

SDI Corporation

2016

SDI Corporate Social Responsibility Report

Directory

Table of Contents

Report Overview

Words from the Chairman

1.1 Introduction to SDI and Corporate Governance.....	7
1.1.1 About SDI	7
1.1.2 Brands, Products, and Services.....	10
1.1.3 Financial Performance.....	15
1.1.4 Corporate Governance	16
1.1.5 Impact Analysis for Direct and Indirect Economy.....	23
1.2 Stakeholders and Material Aspects	24
1.2.1 Identification of Stakeholders and Material Aspects	24
1.2.2 Identification of material aspects	28
1.2.3 Participation in External Organizations:	32
1.3 Risk Assessment and Crisis Response Management	33
1.4. Compliance.....	35
1.4.1 Compliance with Laws and International Standards and Regulations	35
1.4.2 Compliance with Domestic Laws and Regulations	35
2.1 Energy Conservation and Management.....	37
2.2 Green Product	40
2.2.1 Green Production Management	41
2.2.2 Green Stationery Product Design	43
2.2.3 Incorporating Product Life Cycle into Design	43
2.2.4 Water Resources Management	46
2.2.5 Pollution Discharge and Control.....	47
2.2.6 Environmental Expenditure	56
3. Social Responsibility.....	57
3.1 The SDI Family.....	57
3.1.1 Employment Overview	58
3.1.2 Enhanced Labor-management Relation.....	60
3.1.3 Effective Communication Channels	60
3.1.4 Remuneration and Benefits.....	61
3.1.5 Diverse Training Programs	65
3.1.6 Workplace harmony.....	68
3.1.7 Labor Rights	73
3.2 Products and Services for Clients.....	73
3.2.1 Product Responsibility Management Guidelines (Compliance)	73
3.2.2 Reduced Packaging Materials, Using Environment-friendly Materials	75
3.2.3 Client Relations	77
3.2.4 Privacy Protection for Clients	80
3.3 Supplier Relations	81
3.3.1 Green Supply Chain and Contractor Management	81

3.3.2 Supplier Evaluation Management.	82
3.4 Social Care and Contribution	87
3.4.1 Social Care by SDI Foundation	87
3.4.2 Community Communication and Sponsorship	88
2.2.1 Green Product and Electronics Management	92
2.2.2 Green Stationery Product Design	92
1.2 Stakeholders and Material Aspects	92
1.2.1	93
3.1.4 Remuneration and Benefits.	94
3.2 Products and Services for Clients	94

Appendices

About the Report

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.

SDI believes in giving back to the society and fulfilling the responsibilities of a citizen. SDI's first SCR Report was published in 2014. The current report is SDI's third CSR Report, which covers the topics of About the Report, Strategies and Visions, Company Overview, Environmental Sustainability, and Social Responsibility, disclosing SDI's efforts and achievements in sustainability indicators including economy, environment, labor care, human rights, social participation, and product responsibility aspects with comprehensive data and descriptions. We hope for this report to facilitate the understanding of SDI by the stakeholders and the public in general and serve as the foundation for our communication.

Scope and Special Limitations

This report encompasses SDI's performance in terms of corporate social responsibility from January 1 to December 31, 2016. The major indicators are from production bases in Taiwan, including Changhua and Nantou plants, with achievements and future planning in sustainability.

In this report, data from 2015 is listed by international standard. Estimations are noted. Financial statistics have been notarized by Crowe Horwath (TW) CPAs, in TWD, with no information altered. ISO14001, OHSAS 18001, and CNS 15506 data have been notarized by third-party authority British Standards Institution (BSI Taiwan).

Compilation Guidelines

The 2016 SDI Corporate Social Responsibility Report is based on the latest international standard Global Reporting Initiative (GRI) G4, with material analysis to identify and prioritize sustainability aspects valued by stakeholders. With the results of the analysis, the sustainability topics, relevant strategies, goals, and measures to be disclosed by this report were determined and then written based on the GRI guidelines and structure.

Report Verification

To improve transparency, reliability, and compliance with GRI G4 and AA1000 AS: 2008 standards, this report has been verified by third-party authority BSI for compliance with the core indicators of GRI G4 and for Type 1 Moderate Guarantee with AA1000 AS.

Publication

SDI issues the CRS Report annually and publishes the report online on the SDI website.

Current Issue: Published in September 2017 (2016 Edition).

Last Issue: Published in December 2016 (2015 Edition).

Contact Info

We hope for this report to facilitate stakeholders' understanding of SDI's efforts in CSR. For any questions or comments regarding this report, please contact us at:

SDI Corporation

Address: No. 260, Sec 2, Dazhu Vil., Zhangnan Rd., Changhua City, Changhua County

Phone: +886-4-7383991 ext 8102

email : weihung@email.sdi.com.tw

Website: www.sdi.com.tw

Contact: General Management Center Wei-Hong Lin

Words from the Chairman

SDI was founded in 1953. To achieve long-term goals, SDI continue to meet market demands with proprietary technologies and services. With the advent of Intelligent Energy Innovation, SDI is making increasing investments in the field. In the next five years, it will be our goal to develop products that better serve the market and make people's lives more comfortable.

On the economy front, SDI has actively developed new businesses and high value-added products. With rising environmental consciousness, although new energy markets are still developing, SDI aims to invest in the critical parts market for smart cars and green energy in the coming 2017, with the goal of playing a more prominent role in global automobile and energy supply chains. SDI is continuing to invest in development and innovation in technology based on market demands and trends to offer wider varieties of products, create mutual value for the company and clients, and give back to stakeholders.

On the environment front, because of environmental and sustainability concerns, governments and international organizations have actively implemented green energy and carbon reduction policies. As a response, SDI has thoroughly implemented the ISO50001 energy management system, with the goal of obtaining certification by the end of 2016. To achieve energy conservation and management goals set by our environmental policies, we continue to implement environmental management plans, such as replacing oil-burning boilers with gas-burning boilers to reduce P.S.N. and improving exhaust hoods for electroplating processes. For electronics products, SDI has established the RoHS/IECQ QC080000 hazardous substance management system to ensure compliance with environmental laws and regulations. For stationery products, we have adopted recyclable materials and replaceable consumable parts in our designs to increase the proportion of recyclable materials and product life cycle. In addition, SDI has actively and incrementally invested in paperless equipment for mold designs, increasing work efficiency while significantly reducing paper consumption.

On the social front, SDI established SDI Foundation in 2007 as part of our continuing goal of “global operation and local care.” In 2016, in addition to helping develop local communities and provide jobs, SDI worked with many charitable organizations in improving their environment and facilities to create spaces that are more comfortable. For instance, we sponsored the replacement of air conditioning in classrooms at Tsz-Ai Mercy Hospice and the purchase of walking aids for Happy Christian Homes. SDI also reaches out to the disabled and their families with empathy to understand their needs, particularly those in Changhua. Every December, we help the Changhua Center of Taiwan Fund for Children and Families to organize a charity fair to inspire people with love and selflessness and promote participation in helping those in need, creating a warmer, more peaceful society.

SDI has upheld the corporate conscience of giving back to society. We actively lead employees in participating in social care, helping minority groups and low-income families in Changhua and supporting charitable events, thus fulfilling our responsibility in sustainability and creating a happier, peaceful society.



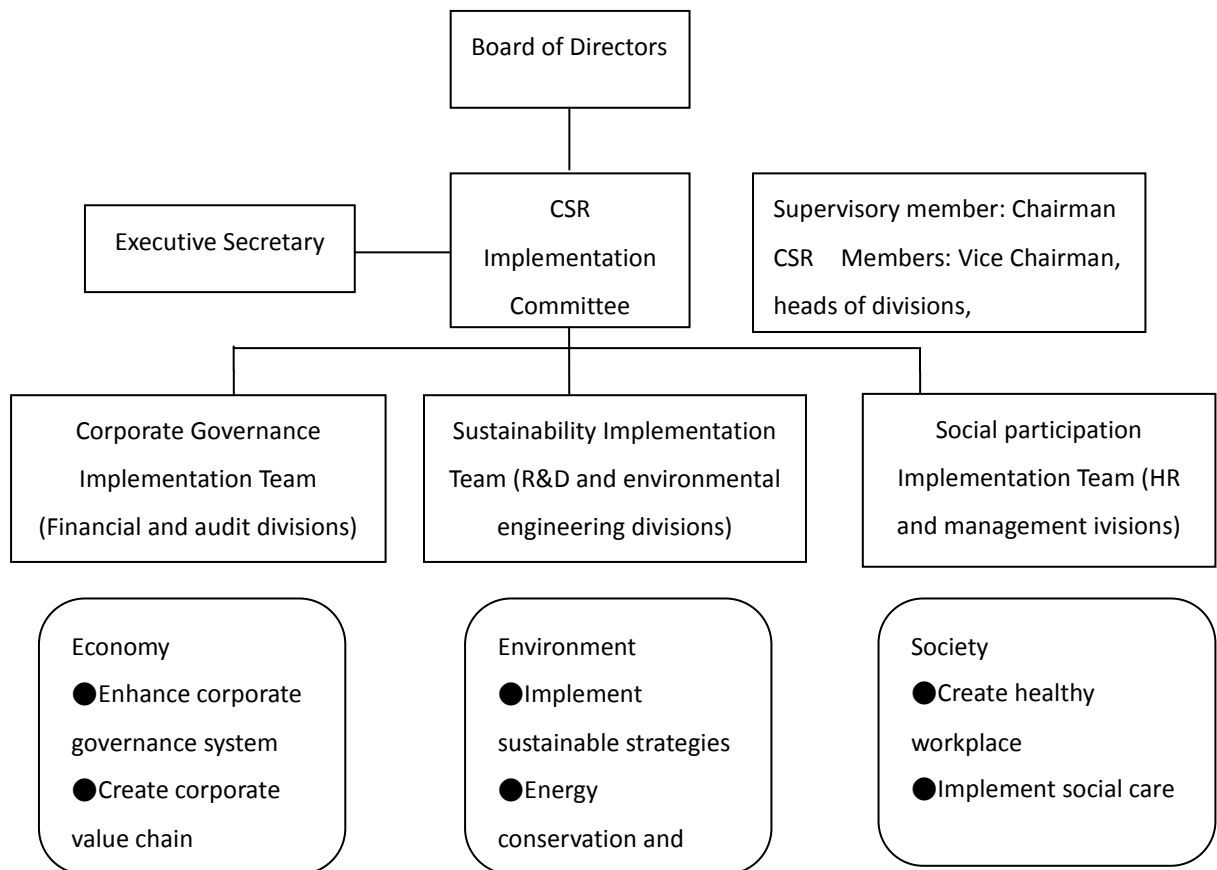
SDI Corporation
Chairman J.S. Chen

Vision for Sustainability

Our vision for sustainability is “taking root in Taiwan and becoming a global brand based on sustainable business models that balance economical, environmental, and social ideals.” To reach our goal, SDI introduce CSR management mechanism, establish “CSR Implementation Committee” to integrate our internal and external resource, fetch experience from standard corporations, develop sustainable strategies based on sustainability issues which stakeholders concerned, step by step, toward the vision of sustainability.

CSR Implementation Committee

SDI established its CSR Implementation Committee in 2013 to serve as the company's highest-level project implementation organization, carrying out CSR work approved by the Board of Directors. The Chairman serves as the supervisory member of the committee for implementing CSR policies. The Chairman assigns the head of the Management Division as the executive secretary, who is responsible for calling meetings and determining CSR objectives. The Committee holds regular meetings to review CSR strategies and plans, such as management guidelines, KPIs, and other CSR proposals based on communication with stakeholders. The Committee conducts performance reviews to follow up on improvement projects so that we achieve the company’s goals of sustainability, innovation, and growth.



Overview of SDI

1.1 Introduction to SDI and Corporate Governance

1.1.1 About SDI

1. Introduction to SDI

- (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.
 - (a). Listed on the stock market in the electronics sector. (Stock Symbol: 2351)
 - (b). The leader of semiconductor lead frame manufacturing in the nation.
 - (c). One of the top 500 manufacturing enterprises in the nation.
 - (d). The leading metal and hardware manufacturing company in the nation.
 - (e). SDI has adopted management systems including ISO 9001, ISO/TS 16949, ISO 14001 and OHSAS 18001.
 - (f). SDI introduced Oracle’s ERP system in 2000.
 - (g). SDI develops and manufactures high precision and high quality precision consecutive stamping die, which is the leader in the mold industries in Taiwan.
 - (h). 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.
 - (i). 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.

SDI Profile

Name	SDI Corporation
Time of establishment	October 1953
capital	1,821,453,000 TWD
Chairman	J.S. Chen
Headquarters	No. 260, Sec 2, Dazhu Vil., Zhangnan Rd., Changhua City, Changhua County
Plants	No. 260, Sec 2, Dazhu Vil., Zhangnan Rd., Changhua City, Changhua County No.323, Chenggong 3rd Rd., Nangang Industrial District, Nantou City, Nantou County
Employees	1,217
Businesses	Metal manufacturing (stationery)

	Electronics components manufacturing Die manufacturing
TWSE stock symbol	2351
Spokesperson	Deputy General Manager Chao-Hsing Chen
Deputy Spokesperson	Director Huang

2. Business Structure of SDI Corporation

(1) The headquarter of SDI Corporation is located at No. 260, Section 2, Daze 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



3. Share holding percentage by SDI:

Individual and combined shares of invested enterprises with stock 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.

4. Corporate 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. . Four are manufacturing plants located in Taiwan, China, and Malaysia and the rest are SDI sales offices for electronics and stationery products










1.1.2 Brands, Products, and Services

1. Metal 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.
- (2). 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 electric and manual pencil sharpeners. Be it the SDI brands, ODM or OEM, these products are popular in both international and domestic markets.
- (3). 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.

Metal Stationery Products

Category	Items	Pictures	Awards & Patents
Correction tapes and sticky tapes	Correction tapes, erasers, sticky tapes, and tape dispensers		
Binding products	Staplers, staples, staple removers, and hole punches		
Electric pencil sharpeners	Electric pencil sharpeners with replaceable blades		
Cutting products	Utility knives, pencil knives, blades, scissors, anglecutters		
Pencil sharpeners	Manual and electric pencil sharpeners		

Office supplies	Small tools, magnets, storage, writing supplies, and miscellaneous items		
Writing stationary	White board marker		

2. Semiconductor lead frame

In 1983, SDI branched into the semiconductor industry with monomer lead frame capacity. We have accumulated many unique die technologies and capabilities to offer high-quality and fair-priced products to clients. We provide clients with the best global services with centralized technology, short lead-time, immediate services, low cost, global labor distribution, and global procurement. In 2015, we became one of the top three lead frame providers globally



(1) Monomer Lead Frame

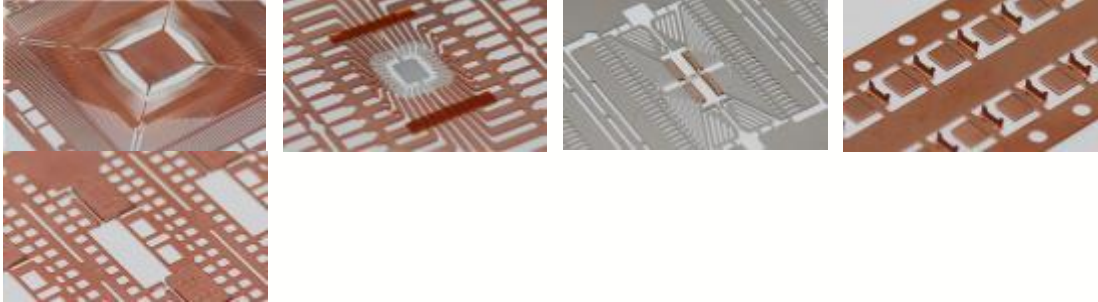
Monomer (detached) semiconductor parts are common in transistors (for augmentation, switch, pressure stabilization, and signaling) and diode packaging (for rectification and voltage regulation.) They are indispensable in electronic devices. SDI's power lead frames have reliable quality and are used by many major international manufacturers in automobiles and electronic devices.





(2) IC Lead Frame

The application of integrated circuit is ubiquitous and essential for our information-based society, as seen in computers, cell phones, computation, telecommunication, manufacturing, and transportation system. As technology advances, ICs continue to miniaturize with increasing speeds, therefore placing higher requirements on lead frames. SDI offers string support for clients with strong R&D capabilities and specialized manufacturing technologies.



(3) LED Lead Frame

LEDs are low-energy, light, and durable. In the early days, they were used in warning lights and billboards. After the use of high-brightness SMD LEDs became practical, they were used in backlights of mobile devices, displays, and television sets, as well as indoor and outdoor lighting, with rapidly increasing market penetration. SDI has particularly enhanced the durability of LEDs. With our die processing, 3D design, and product design capabilities, we offer clients comprehensive solutions. Our products include top-view, side-view, high-power, and optical coupling devices that meet clients' needs.



(4) New Businesses

In addition to traditional lead frame products, SDI explores the blue ocean of new businesses. For instance, we work with major global manufacturers in developing high-power lead frames, IPM lead frames, automobile TPM devices, IGBT power module lead frames, and metallic bipolar plates for fuel cells. We also reinvest in TBT's VCM lens module gimbals.



SDI provides one-stop semiconductor lead frame OEM manufacturing service that covers die development, material processing, manufacturing, inspection, packaging and delivery, which ensures precise lead time, lower costs, increased competitiveness, and meeting demands for high cost-performance ratios.



3. R&D Achievements in Core Technologies and Products

(1). Core Technologies

(a). Product Design: SDI controls designs from product appearance to components in-house. We conduct tests on “functional samples” during the design process to serve as basis for adjustments for optimizing the designs.

(b). Die Design and Manufacturing: SDI integrates the design and manufacturing technologies for dies. We continue to accumulate die design capabilities and challenge ourselves to ever-higher precision to enhance the quality of our dies.

(c). Specialty Machinery Design and Manufacturing: SDI designs and manufactures specialty machinery and product testing equipment in-house to optimize production capacity and assure quality.

(2). 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 glue. 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, helping us work toward realizing carbon reduction, environmental protection, product safety, and sustainability for the corporation.

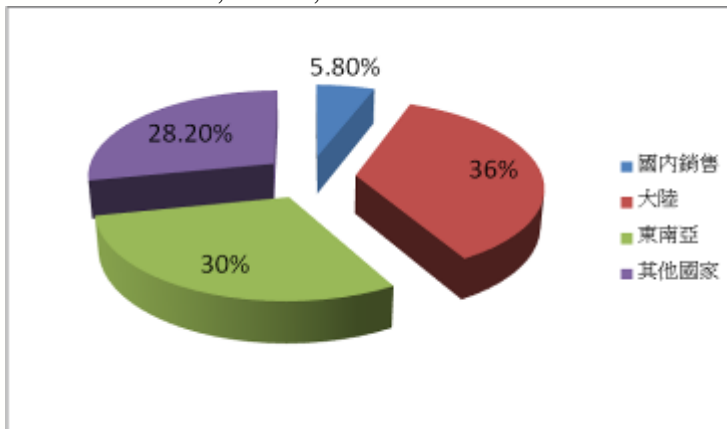
(3) New product development in the near future

- A. Power lead frame and electric vehicle IGBT module lead frame, and heat sink.
- B. Vehicle sensor lead frame, smart card lead frame, metal plate fuel cell.
- C. Roller tip white board marker.
- D. Roller tip marker.
- E. 2WAY XCHANGER ELECTRIC PENCIL SHARPENER.

