

2017 SDI Corporate Social Responsibility Report



Directory

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Words from the Chairman

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About the Report

Report Overview

The subjects presented in this report are derived through discussions within SDI's CSR taskforce about issues of most concern to stakeholders; screening issues, prioritizing issues for future analysis, conducting issue analysis, responding to the results and future of sustainability. SDI believes in the spirit of giving back to society and fulfilling the responsibilities of a citizen. SDI's first SCR Report was published in 2013. The current report is SDI's 6th CSR Report, which covers the topics of; About the report, Strategies and Visions, Company Overview, Environmental Sustainability, and five topics of Social Responsibility, disclosing SDI's efforts and achievements in sustainability indicators including economy, environment, labor care, human rights, social participation, and product responsibility with comprehensive data and descriptions. We hope this report can facilitate understanding of SDI by stakeholders and the public in general and serve as a good foundation of our communication.

Scope and Special Limitations

This report encompasses SDI's performance in terms of corporate social responsibility from January 1 to December 31, 2017. The major indicators are from production bases in Taiwan, including the plants in Changhua and Nantou, with achievements and future planning in sustainability.

In this report, data from 2017 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 2017 SDI Corporate Social Responsibility Report is based on the latest international Global Reporting Initiative (GRI) Standards, through a material analysis model to identify and prioritize sustainability aspects valued by stakeholders. With the results of the analysis, the topics of sustainable development, 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 Global Reporting Initiative Standards (GRI) and Account Ability AA1000 AS: 2008 standards, this report has been verified by the third-party authority British standards Institution (BSI) for compliance with the core indicators of Global Reporting Initiative (GRI) guidelines and for Type 1 Moderate Guarantee according to AA1000 AS.

Publication

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

Current Issue: Published in September 2018 (2017 Edition).

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

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

SDI Corporation (thereinafter referred to as: the Company, SDI or SDI Technologies Inc)

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

email : weihung@email.sdi.com.tw

Website: www.sdi.com.tw

Contact: General Management Center Wei-Hung Lin

Words from the Chairman

SDI was founded in 1953. To achieve long-term goals, SDI continues 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 and even better.

On the economic 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 year of 2018, 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 environmental 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 2017. To achieve environmental, energy conservation and energy goals set by our policies we continue to implement environmental management plans, such as replacing oil burning boilers with gas burning boilers to reduce air pollution and improving the electroplating process.

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 philanthropic front, SDI established the SDI Foundation in 2007 as part of our continuing goal of “global operations and local care.” In addition to helping develop local communities and provide jobs, in 2017 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 ethic 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 and more 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 introduced the CSR management mechanism, and established the “CSR Implementation Committee” to integrate our internal and external resources, to mirror the experiences of overseas and domestic corporations, develop sustainable strategies based on sustainability issues about which stakeholders are 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). Over 65 years have gone by since SDI Corporation was founded in 1953. With Changhua City as its headquarters, 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, but 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 up and down stream as well as international marketing is increasing SDI’s competitiveness in the international community. For the future, SDI is aspires 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, IATF 16949, ISO 14001, OHSAS 18001, and ISO 50001.
- (f). SDI introduced Oracle’s ERP system in 2000.
- (g). SDI develops and manufactures high precision and high quality precision consecutive stamping dies and 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 presses, ultra-precision coordinate measuring machines, non-contact coordinate measuring machines, jig grinder, horizontal machining centers, optical projection grinders and ultra-precision surface grinders from Switzerland, Japan, Germany and the US.

SDI Profile

Name	SDI Corporation
Time of establishment	October 1953
Paid-in 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	1348
Businesses	Metal manufacturing (stationery) Electronics components manufacturing Die manufacturing
TWSE stock symbol	2351
Spokesperson	Chao-Hsing Chen / Deputy General Manager
Deputy Spokesperson	Huang Rui Jie, Assistant Manager

2. Business Structure of SDI Corporation

The headquarters 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 Corporation 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%
	8,920,000	100.00%	—	—	8,920,000	100.00%
SHUEN DER(B.V.I)CO.						

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 are decreasing year by year. SDI built seven service centers worldwide in order to provide timely response and increase its competitiveness. Four of these 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 customers 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 value for customers.

Metal Stationery Products

<u>Category</u>	<u>Items</u>	<u>Pictures</u>	<u>Awards & Patents</u>
Correction tapes and sticky tapes	Correction tapes, erasers, sticky tapes, and tape dispensers	 A collection of various correction tapes and sticky tapes in different colors (red, green, blue, orange) and designs. Some are shown as individual pieces, while others are in their dispensers. A small logo for 'iF DESIGN AWARD' is visible in the top right corner of the image.	
Binding products	Staplers, staples, staple removers, and hole punches	 A collection of staplers and hole punches in various colors (blue, green, yellow, orange). A small logo for 'DESIGN AWARD' is visible in the top left corner of the image.	
Electric pencil sharpeners	Electric pencil sharpeners with replaceable blades	 A black and silver electric pencil sharpener with a single pencil inserted into the top.	
Cutting products	Utility knives, pencil knives, blades, scissors, anglecutters	 A utility knife with a white handle and a black blade. A small logo for 'GOOD DESIGN AWARD 2014 年度受賞' and 'iF DESIGN AWARD' is visible in the top left corner of the image.	
Pencil sharpeners	Manual and electric pencil sharpeners	 A collection of various manual and electric pencil sharpeners in different colors (blue, pink, green, orange, black). Some are shown as individual pieces, while others are in their dispensers.	
Office supplies	Small tools, magnets, storage, writing supplies, and miscellaneous items	 A collection of various office supplies including a black pen, a silver stapler, a white stapler, a white paper holder, and several colorful paper clips. A logo for 'SDI CORPORATION' is visible in the top left corner of the image.	

<p>Writing stationary</p>	<p>White board marker</p>		
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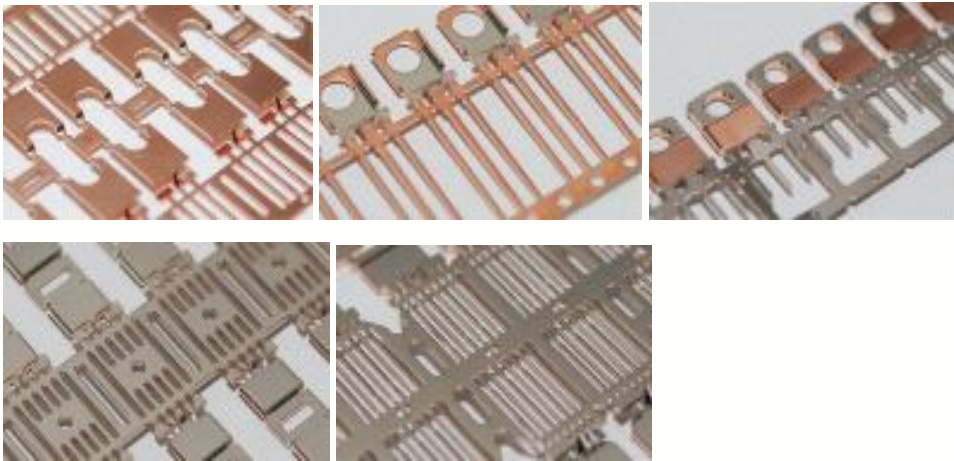
2. Semiconductor lead frame

In 1983, SDI branched into the semiconductor industry with Discrete lead frame capacity. We have accumulated many unique die technologies and capabilities to offer high-quality and fair-priced products to clients. We provide customers with the best global services with centralized technology, short lead-time, immediate services, low cost, global labor distribution, and global procurement. In 2017, we became one of the top three lead frame suppliers globally.



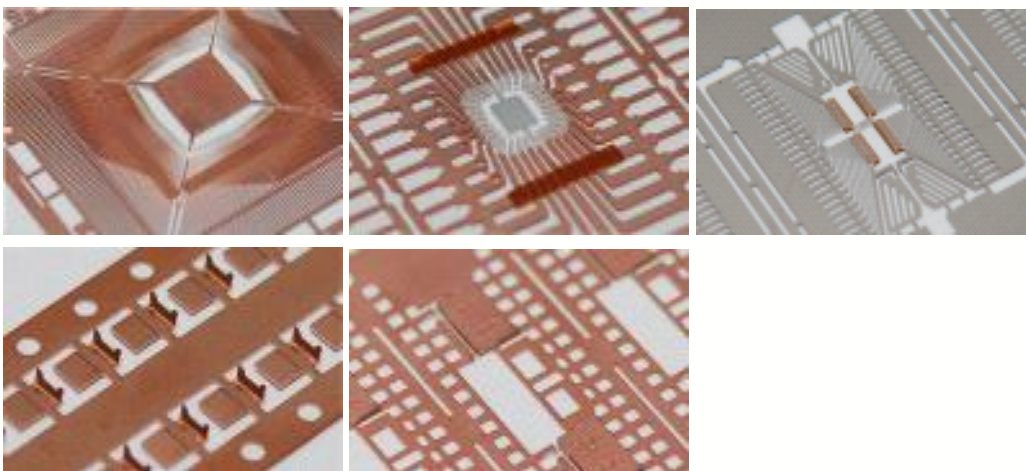
(1) Discrete Lead Frame

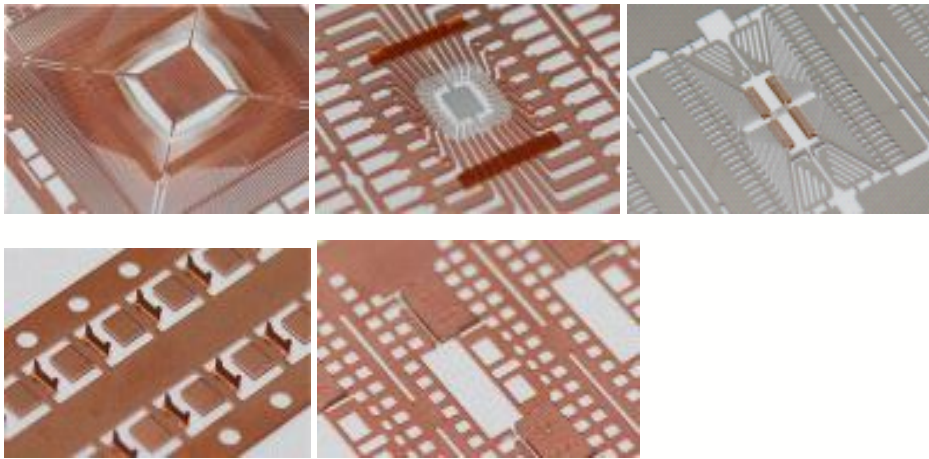
Discrete (detached) semiconductor parts are common in transistors (for augmentation, switches, pressure stabilization, and signaling) and diode packaging (for rectification and voltage regulation.) They are indispensable in electronic devices. SDI's power lead frames have reliable quality and are used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



(2) IC Lead Frame

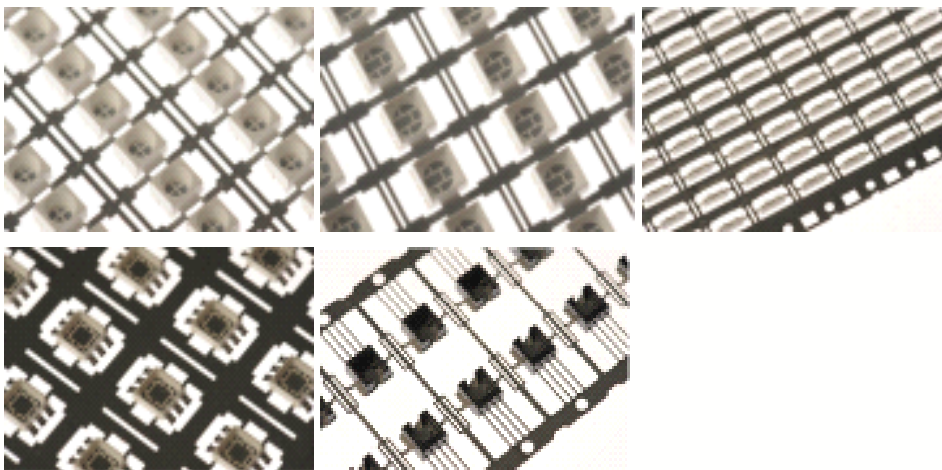
The application of integrated circuits is ubiquitous and essential for our information-based society, as seen in computers, cell phones, computation, telecommunication, manufacturing, and transportation systems. As technology advances, ICs continues to miniaturize with increasing speeds, therefore placing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





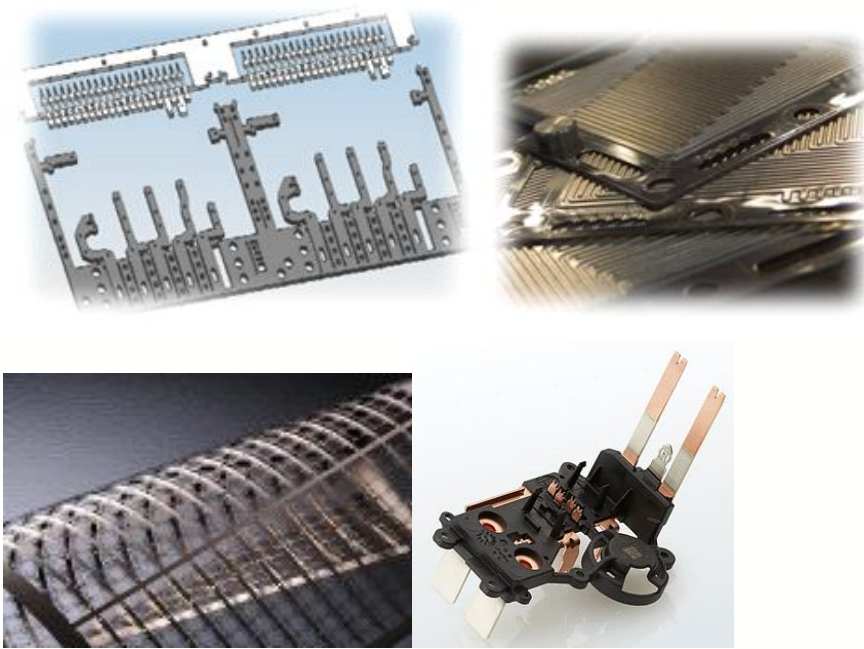
(3) LED Lead Frame

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



(4) New Businesses

In addition to traditional lead frame products, SDI explores the untapped vistas 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 reinvested 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 **spans** 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

The design of Consumer products by SDI has been incorporating environmental protection concepts in recent years. SDI is actively developing products with replaceable parts and reducing unrecyclable waste 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 repeatedly awarded the "Golden Pin Design Award" held by Taiwan Design Center, for example, 2Way Exchanger and i-Stick flue. SDI thinks green from the start by developing and designing new products and introducing new technology that reduces pollution while conserving energy. This approach balances operational safety and prevents environmental impact and risks from the very beginning, helping us work toward realizing carbon reduction, environmental protection, product safety, as well as sustainability and progress for the corporation.

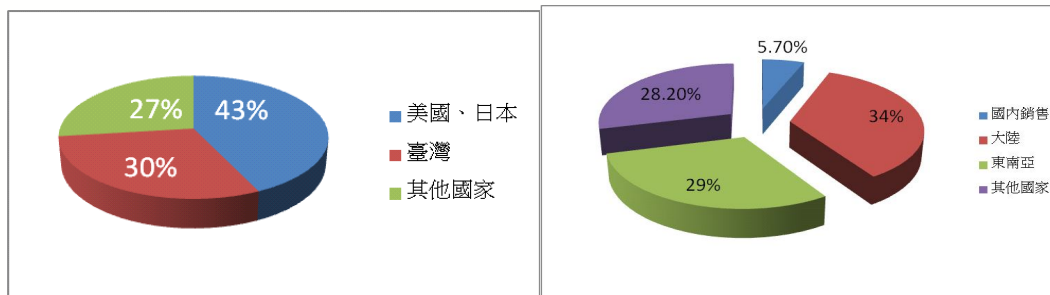
(3) New product development in the near future

- 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.

4. Market Overview

(1) Major Markets and Market Share

- Electronics: Domestic consumption accounts for 5.7%. Export sales mainly consist of China (34%) and Southeast Asia (29%). The rest of the sales come from Europe, the U.S., Central America and Africa.



- Metal Stationery: Sales comprise 43% to the U.S. and Japan and 30% 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 a statement released by the International Semiconductor Manufacturers Association (SEMI) on the development of the global semiconductor market, 2017 is a record making year, with 20% more growth than the previous year. Moreover, with the constant demand for new technology and new capacity, SEMI is optimistic that the growth of the global semiconductor market will reach a new high in 2018, and by 2019 the overall market revenue could challenge the USD\$500 billion record. In addition, future trends, like smart energy-power saving grid, the internet, on line commerce, automotive electronics, autonomous vehicles, industry 4.0 and AI (Artificial Intelligence) will likely stimulate the next wave of demand for semiconductors. SDI main customers will be the leading manufacturers of products for application in those fields. In line with the customers design requirements, the lead frames for the applications mentioned above have all been developed and mass produced, such as power management, tire pressure sensors, ECU power IC and LED for vehicles. Therefore, SDI will continue to expand its market share in these areas with relevant products.

