| (8) The Company reviews whether a supplier has records of environmental or social impact before establishing relations.   | <input type="radio"/> |    | SDI actively implements the ISO9001, QS9000, QC080000 and TS16949 systems and has obtained the certifications. The company also asks for the suppliers' compliance to jointly improve corporate social responsibility.   | No discrepancies   |
| (9) The contract between the Company and its main suppliers include terms regarding the termination of contract upon discovering that a supplier has violated the Company's social responsibility policies and has significant impact on society. | <input type="radio"/> |    | Before establishing relations with a supplier, the Company conducts evaluation of the supplier. Upon discovery of significant impact on environment or society, the Compact immediately terminates any relations with the perpetrating supplier and reserves the right to file claims to the supplier for all losses sustained by the Company.   | No discrepancies   |

| Criteria  | Remarks  | Discrepancies between actual practices and Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies |
|---|--|--|
|   |  |  |
| IV. Enhance disclosure of corporate social responsibility information<br>(1) The Company discloses relevant and reliable information related to corporate social responsibility on the company website and on the Market Observation Post System.   | SDI established the exclusive website, www.sdi.com.tw. The website provides production information as well as a communication channel for SDI with the shareholders, clients and suppliers. The website also includes an investor page disclosing company finance to improve information transparency and better understanding among the shareholders. |  |
| V. For companies with established best practice principles based on Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies, explain the discrepancies between actual practices and the principles: SDI has not established Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies.  |  |  |
| VI. Other information contributing to the understanding of the company's corporate social responsibility operations:<br>1. Environmental protection: SDI obtained ISO14001 certification and established comprehensive mechanism addressing environmental impact assessment and the classification, management and reuse of disposable waste.<br>2. Community participation, social contribution, social service and social welfare: SDI established SDI Foundation to provide scholarship for the financially disadvantaged, promote the welfare of children, elderly and the disabled, and provide emergency and low-income assistance to fulfill its social responsibility.<br>3. Consumer rights: SDI is devoted to producing quality products. In addition, SDI has in place the consumer hotline with designated personnel exclusively for providing customer service<br>4. Health and safety: SDI obtained BSI OHSAS18001 certification on health and safety. The company promotes 5S and maintains the cleanliness and safety of the operation environment. The company also conducts annual fire drills and seminars to reduce the risks of accidents. |  |  |
| VII. Provide descriptions of relevant certifications for company products or CRS reports if available:<br>SDI received ISO9001, UL QS-9000, TS16949, BSI ISO-14001 EMS, BSI OHSAS18001 and IECQ HSPM-QC080000 certifications, which is a testimony of its international recognition on product quality and environmental protection mechanism.  |  |  |

## 2.2.6 Fulfillment and measures of ethical management

| Criteria  | Operation |                       | Remarks  | Discrepancies between actual practices and the Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies and reasons |
|---|-----------|-----------------------|--|---|
|   | Yes       | No                    |  |   |
| I. Establishment of ethical corporate management policies and proposals<br>(1) The Company has established expressly, in the company charters and external documents, the policies and measures of ethical corporate management and the commitment to actively implement such practices from the Board of Directors and management.   |           | <input type="radio"/> | SDI has not established ethical corporate management best practices. However, SDI established regulations governing commercial behaviors and professional ethics under the premises of not violating ethical corporate management, compliance with regulatory requirements, fairness and transparency. | The Company shall establish such practices based on practical considerations.   |
| The Company has established unethical behavior prevention programs, established operating procedures, behavioral guidelines, The Company has established unethical behavior prevention programs, established operating procedures, behavioral guidelines,<br>(3) The Company has taken preventive measures against the business operations with higher risks of unethical behaviors listed in Section 2 Article 7 of the Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies |           | <input type="radio"/> |  |   |

| Criteria   | Operation |                       | Discrepancies between actual practices and the Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies and reasons   |
|--|-----------|-----------------------|---|
|  | Yes       | No                    |   |
| II. Fulfill ethical corporate management   |           |                       |   |
| (1) The Company evaluates the ethics records of a partner and includes terms regarding ethical behavior in the contract with the partner   |           | <input type="radio"/> | Before establishing relations with a supplier, the Company conducts review on whether there are records of unethical behavior. The Company maintains the ethics principle with clients by promptly handling client complaints and taking active measures to prevent losses on both sides to ensure trust from clients.<br>The Company shall establish such practices based on practical considerations. |
| (2) The Company has established exclusively (or concurrently) dedicated unit under the Board of Directors for implementing ethical corporate management, and the unit regularly reports to the Board on its implementation progress. |           | <input type="radio"/> | The Company has established effective accounting and internal control systems. The Company's internal audit personnel also review the compliance of the systems based on audit plans and submit the results in audit reports to the Board of Directors and the supervisors.<br>No significant discrepancies.  |
| (3) The Company has established policies against conflicts of interest, provided appropriate communication channels, and implemented such practices accordingly.   |           | <input type="radio"/> | When there are conflicts of interest in any issues with the Board of Directors, such issues shall not be discussed or voted on as per the conflict of interest avoidance principle.<br>No significant discrepancies.  |
| (4) The Company has established effective accounting and internal control systems for ethical corporate management and is regularly audited by internal auditing units or external accountants.                                      |           | <input type="radio"/> | To implement ethical corporate management, the Company has established effective accounting and internal control systems. The Company's internal audit personnel also review the compliance of the systems based on audit plans and submit the results in audit reports to the Board of Directors and the supervisors.<br>No significant discrepancies  |
| (5) The Company organizes regular internal and external training on ethical corporate management.  |           | <input type="radio"/> | The Company has not regularly organized training on ethical corporate management.<br>The Company shall establish such practices based on practical considerations.  |

### 2.2.7 Companies with corporate management principles and relevant regulations shall disclose the means of inquiring such information

1. Company best practices and related regulations: SDI has established Regulations Governing Procedure for Board of Directors Meetings, Rules of Procedure for Shareholders Meetings, Regulations Governing the Election of Directors and Supervisors, Rules of Procedure for Handling Acquisition and Disposal of Assets, Regulations and Procedures Governing Lending of Capital, Regulations Governing Endorsements and Guarantees, and Regulations Governing the Organization of Remuneration Committee in accordance with Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies.

2. For details, please go to the corporate governance section of Investor Relations (IR) on the company website, <http://www.sdi.com.tw>.

### 2.2.8 Disclosure of other information contributing to the understanding of corporate governance: None.

## 2.3 Operational Conditions

### 2.3.1 2014 Business Report

With the dedication of all employees at SDI, the company has achieved the performance goals set for 2014

. With the steady recovery of the industries in which SDI's main products are applied, SDI has effectively utilized the diverse divisions of the enterprise and the vertically integrated production processes. The Company has also been pursuing mutual growth and business performance with excellent supply chains and ever-improving customer service. In 2014, because the central banks in Europe, the U.S., and Japan continued their easy monetary policy, the world's major economies have gradually steadied their growth, and this in turn benefited the automobile, mobile device, and information technology industries. For effective strategies for the supply of products in the market, the electronics department has continued to increase the capacity of in-house production and enhance the marketing of niche product lines while utilizing diverse procurement sources to lower inventory prices and risk cost resulting from the slow fall of copper price and the rise of processing cost. This drove the electronics department to increase as well as accelerate the growth of revenue. To minimize the impact from rising labor costs, exchange rates, and tax rates on revenue, the stationery business department continued to promote the Company's private brand and optimized the market for ODM products, thus maintaining a growing annual revenue. In addition, affiliated enterprises TBT and CSM and SDI's Jiangsu Plant continued to grow in terms of revenue because of increased emphasis on niche products. The Group's combined revenue is 9.797 billion, growing 8.16 %.



Net income for this period is 711 million, growing 46%. The basic earnings per share is 3.95 - a significant increase from the previous year's 2.69 and a record high.

The Company's net gains in 2014 made history. In addition to the falling copper price which decreased material costs and the falling exchange rates that benefited export industries, the Company's electronics business sufficiently enhanced the production values of niche products IC, LED, and VCM and thus contributed to profits. It also distributed fixed costs and lowered the cost of defectives by increasing the utilization of in-house material production capacity and decreasing production loss, thus effectively expanded the operation scale of mid- and low-level products, continuing to develop internal revenue sources. By continued integration, increasing income, and decreasing expenditure, the scale of the electronics business and the scope of its technologies will continue to expand, thus further cementing its leading position in the industry. The stationery business, on the other hand, has been committed to increasing the market share of the Company's private brand and offering clients integrated design and manufacturing services. Moreover, because of rising costs in various aspects, the newly developed automated production processes have successfully begun production, minimizing the impact of rising costs and enabling the development- and innovation-driven stationery business to continue to increase revenue. In 2015, SDI will move forward with its strong and diverse industries.

The Company's vertical integration strategies for production processes will be applied across the Strait, with advanced division of labor in material production and continuous breakthroughs in stamping, etching, and plating technologies, to meet the various demands from clients. These are the keys to the Company's management and development. With new generations of interdisciplinary products in our stationery, electronics, and precision industry businesses, our visions are energy-saving lifestyles and user-friendly technologies. We hope that our revered shareholders will continue to support us as we continue to take on challenges and strive for innovations with foundations in our strong business performance, so that the Group grows increasingly successfully in the future.

### 2.3.2 2014 Budget execution, financial analysis and R&D evaluation:

Unit: \$1,000 NT

| Items                     | 2014      | 2013      | Increase/Decrease |
|---------------------------|-----------|-----------|-------------------|
| Sales Revenue             | 9,797,857 | 9,058,548 | 8.16%             |
| Gross Profit              | 1,747,510 | 1,369,827 | 27.57%            |
| Operational Costs         | 812,150   | 706,535   | 14.95%            |
| Net Revenue               | 935,360   | 663,292   | 41.02%            |
| Net Income after Tax      | 780,861   | 550,827   | 41.76%            |
| Net Income Per Share (NT) | 3.95      | 2.69      | 46.84%            |
| Return on Equity          | 16.73%    | 13.19%    | 26.84%            |
| Net Income Ratio          | 7.97%     | 6.08%     | -                 |
| Return on Assets          | 8.20%     | 6.37%     | 28.73%            |
| R&D costs                 | 237,170   | 203,917   | 16.31%            |

Note: No public financial forecast in 2014.

### 2.3.3 Overview of 2015 Business Plan

#### (1) Electronics production and marketing

1. This year, driven by continued easy monetary policies in various countries in the world and the recovering economy in the U.S., global economy has been growing steadily. Although China's economy has slowed down, because of its government's policy of lowering the required reserve ratio, with the "One Belt, One Road" of Asian investment banks, domestic demand and foreign development has been spurred, thus easing the pressure of overcapacity. Therefore, China's economy is expected to continue to grow, and the global semiconductor market is also positively anticipated.

2. The allotype material for the Company's main product, power lead frame, has been produced at near-full capacity to supply the Company's internal demand. Therefore, we have gained recognition from clients in terms of cost, quality, and delivery time as well as obtained a larger market share. This year, production capacity will be expanded for future demands.

3. The market penetration rate of LED has reached saturation in large-scale LCD TV and display backlight yet is still in high demand in tablet computers and smart phone backlight markets. Therefore, this year, we developed thinner high intensity side view LED for clients. In addition, this year is "Year One" for lighting, and related applications are developing rapidly, especially in the automobile application market.

SDI has been certified by numerous Japanese and Korean clients and has successfully delivered their orders.

#### (2) Stationery Production and Marketing

1. This year, with demand from the U.S. market still high, we expect that orders from our major clients in the U.S. will continue to grow. In the Japanese market, because of the depreciation of the Japanese yen, orders from Japan will be affected. The Company shall continue to develop new products to stimulate demand.

2. In terms of correction tape production, the Company will continue to incorporate new assembly machines to lower dependence on manual labor and cost while continuing to expand production scale to maintain the steady growth of sales.

3. In terms of marketing in the Taiwanese market, the Company will continue to scale up collaboration with stationery chain stores, while increasing the variety of product lines with new products and promotion campaigns.

(3) Due to economic recovery, the sales forecast for 2015 will see an increase from 2014. Growth is also expected for companies receiving SDI investment, including invested enterprise SDC Jiangsu, CSM and TBT, which will continue contributing to SDI's revenues.

## 2.4 Material Procurement Strategies

**2.4.1.** The suppliers are important partners with which SDI collaborates closely in the pursuit of sustainable management and growth. Local suppliers from Taiwan have priority consideration from SDI for efficiency and economic stability.

**2.4.2.** Taiwanese suppliers may not be able to meet the demands on some materials, such as copper due to product grades. Therefore, these materials are purchased from advanced countries such as Japan and Singapore to meet the specification and production needs.

| Country               | Percentage of procurement in 2014 |
|-----------------------|-----------------------------------|
| Japan                 | 42%                               |
| Taiwan                | 32%                               |
| Europe                | 10%                               |
| China                 | 12%                               |
| Singapore             | 3%                                |
| Other Asian Countries | 1%                                |
| Total                 | 100%                              |

## 2.5 Anti-Corruption

**2.5.1.** SDI employees and the entire company are held to the highest legal and ethical standards. In order to maintain integrity and trust while improving efficiency, SDI established regulations governing business conducts and professional ethics. All employees shall abide by said regulations to maintain trustful relationship with the clients, suppliers and the public while ensuring sustainable growth and development.

**2.5.2.** To fight against corruption, SDI forbids employees to accept gifts in any form with a cash value over \$1,000 NT, including gift certificates, checks and stocks. In the instances when employees are unable to refuse or return gifts received, the gifts shall be dealt with in the following manners:

1. Food items shall be distributed evenly among the staff through the supervisor.
2. Other items shall be forwarded to the Management Division to be documented and gifted during the year-end banquet.
3. In cases where determination cannot be made, matters shall be forwarded to the supervisor or the Management Division for decision.

**2.5.3.** SDI's suppliers shall fulfill their social responsibility and promote mutual trust under the principles of honesty and integrity:

1. The suppliers promise to prepare and fulfill principles of integrity during the entire business transaction, and that all documents and information provided to SDI during negotiation, cooperation and contract fulfillment, including but not limited to business registration, certificates, company and personal information, addresses, notes, warrants as well as product names, specifications, quality, quantity and standards shall be authentic and that there is no incidence of fraud, forgery or alteration.