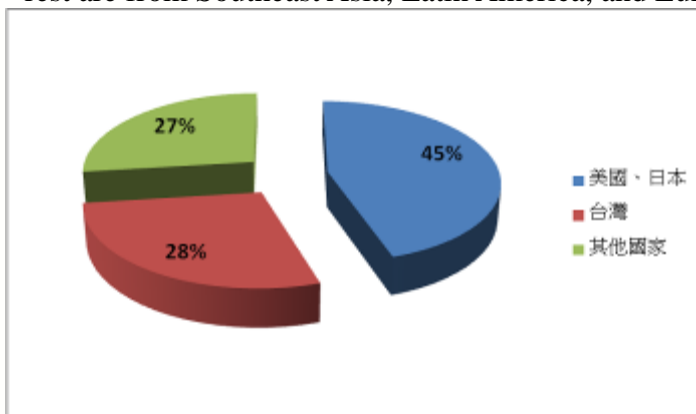
4. Market Overview

(1) Major Markets and Market Share

- **Electronics:** Domestic consumption accounts for 5.8%. Export sales mainly consist of China (36%) and Southeast Asia (30%). The rest of the sales come from Europe, the U.S., Central America, Africa, and Northeast Asia.



- **Metal Stationery:** Sales comprise 45% to the U.S. and Japan and 28% in Taiwan. The rest are from Southeast Asia, Latin America, and Europe.



(2) Future Supply and Demand in the Market and Potential for Growth

- **Electronics:** According to WSTS, demand for lead frames is expected to grow by 6% in 2017 compared with 2016. Therefore, we expect a growth in our business performance. Beside this, in the trend of utilizing power saving smart grid, internet of Thing, Automobile digitization, Autodrive, Industry 4.0 and AI etc.. These application will stimulate the demand of semiconductor market. SDI develop new products for the application mention above, such as power management ICs, tire pressure detectors, ECU power ICs, automobile LEDs, and other devices, SDI's shares in these markets are expected to grow.

- **Stationery:** SDI's market share in office supplies such as staplers is expected to grow in U.S. And Japanese markets. Student products including correction tapes and pencil sharpeners are still in high demand. Writing product will be add to expand the product line. The prospect is brightening.

<p>Reference: SDI 2016 Financial Report pp. 1-2</p>	

1.1.3 Financial Performance

1. Business Performance

In 2016, with continuing quantitative easing policies from central banks of countries around the world, major economies have steadily stabilized. Demand and incentivizing policies further benefited the growth of IoT, automobile, and energy conservation industries. With years of developing markets for supply chains and applications of products, our Electronics Business Group has been working with clients in developing niche products, increasing the ratio of self-production material, and increase the efficiency of production processes, increasing added value to dilute rising costs. Product margins and profits reach a new high. As for our Stationery Business Group, we have developed OBM and ODM products based on our excellent technologies and quality, to minimize impact on profitability from rising labor and tax costs, thus differentiating ourselves from competitors and increasing our proportion of niche products, leading to year-long profit growth. In addition, affiliated enterprises TBT and CSM and SDI's Jiangsu Plant continued to grow in terms of revenue because of enhanced production processes and quality. The Group's combined revenue is 8.806 billion, showing a slightly increase. Net income for this period is 728 million, a 26.6% increase. The basic earnings per share is 4 dollars.

2016 Budget Execution, Financial Analysis and R&D Evaluation:

Unit: 1,000 NTD

Items	2016	2015	Increase/decrease
Sales Revenue	8,806,341	8,793,202	0.15%
Gross Profit	1,832,369	1,498,227	22.30%
Operational Costs	782,440	739,265	5.84%
Net Revenue	1,049,929	758,962	38.34%
Net Income after Tax	806,943	630,281	28.03%
Net Income Per Share (NT)	4.00	3.16	26.58%
Return on Equity	15.36%	12.53%	22.59%
Net Income Ratio	9.16%	7.17%	27.75%
Return on Assets	8.41%	6.59%	27.62%
R&D costs	202,652	208,066	(2.60%)

Note 1: No public financial forecast in 2016.

Note 2: Scope of the report include SDI, TBT and CSM, but not include SDI foundation.

2. Operational Management

(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 2015, there were no violations of corporate governance regulations involving fines or

other penalties.

(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.

(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.

1.1.4 Corporate Governance

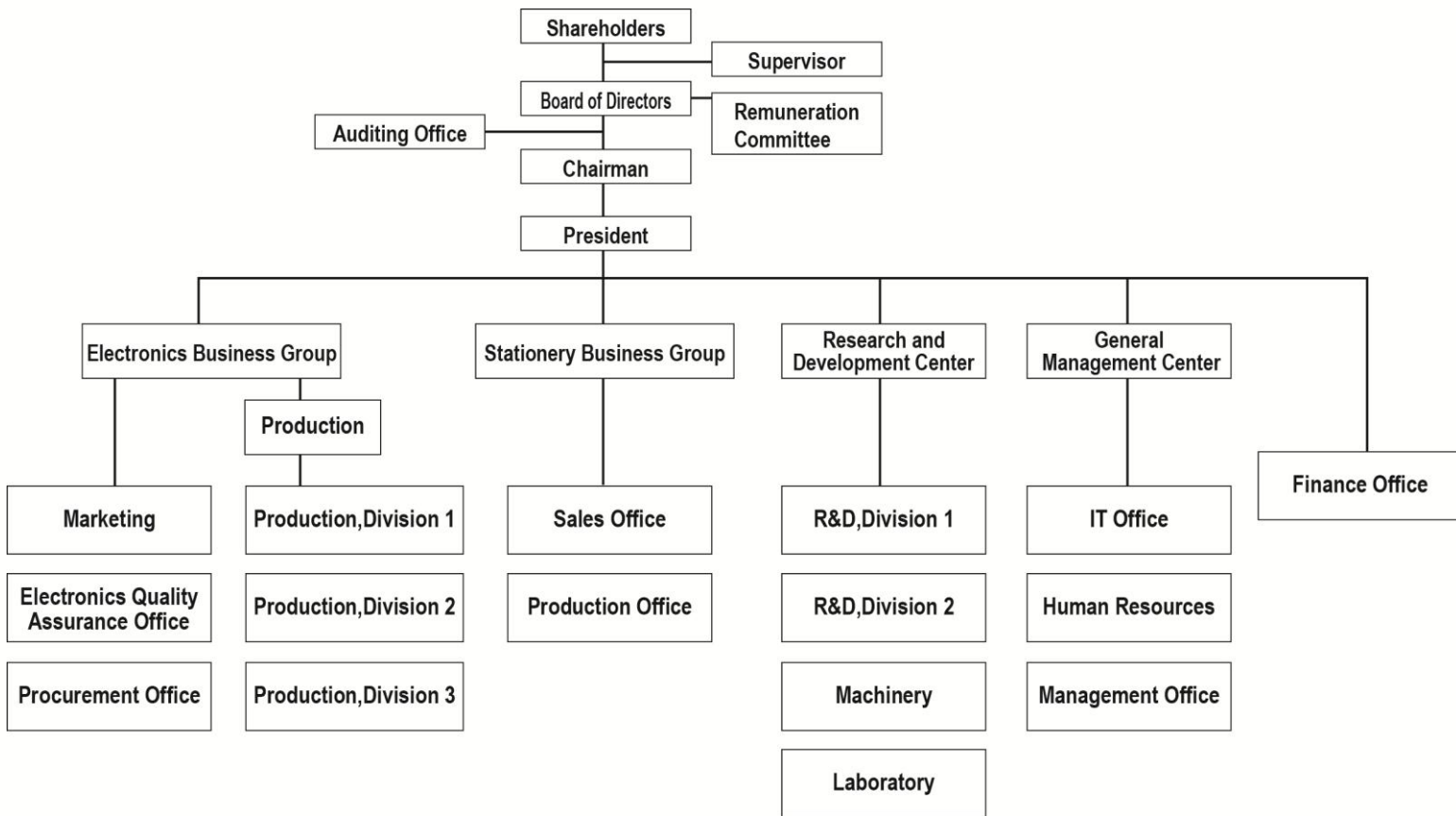
1. Our board directors are diverse and professional, with complementary specialties that help them engage in rational discussions to make visionary and comprehensive decisions for sustainable benefits for the corporation. We follow the guideline of transparency to provide comprehensive information and establish communication with stakeholders based on trust, and then take feedback from stakeholders into consideration during decision-making, thus laying the sound foundation for the sustainability of the corporation. With our business motto of "sincerity, stability, challenge, and innovation," we follow the principle of integrity throughout the corporation, operate in compliance with laws and regulations, and maintain a reliable risk management system, all of which help SDI grow steadily and sustainably.

Material Aspects: Business performance, indirect economic impact, environmental law compliance, product responsibility compliance, social compliance



(1) Organizational Structure

SDI is a listed company with the following organizational structure:



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) Operation of the Board of Directors:

To enhance corporate governance, the Board holds regular meetings to be briefed on major company strategies, business reports, and audit reports, as well as approve, supervise, and follow up on the execution of business and financial plans.

Title	Name	Education and Experiences	Current Positions in the Company and Elsewhere	Specialty	Task Distribution	Board Meeting Attendance in 2016
Chairman	J.S. Chen	Chang-Hua Senior School of Commerce Advisor, Science and Technology Advisors Office, MOEA Technical Advisory Committee Member, Metal Industries Research & Development Centre Representative Director, Taiwan Mold & Die Industry Association	General Manager, SDI Corporation Chairman and General Manager, CSM Chairman, TBT SHUEN DER (B.V.I.)CORPORATION Representative, SHUEN DER (B.V.I.) CORPORATION	Business management Accounting management	Economy issues	100%
Director	Chao-Ming Chen	Master, Department of Accounting, National Changhua University of Education Representative Director, Taiwan Association of Stationery Industries	Deputy General manager, SDI Corporation Chairman and General Manager, SDI (Jiangsu) Corporation CSM Director, TBT	Business management Accounting management	Economy issues	67%

Director	Wei-Te Chen	MBA, Rotterdam School of Management	Deputy General manager, SDI Corporation Supervisor, TBT	Business management	Economy issues	67%
Director	Chao-Hong Chen	Master, Department of Engineering, Tatung University	Director, SDI	Innovation management	Environmental issues	100%
Director	Chieh-Hsuan Chen	Ph.D., Department of Sociology, Tunghai University Professor, Department of Sociology, Tunghai University Director, Institute of East Asian Societies and Economies, Tunghai University	None	Social management	Social issues	83%
Independent director	Wen-Yi Chiang	Master, Department of Accounting, National Changhua University of Education Accountant, Wen-Yi Chiang Accounting Firm	None	Accounting management	Economy issues	100%

Independent director	Lan-Ying Huang	DBA, Nova Southeastern University Professor, Department of Business Administration, National Changhua University of Education	None	Business management	Social issues	100%
----------------------	----------------	--	------	---------------------	---------------	------

(3) Operation of Audit Committee or Supervisor Participation in Board of

1. The Company has not established an audit committee.

2. Supervisor Participation in Board of Directors

Supervisor attendance in the 6 (A) board meetings in the latest year (2016)

Title	Name	Attendance (B)	【 B/A 】 Attendance rate (B/A)	Remarks
Supervisor	Sheng-Yen Hsieh	6	100%	-
Supervisor	Chiung-Ying Chung	5	83%	-

Other Required Information:

Supervisors and Duties:

(一) Communication between supervisors and employees/shareholders:

Communication between supervisors and employees/shareholders/stakeholders have been efficient.

(二) Communication between supervisors and head of internal audit/accountants:

Communication have been efficient.

Opinions expressed by supervisors during board meetings: No opposition was raised against board decisions.

2. Operation of Remuneration Committee

For a complete performance evaluation and remuneration system for directors, supervisors, and managers, the company's Board of Directors approved on December 15, 2011 the establishment of the Remuneration Committee, the main duties of which is to assist the Board in formulating and reviewing policies, systems, standards, and structures for performance evaluation and remuneration for directors, supervisors, and managers, thus implementing corporate governance and ensure the benefits of shareholders.

SDI's Remuneration Committee comprises three members, each with his/her own specialty and independence. They are appointed by the Board. The members of this term has an independent director as its chairperson. The members and their duties are as follow:

Title	Name
Chairperson	Chiang Wen-Yi
Member	Huang Lan-Ying

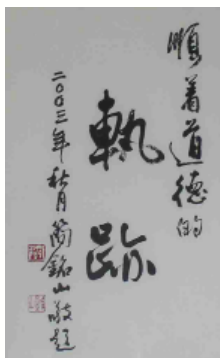
Member	Tseng Kuo-Chao
Duties: Regularly formulating and reviewing policies, systems, standards, and structures for performance evaluation and remuneration for directors, supervisors, and managers Regularly formulating and reviewing the amount of remuneration for directors, supervisors, and managers Remuneration for directors and managers of subsidiary companies: For subsidiaries whose decisions require approval from the Board of the parent company, remuneration should be proposed by the remuneration committee of the parent company for the approval from the Board. The current term of the remuneration committee lasts from June 24, 2015 to June 23, 2018. In 2016, the committee meeting twice.	

3. Ethical Management

Founded in 1953, SDI has operated for more than half a century under the motto of “Sincerity, Stability, Challenge, Innovation.” Our steady steps have led us from Taiwan to the global arena. Sincerity is a core value at SDI. We insist on our compliance, promises, and right and wrong. These are our foremost concern when formulating and executing business strategies while implementing a corporate culture of integrity and well-maintained risk control system. We have established “Regulations Governing Commercial Behaviors and Professional Ethics” to deliver on our promise of upholding the highest standard of compliance and ethics when company executives and employees conduct business. All employees shall abide by said regulations to maintain trustful relationship with the clients, suppliers and the public while ensuring sustainable growth and development.

CSR Policies

- (1) Compliance with laws and regulations: Adhere to labor laws and regulations and company
- (2) Promoting right to work: Ensuring that all work is voluntary.
- (3) Practicing humane treatment: Preventing labor exploitation, forced labor, and any other form of
- (4) Abolish discrimination: Practicing equal employment and assignment of workers and promising workplaces free from harassment and discrimination.
- (5) Establishing communication channels: Encouraging employees to communicate with the management, who collect employee opinions and conduct improvement.
- (6) Enhancing remuneration systems: Compliance with remuneration laws and regulations.
- (7) Professional training for employees: Enhancing employee skills and abilities to increase the economic value of employees.
- (8) Emphasizing business ethics: Preventing illegal actions, gifts, and hospitality; avoiding conflicts of interest; establishing fair trade; and protecting client information.
- (9) Respecting intellectual property rights: Respecting intellectual property rights and protecting all technical transfers.
- (10) Implementing information transparency: Disclosing all corporate information required by law.
- (11) Enriching social culture and caring for minorities: Actively engaging in social activities and providing suitable job opportunities to minorities.
- (12) Promoting social responsibility: Incorporating all the responsibilities above into all aspects of operation and partnerships with suppliers.



4. Anti-corruption Measures

- (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) 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:
 - (a). Food items shall be distributed evenly among the staff through the supervisor.
 - (b). Other items shall be forwarded to the Management Division to be documented and gifted during the year-end banquet.
 - (c). In cases where determination cannot be made, matters shall be forwarded to the supervisor or the Management Division for decision.
- (3) SDI's suppliers shall fulfill their social responsibility and promote mutual trust under the principles of honesty and integrity:
 - (a). 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.
 - (b). The suppliers promise to forbid employees or affiliates to engage in the following conducts toward SDI employees, their families and other stakeholders:
 - 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.
 - The suppliers shall not engage in misconducts involving joint venture, collaboration, collusion or profit sharing.
 - 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.
- (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.

1.1.5 Impact Analysis for Direct and Indirect Economy

As a globally leading provider of electronics lead frames and technical services, we pose significant direct and indirect impact on global economy. In terms of direct economic impact, our financial trading undoubtedly influence all stakeholders (investors, clients, employees, suppliers, and local government agencies and communities). As our revenue grow, profitability fluctuate, and additions and changes are made to our operating locations, we can bring about significant indirect economic impact.

Impact Analysis for Direct and Indirect Economy

Investors	Investors are required to pay dividends tax and receive gain or loss from their shares.
Clients	<p>Clients receive the high reliability, high-quality stationery, and electronic components and services offered by SDI. By using our products, users gain higher productivity, which may increase their contribution to society. Clients expand their business, increase revenue, and improve the efficiency of their sales. Negative impact include the increase of electronics waste.</p> <p>The exchange rate of the Taiwan dollar against the U.S. dollar has risen sharply due to political factors, affecting our profitability.</p>
Employees	<p>Locations of employee assignment may change, and the number of employees may fluctuate. Employees of a location pay the local income tax, and their income is spent on consumption, which influences the local economic activities.</p> <p>Stationery is less stable due to it is product in China and its vulnerability to rising production wages in the area and the overall political and economic situation.</p>
Suppliers	Because of demand in the supply chain, supplier companies create jobs. The income of suppliers and their employees contribute to local income taxes and support local economic activities
Local government agencies and communities	<p>For its history of more than 60 years, SDI has always paid attention to how our operations impact local communities and residents. As we are committed to environmental, safety, and health measures, we have not created potential or actual negative impact on local communities. We have also invited community representatives (e.g. Chiefs of villages and community development association directors) frequently into our plants for tours to enhance trust and communication.</p> <p>SDI has also agreed to remove the influence of electromagnetic waves on human health from our locations and has ceased to renew location leases to telecommunication companies for cell towers, so that nearby residents are free of such concern. In addition to implementing the above measures, we have also actively communicated with community representatives and are no longer receiving related complaints.</p>

1.2 Stakeholders and Material Aspects

1.2.1 Identification of Stakeholders and Material Aspects

1. Identification of Stakeholders

Since 2013, SDI has realized that listening and responding to stakeholders' issues of concern is key to sustainability and CSR. Therefore, we have established multiple transparent and effective communication channels with stakeholders to engage in constructive communication, thoroughly understand their issues of concern, emphasize their benefits, and incorporate them into the company's development strategies. With stakeholders' concerns as basis for the company's business decision-making and disclosure of information, we aim to establish guidelines for our sustainable business.

Process for analyzing importance

Step 1 Identification of stakeholders	Based on the five principles in AA1000 Stakeholder Engagement Standards, we conduct identification of stakeholders. Results show that our main stakeholders are shareholders, customers (clients, consumers, distributors), employees (full-time employees, unofficial contract workers, immigrant workers, interns), suppliers (suppliers, contractors, immigrant worker agencies), governments, communities (development associations, local communities), NGOs (EICC, industry associations).	7 categories of stakeholders
Step 2 Collecting issues and deriving aspects	We based our collection of issues on more than 90 indicators in GRI G4 and derived 46 aspects based on relevancy and SDI's industry attributes to serve as guidelines for the questionnaire	46 aspects
Step 3 Understanding issues of concern	We issued questionnaires to survey stakeholders and understand their level of concern on the issues. We also surveyed the top-level management of our company to evaluate the impact of each issue on the business of the company. In 2016, 250 questionnaires were analyzed, with 231 for level of concern and 19 for level of impact.	249 questionnaires analyzed
Step 4 Identification of material aspects	After scoring levels of concern from stakeholders and level of impact from top management, we conducted matrix analysis and prioritized the aspects. Seventeen material aspects for SDI were decided upon for 2016 after internal deliberation and approval from the chairman.	18 material aspects
Step 5 Review and discussions	Based on the material aspects identified for the year, we disclosed management guidelines, continued to enhance management, and disclosed relevant information in the CSR Report.	One report

2. Stakeholders' issues and communication platform

We identified seven types of stakeholders based on internal discussions by our CSR Implementation Committee, stakeholder grouping by peer companies, and the five principles in AA1000 Stakeholder Engagement Standards (dependency, responsibility, influence, tension, and diverse perspectives) for the levels of importance of stakeholders. These types of stakeholders are, in falling order, customers (clients, consumers, distributors), suppliers (suppliers, contractors, immigrant worker agencies), employees (full-time employees, unofficial contract workers, immigrant workers, interns), governments, shareholders, NGOs (EICC, industry associations), and communities (development associations, local communities). SDI will continue to incrementally establish comprehensive two-way communication channels for stakeholders and their issues of concern, thus listening to opinions from stakeholders and making appropriate and proactive responses.

