

SDI Corporation

2019 SDI Corporate Social Responsibility Report



Directory

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About the Report

Report Overview

The subjects presented in this report are derived from discussions within the SDI's CSR task force and surveys on issues most concerned by stakeholders, and consequently screened, prioritized and analyzed for sustainable development and future planning of the company.

SDI believes in giving back to the society and fulfilling the responsibilities of a citizen. SDI's first CSR Report was published in 2013. The current report is SDI's 7th CSR Report, which covers the topics of "About the Report," "Strategies and Visions," "Company Overview," "Environmental Sustainability," and "Social Responsibility," disclosing SDI's efforts and achievements in sustainability indicators including economy, environment, labor care, human rights, social participation, and product responsibility aspects with comprehensive data and descriptions. We hope for this report to facilitate the understanding of SDI by the stakeholders and the public in general and serve as the foundation for our communication.

Scope and Special Limitations

This report encompasses SDI's performance in terms of corporate social responsibility from January 1, 2019 to December 31, 2019. The major indicators are from production bases in Taiwan, including Changhua and Nantou plants, with achievements and future planning in sustainability

In this report, data from 2019 is listed by international standard. Estimations are noted. Financial statistics have been notarized by Crowe Horwath (TW) CPAs, in TWD, with no information altered. ISO 14001, OHSAS 18001 and CNS 15506 data have been notarized by third-party authority British Standards Institution (BSI Taiwan).

Compilation Guidelines

The 2019 SDI Corporate Social Responsibility Report is based on the latest international standard Global Reporting Initiative (GRI, GRI Standards), with material analysis to identify and prioritize sustainability aspects valued by stakeholders. With the results of the analysis, the sustainability topics, relevant strategies, goals, and measures to be disclosed by this report were determined and then written based on the GRI guidelines and structure.

Report Verification

To improve transparency, reliability, and compliance with GRI Standards and AA 1000 AS: 2008, and 2008 Addendum standards, this report has been verified by third-party authority BSI for compliance with the core indicators of GRI guidelines and for Type 1 Moderate Guarantee with AA1000 AS: 2018 Addendum standards.

Publication

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

Current Issue: Published in September 2020 (2019 Edition).

Last Issue: Published in September 2019 (2018 Edition).

Contact Information

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

SDI Corporation (hereinafter referred to as: the Company, SDI Corporation or SDI)

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Website: www.sdi.com.tw

Contact: General Management Center Wei-Hong Lin

Words from the Chairman

SDI was founded in 1953. To achieve long-term goals, SDI 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 better and more comfortable. SDI has continuously developed niche business by upgrading R&D technology, expanding R&D scale and increasing production capacity, and has strengthened the division of labor with suppliers to meet our customers' demand for collaborative development and integrated services. Our business units continue to improve, and drive the overall business performance of SDI.

On the economic front, SDI has actively developed new businesses and high value-added products. The development of new technologies and new smart applications in automotive and other industries continues to grow in response to the awareness of environmental protection and green energy. In 2020, SDI will focus on the development of power semiconductors, new power management, 5G communications, and Industry 4.0. In addition to the stable supply of automotive electronics, industrial control, and other industrial chain requirements, our electronics business will utilize its 35 years of practice in cooperating with customers' production and sales systems to develop advanced products and improve process precision and efficiency that support added value. Besides diversifying the electronics business portfolio, we will advance with the trend of technology to create and enhance mutual prosperity for our stakeholders.

On the environment front, because of environmental and sustainability concerns, Government agencies and international organizations have actively implemented green energy and carbon reduction policies. As a response, SDI implemented the ISO 14001:2015 Revision, continuously set environmental and energy conservation policies, revised the goals, and proposed environmental management improvement plans to ensure compliance with environmental laws and regulations. For electronics products, SDI has established the RoHS/IECQ QC hazardous substance management system to ensure compliance with environmental laws and regulations. For stationery products, we have adopted recyclable materials and replaceable consumable parts in our designs to increase the proportion of recyclable materials and product life cycle. In addition, SDI has actively and incrementally invested in paperless equipment for mold designs, increasing work efficiency while significantly reducing paper consumption.

On the social front, SDI established SDI Foundation in 2007 as part of our continuing goal of “global operation and local care.” In 2019, in addition to helping develop local communities and provide jobs, SDI worked with many charitable organizations in improving their environment and facilities to create spaces that are more comfortable. For instance, we have made long term donations to the special education centers affiliated with the Roman Catholic Diocese of Taichung, such as Charity Love Center, Holy Family for Special Education, Heart Catholic Center for Special Education, and Holy Wisdom Center for Intellectual Disability, to purchase devices and rehabilitation equipment. By organizing charity events, we expect to inspire people with love and selflessness and promote participation in helping those in need, creating a warmer, more peaceful society.



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

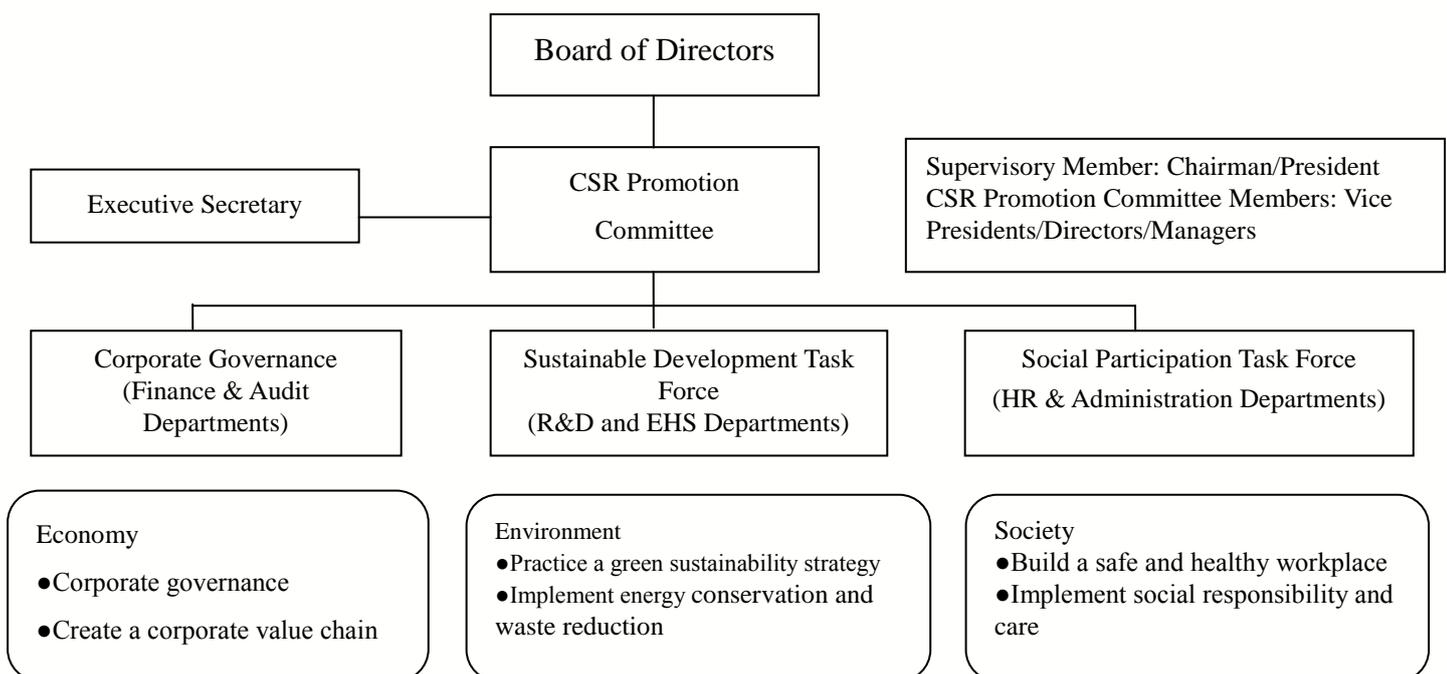
SDI Corporation
Chairman Jau-Shyong Chen

Vision for Sustainability

- Our vision for sustainability is “taking root in Taiwan and becoming a global brand based on sustainable business models that balance economic, environmental, and social ideals.” To reach our goal, SDI introduce CSR management mechanism, establish “CSR Implementation Committee” to integrate our internal and external resource, fetch experience from standard corporations, develop sustainable strategies based on sustainability issues which stakeholders concerned, step by step, toward the vision of sustainability.
- In **2020**, the global political and economic situations are still turbulent under the threat of trade protectionism. However, under the leadership of emerging industries, such as electric vehicles (EV), artificial intelligence (AI), 5th generation mobile networks (5G), and Industry 4.0, SDI will continue to expand R&D quality, manufacturing technology, and talent training. To meet the needs of our niche markets and emerging industries, SDI will continue to implement plant expansion and capacity expansion plans to enhance production capacity and technology, and devote ourselves and resources to the needs of new ventures.

CSR Promotion 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 responsible supervisor of the General Management Center 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 67 years have gone by since SDI Corporation was founded in 1953. With Changhua City as its headquarters, SDI, which was previously called “Shuen Der Manufacturing Company,” 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 conduct. 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 since 1988. The vertical integration that incorporates the up and down stream as well as international marketing is increasing SDI’s competitiveness in the international community. For the future, SDI is aspired to become a multi-national corporation, establishing the foundation for sustainability and bringing SDI under the spotlight in the international stage.
 - (a). Listed on the stock market in the electronics sector. (Stock Symbol: 2351)
 - (b). The leader of semiconductor lead frame manufacturing in the nation.
 - (c). One of the top 500 manufacturing enterprises in the nation.
 - (d). The leading metal and hardware manufacturing company in the nation.
 - (e). SDI has adopted management systems including ISO 9001, 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 die, which is the leader in the mold industries in Taiwan.
 - (h). SDI stationary has a long history and high market share. The product quality has been widely recognized. In recent years, SDI has expanded the brand globally while still leading the domestic stationary market.
 - (i). SDI is equipped with the complete R&D system, including the HP workstation and the world class CAD/CAM system (UGII and AutoCAD). SDI also has advanced machining equipment and testing instruments, including line cutting machines, electrical discharging machining, high speed precision press, ultra-precision coordinate measuring machine, non-contact coordinate measuring machine, jig grinder, horizontal machining center, optical projection grinder and ultra-precision surface grinder from Switzerland, Japan, Germany and the US.

SDI Profile

Name	SDI Corporation
Time of establishment	October 1953
Paid-in capital	1,821,403,000 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	1406
Businesses	Metal manufacturing (stationery) Electronics components manufacturing mold manufacturing
TWSE stock symbol	2351
Spokesperson	Chao-Hsin Chen / Deputy General Manager
Deputy Spokesperson	Ray Huang /Assistant Manager

2. Business Units of SDI Corporation

The headquarter of SDI Corporation is located at No. 260, Section 2, Daze Vil., Zhangnan Rd., Changhua City, Changhua County. As the company grows, the enterprise is expanding. SDI Corporation is the sole proprietor of SDI 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. Shareholding percentage by SDI:

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

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

Note: Company investment made based on equity method.

4. Corporate Locations

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



1.1.2 Brands, Products, and Services

1. Metal Stationery

- (1). SDI advanced from the traditional metal stationery to a full-range of products, thanks to its strong design team at the R&D center, leading mold design, as well as production and stamping technology. Its independent production process allows SDI to move from industrial business to consumer business. Sincerity is what connects SDI with its clients and distributors and brings mutual benefits.
- (2). SDI has been in the metal stationery industry for over half a century with products including staplers, staple, correction tape, utility knives and blades, clippers, and electric and manual pencil sharpeners. Be it the SDI brands, ODM or OEM, these products are popular in both international and domestic markets.
- (3). To provide better service, SDI highly values the information gathered by product managers and distributors about its own brands. The information allows swift adjustment and flexible product design to meet the market demands. In terms of OEM and ODM, SDI collaborates closely with clients and integrates R&D, production as well as marketing. Product design is customized according to customer needs and user habits to maximize the values for clients.



SDI Products and Services

Metal Stationery Products

Category	Items	Pictures	Awards & Patents
Correction tapes and sticky tapes	Correction tapes, erasers, sticky tapes, glue stick, and tape dispensers		
Binding products	Staplers, staples, staple removers, and ole punches		
Electric pencil sharpeners	Electric pencil sharpeners with replaceable blades		
Cutting products	Utility knives, pencil knives, blades, scissors, angleeaters		

<p>Pencil sharpeners</p>	<p>Manual and electric pencil sharpeners</p>		
<p>Office supplies</p>	<p>Small tools, magnets, storage, writing supplies, and miscellaneous items</p>		
<p>Writing stationary</p>	<p>whiteboard marker, colored pencils</p>		

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 clients with the best global services with centralized technology, short lead-time, immediate services, low cost, global labor distribution, and global procurement. In 2019, we became one of the top three lead frame providers globally.



(1) Discrete Lead Frame

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



(2) IC Lead Frame

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



(3) LED Lead Frame

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



(4) New Businesses

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



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

3. R&D Achievements in Core Technologies and Products

(1). Core Technologies

- (a). Product Design: SDI controls designs from product appearance to components in-house. We conduct tests on “functional samples” during the design process to serve as basis for adjustments for optimizing the designs.
- (b). Die Design and Manufacturing: SDI integrates the design and manufacturing technologies for dies. We continue to accumulate die design capabilities and challenge ourselves to ever-higher precision to enhance the quality of our dies.
- (c). Specialty Machinery Design and Manufacturing: SDI designs and manufactures specialty machinery and product testing equipment in-house to optimize production capacity and assure quality.

(2). R&D Achievements

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

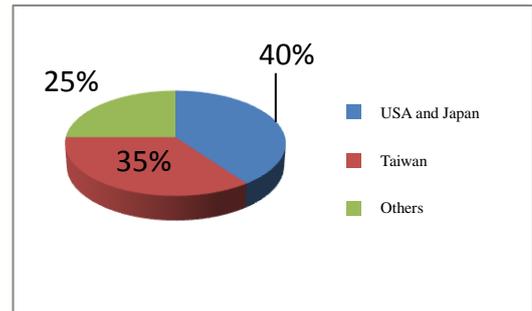
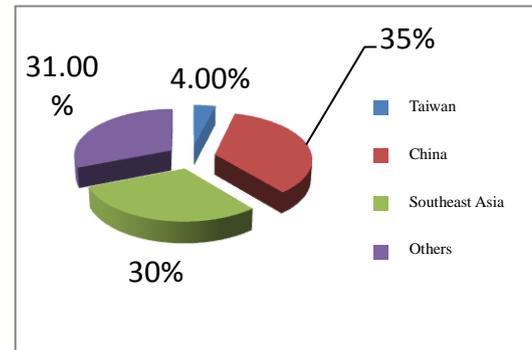
(3). New product development in the going future

- A. Lead frame for fast charging high voltage power management of electric vehicle (EV) charging station.
- B. Sensor lead frame for vehicle, power module lead frame for 5G communication.
- C. Force saving tape cutter.
- D. Force saving various scissors.

4. Market Overview

(1) Major Markets and Market Share

- **Electronics:** Domestic consumption accounts for 4%. Export sales mainly consist of China (35%) and Southeast Asia (30%). The rest of the sales (31%) come from Europe, the U.S., Central America, Africa, and Northeast Asia.
- **Metal Stationery:** Sales comprise 40% to the U.S. and Japan and 35% in Taiwan. The rest (25%) are from Southeast Asia, Latin America, and Europe.



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

- **Electronic products:** 2019 can be deemed as the first year of 5G. Various countries have begun to invest in the relevant basic construction and commercialization of 5G communications. Related plans that integrate 5G applications have also been introduced in succession, such as artificial intelligence (AI), self-driving cars, Internet of Things (IoT), smart robots, virtual augmented reality (VR/AR), telemedicine, etc. In addition, new 5G machines of various brands have also been released one after another. These future technologies are closely related to electronic products, and can only be achieved by semiconductor innovation and technology. Therefore, there will be a wave of newer applications to stimulate demand. In addition, with the trend of energy-saving and carbon reduction, the demand for solar energy, wind power generation, automobile electrification, smart grid, etc. continues to rise. In terms of power management, ICs, power modules, etc., and the application of advanced driving assistance systems (ADAS) also increases the use of various sensors. These future trends will replace the needs of existing mobile phones and PCs and stimulate the application and growth of the next generation of semiconductors, which will also be the main driving force for the growth of the semiconductor industry in the next ten years.
- **Stationery supplies:** Whether durable goods or expendable products, the products that make consumers tasks simple, easy, time-saving, and force saving can win consumers' favor.

1.1.3 Financial Performance

Economic performance management guideline

- I. Policy: To promote operational growth and profitability.
- II. Commitment: Focus on the issues concerning employees, suppliers, shareholders and stakeholders.
- III. Goal: To achieve growth target set by the company, and strive to balance between the interests of various stakeholders and the company's long-term development.
- IV. Resources: Working together, from the top down.
- V. Action to be taken:
 1. The key performance indicators of the relevant departments are linked to the company's profitability ratio, and tracked and evaluated monthly.
 2. Provide real-time, accurate and transparent information.
 3. Innovating, value creating, and sustainable growth.
- VI. Performance rating: Compare operating income (according to the financial statements) against the target.

Applicability: General, Specific

Scope: Within the organization, Outside the organization

1. Business Performance

In 2019, the global economy was deeply affected by the US-China trade war and regional trade conflicts, which has slowed economic growth. In particular, consumer electronics has experienced the most significant decline, while the development of applications in the automobile and industrial fields has been unable to continue to grow due to lower demand. SDI's electronic business mainly supplies integrated device manufacturers (IDM) worldwide, and its sales performance is affected by the decline of terminal demand in traditional application fields. In response to external impact, the electronics business has strengthened collaboration with industry chain customers to launch related high-end application products to enhance added value. We internally explored multiple sources of materials procurement and increased the quality and output of self-made copper materials, and continued to expand automated production and inspection process to reduce the cost of electronics production. This helped alleviate the pressure of lowering selling prices in response to weak demand and the risk arising from the appreciation of the New Taiwan dollar to dilute the profits. The stationery business sector is still affected by the high cost of customs hikes in the US-China trade war and the sharp depreciation of the exchange rate in emerging markets, which reduced demand. SDI is committed to improving the competitiveness of its brands and new products and adding new customers to effectively reduce the impact on the revenue and profit of the stationery industry. Also, TEC Brite Technology Co., Ltd., an affiliated company, continues to develop the VCM niche market to increase market share while having revenue and profit growth at the same time. Chao Shin Metal Industrial Corporation and the reinvested Jiangsu plant and other businesses are affected by the traditional steel business cycle, the overall economic downturn, and stagnant demand in the mainland, and have caused a decline in revenue and profit. SDI's consolidated revenue decreased by 15% to 8.839 billion NTD in 2019, with basic earnings per share at 2.70 NTD.



Reference: 2019 Financial Statements, P.1~2

2019 Budget Execution, Financial Analysis and R&D Evaluation:

Unit: 1,000 NTD

Items	2019	2018	Increase/decrease
Sales Revenue	8,839,367	10,416,495	(15.14%)
Gross Profit	1,534,930	1,931,458	(20.53%)
Operational Costs	783,846	832,364	(5.83%)
Net Revenue	751,084	1,099,094	(31.66%)
Net Income after Tax	550,465	888,569	(38.05%)

Net Income Per Share (NT)	2.70	4.55	(40.66%)
Return on Equity	9.18%	15.21%	(39.64%)
Net Income Ratio	6.23%	8.53%	(26.96%)
Return on Assets	5.48%	8.45%	(35.15%)
R&D costs	226,684	236,646	(4.21%)
Income Tax	144,133	236,646	(42.73%)

Note 1: No public financial forecast in 2019; equity attributable to owners of the parent: 5,641,213,000 NTD.

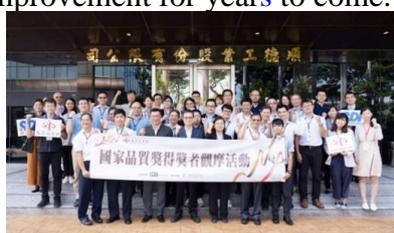
Note 2: Scope of the report include SDI, TBT and CSM, but not include SDI foundation.