- Stationery: The Market for hardware and office supplies remains stable, while the demand for consumer goods such as correction tapes and pencil sharpeners continues to grow. In the future, new product such as a whiteboard pen that allows direct replacement of the cartridge will be introduced to drive new growth.

1.1.3 Financial Performance

Economic performance management policy

1. Policy: To promote operational growth and profitability.
 2. Commitment: To care about the issues concerning employees, suppliers, shareholders and stakeholders.
 3. Goal: To achieve the growth goals set by the company, and strive to achieve a balance between the interests of various stakeholders and the company's long-term development.
 4. Resources: Working together, from the top down.
 5. Action:
 1. The key performance indicators of the relevant departments are linked to the company's profitability ratio and are tracked and reviewed monthly.
 2. Provide immediate, correct and transparent information.
 3. Continuous innovation, value creation, and sustainable development.
 6. Performance measurement: The operating performance (according to the financial statements) is compared with the target.
- Applicability: ■ General, □ Specific
Scope: ■ Within the organization, ■ Outside the organization

1. Business Performance

In 2017, the world's major economies continue to grow moderately, while the application of new technology and smart industries expanded, the demand for start ups continues to lead growth, such as EV, Lo and smart technologies as well as energy conservation industries benefited from growth. Our electronics business unit has been working with customers to develop relevant application products to meet the ever increasing demand. Also, the unit adheres to the rising quality demands of manufactured materials and expansion of automated manufacturing processes, which apart from complying with the trend of market growth also raises value and reduces fixed costs, to respond to the negative impact of currency appreciation and rising costs, to maintain gross profit margin of electronic products.

As for our stationary business unit, confronted with ever increasing labor and tax costs, the unit has undertaken the research and development of OBM and ODM products to raise competitiveness, to soften the impact on revenue and profit. In addition, affiliated enterprises, including Tec Brite Technology, CHAO SHIN METAL INDUSTRIAL CORP., and the wholly owned spin-off Jiangsu plant are all committed to product quality and production process integration, continuing to contribute profitability and benefits to the enterprise. In total, . In total, SDI's revenue in 2017 was 7.407 billion, which grew by more than 10.7%, with consolidated revenue at 9.581 billion, a 8.8% growth. Net profit in the current quarter nonetheless due to better product integration reached 716 million, offsetting the impact of NTD appreciation, resulting in earnings per share at 3.93.



2017 Budget Execution, Financial Analysis and R&D Evaluation:

Unit: 1,000 NTD

Items	2017	2016	Increase/decrease
Sales Revenue	9,581,050	<u>8,806,341</u>	8.80%
Gross Profit	1,853,270	<u>1,832,369</u>	1.14%
Operational Costs	791,415	<u>782,440</u>	1.15%
Net Revenue	1,061,855	<u>1,049,929</u>	1.14%
Net Income after Tax	779,701	<u>806,943</u>	(3.38%)
Net Income Per Share (NT)	3.93	<u>4.00</u>	(1.75%)
Return on Equity	14.10%	<u>15.36%</u>	(8.20%)
Net Income Ratio	8.14%	<u>9.16%</u>	(11.14%)
Return on Assets	7.84%	<u>8.41%</u>	(6.78%)
R&D costs	208,105	<u>202,652</u>	2.69%
Income Tax	199,211	<u>195,952</u>	1.66%

Note 1: No public financial forecast in 2017.

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 local governmental regulations. When developing the code of conduct and company guidelines, it is the goal to promote integrity and morality while supporting and complying with 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 2017, 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 accountants to check for compliance. It is our hope that such a mechanism will make the company operations sounder, 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 assists management to evaluate the efficiency of the 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 a follow up and corrective action plans addressing deficiencies.

1.1.4 Corporate Governance

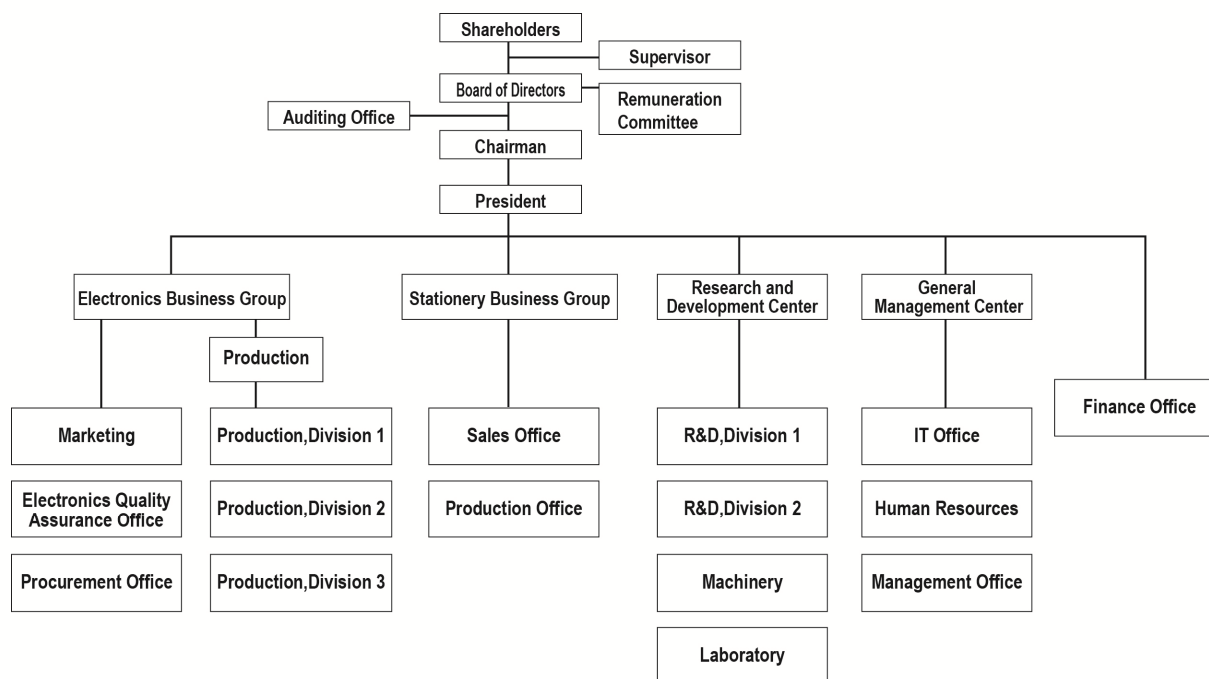
1. Our board directors are diverse and professional, with complementary specialties that help them engage in rational discussions to make visionary and comprehensive decisions for sustainable benefits for the corporation. We follow the guideline of transparency to provide comprehensive information and 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 Issues: Business performance, environmental law compliance, product responsibility compliance, social compliance



(1) Organizational Structure

SDI is a publically listed company with the following organizational structure:



Major departments and duties

Departments	Business Tasks
Auditing Office	The planning, execution and tracking of internal auditing. Provide recommendations to ensure effective implementation of the internal audit system.
Electronics Business Group	The procurement, production and sales of electronic 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 2017
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	Chairman and General Manager, CSM Chairman, TBT SHUEN DER (B.V.I.) CORPORATION Representative, SHUEN DER (B.V.I.) CORPORATION	Business management Accounting management	Economic issues	100%
Director	Chao-Ming Chen	Masters, Department of Accounting, National Changhua University of Education Representative Director, Taiwan Association of Stationery Industries	Chairman and General Manager, SDI (Jiangsu) Corporation Supervisor, CSM Director, TBT	Business management Accounting management	Economic issues	100%
Director	Wei-Te	MBA, Rotterdam	Deputy General	Business	Economic	100%

	Chen	School of Management	manager, SDI Corporation Supervisor, TBT	management	issues	
Director	Chao-Hong Chen	Master, Department of Engineering, Tatung University	Director, SDI	Innovation management	Environmental issues	67%
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	Masters, Department of Accounting, National Changhua University of Education Accountant, Wen-Yi Chiang Accounting Firm	None	Accounting management	Economic issues	100%
Independent director	Lan-Ying Huang	DBA, Nova Southeastern University Professor, Department of Business Administration,	None	Business management	Social issues	100%

		National Changhua University of Education				
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(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 (2017)

Title	Name	Attendance (B)	Attendance rate (B/A)	Remarks
Supervisor	Sheng-Yen Hsieh	6	100%	-
Supervisor	Chiung-Ying Chung	5	83%	-
<p>Other Required Information:</p> <p>Supervisors and Duties:</p> <p>Communication between supervisors and employees/shareholders:</p> <p style="padding-left: 40px;">Communication between supervisors and employees / shareholders / stakeholders have been efficient.</p> <p>Communication between supervisors and head of internal audit/accountants:</p> <p style="padding-left: 40px;">Communication has been efficient.</p> <p>Opinions expressed by supervisors during board meetings: No opposition was raised against board decisions.</p>				

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 15th, 2011 the establishment of the Remuneration Committee, the main duties of which are 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.

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. The Remuneration Committee meeting twice in 2017.

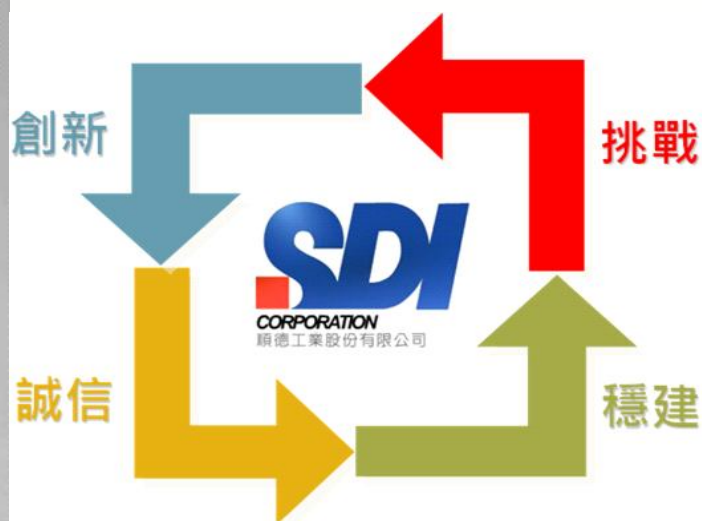
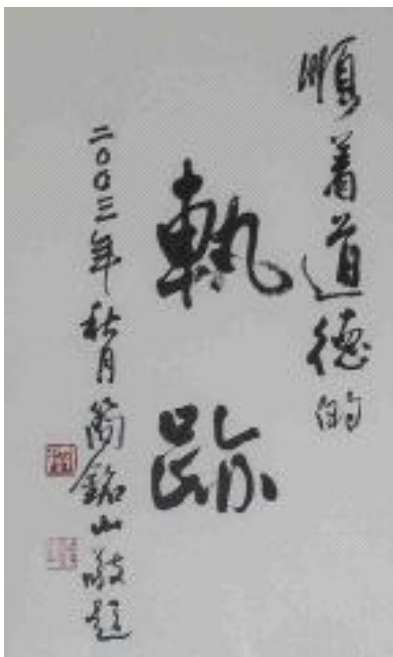
3. Ethical Management

Founded in 1953, SDI has operated for more than half a century under the motto of "Sincerity, Stability, Challenge, Innovation." One step at a time have led us from Taiwan to the global arena.

Sincerity is a core value at SDI. We insist on abiding by the law, keeping promises, and knowing the difference between right and wrong. These core values 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 promises 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 customers, 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 commitments
- (2). Promoting the right to work: Ensuring that all work is voluntary.
- (3). Practicing humane treatment: Preventing labor exploitation, forced labor, and any other form of mistreatment
- (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 implement improvements.
- (6). Enhancing remuneration systems: Compliance with remuneration laws and regulations.
- (7). Professional training for employees: Enhancing employee skills and abilities to increase the economic upward mobility of employees.
- (8). Emphasizing business ethics: Preventing illegal actions, gifts, and hospitality; avoiding conflicts of interest; establishing fair trade; and protecting customer 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 shown 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 conduct and professional ethics. All employees shall abide by said regulations to maintain trustful relationship with customers, 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 of 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 ways:
 - Food items shall be distributed evenly among the staff through the supervisor.
 - Other items shall be forwarded to the Management Division to be documented and gifted during the year-end banquet.
 - In cases where determination cannot be made, matters shall be forwarded to the supervisor or the Management Division for action.
- (3) SDI's suppliers shall fulfill their social responsibility and promote mutual trust under the principles of honesty and integrity:

The suppliers promise to prepare and fulfill principles of integrity during the entire business transaction process, 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 assurance, quality standards, bill warrants shall be authentic and that there is no incidence of fraud, forgery or alteration.

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

- The suppliers shall not commit bribery by giving or promising to give money, gifts, or tangible or intangible benefit by any means, including but not limited to dinner invitations, entertainment, meals, transportation expenditures, kickbacks, commissions or using any other unethical means.
- The suppliers shall not engage in misconduct involving joint ventures, 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 have significant direct and indirect impact on the 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 grows, profitability fluctuates, 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.
Customers	<ul style="list-style-type: none"> ● SDI ranks first in the world in the power products market and has a strategic partnership with IDM manufacturers and is an icon in the industry. In the midst of mergers and acquisition in the semiconductor industry, having a steady leading position has huge advantages. ● In terms of product quality, timely delivery, service and other areas SDI has gained customer trust and has continuously improved technology to develop high end automotive products, which can enhance the stability of future revenue and profits. ● New product development and sales are progressing smoothly, and the intellectual property of all new products are protected by patent, which effectively prevents new competitors entering the market. ● In terms of automated assembly there has been considerable achievement, which effectively reduces cost. In addition, the automated assembly of new products brings increased production capacity and stronger competitiveness, thus market competition diminishes. ● The appreciation of the NTD and RMB against the US dollar has adversely affected our profit margin. ● In the future, the processing of waste generated by electronic product manufacturing processes will be negatively affected by increased difficulty in handling this problem.

Employees	<ul style="list-style-type: none"> • Locations of employee assignments 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 economy. • The Hardware/stationery production facility is in China and with rising labor costs and strict environmental protection requirements, it is difficult to keep costs under control.
Suppliers	<p>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 the local economy.</p> <ul style="list-style-type: none"> • The price of raw materials has risen and there have been signs of shortage of medium and high-grade copper in the metals market.
Local government agencies and communities	<ul style="list-style-type: none"> ● 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. village chiefs and community development association directors) frequently into our plants for tours to enhance trust and communication. ● The company has also responded to community based ecofriendly activities by constructing green recreational facilities in the community park, changing the design shape of the company's stationary products and at the same time utilizing sport and recreational activities to promote product marketing. The company also actively communicates with the representatives of the community opposite the park. So far, no complaints have been received.

1.2 Stakeholders and Material issues

1.2.1 Identification of Stakeholders and Material Issues

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, to 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.

