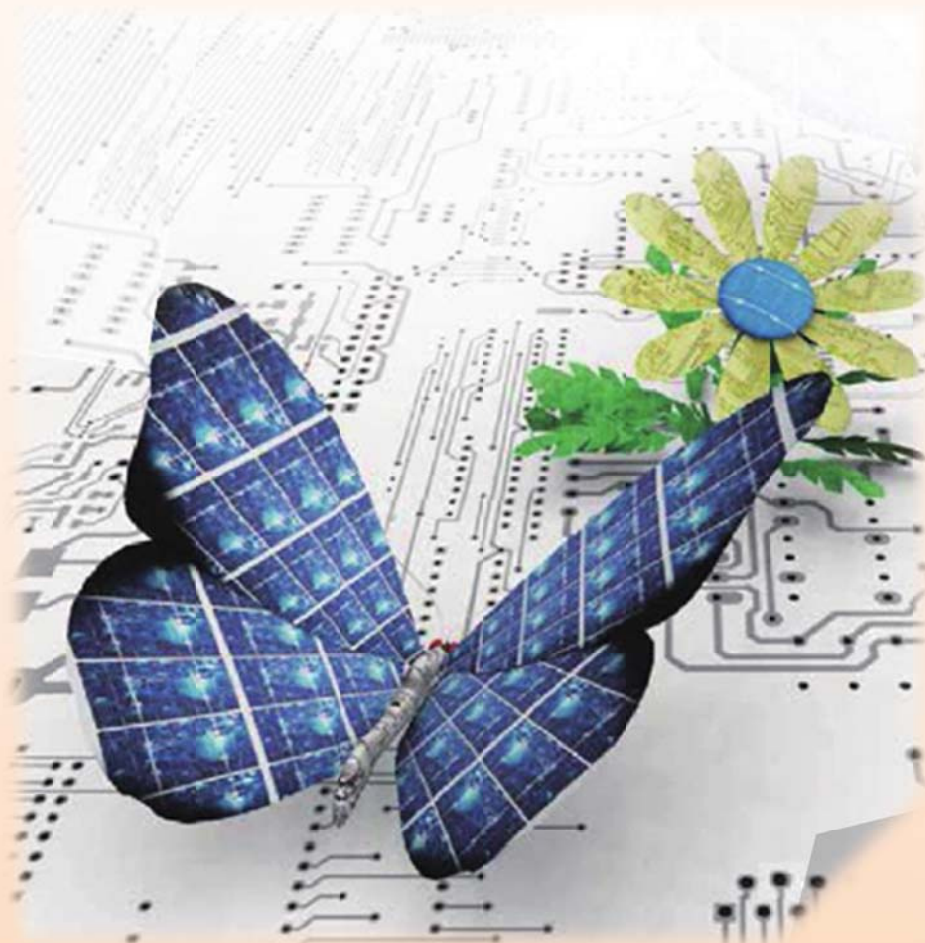




**KYEC**

Pursuit of Corporate Growth and  
Fulfillment of Social Responsibility



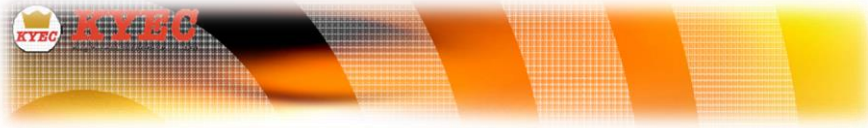
**2018 King Yuan Electronics Co.,Ltd.**

企業社會責任報告書

Corporate Social Responsibility Report



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## About the Report

### Editing and Publication

KYEC has entered the sixth year since its first release of “Corporate Social Responsibility Report”. This report aims to disclose KYEC’s performance of sustainable development in economic, environmental and social dimensions, which the stakeholders who care about KYEC may find more information and understanding.

### Border and Scope

The report discloses consolidated information between January 1, 2018 and December 31, 2018, which consists of the practice conducts and performance data from Taiwan, including the Headquarters (including Hsinchu Factory) and Miaoli Plants (including Chunan Factory and Tungluo Factory).

### Writing Rules

The report is prepared in accordance with the Global Reporting Initiative(GRI) 2016 released by the GRI standards Core option. The report is attached with the GRI standards indicator comparison table at the end in conformity with AA1000 series standards. The report adopts materiality, stakeholder tolerance, and sustainable development as principles of reference.

The Financial data are calculated in New Taiwan Dollars and have been attested by the Ernst & Young Taiwan. Apart from conducting internal audit, the environment, safety and hygiene management system also undertakes external audit for ISO 14001, OHSAS 18001, ISO14064, ISO14067, and IECQ QC080000 standards. The designated certification body is SGS-Taiwan. The greenhouse gas emission data adopt the coefficients used in “Greenhouse Gas Emission Coefficient Control Chart (version 6.0.1), provided by the Environmental Protection Administration, for the calculation of emissions.

### Release Date

The “Corporate Social Responsibility Report” is released on an annual basis. And public on the website of KYEC Group.

The version of previous release : June, 2018

The version of this release : June, 2019

The version of next release : June, 2020

### Contact Information

Some indicators offer 2016~2018 consecutive data in order to highlight the mid- to long-term trends. In case the quantitative indicators contain special meanings, a note will be provided to explain further. If you have any questions or comment regarding the KYEC Group Corporate Social Responsibility Report, please contact us.



Contact: KYEC Group Financial Office

Address: No. 81, Sec. 2, Gongdao 5th Rd., Hsinchu City 300

Telephone: +886-3-5751888

Fax: +886-3-5753899

E-mail: [invest@kyec.com.tw](mailto:invest@kyec.com.tw)

WEB: [www.kyec.com.tw](http://www.kyec.com.tw)

## Words from General Manager

KYEC accomplished NTD20.82 billion in consolidated income for 2018, up 5.7% compared with the previous year and is the leader in the industry. In spite of the downturn in gross profit subject to the impact of the economy and the low-gross-profit packaging business from the merged Donglin Precision Co., Ltd., its market share still maintains stability and is ranked the 8<sup>th</sup> place in the industry worldwide.

Over the years, KYEC takes into account customer satisfaction, increase of stockholder equity, care for employees' welfare, and promotion of environmental protection, as well as other fulfilment of corporate social responsibility as the objectives of corporate management. KYEC expects to make contribution to the society, state and even the world by taking real actions in corporate social responsibility in order to become the example of corporate management in sustainability.

Looking back 2018, KYEC exhibits distinguished performance in ESG through the combination of operational development and corporate philosophy of social responsibility, as summarized below:

### Economy

KYEC's R&D team has devoted in test equipment interface integration, test program coding, machinery spare parts maintenance and improvement, the independent development of production line automation and test equipment, manufacturing and module design, with considerable contribution in revenue for more than ten years. KYEC also shows remarkable performance in the test equipment and production line preparation for special products. For example, KYEC creates exceptional competitive advantages in the semiconductor test industry through high-power burn-in oven, testing platform and auxiliary equipment for microelectromechanical products, vertical probe card, MEMS Multi-DOF product test, high-frequency Load Board, and CIS sensor.

### Society

KYEC listens to the employees through a diversity of communication channels such as employee message board, suggestion mailbox, employee grievance processed by specialist, and the regular peer seminar hosted by senior managers. KYEC also implements employee health checkup, health promotional activities and annual trainings to build a healthy, friendly, and growing workplace. With regards to community participation, it is the 12<sup>th</sup> year since KYEC has implemented industry-academic cooperation, with 1,592 people participated cumulatively. Additionally, KYEC is committed to taking care of the disadvantaged groups, caring for elderly living alone and participating in community activities for charity and social groups. Additionally, KYEC takes actions in sponsoring county/city activities by setting up charity booths in major corporate annual events to cooperate with charity groups at the factory for charity sales and fundraising quarterly. These activities have established



**General Manager**

interaction and connection with the communities and neighbors for attaining the objectives of social harmony.

### **Environment**

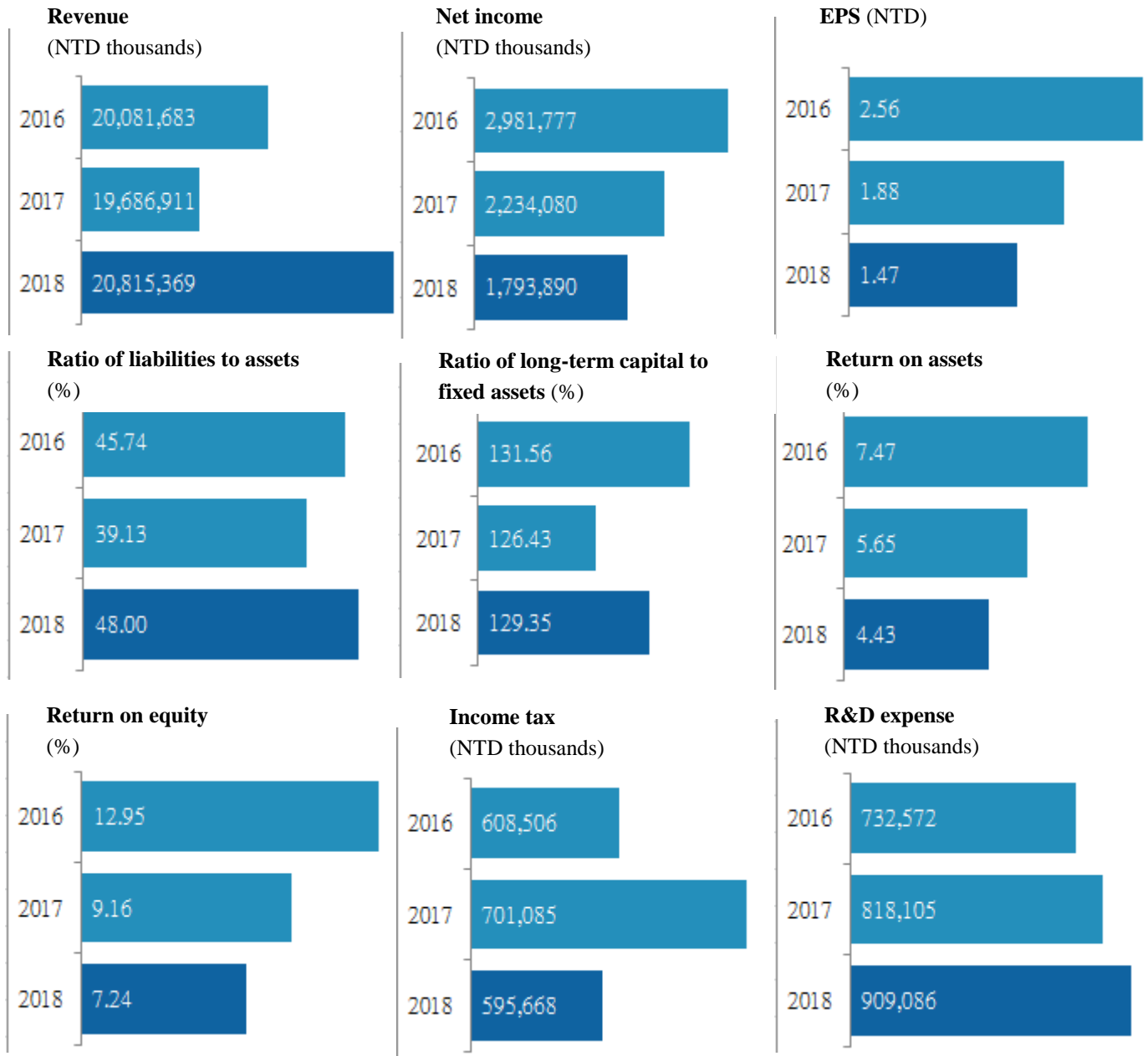
In response to global climate change, KYEC started purchasing green power since 2015 while its factories receiving “Healthy Workplace Autonomous Certification Marks” from the Health Department in Taiwan in 2018 for the effective utilization of voluntary promotion of power resource. Moreover, KYEC engages in the adoption of peripheral roads near Chunan and the continuous greenhouse gas check certification and power-saving and carbon reduction events commissioned by SGS each year. With regards to pollution prevention, KYEC has passed various tests with conformance to government laws and regulations highly valued by the management, which aims to implement the continuous improvement of energy performance.

Looking into 2019, following the increase in 5G communication network, AI artificial intelligence, and momentum for car electronic products, KYEC will promote projects in intellectual manufacturing and application of big data. Moreover, KYEC is planning to introduce ISO13485 and ISO26262 management systems to product application of medical devices and vehicle safety. We never forget to make progress in the “Sustainable Development Goals (SDGs)” from the United Nations as our corporation continues to grow.

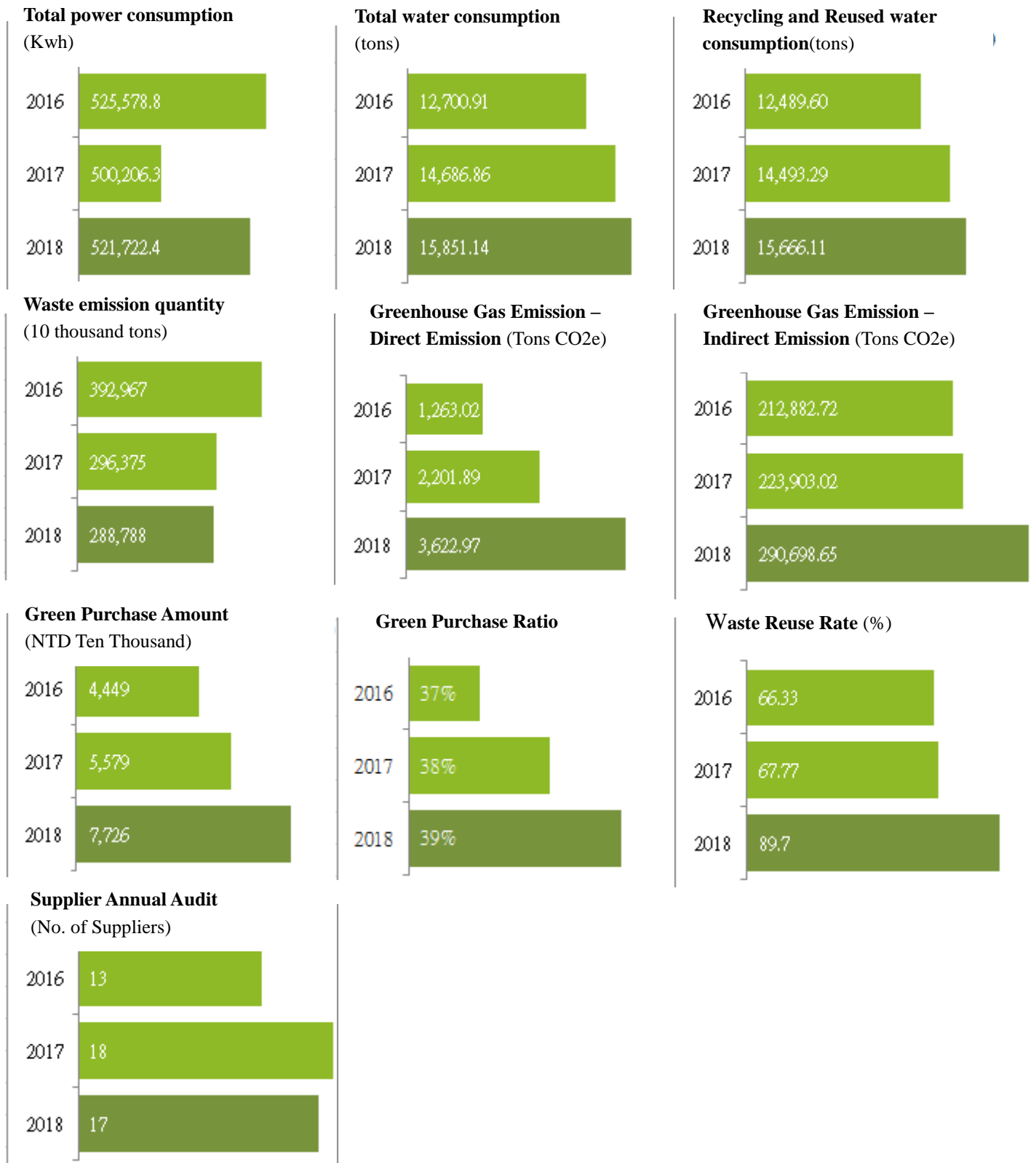
## Performance in Sustainability

KYEC's actions and contributions in corporate social responsibility are described below by economic performance, environmental performance and social performance:

### 1. Economic Performance



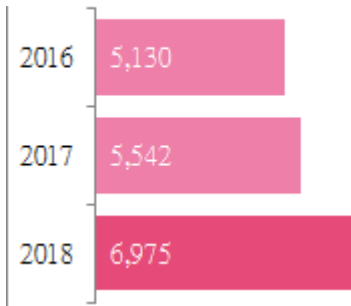
## 2. Environment Performance



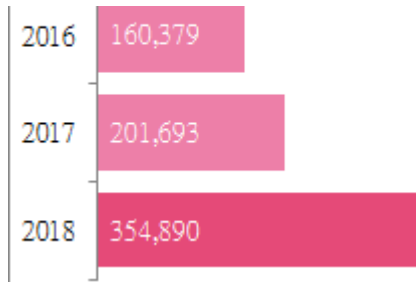


### 3. Social Performance

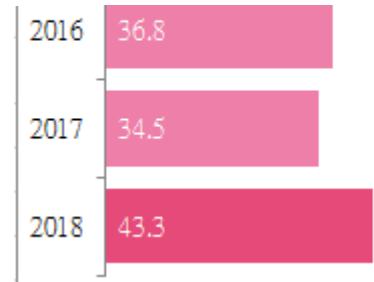
**Number of employees (people)**



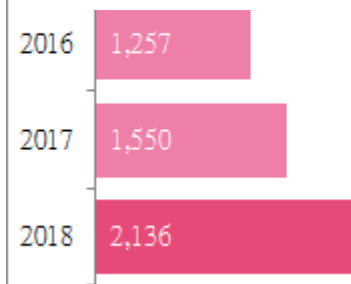
**Total hours of employee training (hours)**



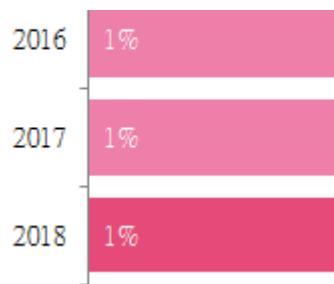
**Average hours of employee training (hours)**



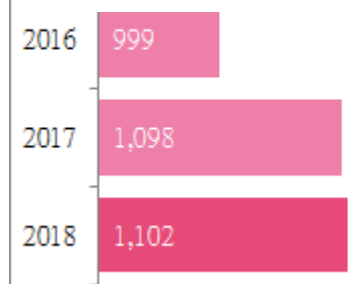
**Employee Training Certificates (No. of Certificates)**



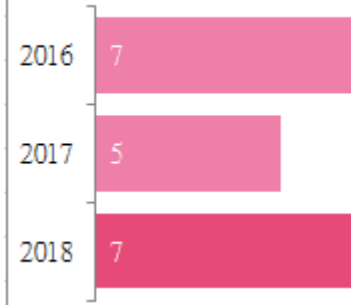
**Employment Rate of Persons with Physical and Mental Disability**



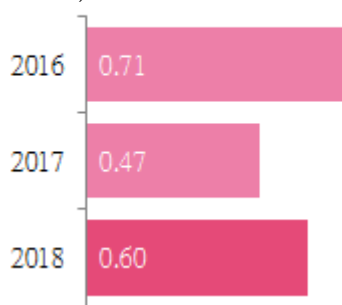
**Participants of Health Promotion Seminars (People)**



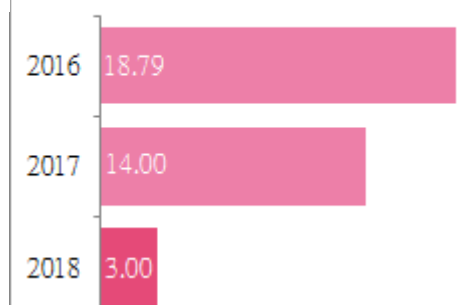
**Work Injury Cases (No. of Cases)**



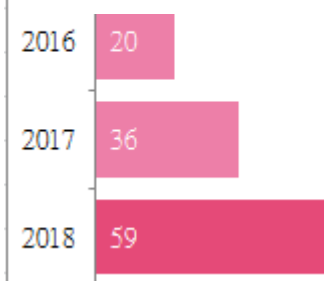
**Frequency of Disability Injury (No. of cases for disability injury / million labor hours)**



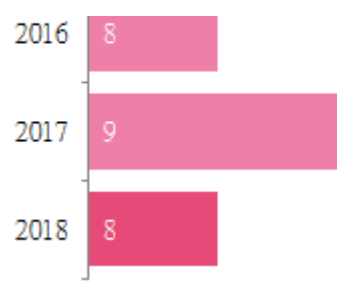
**Severity of disability injury (Days of disability injury / million labor hours)**



**Emergency Contingency Drills**



**Social Charity Activities**



## KYEC Overview

### 1. Company Profile

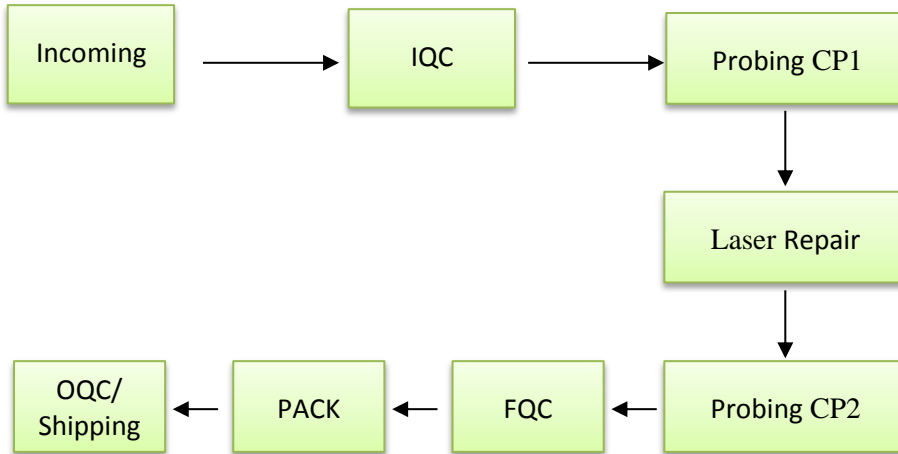
<b>Company Name</b>	King Yuan Electronics Corp. (KYEC)
<b>Date of Establishment</b>	May 28, 1987
<b>Paid-in Capital</b>	NTD 12,227,450,650
<b>Chairman</b>	C.K. Lee
<b>President</b>	A.H. Liu
<b>Company Headquarters</b>	No. 81, Sec. 2, Gongdao 5th Rd., Hsinchu City
<b>Plants</b>	Hsinchu Headquarters: No. 81, Sec. 2, Gongdao 5th Rd., Hsinchu City Chunan Plant: No. 118, Zhonghua Rd., Chunan Township, Miaoli County Tungluo Factory: Hsinchu Science Park, No. 8, Tong-ke N. Rd., Jiuhu Village, Tong-luo Township, Miaoli County
<b>No. of Employees</b>	Approximately 6,975 people
<b>Main Business</b>	The design, manufacturing, testing, accessories, processing, packaging, and sales of different IC, the manufacturing, processing and sales of different burn-in and components, and the import/export trade of aforementioned products
<b>Taiwan Stock Exchange</b>	2449
<b>Spokesperson</b>	Gauss Chang
<b>Deputy Spokesperson</b>	Aaron Chang



## 2. Production process of main products

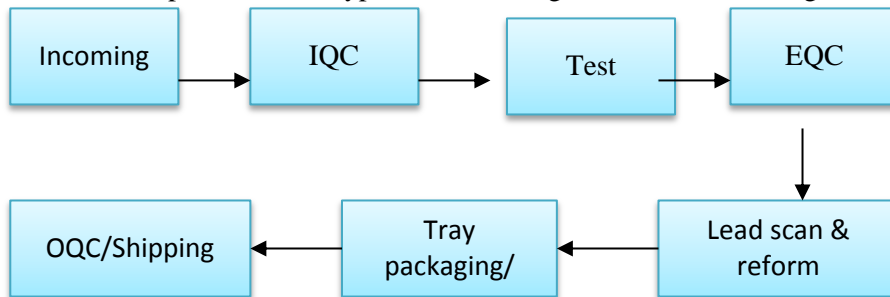
### 1. Wafer probing

Wafer probing refers to a process dedicated to test wafer to screen accepted and defective goods. The wafer probing is stated as following:



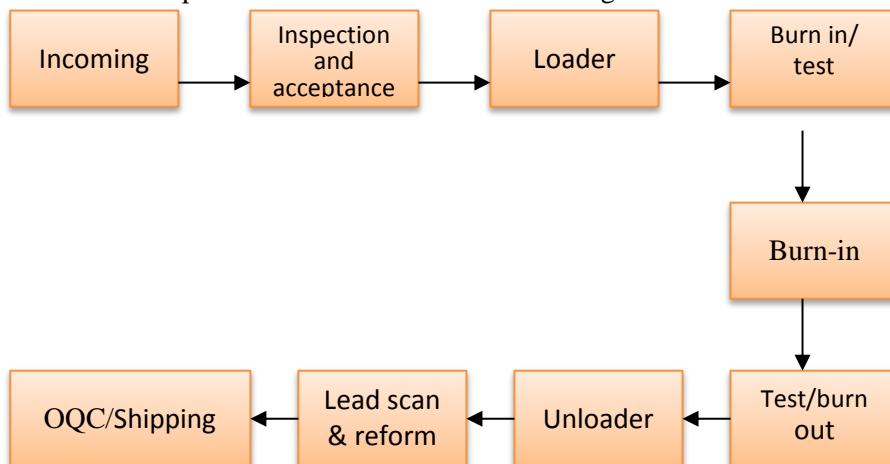
### 2. IC product testing procedures

The final test is intended to test the packaged IC to distinguish the product quality. The IC passing the test is identified as the finished goods. The conditions for the final test vary depending on the functions of various products. The typical final testing is stated as following:



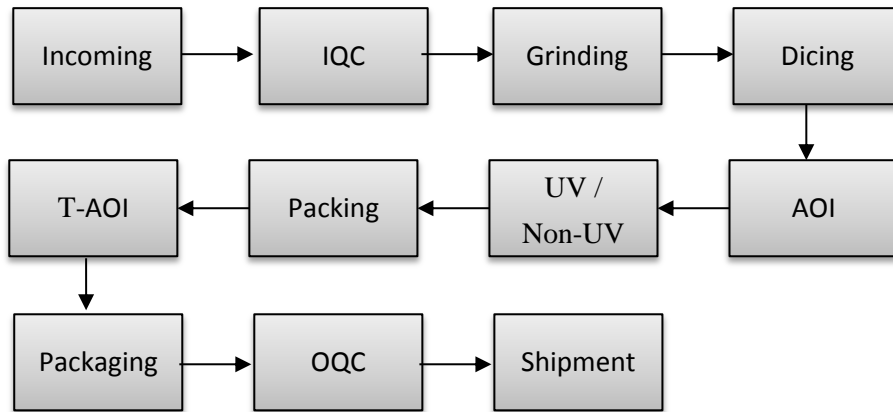
### 3. Burn-in

Burn-in is intended to test the reliability of IC products and screen unstable ones based on extreme conditions. The main process thereof is stated as following:



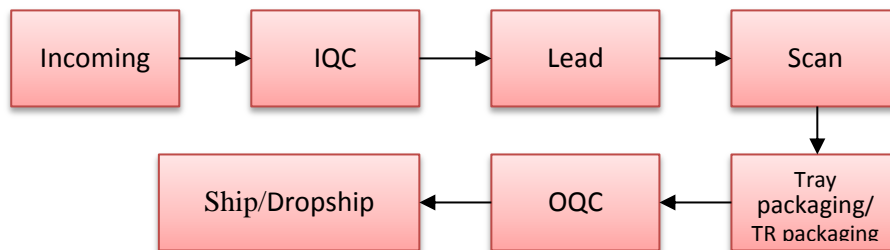
4. Wafer grinding/wafer dicing/waffle packing

The wafer grinding/dicing is primarily intended to grind the finished IC to a specified thickness, and then dice the same to dies for the following wire bonding or package. The main process thereof is stated as following:



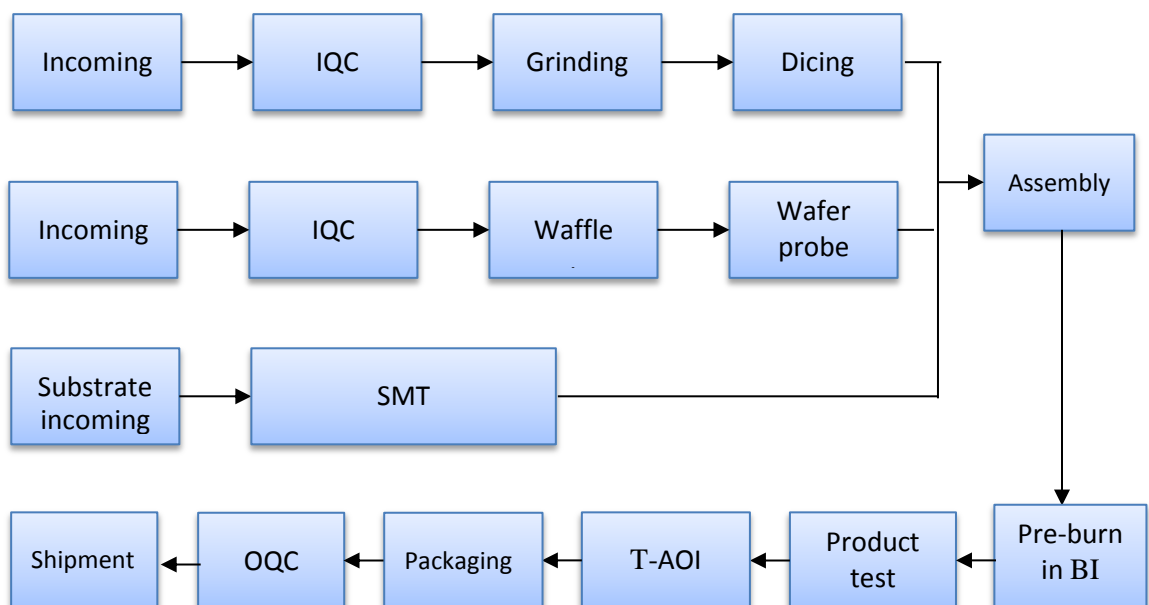
5. Lead/dropship

Help the lead scan & reform of tested IC products and pack the same into the tape-on-reel trays designated by customers for convenient shipping and processing, and also provide the Dropship service. The main process thereof is stated as following:



6. Package/test

The Company’s main package/test products include SIP (SSD/PATA/SATA), MSD/HSSD/UFD QFN, TSOP, BGA and eMMC.