3. Stakeholders Communication Channels and Issues of Concern

To achieve effective communication with stakeholders, establishing comprehensive two-way communication mechanisms with stakeholders is of paramount importance in achieving corporate sustainability. Through diverse communication channels, we collect opinions from stakeholders and understand their needs and ideas, which helps the company discover blind spots in risks and management beforehand and acquire important basis for adjusting business strategies and achieving sustainability. With our internal process for achieving sustainability, we incrementally implement stakeholders' opinions to respond to their needs with action. The following table shows SDI's stakeholder descriptions, communication channels, and issues of concern:

Stakeholder	Description	Communication Management	Frequency	Issues of concern
Employee	Employees are a corporation's most important asset. We listen to our employees, respond to their concerns in a timely manner, and fulfill our responsibility in taking care of them.	<ol style="list-style-type: none"> 1. Training and drills to improve professional skills. 2. Conduct internal communication with internal memos or announcements. 3. Labor Safety Committee supervises the safety and healthcare. 4. Conduct bilateral communication through E-newsletter. 5. Employees express comments and suggestions through the staff comment form. 6. Conduct performance interview to provide necessary assistance. 7. The trade union may assist with communication. Employee Welfare Committee and Labor Management Committee conduct bilateral communication. 8. Protect employee health with 	<p>Unscheduled Unscheduled Quarterly Unscheduled Unscheduled Every 6 months Quarterly Annual Regular</p>	<p>Business performance Waste water and materials Labor-management relation Labor health and safety Training</p>

		<p>annual physical checkups.</p> <p>9. Provide group insurance to provide better care for the employees and their families.</p>		
Shareholder	<p>Shareholders are the owners of SDI. Their benefits are closely connected to the business performance of the company. Therefore, shareholders have high expectations for SDI's performance in economy, environment, and social aspects.</p>	<p>1. Hold annual shareholder meeting during mid-year and provide complete financial information, future directions and communication.</p> <p>2. Establish a service hotline to maintain positive and long term interaction with investors</p>	<p>Annual</p> <p>Unscheduled</p> <p>Unscheduled</p>	<p>Business performance</p> <p>Compliance with environmental and product laws and regulations</p> <p>Marketing communication</p> <p>Health and safety of customers</p>
Customer		<p>1. Regularly update the company website with news concerning environmental protection, health and safety.</p> <p>2. Regularly publish newsletters for the consumers and general public.</p> <p>3. Establish service hotline and online inquiry page as consumer services.</p> <p>4. Regularly conduct marketing and promotion campaign as well as exhibitions.</p> <p>5. Disclose SDI's current self-audit on EICC through E-TASC.</p> <p>6. Conduct meetings with clients to communicate on issues including future prospect, product development, quality and</p>	<p>Unscheduled</p> <p>Regular</p> <p>Unscheduled</p> <p>Regular</p> <p>Regular</p> <p>Unscheduled</p> <p>Regular</p>	<p>Product and service labeling*</p> <p>Compliance with product laws and regulations</p> <p>Marketing communication</p> <p>Business performance</p>

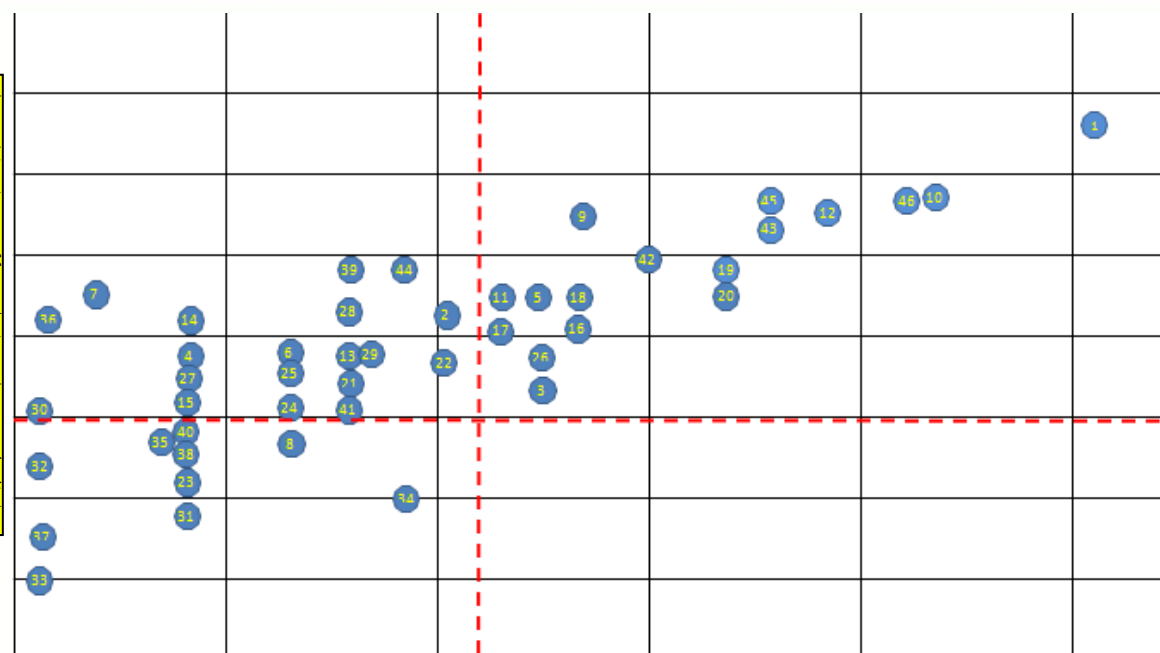
		<p>delivery.</p> <p>7. SDI applies for patent owner claim scope statement, and provides international certificates and contracts to protect its patents.</p>		
Local communities	<p>Local communities are the foundation of the company's operations. Only by maintaining good relations can the company develop sustainably.</p>	<p>1.</p>	<p>Regular</p> <p>Unscheduled</p> <p>Unscheduled</p>	<p>Water</p> <p>Discharge</p> <p>Environmental issue complaint mechanism</p> <p>Business performance</p>
Suppliers	<p>The quality of products and service of suppliers directly influence SDI's operation and production performances. We establish effective communication channels to facilitate mutual benefits and sustainability.</p>	<p>1. Provide technical drawings or product specifications to protect the intellectual property right.</p> <p>2. Provide quality inspection certification to protect the rights of both parties.</p> <p>3. Provide complete financial information, future directions and communication in financial reports.</p>	<p>Unscheduled</p> <p>Unscheduled</p> <p>Annual</p>	<p>Market image</p> <p>Compliance with environmental laws and regulations</p> <p>Anti-corruption*</p> <p>Health and safety of customers</p>
NGOs	<p>Only with effective communication management and by implementing social contribution and services can the company develop sustainably.</p>	<p>1. Regularly post social care and charity programs on the company website.</p> <p>2. Assist the schools, government and companies with the visit.</p> <p>3. Regularly conduct volunteer service programs.</p> <p>4. Regularly post social care and charity programs on</p>	<p>Unscheduled</p> <p>Unscheduled</p> <p>Unscheduled</p> <p>Unscheduled</p> <p>Regular</p>	<p>Business performance</p> <p>Health and safety of customers</p> <p>Product and service labeling</p> <p>Compliance with product laws and regulations</p>

		5. the company website. Publish the monthly revenues on the company website.		
Government agencies	SDI adheres to laws and promises to achieve sustainability.	1. Conduct random on-site check for compliance. 2. Conduct on-site visits. 3. Issue paperwork to corporations to provide assistance for various affairs. 4. Conduct on-site labor inspection. 5. Conduct exchanges and mutual learning through corporate visits.	Unscheduled Unscheduled Unscheduled Unscheduled Unscheduled	Labor relation Labor health and safety Discharge Social compliance

1.2.2 Identification of material aspects

1. We follow the five steps in the CSR materiality analysis process, which are “identification of stakeholders,” “collecting issues and deriving aspects,” “understanding issues of concern,” “prioritizing and analyzing material aspects,” and “review and discussions,” to determine material aspects and their priority.

利害關係人關利程度



公司內部營運之衝擊程度

利害關係人關利程度	Relevance to stakeholders
公司內部營運之衝擊程度	Level of impact on internal operations

- | | | | |
|---------------------------------------|---|---|--|
| 1 Business performance | 13 Logistics | 25 Investment | 37 Public policies |
| 2 Market image | 14 Overall status | 26 Non-discrimination | 38 Anti-competitive behavior |
| 3 Indirect economic impact | 15 Environmental assessment of suppliers | 27 Freedom of association and collective bargaining | 39 Social compliance |
| 4 Procurement practice | 16 Environmental issue complaint mechanism | 28 Child labor | 40 Social impact assessment of suppliers |
| 5 Raw materials | 17 Labor-employer relation | 29 Forced and compulsory labor | 41 Social impact complaint mechanism |
| 6 Energy | 18 Labor-management relation | 30 Security practice | 42 Health and safety of customers |
| 7 Water | 19 Labor health and safety | 31 Aboriginal rights | 43 Product and service labeling |
| 8 Biodiversity | 20 Training and education | 32 Assessment | 44 Marketing communication |
| 9 Discharge | 21 Employee diversity and equal opportunities | 33 Human rights assessment of suppliers | 45 Customer privacy |
| 10 Waste water and materials | 22 Equal pay | 34 Human rights issue complaint mechanism | 46 Compliance with product responsibility laws |
| 11 Products and services | 23 Labor practice assessment of suppliers | 35 Local communities | |
| 12 Compliance with environmental laws | 24 Labor practice issue complaint mechanism | 36 Anti-corruption | |

2. Material issue disclosure chapters and boundaries for aspects

(Complete disclosure: ⊙ Partial disclosure: ○ Future disclosure: Δ N/A: X)

	Material aspect	Category	Corresponding indicator	Corresponding indicator chapter				
					Internal	Internal entity	External	External entity
1	Business performance	Economy	G4-EC1	1.1.3 Financial Performance	⊙	Subsidiary	○	Shareholders
2	Indirect economic impact	Economy	G4-EC8	1.1.5 Impact Analysis for Direct and Indirect Economy	⊙	Subsidiary	X	
3	Raw materials	Environment	G4-EN1	3.3.1 Green Supply Chain and Supplier Management	⊙	Employees	X	
4	Discharge	Environment	G4-EN15	2.1 Energy Conservation and Management	⊙		X	
5	Waste water and materials	Environment	G4-EN23	2.2.5 Pollution Discharge and Control	⊙	Employees	○	Community
6	Products and services	Environment	G4-EN27	2.2.2 Green Product Design	⊙	Employees	○	Customers
7	Compliance	Environment	G4-EN29	1.4.2 Compliance with Domestic Laws and Regulations	⊙	Subsidiary	Δ	
8	Environmental issue complaint mechanism	Environment	G4-EN34	3.1.3 Effective Communication Channels	⊙	Employees	X	
9	Labor-employer relation	Society	G4-LA1	3.1.1 Employment Overview	⊙	Employees	X	
10	Labor	Society	G4-LA4	3.1.2 Enhanced	⊙	Employ	X	

				Labor-management Relation		ees		
11	Labor health and safety	Society	G4-LA6	3.1.6 Workplace harmony	◎	Employees	○	Suppliers
12	Training and education	Society	G4-LA9	3.1.5 Diverse Training Programs	◎	Employees	X	
13	Non-discrimination	Society	G4-HR3	3.1 The SDI Family	◎	Employees	X	
14	Health and safety of customers	Society	G4-PR2	4.3.2 Green Product Design 5.2.2 Reduced Packaging Materials and Using Environment-friendly Materials	◎	Employees	○	Customers
15	Product and service labeling	Society	G4-PR4	2.2.1 Green Production Design 1.4.2 Compliance with Domestic Laws and Regulations	◎	Employees	○	Customers
		Society	G4-PR5	3.2.3 Client Relations	◎	Employees	X	
16	Customer privacy	Society	G4-PR8	3.2.4 Privacy Protection for Clients	◎	Employees	○	Customers
17	Compliance	Society	G4-PR9	1.4.2 Compliance with Domestic Laws and Regulations	◎	Employees	○	Authority

1.2.3 Participation in External Organizations:

(I) Participation in External Organizations:

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

- Representative Director, Taiwan Association of Stationery Industries Association
- Consultant, Taiwan Association of Stationery Industries
- Consultant, Trade-Guild of Books, Culture and Education, Kaohsiung
- Consultant, Trade-Guild of Books & Educational Tools, Changhua County
- Consultant, Stationery Wholesale Improvement Committee, Taiwan
- Consultant, Stationery Wholesale Improvement Association, Greater Kaohsiung
- Consultant, Central Regional Stationery Wholesale Division
- Consultant, Alpha Stationery Network Association
- Director, The Taiwan Society for Metal Heat Treatment
- Consultant, The Taiwan Society for Abrasive Technology
- Member, Changhua County Industrial Association
- Vice Chair, Central Region Advancement Association, Taiwan Occupational Health and Safety Systems (TOSHMS)

(II) Involvement in Initiatives, Treaties, and Principles

SDI supports and observes the UN Global Compact in 9 of the principles in areas of human rights, labor rights, and environment. We comply with domestic laws and international regulations and are committed to ensuring the rights of employees, contractors, and suppliers, in terms of human rights, labor rights, freedom of association, prevention of forced labor, abolishment of child labor, anti-discrimination, anti-corruption, anti-trust, and environmental protection.

1.3 Risk Assessment and Crisis Response Management

Comprehensive risk assessment and crisis management system are key to the sustainability of SDI. Therefore, we are committed to enhancing our risk management system, based on existing organizational structure and internal control cycles, to identify and control risk factors, establish prevention, and enable us for timely response.

Table of Organizational Risk Management and Precautionary System

Category	Description	Response
Economy	Impact on operational stability from rapid change in economic environment	<p>Impact on company profitability from interest rate/exchange rate fluctuations and inflation and response thereto:</p> <ol style="list-style-type: none"> 1. Interest rates declined slowly in the past year. For the company's financial expenses, we will enhance negotiation abilities with financial institutions to continue to lower the company's operating costs. 2. For exports, we engage in natural hedging and diversify our use of currencies to minimize impact from exchange rate fluctuations. 3. In the face of inflation, we continue to adjust the costs of materials and develop new products to increase gross profit and minimize the impact on the company from inflation. <p>Policies for engaging in high-risk, high-leverage investments, lending of capital, endorsements, guarantees, and derivative products; Main reasons for gains and losses, and response thereto:</p> <p>SDI's procedures and internal control regulations for lending of capital, endorsements, guarantees, and derivative products are mainly for hedging and operating capital for subsidiaries, instead of high-risk, high gain investments.</p>
	The risk of centralized purchase and raw material price fluctuations	<ol style="list-style-type: none"> (1). We regularly collect information from global materials market and track pricing trends to increase our safety stock coefficient. (2). We diversify procurement plans and search for alternatives to key imported materials to minimize risks of centralized procurement and procurement costs. (3). We enhance our procurement capabilities and actively search for new suppliers to incrementally improve our list of backup suppliers and minimize the risks of centralized procurement.
Environment	Impact from climate change	<ol style="list-style-type: none"> (1). SDI's Changhua and Nantou Plants are incorporate the ISO 50001 energy management system in 2016 to continue to improve energy performance, minimize energy costs, and decrease greenhouse gas emissions and other environmental impacts. (2). We continue to implement energy integration and energy conservation projects and purchase energy-efficient equipment to minimize energy consumption and carbon

		<p>emissions.</p> <p>(3). We establish hazard response procedures and enhance our plants' responsiveness to natural hazards, including inspecting, repairing, and replacing equipment and training employees on hazard prevention.</p> <p>(4). We form a greenhouse gas emission inspection team to perform energy declaration and voluntary greenhouse gas inspection while regularly tracking carbon emissions and formulate reduction measures.</p> <p>(5). We implement water conservation measures and are considering installing water-recycling equipment.</p>
Environment	Impact on operation from increasingly strict environmental laws	<p>(1). We implement energy conservation measures and achieve actual reduction to obtain the reward of extra greenhouse gas emission quota.</p> <p>(2). We actively invest company resources in pollution prevention, waste treatment, water management, and labor safety management to prevent pollution.</p>
Society	Increasing requirement on product safety from consumers	<p>(1). We use our core capabilities to develop safer products</p> <p>(2). We continue to improve production management and processes to achieve higher quality and safety.</p> <p>(3). We implement quality inspection on contractors to ensure the supply and safety of materials.</p> <p>(4). We obtain verification from third-party authorities to enhance consumers' trust.</p>
	Increasing environmental awareness in communities	<p>(5). We actively communicate with community residents, listen to their opinions, respond in timely manner, resolve disputes, and establish trust, thus gaining their support.</p> <p>(6). We disclose information in a transparent manner, so that residents receive up-to-date and correct information, minimizing misunderstanding from information asymmetry and incidents therefrom.</p>
	Gaps in technical and professional succession	<p>(1). We continue to implement knowledge management (KM) to systematically record and pass on key technologies and experience.</p> <p>(2). We implement talent training policies in systematic, organized, and consistent manner to minimize impact on the company from gaps in professional succession.</p> <p>(3). We emphasize employee training and education, actively cultivating professional talents in various fields.</p>

1.4. Compliance

1.4.1 Compliance with Laws and International Standards and Regulations

1. Compliance is the key basis for CSR and for corporate sustainability. Based on the company's core value of integrity, we stringently follow laws and regulations throughout the company, handling all operations with principles of fairness, justice, and ethics
2. Regarding internal regulations, we follow domestic laws and policies and strive to adhere to international initiatives and trends on formulating regulations while constantly adjusting regulations based on polices changes. Moreover, we actively implement compliance training to internalize the importance of compliance in all employees. We also have reporting systems to eradicate and prevent illegal actions. These are our most concrete testament to our business integrity.
3. SDI received ISO9001 and TS16949 quality certifications, ISO-14001 environmental management certification, OHSAS18001 occupational health and safety management certification, and IECQ HSPM-QC080000 hazardous substance process management certification, which is a testimony of its international recognition on product quality and environmental protection mechanism and minimizes risks of accidents.
4. The finance and accounting of the affiliates are handled independently by designated personnel with internal audit established in accordance with the regulatory requirements.

1.4.2 Compliance with Domestic Laws and Regulations

SDI's compliance in society, product, and environment categories in 2015 is as follows:

1. Social Compliance

SDI observes human rights, labor rights, and anti-competitive laws and regulations and was not involved in no violation of social laws that resulted in fines.

2. Product Compliance

(1). Stationery products: We produce, label, and sell products in compliance with domestic product laws and regulations, including Fair Trade Act, Intellectual Property Rights Protection Act, Personal Information Protection Act, and Consumer Protection Act. SDI was fined on 0 account of marketing violations, received warnings on 14 accounts of violations, and was involved in 0 account of violation of the voluntary principle. Because the violations are of similar nature (The same act results in different accounts when discovered in different jurisdictions.), we list examples in the following table.