Step 1 Identification of stakeholders	Based on the five principles in AA1000 Stakeholder Engagement Standards, we conduct identification of stakeholders forming a group of seven categories including; customers (,consumers, distributors), employees (full-time employees, unofficial contract workers, immigrant workers, interns), suppliers (suppliers, contractors, immigrant worker agencies), governments, communities (development associations, local communities), and NGOs (RBA, industry associations).	7 categories of stakeholders
Step 2 Collation and induction of material issues.	The collation of materials issues is importantly based on more than 90 indicators derived from GRI standards and according to relevance and the industrial characteristics of SDI. 33 material issues were selected for discussion at the CSR promotion committee's meeting.	No. of topic: 33
Step 3 erstanding issues of concern	Through a joint meeting between the CSR promotion committee and upper management, the degree of influence on the issues of concern to all stakeholders is to be discussed to understand stakeholders concern towards these issues and an evaluation of these issues level of impact on company operations is conducted.	Joint meeting of the CSR Promotion Committee with upper management
Step 4 Identification of Material issues	After grading the impact of issues of concern to stakeholders and upper management on sustainable operations an analysis and sorting of materials issues will be conducted. Followed by internal discussions and subsequent authorization by the Chairman to decide the 15 material issues for SDI in 2017.	No. Of Material issues: 15
Step 5 Review and discussions	Based on the Material Issues identified for the year, we will disclose management guidelines, continue to enhance management, and release 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 the following order; customers (clients, consumers, distributors), suppliers (suppliers, contractors, immigrant worker agencies), employees (full-time employees, unofficial contract workers, immigrant workers, interns), governments, shareholders, NGOs (RBA, 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 an 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.	<ul style="list-style-type: none"> • Training and drills to improve professional skills. • Conduct internal communication with internal memos or announcements. • Labor Safety Committee supervises the safety and healthcare. • Conduct bilateral communication through E-newsletter. 	Unscheduled	• Business performance
			Unscheduled	• Waste water and materials
			Quarterly	• Labor-management relation
			Unscheduled	• Labor health and safety
			Every 6 months	
			Quarterly	• Training

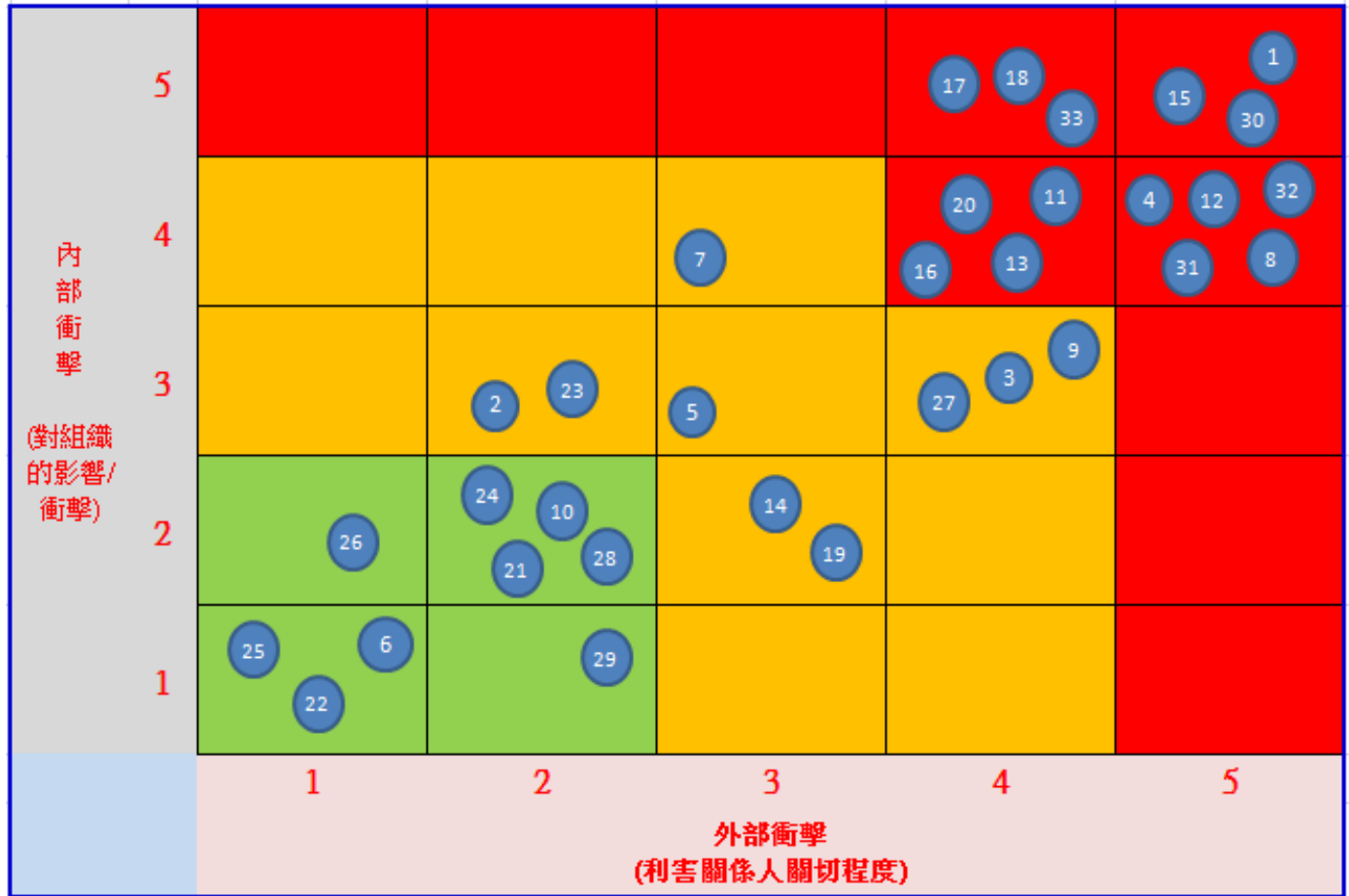
		<ul style="list-style-type: none"> • Employees express comments and suggestions through the staff comment form. • Conduct performance interview to provide necessary assistance. • The trade union may assist with communication. • Employee Welfare Committee and Labor Management Committee conduct bilateral communication. • Protect employee health with annual physical checkups. • Provide group insurance to provide better care for the employees and their families. 	Annual Regular	
Shareholder	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 economic, environmental, and social areas.	<ul style="list-style-type: none"> • Hold annual shareholder meeting during mid-year and provide complete financial information, future directions and communication. • Establish a service hotline to maintain positive and long term interaction with investors • According to the regulations of the Taiwan Stock Exchange Commission, operational information is released unannounced. 	Annual Unscheduled Unscheduled	<ul style="list-style-type: none"> • Business performance • Compliance with environmental and product laws and regulations • Health and safety of customers
Customers	Developing environmentally friendly and green products, establishing	<ul style="list-style-type: none"> • Regularly update the company website with news concerning environmental protection, health and 	Unscheduled Regular Unscheduled	<ul style="list-style-type: none"> •Product and service labeling •Compliance with product

	services that satisfy customers are the company's objectives.	<p>safety.</p> <ul style="list-style-type: none"> • Regularly publish newsletters for consumers and the general public. • Establish a service hotline and online inquiry page as consumer services. • Regularly conduct marketing and promotion campaigns as well as exhibitions. • Through the RBA SAQ platform, our internal audit status is revealed to SDI customers. • Conduct unscheduled meetings with customers to communicate on issues including future prospects, product development, quality and delivery. • SDI applies for patent owner claim scope statement, and provides international certificates and contracts to protect its patents. 	<p>Regular</p> <p>Regular</p> <p>Unscheduled</p> <p>Regular</p>	<p>laws and regulations</p> <ul style="list-style-type: none"> • Business performance
Local communities	Local communities are the foundation of the company's operations. Only by maintaining good relations can the company develop sustainably.	<ul style="list-style-type: none"> • Regularly scheduled community feedback activities, and attend community-oriented development meetings and festivals. • Invite community wardens and their staff for unscheduled factory visits, and vice versa. • Unscheduled inspections to ensure a clean and tidy environment. 	<p>Regular</p> <p>Unscheduled</p> <p>Unscheduled</p>	<ul style="list-style-type: none"> • Water • Discharge • Environmental issue complaint mechanism • Business performance
Suppliers	The quality of products and	<ul style="list-style-type: none"> • Provide technical drawings or product 	Unscheduled	<ul style="list-style-type: none"> • Market image

	service of suppliers directly influence SDI's operation and production performances. We establish effective communication channels to facilitate mutual benefits and sustainability.	<p>specifications to protect intellectual property rights.</p> <ul style="list-style-type: none"> • Provide quality inspection certifications to protect the rights of both parties. • Provide complete financial information, future direction of company and communication in financial reports. 	<p>Unscheduled</p> <p>Annual</p>	<ul style="list-style-type: none"> • Compliance with environmental laws and regulations • Anti-corruption* • Health and safety of customers
NGOs	Only with effective communication management and by implementing social contribution and services can the company develop sustainably.	<ul style="list-style-type: none"> • Regularly post social care and charity programs on the company website. • Assist schools, the government and companies with the visit. • Unscheduled conduct volunteer service programs. • Unscheduled post social care and charity programs on the company website. • Publish the monthly revenues on the company website. 	<p>Unscheduled</p> <p>Unscheduled</p> <p>Unscheduled</p> <p>Unscheduled</p> <p>Scheduled</p>	<ul style="list-style-type: none"> • Business performance • Health and safety of customers • Product and service labeling • Compliance with product laws and regulations
Government agencies	SDI adheres to laws and promises to adhere to sustainability objectives.	<ul style="list-style-type: none"> • Conduct random on-site inspections to check for compliance. • Conduct on-site • Issue paperwork to corporations to provide assistance for various affairs. • Conduct on-site labor inspection. • Conduct exchanges and mutual learning through corporate visits. 	<p>Unscheduled</p> <p>Unscheduled</p> <p>Unscheduled</p> <p>Unscheduled</p> <p>Unscheduled</p>	<ul style="list-style-type: none"> • Labor relations • Labor health and safety • Discharge • Social compliance

1.2.2 Material Issues Identification Methods

- Based on the CSR material issues analysis process, 5 steps such as “Identification of Stakeholders,” “Topic and Discussion,” “Understanding Issues of Concern,” “Prioritizing and Analysis of Major Topics,” and “Review and Discussion” are included to decide on the material issues and their priority.



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

No.	Specific material issues	No.	Specific material issues	No.	Specific material issues
1	201 Business performance	7	301 Materials	15	401 Labor-employer relation
2	202 Market image	8	302 Energy	16	402 Labor-Management relations
3	203 Indirect economic impact	9	303 Water	17	403 Labor health and safety
4	204 Procurement practice	10	304 Biodiversity	18	404 Training and education
5	205 Anti-corruption	11	305 Discharge	19	405 Employee diversity and equal opportunities
6	Anti-competitive behavior	12	306 Waste water and materials	20	406 Non-discrimination
		13	307 環境法規遵循 307 Compliance with environmental laws	21	407 Freedom of association and collective bargaining
		14	308 Environmental assessment of suppliers	22	408 Child labor
				23	409 Forced and compulsory labor
				24	410 Security practice
				25	411 Aboriginal rights
				26	412 Human rights
				27	413 Local communities
				28	414 - Social Assessment of supplier
				29	415 Public policies
				30	416 Health and safety of customers
				31	417 Sales and Labeling
				32	418 Customer privacy
				33	419 Compliance with social and economic laws

2. Material issues Disclosure and Boundary Explanation Chapter

(Complete disclosure: ◎ Partial disclosure: ○ Future disclosure: △ N/A: X)

Item	Material aspect	Category	Corresponding indicator	Major Topics Reasons for material issues	Corresponding indicator chapter	邊界			
						Internal	Internal entity	External	External entity
1	Business performance	Economic	Standards-201	Operation effectiveness	1.1.3 Financial effectiveness	◎	Subsidiary	○	Shareholders
2	Procurement practice	Economic	Standards-204	Ecofriendly & on-site procurement	3.3.1 Management of the green Supply Chain and Contractors	◎	Employees	X	
3	Energy	Environment	Standards-302	Energy consumption areas of concern	2.1 Energy Conservation and Management	◎	Employees	○	Government Authority Dept.
4	Discharge	Environment	Standards-305	pollution emissions areas of concern	2.1 Energy Savings and Management	◎	Employees	X	
5	Waste water and materials	Environment	Standards-306	Handling process of concerns about sewage and waste disposal.	2.2.5 Pollution discharge and pollution control Control of pollution and pollution discharge.	◎	Employees	○	Community
6	environmental law compliance	Environment	Standards-307	Level of Compliance with Environmental Regulations	1.4.2 Domestic legal compliance	◎	子公司	△	
7	Labor-employer relation	Society	Standards-401	Balance of employee-employer relations	3.1.1 Overview of Manpower	◎	Employees	X	
8	Labor-management relation	Society	Standards-402	Balance of Labor - management relations	3.1.2 Sound employee-employer relations Strong labor-management relations	◎	Employees	X	
9	Labor health and safety	Society	Standards-403	Occupational health and safety of employees	3.1.6 Workplace Harmony Harmony in the	◎	Employees	○	Suppliers

					workplace				
10	Training and education	Society	Standards -404	Training and Education of employees	3.1.5 Diversified Education and training about diversity	◎	Employees	X	
11	Non-discrimination	Society	Standards -406	Employee Non-discrimination policy	SDI is one big family	◎	Employees	X	
12	Health and safety of customers	Society	Standards -416	Customer Health and safety	4.3.2 Ecofriendly product design 5.2.2 Reduced packaging and environmentally friendly material	◎	Employees	○	Customers
13	Product and service labeling	Society	Standards -417	Product and labeling service	2.2.1 Ecofriendly Production Management 1.4.2 Domestic legal compliance 3.2.3 Customer Relations	◎	Employees	○	客戶 Customers
14	Customer privacy	Society	Standards -418	Customer Privacy	3.2.4 Customer privacy protection	◎	Employees	○	Customers
15	Compliance	Society	Standards -419	compliance with social regulations	1.4.2 Domestic legal compliance	◎	Employees	○	Government Authority Dept.

1.2.3 Participation in External Organizations:

(I) Participation in External Organizations:

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

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

(II) Involvement in Initiatives, Treaties, and Principles

SDI supports and observes the 10 principle of the sustainable development goals (SDG) of the UN Global Compact concerning; human rights, labor rights, and the 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, discrimination, anti-corruption, anti-trust, and environmental protection.

1.3 Risk Assessment and Crisis Response Management

Comprehensive risk assessment and crisis management systems 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 timely response.

Table of Organizational Risk Management and Precautionary System

Category	Description	Response
Economy	Impact on operational stability from rapid changes in economic environment	<p>(一). Impact on company profitability from interest rate/exchange rate fluctuations and inflation and response thereto:</p> <p>1. Interest rates have declined slowly over the past year. For the company's financial expenses, we will enhance our negotiation abilities with financial institutions to continue to lower the company's operating costs.</p> <p>2. For exports, we engage in hedging to diversify as well as using currencies to minimize impact from exchange rate fluctuations.</p> <p>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> <p>(二). 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: 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	<p>(1). We regularly collect information from the global materials market and track pricing trends to increase our strategic reservoir of raw materials.</p> <p>(2). We diversify procurement plans and search for alternatives to key imported materials to minimize risks of centralized procurement and procurement costs.</p> <p>(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.</p>
Environment	Impact from climate change	<p>(1). SDI's Changhua and Nantou Plants adopted 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.</p> <p>(2). We continue to implement energy integration and energy conservation projects and purchase energy-</p>

		<p>efficient equipment to minimize energy consumption and carbon emissions.</p> <p>(3).We established hazard response procedures and enhanced our plants’responsiveness to natural hazards, including inspecting, repairing, and replacing equipment and training employees about hazard prevention.</p> <p>(4).We formed a greenhouse gas emission inspection team to perform energy declaration and voluntary greenhouse gas inspections while regularly tracking carbon emissions and formulated reduction measures.</p> <p>(5). We implemented water conservation measures and are considering installing water-recycling equipment.</p>
	Impact on operation from increasingly strict environmental laws	<p>We implemented energy conservation measures and achieved actual reduction to obtain the reward of extra greenhouse gas emission quota.</p> <p>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 inspections 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>We actively communicate with community residents, listen to their opinions, respond in a timely manner, resolve disputes, and establish trust, thus gaining their support.</p> <p>We disclose information in a transparent manner, so that residents receive up-to-date and correct information, minimizing misunderstanding and incidents therefrom.</p>
	Gaps in technical and professional succession	<p>We continue to implement knowledge management (KM) to systematically record and pass on key technologies and experience.</p> <p>We implement talent training policies in a systematic, organized, and consistent manner to minimize impact on the company from gaps in professional conduct.</p> <p>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 policy 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 initiatives are the most concrete testament of 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 of product quality and environmental protection mechanisms and minimizes the risks of accidents.
4. The finance and accounting of the affiliates are handled independently by designated personnel with internal auditing established in accordance with the regulatory requirements.

Regulatory compliance management guidelines

1. Policy: Comply with regulations and eliminate violations.
2. Commitment: Fully understand the regulations, and conduct continuous identification and promotion.
3. Objectives: Implement regulatory checks, follow regulations, and develop an environment for mutual learning.

Objectives	Goals in 2017	Achievements in 2017	Goals in 2018	Goals in 2021
Number of Violations	0	2	0	0

4. Resources: Establish professionals to collect and identify regulations and provide necessary resources (support).
 5. Action:
 1. Establish special personnel to collect, identify and provide information about regulations on a regular basis.
 2. Coordinate and communicate with relevant units to meet regulatory requirements.
 3. Provide the necessary resources to establish facilities that meet regulatory requirements.
 6. Performance measurement: Check and verify through regulations, and monitor violations of regulations.
- Applicability: General, Specific
Scope: within the organization, outside the organization

1.4.2 Compliance with Domestic Laws and Regulations

SDI's compliance in society, product, and environment categories in 2017 is as follows:

1. Social Compliance

SDI observes human rights, labor rights, and anti-competitive laws and regulations and was not involved in any violation of social laws that resulted in fines during 2017, however there was one case of a violation regarding workplace safety.

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 zero on account of marketing violations, received warnings on one occasion due to a violation, and there were no violations of the voluntary principle in 2017. We thereby provide an explanation as follows:
- (2). Electronics lead frames: SDI offer semiconductor lead frame products and manufacturing services. We completely cater to customers needs and emphasize the importance of

customers and their trust when designing and manufacturing products. Customers' 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 incidents of violating of laws or regulations that resulted in large sums of compensation to customers.



3. Environmental Compliance

SDI was not involved in any major leakage incidents in 2017. We comply with all the environmental regulations, and follow the guideline of "Comply with regulation, preventing pollution, continuously improving" to reach the goal of zero violation, zero penalties, and preserve the global environment.

Regarding environmental compliance, current environmental laws specify that if the daily approved waste water discharge falls between 1,500 and 5000 cubic meters, it is necessary to install an automatic waste water monitoring system, which was completed by SDI on 2017/9/30.

The original boilers in SDI's Natou plant used heavy oil as fuel which easily caused environmental pollution. At the end of 2016 it was decided to purchase two sets of "Horizontal Furnace Tobacco Pipe Steam Boilers", using natural gas as fuel to reduce environmental impact and this equipment was installed and became operational beginning January 2017.