### 3. Core Value

The Core Value of KYEC:

- **Performance:** Set up high-standard objectives to meet customer demand for higher quality, lower costs, faster delivery, and enhance customer satisfaction.
- **Innovation:** Constantly improve and provide innovative solutions to offer satisfying quality and services with higher satisfaction to clients.
- **Excellence:** Complete work assignment with full efforts, actively take work objectives with challenge, and achieve outstanding standards and remarkable performance.
- **Sharing:** Voluntary in sharing knowledge and skills as well as experience owned with others so that the company and clients can share and grow together.

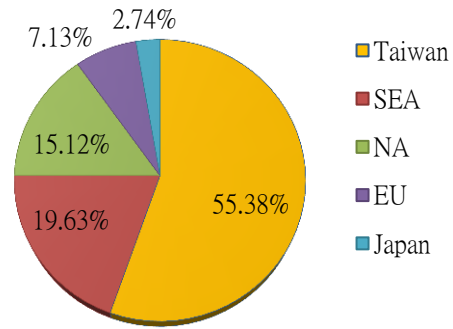


### 4. Worldwide Business Division

Professional packaging and testing is one of the semiconductors in Taiwan with the earliest and fastest development, except for wafer foundry. Moreover KYEC is the only company specializes in professional testing, placing the company on an even more prominent position in the market. KYEC has long established worldwide business divisions to cope with business expansion and development requirement, thereby to accommodate the thriving development of outsourced professional testing industries. Apart from its establishment in Taiwan, KYEC also set up a factory in Suzhou, China and worldwide business divisions in North America, Southeast Asia, and Japan to provide services to clients nearby.

The worldwide business divisions and the distribution of operating income in 2018 are shown in the follows :

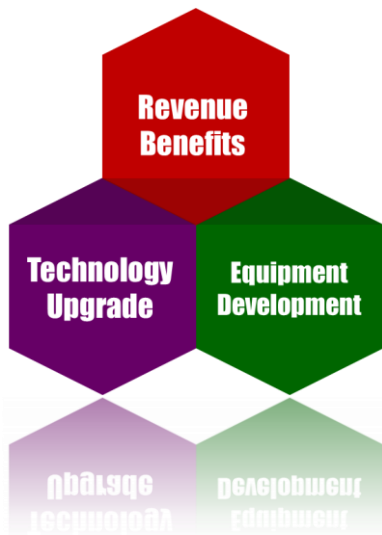
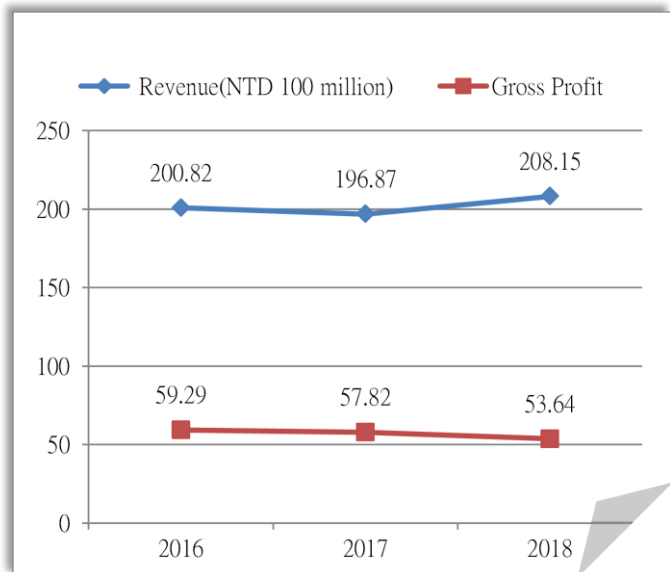




**5. Management Performance**

Chips that are tested by KYEC can be widely applied to various kinds of electronic products, including consumer electronics, communication, automotive electronics, data treatment and storage, and industrial electronics. Because of the Company's various testing platforms, the Company allocates the capacity flexibly and owns the capabilities to produce testing equipment. Therefore, the Company can be attractive by most famous semiconductor firms, and 60% of firms in all top 50 ones use the testing services by KYEC.

Consolidated Operating Income and Gross Profits: :





**6. 2018 Honor and Recognition**

Organization	Awards
Hsinchu Science and Industrial Park, Ministry of Science and Technology	Excellence Award in Park Green Embellishment and Environment Maintenance Competition
Taiwan Institute for Sustainable Energy (TAISE)	Taiwan Corporate Sustainability Award
Customs Administration, Ministry of Finance – Taichung Customs	Excellent Bonded Factory Award
Environmental Protection Bureau, Miaoli County	Green Procurement Excellence Supplier
Outstanding Enterprise Manager Association	Top 10 Outstanding Enterprise Award – Golden Torch Award
Corporate Synergy Development Center	31th National Team Competition – Silver Towner Award
Association of Pioneer Quality Control Research	41th National Golden Award QC Circle-Golden Award
Ministry of Health and Welfare	Qualification for Healthy Workplace Autonomous Certification (Hsinchu Factory, Chunan Factory / Tungluo Factory)
Ministry of Labor	TTQS Taiwan Training Quality System – Qualification for Renewal in “Golden Medal.”



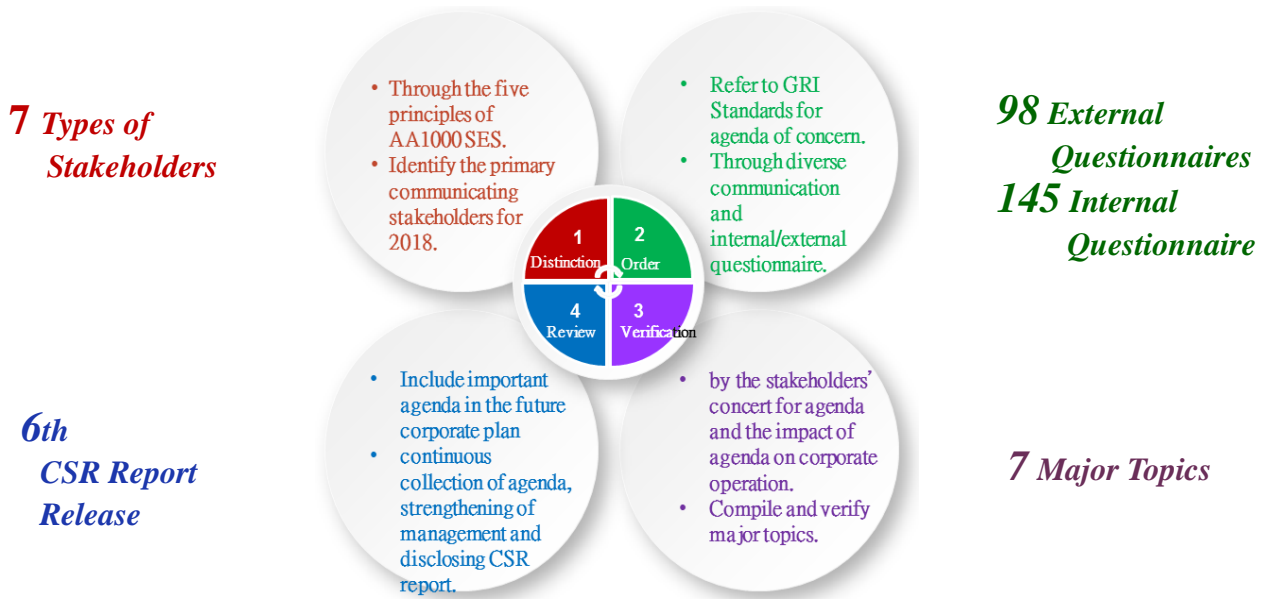
**7. Members participating in various external departments**

Associations	Remarks
The Allied Association for Science Park Industries	Chairman Lee served as the Deputy Director-General
The Institute of Internal Auditors, ROC (Taiwan)	—
Taiwan Electrical and Electronic Manufacturers' Association (TEEMA)	
Taiwan Semiconductor Industry Association (TSIA)	
Hsinchu Industrial Association	
Miaoli County Industrial Association	

## Stakeholders and Concerned Issues

The CSR team of KYEC is established by the highest authority of Administrative Center, which cover the work related to the promotion of corporate social responsibilities and the members consist of departmental representatives from the Finance Division, Planning Division, Sales Division, Human Resource Division, Facility and Environment Safety Division, Material Division, and Quality Assurance Division.

The Report promotes works related to corporate social responsibilities and collects, discusses and reviews through the routine interaction with stakeholders and assistance in sustainability agenda, followed by compiling the outcome to the annual corporate social responsibility report and eventually submitting to the senior manager for approval and release.



### 1. Identify the Stakeholders

The CSR team and department managers will discuss internally and refer to the practice and experience of peer industries by work properties, followed by taking consideration of the influence, responsibility, reliance, diverse perspectives, and focus tension of stakeholders negotiation under AA1000 SES. The departments identify the 2018 KYEC stakeholders, including the shareholders and investors, customers, employees, suppliers, contractors, communities, neighborhoods, and government.



KYEC adopts diverse and open communication channels to facilitate and improve the interaction and communication mechanism with the stakeholders. Additionally, KYEC adopts various communication channels such as “internal/external communication management procedures,” “corporate strategy and review meeting,” “customer satisfaction survey,” “employee seminar,” “supplier questionnaire survey,” “government laws and regulations,” “investor consultation” to fully acquire the voice from the stakeholders. Hence we expect to communicate and respond to stakeholders through different communication channels to understand their expectation and needs for KYEC. We also include the agenda concerned in the routine work and annual plan to take immediate response and apply as the drafting for corporate social responsibility policy and reference for promoting action plans. The communication agenda, channel and frequency are described below:

Stakeholders	Communication Agenda	Communication Channel	Frequency
<b>Shareholders/ Investors</b>	◎Operational Size	Market Observation Post	Unscheduled
	◎Corporate Governance	System	
	◎Financial performance	Domestic and international investment forums	Unscheduled
	◎Market image	General meetings of shareholders	Annually
<b>Customers</b>	◎Corporate Social Responsibility	Customer Satisfaction Survey	Annually
	◎Customer Commitment and Services	Customer Questionnaire	Unscheduled
	◎Firefighting equipment installation and management	Email	Unscheduled
	◎Disaster prevention and emergency contingency	Customer document release	Unscheduled
	◎Waste Management	Customer audit	Unscheduled
	◎Environmental protection and safety and health related regulations and laws	Company website	Unscheduled
	◎Environmental Protection ◎Customer Privacy ◎Customer Relations Management		

Stakeholders	Communication Agenda	Communication Channel	Frequency
<b>Suppliers</b>	◎Hazardous substance management	Supplier Meeting	Unscheduled
	◎Responsible Business Alliance Code of Conduct	Supplier Audit	Unscheduled
	◎Procurement policy	Supplier risk assessment	Monthly
	◎Integrity management and practice ethics	Supplier product quality meeting	Unscheduled
<b>Contractors</b>	◎Source of mining acquisition and employees' rights=		
	◎Factory safety and health operation requirement	Contractor Negotiation Meeting	Monthly
<b>Employees</b>	◎Sign letter of guarantee	Email	Unscheduled
	◎Talent recruitment	Departmental Meetings	Weekly/Monthly
	◎Leave system	Labor-Management Meeting	Quarterly
	◎Remuneration and Bonuses	Employee Welfare Committee Meeting	Quarterly
	◎Career development	Employee Seminar	Quarterly
	◎Physical and mental health of employees	New Employee Seminar	Quarterly
	◎Employee Welfare	Foreign Employee Seminar	Semi-annually
	◎Welfare Committee Activities	Employee Board	Permanent
	◎Labor-management communication	Proposal Improvement System	Unscheduled
	◎Workplace safety	Compliant Handling Committee	Depending on the situation
	◎Labor-management communication	Personnel Evaluation Committee	Depending on the situation
	◎Management of incidents and work related injuries	Occupational Safety and Health Committee	Quarterly
	◎Club activities		
◎Security practices			

Stakeholders	Communication Agenda	Communication Channel	Frequency
<b>Community / Neighborhood</b>	<ul style="list-style-type: none"> <li>⊙ Industry-Academic Cooperation</li> <li>⊙ Care for disadvantaged</li> <li>⊙ Social welfare</li> </ul>	Courses and visits	Unscheduled
		Response from neighborhood chief	Unscheduled
		Sponsoring art and cultural activities	Unscheduled
<b>Government /Competent Authorities</b>	<ul style="list-style-type: none"> <li>⊙ Corporate governance</li> <li>⊙ Regulation conformity</li> <li>⊙ Financial information transparency</li> <li>⊙ Policy cooperation</li> <li>⊙ Waste management</li> <li>⊙ Disaster prevention and emergency contingency</li> <li>⊙ Hazard substance/dangerous articles management</li> <li>⊙ Machinery equipment safety and management</li> <li>⊙ Waste water discharge and management</li> <li>⊙ Greenhouse gas management</li> <li>⊙ Green energy purchase and energy management</li> </ul>	Letter of correspondence and email	Unscheduled
		Propaganda meeting/briefing	Unscheduled
		Promulgated Decree	Unscheduled
		External Official Document	Unscheduled
		Public Hearing for Regulations	Unscheduled

## 2. Communication between Stakeholders

2018 major issue by the stakeholders' concert and responding disposition:

Stakeholder	Agenda of Attention	Disposition
<b>Shareholders/ Investors</b>	Operations and Financial Situations	<ol style="list-style-type: none"> <li>1. Accept the invitation by domestic and international legal persons to attend the legal person conferences and explain to the investors for the latest operation overview of KYEC.</li> <li>2. Public relevant operation information on MOPS.</li> </ol>
<b>Customers</b>	Disaster Prevention and Emergency Contingency	<ol style="list-style-type: none"> <li>1. Promote OHSAS18001 Occupational Safety and Health Management System.</li> <li>2. Develop and Execute Annual Safety and Health Education Training Program.</li> <li>3. Regularly Execute On-Site Safety and Health Inspection and conduct anomaly correction.</li> <li>4. Establish operation sustainability management system to restore risk control and emergency contingency to the correct position successfully after the disaster and lower hazard impact level.</li> </ol>
<b>Suppliers</b>	RBA Code of Conduct / RMI_CMRT	All KYEC suppliers supplying electronic materials to KYEC will need to complete the RBA Code of Conduct if any of their products is likely the substance of conflict minerals. Such suppliers will also need to provide the list of metal refiners recognized by RBA and GeSI to assure the sources from the smelters and refiners in conformity with RMAP standards. The suppliers will need to complete the CMRT (Conflict Minerals Reporting Template), followed by collecting and reporting the information on conflict minerals via CMRT.
	Signing Letter of Guarantee	Require suppliers to conform to international hazardous substance regulation/customer requirement.
	In-Field Audit	Verify supplier manufacturing capacity/quality for compliance of KYEC requirement.
	Assessment	Factors such as supplier quality, costs, delivery schedule, service level, supplying capacity, and technical supports are included in the items of assessment.
<b>Contractors</b>	Factory Site Safety and Health Procedures Requirement	Conduct contractor safety and health education training prior to entering the factory. Call contractor meeting each month to conduct admission regulation promotion and notice.
	Environmental Safety and	Assign personnel to participate in regular promotional meetings and assess environmental safety and health regulation conformity monthly.

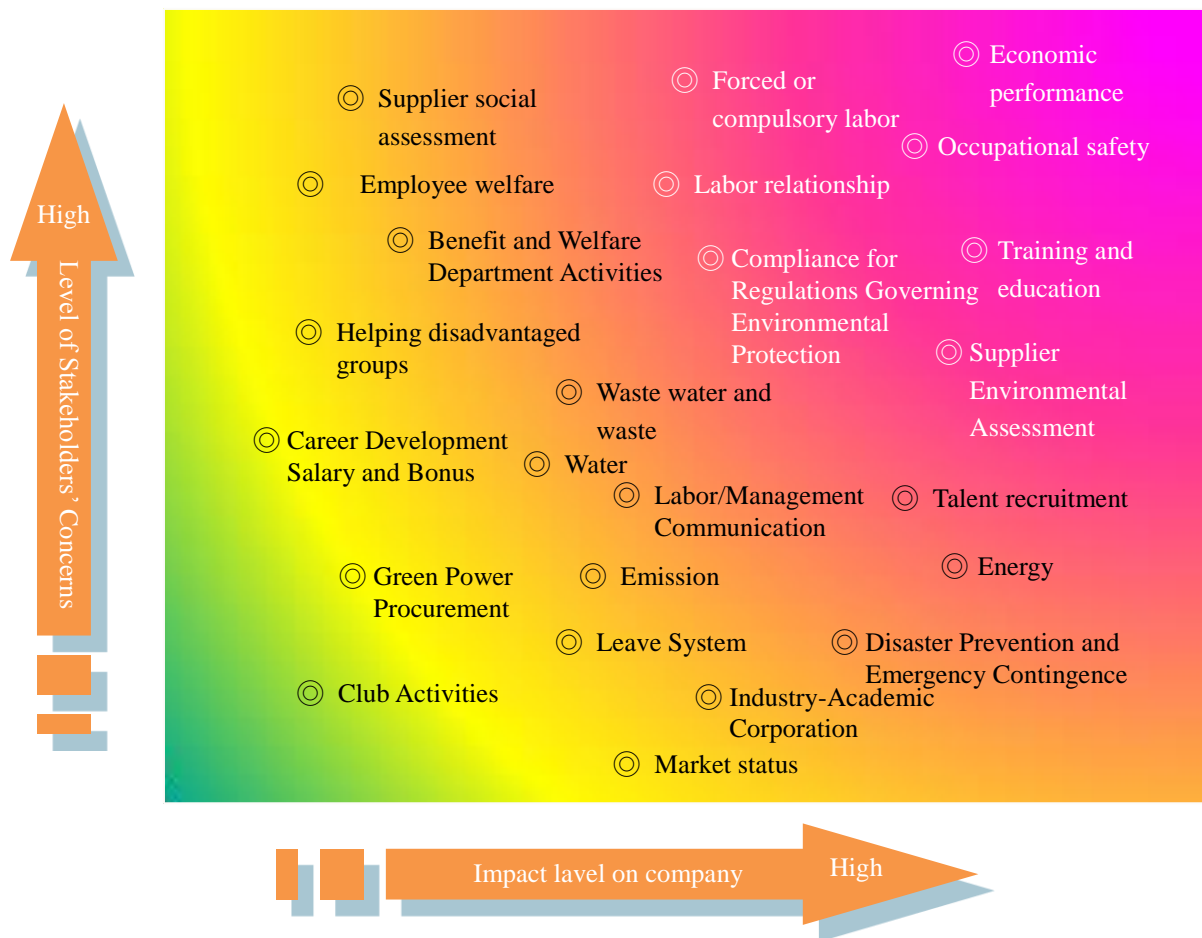


	Health Regulation Compliance	
<b>Employees</b>	Operational Environment Safety Management	<ol style="list-style-type: none"> <li>1.Promote OHSAS18001 Occupational Safety and Health Management System.</li> <li>2.Develop and Execute Annual Safety and Health Education Training Program.</li> <li>3.Regularly Execute On-Site Safety and Health Inspection and Conduct Anomaly Correction.</li> </ol>
	Suggestions for Company to Recognize Senior Employees Publicly	KYEC offers incentive for employees having worked for more than 25 years by producing senior employees through special poster with announcement and public recognition.
	Talent Recruitment and Retention	On one hand, KYEC supports the diverse development of local students and promote strategic alliance; on the other hand, KYEC cultivates industry talents while retaining the talents in Miaoli County to fulfill its corporate social responsibility.
	Public and Transparent Promotion System	KYEC shall refer to the work seniority and performance indicators of employees to conduct the annual promotion procedures each year.
	Amendment of Labor Standard Act	In response to amendment of Labor Standard Act, 1.The period applying to special leave and additional leave; 2. Overtime calculation shall require the revision of corporate regulations on internal documents and call for seminar to address the relevant matters.
	<b>Government</b>	Disaster Prevention and Emergency Contingency
Waste Management		Dispose waste clearance proposal according to the law. Assign specialists to report and control wastes in and out of the factory regularly.
Quality of		Regularly apply for TTQS assessment for audit body with credibility to

	Total Corporate Education and Training	certify the internal education and training system of the company.
	Promote Workplace Health	Conducting healthy workplace autonomous certification assessment every three years to constantly maintain healthy and friendly work environment.
<b>Community/ Neighborhood</b>	Industry-Academic Corporation	Conducting industry-academic cooperation with Chung-Hua University, Yuda Technological University and Yuan-Peh Technological University in neighborhood to provide students the opportunities to complete academic study and internship in the industries.

### 3. Major Topics Matrix Analysis

We sort the topics of attention by stakeholders and then draw the corresponding major issue matrix (as shown below) according to the attention drawn on the agenda by stakeholders and the impact on corporate management. We then screen 7 major topics from the matrix while others are listed in the regular topics.



#### 4. Scope and Border of Major Topics

The following comparison table is prepared through the substantial consideration, organization border and corresponding indicators obtained from the aforementioned analysis.

Major Topic	GRI Standards Disclosures	Within Organization	Outside Organization	Management Approach Articles of Reference
		KYEC		
Economic performance	201-1	V	Shareholders/ Investors	Management Performance
Occupational safety	403-1,403-2, 403-3	V	Customers 、 Community / Neighborhood	Management Performance Safety and Hygiene Policy and Organization Operations Statistics and Analysis of Occupational Disasters Employee Communication
Compliance for Regulations Governing Environmental Protection	307-1	V	Government	Chemical Safety and Hygiene Management
Supplier Environmental Assessment	308-1	V	Suppliers	Suppliers
Training and education	404-1,404-2, 404-3	V	Contractors 、 Community / Neighborhood	Education and Training Talent Development for Industry-Academic Corporation
Labor relationship	401-1,401-2, 401-3	V	—	Employee Distribution Comprehensive Insurance System Complete Leave System and Benefits Parental-Leave-Without-Pay Measures
Forced or compulsory labor	409-1	V	—	Standards of Recruitment and Employment

## 5. Management Guidelines by Major Topics and Objective Performance

Major Topic	Policy	Management Measures	2018 Objectives	2018 Performance	2019 Objectives	Responsibility and Resource	Corresponding Chapters
Economic performance	<ul style="list-style-type: none"> <li>◎Pursue stockholder's equity maximization.</li> <li>◎Balance dividend policy</li> </ul>	<ul style="list-style-type: none"> <li>◎Corporate internal budget.</li> <li>◎ KYEC KPI Control and monthly follow-up and review</li> </ul>	<p>Operating income and net profit after tax <math>\geq</math> corporate budget objectives</p>	<p>◎Operating income NTD20.815 billion and net profit after tax NTD1.794 billion lower than the budget objective.</p> <p>◎EPS NTD1.47 with cash dividend NTD1.35 distributed.</p>	<p>Operating income and net profit after tax <math>\geq</math> corporate budget objectives</p>	<p>◎ Responsibility : All centers plans and execute by corporate KPI goals while the quality assurance office follows up and audits.</p> <p>◎Resource: All centers support each other by function and responsibility.</p>	Operation performance

Major Topic	Policy	Management Measures	2018 Objectives	2018 Performance	2019 Objectives	Responsibility and Resource	Corresponding Chapters
Occupational safety	Implement risk management and promote health promotion to pursuit objectives in “zero disaster” and zero harms.”	Introduce OHSAS18001/CNS15506 Occupational Safety and Health Management System	<p>◎No labor safety violation record with government agency</p> <p>◎ Certified by occupational safety and health management system</p> <p>◎ Design and implement emergency contingency drills</p>	<p>◎Zero labor safety violation records with government agency</p> <p>◎ Certified by occupational safety and health management system in Nov. 2019</p> <p>◎ Completed 59 sessions of emergency contingency drills</p>	<p>◎No labor safety violation record with government agency</p> <p>◎ Certified by occupational safety and health management system</p> <p>◎ Design and implement emergency contingency drills</p>	Responsibility : Labor Safety Department will regularly assess the regulation and make proper amendment of safety and health operation procedures in addition to develop the action plan. Resources: All units assist and cooperate with the implementation of safety and health plan.	Occupational Safety and Hygiene  Safety and Hygiene Policy and Organization Operations  Statistics and Analysis of Occupational Disasters
	Promote healthy workplace promotion programs to provide employees with complete healthy resources, comprehensive assessment of physiological and psychological state, and build a healthy supporting work environment.	Provide employees with a series of health management courses according to the analysis of health checkup data. Enhance employees’ self-health management awareness. Develop health management promotion plan each year to implement with control.	1,100 people participate in annual health promotion.	Objectives accomplished.	1,100 people participate in annual health promotion.	Responsibility : Employee Relation Office is responsible for the health management and health promotion (including health checkup analysis) activities and continues to participate in healthy workplace autonomous certification assessment. Resource: Develop comprehensive safety and health policies and implement	Promote Health Management and Advocacy Plan

						health promotion programs.	
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Major Topic	Policy	Management Measures	2018 Objectives	2018 Performance	2019 Objectives	Responsibility and Resource	Corresponding Chapters
Compliance for Regulations Governing Environmental Protection	Commitment in pollution prevention to conform to environmental protection act and customer standards.	Introducing ISO14001 management system.	1. No environmental protection violation records with government agencies. 2. Certified by environmental management system revision	Zero cases of environmental protection act violation records.	Zero cases of environmental protection act violation records.	Responsibility : Labor safety department regularly assess the regulation and make proper revision of environmental protection procedures and develop action plans. Source: All units assist and cooperate with the implementation of environmental protection plan.	Waste Water Discharge and Management
Supplier Environmental Assessment	<p>◎Comply with environmental protection act and customers' environmental management of substance requirement.</p> <p>◎Actively replace environmental hazardous substance in the corporate protection procedure.</p> <p>◎Conduct proper</p>	Introduction of QC080000	Lower number of customer compliant cases	No customer complaints	Lower number of customer compliant cases	Responsibility : The quality control department of suppliers shall assess the regulation and make proper revision of environmental hazardous substance management procedures and develop plans. Source: Purchase and suppliers cooperate to implement management investigation plan.	Supplier Selection

	education training and intelligence supply to convey the concept of environmental management to employees, customers and suppliers.						
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Major Topic	Policy	Management Measures	2018 Objectives	2018 Performance	2019 Objectives	Responsibility and Resource	Corresponding Chapters
Training and education	Cultivate employees with the knowledge and technology to execute duties, thereby enhance employee quality awareness, improve work efficiency, which not only can help employees with self-development but also meet company objectives in the development of sustainable management.	<p>◎ Systematically assist employees to upgrade occupational and management knowledge and capacity by designing the training program according to the job content.</p> <p>◎ The different departments provide professional on-the-job training according to the different manufacturing process and product attributes in order to implement work skills development.</p>	Course system completion rate is 90% per year.	Objectives accomplished.	Course system completion rate is 90% per year.	<p>Responsibility : the HR office learning and development section shall hold courses by the plan or the business divisions shall conduct training accordingly.</p> <p>Resource: Arrange for internal training or conduct external training according to the courses.</p>	Education and Training
Labor relationship	Establish harmonious labor-management relation.	Emphasize on the labor-management relation and diverse communication channels to effectively solve the questions and grievance filed by employees.	Questions accomplishment rate 100%	Objectives accomplished.	Questions accomplishment rate 100%	<p>Responsibility : The HR Department establishes channels for communication of opinions by law and effectively responds to solve employees problems.</p> <p>Resource: KYEC sets up</p>	<p>Employee Distribution</p> <p>Comprehensive Insurance System</p> <p>Complete Leave System and Benefits</p> <p>Parental-Lea-v</p>