2. Operational Management

- (1). SDI provides guidance for its employees, management and the board of directors in accordance with local government regulations. When developing the code of conducts and company guidelines, it is the goal to promote integrity and morality while supporting and complying with the regulatory requirements. SDI also establishes policies addressing the workplace, health and safety, gender discrimination, bribery, conflict of interests as well as protection of company assets and reputation. The management team at SDI pays close attention to domestic and international policies and regulatory provisions that may affect the company and established corresponding risk control procedures. In 2019, there were no violations of corporate governance regulations involving fines or other penalties.
- (2). SDI has the internal control system set up in accordance with the "Regulations Governing Establishment of Internal Control Systems by Public Companies" promulgated by the Financial Supervisory Commission (FSC). All units conduct self-evaluation periodically and commission certified public accountants to check for compliance. It is the hope that such mechanism would make the company operation healthier, protect company assets, ensure complete and credible financial information and improve business efficiency. SDI holds annual shareholders' meetings to encourage two-way communication.
- (3). The Auditing Office reports directly to the board of directors and assist with the management to evaluate the efficiency of internal control system. The result is submitted for regular review by the supervisors and board of directors. Once the audit is completed, the audit report shall include follow up and improvement plans addressing deficiencies.
- (4). 5th Taiwan Mittelstand Award
SDI received the 5th Taiwan Mittelstand Award from the Ministry of Economic Affairs in 2019. To become a recipient of this award, a company must be "appropriately scaled," "solid in terms of technical skills," "technologically unique and critical" in a specific field," "highly competitive in the international market," and "domestically based" in point of business activities or production. Rooted in Taiwan and eyeing the world, SDI was once again recognized by the national award, which was credited to the efforts made by all employees.



- (5). A Delegation visit led by the Industrial Development Bureau, M.O.E.A.
On September 10, 2019, the Industrial Development Bureau, M.O.E.A. led 30 industry players to visit SDI. SDI shared the idea and practice of total quality management (TQM) and their experience in applying for the 25th National Quality Award - Business Excellence, and exchanged opinions with the industry players in hopes of driving mutual growth and continuous improvement for years to come.



1.1.4 Corporate Governance

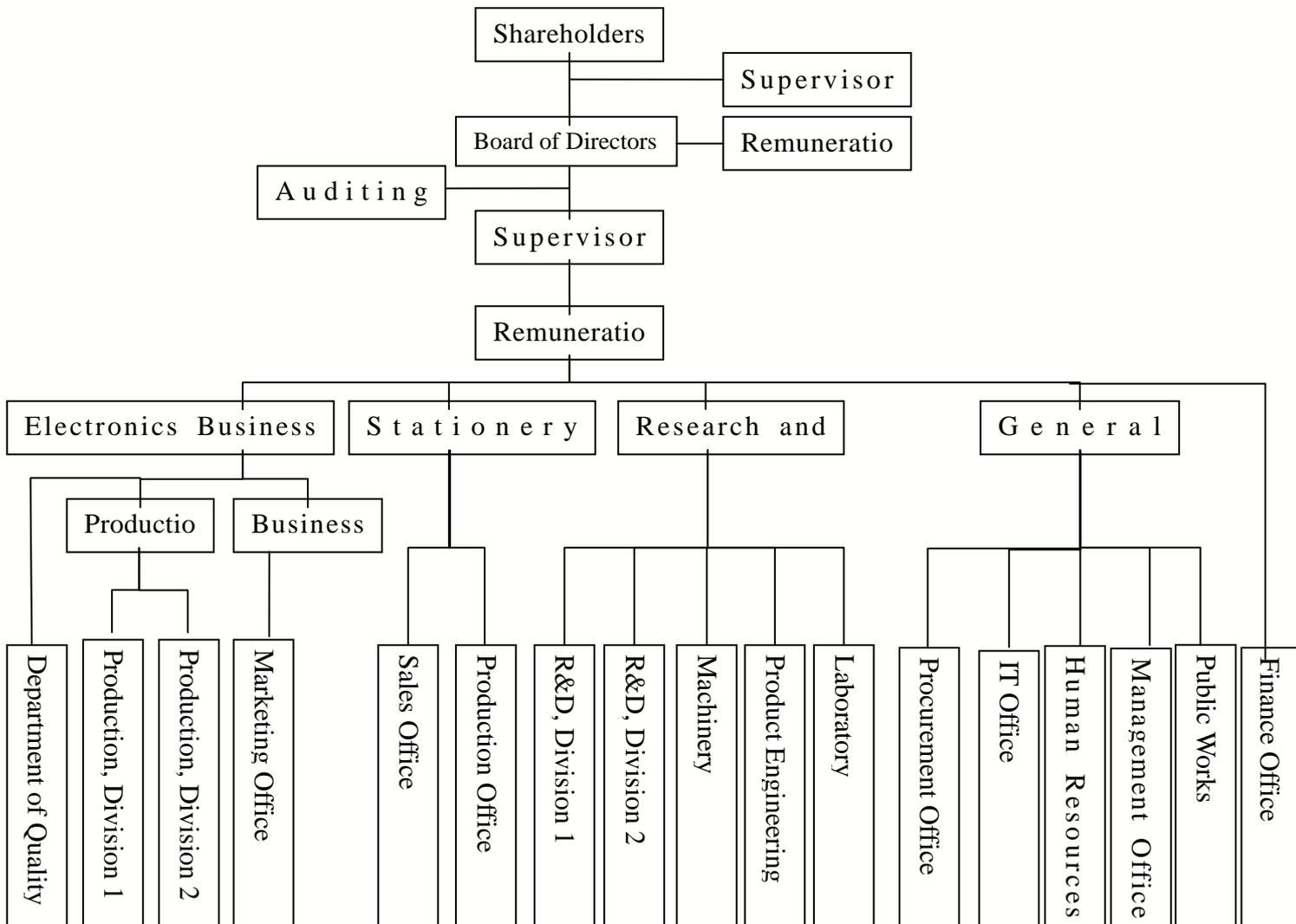
1. Our board directors are diverse and professional, with complementary specialties that help them engage in rational discussions to make visionary and comprehensive decisions for sustainable benefits for the corporation. We follow the guideline of transparency to provide comprehensive information and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

(1) Organizational Structure

SDI is a listed company with the following organizational structure:



1. Major departments and duties

Departments	Business Tasks
Auditing Office	The planning, execution and tracking of internal audit. Provide recommendations to ensure effective implementation of the internal audit system.
Electronics Business Group	The production and sales of electronics products
Stationery Business Group	The 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, procurement, 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 2019
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	Business management Accounting management	Economy issues	100%
Director	Chao-Ming Chen	Master, Department of Accounting, National Changhua University of Education Vice Chairman, Taiwan Association of Stationery Industries	Chairman, SDI (Jiangsu) Corporation Supervisor, CSM Director, TBT	Business management Accounting management	Economy issues	100%
Director	Wei-Te Chen	MBA, Rotterdam School of Management	General Manager, SDI Supervisor, TBT	Business management	Economy issues	100%
Director	Chao-Hong Chen	Master, Department of Mechanical Engineering, Tatung University	Director, SDI	Innovation management	Environmental issues	100%

Director	Chieh-Hsuan Chen	Ph.D., Department of Sociology, Tunghai University Professor, Department of Sociology, Tunghai University Director, Institute of East Asian Societies and Economies, Tunghai University	None	Social management	Social issues	100%
Independent director	Wen-Yi Chiang	Master, Department of Accounting, National Changhua University of Education Accountant, Wen-Yi Chiang Accounting Firm	None	Accounting management	Economy issues	100%
Independent director	Lan-Ying Huang	DBA, Nova Southeastern University Professor, Department of Business Administration, National Changhua University of Education	None	Business management	Social issues	100% June 22, 2019 (resignation)
Independent director	Tsung-Ting Chung	Ph.D., Department of International Studies, University of Denver Professor, Department of Business Administration, National Yunlin University of Science and Technology	None	Business management	Social issues	June 23, 2020 (appointment)

(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 (2019):

Title	Name	Attendance (B)	Attendance rate (%) (B/A)	Remarks
Board of Directors	Sheng-Yen Hsieh	6	100%	-
Board of Directors	Chiung-Ying Chung	5	83%	-

Other Required Information:

I. Supervisors and Duties:

(1) Communication between supervisors and employees/shareholders:

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

(2) Communication between supervisors and head of internal audit/accountants: Communication have been efficient.

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

2. Operation of Remuneration Committee

For a complete performance evaluation and remuneration system for directors, supervisors, and managers, the company's Board of Directors approved the establishment of the Remuneration Committee on December 15, 2011, and the main duties of which is to assist 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.

The Remuneration Committee consists of three members with professionalism and independence who are appointed by the board of directors. The current Remuneration Committee is chaired by the independent directors of SDI. The members and main responsibilities are as follows:

Title	Name
Chairperson	Wen-Yi Chiang
Member	Lan-Ying Huang (resigned on June 22, 2019)
Member	Kuo-Chao Tseng
Member	Tsung-Ting Chung (appointed on August 6, 2019)

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 22, 2018 to June 21, 2021. The Remuneration Committee meeting was held twice in 2019.

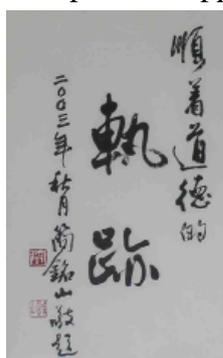
3. Ethical Management

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

CSR Policies

SDI conveys the following corporate social responsibility policies to implement its corporate social responsibility:

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



4. Anti-corruption Measures

- (1) SDI employees and the entire company are held to the highest legal and ethical standards. In order to maintain integrity and trust while improving efficiency, SDI established regulations governing business conducts and professional ethics. All employees shall abide by said regulations to maintain trustful relationship with the clients, suppliers and the public while ensuring sustainable growth and development.
- (2) To fight against corruption, SDI forbids employees to accept gifts in any form with a cash value over \$1,000 NT, including gift certificates, checks and stocks. In the instances when employees are unable to refuse or return gifts received, the gifts shall be dealt with in the following manners:
 - (a). Food items shall be distributed evenly among the staff through the supervisor.
 - (b). Other items shall be forwarded to the Management Division to be documented and gifted during the year-end banquet.
 - (c). In cases where determination cannot be made, matters shall be forwarded to the supervisor or the Management Division for decision.
- (3) SDI's suppliers shall fulfill their social responsibility and promote mutual trust under the principles of honesty and integrity:
 - (a). The suppliers promise to prepare and fulfill principles of integrity during the entire business transaction, and that all documents and information provided to SDI during negotiation, cooperation and contract fulfillment, including but not limited to business registration, certificates, company and personal information, addresses, notes, warrants as well as product names, specifications, quality, standards, negotiable instruments and warrants shall be authentic and that there is no incidence of fraud, forgery or alteration.
 - (b). The suppliers promise to forbid employees or affiliates to engage in the following conducts toward SDI employees, their families and other stakeholders:
 - The suppliers shall not commit bribery by giving or promising to give money, present, or tangible or intangible interests by any means, including but not limited to dinner invitations, entertainments, meals, transportation expenditures, kickbacks, commissions or other unjust interests.
 - The suppliers shall not engage in misconducts involving joint venture, collaboration, collusion or profit sharing.
 - The suppliers shall not inappropriately obtain confidential information related to business transactions by any means or attempt to complete business transactions with SDI through means in violation of company integrity, such as bid rigging.
- (4) Violation of this agreement by the supplier or its employees shall be deemed as a breach of contract. The supplier and its employees shall be held legally liable for compensation. SDI reserves the right to freeze any funds involved, terminate the contractual or any business relationship and cancel any orders immediately. The supplier shall be responsible for all losses SDI suffers.

1.1.5 Impact Analysis for Direct and Indirect Economy

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

Impact Analysis for Direct and Indirect Economy

Investors	<ul style="list-style-type: none"> ● Investors are required to pay dividends tax and receive gain or loss from their shares.
Clients	<p>Advantages:</p> <ul style="list-style-type: none"> ● SDI ranks first in the world in the market for Power products. It has a strategic partnership with the IDM factory, and is an industry icon. In the midst of mergers and acquisitions in the semiconductor industry, being No. 1 does have its advantage. ● SDI has sound corporate governance that allows us to provide customers stable supply and quality services when the external environment and market are volatile. ● In product quality, speedy delivery, service and other areas, SDI has gained customer trust, and is continuously developing high-end products (such as automotive electronics) , to enhance future earnings and profitability. ● New stationery products are increasing in terms of sales and patents, which effectively prevents new competitors from joining in. <p>Disadvantages:</p> <ul style="list-style-type: none"> ● There has been a considerable achievement in automated assembly, along with the advance of automated testing technology for new products, which effectively reduces the costs of production. ● The COVID-19 pandemic has caused the global economy to slow down; demand for automotive semiconductors has decreased, resulting in a slight decrease in orders from some clients. ● Automotive products have strict quality requirements, increasing costs and risks. ● Counterfeiting remains rampant in China, leading to unfair competition. Consumers buy without knowing it will affect the company's reputation and profitability.
Employees	<ul style="list-style-type: none"> ● Locations of employee assignment may change, and the number of employees may fluctuate. Employees of a location pay the local income tax, and their income is spent on consumption, which influences the local economic activities. ● Hardware/stationery production facility is in China, with the rising labor cost and strict environmental protection requirements, making it difficult to keep budget under control.
Suppliers	<ul style="list-style-type: none"> ● Because of demand in the supply chain, supplier companies create jobs. The income of suppliers and their employees contribute to local income taxes and support local economic activities. ● The price of raw materials has risen and there has been signs of shortage in medium and high-grade copper.
Local 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, health measures and traffic safety, we have not created potential or actual negative impact on local communities. We have also invited local community representatives (e.g. chiefs of villages and community development association directors) frequently to our plants for tours to enhance trust and communication. ● The company also participated in the community-based greening effort by constructing the recreational facilities in the community park, in the shape of the company's stationery products to promote product marketing while encouraging local community residents to exercise. 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 the key to fulfill sustainability and CSR. Therefore, we have established multiple transparent and effective communication channels with stakeholders to engage in constructive communication, thoroughly understand their issues of concern, emphasize their benefits, and incorporate them into the company's development strategies. With stakeholders' concerns as basis for the company's business decision-making and disclosure of information, we aim to establish guidelines for our sustainable business.

Materiality Analysis Process

Step 1 Identification of stakeholders	Based on the five principles in AA1000 Engagement Standards, we conduct identification of stakeholders, resulting a seven-group category including shareholders, customers (clients, consumers, distributors), employees (full-time employees, unofficial contract workers, immigrant workers, interns), suppliers (suppliers, contractors, immigrant worker agencies), government agencies, local communities (development associations, local communities), and NGOs RBA, industry associations).	7 categories of stakeholders
Step 2 Topic and discussion	The collection of topics is based on more than 90 indicators of GRI Standards. On account of its relevance and SDI's industrial characteristics, 33 topics are selected for discussion at the CSR Promotion Committee's meeting.	No. of topic: 33
Step 3 Understanding issues of concern	Through joint meeting of CSR Promotion Committee with top brass, we evaluate the level of concerns of issues that interests stakeholders, to understand their concern and to assess the impact of each issue on the company's operations.	Joint meeting of the CSR Promotion Committee with top brass
Step 4 Material aspect Identification	After scoring both stakeholders' concerns in corresponding topics and high-level managers' concerns about the company's sustainability, matrix analysis and topic prioritizing are conducted. After that, it should be discussed internally and sent to the chairman for ratification, finalizing the 15 main topics for SDI 2019 Boundary. Compared to the same assessed in 2018, the value chain was used to define the boundaries of material topics in 2019.	No. Of Main Topic: 15
Step 5 Review and discussions	Based on the material topics identified for the year, we disclosed management guidelines, continued to enhance management, and disclosed relevant information in the CSR Report.	one report

2. Stakeholders' issues and communication platform

We identified seven types of stakeholders based on internal discussions by our CSR Implementation Committee, stakeholder grouping by peer companies, and the five principles in AA1000 Stakeholder Engagement Standards (dependency, responsibility, influence, tension, and diverse perspectives) for the levels of importance of stakeholders. The 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), government agencies, shareholders, NGOs (RBA, industry associations), and local 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 acquires 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:

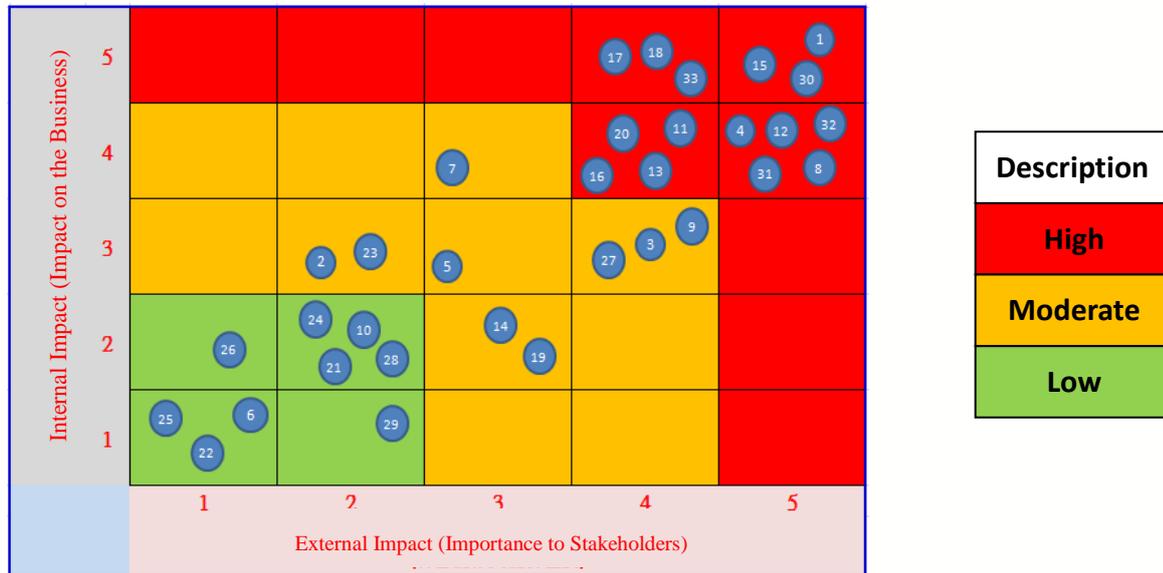
Stakeholder	Description	Communication Management	Frequency	Issues of concern
Employees	Employees are a corporation's most important asset. We listen to our employees, respond to their concerns in a timely manner, and fulfill our responsibility in taking care of them.	<ol style="list-style-type: none"> 1. Training and drills to improve professional skills. 2. Conduct internal communication with internal memos or announcements. 3. Labor Safety Committee supervises the safety and health care. 4. Conduct bilateral communication through E-newsletter. 5. Employees express comments and suggestions through the staff comment form. 6. Conduct performance interview to provide necessary assistance. 7. The trade union, Employee Welfare Committee and Labor Management Committee conduct bilateral communication. 8. Protect employee health with annual physical checkups. 9. Provide group insurance to provide better care for the employees and their families. 	<p>From time to time</p> <p>From time to time</p> <p>Quarterly</p> <p>From time to time</p> <p>From time to time</p> <p>Every 6 months Quarterly</p> <p>Annual Regular</p>	<ul style="list-style-type: none"> ● Business performance ● Waste water and materials ● Labor-management relation ● Labor health and safety ● Training
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 economy, environment, and social aspects.	<ol style="list-style-type: none"> 1. Hold annual shareholder meeting during mid-year and provide complete financial information, future directions and communication. 2. Establish a service hotline to maintain positive and long-term interaction with investors 3. Announce operational information from time to time according to the regulations of the Taiwan Stock Exchange Corporation. 	<p>Annual</p> <p>From time to time</p> <p>From time to time</p>	<ul style="list-style-type: none"> ● Business performance ● Compliance with environmental and product laws and regulations ● Health and safety of customers

Clients	The development of high-quality, environmentally friendly and Green products, and the establishment of services to the satisfaction of customers are the company's objectives.	<ol style="list-style-type: none"> 1. Update the company website with news concerning environmental protection, health and safety from time to time. 2. Establish service hotline and online inquiry page as consumer services. 3. Regularly conduct marketing and promotion campaign as well as exhibitions. 4. Through RBA SAQ platform, the self-evaluation status is revealed to SDI customers. 5. Conduct regular and irregular meetings with clients to communicate on issues including future prospect, product development, quality and delivery. 6. Apply for the patent owner claim scope statement and provide international certificates and contracts to protect the patents. 	<p>From time to time</p> <p>From time to time</p> <p>Regular</p> <p>Regular</p> <p>From time to time</p> <p>Regular</p>	<ul style="list-style-type: none"> ● Product and service labeling ● Compliance with product laws and regulations ● Business performance
Local communities	Local communities are the foundation of the company's operations. Only by maintaining good relations can the company develop sustainably.	<ol style="list-style-type: none"> 1. Regularly scheduled local community feedback activities, and participate community-oriented development meetings and festivals in local communities. 2. Invite community chiefs and staffers for unscheduled factory visit and communication. 3. Conduct unscheduled inspections to ensure a clean and tidy plants environment. 	<p>Regular</p> <p>From time to time</p> <p>From time to time</p>	<ul style="list-style-type: none"> ● Water ● Discharge ● Environmental issue complaint mechanism ● Business performance
Suppliers	The quality of products and service of suppliers directly influence SDI's operation and production performances. We establish effective communication channels to facilitate mutual benefits and reach the goal of sustainability.	<ol style="list-style-type: none"> 1. Provide technical drawings or product specifications to protect the intellectual property right. 2. Provide quality inspection certification to protect the rights of both parties. 3. Provide complete financial information, future directions and communication in financial reports. 	<p>From time to time</p> <p>From time to time</p> <p>Annual</p>	<ul style="list-style-type: none"> ● Market image ● Compliance with environmental laws and regulations ● Anti-corruption ● Health and safety of customers
NGOs	Only with effective communication management and by	<ol style="list-style-type: none"> 1. Regularly post social care and charity programs on the company website. 2. Assist the schools, government agencies and 	<p>From time to time</p> <p>From time to time</p>	<ul style="list-style-type: none"> ● Business performance ● Health and safety of customers ● Product and

	implementing social contribution and services can the company develop sustainably.	<ol style="list-style-type: none"> 3. companies with the visit. Unscheduled conduct volunteer service programs. 4. Regularly post social care and charity programs on the company website. 5. Publish the monthly revenues on the company website. 	<p>From time to time</p> <p>From time to time</p> <p>Regular</p>	<ul style="list-style-type: none"> ● service labeling ● Compliance with product laws and regulations
Government agencies	SDI adheres to laws and promises to achieve sustainability.	<ol style="list-style-type: none"> 1. Conduct random on-site check for compliance. 2. Conduct on-site visits. 3. Issue paperwork to corporations to provide assistance for various affairs. 4. Conduct on-site labor inspection. 5. Conduct exchanges and mutual learning through corporate visits. 	<p>From time to time</p> <p>From time to time</p> <p>From time to time</p> <p>From time to time</p> <p>From time to time</p>	<ul style="list-style-type: none"> ● Labor relation ● Labor health and safety ● Discharge ● Social compliance ● Compliance with Environmental laws and regulations

1.2.2 Material Topics Identification Method

- Based on the CSR topic analysis process, we include 5 steps such as “Identification Stakeholders,” “Issue Collecting and Topic Classifying,” “Understanding Issues of Concern,” “Identification of Major Topics,” and “Review and Discussion” to decide on the major topics and their priority.