Category	Number of cases	Description	Corrective Action
Economic laws	0		
Environmental laws	0		
Social laws	1	When the cutting process receiver is in operation, (which is automated during unloading), can be hazardous without a guard rail or safety door. SDI was fined NT\$60,000 for violation of the occupational safety law.	The cutting process receiver loading function will be adjusted to semi automatic from fully automatic, so as to decrease time constraints during malfunctions. Meanwhile, training will be strengthened according to hygiene and safety SOP as well as adding supervisor inspections to prevent occupational hazards.
	1	The SDI 0204D long tail clip product labelling did not show place of manufacture and as a result the Book O stationary store was penalized by the New Taipei City Government.	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

2. Environmental Sustainability

The direction of environmental policy has changed due to climate change and as industry and the environment changes, energy has become essential to society and industry. With the progress of society and the development of industry the result is increasing energy consumption and dependency. Hence, industry must plant stable economic roots and increase competitiveness, so it is critical to purchase new equipment to raise effectiveness. 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 issues: Energy, industrial discharge, waste/polluted water and waste, product and service, compliance with environmental regulations.

2.1 Energy Conservation and Management

Energy management policy

1. The Energy Policy

1. Comply with energy laws and other relevant requirements.
2. Implement energy conservation measures to reduce greenhouse gas emissions during production.
3. Provide resources to ensure energy goals are met.
4. Introduce the energy-saving design during process and product development.
5. Purchase equipment with high efficiency and low environmental impact.
6. Conduct continuous review and improvement to improve performance of the management system.
7. Make good use of the corporate social responsibility and move towards sustainable management.

2. Energy policy: Compliance with regulations, energy conservation and carbon reduction, energy design and procurement, continuous improvement, and sustainable development.

3. Energy Commitment: The formulation of the target should consider major environmental impacts and improvements to significant energy consumption, and focus on compliance with applicable regulatory requirements and other requirements proposed by the organization to meet the commitment of continuous improvement.

4. Energy Target: The overall energy goal to be achieved is made according to the energy policy, and quantified as much as possible.

Objective Items	Goals in 2017	Achievements in 2017	Goals in 2018	Goals in 2021
Annual average efficiency of energy saving	Energy saving 1%	Energy saving 2.67%	Energy saving 1.2%	Energy saving 1.5% or above
Natural gas consumption / copper tons	45.16 degrees / copper tons	45.16 degrees / copper tons	Natural gas 4%	Natural gas 3%

5. Resources: The implementation of the project plan and budgeting shall be conducted by the dedicated unit.

6. Action:

1. Fix the budgets and execute plans according to the energy management plan.
2. Monitor and check the implementation of energy management by all units.
3. Regularly review the performance and adjust the plans in time.

7. Energy performance measurement: Measurable results are obtained based on review of energy policies and relevant objectives and targets.

Applicability: General, Specific

Scope: within the organization, outside the organization

1. In June 2008, the government promulgated Sustainable Energy Policy Guidelines and received SDI's full cooperation. It is our 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 Earth's 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 2017 to achieve effective energy use in the company.

2. SDI fully complies with governmental measures on energy conservation. In 2017, our Changhua Plant sent energy management staff for training, with 4 of them already receiving certificates by year's end. SDI also complies with the requirements of Bureau of Energy, Ministry of Economic Affairs to complete the declaration form for energy conservation inspection, which demonstrates SDI's commitment.



3. Energy Saving Measures under SDI's Action Strategies:

(1) Air conditioning (A/C) accounts for approximately 25.81% of the total energy consumption in SDI. Under the premise of not affecting the temperature, humidity, level of comfort and the shelflife 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 below	
Office spaces, conference rooms, and large packaging areas	26 or above	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 50% of lighting equipment has been replaced, continuing to save energy.



(4) Adjustment on air compressing system:

In 2017 the company would have saved more energy in the production process if air blowers instead of high-pressure air systems were used because of their low energy consumption. Part of the high air pressure pipeline system is divided into "high-pressure clean air " and the high-pressure micro-oil air"systems with the second system for use by the production unit. Thus, air blowers could be connected to the front air compressors with the rear part dividing airflow, of which the main purpose is to supply air to the air compression equipment to achieve energy savings. In addition, the diameter of the air outlet will be revised from 0.025mm to 0.01mm, without affecting product quality, thus achieving energy saving goals.

In addition two inefficient frezing dryers were replaced by with 4 machines to make operations more flexible and efficient. In the air pressure system electric drain valves are to be replaced with valves that consume no gas. The new valves have already been purchased and the company will save 71,430 units of electricity annually. Also, in the production process replacing fluid heads with water absorbing rollers will save 351,768 units of electricity per year.

(5) Direct and indirect energy consumption:

In order to lower environmental impact , in terms of energy consumption, all departments are committed to enhancing production efficiency to reduce energy waste, thus lowering operation costs.

A. Direct energy:

- Natural gas consumption was 208.66 kilo-m³ in 2016 and 593,359 kilo-m³ in 2017.
- In 2016, the heavy oil consumption was 203.4 kiloliters and in 2017, natural gas was used rather than heavy oil as fuel, to cut direct environmental pollution. As the boilers used natural gas rather than heavy oil in 2017, the use of natural gas increased.

B. Indirect energy:

- Indirect energy (electricity) consumption at SDI was 53,142,440kWh in 2016 and 54,917,043 kWh in 2017 – a 3.33% increase mainly because SDI continuously expanded the HVA product series, added more value to products and due to the requirements of high quality products made quality standards more stringent, added extra equipment and consumed more power.

(6) Emissions of greenhouse gases and other gases in 2017

Item	Source	CO ₂ e (Tons)	Way of discharge	Joules (J)
1	Gas units	1,114,922	Direct discharge	22,105,827
2	Energy consumption volume	29,051,116	Indirect discharge	197,701,355
	Large gas emissions	Emission volume (kg)	Calculation method Method of calculation	
1.	(NO _x) Nitrogen oxides	955.3	coefficient method	
2.	Volatile organic compounds	143172.8	Conversion of mass	
3.	Suspended particles	354.44	Coefficient Environmental pollution report	

Note 1: According to 2017 emissions statistics.

Note 2: 1 KLOE = 9.0 × 10⁶ Kcal. 1 degree of electricity produces 0.529Kg CO₂ (The annual power emission coefficient in 2016).

Note 3: Greenhouse gas inventory auditing uses operational controls and directly converts gas and electricity consumption into carbon dioxide equivalents, and does not involve any other greenhouse gases.

Source: Website of the Ministry of Economic Affairs (<http://www.moeaboe.gov.tw/>).

2.2 Green Products

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 the Earth and supporting environmental protection.

$80000 \text{ sheets} / 5000 = 16 \text{ boxes}$

$9.6 \text{ tree} = 16 \text{ boxes} * 0.6$

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/consumtion_3.html

2.2.1 Green Production of Electric Products Management

1. 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 directly impact 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 regulatory and customer 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 customers' demands on green products.

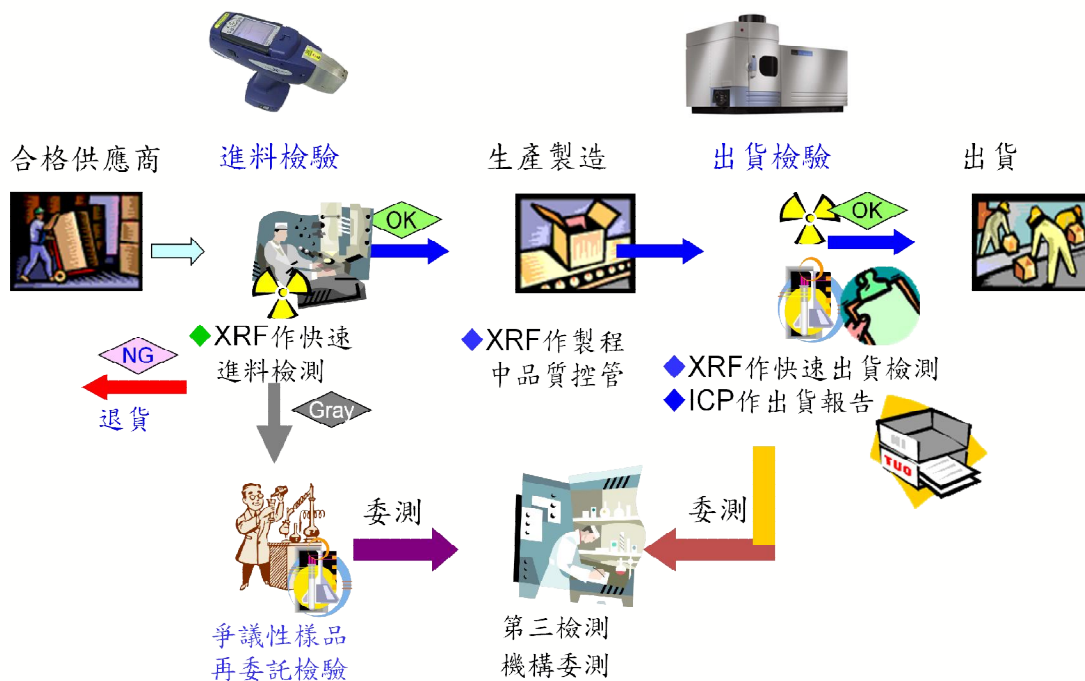


- SDI conducts risk management for hazardous substances in finished products through monitoring and testing during production.

Apart from completing the establishment of a hazardous management system and providing green products, the company also integrated their laboratories precision testing equipment such as ICP (Inductively coupled plasma atomic emission spectrometer), GC-MS (gas chromatography-mass spectrometry), UV-VIS (UV-Visible Spectrophotometer) and EDXRF (X-Ray Fluorescence Spectrometer XRF) equipment and hired professional technical staff. SDI is capable of responding to customers' testing requirements in a timely manner, conducting failure analysis and providing comprehensive solutions.

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

- (1). Evaluate qualified suppliers and utilize compliant green materials.
- (2). Material inspection: Utilize EDXRF for express quality inspection. Those products in non-compliance with 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 as per the customers request.
- (5). Third party inspection: Third party inspection is authorized upon the customers request or in cases of a dispute.



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
爭議性樣品再委託檢驗	Re-inspection for questionable samples
委測	Inspection
第三檢測機構委測	Third party inspection

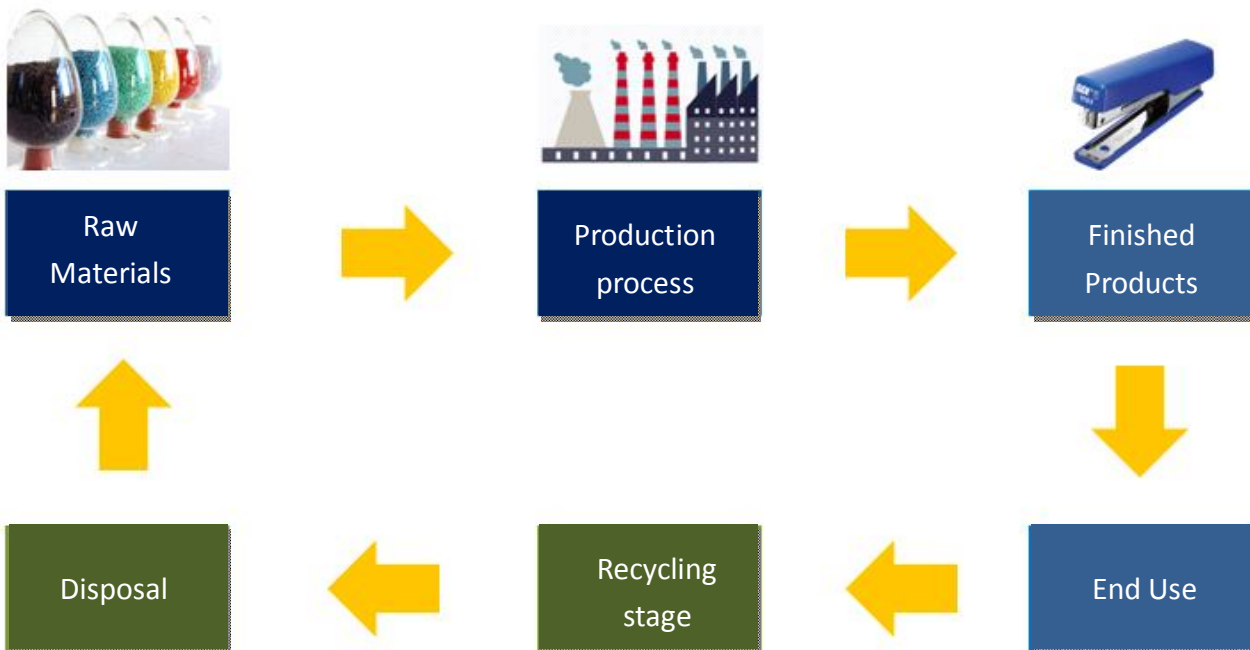
3. SDI integrates IATF 16949 quality management system and ISO14001 environmental management system with the current procedural management to clearly define hazardous substance free (HSF) policies and implement the following:

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

2.2.2 Application of Materials Recycled From Products

2.2.2 Green Stationery Product Design

1. Product Responsibility - Environmental Protection through replaceable materials
 For SDI's wholly-owned Hand brand stationery products, the main processing materials are plastic and metal. These kinds of materials can be highly recyclable. With low-energy consumption processing, they become reproducible materials for stationery production. In the future, SDI's industrial policy will still adhere to the same philosophy. Without sacrificing the product quality, the ratio of recycled materials in use will be increased to 90%, thus establishing a vision for environmental protection and energy conservation.



Industrial Recycling Concept flow chart

2.2.3 Green Products Design Concept

1. Continuation of the product life cycle

The stationery products produced by SDI are mainly made of metal and plastic. The production process requires manpower, electricity and water resources. Therefore, the assembly and production efficiency requirements of the products must meet the requirements specified in the ISO 9001 quality management system. The non-conforming product percentage and energy consumption are lowered, and in order to prolong the shelf life of the products when reaching the consumer, in recent years, the company has developed replaceable consumables, such as replaceable pencil sharpeners to meet our green product requirements. Electric pencil sharpeners, knives, correction tapes, erasers and replaceable water-based whiteboard pens not only allow consumers to lead an energy-saving and environmentally friendly life, but also are more cost-effective. They not only affect the consumption habits of stationery products in some countries such as Taiwan, Hong Kong, Singapore and Europe, but also motivate SDI to continue the development of energy-saving stationery.





SDI products with replaceable part

2. Trust in the Safety of our 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 very young 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.

SDI Product application for International Verification of environmental sustainability

2.2.4 Water Resources Management

In the face of global environmental changes and dwindling water resources, SDI, as part of the global community, has been dedicated to water-saving. In 2015, the annual water consumption of SDI's manufacturing process was about 853,000 Tons/year and in 2016, the annual water consumption manufacturing process was about 915,000 Tons/year, while in In 2017, the annual water consumption of the manufacturing process was about 972,000 Tons/year.

Current water sources for production processes at SDI are tap water (89%) and groundwater (11%). 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
 - Promote upgrading water circulation production, and improve the effective use of water resources, facilitating rational use of water for conservation.

2.2.5 Pollution Discharge and Control

Pollution emissions management guidelines

- I. Policy: Compliance with regulations, pollution prevention, continuous improvement, and sustainable development.
2. Commitment: Identify the sources of pollution with major environmental impacts, formulate directions for improvement, and uphold the commitment to continuous improvement.
3. Objectives: Target the minimum standards set by the law, quantify the results, and make continuous improvements as much as possible.

Objective Items	Goals in 2017	Achievements in 2017	Goals in 2018	Goals in 2021
Violations of environmental regulations	0	0	0	0

4. Resources: The implementation of the project plan and budget implementation by the responsible unit.
5. Action:
 1. Set budgets and execute plans according to the pollution emission control plan.
 2. Supervise and check the implementation of pollution prevention management by all units.
 3. Regularly review performance and adjust plans in a timely manner.
6. Performance measurement: Measurable results are obtained based on review of energy policies and relevant objectives and targets.

Applicability: General, Specific

Scope: within the organization, outside the organization

1. Pursuit of Environmental Protection

- (1). Technological advances and economic development are depleting scarce natural resources and damaging the natural habitat. Waste created by human activities are bringing unprecedented and irreversible damage to the earth, the only livable planet we have. In such a 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, to help achieve the important goals of comprehensive environmental management.

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. In 2017, verification was also carried out for revision of our ISO 14001:2015, certification and subsequently certified.



Certificate of Registration

ENVIRONMENTAL MANAGEMENT SYSTEM - ISO 14001:2015



Certificate No: EMS 577996

Location	Registered Activities
SDI Corporation 260 Sec. 2, Chang Nan Road Changhua Changhua County 500 Taiwan 順德工業股份有限公司 臺灣 彰化縣 彰化南大里 彰南路260號 500 260	The manufacture of semiconductor lead frame and stationery.
SDI Corporation 323, Cheng Kung 3rd Road Nan-Kang Industrial District Nan-Tou Nan-Tou County 50007 Taiwan 順德工業股份有限公司 臺灣 南投縣 南投市 中興二街323號 50087	The manufacture of semiconductor lead frame and stationery.
Tec Brite Technology Co., Ltd. 323, Cheng Kung 3rd Road Nan-Kang Industrial District Nan-Tou Nan-Tou County Taiwan 益輝科技股份有限公司 臺灣 南投縣 南投市 中興二街323號	The manufacture of semiconductor lead frame and stationery.

