

SDI Corporation

SDI Corporation 2020 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 SCR 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, 2020 to December 31, 2020. 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 2020 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, ISO 45001 and CNS 15506 data have been notarized by third-party authority British Standards Institution (BSI Taiwan).

Compilation Guidelines

The 2020 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 ensure compliance with GRI Standards and AA1000 AP (2018) standards and to improve transparency and reliability, 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.

Publication

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

Current Issue: Published in September 2021 (2020 Edition).

Last Issue: Published in September 2020 (2019 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 Li, Yi-Fang

Words from the Chairman

SDI Corporation was established in 1953. In order to achieve the goal of sustainable development of the corporation, SDI continues to upgrade technology and services to meet market needs. At present, the Intelligent Energy Innovation is emerging, and SDI will proactively invest more on this technology and look forward to the future. In five years, we will develop products that are more in line with market needs to make human life more comfortable and convenient. SDI continues to develop niche businesses by improving R&D technology, expanding R&D scale, and increasing production capacity, as well as strengthening the joint division of labor with suppliers to meet the needs of customers for collaborative development and integrated services. Each business department continues to make progress, and drives the overall group operating performance towards greater achievement.

On the "economic side," the globe faces the impact of COVID-19 in 2020. Although governments of various countries have used QE (quantitative easing) and reduction of interest, they have not yet reduced the impact of diminishing supply and increased demand in applications such as automobiles and industries. However, applications such as consumer and information communication electronics has been showing a relative recovery due to the demand driven by the stay-at-home economy. In order to cope with the unfavorable factors of external declining supply and demand, the electronics business has continued to collaborate with core customers to develop more power application products. The stationery business is still affected by the high cost of the China–United States trade war and the impact of reduced demand on economic activities due to the global pandemic. We continually respond with marketing strategies such as increasing domestic demand, new customers, and new products, to effectively to reduce the impact on the stationery business revenue and profit. Facing 2021, the global economic development is still difficult to fully recover due to the pandemic and geopolitical conflicts. However, under increasing demand for high quality and greater quantity requirements due to the continuous development of the automotive, industrial and 5G industries, SDI continues to lead the way. Through expanding value, the application of creativity, process technology, and talent, along with completion of the construction of multi-functional workshops and the layout of smart production lines to increase the production capacity of high-end products, we can meet customer needs. SDI keeps pace with the development trend of technology to create and to enhance the value of co-prosperity, and increase

return to the 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. The ISO 14001:2015 revision was carried out in 2018, and our environmental and energy policies and goals are continuously modified. Environmental management improvement plans are continuously proposed to implement pollution prevention and continuous management improvement. 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 so as to implanting our continuing goal, "global operation and local care," in the local communities. In 2020, in addition to continuing to embrace local communities and providing local employment opportunities, SDI continues to assist existing charities as well as other charities that need assistance. For example, SDI donates money to enlightenment centers such as the Resurrection and Rose Special Education Schools to purchase fire-proof equipment and other equipment to help improve the environment and facilities, and to create a more comfortable living space for them. It is hoped that through various charity and love activities, more people can be inspired to show their great love and selfless spirit, enthusiastically participate in charity activities, and jointly create a more warm and peaceful society.

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



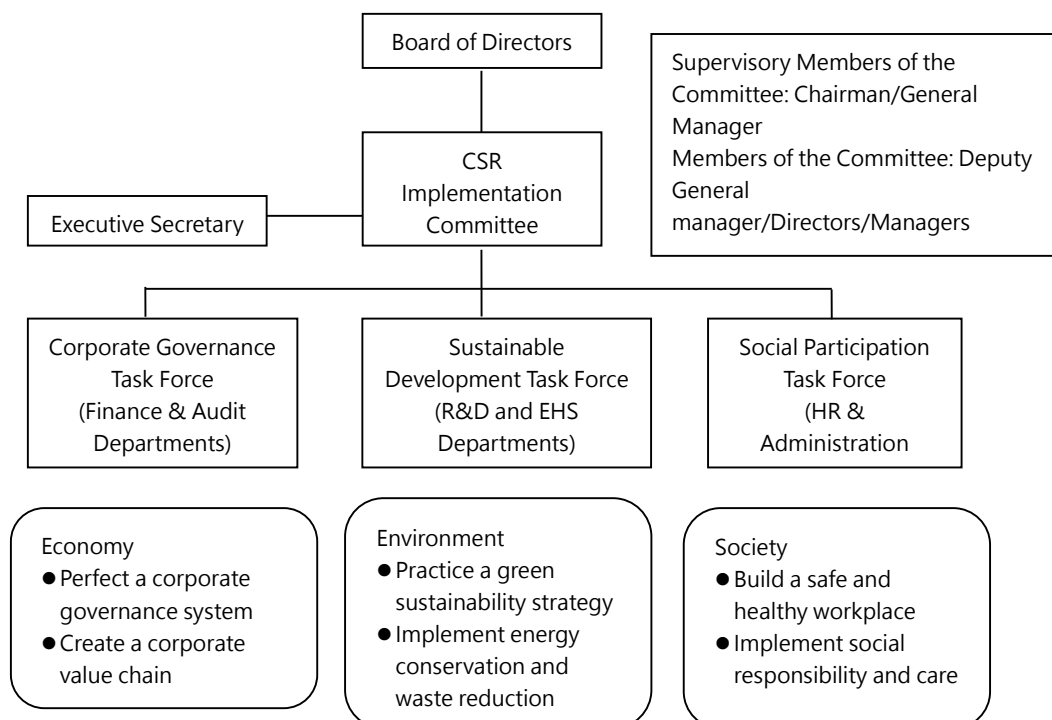
SDI Corporation
Chairman Chen, Chao-Hsiung

Vision for Sustainability

- Our vision for sustainability is “taking root in Taiwan and becoming a global brand based on sustainable business models that balance economical, environmental, and social ideals.” To reach our goal, since 2013, SDI introduce CSR management mechanism, establish “CSR Implementation Committee” to integrate our internal and external resource, fetch experience from local and foreign standard corporations, develop sustainable strategies based on sustainability issues which stakeholders concerned, step by step, toward the vision of sustainability.
- Beginning 2021, the global political and economic situation is still turbulent under the atmosphere of trade protection, and the COVID-19 pandemic has not yet been eliminated. Following the leadership of emerging industries such as EV (Electric Vehicle), AI (Artificial Intelligence), 5G (5th generation mobile networks) and Industry 4.0, SDI continues to expand R&D, manufacturing technology and talent training. To meet the needs of niche markets, SDI also completes plant expansion and capacity expansion plans to increase the both scale of production capacity and technology upgrades, and to commit to meeting the needs of new industries.

CSR Implementation Committee

- SDI established its CSR Implementation Committee in 2013 to serve as the company's highest-level project implementation organization, carrying out CSR work approved by the Board of Directors.
- The Chairman serves as the supervisory member of the committee for implementing CSR policies. The Chairman assigns the head of the General Management Center as the executive secretary, who is responsible for calling meetings and determining CSR objectives. The Committee holds regular meetings going review CSR strategies and plans, such as management guidelines, key performance indicators (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

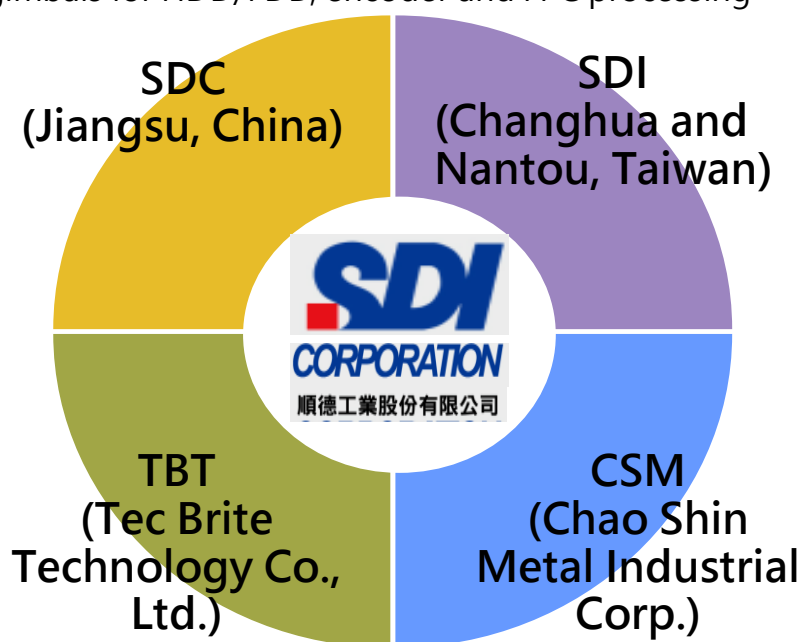
- (1). Over 68 years have gone by since SDI Corporation was founded in 1953. With Changhua City as its headquarter, SDI started out with stationery products such as pencil sharpeners. The Electronics Department, which is in charge of the production of semiconductor lead frame, was established in 1983. In 1996, the company stock went public. To each and every member of SDI, "Sincerity, Stability, Challenge, Innovation" are more than guiding principles. They are also reflected in personal and business conducts. This firm's belief is what kept all of our employees heading forward with SDI, starting from the foundation up. They created one glorious legend after another, not just for the company, for also for themselves
- (2). In light of the trend of globalization and free trade, SDI has been collaborating with international name brands and investing in multiple affiliates 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, ISO 45001, 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, Zhangnan Rd., Dazhu Vil., Changhua City, Changhua County
Plants	No. 260, Sec 2, Zhangnan Rd., Dazhu Vil., Changhua City, Changhua County No.323, Chenggong 3 rd Rd., Nangang Industrial District, Nantou City, Nantou County
Employees	1331
Businesses	Metal manufacturing (stationery) Electronics components manufacturing mold manufacturing
TWSE stock symbol	2351
Spokesperson	Chao-Hsing Chen, Deputy General Manager
Deputy spokesperson	Jui-Chieh 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. Share holding percentage by SDI:

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

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

Note: Company investment made based on equity method.

4. Corporate Locations

To 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

Global Location



Osaka, Japan
SDI Japan Co., Ltd.
Tokyo, Japan
SDI Electronics Japan Co., Ltd.

Jiangsu, China
SDI (Jiangsu) Co., Ltd.

Menton, France
SDI Corporation (Europe)

Nantou, Taiwan
SDI Corporation (Nantou Plant I & II), DG Plant, Chao Shin Metal Industrial Corp., and TEC Brite Technology Co., Ltd.

Virginia, USA
SDI Corporation (USA)

Changhua, Taiwan, SDI Corporation (Headquarters)

SJD Industries (M) Sdn. Bhd

1.1.2 Main 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.



Metal Stationery Products

Category	Items	Pictures	Awards & Patents
Correction tapes and sticky tapes	Correction tapes, erasers, sticky tapes, glue sticks, and tape dispensers		
Binding products	Staplers, staples, staple removers, and ole punches		

<p>Electric pencil sharpeners</p>	<p>Electric pencil sharpeners with replaceable blades</p>		
<p>Cutting products</p>	<p>Utility knives, pencil knives, blades, scissors, angleeaters</p>		
<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 markers, colored pencils</p>		

2. Introduction of 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. Thus, 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. In recent years, 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.



(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, and IGBT power module lead frames. 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 flue. SDI thinks green from the start by developing and designing new products and introducing new technology that reduces pollution while conserving energy. This approach balances operational safety and prevents environmental impacts and risks from the very beginning, helping us work toward realizing carbon reduction, environmental protection, product safety, and sustainability for the corporation.

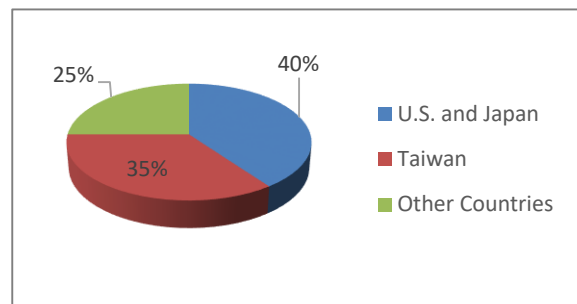
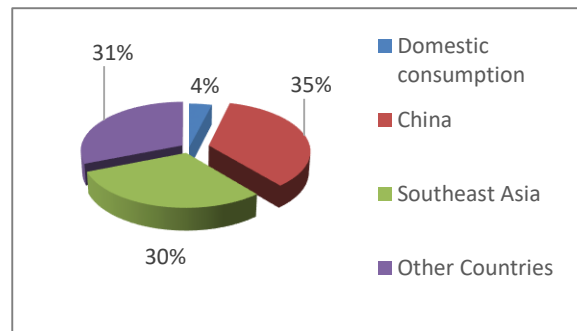
(3) New product development in the near future

- A. Lead frame for power drive module of x EV powertrain
- B. Car sensor lead frame, 5G communication power module lead frame
- C. New type of force-equalizing correction tape
- D. Force-saving and various pen-shaped 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 Southeast Asia, Latin America, and Europe.
- 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: 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 reality and 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 power management ICs, power modules, etc. of solar energy, wind power generation, automobile electrification, smart grid, etc. continues to rise. 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 (personal computers) 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

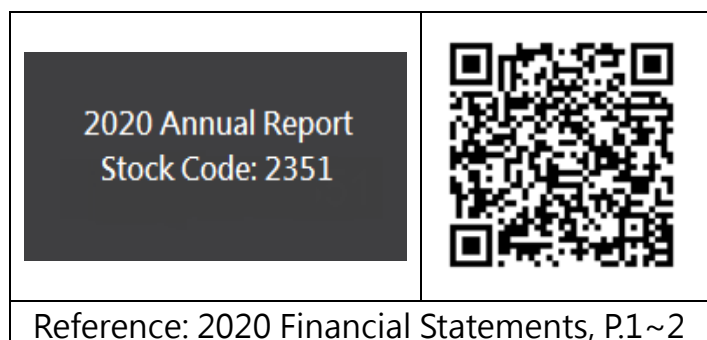
- I. Policy: To promote operational growth and profitability.
- II. Commitment: Focus on the issues concerning employees, suppliers, shareholders and stakeholders.
- III. Goal: To achieve growth target set by the company, and strive to balance between the interests of various stakeholders and the company's 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 2020, global economic activities continuously faced the impact of the China–United States trade war and decline due to COVID-19. Although governments of various countries have used QE and reduction of interest rates, they have not yet reduced the impact of diminishing supply and demand on applications such as automobiles and industries. However, applications such as consumer and information communication electronics has been showing a strong recovery due to the demand driven by the stay-at-home economy. SDI' s electronics business mainly focuses on supplying global IDM customers, and revenue is affected by the production delays in the aforementioned automotive and industrial applications as well as the decline in terminal demand. To cope with the unfavorable factors of external declining supply and demand, the electronics business has been continuing to collaborate with core



customers to develop more power application products to increase the added value. It also develops continuously improving projects such as the intelligent manufacturing engineering, improving the manufacturing process and defect loss, and the application of information modules to reform and respond to the trend of stricter product quality requirements and small quantities of diversified production types. It also continues to reduce the cost of electronic materials and wastage, aiming to cope with the risk of revenue and profit caused by the substantial appreciation of the New Taiwan dollar. The stationery business is still affected by the high cost of the China–United States trade war and the impact of reduced demand on economic activities due to the global pandemic, continuously responding with marketing strategies such as increasing domestic demand, new customers and new products. It effectively reduces the impact on stationery business revenue and profit. In addition, affiliated company, TEC Brite Technology Co., Ltd, continuously expands VCM production capacity and improves quality, and still has stable growth in revenue by diversifying customers, increasing market share, and increasing yield rate. Chao Shin Metal Industrial Corp. and re-invested Jiangsu Plant and other businesses are affected by the traditional steel boom and the overall economic downturn, as well as stagnant demand in mainland China, which leads to a decline in revenue.

In total, SDI' s 2020 revenue is NT\$ 6.227 billion, a decline of 7%; the group' s consolidated revenue is NT\$8.45 billion, down 4%; the current period' s net profit was NT\$349,147,000, and the basic earnings per share was NT\$1.92.

Note: the scope of this report covers the SDI Taiwan plants and the difference from the consolidated financial report is Shurn Der (BVI) Co., SDI (Jiangsu), Chao Shin Metal Industrial Corp, and TEC Brite Technology Co., Ltd.