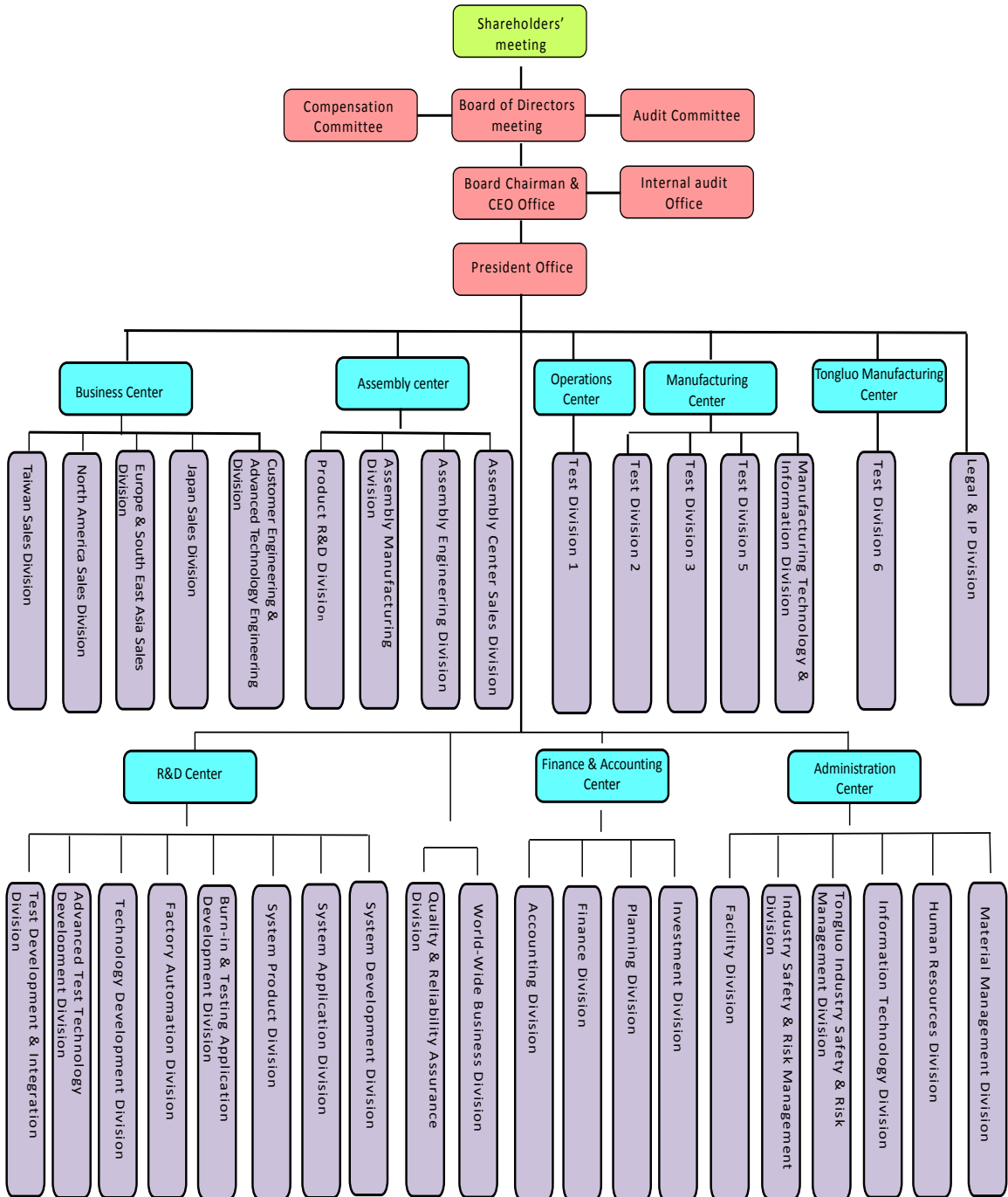
						labor-management meeting, seminars, online employee message board, and various grievance channels.	e-Without-Pay Measures
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Major Topic	Policy	Management Measures	2018 Objectives	2018 Performance	2019 Objectives	Responsibility and Resource	Corresponding Chapters
Forced or compulsory labor	Protect the labor environment for employees	Labor conditions in conformity with regulatory measures.	0 cases of violation for labor inspection	0 cases	0 cases of violation for labor inspection	Responsibility : The management unit shall develop work content according to the law and regulations. Source: The responsible department shall assist with the processing depending on the condition.	Standards of Recruitment and Employment



# Corporate Governance

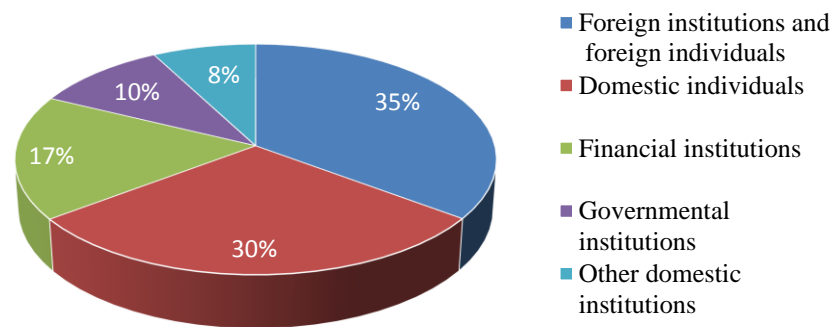
## 1. Structure of corporate governance



## 2. Shareholders' meeting and the structure of shareholders

There are two different types of the shareholders' meeting in the company- Annual General Meeting (AGM) and Extraordinary General Meeting (EGM). According to law, AGM must be held by six months after an end of the fiscal year, and EGM is held as necessary. The main functions of the meeting in KYEC include the resolution of the Company's operating plan and execution by the Board of Directors, recognition of the business report, financial statements and the resolution of earnings distribution or loss compensation.

The Company's main shareholders include domestic, foreign institutional investors and individual investors, of which 70.31% are institutional investors. The structure of shareholders' statistical table and shareholdings ratio are below, and the data were collected on April 8, 2019.



## 3. Board of Director

The Board of Directors of the Company is the highest decision-making department. The nine Board members (including three Independent Directors) are elected under the Company Act, Articles of Incorporation, and Directors' Election Regulation of the Company, and all members are male; the board meeting should be held quarterly at least. The Board of Directors exercises their rights and obligations, according to the Company Act, Securities and Exchange Act, Articles of Incorporation, and relevant laws. The rights and obligations include that the Board members have to deliberations of operational policies, annual business plans, earnings distribution, and key personnel appointment. According to Article 26-3 paragraph 8 of Securities and Exchange Act and Regulations Governing Procedure for Board of Directors Meetings of Public Companies, to formulate the regulation of the Board of Director meetings of KYEC and follow the regulation, to build a sound Board governance system. This term of board is from June 8, 2017, to June 7, 2020, it has held six times until 2018; the average attendance rate (excluding proxies) is 98%. Board members and their education, selected past positions, and the positions in the Company and other companies are below:

Board members and their education, selected past positions, and the positions in the Company and other companies are below:

Position	Name	Education and selected past positions	Concurrent positions in the Company and in other companies
Director & Chairman	Chin-Kung Lee	Bachelor President of King Yuan Electronics Co., Ltd.	CEO Director & Chairman of KYEC Investment International Co., Ltd. Director & Chairman of KYEC Technology Management Co., Ltd. Director & Chairman of KYEC Microelectronics Co., Ltd. Sino-Tech Investment Co.,Ltd. Director & Chairman Director & Chairman of Strong Outlook Investments Limited Director & Chairman of King Long Technology (Suzhou) Ltd. Director & Chairman of Suzhou Zhen Kun Technology Ltd. Independent Director of Quang Viet Enterprise Co., Ltd. Chairman of King Ding Precision Incorporated Company
Director & Vice-Chairman	Chi-Chun Hsieh	Bachelor/Physician	Physician
Director	An-Hsuan Liu	PhD President of Intematix Technology Center Corporation	President Director & Chairman of KYEC USA Corp. Chairman of KYEC SINGAPORE PTE. LTD. Director / President of King Long Technology (Suzhou) Ltd. Director / President of Suzhou Zhen Kun Technology Ltd.
Director	Yann Yuan Investment Co., Ltd	-	-
	Representative: Chao-Jung Tsai	Master CPA CTBC BANK Co., Ltd. Vice President President of Grand Cathay Securities Corp. President of SPIL Investment Co., Ltd.	President of Yann Yuan Investment Co., Ltd
Director	Kao-Yu Liu	PhD	Director & Chairman of LC Architecture Realization Company, Inc Director & Chairman of Ji Ze Construction Development Corp.
Director	Kuan-Hua Chen	Master in Financial Engineering, Carnegie Mellon University	Supervisor of Weikeng Industrial Co., Ltd.



Independent Director	Hsien-Tsun Yang	Bachelor Chief Editor of China Times Express Executive Vice Chief Editor of China Times	Audit Committee and Compensation Committee member
Independent Director	Hui-Chun Hsu	Master Physician KYECC Compensation Committee member	Audit Committee and Compensation Committee member Physician
Independent Director	Dar-Yeh Hwang	PhD Professor of Department of Finance, National Taiwan University Director of Center for the Study of Banking and Finance, National Taiwan University Chair of both of Department and Institute of Finance, National Taiwan University	Audit Committee and Compensation Committee member Chairman of McBorter AFMA/Chairman and Dean of Academy of Promoting Economic Legislation/Distinguished Professor of Renmin University of China, Suzhou Campus/Independent Director of DBS(Taiwan)/ Independent Director of Chailease Holding

#### 4. Compensation Committee

KYEC has formulated the regulation of the Compensation Committee under Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter, to be robust the remuneration system of Directors and managerial personnel. The major rights and obligations of the committee are below:

- (1) Review the organization of the Committee regularly and propose modification suggestions.
- (2) Regularly review and formulate the performance goals of Directors and managerial personnel, and the policies, systems, standards, and structures of remuneration.
- (3) Regularly evaluate the achievements of performance goals of Directors and managerial personnel. Also, give some advice about the content and sum of separate personnel.

The operation of Compensation Committee

All of the second term and this term (third) are four members; it consists of three Independent Directors and one independent person, and according to regulations, the number of members could not be lower than three, and one of them should be the convener. This term (third) of the Committee is from June 19, 2017, to June 7, 2020. The Committee has been held three times in 2018, the attendance of members is below:

Title	Name	Actual attendance (B)	Actual attendance rate (%) (B/A)	Remarks
Convener	Hsien-Tsun Yang	3	100.00	Convener and Chairperson
Member	Hui-Chun Hsu	3	100.00	-
Member	Dar-Yeh Hwang	3	100.00	-
Member	Chung-Chi Huang	3	100.00	-



## 5. Audit Committee

The Company has set up an Audit Committee under the Securities Exchange Act and the resolutions of the Annual General Meeting in 2014, and the Board of Directors formulated "The Organization Regulation of Audit Committee", to maintain a much sounder decision and execution. Also, continually enhance operational efficiency, and implement corporate governance by actual actions. The Committee is held quarterly at least. Monitor the Company's operational and corporate governance, to implement corporate governance, improve supervision and strengthen management mechanisms so that the members can also assist investors to ensure the Company's reliability in corporate governance and information transparency. Therefore, the shareholders' equities and interests can be protected.

The Audit Committee has been held eight times in 2018, the attendance of members is below:

Title	Name	Actual attendance (B)	Percentage of actual attendance (%) (B/A)	Remarks
Independent Director	Hsien-Tsun Yang	8	100.00	Convener and Chairperson
Independent Director	Hui-Chun Hsu	8	100.00	-
Independent Director	Dar-Yeh Hwang	8	100.00	-

## 6. Internal audit organization and operation

The organization structures of the Company are under the organizational chart which is publicized by the Human Resource Division; and the titles, appointments, and dismissals of managerial personnel are under the Articles of Incorporation Article 17 and Securities Exchange Act Article 22, and the Company regulations.

### (1) Audit project

- Annual plan: According to the laws, the operating environment, and the results of risk assessment, the Internal Audit Department will formulate a subsequent annual plan. After approved by the Board of Directors, the plans will be implemented exactly.
- Audit program: The Chairman, the Board of Directors or the supervisor of the Internal Audit Department shall, according to the actual conditions and operational requirements, assign auditors to execute the audit program.

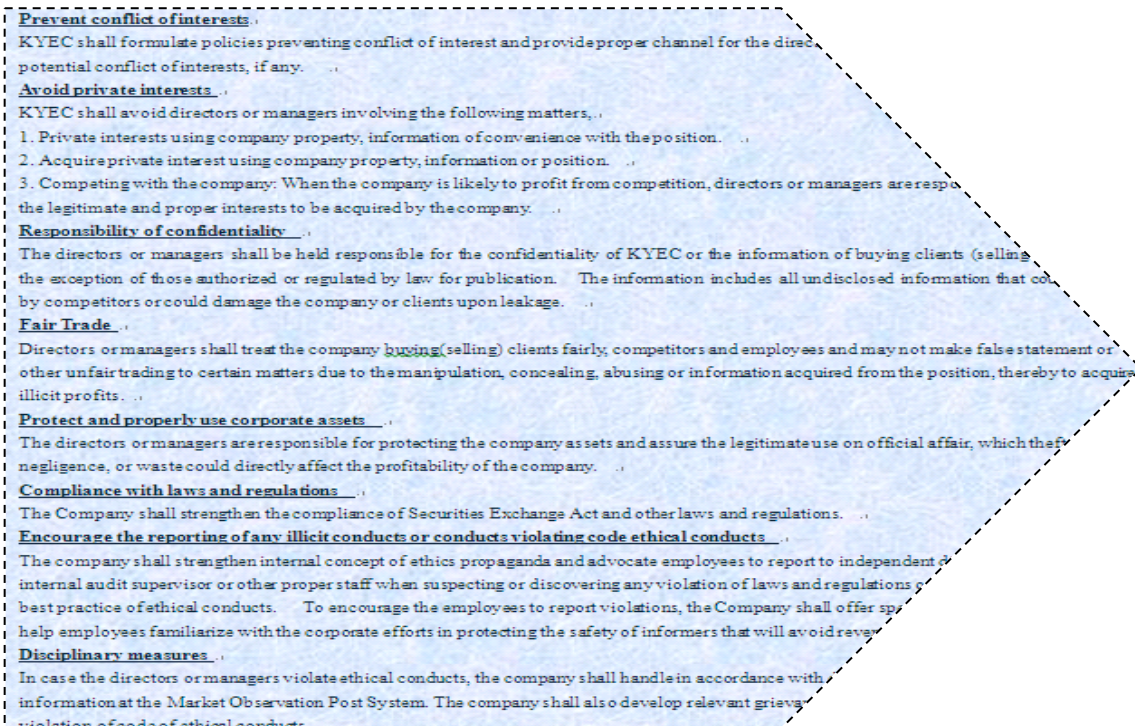
### (2) Audit operation

- Auditors will follow audit item on audit project to execute; according to deficiencies and abnormalities which have been found, auditors will make an audit report and state.
- For audit findings and suggestions, the auditors will track each season regularly, and make follow-up reports based on the implementation and performance of the reminders and improvement proposals to ensure that relevant departments have taken appropriate improvement measures promptly.

- Reviewing the self-inspection report of the internal control system of each department and subsidiaries, and the deficiencies of internal control and the improvement of abnormalities, as the main basis for the Board of Directors and President to evaluate the effectiveness of the overall internal control system and issue the declaration of the internal control system.
- The supervisor of the Internal Audit Department attends the Board meetings and declares the implement of audit plans.
- Based on self-assessment operations of the internal control system, there is no fraud when managerial personnel have assessed risk in 2018.
- The Internal Audit Department has proposed thirty reports and six suggestion items (including two items from Sales Department, one item from Human Resource Department, one item from Finance Department, and two items from a subsidiary). There is no fraud simply because of violations of operating procedures; those departments which were audited have adopted appropriate improvements based on deficiencies, and those improvements will be tracked continuously. The audit reports and improvement reports are submitted to the independent directors for review before the end of the month after the completion of the report following the regulations of the Financial Supervisory Commission.

## 7. Employee Code of Ethics and Conducts

In recognition of the guidance of competent authority for the directors and managerial officers of TWSE listed and TPEX listed companies in Taiwan to act in line with the codes of ethical conduct and help KYEC stakeholders better understand the ethical standards, KYEC has developed the “Code of Ethics and Conducts” in accordance with the “Guidelines for the Adoption of Codes of Ethical Conduct for TWSE/TPEX Listed Companies.” The Guidelines were adopted by the Board of Direction meeting on April 28, 2015



For more information please refer to:

Market Observation Post System: <http://mops.twse.com.tw/>

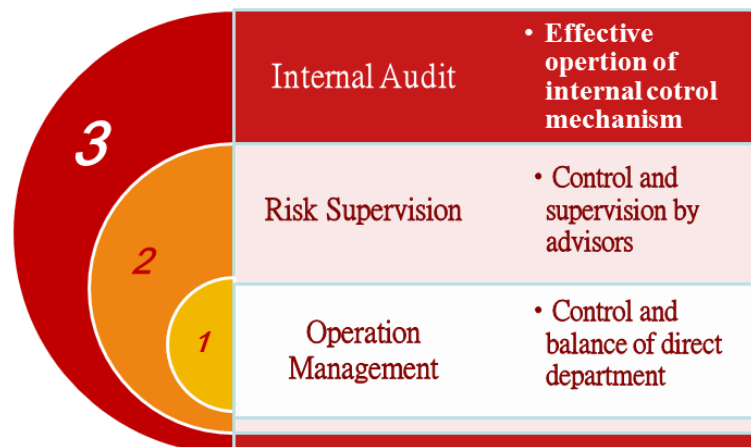
## 8. Implement Philosophies of Integrity Management

In recognition of the competent authority’s intention to establish the reference framework of excellent business operations in TWSE/TPEX Listed Companies and assist enterprise with establishing integral corporate culture for sound management, KYEC develops the “Ethical Corporate Management Best Practice Principles” in accordance with the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies” and actual corporate operations. The Board of Directors have adopted the principles at the resolution of BOD meeting on April 28, 2015 while the Internal Audit of Chairman Office serving as the special department responsible for the formulation, supervision and execution of ethical management policy and prevention solutions.

<b>Scope of Regulation</b>	All employees of KYEC, KYEC subsidiary and group companies (including directors, managers, employees, and consignors).
<b>Regulatory Conducts</b>	(1) Bribery, receiving gifts for bribery, providing illicit political donations, improper charity donation or sponsoring and providing unreasonable gifts, reception, or other improper interests. (2) Avoid trading with parties showing records of unethical conducts. (3) Avoidance of conflict of interests between the directors, managers and company.
<b>Special Department in Supervision and Execution</b>	Internal Audit of Chairman Office
<b>Information Disclosure</b>	Strengthen the performance of disclosure on ethical company website.

### 9. Risk Strategies and Responses

KYEC applies the management model of three defenses for risk management to build establish complete and rigorous risk control operations. The Board of Directors is responsible for the supervision of risk control mechanism, regulations related to control and review, and review on key risk report. The scope includes multiple dimensions to facilitate the effective identification, measurement and response management of various risks.



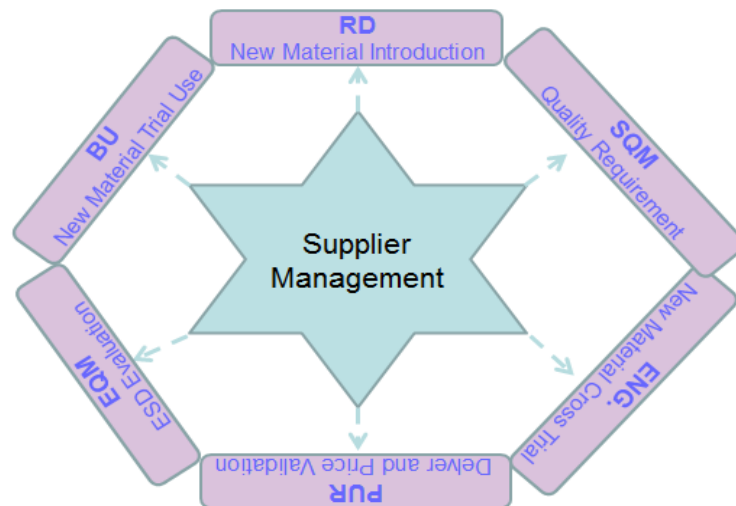
Risk items and coping strategies are shown in the following table:

Scope	Risk	Coping Strategy
Financial Risk	Interest rate fluctuation	Interest expense in interest rate and exchange rate fluctuation has greater impact on the loss/profit of the company and hence the Company should collect daily interest rate change to timely take proper response actions.
	Exchange rate fluctuation	<ol style="list-style-type: none"> <li>1. The capital expense mainly consists of import equipment. To reduce the impact of exchange rate fluctuation against the profits, the company reaches agreement with major customers to pay some account receivable in USD.</li> <li>2. Develop the acquisition or disposition of asset disposition procedure according to Article 12 “Procedure in Disposing Acquired or Disposed Derivative Product” as the basis of risk avoidance tools in foreign exchange and thereby lower the impact of exchange rate fluctuation against profits</li> <li>3. Collect daily interest rate change to timely take proper response actions.</li> </ol>
Supplier Risk	Quality Change	Based on the trading amount & abnormal rate to define Level 1 and Level 2 material. The supplier performance of Level 1 material shall be evaluated monthly while The supplier performance of Level 2 material shall be evaluated quarterly to supervisor the quality stability of suppliers.
	Material Shortage	Suppliers borrowing or relocating materials from his clients, peer industries borrowing or relocating materials from each other, clients provide customer materials transfer of materials to second supplier, and transfer to alternative materials.
Environmental Risk	Energy Resource Management	Uphold to the philosophy of “Sustainability” and integration with upstream/downstream suppliers, the company sustains the use of energy resources through the concept of “green production.” Use low-pollution, energy-saving and less-waste green concept to constantly invest in manufacturing technology and Recycle limited resources to make progress towards recycling economy.
	Greenhouse Gas Reduction	The struggle against climate change and global warming is one of the most important eco-friendly issues faced by enterprises today. Conducting continuous footprint and greenhouse gas inventory each year with energy-saving measures will help the company accomplish the objective in greenhouse gas reduction and lower the threats from climate change.



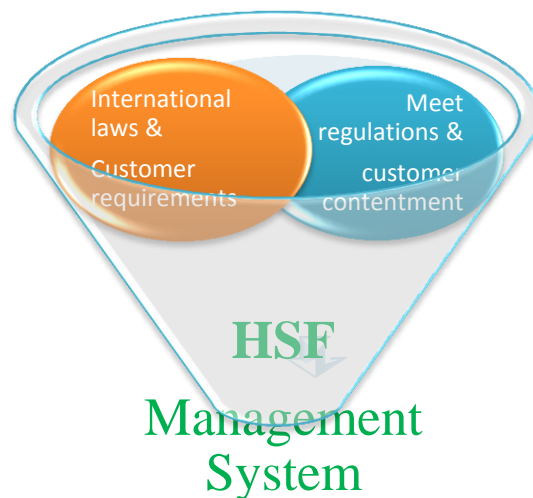
## Supply Chain Management

KYEC values supply chain risk management and regards it as part of the corporate competitive advantages. In a global world, any material natural disaster or accident could have influence on the company. Hence KYEC requires suppliers to comprehensively improve their capacity in the autonomous management of supply chain risk and take initiative in providing assistance. The focus of corporate attention and requirement include the follows: Strengthen the environmental protection and quality management system of suppliers, green purchase, supplier audit and consoling, and green operation vision.



### 1. Hazardous Substance Free(HSF) Management System

To assure the packaging products used by the company including environmental associated substance in conformity with international laws and regulations and meet additional special requirement from customers, and reduce the impact of packaging materials on the environment. KYEC has developed hazardous substance free policy according to the senior management meeting and apply the applicable promotional practice (i.e. meeting, QC080000, E-mail, and training) so that all employees can understand and care about the execution status of team performance.





## (1) Green Supplier Chain Management system(GSCM)

## (1-1) KYEC followed IECQ-QC 080000 international standards in establishing green

product management system to require the packaging material supplier to send test report each year, assuring the products content free from RoHS 2.0, Halogen Free, updating SDS in every 3 years, and requesting suppliers to sign REACH SVHC & SONY SS00259 international requirement of guarantee letters. This system allows KYEC to immediately and effectively validate if the suppliers meet customer requirement in substance requirement by grasping the information on the execution effect of green supply chain at all time.

## (1-2) During the packaging material procurement stage, the system follows “Environmental Quality Control Substance Operation Procedures” to validate all packaging materials are in conformity with RoHS 2.0 (2011/65/EU), REACH-SVHC, Halogen-Free, Sony SS00259 Material Level, EU Packaging and Packaging Waste (PPW), additional requirement of customer restriction of hazardous substance use.

## (1-3) To assure corporate social responsibly and implement green regulatory requirement and philosophy in our suppliers and partners, KYEC suppliers must update by law and sign the RBC Code of Conduct, Reach SVHC, SONY SS00259 guarantee letters and “Supplier’s Letter of Guarantee for Non-Use of Prohibited Substance” one by one, and explicitly and fully disclose such information on green supply chain management for suppliers to follow.

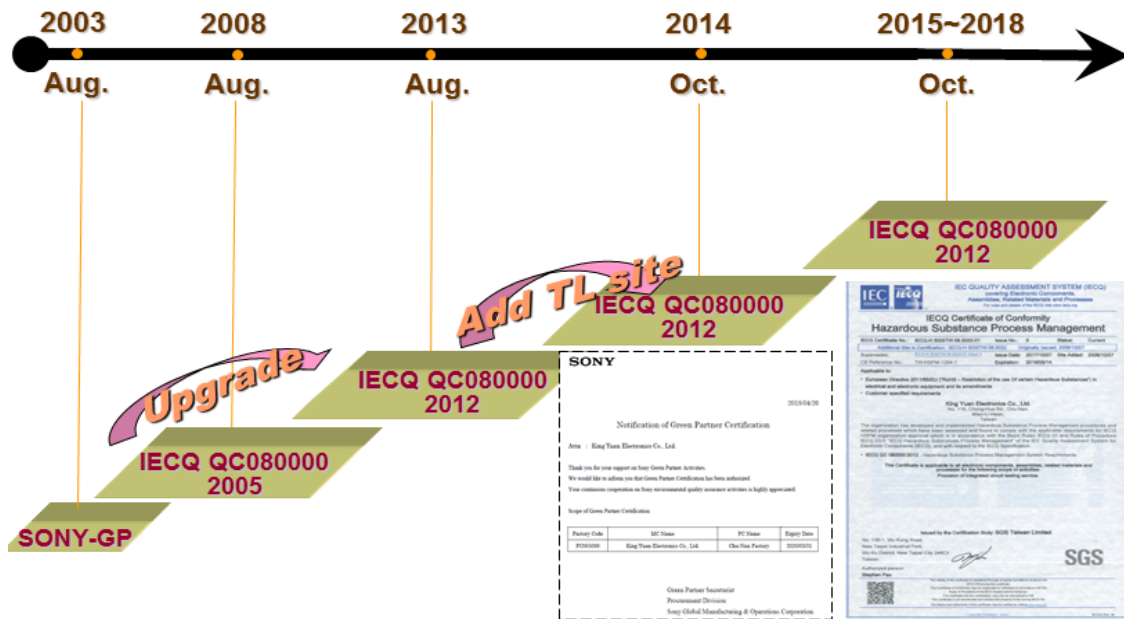
## (1-4) KYEC adopts three directions for packaging materials to conduct hazardous chemical substance management. In pursuit of environmental sustainability and reduction of pollution from packaging materials to the environment, KYEC implements the “supply chain management,” “routine X-ray florescent light analysis,” “promotion communication,” “compliance with international laws and regulations” and other green packaging material policy.

KYEC cooperates with hazardous substance management to further upgrade green competitiveness and become a distinguished green enterprise.



(2) Evolution of Green Hazardous Substance Certification

KYEC acquired the SONY Green Partner Certification in 2003 and was certified by IECQ QC 080000 hazardous substance process management system standards in 2008. KYEC acquire 2012 version conversion certification in 2013 and added qualification certificate for Tunглуo Factory in 2014. Currently KYEC still maintains valid qualification certificate.



2. Green Procurement

KYEC met green procurement amount of NTD 58 million in 2016, NTD 56 million in 2017 and the NTD 59 million in 2018. The implementation of green procurement policy accomplished energy saving, carbon reduction, and lowering operational costs.



- (1) To fulfill the responsibility of global citizens, KYEC actively cooperates to devote in green procurement. Currently apart from procuring green marked products certified by the Government, we also take factors such as power saving, operational performance, energy saving and water saving, and life cycle into consideration for the procurement of equipment and promotion of relevant improvement projects. Hence the green procurement defined by KYEC is equipped with “energy saving, carbon reduction, waste reduction, and products, technology and services reducing impact on the environment.” The standards of green procurement recognized by the company are described below:
- (1-1). Green products certified by the government, i.e. products with green, energy-saving or power-saving marks.
  - (1-2). Conform to the laws and regulations specified by foreign governments (i.e. EU RoHS, WEEE), or products with green marks and permission for use.
  - (1-3). Require equipment suppliers to take consideration of water saving, power saving, and consumable saving when designing and producing the equipment. All equipment suppliers shall verify the energy performance of relevant equipment operations in conformance or perform better than the procurement contract.
- (2) Cooperate with company green policy by conducting green procurement propaganda in step with the supply chain to integrate green supply chain in providing services to customers.