This is to certify that: SDI Corporation 順德工業股份有限公司
260 臺灣
Sec. 2, Chang Nan Road 彰化縣
Changhua 彰化南大里
Changhua County 彰化南大里
500 彰南路260號
Taiwan 500

Holds Certificate No: EMS 577996
and operates an Environmental Management System which complies with the requirements of ISO 14001:2015 for the following scope:

The manufacture of semiconductor lead frame and stationery;
半導體導線架和元件的製造

Chris Cheung, Head of Compliance & Risk - Asia Pacific

For and on behalf of BSI:

Original Registration Date: 2004-03-03 Effective Date: 2017-09-28
Latest Revision Date: 2017-09-15 Expiry Date: 2020-09-27
Page: 1 of 2



...making excellence a habit™

Original Registration Date: 2004-03-03 Effective Date: 2017-09-28
Latest Revision Date: 2017-09-15 Expiry Date: 2020-09-27
Page: 2 of 2

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An electronic certificate can be authentic and signed.
Printed copies can be obtained at www.bsi-global.com/ClientDirectory or telephone +44 (0)20359-4333.
Taiwan Headquarters: 280 Fong, No.25, 1/16 Rd., Nankang Dist., Taipei 114, Taiwan, R.O.C.
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A Member of the BSI Group of Companies.

(2) The following views are taken into consideration for the environmental policies:

(a). Company background

Scope of the environmental management system: All company activity stemming from operations which are related to environmental management from product to service include:

b) Understanding that the company along with it's environment and objectives are connected and affect raising the performance of the environmental management system, fulfilling compliance obligations, achieving environmental objectives, protecting the environment, sustainable development and the ability to produce results.

c) Understanding and fulfilling the needs and expectations of stakeholders to push forward ISO14001 quality system , comply with environmental regulations, the elimination of ROH' and chemicals listed in REACH from products, lower our products carbon and water footprint, and lower production sites green house emissions. How stakeholders treat the ability of the company to constantly provide products that meet regulatory and customer requirements have real and potential impact.

d) The company founded and defined the scope of the environmental management system and decides upon the boundaries and application of this system.

(3) Environmental Protection Policies

- All environmental management operations comply with government environmental regulations
- Enforce waste reduction and pollution control tasks to achieve the goal of pollution prevention.
- Actively promote energy saving and recycling activities.
- Strengthen environmental training for employees to create pollution free work environment.
- Continuously improve environmental control with correction and prevention.
- Promote environmental policies outside the corporation and protect the environment with the entire society.
- 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 meetings to examine the policies and improvement projects. As of 2017, the Company has raised 226 proposals. Among which, 221 are completed and 5 are in progress. By 2018, a total of 233 improvement plans have been implemented, of which 221 were completed, and the remaining 12 still under improvement.

By 2018, the company had implemented a total 233 improvement plans, of which 221 were completed, while the remaining 12 are in the revision stage.



ISO 14001 Environmental Management System review meeting

2. Air Pollution Prevention and Management at SDI

(1). Harmful Gas Containment Framework in the Workplace

(2) Other Air Pollution Management Measures:

(a) Leaking 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 grinders
- 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 frames.

(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
- Respiratory and Protective equipment shall be provided for staff working in areas with potential hazards.
- The Company shall have a complete inspection plan in place for the operating environment.
- Regular environmental inspections shall be conducted for hazardous operations.
- 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 regulations stipulated by the Ministry of Labor, R.O.C .
- Each unit shall designate personnel to be in charge of emergency reporting and contact when abnormal odors are detected at the operating environment.
- According to Article 23 of the Occupational Safety and Health Act, self-inspections 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

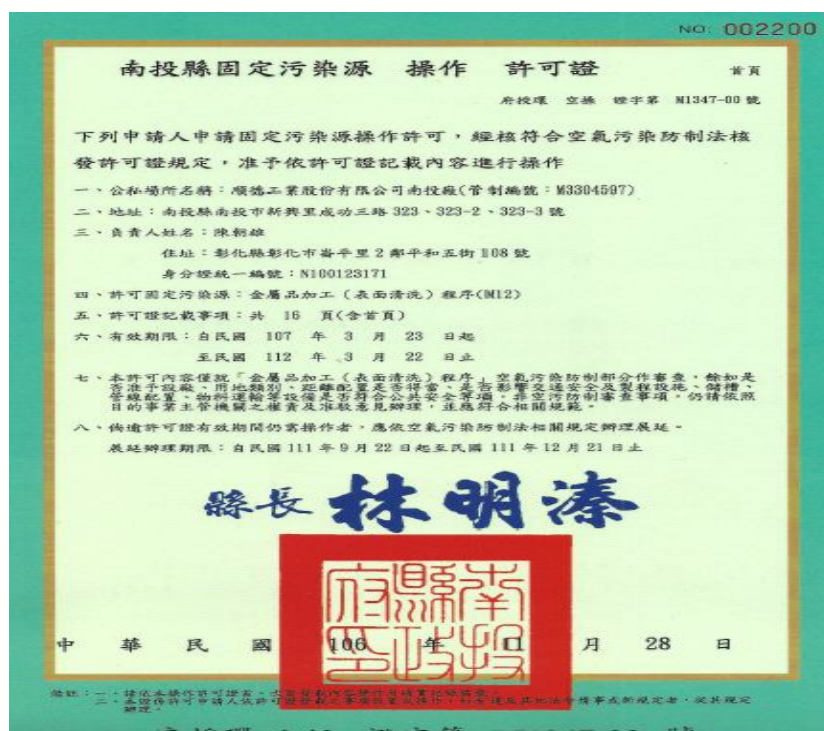
standards.

- Each work place 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 source pollution: The Plant has been approved by the competent authority and issued "Permit for Operating Point Source Pollution".



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

- Procedure for Boiler Production – Boiler discharges into the air 【PAR、VOCs】 ..
- 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, prior to discharging into the air [Trichlorethylene, Dichloromethane, hydrocarbon detergent].



(f) Monitor/Discharge:

- The Plant shall monitor in accordance with the regulations set forth within the operational manual. The discharge of pollutants shall comply with the Air Pollution Control Act under any circumstances. Main pollutant emissions in 2016: Boiler used heavy oil fuel , which produced nitrogen oxides (NOx) pollutants. In 2017, boiler used natural gas for fuel instead.
- In accordance to the regulations set forth by the competent authority, the testing of pollutant discharge shall be conducted once every year by a 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 of 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 the Nantou Plant.

(g) Emergency Response:

- When operators find 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 the 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 below:



(3) Waste Water Discharged in 2017

Production site	Volume of water discharge (ton)	Location of discharge
Changhua site	1417 tons	Dazhu main sewer, Changhua City
Nantou site	912000 tons	Main sewer, 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 2017	Treatment	Remark
Nantou Plant	A-8801 Hazardous sludge	<ul style="list-style-type: none"> • Dry sludge 561.46 tons • Wet (not dried) sludge 522.54 tons 	Chemical treatment	hiring legal vendors to handle the waste
	D-0299 plastic mixture waste	51.69 tons	Incineration	hiring legal vendors to handle the waste
	D-1801 General industrial waste	203.47 tons	Incineration	hiring legal vendors to handle the waste
	D-2403 Activated Carbon waste	6.1 tons	Incineration	hiring legal vendors to handle the waste
Changhua Plant	D-299 plastic waste mixture	3.5 tons	Incineration	hiring legal vendors to handle the waste
	D-1801 General industrial waste	70.92 tons	Incineration	hiring legal vendors to handle the waste
	D-0801 fiber waste	16.8 tons	Incineration	hiring legal vendors to handle the waste
	D-2403 activated carbon waste	1.12 tons	Incineration	hiring legal vendors to handle the waste
	D-2403 wood waste mixture	94.7 tons	Incineration	hiring legal vendors to handle the waste

2.2.6 Environmental Protection Expenditure

1. Considering the regulatory and customer 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, 2009. They are testimonies of SDI's effective management on hazardous substance, compliance with the regulations and fulfilling customers' demands on green products.

2. Losses resulting from environmental pollution in the past year

Item	Pollution	Reprimanded Units	Fine
Year			
2017	None	None	None
Until April 30,2018	None	None	None

Response and Improvement Measures

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

Estimated environmental expenditures in the next two years

Year	Pollution prevention equipment to be purchased or expenditure details	Dollar Amount
2018	1.stewater treatment solution fee (maintenance fee) 2.ste disposal fee 3.spection application fee 4.r, land, and water pollution fees 5.provements near wastewater treatment plant	Approximately 25,000,000 NTD
2019	1.stewater treatment solution fee (maintenance fee) 2.ste disposal fee 3.spection application fee 4.r, land, and water pollution fees 5.mprovements near wastewater treatment plant	Approximately 22,380,000 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 potential 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 Issues Management Indicator Table

Item	Description	Goal	No. of event in 2017	Goals for 2017
Non-discrimination	Number of discrimination complaint cases	No cases of discrimination	Zero cases	0 件 0
Child labor	We have identified practices that are at high risk of leading to of child labor and practices that help eliminate child labor.	No child labor	0 件 0	0 件 0
Forced labor	We have identified practices that are at high risk of leading to forced and compulsory labor and practices that help eliminate forced and compulsory labor.	No cases of forced or compulsory labor	0 件 0	0 件 0

In 2017, SDI is dedicated to talent cultivation, selection, training, preserving, and the use of human resources in the company, and assist in the employment of suitable candidates, creating a friendly workplace, enhancing employee’s benefit. Also, we attended 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.



Main Material issues: Labor-employer relation, labor-management relations, occupational health and safety, training and education, non-discrimination, purchasing practices

Labor-employer relations, labor-management relations, respect for human rights, and non-discrimination

1. Policy: Harmony between the Employer and Employees, Respect for human rights, and creating a Win-Win Situation.
2. Commitment: Respect for human rights, increase profitability, enhance the employee welfare system, maintain harmony between the employer and employees, and maintain sustainable development of the company.
3. Objective: To achieve the profit target set by the company, respect human rights, and allocate welfare benefits according to the labor-management consensus to maintain a good interactive relationship.

Objective Items	Goals in 2017	Achievements in 2017	Goals in 2018	Goals in 2021
不歧視	0	0	0	0
使用童工	0	0	0	0
強迫勞動	0	0	0	0

4. Resources: Working together from top down.

5. Action:

1. The key performance indicators of the relevant departments are linked to the company's profitability ratio, and profit and reward assessment will be evaluated each quarter.
2. Provide correct and transparent information.
3. Conduct regular coordination and communication, and build good interaction.

6. Performance measurement: The operating performance (according to the financial statements) is compared with the target to evaluate the reward.

Applicability: General, Specific

Scope: within the organization, outside the organization

3.1.1 Employment Overview

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

At the end of 2017, there are 1,348 employees at SDI (all of whom are full-time employees as the company does not hire part-time staff). Female employees account for 30.27% while 70.73% are male employees, there is no part time worker; 76.04% are native workers and 23.96% are of foreign nationality.

Table 1: Percentage of SDI employees

	Changhua Plant	Nantou Plant	Total
Female	257 (19.07%)	151 (11.20%)	408 (30.27%)
Male	527 (39.09%)	413 (30.64%)	940 (70.73%)

Table 2: Percentage by gender and direct/indirect labor

	Direct labor		Indirect labor	
	Female	Male	Female	男性 Male
Changhua Plant	121 (8.98%)	252(18.69%)	136(10.09%)	275(20.40%)
Nantou Plant	116 (8.61%)	238(17.66%)	35 (2.60%)	175(12.98%)
Total	237(17.58%)	490(36.35%)	171(12.69%)	450(33.38%)

Table 3: Percentage by Education

	Direct labor		Indirect labor	
	Female	Male	Female	Male
Master's Degree and above	0 (0%)	1 (0.07%)	23 (1.71%)	111(8.23%)
Bachelor's Degree	72 (5.34%)	159 (11.8%)	83 (6.16%)	167(12.39%)
Junior College	52 (3.86%)	161(11.94%)	41 (3.04%)	118(8.75%)
Senior High and Vocational School	89 (6.60%)	130(9.65%)	23 (1.71%)	50 (3.71%)
Under Senior High and Vocational School	24 (1.78%)	39 (2.89%)	1 (0.07%)	4 (0.30%)
小計 Total	237(17.58%)	490(36.35%)	171(12.69%)	450(33.38%)

Table 4: Percentage of employees by contract type

		Female	Male
Fixed-term contract	General Contract	9 (0.67%)	2 (0.15%)
	Foreign labor	96 (7.12%)	227 (16.84%)
Non fixed-term contract (full time)		303 (22.48%)	711 (52.74%)

Table 5: Management positions by gender

Gender	Percentage of Supervisors
Female Supervisor	11.29%
Male Supervisor	88.71%

Table 6: New employees in 2015

	Direct labor			Indirect labor		
	Female	Male	Average	Female	Male	Average
Changhua Plant	<u>22</u> (1.63%)	<u>45</u> (3.34%)	<u>33.5</u> (2.49%)	<u>10</u> (0.74%)	<u>19</u> (1.41%)	<u>14.5</u> (1.08%)
Nantou Plant	<u>30</u> (2.23%)	<u>76</u> (5.64%)	<u>53</u> (3.93%)	<u>8</u> (0.59%)	<u>36</u> (2.67%)	<u>22</u> (1.63%)
Total	<u>52</u> (3.86%)	<u>121</u> (8.98%)	<u>86.5</u> (6.42%)	<u>18</u> (1.34%)	<u>55</u> (4.08%)	<u>36.5</u> (2.71%)

※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	<u>6</u> (0.45%)	<u>35</u> (2.60%)	<u>20.5</u> (1.52%)	<u>14</u> (1.04%)	<u>11</u> (0.82%)	<u>12.5</u> (0.93%)
Nantou Plant	<u>17</u> (1.26%)	<u>61</u> (4.53%)	<u>39</u> (2.89%)	<u>7</u> (0.52%)	<u>21</u> (1.56%)	<u>14</u> (1.04%)
Total	<u>23</u> (1.71%)	<u>96</u> (7.13%)	<u>59.5</u> (4.41%)	<u>22</u> (1.56%)	<u>32</u> (2.37%)	<u>26.5</u> (1.97%)

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

Table 8: Age Group of New and Outgoing Employees

Type	Age Groups/ New Employees				Age Group / Dismissed Employees			
Age Groups	Under 30 years of age	above 30 - Under 50 years of age	50 years of age and above	Subtotal	Under 30years of age	30 - Under 50 years of age	50 years of age and above	Subtotal
Number of employees	144	113	12	269	79	97	13	189

3.1.2 Enhanced Labor-management Relations

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 42 years have passed, all of SDI’s employees, (except foreign workers), are union members and SDI has enjoyed good labor-management relations. The Union holds annual meetings, and union representatives communicate directly with the top management of the company. The topics of the meetings include: salary, benefits, safety, health, etc.,and areas regarding safety and health are discussed at regularly in the Health and Occupational Committee. Furthermore, Union supervisors will hold regular meetings very month to discuss union operations and employee's health and safety issues; the latter topic takes up 50% of the total. Alternatively, if employees have any question that needs to be discussed with the company, they may consult with the company's union liason office at any time. Moreover, if any major changes are to take place in the company, the union must be notified six months in advance for negotiation/evaluation.

2. Institutionalization of Employee Rights

With efforts made by the Union, employee rights have become increasingly comprehensive. Labor-management relations have become close and harmonious with effective communication, making SDI an exemplary corporation. The Union has aggressively 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. ff mailbox and online suggestion board:

SDI wants to listen to employees' concerns. With mailboxes in the factories and an online suggestion page, anonymity is assured for employees leaving comments and feedback. 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 the middle of the month, contains recent corporate developments, 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.