No.	Topic	No.	Topic	No.	Topic
1	201 Business performance	7	301 Materials	15	401 Labor-employer relation
2	202 Market image	8	302 Energy	16	402 Labor-management relation
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	206 Anti-competitive behavior	12	306 Waste water and materials	20	406 Non-discrimination
		13	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 Supplier Social Assessment
				29	415 Public policies
				30	416 Health and safety of customers
				31	417 Marketing and Labeling
				32	418 Client Privacy
				33	419 Social and economic laws compliance

2. Major Topics Disclosure and Boundary description

Item	Material Issues	Category	Corresponding indicator	Reason for Material Issue	Corresponding indicator chapter	Boundary of Value Chain Impact (Note 1)			
						●Direct Impact ○Indirect Impact			
						Upstream	SDI	Downstream	Government agencies
1	Business performance	Economy	Standards-201	Operation performance	1.1.3 Financial Performance	○	●		
2	Procurement practice	Economy	Standards-204	Green & on-location procurement	3.3.1 Management of the Green Supply Chain and Contractors	●	●		
3	Energy	Environment	Standards-302	Energy consumption concern	2.1 Energy Conservation and Management		●		
4	Discharge	Environment	Standards-305	Air pollution emissions concern	2.1 Energy Conservation and Management		●		●
5	Waste water and materials	Environment	Standards-306	Follow-ups on sewage and waste disposal	2.2.5 Pollution discharge and pollution control		●		●
6	Compliance with environmental laws and regulations	Environment	Standards-307	Degree of Compliance with Environmental Regulations	1.4.2 Domestic regulatory compliance		●	○	●
7	Labor-employer relation	Society	Standards-401	Harmony of employee-employer relations	3.1.1 Overview of Manpower Employment		●		
8	Labor-management relation	Society	Standards-402	Harmony of employee-employer relations	3.1.2 Sound employee-employer relations		●		●
9	Labor health and safety	Society	Standards-403	Occupational health and safety of the employees	3.1.6 Workplace Harmony		●		●
10	Training	Society	Standards-404	Employee Training and Education	3.1.5 Diversified education and training		●		
11	Non-discrimination	Society	Standards-406	Non-discrimination policy for employees	3.1 SDI's big family		●		
12	Health and safety of customers	Society	Standards-416	Health and safety of customers	4.3.2 Green product design 5.2.2 Reduced packaging, environmentally friendly materials	○	●	●	
13	Marketing and Labeling	Society	Standards-417	Product and service labeling	2.2.1 Management of Green Production 1.4.2 Domestic regulatory compliance 3.2.3 Relations with Customers	○	●	●	●
14	Customer privacy	Society	Standards-418	Customer privacy	3.2.4 Customer privacy protection measures		●	●	
15	Socioeconomic laws and regulations compliance	Society	Standards-419	Social laws compliance	1.4.2 Domestic regulatory compliance		●	○	●

Note 1: In the identification of the boundary of SDI's value chain impact, the core of the value chain is SDI itself and its employees; the upstream is the raw material suppliers; the downstream covers customers.

1.2.3 Participation in External Organizations:

1. Participation in External Organizations:

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

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

2. Involvement in Initiatives, Treaties, and Principles

SDI supports and observes the 10 principles of the sustainable development goals (SDG) of the UN Global Compact concerning human rights, labor rights, the environment, and anti-corruption. We comply with domestic laws and international regulations and are committed to ensuring the rights of employees, contractors, and suppliers, in terms of human rights, labor rights, freedom of association, prevention of forced labor, abolishment of child labor, anti-discrimination, anti-corruption, anti-trust, and environmental protection.

1.3 Risk Assessment and Crisis Response Management

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

Table of Organizational Risk Management and Precautionary System:

Category	Description	Response
Economy	Impact on operational stability from rapid change in economic environment	(I) Impact on company profitability from interest rate/exchange rate fluctuations and inflation and response thereto: 1. The recent annual interest rates are stable. For the company's financial expenses, we will enhance negotiation abilities with financial institutions to continue to lower the company's operating costs. 2. For exports, we engage in natural hedging and diversify our use of currencies to minimize impact from exchange rate fluctuations. 3. In the face of inflation, we continue to adjust the costs of materials and develop new products to increase gross profit and minimize the impact on the company from inflation.
		(II) 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 providing working capital for subsidiaries instead of high-risk, high gain investments.
		(3) Impact of technological changes and industrial changes on the company's financial business, and corresponding measures: The company introduced the ORACLE ERP system since 2000 and completed the transition to R12 in 2010. The ORACLE ERP system has effectively improved the quality of business information and decision-making performance in response to the use of IFRS and changes in the industrial structure.
		(4) Impact of changes in the corporate image on corporate crisis management, and corresponding measures: The company has always been engaged in business activities with the business philosophy of integrity, stability, challenge and innovation, and implemented internal control systems to meet business challenges.
		(5) Risks of purchase or sales concentration, and corresponding measures: The company sources from/sells to various suppliers/clients to avoid the risks of purchase or sales concentration.
		(6) Control over the COVID-19 pandemic: 1. Due to the COVID-19 pandemic lockdowns, overall demand has slumped badly, stressing the inventory adjustment against a slow economic upturn. The overall demand in 2020 seems to remain sluggish. 2. In December 2019, SDI began the preparations for epidemic prevention (e.g., wearing masks, taking daily temperature, washing hands frequently, controlling business trips, conducting video conferencing, and compartmenting dining flows) in full cooperation with the government in order to take care of the employees' health and prevent business disruption. 3. In the early stage of the COVID-19 pandemic in 2020, an emergency response meeting was held, and a task force was

		formed to review the national conditions of the suppliers and their ability to supply and exchange information on epidemic prevention measures; therefore, there was no risk of supply chain disruption.
	The risk of centralized purchase and raw material price fluctuations	<ol style="list-style-type: none"> (1) We regularly collect information from global materials market and track pricing trends to increase our safety stock coefficient. (2) We diversify procurement plans and search for alternatives for key imported materials to minimize risks of centralized procurement and procurement costs. (3) We enhance our procurement capabilities and actively search for new suppliers to incrementally improve our list of backup suppliers and minimize the risks of centralized procurement.
Environment	Impact from climate change	<ol style="list-style-type: none"> (1) SDI has installed and verified the ISO 50001 energy management system in 2016 to continue to improve energy performance, minimize energy costs, and decrease greenhouse gas emissions and other environmental impacts. (2) We continue to implement energy integration and energy conservation projects and purchase energy-efficient equipment to minimize energy consumption and carbon emissions. (3) We establish hazard response procedures and enhance our plants' responsiveness to natural hazards, including inspecting, repairing, and replacing equipment and training employees on hazard prevention. (4) We form a greenhouse gas emission inspection team to perform energy declaration and voluntary greenhouse gas inspection while regularly tracking carbon emissions and formulate reduction measures. (5) We implement water conservation measures and are considering installing water-recycling equipment.
	Impact on operation from increasingly strict environmental laws	<ol style="list-style-type: none"> (1) We implement energy conservation measures and achieve actual reduction to obtain the reward of extra greenhouse gas emission quota. (2) We actively invest company resources in pollution prevention, waste treatment, water management, and labor safety management to prevent pollution.
Society	Increasing requirement on product safety from consumers	<ol style="list-style-type: none"> (1) We use our core capabilities to develop safer products (2) We continue to improve production management and processes to achieve higher quality and safety. (3) We implement quality inspection on contractors to ensure the supply and safety of materials. (4) We obtain verification from third-party authorities to enhance consumers' trust.
	Increasing environmental awareness in local communities	<ol style="list-style-type: none"> (1) We actively communicate with community residents, listen to their opinions, respond in timely manner, resolve disputes, and establish trust, thus gaining their support. (2) We disclose information in a transparent manner, so that residents receive up-to-date and correct information, minimizing misunderstanding from information asymmetry and incidents therefrom.
	Gaps in technical and professional succession	<ol style="list-style-type: none"> (1) We continue to implement knowledge management (KM) to systematically record and pass on key technologies and experience. (2) We implement talent training policies in systematic, organized, and consistent manner to minimize impact on the company from gaps in professional succession. (3) We emphasize employee training and education, actively cultivating professional talents in various fields.

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 are our most concrete testament to our business integrity.
3. SDI received ISO 9001 and IATF 16949 quality certifications, ISO 14001 environmental management certification, OHSAS 18001 occupational health and safety management certification, ISO 50001 energy management systems, and IECQ HSPM-QC 080000 hazardous substance process management certification. The product quality and complete environmental protection mechanism has been approved by international clients, which can reduce the risk of accident occurrences.
4. The finance and accounting of the affiliates are handled independently by designated personnel with internal audit established in accordance with the regulatory requirements.

1.4.2 Domestic regulatory compliance

SDI's compliance in society, product, and environment categories in 2019 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 fines in 2019. Details are provided in the following chart.
2. Product Compliance
 - (1). Stationery products: We produce, label, and sell products in compliance with domestic product laws and regulations, including Fair Trade Act, Intellectual Property Rights Protection Act, Personal Information Protection Act, and Consumer Protection Act. SDI was fined on 0 account of marketing violations, received warnings on 0 account of violation, and was involved in 0 accounts of violation of the voluntary principle in 2019. Therefore, we achieved the goal of not being fined and receiving no warnings. In the future, our challenge is to maintain this cautious attitude and continue a basic consensus that all employees follow the laws and regulations.
 - (2). Electronics lead frames: SDI offer semiconductor lead frame products and manufacturing services. We completely cater to clients' needs and emphasize the importance of clients and trust when designing and manufacturing products. Clients' die designs are mostly proprietary intellectual properties of respective companies and are not allowed to be used by competitors in the same field. Therefore, since the founding of our electronics business, there has never been any incident of violation of law or regulation that resulted in large sums of compensation to clients.



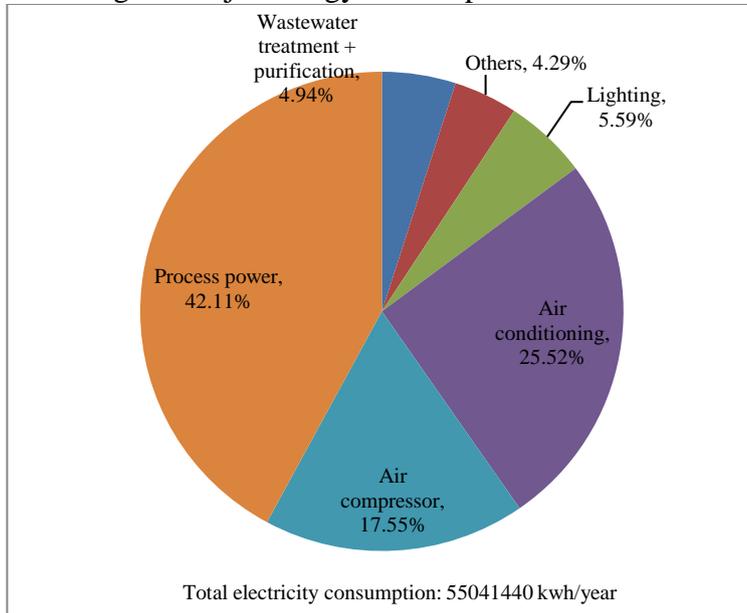
3. Environmental Compliance

We follow the guideline of “complying with regulations, preventing pollution, continuously improving” to reach the goal of zero violations, zero penalties, and being a preserver of the global environment. In 2018, the Changhua operation installed a set of methylene chloride cleaning equipment and a set of activated carbon adsorption equipment to adsorb pollutants emitted based on the license obtained. In the early stage of new equipment operation, the Environmental Protection Bureau Changhua County found in the on-site inspection on January 10, 2019 that the emission quality slightly exceeded the standard. Temporary and permanent measures were taken immediately to meet the emission standard.

Category	Number of cases	Description	Improvement measures
Economic compliance	0		
Environmental compliance	1	1. On January 10, 2019, inspectors assigned by the Environmental Protection Bureau Changhua County conducted the P201 volatile organic compound audit at the Changhua operation and found that methylene chloride emissions (2.4g/s) did not meet the emission standard ($\leq 2.0\text{g/s}$), which violated Paragraph 1, Article 20 of the Air Pollution Control Act. According to Subparagraph 1, Paragraph 1, Article 62 of the Air Pollution Control Act and Article 3 of the "Regulations for Fines for Violation of the Air Pollution Control Act in Public and Private Places," a fine of 150,000 NTD was imposed on SDI, along with 2-hour environmental training.	<ol style="list-style-type: none"> 1. Improve the air tightness of the condensate recovery system to reduce pollutants. 2. Increase the height of the discharge pipeline from the ground to meet the discharge limit. 4. Increase the frequency of inspections for prevention and control equipment to ensure normal operation, and replace activated carbon in a timely manner to meet emission standards. 5. Arrange the inspection after completing the above improvements and report to the Environmental Protection Bureau Changhua County to close the case.
Social compliance	1	On April 12, 2019, when operating a plastic injection machine for mold trials, an employee's left palm was injured by the mold due to the wrong operation mode setting and the failure of the safety door. The Central Occupational Safety and Health Center, Occupational Safety and Health Administration, Ministry of Labor imposed a fine of 60,000 NTD on SDI in accordance with Paragraph 1, Article 6 of the Occupational Safety and Health Act.	The safety door function of the plastic injection machine (and production equipment with the same function) has been overhauled, and a safety photoelectric device has been added (second protection) to maintain operational safety.

First of all, energy conservation means carbon reduction. This is how SDI fulfills its social responsibilities. We help the public fulfill energy saving in daily lives and implement the measures to mitigate the effects of global warming and climate change caused by greenhouse gas. In 2019, SDI floated the energy conservation plan according to annual planning of the Bureau of Energy, M.O.E.A., with approved efficiency savings of 1.25%.

Percentage of major energy consumption in 2019



2. SDI fully complies with governmental measures on energy conservation. In 2019, our Changhua Plant sent energy management staff for training, with four of them already receiving certificates by year's end. SDI also complies with the requirements of the 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) Adjustment of air conditioning: Air conditioning (A/C) accounts for approximately 25.52% of the total energy consumption in SDI. Under the premise of not affecting the temperature, humidity, level of comfort, and the life span of the air conditioner, SDI controls the temperature of the A/C system to reduce power usage, environmental pollution, and company expenditure, thereby achieving energy conservation and carbon reduction.

(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 metal mercury-vapor lamp and conventional T8 fluorescent lamps have been replaced with LED. Up to now, over 50% of lighting equipment have been replaced. Continues to save energy.

(4) Adjustment on air compressing system:

- In 2019, more energy would be saved if the company used air blowers instead of high-pressure air systems in the production process. Some blowers indeed were used, because of their low energy consumption. Since the high-pressure air was divided into the “high-pressure clean air” and the “high-pressure micro-oil air” in the air-pressure pipeline system for use by the production units, thus blowers could be connected to the front-end air compressors, and then split at the rear. Of which the main purpose is to supply air to the high-pressure machine to achieve energy-saving effects.
- Low-efficiency freezing dryers are retired from service and replaced with high-efficiency machines on a regular basis to make the operation more flexible and efficient.

(5) Direct and indirect energy consumption:

In terms of energy consumption, in order to lower the impact on the environment, all departments are committed to improving production and enhancing production efficiency that minimizes redundant energy consumption, thus lowering operation costs.

A. Direct energy: Natural gas consumption was 582,135,000 cubic meters in 2019, a 10.63% decrease from 651,428,000 cubic meters in 2018.

B. Indirect energy: Indirect energy (electricity) consumption at SDI was 55,041,440 kWh in 2019, a 7.122% decrease from 59,262,420 kWh in 2018.

(6) Emissions of greenhouse gases and other gases from 2018 to 2019

Emissions of greenhouse gases and other gases in 2018

Items	Source	Consumption		CO2e (Tons)	Way of discharge
		(degrees)	megajoule (10 ⁶ J)		
1	Natural gas	651,428	26,447,977	1225.25	Direct discharge (Scope 1)
2	Energy consumption	59,262,420	213,344,712	31586.87	Indirect energy emission - (Scope 2)
	Total (10 ⁶ J)	239,792,689		-	-

Emissions of greenhouse gases and other gases in 2019

Items	Source	Consumption		CO2e (Tons)	Way of discharge
		(degrees)	megajoule (10 ⁶ J)		
1	Natural gas	582,135	23,634,681	1094.921	Direct discharge (Scope 1)
2	Energy consumption	55,041,440	198,149,184	28016.09	Indirect energy emission - (Scope 2)
	Total (10 ⁶ J)	221,783,865		-	-

Items	Major gas emissions	Emissions (kg) in 2018	Emissions (kg) in 2019	Calculation method
1.	Nitrogen oxide (NOx)	1043.64	932.58	Approximate analysis by coefficients
2.	Volatile organic compound (VOC)	140948.5	77586.79	Mass balancing
3.	Particulate matter (PM)	259.39	183.85	Factors (Environmental Report)

Note 1: According to 2018~ 2019 emissions statistics.

Note 2: 1 degree of electricity produced 0.533 kg of CO₂ in 2018 and 0.509 kg of CO₂ in 2019, equivalent to 860 kcal or 3.6 million joules of heat; 1 degree of natural gas produces 1.8808713 Kg of CO₂, equivalent to 9700 kcal or 40.6 million joules of heat. The GWP values of the above emissions are based on the IPCC Fourth Assessment Report.

Note 3: Greenhouse gas inventory checking 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 Bureau of Energy, 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. Since 2014, SDI has moved forward and invested in paperless equipment for promoting paperless mold and die design drawings. 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 being important for environmental protection. For die manufacturing and processing each year, eighty thousand pieces of paper are required. The cost of publishing each design drawing is 2 NTD (including the cost of paper, photocopying materials, and photocopier lease). There is also the labor cost associated with publishing, recalling and destroying drawings, which is about 25,000 NTD each month. After introducing the paperless equipment, approximately 460,000 NTD can be saved annually. Therefore, SDI's reduction of paper printing is the best practice for loving the Earth and supporting environmental protection.

2.2.1 Green Production 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), poly brominated diphenyl ethers (PBDE), bis (2-ethylhexyl) phthalate (DEHP), benzyl butyl phthalate (BBP) and diisobutyl phthalate (DIBP). WEEE also regulates the recycling of electronic and electric waste. These measures pose direct impacts to the global supply chain. While pressured to update the traditional production system, corporations also need to ensure product compatibility. Therefore, SDI conducts regulatory analysis, identifies customer needs, and formulates strategies from design, production, testing and supply chain management to comply with the environmental regulations.

