



FLEX*ium*

2018

Corporate Sustainability Report



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Introduction

Letter from the Chairman

FLEXIUM 2018 Corporate Social Responsibility (CSR) Report, the third CSR report (the Report) we have published since 2016, follows the guidelines of GRI Standards (formerly GRI G4). Several adjustments in both report structure and scope of disclosure were made accordingly in this report. By following GRI standards, we engaged with external and internal stakeholders to identify 16 material topics for formulating 16 short-, medium-, and long-term goals (2019–2021). Moreover, data from the said report have acquired third-party assurance in terms of AA 1000 AS. In doing so, our CSR progress is comprehensively reviewed to obtain advancements. Hence, I would like to express my deep gratitude to the employees involved in CSR. In addition, I expect FLEXIUM to follow global trend of CSR in the path to sustainable operation and development.

The key points of every chapter in this report are listed as follows:

I. Solid Business Operation

With flourishing global technology and rapidly changing global economics, FLEXIUM believes that good operational governance mode is the foundation of prompting business performance. We reduce our operational risks through implementation of robust corporate governance system and sustainable operational plan and organization, thus maintaining the annual profitability of the business.

II. Industrial Services

FLEXIUM places a high value on research and development (R&D) and sales services of product. We provide the best professional service via sound management of supply chain, customer service, and innovative R&D by integrating a technological service team. For intellectual property rights, we encourage the R&D staff to engage in a quest for innovation and technology. Moreover, we diversify patent application over process, material, and measuring technology. A total of 83 patents were taken out from 2015 to 2018, whereas 294 patents were aggregated as of the end of 2018 (excluding patent pending). These achievements allow FLEXIUM to maintain advantages in production, material and technology of flexible printed circuit board.

III. Environmental Sustainability

To reduce resource consumption, FLEXIUM begins with implementation of green concept, including the introduction of the green design concept. Moreover, FLEXIUM is dedicated to pursuing green products through R&D by integrating green design, material, process, and production. In the product planning and design phase, we minimize environment risks and impacts. In the selection of material, we prioritize products made of green materials, which not only conform to the global legal requirements but also meet the FLEXIUM's environment-friendly attitude. Generally, the utilization rate of flexible printed circuit board ranges from 20% to 30%, and FLEXIUM has achieved up to 50%.

In addition, we have large capacity within the same length of the process. We shorten the process time based on a product's life cycle to reduce environmental pollution and the amount of material used, increase efficiency, decrease quantities of production input, the amount of wastes and waste disposal, as well as water discharge and air emissions during process. Therefore, we fulfill our aims to promote energy efficiency and green environment.

IV. Employee First

Professional talent is the core of FLEXIUM's operation and sustainability. We maintain corporate competitiveness by dedicating lots of resources and enhancing manpower quality on talent management. We also attract and retain like-minded talents and encourage them to learn new knowledge and pursue advancement. To continually support their progress, we provide them a healthy and safe workplace, while promoting employees engagement and creating pleasant workplace atmosphere. FLEXIUM has strived to achieve the overall winning for cooperate, employees and society.

FLEXIUM invests substantial resources in training employees, with an aim to enhance the overall competitiveness and to cultivate talents by improving employees' capabilities and developing diversity skills through on-the-job training (OJT), off-the-job training (Off-JT), and personal self-development.

V. Social Involvement

We regard care as our core value in doing philanthropic activities. We also value the wellness of our employees, give back to society, and encourage our employees to participate in various volunteer works. In 2017, we respectively donated an all-terrain vehicle and a cruise car to the Daliuo Emergency and Rescue Corps of Kaohsiung City Fire Bureau and the Linyuan Precinct of Kaohsiung City Police Department. In 2018, we donated mobile command equipment to the Fire Bureau of Kaohsiung City. This equipment, which can enhance real-time communication capabilities for firefighters on rescue sites, is the first one in Taiwan.

Our CSR vision is to "Be a CSR doer, make society and environment better." We will keep the vision in mind, and fulfill our responsibilities as global citizens. We also expect our colleagues to encourage suppliers to join us in this advocacy. Furthermore, we shall urge sustainability not only in our slogan but also in our daily activities. Let's go!

Chairman



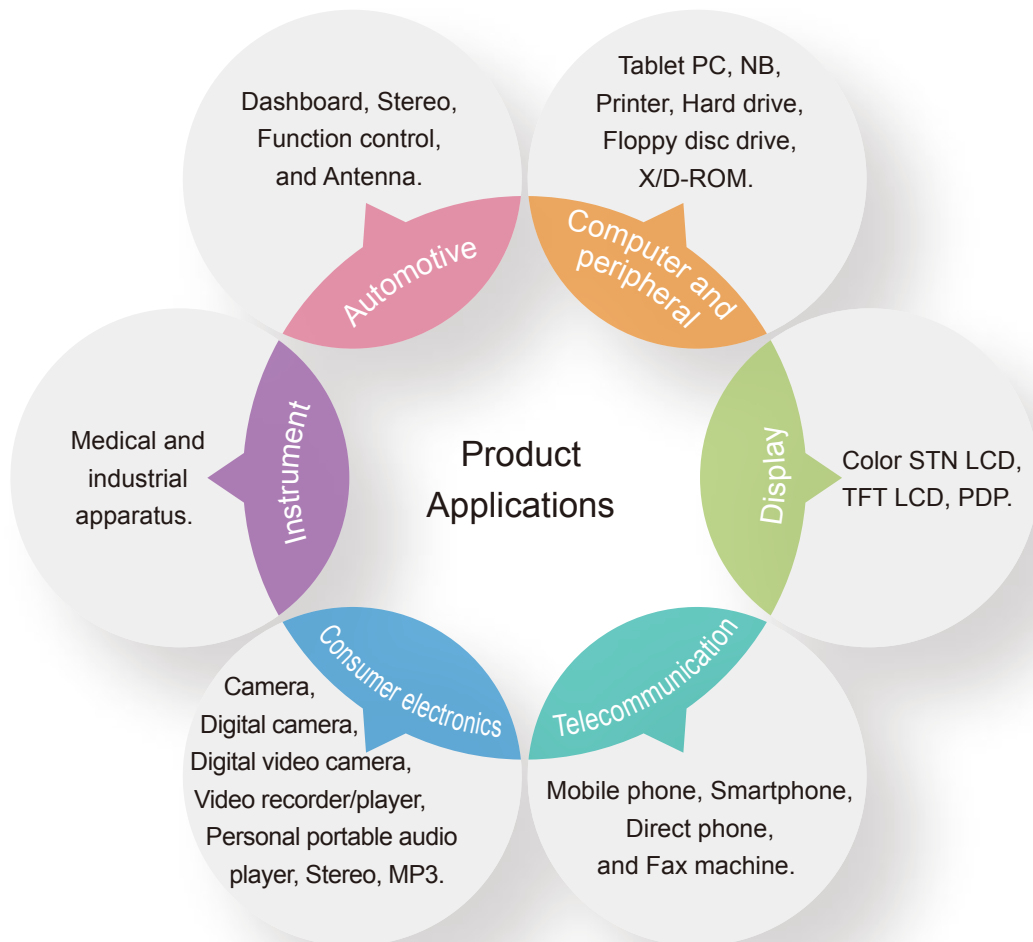
About Flexium

Company Profile

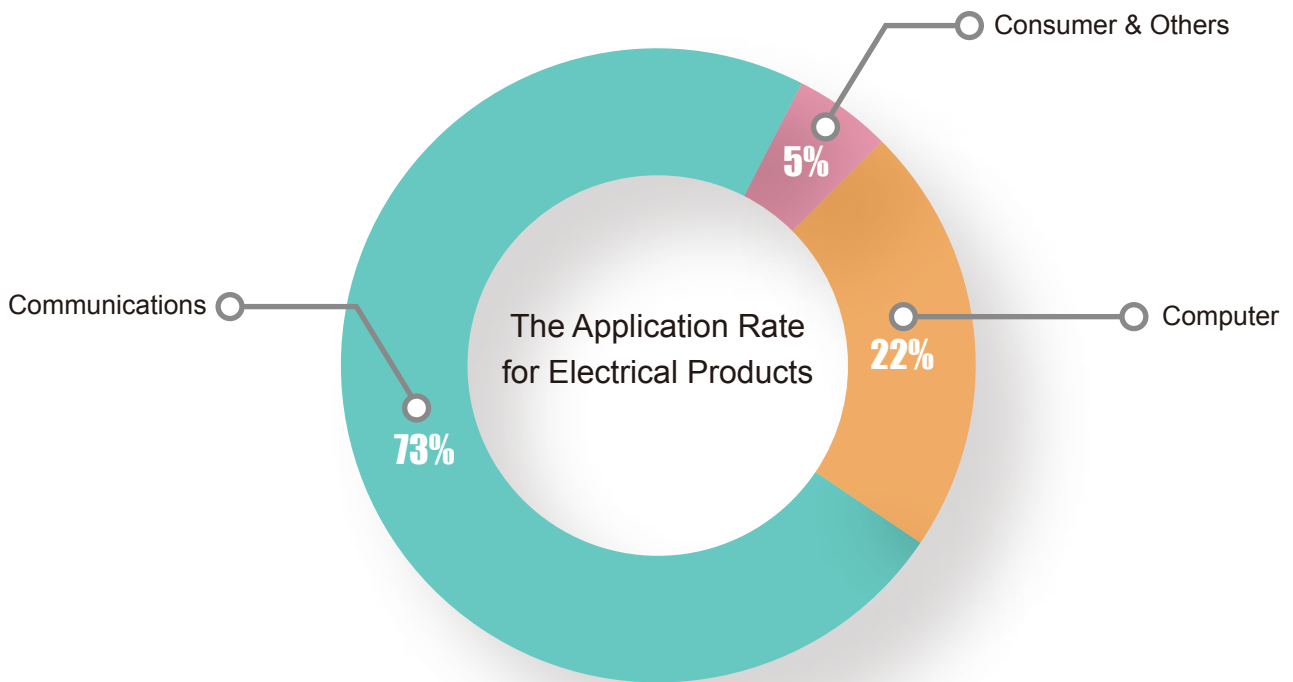
Established in 1997, FLEXIUM Interconnect Inc. (hereinafter referred to as FLEXIUM) is dedicated to manufacturing the highest-quality Flexible Printed Circuit (FPC) and working continuously on Flexible Printed Circuit Assembly (FPCA). We recently achieved a major breakthrough in high-frequency and semiconductor technologies.

We are a listed company (stock code: 6269) in the Taiwan Stock Exchange since September 23, 2003. We merged Yao Jun Technology Co., Ltd and the Kunshan Plant of FLEXIUM Interconnect (Kunshan) INC in 2004, gradually expanding our capital. To expand the scope of our product applications, we obtained several quality management system certificates (ISO 9000, TS16949 and QC080000) and qualifications from important international customers for our plants in Taiwan and China from 2004 to 2009. We are a constituent stock among MSCI Global Small Cap Index since 2009.

Alongside the establishment of our branch in the United States in 2011 was the construction of our Kunshan II Plant, which aimed to expand our capacity for future growth. We also invested in the FLEXIUM Interconnect (Suzhou) INC. in 2017. We were ranked 133rd of the best Domestic Manufacturers and 94th on Net Income After Tax in 2018 Top 2000 enterprises by CommonWealth Magazine. FLEXIUM also placed 7th in the FPC category by the Taiwan Printed Circuit Association (TPCA) in its NTI-100 World Top PCB Manufacturer 2017 Revenue, published in its PCB Quarterly, No. 81. These achievements prove our global stature as a leader in FPC industry. And our capacity in 2018 is 1,028,810 m², a 3.6% increase from the previous year.



FLEXIUM's vision is to become the global leader in FPC solutions. Our technological development includes two major fields, namely, FPC and FPCA, which cover technologies of material, circuit design, manufacturing process, module test, high-frequency & high-speed product, and automated machines. We provide the best services throughout the planning, designing, and selling stages, including pre-sale and after-sale services. Our pre-sale service team includes the design department that provides customizable circuit design, engineering verification test, design verification test and production verification test to our customers prior to mass production. Our after-sale services include leveling production in mass production to ensure best quality and delivery of products.



FLEXIUM Interconnect Inc.	Since 1997
Stock Code	6269
Capital	3.18 billion
2018 Consolidated Revenue	26.8 billion
Number of Affiliates	13
Number of Employees in 2018 (excluding dispatched worker)	1,746 people (Number of employees) 5,732 people (Number of group's employees)
Headquarters	No.23, Juguang 1st St., Tafa Industrial Park, Daliao Dist., Kaohsiung City 83164, Taiwan(R.O.C)
Website	http://www.flexium.com.tw

Global Distribution

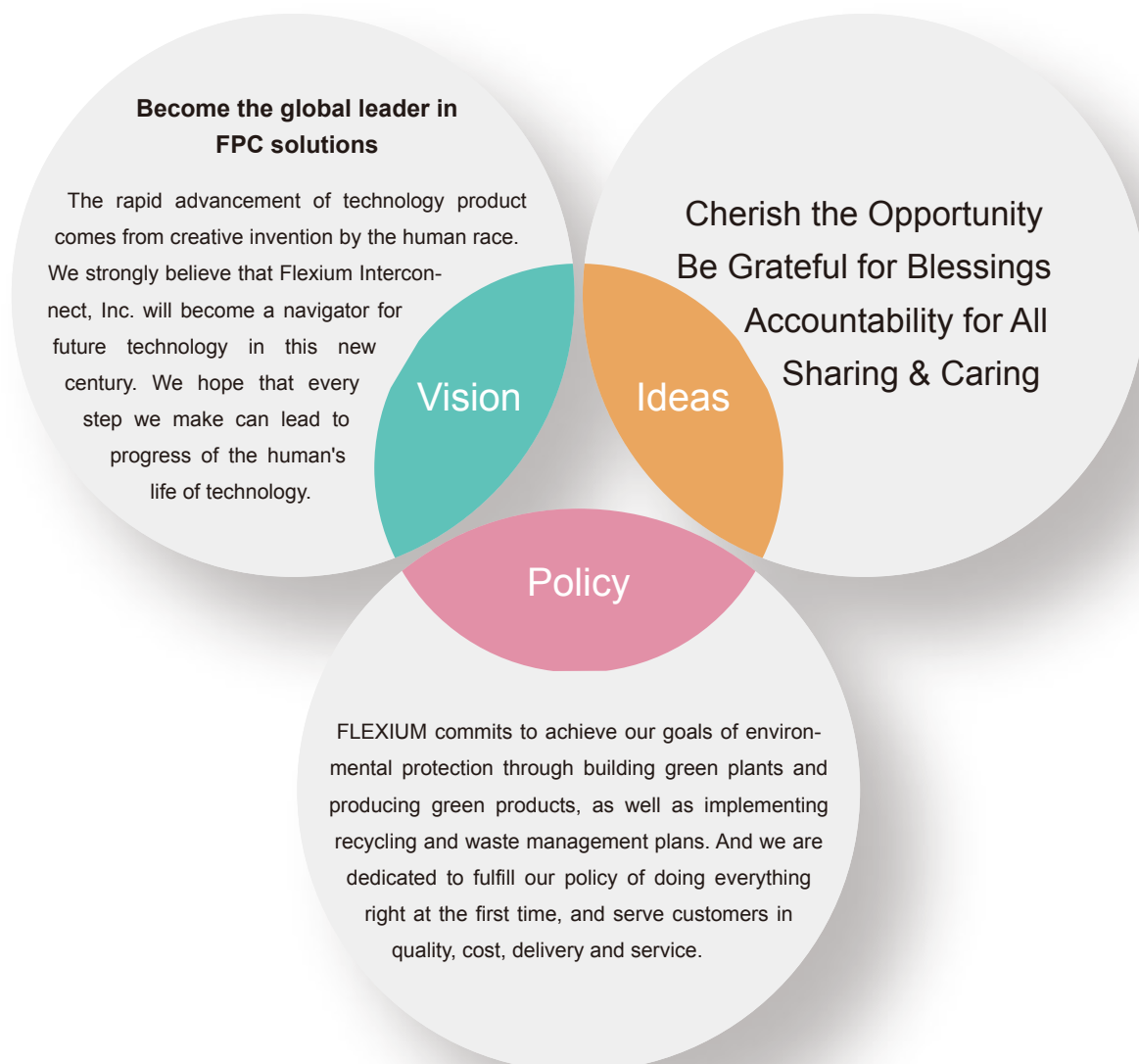


Vision, Policy and Ideas

Nowadays, technical products may change rapidly, and every step taken by FLEXIUM drives the people's technological lifestyle forward. In the world of technology, FLEXIUM's vision is "Become the global leader in FPC solutions."

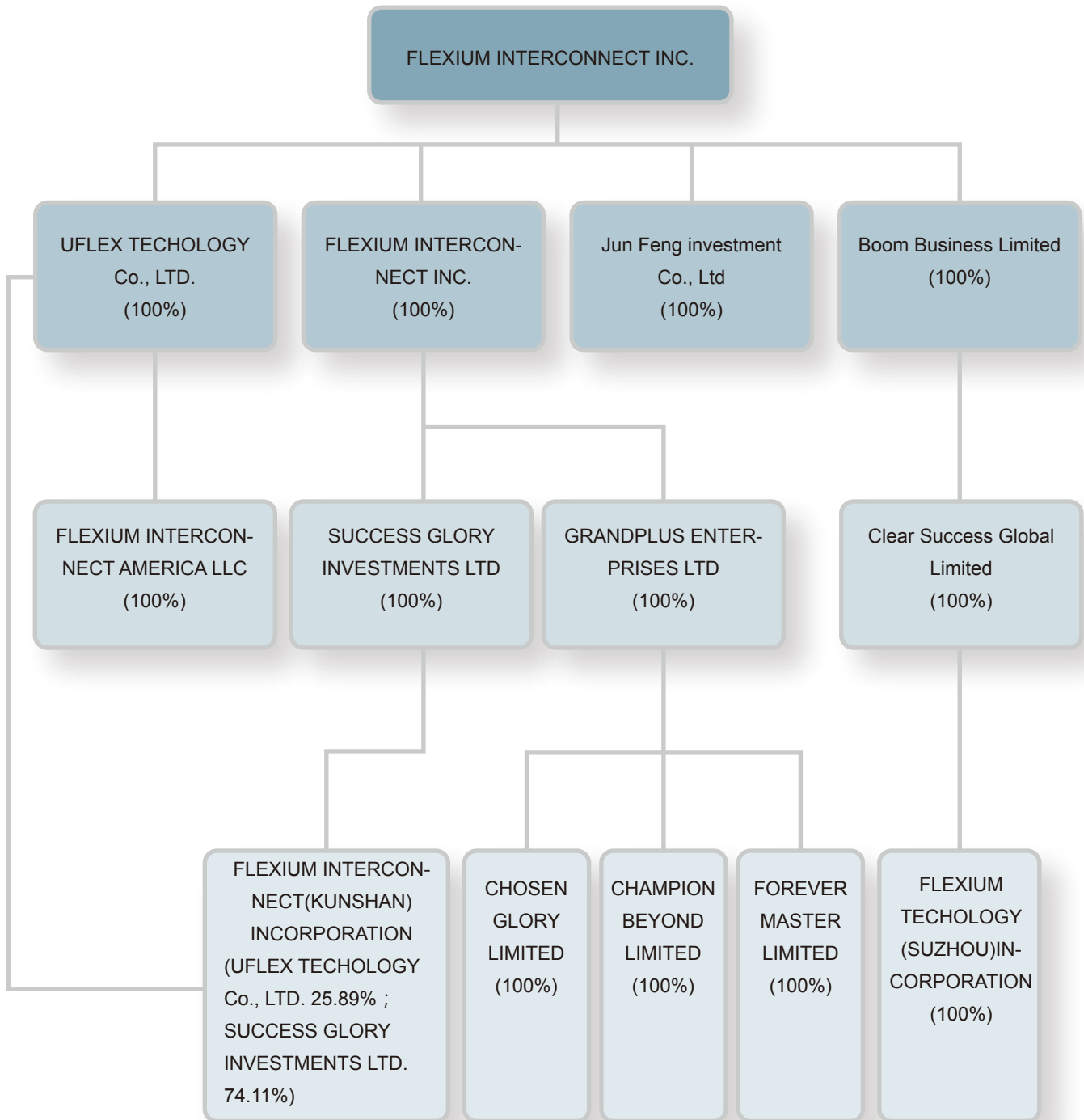
As technology develops globally, the entire electronics industry is taking giant leaps forward, and the technological lifestyle is advancing every day. FLEXIUM realizes that only by constantly pursuing innovation and change can the needs of the electronics industry be satisfied. While searching for technological excellence, FLEXIUM is integrating its advantages of good production, experienced experts, and advanced production equipment to develop fine, light, and user-friendly technological products for the future.

Our Chairman, Walter Cheng, always encourages himself and his employees to abide by his management philosophy as follows: "Cherish the Opportunity, Be Grateful for Blessings, Accountability for All, and Sharing & Caring." Due to the increasing concentration of orders from major customers in recent years, we are pleased that our penetration rate has increased year by year in customer orders. We are doing our best to provide excellent customer service, demand on-time delivery and quality, assume all responsibility, and share the results of the operation with customers, employees, and shareholders.



Affiliates

FLEXIUM is currently holding stakes in 13 affiliates, namely, Uflex Technology LTD., FLEXIUM Interconnect INC., Jun Feng Investment Co., Ltd., Boom Business Limited, FLEXIUM Interconnect America LLC. , Success Glory Investments LTD., Grandplus Enterprises LTD., Clear Success Global Limited, Chosen Glory LTD., Champion Beyond LTD. , Forever Master LTD., FLEXIUM Interconnect (Kunshan) INC., and FLEXIUM Interconnect (Suzhou) INC. The holdings are illustrated below.



Awards and Sustainable Performance

With help from our staff, FLEXIUM achieved awards in governance, environmental, and social aspects. In 2018, our corporate social responsibility (CSR) team completed the “2017 CSR Report” and was verified by third party with an assurance statement. FLEXIUM is ranked 133rd of the best Domestic Manufacturers in 2018 Top 2000 Survey by CommonWealth Magazine, top 1 by profit margins in FPC Manufacturing Industry in Taiwan. Our workplace safety and health performance is also outstanding. For two consecutive years since 2017, we were awarded Outstanding Occupational Safety and Health Corporate by Labor Affairs Bureau of Kaohsiung City Government. In 2017, we were honored with Outstanding Member Award in Occupational Health and Safety Programs of the Manufactures United General Association of Industrial Park of R.O.C. We have also received the KSND Excellent Corporate Taxpayer Award, KSND Excellence in Business Transformation & Upgrading Award, and Kunshan Safety Culture Demonstration Enterprise. We were also awarded the Presented Charity Medal by the Kunshan Philanthropic Foundation, and the Kunshan Leading Enterprise of Food Safety Management Standard.

2019/5

FLEXIUM is ranked 133rd of the best Domestic Manufacturers in 2018 Top 2000 Survey by CommonWealth Magazine, top 1 by profit margins in FPC Manufacturing Industry in Taiwan.

2018/5

FLEXIUM is ranked 135th of the best Domestic Manufacturers, 86th on Revenue Growth, 74th on Net Income After Tax, and 214th on Profitability Ratios in 2017 Top 2000 enterprises by Common Wealth Magazine and ranked top 1 in terms of both Revenue Growth Rate and Profitability Ratios in FPC manufacturing industry in Taiwan.

2017/11

FLEXIUM is honored with Outstanding Member Award for 2017 in Occupational Health and Safety Programs of the Manufactures United General Association of Industrial Park of R.O.C
FLEXIUM is awarded Outstanding Occupational Safety and Health Corporate for 2016 by Labor Affairs Bureau of Kaohsiung City Government.



2016/10

FLEXIUM is honored with Gold Award (Enterprise Version) in TTQS (Talent Quality-management System) assessment in Year 2016. FLEXIUM made a donation to help build a new library in Kaohsiung Municipal Chaoliao Elementary School, laying the groundwork for children's future success.



2016/5

FLEXIUM is ranked 182nd of the best Domestic Manufacturers, 57th on Revenue Growth, and 130th on Profitability Ratios in 2015 Top 2000 enterprises survey by CommonWealth Magazine and ranked top 1 in terms of both Revenue Growth Rate and Profitability Ratios in FPC manufacturing industry in Taiwan.

2015/3

FLEXIUM ranks 430th in Year 2014 Deloitte Technology Fast 500 Asia Pacific.



2014/7

FLEXIUM is honored with Silver Award (Enterprise Version) in TTQS (Talent Quality-management System) assessment in 2014

2018/11

Published the “2017 CSR Report”

2018/10

FLEXIUM is awarded Outstanding Occupational Safety and Health Corporate for 2017 by Labor Affairs Bureau of Kaohsiung City Government.

2017/12

FLEXIUM is received ISO 9001:2015 and IATF 16949:2016 certificate renewals for Kaohsiung and Kunshan Plants, respectively.

2017/6

Donated FLEXIUM Dream Comes True Carpentry Workshop to Kaohsiung Municipal Chaoliao Elementary School to promote children's scientific creativity.

2016/8

FLEXIUM is awarded Outstanding Export/Import Business Certificate, ranking 272nd on Top 500 Companies in 2015.

2015/5

FLEXIUM is ranked 253rd of the best Domestic Manufacturers in 2014 Top 2000 enterprises survey by CommonWealth Magazine.

2015/2

FLEXIUM is awarded the Certificate on Excellent Practices in Fire Safety Management in year 2014 by Fire Bureau Kaohsiung City Government.



2014/5

FLEXIUM is ranked 35th on operational performance, 244th of the best Domestic Manufacturers in 2013 Top 2000 enterprises by CommonWealth Magazine.

Sustainability Performance



Solid Business Operation

Attended **15** investor conferences

FLEXIUM values stakeholders' interests and mutual communication so that we have attended 15 investor conferences in 2018.

TOP 1 of FPC manufacturers in Taiwan

FLEXIUM is ranked 133rd of the best Domestic Manufacturers in 2018 Top 2000 Survey by CommonWealth Magazine, top 1 by profit margins in FPC Manufacturing Industry in Taiwan.

Published CSR Report

We completed the "2017 CSR Report" and verified by third party with assurance statement in 2018.

FLEXIUM revenue **hits record high**

In 2018, FLEXIUM's revenue reached to NTD 26.8 billion, the record high revenue in recent years.



Industrial Services

Global distribution

According to customers' requirement, we provide 24/7 services for customers in both Asia and North America. For being efficient service for our customers, we set up plants on both Taiwan and China and have service points at 8 different cities.

Maintained customer satisfaction of score over **80**

We maintain customer satisfaction of scores over 80 for 3 consecutive years from 2016 to 2018. The customer satisfaction consists of 6 indicators: quality, service, prompt delivery, price, technology and hazardous substances.

New material and new equipment

In 2018, we introduced the direct imaging ink, which can improve alignment precision and material expansion and contraction.

294 patents have taken out

We have taken out 83 patents from 2015 to 2018, having 294 patents so far by the end of 2018 (excluding patent pending).

Quality rate scored **86** (out of 100)

The average score of quality rate by customers from 2016 to 2018 was 86.

Hazardous substance management rate scored **89** (out of 100)

The average of hazardous substance management rate scored by our customers was 89 from 2016 to 2018.



100% All suppliers have signed the "Supplier's Code of Conduct Agreement"

All new suppliers, with NTD 1 million or above in annual value transactions, have signed the "Supplier's Code of Conduct Agreement" to meet our demands.

Local procurement amount ratios exceed **85%**

From 2016 to 2018, the average of local procurement amount ratios is higher than 85%.



Saved **934,502** kWh of electricity

We replaced 2,400 fluorescent lamps (80W) with LED lamps (28W), thus saving 934,502 kWh of electricity every year.

Reduced carbon dioxide emission by **517,436** tons CO₂e.

We adopted energy-saving measures in 2018, reducing carbon dioxide emission by 517.436 tons CO₂e.

Saved costs NTD **1,662,998**

We adopted energy-saving measures in 2018, saving costs as high as NTD 1,662,998.

Conserved **94,338** tons of water

We conserved 94,338 tons of water, saving costs as high as NTD 4,433,886.



Expenditure on Training NTD **17,397,021**

Our total expenditure on training in 2018 is NTD 17,397,021.

Without paying fees for employment

During the employment in Taiwan, foreign employees are not required to pay fees, including brokerage fee, service fee, physical examination fee, ARC(alien resident certificate) fee and utilities. Upon their contract expiration, we also pay for their return flight.

Selection of **best employees**

10 best employees were selected and awarded with bonus shares.

40 protégés were trained

In 2018, we promoted the "First Line Supervisor Hand-in-Hand Master-protégé Program" and trained 40 protégés within a year to enhance their work functions.

10 Production Line Learning Maps and **110** sets of Learning Material

Our "First Line Supervisor Hand-in-Hand Master-protégé Program" launched in 2018 can rapidly reproduce knowledge, skills and experiences, thereby standardizing knowledge heritage. Total 10 Production Line Learning Maps and 110 sets of Learning Material have been produced in the year.



Increased volunteers by **10.4%**

The number of volunteers increased by 10.4% from the previous year.