SDI CORPORATION
順德抱e報
第九十四期
第九十期
發行日：2018.06.15

大家長的話

面對未來我們在內部的管理上應該應朝更加系統化的方式前進。公司的主管、業務、研發更多的向外搜集不同的訊息，以為部門及公司成長的動力。閉門造車是無法讓公司可以提升的，除此之外，每部門也要強化內控系統的建構，讓公司的管理更上一層樓。

活動剪貼簿

《工會教育訓練-車程及明運發電廠一日遊》

6/2工會於南投舉辦一日的勞工教育訓練。「電」對現代的人來說已是不可或缺的重要能源，故訓練活動首先是在明運發電廠了解其運作模式—抽蓄原理，利用核能電廠及火力發電廠於用電離峰時間所剩餘之電能，自下池將存水抽至上池（日月潭），在用電尖峰時間讓上池（日月潭）放水往下池來產生電能，如此循環利用將低價值之電力轉變為高價值之電力，是座具有環保概念的水力發電廠！當然我們也是要一起來實踐節能省電囉！

大家一起來瞭解發電廠運作原理吧！



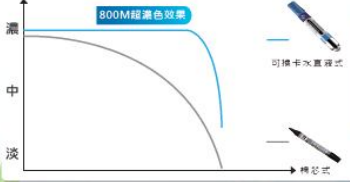
SDI CORPORATION -01-

第九十四期 發行日：2018.06.15 **順德抱e報**

順德豆知識
《白板筆的由來！》

最早的白板在的60年代由美國人Holt所發明，當時許多家庭的電腦房會準備一塊溝通板，用作來電腦或是家人閱讀應用。它有一塊光滑的板面，以及可用濕布擦掉字跡的邊框筆，但這種筆所寫的字並不容易擦除，擦拭後還會留下字痕，但這種在板上書寫困難的新興溝通方式，被沿用了商業領域：第一個乾擦式白板筆專利是由在 TechForm 實驗室工作的Jerry Wolf所發明，這支墨水專利在1975年轉賣給日本百樂，但第一支上市的白板筆是由美國Sanford於1976所推出的EXPO白板筆，初期推出黑藍紅綠四種顏色，並強調較沒有味道。

現今市場主流的產品中以直液式白板筆較受消費者青睞，我們用以下的圖表簡單說明直液式跟傳統供墨的最大差別，由下圖可以發現直液式白板筆可長時間提供高濃度的顯色效果。



SDI新上市白板筆結合了源自日本工藝的專業筆頭、便利的濃墨卡水以及連續穩定供墨等優勢，相較於一般白板筆，「直液替換式白板筆」將能在更遠的距離，提供超清晰、濃、順的視覺效果。

SDI 直液 濃墨顯色 容易擦試 輕鬆替換墨水匣

SDI新上市 直液 替換式白板筆

SDI CORPORATION -03-

3.1.4 Remuneration and Benefits

1. Recruitment, Retention and Prohibition of Child Labor

SDI follows its operational guidelines and objectives to recruit corporate talent. 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 work.

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

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, Complaints and Approaches 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 are members of trade unions.

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

- Be fully aware and comply with regulatory requirements and a create win-win and sustainable management within the regulatory scope.
- Conduct payroll surveys 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 a 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 contributions 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 2017, employee benefits (including salary, labor and health insurance, pension, and other personnel costs) totaled 1,060,193,000 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	4	6	9
Number of employees who return from parental leave without pay in 2015	3	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 leave in 2015 and stayed for one year	50%	67%	57%
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%
2016, Number of employees who returned	3	2	5

from parental leave in 2016 and remained with the company one later in 2016.			
Ratio of employees who returned from parental leave in 2016 and remained with the company one year later in 2016.	100%	100%	83%
Actual number of employees who applied for parental leave without pay in 2017	9	4	13
Number of employees who plan to return to work from parental leave without pay in 2017	7	5	12
Number of employees who returned to work from parental leave without pay in 2017	6	2	8
Percentage of employees who returned to work from parental leave without pay in 2017	85.7%	40%	66.7%

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 2016

Note 3: "Number of employees with plan to return in 2017" includes those who applied during 2015 to 2017 with return in 2017

Note 4: "Percentage of employees who returned in 2015" = Number of employees who returned in 2015 / Number of

Note 5: "Percentage of employees who returned in 2016" = Number of employees who returned in 2016 / Number of employees with plan to return in 2016

Note 6: "Percentage of employees who returned in 2017" = Number of employees who returned in 2017 / Number of employees with plan to return in 2017

Note 7: "Retention rate in 2015" = Number of employees who returned in 2015 and stayed for one year / Number of employees who returned in 2015

Note 8 "Retention rate in 2016" = Number of employees who returned in 2016 and stayed for one year / Number of employees who returned in 2016

Note #9: The 2017 annual report does not include statistics on the number of people on parental leave over the previous years.



Photos of lactation room



Photos of the Kindergarten

3.1.5 Diversified Training Programs

Talent Training Management Guidelines

1. Policy: Promote functional development, use operational effectiveness as an indicator, and cultivate talents so that they can grow with the company.
2. Commitment: Investigate the capabilities of various functions, and strengthen the abilities, knowledge, skills, attitudes and comprehensive development.
3. Objective: To establish a friendly learning environment, strengthen the ability and comprehensive development of knowledge, skills and attitudes.
4. Resources: Identify the capabilities of various functions and conduct budgeting to cultivate high-quality talent.

Objective Items	Goals in 2017	Achievements in 2017	Goals in 2018
Newly developed core courses	23	23	16
Newly developed core courses	8	8	8

5. Action:

1. Identify all abilities of various functions and arrange budgets to cultivate quality talent.
2. Contact a professional training organization for assistance.
3. Regularly assess training effectiveness and compliance with functional requirements.

6. Performance measurement:

Applicability: General, Specific

Scope: within the organization, outside the organization

1. Staff Training and Development

Employees are SDI’s most valuable asset and quality staff is what has kept 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 employee cultivation 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 training that will enhance employees’ basic skills to develop a more sophisticated system that analyzes according to the duties of each position in each department.

Table 1: Costs of Staff Training Unit: NTD

Year	2014	2015	2016	2017
Training Costs	2,573,743	2,950,913	3,230,716	4,027,119

Table 2 : Number of Man hours of Training for Employees

Year	Category	In-class courses	Online courses	Total
2014	Hours	5,746 Hours	765.4 Hours	6,511.4 Hours
	Persons	1,439 person	1,773 person	3,212 person
2015	Hours	6,392 Hours	823.4 Hours	7,214.9 Hours
	Persons	1,146 person	1,784 person	2,930 person
2016	Hours	14,101.5 Hours	877 Hours	14,978.5 Hours
	Persons	1,987 person	1,954 person	3,941 person
2017	Hours	12,956 hours	1,363.1 Hours	14,319.1 Hours
	Persons	2,388 person	2,841 person	5,229 person

(Note: Training hours were not logged by gender or subject in 2018 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 follows:

Table 3: Hours of Online Courses (Total) Unit: Number of Courses

Year	2014	2015	2016	2017
Number of Online Courses	144	156	164	172

4. Enhancing international communication skills

In overall business revenue, overseas sales accounts for 88% of the total, (The Electronics Group even reached 93%). In order to connect with international trends and respond to customer 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.

Table 4: Number of company "know-how" documents

Year	2014	2015	2016	2017
Number of Documents	1,879	1,337	1,370	1,588

6. Combining staff improvement with promotion

In addition to provide skill improvement training and in order to motivate staff to grow and 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 needs 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 award . The government recognition is a vote of confidence for SDI's continuous dedication to training corporate talent.

9. SDI provides courses covering diverse subjects.





10. Employee Education and Training

Employees are the most important asset of a company. To enhance employees' intelligence on the job, quality of human resources, 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 2017

Items	Total	Annual individual average
Hours of training	14319.1 Hours	14.33 Hours
attendees	4027 Thousand NTDs	4.03 Thousand NTDs
Costs	14319.1 Hours	14.33 Hours

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

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

*3 Average number of training hours per person = number of training hours / number of employees (1,348).

*4. Average annual number of attendances per employee = number of attendances / number of employees.

*5 Calculation of attendance does not include part-time workers.

*6. The 2017 report did not disclose gender and category. The 2018 report is scheduled to disclose gender and category.

Course statistics by subject in 2017

Category	Hours in 2017	Percentage of 2017
Human resources, Administration	4,309	30.09%
Marketing	316	2.21%
Information managemetn	427	2.98%
Finance, Accounting	1,334	9.32%
Quality assurance	5,650	39.46%
Production managemen	1,258	8.79%
Research and Development	559	3.90%
Business management	128	0.89%
Others (include Language)	338	2.36%
Totle	14,319	100.00%

Note: Due to the strengthening of quality system management in 2017, quality assurance courses thus accounted for a higher proportion of training.

3.1.6 Workplace harmony

1. Occupational Health and Safety

(1) As the industry structure changes, the issues of labor health and safety are no longer confined to certain fields. 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 factors that might cause injury or even death among workers 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 procedures and protection as well as sound employee training, education and health checkups to minimize occupational hazards and accidents and achieve the ultimate goal of a “hazard free, worry free” workplace.

(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

Occupational Safety and Health Management Guidelines
 Policy: Compliance with regulations and disaster prevention.
 Commitment: Fully understand the regulations and continuously make improvements.
 Objective: To comply with relevant laws and regulations, zero violations of work safety rules, and zero work safety disasters.

Objective Items	Goals in 2017	Achievements in 2017	Goals in 2018	Goals in 2021
Major occupational disasters	0	1	0	0


Resources: The project plan and budget shall be set by the dedicated unit.
 Action:
 1. Fix the budget and execute the plan according to occupational safety and health management policy.
 2. Supervise and check the implementation of safety and health management by all units.
 3. Regularly review performance and timely adjust the plans.
 4. Use safety and health management experience to assist SMEs in disaster prevention and management.
 Supervision and measurement: The competent authority checks relevant statistics and internal statistics of the company.
 Applicability: general, specific
 Scope: within the organization, outside the organization

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-employment physical and labor health and safety educational training are provided to all new employees. For employees in service, 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. 833 person participated received health checkup provided by the SDI in 2016, 257

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 hazards 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 audits. SDI also commissions British Standards Institution (BSI) to conduct an 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 (2017.9.4~2017.9.7). It is SDI's goal to achieve zero workplace hazards.



Certificate of Registration


OCCUPATIONAL HEALTH & SAFETY MANAGEMENT SYSTEM

This is to certify that:

SDI Corporation 260 Sec. 2, Chang Nan Road Changhua Changhua County 500 Taiwan	增進工業股份有限公司 臺灣 彰化縣 彰化市大村里 彰南路2段 260號 500
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Holds Certificate No: **OHS 578030**
and operates an Occupational Health and Safety Management System which complies with the requirements of BS OHSAS 18001:2007 for the following scope:

The manufacture of semiconductor lead frame and stationery.
半導體導線架和文具的製造




By Royal Charter

Certificate No: **OHS 578030**

<p>Location</p> <p>SDI Corporation 260 Sec. 2, Chang Nan Road Changhua Changhua County 500 Taiwan 增進工業股份有限公司 臺灣 彰化縣 彰化市大村里 彰南路2段 260號 500</p>	<p>Registered Activities</p> <p>The manufacture of semiconductor lead frame and stationery.</p>
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<p>SDI Corporation 323, Cheng Kung 3rd Road Nan Kang Industrial District Nan-Tou Nantou County 50087 Taiwan 增進工業股份有限公司 臺灣 南投縣 南投市 南崗工業區 成功3路323號 50087</p>	<p>The manufacture of semiconductor lead frame and stationery.</p>
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For and on behalf of BSI:


 Chris Cheung, Head of Compliance & Risk - Asia Pacific

Original Registration Date: 2007-05-11 Effective Date: 2017-09-28
 Latest Revision Date: 2017-09-15 Expiry Date: 2020-09-27

Page: 1 of 2



...making excellence a habit™

Original Registration Date: 2007-05-11 Effective Date: 2017-09-28
 Latest Revision Date: 2017-09-15 Expiry Date: 2020-09-27

Page: 2 of 2

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Taiwan Headquarters: 5th Floor, No.25, 8-Hu Rd., Nei-Hu Dist., Taipei 114, Taiwan, R.O.C. A Member of the BSI Group of Companies.

(4) SDI adopts preventive measures for occupational injuries by correcting the root causes, thus implementing safety and health management to avoid these incidents being repeated. The following are the 2017 statistics on environmental health and safety indicators as required by the environmental health and safety management system:

Item (Gender)	FR: Disabling Injury Frequency Rate	SR: Disabling Injury Severity Rate	Occupational Disease Rate	Number of Deaths Resulting from Occupational Injury	Lost Day Rate	Absence rate
Male	1.5	15	0	0	3.18	2.08
Female	0.34	6	0	0	1.48	4.40

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

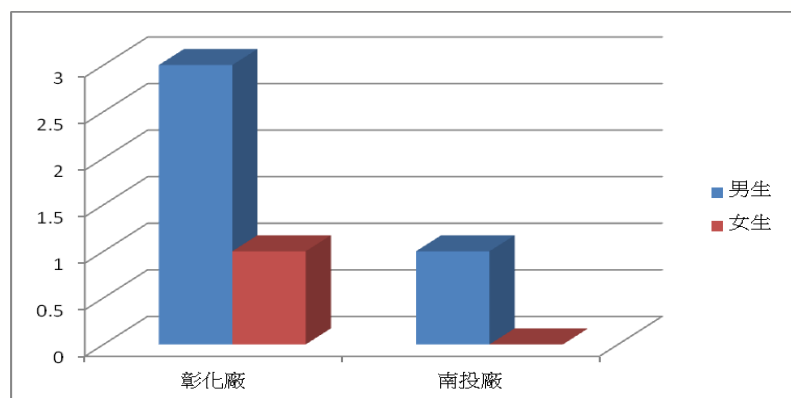
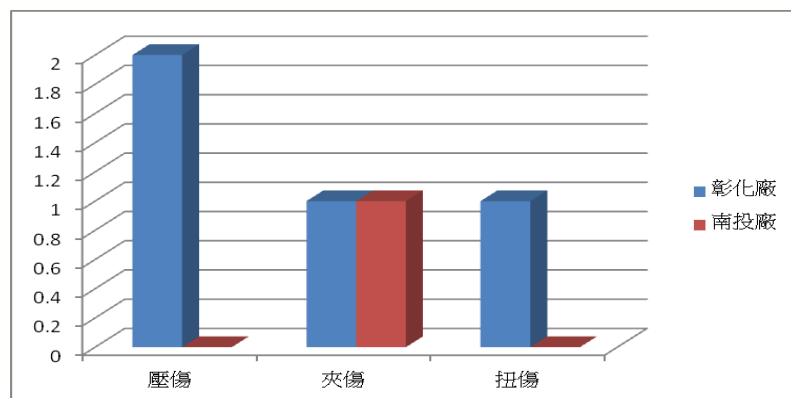
*2 Disabling Injury Severity Rate (SR) = (Number of days lost * 10⁶) / Total person-work hours

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

*4. Working Days Lost due to Workplace Injury (LDR) = work loss days in total (days) X 200,000 ÷ by the Total number work hours

*5. Rate of Absence = days of absence / (number of employees * number of working days in the year) * 100% (including occupational injury, sick leave, and other types of leave).

*6. Traffic accidents are not included in the statistics.



Other contractors (workers): 2017

Item	IR (Damage rate)	Number of work-related deaths	Remarks
Factory			
Male	0	0	
Female	0	0	

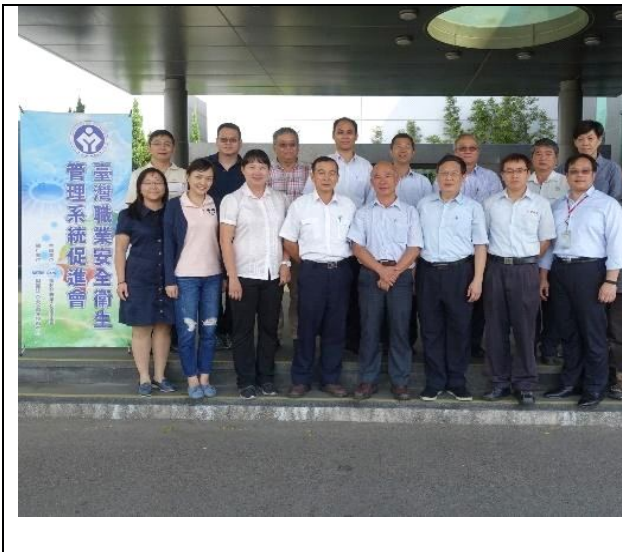
(5) For the “Occupational Safety and Health” plan by the Occupational Safety and Health Administration, Ministry of Labor: In 2017, in Changhua County, SDI served as the core corporation with 20 small and medium enterprises named as the “SDI Family,” after the core corporation with the meaning of “following ethics” (shun de), meaning that the SDI Family will, combined with concerted efforts from the family of companies create the best possible safety, health, and comfort in the workplace.

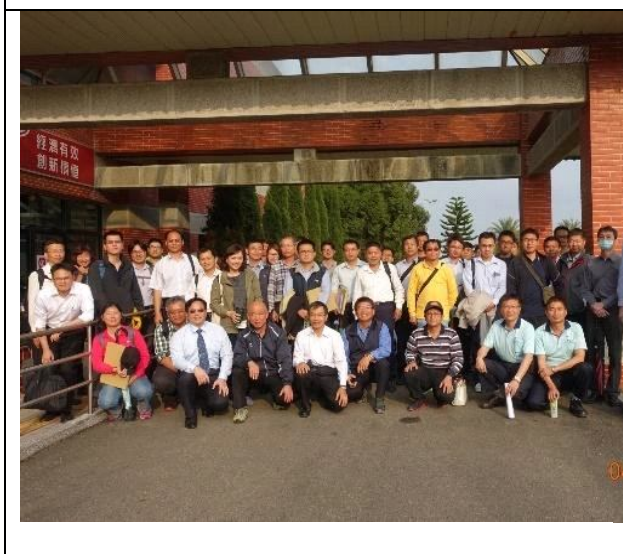
2017 is the first year of this event, we invited company members of the family to participate in the training course on “ Practical Manufacturing Hazard Prevention Management ” to enhance the awareness of work safety improvement, and establish a safety and hygiene self-management mechanism. Through the 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 northern, central, and southern 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. While on the other hand, 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 regulations stipulate that the committee meeting shall be held quarterly. In 2017, the meetings were held on March 31, June 30, September 29 and December 27. A minimum of 2/3 of the committee members must be present. Motions require 50% of the votes 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 relations projects.