2. The suppliers promise to forbid employees or affiliates to engage in the following conducts toward SDI employees, their families and other stakeholders:

- (1). The suppliers shall not commit bribery by giving or promising to give money, present, or tangible or intangible interests by any means, including but not limited to dinner invitations, entertainments, meals, transportation expenditures, kickbacks, commissions or other unjust interests.
- (2) The suppliers shall not engage in misconducts involving joint venture, collaboration, collusion or profit sharing.
- (3) The suppliers shall not inappropriately obtain confidential information related to business transactions by any means or attempt to complete business transactions with SDI through means in violation of company integrity, such as bid rigging.

**2.5.4.** Violation of this agreement by the supplier or its employees shall be deemed as a breach of contract. The supplier and its employees shall be held legally liable for compensation. SDI reserves the right to freeze any funds involved, terminate the contractual or any business relationship and cancel any orders immediately. The supplier shall be responsible for all losses SDI suffers.

## 3. Environmental Protection

### 3.1 Product Responsibility

#### 3.1.1 Environmental protection through replaceable materials

Product Responsibility – environmental protection through replaceable materials Materials used by weight or volume.

Taiwan's Cradle to Cradle (C2C) Strategic Alliance is the only C2C alliance in Asia. C2C is a zero-waste corporate management concept with which corporations will no longer use materials that are hazardous to health or to the environment, and all materials are nutrients in an ecosystem or in a holistic industrial system.

The main materials used in the production of SDI's stationery products are plastics and metals. These types of materials can be recycled and processed with low-energy methods to become renewable materials for stationery production. In the future, SDI will strive toward this goal - to increase the use of recycled materials to 90% without affecting product quality, building a better future with the industry.

#### 3.1.2 Incorporate product life cycle into design

SDI's stationery products are mainly made of metal and plastic. The production process requires tremendous manpower, electricity and water. Therefore, energy efficiency during production and assembly must meet the ISO9001 standards to minimize defects and energy consumption.



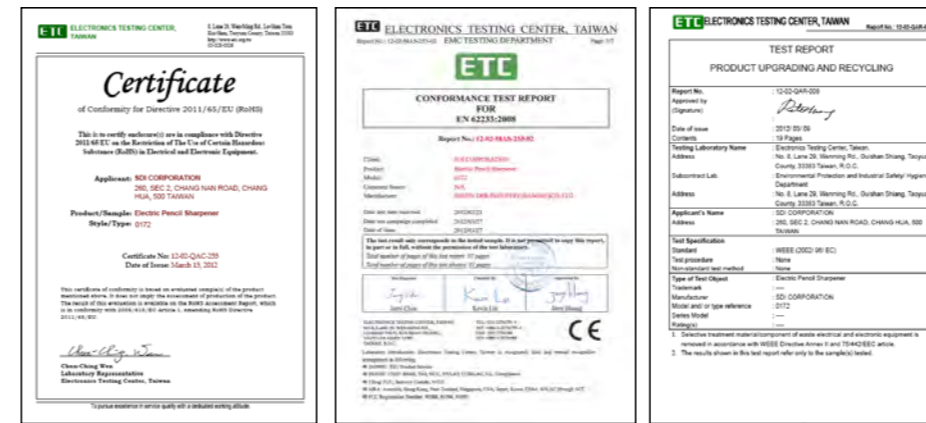
In addition, in order to prolong the product lifespan for consumers, SDI incorporates replaceable materials into product design as a way to protect the environment. Such products include manual and electric pencil sharpeners, knives, correction tape, sticky tape and electric eraser with replaceable parts. They allow consumers to safeguard the environment, reduce energy consumption and be financially sensible. Such design is influencing user habits in Taiwan, Hong Kong, Singapore and European countries, which inspires us to continue developing energy saving stationery.



SDI products with replaceable parts

### 3.1.3 SDI's Trust-worthy Dedication to User Safety

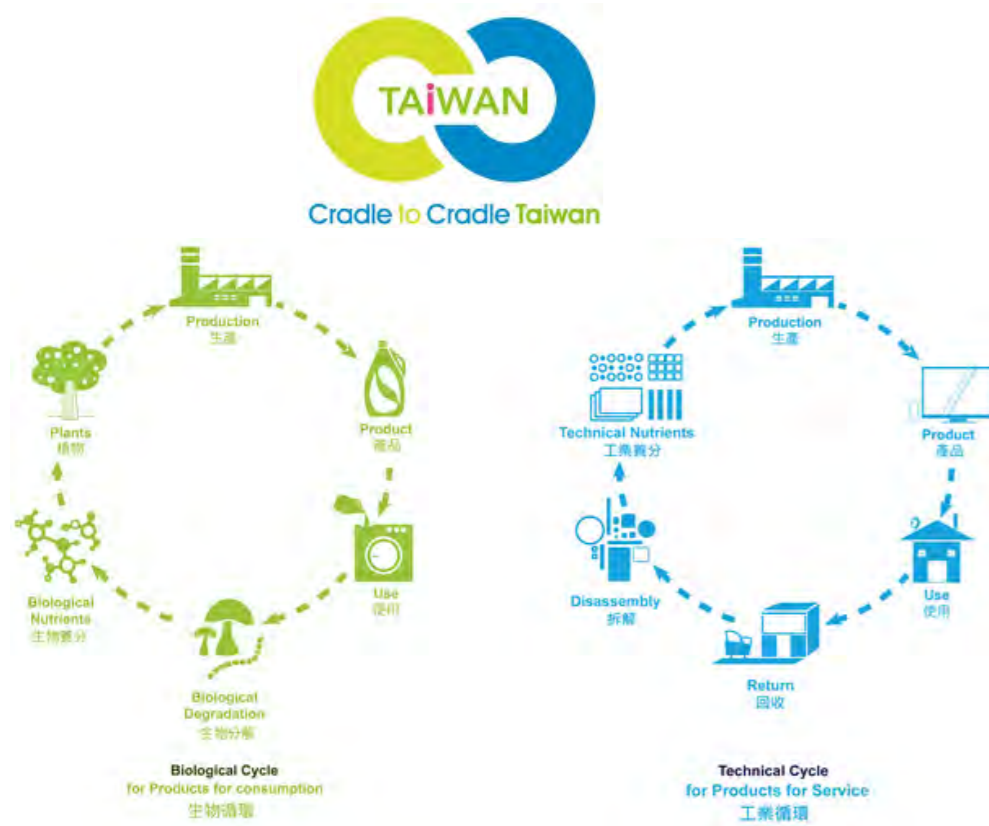
In each life cycle stages of the products, health and safety impacts are assessed for improvement. What percentage of significant products and services are subject to such procedures? SDI fully understands established environmental laws and regulations in Taiwan and in other countries, including the countries and trade organizations to which the products can be sold. In terms of design, the products have obtained multiple international certifications, including those restricting the occurrence of hazardous materials (RoHS and REACH), those regulating the use of electric stationery (CE), and those concerning recycling (WEEE, battery, packaging). In the future, stationery for children will be required to obtain the ST certification or satisfy equivalent standards to protect developing children and convince the public of SDI's dedication to environmental and user safety and its efforts for sustainable corporate management and an outstanding global corporate image.



### 3.2 Pursuit of Environmental Protection

**3.2.1.** Technological advances and economic development are depleting the scarce natural resources and damaging the natural habitat. Wastes created by human activities are bringing unprecedented and irreversible damage to the earth, the only livable planet we have. Under such crisis, it is now a global consensus that we must act before it's too late. The international community has signed agreements and declarations to call upon the entire human race to protect the environment and quality of life. As a result, the pre-existing environmental management system no longer suffices. Instead, corporations must apply environmental management that is self-motivated, comprehensive, preventative, and systematic while complying with international standards in order to improve environmental quality.

**3.2.2.** With the above considerations in mind, SDI cooperates with the governmental policies on environmental protection and fulfills its legal and social responsibilities. The Company wishes to implement environmental management, create quality work environment and protect employees' physical and mental health as well as safety. In the pursuit of Customer and Quality First, SDI would like to accomplish waste reduction and resource conservation by enhancing environmental quality. With this belief, SDI implemented ISO-14001 environmental management system.





3.2.3. SDI obtained ISO-14001 certification in 2004 and conducts regular internal audits. For external audits, the Company commissions British Standards Institution (BSI) and conducts annual safety drills to monitor environmental safety throughout the entire company.

3.2.4. The followings are taken into consideration for the environmental policies:

- (1) The adequacy of corporate operation, activities, products, services, scale and environmental impacts.
- (2) The commitment to continuously improve and prevent pollution.
- (3) The commitment to comply with applicable environmental regulations and aspects included in other corporate agreements signed by the Company.
- (4) Provide a framework for environmental objectives and targets.
- (5) The implementation and maintenance of documentation.
- (6) The policy can be conveyed and communicated with all corporate employees or their representatives.
- (7) The policy is open to the general public and stakeholders.
- (8) Representatives from trade unions shall be invited to take part in formulating the environmental policies and programs to gain their commitment to and cooperation with policy implementation.



Certificate for Environmental Management System

3.2.6. SDI promotes various improvement projects in accordance with the company policy on environmental protection. Each year, the Company holds ISO 14001 review meeting to examine the policies and improvement projects. As of 2014, the Company has raised 190 proposals. Among which, 177 are completed and 13 are in progress.



ISO 14001 Environmental Management System review meeting

Goals and targets of promoted environmental policies

| Policy   | Objective                                      | Objective  | Management Plan   |
|--|--|--|---|
| (1) All environmental management practice shall comply with governmental regulations                           | 1. Fully complies with regulatory requirements | Obtaining emission permit by November 2014.  | Applying for cleaning process (trichloroethylene) emission permit management plan.        |
|  |  | Completing waste water exception processing improvement project by the end of August 2014.         | Waste water exception processing improvement management plan.                             |
|  |  | Completing rain and waste water separation in the waste water plant by October 2014.               | Improvement management plan for rain and waste water separation in the waste water plant. |
| (2) Implement various waste reduction and pollution control tasks to achieve the goal of pollution prevention. | 2. Implement waste management                  | Lowering concentration of waste water containing silver by 20%.                                    | Management plan for installing resin reclaiming equipment in Building DG.                 |
| (3) Actively promote energy conservation and recycling programs.   |  | Completing ferric chloride container liquid level alarm installation by the end of September 2014. | Management plan for ferric chloride container liquid level alarm installation.            |

| Policy   | Objective  | Objective  | Management Plan  |
|--|--|--|--|
| (4) Reinforce employees' environmental education and create zero pollution workplace.        | 3. Promote effective utilization of energy and resources | Completing the management plan for improving the 1200RT air-conditioning system in Changhua Plant in April 2014. | Management plan for improving the 1200RT air-conditioning system in Changhua Plant.                  |
|  |  | Completing the management plan for waste water discharge in Building F by the end of September 2014.             | Management plan for waste water discharge in Building F.   |
| (5) Continue improving environmental management with correctional and preventative measures. | 4. Improve operational environment                       | Completing embankment leak stoppage construction by October 2014.  | Management plan for embankment leak stoppage improvement.  |
|  |  | Completing the notice board for the treatment processes of the waste water plant by the end of August 2014.      | Management plan for improving the notice board for the treatment processes of the waste water plant. |
| (6) Promote environmental policies externally and protect the environment with the public.   | 5. Implement operational safety control                  | Completing air pollution prevention equipment signs by the end of December 2014.                                 | Management plan for air pollution prevention equipment signs.  |
|  |  | Completing pipeline signs in the plant by the end of December 2014.  | Management plan for pipeline signs in the plant.   |

### 3.3 Measures on energy conservation and carbon reduction

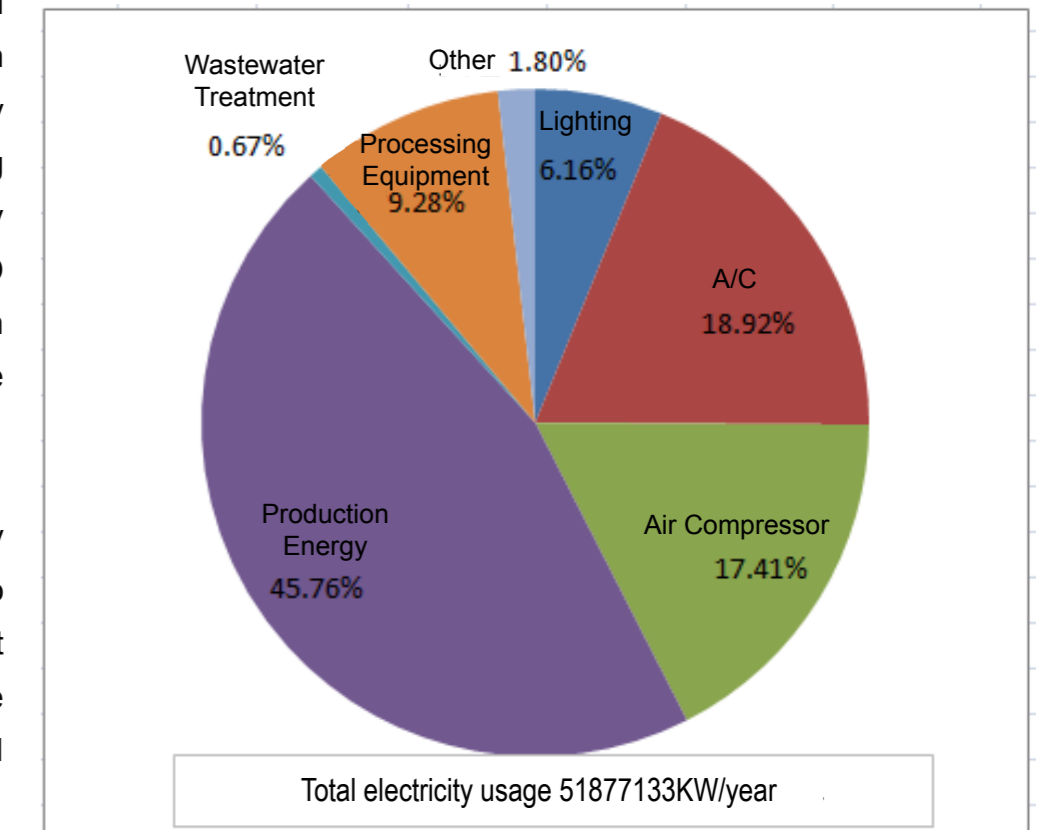
3.3.1 As the society progresses, energy has become an essential part of life. The climate change and changes in the industry result in increasing energy consumption and dependency. Hence, to build a solid economic base and increase competitiveness, it is critical to promote high energy efficiency and replace equipment with high consumption to improve efficiency. The recent changes in the energy market is an indication of corporate development, which is focusing on the green industry, especially carbon reduction and energy efficiency. SDI also follows this trend in the development of its LED products to implement the energy conservation policies, provide an alternative green industry and strive toward SDI's goal of sustainable management.