Considering the regulatory and client needs and to reduce risks involving RoHS compliance, SDI established IECQ QC080000 Hazardous Substance Process Management. The QC080000 management system may effectively validate SDI's management efforts and avoid additional product inspection and possible fines. The Electronic Business Group received certification from Underwriter Laboratories and IECQ HSPM (QC080000) on July 27, 2009. Annual reviews are conducted, and we renewed our certification on June 11, 2019 revenue, valid until July 26, 2021. These are testimonies of SDI's effective management on hazardous substance, compliance with the regulations and fulfilling clients' demands on green products.

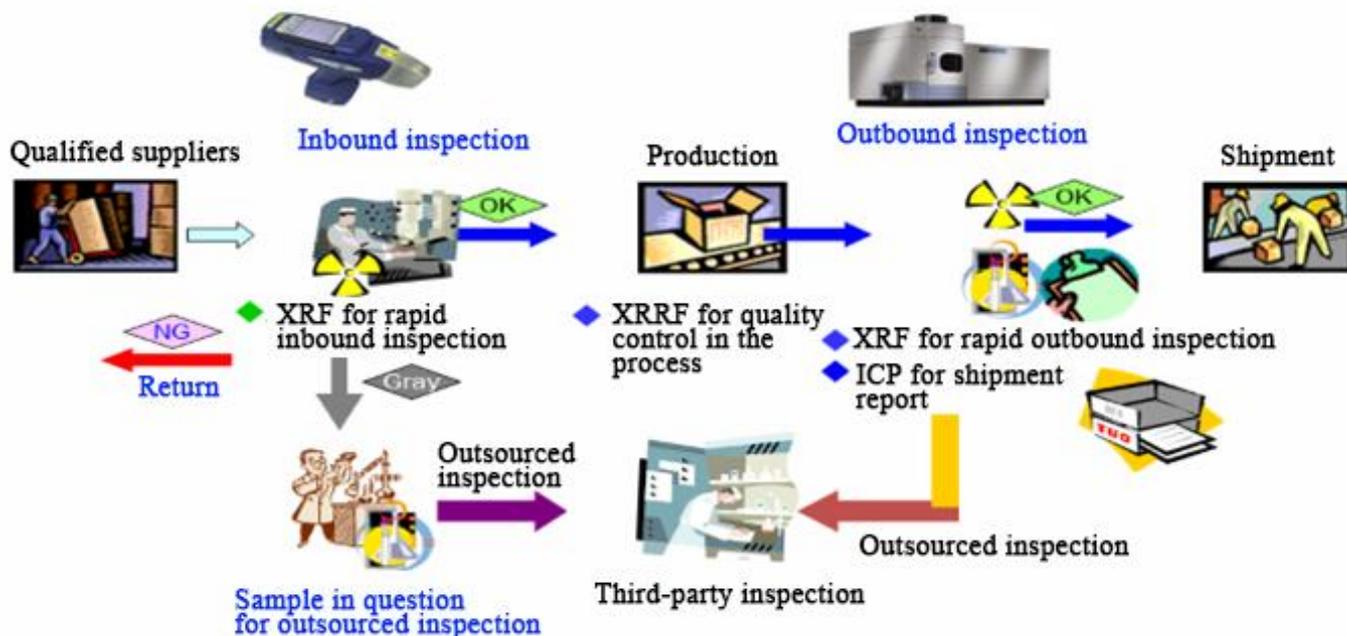


2. SDI conducts risk management for hazardous substance in finished products through monitoring and testing during production. The Company establishes hazardous substance management system, offers green products and incorporates precision testing specialists and equipment such as ICP (Inductively coupled plasma atomic emission spectrometer), GC-MS (gas chromatography-mass spectrometry), UV-VIS (UV-Visible Spectrophotometer) and EDXRF (X-Ray Fluorescence Spectrometer XRF). SDI is capable of responding to clients' testing requirements in a timely manner, conducting failure analysis and providing comprehensive solutions.

SDI's QC080000 Hazardous Substance Management Process is as follows:

- (1) Evaluate qualified suppliers and utilize qualified green materials..
- (2) Material inspection: Utilize EDXRF for express quality inspection. Those unfit for HSF (Hazardous Substance) are returned.
- (3) Production: Apply EDXRF for quality control during production..
- (4) Delivery inspection: Adopt EDXRF for express delivery inspection and provide ICP report per client's request.
- (5) Third party inspection: Third party inspection is authorized upon client's request or in cases of dispute

SDI QC080000 Hazardous Substance



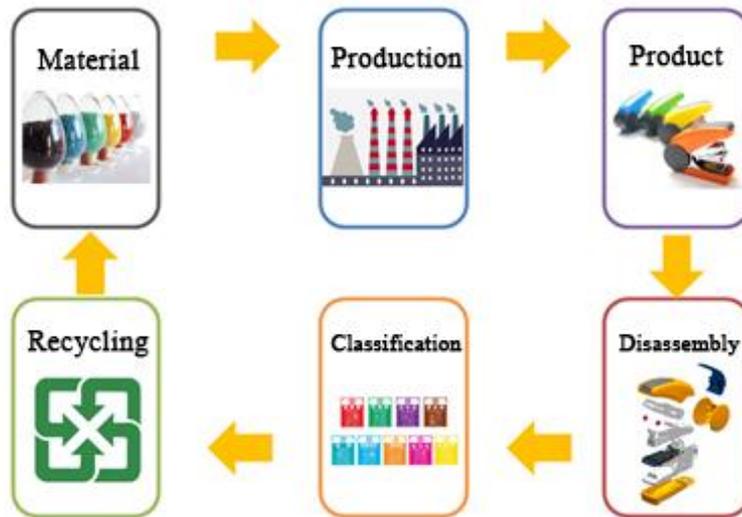
3. SDI integrates IATF 16949 quality management system and ISO 14001 environmental management system with the current procedural management to clearly define hazardous substance free (HSF) policies and implement the following:

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

2.2.2 Application of Materials Recycled From Products

1. Product Responsibility - Environmental Protection through replaceable materials

For SDI's wholly-owned hand brand stationery, 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

2.2.3 Green Product Design Concept

1. Continuation of the product life cycle

The stationery products produced by SDI require manpower, electricity and water resources in the manufacturing process. Therefore, the assembly and production efficiency requirements of the products must meet the ones specified in the ISO 9001 quality management system. The non-conforming rate and energy consumption are minimized, and in order to prolong the service life of the products in the hands of consumers, in recent years, the company has developed replaceable consumables, such as replaceable pencil sharpeners to meet the green product requirements. Electric pencil sharpeners, knives, correction tapes, erasers and replaceable water-based whiteboard pens not only allow consumers to practice the energy-saving and environmentally friendly life, but also are more cost-effective. They not only affect the consumption habits of stationery 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 parts

2. Trust in Safety of Products

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

ELECTRONICS TESTING CENTER, TAIWAN <small>8, Lane 50, Wen-Hua Rd., Lo-Shan Twp, Tzu-Feng, Taoyuan County, Taiwan 33383 http://www.etc.org.tw 02-3218-0002</small>	
<h1>Certificate</h1> <p>of Conformity for Directive 2011/65/EU (RoHS)</p>	
<p>This is to certify enclosure(s) are in compliance with Directive 2011/65/EU on the Restriction of The Use of Certain Hazardous Substance (RoHS) in Electrical and Electronic Equipment.</p>	
<p>Applicant: SDI CORPORATION 280, SEC 2, CHANG NAN ROAD, CHANG HUA, 500 TAIWAN</p>	
<p>Product/Sample: Electric Pencil Sharpener Style/Type: 0172</p>	
<p>Certificate No: 12-02-QAC-233 Date of Issue: March 15, 2012</p>	
<p><small>This certificate of conformity is based on evaluated sample(s) of the product specified above. It does not imply the assessment of production of the product. The result of this evaluation is available on the RoHS Assessment Report, which is in conformity with 2002/95/EC article 1, amending RoHS Directive 2011/65/EU.</small></p>	
<p style="text-align: center;"><i>Chun-Ching Wen</i> Chun-Ching Wen Laboratory Representative Electronics Testing Center, Taiwan</p>	
<p style="text-align: center;"><small>To pursue excellence in service quality with a dedicated working attitude.</small></p>	

ELECTRONICS TESTING CENTER, TAIWAN <small>Report No.: 12-02-MAS-253-02 EMC TESTING DEPARTMENT Page: 1/7</small>	
<h2>CONFORMANCE TEST REPORT FOR EN 62233:2008</h2>	
<p>Report No.: 12-02-MAS-253-02</p>	
Client:	SDI CORPORATION
Product:	Electric Pencil Sharpener
Model:	0172
Comments Issue:	N/A
Manufacturer:	SHIH DER INDUSTRY(GHANGHUO).LTD
Date test item received:	2012/02/23
Date test campaign completed:	2012/03/27
Date of issue:	2012/03/27
<p><small>The test result only corresponds to the tested sample. It is not permitted to copy this report, in part or in full, without the permission of the test laboratory. Total number of pages of this test report: 07 pages Total number of pages of this test photos: 01 pages</small></p>	
Test Engineer:	Checked By:
<i>Jerry Chen</i> Jerry Chen	<i>Kevin Lin</i> Kevin Lin
	Approved By:
	<i>Jerry Huang</i> Jerry Huang
<p><small>ELECTRONICS TESTING CENTER, TAIWAN NO. 5, LANE 20, WEN-HUA RD., LO-SHAN TWP, Tzu-FENG, TAoyuan COUNTY, TAIWAN, R.O.C. TEL: 03-3218170-4 FAX: 03-3218170-4 TEL: 03-3218188 FAX: 03-3218188</small></p>	
<p><small>Laboratory Introduction: Electronics Testing Center, Taiwan is recognized, listed and mutual recognition management as following: © ISO9001: TUV Product Service © ISO14001: TÜV SÜD, NCC, NYLAD, CCHILAC, UL, Compliance © Filing: FCC, Industry Canada, VCCI © NTRA: Australia, Hong Kong, New Zealand, Singapore, USA, Japan, Korea, China, APLAC through NCC © FCC Registration Number: 60288, 61984, 61005</small></p>	

ELECTRONICS TESTING CENTER, TAIWAN <small>Report No.: 12-02-QAR-008</small>	
<h2>TEST REPORT</h2> <p>PRODUCT UPGRADING AND RECYCLING</p>	
Report No.:	12-02-QAR-008
Approved by (Signature):	<i>Peter Wang</i>
Contents:	19 Pages
Date of issue:	2012/03/06
Testing Laboratory Name:	Electronics Testing Center, Taiwan.
Address:	No. 8, Lane 20, Wenming Rd., Guishan Shiang, Taoyuan County, 33383 Taiwan, R.O.C.
Subcontract Lab.:	Environmental Protection and Industrial Safety/ Hygiene Department
Address:	No. 8, Lane 20, Wenming Rd., Guishan Shiang, Taoyuan County, 33383 Taiwan, R.O.C.
Applicant's Name:	SDI CORPORATION
Address:	280, SEC 2, CHANG NAN ROAD, CHANG HUA, 500 TAIWAN
Test Specification:	WEEE (2002/96/EC)
Standard:	None
Test procedure:	None
Non-standard test method:	None
Type of Test Object:	Electric Pencil Sharpener
Trademark:	---
Manufacturer:	SDI CORPORATION
Model and/ or type reference:	0172
Series Model:	---
Rating(s):	---
<p><small>1. Selective treatment material/component of waste electrical and electronic equipment is removed in accordance with WEEE Directive Annex II and 75/442/EEC article. 2. The results shown in this test report refer only to the sample(s) tested.</small></p>	

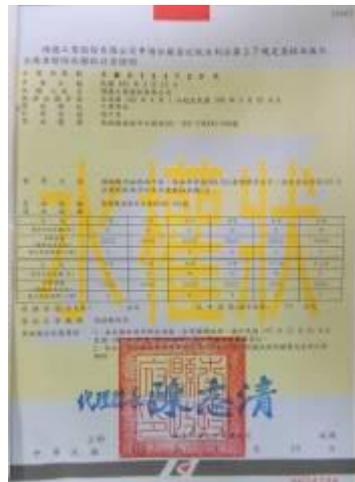
SDI Product International Verification Application

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. The achievements over the years are as follows:

Use Year	T/Year	Remarks
Water consumption of manufacturing process in 2017	972,000 tons/year	
Water consumption of manufacturing process in 2018	1,039,000 tons/year	Due to increased production capacity
Water consumption of manufacturing process in 2019	1,080,400	Due to continuous increase in production capacity

- 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):



- 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 water circulation production, and improve the effective use of water resources, facilitating rational use of water for conservation.

2.2.5 Pollution discharge and pollution control

Pollution discharge management guideline

- I. Policy: Compliance with regulations, pollution prevention, continuous improvement, and sustainable development.
- II. Commitment: Identify the sources of pollution with major environmental impacts, formulate directions for improvement, and uphold the commitment to continuous improvement.
- III. Goal: Achieve the minimum stipulated by laws and regulations, with quantification and continuous improvement.

Objective items	Goals in 2019	Records in 2019	Goals in 2020	Goals in 2022
Violations of environmental regulations	0	1	0	0

- IV. Resources: Project formulation and budget allocation implementation by dedicated unit.
- V. Action to be taken:
 1. budget allocation and plan implementation according to the pollution discharge control project.
 2. Supervise and verify the implementation of pollution prevention management by all units.
 3. Regularly review the performance and adjust the plans in time.
- VI. 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

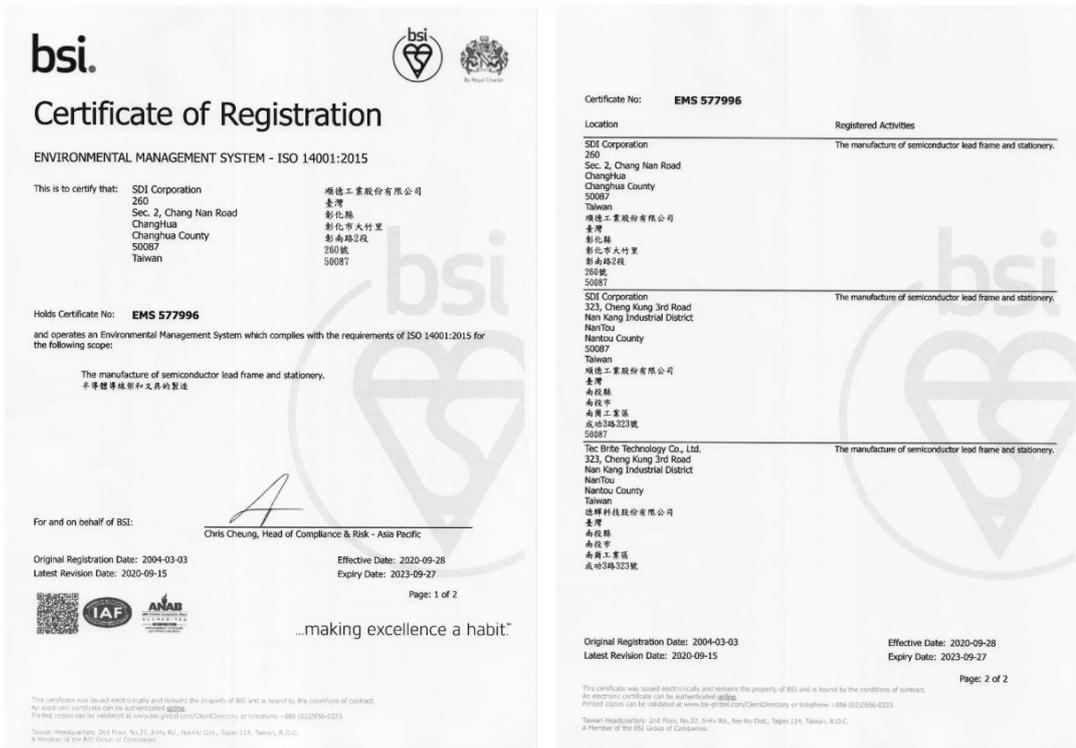
1. Pursuit of Environmental Protection

(1) Technological advances and economic development are depleting the scarce natural resources and damaging the natural habitat. Wastes created by human activities are bringing unprecedented and irreversible damage to the earth, the only livable planet we have. Under such crisis, it is now a global consensus that we must act before it's too late. The international community has signed agreements and declarations to call upon the entire human race to protect the environment and quality of life. The old environmental management system is not suitable nowadays. Instead, corporations must apply environmental management that is self-motivated, comprehensive, preventative, and systematic while complying with international standards, to help achieve the importance 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 2018, verification was carried out for revision of ISO 14001: 2015, and subsequently certified.



ISO 14001 Environmental Management System

(2) Formulating the Environmental Protection Policies

- All environmental management operations comply with government agencies 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.

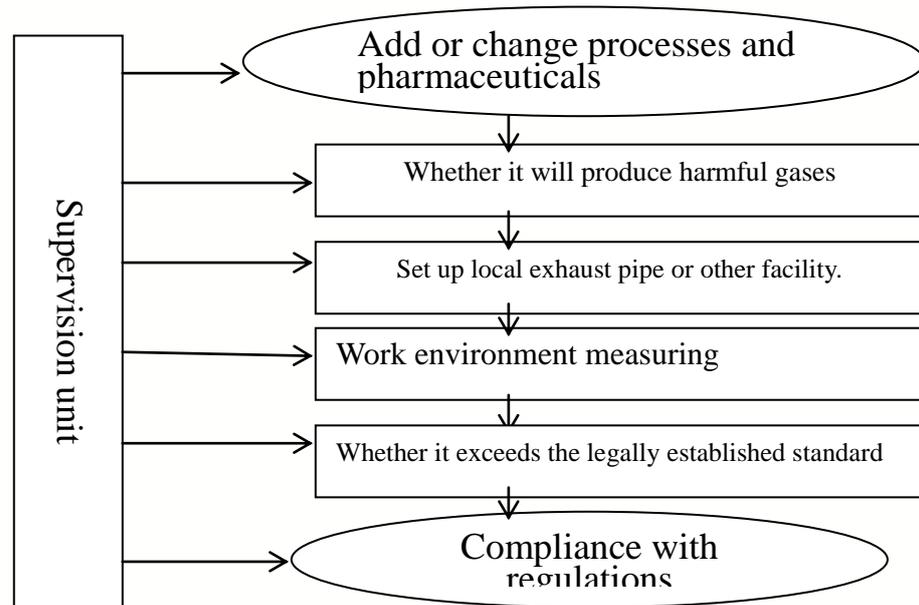
- SDI promotes various improvement projects in accordance with the company policy on environmental protection. Each year, the Company holds ISO 14001 review meeting to examine the policies and improvement projects. As of 2019, a total of 238 improvement plans have been implemented, 234 of which have been completed, and 4 improvement plans are ongoing.



ISO 14001 Environmental Management System review meeting

2. Air Pollution Prevention and Management at SDI

(1). Framework of Harmful Gas Containment in the Workplace



(2) Other Air Pollution Management Measures:

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

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

(b) Air control principles:

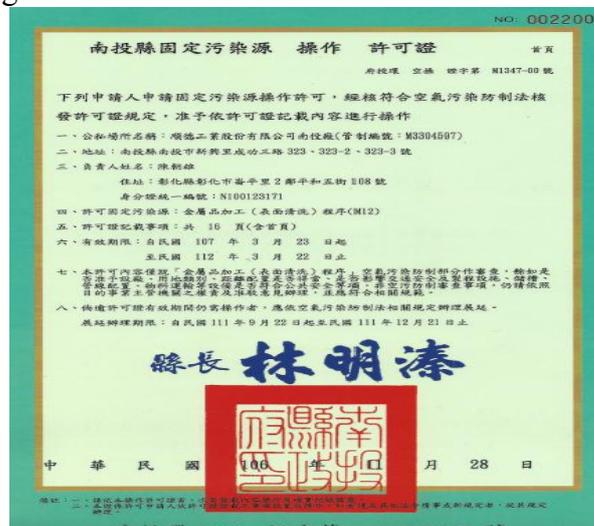
- Hazardous operation shall be enclosed, automated with isolated local exhaust.
- Incorporate local exhaust with mist suppressant or cover for the plating bath.
- Warning signs shall be installed at hazardous areas
- Protective gears shall be provided for staff working in areas with potential hazard.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

(c) Air control Regulations:

- A. Indoor Air control Regulations:
 - ✓ The air quality of the operating environment shall comply with the labor operating environment stipulated by the Ministry of Labor.
 - ✓ Each unit shall designate personnel to be in charge of emergency report and contact when abnormal odors are detected at the operating environment.