(1) 2020 Budget Execution, Financial Analysis and R&D Evaluation: Unit: NTD1,000

Items	2020	2019	Increase/decrease
Sales Revenue	8,450,611	8,839,367	(4.40%)
Gross Profit	1,332,379	1,534,930	(13.20%)
Operational Costs	730,792	783,846	(6.77%)
Net Revenue	601,587	751,084	(19.90%)
Net Income after Tax	401,381	550,465	(27.08%)
Net Income Per Share (NTD)	1.92	2.70	(28.89%)
Return on Equity	6.70%	9.18%	(27.02%)
Net Income Ratio	4.75%	6.23%	(23.76%)
Return on Assets	4.27%	5.48%	(22.08%)
R&D costs	207,140	226,684	(8.62%)

Note: No public financial forecast in 2020.

(2) Production comparison for 2020-2019 Unit: Thousand pieces; Thousand dollars

Main production value Main Products	2020			2019		
	Capacity	Quantity	Revenue	Capacity	Quantity	Revenue
Electronics	75,000,000	61,680,795	6,727,110	70,000,000	51,225,570	6,350,305
Stationery	700,000	522,880	871,226	700,000	575,792	783,833
Others	-	0	175,616	-	-	169,265
Total	75,700,000	62,203,675	7,773,952	70,700,000	51,801,362	7,303,403

Note: Aforementioned output doesn't include products measured in kilograms, such as nails, needles, etc.

(3) Sales comparison for 2020-2019 Unit: Thousand pieces; Thousand dollars

Sales quantity for the Year Main product	2020				2019			
	Domestic		Export		Domestic		Export	
	Quantity	Revenue	Quantity	Revenue	Quantity	Revenue	Quantity	Revenue
Electronics	25,688,260	1,412,782	26,406,238	5,544,861	20,242,745	1,145,638	24,312,983	6,054,965
Stationery	271,077	665,554	342,900	741,391	272,548	635,318	396,980	917,491
Others	0	6,226	0	79,797	-	670	-	85,285
Total	25,959,337	2,164,300	26,749,137	6,286,311	20,515,293	1,781,626	24,709,963	7,057,741

Note: 1. Aforementioned output doesn't include products measured in kilograms, such as nails, needles, etc.

2. Total revenue includes sales discount amount

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 2020, 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 account to check for compliance. It is the hope that such mechanism would make the company operation healthier, protect company assets, ensure complete and credible financial information and improve business efficiency. SDI holds annual shareholders' meetings to encourage two-way communication.

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

1.1.4 Corporate Governance

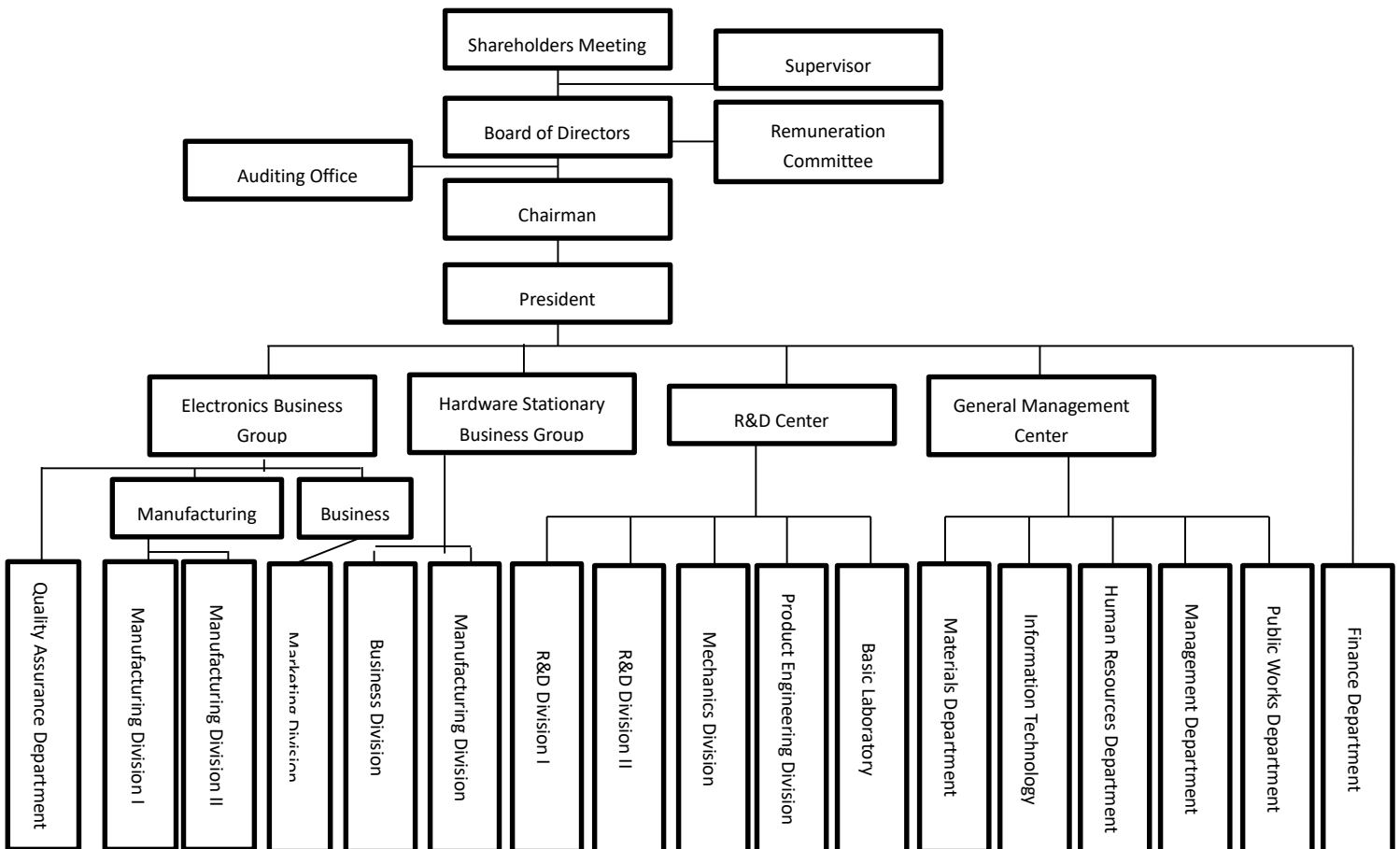
1. Our board directors are diverse and professional, with complementary specialties that help them engage in rational discussions to make visionary and comprehensive decisions for sustainable benefits for the corporation. We follow the guideline of transparency to provide comprehensive information and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



Material 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:



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 2020
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	Chairman, SDI (Jiangsu) Corporation Supervisor, CSM Director, TBT	Business management Accounting management	Economy issues	100%

		Industries				
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 Engineering, Tatung University	Director, SDI	Innovation management	Environmental issues	100%
Director	Chieh-Hsuan Chen	Ph.D., Department of Sociology, Tunghai University Professor, Department of Sociology, Tunghai University Director, Institute of East Asian Societies and Economies, Tunghai University	None	Social management	Social issues	83%
Independent director	Wen-Yi Chiang	Master, Department of Accounting, National Changhua University of Education Accountant, Wen-Yi Chiang Accounting Firm	None	Accounting management	Economy issues	100%
Independent director	Tsung-ting Chung	Doctor, School of International Studies, University of Denver Professor, Department of Business Administration, National Yunlin University of Science and Technology	None	Business management	Social issues	100%

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

1. The Company has not established an audit committee.

2. Supervisor Participation in Board of Directors

Supervisor attendance in the 5 (A) board meetings in the latest year (2020):

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

Other Required Information:

I. Supervisors and Duties:

(I) Communication between supervisors and employees/shareholders: Communication have been efficient.

(II) 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	Tseng Kuo-Chao
Member	Tsung-ting Chung

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 met twice in 2020.

3. Ethical Management

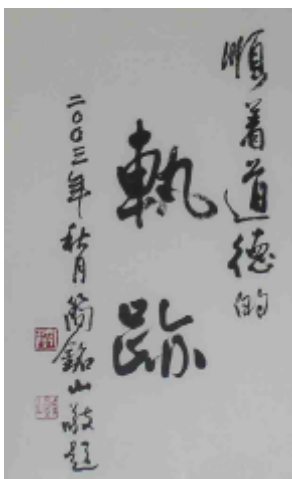
Founded in 1953, SDI has operated for more than half a century under the motto of "Sincerity, Stability, Challenge, Innovation." Our steady steps have led us from Taiwan to the global arena.

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:

- (I) Compliance with laws and regulations: Adhere to labor laws and regulations and company commitments.
- (II) Promoting right to work: Ensuring that all work is voluntary.
- (III) Practicing humane treatment: Preventing labor exploitation, forced labor, and any other form of exploitation
- (IV) Abolish discrimination: Practicing equal employment and assignment of workers and promising workplaces free from harassment and discrimination.
- (V) Establishing communication channels: Encouraging employees to communicate with the management, who collect employee opinions and conduct improvement.
- (VI) Government agencies remuneration systems: Compliance with remuneration laws and regulations.
- (VII) Professional training for employees: Enhancing employee skills and abilities to increase the economic value of employees.
- (VIII) Emphasizing business ethics: Preventing illegal actions, gifts, and hospitality; avoiding conflicts of interest; establishing fair trade; and protecting client information.
- (IX) Respecting intellectual property rights: Respecting intellectual property rights and protecting all technical transfers.
- (X) Implementing information transparency: Disclosing all corporate information required by law.
- (XI) Enriching social culture and caring for minorities: Actively engaging in social activities and providing suitable job opportunities to minorities.
- (XII) 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 NTD1,000, 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 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 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. ● 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. <p>Disadvantages:</p> <ul style="list-style-type: none"> ● 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.

	<ul style="list-style-type: none"> ● Automotive products have strict quality requirements, increasing in costs and risks. ● Counterfeiting remains rampant in China, leading to unfair competition. Consumers buy the products without knowing that they are counterfeit, which affects the company' s reputation and profitability and thus results in operating loss.
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 communicated with the local community representatives, and listened to the voices of local residents. ● The company 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 in a seven-group category including shareholders, customers (clients, consumers, distributors), employees (full-time employees, unofficial contract workers, foreign workers, interns), suppliers (suppliers, contractors, foreign worker agencies), government agencies, local communities (development associations, local communities), and NGOs (RBA, industry associations).	7 categories of stakeholders
Step 2 Topic and discussion	SDI, according to its industrial characteristics, makes a list for the discussion of guidelines at the CSR Promotion Committee meeting. A total of 33 topics are summarized.	No. of topic: 33
Step 3 Understanding issues of concern	Through a joint meeting of the CSR Implementation Committee with top management, we evaluate the level of concerns of issues that interest stakeholders, to understand their concern and to assess the impact of each issue on the company's operations.	Joint meeting of the CSR Implementation Committee with top brass
Step 4 Identification of Material Issues	After consultation with stakeholders and the review of high-level managers on the impact of sustainable operations, then a matrix analysis and thematic ranking are carried out. After internal discussion and approval by the Chairman of the board, the 15 major issues of SDI in 2020 were determined. The 15 major issues evaluated are the same as ones as in 2019, and the impact boundary uses the value chain to define the boundary of major issues.	15 material issues
Step 5	Based on the Main Issues identified for the year, we	One report

Review and discussions	disclosed management guidelines, continued to enhance management, and disclosed relevant information in the CSR Report.	
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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 SES Stakeholder Engagement Standard (dependency, responsibility, influence, tension, and diverse perspectives) for the levels of importance of stakeholders. These types of stakeholders are, in falling order, customers (clients, consumers, distributors), suppliers (suppliers, contractors, foreign worker agencies), employees (full-time employees, unofficial contract workers, foreign workers, interns), governments, shareholders, NGOs (RBA, industry associations), and local communities (development associations). 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:

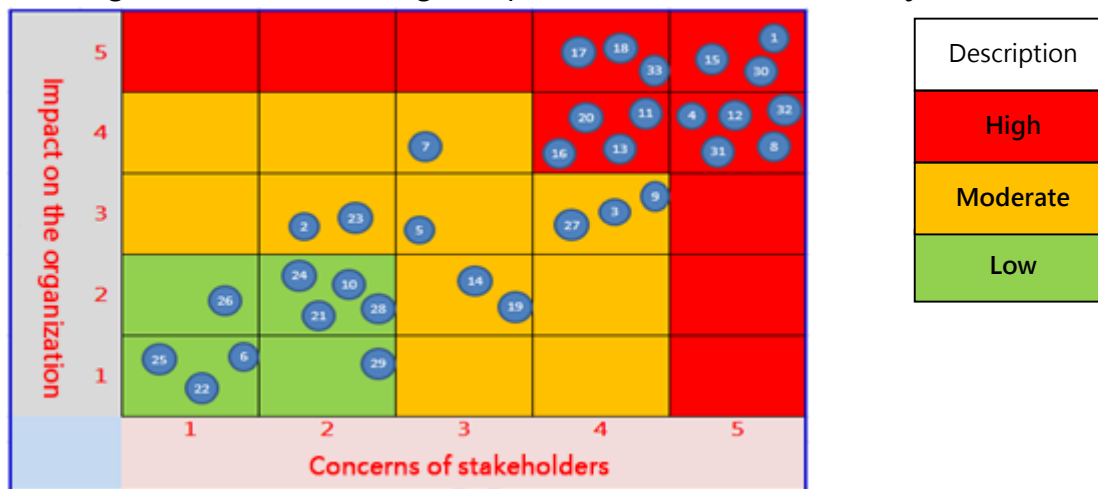
Stakeholder	Description	Communication Management	Frequency	Issues of concern
Employees	Employees are a corporation's most important asset. We listen to our employees, respond to their concerns in a timely manner, and fulfill our responsibility in taking care of them.	<ol style="list-style-type: none"> 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 	<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</p> <p>Quarterly</p>	<ul style="list-style-type: none"> ● Business performance ● Waste water and materials ● Labor-management relation ● Labor health and safety ● Training and Education

		<p>and suggestions through the staff comment form.</p> <ol style="list-style-type: none"> 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. 	Annual Regular	
Shareholder	Shareholders are the owners of SDI. Their benefits are closely connected to the business performance of the company. Therefore, shareholders have high expectations for SDI's performance in 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. 	Annual From time to time From time to time	<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. SDI observes applies for patent owner claim scope statement, and provides international certificates and contracts to protect its patents. 	From time to time From time to time Regular Regular From time to time Regular	<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 implementing social contribution and services can the company develop sustainably.	<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 companies with the visit. 3. 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>From time to time</p> <p>From time to time</p> <p>Regular</p>	<ul style="list-style-type: none"> ● Business performance ● Health and safety of customers ● Product and service labeling ● Compliance with product laws and regulations
Government agencies	SDI adheres to laws and promises to 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> <p>From time to time</p>	<ul style="list-style-type: none"> ● Labor relation ● Labor health and safety ● Discharge ● Compliance with social laws and regulations ● Compliance with environmental laws and regulations

1.2.2 Material Issues 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 Material Issues," and "Review and Discussion" to decide on the major topics and their priority.
- After SDI summarizes 33 topics according to its industrial characteristics, and discusses the influence and the impact on the organization and the concerns of stakeholders, the impacts are divided into three levels: low (green zone), moderate (orange zone), and high (red zone), and high-impact issues are listed as major issues for disclosure.