3.3.2 In June 2008, the government promulgated Sustainable Energy Policy Guidelines and received SDI's full cooperation. It is the hope to strike a balance between energy safety and economic development during the pursuit of sustainable energy to meet the needs of future generations, maximize the efficiency of the limited resources and allow the environment, energy and economic development to coexist.

1. First of all, energy conservation means carbon reduction. This is how SDI fulfills its social responsibilities:

2. Help the public fulfill energy saving in daily lives and implement the measures to mitigate the effects of global warming and climate change caused by greenhouse gas.

#### 3.3.3 Percentage of major energy consumption



3.3.4 SDI fully complies with governmental measures on energy conservation. In 2014, Changhua Plant sent energy management staff for training, and they have obtained training certificates. SDI also complies with the requirements of Bureau of Energy, Ministry of Economic Affairs to complete the declaration form for energy conservation inspection, which demonstrates SDI's commitment.



### 3.3.5 Energy Saving Measures under SDI's Action Strategies:

1. For air conditioning:  
Air conditioning (A/C) accounts for approximately 18.5% of the total energy consumption in SDI. Under the premise of not affecting the temperature, humidity, level of comfort and the lifespan of the air conditioner, SDI has established the following temperature control standards for the A/C system to reduce power usage, environmental pollution and company expenditure in order to achieve energy conservation and carbon reduction:

2. Rules for A/C temperature: The review is shown as follows (The temperature setting can only be turned up, not down.)

- (1) The temperature for offices and meeting rooms is set at above 26°C and the humidity is kept under 70%RH. Each unit shall designate a person in charge.
- (2) The temperature for public areas is set at above 28°C. No A/C for the corridors and shoe-changing area.

### 3. A/C control for the Machinery Department:

- (1) The temperature for the milling area shall be set at 27°C with electric fan for circulation and balance the temperature.
- (2) The temperature for the CNC machining center shall be set at 25°C.
- (3) The temperature for the CNC high speed machining and jig grinding area shall be set at 20°C.
- (4) The temperature for the precision grinding area shall be set at 23°C.
- (5) The temperature for the large grinder area shall be set at 25°C.
- (6) The temperature for the regular grinding area shall be set at 25°C.
- (7) The temperature for the optical grinding area shall be set at 20°C.
- (8) The temperature for the line cutting areas A and B shall be set at 20°C.

(9) The temperature for the electrical discharge machining area shall be set at 23°C.

4. On-site conditions shall be in accordance with applicable regulations. If not specified, the humidity shall be kept under 70%RH and the temperature settings are as follows:

- (1) The temperature for the stamping area shall be set at 24°C and the humidity at 65%RH.
- (2) The temperature for the (post) plating reeling area shall be set at 25°C, and 27 – 28 °C for pre-plating and rubberize area.
- (3) The temperature for the packaging cleanroom shall be set at 23°C and the humidity around 50%RH ±10 first for testing.
- (4) The temperature for the storage area shall be set at 28°C and the humidity under 70% RH.
- (5) Precision processing Zone (The temperature for jig grinding shall be set at 20°C, and 22°C for optical grinding with humidity around 60%RH±10).
- (6) The temperature of rough machining area (grinding and milling) shall be set at 28°C.
- (7) The temperature of milling and CNC center cutting machine shall be set at 28°C.
- (8) The temperature of calibration laboratory shall be set at 20°C and the humidity around 55%RH ±5.
- (9) The temperature of three-dimensional quality inspection room shall be set at 18 to 28°C and the humidity between 50 – 60%



RH. The temperature of on-site quality inspection room shall be set at 18°C-28°C and the humidity under 65% RH.

- (10) The temperature for large packaging area shall be set at 26°C and the humidity under 60% RH.
  - (11) The temperature for the data processing room shall be set at 23°C and the humidity under 60% RH.
5. Parts of the humidity control areas may use dehumidifier.  
6. Reinforce entry control to keep the cold air from leaking and save energy.  
7. Request that 5S audit personnel include this inspection.  
5. When procuring machineries, the corporation should consider the percentage of electricity consumption for large A/C system. High efficiency should be the basis for procurements such as the chiller:



(1) Electricity consumption for the chiller accounts for over 60% of the overall A/C electricity usage.

(2) Ice water delivery system, approximately 20%.

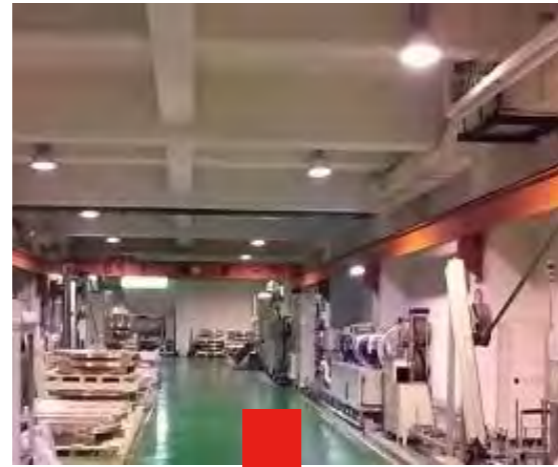
(3) Air-side or load testing system 20%.

6. In the past, the machines purchased were mainly screw chillers. They were gradually replaced with centrifugal chillers, which are more efficient. For instance, when procuring the 450 ton chiller in 2013. Energy saving and high efficiency have become the main consideration. The corporation has always take increase mechanical efficiency to reduce wear and tear, maintain and clean the coils inside the condenser to reduce heat conduction and increase the power of the chiller as principle. Both measures will help the corporation reduce energy consumption and minimize further pollution to the environment and thereby achieve the goal of energy saving and environmental protection.

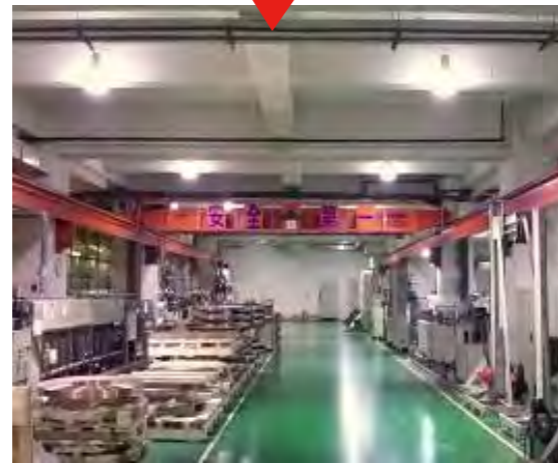
(1) Turn off the lights (slogan), unplug, use energy saving light bulbs and LED light. Increase lighting efficiency and decrease excess tube light (as shown in the picture)

(2) Energy saving is the priority concern when procuring lamps:

The conventional T8 fluorescent lamps have been replaced with LED. 400W metal-halide mercury-vapor lamps have been replaced with 90W LED bay lights for the same brightness with lower energy consumption and longer lifespan.

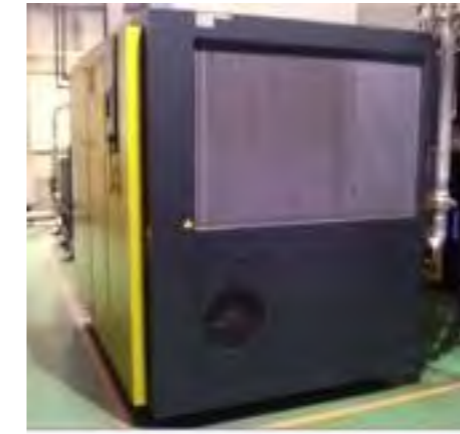


Conventional metal-halide mercury-vapor lamps.

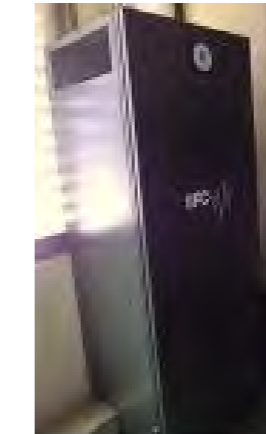


LED bay lights

### 3.3.6. Adjustment on air compressing system:



Air compressor



Inverter

SDI's air compressing system is composed mainly of high-performance German equipment, and the suppliers are asked to conduct the efficiency analysis. Low efficiency equipment has been replaced. In 2014, SDI purchased Kaeser DSD202 air compressor and purchased inverters for stable air supply and energy conservation. Damaged steam traps are also replaced to avoid leakage and reduce pressure loss as well as energy consumption.

SDI also modified the outlets from 0.025mm to 0.015mm without affecting product quality. These are measures that allow effective use of energy in order to achieve energy saving.

Direct and indirect energy consumption: In terms of energy consumption, all departments are committed to improving and enhancing production efficiency under effective management systems

that minimize redundant energy consumption, thus lowering operation costs. In direct energy, natural gas consumption was 176.7 km<sup>3</sup> in 2013 and 186.1 km<sup>3</sup> in 2014. Heavy oil consumption was 181.3 kiloliters in 2013 and 187.2 kiloliters in 2014.

Indirect energy:

Indirect energy (electricity) consumption at SDI was 44,884,357KW/year in 2013 and 51,877,133KW/year in 2014 - a 15.6% increase because of newly operational production processes and facilities.

(2)3.3.7 Water-saving measures: In the face of global environmental changes and dwindling water resources, SDI, as part of the global community, has been dedicated to water-saving. Production processes at SDI consumed 760,000 T/year in 2013 and 880,000 T/year in 2014. Because of the new processes, plating facilities, and water purification equipment for LED production processes in 2013, water consumption increased 8.6%. Current water sources at SDI are tap water (87%) and groundwater (13%).

Other measures: The RO equipment in the water purification system has been modified for lavatory cleaning and watering of plants. Water-efficient fixtures have been added to faucets. Inspections are carried out daily for leakages. After 2015, production improvements and water recycling measures will be implemented, which will result in an expected 4% decrease in water consumption per unit revenue.

Permit issued by Nantou County Government (as shown in picture):



3.3.9 SDI designates agencies responsible for waste disposal with centralized management and separate storage and processing to clearly identify the sources. There are two types of wastes at SDI, Production of hazardous sludge was 615.5 tons in 2013 and 566.6 tons in 2014, treated by World Resources Company and Yung Yuan Chemical Engineering. Production of general waste was 149.5 tons in 2013 and 187.2 tons in 2014, treated by Jason Environmental Technology.

3.3.10 With the corporate philosophy in mind, SDI complies with governmental policies on energy saving and fulfills its social obligations and responsibilities by increasing energy efficiency, reducing energy waste, and optimizing resources to improve competitiveness. In 2014, SDI complies with all environmental regulations with no violations. This is SDI's contribution to the nation's economic competitiveness and the protection of global environment.

### 3.4 SDI Air Control and Management

3.4.1 Environmental awareness has risen under the developing global economy. Kyoto Protocol and the stringent requirements EU places on the green industry have served as constant reminders of our duty to protect the earth. Such trends have brought reform to the structure of industry development and made the environmental protection technology more and more scientific. The combination of energy and resource productivity will be optimized to elevate the operational performance and achieve the goal of zero pollution so that the corporation may head toward its goal of sustainability. SDI's awareness of this duty came early during the production process, especially protecting the natural environment. Therefore, SDI is working toward the corporate culture of clean production, reduced waste during the manufacturing process and pollution-free industry.

3.4.2 SDI abides by the above philosophy, comply with the government environmental policies and fulfill its legal and social obligations. SDI has also implemented the air management policies under ISO-14001 to implement environmental management, create quality work environment and protect employees' mental and physical health.

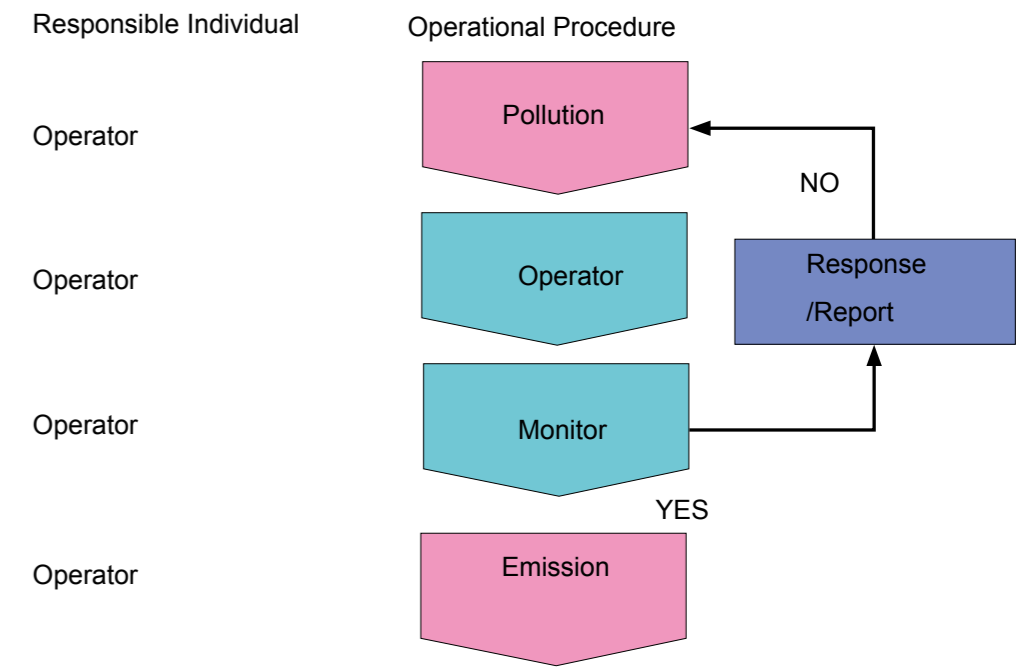
3.4.3 To ensure that the point source pollution discharged by SDI is within the scope of governmental regulations, boiler discharge of PAR, SOX and NOX; scrubber discharge of H<sub>2</sub>SO<sub>4</sub> and HCl; dichloromethane and hydrocarbon emissions from activated carbon adsorption tower discharge and condensate recovery are included.