- ✓ As intended in Article 23 of the Occupational Safety and Health Act, self-inspection shall be conducted in areas equipped with local exhaust. The inspected items, frequency and related form shall be stipulated in separate health and safety implementation standards.
- ✓ Each operation shall compile the data collected from each operating environment testing as a reference for evaluating the performance of air control equipment.
- ✓ Each unit shall keep in close contact with the chartered hospitals. When the health checkup confirms that employees' health conditions are caused by poor work environment, such cases shall be tracked and filed.
- B. Outdoor Air Control Regulations
 - ✓ Each flue opening shall be tested for pollutants regularly. The frequency and substance to be tested shall be in accordance with the applicable environmental regulations.
 - ✓ Low sulfur fuel shall be used for the boiler.
 - ✓ The burning of raw materials or waste materials in open air within the plant is strictly forbidden.

(d) Equipment for 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 【Dichloromethane, hydrocarbon cleaning agent full, 1-Bromopropane】.



	
Condensate recovery system	Activated carbon adsorption tower

(f) Monitor/Discharge:

- The plant shall monitor in accordance with the regulations set forth within the operational manual. The discharge of pollutants shall comply with the “Air Pollution Control Act” under any circumstances. In 2018, 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 registered testing organization and the report from such testing shall be maintained for three years for review.
- Safety operation platform should be established at the point source pollution discharge channel at the plant to allow the testing to proceed smoothly.
- When applying for testing, the Environmental Engineering Department shall submit the proposal for testing going Nantou/Changhua County Environmental Protection Bureau five days prior to the testing and submit the testing result to the Bureau within fifteen days.
- Level B personnel shall be designated for the task of air pollution prevention in Nantou Plant.

(g) Emergency Response:

- When operators found irregular emissions, adjust the equipment to return to the normal condition immediately. When discovering massive pollutant discharge, follow the “Standard Procedure for Emergency Response”
- The operator shall immediately notify applicable units within the plant. When necessary, stop all or partial operations.
- Upon receiving notifications for poor air quality from Nantou/Changhua County Environmental Protection Bureau, follow the “Operational Procedure for Emergency Response.”

3. Waste Water Discharge

- (1). SDI currently has 3 chemical treatment systems for processing waste water (capacity: 960T/day), one biological treatment system (capacity: 800T/day), and one small-scale batch treatment system (for preprocessing) with high-concentration degreasing agent (capacity: 72T/day). The company’s waste water discharge has complied with environmental laws and regulations.
- (2). The company holds two Class A and one Class B waste water treatment licenses, in compliance with environmental laws and regulations, as shown in the following:



(3) Waste Water Discharged in 2019

Plant \ Year	Amount of water discharge (ton)		Destination of discharge	Treatment
	2018	2019		
Changhua Plant	1,417	2049	Dazhu main drain, Changhua City	Anaerobic treatment - septic tank
Nantou Plant	1,039,558	1,060,486	Main drain, Nantou industrial park	Chemical treatment and biological treatment

Note 1: Relevant effluents are all in compliance with the discharge standards.

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, hazardous sludge and general waste:

Plant	Type of waste	Production in 2018	Production in 2019	Treatment	Remarks
Nantou Plant	A-8801 Hazardous sludge	<ul style="list-style-type: none"> Dry sludge 561.46 tons Wet (not dried) sludge 522.54 tons 	<ul style="list-style-type: none"> Dry sludge 586.31 tons Wet (not dried) sludge 117.79 tons 	Chemical treatment	Retaining lawful vendors to handle the wastes
	D-0299 plastic waste mixture	51.69 tons	28.53 tons	Incineration	
	D-1801 General industrial waste	203.47 tons	262.74 tons	Incineration	
	C-0301 waste solvent	30.04 tons	79.91 tons	Incineration/heat treatment	
	D-2403 Activated Carbon waste	6.1 tons	Production in 2019	Incineration	
Changhua Plant	D-1801 General industrial waste	70.92 tons	86.2 tons	Incineration	Retaining lawful vendors to handle the wastes
	D-0801 Waste fiber	16.8 tons	17.4 tons	Incineration	
	C-0301 waste solvent	39.675 tons	36.21 tons	Incineration/heat treatment	
	R-1703 Waste lubricant	0.68 tons	6.2 tons	Reuse	
	D-2403/ R-2408 Activated Carbon waste	1.12 tons	11.36 tons	Incineration/reuse	
	D-0799 wood waste mixture	94.7 tons	95.68 tons	Incineration	

2.2.6 Environmental Expenditure

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

2. Losses resulting from environmental pollution in the past year

Item Year	Pollution	Reprimanded Units	Fine
2019	Electronic factory in Changhua excessive methylene chloride emissions	Environmental Protection Bureau Changhua County	150,000 NTD

3. Response and Improvement Measures

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

4. Estimated environmental expenditures for the next two years

Year	Pollution prevention equipment to be purchased or other expenditures	Dollar Amount
2020	1. Wastewater treatment solution fee (maintenance fee) 2. Waste disposal fee 3. Inspection application fee 4. Air, land, and water pollution fees 5. Improvements near wastewater treatment plant 6. Installation of wastewater chemical treatment system and sludge dehydrators	30,380,000 NTD
2021	1. Wastewater treatment solution fee (maintenance fee) 2. Waste disposal fee 3. Inspection application fee 4. Air, land, and water pollution fees 5. Improvements near wastewater treatment plant	Approximately 22,380,000 NTD

PS: In 2021, there is no need to install additional equipment such as wastewater chemical treatment systems and sludge dehydrators, so it is expected that environmental expenditures will slightly decrease.

3. Social Responsibility

3.1 The SDI Family

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

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

Human Rights Management Indicator Table

Items	Description	Goal	No. of event in 2019	Goals in 2020
Non-discrimination	Number of discrimination complaint cases	Zero cases	0	0
Child labor	We have identified practices that are at high risk of child labor and practices that help eliminate child labor.	No child labor	0	0
Forced labor	We have identified practices that are at high risk of forced and compulsory labor and practices that help eliminate forced and compulsory labor.	No forced or compulsory labor	0	0

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



Material Issues in Topic: Labor-employer relation, labor-management relation, occupational health and safety, training and education, non-discrimination, procurement practices

Management Guideline: Labor-employer relation, labor-management relation, respect for human right, and non-discrimination.

- I. Policy: Employer/ employee harmony and respect for human rights, thus creating a Win-Win situation.
- II. Commitment: Respect human rights, boost profitability, enhance employee welfare and maintain harmony between employer and employees, facilitating sustainable growth of the company.
- III. Objective: Achieve profit target set by the company, respect human rights and allocate welfare benefits according to labor-management consensus, maintaining a mutually beneficial relationship.

Objective items	Goals in 2019	Record 2019	Goals in 2020	Goals in 2022
Non-discrimination	0	0	0	0
No child labor	0	0	0	0
Forced labor	0	0	0	0

- IV. Resources: All personnel working together from top down.
 - V. Action to be taken:
 - 1. Set key performance indicators of the relevant departments based on the principles of labor-management harmony and respect for human rights.
 - 2. Provide accurate and transparent information.
 - 3. Conduct regular coordination and communication to build mutually beneficial relationships and avoid labor disputes.
 - VI. Performance measurement: Hold labor-management meetings on a regular basis to review the goals of non-discrimination, no use of child labor, and no forced labor.
- Applicability: General, Specific
 Scope: Within the organization, Outside the organization

3.1.1 Overview of Manpower Employment

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

At the end of 2019, there are 1,406 employees at SDI (all of whom are full-time employees as the company does not hire part-time employees). Female employees account for 29.52% while 70.48% are male employees. 73.32% are native workers and 26.68% are of foreign nationality.

Table 1: Percentage of SDI employees

	Changhua Plant	Nantou Plant	Total
Female	258 (18.34%)	157 (11.17%)	415 (29.52%)
Male	556 (39.54%)	435 (30.94%)	991 (70.48%)

Table 2: Percentage by gender and direct/indirect labor

	Direct labor		Indirect labor	
	Female	Male	Female	Male
Changhua Plant	135 (9.61%)	273 (19.42%)	123 (8.76%)	283 (20.02%)
Nantou Plant	84 (5.97%)	240 (17.07%)	73 (5.19%)	195 (13.87%)
Subtotal	219 (15.58%)	513 (36.49%)	196 (13.94%)	478 (33.99%)

Table 3: Percentage by Education

	Direct labor		Indirect labor	
	Female	Male	Female	Male
Master's Degree and above	0 (0%)	1 (0.07%)	33 (2.35%)	124(8.82%)
Bachelor's Degree	72 (5.12%)	172(12.23%)	94 (6.89%)	176(12.52%)
Junior College	45 (3.2%)	169(12.01%)	41 (2.92%)	113(8.04%)
Senior High and Vocational School	84 (5.97%)	129(9.17%)	22 (1.56%)	52 (3.7%)
Under Senior High and Vocational School	23 (1.64%)	33 (2.35%)	1 (0.07%)	12 (0.85%)
Total	224(15.93%)	504(35.85%)	191(13.58%)	487(34.64%)

Table 4: Percentage of employees by contract type

		Female	Male
Fixed-term contract	General Contract	0 (%)	0 (%)
	Foreign labor	92 (6.53%)	261 (18.55%)
Non fixed-term contract (full time)		323 (22.97%)	730 (51.92%)

Table 5: Percentage of Management Positions by Gender

Gender	Percentage of Supervisors
Female Supervisors	9.86%
Male Supervisors	90.14%

Table 6: Percentage of New Employees in 2019

	Direct labor		Indirect labor	
	Female	Male	Female	Male
Changhua Plant	4 (0.28%)	20 (1.42%)	18 (1.28%)	12 (0.85%)
Nantou Plant	8 (0.56%)	35 (2.45%)	0 (0%)	12 (0.85%)
Subtotal	12 (0.85%)	55 (3.91%)	18 (1.28%)	24 (1.70%)

Note: Employment rate = (Number of persons employed from January to December)/(Number of employees in service on December 31, 2019) × 100%.

Table 7: Turnover rate in 2019

	Direct labor		Indirect labor	
	Female	Male	Female	Male
Changhua Plant	16 (1.13%)	46 (3.27%)	14 (0.99%)	18 (1.28%)
Nantou Plant	14 (0.99%)	71 (5.04%)	2 (0.14%)	16 (1.13%)
Subtotal	30 (2.13%)	117 (8.32%)	16 (1.13%)	34 (2.41%)

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

Table 8: Table of Age Distribution of New and Outgoing Employees

Category	Age Distribution/ New Employees				Age Distribution / Dismissed Employees				
	Age Group	Under 30	30 - Under 50	50 and above	Subtotal	Under 30	30 - Under 50	50 and above	Subtotal
Number of People		54	50	5	109	82	111	4	197

3.1.2 Sound employee-employer relations

1. Establishment of Unions

Following the Labor Union Act and regulations thereunder and the Civil Organizations Act, SDI has voluntarily formed the SDI Corporation Labor Union (henceforth “the Union”) and is one of the few corporations in Taiwan that established a trade union within the company. The SDI Trade Union was established on July 27, 1976. More than 44 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 regularly in the Health and Occupational Committee. Furthermore, Union supervisors will hold regular meetings every 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 liaison 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 relation has 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.



2019 Annual Meeting of the Union



2019 Labor Training and Visit

3.1.3 Effective Communication Channels

1. Staff mailbox and online suggestion board:

SDI wants to listen to employees' concerns. With mailboxes in the factories and online suggestion page, anonymity is assured for employees leaving comments and feedbacks. SDI always responds to employees' concerns 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. SDI e-news

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



3.1.4 Remuneration and Benefits

1. Recruitment, Retention and Prohibition of Child Labor

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

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

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

2. Employee Rights and Benefits

(1) Employee Rights

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

(2) Employee Salary and Benefits

- (a). SDI takes employee compensation seriously. It is determined based on employees' educational background, professional skills, work experience and personal contributions. However, it shall not be affected by gender, race, religion, political views, marriage status and whether they member of trade unions.
- (b). SDI's payroll policy is as follows:
 - Fully aware and comply with regulatory requirements and create win-win and sustainable management within the regulatory scope.

- Conduct payroll survey based on the supply and demand of the labor market to understand the payroll scale and job duties as references for determining salary and wages.
 - Adjust payroll according to revenues and staff performance.
 - To inspire employees, SDI publishes revenue and bonus information to show them the connection between contribution and bonus, which is adjusted according to their position, personal contribution and performance.
- (c). SDI provides labor and health insurance, maternity and parental leave, as well as monthly retirement contribution in accordance with the regulatory requirements. Group insurance policies, such as medicine, accident and cancer insurance, 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 2019, employee benefits (including salary, labor and health insurance, pension, and other personnel costs) totaled NTD 1,050,971,000.

(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.

	Female	Male	Subtotal
Number of employees who returned from parental leave in 2017 and stayed for one year	3	2	5
Percentage of employees who returned from parental leave in 2017 and stayed for one year	100%	100%	83%
Number of employees who applied for parental leave without pay in 2017	9	4	13
Number of employees with plan to return from parental leave without pay in 2017	7	5	12
Number of employees who return from parental leave without pay in 2017	6	2	8
Percentage of employees who returned from parental leave without pay in 2017	86%	40%	67%
Number of employees who returned from parental leave in 2018 and stayed for one year	6	2	8
Percentage of employees who returned from parental leave in 2018 and stayed for one year	100%	100%	100%
Number of employees who can apply for parental leave without pay in 2018	10	33	43

Number of employees who applied for parental leave without pay in 2018	6	0	6
Number of employees with plan to return from parental leave without pay in 2018	7	0	7
Number of employees who return from parental leave without pay in 2018	4	0	4
Percentage of employees who returned from parental leave without pay in 2018	57%	0	57%
Number of employees who returned from parental leave in 2019 and stayed for one year	4	0	4
Percentage of employees who returned from parental leave in 2019 and stayed for one year	63%	100%	66%
Number of employees who can apply for parental leave without pay in 2019	18	39	57
Number of employees who applied for parental leave without pay in 2019	7	1	8
Number of employees with plan to return from parental leave without pay in 2019	11	1	12
Number of employees who return from parental leave without pay in 2019	10	1	11
Percentage of employees who returned from parental leave without pay in 2019	90%	100%	91%

Note 1: “Number of employees with plan to return in 2017” includes those who applied during 2015 to 2017 with return in 2017

Note 2: “Number of employees with plan to return in 2018” includes those who applied during 2016 to 2018 with return in 2018

Note 3: “Number of employees with plan to return in 2019” includes those who applied during 2017 to 2019 with return in 2019

Note 4: “Percentage of employees who returned in 2017” = Number of employees who returned in 2017 / Number of employees with plan to return in 2017

Note 5: “Percentage of employees who returned in 2018” = Number of employees who returned in 2018 / Number of employees with plan to return in 2018

Note 6: “Percentage of employees who returned in 2019” = Number of employees who returned in 2019 / Number of employees with plan to return in 2019

Note 7: “Retention rate in 2017” = Number of employees who returned in 2017 and stayed for one year / Number of employees who returned in 2017

Note 8: “Retention rate in 2018” = Number of employees who returned in 2018 and stayed for one year / Number of employees who returned in 2018

Note 9: “Retention rate in 2019” = Number of employees who returned in 2019 and stayed for one year / Number of employees who returned in 2019



Photos of lactation room



Photos of the day care center

3.1.5 Diversified education and training

Training/ Management Guideline

- I. Policy: Based on occupational development, with operational effectiveness as indicator, cultivate talents to grow with the company.
- II. Commitment: Take stock of the capabilities of various positions by way of special assignment, rotation or training, to strengthen abilities, knowledge, skills and attitudes for comprehensive development.
- III. Objective: Establish a friendly learning environment to strengthen abilities, knowledge, skills and attitudes for comprehensive development.
- IV. Resources: Take stock of the capabilities of various positions and allocate budget, to cultivate high-calibre talent.

Objective items	Goals in 2019	Records in 2019	Goals in 2020
Newly developed on-site courses	23	23	16
Newly developed digital courses	8	9	8

V. Action to be taken:

1. Take stock of the capabilities of various positions and allocate budget, to cultivate high-calibre talent.
2. Contact/inquire professional training organization for assistance.
3. Regularly assess training effectiveness and compliance with occupational requirements.

VI. Performance measurement: Achieve measurable results according to the job requirements.

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 keeps SDI going for over six decades. Continuous staff training that addresses corporate needs during different stages is the most fundamental elements that will ensure sustainability for SDI.

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

2. Establishing professional skills

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

Table 1: Costs of Staff Training

Unit: NTD

Year	2017	2018	2019
Training Costs	4,027,119	3,646,947	4,640,248

Table 2: Number of Training Hours for Employees

Year	Category	In-class courses	Online courses	Total
2017	Training Hours	12,956 Hours	1,363.1 Hours	14,319.1 Hours
	Persons	2,388 people	2,841 people	5,229 people
2018	Training Hours	12,606 Hours	1,102 Hours	13,708 Hours
	Persons	2,823 people	2,447 people	5,270 people
2019	Hours	12,014 Hours	1,041 Hours	13,055 Hours
	Persons	3,139 person	2,304 person	5,443 person

Gender	Male		Female	
	Direct labor	Indirect labor	Direct labor	Indirect labor
Type of Employees				
Total Number of Training Hours in 2019	2,439	7,724	320	2,572
Total Number of Trainees in 2019	634	3,281	254	1,274
Average Number of Training Hours per Person in 2019	3.84 Hours	2.35 Hours	1.25 Hours	2.01ours

3. Creating a Friendly Learning Environment

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

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

Year	2017	2018	2019
Number of Online Courses	172	180	188

4. Enhancing international communication skills

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

5. Establishing corporate knowledge management system

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

Table 4: Number of pieces of know-how documentation

Year	2017	2018	2019
Number of Documents	1,588	1,649	1921

6. Combining staff improvement with promotion

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

7. Training Outcome

SDI believes in training potential recruits that corporations and the society need and regards it as its corporate responsibility. To ensure the effectiveness of its training system, SDI obtained

certification from Taiwan TrainQuali System (TTQS) in 2014 and won the gold awards . The Government agencies recognition is a vote of confidence for SDI's continuous dedication to training corporate talents.

8. SDI provides courses covering diverse subjects.



9. Employee Education and Training

Employees are the most important asset of a company. To enhance employees' work intelligence, human resources quality, work efficiency, and business development, we have established employee training regulations, with quarterly training going, 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 2019

Items	Total	Annual individual average
Hours	13,055.0 Hours	12.39 Hours
Persons	5,443.0 person	5.23 person
Costs	4,640,200 NTD	4410 NTD

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

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

*3. Average annual number of training hours per person = Number of training hours/Number of employees (1,053, excluding Filipino employees and part-time workers).

*4. Average number of attendance per employee = number of attendance / number of employees.

*5. Attendance calculation does not include part-time workers.

*6. The 2019 report is not disclosed by gender and category. The 2020 report is scheduled to be disclosed by gender and category.

Course statistics by subject in 2019

Category	Hours in 2019	Percentage of 2019
Human resources, Administration	3,354.5	22.20%
Marketing	703.3	4.60%
Information management	240.1	1.60%
Finance, Accounting	376.2	2.50%
Quality assurance	2,925.3	19.40%
Production management	1301.6	8.60%
Research and Development	1785.9	11.80%
Business management	3,567.6	23.60%
Others (include Language)	858.0	5.70%
Total	15,112.5	100.00%

Note 1: Since the training hours in this table included external training hours, the total number of training hours was more than that in the previous table.

Note 2: Because orientation training and on-the-job training on business administration were organized in 2019, human resources and administration courses accounted for a higher proportion of training.

3.1.6 Workplace Harmony

1. Occupational Health and Safety

(1) As the industry structure changes, the issue of labor health and safety is no longer confined to certain fields. The health and safety technology has also improved. Therefore, it is important for a corporation to recognize the risks in the workplace in order to prevent any risk factors that might cause injury or even death among the people in this environment and come up with solutions. A corporation is obligated to protect the lives of its employees. SDI provides safe equipment, well thought out operational procedure and protection as well as sound employee training, education and health checkup to minimize occupational hazards and accidents and achieve the ultimate goal of “hazard free, worry free.”

(2) SDI complies with regulations including Labor Safety and Health Act

and its Enforcement Rules; Regulations Governing Labor Safety and Health Facilities; Labor Inspection Act and its Enforcement Rules, Operational Guidelines for Reinforcing Labor Health and Safety, Labor Standards Act and its Enforcement Rules; Safety and Health Facility Standards. In addition, pre-employee physical and labor health and safety educational training are provided to all new employees. For in service employees, regular health checkups are also conducted and safety protection equipment is provided for those who work on the risk-prone operations. The health checkup targets specific conditions for health management supplemented with educational training on health and safety. For instance, the training include the use and management of dangerous objects, how to avoid unsafe actions during operation, traffic safety and fire safety training. A total of 876 employees received a health checkup provided by SDI in 2019. Among them, 529 employees received a physical checkup for occupation-related illness and long-term night shift safety hazards, and 962 employees took part in training for fire safety, health safety, and health promotion.