Supported police and firefighters

- Donated radio communication equipment, including a Mobile Command Station and a Terrestrial Trunked Radio to the Fire Bureau of Kaohsiung City Government.
- To support the police and firefighters, we joined the Advisory Group of Dafa Police Branch, of Daliao Police Station, of Zhao Ming Police Station, and of Daliao Emergency and Rescue Corps of Kaohsiung City Fire Bureau.

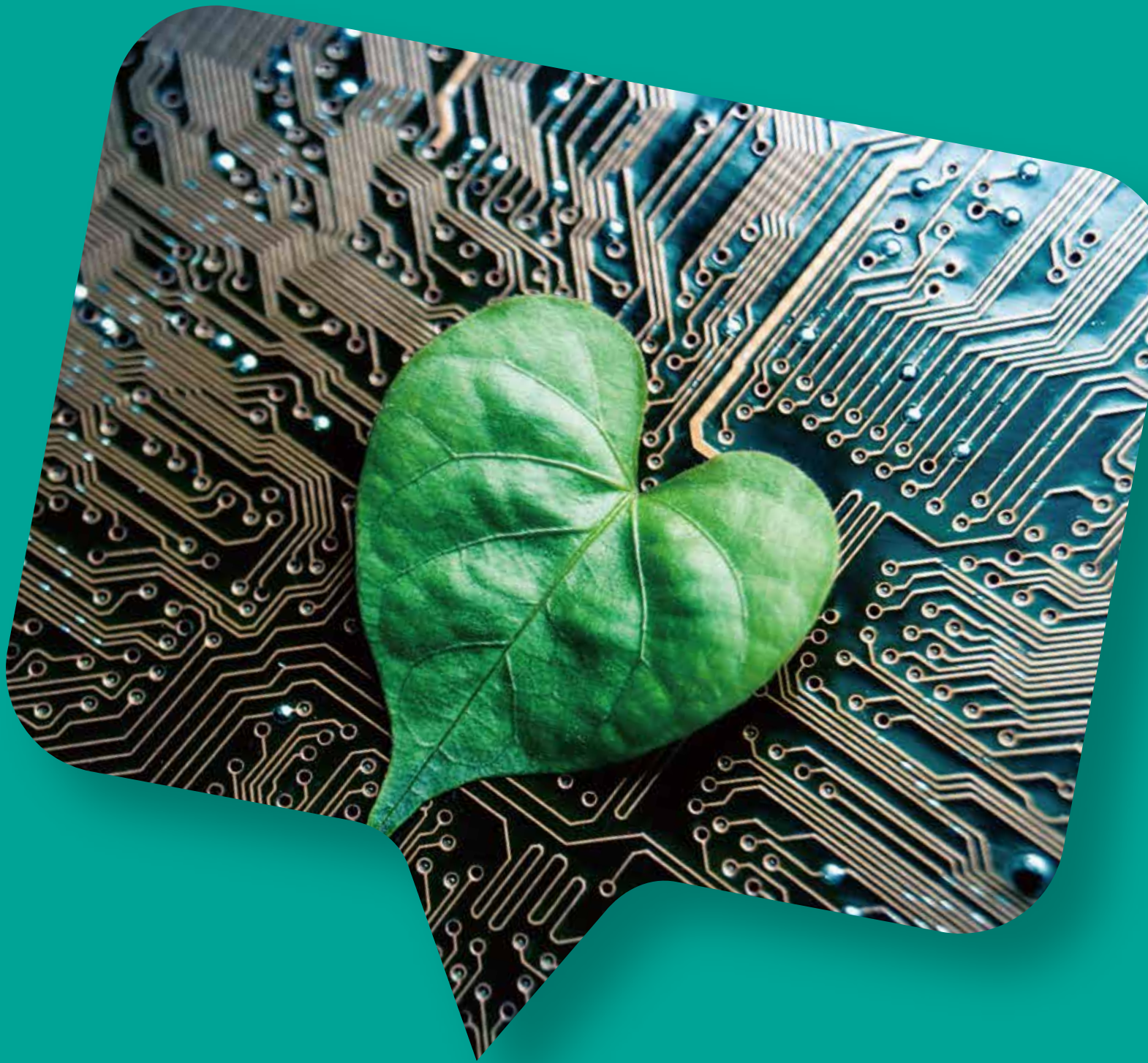
Community involvement

- Donated the exercise equipment installed at the Village Park in Yiren Village, Daliao District.
- Sponsored the expense for the 100th anniversary of the Zhao Ming Elementary School in Daliao District.

Cares for the underprivileged group

- Warmth for Winter : 2018 government uniform invoices (GUI) were collected and all the prize receiving from Taiwan Receipt Lottery were donated to the low-income households in Chaoliao, Huijie and Guoxi Villages.
- Kids Party : 24 volunteers spent time with children of the House of Little Angels Kaohsiung.
- Power of Love : All employees participated in the charity event and helped House of Little Angels Kaohsiung to receive NTD 250,000 subsidy from Taishin Bank.
- Piggy Bank of Love : We fundraised total NTD 159,000 for the House of the Little Angels Kaohsiung.





Sustainable Commitment and Management

Sustainable Commitment and Management

1.1 Materiality Analysis

FLEXIUM regards corporate social responsibility (CSR) as the core to enhance competitiveness and respond to stakeholders' requests. Therefore, we have established CSR vision, policy and roadmap for long-term goals as the foundation for sustainable development and the guidance of sustainable operation to the future. FLEXIUM complies with GRI Standards and AA 1000 SES standards to carry out the materiality analysis by our CSR Committee.

Identification

6 major stakeholders Investors, customers, suppliers/contractors, employees, government, community/academic institutes

FLEXIUM identifies our critical topics and disclosure of sustainability information rooted on the concern level of stakeholders and the impact on our Company's operation. We follow AA 1000 Standard and discuss internally to confirm and identify the audience/readers in the CSR report. The six stakeholders are investors, customers, suppliers/contractors, employees, government, community/academic institutes.

23 sustainable issues 9 economical issues, 7 environmental issues and 7 social issues.

On the issues of sustainability, we have summarized 23 sustainable issues for FLEXIUM as the scope of our survey of material topics according to the GRI Standards, SDGs, RBA, stakeholders' feedback, internal business objectives and Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies.

Analysis

344 stakeholders **22** internal colleagues

A survey on 344 stakeholders has been conducted first to understand their concern level on the sustainable issues. In the same time, we have 22 colleagues responsible for CSR tasks to determine the importance of each issue (innovation and research, revenue, cost, customer satisfaction, risk and profitability). A material matrix is determined by internal and external survey and is used to show the priority of information disclosure in the CSR Report.

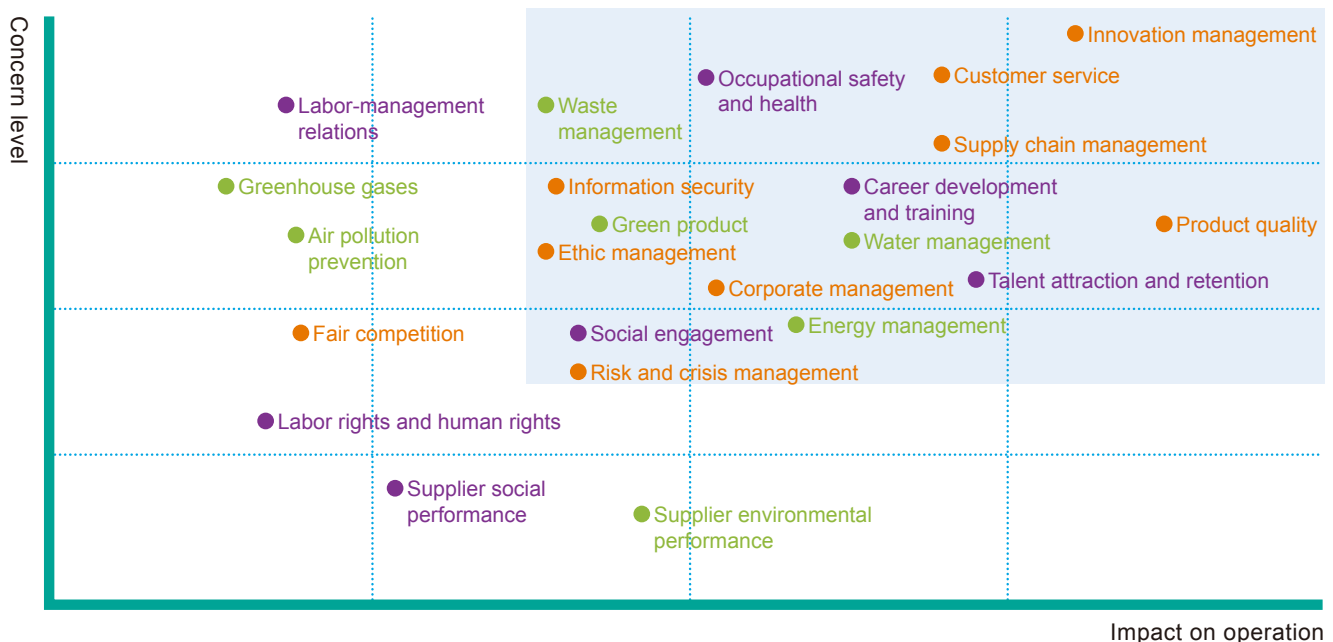
Confirmation

16 material topics 8 economic topics, 4 environmental topics and 4 social topics.

18 GRI Topic-specific standards 13 GRI Topic-specific standards and 5 specific topics of FLEXIUM.

After considering the importance of stakeholders may have on our Company's operation, we have finally determined 16 material topics for FLEXIUM, as well as the priority for information disclosure.

Materiality Matrix



FLEXIUM Material Topics, Business Impact and Disclosure Boundary

Material Topics	Business Impact						GRI Topic-specific standards	FLEXIUM value chain			
	Innovation and Research	Revenue	Profitability	Customer satisfaction	Cost	Risk		Procurement	Production	Transportation	Customer usage
Innovation management	✓	✓	✓	✓			Specific topics of FLEXIUM		●		
Product quality	✓	✓	✓	✓	✓		Specific topics of FLEXIUM		●		
Customer service				✓			Specific topics of FLEXIUM		●		
Supply chain management	✓	✓	✓		✓		Procurement Practices (GRI 204), Supplier Environmental Assessment (GRI 308) and Supplier Social Assessment (GRI 414)	✓			
Corporate governance		✓	✓			✓	Anti-corruption (GRI 205)		●		
Risk and crisis management						✓	Specific topics of FLEXIUM		●		
Information security				✓		✓	Customer Privacy (GRI 418)				✓
Ethics management						✓	Anti-corruption (GRI 205)		●	●	
Energy management					✓		Energy (GRI 302)		●		
Water management					✓	✓	Water (GRI 303)		●		
Waste management					✓		Effluents and Waste (GRI 306)		●		
Green product	✓			✓			Specific topics of FLEXIUM	✓	●	●	✓
Occupational safety and health						✓	Occupational Health and Safety (GRI 403)		●		
Talent attraction and retention	✓	✓					Employment (GRI 401) , Diversity and Equal Opportunity (GRI 405)		●		
Career development and training	✓	✓					Training and Education (GRI 404)		●		
Society engagement							Indirect Economic Impacts (GRI 203)		○	○	

*involvement with the impacts : direct connection (●) , indirect connection (○) and business connection (V)

Short, Medium and Long Term Goals for Material Topics

Economic

Topics	Business Impact	Strategy	Long-term Goals (2021)	2018 Target	2018 Status	2019 Target	2016 performance	2017 performance	2018 performance
Corporate governance	Protect shareholder rights and interests and treat shareholders equitably. Enhance board composition and operation.	1. At least 1 investor conference every quarter. 2. At least 6 board meetings every year.	KPI 1 : At least 1 investor conference every quarter.	4	Achieved	4	4	4	4
			KPI 2 : At least 6 board meetings every year.	6	Achieved	6	8	7	7
Risk and crisis management	Prevent individual risk influencing the group's operational performance	1. Power resource of MIS to improve stability of network and server. 2. Make appropriate adjustment to long-term operational performance index according to SWOT analysis. 3. Reduce exchange loss and impact on operation.	KPI 1 : Avoid interruption of Manufacturing Execution System(MES) (data loss & interrupted service) Calculation basis : system service disconnected hours / (365 days * 24 hr)	0.100%	Achieved	0.050%	NA	0.010%	0.057%
			KPI 2 : Score of Group's MBO more than 80	78	Achieved	80	87	84	83
			KPI 3 : 0% exchange loss	0%	Achieved	0%	-1%	-1%	0%
Supply chain management	Cooperate with suppliers on the environment and safety issues and jointly implement CSR practices to achieve the goal of sustainable operation.	1. Supplier assessment: Required to sign the "Letter of Commitment for Undertaking of Integrity" and the "Supplier's Code of Conduct Agreement" 2. Material approval: Required to sign the "Statement of Conflict-Minerals Policy" for material approval.	KPI 1 : All key suppliers sign the "Letter of Commitment for Undertaking of Integrity" and the "Supplier's Code of Conduct Agreement"	100%	Achieved	100%	100%	100%	100%
			KPI 2 : All suppliers sign the "Statement of Conflict-Minerals Policy"	100%	Achieved	100%	100%	100%	100%
Innovation management	Emphasized to integrate the creativities' motivation, resource for assigning effectively and protection of IPR, which inspires innovation and converts innovations into new products to satisfy customers' future and potential needs.	1. Knowledge management: To achieve the goals of advancement, competitiveness promotion, innovation, knowledge sharing and integration as well as continuous improvements. 2. New product introduction: Reduce the length of time for the development of advanced processes and materials, speed up new material development and meet both capacity needs and product quality requirements.	KPI 1 : Establish KM documents >75	58	Achieved	60	48	102	80
			KPI 2 : New product introduction (processes/materials) > 6	6	Achieved	6	2	6	9
Product quality	Monitor product quality so as to meet demands for quality from customers and to reduce Company's failure costs, increasing Company's overall revenue, and achieving win-win results.	1. Reduce monthly customer complaints: Take actions to prevent recurrence of problems and similar ones. 2. Reduce monthly external failure rate: Enhance interaction with customers and promptly respond to customer complaints to minimize loss. 3. Reduce internal failure cost rate: Monitor yield and make on-site confirmation to assure the corrective actions was implemented to reduce internal failure rate. 4. Yields on all products: Routinely monitor yields on products and form a task force to monitor specific products.	KPI 1 : Monthly customer complaints ≤ 5 cases	5 cases	Achieved	5 cases	5 cases	4.25 cases	4.5 cases
			KPI 2 : Monthly external failure rate ≤ 0.05%	0.05%	Not Achieved	0.05%	0.07%	0.07%	0.11%
			KPI 3 : Reduction of internal failure cost rate ≤ 7.5%	3.50%	Achieved	7.50%	4.48%	5.50%	3.42%
			KPI 4 : Yields on all products > 95%	95%	Not Achieved	95%	94.31%	94.95%	92.46%
Customer service	Provide high-quality products and service, manage relationships with customer, improve customer satisfaction, and increase corporate revenue and core values.	Provide customers with the quality and delivery services required and expected to become stronger and powerful source of supply, laying the foundation for corporate sustainable development.	KPI 1 : Maintain customer satisfaction level at 85~90 points	85 points	Achieved	85 points	83.50 points	80.67 points	85.70 points
			KPI 2 : Achievement rate from NPI to MP : 85%	85%	Achieved	85%	84%	85%	85%
Ethics management	Our Company must uphold the principles of fairness, honesty, integrity and transparency when conducting business activities.	1. Our Company must uphold the highest standards of ethics when dealing with employees, company, and customer issues. 2. When performing tasks, all employees are prohibited to offer, accept, promise or demand, either directly or indirectly, or to act that are dishonest, illegal or breaching of trust.	KPI 1 : Ethics violation : 0	0	Achieved	0	0	0	0
			KPI 2 : All employees sign the "Letter of Commitment for Undertaking of Integrity"	100%	Achieved	100%	100%	100%	100%
			KPI 3 : Violation of information security policy : 0	0	Not Achieved	0	NA	NA	4
Information security	Protect the confidential information of customers and products, comprehensively protect IT equipment, service, data security, and comply with the laws to maintain our smooth operation and enhance the operational efficiency and competitiveness of the Company.	1. Effective information management: Establish "Information Security Operation Rules", achieve information security goals, and strengthen information security management. 2. Information security management: Strengthen employees' concept on information safety to prevent the risk of information leakage. 3. Application of information technique: Conduct prior risk evaluation and identify viable strategy for risk incident prevention through information technique.	KPI 1 : Maintain the Group's IT system stability : 90%	90%	Not Achieved	90%	NA	NA	85%
			KPI 2 : Conduct IT security drill 1 to 2 times per year	1	Achieved	1	NA	NA	2

 Environment

Topics	Business Impact	Strategy	Long-term Goals (2021)	2018 Target	2018 Status	2019 Target	2016 performance	2017 performance	2018 performance
Water management		1. Reduce consumption of water 2. Recycle and reclaim water used on production line. 3. Introduce new recycling equipment 4. Introduce new technology in heavy metal recycling.	KPI 1 : Increase reclaimed water reclaim rate : 30%	15%	Achieved	20%	5%	8%	15%
			KPI 2 : Reduce heavy metal concentration in discharged waste water : 50%	10%	Achieved	20%	0	0	10%
			KPI 3 : Average water consumption on assembly line<12 ton/lot	12	Achieved	12	9.4	10	9.15
			KPI 4 : Increase copper electrolysis output volume (ton) : 2 tons	0	NA	0.5	NA	NA	NA
Energy management	Establish professional leadership for environment, increase environmental awareness, promote positive values of environment, and expand participation scope to raise environmental consciousness and to deal with questions. We expect to earn trust from customers and to establish a new paradigm of green factory.	1. Increase the use of green energy. 2. Use high-energy efficiency equipment to reduce energy.	KPI 1 : Replacement rate of equipment older than 15 years : 30%	5%	Achieved	10%	NA	NA	6%
			KPI 2 : Replacement rate of high-efficiency motor : 50%	10%	Achieved	25%	NA	NA	12%
			KPI3 : Install solar panels to reduce purchasing electricity : 180000 kWh / year	NA	NA	100,000	NA	NA	NA
			KPI 4 : Replace fluorescent lights with LED light : 100%	20%	Achieved	50%	NA	NA	25%
Waste management		1. Improve garbage sorting to reduce volume of garbage and increase the recycled volume. 2. Reduce waste fluid removal and improve heavy metal recycling.	KPI 1 : Reduce general waste weight (%) : compared with the base year : -10% in 2016.	-10%	Not Achieved	-10%	-16%	-40%	66%
			KPI 2 : Reduce hazardous industrial waste (%) : compared with the base year : -10% in 2016.	-10%	Not Achieved	-10%	50%	16%	50%
			KPI 3 : Reduce waste clearance amount (%) : compared with the base year : -10% in 2016.	-10%	Not Achieved	-10%	40%	-40%	66%
Green product	Complying with international laws and regulations and customers' requirements of hazardous substances and reducing the impact on environment by the products, which have demonstrated that FLEXIUM not only can provide products with consistency, but also are committed to the control of hazardous substances.	1. From product design, material procurement to hazardous material control, we have achieved green product management and are able to provide products that contain no hazardous material. 2. Based on product life cycle, we have shortened production process, and thereby reduced environment contamination and amount of material used. Efficiency is increased, too.	KPI 1 : The number of hazardous materials must be under 33 (reduction target)	36	Not Achieved	36	31	38	44
			KPI 2 : Shorten/optimize process : 5	NA	NA	5	NA	NA	NA

 Society

Topics	Business Impact	Strategy	Long-term Goals (2021)	2018 Target	2018 Status	2019 Target	2016 performance	2017 performance	2018 performance
Occupational safety and health	For safety, we make preparation for participation in National Outstanding Occupational Safety and Health Corporate for health, we progress toward a health work environment.	1.Reduce occupational injury : Managers conduct weekly safety inspection on site to find and reduce potential threats. 2.Healthy workplace : Hold health promotion activities to relieve employees' physical and psychological stress.	KPI 1 : All corrections to findings in work safety inspection	NA	NA	100%	NA	NA	NA
			KPI 2 : 2 health promotion activities per year	2	Achieved	2	2	2	2
			KPI 3 : Obtain Outstanding Occupational Safety and Health Corporate by Labor Affairs Bureau of Kaohsiung City Government. : 100%	100%	Achieved	100%	0%	60%	100%
Career development and training	Following Company's future technology strategy and operational goals, our Company encourages employees to achieve self-improvement and learn transferable innovative skills, as well as uses talent development practices to enhance organizational competitiveness.	1. Knowledge internalization : To provide more internal training with various learning methods, including OJT (On-Job Training), mentoring program, project management and off-job self-learning. 2. Professional skills : To continually refine employees' skills in quality assurance, engineering and production through departmental training programs. 3. Management skills : To implement "Management Mentoring Programs" and "First Line Supervisor Hand-in-Hand Master-protégé Program".	KPI 1 : Number of certified protégé: ≧ 65 people.	Accumulated 35 people	Achieved	Accumulated 50 people	NA	NA	Accumulated 35 people
			KPI 2 : To increase departmental average strength by 10%	Competence Review Completed	Achieved	Increased 5%	NA	NA	Competence Review Completed

Society

Topics	Business Impact	Strategy	Long-term Goals (2021)	2018 Target	2018 Status	2019 Target	2016 performance	2017 performance	2018 performance
Talent attraction and retention	Talents are the core of corporate operation. We attract talents through various channels and cultivate and retain them through effective measures and competitive compensation packages, thereby increasing values for FLEXIUM.	1. Diversified recruitment : In addition to network platform, we hold campus recruitment events and campus lectures. 2. Salary adjustment and promotion : We conduct market survey every year and then give raise and promotion to increase tension rate. 3. Rotation : We offer job rotation for every colleague to find the most suitable job and contribute their best skills to the Company.	KPI 1: Managerial employees through both internal promotion and external recruiting : up to 250	Accumulated 100 people	Achieved	Accumulated 160 people	Accumulated 40 people	Accumulated 67 people	Accumulated 123 people
			KPI 2 : To recruit up to 500 indirect employees	Accumulated 300 people	Achieved	Accumulated 360 people	Accumulated 70 people	Accumulated 210 people	Accumulated 318 people
Community Engagement	Businesses achievement comes from the support from the society and the enterprises must make social contribution and efforts to improve society in return. By taking part in CSR, not only businesses creates a good public image but also employees feel the joy of participating in organization's good priceless deeds, with more deeply appreciative of kindness.	1. Scope : We put our local community in the first place and proactively work towards the wider community in the near future. 2. Target audience : We give support to our local police officers and firefighters first as well as in-kind services to underprivileged groups and local schools in Kaohsiung. 3. The value of charitable campaign is based on all employees' engagement and dedication.	KPI 1 : Volunteers increase by 50%	Increased 8%	Achieved	Increased 15%	NA	Year of establishment	Increased 10.4%
			KPI 2 : ≥ 26 public welfare activities	Accumulated 16 activities	Achieved	Accumulated 20 activities	Accumulated 3 activities	Accumulated 11 activities	Accumulated 18 activities

1.2 Engagement with Stakeholders

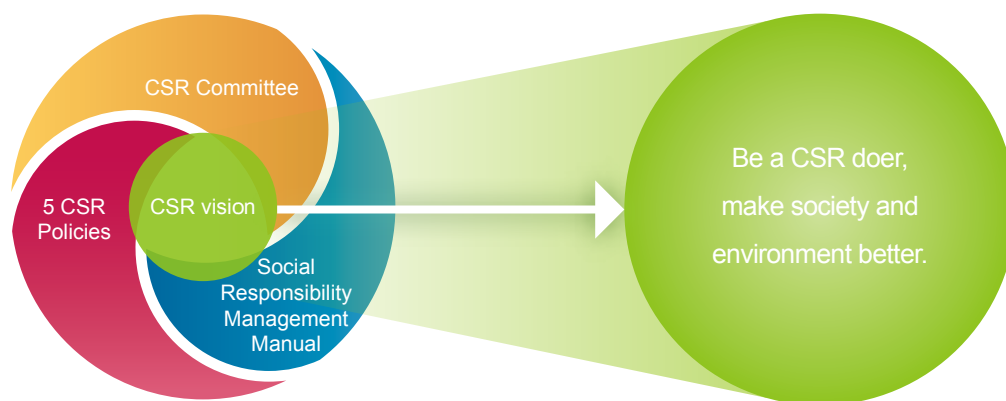
FLEXIUM believes that our CSR efforts can achieve greater only by understanding our stakeholders and communicating with them well. Every year we collect the issues concerned from customers, investors, employees, partners, governments and communities, and we respond and address to these concerns and try to satisfy their needs.

Communications with FLEXIUM Stakeholders

Type	Concern	Communication hannel/frequency	FLEXIUM response	2018 communication results
Foreign investors, investment trust and insurance / investment departments	Operational performance and policies Information transparency Dividend Payable Date	Shareholders' regular meeting / annually. Material information press release, quarterly financial statements and the financial and business updates on company website / daily.	Answer questions in meeting Answer investors' questions on the phone	Participated in 15 external investors conferences Convended 1 shareholders meeting.
All customers	Delivery time Price Quality Future worldwide investment plans and development strategies	Telephone call Email Visit Customer satisfaction survey (all of the above are occasionally)	Answer questions in visit meeting or on phone call or email Orally or written respond to customers' satisfaction survey	Passed 21 external audits by customers
Domestic / foreign employees	Benefits Policy Management Charging unreasonable fees	Grievance hotline, email and general manager's mailbox / monthly Interview / as needed	Implement corrective actions Communicate with the parties Solve the problem during interview. Negotiate via FCW agent	5 labor management meetings 12 monthly meetings Care visit on 140 colleagues
All suppliers / contractors	Ethical conduct / fair competition Raw material preparation Future planning and operational key points Market information Waste disposal and audit	Email / annually Email, face-to-face communication / as needed On-site audit / as needed Telephone call / as needed	Reply to suppliers via email Supplier interview Assist in supplier material preparation planning Take corrective actions to findings in the solid waste processing and audit	Conduct 8 on-site audits (including 2 for CSR)
Authorities of occupational safety and health / environmental protection/labor affairs	Inspection by the laws and regulations Consultation on amendments in laws Chemicals management	On-site inspection / as needed Telephone call/ every half year Visit / as needed	Inspect and report pursuant to regulations Adjust systems according to amendments in regulations	Passed 16 inspections by the authorities
Community / academic institutes	Assist foreign workers in community integration Industry-Academia Collaboration Program Plant tour	Visit / quarterly Visit / as needed	No complaint from neighbors according to the latest village chief's survey Industry-Academia Collaboration Program for Vietnamese Hold 4 plant tours every year	Participation in 4 welfare activities 3 sessions of campus lectures and off-campus visits 2 visits to the village chief

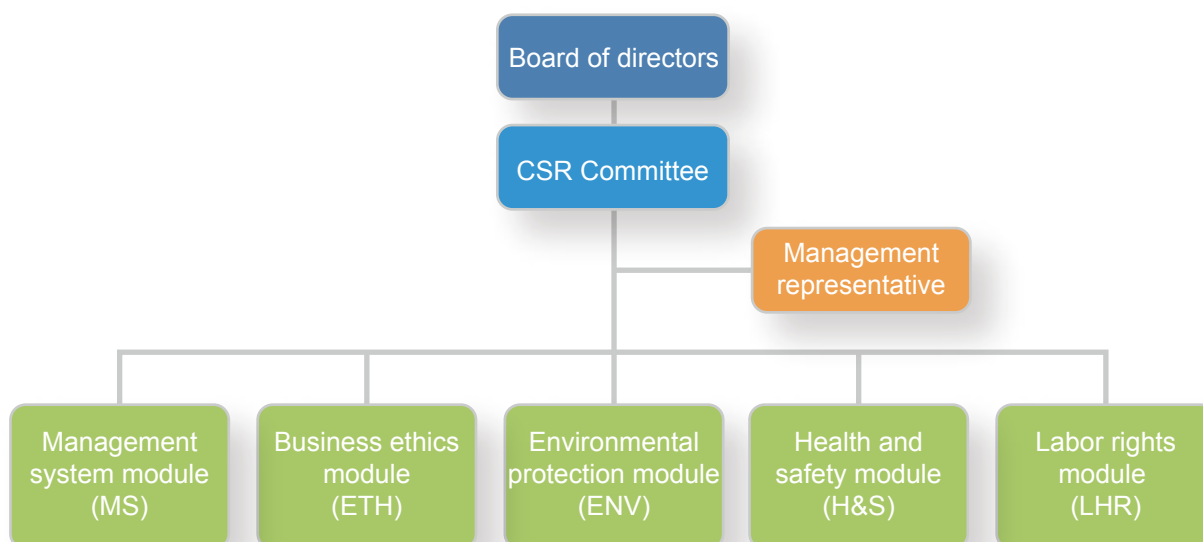
1.3 CSR Performance

FLEXIUM values CSR fulfillment and contributions to society and environment a lot. Our CSR vision is to “Be a CSR doer, make society and environment better.” Our five CSR policies are Care, Health, Green, Integrity, and Advancement. To promote CSR, we have referred to the Responsible Business Alliance (RBA) Code of Conduct and the spirits of the related international standards to draw out “Social Responsibility Management Manual.” The Manual has specified our social responsibility practices. We established the CSR Committee to lead and integrate the cross functional employees to promote CSR.