#### 3.4.4 Responsibility

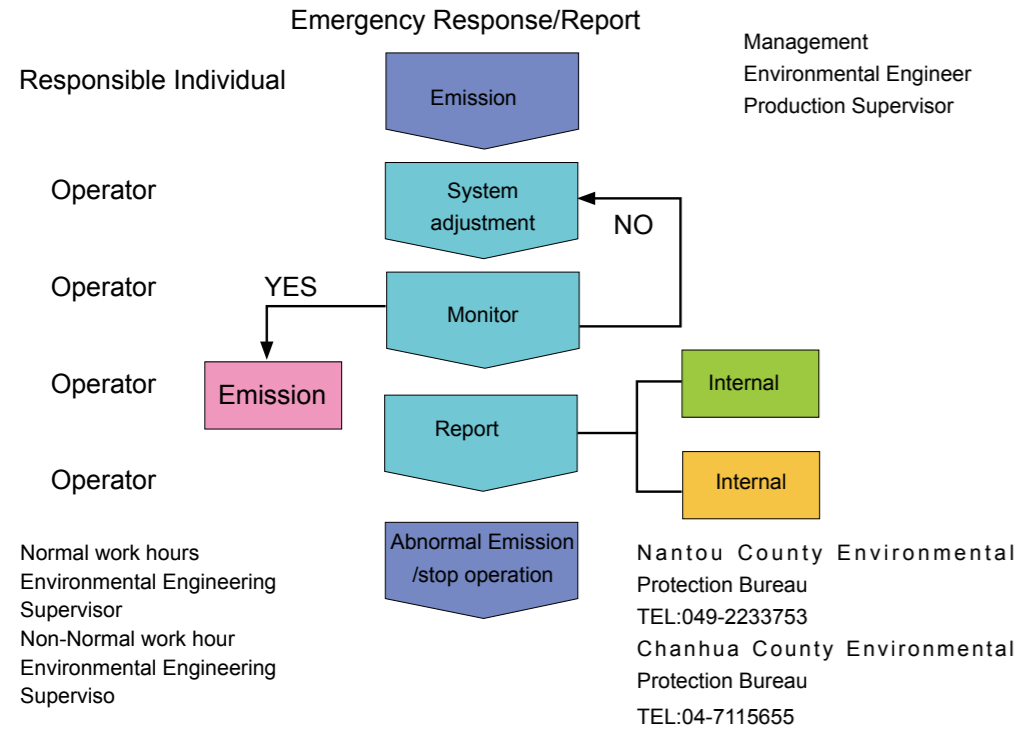
| Pollution Source Equipment                                      | Operation | Monitor /Discharge | Emergency Response /Report                                |
|---|-----------|--------------------|---|
| Boiler  | Operator  | Operator           | Environmental Engineering Department/ Management Division |
| Scrubber  | Operator  | Operator           | Environmental Engineering Department/ Management Division |
| Activated carbon adsorption tower<br>Condensate recovery system | Operator  | Operator           | Environmental Engineering Department/ Management Division |

#### 3.4.5 Control Procedure:

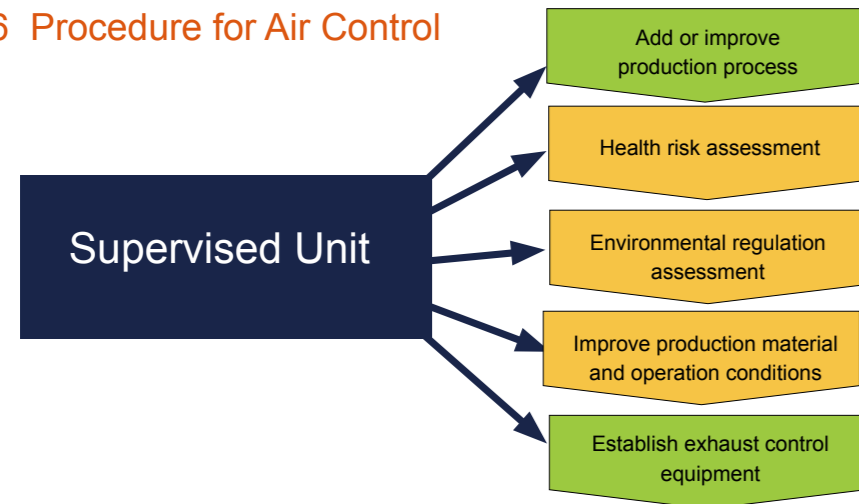
##### (1) Operational Procedure for Air Control



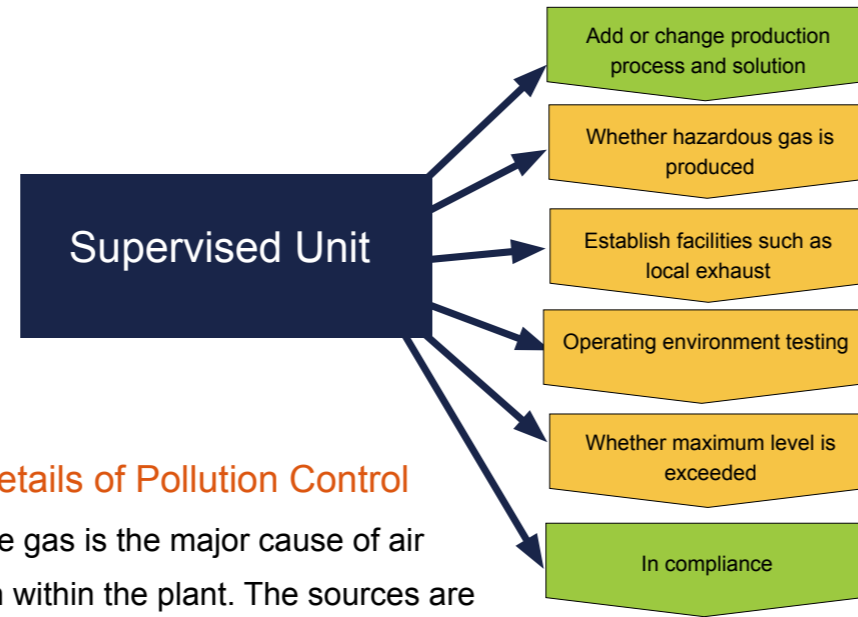
(2) Flow Chart for Emergency Response and Report



3.4.6 Procedure for Air Control



3.4.7 Control Framework for Hazardous Gas at Workplace



3.4.8 Details of Pollution Control

- 1 Fugitive gas is the major cause of air pollution within the plant. The sources are listed as follows:
- (1) Waste gas and dust created during parts processing.
  - (2) Acid gas created from the acid treatment during the electroplating process.
  - (3) Waste gas created from the use of organic solvents during the electroplating process.
  - (4) Hazardous gas created from material storage.
  - (5) Hazardous gas created from the wastewater treatment plant.
  - (6) Hazardous gas created from
  - (7) Hazardous gas created from cutter grinder.
  - (8) Hazardous gas created from plastic injection molding.

- (9) Hazardous gas created during electric discharge machining.
- (10) Hazardous gas created during stamping.
- (11) Hazardous gas created from the use of organic solvents for cleaning the lead frame.

2. Air control principles:

- (1) Hazardous operation shall be enclosed, automated with isolated local exhaust.
- (2) Incorporate local exhaust with mist suppressant or cover for the plating bath.
- (3) Warning signs shall be installed at hazardous areas.
- (4) Protective gears shall be provided for staff working in areas with potential hazard.
- (5) The Company shall have a complete inspection plan in place for the operating environment.
- (6) Regular environmental inspection shall be conducted for hazardous operation.
- (7) When encountering difficulties during operating environment testing and air control, all units may coordinate with the Environmental Engineering Department for solution.

3. Air Control Regulations:

**Indoor Air Control Regulations**

- (1) The air quality of the operating environment shall comply with the labor operating environment stipulated by the Council of Labor Affairs.
- (2) Each unit shall designate personnel to be in charge of emergency report and contact when abnormal odors are detected at the operating environment.
- (3) As intended in Article 14 of the Labor Safety and Health Act, self-inspection shall be conducted in areas equipped with local exhaust. The inspected items, frequency and related form shall be stipulated in separate health and safety implementation standards.
- (4) Each operation shall compile the data collected from each operating environment testing as a reference for evaluating the performance of air control equipment.
- (5) Each unit shall keep in close contact with the chartered hospitals. When the health checkup confirms that employees' health conditions are caused by poor work environment, such cases shall be tracked and filed.

**Outdoor Air Control Regulations**

- (1) Each flue opening shall be tested for pollutants regularly. The frequency and substance to be tested shall be in accordance with the applicable environmental regulations.
- (2) Low sulfur fuel shall be used for the boiler.



(3) The burning of raw materials or waste materials in open air within the Plant is strictly forbidden.

4. Equipment for source pollution: The Plant has been approved by the competent authority and issued “Permit for Operating Point Source Pollution”

According to the regulation, four areas shall be enforced:

- (1) Procedure for Boiler Production – Boiler discharges into the air (PAR, SOX, NOX)
- (2) Procedure for Manufacturing Lead Frame – Scrubber discharges into the air (H2SO4)
- (3) Procedure for Metal Plating – Scrubber discharges into the air(HCl).
- (4) Procedure for Cleaning Metal Surface – Condensate recovery system and activated carbon adsorption tower discharges into the air(Dichloromethane).



Scrubber



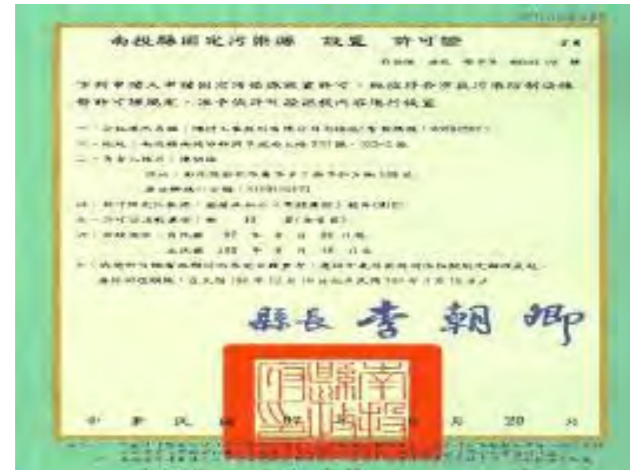
Exhaust Line



Condensate recovery system



Activated carbon adsorption tower



### 5. Monitor/Discharge

(1) The Plant shall monitor in accordance with the regulations set forth within the operational manual. The discharge shall comply with the Air Pollution Control Act under any circumstances.

(2) In accordance to the regulations set forth by the competent authority, the testing of pollutant discharge shall be conducted once every year by registered testing organization and the report from such testing shall be maintained for three years for review.

(3) Safety operation platform should be established at the point source pollution discharge channel at the Plant to allow the testing to proceed smoothly.

(4) When applying for testing, the Environmental Engineering Department shall submit the proposal for testing to Nantou/Changhua County Environmental Protection Bureau five days prior to the testing and submit the testing result to the Bureau within fifteen days.

(5) Level B personnel shall be designated for the task of air pollution prevention in Nantou Plant.



### 6. Emergency Response

(1) When operators found irregular emissions, adjust the equipment to return to the normal condition immediately. When discovering massive pollutant discharge, follow the “Standard Procedure for Emergency Response”.

(2) The operator shall immediately notify applicable units within the plant. When necessary, stop all or partial operations.

(3) Upon receiving notifications for poor air quality from Nantou/Changhua County Environmental Protection Bureau, follow the “Operational Procedure for Emergency Response”.

### 3.5 Environmental Expenditure

(1) SDI highly stresses environmental protection and has preventive measures in place for all possible pollution sources. The wastewater discharged from the plating operation at Nantou Plant is treated in accordance with the discharge requirement.

(2) Losses resulting from environmental pollution in the past year

| Items             | 2014 | As of April 30, 2015 |
|-------------------|------|----------------------|
| Pollution         | None | None                 |
| Reprimanded Units | None | None                 |
| Fine              | None | None                 |

(3) Estimated environmental expenditures in the next two years

| Year | Expenditure Detail   | Dollar Amount             |
|------|--|---------------------------|
| 104  | 1. Wastewater treatment solution fee (maintenance fee)<br>2. Waste disposal fee (land pollution fee)<br>3. Inspection application fee<br>4. Air pollution fee<br>5. Improvements near wastewater treatment plant                 | Approximately \$18,000 NT |
| 105  | 1. Wastewater treatment solution fee (maintenance fee)<br>2. Waste disposal fee (land pollution fee)<br>3. Inspection application fee<br>4. Air pollution fee<br>5. Improvement of peripheral equipment in the waste water plant | Approximately \$20,000 NT |

### 3.6 Green Production Management – In compliance with RoHS/IECQ QC080000 Hazardous Substance Process System

#### 3.6.1 In compliance with RoHS/IECQ QC080000 Hazardous Substance Process System

(1) RoHS and other regulations governing the use of chemical substance are taking effect around the globe. The ban or limitation on hazardous chemical substance for electronic products is becoming an inevitable trend.

RoHS clearly limits or bans the use of lead (Pb), mercury (Hg), cadmium (Cd), hexavalent chromium (Cr6+), polybrominated biphenyls (PBB) and poly brominated diphenyl ethers (PBDE). WEEE also regulates the recycling of electronic and electric waste. These measures pose direct impacts to the global supply chain. While pressured to update the traditional production system, corporations also need to ensure product compatibility. Therefore, SDI conducts regulatory analysis, identifies customer needs, and formulates strategies from design, production, testing and supply chain management to comply with the environmental regulations.