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

Objective items	Goals in 2019	Records in 2019	Goals in 2020	Goals in 2022
Major occupational disasters	0	1	0	0

V. Resources: Project formulation and budget allocation implementation by dedicated unit.

VI. Action to be taken:

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 the performance and adjust the plans in time.
4. Use safety and health management experience to assist SMEs in disaster prevention and management.

VII. 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



(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 (September 2, 2019 to September 5, 2019). 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
 200
 Sec. 2, Chang Nian Road
 Changhua
 Changhua County
 500
 Taiwan

增進工業股份有限公司
 臺灣
 彰化縣
 彰化市大竹里
 彰南路200號
 20000
 300

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 stationary.
 半導體晶圓封裝及封裝架製造

Certificate No: **OHS 578030**

Location: SDI Corporation, 200 Sec. 2, Chang Nian Road, Changhua, Changhua County, 500, Taiwan
 Registered Activities: The manufacture of semiconductor lead frame and stationary.

Location: SDI Corporation, 200, Cheng Kung 3rd Road, Nan Kang Industrial District, Nantou County, 520077, Taiwan
 Registered Activities: The manufacture of semiconductor lead frame and stationary.

For and on behalf of BSI:
 Chris Cheung, Head of Compliance & Risk - Asia Pacific
 Original Registration Date: 2007-05-11
 Latest Revision Date: 2017-09-15
 Effective Date: 2017-09-28
 Expiry Date: 2020-09-27
 Page: 1 of 2



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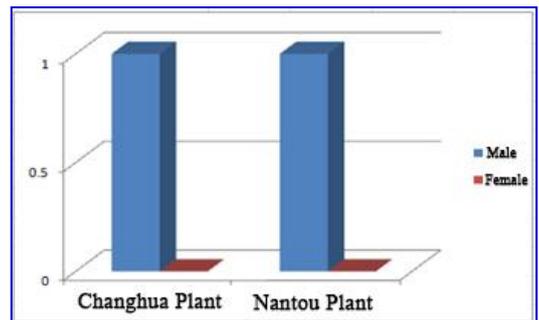
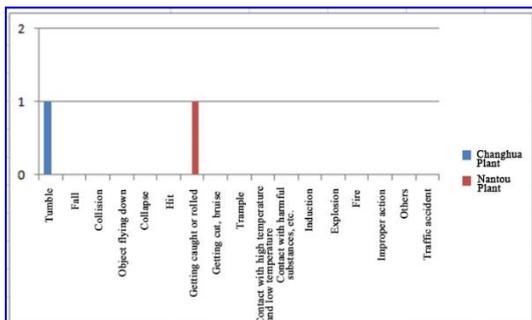
Original Registration Date: 2007-05-11
 Latest Revision Date: 2017-09-15
 Effective Date: 2017-09-28
 Expiry Date: 2020-09-27
 Page: 2 of 2

(4) SDI adopts preventive measures for occupational injuries by correcting the root causes, thus implementing safety and health management to avoid repeating occurrences. The following are the 2019 statistics on environmental health and safety indicators as required by the environmental health and safety management system:

Item Gender	Evaluated	FR: Disabling Injury Frequency Rate	SR: Disabling Injury Severity Rate	Occupational Disease Rate	Number of Deaths Resulting from Occupational Injury	Lost Day Rate	Absenteeism Rate
Male		0.79	69.52	0	0	9.65	0.22
Female		0	0	0	0	0	0.32

- *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 ÷ Total work hours that have passed
- *5. Absence rate = absence days / (number of employees * number of working days in the year) * 100% (including occupational injury, sick leave, and physiologic leave days).

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

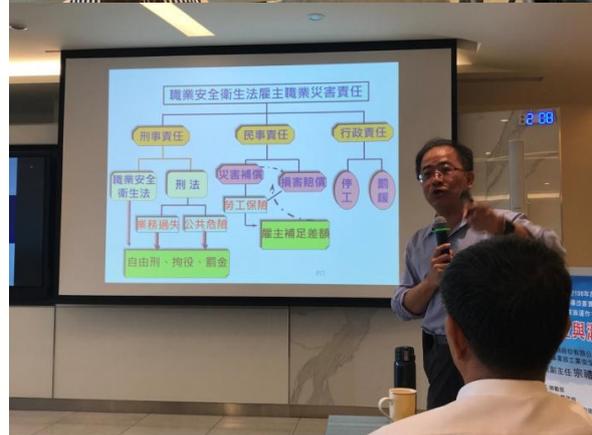


Other contractors (workers): 2019

Factory	Evaluated Item	IR(Injured Rate)	Number of Deaths Resulting from Occupational Injury	Remarks
	Male	0	0	
	Female	0	0	

(5) “Program of Rooting Occupational Safety and Health” by the Occupational Safety and Health Administration, Ministry of Labor: In 2018, in Changhua County, SDI served as the core corporation with 20 small and medium enterprises in the “SDI Family.” Named after the core corporation with the meaning of “following ethics” (shun de), indicating that the SDI Family will, with concerted efforts from the Family, create the best possible safe, healthy, and comfortable workplace.

2019 is the second year of this event. We invited company members of the family to participate in a training course on “Behavioral Safety and Communication”, to enhance the awareness of work safety improvement, and establish a safety and hygiene self-management mechanism. Through the communication and sharing with other members, this training enhanced the awareness of safety and hygiene management and led to the establishment of a management system.



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

In conjunction with the implementation of the Taiwan Occupational Safety and Health Management Systems (TOSHMS) by the Occupational Safety and Health Administration, Ministry of Labor, to effectively utilize the experiences of businesses in TOSHMS, continue to enhance the occupational health and safety systems of businesses, encourage businesses to join TOSHMS, and maximize the effectiveness of TOSHMS, SDI has participated in founding TOSHMS advancement associations or other similar organizations in north, central, and south regions of Taiwan to advance the cause of

TOSHMS. Businesses that have been certified by TOSHMS are automatically listed as a member of the TOSHMS advancement association of its region. SDI has shouldered the responsibility of Vice Chair of the Central Region Advancement Association for TOSHMS to help facilitate the operations of the system. On one hand, the advancement association organizes training and exchange activities for TOSHMS to improve the safety and health management skills of business employees. On the other, the advancement association maintains communication channels with the Occupational Safety and Health Administration, with whom we organize TOSHMS seminars to advance safety and health management.



(7) Operation of Occupational Safety and Health Committee

SDI's Occupational Health and Safety Committee is established in accordance with labor regulations, charters, and practices. Members consist of union directors and supervisors (6 in total, over 1/3 of committee seats), corporate managers, occupational safety personnels, and maintenance staff (11 in total) with two-year terms and eligibility for re-election.

The company regulation stipulates that the committee meeting shall be held once every three months. In 2019, the meetings were held on March 28, July 1, October 2 and December 30. A minimum of 2/3 of the committee members must be present. Motions require over 50% vote from members who are present for approval. Emergency meetings may be held when deemed necessary to supervise and guide the implementation of occupational health and safety management going. The staff are the most valuable assets of a company. The managerial ranks at SDI places high emphasis on the working environment, development, and care for employees with the goal of creating "Safety, Health, and Comfort" in the workplace. Therefore, the Company aims to establish diversified communication channels and to continue implementing various staff relation projects.

(8) Retirement Association

To take care of the lives of employees after retirement, SDI established its retirement regulations as per the "Labor Pension Act" and "Labor Standards Act." We have also lawfully established a pension fund supervisory committee that oversees the monthly allocation to the pension fund. Retired employees can apply in accordance with the law to facilitate their life planning after retirement. Those who are willing to work can stay or be referred to related business. The 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 and Traveling Activities in 2019

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, facial features, disability, or union membership. We also disallow any threatening, forceful, abusive and exploitive harassment, through gesture, language or physical contact. We hereby respect the rights that all workers at SDI so rightfully deserve.

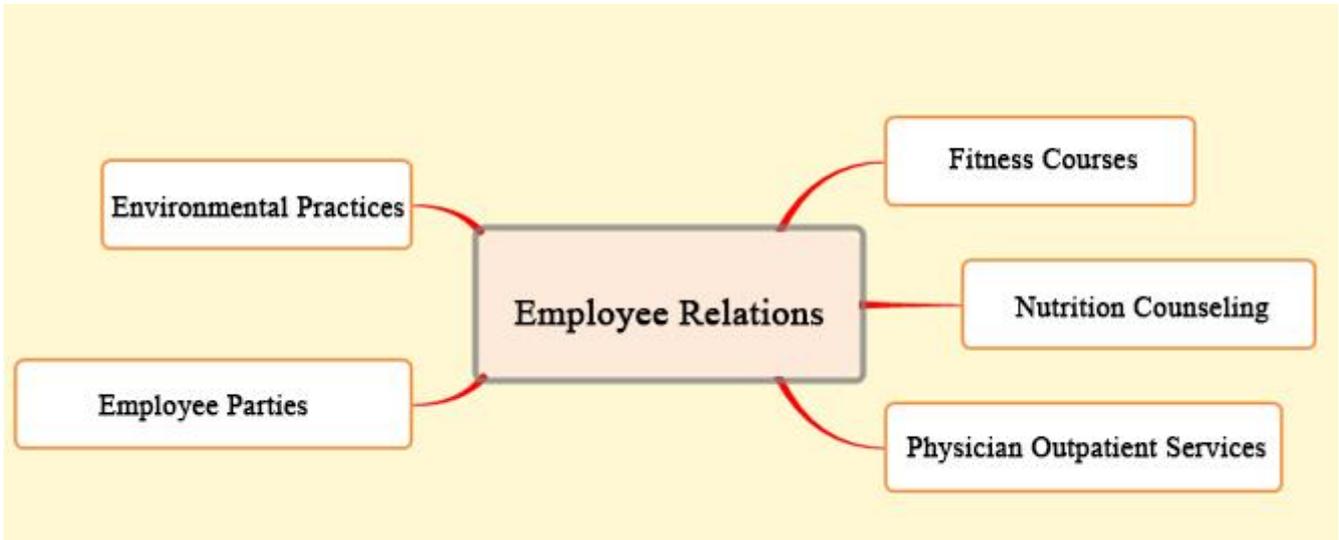
3.1.8 Improving Employee Relations

1. Continuous improvement in productivity

- (1). At SDI, improving the quality of products and services to every customer's satisfaction is the mission statement for all employees. To render services beyond customers' expectations and to strengthen business competitiveness, SDI introduced the "Continuous Improvement 2.0" in 2019. SDI engaged well-known business consultants to help enhance the system and culture of continuous improvement. During the project implementation, we provided improvement tools and training on problem-solving logic. By exploring the fundamentals and solving problems through teamwork, we established systematic solutions to the problems. SDI expects to incorporate such improvement tools and logic into the operation of engineers and administrators, so as to achieve business excellence through continuous improvement.
- (2). In 2019, a total of 2.5 million NTD was spent on this project, along with six teams in charge of reducing defects and scraps in each process. Two meetings were held to present improvement cases and encourage employees to keep learning and improving their ability to solve problems, thereby increasing business competitiveness and customer satisfaction. In addition, SDI trained 15 counselors and 14 team leaders to introduce such improvement tools and practices to their departments, further increasing every employee's awareness of continuous improvement.
- (3). SDI expects to spend 5 million NTD on this project in 2020. These counselors and team leaders will lead more than 15 teams to improve problems faced by each department or customers. Through this project, SDI expects to solve pain points and optimize the manufacturing process and further create a continuous-improvement culture.

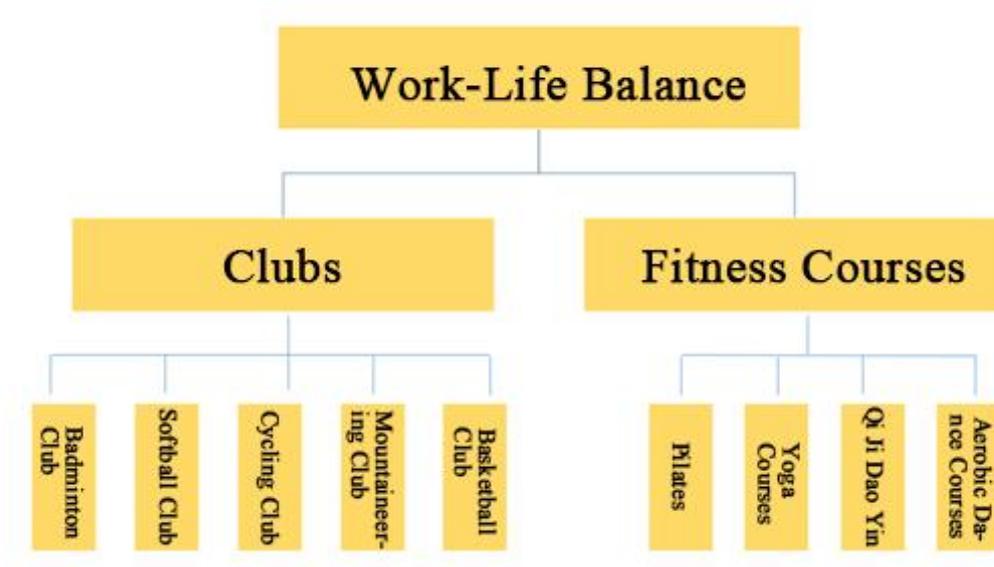
2. Employee relations

SDI regards employees as the most important asset. In addition to creating a work environment that embraces continuous innovation and growth, SDI strives to help every employee live a healthy and happy life. The company's goal is to achieve work-life balance, health, and well-being of all employees.



3. Fitness courses

- (1). SDI is convinced that only when employees have a healthy body can they stay focused and delighted at work. Therefore, we provide a variety of physical activities for our employees. To save employees from commuting, SDI cooperates with community centers nearby to provide aerobics courses. Considering the employees' needs for static activities for relaxation, the company also offers courses for stretching and strengthening muscles.
- (2). The company has also set up different types of sports clubs to help employees relax and interact with colleagues, establishing a network for support outside work.



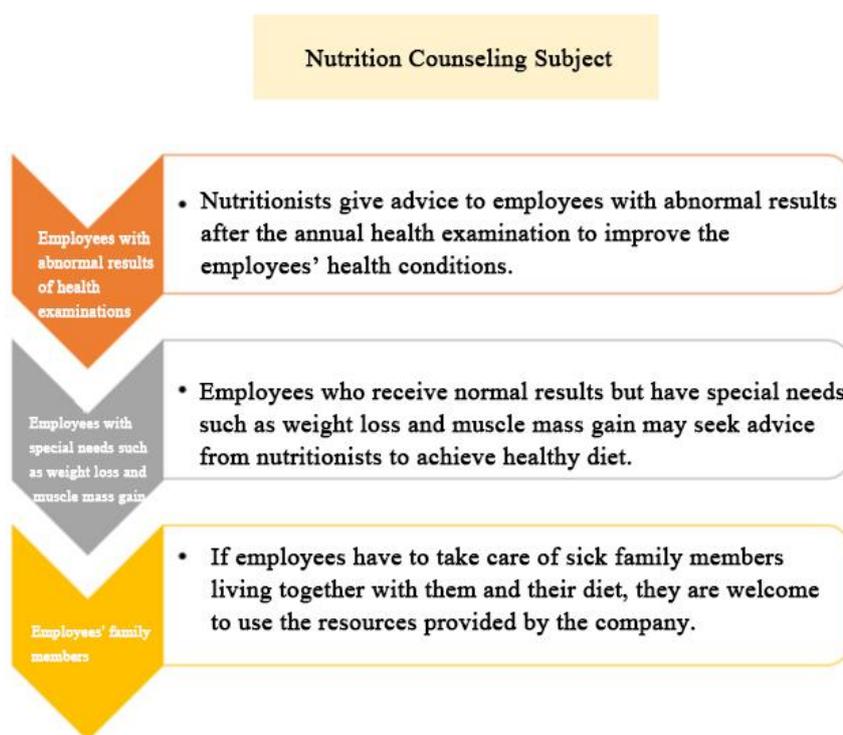
4. Parties

- (1). In addition to work and life, SDI attaches great importance to the interpersonal connections between employees and an awareness of teamwork built through activities.
- (2). SDI holds a New Year's Eve party for migrant workers and Halloween parties as follows:
 - New Year's Eve party for migrant workers: The Company organizes a New Year's Eve party every year and prepares hometown foods and Mass activities in hopes of relieving homesickness among migrant workers.
 - Halloween parties: The Company organizes Halloween activities with nearby kindergartens every year to enhance community relations. The company is vibrant with Halloween costumes and festive decorations, spreading the happiness to employees during work.



5. Nutrition counseling

- (1). In modern days, the proportion of people eating out is getting higher and higher. Imbalanced diets have become common for most people and have also caused many physical and mental imbalances. In addition to the improvement in physical fitness, SDI strives to help employees and their families better understand their diet, so as to maintain a good source of energy.
- (2). In 2020, the company expects to invite nutritionists who have passed the national examination to provide employees one-on-one health consultations every week. Nutritionists will give dietary advice or adjustment plans exclusively to each employee.
- (3). Nutritionists will give advice to employees with abnormal results after the annual health examination, employees with special needs, and employees' family members living together with the employees. If employees have to take care of sick family members and their diet, they are welcome to use the resources provided by the company.



6. Physician outpatient services

Sticking to the idea that prevention is better than treatment, SDI entered into a contract with the Show-Chwan Memorial Hospital in 2012, engaging its medical team to provide on-site primary care and basic medical services for employees. This allows employees to take care of their health during work. In 2019, a total of 1,270 employees received health education and health guidance and participated in the physical examination and health management, accounting for 90.32% of total employees. This program helped employees understand their health conditions effectively in the first place and could be used as a reference for follow-up actions. This program will continue in 2020.

7. Psychological counseling

- (1). In addition to physical health, SDI pays attention to the mental health of every employee. Different stages of life always go hand in hand with different sources of stress such as work, family, or balance between various roles. External support and assistance will help people get through these challenges more easily. In 2019, SDI started to work with psychological counseling centers in hopes of driving "interpersonal communication" and further creating a people-oriented, communication-free workplace; SDI also organized a seminar on "positive communication," where employees had an opportunity to communicate with professional counseling psychologists about mental health issues.
- (2). The seminar was well received. The company expects to form long-term partnerships with psychological counseling centers in 2020 to facilitate unimpeded communication within the organization. Seminars on "interpersonal communication" will be organized to teach employees approaches to benign communication, so as to help employees communicate effectively and reduce personal frustration caused by poor communication. SDI also expects to conduct a free "HRV stress test," using a heart rate variability (HRV) instrument to detect the employees' physical and mental energy, so as to help them understand their own stress. A seminar on "care for autonomic nervous system" will ensue to teach employees how to relieve their own stress.
- (3). In addition, the company will provide employees free and private one-on-one psychological counseling services to help them adjust their stress and express their feelings. Through psychological counseling services, we hope that employees will grow a positive mindset toward their life and work.

8. Environmental protection initiatives

- (1). Corporate social responsibility is a vital part of business operations. It is incumbent on a company to help employees realize that corporate social responsibility also correlates closely with them. Committed to promoting green factories and green manufacturing, SDI initiated "Green Life 21" in 2019, hoping to promote the concept of environmental protection with every employee.
- (2). "Green Life 21" mainly encompasses the following activities:
 - Game: In the game where all employees can participate, employees completing the tasks within the deadline are eligible to participate in a lucky draw.

九宮格挑戰賽 | 第一周 2019.11.07-2019.11.13

單位：_____ 工號：_____ 姓名：_____

【活動方法說明】

- 1.以下九格選擇，完成六格者，挑戰成功(請於方格打V)，即可投遞至抽獎箱(彰化廠-人資處；南投廠-總機)
- 2.挑戰成功者可參加：當周活動抽獎
- 3.請於11/13下班前，將本抽獎單投遞至抽獎箱，逾期不候
- 4.本週活動將於11/13下午六點準時進行抽獎，中獎資訊將公告在公司電子信箱即公司粉絲團專頁「SDI Corporation」。

【注意事項】

- 1.基本資料填寫不正確致使無法聯絡該員者，自動棄權2.如有未盡事宜，依活動主辦單位公告為準
- 3.如有任何問題，歡迎電洽人資處立夏(ext.2311)或祐君(ext.2301)

不使用 一次性餐具	零廚餘 不浪費	不喝 瓶裝水
<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
離開洗手間 隨手關燈	電腦設定 休眠模式	冷氣溫度 不低於25度
<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
出門 拔掉電器插頭	關緊 水龍頭	【自選題：快跟我們分 享這周你的節能減碳】 我騎自行車上班
<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>

我完成__7__格，請主管認證：_____



- Environmental seminars: "DIY Course - Make Soap with Waste Oil" and "Board Game - Understand the Importance of Environmental Protection" were organized.
- By holding "Green Life 21" activities, SDI expected all employees to learn how to make an eco-friendly life a reality with concrete action. In the future, SDI will invest in more resources to address environmental issues.