No.	Topics	No.	Topics	No.	Topics
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

3. Material Issues Disclosure and Boundary description

Major Items	Material Issues	Category	Corresponding indicator	Reason for Material Issue	Corresponding indicator chapter	Boundary of Value Chain Impact (Note 1)			
						Upstream	SDI	Downstream	Government agencies
I.	Business performance	Economy	Standards-201	Operation performance	1.1.3 Financial Performance	○	●		
II.	Procurement practice	Economy	Standards-204	Green & on-location procurement	3.3.1 Management of the Green Supply Chain and Contractors	●	●		
III.	Energy	Environment	Standards-302	Energy consumption concern	2.1 Energy Conservation and Management		●		
IV.	Discharge	Environment	Standards-305	Air pollution emissions concern	2.1 Energy Conservation and Management		●		●
V.	Waste water and materials	Environment	Standards-306	Follow-ups on sewage and waste disposal	2.2.5 Pollution discharge and pollution control		●		●
VI.	Compliance with environmental laws and regulations	Environment	Standards-307	Degree of Compliance with Environmental Regulations	1.4.2 Domestic regulatory compliance		●	○	●
VII.	Labor-employer relation	Society	Standards-401	Harmony of employee-employer relations	3.1.1 Overview of manpower employment		●		
VIII.	Labor-management	Society	Standards-402	Harmony of employee-	3.1.2 Sound employee-		●		●

	nt relation			employer relations	employer relations				
IX.	Labor health and safety	Society	Standards-403	Occupational health and safety of the employees	3.1.6 Workplace Harmony		●		●
X.	Training and Education	Society	Standards-404	Employee Training and Education	3.1.5 Diversified education and training		●		
XI.	Non-discrimination	Society	Standards-406	Non-discrimination policy for employees	The SDI Family		●		
XII.	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	○	●	●	
XIII.	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	○	●	●	●
XIV.	Customer privacy	Society	Standards-418	Customer privacy	3.2.4 Customer privacy protection measures		●	●	
XV.	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

(I) 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)

(II) Involvement in Initiatives, Treaties, and Principles

SDI supports and observes the 10 principles of the sustainable development goals (SDGs) 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: <ol style="list-style-type: none"> 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.
		(III) 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.
		(IV) The impact of corporate image changes on corporate crisis management and corresponding measures: The company has always been engaging in business activities with the business philosophy of integrity, stability, challenge, and innovation, and has implemented various internal control systems to respond to various business challenges.
		(V) Risks we face on purchasing or sales concentration and corresponding measures: The company adopts the methods of decentralizing vendors and customers sales to avoid the concentration risk.
		(VI) COVID-19 pandemic risk management: <ol style="list-style-type: none"> 1. In the beginning of 2020, COVID-19 emerged, but it slowed down in the second half of the year. Customers continuously resumed work, which caused overall delays since then. The company prioritizes production capacity to meet customers' needs and avoid supply chain disruption. 2. The entire factory continues to implement pandemic prevention measures (for example: all employees wear masks, take temperature daily, wash hands frequently, control business trips, have video conferences, various lunch time slots, etc.), and adjust pandemic prevention control measures according to the

		<p>pandemic situation, to avoid risks affecting operations.</p> <p>(I) We regularly collect information from global materials market and track pricing trends to increase our safety stock coefficient.</p> <p>(II) We diversify procurement plans and search for alternatives for key imported materials to minimize risks of centralized procurement and procurement costs.</p> <p>(III) We enhance our procurement capabilities and actively search for new suppliers to incrementally improve our list of backup suppliers and minimize the risks of centralized procurement.</p>
	The risk of centralized purchase and raw material price fluctuations	
Environment	Impact from climate change	<p>(I) 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.</p> <p>(II) We continue to implement energy integration and energy conservation projects and purchase energy-efficient equipment to minimize energy consumption and carbon emissions.</p> <p>(III) We establish hazard response procedures and enhance our plants' responsiveness to natural hazards, including inspecting, repairing, and replacing equipment and training employees on hazard prevention.</p> <p>(IV) We form a greenhouse gas emission inspection team to perform energy declaration and voluntary greenhouse gas inspection while regularly tracking carbon emissions and formulate reduction measures.</p> <p>(V) We implement water conservation measures and are considering installing water-recycling equipment.</p>
	Impact on operation from increasingly strict environmental laws	<p>(I) We implement energy conservation measures and achieve actual reduction to obtain the reward of extra greenhouse gas emission quota.</p> <p>(II) We actively invest company resources in pollution prevention, waste treatment, water management, and labor safety management to prevent pollution.</p>
Society	Increasing requirement on product safety from consumers	<p>(I) We use our core capabilities to develop safer products</p> <p>(II) We continue to improve production management and processes to achieve higher quality and safety.</p> <p>(III) We implement quality inspection on contractors to ensure the supply and safety of materials.</p> <p>(IV) We obtain verification from third-party authorities to enhance consumers' trust.</p>
	Increasing environmental awareness in local communities	<p>(I) We actively communicate with community residents, listen to their opinions, respond in timely manner, resolve disputes, and establish trust, thus gaining their support.</p> <p>(II) We disclose information in a transparent manner, so that residents receive up-to-date and correct information, minimizing misunderstanding from information asymmetry and incidents therefrom.</p>
	Gaps in technical and professional succession	<p>(I) We continue to implement knowledge management (KM) to systematically record and pass on key technologies and experience.</p> <p>(II) We implement talent training policies in systematic, organized, and consistent manner to minimize impact on the company from gaps in professional succession.</p> <p>(III) We emphasize employee training and education, actively cultivating professional talents in various fields.</p>

1.4. Compliance

1.4.1 Compliance with laws and international standards and regulations

1. Compliance is the key basis for CSR and for corporate sustainability. Based on the company' s core value of integrity, we stringently follow laws and regulations throughout the company, handling all operations with principles of fairness, justice, and ethics.
2. Regarding internal regulations, we follow domestic laws and policies and strive to adhere to international initiatives and trends on formulating regulations while constantly adjusting regulations based on policy changes. Moreover, we actively implement compliance training to internalize the importance of compliance in all employees. We also have reporting systems to eradicate and prevent illegal actions. These are our most concrete testament to our business integrity.
3. SDI received ISO 9001 and IATF 16949 quality certifications, ISO 14001 environmental management certification, ISO 45001 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 2020 is as follows:

1. Social Compliance

SDI observes human rights, labor rights, and anti-competitive laws and regulations and was involved in one violation of social laws fines in 2020. 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 2020. Therefore, we achieved the goal of not being fined and receiving no warning. 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

SDI adheres to the implementation policy of "compliance with laws and regulations, pollution prevention, and continuous improvement" to achieve the ultimate goal of zero violations and zero fines, and to protect the global environment. The Nantou plant has a set of methylene chloride cleaning equipment, and in 2019, due to an increase in production, the use of methylene chloride changed. The relevant discharge permit was also obtained in 2020. However, due to increasing the output of the equipment and the consumption of methylene chloride in 2019, the relevant permits could not be changed in time, and the increase in the change was still less than the amount used, resulting in a fine in 2019 for the annual usage exceeding the permitted usage. The company immediately stated its opinion to the Environmental Protection Bureau of Nantou County, stating that the company has complied with laws and regulations and has fulfilled its obligations as a good manager. The Environmental Protection Bureau of Nantou County considered the difficulty of business operations and imposed a minimum fine, which is a violation of Article 24, Paragraph 2 of the Air Pollution Control Act. Thus, an amount of NTD100,000 was fined according to Article 62 of the Air Pollution Control Act, with management required to attend a 2 hour lecture.

Category	Number of cases	Description	Improvement measures
Economic compliance	0		
Environmental	1	As mentioned above	1. Monthly control on methylene

compliance			<p>chloride consumption on site is required to comply with the permit standard and comply with regulatory requirements.</p> <p>2. Review the rationality of the amount of methylene chloride used.</p>
Social compliance	1	<p>When an employee stepped on the fork of the electric forklift to the second layer of a material pallet as he was about to gather materials on August 26, 2020, he fell to the ground after losing his balance and had his left foot injured. This case was deemed to violate the provisions of Article 6, Paragraph 1, Subparagraph 5 of the Occupational Safety and Health Act and a fine of NT\$60,000 was assessed by the Central Occupational Safety and Health Center of the Occupational Safety and Health Administration, Ministry of Labor.</p>	<p>Review the management procedures of picking operations and create material handling, stacking, or disposal methods (for example: height restriction, guard nets, etc.) to prevent landslide, collapse or falling, and prohibit irrelevant personnel of the operation from entering warehouses and other places.</p>

2. Environmental Sustainability

The direction of environmental policy: Due to global climate change, industry and environmental changes, energy has become essential to society and industry. With the progress of society and the development of industry, the result is increasing energy consumption and dependency. Hence, industry must plant stable economic roots and increase competitiveness, so it is critical to purchase new equipment to raise effectiveness. The recent changes in the energy market is an indication of corporate development, which is focusing on the green industry, especially carbon reduction and energy efficiency. SDI also follows this trend in the development of its LED products to implement energy conservation policies, provide an alternative green industry, and strive toward SDI's goal of sustainable management. SDI adheres to its own business motto and the energy conservation policies of government agencies to fulfill its social responsibility, increase energy efficiency, minimize waste of resources, optimize energy use, maximize corporate competitiveness, and thus contribute to national economic competitiveness and the protection of the Earth's environment.

Energy management policy

- I. The Energy Policy:
 1. Comply with energy laws and other relevant requirements.
 2. Implement energy conservation measures to reduce greenhouse gas emissions during production.
 3. Provide resources to ensure energy goals are met.
 4. Introduce the energy-saving design during process and product development.
 5. Purchase equipment with high efficiency and low environmental impact.
 6. Conduct continuous review and improvement to improve performance of the management system.
 7. Make good use of the corporate social responsibility and move towards sustainable management.
- II. Energy policy: Compliance with regulations, energy conservation and carbon reduction, energy design and procurement, continuous improvement, and sustainable development.
- III. Energy Commitment: The formulation of the target should consider major environmental impacts and improvements to significant energy consumption, and focus on compliance with applicable regulatory requirements and other requirements proposed by the organization to meet the commitment of continuous improvement.
- IV. Energy Target: The overall energy goal to be achieved is made according to the energy policy, and quantified as much as possible.

Goals in 2020	Records in 2020	Goals in 2021	Goals in 2022
Energy saving rate 1.2%	Energy saving rate 0.99%	Energy saving 1.2%	Energy saving 1.5% or above
Natural gas 3 %	Natural gas 3 %	Natural gas 3 %	Natural gas 3 %

- V. Resources: The implementation of the project plan and budgeting shall be conducted by the dedicated unit.
- VI. Action:
 1. Fix the budgets and execute plans according to the energy management plan.
 2. Monitor and check the implementation of energy management by all units.
 3. Regularly review the performance and adjust the plans in time.
 4. Establish an energy management system
- VII. Energy Performance measurement:
 1. Measurable results are obtained based on review of energy policies and relevant objectives and targets.
 2. Affected by the COVID-19 pandemic in 2020, the original plan for replacing some of the old equipment was suspended, resulting in the failure to reach the 1.2% power saving target in 2020. We hope that economic activities will return to normal and we can achieve the goal or even exceed the power savings in the coming year after the pandemic is under control.

Applicability: General, Specific

Scope: Within the organization, Outside the organization

Material Issues: Energy resource, industrial discharge, waste/polluted water and waste, product and service, environmental compliance

2.1 Energy Conservation and Management

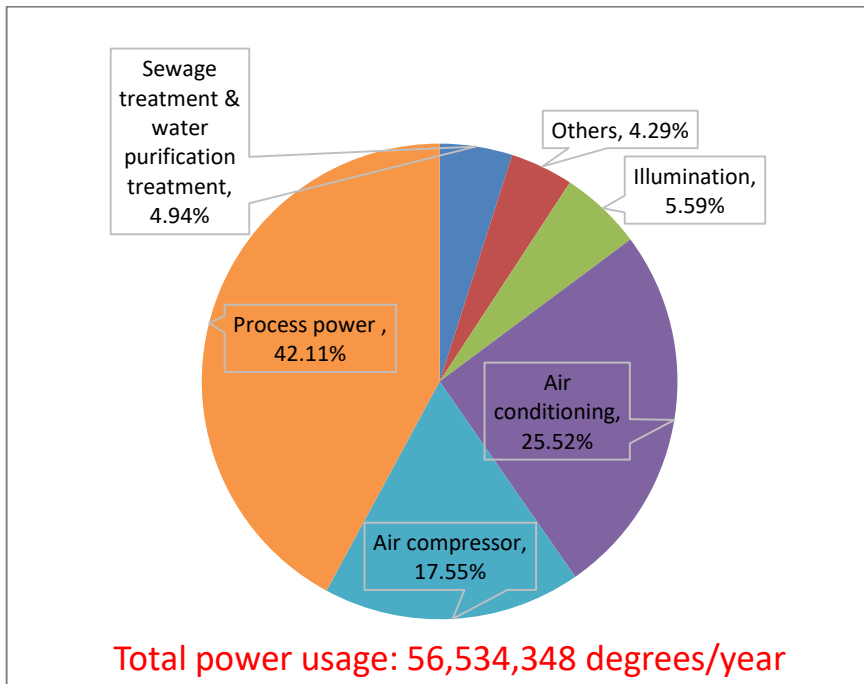
1. In June 2008, the government promulgated “Sustainable Energy Policy Guidelines” and received SDI’s full cooperation. It is the hope to strike a balance between energy safety and economic development during the pursuit of sustainable energy to meet the needs of future generations, maximize the efficiency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



ISO 50001 Environmental Management System Verification Certificate

To fulfill our social responsibility and continue to implement energy efficiency improvement, SDI proposes various energy-saving plans, striving to advance towards the 1.2% energy-saving target. According to the annual electricity saving plan reported to the Bureau of Energy, Ministry of Economic Affairs, the approved electricity saving rate (%) in 2020 is 0.99%. However, affected by the COVID-19 pandemic in 2020, the original plan for replacing some of the old equipment was suspended, resulting in the failure to reach the 1.2% power saving target in 2020. We hope that economic activities will return to normal and we can achieve the goal or even exceed the power saving in the coming year after the pandemic is under control.

Percentage of major energy consumption in 2020



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 save energy, the company purchases machinery based on the “low-voltage three-phase squirrel cage induction motor (including those installed as a part of specific equipment) energy standard, efficiency labels, and inspection methods”

announced by the Bureau of Energy, Ministry of Economic Affairs. The energy efficiency of the motor of the equipment is in line with the energy efficiency of the motor IE2. To stabilize product quality in the manufacturing process, we purchased a high-performance air compressor and added variable frequency to make the air supply stable and energy-saving in the air pressure section. The three air compressors purchased in 2020 all comply with energy efficiency regulations.

- (3) Newly purchased electric luminaire are designed with energy-saving LED lighting and these replace all original mercury vapor lamps and traditional fluorescent lamps, T8 lighting. By 2020, 70% of the lighting equipment has been replaced (the replacement rate in 2020 was 20%), and replacements will continue. In the future, we will move towards energy conservation.
- (4) Regarding the control of process power air compressor systems, periodic replacement of low-efficiency freeze dryers will make the operation more flexible and achieve efficiency and effectiveness. However, due to the COVID-19 pandemic in 2020, various economic and operational activities were disrupted, which resulted in the progress of the replacement of old equipment being adjusted. The follow-up will be implemented as planned, depending on the pandemic situation in 2021.
- (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 600,224,000 cubic meters in 2020, a 3.01% increase from 582,135,000 cubic meters in 2019.
 - Indirect energy: In 2020, SDI's indirect energy (electricity) consumption was 56,534,348 kWh, which is an increase of 2.64% compared to 55,041,440 kWh in 2019. In 2020, the quality requirements of electronic products became stricter and some products require repeated processing. Therefore, electricity consumption in 2020 was higher than in 2019.

(6) Emissions of greenhouse gases and other gases from 2019 to 2020

- Emissions of greenhouse gases and other gases in 2019

Items	Source	Consumption		CO2e (Tons)	Methane (CH ₄) (kg)	Nitrous oxide (N ₂ O) (kg)	Way of discharge
		(degrees)	megajoule (10 ⁶ J)				
1	Natural gas	582,135	19,443,309	1093.83	19.21	1.746	Direct discharge (Scope 1)
2	Energy consumption	55,041,440	198,149,184	28016.09	-	-	Indirect energy emission -

							(Scope 2)
	Total (10 ⁶ J)	217,592,493	-	-	-	-	-

● Emissions of greenhouse gases and other gases in 2020

Items	Source	Consumption		CO2e (Tons)	Methane (CH ₄) (kg)	Nitrous oxide (N ₂ O) (kg)	Way of discharge
		(degrees)	megajoule (10 ⁶ J)				
1	Natural gas	600,224	20,047,481	1127.82	19.81	1.80	Direct discharge (Scope 1)
2	Energy consumption	56,534,348	203,523,653	28775.98	-	-	Indirect energy emission - (Scope 2)
	Total (10 ⁶ J)	223,571,134		-		-	-

Items	Major gas emissions	Emissions in 2019 (kg)	Emissions in 2020 (kg)			Calculation method
1.	Nitrogen oxide (NOx)	932.58	961.55			Approximate analysis by coefficients
2.	Volatile organic compound (VOC)	77586.79	73107.03			Mass balancing
3.	Particulate matter (PM)	183.85	383.66			Factors (Environmental Report)

Note 1: According to 2019~ 2020 emissions statistics.

Note 2: In 2019, the electricity emission coefficient of 1 kilowatt-hour of electricity produced 0.509Kg of CO₂; each kilowatt-hour of electricity is equivalent to 860kcal or 3.6 million joules of heat.