(2). Considering the regulatory and client needs and to reduce risks involving RoHS compliance, SDI established IECQ QC080000 Hazardous Substance Process Management. The QC080000 management system may effectively validate SDI's management efforts and avoid additional product inspection and possible fines. The Electronic Business Group received certification from Underwriter Laboratories and IECQ HSPM (QC080000) on July 27, 2009. They are testimonies of SDI's effective management on hazardous substance, compliance with the regulations and fulfilling clients' demands on green products.



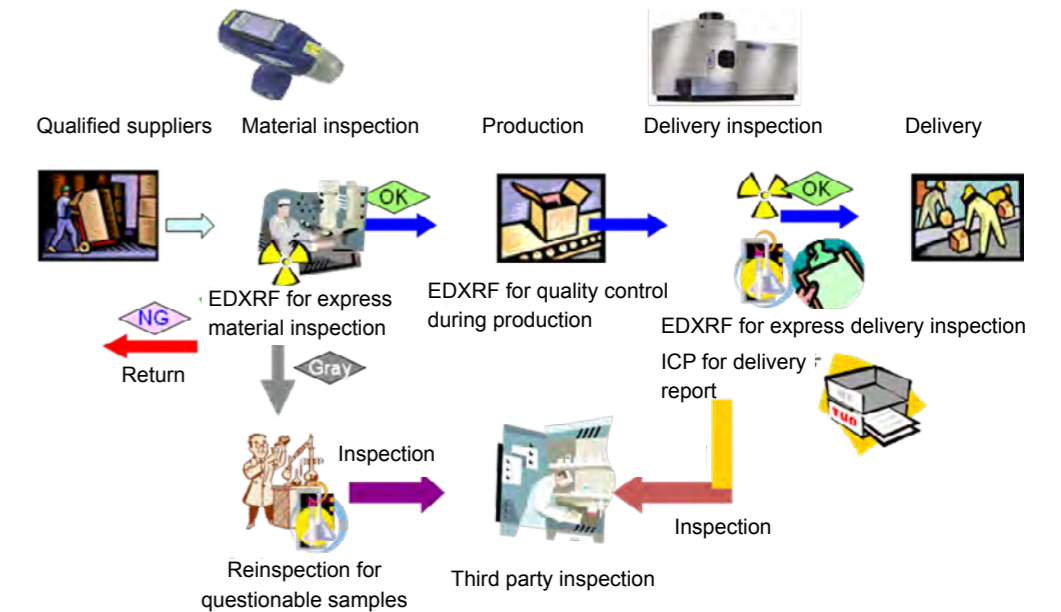
(3). SDI conducts risk management for hazardous substance in finished products through monitoring and testing during production. The Company establishes hazardous substance management system, offers green products and integrates precision testing specialists and equipments such as ICP, GC-MS, UV-VIS and EDXRF. SDI is capable of responding to clients' testing needs in a timely manner and providing total solution.

SDI's QC0800000 Hazardous Substance Management Process is as follows:

1. Evaluate qualified suppliers and utilize qualified green materials.
2. Material inspection: Utilize EDXRF for express quality inspection. Those unfit for HSF are returned.
3. Production: Apply EDXRF for quality control during production.

4. Delivery inspection: Adopt EDXRF for express delivery inspection and provide ICP report per client's request.
5. Third party inspection: Third party inspection is authorized upon client's request or in cases of dispute.

#### SDI QC080000 Hazardous Substance Management Process



(4). SDI integrates ISO/TS16949 quality management system and ISO14001 environmental management system with the current procedural management to clearly define hazardous substance free (HSF) policies and implement the following:



1. Promote green production process.
2. Meet customers' demands on green products.
3. Participate in international environmental protection programs.
4. Continue to improve and protect earth.

### 3.7 Paperless management

Go beyond slogans with higher efficiency and greater attention to detail

#### SDI's successful implementation of paperless management

Paperless management is a key concept that has been promoted by the government as well as enterprises. It includes adopting e-documents, digital signature, and many other practices.

Environmental friendliness and saving energy are the major focuses for internal dissemination and business operation and management at SDI. In recent years, SDI has moved forward and invested in paperless equipment for promoting paperless mold and die design drawings, and the outcome is significant. It saves time and money, enables a fast search for and retrieval of information, and allows instantaneous modification and adjustment. Moreover, it ensures confidentiality and reduces the use of paper; the latter is important for environmental protection.

#### (1) Implementation Through Stage Planning

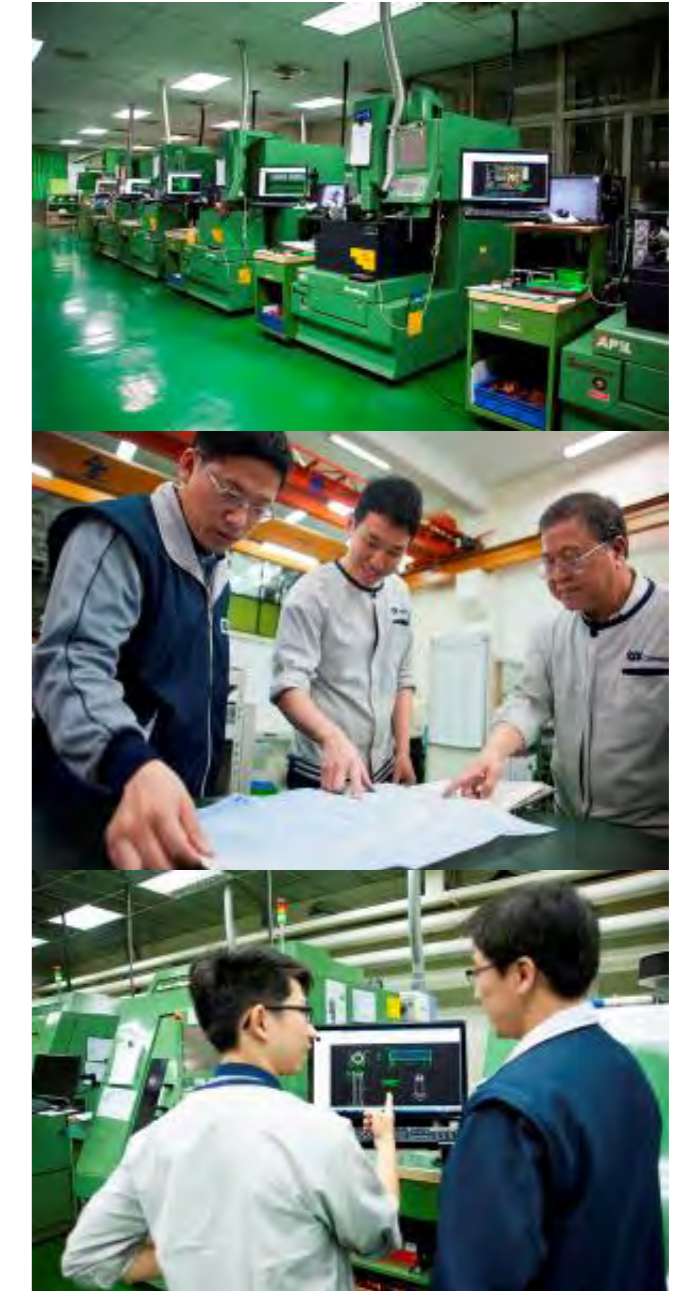
There are four stages in creating a paperless processing environment. First, a testing stage was implemented in a small area and on existing computers, the Internet, and other software and hardware in the factory to ensure that the present software, Internet speed, and hardware equipment are compatible. Thereafter, the first implementation stage was carried out, and again, in a small area. After considering safety and confidentiality needs, basic and simple computers, rather than conventional laptop or desktop computers, were purchased. These simple computers provide no access internal data, which is good for securing confidential information. In the latter half of 2013, the second implementation stage was carried out with a focus to achieve paperless mold and die production and to introduce a daily instant shop-floor reporting system. In the first half of 2014, the third stage of the implementation was performed, and its focus was building a comprehensive paperless environment for all products and improving the information system. Take the instant shop-floor reporting system of die components at Electrical and Mechanical Department as an example. The daily reporting operation which used to be done by a worker once a day is now done instantly. Moreover, the instant reporting system can be extended to be paired with working hour estimates and production management scheduling for effectively estimating and controlling the progress of die component processing.

#### (2). Saving time and effort for better work efficiency

After implementing paperless management, the most apparent benefit experienced by the Mechanical Engineering Department was the amount of time saved on publishing design drawings. In the past when developing a new die, it took an hour to go through the entire process, from printing the drawing to sending the drawing to the Mechanical Engineering Department and having the drawing officially received by the department. With computer, it only takes about five minutes. The time required is significantly reduced. Hung Chi Chang also mentioned that previously when it was required to switch to another drawing, one used to have to search for the new one from piles of drawings, and there was no guarantee that the right one could be found immediately. With paperless management, all you have to do is to turn on the computer. The time spent searching, retrieving, and filing is saved, and working efficiency is substantially enhanced.

#### (3). Cost saving and environmental protection

Paperless management also saves paper costs, and for the Die and Mold Engineering Department, the cost of twenty thousand pieces of graph paper and photocopying can be spared every year. Tsai gave us another example. For die manufacturing and processing each year, eighty thousand pieces of paper are required. The cost of publishing each design drawing is 2 NTD (including the cost of paper, photocopying materials, and photocopier lease).-





There is also the labor cost associated with publishing, recalling and destroying drawings, which is about twenty-five thousand NTD each month. After introducing the paperless equipment, approximately 460 thousand NTD can be saved annually. According to the U.S. Environmental Protection Agency, saving two boxes of photocopy paper is equivalent to saving one large tree. Therefore, SDI's reduction of paper printing is the best practice for loving Earth and supporting environmental protection.

## 4. Staff Care

Employees are SDI's most valuable asset. Their loyalty and devotion is what drives SDI forward for the past sixty-one years. In order to take care of such valuable asset, SDI establishes all systems with regulatory requirements as the minimum standards. We provide employees with safe and comfortable work environment, opportunities for self-improvement and fulfillment, as well as care for them and their families. SDI's care for employees covers mental and physical aspects and extends to their families. Their performance ensures SDI's sustainability and in turn allows SDI to provide more benefits to the employees.

### 4.1 General Information

SDI's factory locations include Changhua and Nantou. The following is a breakdown of basic employee information based on plant location, gender as well as direct or indirect labor.

As of 2014, there are 1,183 employees at SDI. Female employees account for 31.4% while 68.6% are male employees; 83.2% are native and 16.8% are of foreign nationality.

Table 1: Percentage of SDI employees

|        | Changhua Plant | Nantou Plant | Total  |
|--------|----------------|--------------|--------|
| Female | 20.5%          | 10.94%       | 31.44% |
| Male   | 39.8%          | 28.76%       | 68.56% |

Table 2: Percentage by gender and direct/indirect labor

|               | Direct Labor |        | Indirect Labor |        |
|---------------|--------------|--------|----------------|--------|
|               | Female       | Male   | Female         | Male   |
| Chanhua Plant | 9.12%        | 19.60% | 11.00%         | 20.00% |
| Nantou Plant  | 8.46%        | 16.20% | 3.00%          | 13.00% |
| Total         | 17.58%       | 35.80% | 14.00%         | 33.00% |

Table 3: Percentage by Education

|   | Direct Labor |        | Indirect Labor |        |
|---|--------------|--------|----------------|--------|
|   | Female       | Male   | Female         | Male   |
| Master Degree and above                 |              | 0.1%   | 2.05%          | 9.17%  |
| Bachelor Degree                         | 1.07%        | 6.34%  | 7.12%          | 11.79% |
| Junior College                          | 1.75%        | 7.31%  | 4.28%          | 9.94%  |
| Senior High and Vocational School       | 11.51%       | 14.13% | 2.14%          | 5.26%  |
| Under Senior High and Vocational School | 2.92%        | 2.63%  | 0.1%           | 0.39%  |
| Total                                   | 17.25%       | 30.51% | 15.69%         | 36.55% |

Table 4: Percentage of employees by contract type

| Fixed-term contract     | General Contract | Female | Male   |
|-------------------------|------------------|--------|--------|
|                         | Blue collar      |        | 0.02%  |
|                         |                  | 5.67%  | 11.16% |
| Non fixed-term contract |                  | 25.78% | 57.40% |

Table 5: Management positions by gender

| Gender            | Percentage of Supervisor |
|-------------------|--------------------------|
| Female Supervisor | 14.63%                   |
| Female Supervisor | 85.37%                   |

Table 6: New employees in 2013

|                | Director Labor |       |         | Indirect Labor |       |         |
|----------------|----------------|-------|---------|----------------|-------|---------|
|                | Female         | Male  | Average | Female         | Male  | Average |
| Changhua Plant | 0.59%          | 2.37% | 1.48%   | 1.10%          | 1.52% | 1.31%   |
| Nantou Plant   | 0.59%          | 0.68% | 0.64%   | 0.08%          | 0.85% | 0.46%   |
| Total          | 0.59%          | 1.53% | 1.06%   | 0.59%          | 1.19% | 0.89%   |

Employment Rate = (Number of persons employed from Jan to Dec) / (Average number of employees from Jan to Dec) × 100%

Table 6: Turnover rate in 2013

|                | Director Labor |       |         | Indirect Labor |       |         |
|----------------|----------------|-------|---------|----------------|-------|---------|
|                | Female         | Male  | Average | Female         | Male  | Average |
| Changhua Plant | 0.93%          | 2.96% | 1.95%   | 1.10%          | 1.69% | 1.40%   |
| Nantou Plant   | 0.85%          | 2.45% | 1.65%   | 0.17%          | 1.44% | 0.81%   |
| Total          | 0.89%          | 2.71% | 1.8%    | 0.64%          | 1.57% | 1.11%   |

Dimisison Rate = (Number of persons officially hired by the company and voluntarily resigned from Jan to Dec) / (Average number of employees from Jan to Dec) × 100%

## 4.2 Enhance Labor-management Relation and Communication Channel

### (1)SDI Trade Union

SDI is one of the few corporations in Taiwan that established trade union within the company. SDI Trade Union was established on July 27, 1976. Thirty-nine years have passed and SDI has enjoyed good labor-management relations. SDI conducts quarterly meeting with the Trade Union and establishes a contact window as a channel of communication between the employees and SDI.