3.2 Products and Services for Clients

1. In each stage of the product design process, health and safety, product and service labeling, marketing communication, customer privacy, compliance, and employee health aspects go through stringent evaluation and improvement. SDI also ensures that key products and services all go through such processes.
2. In the product design stage, our R&D team evaluates and confirms the legal compliance of processes. In 2019, no violation of the health and safety regulations relating to products and services was reported.
3. We form the R&D teams consisting of industrial designers, mechanical engineers, and graphic designers to design ergonomic and safe products in compliance with laws and regulations. After stringent testing by our quality assurance department, products are labeled with safety information to ensure the safety of users. We also prevent the sales of restricted or controversial products.
4. As for marketing communication, SDI selects highly qualified sales personnel to provide comprehensive customer service, place regular visits to clients, and conduct surveys, establishing effective partnerships. We have also established trade secrets and data protection management general principles to protect client privacy and prevent the disclosure, theft, or loss of client information.

Material Issues: Health and safety for clients, product and service labeling, client privacy, laws and regulations compliance.

Product Safety and Service Label Management Guideline

- I. Policy: Product labeling is honest, accurate, clear and complete.
- II. Commitment: Clear labeling is required according to the practical nature of the product and customer requirements.
- III. Objective: Comply with product labeling regulations and implement customer privacy protection.

Objective items	Goals in 2019	Records in 2019	Goals in 2020	Goals in 2022
Product labeling violations	0	0	0	0

- IV. Resources: The dedicated units shall provide information and implement labeling according to the requirements of consumers (including customers).
- V. Action to be taken:
 1. The product shall clearly provide instruction for safe use.
 2. When customer provides information, confirm the labeling requirements of the customers (including the consumers).
 3. Shipment shall be clearly marked according to the practical nature of product.
- VI. Performance measurement:
 1. 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 requirement.
 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 because it affects the number of countries or trade organizations at which the products could be sold. SDI's product design has obtained international certifications, including RoHS and REACH, which place limitations on the use of harmful substances, CE on the use of electric stationery products, and WEEE on the recycling of these products, including the batteries and packaging. In the future, SDI plans to obtain ERP and IPP certifications. ERP and IPP promote ecological design and are currently under negotiation at the EU. SDI is making every effort in environmental protection and user safety to build trust as it strides forward toward achieving sustainable management and building international reputation.

ETC ELECTRONICS TESTING CENTER, TAIWAN	1, Lina 16, Wen-Ming Rd., Le-Shan Twn, Suao-Town, Tainan County, Taiwan 73383 http://www.etc.com.tw 05-228-8028
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Certificate

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

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

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

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

Certificate No: 12-02-QAC-235
Date of Issue: March 13, 2012

This certificate of conformity is based on evaluated sample(s) of the product mentioned above. It does not imply the assessment of production of the product. The result of this evaluation is available on the RoHS Assessment Report, which is in conformity with 2002/95/EC (RoHS Directive), amending RoHS Directive 2011/65/EU.

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

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

ETC ELECTRONICS TESTING CENTER, TAIWAN	Report No.: 12-02-MA68-253-02 EMC TESTING DEPARTMENT Page: 1/7
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CONFORMANCE TEST REPORT FOR EN 62233:2008

Report No.: 12-02-MA68-253-02

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

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

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

Test Engineer <i>Jing Chen</i> Jerry Chen	Checked By <i>Kevin Lin</i> Kevin Lin	Approved By <i>Jerry Huang</i> Jerry Huang
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ELECTRONICS TESTING CENTER, TAIWAN
No. 1, Lina 16, Wen-Ming Rd., Le-Shan Twn, Suao-Town, Tainan County, Taiwan 73383
TEL: (05) 2281070-4 FAX: (05) 2281070-4
TEL: (05) 2281088 FAX: (05) 2281088
TAINAN, R.O.C. INT: (86) 9 2281088

Laboratory Identification: Electronics Testing Center, Taiwan is recognized, filed and mutual recognition arrangement as following:
 @ ISO9001: 2009 Product Service
 @ ISO14001: 2004 EMS, TAI, NCC, NVLAP, CCB/CAC, UL, Compliance
 @ Filing: FCC, Industry Canada, VCCI
 @ SIRA: America, Hong Kong, New Zealand, Singapore, USA, Japan, Korea, China, APAC through NCC
 @ FCC Registration Number: 60288, 51094, 91095

CE

ETC ELECTRONICS TESTING CENTER, TAIWAN	Report No.: 12-02-QAR-009
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TEST REPORT

PRODUCT UPGRADING AND RECYCLING

Report No.: 12-02-QAR-008
Approved by (Signature): *Peter Wang*
Contents: 19 Pages
Date of issue: 2012/03/09
Testing Laboratory Name: Electronics Testing Center, Taiwan
Address: No. 8, Lane 26, Wenming Rd., Guishan Shang, Taoyuan County, 33383 Taiwan, R.O.C.
Subcontract Lab.: Environmental Protection and Industrial Safety Hygiene Department
Address: No. 8, Lane 26, Wenming Rd., Guishan Shang, Taoyuan County, 33383 Taiwan, R.O.C.

Applicant's Name: SDI CORPORATION
Address: 260, SEC 2, CHANG NAN ROAD, CHANG HUA, 500 TAIWAN

Test Specification: WEEE (2002/96/EC)
Standard: None
Test procedure: None
Non-standard test method: None

Type of Test Object: Electric Pencil Sharpener
Trademark: ---
Manufacturer: SDI CORPORATION
Model and/or type reference: 0172
Series Model: ---
Filing(s): ---

1. Selective treatment material/component of waste electrical and electronic equipment is removed in accordance with WEEE Directive Annex II and 75442/EEC article.
2. The results shown in this test report refer only to the sample(s) tested.

SDI Product International Verification Application

3.2.2 Reduced Packaging Materials, Using Environment-friendly Materials

The packaging materials used in SDI stationery products not only shall highlight the brand's recognition and provide the necessary product information, but also ensure that the products are well protected in the packaging materials to ensure their safe use and aesthetics in the hands of consumers.

In addition, we take into account the fact that consumers may discard the packaging materials, thus impacting the environmental. We thereby continue striving towards the 3R (Reduce/Reuse/Recycle) design for the packaging materials:

- Reduce (to use less): Develop packaging material with reasonable size and strength.
- Reuse (waste reuse): Make the best use of materials, to maximize the reuse value of packaging materials.
- Recycle (recreate into something usable): Use recycle materials without compromising the quality of packaging and product protection.

The issue of continuous improvement of packaging materials is also a long-term, on-going policy for SDI. We are currently conducting an assessment on paper suppliers to see if the raw materials certified by the Forest Stewardship Council (FSC) or the Programme for the Endorsement of Forest Certification (PEFC).

As for printing inks on packaging materials for SDI products, we require low-volatility inks. In the future, we plan to select soy inks that meet the American Soybean Association standards to minimize the environmental impact.

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.



3.2.3 Relations with Customers

1. Customer Satisfaction Management Guidelines in 2019

- (1). Importance of customer satisfaction management: The stationery industry is becoming fully developed, with a wide range of products. Between competitors, there is often price competition with cheap product. SDI has established an image of high quality among clients with our advantage of localized services. For the control of product quality, we have upheld a consistently stringent attitude. In addition, we also provide consumers with effective complaint channels. They can voice their concerns on our website and our Facebook page, or call our dedicated complaint line to solve the questions on the products or its usage.
- (2). Customer satisfaction management policies: Improving stability of high quality, specialized capabilities, compatibility with rush orders, service attitude of sales personnel, handling of customer complaint, and efficiency in responding to messages.
- (3). Customer satisfaction management system: For surveys on customer satisfaction, SDI has dedicated personnel regularly surveying and assessing customer satisfaction based on our Customer Service Management Procedure, and then reporting to managerial ranks with the results. For criteria scoring below standards, related supervisors and employees are informed for review and improvement. In addition, all customer satisfaction surveys and analytical results are stored on the PLM system for reference.

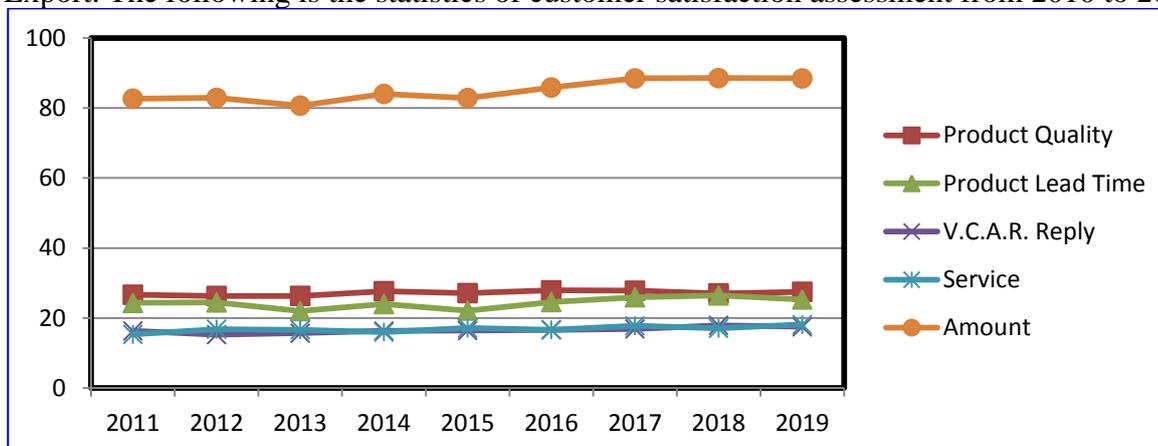
2. Customer Satisfaction - Stationery

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

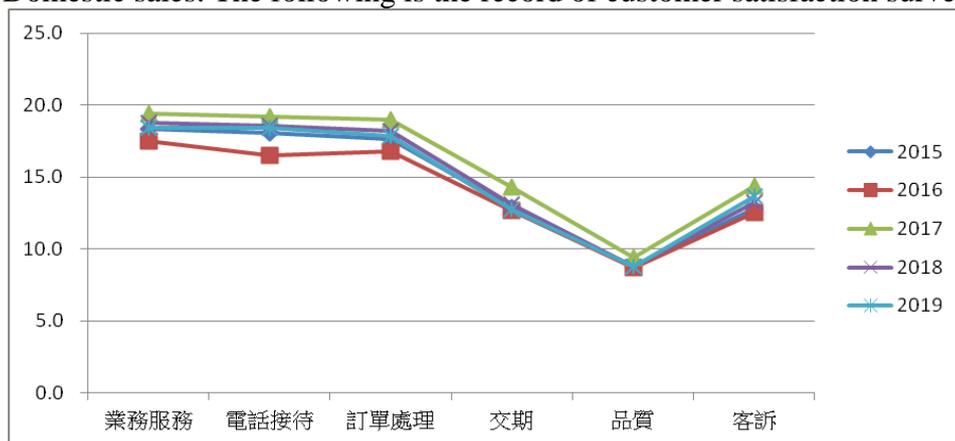
Task	Responsible Unit
Product Quality	Quality Assurance Unit
Delivery Date	Production Management Unit
Reply on Customer Complaints	Quality Assurance Unit
Service	Business Unit

- (2). In regard to the customer satisfaction survey, areas marked as unsatisfactory by customers will be addressed immediately with an improvement notice. The responsible agency is to formulate improvement strategies and respond to customers with feedbacks and improvements within a specified time.

Export: The following is the statistics of customer satisfaction assessment from 2010 to 2019.



Domestic sales: The following is the record of customer satisfaction survey from 2015 to 2019.

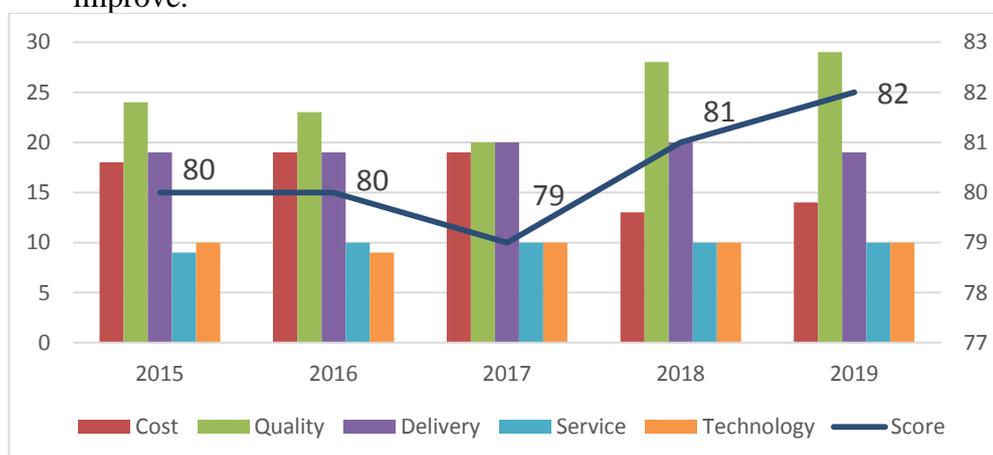


3. Customer Satisfaction for Electronics Products

- (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 because SDI values the opinions from customers.
- (2). For the feedbacks from the customers, there are mainly four ways to collect them, which are: supplier evaluation, customer audit, customer satisfaction survey and records on business trips and visits. The operation time and unit in charge are 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	Regular	Business Unit

- (3). When clients evaluate SDI, SDI would inquire about the results and review its performance as well as past company data to make improvements based on clients' requests and standards. Responses are then provided for the clients within a specified time for confirmation. Quality Assurance Unit is responsible for addressing concerns listed by clients from time to time during their audits and filing the customer satisfaction issues accordingly.
- (4). There are overlaps between supplier evaluation and customer satisfaction criteria. However, the former covers a wider range of issues and is more detailed, containing environmental protection issues, labor-employer harmony, and operational risk assessment and response. We also emphasize that suppliers must be aware of the changing demands of the market and constantly improve.



< Supplier Evaluation Results of Customer B from 2015 to 2019 > (customer B is one of SDI's customer)

(5). SDI surveys clients with transactions dated within one year. The survey is distributed once every six months. This survey can be divided into four main points: assessing quality, delivery, service and price. The Company analyzes the survey results, and distributes the results to applicable units to make necessary improvements within a specified time and report back to the client. 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

The Infineon Technologies' Supplier Party was held in November, 2017. SDI won the highest honor, BEST of the BEST, and standing out among all front-end and back-end suppliers. SDI has won the BEST of the BEST Award for two consecutive years, and thanks 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 STMicroelectronics

In 2017, SDI was awarded and recognized as the "Best Supplier in the Lead Frame Category for 2016" by STMicroelectronics, thus quality service was reaffirmed. Long-term cooperation with customers to develop relationships has been the primary responsibility of SDI, and SDI strives to meet customer needs in terms of quality, price and delivery, and providing all around quality services. Since cooperation began in 2002, SDI has won the best supplier award multiple times, along with many affirmations from the STMicroelectronics Group. In the future, SDI will strive for excellence and continuously improve its services. It is also expected that STMicroelectronics will work closely to establish long-term partnerships with SDI.



3.2.4 Customer privacy protection measures

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

Customer privacy management guideline.

- I. Policy: Respect for intellectual property rights and privacy protection.
- II. Commitment: Respect intellectual property rights and protect customer privacy.
- III. Objective: Zero customer privacy breach.

Objective items	Goals in 2019	Records in 2019	Goals in 2020	Goals in 2022
Customer privacy breaches	0	0	0	0

- IV. Resources: From top to bottom, all members work together.
- V. Action to be taken:
 1. Regularly review customer privacy breaches.
 2. Provide unobstructed channel for appeal or whistle-blowing.
 3. Formulate relevant preventive measures.
- VI. Performance measurement: Regular review for breach if any.

Applicability: General, Specific

Scope: Within the organization, Outside the organization

3.3 Relations with Supplier

3.3.1 Green Supply Chain and Contractor Management

Procurement management guideline					
I. Policy: Establish the spirit of supply chain management, jointly strive for economic development and fulfill the obligation of feedback to society.					
II. Commitment: Suppliers are the most important business partners, with whom long-term relationships shall be established for the ultimate goal of sustainable operation.					
III. Goal: To establish, manage and maintain supply chain partnerships based on the supplier evaluation system, and to provide raw materials in line with the company's needs.					
Objective items	Goals in 2019	Records in 2019		Goals in 2020	Goals in 2022
Unqualified supplier ratio	0	0		0	0
IV. Resources: Establish procurement budget according to customer's product requirements.					
V. Action to be taken:					
1. Conduct supplier evaluations on a regular basis and provide necessary assistance, to establish long-term relationships and promote sustainable operations.					
2. Purchase locally to reduce cost and quality requirement.					
3. Comply with customer requirements, refrain from purchasing conflict minerals					
VI. Performance measurement: Conduct monitoring based on quantity and proportion of purchases, and conduct supplier evaluation as well.					
Applicability: <input type="checkbox"/> General, <input checked="" type="checkbox"/> Specific					
Scope: <input checked="" type="checkbox"/> Within the organization, <input checked="" type="checkbox"/> 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 clients and consumers, we see the procurement of raw materials as an important aspect of our operations. When procuring raw materials, we must consider the following two factors to enhance our competitiveness. Internally, we minimize the lead time for delivery of our orders and materials in stock. Externally, in view of the future of the semiconductor and stationery industries, ensuring the stability of material sources is a key issue. The following shows the main raw materials procured by SDI:

Main raw materials procured by SDI (in tons) and renewable rate (%)				
Type / year	<u>2017</u>	<u>2018</u>	<u>2019</u>	Renewable rate (%)
Copper	14,458	13537	10181	Approx. 45%
Steel and iron	350	292	263	Approx. 40%
Plastics	80	70	44	Approx. 40%

2. Distribution of supply chains:

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

The following are the percentages of regions from which SDI procured its materials from 2017 to 2019:

Area	2017 (%)	2018 (%)	2019 (%)
China	12.88	17.14	13.35
Japan (Note)	51.59	52.63	53.83
Taiwan	29.01	20.72	22.18
Other	0.2	0	0.14
Singapore	3.57	6.38	7.44
Europe	2.75	3.14	3.06
TOTAL:	100%	100 %	100 %

Note:

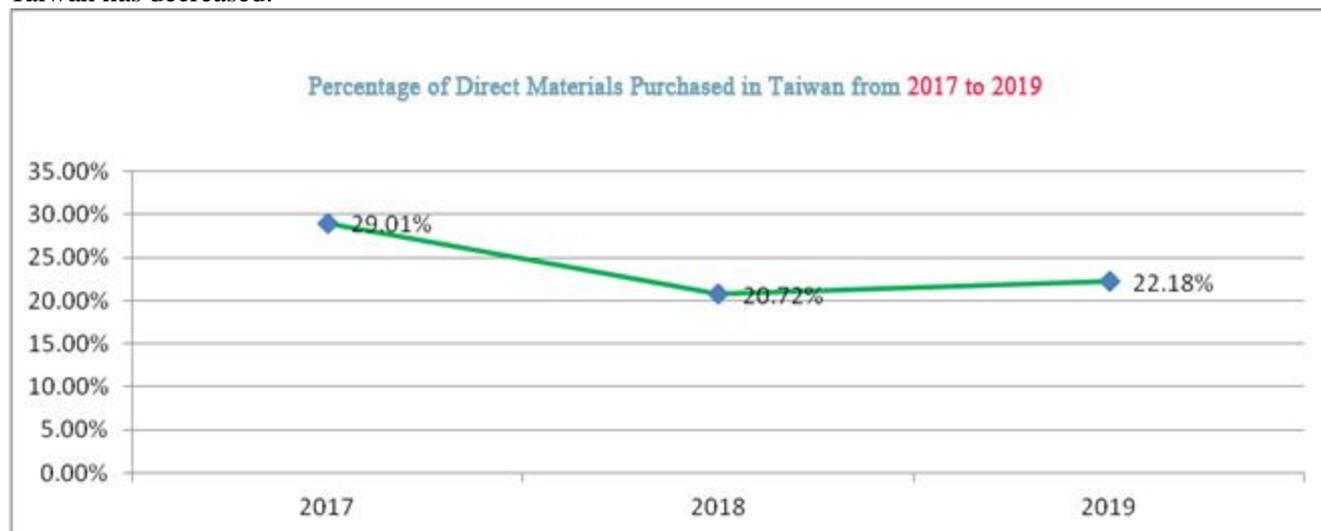
(1) The direct materials used in the lead frame products of SDI are made of copper. Most of the international copper manufacturers are in Japan, and with good quality. Therefore, the proportion of purchases made in Japan is relatively high.