1.3.1 CSR Committee

The CSR Committee leads decision-making of our CSR affairs. Our chairman is the Committee president, and the Committee members are our highest level managers. The head of Administration Division is the Committee representative and is in charge of the CSR affairs in five major modules: labor rights, health and safety, environmental protection, business ethics and management system. The committee members review the performance, budget and results of CSR affairs monthly and review the status of the roadmap quarterly. Furthermore, according to the “Management Review Procedure,” the CSR Management Review Meeting is held regularly every year. The subjects may include CSR policy, CSR internal/external audit result review, CSR goals, management policies, budget, compliance with CSR-related rules and customer requirements, the CSR-related risks assessment and improvement, stakeholders’ comments as well as the occupational injury investigation and improvement progress. The committee would formulate a CSR budget, management plan, and implementation progress every six months, and the management representative would report to the board of directors at least once a year.

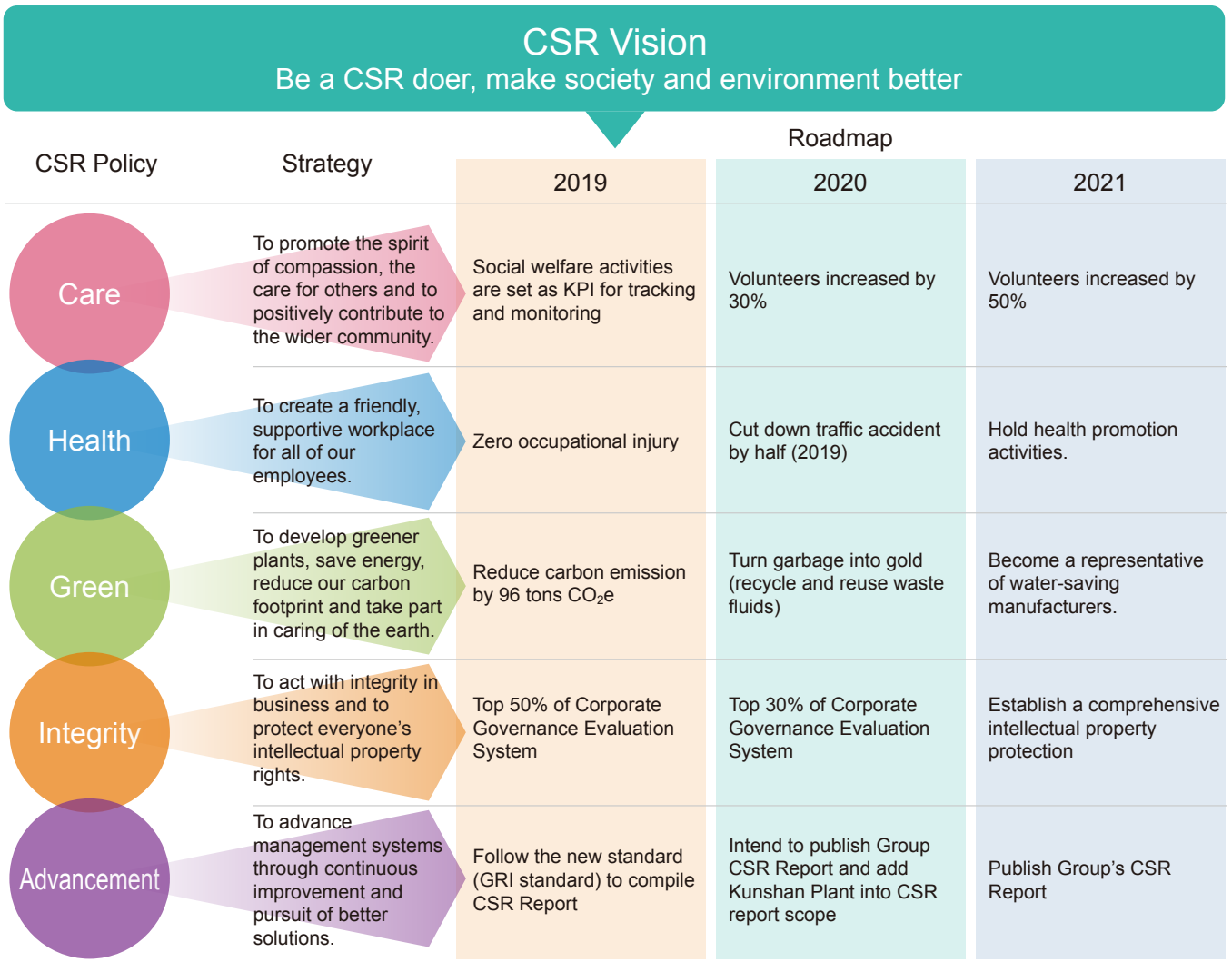


1.3.2 Milestones of CSR

In responding to global trend, FLEXIUM began its CSR initiatives since 2012. In 2013, we adopted to the EICC-ON self-review plan and gradually established a supplier review policy. In 2014, we promoted CSR with greater efforts by setting KPIs on all aspects of ESG and convened monthly meetings to track and review our progress.

During the progress of our CSR initiatives, we have referred to several major international standards advocated by, for examples, the International Labour Organization, the Universal Declaration of Human Rights and the Global Compact. Our CSR Committee, organized by five major modules since 2015, is in charge of the CSR tasks, formulate our CSR vision, policy and a 3-year Roadmap, and set annual CSR target to promote our employees progress toward sustainable development.

We have established Volunteer Association of FLEXIUM since 2017. To spread love, our volunteers hold "Warmth for Winter," "the House of the Little Angels Koahsiung - Kids' Party," "the House of the Little Angels Koahsiung – Fundraising Dinner," and " the House of the Little Angels Koahsiung - Piggy Bank of Love " in 2018. Furthermore, we have dedicated our efforts to the physical and psychological health of our employees, and selected as the 2018 Outstanding Occupational Safety and Health Corporate by Labor Affairs Bureau of Kaohsiung City Government. In addition, we continued to promote CSR and strengthen the management system. In the same year, we completed the preparation of the second CSR report, got assurance statement from independent third party, and released CSR report, thereby achieving the 2018 CSR Roadmap.



1.3.3 Management of Material Topics and the UN Sustainable Development Goals

FLEXIUM keeps moving towards corporate sustainable development. We follow the five major steps (understand SDGs, identify priority, set goals, integrate, disclose and communicate) of the SDG Compass. We review the global vision of sustainable development and include the vision in our core development strategy. As we manage our material topics and set our goals, we also adopt the 17 sustainability goals, which are combined with SDGs for an aligned direction of our corporate sustainable development.



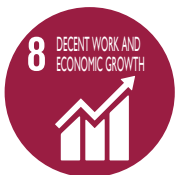
Improve children's education

- Assist Kaohsiung Municipal Chaoliao Elementary School in planning and construction of library, thereby providing better reading environment and improve children's education.
- Assist Kaohsiung Municipal Chaoliao Elementary School in construction of the FLEXIUM Dream Comes True Carpentry Workshop, thereby cultivating the children's interests and artistic.



Gender equality and female empowerment

- To promote female involvement in decision-making at corporate level, one of the seven positions in our board of directors is held by a female.



Create job opportunities for the young people

- FLEXIUM hires 341 new workers in 2018 as a contribution to local employment.
- Hire physically / psychologically employees to the legal quota; basic salary has no difference due to gender.



Reduce hazardous impact on environment in waste disposal and follow-ups.

- Recycling wastes at all plants have brought in about NTD 118,043,964 additional revenue during the period from 2016 to 2018.



Reduce energy and resource consumption in the process of providing services.

- In 2018, the local procurement rate is 94.2%, demonstrating we take action to support local suppliers' development.
- Published the 2018 CSR Report and disclosed sustainability information.



Implement energy management and reduce greenhouse gas emissions in response to climate change mitigation and adaptation.

- FLEXIUM understands that the climate and environment of our Earth are deteriorating due to greenhouse gases, therefore we are dedicated to measuring, reducing, and firmly controlling greenhouse gases emission.



Fulfill integrity operation, comply with laws and regulations, and establish a good management system.

- To fulfill integrity operation policy and develop a good business operation, FLEXIUM has established "Integrity Operation Procedure" as the highest guidelines.
- We set a grievance mechanism to reduce all forms of injustice with a good corporate governance and risk control system to take control.



Solid Business Operation

Solid Business Operation

Technology is blooming worldwide, and the global economy changes rapidly. FLEXIUM believes that good corporate governance is the foundation for improving operational performance. With our ever-progressing and sustainable corporate governance, we have established a resilient business relationship of reciprocity with our suppliers, which are as long-lasting as our product – FPC.

2.1 Corporate Governance

2.1.1 The Board of Directors

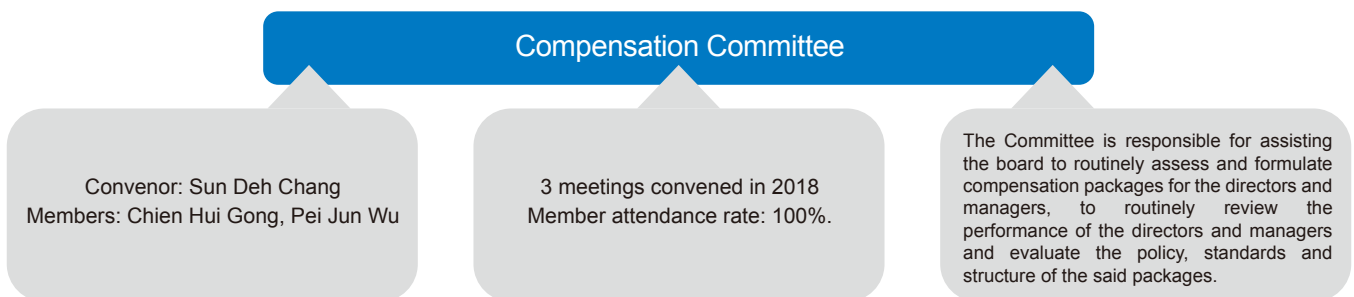
The Board of Directors is the highest decision-making body at FLEXIUM. According to our “Articles of Incorporation” and “Rules for Director and Supervisor Elections,” each member of the board shall hold a term of three years. The election of directors requires nomination, and those who are reelected may receive one term. The board should comprise seven directors (including two independent directors), who are in charge of formulating the Company’s business orientation and important strategies. The board is subject to the “Rules of Procedure for Board of Directors Meeting” and hence required to convene quarterly. The “Ethical Management Procedure” stipulates that a director with personal interests involved in any agenda to be made by the board shall neither vote nor exercise his or her right to vote on behalf of another director.

The members of the board possess the professional knowledge, experience, and literacy for executing the mandate of their duties, including chemical engineering, machinery, finance, and legal affairs. Their profound international vision, decision-making, leadership, and crisis management are sufficient to deal with changes in the economy, environment, and society. All but two of them are above 50 years of age. According to the “Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEX Listed Companies,” our Company provides training programs for the directors of the board to enhance their understanding of the emerging issues and the effectiveness of our Company’s governance. Currently, all but one of them are male. The meeting attendance rate among directors in 2018 was 98%. For the credentials of our directors, please refer to the 2018 Annual Report, pp. 5–6.



Strengthening the Functionality of the Board

To strengthen the board’s supervision, audit, and management functions, FLEXIUM has established the Compensation Committee under the board’s supervision, along with an internal audit office generally overseeing the planning and implementing audit tasks. They have to report to the board in routine meetings and the Chairperson and the General Manager in monthly meetings, or whenever necessary.



2.2 Ethical Management

2.2.1 Internal Control

To strengthen the internal control system, FLEXIUM established internal audit rules, which audits and reviews the internal control over the Company's operations and reports the adequacy, results and efficiencies of the design, and practicality of the said control. The rules are applicable to the Company and its subsidiaries.

Internal audit is implemented in accordance with the audit plan approved by the board. The plan is made in accordance with the recognized risks. A special audit or review may be conducted as needed. These audits and projects enable the management to control the internal operations and insights into existing or potential defects.

The Audit Office is an independent department, which comprises one chief auditor and one deputy auditor and reports directly to the board. These officers report to the board and to the Chairperson and the General Manager in routine and monthly meetings, respectively, or whenever needed. To perform audit duties without interference, the auditors are all formal professionals.

2.3 Regulatory Compliance

To fulfill the ethical governance policy of sound development and business practices, FLEXIUM has established the "Ethical Management Procedure," which regulates the Company and its subsidiaries and provides standards and rules for the directors, supervisors, managers, employees, contractors, and people with de facto power as they perform their respective duties. Regulatory compliance is strictly required, and dishonest acts are strictly prohibited. Our business activities must follow the policies of fairness, honesty, integrity, and transparency. With policies based on integrity and governance and risk control based on goodwill, we created a sustainable development environment, with which we pursue the maximum interest and commit to sustainable development.

Employee Code of Conduct

FLEXIUM has established the "Employee Code of Conduct" as the highest standard demanded from employees at work. Employees must strictly comply with the law and our Company's rules when dealing with our Company's business and their personal tasks. Under no circumstance, should an employee be involved in any act that violates the law, damages our company's goodwill and interest, or involves corruptive interests. The Employee Code of Conduct has concerns in many aspects. It adopts the United Nations' Universal Declaration of Human Rights, the Global Compact, the International Labour Organization's Declaration of Fundamental Principles and Rights at Work, and the spirit of anti-discrimination.

Anti-corruption

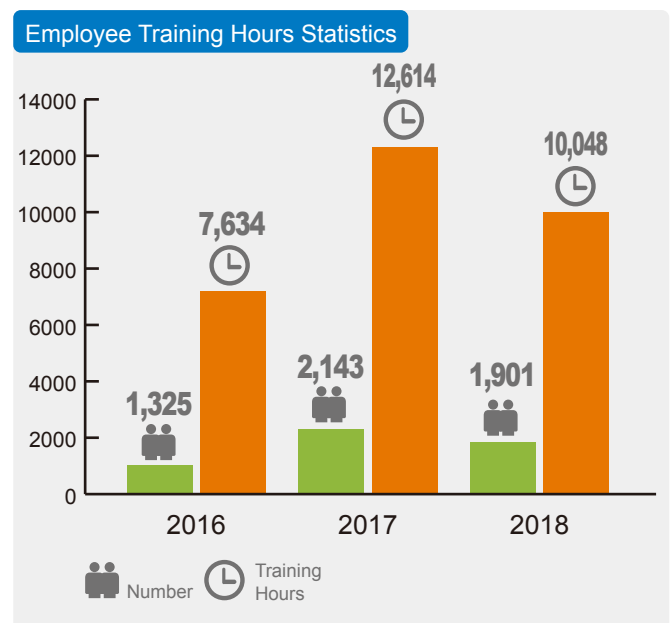
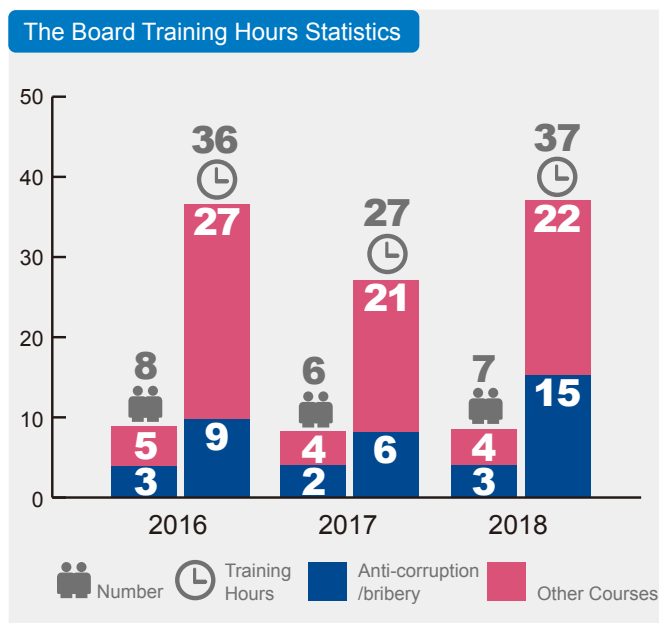
FLEXIUM has an Audit Office that reports directly to the board of directors. Internal audit rules exist to assess the internal control over the Company's operations, assisting the board and the management in auditing and evaluating the effectiveness of preventive measures, and producing routine evaluation and assessment reports on related operations. Our Company encourages internal and external stakeholders to report ethical issues to us through secured channels. Anyone doubting about or discovering an act performed by our Company or an employee that may violate the laws or ethical code of conduct may raise such concerns to our supervisor, manager, internal audit head, or other appropriate personnel. Alternately, they may use the email address (109@flexium.com.tw) or hotline (07 – 7871008 ext. 109) that can be found on our Company's website and intranet. After receiving a case, our Ethics Management Committee will launch a covert investigation. Our anti-corruption policy applies to our suppliers as well. Our Company requires all new suppliers with an estimated annual business volume exceeding NTD 1,000,000 to sign an "Letter of Commitment for Undertaking of Integrity."

The Ethics Management Committee conducts a risk assessment on ethical business practices every year. The items focused on business integrity, no improper advantage, and disclosure of information, which are further scored on a five-point scale according to the risk severity (S), occurrence (O), and detectability (D). The total score is determined by multiplying S, O, and D. A total score over 27 indicates that corrective measures must be taken until a certain improvement goal is met. The scores are below 27 from 2016 to 2018.

Indicators of Business Ethics Evaluation	Controlled or not (Y/N)	Total Score		
		2016	2017	2018
1.Business Integrity	Y	15	15	15
2.No Improper Advantage	Y	20	16	16
3.Disclosure of Information	Y	16	16	16

To protect stakeholders’ rights, FLEXIUM also requires all employees to sign a “Non-Disclosure, No-competition, and IPR Agreement.” No corruption or bribery was committed within the Company in 2018, which can be attributed to our insistence on integrity and ethics. To maintain fair trade as well as prevent corruption and bribery, FLEXIUM strictly prohibits employees from offering, accepting, promising, or demanding, directly or indirectly, for self or others, acts that are dishonest or illegal.

All directors of the board and employees are required to participate in the routine anti-corruption/bribery training program. The program’s coverage over the past three years on the board exceeded 20%.



Information Security Management

FLEXIUM has provided the “Security Responsibilities for Customers (SRC) Manual” to preserve the safety of our customers’ product and confidential information and to ensure that information property is adequately protected, stored, and used. This manual covers four aspects, namely, management, production, security project office, and information protection responsibility.

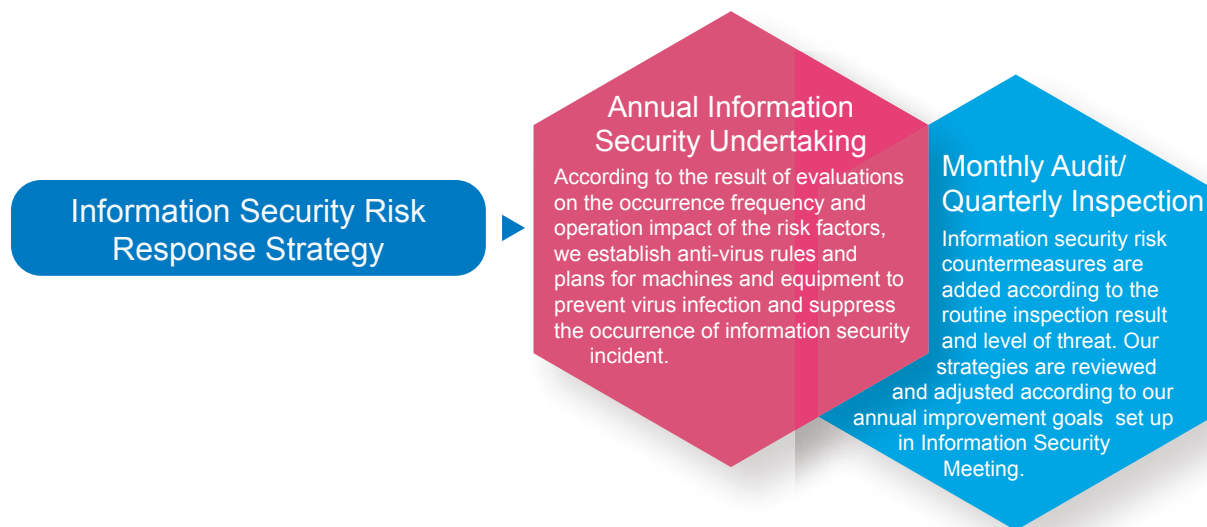
A managing organization was established, with the Chairperson as the leader, the Plant Manager or a division-level head as the representative and the supervisor of Environment Health & Safety (EHS) Department as the direct person in charge. Four subunits are responsible for the implementation of the organization’s mandate. These safety rules are applicable to all employees, visitors, and suppliers within the perimeters of the plant.

We also implement information security measures. With sustainability, compliance, concepts, and control as our strategies, we have established a safety responsibility management system, which is specifically aimed at protecting our customers’ product and confidential information, thus helping our customers understand and have faith in our efforts and commitment to their safety.



To fulfill our corporate responsibility in protecting our customers' personal information, our information security measures are being strengthened continuously to respond to threats associated with hardware management and protection, application security, and Internet access. We completed technical and managerial inspections and evaluations on the items required by our "Information Protection and Management Protocol," thus enhancing our defense and governance over our network and information systems.

With regard to information security risk management, we have established a risk assessment procedure that can repeatedly measure our overall information security system and thus maintain a high level of network security.



Information Disclosure and Communication

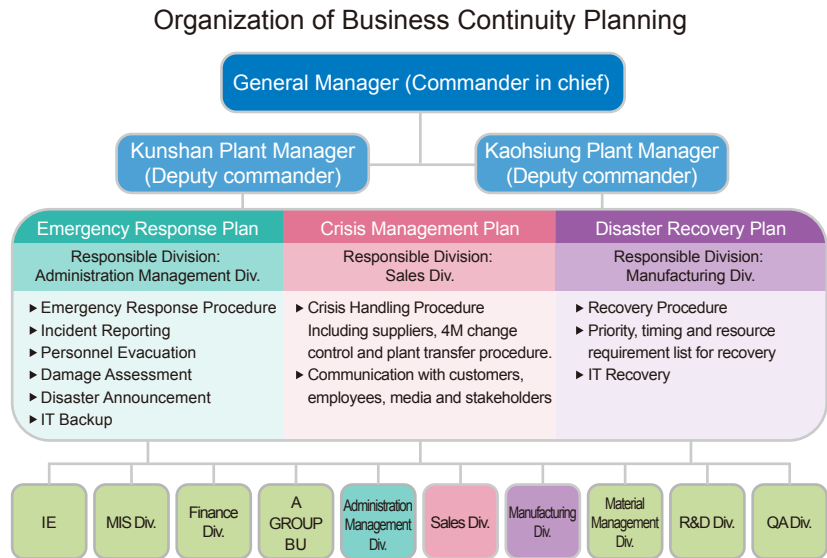
FLEXIUM established various communication channels to pursue sustainable development, fulfill information disclosure and transparency, and communicate with stakeholders.

 <p>Investors Conference and Annual Shareholders' Meeting</p>	<p>▶ Convened annually to reveal our Company's financial and operational performance.</p>
 <p>Investor Relations</p>	<p>▶ Promptly disclosed our Company's information, such as governance status, business announcements, financial reports, major news, investors conference, and internal audit.</p>
 <p>Market Observation Post System (MOPS)</p>	<p>▶ Published detailed information about the Company's operation and management status.</p>
 <p>Stakeholders Engagement</p>	<p>▶ Questions from shareholders and stakeholders are answered by a designated person in a designated area. Shareholders and stakeholders can contact us directly through telephone, fax, or email.</p>
 <p>Social Responsibility</p>	<p>▶ Established a social responsibility website to provide instant information about our CSR practice for stakeholders.</p>

2.4 Risk Management

A thorough corporate risk management system and enhanced responsiveness to crises are now the essentials of corporate sustainability and competitiveness in an evolving world of threats. Based on the spirits and framework of sustainable management, FLEXIUM comprehensively manages its operational risks and continues to decrease future risks and enhance resilience.

In response to operational risks, FLEXIUM established an organization with authority and responsibility over team members to react and respond quickly.



Our operation sites are spread worldwide, while our management staff established a policy for exchange risks associated with various currencies. The policy stipulate that each company within the group should manage its relative functional currency exchange rate risk, and hedged the overall currency exchange rate risk through the Finance Divisions.

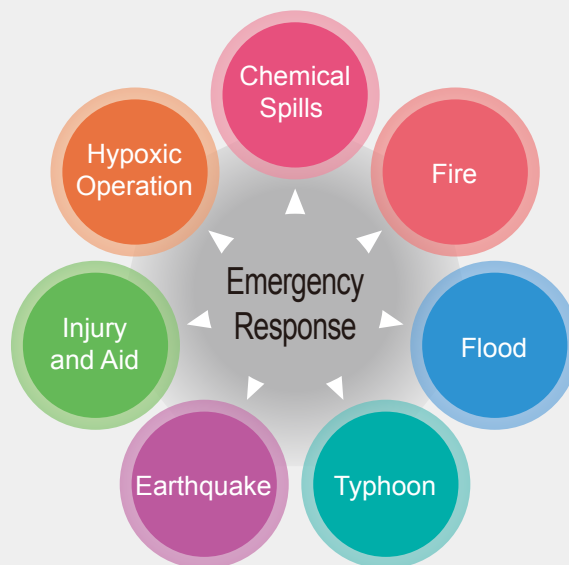
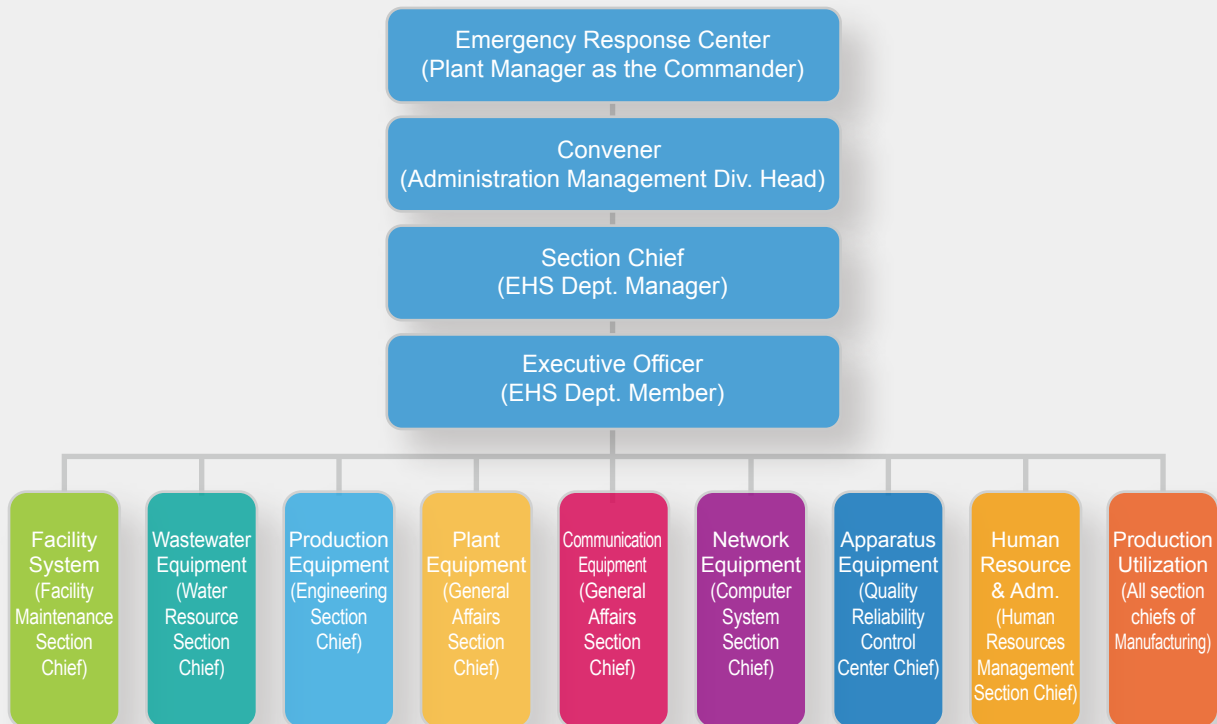
Under the operation process, all the operations, activities, equipment, and procedures may derive physical, chemical, biological, and human-factor hazards on material, machinery, equipment, personnel and operation methods. Therefore, FLEXIUM identified and assessed the risks associated with all operations, while improving and controlling the existing and potential unacceptable risks to reduce the impact on workforce, safety, and health. Supply chain management is a key point in business operations as products become complicated and specialized. FLEXIUM established the “Material Delivery Anomaly Reporting Direction”, which provides various responses to suppliers’ delivery anomaly. Moreover, our Company established the “Threat Identification and Risk Evaluation Management Procedure,” which assigns risk level according to the weighted possibility and severity level determined by the evaluation on exposure frequency, event occurrence possibility, weighted possibility, and severity level. The risk level is then used to formulate improvement measures.

Structure of Business Continuity Planning



Emergency Response

FLEXIUM has a Business Continuity Planning to address the response, handling, recovery training, and parallel connection for all disasters and incidents, in which the loss and damage of the disaster and incident can be contained at the earliest possible time. We ensured that all employees understand the protocols and methods during disasters, thus reducing possible environment damage. Our emergency response policy can keep our employees' safety at work, prevent disaster loss, protect the stakeholders' interest, and enhance emergency response ability and recovery speed to fulfill the commitment to protect our customers.