### (2)Staff mailbox and online suggestion board

SDI wants to listen to employees' concerns. With mailboxes in the factories and online suggestion page, anonymity is assured for employees leaving comments and feedbacks. SDI always responds through public mail or the bulletin board to make sure that the message is received.

SDI also designated the 4119 emergency hotline and a unit dedicated to dealing with sexual harassment issues. Meetings are held weekly or monthly within the unit and quarterly meetings are held with the trade union to ensure clear communication channels.

### (3) Newsletter and SDI e-news

In addition to being on the receiving end and responding to staff feedback, SDI has been issuing SDI e-news since 2011. SDI e-news, which is published in mid-month, contains recent corporate development, tidbits from staff's lives, programs and activities as well as useful company information. The purpose is to build coherence and recognition toward the corporate culture.

## 4.3 Recruitment, Retention and Prohibition of Child Labor

SDI follows its operational guidelines and objectives to recruit corporate talents. We provide internships for students through industry-academia cooperation as a way to discover talented recruits who identify with SDI's corporate culture and are willing to work with SDI. SDI follows its operational guidelines and objectives to recruit corporate talents. We provide internships for students through industry-academia cooperation as a way to discover talented recruits who identify with SDI's corporate culture and are willing to work with SDI.

SDI has installed an information system that monitors the daily and weekly work conditions and work hours and help employees balance work and personal life.



## 4.4 Employee Rights and Benefits

### 4.4.1. Employee Rights

New employees need to undergo orientation on their first day, which covers worker's rights and channels for filing grievances. Company Regulations, Regulations Governing the Prevention, Complaint and Approach for Dealing with Workplace Sexual Harassment and Regulations Governing Child Labor Rescue clearly stipulate and protect employees' work privileges and human rights, including the freedom to work, humanitarian treatment and equal pay. These internal documents and charters are available on the Company's open document platform, accessible to all employees at anytime.

### 4.4.2. Employee Salary and Benefits

SDI takes employee compensation seriously. It is determined based on employees' educational background, professional skills, work experience and personal contributions. However, it shall not be affected by gender, race, religion, political views, marriage status and whether they belong to trade unions. SDI's payroll policy is as follows:

1. Fully aware and comply with regulatory requirements and create win-win and sustainable management within the regulatory scope.
2. Conduct payroll survey based on the supply and demand of the labor market to understand the payroll scale and job duties as references for determining salary and wages.

3. Adjust payroll according to revenues and staff performance.

4. To inspire employees, SDI publishes revenue and bonus information to show them the connection between contribution and bonus, which is adjusted according to their position, personal contribution and performance.

SDI provides labor and health insurance, maternity and parental leave, as well as monthly retirement contribution in accordance with the regulatory requirements. Group insurance policies are available for all employees, including full-time, part-time, temp, and foreign workers as well as interns. Employees' families may also enroll at a discounted price. Employees assigned to foreign posts and their families receive even higher coverage as assurance.

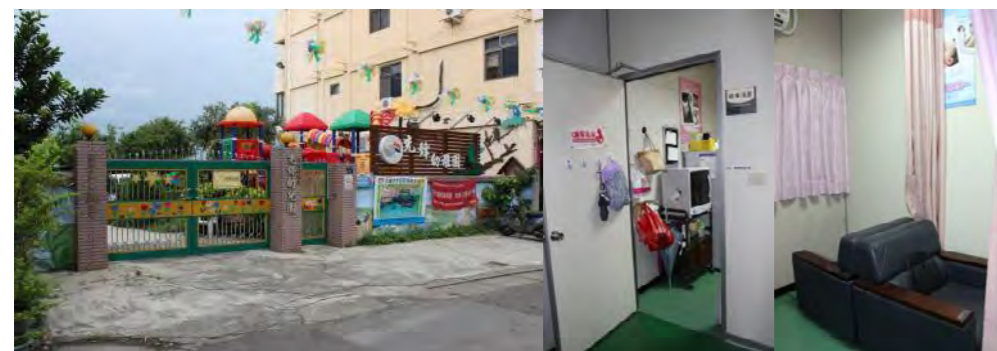
### 4.4.3. Parental Leave

Upon fulfilling one year of employment and prior to their children turning three, employees may apply for unpaid parental leave in accordance with the Act in Gender Equality in Employment and Regulations for Implementing Unpaid Parental Leave for Raising Children. The unpaid parental leave shall be less than two years. Once the employee returns, the Company will assign said employee to the original post or a related position, and provide training to help bridging potential gaps.



Table 1: Number of employees who took paternal leave with pay in the past two years

|  | Female      | Male | Total       |
|--|-------------|------|-------------|
| Number of employees who apply for paternal leave without pay in 2012                 | 5           | 2    | 7           |
| Number of employees who returned from paternal leave without pay in 2012             | 4           | 0    | 4           |
| Number of employees who returned from paternal leave in 2012 and stayed for one year | 3           | 0    | 3           |
| Number of employees who apply for paternal leave without pay in 2013                 | 7           | 3    | 10          |
| Return Rate  | 57.1%(=4/7) | 0    | 57.1%(=3/8) |



Photos of lactation room and day care center.

## 4.5 Staff Training and Development

Employees are SDI's most valuable asset and quality staff is what keeps SDI going for over six decades. Continuous staff training that addresses corporate needs during different stages is the most fundamental elements that will ensure sustainability for SDI.

SDI is devoted to elevating staff's basic skills and capabilities to enhance competitiveness. In recent years, SDI is focusing on the following incubation measures:

### 4.5.1. Establish professional skills

SDI is dedicated to talent cultivation, which is evident from the increasing training resources and hours provided. Lately, the focus is shifting toward trainings that will enhance employees' basic skills to develop a more sophisticated system analyzed according to the duties of each position in each department.

Table 1: Costs of Staff Training Unit: NTD

| Year           | 2010      | 2011      | 2012      | 2013      | 2014      |
|----------------|-----------|-----------|-----------|-----------|-----------|
| Training Costs | 1,365,141 | 2,395,894 | 3,680,721 | 2,560,881 | 2,574,743 |

Table 2: Hours of Staff Training

| Year |         | In Class Courses | Online Courses | Total    |
|------|---------|------------------|----------------|----------|
| 2009 | Hours   | 4,924.5          | 1,060          | 5,984.5  |
|      | Persons | 1,249            | 3,367          | 4,616    |
| 2010 | Hours   | 7,419            | 715.3          | 8,134.3  |
|      | Persons | 1,117            | 1,546          | 2,663    |
| 2011 | Hours   | 10,421           | 875.6          | 11,296.6 |
|      | Persons | 1,899            | 2,169          | 4,068    |
| 2012 | Hours   | 8,321            | 850.4          | 9,171.4  |
|      | Persons | 1,463            | 1,855          | 3,318    |
| 2013 | Hours   | 6,870            | 355.4          | 7,225.4  |
|      | Persons | 1,890            | 880            | 2,770    |
| 2014 | Hours   | 5,746            | 765.4          | 6,511.4  |
|      | Persons | 1,439            | 1,773          | 3,212    |

### 4.5.2 Creating a Friendly Learning Environment

SDI has a 24-hour production line. As the corporation heads toward multi-national operation, it is important to enable the employees to learn easily and duplicate the knowledge they learn rapidly. Therefore, SDI has introduced online learning so that employees can learn anytime they wish to. The curriculum focuses on high frequency courses, such as training courses for new staff and general courses applicable for all staff. The data on course completion from the past few years is as follow:

Table 3: Hours of Online Courses (Total)

| Year                     | 2010 | 2011 | 2012 | 2013 | 2014 |
|--------------------------|------|------|------|------|------|
| Number of Online Courses | 73   | 103  | 114  | 133  | 144  |

Unit: Number of Courses

### 4.5.3 Enhance international communication skills

In addition to the overall business revenue, it accounts for 88% of the total revenue. The Electronics Group even reached 93%. In order to connect with international trends and respond to clients requests in a timely manner, SDI needs R&D and Production staff with communication skills. Thus, in addition to basic grammar, vocabulary and TOEIC courses, SDI also offers one on one English lessons and hires native English and Japanese teachers to provide the most practical training that address the staff's needs.

### 4.5.4. Establish corporate knowledge management system

SDI applied for the knowledge management program from Industrial Development Bureau of Ministry of Economic Affairs in 2008, through which SDI conducted a systematic search of the corporate knowledge. In 2011, SDI received the honor of outstanding vendor for promoting knowledge management and received funding from Industrial Development Bureau for the second time, which allows SDI to pass down its know-how to its employees to help build a solid foundation for them.

Table 4: Number of Documents

| Year                | 2010 | 2011 | 2012 | 2013 | 2014 |
|---------------------|------|------|------|------|------|
| Number of Documents | 474  | 968  | 1096 | 1250 | 1879 |

### 4.5.5. Combine staff improvement with promotion

In addition to provide skill improvement trainings and in order to motivate staff to grow, SDI's staff advancement system is based on the completeness of employee's skill sets. Staff's passing rate has greatly improved in recent years and the number of staff promoted is also gradually increasing.

### 4.5.6. Performance Management System

SDI conducts employee performance management through an open performance evaluation system, which is applicable to all full-time employees regardless of gender, age and other factors. Employees set annual goals against which they are evaluated.



Such goals are set by the employees and their supervisors. They also need to reach consensus regarding the outcome of the evaluation.

The priority is to integrate performance management with employee development. With bilateral communication between employees and their supervisors, SDI gains better understanding as to the improvements needed from the employees and provide adequate training. The evaluation is factored into promotion, salary and annual incentives to ensure fair treatment to employees.

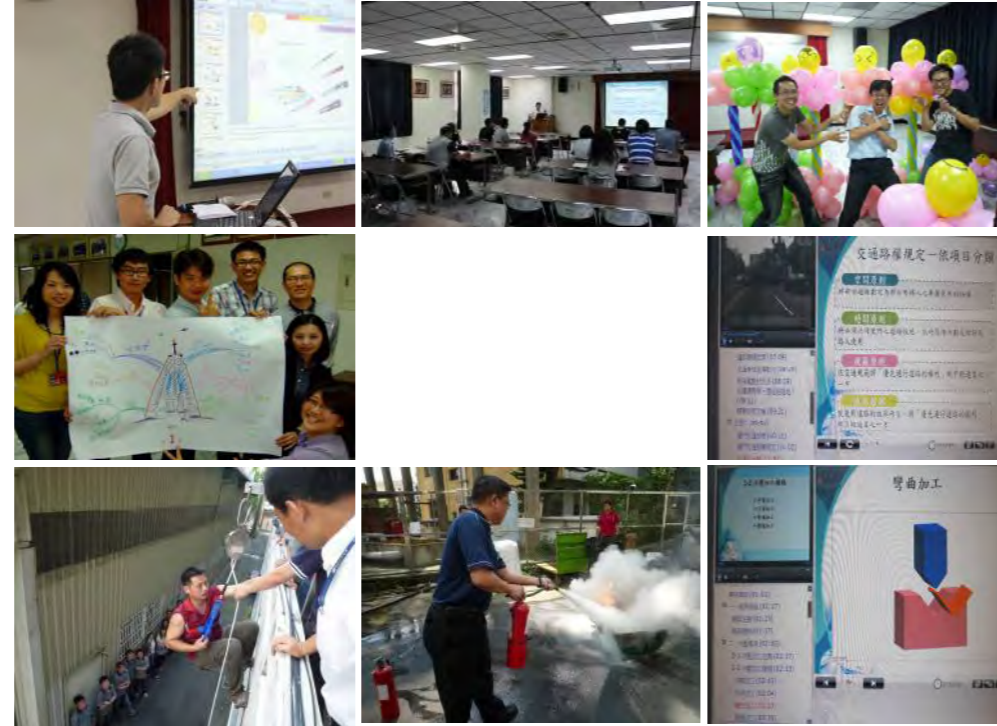
#### 4.5.7. Training Outcome

SDI believes in training potential recruits that

corporations and the society need and regards it as its corporate responsibility. To ensure the effectiveness of its training system, SDI obtained certification from Taiwan TrainQuali System (TTQS) in 2013 and won the bronze awards twice. The government recognition is a vote of confidence for SDI's continuous dedication to training corporate talents.



#### 4.5.8 SDI provides courses covering diverse subjects



### 4.6 Occupational Health and Safety

4.6.1 As the industry structure changes, the issue of labor health and safety is no longer confined to certain fields. The health and safety technology has also improved. Therefore, it is important for a corporation to recognize the risks in the workplace in order to prevent any risk factors that might cause injury or even death among the people in this environment and come up with solutions. A corporation is obligated to protect the lives of its employees.

SDI provides safe equipments, well thought out operational procedure and protection as well as sound employee training, education and health checkup to minimize occupational hazards and accidents and achieve the ultimate goal of “hazard free, worry free”.

4.6.2 SDI complies with regulations including Labor Safety and Health Act and its Enforcement Rules; Regulations Governing Labor Safety and Health Facilities; Labor Inspection Act and its Enforcement Rules, Operational Guidelines for Reinforcing Labor Health and Safety, Labor Standards Act and its Enforcement Rules; Safety and Health Facility Standards.



In addition, pre-employee physical and labor health and safety educational training are provided to all new employees. For in service employees, regular health checkups are also conducted and safety protection equipment is provided for those who work on the risk-prone operations. The health checkup targets specific conditions for health management supplemented with educational training on health and safety. For instance, the training include the use and management of dangerous objects, how to avoid unsafe actions during operation, traffic safety and fire safety training. Over 780 people participated received health checkup provided by the SDI in 2013, 210 people received physicals for occupation related illness and 221 people took part in the training for fire safety, health safety and health promotion.

4.6.3 In order to effectively prevent occupational hazard and related illnesses, SDI obtained certification from OHSAS-18001 in 2006 and established 5S audit team to regularly inspect the work environment and promote health and safety.



Occupational health and safety management systems such as OHSAS-18001 and CNS 15506 are integrated to conduct internal audit. SDI also commissions British Standards Institution (BSI) to conduct external audit annually on environmental safety, occupational safety, health safety and fire safety to supervise the environmental health and safety of the entire corporation and improvement. It is SDI's goal to achieve zero workplace hazards.