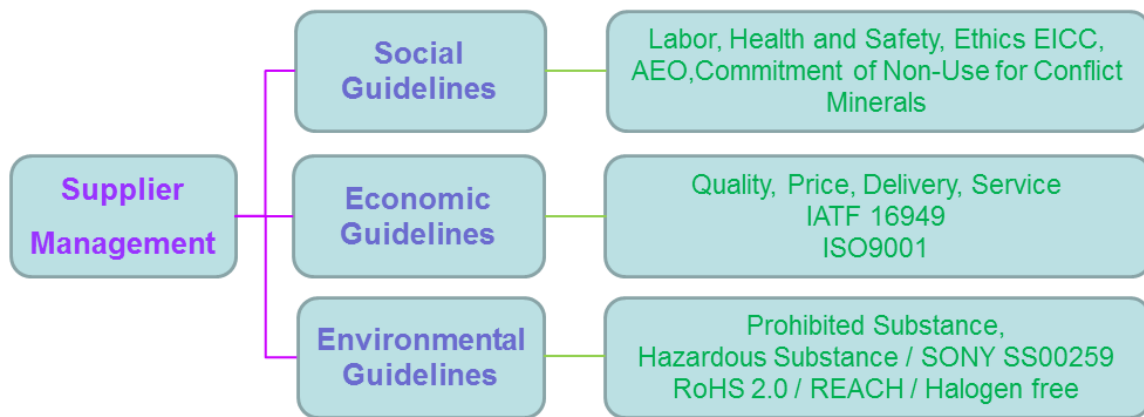


KYEC – The winner of 2018 Green Procurement Excellence Supplier  
(Organization: Environmental Protection Bureau, Miaoli County)

### 3. Suppliers

KYEC aims to meet customer satisfaction as the ultimate objectives and its management philosophy is projected to work closely with suppliers. Under the corporate social responsibility in a globally intense supply chain, the Company is devoted to promote corporate social responsibility to the affiliated supplier groups with the following key issues:

- Quality and product safety assurance.
- Green procurement.
- Compliance with laws/regulations and social norms.
- Assure the information security of suppliers.
- Commitment of performance in Responsible Business Alliance Code of Conduct(RBA)



### (1) Supplier Selection

To assure the capacity of upstream and downstream suppliers to perform corporate social responsibility, KYEC follows the following standards as primary reference for selecting suppliers. Moreover, new suppliers shall submit and sign the “Supplier Questionnaire Evaluation Survey,” “Raw Material Supplier Evaluation,” “Supplier’s RPA CODE,” and “Supplier’s Warranty Letter of Non-use of Prohibited Substance” forms as the reference for evaluation review. KYEC also evaluates the suppliers in terms of quality, delivery, price, and services on a monthly basis:

Suppliers with outstanding evaluation results shall be listed as partners of priority for KYEC. In case the evaluation result does not conform to the KYEC system requirement or suppliers have poor historic records, KYEC will take more precaution in including such suppliers in the list of qualified suppliers during the selection process.

### (2) Supplier Management

KYEC is committed to the maintenance of long-term cooperation with domestic or foreign suppliers by co-establishing a sustainable supply chain with stable development. Apart from considering the product quality, delivery and price from the suppliers, KYEC also advocates the suppliers to implement green environment, improve safety and hygiene, value human rights, and collectively fulfill the corporate social responsibility in addition to preparing for risk management and operational sustainability plans.

(2-1).KYEC requires all suppliers to strictly comply with quality management system, environmental safety and hygiene management system, and Authorized Economic Operator appraisal. The supplier procurement procedures require the review on supplier criteria, including company profile, relevant certificates, quality certification records, environmental safety and hygiene management survey, operational status, product information, manufacturing procedures, raw materials / materials supplier and operation with continual finance management, signing of procurement obligation related contracts, supplier’s Green Product Management, and supplier’s social responsibility one by one. Moreover, the procedures require the suppliers to sign the commitment of performance in RBA Code of Conduct for corporate social responsibility management.

(2-2). To enhance the overall competitiveness of the supply chain, KYEC not only conducts routine supplier audit but includes supplier quality, cost, service level, environmental protection, work safety and technology as well as other factors into the items of evaluation. In addition to assuring the quality level, KYEC also helps suppliers to find the root cause to supply related anomaly issues, providing necessary counseling when needed so that KYEC's supplier chain can be maintained at the best competitiveness.

### (2-3) Supplier Risk Assessment

Risk Factor	System Certification(A)	Delivery Capacity(B)	Supply Capacity(C)	BCP(D)
1	IATF16949 & ISO9001	The shortest delivery time of similar suppliers	Capacity supply can fully meet demand	Business continuity plan with uninterrupted supply of products
2	ISO9001 or Customer execution certification	Same supplier delivery date or customer specified supplier or no comparable supplier comparable	Capacity supply can meet demand or customer specified supplier	Have an ongoing business continuity plan but not perfect
3	No certificate	The longest delivery time of similar suppliers	Capacity supply cannot guarantee demand	No business continuous plan

Risk Level (R) :  $R = A * B * C * D$

①  $1 \leq R \leq 18$  Low-risk supplier: Normal procurement transactions can be carried out.

②  $24 \leq R \leq 81$  High-risk supplier: In one year after the transaction date, monitor the delivery quality/lead time and other transaction status, or reduce the frequency of purchasing from high-risk suppliers

### (2-4). Requirement for Supplier Management

AEO is the abbreviation for Authorized Economic Operator and is also known as "Quality Enterprise." Quality Enterprise refers to owners helping custom meet safety measures with certification. Any operations related to international transport of consignment shall comply with WCO or equivalent supply chain security standards. Moreover, these enterprises recognized by the national custom bureau or representatives shall be certified into AEO.

The international anti-terrorism situations intensify increasingly and it is utmost urgent to enhance the security of international import/export goods. To improve the corporate competitiveness and strengthen the factory control over goods safety as well as the overall safety in upstream and downstream supply chains, the company implements supply chain process strengthening within the company, including the educational system, production operation, goods inbound and outflow, supplier safety education and audit. KYEC Chunan Factory has acquired the AEO certificate in 2012 and conforms to WCO (World Customer Organization) safety regulation certification so that product export process becomes even more convenient. KYEC completed Miaoli Tungluo Factory by the end of 2014 . The AEO certification for Tungluo Factory was completed on December 14, 2015.

KYEC's Chunan Factory located in Miaoli has been awarded with AEO since 2012 and is also the first enterprise in Miaoli County certified by AEO. The factory has been entitled to fast and convenient custom clearance measures in recent years, which not only effectively shortens the custom clearance



time for consignment but also offers faster delivery, convenient and safe consignment transport services to customers. The international key customers have shown substantial reliance and satisfaction in KYEC, promoting the steady growth of KYEC in recent years. The validity of AEO certificate for Chunan Factory was expired in 2015. The certificate was renewal on 10 May 2016. Tungluo Factory was certified by AEO on December 14, 2015.



AEO-Certificate-Chunan



AEO-Certificate-Tungluo

(2-5) Procurement Measures for Conflict Minerals

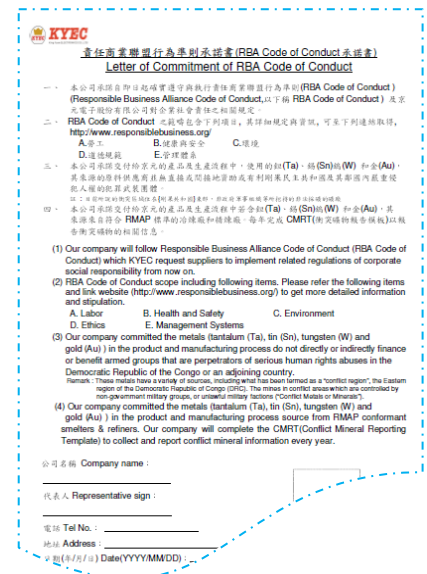
RBA Code of Conduct established various standards. Responsible Business Alliance Code of Conduct (RBA CODE) standards to assure the work environment safety in the supply chain of electronic industries, where labor receives respect and dignity with responsibility of commercial operations to the environment.

In response to the international control and requirement for conflict minerals, KYEC strictly requests the suppliers not to use the conflict minerals produced in this region for the raw materials provided, in addition to listing this requirement in the Supplier's RBA code to assure the suppliers will not use conflict minerals in the effective supply chain management for materials supplied

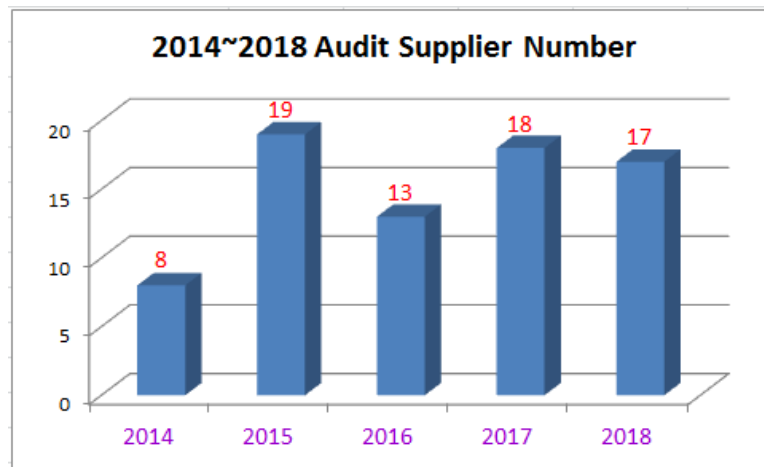
(2-6) Supplier Audit

Suppliers of KYEC need to undergo routine evaluation and classification according to the amount of transaction between January and November and the types of materials and quality status scheduled for audit plan in the following year. SQM and relevant staff will conduct audit evaluation at the supplier's site and record the results in the "Supplier Audit Form" and "Supplier Audit Result Form," to assure the supplier's quality in conformance with KYEC requirement.

The quality system, environmental protection system, safety and hygiene management, and basic human rights and social ethics audit for suppliers of key materials through non-routine interview, meeting, site audit, and key counseling each year. In case of any defect, KYEC will immediately request suppliers to



submit reasonable improvement objectives and schedule to assure the suppliers in conformance with the aforementioned requirement.



(2-7)Negotiation of Agreement Content

In the process of negotiating the contract content with suppliers, we uphold to justice and fair attitude.

(2-8)Supplier Information

We will never disclose confidential information provided by suppliers for use with non-KYEC external personnel, unless otherwise agreed by the consensus and instruction of suppliers in written form.

(2-10)Supplier's Major engineering Project Change and Obligations of Notification

When suppliers voluntarily change internal engineering projects that are key matters of change, the suppliers will need to fill out the "Supplier Engineering Change Notification" and submit to KYEC for co-signing. The internal cosigning divisions of KYEC consist of the relevant divisions of the manufacturing center, quality assurance division, procurement division, supplier quality management division, and quality assurance office. The management division of suppliers shall reply the suppliers with the countersignature result.

(2-11)Order consistency

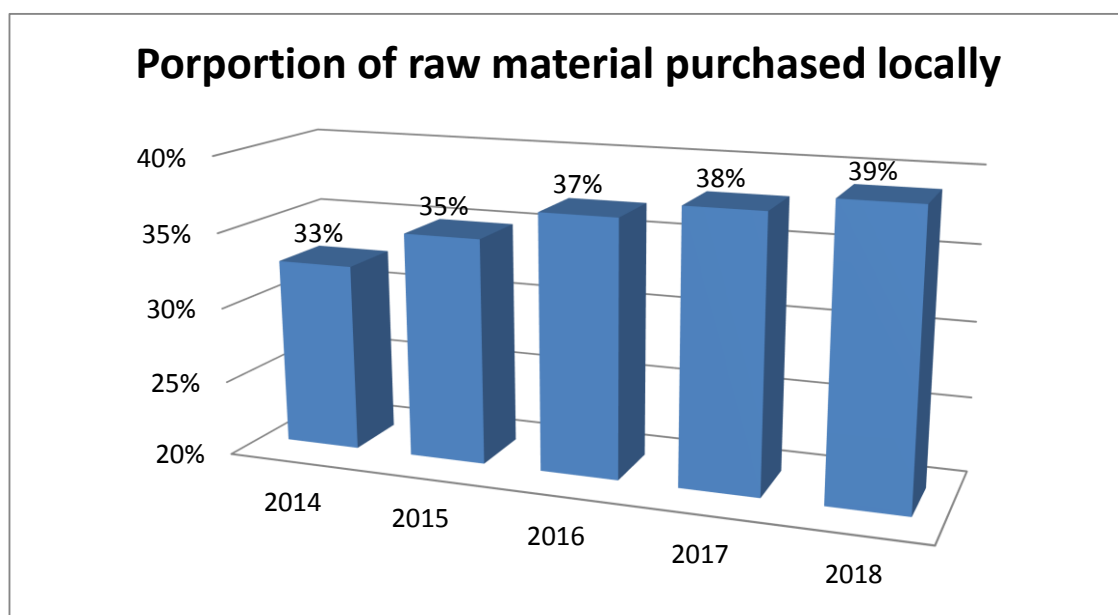
According to the direction established by the company, some mature products will outsource to downstream suppliers for production while products with high-precision and high added-value will be produced by the company. When the market changes and to maintain the normal productivity of suppliers, the company shall maintain certain ratio of production to external suppliers through coordination scheme in order to achieve co-existence and co-prosperity. To maintain order consistency, the company will take consideration of the production costs within its own plant and the production quality by suppliers in order to maintain the room for profits assigned to suppliers as well as the intent to long-term cooperation.

(2-12)Supplier Distribution

KYEC is devoted in maintaining long-term cooperation with domestic or foreign suppliers by establishing a sustainable supply chain with stable development. In addition to taking consideration of the quality, delivery and price of products from suppliers, KYEC also advocates suppliers to

implement environmental protection, improve safety and hygiene, value human rights, and collectively fulfill corporate social responsibility in addition to preparing for risk management and operational sustainability plan.

KYEC also actively promotes production localization in recent years and values the economic development of supply from Taiwan. The purpose is to reduce transportation costs, reduce carbon reduction, and diversify risks in addition to foster employment opportunities for local industries. In 2014, the procurement of raw materials from Taiwan has increased from 26.0% of previous year to 30.5%, increased to 32.5% in 2014 and 35% in 2015 and even increased to 37% in 2016. Upgraded to 38% in 2017 and 39% in 2018. KYEC will continue to foster local Taiwanese companies and encourage foreign companies to set up plants in Taiwan in order to collectively reduce production costs and risk, and thereby enhancing competitive advantage.



Apart from constantly increasing localized procurement and improve quality objectives, KYEC will further advocate for close cooperation with suppliers in 2016 to introduce alternative materials made from place of origin and reduce single manufacturing place for raw materials in case of risk of materials shortage due to natural disasters and force majeure.

KYEC has long established a sound strategic high-tech product flow control process since 2013. The plant is committed to building explicit and effective corporate internal export control process, including autonomously building a blacklist of ICP (Internal control program) for upstream and downstream supply chain and establishing export control numbers and good correspondence list. The aforementioned ICP system is used with the international black list released by the Bureau of Foreign Trade to carry out G2B comparison of industry-government cooperation mechanism. KYEC also establishes company policy for this flow by listing the stance of the company in export control with stipulation of punishment and reporting mechanism that will implement the purpose of internal export control policy.



### (2-13) Conflict Minerals Management

With regards to conflict mineral management, KYEC is obliged to fulfill its corporate social responsibly by complying with the conduct codes and relevant requirement developed by the RBA Code of Conduct and Global e-Sustainability Initiative (abbreviated as GeSI), as a member of the electric industry supply chain. KYEC also investigates on the supply chain and prepares into policy with commitment to not use conflict minerals from Republic of Congo or the surrounding countries. The “Policy on Non-Conflict Minerals” is described below: Conflict minerals refer to the gold, tantalum, tungsten and cassiterite that have been, mined and marketed in the mining fields in the territory of Republic of Congo and neighboring countries under the control of armed groups. The mining or control of abovementioned minerals often leads to serious issues in human right, race, and illegitimate interests, and hence as a member of the global village, KYEC is committed to the following:

- KYEC will not procure conflict minerals produced from conflict zones.
- KYEC is devoted to request upstream and rater material suppliers to refuse using conflict minerals from conflict zones with the presentation of letter of commitment.

To assure the suppliers on the supply chain comply with this policy, KYEC has requested all suppliers supplying electronic materials to KYEC to fill out the “RBA Code” in case any of the substance inside the product could possibly contain conflict mineral. Meanwhile suppliers shall provide the list of metal refinery plants approved by RBA and GeSI to assure the products will not use any conflict mineral from the aforementioned areas. All suppliers of KYEC, including materials consisting gold, tantalum, tungsten and cassiterite have signed the “RBA Code”

## 4. Green Logistics and Vision

KYEC owns the largest product distribution fleet among all domestic industries, which have the most impact on the environment on waste gas emission and resource use during transport. In view of this, KYEC started taking active measures in GPS control over delivery vehicles in 2005 and advocated for the significance of idleness on the environment in 2013, informing the correct driving method that can save fuel costs, reduce packaging materials and recycling for supply chain, to gradually reduce adverse impact of logistics operations on the environment.

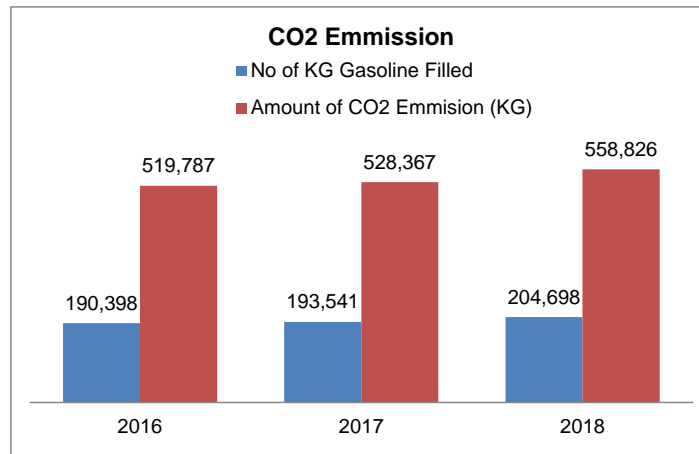


## 5. Optimizing Pickup/Delivery Routes

KYEC improves transport efficiency, reduce transportation miscellaneous costs and cost wastes of unnecessary routes through rational design of vehicle routes, which effectively resolve the chaos of transport movement and mitigates traffic congestion to attain the social benefits of environmental protection.

## 6. Idle and Fuel Statistics

The management division reviews the monthly fuel costs and idle status in addition to reviewing the best routes with integrated number of shifts and adjustment of vehicle schedule, in order to reduce the number of shifts and fuel costs, reduce CO2 emission, and thereby reducing impact on the environment. The 2018 CO2 emission was increased by 8,580 KG, up 2%, but was improved compared with the 7% increase in 2017.



Year	2016	2017	2018	Annual Increase	Annual Decrease
No of KG Gasoline Filled	190,398	193,541	204,698	11,157	5.8%
Amount of CO2 Emission (KG)	519,787	528,367	558,826	30,459	5.8%

(1) GPS Control Delivering Vehicles

GPS allows the coordinators to control the routes of vehicles and the temporarily additional pickup operation in order to notify drives immediately for avoidance of repeated shifts and saving fuel costs.

編號	駕駛員姓名	分類	回傳時間	定位位置	車況現況	最新狀態	外理設備	備註
1298-VE	陳建榮	3.5噸小貨車	2019/05/30 16:43:03	新竹縣寶山鄉(國門) 101公里	87 km/h 向西南			8P-6793移標
1438-B8	劉景鑫	3.5噸小貨車	2019/05/30 16:42:33	新竹縣竹北市竹北里環慶街526號【宜揚(ESSI) 附近7公里	熄火			3F-1463 7/30 14:00 移標
1503-T6	王振名	3.5噸小貨車	2019/05/30 15:35:40	新竹縣寶山鄉興業一路【台積七廠】附近107公里	熄火	熄火1小時8分		8/15 移標原 2L-6487
150-WD	彭文正	交通車	2019/05/30 09:33:46	苗栗縣銅鑼鄉銅科北路【京元銅鑼廠】附近112公里	熄火	熄火7小時10分		
2435-UT	羅俊翔	3.5噸小貨車	2019/05/30 16:42:53	新竹市東區新竹交流道(公道五)【京元電子股份有限公司】附近15公里	20 km/h 向北			
4239-B8	蔡秋倫	3.5噸小貨車	2019/05/30 16:38:48	新竹市東區篤行一路12號【智原科技股份有限公司】附近43公里	發動停止狀態	怠速1分		99.10.06 10:30 3H-4275 移標
4868-B8	翁樹凱	3.5噸小貨車	2019/05/30 16:43:00	苗栗縣竹南鎮頂埔里中華路154號【京元電子中華一廠】附近37公里	發動停止狀態	怠速1分		3H-2497移標

(2) GPS Controlling Idleness in Delivering Vehicles

The management shall explain the importance of idleness for environmental impact to all drivers each month, informing them of correct driving methods to save fuel costs and monitoring the idleness in vehicles via GPS.

日期	時間	位置 / 狀態	里程	開車(含怠速)	怠速管理	熄火管理
2019/05/30 星期四	08:55	出車: 苗栗縣竹南鎮頂埔里中華路146號【京元電子股份有限公司(竹南分公司)】附近19公尺				
	08:55 - 09:13	新竹縣寶山鄉大崎村豐油生路41號	17.36 公里	18分		
	09:13 - 09:16	新竹縣寶山鄉大崎村豐油生路41號			3分	
	09:16 - 09:23	新竹市東區力行一路1號【油亨半導體】附近30公尺	2.19 公里	7分		
	09:23 - 09:29	新竹市東區力行一路1號【油亨半導體】附近30公尺				6分
	09:29 - 09:31	新竹市東區力行六路6號【聯亞電子】附近49公尺	0.36 公里	2分		
	09:31 - 09:34	新竹市東區力行六路6號【聯亞電子】附近49公尺			3分	
	09:34 - 09:38	新竹市東區篤行一路12號【智原科技股份有限公司】附近37公尺	2 公里	4分		
	09:40 - 09:43	新竹市東區篤行一路【創意】附近39公尺	0.35 公里	3分		
	09:43 - 09:48	新竹市東區篤行一路【創意】附近39公尺				5分
	09:48 - 09:51	新竹市東區篤行一路【采旺科技】附近7公尺	0.62 公里	3分		
	09:51 - 09:54	新竹市東區篤行一路【采旺科技】附近7公尺				3分
	09:54 - 09:56	新竹市東區篤行一路12號【京元科器2廠】附近30公尺	0.33 公里	2分		
	09:56 - 10:14	新竹市東區篤行一路12號【京元科器2廠】附近30公尺				18分
10:14 - 10:17	新竹市東區力行四路8號	1.7 公里	3分			

## Environmental Management

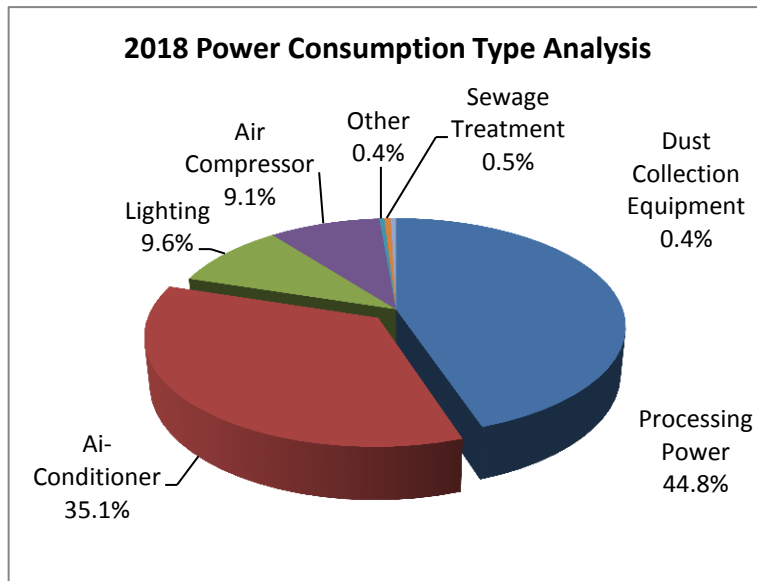
### 1. Energy consumption and Management

#### (1) Energy Consumption

The main source of KYEC power consumption comes from the outsourced power of indirect energy, without using natural gas, gasoline or diesel as fuel for indirect energy. The 2018 power consumption was 521,722.4 MWh while processing power consumption accounts for 44.8% of total power consumption, followed by air-conditioning power consumption accounts for 35.1%.

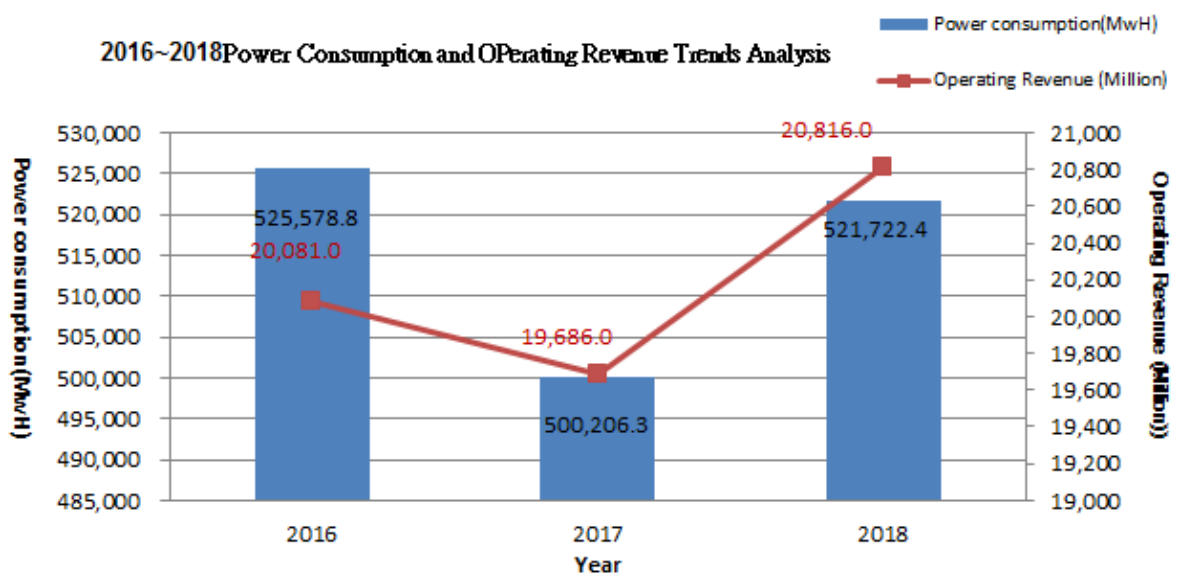
2018 Direct and Indirect Energy Use Statistics					
KYEC Headquarters	Power (MWh)	Diesel	Gasoline	Natural Gas	LPG
Chunan Factory	25,990.0	668	0	0	0
Tungluo Factory	402,696.0	0.0	0	0	0
Total	93,036.4	1,500	0	0	0
KYEC Headquarters	521,722.4	0	0	0	0

2018 Power Consumption Distribution by Factory								
Factory/ Type	Power Consumption (MWh/Year)							Total
	Processing Power	Ai-Conditioner	Lighting	Air Compressor	Other	Sewage Treatment	Dust Collection Equipment	
Chunan Factory	176,783.5	144,970.6	44,296.6	32,215.7	0.0	2,416.2	2,013.5	402,696.0
Hsinchu Factory	11,177.0	8,578.0	1,299.0	4,159.0	518.0	259.0	0.0	25,990.0
Tungluo Factory	45,587.6	29,771.5	4,651.8	11,164.3	1,581.6	93.0	186.1	93,036.0
Total	233,548.2	183,320.1	50,247.4	47,539.0	2,099.6	2,768.2	2,199.6	521,722.0
Ratio	44.8%	35.1%	9.6%	9.1%	0.4%	0.5%	0.4%	100.0%



Following the official operation of Tungluo Factory in 2014 and annually increasing productivity, the 2016~2018 energy consumption and operating revenue trends are described in the following analysis:

2016~2018 Power Consumption and Operating Revenue Statistics			
Year	2016	2017	2018
Power consumption (MwH)	525,578.8	500,206.3	521,722.4
Operating Revenue (Million)	20,081.0	19,686.0	20,816.0



(2) Energy Management and Audit

KYEC incorporates departments of procurement, sales, quality management, and others through integrated energy saving organization framework to call for energy management meeting weekly, routinely trace the power use and energy-saving effect by factory, conduct energy department energy-consumption objective management and reduction, and expand the technical, experience and management system to all factories.

The factories are installed with real-time monitoring system to organize, systematize, and simplify the energy management system, control the use of energies, and send personnel to treat and review the cause in times of anomaly. KYEC conducts regular equipment maintenance and repair, continue to evaluate equipment performance, replace energy-consuming equipment with new ones, and enhance energy-saving benefits. Moreover, KYEC introduces quality suppliers and experts to participate in the evaluation for improvement and adopt experience to boost the factory energy-saving effect.

Each year, KYEC applies IR-Scan technology to discover potential abnormal energy consumption with follow-up and improvement. Furthermore, the relevant environmental certification such as ISO14001 and ISO14064 integrates system and regulations into factory operation to establish proposition and improvement incentive mechanism so that personnel are encouraged to propose energy-saving and improvement proposal in order to receive bonus based on the effect.

In November 2016, KYEC launched ISO15001 energy management system to establish energy performance indicator (EnPI) and energy base (EB) in order to enhance the energy usage rate, reduce cost expenditure and lower environmental impact.

(3) Energy-Saving Project and Benefits:

Power use is the main greenhouse gas emission source of the KYEC and also the most effective reduction proposal for energy and power saving. Hence apart from adopting administrative measures for reducing power use, KYEC also needs to emphasize on the overall power equipment such as air conditioner system to conduct energy consumption estimation, launch energy saving projects, effectively reduce power use, and attain the purpose of greenhouse gas reduction. The continuous implementation of power saving project by factory between 2013~2017 could save power by 32,163,555 KWh and reduce 16,757.21 tons of carbon emission.