(2). Electronics lead frames: SDI offer semiconductor lead frame products and manufacturing services. We completely cater to clients' needs and emphasize the importance of clients and trust when designing and manufacturing products. Clients' die designs are mostly proprietary intellectual properties of respective companies and are not allowed to be used by competitors in the same field. Therefore, since the founding of our electronics business, there has never been any incident of violation of law or regulation that resulted in large sums of compensation to clients.



3. Environmental Compliance

SDI was not involved in any major leakage incidents in 2016. We comply with all the environmental regulation, and follow the guideline of “Comply with regulation, preventing pollution, continuously improving” to reach the goal of zero violation, zero penalty, and preserve the global environment.

Category	Number of cases	Description	Improvement measures
Social compliance	0		
Product compliance	14	<p>Case 1: SDI’s product, 0150 and 0155 pencil sharpener, had been repost by Taipei City Government for not labeling product origin.</p> <p>Case 2: SDI’s product, 0404C Utility knife, had been repost by Taoyuan City Government for not labeling product origin.</p>	<p>For the products on display, SDI immediately sent employees to place label stickers with adequate specifications on the products. We also made amendments to the labeling on the products in stock as per the Trademark Act</p> <p>For the products on display, SDI immediately sent employees to place label stickers with adequate specifications on the products. We also made amendments to the labeling on the products in stock as per the Trademark Act.</p>
Environmental compliance	0		

2. Environmental Sustainability

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.

SDI adheres to its own business motto and the government's energy conservation policies to fulfill its social responsibility, increase energy efficiency, minimize waste of resources, optimize energy use, maximize corporate competitiveness, and thus contribute to national economic competitiveness and the protection of the Earth's environment.

Material aspects: Raw materials, discharge, waste water and materials, products and services, environmental compliance, environmental issue complaint mechanism

2.1 Energy Conservation and Management

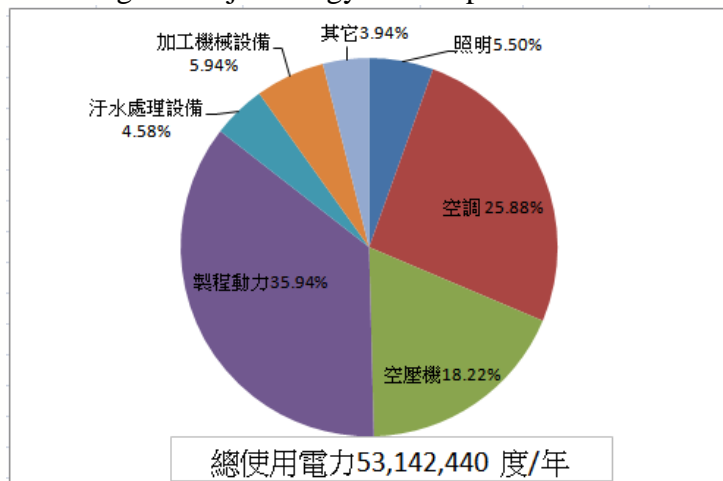
In June 2008, the government promulgated Sustainable Energy Policy Guidelines and received SDI's full cooperation. It is the hope to strike a balance between energy safety and economic development during the pursuit of sustainable energy to meet the needs of future generations, maximize the efficiency of the limited resources and allow the environment, energy and economic development to coexist. Additionally, in the face of global energy shortage and the urgent need to reduce greenhouse gas emissions, SDI has established a standard for enhancing its energy efficiency. We implemented ISO50001 energy management system in 2016 to achieve effective energy use in the company.



ISO 50001 Certificate for Environmental Management System

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

Percentage of major energy consumption in 2016



其它	Misc.
照明	Lighting
空調	A/C
空壓機	Air compressors
製程動力	Power for production processes
污水與淨水處理	Waste water treatment and water purification
加工製程設備	Processing equipment
總使用電力	Total power consumption

2. 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.



Energy Saving Measures under SDI's Action Strategies:

(1) Air conditioning (A/C) accounts for approximately **25.88%** 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:

Location	Temperature setting (°C)	Humidity (%RH)	Remarks
General storage area	28	70 or lower	
Office spaces, conference rooms, and large packaging areas	26 or higher	60~70	
Milling, pre-plating, and rubberizing areas	27	60~70	
Electronic stamping area	24	60~70	
CNC machining center, regular grinding, (post) plating reeling areas	25	60~70	
Precision grinding area, electrical discharge machining area, packaging cleanroom, and data processing room	23	50~60	
Coordinate measuring inspection room	22	50~60	
CNC high speed machining, jig grinding, and optical grinding areas, line cutting area A, and calibration laboratory	20	55±5	

(2) To conserve energy, SDI procures high-efficiency machinery to achieve reliable product quality, such as high performance air compressors and add inverters for air supply to be reliable and energy-efficient:

(3) Energy saving is the priority concern when procuring lamps: The conventional T8 fluorescent lamps have been replaced with LED. Up to now, over 40% of lighting equipment have been replaced. Continues to save energy.

(4) Adjustment on air compressing system:

SDI uses air blowers instead of air compressors in production processes wherever possible. Pressurized air pipelines contain two systems, which are 1) pressurized clean air and 2) pressurized micro-oil air to supply air to production. Air compressors can be connected at the front end for the air to be divided later. This configuration allows air compressors to supply air to one another and save energy.



On production ends, the outlets were also modified 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.

(5) 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.

Direct energy:

- Natural gas consumption was 165.36 kilo-m³ in 2015 and 208.66 kilo-m³ in 2016.
- Heavy oil consumption was 198.15 kiloliters in 2015 and 203.4 kiloliters in 2016.

Indirect energy:

- Indirect energy (electricity) consumption at SDI was 52,549,533 kWh in 2015 and 53,142,440 kWh in 2016 - a 1.1% increase because SDI adopted more stringent process control and installed peripheral equipment to increase added value of products and enhance quality, therefore adding power consumption.

(6) Emissions of greenhouse gases and other gases in 2016

Item	Source	CO ₂ emission (tCO ₂ e)	Way of discharge
1	Heavy oil	688.5418	Direct discharge
2	Gas	436.1099	Direct discharge
3	Electricity	28112.351	Indirect discharge

2.2 Green Product

SDI has constantly incorporated green products, environmental awareness, energy conservation, and care for the Earth into the designs and manufacturing of products. 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. For die manufacturing and processing each year, eighty thousand pieces of paper are required. According to the Environmental Quality Protection Foundation, it is approximate to 9.6 grown tree. 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. Therefore, SDI's reduction of paper printing is the best practice for loving Earth and supporting environmental protection.

80000 sheets/5000 =16 boxes

9.6 tree = 16 boxes * 0.6

Tree saved = No. of boxes of reduced paper * 0.6

Calculation base:

Weight of single A4 paper approximately 4 to 6 grams, Weight of a box of A4 paper is 25kg (5000 sheet). Produce each ton of paper pulp need 24 height 12 m, 15 to 20 cm in diameter grown tree. And each ton of paper pulp can produce 40 box of paper. Therefore, Produce a single box of A4 paper need 0.6 tree.

Reference: Environmental Quality Protection Foundation.http://www.eqpf.org/wood2/consurtion_3.html

2.2.1 Green Production Management

Compliance with RoHS/IECQ QC080000 Hazardous Substance Management System

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.

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. Annual reviews are conducted, and we renewed our certification on July 26, 2015, valid until July 26, 2018. These are testimonies of SDI's effective management on hazardous substance, compliance with the regulations and fulfilling clients' demands on green products.

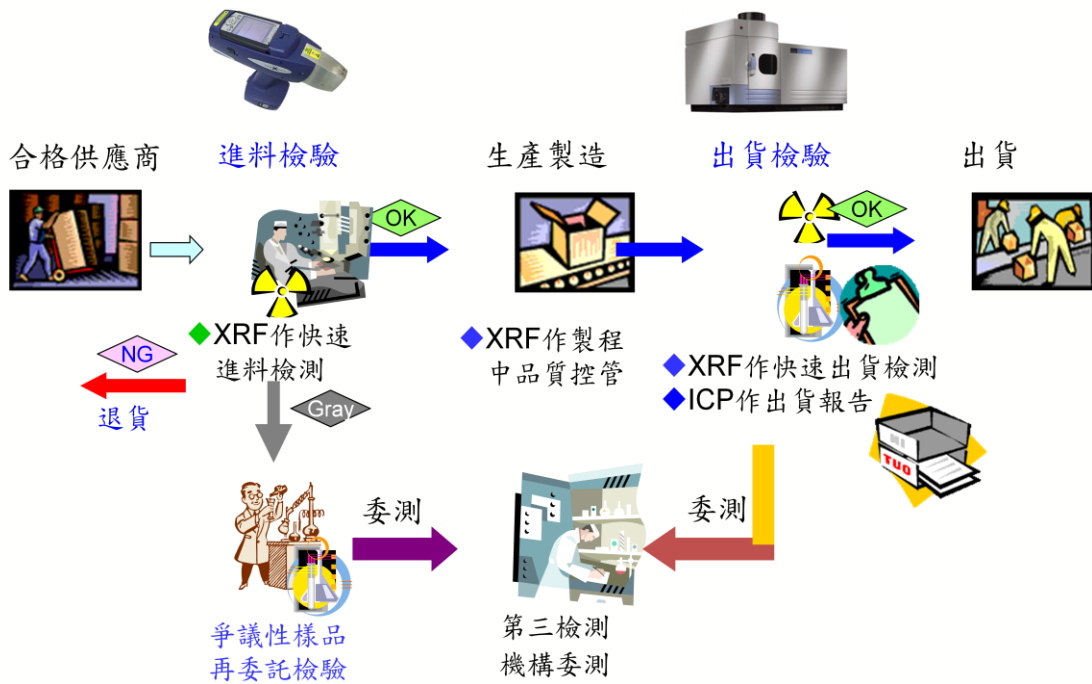


2. SDI conducts risk management for hazardous substance in finished products through monitoring and testing during production. The Company establishes hazardous substance management system, offers green products and integrates precision testing specialists and equipment such as ICP, GC-MS, UV-VIS and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

SDI's QC080000 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



合格供應商	Qualified suppliers
進料檢驗	Material inspection
生產製造	Production
出貨檢驗	Delivery inspection
出貨	Delivery
XRF 做快速出貨檢驗	EDXRF for express delivery inspection
ICP 做出貨報告	ICP for delivery report
XRF 做製程中品質管理	EDXRF for quality control during production
XRF 做快速進料檢驗	EDXRF for express material inspection
退貨	Return
委測	Inspection
委測爭議性樣品再委託檢驗	Re-inspection for questionable samples
委測	Inspection
委測第三檢測機構委測	Third party inspection

3. SDI integrates ISO/TS16949 quality management system and ISO14001 environmental management system with the current procedural management to clearly define hazardous substance

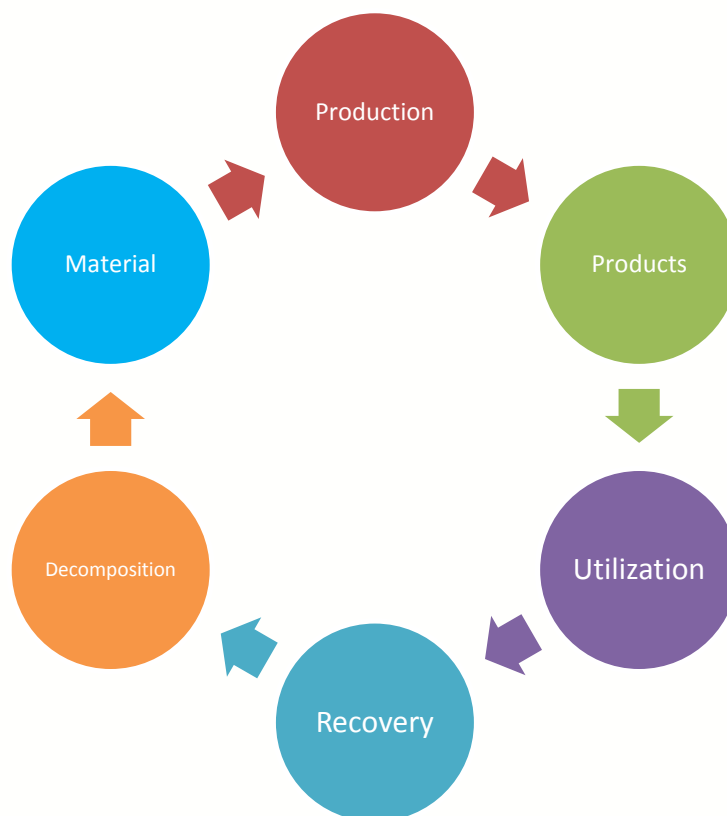
free (HSF) policies and implement the following:

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

2.2.2 Green Stationery Product Design

1. Product Responsibility - Environmental Protection through replaceable materials

- 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



Concept of Industrial circularization

2.2.3 Incorporating Product Life Cycle into Design

1. 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 part

2. Trust in Safety of Products

Life cycle stages in which health and safety impacts of products and services are assessed for improvement 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.

ETC ELECTRONICS TESTING CENTER, TAIWAN
 8, Lane 26, Wen-Hsiang Rd., Lo-Shan Twn, Keelung, Taiwan County, Taiwan 91003
 http://www.etc.org.tw 02-225-0202

Certificate

of Conformity for Directive 2011/65/EU (RoHS)

This is to certify enclosure(s) are in compliance with Directive 2011/65/EU on the Restriction of The Use of Certain Hazardous Substance (RoHS) in Electrical and Electronic Equipment.

Applicant: SDI CORPORATION
 200, SEC 2, CHANG NAN ROAD, CHANG HUA, 500 TAIWAN

Product/Sample: Electric Pencil Sharpener
Style/Type: 0172

Certificate No: 12-02-QAC-253
 Date of Issue: March 13, 2012

This certificate of conformity is based on evaluated sample(s) of the product mentioned above. It does not imply the assessment of production of the product. The result of this evaluation is available on the RoHS assessment Report, which is in conformity with 2009/418/EC Article 1, amending RoHS Directive 2011/65/EU.

Chiao-Ching Wen
 Chiao-Ching Wen
 Laboratory Representative
 Electronics Testing Center, Taiwan

To pursue excellence in service quality with a dedicated working attitude.

ETC ELECTRONICS TESTING CENTER, TAIWAN
 Report No.: 12-02-MAS-253-02 EMC TESTING DEPARTMENT Page: 1/7

ETC

CONFORMANCE TEST REPORT FOR EN 62233:2008

Report No.: 12-02-MAS-253-02

Client: SDI CORPORATION
Product: Electric Pencil Sharpener
Model: 0172
Customer Issuer: N/A
Manufacturer: SHUN DER INDUSTRY (HANGSUKO), LTD

Date test items received: 2012/02/23
Date test campaign completed: 2012/03/27
Date of issue: 2012/03/27

The test result only corresponds to the tested sample. It is not permitted to copy this report, in part or in full, without the permission of the test laboratory.
 Total number of pages of this test report: 07 pages
 Total number of pages of this test photos: 02 pages

<small>Test Engineer</small> <i>Jerry Chen</i> Jerry Chen	<small>Checked By</small> <i>Kevin Lin</i> Kevin Lin	<small>Approved By</small> <i>Jerry Huang</i> Jerry Huang
---	--	---

ELECTRONICS TESTING CENTER, TAIWAN
 200, LANE 26, WEN-HSIANG RD., LO-SHAN TOWN, KEELUNG HSIANGSHANG, TAIWAN COUNTY, TAIWAN, R.O.C.
 TEL: (886) 3274191-4
 FAX: (886) 3274198
 WWW.ETC.ORG.TW

Laboratory Introduction: Electronics Testing Center, Taiwan is recognized, listed and mutual recognition arrangement as following:
 © ISO9001: TSI Product Service
 © ISO/IEC 17025: BSMI, TAF, NCC, NVLAP, CCBRLAC, UL, Compliance
 © Filing: FCC, Industry Canada, VCCI
 © NTRA: Australia, Hong Kong, New Zealand, Singapore, USA, Japan, Korea, China, APLAC through NCC
 © FCC Registration Number: 9538, 9184, 9185

ETC ELECTRONICS TESTING CENTER, TAIWAN
 Report No.: 12-02-QAR-008

TEST REPORT PRODUCT UPGRADING AND RECYCLING

Report No.	: 12-02-QAR-008
Approved by (Signature)	<i>Peter Huang</i>
Date of issue	: 2012/ 03/ 09
Contents	: 10 Pages
Testing Laboratory Name	: Electronics Testing Center, Taiwan.
Address	: No. 8, Lane 26, Wenming Rd., Gushan Shang, Taoyuan County, 33303 Taiwan, R.O.C.
Subcontract Lab.	: Environmental Protection and Industrial Safety/ Hygiene Department
Address	: No. 8, Lane 26, Wenming Rd., Gushan Shang, Taoyuan County, 33303 Taiwan, R.O.C.
Applicant's Name	: SDI CORPORATION
Address	: 200, SEC 2, CHANG NAN ROAD, CHANG HUA, 500 TAIWAN
Test Specification Standard	: WEEE (2002/ 96/ EC)
Test procedure	: None
Non-standard test method	: None
Type of Test Object	: Electric Pencil Sharpener
Trademark	: ---
Manufacturer	: SDI CORPORATION
Model and/ or type reference	: 0172
Series Model	: ---
Rating(s)	: ---

1. Selective treatment material/component of waste electrical and electronic equipment is removed in accordance with WEEE Directive Annex II and 75/442/EEC article.
 2. The results shown in this test report refer only to the sample(s) tested.

SDI 產品申請國際驗證

2.2.4 Water Resources Management

1. 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 8,530,000 T/year in 2015, and 9,150,000 T/year in 2016.
2. Current water sources for production processes at SDI are tap water (87%) and groundwater (13%). Use of groundwater has been approved by Nantou County Government. (See permit below.)



3. To implement water-saving policies, we engage in the following 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 tap water faucets. Inspections are carried out daily for leakages
 - Production improvements and water recycling measures (e.g. using RO water in scrubbers in the electroplating process) are expected to result in 3% decrease in water consumption per unit revenue annually

2.2.5 Pollution Discharge and Control

1. Pursuit of Environmental Protection

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.

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. 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.



- (2) The followings are taken into consideration for the environmental policies:
- The adequacy of corporate operation, activities, products, services, scale and environmental impacts.

- (b). The commitment to continuously improve and prevent pollution.
- (c). The commitment to comply with applicable environmental regulations and aspects included in other corporate agreements signed by the Company.
- (d). Provide a framework for environmental objectives and targets.
- (e). The implementation and maintenance of documentation.
- (f). The policy can be conveyed and communicated with all corporate employees or their representatives.
- (g). The policy is open to the general public and stakeholders.
- (h). 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.

(3) Environmental Protection Policies

- (a). All environmental management operations comply with government environmental regulations.
- (b). Enforce waste reduction and pollution control tasks to achieve the goal of pollution prevention.
- (c). Actively promote energy saving and recycling activities.
- (d). Strengthen environmental training for employees to create pollution free work environment.
- (e). Continuously improve environmental control with correction and prevention.
- (f). Promote environmental policies outside the corporation and protect the environment with the entire society.
- (g). Fulfill corporate responsibility. Incorporate the upstream and downstream suppliers to promote green procurement, green living and green consumption to protect the environment and the earth.

Environmental guidelines: Regulatory compliance, pollution prevention, increased efficiency and continuous improvement.

(4) 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 2017, the Company has raised 221 proposals. Among which, 211 are completed and 10 are in progress.