2.5 Business Performance

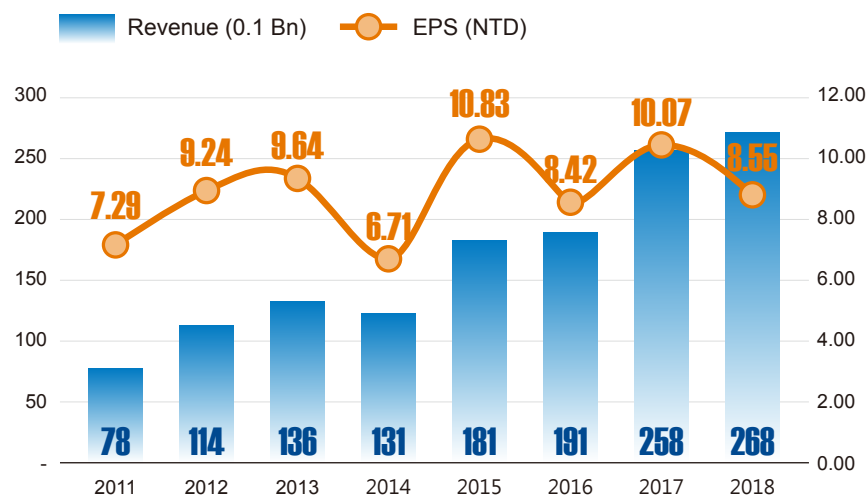
Overview of Industry

With the diversity of mobile devices, FPCs are now in high demand globally for use in smartphones, tablets, and wearables. FPCs can be seen even in the automotive industry. Therefore, FPCs are now the most promising product in the global PCB market. According to the Taiwan Printed Circuit Association, the Taiwanese FPC market in 2016 was worth USD 3.95 billion (NTD 116 billion) with a global market share of 38% that ranks first in the world. According to an estimate by the Industrial Technology Research Institute, IEK, the global FPC market will reach USD 12.6 billion (NTD 377.2 billion) in 2017, and it can reach up to USD 13 billion (NTD 384.1 billion) in 2018. According to the ID TechEx, the FPC market share may expand to USD 26.2 billion in 2020. On the supply side, the global handheld electronics market keeps expanding, and the industry is optimistic about the demand for foldable FPCs. However, this good market condition has attracted many small manufacturers into the market using price-cutting strategy, making the market chaotic. The FPC suppliers' revenue is falling, and certain suppliers even see losses. FPCs surplus and the financial crisis drove small suppliers into extinction, and many withdrew from business due to unbearable losses. Thus, the market order gradually returns to a state of balance. The supply amount is limited, whereas the demand is holding steadily. In addition, the prospect of demands from emerging applications in electric cars, Industrial IoT, and smart voice assistants are experiencing growth. FPC business growth can be driven higher.

The majority of FLEXIUM products are exported to European, American, and Asian markets. We have sales teams in the United States, Europe, Japan, China, and Taiwan. Our global sales network provides fast and real-time services to our customers.

Unit: thousand (NTD)

Year		2016		2017		2018	
Regions		Amount	%	Amount	%	Amount	%
Domestic Marketing		1,041,557	5.46	1,686,990	6.53	1,780,077	6.65
Export	Asia	6,649,671	34.82	9,264,305	35.84	9,008,765	33.65
	America	11,405,055	59.72	14,895,108	57.63	15,981,649	59.70
	Subtotal	18,054,726	94.54	24,159,413	93.47	24,990,414	93.35
Total		19,096,283	100.00	25,846,403	100.00	26,770,491	100.00



Historic Financial Performance

Year	2016	2017	2018	Unit	Remark
EPS (Earning Per Share)	8.42	10.07	8.55	(NTD)	Consolidated
Individual Income Tax Expense	565,142	814,856	783,145	Thousands (NTD)	
Consolidated Income Tax Expense	684,570	819,950	835,991	Thousands (NTD)	
Paid-In Capital	2,991,044	3,179,912	3,182,954	Thousands (NTD)	
Individual Total Revenue	18,186,196	25,425,049	26,629,126	Thousands (NTD)	
Consolidated Total Revenue	19,096,283	25,846,403	26,770,491	Thousands (NTD)	
Individual Net Profit Before Tax	2,840,322	3,871,692	3,427,857	Thousands (NTD)	
Consolidated Net Profit Before Tax	2,959,750	3,876,786	3,480,703	Thousands (NTD)	
Total Market Capitalization	25,364,104	33,866,058	23,709,562	Thousands (NTD)	Based on year-end share price
Individual Operating Expense	555,407	763,541	796,133	Thousands (NTD)	
Consolidated Operating Expenses	1,487,031	1,700,962	1,967,309	Thousands (NTD)	
Retained Earnings	9,543,460	11,874,509	12,987,385	Thousands (NTD)	
Individual Total Salaries	765,782	1,310,763	1,139,040	Thousands (NTD)	
Consolidated Total Salaries	2,173,663	2,942,720	2,909,510	Thousands (NTD)	
Total Employee Benefits	900,502	1,490,226	1,355,257	Thousands (NTD)	Individual
Total Pension	29,165	36,664	44,255	Thousands (NTD)	Individual
Stock Dividend	Cash: 4.45604653	Cash: 5.01534853	Cash: 4.99504094	(NTD)	
	Stock: 0.49511627	-	0	(NTD)	



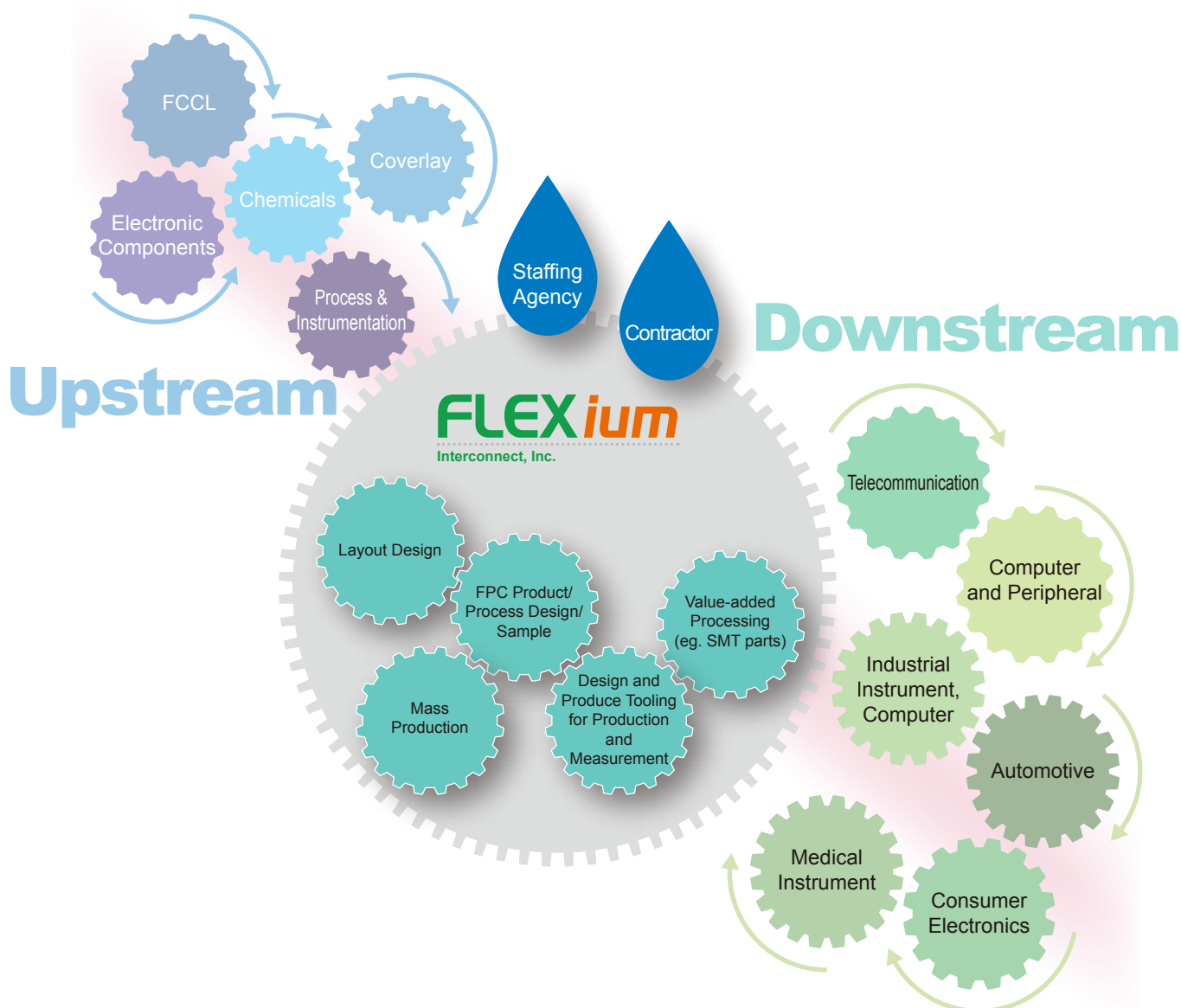
Industrial Services

Industrial Services

Electronics nowadays demand thin, light, power-saving, and touch control features, making flexible printed circuit (FPC) a widely applied and popular components. FPCs are one of the most promising PCB products. Therefore, FLEXIUM is committed to product R&D and sales services, through perfect supply chain management, customer service, innovative research and development. We strive to improve product technology, as well as material research and development, deeply root existing customers, and combine with technical service teams, for providing the highest quality professional services.

3.1 Industrial Value Chain

The mainstay product that FLEXIUM produces is FPC, which requires copper foil substrates, various chemicals, coverlays, and electronic parts and components. FPC is applied to all sorts of electronics in IT, communication, and consumer products. The upstream materials' character, production process, and technology level can fundamentally affect FPC quality, and that brings our focus to the expertise and cooperation on the up-, mid-, and downstream suppliers and partners.



3.2 Customer Relationship Management

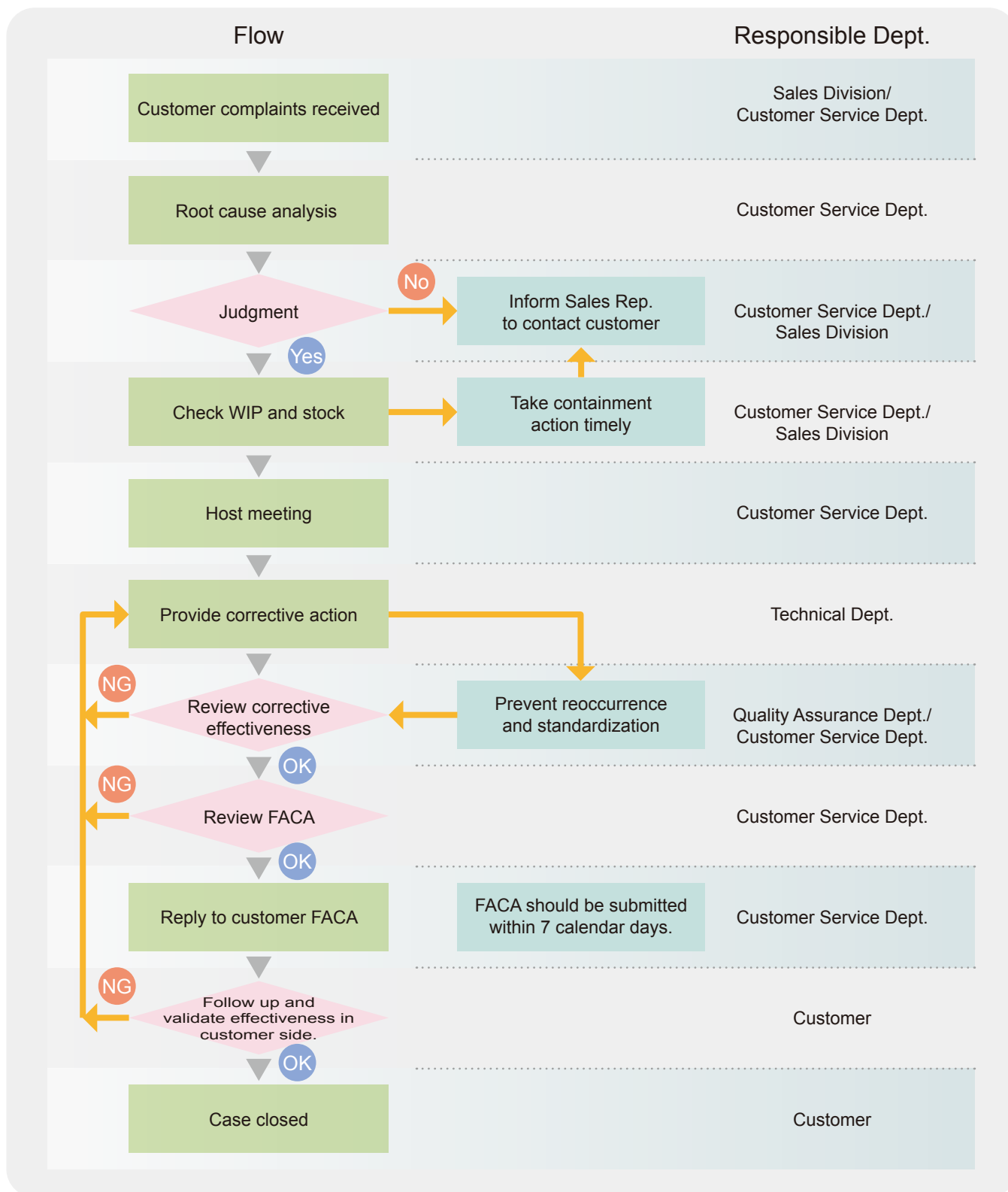
3.2.1 Customer Services

Customers’ comments are valuable in achieving continuous improvement. To provide the best service quality, we take customers’ comments seriously. We want our customers who wish to comment may find not one but multiple ways to do so, and receive answers from us in an accurate, thorough, and prompt manner. Hence, FLEXIUM’s “Customer Service Management Procedure” and “Customer Complaint Handling Procedure” are in place to serve our customers. From general complaints to questions regarding information security, our customers can rest assure that they are taken care of. Our customer service efforts are a part of our strategies to approach competitiveness and market share.



Contact Information Website : http://www.flexium.com.tw/index_big5.asp	
 Domestic contact	Tel : +86-512-577-755-99 · Ext. 2100 Daniel_ho@flexium.com.cn
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To ensure thorough solution, reduce customer complaints, and prevent problems reoccurred, FLEXIUM provides standardized handling procedures for complaint handling, inspections, return handling, hazardous substance complaints handling, and recalling critical automotive/medical product anomaly processes.



3.2.2 Customer Satisfaction Survey

To understand customers' thinking, improve service continuously, and fulfill the customers' needs, our sales departments conduct annual customer satisfaction survey on the top 10 business volume contributing customers. The result is then reviewed in a Management Meeting summoned by the General Manager to verify the suggested improvement. The survey report is also compared and contrasted the trend of the previous fiscal year with the current one. This report aims to provide a dynamic view on the general trend of the customers' satisfaction level, as a reference for further improvement and correction measures we may adopt.

Our customer satisfaction survey includes six major indicators, namely, quality, service, prompt delivery, price, technology, and hazardous substance. On a 100-point scale, we have set our annual target at 85 points. Our focal points in 2018 were set on quality and technology. Therefore, to continuously satisfy customers' needs, we will have a new initiative called Daily Quality Meeting starting from 2019, where technical and quality assurance departments are tasked to jointly come up with effective measures to boost our comprehensive product yield. Anomaly prevention control is applied on critical work stations, and controlled parameters are reviewed every Monday and Thursday. Moreover, we formed Product Quality Control Department to expedite the expected results. All these efforts are steered toward reducing quality problems with mass-produced products.

Prestigious services really matter in ensuring corporate competitiveness. Facing the rise of Red Supply Chain and the uncertain market trend for the post 2020 product generations, exercising the accountability of our customer services is paramount. Quality, service, prompt delivery, price, technology, and hazardous substance must be improved comprehensively to realize a win-win relationship with our customers. Based on our performance in 2018, we have set our target for 2019 at 85 points.

Customer Satisfaction Survey Result

Indicators	2016	2017	2018
Quality ▶	88	84	86
Service ▶	84	81	95
Prompt Delivery ▶	82	84	92
Price ▶	68	67	81
Technology ▶	88	83	91
Hazardous Substance ▶	91	85	92
Total ▶	83.5	80.67	89.5
Target (%) ▶	85%	85%	85%
The revenue contribution of respondent customers being surveyed (%) ▶	84%	87%	88%

Note: The respondent customers being surveyed are the top 10 annual revenue contributing customers.

FLEXIUM reviews the following customer-related performance indicators in our monthly Managerial Meetings to continuously improve our customer service performance.

Indicators	Content
Product Yield ▶	Single-layer 96%, double-layer 95%, multi-layer 93%.
Quotation Acceptance Ratio ▶	A ratio of quotation acceptance count over quotation count.
Product Order Fill Rate ▶	A rate of all product orders that are filled.
Premium Freight Count ▶	The count of premium freight occurrence.
Times of Customer Complaint ▶	The number of notices (complaint count) sent from customers concerning issues like quality, hazardous substance or delivery. The monthly average complaint count in 2018 is ≤ 5 .

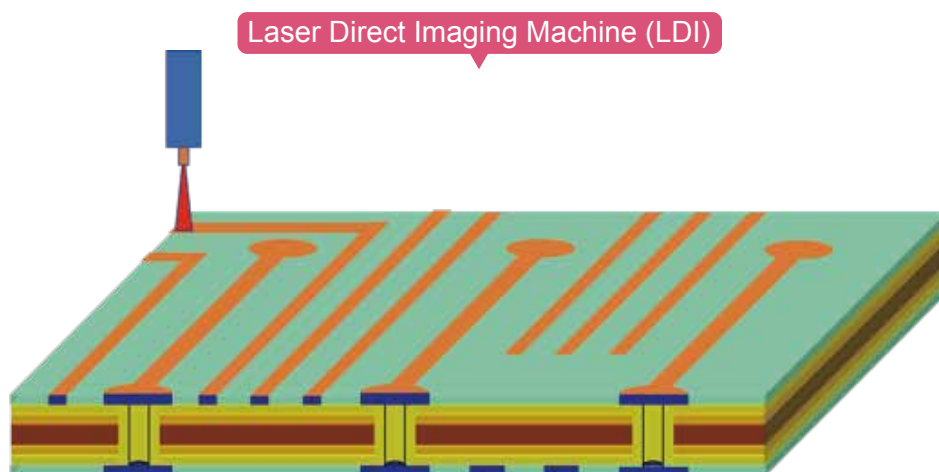
3.3 Research and Innovation

FLEXIUM is committed to the business of FPC, and it accumulates ample experiences in design, marketing, production, and management. As an elite player in the industry, FLEXIUM adopts the state-of-the-art roll-to-roll automatic production line, with the advantages of high efficiency and human-machine integration. We stay competitive by constantly optimizing our technology and production process. We will continue to assume the role of a provider of diversified technological solutions, which is our unique competitive edge.

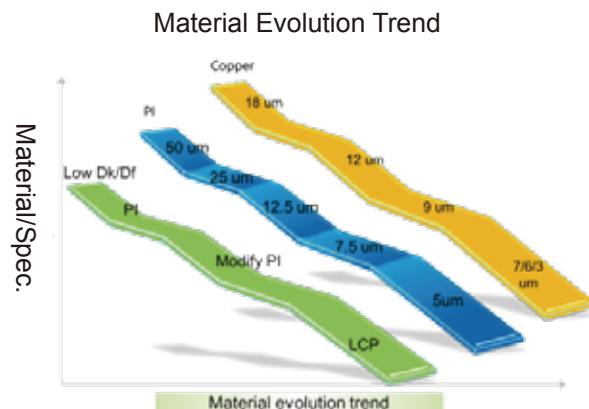
3.3.1 Innovation Management

FLEXIUM keeps close to major global material providers and the most advanced manufacturers around the world to develop multifunction material and hi-tech equipment. We concurrently collaborate with international and domestic research institutes to study basic material development and innovative technology. We take our customers' needs into account when developing products for the next generation.

To optimize FPC production, we adopt the most advanced technology and equipment. The fine pitch printed circuit for 18/18um mass production is the technical target pursued by FLEXIUM. We use laser direct imaging machine (LDI) to complete the exposure for fine line process. We also use vacuum etching method for fine line process, followed by blind hole laser drilling. Moreover, we adopt continuous production to maximize production output, and blind holes are inspected in real time using laser. Thus, quality and quantity standards are maintained concurrently.



The imminent high-speed 5G era requires high performance capabilities. Polyphenylene sulfide and liquid crystal polymers are the choice of material for its low moisture absorption, chemical resistance, gas barrier, and low dielectric constant/dielectric dissipation factor. FLEXIUM invests in multi-layer liquid crystal polymers lamination technology and product application. We are also collaborating with customers to develop high-frequency circuitry mock-up designs for an early adaptation of the future trend. We are also actively developing laser micro via and multilayer micro blind and buried via full fill plating technologies.



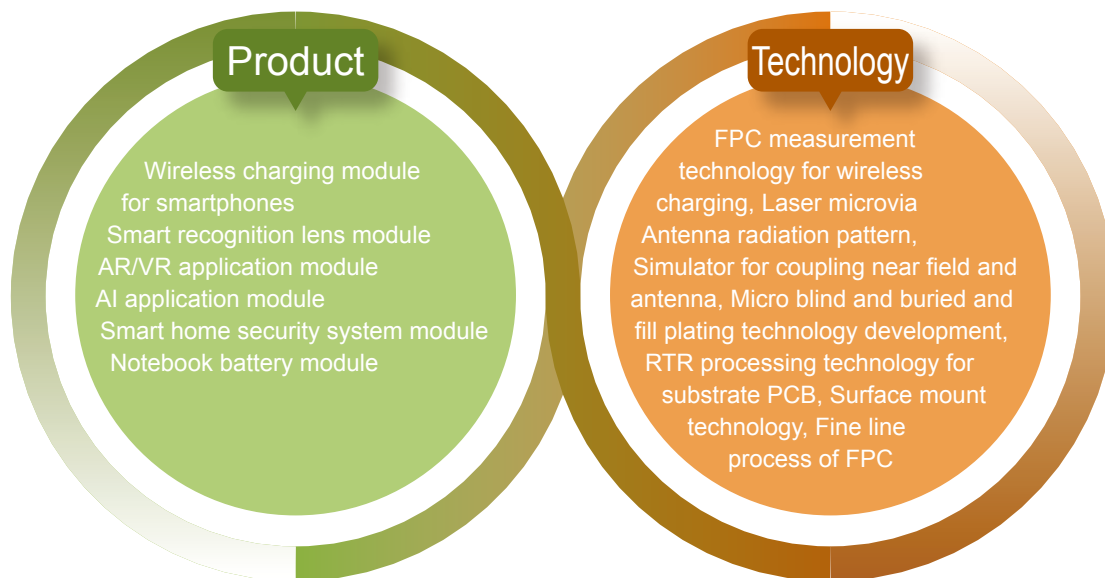
FLEXIUM's Product Development Roadmap

Capability		2017	2018	2019	2020
Layer counts		S/S & D/S Multi-Layers:4 layers	S/S & D/S Multi-Layers:6 layers	S/S & D/S Multi-Layers:8 layers	S/S & D/S Multi-Layers:10 layers
Flex material		Polyimide	Polyimide LCP try run	Polyimide LCP Mass Production	Polyimide & LCP Low Dk/Df material
Base thickness		50um, 25um, 12.5um	50um, 25um, 12.5um	50um, 25um, 12.5um, 7um	75um, 50um, 25um, 12.5um, 7um
Copper thickness		35um, 18um, 12um	70um, 35um, 18um, 12um	70um, 35um, 18um, 12um, 9um	70um, 35um, 18um, 12um, 9um, 6um
Coverlay (PI/adhesive)		25um/25um, 12.5um/25um	12.5um/25um, 12.5um/15um	12.5um/25um, 12.5um/15um, 7um/15um	12.5um/25um, 12.5um/15um, 7um/15um
Drill	Mechanical	0.1mm	0.1mm	0.1mm	0.1mm
	Laser	0.075mm	0.05mm	0.05mm	0.04mm
Via Structure		PTH, Blind & Buried	PTH, Blind & Buried	PTH, Blind & Buried	PTH, Blind, Buried & Copper fill plating
Fine Pitch	S/S(12um)	0.035/0.035mm	0.03/0.03mm	0.025/0.025mm	0.020/0.020mm
L/S	D/S(12um)	0.050/0.050mm	0.045/0.045mm	0.040/0.040mm	0.035/0.035mm
LPSM of shift tolerance		0.055mm	0.050mm	0.045mm	0.040mm
LPSM of opening		0.25mm	0.2mm	0.175mm	0.150 mm

3.3.2 Investment in Innovation

FLEXIUM values and encourages our R&D personnel to pursue innovation and technology. In our patent strategy, we have developed many patents in processing, material, and measurement technology. A total of 83 patents were taken out 2015 through 2018, whereas a total of 294 patents were aggregated as of the end of 2018 (excluding patent pending). These achievements allow FLEXIUM to maintain its lead in FPC production, material, and technology.

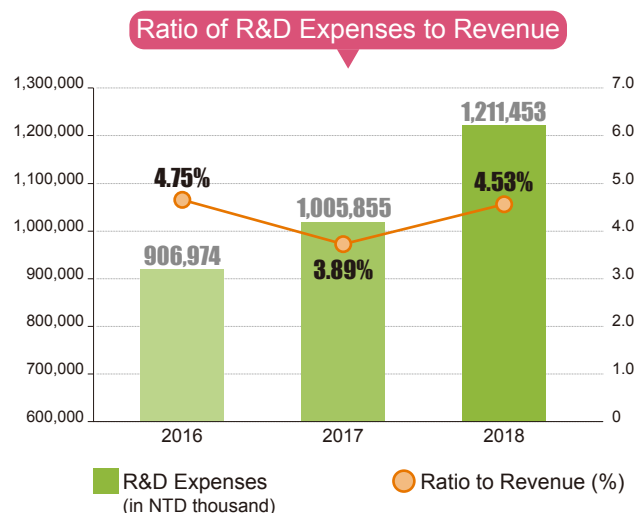
With our efforts in FPC product and technology development, the following products and technologies were developed in past two years.



FLEXIUM will continue to retain existing primary customers, combine with technical service teams, and focus on nonmainstream product lines in the consumer electronics industry, such as automotive, medical, and others that are yet to be developed. We will continuously commit to improve our technological and material development in high frequency, high-speed smart cloud applications, such as smart TVs, smart cars, and smart PCs.