ISO15001 energy management



Energy management policy





Energy Saving Project and Improvement Effect by Factory						
Item	Energy Saving Project	Implementing Factory			Energy Saving and Effect Evaluation	
		Chunan Factory	Hsinchu Factory	Tungluo Factory	Energy Saving (KWH)	CO2 Reduction (Ton CO2e/Year)
1	Replacement of lighting fixture T8 with LED in clean rooms.	●			5,650,255	2,943.78
2	LED replacement for general lighting zone	●			232,750	121.26
3	LED replacement for common escape LED in factory	●			17,166	8.94
4	Ice water COP energy saving system	●			12,544,320	6,535.59
5	Ice water zone pump varying flow control	●			4,301,160	2,240.90
6	Cooling water flow change in PCW processing	●			536,112	279.31
7	Air conditioner in MDF computer room changed to inverter	●			171,000	89.09
8	Air exhauster operation in the bathroom	●			47,376	24.68
9	Improvement on air blower outside of air compressor	●			113,880	59.33
10	Temperature control for constant temperature and humidity zone	●	●	●	909,091	473.64
11	MAU energy saving improvement (water rinsing + hot pump)	●			3,081,818	1,605.63
12	Improvement on cutting, polishing and exhaust gate	●			349,147	181.91
13	Suspended use of 3F LV-13 transformer	●	●		35,040	18.26
14	Lowering 300kw of capacity in first feedback contract.	●	●		3,300	1.72
15	75HP vacuum replacement			●	35,185	18.33
16	New high-performance ice water main unit			●	289,440	150.80



17	300HP Air Compressor Replacemen			●	587,358	306.01
18	Dryer replacement new adsorbent	●		●	327,185	170.46
19	Replacing fin arrays of heat exchange for cooling tower.	●	●		2,983,363	1,554.33
20	Replacing the signage with LED lighting.	●			12,264	6.39
21	Covered scooter parking changed to LED lights	●			38,340	19.98
22	Phase out GeN2 passenger elevators and B elevators to generate voltage regeneration system	●			42,312	22.04
23	Cargo ladder installed with recycling system for energy saving	●			78,840	41.08
24	Cooling water tower installed with connection pipes	●			788,400	410.76
25	Factory bathroom 24-hour lighting changed to 32 LEDs		●		11,773	6.13
26	Replacing heat dissipating scale with temperature up to 5 degree		●		196,224	102.23
27	Water Towner Cooling Machine NO. 3 and 12000 RT Replacement (including the water valve, rack and scale).		●		16,337	8.51
28	CDA waste thermal recycling			●	170,000	88.57
29	Ice maker and vacuum device phased-out replacement solution			●	750,000	390.75
30	Changed DC FFU with surveillance system			●	445,200	231.95
31	TL1, 2 Factory Parking lighting and microwave automatic extinguishing			●	14,782	7.70
32	Iced water system motor replacement (changes to IE3 energy-saving motor)		●		56,940	29.67
33	LED replacement for T8 lighting fixture at public area (café and	●			524,967	273.51

	visitor hallway)					
34	Cargo elevator installed with energy-saving devices	●			66,050	34.41
Total					32,163,555	16,757.21



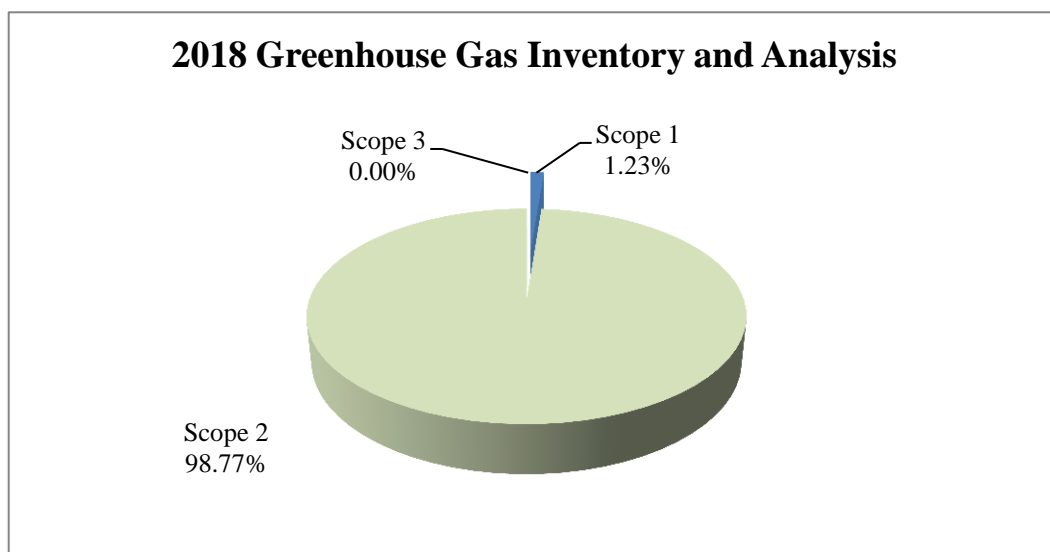
Elevator installed with energy-saving control devices.



Ice maker and vacuum device phased-out replacement solution

## 2. Greenhouse Gas Inventory

Extreme weather or changes in climate incidents is the most concerned issue for most enterprises in terms of climate change. One of the most important environmental protection issues is the struggle against climate change and global warming for most enterprises today. KYEC has been building the greenhouse gas inventory system since 2006 to conduct annual inventory and energy-saving measures in the achievement of objectives in greenhouse gas reduction. To effectively manage the source of greenhouse gas emission and based on the suggestions from the ISO 14064 and GHG Protocol Initiative, the configuration of operational boundaries including the identification and operation related greenhouse gas emission will be classified by direct emission and indirect emission while the type and source of occurrence for greenhouse gas that could possibly occur in the operational range will be identified and undergo the certification of external testing institute (SGS)



### (1) Greenhouse Gas Inventory and Analysis

The 2018 inventory and calculation show that the greenhouse gas emission in Scope 1 is 6,622.971 tons of CO<sub>2</sub>e, accounting for 1.23%; which main source comes from R-134a coolant from the water cooling machine. The greenhouse gas emission in Scope 2 is 290,698.647 tons of CO<sub>2</sub>e, accounting for 98.77%; which main source comes from purchased power. In terms of ratio, the greenhouse gas emission of the company mainly comes from purchased power. The 2018 inventory results are shown below: (Note)

Factory	Scope 1	Scope 2	Scope 3	Total
Hsinchu Factory	193.054	14,400.898	0.000	14,593.951
Chunan Factory	3,357.942	223,093.584	0.000	226,451.526
Tungluo Factory	71.975	53,204.166	0.000	53,276.141
Total Emission (ton CO <sub>2</sub> e/ year)	3,622.971	290,698.647	0.000	294,321.618
Percentage (%)	1.23%	98.77%	0.00%	100.00%

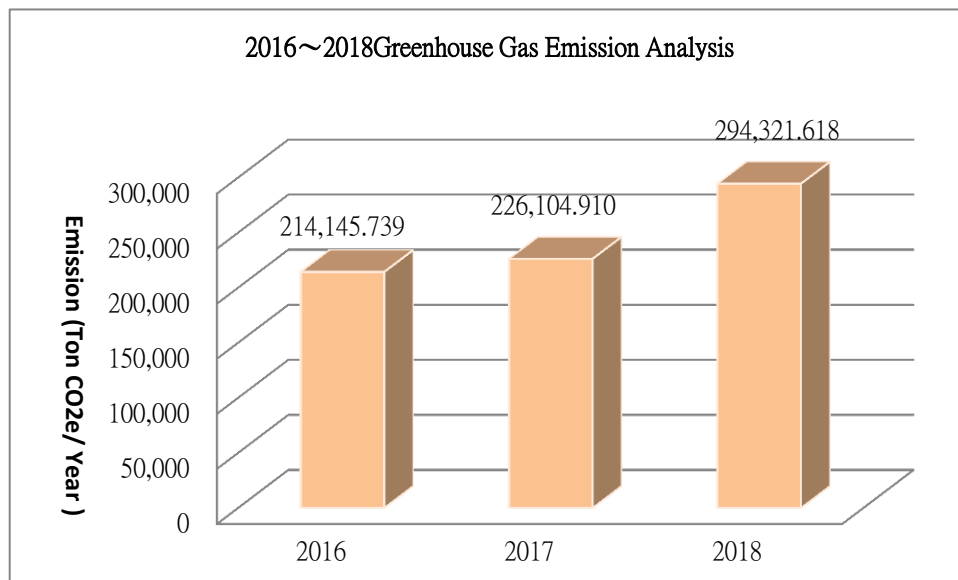
Note .

Scope 1: Mainly consists of fixed resource emission, mobility resource emission and dissipation emission.

Scope 2: Indirect greenhouse gas emission mainly consisting of purchased power

Scope 3: Employee commute, contractors, customer vehicle, and general waste treatment.

2018 Greenhouse Gases Emission								
Factory	CO <sub>2</sub>	CH <sub>4</sub>	N <sub>2</sub> O	HFC	PFCs	SF <sub>6</sub>	NF <sub>3</sub>	總計
Hsinchu Factory	14,402.636	19.688	0.027	171.600	0.000	0.000	0.000	14593.951
Chunan Factory	223,649.928	378.022	8.718	2,414.858	0.000	0.000	0.000	226451.526
Tungluo FAcTory	53,207.736	68.349	0.056	0.000	0.000	0.000	0.000	53276.141
Total Emission (Ton CO <sub>2</sub> e/Year)	291,260.299	466.059	8.801	2,586.458	0.000	0.000	0.000	294321.618
Percentage (%)	99.0%	0.2%	0.0%	0.9%	0.0%	0.0%	0.0%	100.0%



(2) Energy-Saving and Carbon Reduction Measures :

The Ministry of Economic Affairs suspended “voluntary green power price system program” since 2018, In response to global climate change, KYEC starts to purchase green power. In 2015, KYEC purchased a total of 2.7 million KWH green powers . Green power refers to the process of producing power which carbon dioxide emission was zero or near zero, resulting in

relatively lower impact on the environment. The main source of the purchased green power comes from solar energy and wind power generation on land, which is expected to reduce 910,000 KG of carbon emission.

KYEC takes real actions in energy saving and carbon reduction, receiving award from the Ministry of Economic Affairs and Miaoli County as the excellent enterprises in green power purchase. KYEC expects to set an example and lead the organization and the public to take actions in green power purchase and thereby making contribution to environmental protection. The factories continue to promote and implement various actions in autonomous management for energy saving and carbon reduction so that such concept will become part of employees' life.

#### Actions of Autonomous Management for Energy Saving and Carbon Reduction

- Set up recycling zone, announce classification method and establish control mechanism.
- Post slogan signs for energy saving and carbon reduction to develop the energy-saving habits in employees/customers.
- Set up power save mode for photocopier machine or computer equipment to reduce energy consumption.
- Purchase or use products with green marks.
- Promote walking, bicycling, riding electric scooter, or carpool in employees.
- Offer parking area for electric scooter and bicycles to enhance employee intention in green transport.
- Routinely share and promote local agricultural products.
- Prohibit the use of disposable tableware in employee cafeteria and use eco-friendly tableware.
- Promote vegetable and fruit meals in employee cafeteria by promoting special sales of agricultural products in
- Use independent lighting switch device in the office and apply responsibility-division management system
- Use conference mode for education and training in all factories.
- Continue to promote e-system and reduce the use of paper and printing.
- Establishing environmental protection propaganda area for conducting education and propaganda on energy saving and carbon reduction.



KYEC promotes energy saving via posters



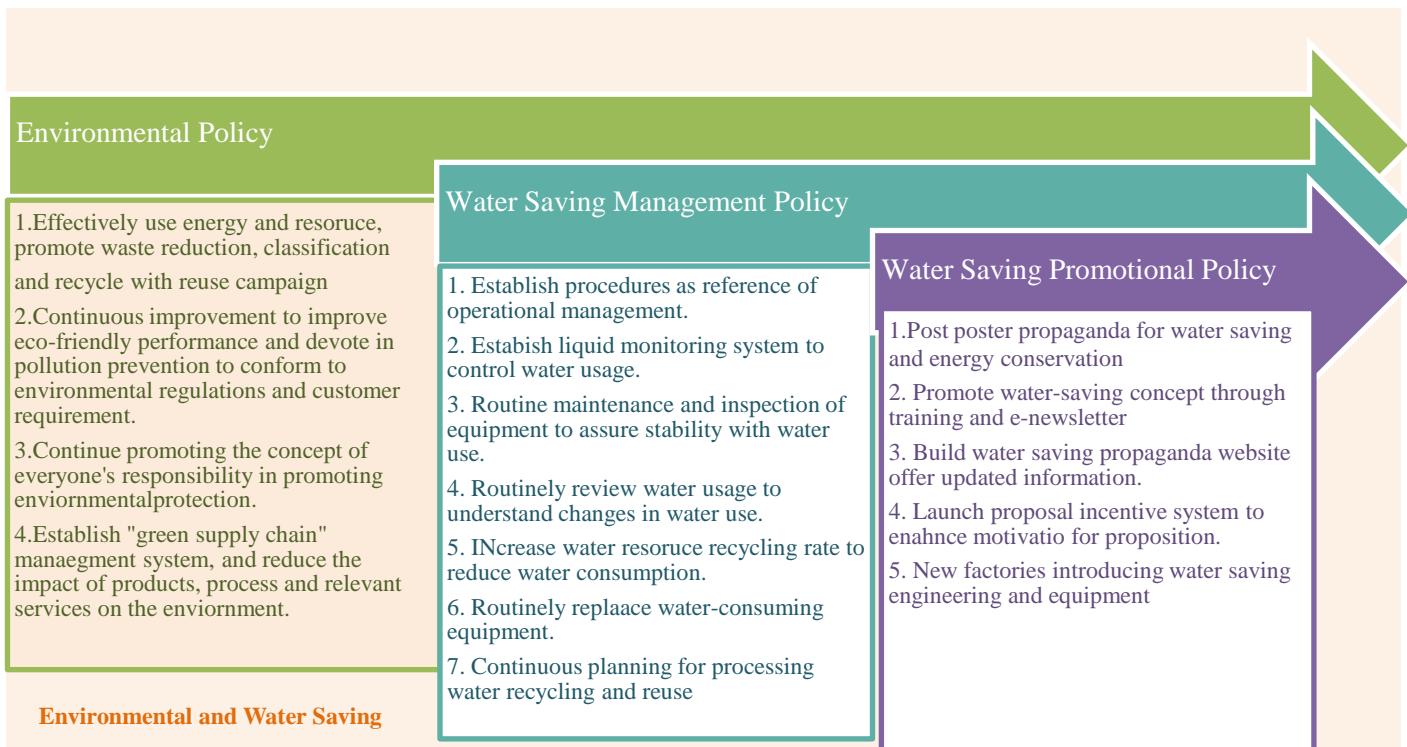
Implement elevatory power-saving control

### 3. Water Resource and Impact on Water

#### (1) Water Saving Policy and Management

The principle of water use conforms to the standard of water-saving processing design and maximizes the use of every drop of water through waste water recycling and reuse, thereby reducing the use of tap water. All departments shall establish water saving promotional organization to develop implementation guidelines and routinely review and inspect changes in water use. The departments shall also validate the effectiveness of factory facilities to replace water-consuming equipment and avoid waste.

The departments also implement proposal for improvement incentive system to encourage employees with the proposal of energy and water saving solutions in addition to taking active participation in governmental water saving plan and seminars. The departments shall continue to exchange water saving experience, using new equipment and technology to enhance the ratio of water resource recycling and reuse in the factories.



Real-Time Monitoring

- Establish high-low liquid level system for computer monitoring in recycle /storage tank
- Adopt computer monitoring for processing water device meter to control water usage at all times.
- Dispatch personnel to treat and review cause in times of overflow.

Routine Review

- Daily water recycling/waste water treatment amount inspection record
- Personnel on shift checking and validating at all systems daily.
- Daily/Monthly water usage statistics for review and improvement
- Monthly production of water balance diagram to assure the rationalization of water use.

Continuous Review

- Develop annual water saving objective (KPI) for monthly review.
- Monthly review on water usage in factories.

**Water Resource Management System**



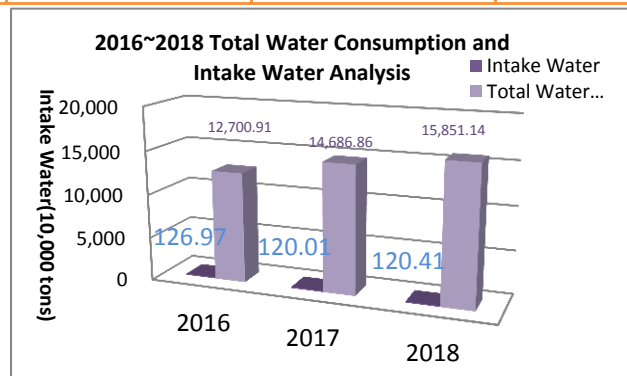
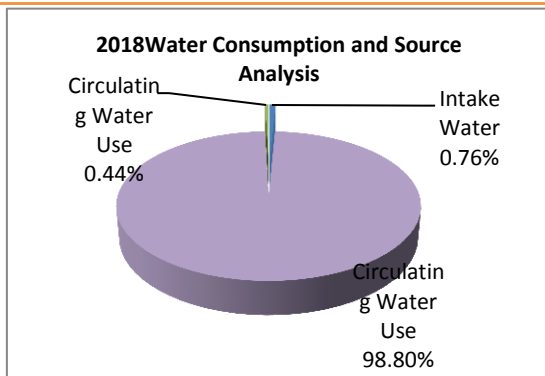
(2) Water Resource Management Indicator

KYEC continues to launch different water-saving recycling project each year with over 70% of waste water recycling rate. In 2018, KYEC’s intake water in 2018 was 1,204,103 tons, which only accounted for 1.0% of total water consumption while other sources of water use come from the processing waste water recycled and reused or supply from water treatment system in circulation. KYEC has accomplished the environmental objectives through the effective use energy resources.

The 2018 Water Consumption Recycling and Reuse Rate is analyzed below: (Note)

2018 Water Resource Recycling and Use Statistics						
Unit : Ton						
Item	Intake Water	Circulating Water Use	Recycling Water Use	Total Water Consumption	Reuse Rate	Recycling Rate (excluding the circulation amount from cooling water tower)
Cooling	628,120.59	153,087,450.00	164,359.00	153,879,929.59		
Furnace	0.00	0.00	0.00	0.00		
Processing	470,388.00	3,573,600.00	524,135.00	4,568,123.00	99.27%	78.77%
Livelihood	105,594.41	0.00	10,289.00	63,360.41		
Total	1,204,103.0					
	0	156,661,050.00	698,783.00	158,511,413.00		

Year	2016	2017	2018	
Recycling and Water Use	Recycling Water Use	84.34	73.56	69.88
	Circulating Water Use	12,489.60	14,493.29	15,666.11
Intake Water		126.97	120.01	120.41
Total Water Consumption		12,700.91	14,686.86	15,851.14
Intake Water to Total Water Consumption Ratio		1.00%	0.82%	0.76%



Note :

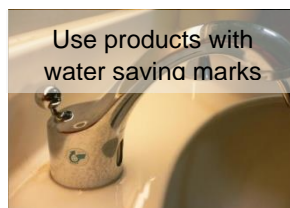
1. Reuse Rate  $= (\text{Circulating Water Use} + \text{Recycling Water Use}) \div \text{Total Water Consumption}$
2. Recycling Rate  $= (\text{Circulating Water Use} + \text{Recycling Water Use} - \text{Tower Cooling Water in Circulation}) \div (\text{Total Water Consumption} - \text{Tower Cooling Water in Circulation})$
3. Circulating Water Use: Referring to the reuse water without treatment by the same water use unit
4. Recycling and Reuse Water: Referring to the water reuse produced from waste water treatment

### (3) Water Saving Plan and Benefits

The launch of different water saving solutions including the continuous implementation of waste water recycling and reuse from the processing and water system in addition to building rainwater recycling system will save 1,335,850 tons of water a year, reduce 1,691.78 tons of sludge in output, and reduce 259.12 tons of carbon emission, reaching a total economic benefits of saving NTD 56,785,000 /year.

No.	Implementation Solution	Environmental Benefits			Economic Benefit's
		Water amount saved	Amount of sludge saved	Carbon reduction	Amount saved
		(10K tons/year)	(tons/year)	(tones/year)	(NT10,000/year)
1	The waste water from cutting and grinding wafer in the process is recycled to pure water system for supply to site processing.	64	883.1	124.16	3336.9
2	The vacuum cooling water during the grinding process is changed from the discharged to recycled and reuse water.	11	151.8	21.34	571.5
3	The rinsing water for sludge dehydrator in waste water field is changed from tap water to discharged water.	14.6	0	28.32	186.1
4	The ROR recycled water produced from the ultra-pure water system RO tube is supplied to cooling tower use.	14.6	201.48	28.32	469.3
5	Soft water system cleaning water in reserve for recycles to the sediment pool, then supply for soft water system use.	1.46	201.48	2.83	93.7
6	Pure water system in mixed bed trial water recycled to soft water pool for RO water use.	1.3	17.94	2.52	41.5
7	Re-distribute the pipe for toilette flushing and bathroom from faucet water to ROR recycled water.	1.8	0	3.49	23.2
8	Adopting sensor faucet and adjust the amount of water flow	3.9	0	7.56	50.7
9	Replace traditional sludge dehydrator with plate frame based filter	1.46	0	2.83	31.2
10	The recycling tube for cutting and grinding water water replaced with DOWEX tube	15.257	235.98	29.59	820.8
11	Plant 4 rain water recycling system established	1.44	0	2.79	18.4

12	Full bottled water placed in toilette water tank or adjusting the water level on water tank to reduce the amount of water for flushing.	0.215	0	0.42	2.7
13	Recycling condensed water from the external air-conditioning box	0.912	0	1.77	11.6
14	Plant 2 and Plant 4 Rain water storage tank added with piping	0.582	0	1.13	7.4
15	Chunan Factory Rain water recycling system integration	1.059	0	2.05	13.5
16	Tungluo Factory rain water recycling system established	0.45	0	0.87	5.73
17	Tungluo Factory recycles and reuses waster from sewage factory	2.55	0	4.94	32.5
Total		136.585	1691.78	264.93	5716.73



#### 4. Pollution Prevention

##### (1) Waste Water Discharge and Management

The factories are installed with processing waste water recycling and treatment equipment with specialist in charge of operation and management in addition to developing operation maintenance and repair operation procedures. Each year the budget is prepared to maintain and replace waste water prevention and treatment equipment in order to effectively improve the processing waste water recycling and reuse rate. The waste water discharge per unit product 1.154 tons in 2018, which maximizes the benefits of prevention and equipment.

KYEC complies with domestic and international environmental protection laws and regulations, acquires water pollution prevention license, and routinely conduct waste water inspection and declaration. For the daily site audit on waste water treatment and waste water discharge outside of factory, KYEC will immediately conduct inverse flow treatment in times of abnormal effluent. Each year the inspection unit recognized by the Environmental Protection Administration will conduct waste water and sludge inspection analysis. The waste water will undergo effluent treatment and then discharged to licensed agricultural and irrigation gutter. KYEC also analyzes the inspection discharge data quarterly to verify if such data conform to the effluent and Department of Irrigation and Engineering standards, in order to reduce the impact of waste water discharge on the environment.

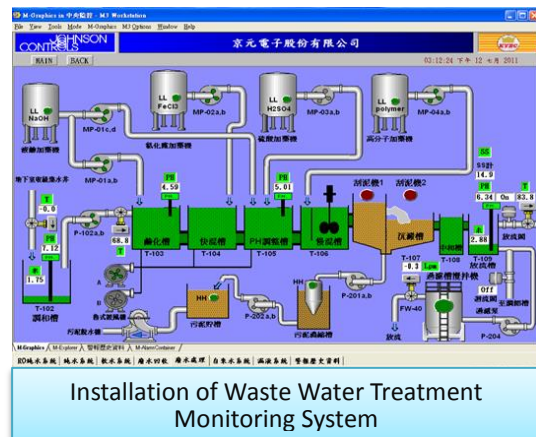


Regular waste water sampling test monitoring

2016~2018 Waste Water Discharge Analysis			
Year	2016	2017	2018
Waste Water Discharge (tons)	392,967	296,375	288,788
Cutting and Polishing Quantity (Pieces)	740,000	693,000	250,232
Waste Water Production Per Unit Product (tons)	0.531	0.428	1.154



Waste water automatic connection monitoring system



Installation of Waste Water Treatment Monitoring System

## (2) Rainwater Management

Rainwater is often neglected in the management of water source and so KYEC designs rainwater collection systems in all factories to store rain water during rainy season and effectively use rainwater collected for irrigation and bathroom water flush through the piping connection between factories. In spite of the absence of enormous economic benefits from raining water recycling, the saving in water costs is only added value while the good use of water source is the direct achievement of environmental sustainability

Apart from effective use of rainwater source, KYEC also establishes the “Rainwater Gutter Management Operation Instructions” to routinely patrol and monitor the water quality in rainwater gutter. KYEC also outsources inspection companies to draw samples during rainy season to immediately shut down the rainwater gutter gate in case of abnormal water quality. Rainwater is also introduced into the waste water treatment system for treatment, follow-up and correction of cause of abnormal water quality. A water division pier is also set up in the waste water treatment plant and sludge storage zone to guide the rainwater into the gutter and avoid the overflow of mixed rainwater and waste water into the rainwater gutter in times of storms. The factories routinely clean rainwater gutter to prevent overflow of rainwater sediment in times of rainy season.



↑ Factory Rain water recycling system



↑ Factories installed with

## (3) Waste Management and Reuse

KYEC specializes in semiconductor testing process without using toxic substance. KYEC does not produce air pollution in testing process but only waste water treatment and wastes. Wastes are outsourced to qualified suppliers without overseas transport.

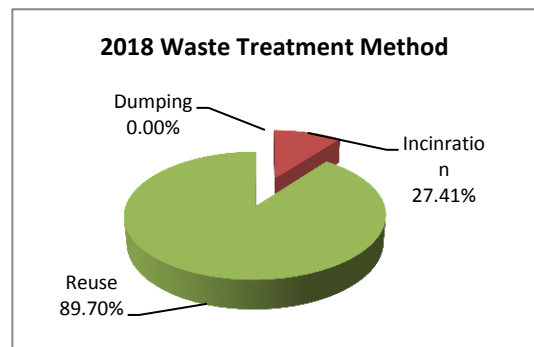
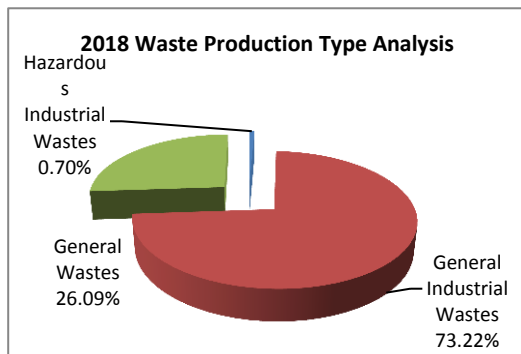
Each year KYEC targets at corporate environmental policy to set up various waste reductions, routinely audits energy saving objectives, trace and review factory waste reduction and energy saving conditions to establish cleaning and removal treatment supplier audit system, and routinely execute follow-up and audit without warning, in order to assure the legitimacy of outsourced cleaning and removal treatment operations. Contractors will need to complete 2



hours of environmental safety and hygiene education and training before working in the factories in order to strengthen the personnel with environmental protection work administration capacity when working at the factories.

- The 2018 total waste production is shown below:

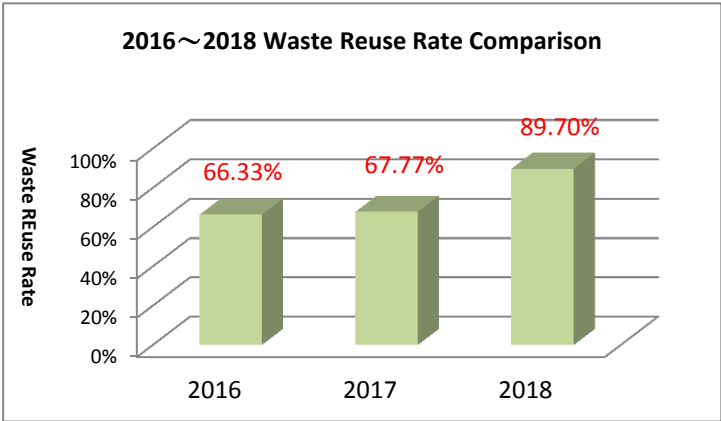
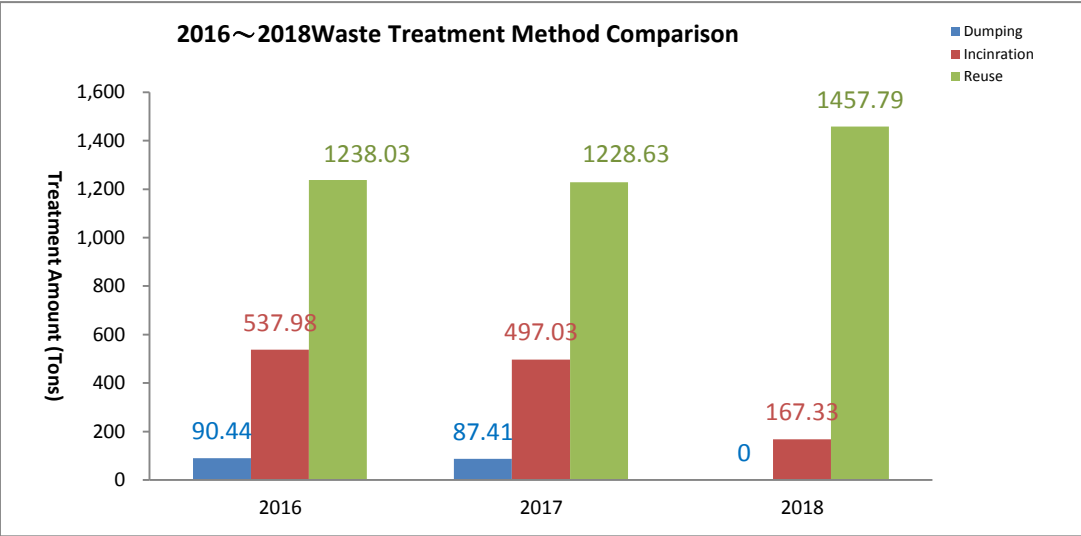
Total Types of Wastes	Hazardous Industrial Wastes	General Industrial Wastes	General Wastes	Total
Production (tons/year)	23.66	402.68	116.31	542.64



2016~2018 Waste Reduction and Recycling Effect :

Waste treatment is operated mainly through incineration, dumping and reuse. The waste reuse rate climbed from 31.36% in 2014 to 89.7% in 2018 and no longer adopts landfill processing starting 2018. In the future, wastes will continue to be treated by reuse in attempt to meet the objective of waste recycling and reuse.