Source:

https://www.moeaboe.gov.tw/ECW/populace/news/Board.aspx?kind=3&menu_id=57&news_id=17638

Note 3: One degree of natural gas generates 1.879Kg of CO₂, while producing 0.000033Kg of CH₄ and 0.000003Kg of N₂O. Each degree of natural gas is equivalent to 8000kcal or 33.4 million joules of heat. Source: <https://ghgregistry.epa.gov.tw/Tool/tools.aspx?Type=1> (Greenhouse Gas Emission Coefficient Management Table).

2.2 Green product

SDI has constantly incorporated green products, environmental awareness, energy conservation, and care for the Earth into the designs and manufacturing of products. 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. The paperless management system is also helpful for reducing the cost of paper. For die manufacturing and processing each year, eighty thousand pieces of paper are required. The cost of publishing each design drawing is NTD2 (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 NTD25,000 each month. After introducing the paperless equipment, approximately NTD460,000 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. 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 substances management flow chart



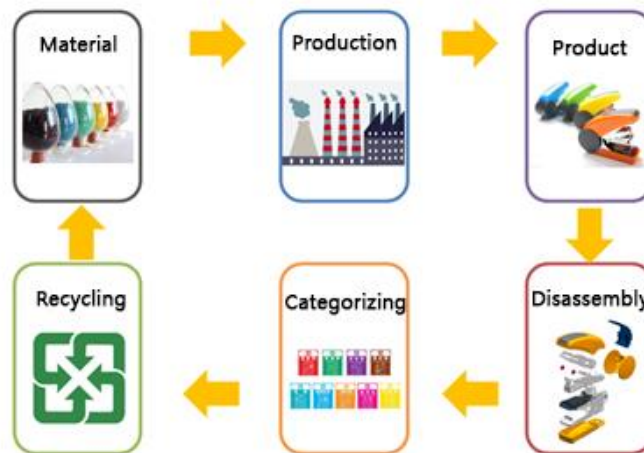
3. SDI integrates IATF 16949 quality management system and ISO 14001 environmental management system with the current procedural management to clearly define hazardous substance free (HSF) policies and implement the following:

- 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

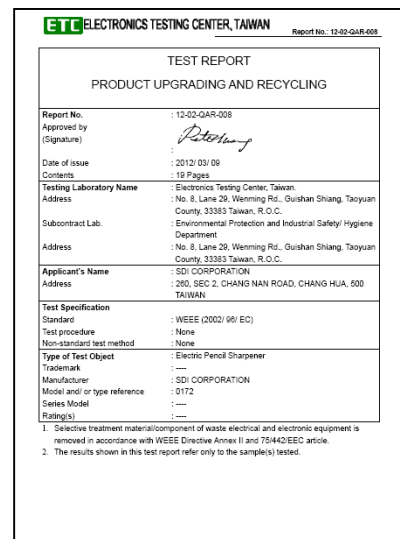
continue the development of energy-saving stationery.



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.



2.2.4 Water Resources Management

1. In the face of global environmental changes and dwindling water resources, SDI, as part of the global community, has been dedicated to water-saving. The achievements over the years are as follows:

Use Year	T/Year	Remarks
Water consumption of manufacturing process in 2018	About 1,039,000 tons/year	Due to increased production capacity
Water consumption of manufacturing process in 2019	About 1,080,400 tons/year	Due to continuous increase in production capacity
Water consumption of manufacturing process in 2020	About 1,229,600 tons/year	Due to quality of some products not meeting the standard, a rework is needed, which increases the water consumption.

2. Current water sources for production processes at SDI are tap water (89%) and groundwater (11%). Use of groundwater has been approved by Nantou County Government (See permit below):



3. To implement water-saving policies, we engage in the following measures:
 - The RO equipment in the water purification system has been modified for lavatory cleaning and watering of plants
 - Water-efficient fixtures have been added to tap water faucets. Inspections are carried out daily for leakages
 - Production improvements and water recycling measures (e.g. using RO water in scrubbers in the electroplating process) are expected to result in 3% decrease in water consumption per unit revenue annually. In 2020, due to the quality of some products not meeting the standard, rework was needed, which increased the water consumption. This part will work with the Production Technology Department, the

Production unit, and the Public Workers Department to develop the best feasible plan to reach the rationality of water use and water conservation.

- 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. Violations of environmental regulations

Objective items	Goals in 2020	Records in 2020	Goals in 2021	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

(3)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 Verification Certificate

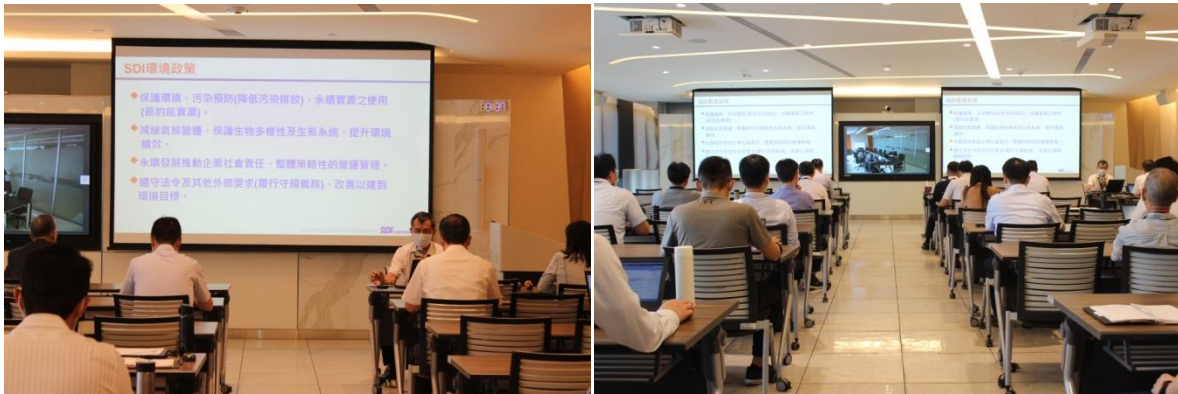
(4) Formulating the Environmental Protection Policies

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

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

- (5) SDI promotes various improvement projects in accordance with the company

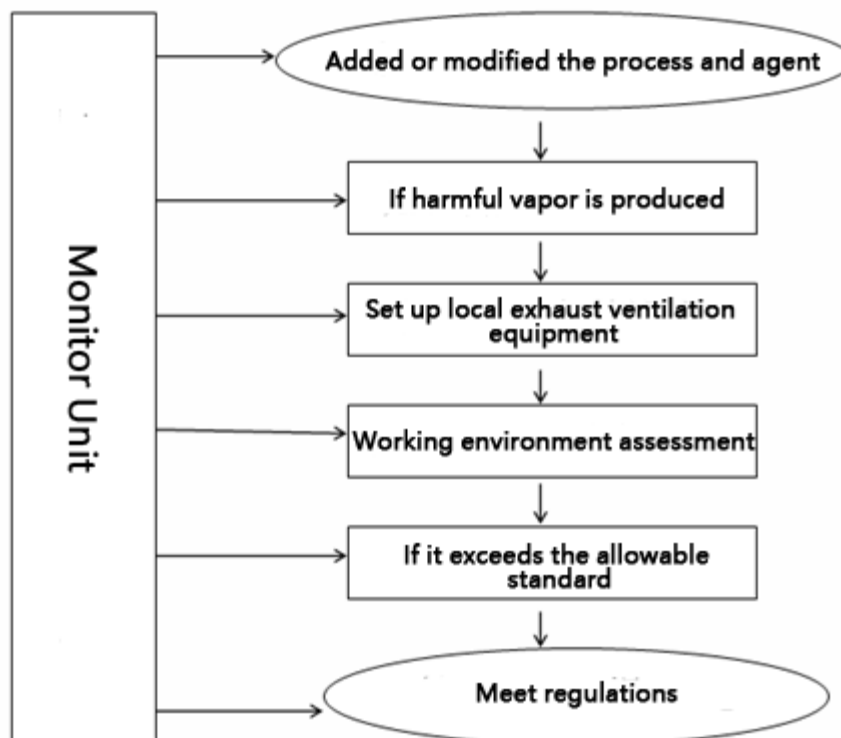
policy on environmental protection. Each year, the Company holds ISO 14001 review meeting to examine the policies and improvement projects. As of 2020, a total of 246 improvement plans have been implemented, 239 of which have been completed, and 7 improvement plans are ongoing. In addition, we plan to recycle the nickel-containing water from the surface treatment process during the process this year. The initial plan is to recycle 300CMD nickel-containing water, which can produce 300CMD ultrapure water for use in the electroplating process. It is expected to reduce 270CMD wastewater and the sludge produced by wastewater, and can also reduce the use of raw water.



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:

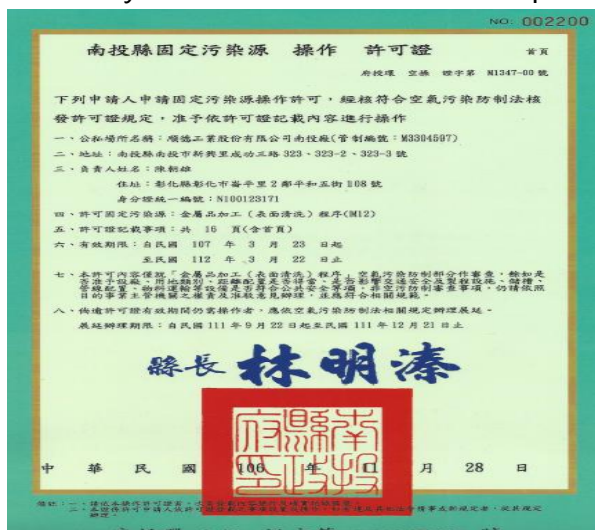
- A. Indoor Air control Regulations:
 - ✓ The air quality of the operating environment shall comply with the labor operating environment stipulated by the Ministry of Labor.
 - ✓ Each unit shall designate personnel to be in charge of emergency report and contact when abnormal odors are detected at the 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, 1-Bromopropane].



Scrubber	Exhaust Line
	
<p>Condensate recovery system</p>	<p>Activated carbon adsorption tower</p>

(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:



(6) Waste Water Discharged in 2020

Plant	Year	Amount of water discharge (ton)		Destination of discharge	Treatment
		2019	2020		
Changhua Plant		2,049	2,030	Dazhu main drain, Changhua City	Anaerobic treatment - septic tank
Nantou Plant		1,060,486	1,128,506	Main drain, Nantou industrial park	Chemical treatment and biological treatment

Note 1: Relevant effluents are all in compliance with the discharge standards. (The maximum limit standard of discharged effluent (mg/L): biochemical oxygen demand (BOD): 30, chemical oxygen demand (COD): 100, suspended solids (SS): 30, Ph value 6~9, water temperature: below 38 ° C (applicable from May to September).

4. Production and Treatment of Waste Materials

SDI designates agencies responsible for waste disposal with centralized management and separate storage and processing to clearly identify the sources. There are two types of wastes at SDI:

Plant	Type of wastes	Category of wastes	Production in 2019	Production in 2020	Treatment	Remarks
Nantou Plant	Hazardous wastes	A-8801 Hazardous	● Dry sludge 586.31 tons	● Dry sludge 608.03 tons	Others (chemical)	Retaining lawful

		sludge	● Wet (not dried) sludge 117.79 tons	● Wet (not dried) sludge 452.05 tons	treatment)	vendors to handle the wastes
		C-0301 Waste solvent	79.91 tons	66.79 tons	Others (heat treatment)	
	Non-hazardous wastes	D-1801 General industrial waste	262.74 tons	264.57 tons	Incineration	
		D-0299 plastic waste mixture	28.53 tons	30.75 tons	Incineration	
		D-2403 Activated Carbon waste	16.12 tons	34.19 tons	Incineration	
R-2408 Activated Carbon waste		24.42 tons	Reuse			
Changhua Plant	Hazardous wastes	C-0301 Waste solvent	36.21 tons	33.12 tons	Others (heat treatment)	Retaining lawful vendors to handle the wastes
	Non-hazardous wastes	D-1801 General industrial waste	86.2 tons	91.7 tons	Incineration	
		D-1801 General industrial waste	17.4 tons	25.7 tons	Incineration	
		D-0799 wood waste mixture	95.68 tons	45.52 tons	Incineration	
		R-1703 Waste lubricant	6.2 tons	5.8 tons	Reuse	
		D-2403 Activated Carbon waste	4.4 tons		Incineration	
		R-2408 Activated Carbon waste	6.96 tons	11.84 tons	Reuse	

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

Year \ Item	Pollution	Reprimanded Units	Fine
2020	Nantou Plant The annual consumption of methylene chloride exceeds the standard	Enviromental Protection Bureau, Nantou County	NTD100,000

3. Response and Improvement Measures

Review the rationality of methylene chloride usage and strictly control the usage every month in compliance with the permit standards to abide by regulatory requirements.

4. Estimated environmental expenditures in the next two years

Year	Pollution prevention equipment to be purchased or other expenditures	Amount
2021	<ol style="list-style-type: none"> 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. Invite environmental protection technicians to conduct an overall inspection on environmental protection equipment and the environment 	Approximately NTD25,380,000
2022	<ol style="list-style-type: none"> 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 NTD22,380,000

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 2020	Goals in 2021
Non-discrimination	Number of discrimination complaint cases	Zero cases	1	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	Reject employees to take leaves (annual leaves, national holidays, typhoon leave, etc.), resulting in the labor disputes.	No related complaints or cases	0	0

Note 1: A discrimination case occurred in 2020, but the company upholds equal treatment of gender, age, nationality, race, etc., and actively handles and prevents recurrence.

In recent years, SDI has been dedicated to talent cultivation, selection, training, preserving, and the use of human resources in the company, and assist in the employment of suitable candidates, creating a friendly workplace, enhancing employee' s benefit. Also, we attended the competition conducted by Ministry of Labor, Workforce Development Agency, and Changhua County Government. In which, we have won the "National Human Resource Development Award" , "Normal Workplace" and "Happy Workplace" , and "Excellent Industry-academia Cooperation Workplace."



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

Labor-employer relation, labor-management relation, respect for human rights, 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 2020	Records in 2020	Goals in 2021	Goals in 2022
Non-discrimination	0	1	0	0
No child labor	0	0	0	0
Forced labor	0	0	0	0

- IV. Resources: All personnel working together from top down to reach the goal.
- 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.

As of 2020, there are 1,331 employees at SDI (all of whom are full-time employees, including part-time employees). Female employees account for 30.14% while 69.88% are male employees. 75.43% are native workers and 24.57% are of foreign nationality

Note: Part-time staff are hourly employees; two part-time staff in 2020 (2 are male and 0 are female).

Table 1: Percentage of SDI employees

	Changhua Plant	Nantou Plant	Total
Female	246 (18.49%)	155 (11.65%)	401 (30.14%)
Male	506 (38.02%)	424 (31.86%)	930 (69.88%)

Table 2: Percentage by gender and direct/indirect labor

	Direct labor		Indirect labor	
	Female	Male	Female	Male
Changhua Plant	102 (7.63%)	223 (16.75%)	144 (10.82%)	283 (21.26%)
Nantou Plant	119 (8.94%)	246 (18.48%)	36 (2.70%)	178 (13.37%)
Subtotal	221 (16.60%)	469 (35.23%)	180 (13.52%)	461 (34.64%)

Table 3: Percentage by Education

	Direct labor		Indirect labor	
	Female	Male	Female	Male
Master' s Degree and above	0 (0%)	1 (0.01%)	33 (3.29%)	118 (11.75%)
Bachelor' s Degree	21 (2.09%)	89 (8.86%)	87 (8.67%)	164 (16.33%)
Junior College	18 (1.80%)	61 (6.08%)	37 (3.69%)	84 (8.37%)
Senior High and Vocational School	78 (7.77%)	95 (9.46%)	21 (2.09%)	46 (4.58%)
Under Senior High and Vocational School	20 (2.00%)	19 (1.90%)	1 (0.01%)	11 (0.10%)
Total	137 (13.64%)	265 (26.40%)	179 (17.82%)	423 (42.13%)

Note 1: Numbers of foreign workers are not included in this table.

Note 2: The ratio of this table is for each category/ (total number of company - number of foreign workers).

Table 4: Percentage of employees by contract type

	Female		Male
	Fixed-term contract	General Contract	1 (0.07%)
	Foreign worker	85 (6.34%)	242 (18.18%)
Non fixed-term contract (full-time+part-time)		316 (23.74%)	689 (51.70%)

Note 1: The ratio of this table is for number of each category/ total number of company.