R&D subjects	Future market demand
Flip chip substrate	For IC packaging
25um/25um fine line Substrate FPC	For LCD/HD Substrate
4-8 layers rigid-flex Printed Circuit Board	For communication/medical Substrate
6 layers FPC	For camera module
Chip on film	For LCD display
LED backlight module FPC	For LCD display
Blind and buried via FPC	For smart phones
Laser drilling	For Notebook
Roll to Roll process for double-sided FCCL	For touch panel

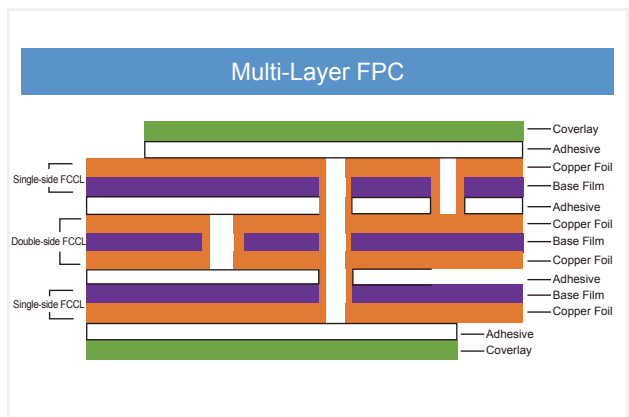
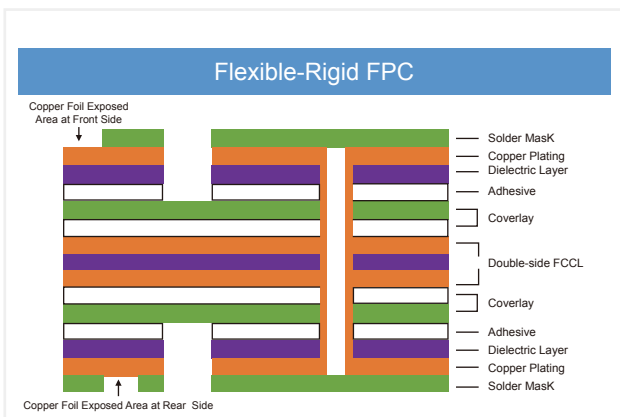
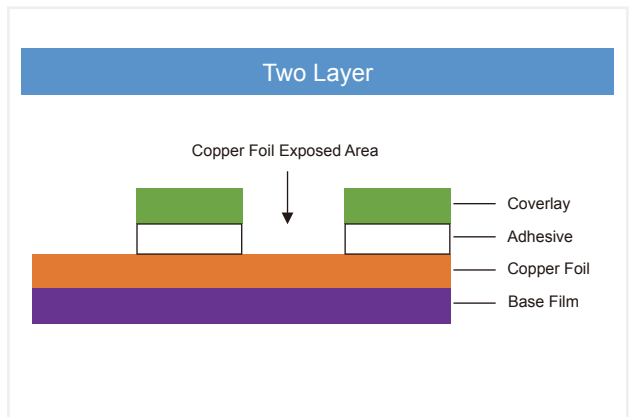
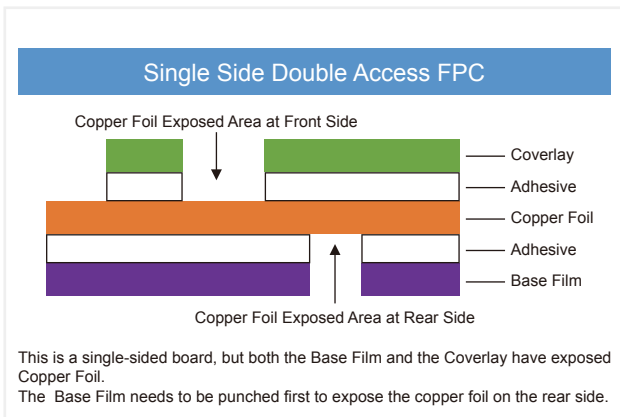
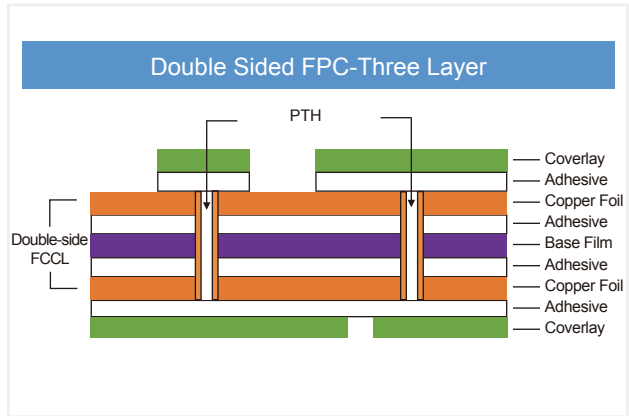
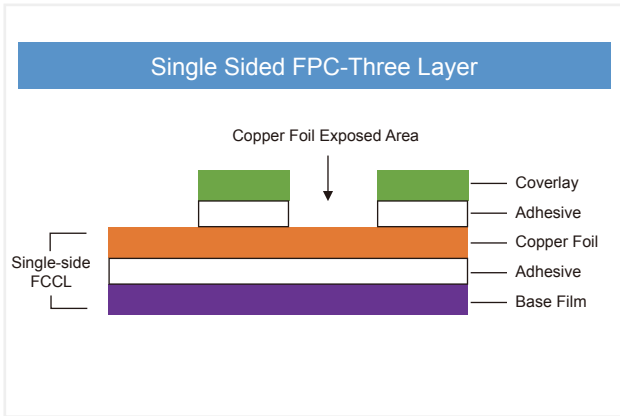
FLEXIUM joins forces with the Ministry of Economic Affairs to conduct a study on A+ Technology Development Programs (TDPs), which aim to enhance industrial and economic development. The study focuses on replacing the traditional adhering layer with PSPI entirely to simplify adhering layer processing and develop the technology needed for full-roll FPC production. This development mainly aims to use photosensitive polyimides as a layer material in rolling hot air circulation oven and IR oven processing. The goal is to produce a full polyimide FPCB. The agreement for the study was signed in July 2017. The project period for A+ TDPs is two years, and the total amount of the allocated subsidy is NTD 18 million.



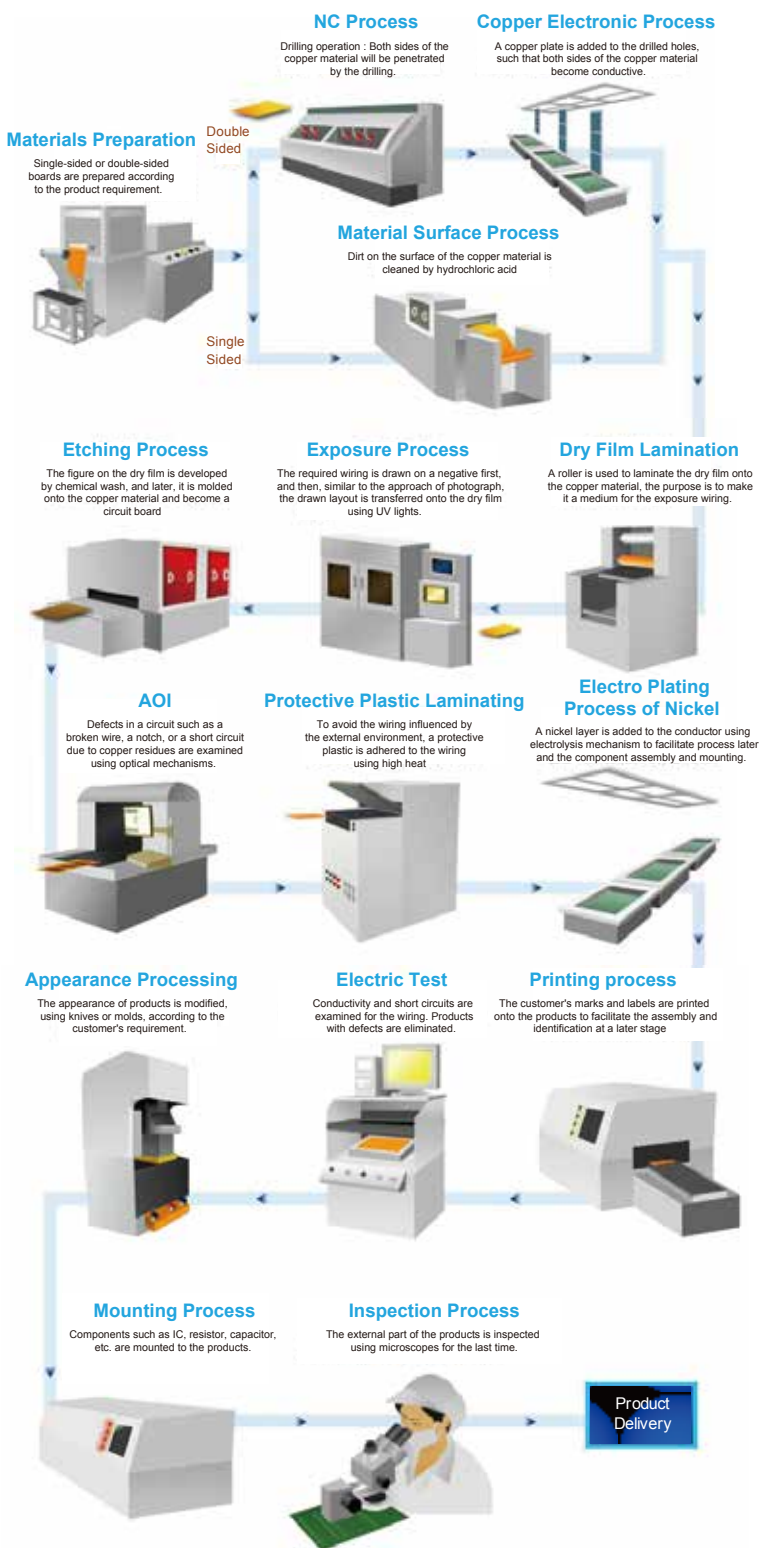
3.3.3 Product Quality

FLEXIUM delivers the best services to our customers through mass production planning, risk assessment, and design-development-sales teams. Our design and development departments are the key departments responsible for presale services. They partner with customers to evaluate and discuss various tasks, such as layout planning, structure design, circuit simulation, tooling, testing of parts and spare parts. Upon completion of the design, the post-sale services departments take over to provide value-added services, including quality management for products, shipping, and handling. Furthermore, we have an in-house app that is being constantly optimized and updated. This app keeps feeding our big data for analysis and accurate and detailed production output control. The app also works together with various monitor systems to maintain a consistent operation and production, which contributes to quality control, smart production, and fast response to the market.

Product



We produce products that fulfill the customers' needs through our meticulously planned production flow and control. The production flow is illustrated as follows:



FLEXIUM is dedicated to upholding its consistent product quality and protecting our customers' rights and interests. We have committed resources to keep a tight monitoring and control system. The Quality Assurance Department is responsible for product quality assurance and improvement. We are also committed to establishing and reinforcing ISO 9001. In addition to ISO/IATF 16949 for quality management in the automotive industry, ISO 13485 for Medical Devices - Quality Management Systems, and IECQ QC 080000 for hazardous substance process management, we are rolling out a strong quality assurance practice across our product lines. We also have a quality policy in place with a series of quality assurance management systems to regulate consistent standards for quality and services.

Quality Policy

Emphasis on Prevention Management

To provide the customer a consistent quality of products, the Company follows the guidelines of IATF 16949/ISO 9001 international quality standard certificate to implement and to establish a framework for the quality assurance system. The Company has set up a quality plan with details, and has maintained a management of PDCA (plan-do-check-act). The entire management, as demanded by the company, is conducted under a standardized system to prevent managerial errors and to achieve the quality policy of doing everything right at the first time.

The Incessancy Improves

Based on Management by Objective (MBO), FLEXIUM has set up a top-to-bottom goal to attain the overall quality management program. By team work, the Company will implement the proposal system and the continuous improvement process (CIP) program to achieve quality improvement.

Devotes to Study the Innovation

In order not to lag behind the world trend, we actively cultivate outstanding talents to maintain our company's product leadership. Cooperate with customers to develop innovative products, and provide customers with the most complete professional technical support through continuous research and development. We continuously introduce superior products, and respond to innovative and changing market so as to look forward to working with our customers to create superior technology products and improve the quality of human life.

3.4 Sustainable Supply Chain

FLEXIUM understands the importance of establishing a sustainable supply chain, which is the key to improve the quality of products and services. Therefore, we have formulated "Supplier Management Procedure", "Supplier CSR Evaluation Management Rules", and "EHS Supplier Evaluation". We also ask our suppliers to sign on "Letter of Commitment for Undertaking of Integrity", "Supplier's Code of Conduct Agreement", and "Statement of Conflict-Minerals Policy." FLEXIUM conducts a direct audit on suppliers to understand and control labor rights, protect the environment, guarantee ethical practice and safety, and eliminate hygiene risks. These efforts will not only reduce the operational risks and costs of FLEXIUM and its suppliers but also contribute to a prudent and sustainable growth in the future.

3.4.1 Overview of Supply Chain

FLEXIUM categorizes its suppliers into four major categories, namely, copper, chemicals, tooling and equipment, then into two classes of major and key suppliers, according to their respective procurement amounts. Each type of supplier is assigned with a method of evaluation, which may be conducted by an on-site or written assessment. Over 96% of our suppliers are located in Taiwan.

Number and Procurement Amounts of Major/Key Suppliers			
Year	2016	2017	2018
Total Number of Suppliers ▶	364	376	398
Number of Major Suppliers ▶	15	13	14
Number of Key Suppliers ▶	74	98	94
Procurement on Major Suppliers (%) ▶	47.17	46.68	43.10
Procurement on Key Suppliers (%) ▶	95.06	97.24	95.87

Notes:
 1. The major suppliers provide copper and coverlay.
 2. These suppliers are the ones with annual transaction amount exceeding NTD 1 million.

3.4.2 Supplier's Code of Conduct

FLEXIUM is committed to labor rights, environment protection, health and safety, corporate ethics and operation management. We stipulate a "Supplier's Code of Conduct Agreement" with references from international advocates and demands regarding human rights, labor standards, and environmental and anti-corruption issues, which includes the UN Global Compact, the Universal Declaration of Human Rights, the UN Framework and Guiding Principles on Business and Human Right, and the Responsible Business Alliance Code of Conduct. The aforementioned agreement is applicable to all suppliers and their supply chains and contractors. We hope that by demanding our suppliers to comply with the laws and regulations enacted by local governments, we can help them achieve international compliance and promote sustainability and corporate social responsibility.

FLEXIUM started inviting suppliers and contractors to sign on the agreement since 2014. We required new suppliers to recognize and sign the "Supplier's Code of Conduct Agreement." Even a key supplier refusing to sign the agreement will lose business with FLEXIUM. As of 2018, all key suppliers (123 suppliers counted from 2016 through 2018) signed the agreement. 18 new key suppliers also signed. The EICC Code of Conduct was converted into the RBA Code of Conduct. Hence, the revision of our "Supplier's Code of Conduct Agreement" will be completed by the first half of 2019. All 123 key suppliers, including contractors, may sign the revised code of conduct by the second half of 2019.

FLEXIUM “Supplier’s Code of Conduct Agreement”

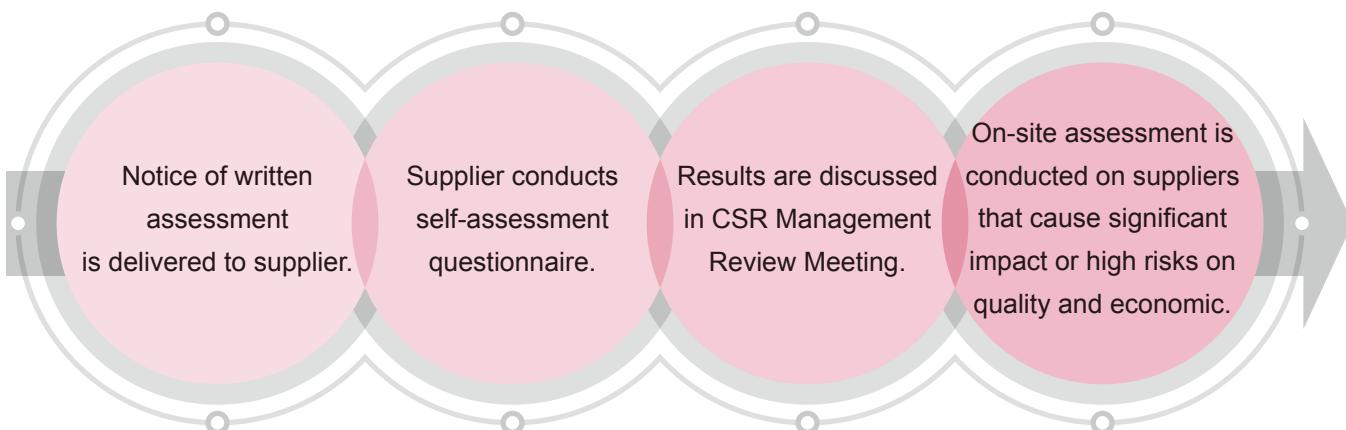
Labor and human rights	Environment	Health and safety	Ethics	Governance
<input type="checkbox"/> Freedom of employment	<input type="checkbox"/> Environment permit and report	<input type="checkbox"/> Occupational safety	<input type="checkbox"/> Honest management	<input type="checkbox"/> Company promise
<input type="checkbox"/> Child labor	<input type="checkbox"/> Contamination prevention and resource saving	<input type="checkbox"/> Emergency response	<input type="checkbox"/> Righteous gains	<input type="checkbox"/> Management’s duty and responsibilities
<input type="checkbox"/> Working hours	<input type="checkbox"/> Hazardous material	<input type="checkbox"/> Occupational injury and disease	<input type="checkbox"/> Information disclosure	<input type="checkbox"/> Legal and customer requirements
<input type="checkbox"/> Wages and benefits	<input type="checkbox"/> Sewage and solid wastes	<input type="checkbox"/> Industrial hygiene	<input type="checkbox"/> Knowledge-based properties	<input type="checkbox"/> Risk assessment and management
<input type="checkbox"/> Discrimination	<input type="checkbox"/> Exhaust emission	<input type="checkbox"/> Physical labor jobs	<input type="checkbox"/> Fair trade, advertisement and competition	<input type="checkbox"/> Goals of improvement
<input type="checkbox"/> Freedom of association	<input type="checkbox"/> Product content control	<input type="checkbox"/> Safety with machines	<input type="checkbox"/> Identity safety and reprisal prevention	<input type="checkbox"/> Training
	<input type="checkbox"/> Rain water management	<input type="checkbox"/> Public health, food and dormitory	<input type="checkbox"/> Privacy	<input type="checkbox"/> Communication
	<input type="checkbox"/> Consumption and greenhouse gas emission	<input type="checkbox"/> Health and safety awareness	<input type="checkbox"/> Mineral sourcing accountability	<input type="checkbox"/> Employee comments and participation
				<input type="checkbox"/> Review and evaluation
				<input type="checkbox"/> Corrective measures
				<input type="checkbox"/> Files and records
				<input type="checkbox"/> Supplier’s responsibilities

3.4.3 Selection, Audit, and Consultant of Supplier

Prior to the selection of a new supplier, a proponent must undergo on-site or written assessment according to the “Vendor Profile Form”. If selected, the new supplier will be subject to assessment and monthly rating based on the Hazardous Substance Process Management and Conflict-Minerals Policy. Suppliers that are rated D will receive a quality improvement notice and a two-month time frame to meet the requirements. Failure to do so will result in procurement suspension, revocation of trade qualifications, and removal from our procurement system.

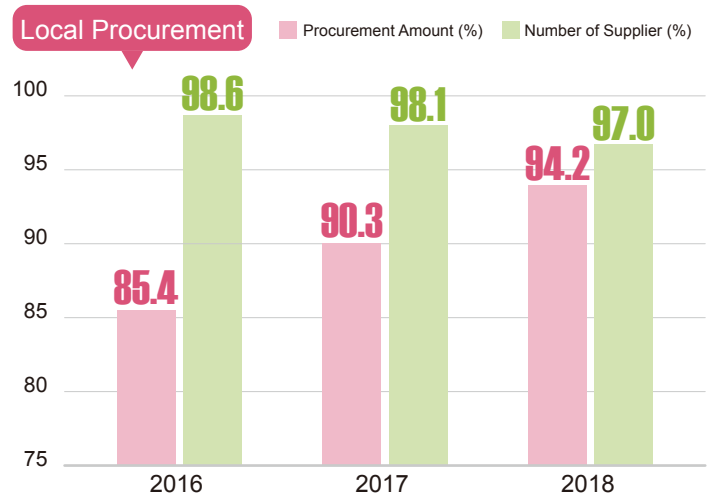
To retain optimal competitiveness, FLEXIUM’s quality assurance, procurement, and engineering personnel are banded to conduct a routine supplier assessment and audit on sustainability factors, such as labor right, corporate ethics, environment protection, and worksite safety and health. The current year’s audit result is then used to help the concerned suppliers to study and review the causes. Guidance will be provided to help suppliers and partners to enhance sustainability if needed. Thus, our supply chain’s competitiveness and resilience will increase.

When assessing the sustainability management of suppliers, an on-site assessment will be conducted on the top 80% major suppliers with a workforce of 300 or more. We audited two major suppliers in 2018. One of them was not awarded with demerit, and the other one had two counts of demerit in human resource and safety, health and environment, which have been corrected within a given deadline.



3.4.4 Local Procurement

FLEXIUM takes a step toward contributing to and supporting the growth of the supply chain by creating business opportunities and jobs for the local community. Our efforts lead to the reduction of unnecessary air freight, ocean freight, and carbon footprint, which would have been otherwise made during the material shipping process. Except for certain special spare parts that can only be purchased from abroad, our Company purchases locally-produced parts whenever possible. We help local suppliers develop their expertise, thus creating additional jobs for the local community and building strong ties with our partners. The result is a win-win situation for our suppliers.



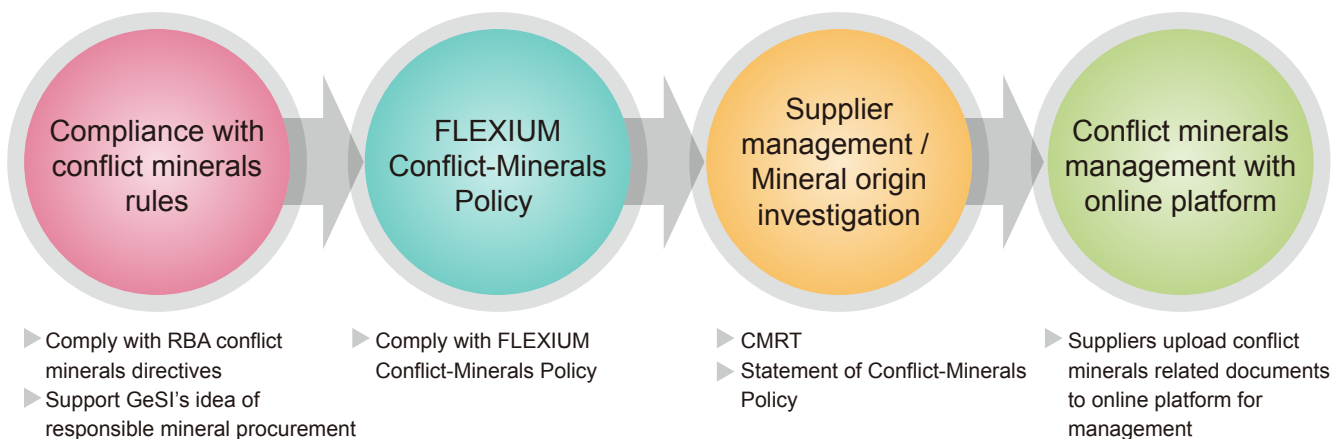
Note: Local procurement excludes all procurements outside Taiwan.

3.4.5 Conflict Minerals

FLEXIUM supports responsible procurement of minerals advocated by the Responsible Business Alliance and the Global Enabling Sustainability Initiative. We are constantly concerned about conflict mineral issues, and we publicly announced our Conflict-Minerals Policy on our website.

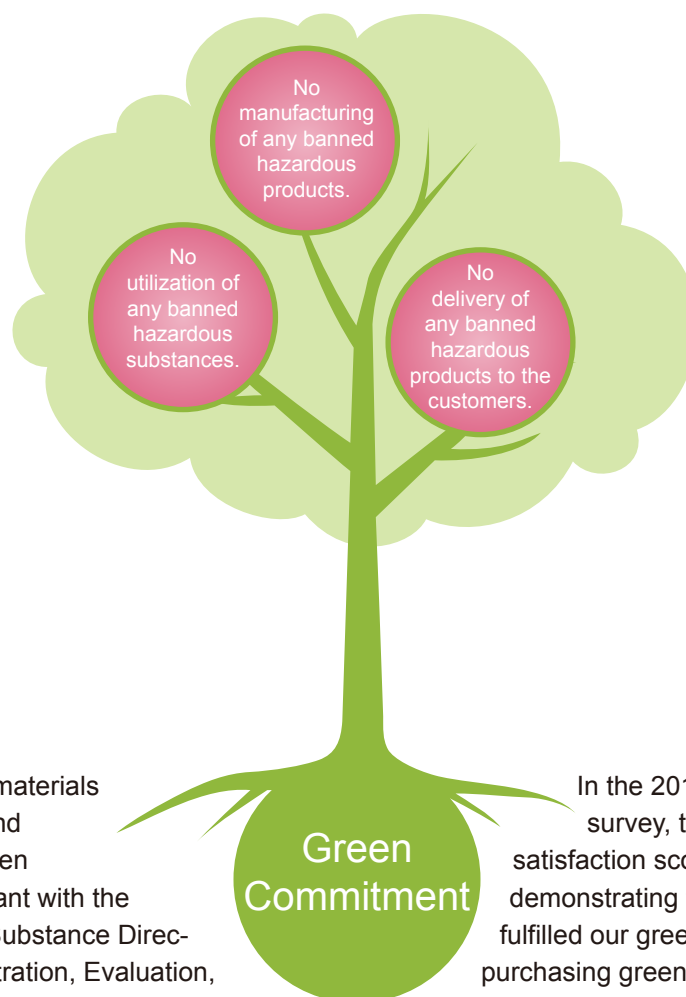
For conflict mineral management, in addition to the Conflict-Minerals Policy, it also conducts conflict mineral investigations for FPC major material suppliers, and occasionally requests to fill in the latest version of the "Conflict Minerals Report Template (CMRT)", and require the signing of the "Statement of Conflict-Minerals Policy" and require suppliers to upload relevant survey data to the online platform and manage it on platform. In 2018, there were 37 FPC main material suppliers (copper, coverlay and stiffener), and 32 of them have signed "Statement of Conflict-Minerals Policy" and "CMRT." There are 5 suppliers have not signed. 3 of them have provided guarantee letters, and the other 2 suppliers have not finished relevant procedures. The coverage rate has been 95%. We will continue to communicate with suppliers and deliver the latest information in the future. FLEXIUM is committed not to purchase and use minerals originating from armed conflict area or excavated illegally or in inferior working condition. Our Company also regularly advocates Conflict-Minerals Policy, "We do not purchase and use conflict minerals" to all employees and new colleagues, and also prints Conflict-Minerals Policy on small cards and distributes them to all employees. The advocacy coverage rate is 100%.

Conflict Minerals Management Flow



3.4.6 Green Procurement

FLEXIUM insists on utilizing hazardous substances free (HSF) materials for manufacturing green products (GP), which are in compliance with the regulation and customers' GP demands. By observing the international environmental regulation and provisions, we do our best to protect the environment by reducing resource waste and ensuring social responsibility. FLEXIUM's green commitment is as follows: "We insist on a green technology. We pursue a hazardous-free environment. We respect and observe international rules and regulation. We fulfill three-no principle."



With effective control, the materials needed, such as copper and coverlay, for producing green products are 100% compliant with the Restriction of Hazardous Substance Directive (RoHS) and the Registration, Evaluation, Authorization, and Restriction of chemicals (REACH). Improvements are constantly made based on the IECQ QC080000 Hazardous Substance Process Management, and hazardous substances are included in our customer satisfaction investigation. As a demonstration of FLEXIUM's green commitment, our hazardous substance ratings have achieved average 89 points for three consecutive years (from 2016 to 2018), and the customers rating in 2018 scored 92 points.

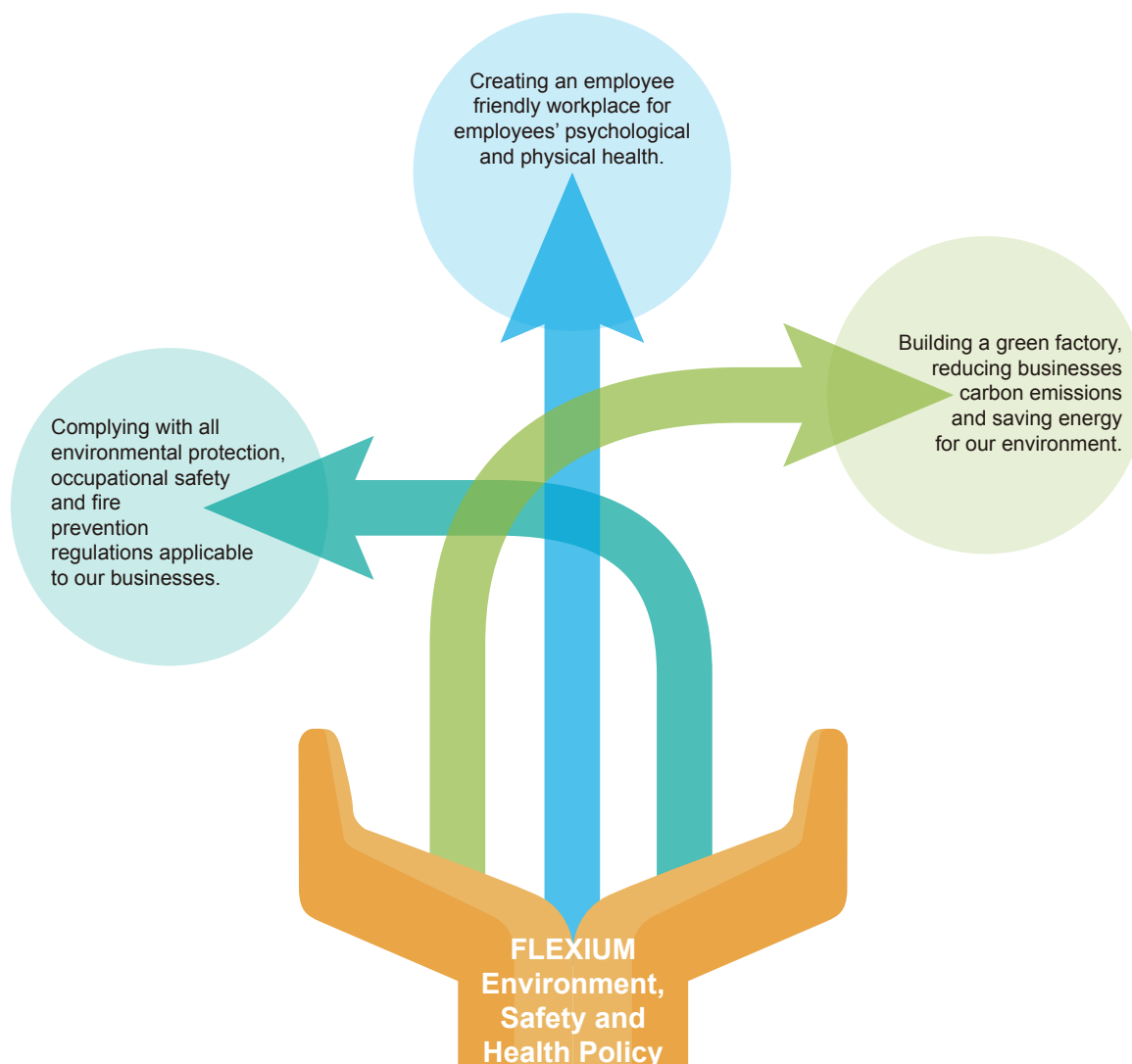
In the 2018 customer satisfaction survey, the hazardous substance satisfaction score was as high as 92 points, demonstrating that FLEXIUM actively fulfilled our green commitment. In addition to purchasing green materials and banned hazardous substances, we also encourage customers to recycle packaging materials, including cartons and trays. At present, more than 90% of our customers respond to recycling together. In 2018, we also encourage two suppliers to use recycled trays for reducing use of raw materials during the product life cycle.