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企業管理

## 半導體產業最 in 零廢棄風潮

**三、改善環境企業服務中心，發展良 新工種**  
林敏 葉榮輝

隨著環保意識的抬頭，推動企業「零廢棄」不僅是國際標準，更是企業永續發展與社會責任的體現。在企業界，「零廢棄」不僅是環保的標榜，更是企業社會責任的具體實踐。在企業界，「零廢棄」不僅是環保的標榜，更是企業社會責任的具體實踐。

**致力資源永續，盡善企業社會責任**

以「永續發展」為核心理念，「零廢棄」不僅是環保的標榜，更是企業社會責任的具體實踐。在企業界，「零廢棄」不僅是環保的標榜，更是企業社會責任的具體實踐。

**綠色概念，打造循環再生能源**

一般人可能認為，「零廢棄」不僅是環保的標榜，更是企業社會責任的具體實踐。在企業界，「零廢棄」不僅是環保的標榜，更是企業社會責任的具體實踐。

### 廢棄資源減量再利用 - 京元這樣做

項目	具體做法	實施年份
1	PC 回收	2008 23.2%
2	IC 回收	2008 23.2%
3	高品質材料	2008 26.7%
4	平流式沉澱池	2008 26.7%
5	PL 回收	2008 27.4%

**產業夥伴共同合作，達到循環經濟 24 目標**

在廢棄物回收與再利用方面，京元與多家企業建立了緊密的合作關係。通過與產業夥伴的共同合作，京元不僅實現了廢棄物的減量，更在循環經濟的建設中發揮了積極的作用。

**京元電子 零廢棄看得到**

京元電子在「零廢棄」方面取得了顯著的成就。通過不斷的努力與創新，京元電子不僅實現了廢棄物的減量，更在循環經濟的建設中發揮了積極的作用。

企業管理
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Special interview by the environmental protection magazine - zero zero Lifestyle Magazine”



Storage by classification of waste codes

**資源回收 勿混合**  
放對是資源 去錯變垃圾

請將回收箱分類  
分類回收

家戶(宿舍)垃圾請勿攜入廠內去棄影響分類運作

資源回收品應與其它垃圾分開  
讓資源有效再利用, 重新創造新價值

**您拆了嗎?**

產品丟棄前, 請將內含的電池拆下回收

回收地點: 超商、超市、量販店、通訊行、相館、資源回收車、社區學校回收點及回收商

行政院環境保護署資源回收管理委員會 資源回收專線: 0800-085717 (國、粵、台、英語、第一通)  
\*本中心與民間團體合作辦理之資源回收活動

Recycling promotion



Types of Wastes	Items for Recycling	Specific Approach
<b>Hazardous Wastes</b>	Customer Defect (IC, Wafer)	To be handed to recycling supplier for crushing and extraction of expensive metals
<b>General Industrial Wastes</b>	Wooden Pallet	1. Recycle on site for reuse. 2. Damaged units will be recycled and crushed into wood chips for use as fuel additives
	Empty Chemical Barrel	Recycling supplier will clean and reuse.
	Waste paper package	To be made into materials for use as recycle paper
	Waste metal	Recycle, dismantle, classify and reproduce into metal material.
	Waste metal and Aluminum can	Recycle and use as supporting materials for metal and aluminum products
	Waste plastic bottle	To be given to plastic factory for material remaking.
	PS Wrapping tape .PP Conveyor belt .PE Plastic wrap	To be given to plastic factory for material remaking.
	PVC Gloves	To be given to plastic factory for material remaking.
	Foaming package	Waste Styrofoam, foam, sponge...etc. Recycled for packing, furniture and shoe filling.
	IC tray	1. Site staff classifies, recycles and reuses. 2. Damaged pieces will be recycled and made into material
	IC tube	1. Storage staff classifies, recycles and reuses 2. Damaged pieces will be recycled and made into material
	Other items for recycling (batter, glass, waste aluminum)	1. Classify, recycle and reuse.
	Other waste plastic	1. Storage staff classifies, recycles and reuses 2. Damaged pieces will be recycled and made into material
	Waste Information Products	Recycled, dismantled, classified and reproduced into supporting material

## 5. Compliance with Environmental Protection Laws

KYEC conducts regulatory check and identification each month to assure the factory operations in conformity with regulatory requirement. KYEC has not incidents against environmental protection laws and regulations in 2018.

## Occupational Safety and Hygiene

### 1. Safety and Hygiene Policy and Organization Operations

KYEC develops comprehensive safety and hygiene policy which the general manager announces to execute with all employees and supervisors. The content of policy describes KYEC's principle in implementing occupational safety and hygiene improvement campaigns and its objectives in the overall safety and hygiene as well as the commitment in improving the safety and hygiene performance.

KYEC specifies the responsibilities for safety and hygiene for all levels by establishing an occupational safety and hygiene committee and safety and hygiene promotion organization. The safety and hygiene issues are reviewed at the quarterly meeting to implement base-level communication mechanism. The occupational safety and hygiene committee calls for quarterly meeting to review safety and hygiene related matters, where the committee members consisting of the general manager, occupational safety and hygiene personnel and health service staff, departmental supervisors and safety and hygiene related engineers. Currently the committee consists of 97 people while 38 workers accounting for over one third of the committee members. The number of members constituting the 2018 occupational safety and hygiene committee by factory are described below:

Factory	No. of Committee Members	Worker Representative	Worker Representative Ratio
Corporate Headquarters	14	5	35.7%
Chunan Factory	57	24	42.1%
Tungluo Factory	26	9	34.6%
Total	97	38	39.2%

### 2. Statistics and Analysis of Occupational Disasters

A total of work related injury cases occurred in factories in 2018, summing up a total days of loss of 35 days, disability injury frequency of 0.6 and disability injury severity rate of 3. The majority of work related injury type in 2017 consisted of injuries from personnel fall and falling objects. There was no death or full disability as well as other severe work related safety accident.

2018 Occupational Disaster Statistics and Analysis (Note )						
Factories	No. of Cases	Days of Loss	Total Labor Hours Experienced	Disability Injury Frequency (A)	Disability Injury Severity Rate (B)	Total Injury Index (FSI)
Corporate Headquarters	0	0	494,080	0	0	0
Chunan Factory	7	35	9,466,616	0.74	3.70	0.052

Tungluo Factory	0	0	1,715,304	0	0	0
Total	7	35	11,676,000	0.60	3.00	0.042

2018 Occupational Disaster Type Analysis							
Injury Type	Pinch	Collision	Fall	Cut	Falling Objects	Crushes	total
Cases	1	5	0	0	0	1	7

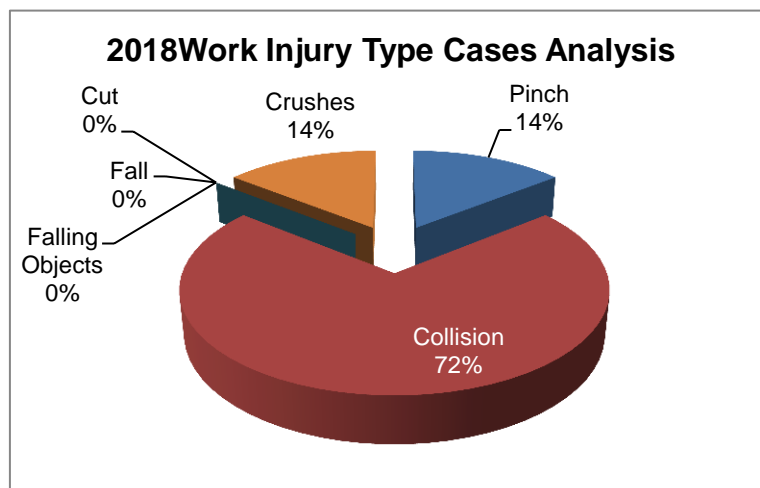
Note:

Disability Injury Frequency (FR)= No. of Disability Injury / Total Working Hours Experienced \*1,000,000

Disability Injury Severity Ratio (SR)= Total Loss of Working Days / Total Working Hours Experienced \*1,000,000

$$\text{Total Injury Index (FSI)} = \frac{\sqrt{FR \times SR}}{1000}$$

KYEC continued to promote the “No Accident Accumulative Working Hours Incentive Campaign” since 2012 and compiles the statistics of no accident working hours in all departments monthly in addition to making announcement and incentives. In 2017, 7 cases of occupational disaster occurred, resulting in a disability injury frequency of 0.6 and disability injury severity 14 that are both significantly lower than those in 2017.



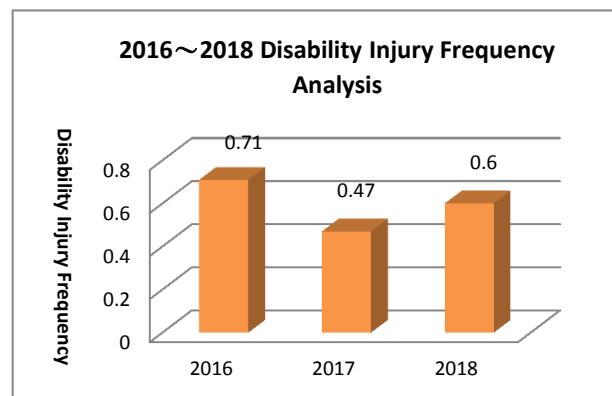
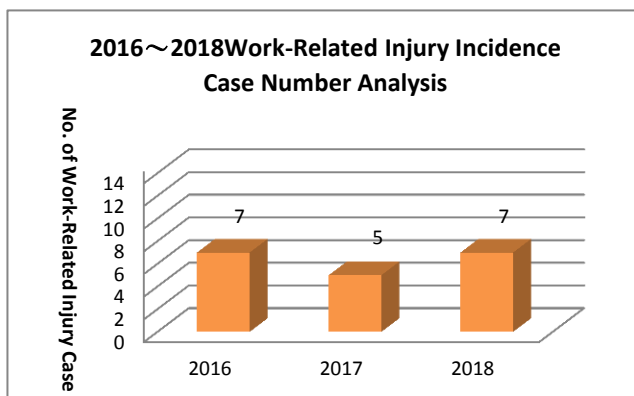
In view of the majority of work injury occurring to personnel at site, the work safety and environmental protection department incorporates the cases of work injury to the training materials as require the course as necessary course for production and equipment personnel. For departments with relatively higher incidence rate of work related injury, KYEC advocates through departmental supervisor meeting to enhance the safety awareness for personnel from the department supervisors. To reduce the incidence rate of work related injuries by human error, personnel violating regulations and leading to work related injuries will be taken into

consideration for the distribution of performance bonuses.

After the incidence, KYEC will immediately require the responsible department to conduct incident survey and root-cause analysis in addition to proposing improvement actions, where the improvement report is advocated via the monthly e-newsletter and environmental safety and hygiene hallway. The factories shall undergo annual disaster statistics and analysis to propose improvement strategies for injury types with relatively higher ratio.

Traffic accident is also a common occupational disaster among factory staff. Hence KYEC advocates and reminders of the road sections susceptible to accidents to the training materials for new employees and the switch screen. In 2016, the traffic accidents consisted of all employees riding scooter and the quarterly scooter safe driving course was held in 2017 while posting traffic safety signs on the scooter parking lot to reinforce the concept of traffic safety driving in employees. In the event of repair project on the surrounding roads, employees will be announced via e-mail.

Year	2016	2017	2018
No. of Cases	7	5	7
Frequency of Disability Injury	0.71	0.47	0.6
Severity of Disability Injury	18.79	14	3
Total Injury Index	0.116	0.08	0.042



**KYEC BU5公傷案例**

一、發生經過：  
2018/03/15早上07:25左右，人員於CH2-3F產線內搬運產品時，行經非動線區域撞擊電盤開關箱，造成頭部撞傷。【左額頭 縫3針】

二、建議災害防止對策：

- 1.立即針對進行BU5人員案例宣導。
- 2.建議以下改善做法：
  - (1)BU5針對人員工作紀律進行要求。
  - (2)要求人員小黑車進行產品搬運時，需使用拉勾搬運。
  - (3)調整產品搬運動線，避免人員違規穿越。
  - (4)新增教材教導人員產品搬運規定。
- 3.職業安全部作成案例向其他單位宣導。

工安及風險管理處 第5頁

Work Injury Case Promotion



Factory Environmental Safety and Health Promotion



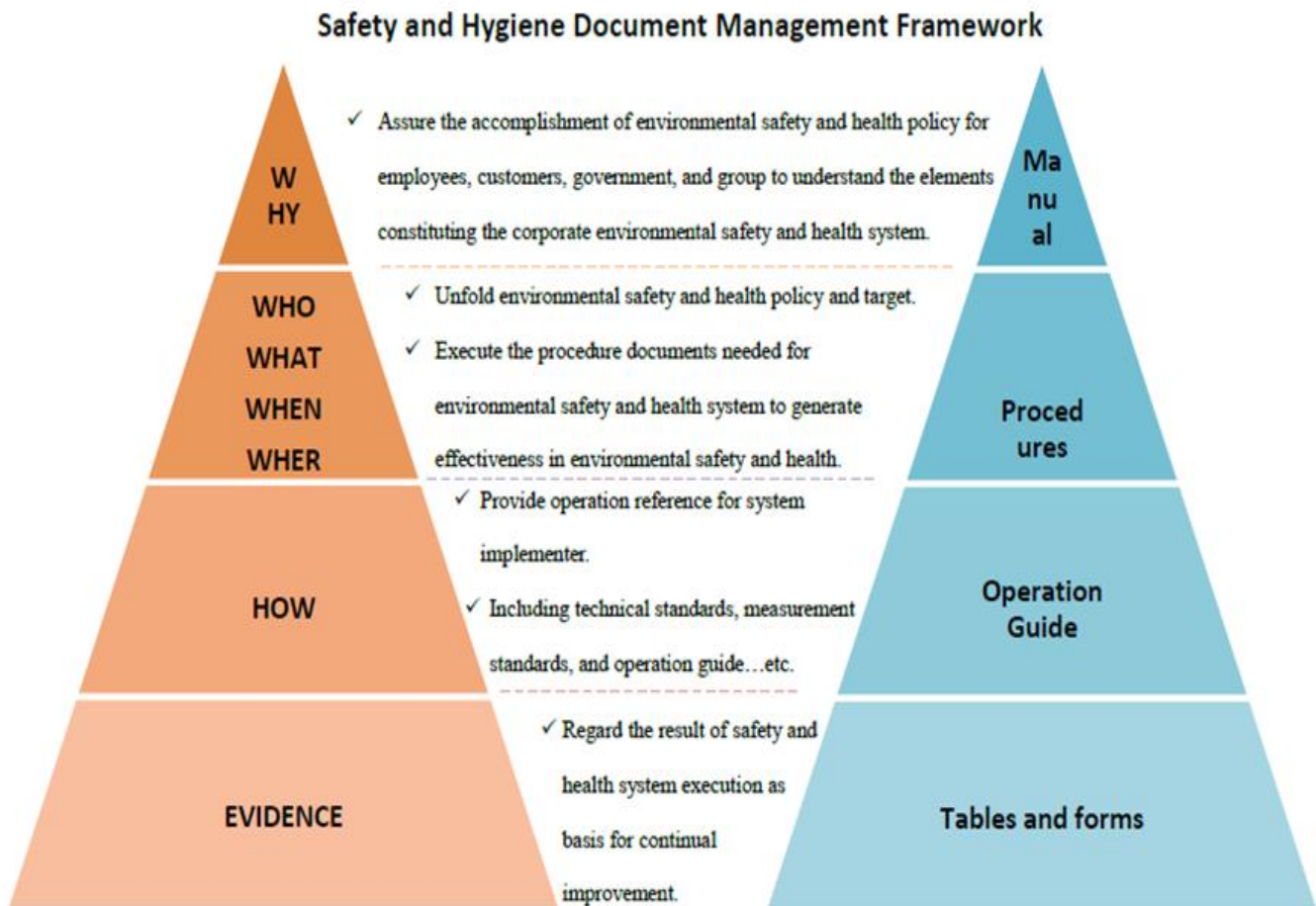
Traffic Safety Promotion



Monthly release of environmental safety and health e-newsletter

### 3. Develop Safety and Hygiene Code of Practice and Management

Based on the framework of OHSAS18001 Occupational Safety and Hygiene Management System and applying the autonomous management philosophy of PDCA continuous improvement, KYEC develops various safety and hygiene management procedures and work practice as reference for operations, which not only lowers occupational disaster incidence rate but minimize the damage and impact on property, personnel and the environment.





#### 4. Chemical Safety and Hygiene Management

KYEC follows the framework and regulations of occupational safety and hygiene management system for the control on factory chemical substances, in addition to formulating the chemical management operation procedures, chemical warehousing management procedures, chemical tank loading/unloading operation procedures, as well as specifying the chemical purchase, storage, use, and labeling requirement. Each year KYEC organizes “Hazard General Education Training” to conduct routine training for users who will strengthen the cognitive capacity and prevent accidents.

The factory offers a chemical substance warehouse with leakage treatment vehicle, anti-overflow pallet, and firefighting facilities to reduce the risks of personnel acquiring materials. The chemical storage zone is installed with emergency response equipment while the chemical storage zone of waste water plant is installed with anti-overflow and emergency rinsing equipment to provide the use for leakage rescue. Areas concerned for hypoxia shall be installed with oxygen detection system with connection to central monitoring to avoid suffocation and hazards in operators.

The production line only stores few chemicals while each floor is installed with chemical anti-explosion cabin for collective management. In addition, the chemical anti-explosion storage cabin is routinely measured for volatile gas concentration to reduce exposing the operators to hazards. The chemical storage zones offer safety data sheet with formulation of hazardous substance list that is updated quarterly to maintain data accuracy. Additionally, the “chemical database” is established online for convenient query by employees.

Prepare the chemical types and quantity allocation information map for all factories. Store the map in the factory security guard office and update at least once every half year so that rescue personnel will acquire such information immediately in times of disasters to make determination in rescue relief immediately and maintain the safety of rescue personnel.

The “chemical database” is established online for

識別碼	化學物品名稱	標示內容	危害分類	使用/貯存單位
KYEC-01	次氯酸鈉(NaOCl)		急毒性物質第3級(吸入)、金屬腐蝕物第1級、腐蝕/刺激皮膚物質第1級、嚴重損傷/刺激眼睛物質第1級、水環境之危害物質(急毒性)第2級	廠務處
KYEC-02	鹽酸		金屬腐蝕物第一級、腐蝕/刺激皮膚第一級、嚴重損傷/刺激眼睛第一級、環境危害物質	廠務處
KYEC-03	硫酸		金屬腐蝕物第一級、腐蝕/刺激皮膚第一級、嚴重損傷/刺激眼睛第一級、環境危害物質	廠務處
KYEC-04	氫氧化鈉溶液		金屬腐蝕物第一級、腐蝕/刺激皮膚第一級、嚴重損傷/刺激眼睛第一級、環境危害物質	廠務處、BU1、BU2、BU6
KYEC-05	氯化氫		腐蝕/刺激皮膚第1A級	廠務處使用
KYEC-06	高分子凝結劑(+)	無	不歸類為危險物或有毒物質	廠務處使用
KYEC-07	高分子凝結劑(-)		急毒性物質第三級(吞食)、急毒性物質第五級(皮膚)、腐蝕/刺激皮膚物質第三級、嚴重損傷/刺激眼睛第2B級、皮膚過敏物質第1級	廠務處
KYEC-08	高級柴油		易燃液體第三級、吸入性危害物質第一級、致癌物質第二級、特定標的器官系統毒性物質-暴露第三級	廠務處
			急毒性物質第4級(吞食)、急毒性物質第4級(皮膚)、腐蝕/	



Chemicals storage cabin set up with leak prevention tray



Set up chemical material acquisition truck to avoid turnover during transport.



Conduct checkpoints for chemical tanker loading



Chemical substance leak drills

## 5. Safety and Hygiene Risk Evaluation and Change Management

KYEC conducts regular hazard identification and risk assessment on the various operation activities of corporate organization. The “risk management list” is established for hazard identification and risk assessment result and undergoes improvement according to the objectives of risk level. The risk level can also be applied to environmental safety and hygiene objectives, target and management solutions in addition to follow up routinely at the Occupational Safety and Hygiene Committee. Prior to introducing change of plan for the processing, raw material, machinery equipment, plant, and firefighting facilities, KYEC shall conduct risk assessment control on the operation, techniques, engineering, design, and environment in order to discover the potential risks. The department of change must first conduct identification and risk assessment. In case of high risk items, the department shall submit hazard control measures and improvement plan to assure the proper control of possible risks derived before, during and after the change. Additionally, the query opinions involving personnel will need to be taken into consideration and trainings will be provided to operators. The department shall monitor the risk after change for decision over continuous control.

## 6. Emergency Response and Disaster Relief

All factories shall set up emergency response treatment centers with personnel on shift. In case of receiving anomaly report, the staff may report and broadcast immediately according to the accident condition. All departments can also establish emergency response teams and shall routinely update the list to conduct work task training, strengthen personnel capacity to respond to emergency situations and help personnel familiarize with the application of safety protection equipment, thereby assuring the validity of emergency response treatment procedures.

The theme for drills will be scheduled each year to schedule all departments for emergency response drill plans. All shifts shall implement drills by plan. The emergency response plan shall be discussed at the pre-drill meeting for applicability while implementing audit and evaluation during the drill. The department shall also review the matters for improvement after the drills by proposing relevant suggestions. The departments actively participate in “Toufen-Chunan Industrial Par, Regional Joint Prevention Organization” to exchange ideas for environmental safety and hygiene management with each other, thereby mutually supporting each other. In response to the tour bus burning incident occurred in July, 2016, KYEC will include company shuttle bus safety drills into the annual drill plan in 2017 to strengthen the inspection of safety for company shuttle bus and the educational training for passengers.

In 2018, a total of 59 emergency response drills were held with the statistics of drill type sessions below:

Factories	Fire rescue/ Earthquake disaster	Chemical leakage	Whole plant evacuation	company shuttle bus safety drills	Total factory evacuation
<b>Hsinchu Factory</b>	4	0	1	6	11
<b>Chunan Factory</b>	20	1	1	12	34
<b>Tungluo Factory</b>	4	1	1	8	14
Total	28	2	3	26	59





Seismic disaster drills



Fire disaster rescue drills



Personnel evacuation



Asylum guide personnel

## 7. Contractor Safety and Hygiene Management

The contractors play considerably important role in the environmental safety and hygiene management. A high ratio of contractor operations belongs to risk-based operations. Improper operations could result in personnel injury or death while more likely interrupts corporate operations. Hence, the factory develops Contractor Management and Purchase Management Guidelines for the management of contractor operations, signing the “Contractor or Subcontractor Construction Safety and Hygiene Environmental Protection Commitment” before contracting. The contractors shall committee to the compliance with factory environmental safety and hygiene regulation and various construction code of practice during the construction period in order to attain the objectives in “zero accident and zero disaster.” The access card will be issued to the contractors after they have implemented the contractor pre-operation environmental safety and hygiene education and training with satisfying test results. The e-application for construction and contractor card system are used to implement factory access card system in order to effectively control the number of construction workers admitted to the factory daily and the nature of operations. For high-risk based operation formulation license system, the departments may be required to dispatch monitoring employees during the operation hours in addition to implementing construction region patrol and audit, thereby call for contractor reconciliation meeting regularly to review and advocate for safety and health management items. KYEC shall continue to promote safe hygiene family to fulfill the responsible care system from the business division to the downstream contractor personnel. Routine meeting allows contractors to exchange with each other.



Implement pre-operation hazard notice



Implement contractor emergency evacuation drills

## 8. Fire Safety Equipment and Signs

All zones are installed with various fire detectors, fireproof division, and automatic fire alarm equipment, and 100-pound fire extinguisher. Pipes penetrating wall or floors are also installed with fireproof filling to reduce personnel and property loss rate in times of fire. The CO2 radiation system and central fire monitoring system are installed to prevent fire accidents.

The factory staff implements inspection and trial operation on the fire equipment monthly. In every 6

months, qualified firefighting equipment (master) shall inspect and declare the inspection results each year. The construction operation control shall be applied to operations susceptible to trigger errors in facilities while the electric equipment undergoes annual infrared thermal development scanning to discover abnormal equipment early and prevent electronic device induced fire.

Apart from labeling the fire extinguisher (fire box) and escape instruction sign according to the regulations, additional 3D sign is added to expand the angle of horizon and could enhance personnel identification easier. The escape door for each floor is installed with smoke escape bag and escape guidance equipment as emergency evacuation use. To help the personnel familiarize with the use of emergency response equipment and firefighting equipment as well as strengthening the emergency relief capacity of the personnel, the factory staff shall complete the fire extinguisher hands-on training for all staff



Inspect fire extinguishers on the vehicles.



Test fire extinguisher function regularly



Cooperate with firefighting departments to hold large-scale drills



Fire extinguisher operation training



Rescue team personnel external training

## 9. Machinery Equipment Safety Management

The machinery equipment must undergo hazard identification and risk level assessment before introduction, implement change management process and reduce disaster incidence rate. The machinery equipment safety installation and standards of hazard warning labels shall be included in the purchase for order and acceptance standards. Equipment relocation, installation, operation, maintenance, and repair safety operation standards shall be established routinely by including various safety protection functions into the inspection items for daily maintenance or repair.



↑ Establish requirement for equipment



↑ Establishment of equipment hazard online



## Employees' Rights

Talent is the key to achieving competitiveness. "Employment by talents and take local materials." KYEC offers a diversity of employment channels, emphasize on thriving local economies, and upholds to the philosophy of protection and feedback to create more employment opportunities for Hsinchu and Miaoli areas. KYEC also employs local employees as the top priority. Currently the total number of employees is about 6,900 people and particularly employs from Hsinchu and Miaoli County account for more than 70%. Meanwhile, we also firmly believe that outstanding employees are the biggest assets of KYEC and therefore are committed to provide recruitment process in conformity with laws and regulations, comprehensive education and training system, safe and humanistic workplace environment, and competitive salary welfare system and public promotion channel. The above complete "selection, fostering, employment, and retention" related HR management allows employees to maximize their talents in workplace while joining KYEC hand-in-hand to create a win-win future for both sides.



### 1. Standards of Recruitment and Employment

KYEC protects workers' rights through Labor Standard Act and Act of Gender Equality in Employment, where workers will not receive preferential treatment due to discretion in race, social class, nationality, religion, disability, sexual orientation, union qualification, political party, or age. Moreover, KYEC is committed and implements relevant labor policies for EICC workers, health and safety, environmental protection, commercial code of ethics, and management system elements, including (1) the ban on child labor. Apart from the explicit declarations in Personnel Code, KYEC also adds prevention mechanism to recruitment and employment by more actively develop the operation instructions for employment of child labor and young labor in order to exclude misuse and assure subsequent related matters. (2) Freedom to choose employment, which assures voluntary intention from employees and KYEC shall not employ based on cohesion and compulsive criteria. Moreover, employees own the right to terminate labor contract at any time as long as they meet the period of resignation declaration in the provisions under Labor Standard Act.

Regarding the change of labor services, in case of employees voluntary resignation, suspension or transfer of KYEC or the affiliated factory, loss or operation tightening, company suspension of work for over one month due to force majeure, and change of operation nature, that makes it necessary to reduce

employees without proper work for placement, and incompetent for the work consigned, both workers and employers shall follow the standards below.

- (1) Those having worked for over three months but less than 1 year shall notify in 10 days in advance.
- (2) Those having worked for more than one year but less three years shall notify in 20 days in advance.
- (3) Those having worked for three consecutive years shall notify in 30 days in advance.

In response to the expansion of factories in Taiwan, the number of new employees increases annually. In 2018, the number of new employees recruited reached 1161 people and in particular, the ratio between men and women was 681 men to 477 women, as shown in the following table.