ISO 14001 Environmental Management System review meeting

2. Air Pollution Prevention and Management at SDI

(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.

(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. We also engage in improving the quality of air discharge form stationary pollution sources. Heavy oil boilers have been replaced with gas boilers, which are more eco-friendly and help decrease CO2 emissions.

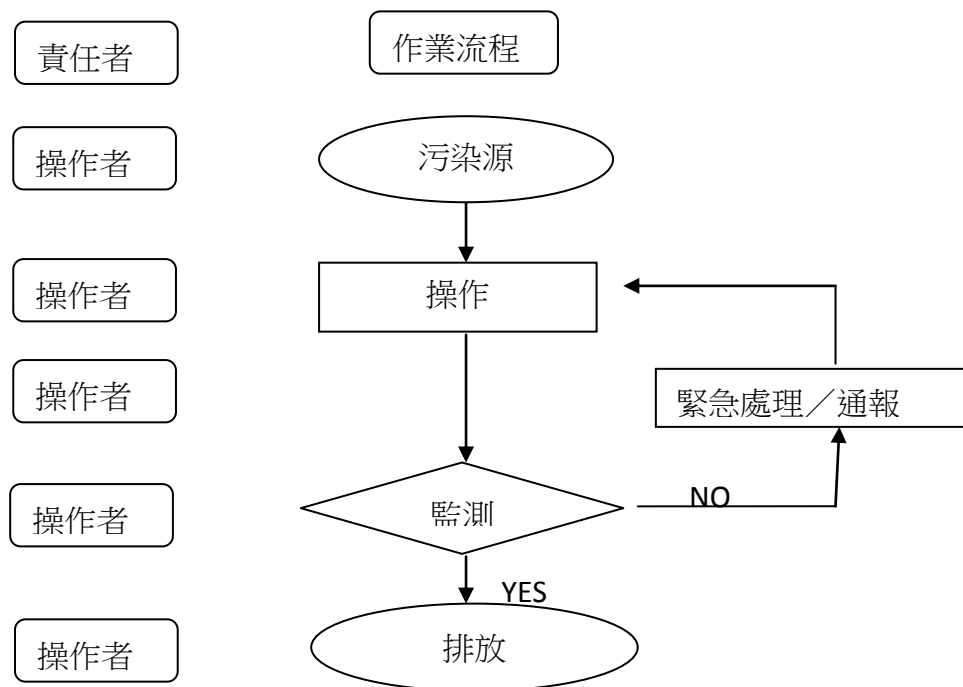
(3). To ensure that the point source pollution discharged by SDI is within the scope of governmental regulations, boiler discharge of PAR, SOX and NOX; scrubber discharge of H2SO4 and HCl; dichloromethane and hydrocarbon emissions from activated carbon adsorption tower discharge and condensate recovery are included.

(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 Condensate recovery system	Operator	Operator	Environmental Engineering Department/Management Division

(5) Control Procedure:

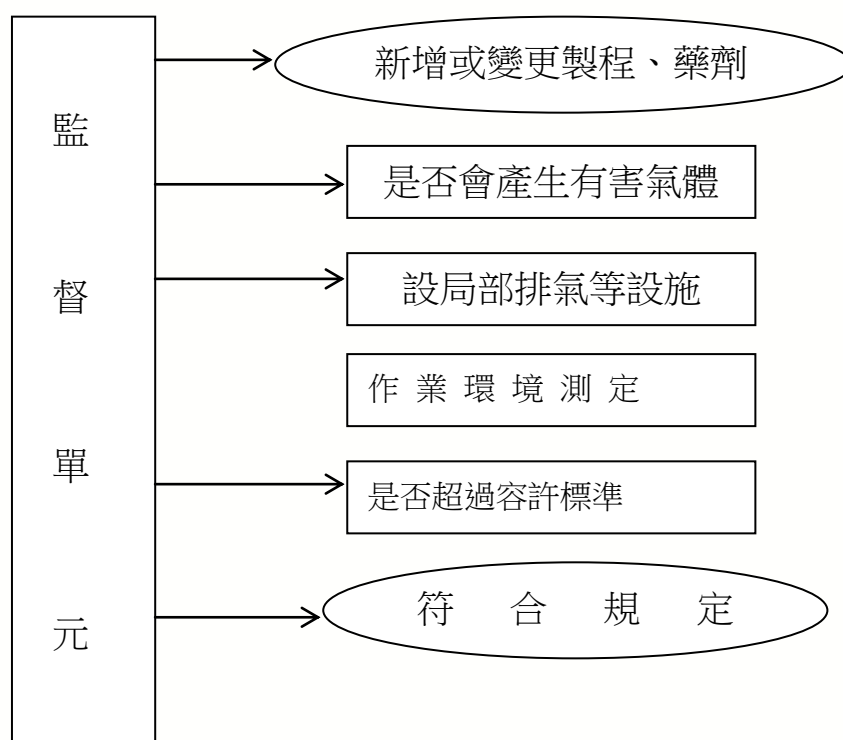
(a) Operational Procedure for Air Control



責任者	Responsible Individual
操作者	Operator

監測	Monitoring
通 報	Reporting
異常排放／停止作業	Abnormal Emission/stop operation
流程	Procedure
管理處	Management Office
環工部	Environmental Engineering Department
生產單位主管	Production Supervisor
廠內	Internal
廠外	External
南投縣環保局	Nantou County Environmental Protection Bureau
彰化縣環保局	Changhua County Environmental Protection Bureau

(c).作業場所中有害氣體管制架構



監督單元	Add or improve production process
新增或改善製程	Supervised Unit
健康風險評估	Health risk assessment
環保法規評估	Environmental regulation assessment
改善製程原料及操作條件	Improve production material and operation conditions
設置廢氣控制設備	Establish exhaust control equipment

(6) Other Air Pollution Management Measures:

(a) Fugitive gas is the major cause of air pollution within the plant. The sources are listed as follows:

- Waste gas and dust created during parts processing.
- Acid gas created from the acid treatment during the electroplating process.

- Waste gas created from the use of organic solvents during the electroplating process.
- Hazardous gas created from material storage.
- Hazardous gas created from the wastewater treatment plant.
- Hazardous gas created from combustion in heavy oil boilers.
- Hazardous gas created from cutter grinder.
- Hazardous gas created from plastic injection molding.
- Hazardous gas created during electric discharge machining.
- Hazardous gas created during electric discharge machining.
- Hazardous gas created from the use of organic solvents for cleaning the lead frame.

(b) Air control principles:

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

(c) Air control Regulations:

● A. Indoor Air control Regulations:

- ✓ The air quality of the operating environment shall comply with the labor operating environment stipulated by the Ministry of Labor.
- ✓ Each unit shall designate personnel to be in charge of emergency report and contact when abnormal odors are detected at the operating environment.
- ✓ As intended in Article 23 of the Occupational 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.
- ✓ Each operation shall compile the data collected from each operating environment testing as a reference for evaluating the performance of air control equipment.
- ✓ 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.

● B. Outdoor Air Control Regulations

- ✓ 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.
- ✓ Low sulfur fuel shall be used for the boiler.
- ✓ The burning of raw materials or waste materials in open air within the Plant is strictly forbidden.



(d) Equipment for has been approved by issued "Permit for Pollution".



source pollution: The Plant the competent authority and Operating Point Source

(e) According to the regulation, four areas shall be enforced

- Procedure for Boiler Production – Boiler discharges into the air [PAR, SOX, NOX].
- Procedure for Manufacturing Lead Frame – Scrubber discharges into the air [H2SO4].
- Procedure for Metal Plating – Scrubber discharges into the air [HCl]
- Procedure for Cleaning Metal Surface – Condensate recovery system and activated carbon adsorption tower discharges into the air [Dichloromethane, hydrocarbons].

	
Scrubber	Exhaust Line
	
Condensate recovery system	Activated carbon adsorption tower

(f) Monitor/Discharge:

- 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. Main pollutant emissions in 2016: The boiler use heavy oil produce sulphides (SOx) and nitrogen oxides (NOx) . In 2017, the fuel of the boiler has change to natural gas.
- 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.
- Safety operation platform should be established at the point source pollution discharge channel at the Plant to allow the testing to proceed smoothly.
- 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.
- Level B personnel shall be designated for the task of air pollution prevention in Nantou Plant.

(g) Emergency Response:

- 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”
- The operator shall immediately notify applicable units within the plant. When necessary, stop all or partial operations.
- Upon receiving notifications for poor air quality from Nantou/Changhua County Environmental Protection Bureau, follow the “Operational Procedure for Emergency Response” .

3. Waste Water Discharge

(1). SDI currently has 3 chemical treatment systems for processing waste water (capacity: 960T/day), one biological treatment system (capacity: 800T/day), and one small-scale batch treatment system (for preprocessing) with high-concentration degreasing agent (capacity: 72T/day). The company’s waste water discharge has complied with environmental laws and regulations.

(2). The company holds two Class A and one Class B waste water treatment licenses, in compliance with environmental laws and regulations, as shown in the following:



(3) Waste Water Discharged in 2016

Plant	Amount of water discharge (ton)	Destination of discharge
Changhua Plant	1417	Dazhu main drain, Changhua City
Nantou Plant	912000	Main drain, Nantou industrial park

4. Production and Treatment of Waste Materials

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:

Plant	Type of waste	Production in 2016	Treatment
Nantou Plant	Hazardous sludge	<ul style="list-style-type: none"> ● Dry sludge 521.26 tons ● Wet (not dried) sludge 343.89 tons 	Chemical treatment
	Flammable hazardous industrial waste	25.26 tons	Incineration

	General industrial waste	189.66 tons	Incineration
Changhua Plant	Flammable hazardous industrial waste	12.28 tons	Incineration
	General industrial waste	89.21 tons	Incineration

2.2.6 Environmental Expenditure

1. 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.

2. Losses resulting from environmental pollution in the past year

Year	Items	Pollution	Reprimanded Units	Fine
2016		None	None	None
Until April 30,2017		None	None	None

3. Response and Improvement Measures

For water purification systems, changes have been registered in the water pollution prevention plan, where the piping has been changed to discharging directly into the biological treatment tank to comply with regulations.

4. Estimated environmental expenditures in the next two years

Year	Expenditure Detail	Dollar Amount
2016	1. Wastewater treatment solution fee (maintenance fee) 2. Waste disposal fee 3. Inspection application fee 4. Air, land, and water pollution fees 5. Improvements near wastewater treatment plant	Approximately 20,000,000 NTD
2017	1. Wastewater treatment solution fee (maintenance fee) 2. Waste disposal fee 3. Inspection application fee 4. Air, land, and water pollution fees 5. Improvements near wastewater treatment plant	Approximately 20,000,000 NTD
2018	1. Wastewater treatment solution fee (maintenance fee) 2. Waste disposal fee 3. Inspection application fee 4. Air, land, and water pollution fees 5. Improvements near wastewater treatment plant	Approximately 25,000,000 NTD

3. Social Responsibility

3.1 The SDI Family

Employees are SDI’s most precious asset and are key to the company’s sustainability. Therefore, establishing a safe and happy workplace, an environment for learning and growth, and a trusting labor-management relationship, so that all employees can realize their potentials and grow sustainability with the company, is our managerial philosophy and goal.

For labor rights, we have specifically declared protection of employees' rights in our Company Regulations, Sexual Harassment Prevention Regulations, and other internal documents and regulations. They include basic compliance, right to work, humane treatment, non-discrimination, and sexual harassment prevention. We have also established diverse and effective communication channels, comprehensive remuneration and benefits systems, and diverse training opportunities and programs. In addition, we promote right to work. All work at SDI is voluntary, without slavery or human trafficking.

Human rights indicators

Item	Description	Goal	No. of event in 2016
Non-discrimination	Number of discrimination complaint cases	Zero cases	0
Child labor	We have identified practices that are at high risk of child labor and practices that help eliminate child labor.	No child labor	0
Forced labor	We have identified practices that are at high risk of forced and compulsory labor and practices that help eliminate forced and compulsory labor.	No Forced labor	0

In 2016, SDI is dedicated to talent cultivation, to select, training, preserve, and use the human resource in the company, and assist employment of specific target, creating friendly workplace, enhance employee’s benefit. Also, we attend the competition conducted by Ministry of Labor, Workforce Development Agency, and Changhua County Government. In which, we have won the “National human resource development” award, “Normal Workplace” and “Happy workplace” etc.





Material aspects: Labor-employer relation, labor-management relation, occupational health and safety, training and education, non-discrimination

3.1.1 Employment Overview

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.

At the end of 2016, there are 1,269 employees at SDI. Female employees account for 30.18% while 69.82% are male employees, there is no part time worker; 78.72% are native and 21.28% are of foreign nationality.

Table 1: Percentage of SDI employees

	Changhua Plant	Nantou Plant	Total
Female	246 (19%)	137 (11%)	383 (30%)
Male	509 (40%)	377 (30%)	886 (70%)

Table 2: Percentage by gender and direct/indirect labor

	Direct labor		Indirect labor	
	Female	Male	Female	Male
Changhua Plant	106 (8.35%)	241(18.99%)	140(11.03%)	268(21.12%)
Nantou Plant	103 (8.12%)	215(16.94%)	34 (2.68%)	162(12.77%)
Total	209(16.47%)	456(35.93%)	174(13.71%)	430(33.89%)

Table 3: Percentage by Education

	Direct labor		Indirect labor	
	Female	Male	Female	Male
Master's Degree and above	0 (0%)	1 (0.08%)	27 (2.13%)	106(8.35%)
Bachelor's Degree	11 (0.87%)	68 (5.36%)	82 (6.46%)	141(11.11%)
Junior College	94 (7.41%)	237(18.68%)	40 (3.15%)	128(10.09%)
Senior High and Vocational School	80 (6.30%)	111(8.75%)	24 (1.89%)	50 (3.94%)
Under Senior High and Vocational School	24 (1.89%)	39 (3.07%)	1 (0.08%)	5 (0.39%)

Total	209(16.47%)	456(35.94%)	174(13.71%)	430(33.88%)
-------	-------------	-------------	-------------	-------------

Table 4: Percentage of employees by contract type

		Female		Male	
Fixed-term contract	General Contract	6	(0.47%)	2	(0.16%)
	Foreign labor	77	(6.07%)	193	(15.21%)
Non fixed-term contract (full time)		300	(23.64%)	691	(54.45%)

Table 5: Management positions by gender

Gender	Percentage of Supervisors
Female Supervisor	23.08%
Male Supervisor	76.92%

Table 6: New employees in 2015

	Direct labor			Indirect labor		
	Female	Male	Average	Female	Male	Average
Changhua Plant	5 (0.39%)	10 (0.79%)	7.5 (0.59%)	4 (0.32%)	16 (1.26%)	10 (0.79%)
Nantou Plant	8 (0.63%)	17 (1.34%)	12.5 (0.99%)	18 (1.42%)	17 (1.34%)	17.5 (1.38%)
Total	13 (1.02%)	27 (2.13%)	20 (1.58%)	22 (1.73%)	33 (2.60%)	27.5 (2.17%)

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

Table 7: Turnover rate in 2016

	Direct labor			Indirect labor		
	Female	Male	Average	Female	Male	Average
Changhua Plant	8 (0.63%)	22 (1.73%)	15 (1.18%)	4 (0.32%)	18 (1.42%)	11 (0.87%)
Nantou Plant	12 (0.95%)	27 (2.13%)	19.5 (1.54%)	18 (1.42%)	14 (1.10%)	16 (1.26%)
Total	20 (1.58%)	49 (3.86%)	34.5 (2.72%)	22 (1.73%)	32 (2.52%)	27 (2.13%)

※**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%**

3.1.2 Enhanced Labor-management Relation

1. Establishment of Unions

Following the Labor Union Act and regulations thereunder and the Civil Organizations Act, SDI has the voluntarily formed SDI Corporation Labor Union (henceforth “the Union”) and is one of the few corporations in Taiwan that established trade union within the company. SDI Trade Union was established on July 27, 1976. More than 40 years have passed, all of SDI’s employee, except foreign worker are union’s member and SDI has enjoyed a good labor-management relations. The Union holds annual meetings, and union representatives communicate directly with the top management of the company. Staff of the Union hold monthly meetings to discuss union matters and issues presented by employees, which are jointly resolved with corporate-side contacts. In the event of major operational change, management shall inform the Union at least six month prior.

2. Institutionalization of Employee Rights

With efforts made by the Union, employee rights have become increasingly comprehensive. Labor-management relation has become close and harmonious with effective communication, making SDI an exemplary corporation. Starting this year, the Union has held labor-management meetings with the company, ensuring labor-management relations and future development of the company. By institutionalizing employee rights, we have strengthened labor-management relations, exceeding the requirements of domestic labor laws and international human rights treaties, which ensures employee rights.



3.1.3 Effective Communication Channels

1. 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.

2. 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.



3.1.4 Remuneration and Benefits

1. 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 is strict on the prohibition of child labor and established regulations addressing child labor rescue. During the hiring process, the candidate's age is verified carefully to avoid any inappropriate hiring. SDI forbids any form of labor exploitation and complies with all regulations. No minors may engage in dangerous tasks.

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.

2. Employee Rights and Benefits

(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 any time.

(2) Employee Salary and Benefits

(a). 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 member of trade unions.

(b). SDI's payroll policy is as follows:

- Fully aware and comply with regulatory requirements and create win-win and sustainable management within the regulatory scope.
- 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.
- Adjust payroll according to revenues and staff performance.
- 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.

(c). 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.

(d). In 2016, employee benefits (including salary, labor and health insurance, pension, and other personnel costs) totaled 1,026,218,000 NTD.

(3) Unpaid 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 parental leave without pay in the past two years

	Female	Male	Total
Number of employees who applied for parental leave without pay in 2015	4	6	10
Number of employees with plan to return from parental leave without pay in 2015	3	6	9
Number of employees who return from parental leave without pay in 2015	4	3	7
Percentage of employees who returned from parental leave without pay in 2015	75%	50%	77.8%
Number of employees who returned from parental leave in 2015 and stayed for one year	2	2	4
Percentage of employees who returned from parental	50%	67%	57%

leave in 2015 and stayed for one year

Number of employees who applied for parental leave without pay in 2016	5	1	6
Number of employees with plan to return from parental leave without pay in 2016	4	3	7
Number of employees who return from parental leave without pay in 2016	3	2	5
Percentage of employees who returned from parental leave without pay in 2016	75%	67%	71.4%

Note 1: “Number of employees with plan to return in 2015” includes those who applied during 2013 to 2015 with return in 2015

Note 2: “Number of employees with plan to return in 2016” includes those who applied during 2014 to 2016 with return in 2015

Note 3: “Percentage of employees who returned in 2015” = Number of employees who returned in 2015 / Number of employees with plan to return in 2015

Note 4: “Percentage of employees who returned in 2016” = Number of employees who returned in 2016 / Number of employees with plan to return in 2016

Note 5: “Retention rate in 2015” = Number of employees who returned in 2015 and stayed for one year / Number of employees who returned in 2015



Photos of lactation room



2016 Friendly Breastfeeding Room Award for outstanding workplace



Photos of day care center

3.1.5 Diverse Training Programs

1. 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:

2. Establishing 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	2013	2014	2015	2016
Training Costs	2,560,881	2,573,743	2,950,913	3,230,716

表二：員工訓練時數

年度 Year	Category	In-class courses	Online courses	Total
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
2015	Hours	6,392	823.4	7,214.9
	Persons	1,146	1,784	2,930
2016	Hours	14,101.5	877	14,978.5
	Persons	1987	1954	3,941

(Note: Training hours were not logged by gender or subject in 2016 and will be in subsequent years.)