Environmental Sustainability

Environmental Sustainability

Compliance with environment, safety, and health regulations is the highest doctrine in FLEXIUM's environmental philosophy. We predetermined guidelines for all sorts of environmental, safety, and health practices. We allocate adequate human resources to effectively achieve short- and long-term goals within predetermined deadlines. We also adopted ISO 14001:2015 and OHSAS 18001:2007 into our operational policies. Guided by the results of our evaluations on all activities, products, environment significance, and risks, we have established our "Environment, Safety, and Health management Manual", which includes a dynamic cycle of "Plan, Do, Check, and Act" for the establishment and maintenance of our environment, safety, and health management system. To effectively perform our environmental, safety, and health tasks, we must complete the training and qualification on the knowledge and skills required for our employees. We have communication channels that are specially designed for communicating our environment, safety, and health activities to external organizations, obtaining comments from stakeholders, identifying the source of the impact on our Company, and understanding the laws and regulation concerning the environment, safety and health. Therefore, the relevant departments must follow the "Environment Consideration and Identification Management" and the "Hazard Identification and Risk Evaluation Management Procedures" when identifying the potential emergencies and accidents that may impact the environment, safety and health. We also follow the "Emergency Response Management Procedure" when responding to environment-related emergencies, and accidents, thus preventing or mitigating unfavorable effects on the environment, safety, and health.



4.1 Climate Change and Energy Management

4.1.1 Risk Response and Opportunity Evaluation

FLEXIUM regularly analyzes and identifies climate change, which is related to transformation and physical hazards that concerns our Company. We evaluate such risks and determine the respective control measures as well as establish real-time and effective emergency response measures that can minimize the resulting losses. When a natural disaster occurs, the emergency response center will follow the “Emergency Response Plan” and operation guidance and proceed to confirming, reporting, handling, containing, and repairing steps. When an accident occurs, we will report the accident to the competent authority as required by law. These measures aim to mitigate climate change risks that may threaten our Company’s operations as early as possible.

Physical Risks and Opportunities

	Typhoon	Heat and Draught	Torrential Rain and Flood	Resource Cost
Risks	Climate change brings frequent and strong typhoons. When the typhoons strike, gusts of wind and heavy rains will cause architectural damage, power outages, and fires caused by electric appliances.	Heat and draught cause increase the energy consumption of air-conditioners and water-cooling systems, thus accumulating high costs. Extreme high temperatures may cause the equipment to fail, thus compromising production line. As heat persists, draught can cause fires and losses of life and property. Production output can also decline.	The industrial zone will not be affected by earth liquefaction or mudslide caused by torrential rain. However, a persistent rain that overwhelms drainage system can flood our plant, shut down traffic, damage property, and interrupt production.	Climate-related disasters can interrupt or hamper material supply, thus accumulating high costs of internal management and external procurement.
Corresponding Measures and Opportunities	We establish a typhoon response guidelines, in which the typhoon response and torrential rain emergency plan. This plan provided typhoon response pattern and disaster prevention system designed to minimize damage and resume production as early as possible.	We procure high-efficiency and energy-saving equipment to prevent increased energy consumption. We also establish firefighting guidelines for rescue, contact, guidance, protection, and medical treatment in case of fire.	We establish the flood emergency guidelines, which stipulate that personnel from the water resource and the general affairs sections should verify the cause of the flood and proceed with rescue when flood in plant exceeds 20 cm in height.	The recycling of solid waste at all plants generated about NTD 118,043,964 of extra income from 2016 to 2018.

Transformation Risks and Opportunities

	Policies and Laws	Technology	Market	Goodwill
Risks	International or domestic regulations, accords, or agreements on greenhouse gases emission and climate change may concern carbon tax, total volume limit, emission trade, compulsive reporting, fuel/energy tax, and product efficiency standards.	The global trend of developing low-carbon emission or low energy consumption products may impact the existing production technology, which cannot compete and influence revenue.	The uncertainties in the global or regional market information, particularly the relevant issues on customer needs change and climate change, may significantly and negatively impact product offerings.	With rising global sustainability awareness, modern product offerings may significantly and negatively impact the environment, society, and humans, thus damaging company goodwill in the process.
Corresponding Measures and Opportunities	Strengthen our employees’ knowledge about greenhouse gases and the applicable laws, implement education and training on employee, understand the dynamics in laws, adopt corresponding measures, and prevent direct impact.	Convene the production line water consumption meeting every week to closely monitor production line water consumption volume and prevent wasting water resource.	Develop products with short, small, light, and thin features to reduce all possible negative impacts.	Strengthen employees’ awareness of water conservation. A two- or three-stage rinsing in wet production on the production line may be designed. The water used in the first-stage rinsing can be recycled and reused in the second-stage rinsing, thus reducing water waste.

4.1.2 Greenhouse Gas Inventory

Global effort is needed to overcome climate change. FLEXIUM understands that the global climate and environment are deteriorating due to greenhouse gas emissions. As inhabitants of Earth, we respond to the United Nations Framework Convention on Climate Change and the Paris Agreement and are committed to the inventory and reduction of greenhouse gas emissions. We can effectively reduce or prevent operational losses and even grasp future business opportunities through risk assessment.

FLEXIUM believes that the key to the campaign against climate change and global warming is the reduction of greenhouse gas emission. Based on our inventory review, we have set our reduction goals and priority. With our clearly defined reduction guidelines, we can execute energy-saving plans effectively and examine the results. We have implemented our greenhouse gas inventory system since 2009. The inventory of the current year will be conducted the following year. Our base year is 2018, and the total emission of the respective year is 21,816.743 tons CO₂e. Using ISO 14064-1:2006 as a reference, our Company has established the "Greenhouse Gas Inventory Management Procedure" to quantify our greenhouse gas emission. Each relevant department would conduct its own inventory according to the aforementioned procedures. Our organizational boundary adopts organizational control. Hence, an organization owns 100% of the greenhouse gas emission caused by the facilities under the organization's managerial or operational control. Therefore, our Dafa Plant, Dafa Plant II, and Dafa Plant III, of which the boundary is in Kaohsiung, conduct greenhouse gas inventory on carbon dioxide, methane, and nitrous oxide. The Dafa Plant III has been added to the inventory since 2018. Therefore, the greenhouse gas emission volume in 2018 dramatically increased.

Greenhouse Gas Emission Volume (tons CO ₂ e)				
	Source	2016	2017	2018
Scope 1	Stationary Sources	1,046	0.377	1,423
	Mobile Source	28,948	18,701	15,425
	Production	0	0	0
	Fugitive Emission	0.12	0.539	0.563
	Subtotal	30.114	19.617	17.412
Scope 2	Purchased electricity	12,723.931	14,971.296	21,799.331
	Total	12,754.045	14,990.913	21,816.743

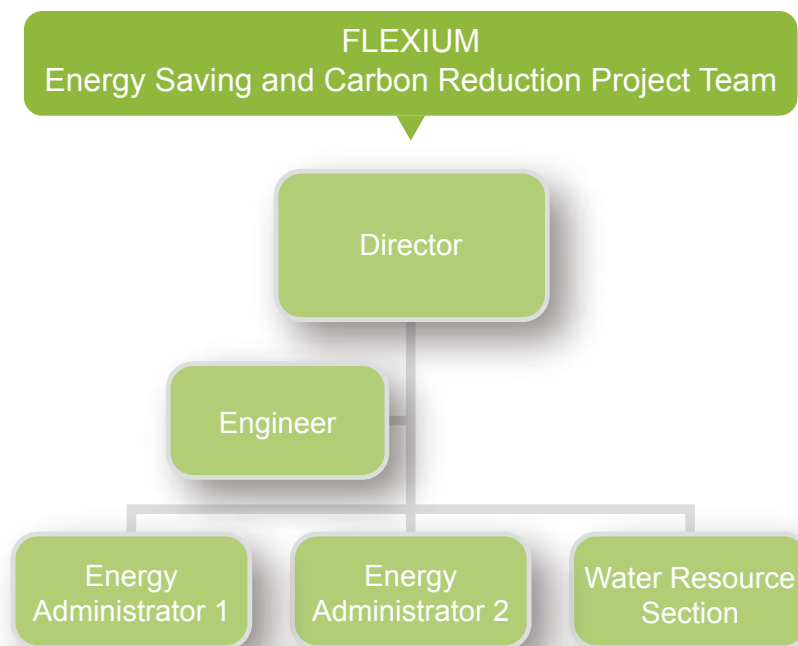
Notes:

- The stationary source in Scope 1 includes diesel power generator and fork lifter; the mobile source is gasoline, as used by company cars; and the fugitive emission is the septic tank. No emission from the production.
- The reduction of stationary source in Scope 1 because our company cars used 6,118 liters of gasoline in 2017 and 4,062 liters in 2018.
- The purchased electricity in Scope 2 has the emission coefficients of 0.530 (2016), 0.554 (2017 and 2018) kg of CO₂e/kWh. Our 2017 figures were amended accordingly due to the adjustment in emission coefficients.
- The inventory shows that consumption of electricity contributes 97% of emissions. Our office in Pingzhen contributes less than 0.1% of emission to the Kaohsiung Plant's total consumption. Therefore, this office is not included in our energy and greenhouse gas inventory.
- The calculation of greenhouse gas emission volume complies with the Greenhouse Gas Emission Coefficient Table 6.0.3 (updated 2017/2/6). The GWP adopts the 4th IPCC Evaluation Report.

Emissions of Various Gasses Under Scope 1 (tons CO ₂ e)				
	Gas	2016	2017	2018
Scope 1	CO ₂	28,900	18,773	16,719
	CH ₄	0.303	0.278	0.281
	N ₂ O	0.911	0.566	0.412
	Total	30.114	19.617	17.412

Note: The emission sources under Scope 1 are diesel power generator, company cars and effusion from septic tank.

Our improvement efforts in 2017 were carried over on to 2018. Our purchased electricity increased with our production capacity demand in 2018. The production capacity demand contributes 52.9% of emissions. Our energy administrator continues to implement energy-saving and carbon-reduction projects. FLEXIUM has two energy administrators, who are also supervisors of Facility Maintenance Section. We formed Energy Saving and Carbon Reduction Project Team to plan for the implementation of annual energy-saving projects. The energy we use includes gasoline, diesel, and electricity. Electricity is our primary energy. Our energy administrators continue to monitor our electricity consumption. They manually transcribe readings on paper and analyze the records digitally, and the results are provided to the Finance Department for cost control and output review.



The responsibilities of Energy Saving and Carbon Reduction Project Team:

1. Director: Oversees the implementation of carbon-reduction tasks, sets energy-saving goal and achieves project objectives.
2. Energy Administrator: Improve energy efficiency.
3. Water Resource Section: Improve water resource system.
4. Engineer: Arranges meetings, collects information, and produces monthly report.

4.1.3 Energy-saving and Reduction

According to the “Environment Improvement Planning and Management Procedure,” FLEXIUM implements greenhouse gas emission control measures to reduce and prevent greenhouse gas emissions or to increase greenhouse gas displacement. Because the electricity consumption is the primary source of greenhouse gas emission, the Facility Maintenance Section started replacing large production equipment that are 15 years old or older with new ones, such as air compressors and water-cooling machines. We have also replaced our office lighting fixtures in plant and office buildings over the years. The responsible departments are reviewed for their performance every month on energy-saving tasks.













In 2018, the fluorescent lamps were replaced with LED lamps, saving about 934 thousand kWh per year. In terms of the efficiency of solar panels, the power generation of Dafa Plant III in 2018 is 306.26 thousand kWh, and the monthly average is 25.52 thousand kWh, of which the maximum power generation is 34.6 thousand kWh in May, while the minimum power generation is in January, only 15.87 thousand kWh.

Energy Consumption				
Energy type	Unit	Performance		
		2016	2017	2018
Diesel	Kiloliter	2.1	1.7	3.1
	Megajoule (MJ)	7.38*10 ⁴	5.97*10 ⁴	1.09*10 ⁵
Gasoline	Kiloliter	10.3	6.1	4.1
	Megajoule (MJ)	3.36*10 ⁵	1.99*10 ⁵	1.34*10 ⁵
Purchased Electricity	Thousand degree	24,052	27,024	39,349
	Megajoule (MJ)	8.66*10 ¹⁰	9.74*10 ¹⁰	1.46*10 ¹¹
Total	Megajoule (MJ)	≒8.66*10 ¹⁰	≒9.74*10 ¹⁰	≒1.46*10 ¹¹

Notes:

1. Diesel is used as a stationary source of energy, primarily on power generators and fork lifts. Gasoline is used as a mobile source of energy, primarily on company cars.
2. Readings of purchased electricity come from the bills of Taiwan Power Company.
3. Pingzhen office used less than 0.1% of the electricity over the past three years. Therefore, the office is not included in our greenhouse gas emission inventory.
4. Diesel's heat value is 8,400Kcal/L. 8,400Kcal/L *4.184=35,146KJ/L. 35,146KJ/L*activity intensity/1,000= Megajoule.
5. Gasoline's heat value is 7,800Kcal/L. 7,800Kcal/L *4.184=32,635KJ/L. 32,635KJ/L* activity intensity /1,000= Megajoule.
6. Electricity(kWh) /0.000277778 = Megajoule.

Primary Energy-saving Measures

Year	Measures	Estimated annual saving on electricity (thousand kWh)	Calculation
2016	 Light  Seven mercury vapor lighting fixtures in the plant were replaced with LED lights.	9	Power consumption of mercury vapor light 3.85kW – consumption of LED 1.75kW = 2.1kW. 2.1kW*4,380hr/year = 9,198 kWh/year.
	 Air Compressor  Air compressor supply pressure was reduced from 7 to 6.5 kg.	9	For every 1 kg pressure reduced, 2% of electricity can be saved (0.5kg = 1%). 150kW*1%*6,000hr/year = 9,000 kWh/year.
	 Air Conditioner  Water scale-removing device was added to the cooling tank.	57	After installing the water scale-removing device to the cooling tank, the condenser's power consumption was reduced by 5%. (2 air conditioners' power consumption 6,278 kW/day * 365 day/year = 2,291,470 kWh/year * 5% / 2 (electrode equipment's power consumption) = 57,286 kWh/year.)
2017	 Light  Operating frequency was lowered from 60Hz to 50Hz.	51.4	Both the 2 air conditioners' operating frequency were lowered from 60Hz to 50Hz, saving 5.86kW. 5.86kW * 8,760 hr/year = 51,334 kWh /year.
	 Green Electricity  Subscribed to green electricity	100	
2018	 Light  Fluorescent lamps were replaced with LED lamps.	934	Replacing fluorescent lamps (80W each) with LED lamps (28W each). 2400 units * (80w-28w)/1000 w/kW * 7,488hr/year = 934,502 kWh /year.



Before replacement-Mercury Lamp








After replacement-LED Lamp



Decrease the air supply pressure of the air compressor system to reduce the power consumption

Energy-saving Efforts and Greenhouse Gas Reduction Results

		Performance		
		2016	2017	2018
Electricity Saving		75 Thousand kWh	51 Thousand kWh	934 Thousand kWh
Electricity Saving		2.7*10⁵ Megajoule	1.8*10⁵ Megajoule	3.4*10⁶ Megajoule
CO ₂ Reduction		39.75 tons CO ₂ e	28.254 tons CO ₂ e	517.436 tons CO ₂ e
Total Investment Amount		172,500 NTD	0 NTD	2,160,000 NTD
Annual Cost Saving		187,500 NTD	128,500 NTD	1,662,998 NTD

Notes:

1. The emission coefficients from purchased electricity are 0.530 (2016) and 0.554 (2017 and 2018) kg CO₂e/kWh. The figures for 2016 and 2017 were also revised alongside the adjustment in emission coefficients.
2. Electricity(kWh) /0.000277778 = Megajoule
3. Cost savings are calculated based on NTD 2.5 per kWh (three-stage price plan adopted; semi-peak + off-peak prices are averaged).

4.2 Green Materials

4.2.1 Hazardous Substance Management

FLEXIUM established its Hazardous Substance Policy and goals based on IECQ QC 080000 Hazardous Substances Process Management (HSPM) Standard, which emphasized a systematic management and process-oriented method for dealing with hazardous substances. We may provide products that comply with international environment regulations and customers' requirements. To comply with RoHS/Reach/Directive of Packaging/China RoHS/California Proposition 65/Montreal Protocol, we initiated a systematic control on raw material, production process and finished goods management, requiring that all must follow FLEXIUM's hazardous substance control rules. We also audited the Company's compliance level on hazardous substance control. Moreover, customer satisfaction survey allows us to get feedback about hazardous substances from customer. We regularly update with the international and domestic laws about hazardous substances. Our internal and external audits ensure the absence of omission. To strengthen our origin control, we have developed a platform in 2017 for suppliers to receive and execute FLEXIUM hazardous substance control policies and rules to ensure that we fulfill international regulations and customers' requirements. The products manufactured by FLEXIUM are all in compliance with RoHS. Therefore, unless customers specifically demand for non-compliant materials, our performance with regard to the hazardous substance management shows excellent results. In the selected use of materials, monthly cases of customer complaints about hazardous substances and anomalies in screening materials for hazardous substances were non-existent.

4.2.2 Material Management

FLEXIUM aims to realize our CSR vision, “Be a CSR doer, make society and environment better.” Therefore, we established our short-, medium- and long-term sustainability strategies to aggressively fulfill our CSR policies of Care, Health, Green, Integrity, and Advancement. Our philosophy is to provide high-quality and environment-friendly products for our customers around the world. Environment-friendly materials are our primary consideration. Currently, with our consideration and customers’ demand for product quality, No purchase is made on reproduced material. According to our procurement data in 2018, the top three materials we use are copper, coverlay, and chemicals. The fluctuation of the amounts used corresponds to the product structure and market demands. Our consumptions on copper, coverlay, and chemicals in 2018 were reduced by 27%, 18% and 7% from the previous year, respectively.

FLEXIUM is keen on procuring local materials; not only does it reduce unnecessary air- and sea-shipping costs, but it also reduces carbon footprint in the shipping process. Currently, the main procurement of raw materials is from Taiwan. In 2018, 90% of our procurement amount is spent locally to support the local suppliers’ growth. Another change is that we ship chemical fluids with 200-liter barrels instead of 20-liter barrels to save shipment sorties and labor.

Consumption of Primary Material				
Item	Unit	Consumption		
		2016	2017	2018
Copper	Square meter	592,030	853,826	622,172
Coverlay	Square meter	833,687	1,068,708	868,120
Chemicals	Liter	309,188	658,968	611,324

Notes:
 1. The primary chemicals are liquid products.
 2. Data are collected from procurement system and material requisition.

4.3 Water Management

FLEXIUM is dedicated to the protection and effective use of precious water resources. We evaluate our use and conservation of water resources and monitor the draught risks. We use a handheld conductivity meter to measure our water supply twice per day and keep the records as reference for the water-purification system’s operation. A reservoir was established in our plant to ensure that our water supply will not be interrupted immediately by external factors. Our water consumption is managed based on three strategies, namely, reduce, reuse, and recycle. The water consumption on the production line is monitored daily, adjusting the amount of water purification and reclaimed water usage accordingly. Fongshan Reservoir provides the only source of tap water for us. In 2018, the total volume of water that we have drawn from the Reservoir is 712,539 tons, a 5% increase from the 676,368 tons in 2017. We recycled 94,338 tons of water in 2018, a 6% increase from the 88,985 tons in 2017. We introduced smart water meters in 2017. Since then, we have accessed to the digital data of our water consumption from a remote site, cutting down waste, collecting and analyzing the data, and monitoring our water consumption. We also ask our production lines to conserve water as much as possible and hold weekly water review meetings. In addition to online monitoring, we can gather our people together in these meetings to talk about ways to conserve water.



pH Measurement of Tap Water



Conductivity Measurement of Pure Water



Conductivity Measurement of Tap Water




Water Management Performance

Item	Unit	Usage		
		2016	2017	2018
Tap Water Withdrawal	Ton	427,485	676,368	712,539
Recycled Water	Ton	88,133	88,985	94,338
Recycling Water/ Tap Water Withdrawal	%	20.62	12.77	13.23

Notes:

1. Data of tap water withdrawal come from tap water bills.
2. Data of recycled water come from daily transcription records (volume of recycled water).
3. Figures for 2016 and 2017 have been adjusted due to the following reason:
It is difficult to measure the circulating water of the machine, so it is not included in the recycled water; the recycled water is only measured by the water that can be recycled and reused; the amount of recovered water/water consumption of the tap water is reduced to the old recycling equipment. The volume of water being recycled in machines is difficult to be measured. Therefore, this part of water reuse is not included in our recycled water. Only the water that has been recycled and reused is included in our calculation. The reason for the decrease figures of recycling water / tap water withdrawal is that we are phasing out obsolete recycling equipment. The new system at our Dafa plant III comes online in October, 2018, and we expect the performance to improve soon.

Water-saving Measures and Performance

Item	Unit	2017	2018
Water-saving Measures 	-	Installed smart water meter to monitor plant-wide water usage in real-time.	Installed smart water meter to monitor plant-wide water usage in real-time.
Water Saving 	Ton	88,985	94,338
Annual Cost Saving 	NTD	4,182,295	4,433,886

Notes:

1. The real-time data from the smart water meters allow the effective water management.
2. Cost saving is calculated based on NTD 47/ton.
3. Cost saving/year = the volume of water saving * NTD 47/ton (sewage fee at NTD 27/ton + water purification fee at NTD 20/ton)



Back Pressure Valve



RO Membrane Tube of Recycled Water




Mixed Bed Resin Tower

4.4 Waste Management

FLEXIUM provides “Chemical Leak Guidelines” and “Emergency Response Management Procedure” to reduce the dangers on personnel and environment in case of chemical leaks. As a result, no major leak led to a penalty administered by the competent authority since the beginning of our operation. We do not produce substances that would penetrate our ozone layer. We procure safe refrigerants whenever possible.

The major air pollutant produced by FLEXIUM is volatile organic compounds (VOCs). We have a stationary pollution source permit that was issued by the Environmental Protection Bureau. Test from the Stationary Pollution Source Installation and Operating Permit Management Regulations show results that are lower than the standards stipulated by the Environmental Protection Bureau. Furthermore, FLEXIUM has established the “Air Pollution Control Procedure,” the “Acid Gas Scrubber Tower Processing Procedure,” and the “Exhaust Scrubber Tower Emergency Response Procedure.” We have assigned personnel that are trained for air-pollution prevention and control to operate the equipment for stationary pollution source and regularly keep records that are used for permit compliance. We passed all inspections throughout our history, including unannounced ones by the environmental authorities, without any violation record. We installed the equipment necessary to capture pollutants from our scrubbers and keep weekly, monthly, quarterly, semi-annual, and annual maintenance schedules for various equipment and components. If massive amounts of pollutants were released due to plant equipment malfunction or other incidents, then FLEXIUM will report the event to the Environmental Protection Bureau Kaohsiung City Government, pursuant to the Air Pollution Control Act in less one hour, repair the malfunction, or cease operations within 24 hours, then submit a written report to the local competent authorities within 15 days after the incident.

VOCs Emissions				
Item	Unit	Usage		
		2016	2017	2018
Emissions 	kg	7,988	12,610	21,488

Notes:

1. Emissions are calculated according to the Regulations Governing VOCs Discharging Industry Reporting VOC Discharge Coefficient, Operating Unit (including equipment and components) Discharge Coefficient, Control Efficiency and Other Measurements from Stationary Pollution Sources at Public and Private Properties when Filing for Air Pollution Control Fee stipulated by the Environment Protection Administration.
2. The emissions of VOCs increased because the output at Buildings A and B increased in 2018, whereas Building E has been operational in October 2018.
3. Data are collected from quarterly reports submitted to the Environment Protection Bureau in 2018.
4. The figures of 2016 and 2017 are different from the previous version of the Report because the figures of emissions of 2016 and 2017 stated in the previous version represent only one plant, and the correct figures should be the total emissions from the entire plant. Therefore, revision is made accordingly.



Replacement of Raschig Ring



Cleaning Air Pollution Equipment Tower



Regular Maintenance of Air Pollution Equipment

All wastewater produced by FLEXIUM were treated properly and were verified for compliance with sewerage standards before discharging into the sewage system of the Kaohsiung Linhai Linyuan & Dafa Industrial Parks Combined Wastewater Treatment Plant. Our Company reduces wastewater discharge from the source and provides great care in end-of-pipe treatment. Therefore, the wastewater discharged by FLEXIUM does not significantly impact the natural habitat and biodiversity. The volume of discharged wastewater in 2018 is 615,485 tons, a 13% increase from 545,651 tons in 2017. The primary contributor to such an increase is the operation of our Dafa Plant III in 2018.

Wastewater Discharge Management Performance						
Category	Item	Sewage Standard	Unit	2016	2017	2018
By water volume	-	-	Ton	359,293	545,651	615,485
By water quality	Temperature	<40	°C	32.8	29.6	31.4
	H ⁺	5-9	pH	8.0	8.6	7.4
	COD	<480	ppm	59.5	89.7	60.6
	BOD	<240	ppm	18.4	23.3	16.7
	SS	<240	ppm	20.4	5.6	4.6
	CN ⁻	<1.0	ppm	N.D	N.D	N.D
	Cd	<0.03	ppm	N.D	N.D	N.D
	Pb	<1.0	ppm	N.D	N.D	<0.001
	Cu	<3.0	ppm	1.31	0.889	0.209
	Cr ⁶⁺	<0.5	ppm	<0.010	N.D	N.D
	Ni	<1.0	ppm	0.14	0.057	<0.008
	As	<0.5	ppm	<0.010	N.D	N.D
	Hg	<0.005	ppm	N.D	N.D	N.D

Notes:
 1. N.D means not detected.
 2. Dates of inspection: 2016/12/27, 2017/11/28, and 2018/5/21.
 3. Wastewater measurement based on the receipts issued by the wastewater treatment plant.



Wastewater Treatment System



Wastewater Treatment System



Wastewater Treatment System

FLEXIUM and its contractors never committed illegal acts against solid waste disposal regulations. We established the “Solid Waste Sorting, Storage, and Disposal Operation Procedure,” which categorize solid waste into regular industrial and hazardous industrial wastes. The details of their processing are kept in our “Solid Waste Disposal Checklist.” Our primary hazardous solid waste includes waste lighting fixtures, which contain mercury, waste ink, PCB scraps, which include metals and debris, dredge from electrolysis, waste acid etchant, poisonous containers for hazardous waste, copper and copper compound, copper sulfate pentahydrate, and waste cyanide plating solution from electrolysis. All of them are contracted to licensed domestic company for transport and disposal. No solid waste is shipped abroad for disposal. The volume of solid waste produced in 2018 was higher than the previous year because our output and workforce increased.

Output of Solid Waste					
Category	Item	Unit	2016	2017	2018
General Waste	Recycled and reused	Ton	286	509	325
	Recycle and reuse rate	%	47	59	46
	Incineration	Ton	323	350	385
	Incineration rate	%	53	41	54
Subtotal		Ton	609	859	709
Hazardous Industrial Waste	Recycled and reused	Ton	860	1,530	1,645
	Recycle and reuse rate	%	100	100	100
	Incineration	Ton	0	0	0
	Incineration rate	%	0	0	0
Subtotal		Ton	860	1,530	1,645
Total		Ton	1,469	2,389	2,354

Notes:
 1. Data are collected from Industrial Waste Report and Management System.
 2. Calculation: Domestic garbage is weighted, and the weight is used for an inference on monthly total.

Our primary products are FPCs and FPCAs. After our products are sold to a customer, any defect will be either scrapped locally for disposal by the customer or shipped back to FLEXIUM for disposal. Therefore, returned products consist of defective FPCs or FPCAs. Our packaging material consists mostly of cartons and trays, which become the property of a customer upon delivery. The customer should recycle, clean, and reuse these packaging materials.



Disposal of gold plating solution



Disposal of scrap copper foil



Temporary storage area for waste

4.5 Ecological Efficiency

While increasing the Company's production ecological efficiency, FLEXIUM also adopts green concepts as follows: green designs, green materials, green production processes, and green products. At the product planning and design stages, we already minimized environment risks and impacts by reducing carbon emission, air emission, and waste water. In the selection of material, we prioritize products made of green materials, which not only conform to the EU and the global legal requirements but also meet the FLEXIUM's environment-friendly attitude. We call upon our R&D and procurement team and suppliers every year to search for green alternatives. Therefore, we can continuously reduce non-compliance ratio of green materials. Our ultimate goal is to use green materials on our production line.