(8) Retirement Association

To take care of the lives 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, gratitude and blessings 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 retired life.



Retirement Association Representative Meeting 2017

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 and exploitive sexual harassment, through gesture, language or physical contact. We hereby respect the human rights that all workers at SDI deserve.

3.2 Products and Services for customers

- In each stage of the product design process, health and safety, product and service labeling, marketing communication, customer privacy, and compliance aspects go through stringent evaluation and improvement. SDI also controls the percentage of key products

and services that go through such processes.

- 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 safe products. After stringent testing 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, pay regular visits to customers, and conduct surveys, establishing effective partnerships. We have also established trade secret management regulations to protect customer privacy and prevent the disclosure, theft, or loss of customer information.

Main Topics: Health and safety for clients, product and service labeling, marketing communications, client privacy, legal compliance.

Product Safety and Service Mark Management Guidelines

1. Policy: The product labeling must be honest, correct, clear and complete.
2. Commitment: Clear marking is required according to the actual nature of the product and customer requirements.
3. Objective: To comply with product labeling regulations and implement customer privacy protection.

Objective Items	Goals in 2017	Achievements in 2017	Goals in 2018	Goals in 2021
Product labeling violations	5	1	0	0

4. Resources: Specialized units shall provide information and implement marking according to the requirements of consumers (including customers).
 5. Action:
 1. The product shall clearly indicate safe use instructions.
 2. When the customer provides the information, confirm the labeling requirements of the customer (including the consumer).
 3. Shipment shall be clearly marked according to the nature of relevant products.
 6. Performance measurement:
 1. The organization information and the type of product and service information identified according to labeling process, and the percentage of important products and service categories that need to meet this information requirements.
 2. Violation of the product labeling regulations.
 3. Results of the customer satisfaction survey.
- Applicability: general, specific
 Scope: within the organization, outside the organization

3.2.1 Product Responsibility Management Guidelines

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 in which the products can be sold. SDI's product design has obtained international certifications, including RoHS and REACH, which places limitations on the use of harmful substances, CE marking 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 an international reputation.

SDI's Product Product Application for International Verification.

3.2.2 Reducing Packaging Materials, Using Environment-friendly Materials

The packaging used for our stationary products not only highlights brand recognition and product information, but also at the same time insures that products are well protected, safe for the consumer and pleasing to the eye. In addition, we take into account that consumers may dispose of product packaging, thus impacting the environment. Therefore, we constantly strive to attain the three R's, (Reduce, Recycle, Reuse) when designing the product packaging:

Reduce: (use less) develop product packaging of reasonable size and strength.

Reuse: (Reuse waste materials) Make the best use of product packaging to maximize the reuse value.

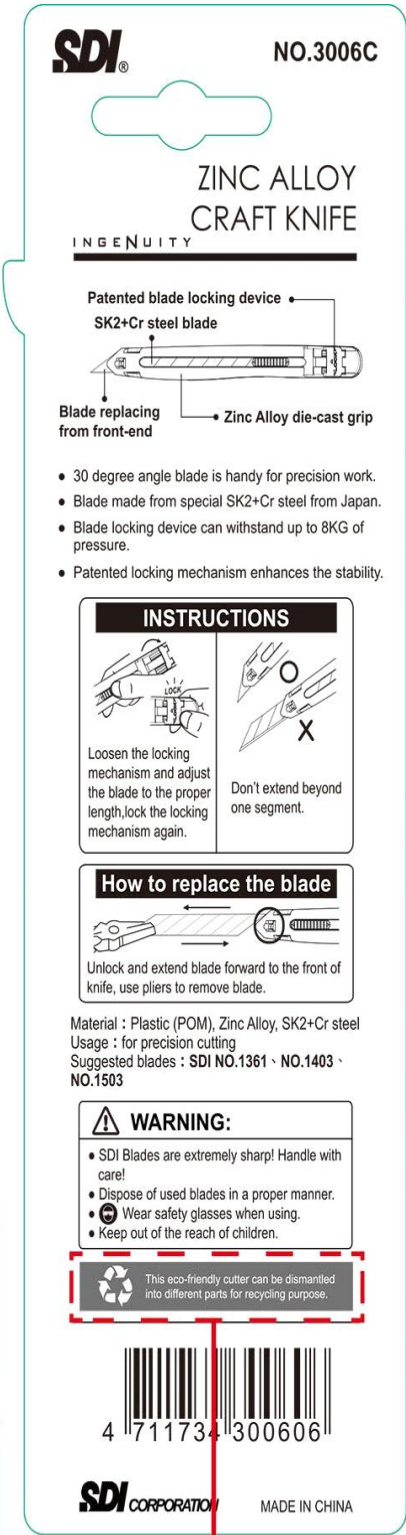
Recycle: (Recycle into something else) Use recycled materials without compromising the quality of packaging and product protection.

•
The issue of continuous improvement of packaging materials is a long term, on-going policy for SDI. At present, we are conducting an assessment of paper suppliers to see if their materials meet the requirements of Forest Stewardship Council (FSC), or the Programme for the Endorsement of Forest Certification (PEFC). As for printing inks on the packaging materials, we require low-volatility inks and in the future we plan to select inks that meet the standards of the American Soybean Association for Soy Ink, to minimize the environmental impact of packaging materials. The company will actively pay attention to environmental issues, actively shoulder the responsibilities and duties of a global citizen to constantly meet company objectives. In the future, we will continue to design environmentally friendly and sustainable packaging.



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。

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。



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



SDI CORPORATION MADE IN CHINA

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

3.2.3 Customer Relations

1. Customer Satisfaction Management Guidelines in 2017

- (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 products. SDI has established an image of high quality among customers 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, complying with rushed orders, service attitude of sales personnel, handling of customer complaints, and efficiency in responding to messages.
- (3). Customer satisfaction management system: For surveys on customer satisfaction, SDI has dedicated personnel for regularly surveying and assessing customer satisfaction based on our Customer Service Management Procedure and then reporting the results to management . The criteria for reaching the below standards are passed onto related supervisors and employees 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

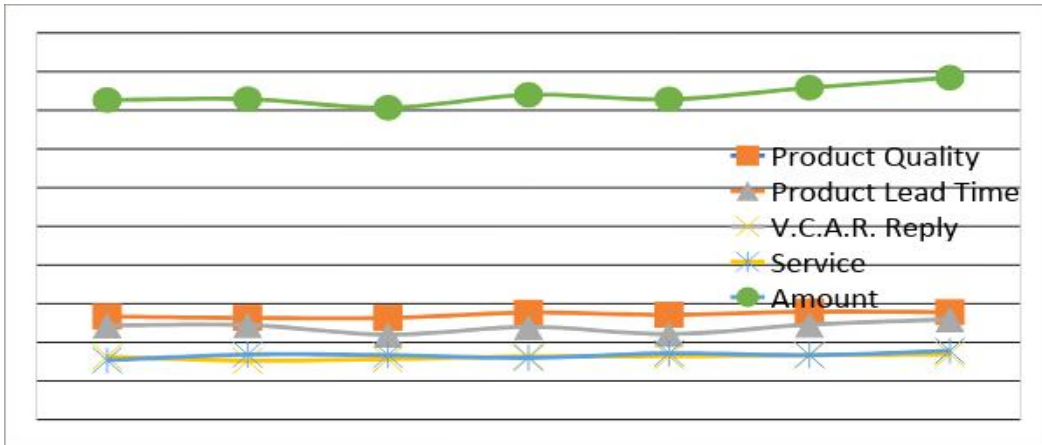
- (1). Customer satisfaction surveys are one way to communicate with customers and they also serve to understand customer needs in order to establish a customer-oriented quality assurance system and corporate philosophy. An annual survey is conducted for the top 20 customers with the highest sales figures. 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

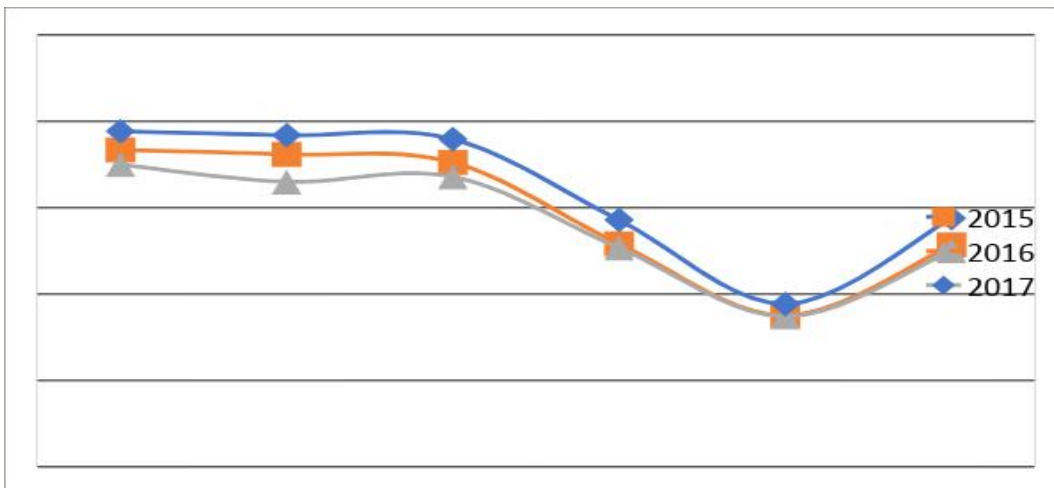
Service	Business Unit
---------	---------------

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

Export: The following is the statistical record of customer satisfaction assessment from 2010 to 2017.



Domestic sales: The following is the record of customer satisfaction assessment from 2015 to 2017.



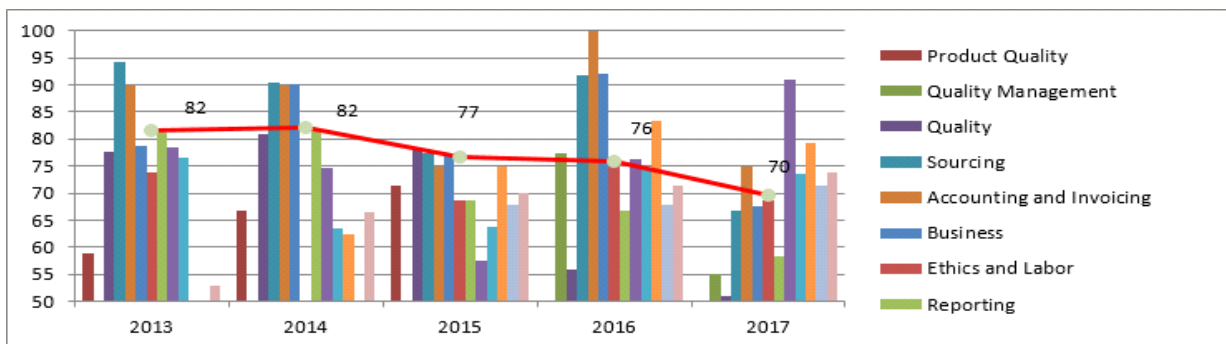
客訴	Customer complaint
品質	Quality
交期	Delivery
訂單處理	Processing of orders
電話接待	Telephone reception
業務服務	Sales services

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 surveys and records on business trips and visits. The operation time and unit in charge is different by the category of content.

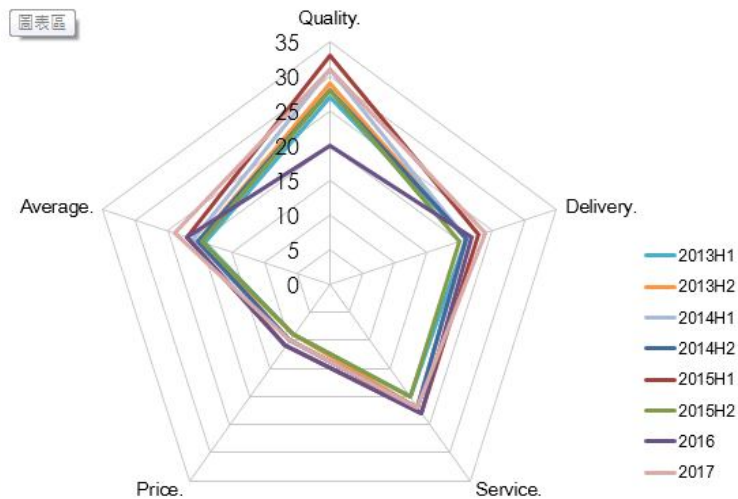
Task	Frequency	Responsible Unit
Supplier Evaluation	From time to time	Quality Assurance Unit
Customer Audit	From time to time	Quality Assurance Unit
Customer Satisfaction Survey	Every 6 months	Business/ Quality Assurance Unit
Record on Business Visit	Periodically	Business Unit

- (3). When customers evaluate SDI, SDI will inquire about the results and review its performance as well as past company data to make improvements based on customer' 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 customers 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 responses. 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 2013 to 2017

(customer A is one of SDI's customer)



- (5). SDI surveys customers 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 customer.

<Results of customer satisfaction survey from 2013 to 2017>

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

- (6). BEST of the BEST: The highest honor bestowed by Infineon Technologies AG

At the Infineon Technologies AG' Supplier's Party was held in November 2017, SDI won the highest honor, "BEST of the BEST", and stood out among all the material suppliers. Mr. Chen Weide, VP of the Electronics-business group was there for the award, and affirmed to SDI that SDI has won the 'BEST of the BEST' Award for two consecutive years, due to the high demand ratio of Infineon's automotive products, thus reaffirming SDI's high standards in quality, delivery and service.



(7). Best Supplier Award for the Lead Frame Category from ST Microelectronics:

In 2017, SDI was awarded and recognized as the 'Best Supplier in the lead frame category for 2016' by ST Microelectronics, thus reaffirming our high quality service. The foremost responsibility of SDI is to foster cooperation through long term relationships with customers and SDI strives to meet customer requirements in terms of quality, price, delivery and providing all round quality service. Since cooperation began in 2002, SDI has won the best supplier award many times and has won many affirmations from ST Micro electronics Group. In the future, SDI will strive for excellence and to continuously improve its services. We also expect to closely cooperate with ST Microelectronics and form a lasting partnership.



3.2.4 Privacy Protection for Customers

1. For the protection of customer 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. This information cannot be used for seeking personal gain, or running a similar business, nor giving this 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 reflects the level of sensitivity of the information in question.
- The protection of customer' privacy is regulated with external laws and by management hierarchy. For external measures, SDI signs mutual confidentiality agreements with customers regarding all information related to the customers' 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 customers to enhance the protection of their' privacy and intellectual property. Such protection is an integral part of SDI as a manufacturing service provider.

3. In terms of management hierarchy, all information related to customers is processed and managed with stringent systems. For instance, in the disclosure of product plans, for personnel who are not contacts for the customer 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 various 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 customer secrets. By combining external and internal measures, SDI effectively protects customer privacy. In the history of SDI's electronics business, there has been no disclosure, theft, or loss of customer information that resulted in a complaint.

Customer privacy management Guidelines.

- 1. Policy: Respect intellectual property rights and privacy protection.
- 2. Commitment: Respect intellectual property rights and be responsible for the protection of customer privacy.
- 3. Objective: Zero customer privacy breaches.

Objective Items	Goals in 2017	Achievements in 2017	Goals in 2018	Goals in 2021
Customer privacy breaches	0	0	0	0

- 4. Resources: From top to bottom, all members work together.
 - 5. Action:
 - 1. Regularly review customer privacy breaches.
 - 2. Provide unobstructed complaints or reporting channels.
 - 3. Formulate relevant preventive measures.
 - 6. Performance measurement: Regularly review if customer complaints occur.
- Applicability: general, specific
- Scope: within the organization, outside the organization

3.3 Supplier Relations

3.3.1 Green Supply Chain and Contractor Management

Purchasing management Guidelines

1. Policy: Establish the spirit of supply chain management, jointly develop the economy and take care of the responsibility of doing good for society.
2. Commitment: Suppliers are the most important business partners, and the company shall establish long-term cooperative relationships with them for the ultimate goal of sustainable development.
3. Objective: To establish, manage and maintain supply chain partnerships, to provide raw materials in line with the company's needs.

Target project Goals in 2017 Achievements in 2017 Goals in 2018 Goals in 2021
Unqualified supplier ratio 0 0 0 0

Objective Items	Goals in 2017	Achievements in 2017	Goals in 2018	Goals in 2021
Unqualified supplier ratio	0	0	0	0

4. Resources: The procurement budget is set according to the customer's product requirements.

5. Action:

1. Conduct supplier evaluations on a regular basis and provide necessary assistance to establish long-term relationships and promote sustainable operations.
2. Purchase local products to meet the requirements of finished products and quality.
3. Comply with customer requirements. It is forbidden to purchase goods that violate customer requirements.