3. 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) Unit: Number of Courses

Year	2013	2014	2015	2016
------	------	------	------	------

Number of Online Courses	133	144	156	164
--------------------------	-----	-----	-----	-----

4. Enhancing 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.

5. Establishing 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.

表四：知識文件件數

Year	2013	2014	2015	2016
Number of Documents	1250	1879	1337	1370

6. Combining 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.

7. 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.

8. 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 2014 and won the gold awards. The government recognition is a vote of confidence for SDI's continuous dedication to training corporate talents.

9. SDI provides courses covering diverse subjects.



10. Employee Education and Training

Employees are the most important asset of a company. To enhance employees' work intelligence, human resources quality, work efficiency, and business development, we have established employee training regulations, with quarterly training plans, so that employees can constantly improve themselves and pursue knowledge in all aspects of work, thus adapting to the development of the

company and technological innovations. We have introduced a digital learning platform in March 2008. With the digital learning platform, employees can learn more flexibly, with higher initiative and willingness to learn.

Hours and Costs in Training in 2016

Items	Total	Annual individual average
Hours	14,979Hr	15.15Hr
Persons	3,941	3.98
Costs	3,231,000NTD	327,000NTD

*1 Hours = In-class course hours + digital course hours

*2 Persons = In-class course persons + digital course persons

*3 Annual average = Hours/persons

*4 Foreign and part-time workers are not included in training persons

Course statistics by subject in 2016

Category	Hours in 2016	Percentage of 2016
Human resources, Administration	2,841	18.96%
Marketing	66	0.44%
Information management	7,213	48.15%
Finance, Accounting	536	3.58%
Quality assurance	1,129	7.54%
Production management	1,486	9.92%
Research and Development	473	3.16%
Business management	1,033	6.90%
Others (include Language)	202	1.35%
Total	14,979	100.00%

Note: In 2016, due to the introduction of the intelligent design and production guidance system, information technology courses account for a very high proportion.

3.1.6 Workplace harmony

1. Occupational Health and Safety

(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 equipment, 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”.

(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. 834 person participated received health checkup provided by the SDI in 2016, 210 people received physicals check for occupation related illness, and 445 people took part in the training for fire safety, health safety and health promotion.



(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) SDI adopts preventive measures for occupational injuries by correcting the root causes, thus implementing safety and health management to avoid repeating occurrences. The following are the 2016 statistics on environmental health and safety indicators as required by the environmental health and safety management system (Data in 2016 were not logged by gender.):

Plant \ Item	FR: Disabling Injury Frequency Rate	SR: Disabling Injury Severity Rate	Occupational Disease Rate	Number of Deaths Resulting from Occupational Injury	Lost Day Rate	Rate of Absence Resulting from Occupational Injury
Changhua Plant	0.36	1.22	0	0	1.11	0.004
Nantou Plant	0.38	1.44	0	0	2.54	0.010

*1. Disabling Injury Frequency Rate (FR) = (Number of disabled persons * 106) / Total person-work hours

*2 Disabling Injury Severity Rate (SR) = (Number of days lost * 106) / Total person-work hours

*3 Occupational Disease Rate (ODR) = (Number of occupational disease cases / Total work hours) * 200,000

*4 Lost Day Rate (LDR) = Days lost * 200,000 / Total person-work hours

*5 Absence rate = (Days of Absence * Annual workdays) * 100% (The days of absence this year only include absence resulting from occupational injury. Sick leave days will be included in the future.)

*6 Traffic incidents are included.

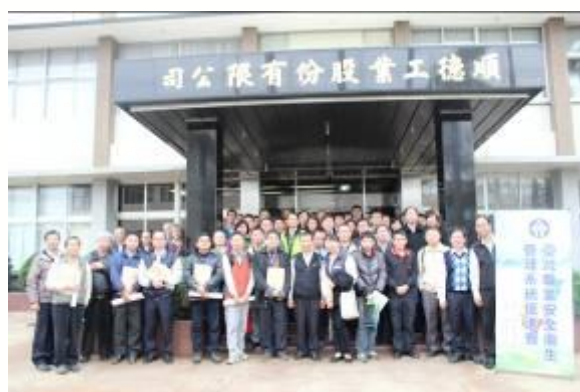
(5) “Program of Rooting Occupational Safety and Health” by Occupational Safety and Health Administration, Ministry of Labor: In 2014, in Changhua County, SDI served as the core corporation with 20 small and medium enterprises in the “SDI Family,” named after the core corporation with the meaning of “following ethics” (shun de), meaning that the SDI Family will, with concerted efforts

from the Family create the best possible safety, health, and comfort in the workplace. 2016 is the third year of this event, we invite company member of the family to participate the hazard preventing seminar, the subject is “Electric shock and trapping”, to enhance the awareness of work safety improvement, and establish a safety and hygiene self-management mechanism. Through the communication and sharing with other member, enhance the awareness of safety and hygiene management and establish a management system.



(6) SDI serves as the Vice Chair of Central Region Advancement Association, Taiwan Occupational Health and Safety Systems (TOSHMS).

In conjunction with the implementation of the Taiwan Occupational Health and Safety Systems (TOSHMS) by Occupational Safety and Health Administration, Ministry of Labor, to effectively utilize the experiences of businesses in TOSHMS, continue to enhance the occupational health and safety systems of businesses, encourage businesses to join TOSHMS, and maximize the effectiveness of TOSHMS, SDI has participated in founding TOSHMS advancement associations or other similar organizations in north, central, and south regions of Taiwan to advance the cause of TOSHMS. Businesses that have been certified by TOSHMS are automatically listed as a member of the TOSHMS advancement association of its region. SDI has shouldered the responsibility of Vice Chair of Central Region Advancement Association for TOSHMS to help facilitate the operations of the system. On one hand, the advancement association organizes training and exchange activities for TOSHMS to improve the safety and health management skills of business employees. On the other, the advancement association maintains communication channels with the Occupational Safety and Health Administration, with whom we organize TOSHMS seminars to advance safety and health management.





(7) 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 (6 in total, over 1/3 of committee seats), occupational safety personnel, and maintenance staff (11 in total) with two-year terms and eligibility for re-election.

The company regulation stipulates that the committee meeting shall be held quarterly. In 2016, the meetings were held on March 30, June 30, September 29 and December 23. 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.

(8) Retirement Association

To take care of the life of employees after retirement, SDI established its retirement regulations as per the Labor Pension Statutes and Labor Standards Act. We have also lawfully established a pension fund supervisory committee that oversees the monthly allocation to the pension fund. 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.



Retirement Association Representative Meeting 2016

3.1.7 Labor Rights

SDI does not discriminate against any ethnicity, status, language, belief, religion, political view, ancestry, place of birth, gender, sexual orientation, age, marital status, appearance, disability, or union membership. We also disallow any threatening, forceful, abusive, exploitive, and other kinds of sexual harassment, including through gesture, language, or physical contact. We thus uphold the labor rights of all employees

3.2 Products and Services for Clients

- In each stage of the product design process, health and safety, product and service labeling, marketing communication, client privacy, and compliance aspects go through stringent evaluation and improvement. SDI also controls the percentage of key products and services go through such process.
- In the product design stage, we must collect present and future laws and regulations regarding production, so that we can design products in compliance with laws and regulations. We then can form R&D teams of industrial designers, mechanical engineers, and artists to design ergonomic and safety. After stringent tests by our quality assurance department, products are leveled with safety information to ensure the safety of users. We also prevent the sales of restricted or controversial products.
- For marketing communication, SDI selects highly qualified sales personnel to provide comprehensive customer service, place regular visits to clients, and conduct surveys, establishing effective partnerships. We have also established trade secret management regulations to protect client privacy and prevent the disclosure, theft, or loss of client information.

Material aspects: Health and safety for clients, product and service labeling, marketing communications, client privacy, compliance

3.2.1 Product Responsibility Management Guidelines

(Compliance)

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.

ETC ELECTRONICS TESTING CENTER, TAIWAN
 8, Lane 26, Wen-Ming Rd., Lo-Shan Twp, Suao-Town, Tainan County, Taiwan 73303
 http://www.etc.tw
 05-238-2028

Certificate

of Conformity for Directive 2011/65/EU (RoHS)

This is to certify enclosure(s) are in compliance with Directive 2011/65/EU on the Restriction of The Use of Certain Hazardous Substances (RoHS) in Electrical and Electronic Equipment.

Applicant: SDI CORPORATION
 260, SEC 2, CHANG NAN ROAD, CHANG HUA, 500 TAIWAN

Product/Sample: Electric Pencil Sharpener
 Style/Type: 0172

Certificate No: 12-02-QAC-253
 Date of Issue: March 15, 2012

This certificate of conformity is based on evaluated sample(s) of the product mentioned above. It does not imply the assessment of production of the product. The result of this evaluation is available on the RoHS Assessment Report, which is in conformity with 2005/618/EC Article 3, amending RoHS Directive 2011/65/EC.

Chau-Chang Wen
 Chau-Chang Wen
 Laboratory Representative
 Electronics Testing Center, Taiwan

To pursue excellence in service quality with a dedicated working attitude.

ETC ELECTRONICS TESTING CENTER, TAIWAN
 Report No.: 12-02-MAS-253-02 EMC TESTING DEPARTMENT Page: 1/7

ETC

CONFORMANCE TEST REPORT FOR EN 62233:2008

Report No.: 12-02-MAS-253-02

Client: SDI CORPORATION
Product: Electric Pencil Sharpener
Model: 0172
Comment Issues: N/A
Manufacturer: SHUEN DER INDUSTRY(GUANGSU)CO.,LTD

Date test item received: 2012/02/23
Date test campaign completed: 2012/03/27
Date of Issue: 2012/03/27

The test result only corresponds to the tested sample. It is not permitted to copy this report, in part or in full, without the permission of the test laboratory.
 Total number of pages of this test report: 07 pages
 Total number of pages of this test photos: 01 pages

Test Engineer <i>Jerry Chen</i> Jerry Chen	Checked by <i>Kevin Lin</i> Kevin Lin	Approved by <i>Jerry Huang</i> Jerry Huang
--	---	--

ELECTRONICS TESTING CENTER, TAIWAN
 808 LANE 26, WEN-MING RD., LO-SHAN TWP., SUAO TOWN, TAINAN COUNTY, TAIWAN 73303
 TEL: (86) 2261705-4
 FAX: (86) 2261706-4
 TEL: (86) 2261706-4
 FAX: (86) 2261706-4

Laboratory Identification: Electronics Testing Center, Taiwan is recognized, filed and mutual recognition arrangement as following:
 ® ISO/IEC 17025 Product Service
 ® ISO/IEC 17025, ISMIL, TAI, NCC, NVLAP, CCBILAC, UL, Compliance
 ® Filing: FCC, Industry Canada, VCCI
 ® MRA: America, Hong Kong, New Zealand, Singapore, USA, Japan, Korea, China, APLAC through NCC
 ® FCC Registration Number: 9058, 9199, 9195

CE

ETC ELECTRONICS TESTING CENTER, TAIWAN
 Report No.: 12-02-QAR-008

TEST REPORT

PRODUCT UPGRADING AND RECYCLING

Report No.:	12-02-QAR-008
Approved by (Signature):	<i>Peter Wang</i>
Date of Issue:	2012/03/09
Contents:	10 Pages
Testing Laboratory Name:	Electronics Testing Center, Taiwan
Address:	No. 8, Lane 26, Wenming Rd., Guishan Shiang, Taoyuan County, 33363 Taiwan, R.O.C.
Subcontract Lab. Address:	Environmental Protection and Industrial Safety/ Hygiene Department No. 8, Lane 26, Wenming Rd., Guishan Shiang, Taoyuan County, 33363 Taiwan, R.O.C.
Applicant's Name:	SDI CORPORATION
Address:	260, SEC 2, CHANG NAN ROAD, CHANG HUA, 500 TAIWAN
Test Specification Standard:	WEEE (2002) (4) EC
Test procedure:	None
Non-standard test method:	None
Type of Test Object:	Electric Pencil Sharpener
Trademark:	---
Manufacturer:	SDI CORPORATION
Model and/or type reference:	0172
Series/Model:	---
Rating(s):	---

1. Selective treatment material/component of waste electrical and electronic equipment is removed in accordance with WEEE Directive Annex II and 75/442/EEC article.
2. The results shown in this test report refer only to the sample(s) tested.

3.2.2 Reduced Packaging Materials, 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 design and 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 regulating defined 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 over packaging.
6. SDI's products have never been banned or involved in any controversy.

SDI

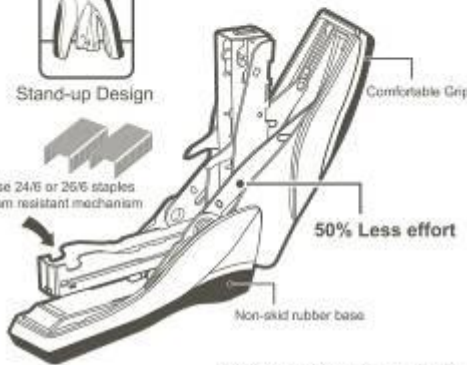
NO.1243M

LIGHT FORCE

Less Effort X Flat Clinch Half Strip Stapler



Stand-up Design

Use 24/6 or 26/6 staples
Jam resistant mechanism40
SheetsFlat
ClinchLess
Effort
50%TYPE
24/6
26/6

Material : Steel Plate, ABS, PC, TPE

Features

- Maximum capacity: 2-40 sheets of 70 g/m² paper.
- **Light force mechanism** for long-term stapling performance.
- Soft plastics on the pressing part for comfortable hold.
- **Flat Clinch Tech** saves up to 30% space over conventional stapling.
- Lockable cap for safe staple loading.

CAUTION

- Children should use this stapler under adult supervision.
- Do not staple without paper inside or it may cause malfunction.
- When reloading, please fill in 1 or 2 full strip of staples, but not fragmentary strip.
- Press to the end when stapling.
- Do not put fingers into stapler.



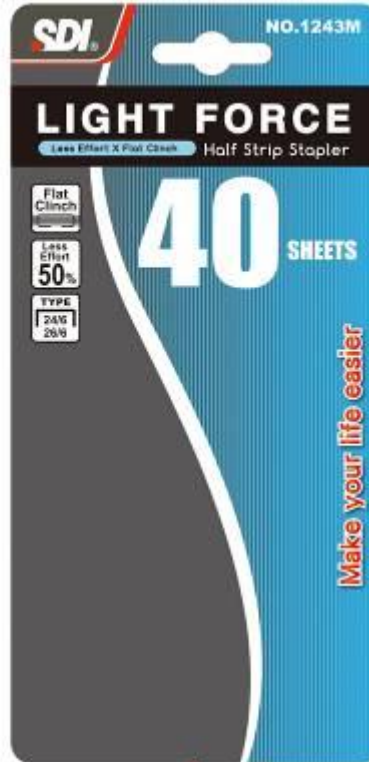
SDI CORPORATION



4 711734 124301

This eco-friendly stapler
can be dismantled into
different parts for
recycling purposes.

MADE IN CHINA



產品的包裝除了使用環保材質外，包裝的層次也以最多不超過四層為主要依循規範。



This eco-friendly stapler can be dismantled into different parts for recycling purpose.

我們用心於地球環境保護的重視！消費者在未來丟棄廢品時，可以輕鬆的拆解產品，作好廢棄物的回收與分類。

3.2.3 Client Relations

1. Customer Satisfaction Management Guidelines in 2016

(1). Importance of customer satisfaction management: The stationery industry is becoming fully developed, with a wide range of products. Between competitors, there is often price competition with cheap product. SDI has established an image of high quality among clients with our advantage of localized services. For the control of product quality, we have upheld a consistently stringent attitude. In addition, we also provide consumers with effective complaint channels. They can voice their concerns on our website and our Facebook page, or call our dedicated complaint line.

(2). Customer satisfaction management policies: Improving stability of high quality, specialized capabilities, compatibility with rush orders, service attitude of sales personnel, handling of customer complaint, and efficiency in responding to messages.

(3). Customer satisfaction management system: For survey on customer satisfaction, SDI has dedicated personnel for regularly surveying and assessing customer satisfaction based on our Customer Service Management Procedure and then reporting to managerial ranks with the results. For criteria scoring below standards, related supervisors and employees are informed for review and improvement. In addition, all customer satisfaction surveys and analytical results are stored on the PLM system for reference.

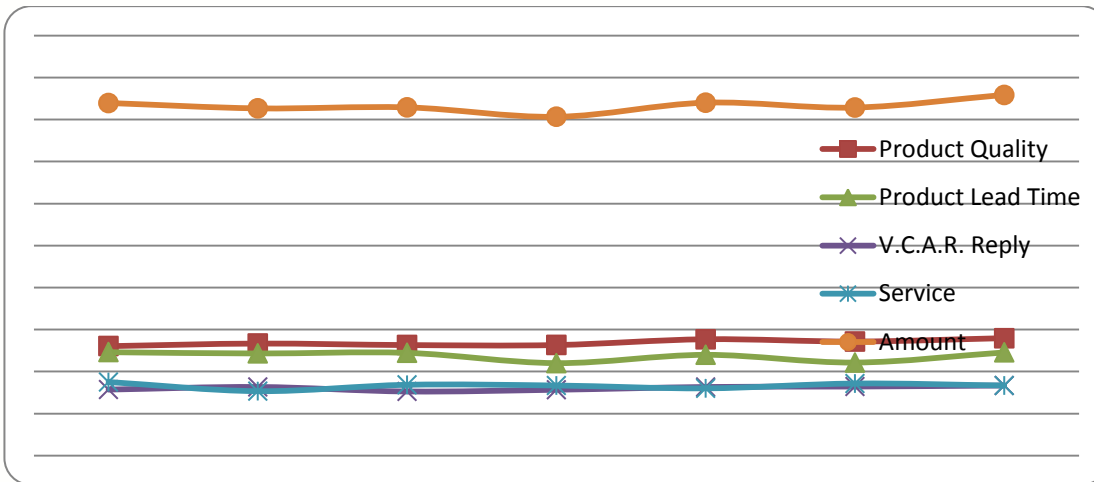
2. Customer Satisfaction - Stationery

(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.

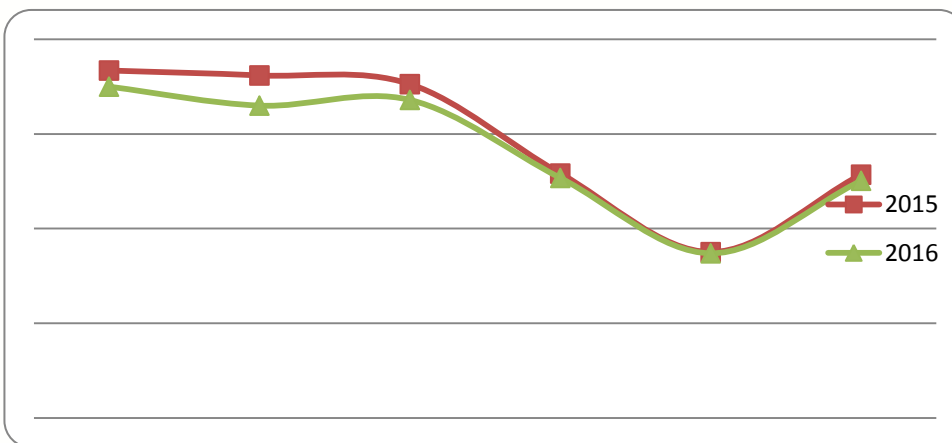
Task	Responsible Unit
Product Quality	Quality Assurance Unit
Delivery Date	Production Management Unit
Reply on Customer Complaints	Quality Assurance Unit
Service	Business Unit

(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.