(1) Occupation

Distribution of New Employees		2016				2017				2018			
		Male		Female		Male		Female		Male		Female	
		No. of Persons	Ratio (%)	No. of Persons	Ratio (%)	No. of Persons	Ratio (%)	No. of Persons	Ratio (%)	No. of Persons	Ratio (%)	No. of Persons	Ratio (%)
Occupational Distribution	Supervisory Administrator	14	1.41%	19	1.92%	16	1.58%	19	1.88%	39	3.36%	39	3.36%
	Engineer	292	29.47%	77	7.77%	227	22.48%	85	8.42%	344	29.63%	118	10.16%
	Technician	339	34.21%	250	25.23%	213	21.09%	450	44.55%	301	25.93%	320	27.56%
Subtotal		645	65.09%	346	34.91%	456	45.15%	554	54.85%	684	58.91%	477	41.09%

(2) Work Location

Distribution of New Employees		2016				2017				2018			
		Male		Female		Male		Female		Male		Female	
		No. of Persons	Ratio (%)	No. of Persons	Ratio (%)	No. of Persons	Ratio (%)	No. of Persons	Ratio (%)	No. of Persons	Ratio (%)	No. of Persons	Ratio (%)
Work Location	Miaoli Factory	630	63.57%	337	34.01%	446	44.16%	546	54.06%	674	58.05%	470	40.48%
	Hsinchu Factory	15	1.51%	9	0.91%	10	0.99%	8	0.79%	10	0.86%	7	0.60%
Subtotal		645	65.09%	346	34.91%	456	45.15%	554	54.85%	684	58.91%	477	41.09%

(3) Age

Distribution of New Employees		2016				2017				2018			
		Male		Female		Male		Female		Male		Female	
		No. of Persons	Ratio (%)	No. of Persons	Ratio (%)	No. of Persons	Ratio (%)	No. of Persons	Ratio (%)	No. of Persons	Ratio (%)	No. of Persons	Ratio (%)
Age	Under 30 years old	421	42.48%	192	19.37%	334	33.07%	392	38.81%	465	40.05%	331	28.51%
	Between 30 (including) and 50 years old	223	22.50%	153	15.44%	121	11.98%	162	16.04%	216	18.60%	145	12.49%
	50 Years or older	1	0.10%	1	0.10%	1	0.10%	0	0.00%	3	0.26%	1	0.09%
Subtotal		645	65.09%	346	34.91%	456	45.15%	554	54.85%	684	58.91%	477	41.09%

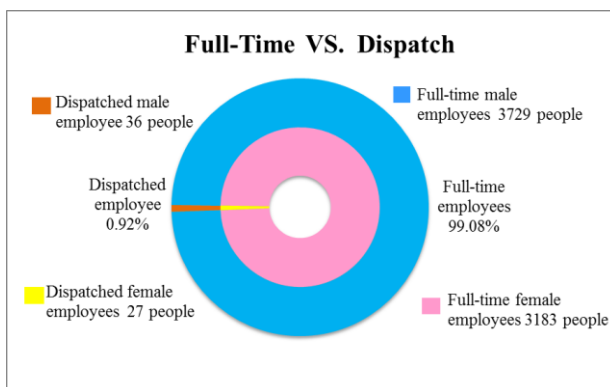
## 2. Employee Distribution

In recent years, the number of employees rises year by year and as of 2018, the number of employees for KYEC reached 6,975 people (including the company and dispatched employees). In terms of nationality ratio, the national ratio is 72.23% and non-Taiwanese ratio is 27.77%. In terms of titles, supervisory administrators account for 20.65%, engineers account for 30.65% and technicians account for 48.70%.

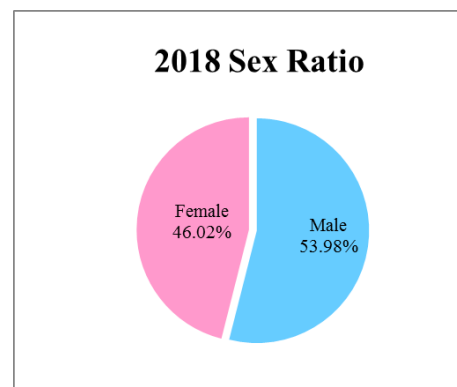
Labor intense is one of the characteristics of package and testing factories. Currently about 70% of current employees come from local Hsinchu and Miaoli counties and cities. Additionally to cope with the demand for night-shift HR and to strive for foreign worker quota for offsetting the shortage in employees of Taiwan national, currently the KYEC employee of Taiwan national accounts for 72.23% of total employees while foreign employees account for 27.77% of total employees.

KYEC Employee Distribution		2016				2017				2018			
		Male		Female		Male		Female		Male		Female	
		No. of Persons	Ratio (%)	No. of Persons	Ratio (%)	No. of Persons	Ratio (%)	No. of Persons	Ratio (%)	No. of Persons	Ratio (%)	No. of Persons	Ratio (%)
Occupational Distribution	Supervisory Administrator	594	11.19%	301	5.67%	696	12.56%	444	8.01%	850	12.19%	590	8.46%
	Engineer	1315	24.76%	462	8.70%	1332	24.03%	475	8.57%	1619	23.21%	519	7.44%
	Technician	1130	21.28%	1508	28.40%	1046	18.87%	1549	27.95%	1296	18.58%	2101	30.12%
Work Location	Miaoli Factory	2918	54.95%	2132	40.15%	2952	53.27%	2330	42.04%	3657	52.43%	3088	44.27%
	Hsinchu Factory	121	2.28%	139	2.62%	122	2.20%	138	2.49%	108	1.55%	122	1.75%
Age	Under 30 years old	1169	22.02%	697	13.13%	1247	22.50%	892	16.10%	2231	31.99%	2005	28.75%
	Between 30 (including) and 50 years old	1812	34.12%	1485	27.97%	1764	31.83%	1472	26.56%	1429	20.49%	1044	14.97%
	50 Years or older	58	1.09%	89	1.68%	63	1.14%	104	1.88%	105	1.51%	161	2.31%
Employment	Corporate	3010	56.69%	2241	42.20%	3043	54.91%	2436	43.96%	3729	53.46%	3183	45.63%
	Dispatched	29	0.55%	30	0.56%	31	0.56%	32	0.58%	36	0.52%	27	0.39%
Nationality	Taiwan National	2506	47.19%	1644	30.96%	2514	45.36%	1644	29.66%	3022	43.33%	2016	28.90%
	Foreign	533	10.04%	627	11.81%	560	10.10%	824	14.87%	743	10.65%	1194	17.12%
Subtotal		3039	57.23%	2271	42.77%	3074	55.47%	2468	44.53%	3765	53.98%	3210	46.02%

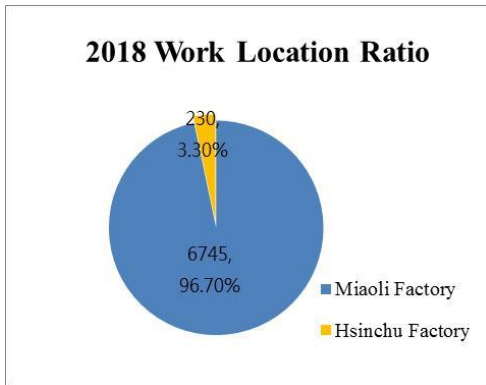
(1) Full-Time and Dispatch Employee Ratio



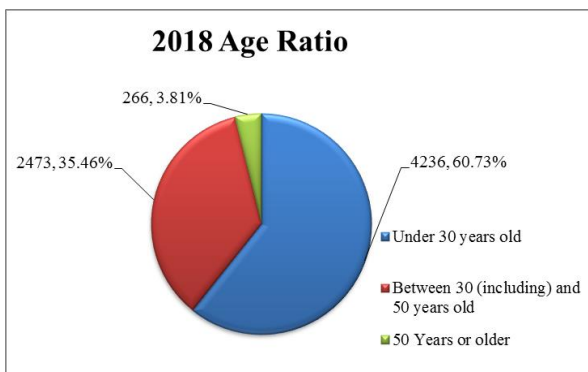
(2) Sex Distribution



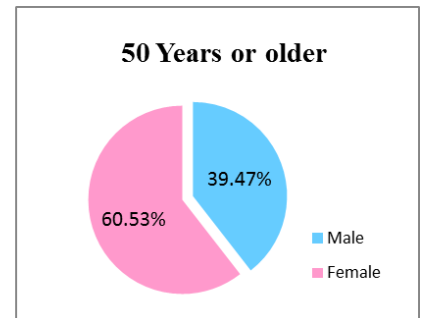
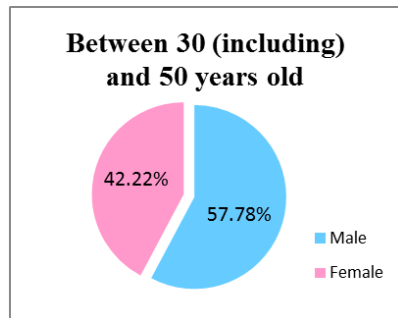
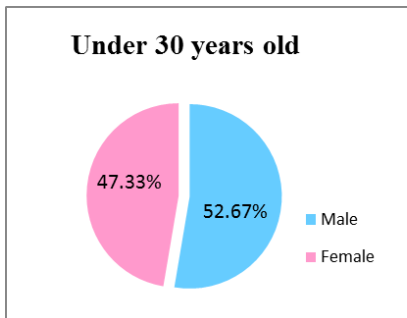
(3) Regional Distribution



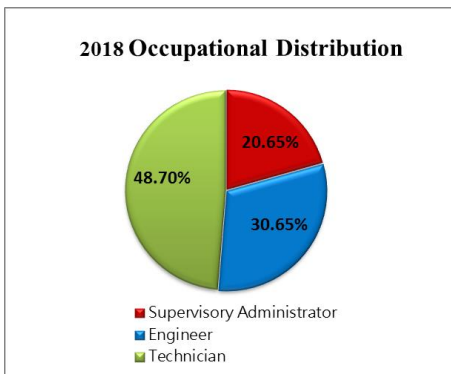
(4) Age Distribution



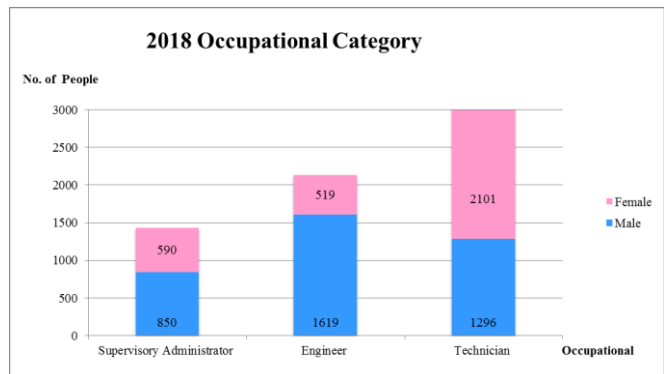
• Sub-distribution by gender



(5) Occupational Distribution



• Sub-distribution by gender

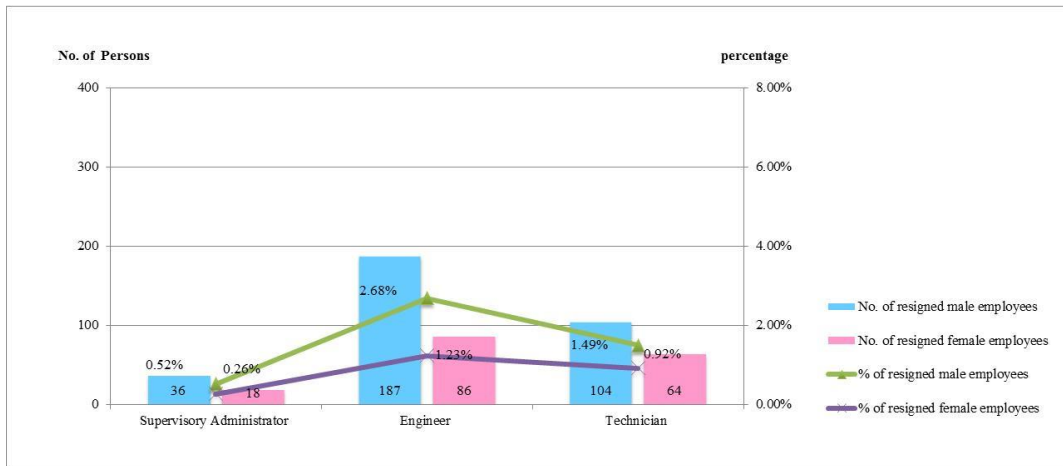




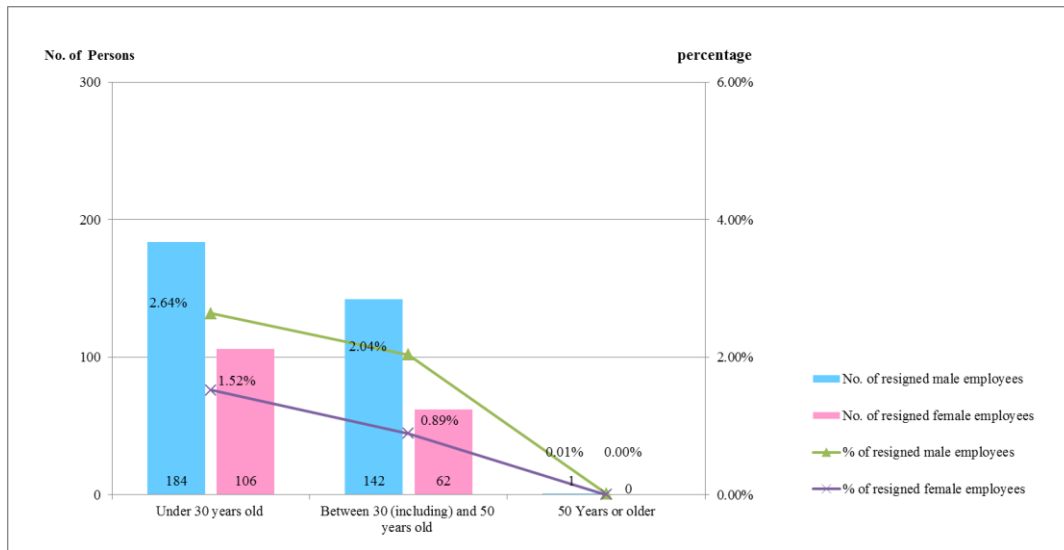
### 3. Employee Resignation

Distribution of Resigned Employees		2016				2017				2018			
		Male		Female		Male		Female		Male		Female	
		No. of Persons	Ratio (%)	No. of Persons	Ratio (%)	No. of Persons	Ratio (%)	No. of Persons	Ratio (%)	No. of Persons	Ratio (%)	No. of Persons	Ratio (%)
Occupational Distribution	Supervisory Administrator	42	8.08%	22	4.23%	43	8.04%	23	4.30%	36	7.27%	18	3.64%
	Engineer	198	38.08%	78	15.00%	188	35.14%	88	16.45%	187	37.78%	86	17.37%
	Technician	102	19.62%	78	15.00%	119	22.24%	74	13.83%	104	21.01%	64	12.93%
Work Location	Miaoli Factory	335	64.42%	169	32.50%	342	63.93%	177	33.08%	317	64.04%	160	32.32%
	Hsinchu Factory	7	1.35%	9	1.73%	8	1.50%	8	1.50%	10	2.02%	8	1.62%
Age	Under 30 years old	164	31.54%	109	20.96%	176	32.90%	117	21.87%	184	37.17%	106	21.41%
	Between 30 (including) and 50 years old	175	33.65%	69	13.27%	172	32.15%	68	12.71%	142	28.69%	62	12.53%
	50 Years or older	3	0.58%	0	0.00%	2	0.37%	0	0.00%	1	0.20%	0	0.00%
Subtotal		342	65.77%	178	34.23%	350	65.42%	185	34.58%	327	66.06%	168	33.94%

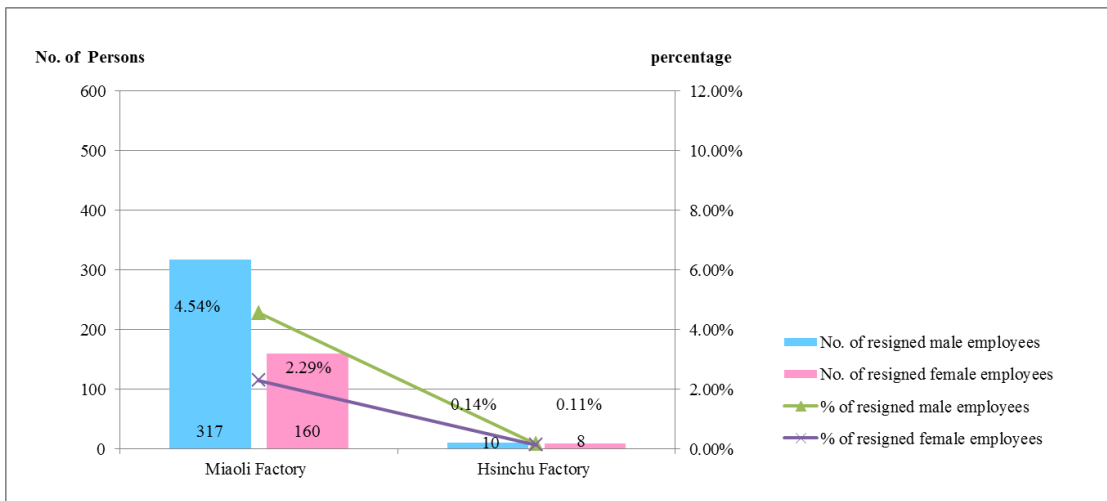
#### (1) By Occupation



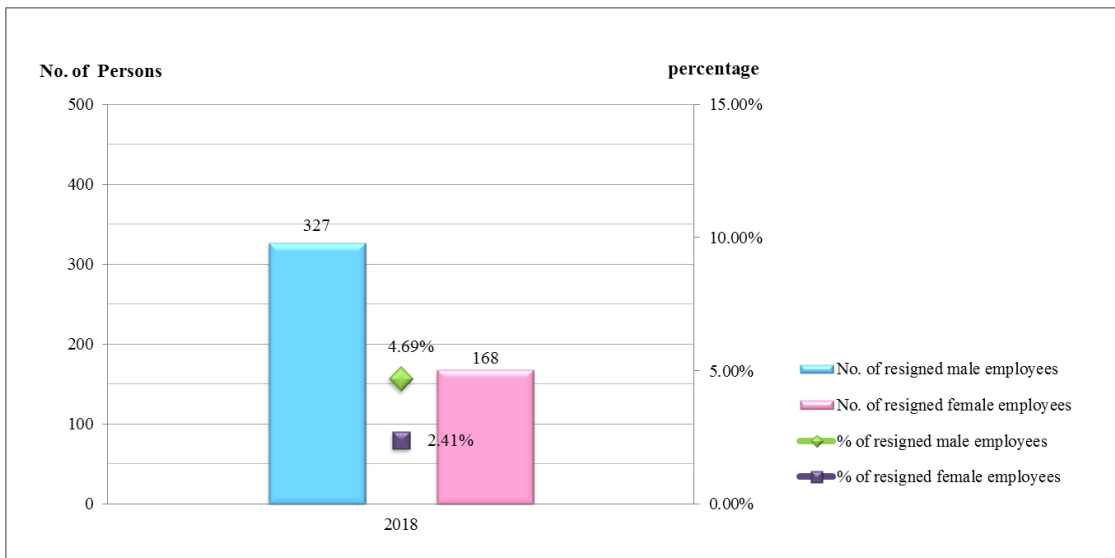
(2) By Age



(3) By Factory



(4) By Sex



#### 4. Competitive Salary

The salary standard of KYEC employees is determined by education and professional skills and experience, which will not differ due to sex, race, religion, political stance, marital status, unions and association difference. The standard starting salary exceeds the minimum wage specified by Labor Standard Act. The overall structure includes base salary, meals, allowance, bonus, and dividends. Moreover, the company offers salary raise and differentiated bonus/dividend system according to the corporate operation, personal performance and contribution of work function, in order to encourage the employee's diligence, efforts and even drive employees to pursue continuous excellence. Upholding to the principles of profit sharing and in the event of annual profits, KYEC shall appropriate 8%~10% as employee remuneration with 3%~5% of salary increase by year as gratitude for the efforts from the employees. In the future, KYEC is making the forecast with increasingly climbing operational performance in the future.

Average Salary Comparison:

Category	Average Salary Ratio – Female vs. Male	
	Miaoli Factory	Hsinchu Factory
Supervisory Administrator	1.33	1.68
Engineer	1.05	0.95
Technician	0.91	0.92

1. Data for the fixed salary of current employees as of 2018 / 12/ 31.  
 2. Comparison based on female  
 3. Data source excludes foreign.

#### 5. Complete Retirement Plan

KYEC establishes a labor pension reserve funds supervisory committee by law in order to take care of employees after retirement and promote labor-employer relation and improve work effectivity. The Committee shall supervisor the saving and use of pension funds in addition to appropriating pension reserves in 2% of the monthly salary to save in special account with the Bank of Taiwan. Commencing from July 1, 2005, employees applicable of new system shall appropriate 6% pension fund from the employee's monthly wage and save it in the labor pension personal account established by the Ministry of Labor. The employee participation in retirement plan is 100%.

Additionally, KYEC shall calculate pension reserves for employees meeting the prerequisites of retirement at the end of each year in order to estimate the balance of labor pension reserve account for the aforementioned employees. In case of insufficient balance to pay for the total labor pension funds for employees meeting the retirement criteria in one year, the difference will be appropriated in one sum at the end of March in the following year in order to protect the pension rights of employees.

Pension Fund Plan:

Item	Ratio of Pension Funds Appropriation to Salary	Ratio of Employees Participating in Pension Fund Plan
Old-System Pension Funds(Note)	Employer: 2% Employee: 0%	100%
New-System Pension Funds	Employer: 6% Employee: 0~6%	100%

Note : Employees entitled to the old system of pension fund seniority shall be entitled to the new system of pension fund seniority after they voluntarily choose to have the new system of pension fund seniority.

**6. Comprehensive Insurance System**

The company insures employees with labor and health insurance on the day of reporting to work according to the law. The company also pays for the full premium for all employees with additional group insurance (including life insurance, injury insurance, medical insurance, accident insurance, cancer insurance, and occupational disaster insurance) in addition to offering free group insurance to spouses, thereby to expand the coverage to all family members. Meanwhile, the company also arranges for weekly insurance companies to station and provide relevant consulting services in the factory, with travel insurance for travel and business trips overseas.

**7. Complete Leave System and Benefits**

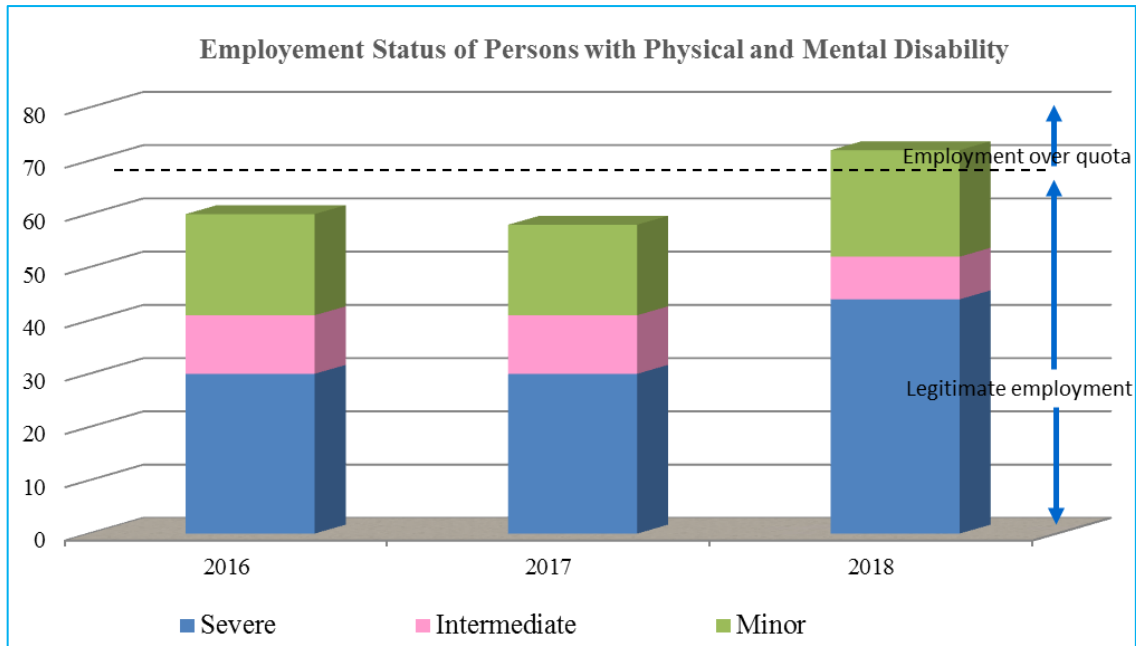
KYEC develops leave related guidelines according to Labor Standard Act, Labor Leave Regulations and Act of Gender Equality in Employment, including marriage leave, funeral leave, menstruation leave, maternity leave, paternity leave, and annual leave according and other laws and regulations. Moreover, KYEC offers employees with benefits and measures related to food, clothing, accommodation, and transportation, including employee dividends, free routine health examination, domestic and foreign travel funds, medical office, physician of special division with free medical consultation services, employee dormitory for employees from afar, employee cafeteria and meal allowance, library reading room, free car and scooter parking lot, senior employee and model employee incentives, departmental activity funding...etc. KYEC even offers high amount of bonus for different activities to draw and encourage employees with participation, thereby promoting the balance between work and life. We also routinely review the internal benefits and design proper benefit measures according to employee needs (i.e. signing special contract with kindergarten nearby) so that the spouses of employees can also enjoy the convenience in life. KYEC also responds to the new tax filing method of the government by applying online registration services for the health insurance card for employees and spouses that will facilitate the tax filing process with more ease

Benefits Overview:



#### 8. Legitimate Employment of Persons with Physical and Mental Disability

KYEC strictly complies with “People with Disabilities Rights Protection Act” for the employment of persons with physical and mental disabilities, who are capable of working. The number of employment may not fall under 1% of the total number of employees of the profit-seeking institutions. KYEC fulfills its responsibility in the employment of persons with mental and mental disability and lists the regional employment institution and Miaoli Welfare Association for the Blind as the cooperation channel of recruitment. The factory also sets up access free facilities and served parking lots, as well as providing working hours better than those stated in Labor Standard Act, in order to protect the living quality of employees with disabilities. In recent years, the number of persons with disabilities falls between 58~72 people and each year the number of employment exceeds the statutory quota by 6%~11% (Note 1). According to the rule of employing one such person in every 100 people, the statutory quota under Company Act in 2018 was 69 people while the actual number of employees was 72; in particular persons with minor disability account for 28%, persons with intermediate disability account for 11% and persons with severe disability account for 61% (Note 2).



Note 1: the number of additional employees / statutory number of people

Note 2: The number of severe disability is twice the number of employees. Ratio = Number of all levels / annual number of employees

### 9. Public Performance Appraisal and Promotion Development

The performance management and development system of KYEC not only are used to evaluate employees' performance during specific period of time as the channel for promotion, bonus distribution and talent incubation but also actively plays the role of effective path that assists employees in terms of career development. KYEC applies self-evaluation and supervisor evaluation at the end of each year to review the first-half-year objective completion rate. KYEC reaches consensus produced from the review on output in the past and future through one-on-one performance interview. Next, the Evaluation Committee will objectively discuss to resolve the final performance appraisal before giving feedback of the evaluation results to the particular employee. Finally, such appraisal is used as reference for the bonus distribution and talent incubation in the second half of the year, in addition to making continuous improvement based on this circulation. In addition, KYEC also takes active measures in helping and providing employees appraised with poor performance the opportunity to improve. Employees are arranged with counseling, training and improvement plans so their efforts for the entire year will not be eradicated due to one result.



The performance appraisal process for KYEC employees is public and transparent, which eliminates the subjective error resulted from one-factor evaluation. Moreover employees will not be discriminated against in appraisal or promotion due to sex, race, religion, and marital status. If the employees oppose to the performance result in any way, the employees may petition for secondary review from the Human Resource Division. Furthermore, KYEC values the career development of employees highly by providing occupational promotions and the departments will recommend employees meeting qualifications based on performance, scores, personal capacity, and relevant work outcome. The supervisor will review while the personnel evaluation committee will resolve to grant promotion. The occupational promotions rate for entry-level supervisors and employees in 2018 shows a 51% conformance rate, which suggests for unobstructed promotion channel and effective use.

**10. Parental-Leave-Without-Pay Measures**

KYEC Group values employee concerns for daycare and breastfeeding by offering care for employees, pregnancy, and postpartum health education consultation, breastfeeding room, and signing contract with daycare centers, in addition to providing parental-leave-without-pay according to the Labor Standard Act and offering services to apply for parental-leave allowance from the Bureau of Labor Insurance. Under such complete supporting measures, the total number of employees applying for parental leave in 2018 was 53 people and the average reinstatement rate was approximately 69%.

Item	Female		Male		Subtotal
	No. of People	Ratio	No. of People	Ratio	
2018 actual number of people applying for parental leave without pay	43	81%	10	19%	53
2018 Expected number of people applying for reinstatement from parental leave without pay	46	78%	13	22%	59
2018 actual application for reinstatement from parental leave without pay	31	76%	10	24%	41
Reinstatement Rate	67%		77%		69%

1. Reinstatement calculation equation: Number of people reinstated in 2018 / Expected number of people reinstating in 2018\*100%

2. Data as of 2018/12/31

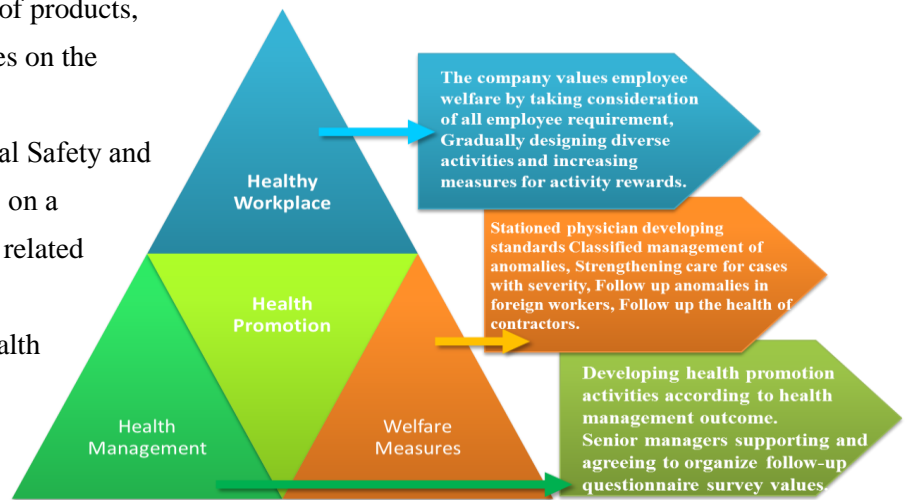


### 11. Employee Care

The management supports and promotes health promotional policy and develops the promotional plan and solution, formulating comprehensive safety and hygiene policy for the general manager to sign and announce. KYEC also clearly include “launching health promotion” and “assuring employee health” in the following content of policies:

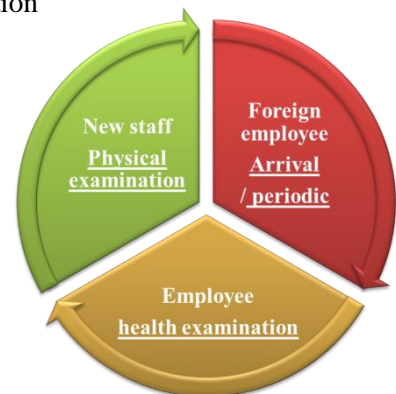
- Effectively utilize energy and resource, launch waste reduction, classification, and recycling and reuse campaigns.
- Improve incessantly, enhance environmental safety and hygiene performance, and devote in pollution and injury/disease prevention to conform to environmental protection, safety, and health regulations and customer requirement.
- It is everyone’s responsibility to promote environmental protection, safety and hygiene in addition to continue advocating the education on such philosophy.
- Implement risk management and launch health promotion to pursue objectives in “zero disaster” and “zero injury.”
- Establish “Green Supply Chain” management system to assure work environment and employee health, and reduce the impact of products, processing, and related services on the environment.