In terms of green design, FLEXIUM's primary consideration is saving energy and reducing carbon emission during the R&D stage of product. We respond early to the environment risk and impact that a product may incur by increasing the utilization rate of flexible printed circuit board. By nature, the shape of an FPC can be 3D, rolled, twisted, bent, and curved to be hidden in a device with a high-density circuit layout, which can be changed because the amount of surface area is scarce. We design FPCs according to customers' requirements in length, weight, thinness, and even irregular shapes, which is a challenging circuit layout. The average circuit layout utilization rate ranges from 20% to 30%, but FLEXIUM can achieve as high as 50%. By producing additional products within the same amount of time in the production process, we can reduce environmental pollution and the amount of material used, increase efficiency, decrease quantities of production input, the amount of wastes and waste disposal, as well as water discharge and air emissions during process. Therefore, we fulfill our aims to promote energy efficiency and green environment.

Ecology Efficiency in Production				
Unit	Strength			Variance of 2018 to 2017 (%)
	2016	2017	2018	
kWh of electricity per NTD million of revenue	1,260	1,046	1,470	+41%
Ton of greenhouse gas emission per NTD million of revenue	0.667	0.58	0.815	+41%
Ton of greenhouse gas emission per square meter produced	0.013	0.014	0.017	+21%
Kilogram of VOCs per square meter produced	0.0064	0.0063	0.0370	+487%
Ton of solid waste per square meter produced	0.0012	0.0019	0.0035	+84%
Ton of wastewater per square meter produced	0.36	0.55	1.05	+91%
kWh of electricity per square meter produced	24.3	27.2	67	+146%
Ton of water per square meter produced	0.43	0.70	1.10	+57%

Notes:

- 1 lot is equal to 100 pieces of products and is equivalent to 8.50 m² in 2016, 8.03 m² in 2017, and 8.50 m² in 2018.
- Negative figure in Variance of 2018 to 2017 indicates increased efficiency, whereas positive figure means decreased efficiency.
- The data of wastewater volume and tap water volume come from water bills. The figures of production output are provided by the finance department.
- Formula for calculating Variance of 2018 to 2017: (2018 - 2017) / 2017 * 100%.

FLEXIUM's environment goal is zero fine and zero pollution. If our production or operation causes an environment-related dispute, then we activate the "Communication Management Procedure" to provide guidelines on handling, contact, and negotiation. FLEXIUM never experienced an environmental pollution incident and complaint in its history. However, due to a written mistake made by a colleague when reporting the volume of solid waste volume in January, 2018, the actual output volume minus the reported volume failed to match the storage volume, which is a violation of Article 31-1-2 of the Waste Disposal Act. This mistake is an administrative error; no threat of pollution was committed to the environment. A review procedure is established for this type of error.



Employee First

Employee First

Professional skills constitute superior-based operation and serve as the core and backbone of FLEXIUM. Striving for sustainability, the Company proactively invests all resources into talent management to improve the quality of manpower, maintain competence, attract like-minded and elite-based talents, and promote employee-learning and developmental culture. Similarly, we provide a safe and healthy work environment for better employees' engagement and satisfaction at work in order to achieve the overall winning for company, employees and society.

5.1 Talent Attraction and Retention

5.1.1 Employee Constitution and Distribution

Existing issues in the flexible printed circuit board industry include complicated processes, large-scale manpower required in the back-end processes, and varied situations of job orders between peak/slack seasons. FLEXIUM not only strives for process automation, but also for increased employee-retention rate. Moreover, we have been investing resources in talent recruitment and development in associated realms.

FLEXIUM's number of employees aggregated to 1,901 in 2018 (including dispatched workers), which decreased by roughly 11% from that in 2017 due to the fluctuating number of dispatched workers in Manufacturing Division. In the coming years, FLEXIUM will develop employee qualification in a multi-functionality dimension and conduct systematic work shifts to prepare employees for more capabilities and optimize their full potential.

To keep a steady labor supply, we set certain standard for recruitment rate and new employee retention rate:



Recruitment rate

The data below will be updated weekly and informed to all related departments to inform them of the latest status of labor demand, including number of workers needed, number of workers hired, target number of recruitment and total number of the recruited.

New Employee Retention Rate

Employee attrition rate is updated monthly. The data of newly hired and senior employees is analyzed to understand the retention status and reasons of leaving the the Company. (resignation)

FLEXIUM Workforce Structure								
Categories	Year		2016		2017		2018	
	Groups	Gender	Headcount	% of Total Workforce	Headcount	% of Total Workforce	Headcount	% of Total Workforce
Employment Type	Permanent Employee	Male	595	44.9	907	42.3	861	45.3
		Female	401	30.3	550	25.7	568	29.9
	Dispatched worker	Male	53	4	245	11.4	85	4.5
		Female	49	3.7	182	8.5	70	3.7
	Foreign Worker	Male	0	0.0	0	0.0	0	0.0
		Female	227	17.1	259	12.1	317	16.7
Age	Under 30	Male	195	14.7	482	22.5	313	16.5
		Female	279	21.1	461	21.5	436	22.9
	30-50	Male	425	32.1	635	29.6	592	31.1
		Female	384	29.0	515	24.0	498	26.2
	Over 50	Male	28	2.1	35	1.6	41	2.2
		Female	14	1.1	15	0.7	21	1.1
Position	Senior Mgmt.	Male	16	1.2	17	0.8	20	1.1
		Female	0	0.0	0	0.0	1	0.1
	Middle Mgmt.	Male	74	5.6	75	3.5	79	4.2
		Female	16	1.2	16	0.7	15	0.8
	First Line Mgmt.	Male	75	5.7	97	4.5	89	4.7
		Female	16	1.2	19	0.9	18	0.9
	Engineer/Administrator	Male	197	14.9	254	11.9	247	13.0
		Female	124	9.4	133	6.2	153	8.0
First Line Worker	Male	286	21.6	709	33.1	511	26.9	
	Female	521	39.3	823	38.4	768	40.4	
Job Category	Production	Male	347	26.2	827	38.6	632	33.2
		Female	507	38.3	801	37.4	745	39.2
	Quality Control & Assurance	Male	55	4.2	68	3.2	51	2.7
		Female	41	3.1	56	2.6	60	3.2
	R&D	Male	97	7.3	101	4.7	128	6.7
		Female	49	3.7	53	2.5	57	3.0
	Admin. & Others	Male	149	11.2	156	7.3	135	7.1
		Female	80	6.0	81	3.8	93	4.9

Notes:

1. Based on the data of Dec. 31 for the respective year;

2. Position & Employment Type definition:

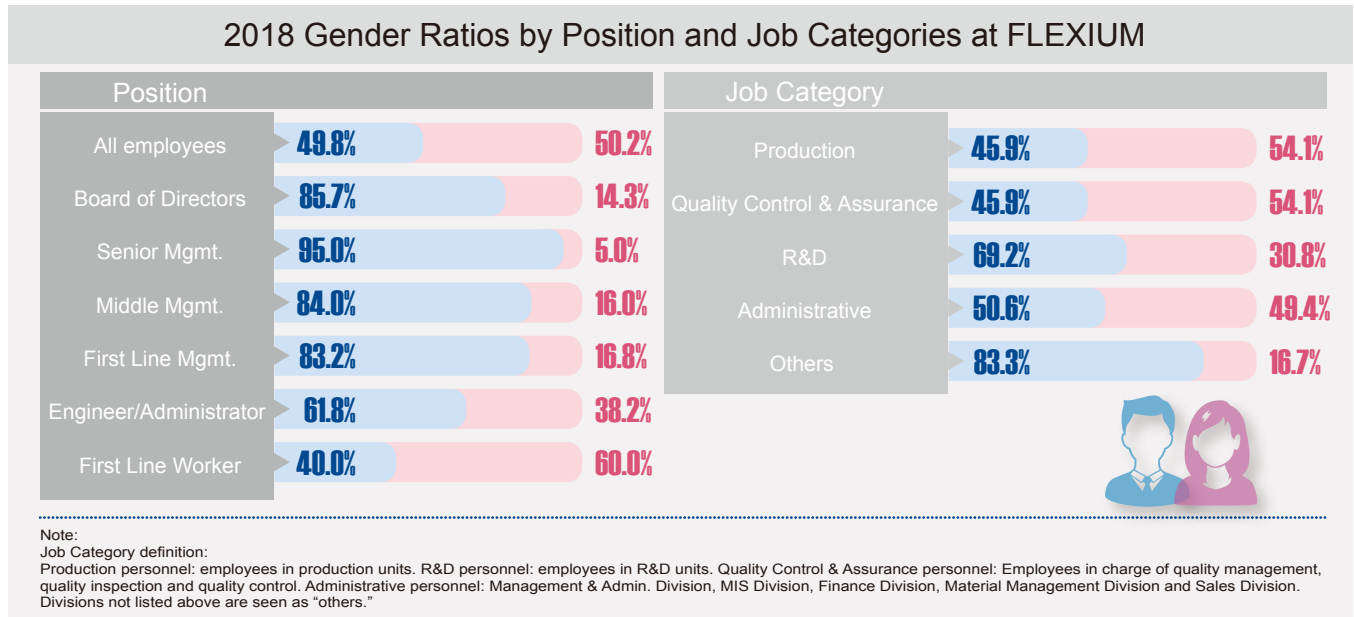
Senior management: Plant and division or above. Middle management: Managers and section managers. First line management: Section/subsection supervisors. Permanent employee: directly hired by FLEXIUM, including senior managers, first line employee and apprentice, excluding foreign workers and dispatched workers. Dispatched worker: employees who are employed by a dispatching entity but actually work for the dispatch-requiring entity. Foreign worker: all foreign employees who signed regular contract. (All foreign regular contractors)

3. Job Category definition:

Production personnel: employees in production units. R&D personnel: employees in R&D units. Quality Control & Assurance personnel: Employees in charge of quality management, quality inspection and quality control. Administrative personnel: employees in Administration Management Division, MIS Division, Finance Division, Material Management Division and Sales Division. Divisions not listed above are seen as "others."

5.1.2 Diversity Index

The Male to Female ratio comes close to 1:1, while the number of male manager comes up with 5.5 times as that of female manager.



FLEXIUM remains the equal work opportunity regardless of age, gender, religion or racial group, with which to diversify constitution of organization and care for minority groups. FLEXIUM inspires contracting the disabled new employees and refers them to applicable and competent positions, so as to provide them a stable workplace for the same. At present, the seniority of disabled staff is higher than the average seniority of general staff. FLEXIUM fulfills its social responsibility by offering stable employment opportunities to the underprivileged.



5.1.3 New Employee Hires and Employee Turnover

Female workers account for a majority (51%) of the first line, while staff members under the age of 30 account for a majority in terms of age distribution.

Newly Hired								
Type	Year		2016		2017		2018	
	Group	Gender	Headcount	Ratio (%)	Headcount	Ratio (%)	Headcount	Ratio (%)
Age	Under 30	Male	54	4.10	151	7.05	67	3.52
		Female	87	6.60	170	7.93	140	7.36
	30-50	Male	43	3.20	167	7.79	66	3.47
		Female	52	3.90	106	4.95	66	3.47
	Over 50	Male	2	0.20	3	0.14	2	0.11
		Female	0	0.00	0	0.00	0	0.00
Total			238	18.00	597	27.86	341	17.94

Note: Newly hired ratio=Number of all newly hired (excluding dispatched workers)/ Number of the permanent employees as of Dec. 31 for the respective year.

The total number of employee turnover reached 472, accounting for 24.8% of all employees. For purposes of reducing the turnover rate and expressing concern for employees, in the case of an employee filing for resignation, the supervisor and HR will conduct exit interviews to determine if it is attributable to a personal or a managerial reason. If the cause is a managerial concern, FLEXIUM will deliver the feedback of the particular employee to the relevant division and request for its improvement. In addition, HR Department will conduct an employee care to understand their thoughts and summarize feedbacks for improvement. To increase retention rate, FLEXIUM annually grants promotions and adjusts salaries pursuant to indicators, such as performance and supervisor's feedback, to inspire positive outcomes in the workplace.

Employee Attrition								
Type	Year		2016		2017		2018	
	Group	Gender	Headcount	Ratio (%)	Headcount	Ratio (%)	Headcount	Ratio (%)
Age	Under 30	Male	51	3.3	154	7.1	125	5.7
		Female	82	5.4	113	5.2	126	5.8
	30-50	Male	30	2.0	119	5.5	134	6.1
		Female	71	4.6	95	4.4	84	3.8
	Over 50	Male	1	0.1	1	0.05	3	0.1
		Female	2	0.1	3	0.1	0	0.0
Total			237	17.9	485	22.6	472	24.8

Note: Employee attrition ratio = Number of all departure employees (excluding dispatched workers) / Number of the permanent employees as of Dec. 31 for the respective year.

5.2 Talent Development

5.2.1 Career Development and Planning

FLEXIUM invests considerable resources in employee training and development to enhance the overall competitiveness and continued development of talents. We hope to enhance the working capability and develop diverse multitasking competency of our trainees with on-the-job training, off-the-job training, and self-development programs. With these efforts, our performance in talent development and training can be seen and recognized with Silver Award (Enterprise Version) in TTQS (Talent Quality-management System) assessment in Year 2014. Moreover, we won the Gold Award in Year 2016. We will continue to enhance the quality of our human resources and employee development, in which employees can gain self-growth and satisfaction in their jobs.

FLEXIUM’s vision in talent training is “Be the global training benchmark in FPC industry.” Our Company continues to enhance employees’ capabilities, following our training philosophy as “Creating cultures that encourage constant learning”. All training courses are designed based on our three core competencies. Furthermore, multiple key training courses were created for employees of all levels to enhance their professional and management capabilities with the goal of “learning by playing” and further cultivate their professional competency while creating the Company’s interests.



A total of 135,131 hours were spent on employee training in 2018, with 48 hours per employee on average. These trainings include orientations for newly-hired employees, general education programs, project management classes, and various vocational trainings. The annual training expense reached 17.39 million. The hours of orientation for newly hired employees and trainings on production lines and training costs relatively increased in 2017, in response to the establishment of a new factory and the increase in the workforce. However, we emphasize the implementation of OJT in each department and ensure the quality of the talent education because the number of newly-hired employees gradually dropped in 2018. Thus, the total number of training hours of the whole factory was relatively reduced.

Employee Training Cost/Hours		
2016	2017	2018
\$ Total Training Cost (NTD) 18,157,533	\$ Total Training Cost (NTD) 38,056,175	\$ Total Training Cost (NTD) 17,397,021
🕒 Total Training Hours 137,880	🕒 Total Training Hours 314,618	🕒 Total Training Hours 135,131
\$ Training Cost Per Employee(NTD) 7,594	\$ Training Cost Per Employee(NTD) 8,015	\$ Training Cost Per Employee(NTD) 6,128
🕒 Training Hours Per Employee 58	🕒 Training Hours Per Employee 66	🕒 Training Hours Per Employee 48

Notes:
 1. Employee numbers refer to all the employees including permanent employee, dispatched worker, and foreign worker who received training for the respective year.
 2. The total training cost includes the cost of the newly hired orientation.

		Competence-based Training Hours					
		2016	Average	2017	Average	2018	Average
All Employees	Male	74,281	59	180,029	67	61,749	44
	Female	55,743	49	121,665	59	63,201	44
Position	Senior Mgmt. (Male)	413	21	155	8	348	15
	Senior Mgmt. (Female)	0	0	0	0	128	64
	Middle Mgmt. (Male)	2,190	27	472	6	1,836	20
	Middle Mgmt. (Female)	874	55	71	4	15	1
	First Line Mgmt. (Male)	865	12	861	8	259	3
	First Line Mgmt. (Female)	226	16	69	4	43	2
	Engineer/Administrator (Male)	8,578	35	15,919	44	12,781	40
	Engineer/Administrator (Female)	4,814	33	5,988	36	6,951	36
	Others (Male)	62,262	75	162,487	76	46,509	53
	Others (Female)	49,802	52	115,675	62	56,080	46
Job Category	Production (Male)	61,772	69	165,663	73	49,383	49
	Production (Female)	48,158	52	112,352	63	53,713	46
	Quality Control & Assurance (Male)	3,280	46	4,410	43	2,779	40
	Quality Control & Assurance (Female)	1,762	36	3,950	45	4,084	46
	R&D (Male)	4,345	37	4,353	35	4,331	28
	R&D (Female)	2,445	37	3,033	42	1,302	20
	Admin. + Others (Male)	4,905	29	5,469	27	5,240	31
	Admin. + Others (Female)	3,357	36	2,467	25	4,118	35

Notes:

1. Competence-based training includes management training and professional skills training for all levels.
2. Competence-based Training Hours = Total training hours - (CSR Training + SRC (Security Responsibilities for Customer) Training hours).
3. Position & Job Category definition:
Senior management: Plant and division or above. Middle management: Managers and section managers. First line management: Section/subsection supervisors. Production personnel: employees in production units. R&D personnel: employees in R&D units. Quality Control & Assurance personnel: Employees in charge of quality management, quality inspection and quality control. Administrative personnel: Management & Admin. Division, MIS Division, Finance Division, Material Management Division and Sales Division. Divisions not listed above are seen as "others."
4. Average training hours refer to for managerial (for management) and professional skill (for all position levels) trainings of each person.
5. Average training hours = Training hours of employees of all position and job types/ Headcount of employees (including permanent employees, dispatched workers and newly hired) of all position and job categories of the respective year.

In light of the great success of the mentorship education mode in the 2017 "Management Mentoring Programs" and the affirmation and praise from managers and participated colleagues, FLEXIUM continues the mode and promotes the "First Line Supervisor Hand-in-Hand Master-protégé Program" in response to a demand for leaders of the new factory in the future. This training aims to continue the spirit of "Management Mentoring Programs" and prepare future leaders for the new factory and create unified structured on-job training modules for production lines. This educational training replicates management knowledge, skills, and experiences for the production line systematically to standardize knowledge and help the Company protect its interests.

"First Line Supervisor Hand-in-Hand Master-protégé Program"



The second “First Line Supervisor Hand-in-Hand Master-protégé Program” will continue to be held in 2019, with new masters and protégés selected. Not only will the learning maps of production lines from the previous edition be renewed, multiple qualified teaching materials will also be produced continuously. Moreover, protégés will be taught in a one-on-one on-site instruction. These measures can complete the content of SOJT, the educational aspects, and abundant to prepare the future talent management leaders for their work at the new factory.








5.2.2 Promotion and Compensation

FLEXIUM links compensation and performance to motivate employees. Our salary standard is higher than the local minimum wage, and we also strive to achieve internal, external, and individual fairness. Our compensation is linked with operational, departmental, and personal performance. We conduct regular performance and career development review, regardless of gender, to ensure a streamlined promotion channel.

A regular review on the performance of all employees is conducted twice a year. Employees above the engineer/administrator level discuss with their supervisors in January and July each year to set initial targets. Mid-term reviews are conducted in March and September, followed by final reviews in July and next January. Promotions or salary raises are awarded according to their results in the performance review of February and August.

For career development, we hope that all employees can exhibit talents to the fullest on the right jobs. Internal transfer opportunities are announced to allow employees to sign up freely. If employees are required to be transferred due to the demands of the operation, then we will ask for the consent of the employee before transferring to ensure the rights of our colleagues.

The Salary Ratio of Men to Women						
Job Category	2016		2017		2018	
	Basic Salary	Package	Basic Salary	Package	Basic Salary	Package
Administrative 	1.36	1.52	1.23	1.34	1.39	1.66
Quality Control & Assurance 	1.09	1.03	1.13	1.22	1.05	1.24
R&D 	1.28	1.29	1.27	1.33	1.30	1.42
Production 	1.22	1.24	1.18	1.11	1.21	1.21
Others 	1.54	1.64	1.59	1.68	1.66	1.71

Notes:

1. Basic Salary=Basic pay. Package including basic salary + bonus + benefit. Ratio = Male / Female

2. Job Category definition:

Production personnel: employees in production units. R&D personnel: employees in R&D units. Quality Control & Assurance personnel: Employees in charge of quality management, quality inspection and quality control. Administrative personnel: Management & Admin. Division, MIS Division, Finance Division, Material Management Division and Sales Division. Divisions not listed above are seen as "others."

3. Total number of Full time non-management Level employees is 1,622 and the average annual salary is NTD 630,000.

5.2.3 Retirement and Welfare

FLEXIUM stipulates that the regulation for retirement is in accordance with the Labor Standards Act. Moreover, the Company opened a dedicated account at financial institute assigned by the government. The interest earned was saved in preparation for the pension and severance pay when the Company goes out of business. The Company also established “Supervisory Committee of Workers’ Retirement Preparation Fund” registered in a competent agency, in accordance with regulations. A total of 2% was allocated for pension of the old system, according to accurate calculations, which follows government orders. The allocation rate for pension of the new system is 6%. The total of 6% employees’ wage will be allocated every month to Individual Labor Pension Account operated by the Bureau of Labor Insurance for all employees.

FLEXIUM values the welfare of our employees. In addition to the Employee Welfare Committee, our Company also offers all kinds of welfare services, including insurance, subsidy, and flexibility for vacations. All employees are insured with labor and health insurance, as stipulated by the law. To enhance employee welfare, all employees are also insured with group insurances, including life, casualty, and additional health insurance, among others. Labor health examinations will be conducted annually to add an extra layer of protection for our employees. To sufficiently deal with all kinds of demands from employees, our Company and Employee Welfare Committee subsidize weddings and funerals. Company outing subsidies are provided for company outings each year. Moreover, subsidies, such as gift boxes or gift cards, are given during the Moon Festival and Dragon Boat Festival.

Vacation and rest days are implemented in accordance with the law. To provide flexibility for employees, unused paid leaves of the current year may be extended for one year since December 2018, under the agreement of the management and labor parties to provide employees with ample time to arrange their schedule for a vacation. Our Company will also release salaries to employees that have accounted for the unused vacation days during the month in which the personal paid leaves become invalid. If their vacation days are insufficient, then employees can apply for a leave of absence due to childcare, injuries, or illness.



Expenditures on Employees' Benefits from Employee Welfare Committee

Benefits	2016	2017	2018
Total (NTD)	16,838,107	26,913,865	24,492,666
Percentage of Company's Business Revenue	0.09%	0.11%	0.09%



19th Corporate Anniversary



20th Corporate Anniversary



21st Corporate Anniversary



19th Corporate Anniversary



20th Corporate Anniversary



21st Corporate Anniversary



2016 Year-end Party



2017 Year-end Party



2018 Year-end Party



Family Day – Senior employee awards



Family Day – VR Fun



Family Day – Family Activities



Family Day – Senior Employee Awards



Family Day – VR Fun



Family Day – Family Activities



Company Outing



Company Outing



Company Outing



Company Outing



Company Outing



Company Outing



Company Outing



Company Outing

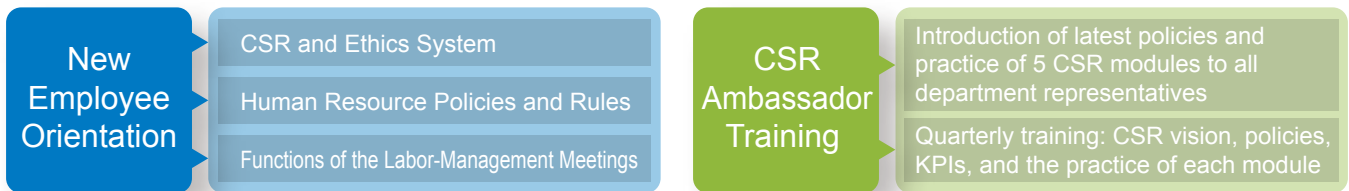


Company Outing

5.3 Human Rights

FLEXIUM specifically stipulates in its employee code of conduct that discrimination or marginalization in any form by race, skin color, gender, age, sexual preference, disability, religion, politics, union membership, or marital status is prohibited. Employees shall be treated fairly and reasonably without maltreatment, threat, or intimidation to protect human rights and equality. Related contents are also stipulated in the work rules.

Regular CSR Ambassador Training, including the issue of human rights awareness, is given quarterly to allow first-line leaders to understand corporate CSR policy and annual goals. Our Company explains the corporate governance policy, development directions, management policy, environment, health and safety courses, and concepts on corporate social responsibilities to newly-hired employees during a series of training courses. These courses include the prohibition of forced labor, child labor, discrimination, harassment, and promotion in working hour management, protection on humane treatment and offering a healthy and safe environment. All externally-hired security guards should undergo at least 2 hours of relevant training on human rights after reporting for duty, including an overview on sexual harassment, etiquette, and response training, among others.

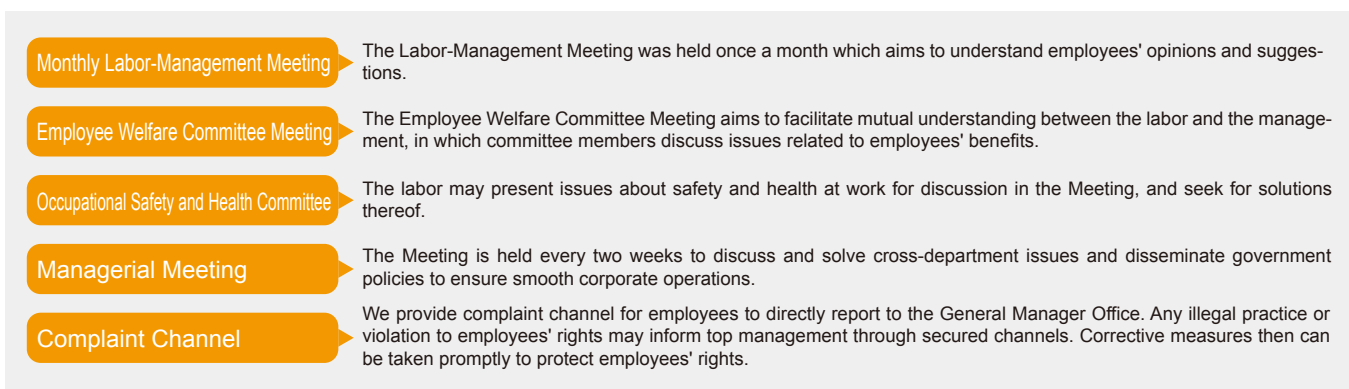


Human Rights Policy Training			
	2016	2017	2018
Number of trained employees	1,325	2,143	1,901
Training Hours	7,634	12,614	10,048
Coverage (%)	100	100	100

Notes:
 1. Coverage (%) = Actual number of trained employees / Required number of trainee* 100%
 2. Number of trained employees: number of permanent employees in employment as of December 31 for the respective year.

5.3.1 Labor-Management Communication

FLEXIUM has always valued humanistic management. Guided by the idea of “labor–management as a whole with mutual existence and prosperity,” we provide multiple channels for communication on labor and management issues to facilitate easy communication, achieve consensus, and concentrate the coherence in the workplace.



No complaint regarding human rights or discrimination was received, or any violation against human rights of indigenous people was committed at FLEXIUM in 2018. Our Company complies with the core labor standards of the UN Universal Declaration of Human Rights, Global Alliances, and International Labour Convention. We support the notion that all people are born free and shall be treated equally in terms of dignity and rights. Any employee may report any violation to their health, safety, discrimination, harassment, forced labor or other unfair treatment in the workplace through channels for complaints established by our Company.

To protect employees' rights, we provide multiple channels for complaints, including the General Manager Mailbox in physical and in electronic forms as well as service lines. When their rights are violated or mistreated, employees may follow the "Complaint Reporting and Opinion Procedure" to file a complaint to the departments in charge where their anonymity and safety are guaranteed. An investigation on a complaint will be completed in two weeks or less, and the result will be submitted to the General Manager and handed to relevant divisions for replying handling measures. Fifteen cases regarding labor matters were received in 2018—all of which have been solved. Improvements and tracking will be made based on the investigation results after being handled to prevent the similar cases from happening again.