Export: The following is the record of customer satisfaction assessment from 2010 to 2016.



Domestic sales: The following is the record of customer satisfaction assessment from 2015 to 2016.



客訴	Customer complaint
品質	Quality
交期	Delivery
訂單處理	Processing of orders
電話接待	Telephone reception
業務服務	Sales services

3. Customer Satisfaction for Electronics Products

(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.

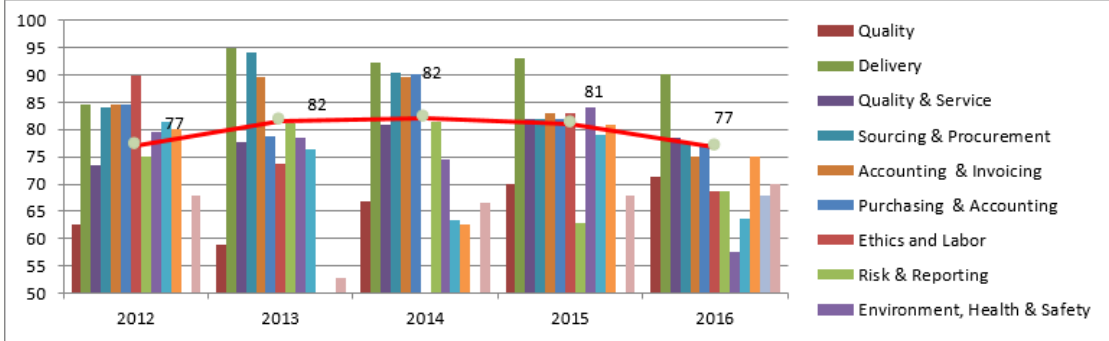
(2). SDI values its customers and gathers feedbacks through four channels – supplier evaluation, customer audit, customer satisfaction survey and records on business trips and visits. The operation time and unit in charge is different by the category of content.

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
Record on Business Visit	Periodically	Business Unit

(3). When clients evaluates SDI, SDI would inquire about the results and review its performance as

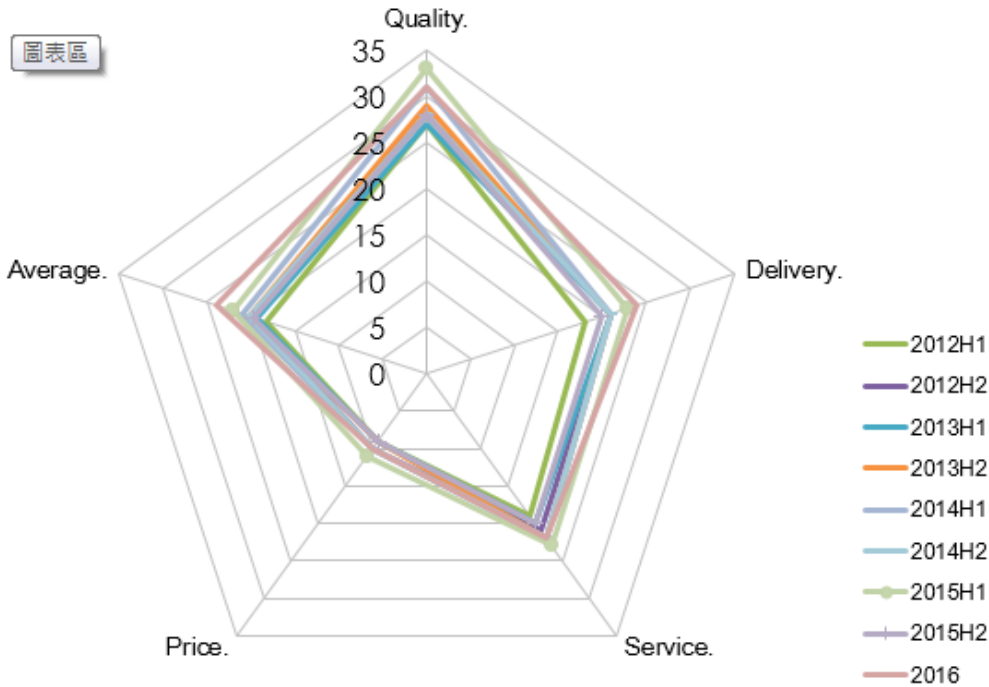
well as past company data to make improvements based on clients' requests and standards. Responses are then provided for the clients within a specified time for confirmation. Quality Assurance is responsible for addressing concerns listed by clients from time to time during their audits and filing the customer satisfaction issues accordingly.

(4). There are overlaps between supplier evaluation and customer satisfaction criteria. However, the former covers a wider range of issues and is more detailed, containing environmental protection issues, labor-employer harmony, and operational risk assessment and response. We also emphasize that suppliers must be aware of the changing demands of the market and constantly improve.



Supplier Evaluation results made by customer A from 2012 to 2016 (customer A is one of SDI's customer)

(5). 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.



Results of customer satisfaction survey from 2012 to 2016

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

3.2.4 Privacy Protection for Clients

1. For the protection of client privacy, SDI has established its trade secret protection regulations:
 - SDI identifies the trade secrets it holds, documents them, and include them in the scope of the information protection regulations.
 - When in service at SDI, employees shall maintain confidentiality on the company's technical and trade secrets and confidential information between SDI and a third party through contractual obligations, when employees encounter such information in their duties or contracts. Can not use these information for seeking personal interest or run a similar business, nor giving these information to any third parties without authorization.
 - After an employee leaves SDI, aforementioned confidential information shall not be disclosed without prior consent, disclosed for illegal gains, or used for operations similar to that of SDI's.
 - When in service at SDI, employees' work in R&D, formulas, production standards, cost estimation, and other computer programming, and textual or graphic content, created under the company's directions or within employees' duties, shall contractually be the property of SDI corporation. Such property shall not be used without prior consent from the company within the period of protection as per Copyright Law, Trade Secrets Act, Civil Code, and other laws.
 - High-risk (trade secrets and sensitive personal information) information access shall be regulated to ensure that the protection and management for such access reflect the level of sensitivity of the information in question.
2. The protection of clients' privacy is regulated with external laws and internal management hierarchy. For external measures, SDI signs mutual confidentiality agreements with clients regarding all information related to clients' lead frame designs, including plans, dies, parts, methods, and documentation, with specific clauses approved by legal services used by both parties to make the agreements legally binding. SDI also signs business contract with clients to enhance the protection of clients' privacy and intellectual property. Such protection is an integral part of SDI as a manufacturing service provider.
3. In terms of internal management hierarchy, all information related to clients is processed and managed with stringent hierarchical systems. For instance, in the disclosure of product plans, for personnel who are not contacts for the client who owns the product to access the plans, they must submit applications in SDI's PLM system with detailed statements of purpose. The applications shall be reviewed and screened by layers of departments. Any application that does not meet requirements or contains inappropriate content shall be rejected. Firewalls are set up for all computers in the company, the flash drive access on which has been disabled to further prevent subversive attempts at disclosing client secrets. By combining external and internal measures, SDI effectively protects clients' privacy. In the history of SDI's electronics business, there has been no disclosure, theft, or loss of client information that resulted in complaint.

3.3 Supplier Relations

3.3.1 Green Supply Chain and Contractor Management

1. Consumption of raw materials:

SDI is one of the top three semiconductor lead frame manufacturers in the world and the largest stationery manufacturer in Taiwan. To meet the various demands from clients and consumers, we see the procurement of raw materials as an important aspect of our operations. When procuring raw materials, we must consider the following two factors to enhance our competitiveness. Internally, we minimize the lead time for delivery of our orders and materials in stock. Externally, in view of the future of the semiconductor and stationery industries, ensuring the stability of material sources is a key issue. The following shows the main raw materials procured by SDI.

Type/year	<u>2014</u>	<u>2015</u>	<u>2016</u>	Renewable rate (%)
Copper	14336	10030	12776	Approx. 45%
Steel and iron	443	343	575	Approx. 40%
Plastics	171	113	100	Approx. 40%

2. Distribution of supply chains:

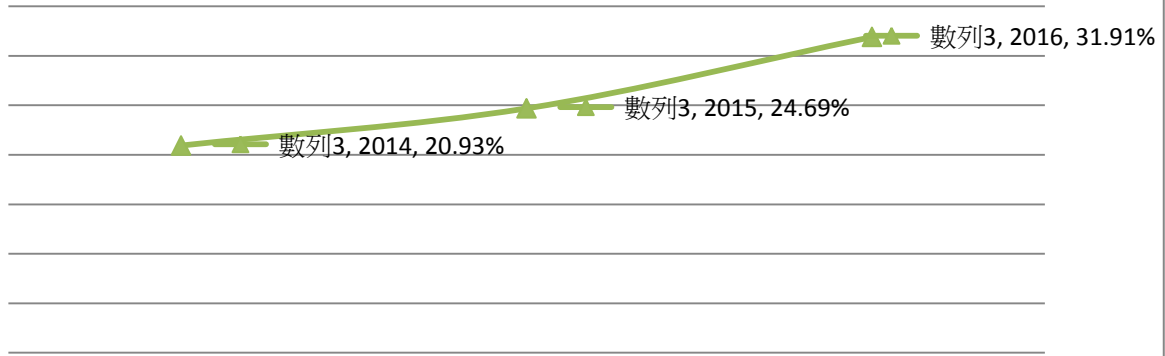
SDI has always seen suppliers as our most important business partners. We establish long-term, close partnerships with suppliers to pursue mutual benefits while setting sustainability as our ultimate goal. SDI's suppliers can be categorized into suppliers of direct raw materials (Class A), suppliers of indirect packaging materials (Class B), and service providers such as transportation providers and customs brokers (Class C). Suppliers must comply with our supplier management system to qualify. Goods provided by Class A providers must be certified by the ISO 9001 system and meet the requirements of SDI's HSPM system.

The following are the percentages of regions from which SDI procured its materials from 2014 to 2016:

Area	2014 (%)	2015 (%)	2016 (%)
China	12.77%	18.28%	19.8%
Japan	50.45%	47.10%	43.67%
Taiwan	20.93%	24.69%	31.91%
Other	0.45%	0.46%	0.39%
Singapore	3.56%	3.27%	4.23%
Europe	11.84%	6.19%	--

TOTAL :	100.00%	100.00%	100.00%
---------	---------	---------	---------

順德公司 (SDI) 2014年~2016年 直接材料 "台灣"當地採買佔比



順德公司 2013~2015 年直接材料"台灣"當地採買佔比	Percentages of SDI's direct material procurement in Taiwan from 2013 to 2015
--------------------------------	--

3.3.2 Supplier Evaluation Management

1. Description of supplier management system

To implement procurement risk management and meet client demands, SDI has established a comprehensive supplier management system based on the P (Plan), D (Do), C (Check), A (Action) management cycle. Suppliers go through a process from “development,” “verification,” “procurement,” “management and evaluation,” to “continuous improvement” to help SDI minimize procurement costs, shorten lead-time, improve quality, and achieve customer satisfaction.

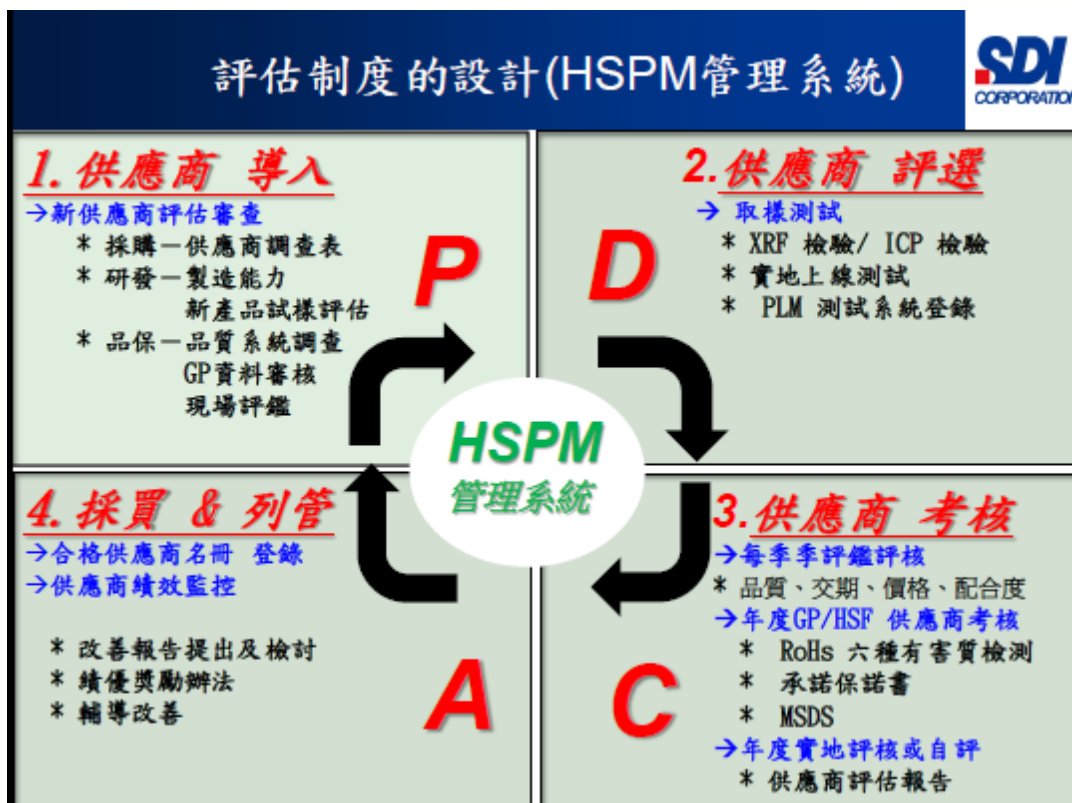


供應商管理系統	Supplier management system
1. 開發	Development
2. 認證	Verification
3. 採購	Procurement
4. 管理評核	Management and evaluation
5. 持續改善	Continuous improvement
1.1 情報收集	Collecting information
1.2 尋訪 & 調查	Search and investigation
1.3 初步評估	Preliminary assessment
1.4 供應商導入	Introduction of supplier
2.1 資格審查	Qualification review
2.2 取樣測試	Sampling and testing
2.3 實地評核或自評	On-site inspection or self-evaluation
2.4 GP 供應商判定	GP supplier verification
2.5 合格供應商登錄	Registration of qualified suppliers
2.6 品質系統開發	Development of quality system
3.1 合格供應商選用	Selection of qualified suppliers
3.2 詢價 & 比價	Comparison of estimates
3.3 訂單發出 & 確認	Issuing and confirming orders
3.4 交期跟催	Tracking delivery
3.5 進料檢驗 & 入帳	Inspecting and logging materials at reception

3.6 品質確認 & 檢討	Confirming and reviewing quality
4.1 年度供應商評估報告	Annual supplier evaluation reports
4.2 品質/HSF 評價	Quality/HSF evaluation
4.3 交貨期評價	Evaluation of delivery time
4.4 每季評鑑整合 - 品質、交期、價格、配合度	Quarterly integrated
5.1 供應商績效監控	Supplier performance monitoring
5.2 改善報告提出及檢討	Submission and review of improvement reports
5.3 績優獎勵辦法	Reward system for excellence
5.4 輔導改善	Instruction for improvement

2. Supplier evaluation system in the HSPM management system

Based on the IECQ QC080000 standard and following the global trend of environmental awareness, SDI has established its Hazardous Substance Process Management (HSPM) system, with the P (Plan), D (Do), C (Check), A (Action) management cycle. Suppliers go through the process → from “introduction,” → “selection,” → “review,” to “procurement and control,” so that they comply with our Green Product Management System (GPMS). With this system, we enhance the competitiveness of our corporation.



評估制度的設計(HSPM 管理系統)	Design of evaluation system (HSPM system)
1. 供應商 導入	Introduction of suppliers
→ 新供應商評估審查	Evaluation of new suppliers
採購 - 供應商調查表	Procurement – Supplier survey form

研發 - 製造能力、新產品試樣評估	R&D – Production capabilities, sampling and evaluation of new products
品保 - 品質系統調查	Quality assurance – Quality system survey
2. 供應商 評選	Selection of suppliers
→取樣測試	Sampling and testing
XRF 檢驗/ICP 檢驗	XFR testing/ICP testing
實地上線測試	On-site trial run
PLM 測試系統登錄	Registration on PLM testing system
供應商 考核	Evaluation of suppliers
→每季季評鑑評核	Quarterly evaluation
品質、交期、價格、配合度	Quality, delivery, pricing, and cooperation
→年度 GP/HSF 供應商考核	Annual GP/HSF supplier evaluation
RoHs 六種有害質檢測	RoHs six hazardous materials screening
承諾保證書	Letter of Guarantee
→年度實地評核或自評	Annual on-site inspection or self-evaluation
供應商評估報告	Supplier evaluation reports
4. 採買 & 列管	Procurement and control
→合格供應商名冊 登錄	Registration on the list of qualified suppliers
→供應商績效監控	Supplier performance monitoring
改善報告提出及檢討	Submission and review of improvement reports
績優獎勵辦法	Reward system for excellence
輔導改善	Instruction for improvement

Description:

Stage 1: Introduction of suppliers

Procurement, R&D, and quality assurance departments conduct detailed evaluation on new suppliers and include them in the Green Product (GP) evaluation system in the HSPM.

Stage 2: Selection of suppliers

We sample and test the products of new suppliers with XRF/ICP equipment to ensure that the products comply with the HSPM requirements.

Stage 3: Review of supplier

Qualified suppliers go through annual evaluations. In addition to SDI's supplier evaluation management system, they are reviewed quarterly based on the four aspects of quality, lead-time, pricing, and cooperation. The results of the review serve as key reference for procurement decisions. "HSPM/GP" evaluation is also included. We require suppliers to provide "RoHs six hazardous materials screening reports" and "Letter of Commitment" to ensure that the products that they provide to SDI do not contain relevant hazardous substances.

Stage 4: Procurement and control

After passing the previous stages of evaluation, new suppliers are qualified to enter SDI's list of official suppliers for subsequent procurement and "supplier performance monitoring."

3. Design for enhancing performance: Commendation for outstanding suppliers

SDI's procurement management system focuses on "procedures and management of suppliers." We

regularly review the performance of suppliers and, based on the results, adjust our supply chain. More importantly, we maintain long-term partnerships with suppliers to ensure stable sources of materials and prevent material shortages. SDI implements an annual reward system for outstanding suppliers, offering them public commendation and continue to maintain with them strong trade partnerships based on the spirit of collaboration and trust. We thus ensure that the quality, cost, delivery, service, and management of suppliers all meet our procurement requirements, creating mutual benefits.



Year-end party 2014

Year-end party 2015

Year-end party 2016

Public commendation of outstanding suppliers in 2014, 2015, and 2016.

4. AEO Certification

To establish supply chain management, SDI participated in the AEO certification and management program by the Customs Administration, Ministry of Finance in 2013, and obtained reissued three-year certification on December 13, 2016, enjoying the benefits of the certification. With global recognition, AEO-certified companies become a part of a safe supply chain, which accelerates customs clearance and help enhance the competitiveness of companies.



Visited by Deputy directory of Taichung customs and award certification.