Note 2: General contract stands for "dispatched workers."

Table 5: Management positions by gender

Gender	Percentage of Supervisors
Female Supervisors	25.92%
Male Supervisors	74.07%

Table 6: New Employees in 2020

	Direct labor		Indirect labor	
	Female	Male	Female	Male
Changhua Plant	15 (14.71%)	15 (6.73%)	13 (9.03%)	17 (6.01%)
Nantou Plant	15 (12.61%)	37 (15.04%)	4 (11.11%)	15 (8.43%)
Subtotal	30 (13.57%)	52 (11.09%)	17 (9.44%)	32 (6.94%)

※ Recruitment rate = (number of people officially hired by the company from January to December) / (Number of employees in each category as of December 31, 2020) × 100%

Table 7: Turnover rate in 2020

	Direct labor		Indirect labor	
	Female	Male	Female	Male
Changhua Plant	16 (15.69%)	39 (17.49%)	24 (16.67%)	20 (7.07%)
Nantou Plant	30 (25.21%)	56 (22.76%)	6 (16.67%)	37 (20.79%)
Subtotal	46 (20.81%)	95 (20.26%)	30 (16.67%)	57 (12.36%)

※ Turnover rate = (Number of people who were formally hired by the company and voluntarily applied for resignation from January to December) / (Number of employees in each category of December 31, 2020) × 100%

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

Category	Age Distribution/ New Employees				Age Distribution / Dismissed Employees			
	Under 30	30 - Under 50	50 and above	Subtotal	Under 30	30 - Under 50	50 and above	Subtotal
Number of People	47	80	4	131	81	135	12	228
Percentage	35.88	61.07	3.05		35.53	59.21	5.26	

Note 1: The ratio of new employees under the age of 30 is: number of new employees under 30 in 2020 / Total number of new employees in 2020

Note 2: The ratio of resigned employees under the age of 30 is: the number of employees under the age of 30 in 2020 / Total number of resigned employees in 2020 (including retirement)

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 45 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. PS. the percentage of total employees covered by the group agreement is approximately 72%.

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.



2020 Annual Meeting of the Union

3.1.3 Effective Communication Channels

1. Staff mailbox and online suggestion board:

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

SDI also designated the 4119 emergency hotline and a unit dedicated to dealing with sexual harassment issues.

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 s 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 2020, employee benefits (including salary, labor and health insurance, pension, and other personnel costs) totaled NTD1,130,398,908.

Employment costs	828,364,004
Labor and health insurance expenses	77,525,514
Pension expenses	33,897,041
Other employment costs	190,612,349

(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
2018	Total number of employees entitled to parental leave	10	33	43
	Total number of employees actually using parental leave	6	0	6
	Total number of employees reinstated	7	0	7
	Number of reinstatements due to parental leave	7	0	7
	Employee reinstatement rate after parental leave	100%	100%	100%
	Total number of employees who are still in service 12 months after reinstatement	6	2	8
	Employee retention rate after parental leave	100%	100%	100%
2019	Total number of employees entitled to parental leave	18	39	57
	Total number of employees actually using parental leave	7	1	8
	Total number of employees reinstated	10	1	11
	Number of reinstatements due to parental leave	11	1	12
	Employee reinstatement rate after parental leave	91%	100%	92%
	Total number of employees who are still in service 12 months after reinstatement	4	0	4
	Employee retention rate after parental leave	57%	NA	57%
2020	Total number of employees entitled to parental leave	20	42	62
	Total number of employees actually using parental leave	6	4	10
	Total number of employees reinstated	6	3	9
	Number of reinstatements due to parental leave	8	4	12
	Employee reinstatement rate after parental leave	75%	75%	75%
	Total number of employees who are still in service 12 months after reinstatement	3	1	4
	Employee retention rate after parental leave	30%	100%	36%

Note 1: “Number of employees with plan to return in 2018” includes those who applied during 2016 to 2018 with return in 2018.

Note 2: “Number of employees with plan to return in 2019” includes those who applied during 2017 to 2019 with return in 2019.

Note 3: “Number of employees with plan to return in 2020” includes those who applied during 2018 to 2020 with return in 2020.

Note 4: “Percentage of employees who returned in 2018” = Number of employees who returned in 2018 / Number of employees with plan to return in 2018.

Note 5: “Percentage of employees who returned in 2019” = Number of employees who returned in 2019 / Number of employees with plan to return in 2019.

Note 6: “Percentage of employees who returned in 2020” = Number of employees who returned in 2020 / Number of employees with plan to return in 2020.

Note 7: “Retention rate in 2018” = Number of employees who returned in 2018 and stayed for one year / Number of employees who returned in 2017.

Note 8: “Retention rate in 2019” = Number of employees who returned in 2019 and stayed for one year / Number of employees who returned in 2018.

Note 9: “Retention rate in 2020” = Number of employees who returned in 2020 and stayed for one year / Number of employees who returned in 2019.



Photos of breastfeeding room



Photo 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 2020	Records in 2020	Goals in 2021
Newly developed on-site courses	16	35	12
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	2018	2019	2020
Training Costs	3,646,947	4,640,248	10,404,512

Table 2: Number of Training Hours for Employees

Year	Category	In-class courses	Online courses	Total
2018	Training Hours	12,606 Hours	1,102 Hours	13,708 Hours
	Persons	2,823 people	2,447 people	5,270 people
2019	Training Hours	12,014 Hours	1,041 Hours	13,055 Hours
	Persons	3,139 people	2,304 people	5,443 people
2020	Training Hours	21,500 Hours	1,362 Hours	22862 Hours
	Persons	4,992 people	2,967 people	7,959 people

Type of Employees	Male		Female	
	Direct labor	Indirect labor	Direct labor	Indirect labor
Training hours in this category in 2020	1,741	15,988.1	456.9	4,675.7
Number of people in this category in 2020	469	461	221	180
Average number of training hours per person in this category in 2020	3.71	34.68	2.07	25.98

Note 1: The average number of training hours per person in this category in 2020 is: the number of training hours in this category in 2020 / The number of people in this category in 2020

Note 2: To implement the continuous improvement plan in 2020, a number of related courses were set up, and most of the trainees were male indirect laborers; therefore, the average proportion of training hours per person for male indirect laborers in 2020 is relatively high.

Note 3: The key training targets for the courses offered in 2020 were the team leaders and foremen of manufacturing units (mostly men); therefore, the proportion of training hours for male direct laborers is higher than the proportion of training hours for female direct laborers.

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	2018	2019	2020
Number of Online Courses	180	188	197

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	2018	2019	2020
Number of Documents	1,649	1,921	1,886

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 2020

Items	Total	Annual individual average
Training Hours	22,861.7 Hours	22.77 Hours
Costs	NTD10,404,500	NTD9,730

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

*2 Average annual number of training hours per person = Number of training hours/Number of employees (1,004, excluding foreign workers).

*3 Attendance calculation includes part-time workers.

Course statistics by subject in 2020

Category	Hours in 2020	Percentage of 2020
Human resources, Administration	3,100.2	13.56%
Marketing	676.6	2.96%
Information management	1,387.4	6.07%
Finance, Accounting	552.0	2.41%
Quality assurance	4,991.2	21.83%
Production management	717.0	3.14%
Research and Development	3,042.0	13.31%
Business management	6,768.3	29.61%
Others (include Language)	1,627.0	7.12%
Total	22,861.7	100.00%

3.1.6 Workplace Harmony

1. Occupational Health and Safety

(1) As the industrial structure changes, the scope of occupational safety and health is no longer limited to a certain field, and the level of safety, and health technology is also improved. How to recognize the risks in the workplace and eliminate the risk factors that may cause injury to persons in advance is positive for the company issues to be resolved. Based on the company's responsibility for life protection and well-being of employees, the factory provides safe machinery and equipment, complete operating procedures and protections, and sound labor education/promotion and health inspections to ensure that the probability of occupational

- Occupational Safety and Health Management Guidelines
- I. Policy: Compliance with regulations and disaster prevention.
 - II. Commitment: master laws and regulations, risk management, and continuous improvement.
 - III. Objective: To comply with relevant laws and regulations, zero violations of work safety rules, and zero work safety disasters.

Objective items	Goals in 2020	Records in 2020	Goals in 2021	Goals in 2023
Major occupational disasters	0	1	0	0

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

disasters and accidents is minimized, to meet the ultimate goal of SDI – "Compliance with laws and regulations, disaster prevention, zero disasters, zero occupational diseases, and zero financial losses."

(2) Occupational safety and health management policy: SDI's occupational safety and health management mainly focuses on occupational safety and health management systems (ISO 45001 & CNS 45001). Through PDCA cycle, it can have continuous

improvement and regular reviews by the company' s occupational safety and health committee, and occupational safety and health management meetings to review performance indicators of each unit, and to improve the safety of and environment for colleagues at work, and promote health care.

(3) 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 (including foreign workers). 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 890 employees received a health checkup provided by SDI in 2020. Among them, 852 employees received a physical checkup for occupation-related illness and long-term night shift safety hazards, and 1,152 employees took part in training for fire safety, health safety, and health promotion (670 people for in-person classes and 482 people for online classes). To strengthen the work and disaster prevention capabilities of foreign workers, in addition to arranging education and training for new recruits when arriving at the factory, special classes or OJT education and training are set up according to the job requirements of each workplace to enhance the safety and disaster prevention capabilities of foreign workers.



Fire safety training for Taiwanese workers



Fire safety training for foreign workers

(4) A sound workforce is closely related to national economic development, and good occupational health management affects labor safety and health and labor supply. It is also one of the main reasons for the sustainable operation of enterprises. To effectively prevent the occurrence of occupational disasters and occupational diseases, SDI obtained Occupational Safety and Health Management System Certification (OHSAS 18001) in 2006. For the newly announced ISO 45001, SDI also commissioned a professional consulting company to assist in the conversion of the management system, and commissioned the BSI (British Standards Institute) to conduct an external audit in September 2020 for ISO 45001 certification conversion verification (workers covering employees who perform work activities under the control of the company, including employees (including foreign workers, accounting for 99.8%) and non-employees (such as cleaning, security, restaurant service personnel, etc., accounting for 0.2%)) to meet ISO 45001 requirements. Furthermore, 5S audit teams are set up in each plant area to conduct regular work environment and safety and health inspections. They also conduct internal audits in conjunction with the occupational safety and health management system (ISO 45001, CNS 45001) to supervise the company's environmental safety and health and improve operations. Zero disaster in the workplace is an important indicator of SDI' s operation and management.

(5) SDI mainly produces hardware and stationery products, electronic components, and metal molds. It uses numerous types of mechanical equipment for processing. To meet the requirements of the occupational safety and health management system, it will conduct hazard identification and risk assessment every year to identify high-risk operations or environmental sustainability. To make an improvement, a total of 20 safety and health management plans were created in 2020, and necessary support personnel and resources were invested in improvement. Also, in 2020, a total of 15 pregnant female employees received maternal labor health protection and medical staff completed about 50 hazard identification, risk assessment, and job content confirmations through

telephone or face-to-face interviews, and provided relevant health education information during their pregnancy and after delivery.

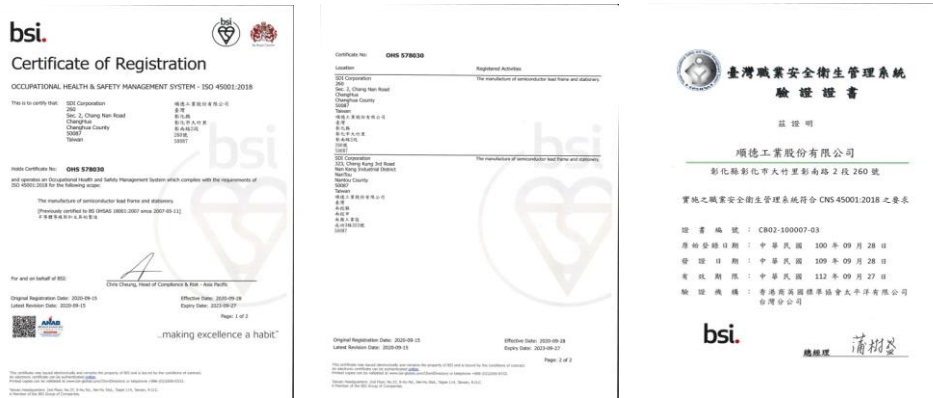
(6) To maintain the employees physical and mental health, we focus on safety management of colleagues, in addition to implementing laws and regulations, providing regular health checks that are superior to laws and regulations. We also cultivate colleagues' safety awareness and implement multiple health care options. In 2020, in addition to two sessions of special physician health care every month, a total of four labor health education training and health service activities were conducted, and a safe and healthy working environment was established to prevent occupational disasters and diseases.



(7) In response to the COVID-19 pandemic in 2020, SDI implemented a pandemic prevention policy and a prevention action plan with the highest level of deployment. During the pandemic prevention period, it controls colleagues on business trips, conducts pandemic inspections every week, isolates lunch areas for employees, and regularly disinfects the factory area. We stay informed of the pandemic situation regularly and check employee health, and provide employees with flexible working locations and work-from-home solutions, and implement other pandemic prevention measures.

(8) SDI regards contractors as important work partners. To ensure the work safety of contractors, in addition to implementing hazard notification and supervision in accordance with the Occupational Safety and Health Act and relevant laws and regulations, each plant area also promotes various management mechanisms to strengthen the contractors' safety when doing construction. In addition, a contractor qualification review system is established. The contractor qualification review form is issued to the contractor to fill in, and the "contractor qualification list" is classified and established after review by relevant units. Cooperating with manufacturers, this system will help procurement and engineering units to vet contractors at the beginning, and also improve practical requirements such as the quality of contracted operations and the level

of industrial safety.

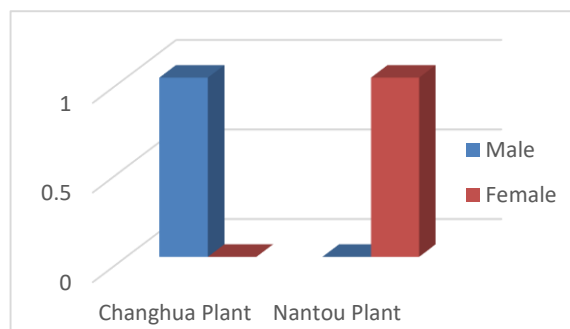
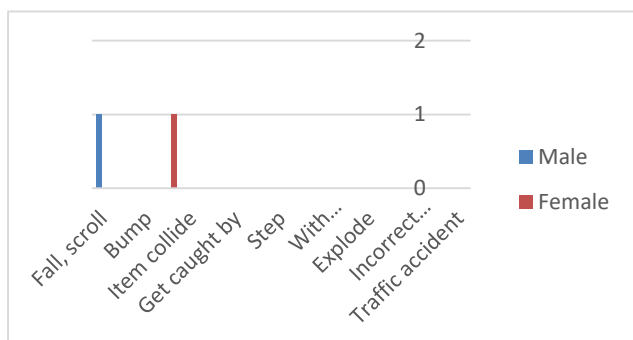


(9) In response to work-related injuries, SDI provides not only necessary first aid and rescue immediately, but also convenes an accident investigation team (including representatives of the company union) to discuss the cause of the accident, and to take corrective and preventive measures to implement safety and health management to avoid repeated accidents. In 2020, there were two occupational disasters, one of which was a fall (the colleague was transporting materials at a height of about 90 cm on the second pallet, and fell to the ground due to unbalance and injured his leg). Another case was an object falling down (the operation area was not properly fixed due to the small space, and the peripheral equipment was not properly fixed. The person was injured in head. After observation for 5 days, the doctor assessed that there was no major problem). Physical improvement, case promotion, and strengthening of education training were held to prevent recurrence of the incident. If there is an immediate danger in the workplace (for example, fire, earthquake, chemical leakage, etc.), according to the principle of emergency response plan, immediately follow the escape line to the evacuation assembly place to ensure the safety of colleagues in order to protect employees' right to refuse or to stop work when health and safety are in danger. The following are the 2020 statistics on environmental health and safety indicators as required by the environmental health and safety management system:

Evaluated Items	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
Gender						
Male	0.64	54.66	0	0	10.9	0.078
Female	0.86	4.3	0	0	1.1	0.087

*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): 2020

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

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

In conjunction with the implementation of the Taiwan Occupational Safety and Health Management System (TOSHMS) by Occupational Safety and Health Administration, Ministry of Labor, to effectively utilize the experiences of businesses in TOSHMS, continue to enhance the occupational health and safety systems of businesses, encourage businesses to join TOSHMS, and maximize the effectiveness of TOSHMS, SDI has participated in founding TOSHMS advancement associations or other similar organizations in north, central, and south regions of Taiwan to advance the cause of TOSHMS. Businesses that have been certified by TOSHMS are automatically listed as a member of the TOSHMS advancement association of its region. SDI has shouldered the responsibility of Vice Chair of 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) SDI has supported the Changhua County Government for a long time in handling various occupational activities related to safety and health. For example, SDI assisted in the 2020 Model Worker Recognition Conference and Workplace Safety and Health Week activities. In the conference, SDI provided occupational safety and health information to the predecessor and workers participating in the conference for preventing occupational disasters. SDI also encouraged employees in the company's occupational safety and health business to assist in participating in the 2020 SME working environment improvement implementation plan by the Occupational Safety and Health Administration of the Ministry of Labor and the Changhua County Government. They provided knowledge and resources related to improving the working environment of SMEs, maintain the safety of their workers, and indirectly increase the willingness of laborers to find employment.