**4.6.4** SDI adopts preventive measures for occupational injuries by correcting the root causes to avoid repeating occurrences. The followings are the 2014 statistics on occupational injuries (including on the way to and from work) as required by the environmental health and safety management system:

| Category       | Disabling Injury Frequency Rate (number of disabling injuries/1,000,000 employee hours) | Disabling Injury Frequency Rate (number of days lost to disabling injuries/1,000,000 employee hours) |
|----------------|---|--|
| Changhua Plant | 0.58  | 3.32   |
| Nantou Plant   | 0.29  | 12.83  |

**4.6.5** “Program of Rooting Occupational Safety and Health” by Occupational Safety and Health Administration, Ministry of Labor: In 2014, in Changhua County, SDI served as the core corporation with 20 small and medium enterprises in the “SDI Family,” named after the core corporation with the meaning of “following ethics” (shunde), meaning that the SDI Family will, with concerted efforts from the Family create the best possible safety, health, and comfort in the workplace.

The events of the first year mainly involves business owners and executives participating in safety and health training, safety and health manager training, mutual inspection, and hazard case reviews. The Company also formed a team to provide on-site safety and health diagnosis, improvement suggestions, and safety and health counseling for the member plants of the SDI Family.

The Family will follow the steps of forebears, and as regulated by the Occupational Safety and Health Administration, will continue to function for a minimum of three years. The core corporation will serve as the leader of the Family to establish self-governance of safety and health and provide occupational safety management experiences. With such exchanges, members of the Family will be able to raise awareness of safety and health management and establish an occupational safety and health management system.



## Program of Rooting Occupational Safety and Health Family presentation.

As part of the “Program of Rooting Occupational Safety and Health” by Occupational Safety and Health Administration, Ministry of Labor, to facilitate the exchange of safety and health family exchanges among cities and counties for reference for future promotions and improvements, SDI assisted Occupational Safety and Health Administration in organizing the Safety and Health Family presentation and conference on December 1, 2014 while presenting the SDI Safety and Health Family posters to demonstrate the results of promoting safety and health.





#### 4.6.7 SDI will continue to promote health and safety policies

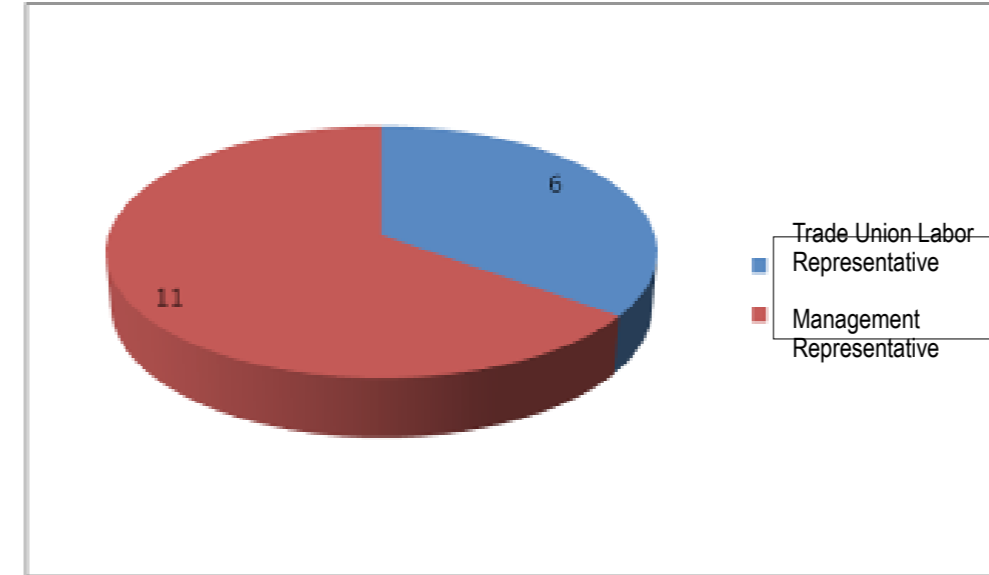
- (1) SDI will abide by the health and safety regulations set forth by the government as well as client requests in relation to such matters.
- (2) SDI is committed to prevent injuries and illness and will continue to eliminate all hazardous risks to ensure workplace health and safety.
- (3) SDI will promote trainings and activities related to health and safety management and continue to establish and review health and safety goals.
- (4) SDI will establish standard procedures for health and safety technology, equipment, measures and documentation to effectively control the risk factors and reduce accidents.
- (5) SDI will create the systems for health and safety operation audit as well as continuous improvement and evaluation to ensure the effectiveness and adequacy of the health and safety management system.
- (6) Promote health and safety policies in and outside the organization to make everyone aware of the obligations toward workplace health and safety.
- (7) Fulfill corporate social responsibilities, ensure the safety of suppliers and contractors inside the plant and provide them with adequate healthy and safe resources.

Health and safety directions: Comply with the regulations, hazard prevention, zero injuries and zero occupational hazards.

#### 4.6.8 The operation of Occupational Health and Safety Committee

SDI's Occupational Health and Safety Committee is established in accordance with labor regulations, charters, and practices. Members consist of corporate managers, union directors and supervisors, occupational safety personnel, and maintenance staff with two-year terms and eligibility for re-election. The company regulation stipulates that the committee meeting shall be held quarterly.

In 2014, the meetings were held on March 20, June 27, September 24 and December 29. A minimum of 2/3 of the committee members must be present. Motions require 50% vote from members who are present for approval. Emergency meetings may be held when deemed necessary to supervise and guide the implementation of occupational health and safety management plan. The staff are the most valuable assets of a company. The managerial ranks at SDI places high emphasis on the working environment, development, and care for employees with the goal of creating Safety, Health, and Comfort in the workplace. Therefore, the Company aims to establish diversified communication channels and to continue implementing various staff relation projects.



#### 4.7 Retirement Association

SDI Retirement Association was established in March 2012 with contentment, gratification and embrace as the mission. It is fully supported and funded by the management and major shareholders. The association regularly expresses care and warmth to the retirees. It also organizes quarterly tours. The retirees are active participants in each other's lives. They gather often to share the joy of retirement life.



2014 Retirement Association Representative Meeting



Trip to Yangmingshan - June 26, 2014





September 25, 2014 at Lanyang Museum



December 21, 2014 at Tainan City Park

## 5. Social care and participation

SDI actively engages in charity activities to meet its corporate social responsibilities, hoping to grow seeds of hope from their love for society and spread them across the nation so that they blossom everywhere. According to WBSCD, corporate social responsibility means: “continuing commitment by business to obey moral constraints and contribute to economic development while improving the quality of life of the workforce and their families as well as of the community and society at large.” In the belief that “corporations are public goods,” SDI has always regarded caring for our society and promoting charitable activities as its company objectives. The company has been supporting projects concerning with education and leisure activities, caring for underprivileged families and carrying out volunteer work while contributing to our society, economy and environment to ultimately create a better and more harmonious society.

### 5.2 To be Neighborly and Locally-Concerned

In addition to cultivating talent, SDI never stops meeting its corporate social responsibility which is practicing caring locally. To show its friendliness to each locality, SDI sponsors police units (Friends of the Police Association) and fire departments (Association of Fire Protection) regularly.

Since SDI has factories in both Changhua and Nantou, it has been actively engaged in many local activities, big and small; for example, sponsoring uniforms for the basketball team of National Changhua Senior High School and the Taiwan Lantern Festival held in Zhongxing New Village, Nantou County. In addition, it co-organized a winter charity bazaar with Taiwan Fund for Children and Families, Changhua Branch to help underprivileged children and youth and their families. To prepare for the coming of the new era with Taiwan Railways and Taiwan High Speed Rail in Tianzhong, the Tianzhong Township Office has organized the activity “Taiwan’s Rice Heaven - Tianzhong Marathon” since 2013. All participants are invited to experience the beautiful scenery, waterway paths, and paths among fields in Tianzhong.

Last November, SDI worked with Tianzhong Township Office for the first time, sponsoring the activity “Taiwan’s Rice Heaven – Tianzhong Marathon” with 12,000 folders for the certificate of marathon completion, 50 flags used during promotional period, and 500 sets of stationery. Furthermore, SDI also cares for senior citizens. It supports the “Only Love, and Warmth, No Barriers – House Repair Project for Underprivileged Senior Citizens” project promoted by the Hongdao Senior Citizens’ Welfare Foundation, keeping them loved and warm.

In 2011, since the establishment of the Changhua branch of Hongdao Senior Citizen’s Welfare Foundation, they have offered regular domestic care and friendly phone calls; the results showed that most senior citizens living alone were in a poor environment because of which home accidents are reported often.

In order to reduce the numbers of such residential accidents, SDI supports strongly this project of Hongdao’s to renovate the residential environment of those underprivileged senior citizens, keeping them safe at home.

### 5.3 Family Trips Held to Improve Family Bonds

SDI is a big, happy family for it takes care of its employees, their families and elders. Such caring also extends to the people that SDI Charity Foundation has cared for over the years. For example, many parents with children with developmental delays are eager to have family trips. Thus, Tsz-Ai Mercy Hospice organizes parent-child trips every year to provide opportunities for children with developmental delays and their parents to go outside and participate in social activities as well as spending time with other families.

### Always Willing to Participate in Charity Work

With its objective to contribute to our society, SDI Charity Foundation uses actions to show its caring for society. It sponsors Tsz-Ai Mercy Hospice, Tsz-Sheng Mercy Hospice, and Erhlin Happy Christian Homes, helping them purchase motorcycles, running mills, computers and monitors, projectors and audiovisual equipment for teaching. SDI Charity Foundation works with Changhua County Government and Holy Family for Special Education in the early intervention program and allocates a budget to establish a community service center for early intervention for children’s development at Yongjing Catholic Church to offer local and convenient early intervention service

In the summer of 2012, SDI established its volunteer team. The next year, it recruited 39 people and organized an activity to offer help at Tsz-Sheng Mercy Hospice; in June-September, 2014, SDI volunteer team again went to the Tsz-Sheng Mercy Hospice: cleaning and sorting out goods, washing walls, and cleaning its auditorium and public areas. Meanwhile, SDI volunteers did outdoor fitness exercises with the children, spending a happy day with all the children there. In the future, SDI will continue to meet its corporate social responsibilities and carry out its objective of “Global Operation, Local Commitments.”



#### 5.4 Community interaction and communication

SDI believes that corporations should give back to the society and has devoted tremendous efforts in community service and exchanges. SDI also has long-term involvement in the operation of local non-profit organizations, including advisors from Friends of Police at Dazhu and Cihong Precincts of Changhua County Police Bureau, Friends of Police at Banshan Police Station of Nantou County Police Bureau, volunteer firefighters of the First Corps of East District Fire Bureau, Changhua County, community watch groups from Dazhu and Hsiangshang communities, and Parents Association from Da-Chu Elementary School. The Company provides goods and equipments necessary for the long-term operation as a way to serve and give back to the community.

SDI donates the gifts for school anniversary and sports assembly to Da-Chu Elementary School and Chang De Junior High School, and provides financial assistance to Da-Chu Community Development Asso. To help schools cultivate talents, SDI organized school-business partnership visits with National Taichung University of Science and Technology and Overseas Chinese University for inspiring students' creative thinking with innovative designs and concepts and for familiarizing the students with the requirements of the job market, so that they could prepare their work abilities.

SDI also helped Taichung Customs, Customs Administration, Ministry of Finance organize a benchmark learning visit to the plant, providing an exchange platform to offer government agencies inspirations for innovation and enhancement of services and efficiency.



Visit from National Taichung University of Science and Technology.





Visit from Overseas Chinese University.

## 6. Product Responsibility

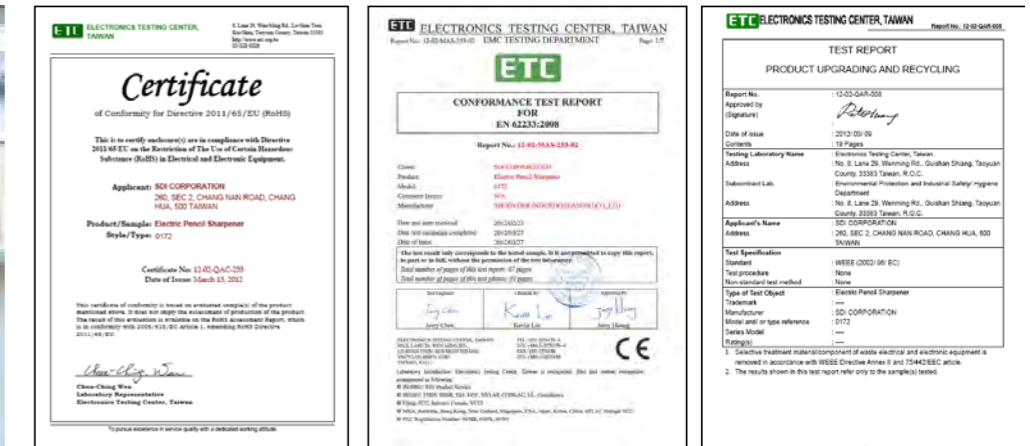
### 6.1 Safe Product Design

Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services subject to such procedures. Awareness of current regulations as well as those undergoing legislative process is important to manufacturers for they affect the number of countries or trade organizations at which the products could be sold. SDI's product design has obtained international certifications, including RoHS and REACH, which place limitations on the use of harmful substances, CE on the use of electric stationery products, and WEEE on the recycling of these products, including the batteries and packaging.

In the future, SDI plans to obtain ERP and IPP certifications. ERP and IPP promote ecological design and are currently under negotiation at the EU. SDI is making every effort in environmental protection and user safety to build trust as it strides forward toward achieving sustainable management and building international reputation.



Benchmark learning visit from Taichung Customs, Customs Administration, Ministry of Finance.



International certifications for SDI products

### 6.2 SDI Stationery - Love for Environment and Winter Warmth

#### Reduced Packaging Materials and Using Environment-friendly Materials

(1) For sustainable management, in addition to maintaining revenue and brand value, corporate social responsibility (CSR) is a critical aspect. For sustainable management, in addition to maintaining revenue and brand value, corporate social responsibility (CSR) is a critical aspect. As a leading brand in Taiwanese stationery, in addition to actively seeking innovation in product research and design, we place high emphasis on the invisible details.