3.4 Social Care and Contribution

3.4.1 Social Care by SDI Foundation

1. Social Care and Participation

Michael E. Porter, globally renowned expert in management, said that social responsibility should be a part of a company's core business strategies, instead of merely PR stunts. SDI has upheld the corporate conscience of giving back to society since its founding in 1953. We founded SDI Foundation in 1997 and has led employees in active participation in social work, including supporting minority groups and low-income families in Changhua and sponsoring charitable events. We thus realize our ideal of sustainable business and create a happier and more harmonious society. To celebrate the 10th anniversary, the foundation announced that Nantou office will be establish in this year, to expand the area of service. As a matter of fact, SDI have cooperation with the schools in Nantou area, and participating local social benefit activities. This decision not only demonstrate the determination of serving and caring the local disadvantaged, but also to provide more comprehensive service.

2. Working together to support the disadvantaged

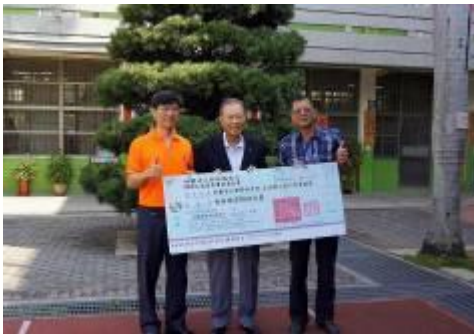
For many years, with empathy and care, SDI has reached out to the disabled and elder living in the charity institutions in Changhua. Such as Sheng-Jyh special education center, TszAi Nursing Home, Joyce Nursing Home, and Hondao Foundation. Our supporting is base on the needs of the institutions, providing fund to purchase or renew rehabilitation equipment or living appliance, to improve activity ability and quality of living; or to use in training caring personnel, purchase IT equipment to improve quality and efficiency of the caring. For example, SDI donate 3 wheelchair vertical vibration device to Joyce Nursing house, thus the nursing house can provide vertical vibration exercises to 240 mentally disabled in its Erlin and Wanhe campus. This course can be conduct indoor, it can achieve the effect of systemic exercise without increasing cardiopulmonary load, and help wheelchair user or Cerebral palsy patient improve balancing and decrease self injury behavior; It can also improve the gastrointestinal motility, let people with disabilities no longer suffer from constipation. In addition, there was something worth to mention, our faculties affect by the foundation, supporting the charity bazaar held in April, 2016 by CCF's Erin office and get a rocket high sales amount. It shows that the spirit of caring and contribute to the society has been rooted in the hearts of all employees.



Donate wheelchair vertical vibration device to Joyce Nursing house.

3. Sponsoring Breakfast for Minority Children

The SDI Corporation is located at Dazhu Vil. For these year, we creating jobs for the local people, participating the social benefit activities and help local economic development; Also we are actively join the community landscaping, reforming township park and promoting the development and management of Dazhu community. Establishing a harmonic relationship with the community; For the Dazhu primary school nearby, SDI is the most supportive corporation. We provide scholarship for poverty student every year. From 2015 on, SDI support the “Saving the poverty child, breakfast service”conduct by World Peace Association to sponsoring breakfast for 21 minority children, giving stationary, and helping them growing and learning.



World peace assoaciation “Saving the poverty child, breakfast service”

3.4.2 Community Communication and Sponsorship

1. Contribution to Communities

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 equipment 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 Association for Dragon Boat Festival and Double Ninth Festival events, helping them to be successful. In 2016, SDI's contribution to communities totaled 0.91 million NTD.

2. Clapping Park in Da-Chu Community

SDI is located on the east of Da-Chu Village. In addition to creating jobs for the local people and help local economic development, we participate in annual Dragon Boat Festival events where we present rice dumplings to low-income families and Double Ninth Day events where we honor senior citizens, showing our enthusiasm for charitable work. Chao-Chin Wu, board director of Da-Chu, Changhua Community Development Association, pointed out that the new “Clapping Park” used to be a deserted lot overgrown with weeds. With the help of SDI, the park was completed in the previous year. “It was named Clapping Park (shou-pai-pai park) because it sounds similar to the name of SDI’s brand “shou-pai” and also because there are many midges that need clapping to kill.” The most special park

about the park is how designs of stationery is merged with the park's facilities. Such facilities include binder clip benches, tape dispenser chairs, staple footrests, bookend horizontal bars, pen rest balance beams, and other ergonomic designs. There are also compass flowerbeds and tape measure red brick paths. The Clapping Park is popular among local residents and has won the Bronze Award in the “Changhua, Nantou, Yunlin, and Chiayi agricultural village renewal program” by the Council of Agriculture.



Photo of the Clapping Park

3. Benchmark Learning

To help schools cultivate talents, SDI organized school-business partnership visits with Changhua University of Education and ShinMin High school 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. And also assist the 2016 employment issuance business check benchmark learning conduct by Industrial Development Bureau, Changhua County Police Bureau to visiting our plant, communicate and sharing experiment with public service sector, to stimulate innovation to provide convenience service and improve the service efficiency.



Photo: Visited by Changhua University of Education and ShinMin High school.



Photo: Visited by Department of Labor Insurance, Ministry of Labor, for inspecting employment insurance.



Photo: Learning trip for conventional industries reformation conducted by Industrial Development Bureau.



Photo: Benchmark learning visiting conducted by Changhua County Police Bureau.

Appendix 1: Index for Global Reporting Initiative (GRI) G4 Guidelines General Standard Disclosures

Category/material aspect	No.	GRI guideline	Corresponding chapter	Page No.	Remarks	External guarantee
Strategy and Analysis						
Core	G4-01	Statements regarding the sustainability of an organization and its strategies by its highest ranking decision-maker	Words from the Chairman			
Organizational Profile						
Core	G4-03	Report the name of the organization.	3.1.1 About SDI			
Core	G4-04	Report the primary brands, products, and services	3.1.2 Brands, Products, and Services			
Core	G4-05	Report the location of the organization's headquarters.	3.1.1 About SDI			
Core	G4-06	Report the number of countries where the organization operates, and names of countries where either the organization has significant operations.	3.1.1 About SDI			
Core	G4-07	Report the nature of ownership and legal form.	3.1.1 About SDI			
Core	G4-08	Report the markets served	3.1.2 Brands, Products, and Services			
Core	G4-09	Report the scale of the organization	3.1.1 About SDI			
Core	G4-10	Report the composition of employees.	5.1.1 Employment Overview			
Core	G4-11	Report the percentage of total employees covered by collective bargaining agreements.	5.1.2 Enhanced Labor-management Relation			
Core	G4-12	Describe the organization's supply chain.	5.3.1 Green Supply Chain and Contractor Management			
Core	G4-13	Report any significant changes during the reporting period regarding the organization's size, structure, ownership, or its supply chain.	No significant change within the period of the report.			
Core	G4-14	Report whether and how the precautionary approach or principle is addressed by the organization.	3.3 Risk Assessment and Crisis Response Management			
Core	G4-15	List externally developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes or which it endorses.	3.2.3 Participation in External Organizations			
Core	G4-16	List memberships of associations (such as industry associations) and national or international advocacy Organizations.	3.2.3 Participation in External Organizations			
3. Identified Material Aspects and Boundaries						
Core	G4-17	List all entities included in the organization's consolidated financial statements or equivalent documents.	3.1.3 Financial Performance			
Core	G4-18	Explain the process for defining the report content and the Aspect Boundaries	About the Report			
Core	G4-19	List all the material Aspects identified in the process for defining report content.	About the Report			
Core	G4-20	For each material Aspect, report the Aspect Boundary within the organization.	About the Report			
Core	G4-21	For each material Aspect, report the Aspect Boundary outside the organization.	About the Report			
Core	G4-22	Report the effect of any restatements of information provided in previous reports, and the reasons for such restatements.	No Revision.			
Core	G4-23	Report significant changes from previous reporting periods in the Scope and Aspect Boundaries.	The scope and aspect boundaries in this report have no significant changes			
4. Stakeholder Engagement						
Core	G4-24	Provide a list of stakeholder groups engaged by the organization.	3.2.1 Identification of Stakeholders and Material Aspects			
Core	G4-25	Report the basis for identification and selection of stakeholders with whom to engage.	3.2.1 Identification of Stakeholders and Material Aspects			
Core	G4-26	Report the organization's approach to stakeholder engagement.	3.2.2 Identification of Material Aspects			
Core	G4-27	Report key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those	3.2.2 Identification of Material Aspects			







		key topics and concerns, including through its reporting. Report the stakeholder groups that raised each of the key topics and concerns.				
5. Report Profile						
Core	G4-28	Reporting period	About the Report			
Core	G4-29	Date of most recent previous report.	About the Report			
Core	G4-30	Reporting cycle.	About the Report			
Core	G4-31	Provide the contact point for questions regarding the report or its contents.	About the Report			
Core	G4-32	Report the 'in accordance' option the organization has chosen.	About the Report			
Core	G4-33	Report the organization's policy and current practice with regard to seeking external assurance for the report.	About the Report			
6. Governance						
Core	G4-34	Report the governance structure of the organization, including committees of the highest governance body. Identify any committees responsible for decision-making on economic, environmental and social impacts.	3.1.4 Corporate Governance			
7. Ethics and Integrity						
Core	G4-56	Describe the organization's values, principles, standards and norms of behavior such as codes of conduct and codes of ethics.	3.1.4 Corporate Governance			

Specific Standard Disclosures

Category/material aspect	No.	GRI guideline	Corresponding chapter	Page No.	Remarks	External guarantee
Economic performance indicators						
Economic Performance	G4-DMA	Economic performance management guidelines	1.1.3 Financial Performance			
	G4-EC1	Report the direct economic value generated and distributed	1.1.3 Financial Performance			
	G4-EC3	Where the plan's liabilities are met by the organization's general resources, report the estimated value of those liabilities.	1.1.3 Financial Performance			
Indirect Economic Impact	G4-DMA	Indirect economic impact management guidelines	1.1.5 Impact Analysis for Direct and Indirect Economy			
	G4-EC8	Significant indirect economic impacts, including the extent of impacts.	1.1.5 Impact Analysis for Direct and Indirect Economy			
Environmental performance indicators						
Raw materials	G4-DMA	Raw material management guidelines	2.2 Green Products			
	G4-EN1	Materials used by weight or volume	3.3.1 Green Supply Chain and Contractor Management			
Discharge	G4-DMA	Emission management guidelines	2.Environmental Sustainability			
	G4-EN15	Direct greenhouse gas (GHG) emissions (Scope 1)	2.1 Energy Conservation and Management			
	G4-EN16	Energy indirect greenhouse gas (GHG) emissions (Scope 2)	2.1 Energy Conservation and Management			
	G4-EN21	NO _x , SO _x , and other significant air emissions	2.2.5 Pollution Discharge and Control			
Waste water and waste material	G4-DMA	Waste water and waste material management guidelines	2. Environmental Sustainability			
	G4-EN22	Total water discharged by quality and destination	2.2.5 Pollution Discharge and Control			
	G4-EN23	Total weight of waste by type and disposal method	2.2.5 Pollution Discharge and Control			
	G4-EN24	Total number and volume of significant spills	1.4.2 Compliance with Domestic Laws and Regulations			
Products and services	G4-DMA	Product and service management guidelines	1.1.2 Brands, Products, and Services			
	G4-EN27	Extent of impact mitigation of environmental impacts of products and services	2.2.1 Green Product and Electronics Management 2.2.2 Green Stationery Product Design			
Compliance	G4-DMA	Environmental compliance management guidelines	1.4.1 Compliance with Laws and International Standards and Regulations			
	G4-EN29	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	1.4.2 Compliance with Domestic Laws and Regulations			
Environment	G4-DMA	Stakeholder and material aspect management	1.2 Stakeholders and Material Aspects			

ntal issue complaint mechanism		guidelines				
	G4-EN34	Number of grievances about environmental impacts filed, addressed, and resolved through formal grievance mechanisms	1.2.1 Identification of Stakeholders and Material Aspects 3.1.3 Effective Communication Channels			
Social performance indicators						
Labor-empl oyer relations	G4-DMA	Labor-employer relation management guidelines				
	G4-LA1	Total number and rates of new employee hires and employee turnover by age group, gender, and region	3.1.1 Employment Overview			
	G4-LA2	Benefits provided to full-time employees, by significant locations of operation	3.1.4 Remuneration and Benefits			
	G4-LA3	Return to work and retention rates after parental leave, by gender	3.1.4 Remuneration and Benefits			
Labor-man agement relations	G4-DMA	Labor-management relation management guidelines				
	G4-LA4	Minimum notice periods regarding operational changes, including whether these are specified in collective agreements	3.1.2 Enhanced Labor-management Relation			
Occupation al health and safety	G4-DMA	Occupational health and safety management guidelines	3.1.6 Workplace Harmony			
	G4-LA5	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs	3.1.6 Workplace Harmony			
	G4-LA6	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender	3.1.6 Workplace Harmony			
	G4-LA8	Health and safety topics covered in formal agreements with trade unions	3.1.6 Workplace Harmony			
Training and education	G4-DMA	Training and education management guidelines	3.1.5 Diverse Training Programs			
	G4-LA9	Average hours of training per year per employee by gender, and by employee category	3.1.5 Diverse Training Programs			
	G4-LA10	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	3.1.5 Diverse Training Programs			
Human rights performance indicators						
Non-discrimi nation	G4-DMA	Non-discrimination management guidelines	3.1 The SDI Family			
	G4-HR3	Total number of incidents of discrimination and corrective actions taken	3.1 The SDI Family			
Product responsibility performance indicators						
Health and Safety for Clients	G4-DMA	Product Responsibility Management Guidelines	3.2 Products and Services for Clients			
	G4-PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services during their life cycle, by type of outcomes	2.2.2 Green Stationery Product Design 2.2.3 Incorporating Product Life Cycle into Design			
Product and service labeling	G4-DMA	Product Responsibility Management Guidelines	3.2 Products and Services for Clients			
	G4-PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes	3.2.3 Client Relations 1.4.2 Compliance with Domestic Laws and Regulations			
Marketing communica tion	G4-DMA	Product Responsibility Management Guidelines	3.2 Products and Services for Clients			
	G4-PR5	Results of surveys measuring customer satisfaction	3.2.3 Client Relations			
Customer privacy	G4-DMA	Product Responsibility Management Guidelines	3.2 Products and Services for Clients			
	G4-PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	3.2.4 Privacy Protection for Clients			
Compliance	G4-DMA	Product Responsibility Management Guidelines	3.2 Products and Services for Clients			
	G4-PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	1.4.2 Compliance with Domestic Laws and Regulations			

List of UN Sustainable Development Goals (SDGs)

Item	Goal	Logo	Content	Corresponding chapter
Goal 2	End Hunger		Achieve food security and improved nutrition and promote sustainable agriculture	3.4.1 Social Care by SDI Foundation
Goal 3	Good Health and Well-being		Ensure healthy lives and promote well-being for all at all ages	3.1.6 Workplace harmony
Goal 5	Gender Equality		Achieve gender equality and empower all women and girls	3.1.4 Remuneration and Benefits 3.1.6 Workplace harmony
Goal 8	Decent Work and Economic Growth		Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all	1.1.3 Financial Performance
Goal 10	Reduced Inequalities		Reduce income inequality within and among countries	3.1.7 Labor Rights
Goal 12	Responsible Consumption and production		Ensure sustainable consumption and production patterns	3.2 Products and Services for Clients 3.2.4 Privacy Protection for Clients

Locations of Operation

Changhua Plant

No. 260, Sec 2, Dazhu Vil., Zhangnan Rd., Changhua City, Changhua County

Telephone: 886-4-7383991

Fax: 886-4-7380515

Nantou Plant

No.323, Chenggong 3rd Rd., Hsinhsing Village, Nantou City, Nantou County

Telephone: 886-49-2257780

Fax: 886-49-2261218

INDEPENDENT ASSURANCE OPINION STATEMENT

2016 SDI Corporate Social Responsibility Report

The British Standards Institution is independent to SDI Corporation (hereafter referred to as SDI in this statement) and has no financial interest in the operation of SDI other than for the assessment and assurance of this report.

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

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

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

Scope

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

1. The assurance scope is consistent with the description of 2016 SDI Corporate Social Responsibility Report.
2. The evaluation of the nature and extent of the SDI's adherence to all three AA1000 AccountAbility Principles in this report as conducted in accordance with type 1 of AA1000AS (2008) assurance engagement and therefore, the information/data disclosed in the report is not verified through the verification process.

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

Opinion Statement

We conclude that the 2016 SDI Corporate Social Responsibility Report provides a fair view of the SDI CSR programmes and performances during 2016. The CSR report subject to assurance is free from material misstatement based upon testing within the limitations of the scope of the assurance, the information and data provided by the SDI and the sample taken. We believe that the 2016 economic, social and environmental performance indicators are fairly represented. The CSR performance indicators disclosed in the report demonstrate SDI's efforts recognized by its stakeholders.

Our work was carried out by a team of CSR report assurers in accordance with the AA1000 Assurance Standard (2008). We planned and performed this part of our work to obtain the necessary information and explanations we considered to provide sufficient evidence that SDI's description of their approach to AA1000 Assurance Standard and their self-declaration of 'in accordance' with the GRI G4 guidelines: the Core option were fairly stated.

Methodology

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

- a top level review of issues raised by external parties that could be relevant to SDI's policies to provide a check on the appropriateness of statements made in the report.
- discussion with managers on approach to stakeholder engagement. However, we had no direct contact with external stakeholders.
- 7 interviews with staffs involved in sustainability management, report preparation and provision of report information were carried out.
- review of key organizational developments.
- review of the findings of internal audits.
- review of supporting evidence for claims made in the reports.
- an assessment of the organization's reporting and management processes concerning this reporting against the principles of Inclusivity, Materiality and Responsiveness as described in the AA1000 AccountAbility Principles Standard (2008).

Conclusions

A detailed review against the AA1000 AccountAbility Principles of Inclusivity, Materiality and Responsiveness and the GRI G4 guidelines is set out below:

Inclusivity

This report has reflected a fact that SDI has continually made a commitment to its stakeholders, as the participation of stakeholders has been conducted in developing and achieving an accountable and strategic response to sustainability. The reporting systems are being developed to deliver the required information. There are fair reporting and disclosures for economic, social and environmental information in this report, so that appropriate planning and target-setting can be supported. In our professional opinion the report covers the SDI's inclusivity issues.

Materiality

SDI has established relative procedure in organization level, as the issues which were identified by all departments have been prioritized according to the extent of impact and applicable criterion for sustainable development of company. Therefore, material issues were completely analyzed and the relative information of sustainable development was disclosed to enable its stakeholders to make informed judgments about the organization's management and performance. In our professional opinion the report covers the SDI's material issues.

Responsiveness

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

- Encouraging to work towards a type 2 of AA1000 AS(2008) engagement with a view to providing the reliability of sustainability performance information that stakeholder concerns.

GRI-reporting

SDI provided us with their self-declaration of 'in accordance' with the G4 sustainability reporting guidelines: the Core option (at least one Indicator related to each identified material Aspect). Based on our review, we confirm that social responsibility and sustainable development indicators with reference to the GRI Index are reported, partially reported or omitted. In our professional opinion the self-declaration covers the SDI's social responsibility and sustainability issues.

Assurance level

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

Responsibility

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

Competency and Independence

The assurance team was composed of Lead Auditors and Carbon Footprint Verifiers experienced in industrial sector, and trained in a range of sustainability, environmental and social standards including AA1000AS, ISO14001, OHSAS18001, ISO14064 and ISO 9001. BSI is a leading global standards and assessment body founded in 1901. The assurance is carried out in line with the BSI Fair Trading Code of Practice.

For and on behalf of BSI:



Peter Pu
Managing Director BSI Taiwan
2017-08-21



AA1000
Licensed Assurance Provider
000-4