Photo of the Magistrate of Changhua County Giving the Certificate of Appreciation

(8) Operation of Occupational Health and Safety Committee

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

The company regulations stipulate that the committee meeting shall be held quarterly. In 2020, the meetings were held on April 8, July 14, October 6, and December 28. A minimum of 2/3 of the committee members must be present. Motions require 50% of the votes from members who are present for approval. Emergency meetings may be held when deemed necessary to supervise and guide the implementation of occupational health and safety management plan. The staff are the most valuable assets of a company. The managerial ranks at SDI places high emphasis on the working environment, development, and care for employees with the goal of creating "Safety, Health, and Comfort" in the workplace. Therefore, the Company aims to establish diversified communication channels and to continue implementing various staff relation projects.

(9) Retirement Association

To care for employees after retirement, SDI created an employee retirement program in accordance with the Labor Pension Act and Labor Standards Act, and established a labor retirement reserve supervision committee in accordance with the law to allocate retirement reserves on a monthly basis. It allows the retired colleagues who apply in accordance with the law to facilitate their life planning after retirement. If they are willing to work continuously, they can choose to stay in the current position or be recommended to other relevant corporate services. In addition, retired employees established a SDI Retirement Association in March, 2012, adhering to the tenet of "contentment, gratitude,

cherishing good luck, and cherishing fate." With the full support and financial sponsorship of the company' s top management (including major shareholders), SDI not only treats retired colleagues with warm care, organizes members meetings regularly, and holds travel activities, but also makes every effort to mobilize and participate whenever there are weddings and funerals, gathering all SDI employees together anytime and anywhere to share the joy of retirement.

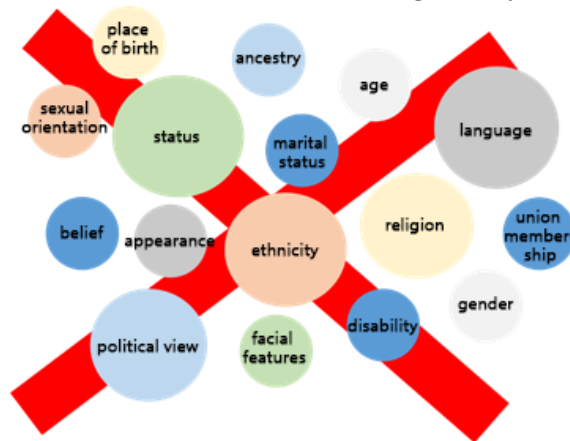


Retirement Association Representative Meeting and Traveling Activities in 2020

3.1.7 Labor Rights

SDI Declaration

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.



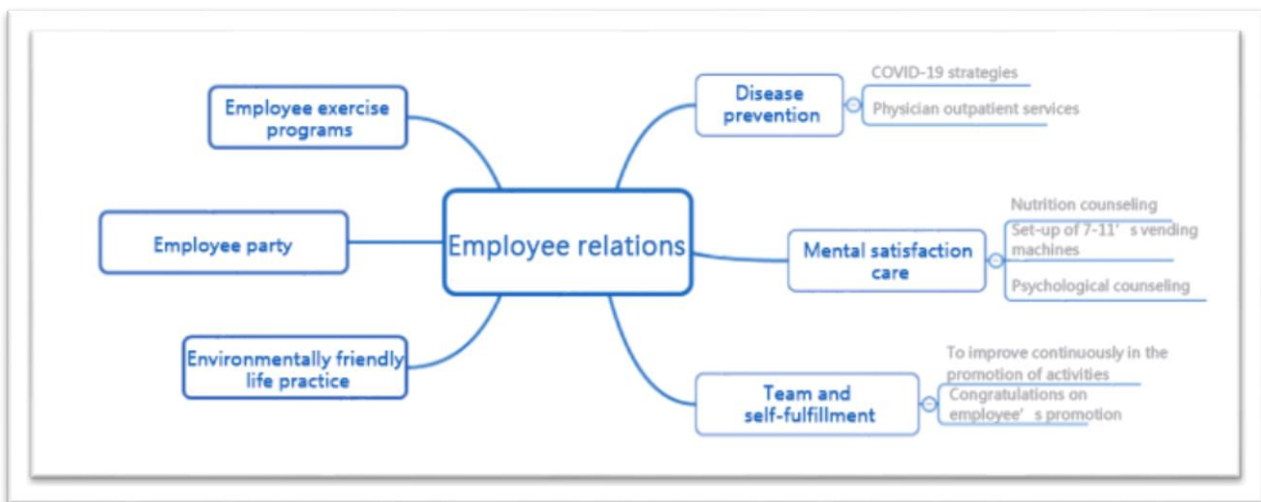
SDI Commitments

SDI has prioritized labor human rights during all stages of its operations, including employees, customers, suppliers, and business partners. SDI will continue to provide stakeholders with more diverse communication platforms and channels, such as employee suggestion mailboxes, to ensure that stakeholders can express their opinions freely and safely and SDI can respond quickly and effectively to their suggestions.



3.1.8 Improving Employee Relations

SDI regards colleagues as the company's most important asset. In addition to creating a working environment that can continue to challenge innovation and growth, SDI also hopes to create a healthy and happy life with colleagues. It hopes that colleagues will have a balance of work and life and achieve the goals of physical and mental health and happiness. SDI has the following key points in the establishment of employee relations:



1. Team- and self- fulfillment

(1) To improve continuously in the promotion of activities

- 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 and kept improving this project in 2020. 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.
- In 2020, a total of NTD4 million was spent on this project, along with sixteen 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. Through this activity, a total of 15 qualified counselors and 14 team leaders were trained in 2020. Through the activities, colleagues not only learn to improve the applications on tools and work, but it also allows them to improve themselves and gain recognition in the workplace, winning the honor of the team and the company.

(2) Congratulations on employee' s promotion

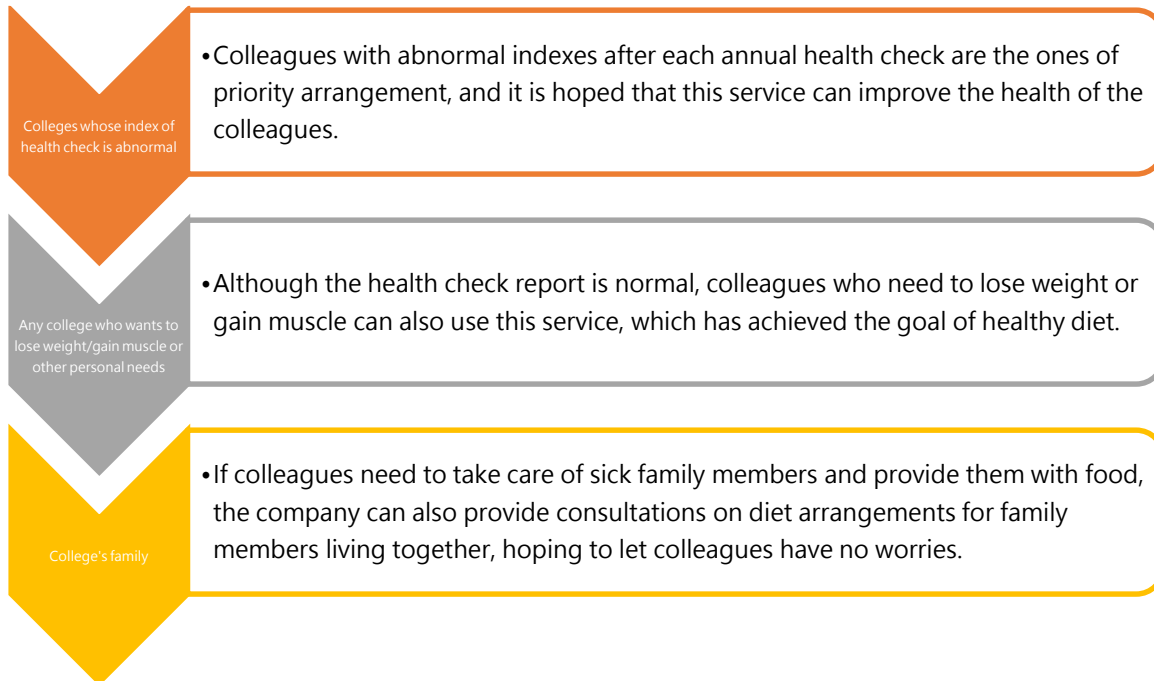
Being promoted to a supervisory position in a company represents the affirmation of ability and performance, these people are talents that the company values very much. Therefore, whenever colleagues are promoted by the company, they receive cards signed by the chairman of the board and flower baskets to their homes, and have colleagues and their family members share this glory and joy. We are grateful to these colleagues for fighting side by side with the company all the way. It is their dedication and growth that have driven the company's prosperity.

2. Mental satisfaction and care

(1) Nutrition counseling

- 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.
- The company invites nutritionists who have passed the national examination to provide employees one-on-one health consultations every week since 2020. Nutritionists will give dietary advice or adjustment plans exclusively to each employee. After consulting with the nutritionist, the colleagues successfully lost weight. Colleagues who participated in the plan lost an average of 2 kg per month and achieved the effect of body control and physical improvement.
- 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.

Parties a dietitian serves



(2) Psychological counseling

- 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.
- The seminar was well received. The company started 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.
- Workplace stress is invisible and occurs every day. To allow colleagues to have

objective understanding of their own stress conditions, SDI also arranges colleagues to have a free "HRV pressure test." It assists colleagues to understand their own stress conditions through heart rate variability testing equipment. An additional seminar on "Autonomic Nervous Health Care and Stress Relief" is held to let colleagues know how to relieve their own stress.

- 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. If there is an emergency consultation need, the company and the psychological counseling clinic have also jointly constructed a "Multiple Assistance System and Employee Assistance Program Line," so that colleagues can call the line from 9 am to 9 pm to get assistance.

(3) Set-up of 7-11' s vending machines

Physiological needs are the most basic requirements of people. People can choose their favorite food to eat, which is also a kind of happiness. The number of people in SDI is not large enough to set up an on-site convenience store, but SDI still has to provide the same level of service to our colleagues. Therefore, in 2020, the company specially set up 7-11 vending machines in the factory to sell all kinds of 7-11' s best-selling snacks, so that colleagues can buy delicious snacks and cold drinks when they need it, to soothe their tired souls and give themselves more energy to put into work.



3. Disease prevention

(1) 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. There were 88 consultations in 2020, which accounts for about 6.2% of employees. This plan can effectively help colleagues understand their own physical condition at the very beginning and serve as a reference for follow-up actions. In addition, the contract doctors also provide company colleagues with health education on methylene chloride and hydrocarbon organic solvent protection, bromopropane protection, and hearing protection, so that the company colleagues have the relevant basic knowledge to ensure and conduct safe and smooth work.

(2) COVID-19 strategies

In 2020, the COVID-19 pandemic is raging around the world, and governments of all countries are committed to preventing the spread of the pandemic. In 2020, SDI also launched a number of strategies to ensure the health of employees and contribute to social security.

The strategies proposed by our company in 2020 were:

- I. Before the Lunar New Year holiday end, the company called an emergency response meeting to formally decide the company's strategies.
- II. Suspension of business trips: during the pandemic period, considering that the pandemic situation abroad was more serious than that in Taiwan, after considering the safety of employees, the company suspended all overseas business trips, and also invited customers to use video conferencing to discuss business.
- III. Promoted branches and divisional working area mode: promoted the working mode of branch plants for R&D units, reduced grouping and reduced the risk to company operations.
- IV. The buffet was changed to the lunch box: all colleagues had lunch in the canteen previously, but to reduce the risk of droplet infection and grouping during the meal, the dining method was changed to a lunch box, so that colleagues could take the lunch box back to their offices to enjoy.
- V. Mask order: since the pandemic came violently and suddenly, many colleagues were unable to purchase enough masks in time. Therefore, the company's labor

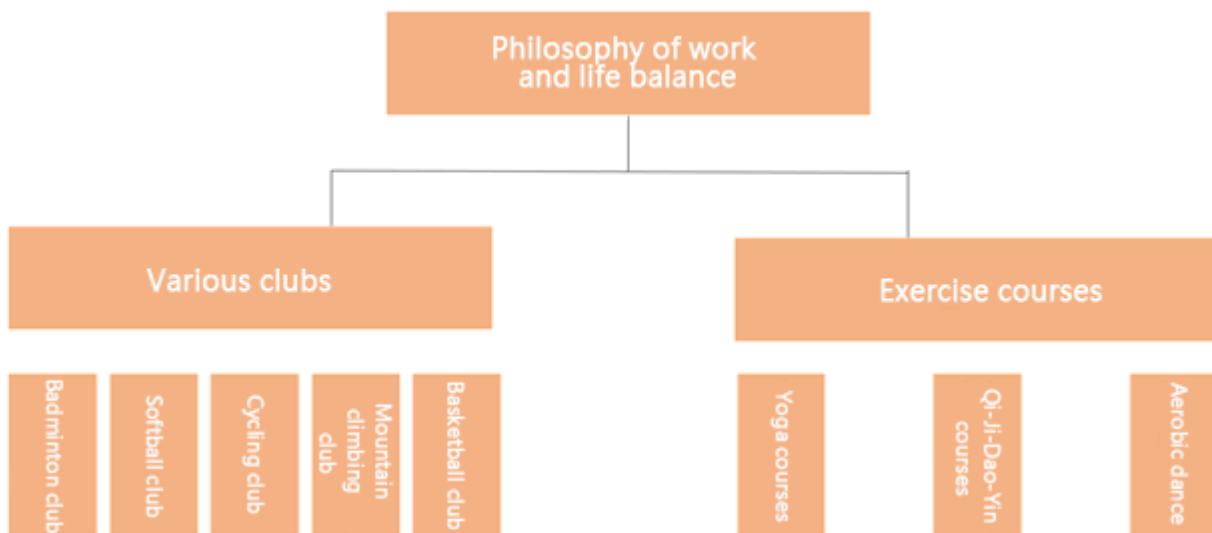
union and welfare committee launched mask order activities so that colleagues in need could purchase enough masks for the emergency.

VI. All masks for foreign workers were provided: at the beginning of the pandemic, everywhere in Taiwan faced a shortage of masks. Due to language communication problems, the company worried that they could not purchase masks smoothly, so the company provided foreign workers with the masks that were purchased urgently at first. The masks that needed to be replaced every day not only protected foreign workers, but also protected all colleagues who work together.

4. 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.

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.