6. Performance measurement: Conduct monitoring depending on the quantity and proportion of the purchases, and conduct supplier evaluation as well.

Applicability: General, Specific

Scope: within the organization, outside the organization

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 customers 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.

Main raw materials procured by SDI (in tons) and renewable rate (%)				
Type / year	2015	2016	2017	Renewable rate (%)
Copper	10,030	12,776	14,458	Approx. 45%
Steel and iron	343	575	350	Approx. 40%
Plastics	113	100	80	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 benefit 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 2015 to 2017:

Area	2015 (%)	2016 (%)	2017 (%)
China	18.28%	19.8%	12.88
Japan (Note)	47.10%	43.67%	51.59
Taiwan	24.69%	31.91%	29.01
Other	0.46%	0.39%	0.2
Singapore	3.27%	4.23%	3.57
Europe	6.19%	--	2.75
TOTAL :	100.00%	100.00%	100.00%

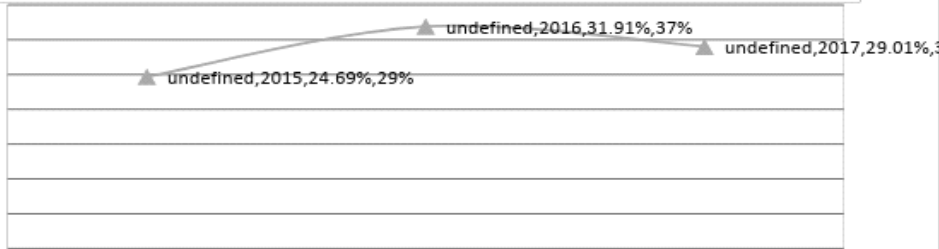
Note:

- 1) The main direct raw material used in SDI lead frames are made from copper. Most international copper manufacturers are based in Japan, have good quality and therefore the ratio of purchases from Japanese firms is quite high.
- 2) Most of the materials used in SDI lead frames are from customer approved suppliers and their materials originate in Japan.
- 3) The transportation of materials from Japan to Taiwan is more convenient than those from Europe. Therefore, if quality copper is to be purchased overseas, Japanese copper is a priority.

3. Local supplier purchase ratio:

SDI attaches great importance to enhancing its competitiveness, keeping abreast of economic developments in Taiwan and upholding the principle of loving Taiwan. The company also actively implemented the, "Ploughing deep roots in Taiwan", project and to the utmost supporting home-grown industry as a priority source for the purchase of direct materials. The following are SDI's purchasing ratios of direct materials from Taiwan from 2015~17, ranging from 24.69~31.91%.

Percentages of SDI's direct material procurement in Taiwan from



3.3.2 Supplier Evaluation Management

1. Description of supplier management system

To implement procurement risk management and meet customer 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.

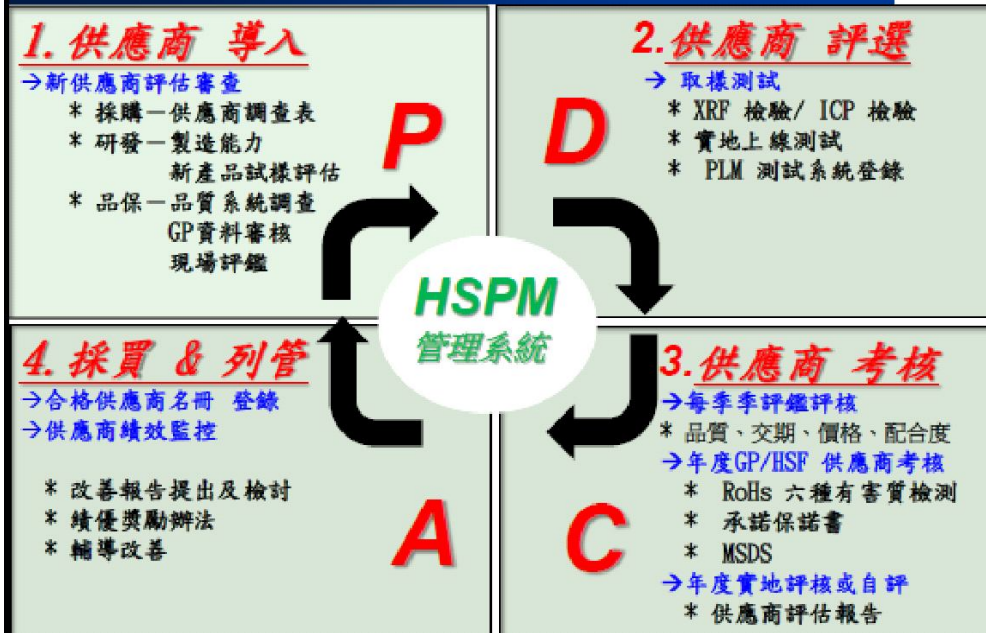


供應商管理系統	Supplier management system
1. 開發	Development
2. 認證	Verification
3. 採購	Procurement
4. 管理評核	Management and evaluation
5. 持續改善	Continuous improvement
1.1 情報收集	Collecting information
1.2 尋訪 & 調查	Search and investigation
1.3 初步評估	Preliminary assessment
1.4 供應商導入	Introduction of supplier
2.1 資格審查	Qualification 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)



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
GP 資料審核	GP data audit
現場評鑑	On-site evaluations
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
3. 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
MSDS	Material Safety Data Sheet
→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 a 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 strong trade partnerships with them 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 2015

Year-end party 2016

Year-end party 2017

Public commendation of outstanding suppliers in 2015, 2016, and 2017.

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 passed the renewal review and verification procedures on December 13, 2017. (The certificate is valid until December 12, 2019), to allows us to qualify for preferential measures, and by way of international mutual recognition becoming an integral part of logistics safety supply chain, accelerating customs clearance to boost the company's competitiveness.



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

Committed to this cause for ten years and still going strong, SDI aims to expand the social responsibility service.

- Since the founding of SDI Charity Foundation ten years ago, SDI has endeavored to support charitable organizations in the Changhua area, cultivated relationships with local communities and schools, provided care for the disadvantaged groups and community residents. Now with what we have accomplished in the past ten years, we intend to spread our love farther and expand our charitable works into the Nantou area.
- SDI was established more than sixty years ago and has gradually moved towards its goal of becoming a century-old enterprise. Understanding deeply about the importance of sustainable growth, SDI established the SDI Charity Foundation in 2007. For the past

ten years, the company has focused its effort in assisting the disadvantaged and talent training through educational programs the Changhua area, to fulfill its social obligations.

- In 2017, the Foundation announced the establishment of the Nantou Branch to expand the area covered by our charity and usher in the 10th anniversary of the program. In fact, the company has engaged in industry-university cooperation with Nantou schools for many years, and actively co-organized local charity events. In addition to committing more resources for service and care for the disadvantaged in the local area, the decision in setting up a branch office also facilitates the providing of complete service nearby.

2. Working together to support the disadvantaged

For many years, with empathy and care, SDI has reached out to the disabled and elderly living in the charity institutions in Changhua. Such as Sheng-Jyh special education center, TszAi Nursing Home, Joyce Nursing Home, and the Hondao Foundation. Our support is based on the needs of the institutions, providing funds to purchase or renew rehabilitation equipment or living appliances, to improve activity, ability and quality of living; or to use in training caring personnel, purchase IT equipment to improve quality and efficiency of care. Take the program to expand rehabilitation equipment at the HAPPY CHRISTIAN HOME (HCH) in 2016 as an example. SDI sponsored the purchase of 3 vertical rhythm devices for wheelchairs, enabling HCH to provide the vertical rhythm course for nearly 240 mentally handicapped people in Erlin and Wanhe. This course is adapted for indoors to achieve full-body exercise without increasing the cardiopulmonary burden. It can effectively help cerebral palsy patients, or the wheelchair bound, reduce bodily shaking, improve balance, and prevent self-injuries. It can also improve gastrointestinal conditions, so that people with reduced mobility are no longer suffering from constipation. What is even more worth mentioning is that SDI employees were also swept up by the love of the foundation, responding strongly to the bead-making class held by the Erlin Office of the Family Support Center in 2017. The charity sale held in April 2017 hit a record high, topping all previous single-sale events achieved by the service office, showing that the spirit of love and giving back to the society have been deeply rooted in the hearts of all the staff of the company.



Donate wheelchair vertical vibration devices to the Joyce Nursing home.

3. Committed to community service by providing free breakfast to underprivileged children. The SDI Corporation is located at Da Zhu Li. Over the years, we have created jobs for the local people, participated in social benefit activities and helped local economic development; Also we actively join the community in landscaping, beautifying the 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 poor students every year. From 2015 onwards, SDI supported the “Saving the children in poverty, breakfast service” conducted by the World Peace Association to sponsor breakfast for 21 minority children, giving stationary, and helping them growing and learning.



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

4. Stage extravaganza giving back to the community, and working together in creating a beautiful society

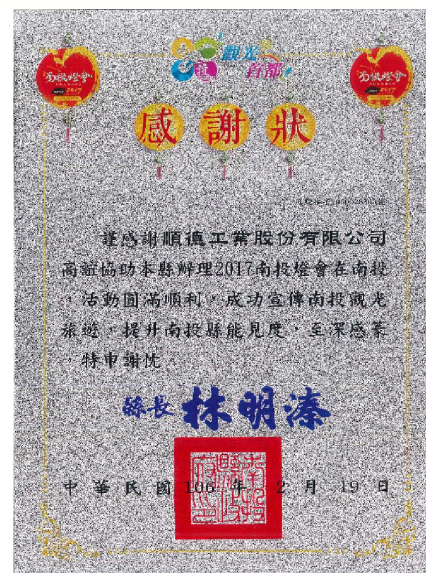
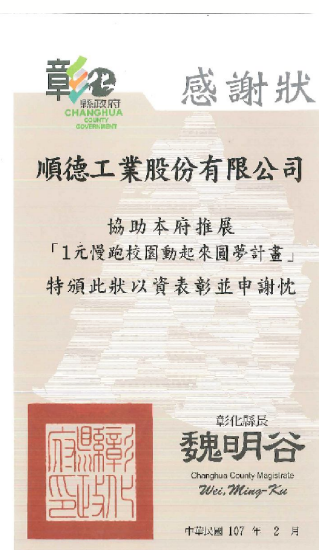


In addition to caring for the underprivileged and managing community relations, SDI also participates and promotes gender issues, and sponsored the “Let's Go Away”, a fundraising concert held by the "Garden of Hope Foundation" in Changhua. Through artistic performances, SDI called upon the attention of local people and people from all walks of life to focus on domestic violence and sexual assault, and encouraged actual participation, and assisting in its prevention. Similarly, hoping to enlist the help of high-quality artistic performance, SDI also invited the famous children's troupe 'Paper Windmill 'to Changhua to perform the classic drama "Wu Song Fights Tiger" on March 11, 2017. On that day, both adults and children in the

audience very much enjoyed the professional, and abundantly creative singing and dancing stunts of the performance, of which the humorous plot implies beautiful thoughts, along with concept in nature and conservation. This presentation also served as a celebration of the 10th anniversary of SDI Charity Foundation. It is hoped that everyone shall work with SDI, to be grateful and continue to do their best, to create a better social environment.

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 (For example: SDI donated 500 fire alarms to Changhua County Fire Department in 2018; assisted the Changhua County Government in promoting the "one dollar jogging on campus, campus on the Go, a making-your-dream-come-true" program and sponsored the Nantou County Government Lantern Festival.), 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 2017, SDI's community charitable contributions totaled 1.52 million NTD.

2. Clapping Park in Da-Chu Community

SDI is located on the east of Da-Zhu Li. In addition to creating jobs for the local people and helping 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 support of SDI industries, the park was completed in 2016. "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 to be driven away by clapping ." The most special part about the park is how design of stationery is merged with the park's facilities. Such facilities include binder clip benches, tape dispenser chairs, staple wood foot rests, bookend horizontal bars, pen rest balance beams, and other ergonomic designs. There are also compass flowerbeds and tape measures, red brick paths. The Clapping Park is popular among local residents and has won the Bronze Prize in the "Changhua, Nantou, Yunlin, and Chiayi agricultural village renewal program" awarded by the Council of Agriculture. At present, SDI continues to care for plants and trees to maintain the landscape, and provide locals a recreational area.



Photo of the Clapping Park

Appendix 1: Index for Global Reporting Initiative (GRI)

General Standard Disclosures

Types of Material issues	document serial No.	GRI Indicators content	Report chapter	Page number	notes	External guarantee
1.Overview of Organization						
GRI 102 2016	GRI 102-1	Name of organization	1.1.1 About SDI industries	8		
	GRI 102-2	Organization's Events, brands, products and services	1.1.2 Organization's Major brands, products and services	11		
	GRI 102-3	Headquarters location	1.1.1 About SDI industries	8		
	GRI 102-4	Base of operations	1.1.1 About SDI industries	8		
	GRI 102-5	Ownership and legal structure	1.1.1 About SDI industries	8		
	GRI 102-6	Markets served	1.1.2 Organization's major brands, products and services	11		
	GRI 102-7	Scale of organization	1.1.1 About SDI industries	8		
	GRI 102-8	Information about employees and other categories of workers	3.1.1 Employment of Manpower Overview	71		
	GRI 102-9	Organization's Supply chain	3.3.1 Organization's Green supply chain and contractor management	102		
	GRI 102-10	Major changes in the company's organization and its supply chain	No major changes in Organization during the reporting period			
	GRI 102-11	Precautionary principles or approach	1.3 Organization's Risk assessment and crisis management	40		
	GRI 102-12	Organizations's External initiatives	1.2.3 Organization's External organization participation	40		
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Corporate Governance						
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Communication with Stakeholders						
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	GRI 102-41	Group agreements	3.1.2 Balanced employer-employee relations	73		
	GRI 102-42	The Identification and selection of stakeholders of	1.2.1 Stakeholders and Identification of Material issues	31		
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	GRI 102-44	Key Material Issues and concerns raised	1.2.2 Identification of Material issues	36		
Disclosure Practices						
GRI 102	GRI 102-	Consolidate entities	1.1.3 Financial performance	19		

2016	45	included in financial statements.				
	GRI 102-46	Define report content and material issues boundary.	About this disclosure report	3		
	GRI 102-47	List of material issues	About this disclosure report	3		
	GRI 102-48	Information re-edit	This disclosure report has not been rewritten.			
	GRI 102-49	Disclosure Reporting changes	The scope and materials issue boundary of this disclosure report have not changed significantly			
	GRI 102-50	Disclosure Reporting cycle	About this disclosure report	3		
	GRI 102-51	Date of the last disclosure report	About this disclosure report	3		
	GRI 102-52	Reporting cycle	About this disclosure report	3		
	GRI 102-53	Contact point for questions regarding the disclosure report	About this disclosure report	3		
	GRI 102-54	Self Declaration in accordance with GRI guidelines	About this disclosure report	3		
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	GRI 102-56	Organization's External assurance /	About this disclosure report	3		
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	GRI 103-3	Management Approach Assessment	Disclosure of Material Issues			

Specific Standard Disclosures




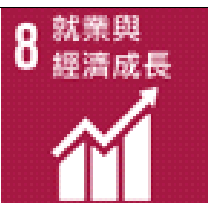


Types/Material issues	Document No.	GRI Indicators contents	Report chapter	Page No.	notes	External guarantees
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		Where the plan's liabilities are met by the organization's general resources, report the estimated value of those liabilities.	1.1.3 Financial Performance	19		
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	GRI 305-2	Indirect (Category B) Greenhouse Gas Emissions from Energy use	2.1 Energy Conservation and Management	48		
	GRI 305-7	Nitrogen oxides (NOX), sulphur oxides (SOX) and other large gas emissions	2.2.5 Pollution Discharge and Control	59		ISO 14001
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	GRI 402-1	Minimum advance notice period for operational changes	3.1.2 Enhanced Labor-management Relation	73		
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	GRI 403-1	Representative of the safety and health committee	3.1.6 Workplace harmony	85		OHSAS 18001

		comprised of employer and employees				
	GRI 403-2	Type of injury, injury, occupational illness, number of lost work days, absenteeism, and number of job-related deaths.	3.1.6 Workplace harmony	85		OHSAS 18001
	GRI 403-4	Health and safety related issues covered by a formal union agreement.	3.1.6 Workplace harmony	85		OHSAS 18001
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	GRI 404-1	Average number of training hours for each employees per year	3.1.5 Diversified Training Programs	79		
	GRI 404-2	Program to enhance staff skills and abilities	3.1.5 Diversified Training Programs	79		
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	GRI 406-1	Incidents of discrimination and corrective actions taken by the organization	3.1 The SDI Family	69		
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	GRI 419-1	Violations of laws and regulations regarding social and economic areas	1.4.2 Compliance with Domestic Laws and Regulations	45		

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 Foundatio
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

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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

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