(2) Most of the materials used in SDI's lead frame are from customer-specified suppliers, and most of the customer-designated materials are from Japan.

(3) The transportation of Japanese materials is more convenient than those in Europe. Therefore, if quality copper to be purchased overseas, Japanese copper is still a priority.

1. Local supplier purchase ratio:

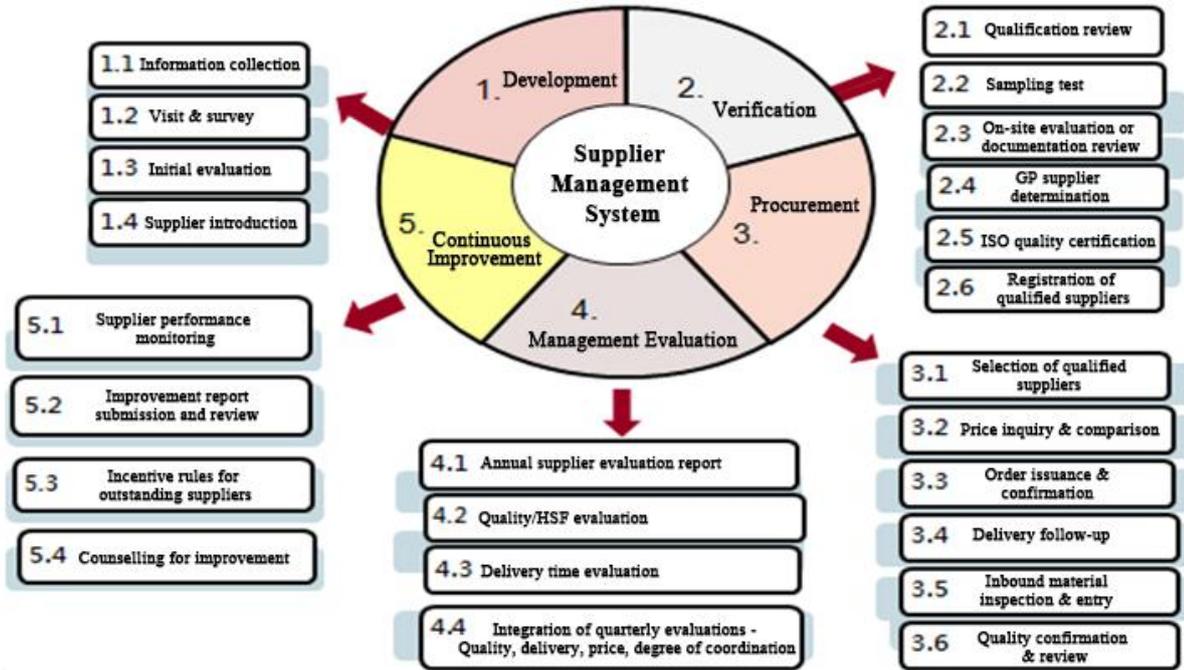
SDI attaches great importance to the enhancement of its own competitiveness, keeps abreast of the economic development of Taiwan, and upholds the principle of Loving Taiwan. The company has also actively implemented a "Deep Farming Taiwan" project and is striving to support home-grown industry by affording them top priority in the purchase of "direct materials." The following are SDI's ratios of local purchasing "direct materials" from 2017 to 2019, ranging from 29.01~22.18%. In recent years, due to the increase in the price of domestic materials, we have to seek alternative materials in other regions, so the purchase ratio of materials in Taiwan has decreased.



3.3.2 Supplier Evaluation Management

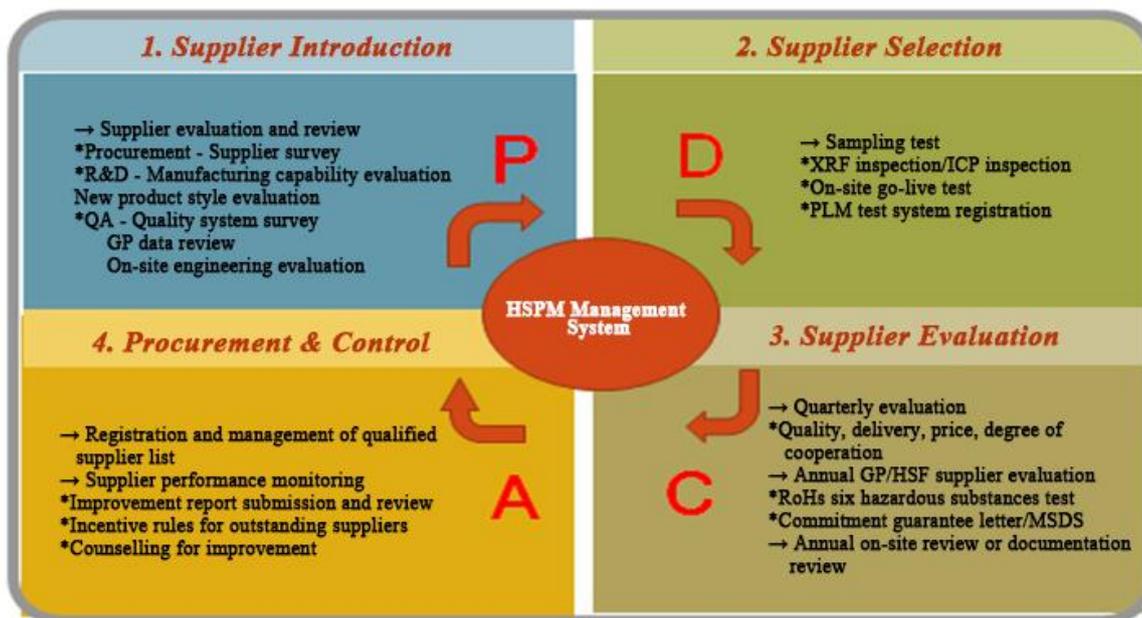
1. Description of supplier management system:

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



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.



Description:

Stage 1: Introduction of suppliers

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

Stage 2: Selection of suppliers

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

Stage 3: Review of supplier

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

Stage 4: Procurement and control

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

3. Design for enhancing performance: Commendation for outstanding suppliers

SDI's procurement management system focuses on "procedures and management of suppliers." We regularly review the performance of suppliers and, based on the results, adjust our supply chain. More importantly, we maintain long-term partnerships with suppliers to ensure stable sources of materials and prevent material shortages. SDI implements an annual reward system (suspended in 2019 due to the COVID-19 pandemic) for outstanding suppliers, offering them public commendation, and continue to maintain with them strong trade partnerships based on the spirit of collaboration and trust. We thus ensure that the quality, cost, delivery, service, and management of suppliers all meet our procurement requirements, creating mutual benefits.



Year-end party in 2017



Year-end party in 2018

Public commendation of outstanding suppliers in 2017 and 2018.
(Suspended in 2019 due to the COVID-19 pandemic)

4. AEO Certification

To establish supply chain management, SDI participated in the AEO certification and management program (“Regulations Governing the Certification and Management of the Authorized Economic Operators”) held by the Customs Administration, Ministry of Finance in 2013, and passed the renewal review and verification procedures on December 13, 2019 (the certificate took effect on December 13, 2013), to allow 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.



Awarded by Deputy Director of Taichung Customs Administration



3.4 Social Care and Contribution

3.4.1 Social Care by SDI Foundation

1. Social Care and Contribution

Ten years committed to the course and still going strong, SDI aims to expand the social obligation service area.

- 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 local community residents. Now with what we have accomplished in the past ten years, we intend to spread our love farther and expand the charity into the Nantou area.
- SDI was established more than sixty years ago, 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 program the Changhua area, to fulfill its social obligation.
- In 2018, the Foundation announced the establishment of the Nantou Branch to expand the service area and usher in the 10th anniversary. 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 resource for service and care for the disadvantages 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 elder living in the charity institutions in Changhua. Such as Sheng-Jyh special education center, TszAi Nursing Home, Joyce Nursing Home, and Hondao Foundation. Our supporting is based on the needs of the institutions, providing fund to purchase or renew rehabilitation equipment or living appliance, to improve activity ability and quality of living; or to use in training caring personnel, purchase IT equipment to improve quality and efficiency of the caring.

- #### 3. Since its establishment, SDI Charity Foundation has been committed to social charity. In 2019, SDI Charity Foundation donated more than 1 million NTD to the special education centers, such as Holyrosary, Charity Love Center, Holy Family for Special Education, Heart Catholic Center for Special Education, Holy Wisdom Center for Intellectual Disability, Genesis Social Welfare Foundation Changhua Branch, and Joyce Child Center, for the purchase of devices and rehabilitation equipment which improved the quality of care and training for children with developmental disabilities and those with disabilities.



Every year, SDI Charity Foundation makes donations to the special education centers such as Charity Love Center, Holy Family for Special Education, Heart Catholic Center for Special Education, and Holy Wisdom Center for Intellectual Disability, for the purchase of rehabilitation equipment for children with developmental disabilities and those with disabilities.

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

In addition to caring for the underprivileged and managing Local 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 performance, 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, "Chicken City Story" on March 9, 2019. On that day, both adults and children in the audience very much enjoyed themselves from 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 Local Community Communication and Sponsorship

Contribution to Local Communities

SDI believes that corporations should give back to 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 assisted the Changhua County Government in promoting the "One Dollar Jogging on Campus", a making-your-dream-come-true program and helped the police station organize a public security promotion meeting), 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 2019, SDI's community charitable contributions totaled 450,000 NTD.



Public Security Promotion Meeting

Appendix 1: Index for Global Reporting Initiative Standards (GRI Standards)

General Disclosures

Category/ Material Issues	No.	Content of GRI Indicators	Corresponding Chapter	Page	Remarks	External guarantee
1. Organization Overview						
GRI 102 2016	GRI 102-1	Organization name	1.1.1 About SDI	7		
	GRI 102-2	Events, brands, products and services	1.1.2 Main Brands, Products, and Services	10		
	GRI 102-3	Headquarter location	1.1.1 About SDI	7		
	GRI 102-4	Operation base	1.1.1 About SDI	7		
	GRI 102-5	Ownership and legal form	1.1.1 About SDI	7		
	GRI 102-6	Service market	1.1.2 Brands, Products, and Services	10		
	GRI 102-7	Organization size	1.1.1 About SDI	7		
	GRI 102-8	Information about employees and other workers	3.1.1 Overview of Manpower Employment	51		
	GRI 102-9	Supply chain	3.3.1 Green Supply Chain and Contractor Management	76		
	GRI 102-10	Major changes in the organization and its supply chain	No major changes during the reporting period			
	GRI 102-11	Early warning principle or guideline	1.3 Risk Assessment and Crisis Response Management	29		
	GRI 102-12	External initiative	1.2.3 Participation in External Organizations	28		
	GRI 102-13	Membership of the Association	1.2.3 Participation in External Organizations	28		
2. Strategies						
GRI 102 2016	GRI 102-14	Policy maker's statement	Words from the Chairman	5		
Ethics and Integrity						
GRI 102 2016	GRI 102-16	Principles, standards and codes of conduct	1.1.4 Corporate Governance	17		
4. Governance						
GRI 102 2016	GRI 102-18	Governance structure	1.1.4 Corporate Governance	17		
5. Communication between Stakeholders						
GRI 102 2016	GRI 102-40	Stakeholder group	1.2.1 Identification of Stakeholders and Material Issues	23		
		Group agreement	3.1.2 Sound employee-employer relations	53	No group agreement was signed in 2019.	
	GRI 102-42	Identification and selection of stakeholders	1.2.1 Identification of Stakeholders and Material Issues	23		
	GRI 102-43	Guidelines for communicating with stakeholders	1.2.2 Material Issues Identification Method	25		
	GRI 102-44	Key topics and concerns raised	Material Issues Identification Method	25		
6. Reporting Practices						
GRI 102 2016	GRI 102-45	Consolidate entities contained in financial statements	1.1.3 Financial Performance	14		
	GRI 102-46	Define report content and topic boundary.	About the Report	4		
	GRI 102-47	List of Material Issues	About the Report	4		
	GRI 102-48	Information re-edit	This report has not been rewritten.			
	GRI 102-49	Reporting change	The scope and topic boundary of this report have not changed significantly.			
	GRI 102-50	Reporting period	About the Report	4		
	GRI 102-51	Date of the last reporting	About the Report	4		
	GRI 102-52	Reporting cycle	About the Report	4		
	GRI 102-53	Contact person for questions related to the report	About the Report	4		
	GRI 102-54	Declaration in accordance with GRI standards	About the Report	4		
	GRI 102-55	GRI content index	About the Report	4		
GRI 102-56	External assurance / conviction	About the Report	4			
Management Policy						
GRI 103 2016	GRI 103-1	Explain major issues and boundaries	1.2.1 Identification of Stakeholders and Material Issues	23		
		Management policy and its elements	Disclosure of Major Issues			
	GRI 103-3	Management policy assessment	Disclosure of Major Topics			

Specific Standard Disclosures

Types/Major Issues	No.	Content of GRI Indicators	Corresponding chapter	Page	Remarks	External guarantee
Series of economic indicators						
GRI 201 - Business performance in 2016	GRI 103-2	Economic performance management guideline	1.1.3 Financial Performance	10		
	GRI 201-1	Report the direct economic value generated and distributed	1.1.3 Financial Performance	10		
		Defined benefit plan obligations and other retirement plans	1.1.3 Financial Performance	10		
GRI 201 Procurement practice in 2016	GRI 103-2	Procurement management guideline	2.2 Green product	36		
	GRI 204-1	Procurement practice	3.3.1 Green Supply Chain and Contractor Management	76		
Series of environmental indicators						
GRI 302 Energy 2016	GRI 103-2	Energy management policy		33		
	GRI 302-1	Energy consumption within the Organization	2.1 Energy Conservation and Management	33		
GRI 305 Discharge 2016	GRI 103	Emission management guidelines	2. Environmental Sustainability	33		
	GRI 305-2	Energy - indirect (Category B) greenhouse gas emissions	2.1 Energy Conservation and Management	33		
	GRI 305-7	Nitrogen oxides (NOX), sulfur oxides (SOX) and other major gas emissions	2.1 Energy Conservation and Management	33		ISO 14001
GRI 306 Waste water and materials 2016	GRI 103-2	Waste water and waste material management guidelines	2. Environmental Sustainability	33		
	GRI 306-1	Water discharge quantity according to water quality and discharge destination	2.2.5 Pollution discharge and pollution control	42		ISO 14001
	GRI 306-2	Waste sorted by category and disposal method	2.2.5 Pollution discharge and pollution control	42		ISO 14001
	GRI 306-3	Serious breach in leak	1.4.2 Domestic regulatory compliance	31		
GRI 307 Compliance with environmental laws and regulations 2016	GRI 103-2	Environmental compliance management guidelines	1.4.1 Compliance with laws and international standards and regulations	31		
	GRI 307-1	Violation of environmental regulations	1.4.2 Domestic regulatory compliance	31		
Series of social indicators						
GRI 401 Labor-employer relation 2016	GRI 103-2	Labor-employer relation management guidelines				
	GRI 401-1	New and outgoing employees	3.1.1 Overview of manpower employment	51		
	GRI 401-2	Benefits for full-time employees (excluding temporary or part-time employees)	3.1.4 Remuneration and benefits	55		
	GRI 401-3	Parental leave	3.1.4 Remuneration and Benefits	55		
GRI 402 Labor-management relation in 2016	GRI 103-2	Labor-management relation management guidelines	The SDI Family	50		
	GRI 402-1	Minimum notice period for operational changes	3.1.2 Sound employee-employer relations	53		
GRI 403 Labor health and safety 2016	GRI 103-2	Occupational health and safety management guidelines	3.1.6 Workplace Harmony	62		OHSAS 18001
	GRI 403-1	Representative of formal safety and health committee comprised of employer and employees	3.1.6 Workplace Harmony	62		OHSAS 18001
	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	62		OHSAS 18001
	GRI 403-4	Health and safety related issues covered by formal union agreement.	3.1.2 Sound employee-employer relations	51		OHSAS 18001
GRI 404 Training and Education 2016	GRI 103-2	Training and education management guidelines	3.1.5 Diversified education and training	58		
	GRI 404-1	Average number of training hours each employee receives per year	3.1.5 Diversified education and training	58		
Human rights performance indicators						
GRI 406 Non-discrimination 2016	GRI 103-2	Non-discrimination management guidelines	3.1 The SDI Family	50		
	GRI 406-1	Discrimination incidents and improvement actions taken by the organization	3.1 The SDI Family	50		
Product responsibility performance indicators						
GRI 416 Health and safety of customers 2016	GRI 103	Product Responsibility Management Guidelines	3.2 Products and Services for Clients	68		
	GRI 416-2	Violation of health and safety regulations concerning products and services	2.2.2 Application of Materials Recycled From Products 2.2.3 Green Product Design Concept	70		
GRI 417	GRI 103-2	Product Responsibility Management Guidelines	3.2 Products and Services for Clients	68		

Product and service labeling 2016	GRI 417-2	Events that do not follow the information and labeling regulations for products and services	3.2.3 Relations with Customers 1.4.2 Domestic laws and regulations compliance	72 31		
GRI 418 Customer privacy 2016	GRI 103	Product Responsibility Management Guidelines	3.2 Products and Services for Clients	68		
	GRI 418-1	Proven case of complaint regarding customer privacy infringement or loss of customer information	3.2.4 Customer privacy protection measures	75		
GRI 419 Socioeconomic laws and regulations compliance 2016	GRI 103-2	Product Responsibility Management Guidelines	3.2 Products and services for clients	68		
	GRI 419-1	Violations of laws and regulations in social and economic arena	1.4.2 Domestic regulatory compliance	31		

Appendix 2:

List of UN Sustainable Development Goals (SDGs)

Item	Goal	Logo	Content	Corresponding chapter
Goal 2	End Hunger		Achieve food security and improved nutrition and promote sustainable agriculture	3.4.1 Social Care by SDI Foundation
Goal 3	Good Health and Well-being		Ensure healthy lives and promote well-being for all 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	Accountable consumption and production		Ensure sustainable consumption and production patterns	3.2 Products and Services for Clients 3.2.4 Customer privacy protection measures

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INDEPENDENT ASSURANCE OPINION STATEMENT

SDI 2019 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 verification of the sustainability statements contained in this report.

This independent assurance opinion statement has been prepared for the stakeholders of 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 SDI 2019 Corporate Social Responsibility Report.
2. The evaluation of the nature and extent of the SDI's adherence to AA1000 AccountAbility Principles (2018) in this report as conducted in accordance with type 1 of AA1000 Assurance Standard (2008) with 2018 Addendum 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 SDI 2019 Corporate Social Responsibility Report provides a fair view of the SDI CSR programmes and performances during 2019. 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 2019 economic, social and environmental performance information are fairly represented. The CSR performance information 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 AA1000AS (2008) with 2018 Addendum. 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 AA1000AS (2008) with 2018 Addendum and their self-declaration in accordance with GRI Standards: 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 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.
- 8 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, Responsiveness and Impact as described in the AA1000AP (2018).

Conclusions

A detailed review against the Inclusivity, Materiality, Responsiveness and Impact of AA1000AP (2018) and GRI Standards is set out below:

Inclusivity

This report has reflected a fact that SDI has continually sought the engagement of its stakeholders and established material sustainability topics, as the participation of stakeholders has been conducted in developing and achieving an accountable and strategic response to sustainability. 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 publishes material topics that will substantively influence and impact the assessments, decisions, actions and performance of SDI and its stakeholders. The sustainability information disclosed enables its stakeholders to make informed judgements about the SDI'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 continually provides the opportunity to further enhance SDI's responsiveness to stakeholder concerns. Topics that stakeholder concern about have been responded timely. In our professional opinion the report covers the SDI's responsiveness issues.

Impact

SDI has Identified and fairly represented impacts that were measured and disclosed in probably balanced and effective way. SDI has established processes to monitor, measure, evaluate and manage impacts that lead to more effective decision-making and results-based management within the organization. In our professional opinion the report covers the SDI's impact issues.

GRI Sustainability Reporting Standards (GRI Standards)

SDI provided us with their self-declaration of in accordance with GRI Standards: Core option (For each material topic covered by a topic-specific GRI Standard, comply with all reporting requirements for at least one topic-specific disclosure). Based on our review, we confirm that social responsibility and sustainable development disclosures with reference to GRI Standards' disclosures are reported, partially reported or omitted. In our professional opinion the self-declaration covers the SDI's social responsibility and sustainability topics.

Assurance level

The moderate level assurance provided is in accordance with AA1000AS (2008) with 2018 Addendum in our review, as defined by the scope and methodology described in this statement.

Responsibility

The 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 experienced in relevant sectors, and trained in a range of sustainability, environmental and social standards including AA1000AS, ISO 14001, ISO 45001, ISO 14064 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



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