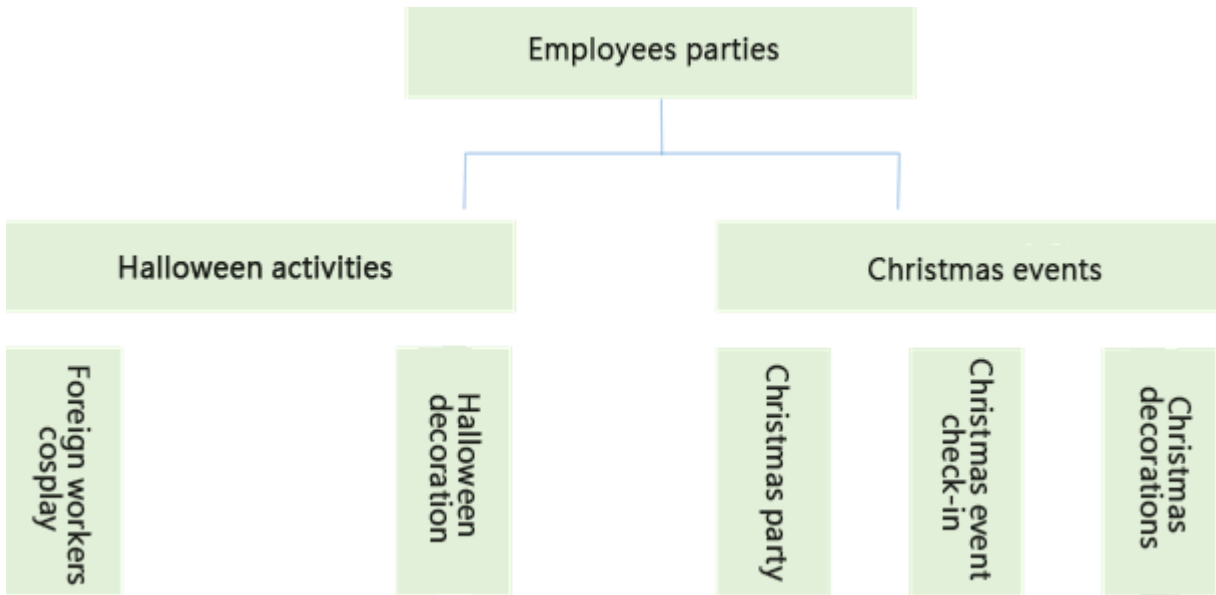


5. Parties

In addition to work and life, SDI attaches great importance to the interpersonal connections between employees and an awareness of teamwork built through activities. In 2020, SDI hosts two important events: Halloween and Christmas:

- (1). Halloween activities: To let colleagues feel the festive mood and joyous atmosphere outside of work, the company regularly organizes Halloween activities every year. The focus of 2020 was to promote communication and feelings between local colleagues and foreign workers. The "It's Our Happy HallOLDween!" event was specially held, inviting foreign workers to wear festive costumes on Halloween and take photos in the areas decorated with old goods at each department, leaving wonderful and warm memories on Halloween.
- (2). Christmas event: Christmas is a cross-cultural and national event. All parts of the world celebrates this festival at the same time regardless of religious considerations. At the end of the year, the company made Christmas-related decorations and ornaments in every corner of the factory, and set up popular check-in points so that colleagues could take pictures to enjoy the Christmas atmosphere. Also, on Christmas day, it held a pop-up event in Changhua and in Nantou plants respectively and invited all colleagues to wear "red and green" costumes and festive decorations to join in the grand event and offer Christmas blessings to each other.





6. Environmental protection initiatives

- (1). Taking social responsibility is also a very important part of the business operation, and it is also a responsibility of the company to educate employees to make them realize that this issue is directly related to 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). The environmental protection practice activity launched in 2020 was called "2020 Carbon Reduction "Old" Activity." The activities mainly included the following:
 "It' s Our Happy HallOLDween! - Dress-up Competition" : Each department used recyclable materials to decorate the office, and department group photos were taken. This event fills the company with Halloween atmosphere everywhere, and also let everyone see the creativity and intentions of colleagues, and let everyone know that as long as they can be creative, they can turn trash into treasure!



- "Bingo connection": all colleagues in the company can get a Bingo connection card, which contains 25 bingo squares, and each square contains environmental protection activities. Once the colleagues have done the request in the square, they can circle the select item. Once circled items are connected in one line, the link is drawn. Those who collect more than 7 lines get a cup of coffee; those who collect more than 10 lines get a chance to draw in a lottery. This event allowed colleagues to discover that there are actually many methods to protect the environment in life, such as sharing elevators, turning off lights, and reusing plastic bags. If everyone is careful, they can bring great help to the earth.

2020減碳蓄活動 | 實果連線『蓄』起來

單位：_____ 工號：_____ 姓名：_____

【活動辦法】

一、以下25項實果連線：

1. LUCKY字樣：實果7項以上連線者，並請主管認證後，可獲得咖啡2杯
2. 十全十美獎：實果10項以上連線者，並請主管認證後，可獲得精美賞品，並列入績優榜

二、連線時間：10/22(四)~11/12(四)

三、封箱：11/12(四)下午五點前，請將實果卡投遞至抽獎箱，逾期不候
(抽獎箱位置：彰化廠、南投廠-總機處)

四、抽獎：11/16(一)舉行，得獎資訊將公告在公司粉絲團「SDI Corporation」

【注意事項】

1. 實果資料填寫不正確將使用自動抽獎系統，自動開獎
2. 此項活動專案，依活動主辦單位公告為準
3. 如有任何問題，歡迎電洽人員處理(ext.2302)；信箱(ext.2306)；直撥(ext.2311)

部門代號	工號	姓名
9	16	20
22	1	2
8	12	25
17	5	21
10	11	23

請主管認證、主管簽名：_____

2020減碳蓄活動 | 實果連線『蓄』起來

數字	內容
1	重複使用塑膠袋
2	參與【哈樂WE風聖誕節】
3	不買過度包裝的商品
4	減少使用餐巾紙、衛生紙
5	參與【舊物結盟PK賽】
6	紙張再利用
7	拒絕濕紙巾
8	不使用一次性餐具
9	走路、騎腳踏車代替騎機車
10	參與【親子舊物新生命手作講座】
11	選擇淋浴少泡澡
12	走樓梯取代搭電梯
13	消費自備購物袋
14	使用充電電池取代一次性電池
15	共乘(或電梯共乘)
16	隨手關閉電源
17	開冷氣隨手關門
18	戶外曬衣服，減少使用烘衣機
19	落實垃圾分類
20	關緊水龍頭
21	自行填寫
22	自行填寫
23	自行填寫
24	自行填寫
25	自行填寫

BINGO

- "Giving old things new life" hand-made lecture: the hand-made activity of transforming old clothes at home into multi-functional bags is not only fun, but also gives old things new life. During the event, colleagues not only experienced the fun of transforming old things, but also understood the meaning of cherish and loving things because these bags were sewn stitch by stitch by themselves.



- "Old object alliance PK competition" Old object charity sale: colleagues sell items that are not used at home to give the old objects new life, and donate all the proceeds from the charity sale to charity units, so that the old objects can create more value, which is helpful for environmental protection.



- We hope that all our colleagues learn how to live an environmentally friendly life in a practical way through the "2020 Carbon Reduction "Old" Activity," and continue to invest more efforts on environmental issues in the future.

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 2020, 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 2020	Records in 2020	Goals in 2021	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:

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.

Violation of the product labeling regulations.

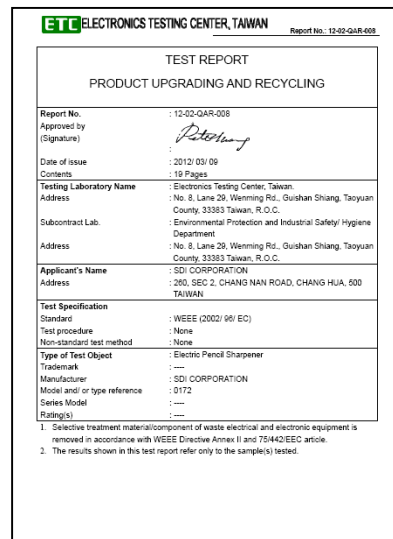
Results of the customer satisfaction survey.

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 hazardous 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.



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.



In addition to the use of environmentally friendly materials for product packaging, the layers of packaging are mainly based on specifications, with no more than four layers.

We pay attention to the protection of the earth! When consumers discard waste products in the future, they can easily disassemble the products and do a good job of recycling and sorting waste.

SDI NO.3006C

ZINC ALLOY CRAFT KNIFE

INGENUITY

Patented blade locking device
SK2+Cr steel blade
Zinc Alloy die-cast grip

Blade replacing from front-end

- 30 degree angle blade is handy for precision work.
- Blade made from special SK2+Cr steel from Japan.
- Blade locking device can withstand up to 8KG of pressure.
- Patented locking mechanism enhances the stability.

INSTRUCTIONS

Loosen the locking mechanism and adjust the blade to the proper length, lock the locking mechanism again.

Don't extend beyond one segment.

How to replace the blade

Unlock and extend blade forward to the front of knife, use pliers to remove blade.

Material : Plastic (POM), Zinc Alloy, SK2+Cr steel
Usage : for precision cutting
Suggested blades : SDI NO.1361 · NO.1403 · NO.1503

WARNING:

- SDI Blades are extremely sharp! Handle with care!
- Dispose of used blades in a proper manner.
- Wear safety glasses when using.
- Keep out of the reach of children.

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

4 711734 300606

SDI CORPORATION MADE IN CHINA

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

3.2.3 Relations with Customers

1. Customer Satisfaction Management Guidelines in 2020

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

2. Customer Satisfaction - Stationery

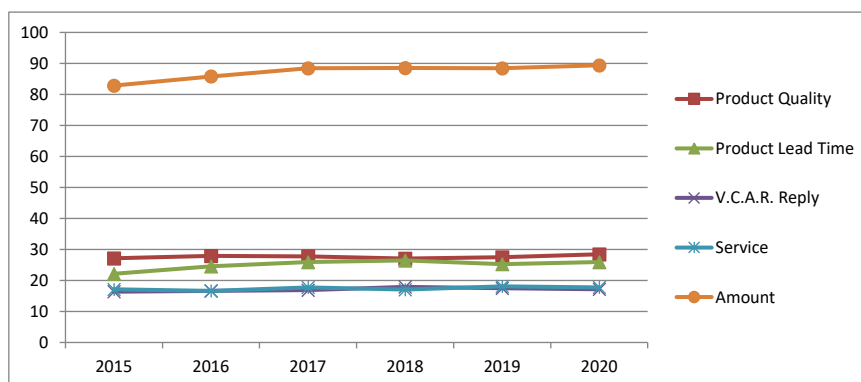
- (1). Customer satisfaction survey is one way to communicate with customers. It also serves to understand customer needs in order to establish customer-oriented quality assurance system and corporate philosophy. An annual survey is conducted for the top 20 clients with the highest sales figures. The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

Task	Responsible Unit
Product Quality	Quality Assurance Unit
Delivery Date	Production Management Unit

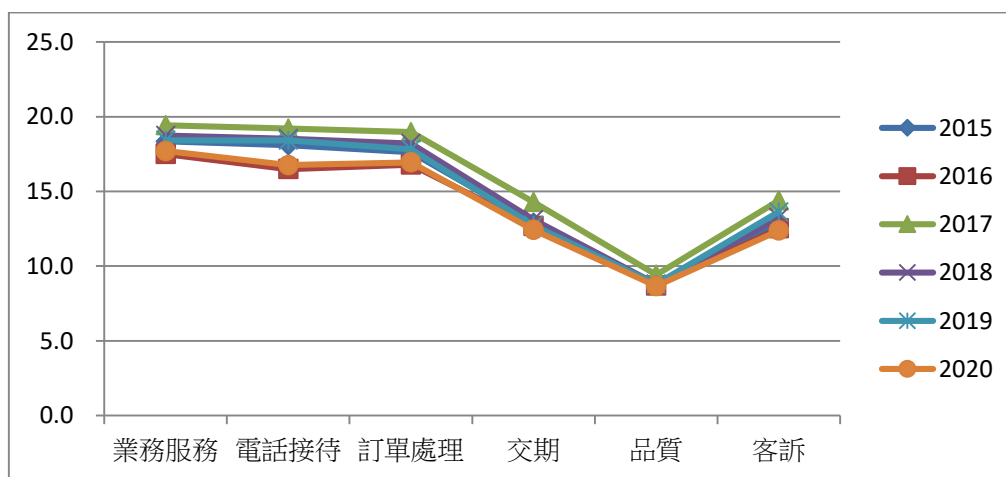
Reply on Customer Complaints	Quality Assurance Unit
Service	Business Unit

(2). 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 2015 to 2020.



Domestic sales: The following is the record of customer satisfaction survey from 2015 to 2020.



3. Customer Satisfaction for Electronics Products

(1). SDI has always been consistent in customer relations and ensures customer satisfaction through customer evaluation, full understanding of market demand and operational adjustment. Customer feedback also plays a vital role in business improvement.

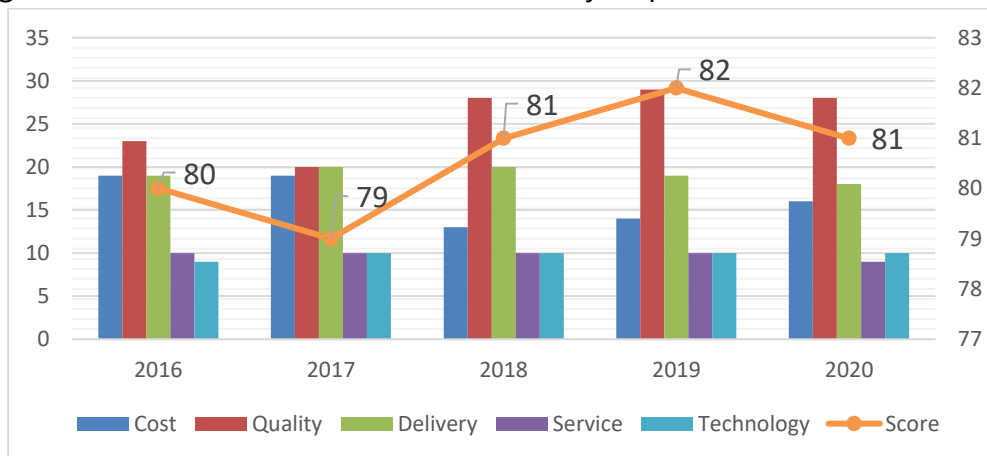
(2). Due to SDI' s annual standard customer satisfaction survey form being unable to effectively reflect customer' s feedback, SDI now uses three ways to collect feedback, which are: 1. supplier evaluation, 2. customer audit, 3. Record on business visit.

The operation time and unit in charge are different by the category of content.

Task	Frequency	Responsible Unit
Supplier Evaluation	From time to time	Business/ Quality Assurance Unit
Customer Audit	From time to time	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 2016 to 2020 > (customer B is one of SDI' s customer)

(5). 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

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 2020	Records in 2020	Goals in 2021	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

parties to make the agreements legally binding. SDI also signs business contract with clients to enhance the protection of clients' privacy and intellectual property. Such protection is an integral part of SDI as a manufacturing service provider.

3. In terms of internal management hierarchy, all information related to clients is processed and managed with stringent hierarchical systems. For instance, in the disclosure of product plans, for personnel who are not contacts for the client who owns the product to access the plans, they must submit applications in SDI's PLM system with detailed statements of purpose. The applications shall be reviewed and screened by layers of departments. Any application that does not meet requirements or contains inappropriate content shall be rejected. Firewalls are set up for all computers in the company, the flash drive access on which has been disabled to further prevent subversive attempts at disclosing client secrets. By combining external and internal measures, SDI effectively protects clients' privacy. In the history of SDI' s electronics business, there has been no disclosure, theft, or loss of client information that resulted in complaint.

3.3 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. Objective: 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.

Goals in 2020	Records in 2020	Goals in 2021	Goals in 2022
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: General, Specific
 Scope: Within the organization, Outside the organization

1. Consumption of raw materials:

SDI is one of the top three semiconductor lead frame manufacturers in the world and the largest stationery manufacturer in Taiwan. To meet the various demands from 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>2018</u>	<u>2019</u>	<u>2020</u>	Renewable rate (%)
Copper	13537	10181	12361	Approx. 45%
Steel and iron	292	263	358	Approx. 40%

Plastics	70	44	41	Approx. 40%
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1. Distribution of supply chains:

SDI has always regarded suppliers as its most important business partners. Through close and long-term cooperative relations with suppliers, we are jointly pursuing a win-win niche. At the same time, "sustainable management" is the ultimate goal of the company. SDI's suppliers can be divided into three types: raw material suppliers of direct materials (Type A suppliers), packaging materials and consumables suppliers of indirect materials (Type B suppliers), and serviced-oriented supplier related to logistics and customs brokers (Type C suppliers). All qualified suppliers of SDI meet the relevant requirements of the "Supplier Management Mechanism," and the source of direct materials (Type A suppliers) must have at least ISO 9001 quality system verification and meet SDI' s HSPM "(Hazardous Substance Process Management, HSPM) requirements.