(2) We have only one Earth. SDI fully understands the importance of environmental issues in our ecosystem. Therefore, in the manufacturing processes of our products, we actively adopt processes that are the least harmful to the environment. For product packaging, in addition to reducing product complexity and avoiding over packaging, we select as much recyclable materials, such as cardboard and cartons.

(3)After implementing the environment-friendly policy of reducing packaging materials, the company have been able to minimize waste of resources and costs of packaging as well as increasing energy efficiency. In terms of such objectives, IKEA has been a model for the industry, as they proudly position their flat-packaging as one of the focuses of their marketing. Their well-designed flat-packaging not only allowed more convenience of transportation for their customers but also serves their corporate social responsibility by minimizing required storage space, maximizing shipping efficiency, and minimizing the damages to the environment from transportation. Naturally, this is also a goal SDI continues to strive towards.

(4)Improving packaging is a long-term policy at SDI. We will extend our efforts to planning and developing environment-friendly ink and packaging materials. It is our goal and policy at SDI to concern ourselves with environmental issues and actively fulfill our responsibilities as a global citizen.

(5)Although there are no laws regulating the complexity of packaging, in terms of the meaning of packaging, any designs and decoration that are excessive of protecting the product from shock and damages are considered overpackaging.



## 6.3 Christmas Love Action

(1) It has been a philosophy at SDI that a corporation should take from society as much as it gives back. We actively engage in social service activities and continue to care for underprivileged children.

(2)In the winter of 2014, on the eve of Christmas, SDI organized “Christmas Love Action,” bringing the much-needed stationery to the children at Tsu-Hsin Children’s Home with the sincerity and warmth of our hands. Moreover, we participated in Hsiang Shang Social Welfare Foundation’s “White Christmas Happiness” donation drive, delivering our love and care to the children in need with our stationery.

## 6.3 Client Relations

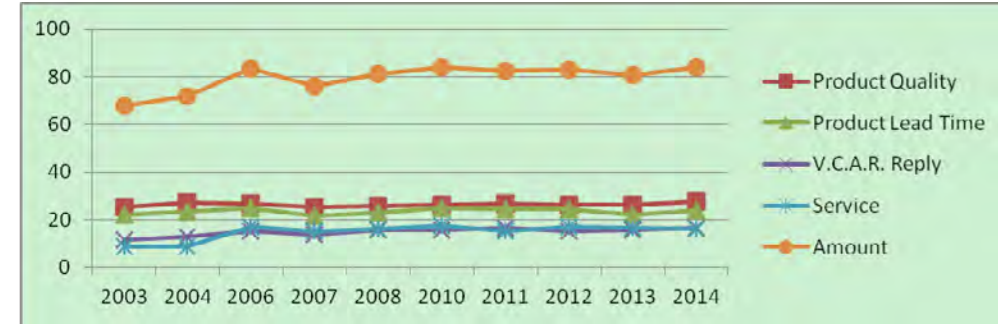
### 6.3.1 Customer Satisfaction - Stationery

1. Customer satisfaction survey is one way to communicate with customers. It also serves to understand customer needs in order to establish customer-oriented quality assurance system and corporate philosophy. An annual survey is conducted for the top 20 clients with the highest sales figures. The survey assesses product quality, delivery, reply to customer complaints and services. Additional areas or targets are added accordingly.

| Task                         | Responsible Unit           |
|------------------------------|----------------------------|
| Product Quality              | Quality Assurance Unit     |
| Delivery Date                | Production Management Unit |
| Reply on Customer Complaints | Quality Assurance Unit     |
| Service                      | Business Unit              |

2.Areas marked as unsatisfactory by customers will be addressed immediately with an improvement notice. The responsible agency is to formulate improvement strategies and respond to customers with feedbacks and improvements within a specified time.

The following is the record of customer satisfaction assessment from 2003 to 2014.



### 6.3.2 電子 - 客戶滿意度

1. SDI has always been consistent in customer relations and ensures customer satisfaction through customer evaluation, full understanding of market demand and operational adjustment. Customer feedback also plays a vital role in business improvement. SDI values its customers and gathers feedbacks through four channels – supplier evaluation, customer audit, customer satisfaction survey and records on business trips and visits.

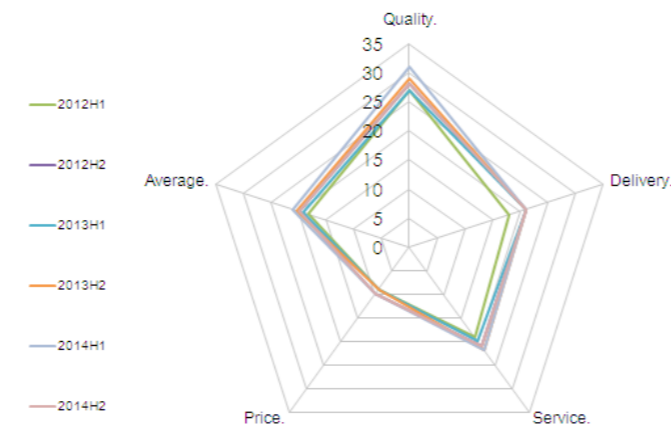
| Task                         | Frequency         | Responsible Unit                 |
|------------------------------|-------------------|----------------------------------|
| Supplier Evaluation          | From time to time | Quality Assurance Unit           |
| Customer Audit               | From time to time | Quality Assurance Unit           |
| Customer Satisfaction Survey | Every 6 months    | Business/ Quality Assurance Unit |
| Periodically                 | Periodically      | Business Unit                    |

2. When clients evaluate SDI, SDI would inquire about the results and review its performance as well as past company data to make improvements based on clients' requests and standards. Responses are then provided for the clients within a specified time for confirmation. Quality Assurance is responsible for addressing concerns listed by clients from time to time during their audits and filing the customer satisfaction issues accordingly.

3. SDI surveys clients with transactions dated within one year. The survey is distributed once every six months, assessing quality, delivery, service and price. The Company analyzes the survey results, and distributes the results to applicable units to make necessary improvements within a specified time and report back to the client.

4. In addition, SDI visits clients on a regular basis to get feedbacks from them directly and forward the comments to corresponding units for improvement.

Customer satisfaction 2012-2014



## Sustainability Reporting Index

| Aspect                               | GRI  | Content   | Chapter              | Page | Note |
|--------------------------------------|------|---|----------------------|------|------|
| Strategy and Analysis                | 1.1  | Statement about the relevance of sustainability to the organization and its strategy.   | Corporate Philosophy |      |      |
|                                      | 1.2  | Description of key impacts, risks and opportunities.  | 2.2                  |      |      |
| Organizational Profile               | 2.1  | Name of the organization  | 1.1                  |      |      |
|                                      | 2.2  | Primary brands, products and services.  | 1.2                  |      |      |
|                                      | 2.3  | Operational structure of the organization.  | 1.1                  |      |      |
|                                      | 2.4  | Location of organization's headquarters.  | 1.1.3                |      |      |
|                                      | 2.5  | Number and names of countries where the organization operates.  | 1.1.4                |      |      |
|                                      | 2.6  | Nature of ownership and legal form.   | 1.1.2                |      |      |
|                                      | 2.7  | Markets served.   | 1.2                  |      |      |
|                                      | 2.8  | Scale of the reporting organization.  | 2.2.3                |      |      |
|                                      | 2.9  | Significant changes during the reporting period.  | 1.1.2                |      |      |
|                                      | 2.10 | Awards received in the reporting period.  | 1.4<br>4.5.7         |      |      |
| Process for defining report content. | 3.1  | Reporting period for information provided.  | Introduction         |      |      |
|                                      | 3.2  | Date of most recent previous report.  | Introduction         |      |      |
|                                      | 3.3  | Reporting cycle   | Introduction         |      |      |
|                                      | 3.4  | Contact information   | Introduction         |      |      |
|                                      | 3.5  | Process for defining report content.  | Introduction         |      |      |
|                                      | 3.6  | Scope and boundary of the report.   | Introduction         |      |      |
|                                      | 3.7  | Statement of specific limitations on the scope or boundary of the report.   | Introduction         |      |      |
|                                      | 3.8  | Basis for reporting on joint ventures/subsidiaries.   | Introduction         |      |      |
|                                      | 3.9  | Date measurement techniques and the bases of calculations.  | Introduction         |      |      |
|                                      | 3.10 | Explanation of the effect of any re-statements of information provided in earlier reports and the reason for such re-statement. | Introduction         |      |      |

| Aspect                               | GRI  | Content   | Chapter      | Page | Note     |
|--------------------------------------|------|---|--------------|------|----------|
| Process for defining report content. | 3.11 | Significant changes from previous reporting periods.  | Introduction |      |          |
|                                      | 3.12 | Table identifying the location of the Standard Disclosures in the report.   | Index        |      |          |
|                                      | 3.13 | External assurance.   | Introduction |      |          |
| Governance                           | 4.1  | Governance structure and organization.  | 2.1          |      |          |
|                                      | 4.2  | Indicate whether the Chair of the highest governance body is also an executive officer.                               | 2.1          |      |          |
|                                      | 4.3  | Indicate whether the Chair of the highest governance body is also an executive officer.                               | 2.1          |      |          |
|                                      | 4.4  | Mechanisms for shareholder and employee participation.  | 2.2          |      |          |
|                                      | 4.5  | Linkage between compensation for members of the highest governance body and the organization's performance.           | 2.2          |      |          |
|                                      | 4.6  | Processes in place for the highest governance body to ensure conflicts of interest are avoided.                       | 2.2          |      |          |
|                                      | 4.7  | Processes for determining the composition, qualifications and expertise of the board of directors.                    | 2.2          |      |          |
|                                      | 4.8  | Statement of mission and values.  | 2.3          |      |          |
|                                      | 4.9  | Procedures of the board of directors for overseeing the management of economic, environmental and social performance. | 2.3          |      |          |
|                                      | 4.10 | Processes for evaluating the board of directors' own economic, environmental and social performance.                  | 2.3          |      |          |
|                                      | 4.11 | Explanation of precautionary principles.  | 2.3          |      |          |
|                                      | 4.12 | Externally developed charters and principles.   |              |      | Unsigned |
|                                      | 4.13 | Memberships in associations or organizations.   |              |      |          |
|                                      | 4.14 | List of stakeholders.   | 1.3.2        |      |          |
|                                      | 4.15 | Definition of stakeholders.   | 1.3.2        |      |          |
|                                      | 4.16 | Approaches to stakeholder engagement.   | 1.3.2        |      |          |
|                                      | 4.17 | Key topics and concerns raised through stakeholders.  | 1.3.2        |      |          |



| Aspect   | GRI  | Content   | Chapter | Page | Note |
|--|------|---|---------|------|------|
| Economic   | EC1  | Direct economic value   | 2.3.2   |      |      |
|  | EC3  | Benefit system  | 4.4.2   |      |      |
|  | EC6  | Policies and proportion of spending on locally-based suppliers.   | 2.4.1   |      |      |
|  | EC7  | Procedures and proportion for local hiring.   | 4.1     |      |      |
| Environmental  | DMA  | Management Approach   |         |      |      |
|  | EN1  | Materials used by weight or volume.   | 3.1.1   |      |      |
|  | EN3  | Direct energy consumption by primary energy source.   | 3.3.3   |      |      |
|  | EN5  | Energy saved. (Attached Index)  | 3.2.2   |      |      |
|  | EN8  | Total water withdrawal by source.   | 3.3.8   |      |      |
|  | EN26 | Initiatives to mitigate environmental impacts.  | 3.6     |      |      |
|  | EN26 | Environmental protection expenditures..   | 3.5     |      |      |
| Social Performance Indicators– Labor Practices and Decent Work | DMA  | Management Approach   |         |      |      |
|  | LA1  | Total workforce by employment type.   | 4.1     |      |      |
|  | LA2  | Employee turnover.  | 4.1     |      |      |
|  | LA3  | Benefits provided to full-time employees. (Attached Index)  | 4.4     |      |      |
|  | LA6  | Percentage of total workforce represented in joint management-worker health and safety committees. (Attached Index) | 4.6.7   |      |      |
|  | LA6  | Rates of occupational injury and diseases by region and gender.   | 4.6.4   |      |      |
|  | LA10 | Average hours of training per year per employee by gender and employee category.                                    | 4.5     |      |      |

| Aspect   | GRI  | Content  | Chapter | Page | Note |
|--|------|--|---------|------|------|
| Social Performance Indicators– Labor Practices and Decent Work | LA15 | Return to work and retention rates after parental leave by gender.   | 4.2.2   |      |      |
| Social Performance Indicators – Human Rights                   | HR6  | Measures taken to the effective abolition of child labor by operations and significant suppliers.  | 4.3     |      |      |
|  | HR11 | Number of grievances related to human rights filed, addressed and resolved through formal grievance mechanisms.                          | 4.2.2   |      |      |
| Social Performance Indicators - Society                        | S01  | Community Impact   | 5.1     |      |      |
|  | S04  | Actions taken against corruption.  | 2.5     |      |      |
|  | S010 | Prevention and mitigation measures implemented in operations with significant potential or actual negative impacts on local communities. | 5.4     |      |      |
| Social Performance Indicators – Product Responsibility         | PR1  | Impacts of product life cycle on health and safety.  | 6.1     |      |      |
|  | PR4  | Total number of non-compliance with regulations concerning product information. (Attached Index)   | 6.2.1   |      |      |
|  | PR5  | Customer satisfaction. (Attached Index)  | 6.3     |      |      |
|  | PR6  | Programs for adherence to voluntary codes related to marketing and promotion.  | 6.2.2   |      |      |

Business Locations  
 Chunghua Plant  
 No. 260, Sec. 2, Zhangnan Rd., Dazhu Vil.,  
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 Tel: 886-4-7383991  
 Fax: 886-4-7380515

Nantou Plant  
 No.323, Chenggong 3rd Rd., Xinxing Vil.,  
 Nantou City, Nantou County  
 Tel: 886-49-2257780  
 Fax: 886-49-2261218