- (1) Call for quarterly “Occupational Safety and Hygiene Committee Meeting” on a regular basis to discuss health related issues.
- (2) Each year KYEC develops health management promotion plan and the management shall sign and implement.



### 12. Promote Health Management and Advocacy Plan

KYEC complies to provisions prescribed in Labor Health Protection Regulations and Law by establishing qualified medical staff and stationed physician in the factory to facilitate health promotion services and offer chronic disease prevention and medical health care transfer services. KYEC organizes annual health examination and drafts the health promotion plan for that year with actual execution of health promotion activities based on the analysis results. Employees with abnormal results from the physical examination and health examination shall receive professional health education and advice from stationed physician.



Meanwhile the factory offers records on the care for various injuries and diseases as well as injury/disease category.

The factory nurses will notify employees of the secondary examination for abnormal physical and health examination results and the follow-up of secondary examination results in accordance with employee requirement and annual health promotion plan. Stationed physician will develop data standards according to the examination items while abnormal data will be divided into severe, medium and minor levels for health management. Stationed physician offers health education consulting and transfer services. Relevant workplace health promotion activities are held, including chronic disease prevention seminar and high-risk group health management, physical fitness examination, smoking prevention propaganda, smoking cessation class, introduction to contagious diseases in infants, nutrition seminar, four-cancer screening, epidemic infectious disease prevention propaganda and others.

Health promotion activities are held :

Year	2016	2017	2018
Sessions	12	15	15
People	999	1098	1102



Seasonal flu vaccine



Chronic disease prevention seminar

2018 Awarded with Badge of Accredited Healthy Workplace from the Health Promotion Administration



Health Promotion Mark  
(Headquarters)

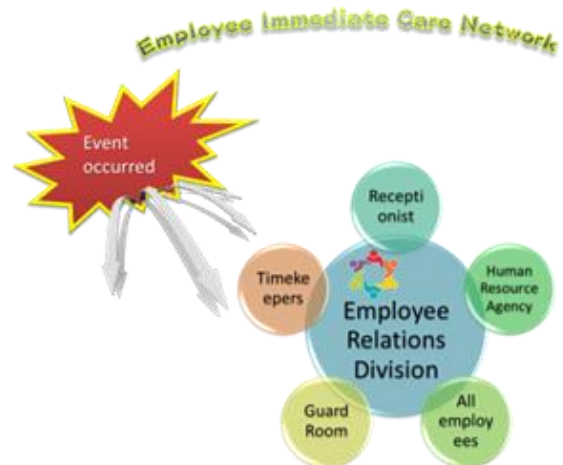
Health Promotion Mark  
(Chunan Factory)

Health Activation Mark  
(Tungluo Factory)

### 13. Physical and Mental Health of Employees

The physical and mental health of employees is the key factor for corporate sustained operations. Apart from the establishment of special physician, KYEC also works with the outpatient psychologist from the Physical and Mental Division in large hospitals for factory-visit services. KYEC voluntarily establishes the “Employee Care Site” for employees to be aware of the good intention by the company to take care of the employees and advocate for the corporate assistance in times of emergency situations. Hence, KYEC establishes the 24-HR employee emergency rescue hotline (KYEC 119), where a specialist will attend and handle to provide information and resource assistance.

To reduce the health hazards for employees working with high-risk special injury /disease, the medical team will care for employees by their physical, psychological and work related injuries with the following response actions:



- (1) Upon receiving reporting on the case, the factory nurse will contact, record and report to provide care for the cases jointly with department supervisors.
- (2) The injury case in and out of the factory will be evaluated by the medical team for resumption to work according to the previous operation properties, depending on the recovery situation of the body, in order to attain proper work arrangement.

- (3) In the event the health condition from the attendance system shows that the case requires care, i.e. taking 3 days of sick leave, pre-maternal leave, medical treatment leave, leave for 60H in a row, the medical team will voluntarily contact and care to give assistance to the employees.
- (4) KYEC cooperates with the physical and mental health division in peripheral hospitals, where professional consultants services for psychological consultation services and may transfer the cases to hospital for medication.
- (5) Employee Care Site: Report information to the Employee Relation Section through various means of transmission to immediately convey corporate care and resource supply to employees.

#### 14. Valuing Female Employees

KYEC provides complete support and care to pregnant female employees by developing protection regulations for female employees:

- (1) Specify heave object moving standard.
- (2) Pregnant female employees are prohibited from handling hazardous, explosive and igniting substance related work.
- (3) Pregnant and breastfeeding female employees are prohibited from working at night.
- (4) Comply with safety and hygiene laws and regulation to prohibit female employees from enaging in dangerous or hazardous work.
  - Organize mother seminar, female cancer screening and other health promotion activities to take care of the health of female employees.
  - Provide female employees with cozy feeding environment and design by excellent breastfeeding room specification, using green, nontoxic, and anti-flame materials. KYEC is proud of the comfortable, private and ergonomic design.
  - Giving maternal leave for all women giving birth in accordance with Labor Standard Act.
  - Welfare funding for newborns (can be applied by men or women).

To enhance maternal and breastfeeding female employees, the response actions are described below:

- (1) Factory nurse calls to show care to employees taking maternity leave to understand their requirement and provide consultation.
- (2) After the employees finish maternity leave and reinstate, factory physicians will be arranged to conduct mother health hazard questionnaire as health education consultation.
- (3) Before the case taking parental leave without pay reinstates, the factory nurse will conduct interview to understand the physical condition and evaluation of reinstatement.
- (4) After the case taking parental leave without pay has reinstated, the factor nurse will evaluate the employees for work applicability.





Breastfeeding Room

## 15. Employee Communication

KYEC protects employee rights in accordance with the relevant articles stipulated by government laws. The employees have the freedom to free assembly and the company does not interfere or intervene, or show any form of preferential treatment due to race, sex, nationality, religion, and political stance. KYEC is committed to establishing unobstructed communication channel with the employees and offers complete communication channels in order to effectively solve problems and employees could fully express their views and immediate communication, consequently establishing a harmonious working environment for the employees and management. All employees can express opinions via the Labor and Management Meeting, seminar, employee board and various grievance channels. The matters reflected by employees will be replied with results to maintain excellent two-way communication. In 2018, the Company has received 139 cases of feedback 100% handling and reply. 34 seminars were held with cumulative 1,928 people participated.

(1) Grievance Mechanism Channels include:

- Employee Board
- 8160 Special Email
- HR Dept. Service Phone
- 24-HR Employee Emergency Rescue Hotline

(2) 溝通管道有：

Item	Handling Dept.	Content	2018effect
<b>Employee Seminar</b>	HR Dept.	System Benefits measures Public affairs Public safety	<b>100% handling and reply</b>
<b>Seminar for New Employees</b>			
<b>Seminar for Foreign Employees</b>			
<b>Welfare Committee Meeting</b>			
<b>Worker-Management Meeting</b>			
<b>Service Hotline</b>			
<b>Employee Board</b>			

<b>Email</b>			
<b>Human Right Grievance</b>			<b>There was no grievance case against discrimination regulation in 2018.</b>

**16. Food Care**

KYEC takes care of the employees' appetite by offering different meal choices. For example, vegetable and fruit meals are offered daily in factory cafeteria, the convenience store also offers meals with calorie and ingredient labels, and salad and fruit. The meals are included in the meal allowance plan while café bar suppliers designs light meals and whole-wheat meal package in the menu.

The current contractor health management practice follows key supplier management during the stationing period. Long-term stationing supplier includes catering supplier, convenience store supplier, café bar supplier, cleaning supplier, and security supplier. The supplier shall offer the health examination report of staff working in the factory and in case of any anomaly case, the nurses will remind the employer to draw attention and show care for the health condition of their employees.

**17. LOHAS KYEC**

KYEC designs a diversity of activities for employees to relax their mental and psychological state or develop proper entertainment activities in order to develop employee loyalty and establish excellent organizational atmosphere.

In 2018, KYEC held the "Mid-Autumn Festival BBQ Night" in the factory. The activity offered exciting performance programs and diversity of cuisines (including the BBQ area, cuisines and drinks are). All employees enjoyed good food and the great programs. Additionally, the ceramic clay molding experience, soccer games in bubbles and singing contests were also held in the activities.

The selection of factory employee example is an incentive to encourage outstanding employees and establish internal model, in addition to promote the mutual encouragement and learning among employees. Those outstanding employees will be assessed by remarkable performance and selected once each year with incentives and awards regulations developed.

To encourage senior employees, employees having worked for more than 5 years, 10 years and 25 years will be presented with awards in appreciation of their long-term contribution to KYEC. The company also produces special posters for senior employees having worked 25 years in the company to announce them in bulletin so other employees can read and learn from them.



### 18. Quality Workplace

KYEC is committed to build a quality work environment by building many recreational areas at high floors with excellent views, including the table tennis zone, employee cafeteria, 24-hour convenience store, and café bar for employees to watch the beautiful views during dining.



Table Tennis Area

24-hour convenience store

Multi-Function Entertainment Center





## 19. Education and Training

Regardless of gender, KYEC employees have equality of opportunity in receiving training. In 2018, a total of 411 training classes were held, adding up to 2,640 hours for total class hours with 63,552 people participating.

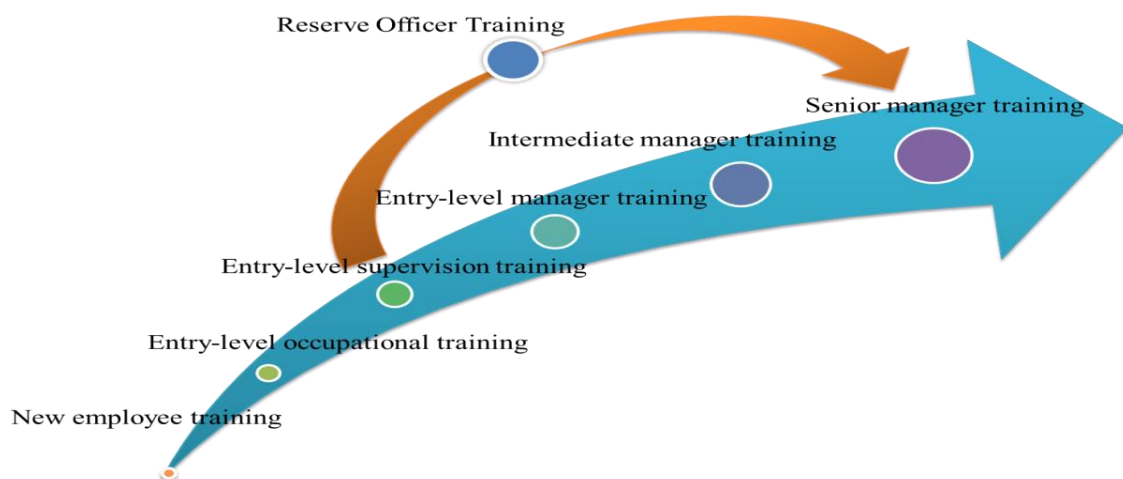
©2018 Average Employee Training House(Statistics as of 2018/12/31)

Item	2016			2017			2018		
	Sex	Total Training Hours	Average Training Hours per Person	Sex	Total Training Hours	Average Training Hours per Person	Sex	Total Training Hours	Average Training Hours per Person
Indirect Staff	M	86,158	43.2	M	92,941	36.0	M	153,112	43.5
	F	20,460	24.4	F	26,234	31.3	F	31,040	27.5
	Subtotal	106,618	37.6	Subtotal	119,175	33.6	Subtotal	184,153	39.7
Direct Staff	M	15,838	27.8	M	21,204	31.3	M	39,195	40.8
	F	37,923	39.5	F	61,314	35.2	F	131,542	50.7
	Subtotal	53,761	35.1	Subtotal	82,518	33.2	Subtotal	170,737	48.0
Total	-	160,379	36.8	-	201,693	34.5	-	354,890	43.3

KYEC trains employees to acquire labor safety related certificates in accordance with government laws and regulations in order to conform to execution operation requirement and fulfill environment management. Moreover, KYEC organizes ISO quality related auditor certification training to enhance the internal audit effect, continue quality improvement and effectively implement corporate quality system. KYEC has helped employees acquire 2,136 certificates in 32 categories, as shown in the following table:

Name of Certificate	Name of Certificate
Class A Occupational Safety and Hygiene Operation Supervisor	Energy Administrator
Class A Waste Treatment	Hypoxia Operation Supervisor
Class A Waste Water Specialist	Dust Operation Supervisor
Class A Waste Water Treatment	Specific Chemical Substance Operation Supervisor
Class B Waste Water Treatment	Stationary Crane Operator (at least 3 tons)
Class A Toxic Chemical Substance Professional Technology Management	Firefighting Management Personnel
Class C Toxic Chemical Substance Professional Technology Management	Organic Solvents Operation Supervisor
Oxygen-Acetylene welding Operator	Emergency Care Personnel Safety and Hygiene Education and
Occupational Safety and Hygiene Administrator	ISOTS16949 Internal Auditor Training
Occupational Safety and Hygiene Administrator	QC080000
Forklift Truck Driver	ISO9001.TS16949.TL9000 Internal Audit
High Pressure Gas Specific Equipment Operator	TL9000 Internal Auditor Training
High Pressure Gas Operation Supervisor	VDA6.3Audit Training
Lead operation supervisor	Rooftop operation supervisor
ISO14001/OHSAS18001/TOSHMS Internal Auditor Training	Certificate of Quality Technician (CQT)
ISO50001 Internal Auditor Training	ISO13485 Medical Devices Quality Management System
Total 2,136 certificates	

To strengthen the company management system and sustainable management, KYEC places high importance in talent cultivation. To truly meet talent cultivation objectives, KYEC establishes complete education training system and system for the learning and development in employees. The learning and development plan of employees are designed from the personal duties and ranking of employees as well as their career development status at the company. The objective plan is developed by stage to systematically help employees learn and grow who will eventually and progressively fulfill the various professional knowledge and skills needed for the duties, thereby meeting training objectives and improving the overall competitiveness.



KYEC's training for employee is diversified and each employee can acquire abundant training resources through different methods, promoting self-learning and growth and establishing E-learning. Apart from on-the-job training, KYEC also promotes education training through KYEC e-college, which content includes engineering management, environment management, equipment management, production management, quality management, management skills, legal intellectual rights, sales system, and other types of courses. Currently there are 158 classes offered for online curriculum so that employees can arrange for study progress according to their needs without the restriction of time and space, which effectively intensifies employee education effect. The number of employees logged into the system in 2018 was 211,290.

Moreover, the establishment of employee study map and duty plan courses help employees clearly understand the study plan arranged by the company and the departments. Employees can also query the training courses and training records from the system while managers can also follow up the rate of employee training completion though the leaning map system.



KYEC highly values work health and safety, environmental protection, and employee compliance with code of conducts. The human resource division will arrange for all new employees to take new employee training, which content includes corporate culture and core value, personnel management

regulations, quality policy (including 6S), legal general knowledge & intellectual right education, information security and promotion, employee health education, and labor safety education.

KYEC processes new employee training so that everyone will complete the training. Furthermore, RBA general education will be arranged that year, which content includes labor, health and safety,



environmental protection, code of ethics, management system, and employee training completion rate of 100%.

KYEC develops employee learning and development plan according to the personal duties and ranking of the employees, as well as their career development status in the company. The objective plan is developed by stage to systematically help employees learn and grow who will eventually and progressively fulfill the various professional knowledge and skills needed for the duties, thereby meeting training objectives and improving the overall competitiveness. Moreover, the structural integration of knowledge and skills and the occupational behavior and attitude can help improving personal work performance, thereby driving enterprises to have impact and competitiveness on the economy.

About 50% of KYEC's customers come from overseas. To encourage employees with strengthening language communication, KYEC holds Japanese and English courses each year and are open to all employees for registration. Employees will improve language communication capacity and are expected to apply the knowledge on the work. In particular, employees will need to take TOEIC capacity after English conversation training. Employees with advancement in English scores will be encouraged with bonus.



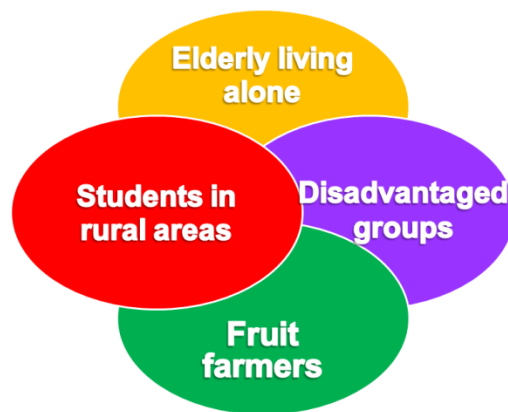
New employee training courses



Environmental safety training courses

## Social Participation

Upholding to the philosophy of “care for society and sustainable development,” KYEC continues to expand in company size following its commitment in social-charity activities. Apart from fostering talents proactively and promoting charity events in arts, culture and care for the disadvantaged, KYEC frequently invests in and shows care for the children of new immigrants’ families with disadvantages and schooling difficulties. Additionally, KYEC supports various sport events to develop the movement of national sports and spares not efforts in promoting the local industrial development of Miaoli. Not only does KYEC support community care in the long term but it also encourages the employees to participate in social charity events in order to implement corporate feedback to communities with specific actions, thereby fulfill the corporate social responsibilities through employee’s power.



### 1. Sponsorship for “2018 NTSO Tyzen Hsiao Memorial Concert”

The NTSO was invited by Tyzen Hsiao Foundation and KYEC sponsored NTSO with enthusiasm based on its support for music. The concert was held in Walt Disney Concert Hall, L.A. at 7P.M. on August 9, EST. Taiwan conductor Mei-Ann Chen living in U.S. conducted while soprano Li-Chan Chen and pianist Gwhyneth Chen as well as a chorus consisting of 205 Taiwanese-Americans in Southern California jointly performed the “Listening to Taiwan–2018 NTSO Tyzen Hsiao Memorial Concert.” The concert was sold out following the performance in San Francisco on August 4<sup>th</sup>. The audience responded enthusiastically to make a perfect ending for the first tour of NTSO in U.S.





**2. Sponsorship for 2018 Miaoli Agriculture Festival**

The 2018 Miaoli Agriculture Festival was held in Miaoli Cultural Park in Gongguan Township on October 20<sup>th</sup> and 21<sup>st</sup>. KYEC is an enterprise in Miaoli and naturally spares no efforts in supporting Miaoli County. The 2018 Miaoli Agriculture Festival gathers over 60 some local farmers, young farmers and featured shops to exhibit superior agricultural items. The exhibition drew many tourists with excitement by launching the NT1 bidding agricultural products, agricultural products tasting, processing innovation press, and a series of splendid artistic and cultural performance.

**3. Sponsorship for Hsinchu Wind Orchestra**

KYEC has sponsored Hsinchu Wind Orchestra over the years so that people of Taiwan can have more opportunities to experience various concerts. Chairman K.C. Lee spares no efforts in promoting music and arts. In 2018, KYEC sponsored multiple concerts including the following two sessions for people to develop healthy leisure, enhance artistic qualities and promote cultural foundation. Moreover, parents can take their children to places with better leisure and entertainment on the weekends.

- (1) 2018 Family Concert – The Adventures of Peer Gynt
- (2) Taiwan Trilogy – Taiwan-Japan Exchange Concert



**4. Continuous sponsorship of Phase II Shennong Program “Organic Miaoli, Shennong Program”**

KYEC responds to the appeal in the develop and connection of Phase II Shennong Program, KYEC continues to adopt the planting of Roselle in Wenfeng Elementary School in Zhangshu Village, Tong-luo Township to support the systematic on-campus course integration of schools, strengthen the association between communities and hometowns, and pursue land conservation, creativity education, and the spirit of hometown identity. KYEC’s long-term funds allow Shennong Program to develop solid foundation in



Wenfeng Elementary School. Children engage in interdisciplinary study field through school farms so that Lovely Taiwan Foundation can connect sources of outside teams with schools as the support for school development. When corporations, foundations, schools, communities, and farmers collaborate, there will be more sources of natural environment for rural areas to apply, which will enlighten children with diversity of talents and lower urban-rural gap in education.



### 5. Talent Development for Industry-Academic Corporation

For years, KYEC has taken actions in implementing the industry-academia training program from the Ministry of Education to promote the seamless connection between the academia and the industry while searching and fostering distinguished talents. KYEC has developed internship programs with multiple schools, including National Kaohsiung University of Applied Sciences, National United University and National Quemoy University in northern, central and southern Taiwan, and even in outlying islands.

KYEC also adopts the philosophy of acquiring materials from the society and applying to the local area. The talent cultivation for solid technical and vocational education cooperates with local Yuda Technological University, Yuan-Peh Technological University, and Chung-Hua University.

KYEC offers an excellent scheduling plan from campus orientation, interview, internship, and until fully appointed. KYEC not only selects those with strong intention and conform to study, KYEC also offers professional practice training (including the introduction to semi-conductor process, packaging process overview, and the function and responsibilities of all users. The program not only allows students to quickly blend into the workplace but also applies the study acquired to the practice, upgrading the position and direction for the future in advance.

Apart from that, students only need to show remarkable performance during the internship period. KYEC also proposes lubricious retention solution in attempt to reduce students' employment costs after entering the society later. Meanwhile KYEC also trains the reserve personnel for the company, followed by transferring the academic strength of R&D to the enterprise, if through industry-academic cooperation, driving the corporation to develop core technology and meet the win-win mechanism for enterprises and students. °



School students visiting



School teachers visiting students at the factory



## 6. Supporting the 2018 Future of Happiness Campaign held by UDN

KYEC supports this campaign in to make contribution to the future of Taiwan and support for the future development. The Future of Happiness Campaign is the Your Better Life Index prepared by OECD (Organization for Economic Cooperation and Development) through objective polls, which provides county and city government with the direction of efforts in improving the living environment of the local people. The index includes the survey of happiness index, happiness seminar, press conference, special county/city report, and disclosure of official website for future of happiness in 22 counties and cities. The main purpose of UDN's release of county/city happiness index survey is to make positive changes in Taiwan. The continuous and fair survey has become the key reference for county/city policies. County/city governing teams think of ways to improve public happiness and consequently the public awareness of happiness significantly enhances. Many county/city governors value the evaluation result made by UDN and are willing to take such results into the consideration of future policies. The happiness index of counties and cities are working while the index explores into the public demand for happiness, which county/city governors take into consideration for the policies and objectives in building happy Taiwan.



## 7. Sponsoring Miaoli County Director-General Cup Table Tennis Tournament

Sports activities can promote the physical and mental health of all people. For this reason, KYEC sponsors and support the 2018 Miaoli County Director-General Cup Table Tennis Tournament. The game was held on June 9, 2018 in Miaoli County Zhaonan Elementary School Activity Center. This activity can help develop and discover the new-generation table tennis sports talents. The activity will help athletes to develop in this domain, proactively wining for the country, and retaining the personnel. The new-generation table tennis sports athletes may win games for Taiwan, improve the sports atmosphere of every one and national physical and mental health.

## 8. Employing Visually Impaired Masseurs

Starting from 2008, KYEC has been employing visually impaired masseurs by offering fixed salary. The company also designs a massaging space with a comfortable environment. The service rate for visually impaired masseurs reaches as high as 80% and most employees are quite satisfied with the service.

KYEC offers employment for persons with physical and mental disability to strengthen the care for socially disadvantaged, support disadvantaged families with eased financial stress and maintain living stability.



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## Appendix : GRI Standards

### 100 Series (Universal)

Disclosures	Description	Corresponding Chapters	Page
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102-3	Location of headquarters	Company Profile	6
102-4	Location of operations	Worldwide Business Division	9
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102-9	Supply chain	Suppliers	41
102-10	Significant changes to the organization and its supply chain	Supply Chain Management	38
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102-43	Approach to stakeholder engagement	Communication between Stakeholders	16
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102-45	Entities included in the consolidated financial statements	Management Performance	10
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102-47	List of material topics	Scope and Border of Major Topics	19
102-48	Restatements of information	No restatement	-
102-49	Changes in reporting	About the Report	1
102-50	Reporting pueriod	About the Report	1
102-51	Date of most recent report	About the Report	1
102-52	Reporting cycle	About the Report	1
102-53	Contact point for questions regarding the report	About the Report	1
102-54	Claims of reporting in accordance with the GRI Standards	About the Report	1
102-55	GRI content index	About the Report	1
102-56	External assurance	Self-declared	-

## Management Approach

Disclosures	Description	Corresponding Chapters	Page
103-1	<p>Explanation of the material topic and its Boundary :</p> <p>a. Explain the significant reasons for the topic.</p> <p>b. Describe the boundaries of this major topic, including:</p> <p>i. The range of impact ;</p> <p>ii. The extent to which the organization is involved in this impact. For example, whether an organization directly causes this impact, or contributes to an impact, or is directly related to this impact through its business relationship.</p> <p>c. Any specific restrictions related to the boundaries of the topic.</p>	Stakeholders and Concerned Issues 、 Scope and Border of Major Topics	12 、 19
103-2	<p>For each major topic, the reporting organization should report the following information:</p> <p>a. Explain how the organization manages this topic.</p> <p>b. Statement of the purpose of the management policy.</p> <p>c. If the management approach includes that component:</p> <p>i. Policy</p> <p>ii. Commitment</p> <p>iii. Objectives and targets</p> <p>iv. Responsibility</p> <p>v. Resources</p> <p>vi. Grievance mechanism</p> <p>vii. Specific actions such as processes, projects, programs and initiatives</p>	Management Guidelines by Major Topics and Objective Performance	20
103-3	<p>For each major topic, the reporting organization should report the following information:</p> <p>a. Explain how the organization assesses management practices, including:</p> <p>i. Mechanisms for assessing the effectiveness of management policies;</p> <p>ii. The results of the management approach assessment;</p> <p>iii. Any relevant adjustments to the management policy.</p>	Management Guidelines by Major Topics and Objective Performance	20



## 200 Series (Economic Topics)

Topics		Disclosures	Description	Corresponding Chapters	Page
GRI 201	Economic performance	201-1	Direct economic value generated and distributed	Management Performance 、 Competitive Salary 、 Complete Leave System and Benefits	10 、 89 、 90
		201-2	Financial implications and other risks and opportunities due to climate change	Risk Strategies and Responses	36
		201-3	Defined benefit plan obligations and other retirement plans	Complete Leave System and Benefits	90
GRI 202	Market status	202-1	Ratios of standard entry level wage by gender compared to local minimum wage	Competitive Salary	89
		202-2	Proportion of senior management hired from the local community	Employee Distribution	85
GRI 203	Indirect economic shock	203-1	Infrastructure investments and services supported	Social Participation	106
GRI 204	Purchasing practice	204-1	Proportion of spending on local suppliers	Supplier Distribution	45
GRI 204	Anti-corruption	205-2	Operations assessed for risks related to corruption	Implement Philosophies of Integrity Management	35

### 300 Series (Environmental Topics)

Topics		Disclosures	Description	Corresponding Chapters	Page
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		302-2	Energy consumption outside of the organization	Energy consumption and Management	50
		302-3	Energy intensity	Energy consumption and Management	50
		302-4	Reduction of energy consumption	Energy consumption and Management	50
GRI 303	Water	303-1	Interactions with water as a shared resource	Water Resource and Impact on Water	61
		303-2	Management of water discharge-related impacts	Water Resource and Impact on Water	61
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## 400 Series (Social Topics)

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		413-2	Operations with significant actual and potential negative impacts on local communities	No such incident	-
GRI 414	Supplier social assessment	414-1	New suppliers that were screened using social criteria	No such incident	-
		414-2	Negative social impacts in the supply chain and actions taken	Supply Chain Management	38

## KYEC WORLDWIDE OFFICES

### KYEC Headquarters :

No. 81, Sec. 2, Gongdaowu Rd., Hsinchu City, Taiwan

TEL:886-3-5751888

FAX:886-3-5753866

### Chunan Factory :

NO. 118, Chonghua Rd., Chunan Township, Miaoli County, Taiwan

TEL:886-37-595666

FAX:886-37-595168

### Tungluo Factory :

Tungluo Industrial Park – No. 8, Tungke N. Rd., Jiouhu Village, Tungluo Township, Miaoli County, Taiwan

TEL:886-37-980188

FAX:886-37-980288

### KYEC U.S.A. :

101 Metro Dr.#540 San Jose, CA 95110

TEL:1-408 -452 -7680

FAX:1-408- 452-7689

### KYEC Japan :

2-3-8 Momochihama, Sawara-ku, Fukuoka 814-0001 Japan

TEL:81-92-821-6954

FAX:81-90-6595-4843

### KYEC Singapore :

750A Chai Chee Road Unit #07-22 Technopark @ Chai Chee Singapore 469 001

TEL:65-64488-718

FAX:65-64488-398



京元電子股份有限公司  
King Yuan Electronics Co.,LTD

[www.kyec.com.tw](http://www.kyec.com.tw)