The following are the percentages of regions from which SDI procured its materials from 2018 to 2020:

Percentage of Direct Materials Purchased by SDI from 2018 to 2020			
Area	2018 (%)	2019 (%)	2020 (%)
China	17.14	13.35	24.31
Japan (Note)	52.63	53.83	34.81
Taiwan	20.72	22.18	32.49
Other	0	0.14	0.12
Singapore	6.38	7.44	8.05
Europe	3.14	3.06	0.23
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.

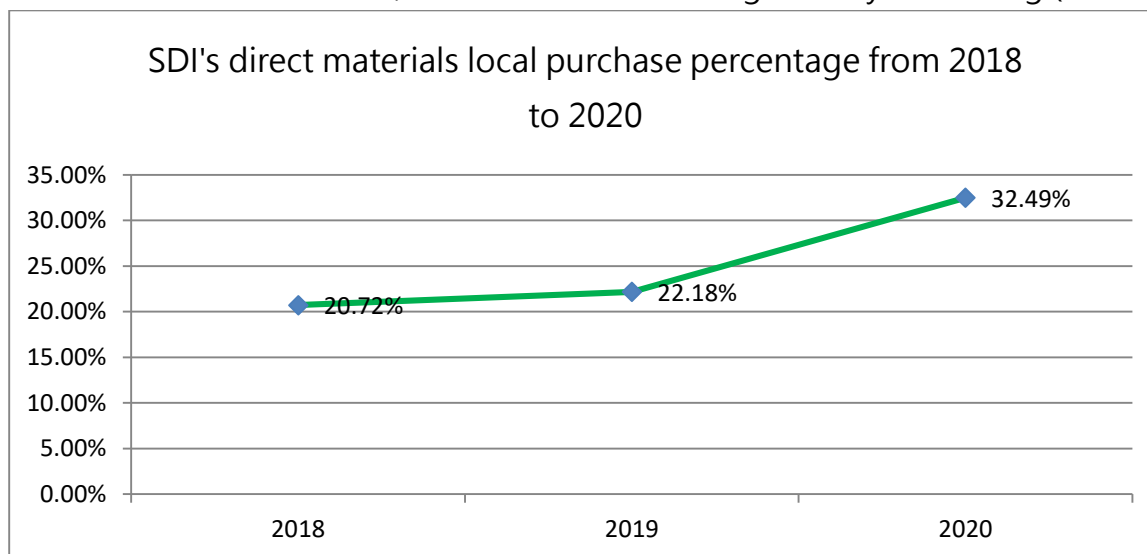
(4). The transaction amount of type A suppliers (direct materials) occupied 80% of the total transaction amount of materials.

The transaction amount percentage of local purchases in 2020 of type B suppliers (indirect materials) was 92%.

The transaction amount percentage of local purchases in 2020 of type C suppliers (custom broker, logistics) was 100%.

2. Local supplier purchase ratio:

SDI values the improvement of its own competitiveness, and pays great attention to the current economic development of Taiwan. Adhering to the concept of loving Taiwan, the company is also actively pursuing the plan of "deeply plowing Taiwan" and trying to support the procurement of "direct materials" from Taiwanese companies first. The following chart is the percentage of SDI's "direct materials" procurement transactions in Taiwan from 2018 to 2020, which shows the ratio gradually increasing (20.72 ~ 32.49%).

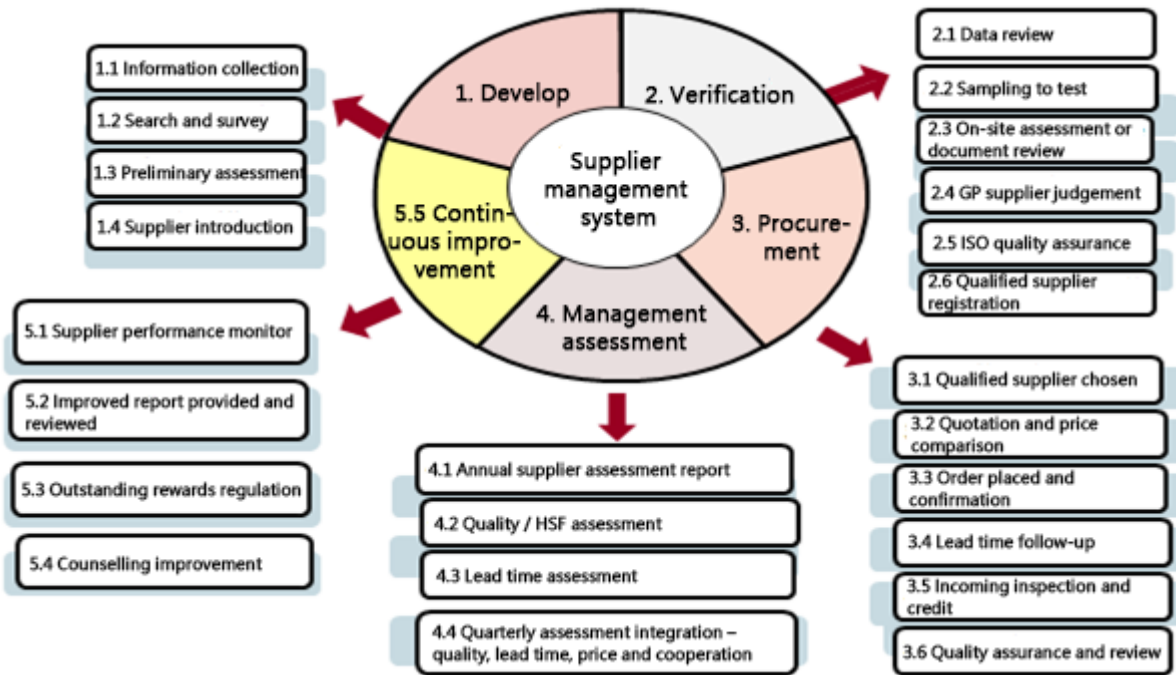


3.3.2 Supplier Evaluation Management

1. Description of supplier management system:

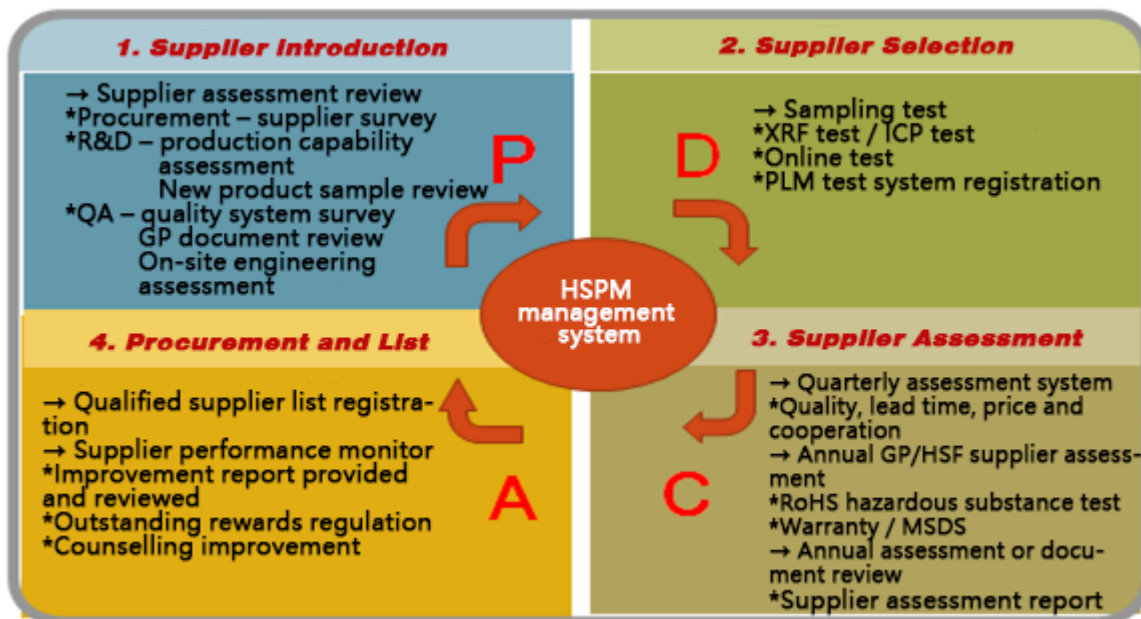
To implement procurement risk management and meet client demands, SDI has established a comprehensive supplier management system based on the P (Plan), D (Do), C (Check), A (Action) management cycle. Suppliers go through a process from "development," → "verification," → "procurement," → "management" 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 implemented an annual reward system for outstanding suppliers (the commendation meeting was suspended due to the impact of COVID-19 pandemic in 2019), to publicly praise and encourage high quality suppliers. It continues to uphold the principle of mutual trust and cooperation and to establish a strong partnership in order to ensure that the quality, cost, delivery, service, and management of suppliers can meet the requirements of the procurement strategy and create a win-win situation.



Year-end party in 2017



Year-end party in 2018

Public commendation of outstanding suppliers in 2017 and 2018.

(Suspended in 2019 and 2020 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 allows us to qualify for preferential measures, and, by way of international mutual recognition, becoming an integral part of logistics safety supply chain, accelerating customs clearance to boost the company' s competitiveness.



Visited by Deputy Directory of Taichung Customs and Award Certification.

(2.) SDI's import and export business is in accordance with relevant laws and regulations, its business promotion performance is excellent and gains praise. In 2020, SDI was awarded the "Award for International Trade Outstanding Export/Import Business Certificate" issued by the Bureau of Foreign Trade, MOEA to affirm and encourage SDI's import and export business.



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, the SDI Foundation has been committed to social charity and cast its bread upon the waters. In 2020, SDI donated more than NT\$1 million to the

Garden of Hope Foundation, Resurrection, Joy and Rose special education schools, aiming at the purchase of various equipment and rehabilitation equipment. These subsidies not only have improved the quality of care services and training for children with developmental retardation and disabilities, but also the purchased rehabilitation equipment can help the disabled and people with intellectual disability to strengthen their muscular endurance.

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

1. 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.



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	8		
	GRI 102-2	Events, brands, products and services	1.1.2 Main Brands, Products, and Services	12		
	GRI 102-3	Headquarter location	1.1.1 About SDI	8		
	GRI 102-4	Operation base	1.1.1 About SDI	8		
	GRI 102-5	Ownership and legal form	1.1.1 About SDI	8		
	GRI 102-6	Service market	1.1.2 Main Brands, Products, and Services	12		
	GRI 102-7	Organization size	1.1.1 About SDI	8		
	GRI 102-8	Information about employees and other workers	3.1.1 Overview of manpower employment	56		
	GRI 102-9	Supply chain	3.3.1 Green Supply Chain and Contractor Management	91		
	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	34		
	GRI 102-12	External initiative	1.2.3 Participation in External Organizations	33		
	GRI 102-13	Membership of the Association	1.2.3 Participation in External Organizations	33		
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	20		
4.Governance						
GRI 102 2016	GRI 102-18	Governance structure	1.1.4 Corporate Governance	20		
5. Communication between Stakeholders						
GRI 102 2016	GRI 102-40	Stakeholder group	1.2.1 Identification of Stakeholders and Material Issues	27		
	GRI 102-41	Group agreement	3.1.2 Sound employee-employer relations	58	No group agreement was	

					signed in 2020.	
	GRI 102-42	Identification and selection of stakeholders	1.2.1 Identification of Stakeholders and Material Issues	27		
	GRI 102-43	Guidelines for communicating with stakeholders	1.2.2 Material Issues Identification Method	31		
	GRI 102-44	Key topics and concerns raised	1.2.2 Material Issues Identification Method	31		

6. Reporting Practices

GRI 102 2016	GRI 102-45	Consolidate entities contained in financial statements	1.1.3 Financial Performance	17		
	GRI 102-46	Define report content and topic boundary.	About the Report	3		
	GRI 102-47	List of Material Issues	1.2.2 Material Issues Identification Method	31		
	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	3		
	GRI 102-51	Date of the last reporting	About the Report	3		
	GRI 102-52	Reporting cycle	About the Report	3		
	GRI 102-53	Contact person for questions related to the report	About the Report	3		
	GRI 102-54	Declaration in accordance with GRI standards	About the Report	3		
	GRI 102-55	GRI content index	About the Report	3		
	GRI 102-56	External assurance / conviction	About the Report	3		

Management Policy

GRI 103 2016	GRI 103-1	Explain major issues and boundaries	1.2.1 Identification of Stakeholders and Material Issues	27		
	GRI 103-2	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	17		
	GRI 201-1	Report the direct economic value generated and distributed	1.1.3 Financial Performance	17		
GRI 204 Procurement practice in 2016	GRI 103-2	Procurement management guideline	2.2 Green product	42		
	GRI 204-1	Procurement practice	3.3.1 Green Supply Chain and Contractor Management	91		
Series of environmental indicators						
GRI 302 Energy 2016	GRI 103-2	Energy management policy		38		
	GRI 302-1	Energy consumption within the Organization	2.1 Energy Conservation and Management	38		

GRI 305 Discharge 2016	GRI 103	Emission management guidelines	2. Environmental Sustainability	38		
	GRI 305-2	Energy - indirect (Category B) greenhouse gas emissions	2.1 Energy Conservation and Management	38		
	GRI 305-7	Nitrogen oxides (NOX), sulfur oxides (SOX) and other major gas emissions	2.1 Energy Conservation and Management	38		ISO 14001
GRI 306 Waste water and materials 2016	GRI 103-2	Waste water and waste material management guidelines	2. Environmental Sustainability	38		
	GRI 306-1	Water discharge quantity according to water quality and discharge destination	2.2.5 Pollution discharge and pollution control	47		ISO 14001
	GRI 306-2	Waste sorted by category and disposal method	2.2.5 Pollution discharge and pollution control	47		ISO 14001
	GRI 306-3	Serious breach in leak	1.4.2 Domestic regulatory compliance	36		
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	36		
	GRI 307-1	Violation of environmental regulations	1.4.2 Domestic regulatory compliance	36		
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	56		
	GRI 401-2	Benefits for full-time employees (excluding temporary or part-time employees)	3.1.4 Remuneration and Benefits	60		
	GRI 401-3	Parental leave	3.1.4 Remuneration and Benefits	60		
GRI 402 Labor- management relation in 2016	GRI 103-2	Labor-management relation management guidelines	The SDI Family	55		
	GRI 402-1	Minimum notice period for operational changes	3.1.2 Sound employee-employer relations	58		
GRI 403 Labor health and safety 2018	GRI 103-2	Occupational health and safety management guidelines	3.1.6 Workplace Harmony	67		ISO 45001
	GRI 403-1	Occupational Safety and Health Management System	3.1.6 Workplace Harmony	67		ISO 45001
	GRI 403-2	Hazard identification, risk assessment and accident investigation	3.1.6 Workplace Harmony	67		ISO 45001
	GRI 403-3	Occupational health service	3.1.6 Workplace Harmony	67		ISO 45001
	GRI 403-4	Participation, consultation and communication with workers related to occupational safety and health	3.1.6 Workplace Harmony	67		ISO 45001
	GRI 403-5	Training of workers related to occupational safety and health	3.1.6 Workplace Harmony	67		ISO 45001
	GRI 403-6	Worker health promotion	3.1.6 Workplace Harmony	67		ISO 45001
	GRI 403-8	Workers covered by the occupational safety and health management system	3.1.6 Workplace Harmony	67		ISO 45001
	GRI 403-9	Occupational injury	3.1.2 Sound employee-employer relations	58		ISO 45001

GRI 404 Training and Education 2016	GRI 103-2	Training and education management guidelines	3.1.5 Diversified education and training	63		
	GRI 404-1	Average number of training hours each employee receives per year	3.1.5 Diversified education and training	63		
Human rights performance indicators						
GRI 406 Non- discrimination 2016	GRI 103-2	Non-discrimination management guidelines	3.1 The SDI Family	55		
	GRI 406-1	Discrimination incidents and improvement actions taken by the organization	3.1 The SDI Family	55		
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	82		
	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	44		
GRI 417 Product and service labeling 2016	GRI 103-2	Product Responsibility Management Guidelines	3.2 Products and Services for Clients	82		
	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 regulatory compliance	86 36		
GRI 418 Customer privacy 2016	GRI 103	Product Responsibility Management Guidelines	3.2 Products and services for clients	82		
	GRI 418-1	Proven case of complaint regarding customer privacy infringement or loss of customer information	3.2.4 Customer privacy protection measures	89		
GRI 419 Socioeconomic laws and regulations compliance 2016	GRI 103-2	Product Responsibility Management Guidelines	3.2 Products and services for clients	82		
	GRI 419-1	Violations of laws and regulations in social and economic arena	1.4.2 Domestic regulatory compliance	36		

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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