Complaint Channel



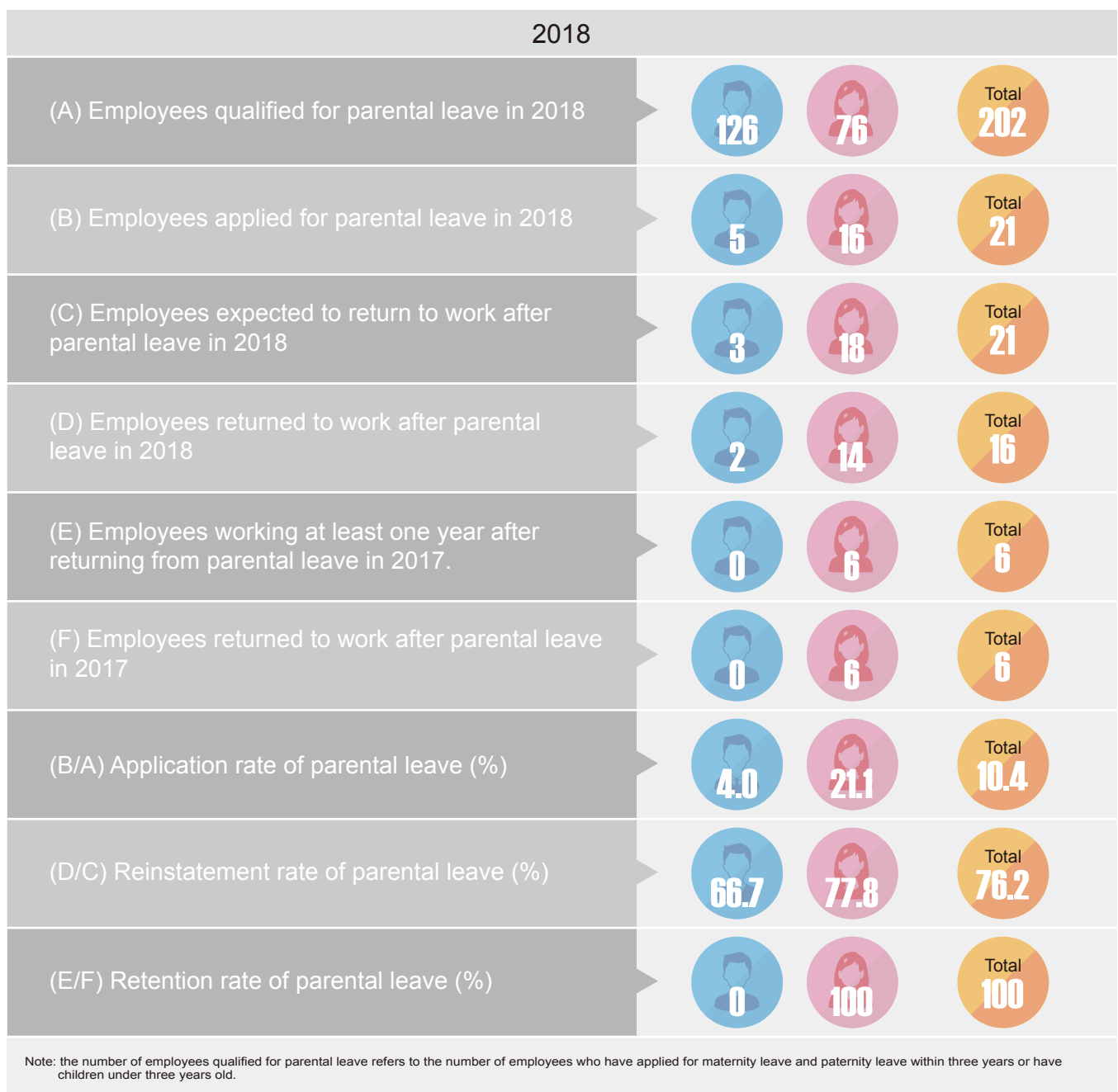
Number of Cases Reported			
Type of Cases Reported	2016	2017	2018
General Complaint	11	11	15
Ethical Issue	0	1	0
Comment or Suggestion	3	1	17
Total (cases)	14	13	32
Closure Rate (%)	100%	100%	100%

Notes:
 1. General complaint: referred to cases that an employee is mistreated or abused at work.
 2. Ethical issue: referred to cases that an employee violates ethical rules, which affects our Company's regular operation.
 3. Comment or suggestion: a comment or suggestion about our Company's internal measures or facilities.
 4. Suggestion about foods and the employee benefits in 2018 has increased dramatically more than previous years, therefore the figure of the year is higher than usual.

5.3.2 Employee Care

Healthy and happy employees can maintain the sustainable growth of the corporation. Thus, FLEXIUM exerts efforts in employee care to concentrate the coherent of colleagues so that employees can devote their passion and further enhance their work efficiency at a happy and friendly work environment. Meanwhile, the energy for the enhancement in overall company business can be created.

Our Company stipulates that regulations for parental leave are in accordance with the Gender Equality in Employment Act. Twenty one people (16 females and 5 males) applied for unpaid parental leave in 2018 with the application rate of 10.4% and reinstatement rate of 76.2%. Results reveal that the main factors why employees chose not to be reinstated or to resign. Most of them prioritized taking care of their children and families.



5.4 Healthy Workplace

FLEXIUM exerts effort in providing a healthy and happy work environment. We want our colleagues to maintain their health and find a balance between family and work. Thus, we consecutively devote manpower and resources to build a healthy and friendly work environment. We plan health management and promotion activities for our colleagues with the perspective from caring, promote the correct knowledge about health, develop positive ideas about health among our colleagues, and integrate health in the workplace and into their daily life.

5.4.1 Health Management

To build a good health management system, FLEXIUM conducts risk assessments on the production process and raw material zones. We concluded that the personnel in high-risk departments and those who are exposed to high-risk departments are the operators and engineers working in the production field. We monitored the work environment and made appropriate improvements on our management and engineering. Identification was conducted through monitoring the work environment, taking the environment and management system, and engineering rectification into consideration. At the same time, a health risk assessment was also conducted to filter out the high-risk employees and prepare arrangements on work configurations to avoid colleagues who are repeatedly exposed to risks. A total of 88 people are working on operations with specific hazards in 2018. They are mainly exposed to operations that could easily cause illnesses in the respiratory tract, skin, hearing, and malignant tumors. With a complete health management system, the Company never experienced major occupational disease cases.

Employees Engage in Work Hazardous to Health			
Task Type/Year	2016	2017	2018
Exposed to Noise (Number of workers)	4	28	15
Working on Operations with Ionization Radiation (Number of workers)	26	26	35
Working on Operations with Nickel (Number of workers)	31	25	35
Working on Operations with Chromic Acid (Number of workers)	14	7	15
Total	75	86	100

Note: In 2018, 12 of all workers have engaged in 2 specific hazardous health tasks.



Annual Health Examination and Special Health Examination

FLEXIUM organizes regular health examination for employees. Normally, a health examination is conducted once a year and health procedures for special hazards were conducted every year. Among 25 people in total listed as second-level control, 3, 15, and 7 people were respectively working on operations with noise, ionization radiations,

and Nickel. Meanwhile, we hope to take care of employees by completing health examinations and conducting level control, according to the inspection results. One-on-one health consultations by professional doctors are provided to understand their work environment and exposure status by conducting health and hygiene education and tracking. According to the health status and demands of colleagues, suggestions on new allocation of work were proposed to protect employees' health. All colleagues working for more than a year are required to participate in the health examination and consultation. A total of 88 people were required to participate in special health examinations during 2018, and all of them abided, which results in 100% participation rate. Moreover, our Company implements the special health examinations for newly-hired employees before working on tasks with specific hazards.

5.4.2 Health Promotion

FLEXIUM is committed to providing a safe working condition and healthy work environment for our employees. In addition to the annual health examinations, health seminars, and health information, we also have nurses stationed at the medical room and doctors close to the factory to take good care of our colleagues' health comprehensively. Furthermore, we installed AEDs at operation sites and invited Daliao Branch of Kaohsiung City Fire Bureau to give instructions on AEDs. Eighty six people have participated in the educational training. The purpose of this training is for nonmedical staff to conduct emergency treatments in response to cardiac arrest within a 5-minute window. Our colleagues are also reminded to use the electronic sphygmomanometers at the restaurant of each building to measure their blood pressure every now and then to conduct self-management of their health. Our Company will continue to build a healthy, sustainable, and happy work environment and create a healthy and safe culture that all employees can participate in.



Health Promotion Programs	Contents	Performance
Maternal Healthcare	Upon learning of pregnancy, female colleagues engaging riskier tasks will be scheduled to meet a physician for a one-on-one consultation, and then reassigned to other surrounding and shift that poses no threat to the pregnant stage. After a health education, a small tag is issued to be worn on the uniform as a reminder to other colleagues to extent extra courtesy to our pregnant colleague. Assistance at work will be given, of course, and consistent attention will be given to the needs of rest or leave as the pregnancy stage may require.	Our Company provide nursery room for female colleagues. Our friendly working environment can help female colleagues to find balance between work and breast-feeding needs.
Overwork Prevention	Overwork prevention program are held, where questionnaires on overwork and psychological stress are used to understand the physical and psychological status of our employees. Those who are classified as high-risk are arranged with health consultation and offered supportive measures.	32 seed instructors from various departments are trained to promote awareness. The training program have been conducted and respectively trained 32, 18, 34 instructors in 2016, 2017, and 2018. The seed instructors then administer training and awareness campaigns within their respective departments. Such campaigns have reached 1,166 people in 2018.
Safety and Health Education	Safety and health education is administered to promote the latest news and correct information about measles, hypoglycemia, bone health, heat stroke and heat exhaustion.	Latest news and information updated on bulletin board every month.
Family Day Activity (Body-Mind Balancing)	Inspire employees to find balance between work and life. All sorts of contests are planned for Family Day for employees and their family members to have fun together and reach body-mind balancing.	About 1,088 colleagues and their family members have participated.



Health and Hygiene Education



Family Day: Employee and family members having fun together



The “FLEXIUM Safety Month” activity was held in 2018 to promote awareness of occupational safety among our employees. Instead of static events such as the ones in the past, we promoted nine safety-related activities to make our employees understand and feel the importance of safety as well as deepen their safety concepts to create a healthy and safe workplace.

Subjects

- Safety Management
- Health Management
- Continual Safety and Health Management

Contents

- Safety Officers Initiation Ceremony: Safety guardians are to assist all divisions to roll out safety management.
- Signing Promise of Love: I promise to fulfill my safety promise.
- FLEXIUM Golden Brain: Occupational safety slogan contest.
- Safety Protection: C Class protective suit donning contest.
- Health Promotion Seminar: Lose weights through aerobics.
- Safety Scavenger Hunt: Search for the locations of fire extinguishers' locations in your departments.
- Reducing Hidden Threats to Work Safety: Work safety improvement proposal contest with bonus.
- Traffic Safety Seminar: Travel with the god of safety.
- Performance Presentation and Review

Performance

- Strengthen work safety awareness among employees: 2,023 cards, post cards, and posters of safety advocacy in total are signed by employees.
- 10 less traffic accidents outside the plant than the same period last year.



FLEXIUM Safety Month



Signing the Promise of Love - Postcards of Love



FLEXIUM Golden Brain - Work Safety Slogans

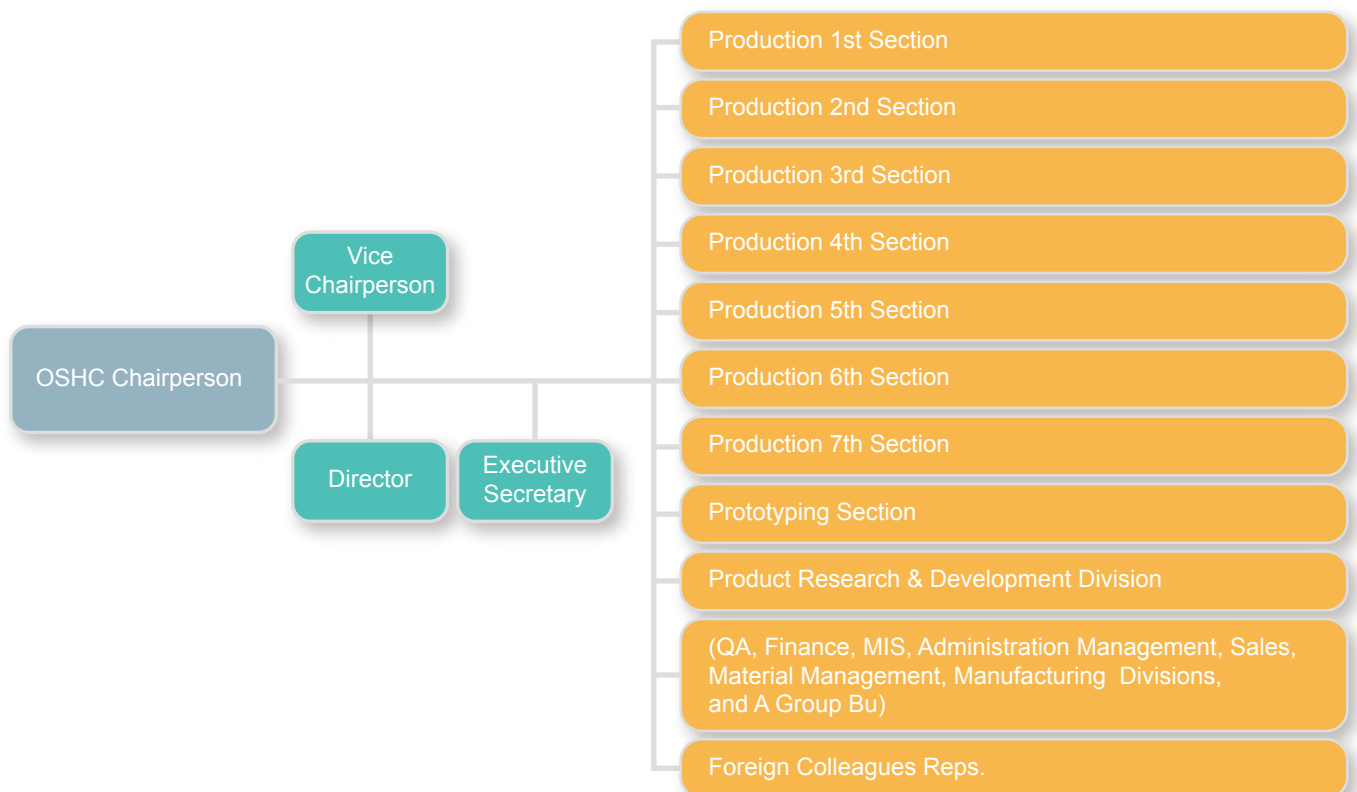
5.5 Occupational Safety and Health

FLEXIUM holds onto the concept of “Doing everything right at the first time” to effectively reduce the environmental impacts and accidents and to fulfill the Company’s corporate social responsibilities. Environment, health and safety systems are operated to prevent injuries and illness. The Company also stated the environmental, safety, and health policies with regard to the following three topics: (1) Complying with all environmental protection, occupational safety and fire prevention regulations applicable to our businesses; (2) Building a green factory, reducing businesses carbon emissions and saving energy for our environment; and (3) Creating an employee-friendly workplace for employees’ psychological and physical health.

5.5.1 Occupational Safety and Health Committee

As required by law, FLEXIUM has established its Occupational Safety and Health Committee (OSHC). The Plant Manager will serve as the chairperson with one vice chairperson and one executive secretary. Members of OSHC consists of leaders from departments, occupational health and safety personnel, engineers, technicians, plant nurse, and labor representatives, which includes labor representatives of foreign workers. OSHC meetings will be held every three months. The number of labor representatives is more than what the laws stipulated which is one-third of the committee. We also encourage representatives of foreign workers to participate in OSHC meetings. Environment Health & Safety Department will propose health and safety reports during the meeting and prepare presentations to explain the statistics on occupational disasters, its analysis, and comparison. Moreover, the department where the incidents have occurred will propose health and safety management plans. The members of the committee will be responsible to review, coordinate, and suggest relevant matters about health and safety to prevent occupational disasters, making the employees’ health and safety protection our top objective.

Labor Representatives	13	Labor Proportion (%)	59.1
Management Representatives	9	Proportion of members from the labor side at the OSHC (%)	59.1



2018 Occupational Safety and Health Management Key Points

Key Points	Contents
Health Management	If the operation type of the newly hired employees' work belongs to specifically hazardous to health, request to provide special health examination report when reporting to work.
Health Promotion	Set up electronic sphygmomanometer in the workplace to encourage colleagues to understand their own conditions at any time.
Maternal Healthcare	Care about pregnant employees, adjust duties according to needs and provide safe and adequate working environment.
Walking & Traffic Safety	Promote awareness of walking safety, which includes not to be a phubber, not to use phone when going up or down on stair, and provide NTD 500 beneficent bonus for whistle-blowers to eradicate dangerous condition from happening.

5.5.2 Occupational Injury Prevention

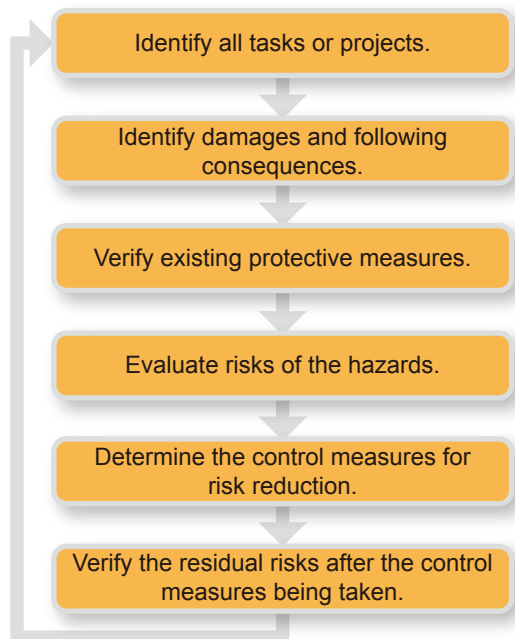
FLEXIUM always values health and safety in the workplace and devotes relevant resources to provide employees with a friendly work environment. Every employee realizes the relevance of safety. Moreover, no disasters will be treated as the most important for our operations. Through the devotion of manpower and resources, we created a safe and healthy work environment to protect the safety and health of employees to keep working without any injury.

We conducted identification and risk assessments on routine and non-routine occupational hazards, controlling them by level to reduce occupational injuries. Hazard identification and risk assessment are conducted annually. Procedures and activities will be separated as routine and non-routine. Risks are classified into five levels. Control plans for unaccepted risks are established. Objectives were established in consideration of the demands of our Company's priorities. Law compliance, awareness from externals, skills acquired and controlled level, amount of money invested in the operations, and business influence level were also taken into account in the control plans for the unaccepted risks.

We ask all employees who are engaged in the prevention of occupational injuries to create the culture of stringent safety awareness in the workplace. We set an accident reporting procedure to manage near-misses. Furthermore, we provided incentives to encourage our employees to seek hidden dangers in their daily operations and submit safety proposals to reduce these occurrences. Anonymity is allowed when reporting. Evasive action may be taken immediately when an imminent danger is detected. Employees must then report the danger to the supervisor afterwards. No employee was punished for running to safety first and reporting later. Incentives were awarded to the employee who report dangers or submit safety proposals. After an occupational disaster occurred, the accident department must take actions. For the same reason, other relevant departments must check as well for similar threats and take action as needed. An accident, if any, will be used as a lesson and will be taught to all employees in the training.

If an occupational injury was incurred, then personnel in Environment Health & Safety Department with certificates related to occupational health and safety will conduct an investigation. Moreover, the department where accident occurred should cooperate with the investigations, and they should conduct an investigation with labor representatives when occupational disasters occurred in the workplace. If the employee leaves for one month (included) due to occupational injury, then the employee should obtain the approval from the doctor from the hospital with the original diagnosis and propose the cancellation of absence and the expected date of return to the supervisor of the department when returning to work. Before the employee returns to work, the supervisor of the department should conduct an interview to understand the recovery status of the employee and the suitability to return to work. Suitable positions or duties that should be assigned for the recovery of the employee based on the interview results. After the employee returns to work, an observation and interview should be conducted to ensure the status of the employee after returning to work.

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2018 Occupational Safety Training Programs

Category	Programs	Hours	Number of Trainees
Environmental Safety and Health	Supervisor in charge of organic solvent operations (retraining)	6	16
	Supervisor in charge of organic solvent operations (training)	18	7
	Operator of forklift (retraining)	3	17
	Operator of forklift (training)	18	4
	Supervisor in charge of specified chemical substance operations (retraining)	6	7
	Supervisor in charge of specified chemical substance operations (training)	18	4
	First aid personnel (retraining)	3	50
	First aid personnel (training)	18	35
	Supervisor in charge of hypoxia operations (retraining)	6	1
	Supervisor in charge of hypoxia operations (training)	18	1
	Class-1 supervisor of Occupational safety and health affairs(retraining)	6	2
	SDS personnel training	1	27
	Safety and health training for the newly hired	3	708
Firefighting	Fire drill	10	658
	Fire prevention supervisor (training)	12	1
Others	Operator of Radioactive Material (training)	18	11
	Operator of Radioactive Material (retraining)	3	27
Total		167	1,576

Occupational Injury Analysis

Category/Year	2016	2017	2018
Falling	-	-	-
Tripped	2	1	1
Pinched or Dragged	1	1	-
Contact with Hazardous Substances	-	-	-
Improper Movement	-	-	-
Sliced, Cut, Bruise	-	-	-
Collapse	1	-	-
Collision	-	-	-
Total (cases)	4	2	1

Note: The data shown indicate the cases in Kaohsiung plants(data in 2016 and 2017 include Dafa Plant, Dafa II Plant and Pingzhen Office; data in 2018 include Dafa Plant, Dafa II Plant, Dafa III Plant and Pingzhen Office.)

Occupational Injury Statistics					
Item	Gender	2016	2017	2018	Calculation/Remark
Number of Occupational Injuries	Male	1	0	1	1. Data of occupational injuries occurred in the factory every year are collected from Dafa Plant, Dafa II Plant, Dafa III Plant and Pingzhen Office. Considering that only 10 people are working at the Pingzhen Office, they are counted as personnel of the Kaohsiung Plant Area. Personnel at the mutual-supporting Dafa Plant and Dafa II Plant are not counted separately (the two plants are adjacent to each other). 2. Data in 2016 and 2017 do not include Dafa III Plant.
	Female	3	2	0	
	Total Cases	4	2	1	
Disabling Injury Frequency Rate	Male	0.79	0.00	0.50	Disabling Injury Frequency Rate = Total cases of occupational injuries/total working hours * 1,000,000 (calculated to the second decimal place without rounding).
	Female	2.29	1.22	0.00	
	Total Cases	1.55	0.58	0.26	
Injury Severity Rate	Male	93	0	65	Injury Severity Rate = Total number of lost workdays / total working hours * 1,000,000 (calculated to integer without rounding).
	Female	33	89	0	
	Total Cases	63	42	34	
Absenteeism Rate	Male(%)	6.0	7.5	8.5	Absenteeism Rate= Total absent days / Total working days * 100%. Notes: 1. Total absent days in 2016 and 2018 include occupational injury leave, sick leave, personal leave and menstrual leave. 2. Data in 2016 and 2017 are collected from Dafa Plant, Dafa II Plant and Pingzhen Office. The calculation is the combined absent days from two plants divided by the combined working days from the two plants. 3. Data in 2018 are collected from Dafa Plant, Dafa II Plant, Dafa III Plant and Pingzhen Office. The calculation is the combined absent days from the two plants divided by the combined working days from the two plants.
	Female(%)	8.2	9.1	9.8	
	Total(%)	7.1	8.3	9.1	

Notes:
 1. From 2016 to 2018, no major and no common occupational injury have occurred when contractors work within our plants.
 2. Major occupational injury means an accident that causes death, more than three victims injured or more than one victim are hospitalized in the same accident.
 3. Common occupational injury means all non-major occupational injury.

FLEXIUM believes safety and health should come first. Therefore, our Company adopted policies for risk management, legal compliance, communication training, and continuous improvement. Kaohsiung Plant (including Dafa Plant and Dafa Plant II) received the OHSAS 18001 Certificate in 2009 and continued to establish a comprehensive management system in to create a safe workplace, provide a safe and healthy work environment for employees, and promote and build a safety-oriented culture. In response to the conversion from OHSAS 18001 to ISO 45001, our Company will fully complete the conversion by January 2021, covering all employees of the Kaohsiung Plant Area, contractors, and the personnel operating within the plants.

5.5.3 Management of Occupational Safety and Health and the Future Prospects

Developing a safe work environment is the long-term goal in the occupational safety and health management of FLEXIUM. Our ultimate goal is to achieve zero accident. We are taking great care of our colleagues' safety. We are taking great care of our colleagues' safety. To make our colleagues feel much safer when walking across streets. We laid down a crosswalk on the path that our colleagues must take to work every day, with the cooperation of the Transportation Bureau of Kaohsiung city government, Dafa Industrial Park Service Center, and Linyuan Precinct of Kaohsiung City Police Department. With regard to management, not only do we have all sorts of operation standards and training programs in place, but we also conduct danger identification and risk assessments to verify the feasibility of such standards, thus fulfilling our goal of a safe operation. At the same time, we administer annual safety and health education, training and awareness programs to reduce the frequency of accidents at work and increase safety awareness among our colleagues. We committed our efforts to the fulfillment of Zero Accident, and were recognized by the Labor Affair Bureau of Kaohsiung City government, winning Outstanding Occupational Safety and Health Corporate for 2017.



FLEXIUM is awarded Outstanding Occupational Safety and Health Corporate for 2017.



Social Involvement

Social Involvement

While pursuing revenue growth and financial performance, FLEXIUM can also keep its commitment to corporate social responsibility. We follow the 17 Sustainable Development Goals advocated by the United Nations, and we establish our corporate social responsibility policy to fulfill the five core policies of care, health, green, integrity, and advancement. In the aspect of social benefits, we adopted care as our core value, and we took good care of our employees and repaid our society. Internally, we took care of our employees who are in need, while externally, we proactively interacted and repaid the local community by providing sincere assistance to underprivileged groups. We encourage our employees to participate in volunteer work. These efforts are just some examples of attempts to fulfill our CSR vision. We are keen to contribute our efforts and offer help and warmth to improve the society.



6.1 Community Engagement

With FLEXIUM's CSR vision of "Be a CSR doer, make society and environment better," we are expanding its involvement in public benefit efforts from its presence in both Taiwan and China. We made donations to the police and Fire Bureau and sponsored cultural and educational events, maximizing the values for both internal and external stakeholders. We contributed more than NTD 10 million in public benefit efforts for CSR from 2012 to 2018.

6.1.1 Sponsoring Local Education

To bring learning resources to local children, FLEXIUM committed labor, materials, and funds to help build a library for Kaohsiung Municipal Chaoliao Elementary School. The library is a wonderful place for kids to read books on weekdays, and it opens to the general public to encourage reading on weekends. In 2017, we further developed the FLEXIUM Dream Comes True Carpentry Workshop. After Kaohsiung Municipal Chaoliao Elementary School completed its new building, we invited artists to instruct students to create art from recycled trimmed timber on-campus. The carpentry works are exhibited on-campus. This initiative not only increased the sense of fulfillment and self-confidence of the students but also gave the campus an artistic vibe.

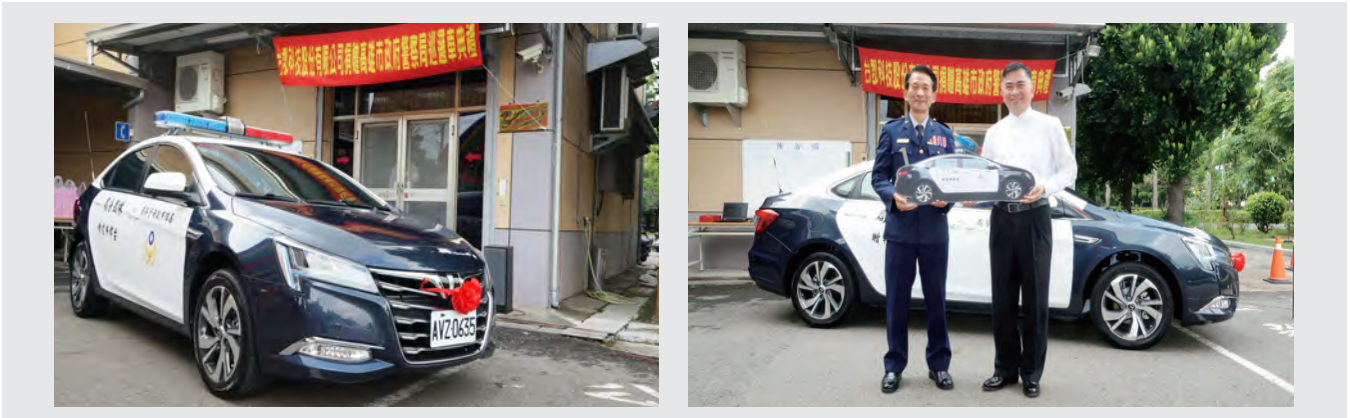


The year 2018 is the 100th anniversary of Kaohsiung Municipal Zhao Ming Elementary School in Daliao District. For the activity, FLEXIUM donated NTD 100,000 for the kids to acquire improved resources in school activities and learning.



6.1.2 Enhancing Local Disaster Rescue Capacity

For the reason of climate change, anomaly global weather, torrential downpours and flooding, such the circumstances get worse year by year, the fire rescue squad need to rush to the emergency sites more quickly and effectively. FLEXIUM donated an all-terrain vehicle with a 3,200 cc engine and various rescue gears to the Daliao Emergency and Rescue Corps of the Kaohsiung City Fire Bureau for them to respond to natural disasters. In 2017, FLEXIUM donated a cruiser to the Linyuan Precinct of the Kaohsiung City Police Department to increase the local patrol's efficiency.



A fire that happened to a company in the same industry in 2018 took the lives of several firefighters. Upon learning the tragedy, FLEXIUM proactively contacted the Kaohsiung City Fire Bureau to donate life-saving communication equipment for firefighters. Therefore, we have sponsored the Kaohsiung City Fire Bureau to initiate a project, which is led by the Duty Command Center of the Kaohsiung City Fire Bureau and developed by Chunghwa Telecom, to provide a terrestrial trunked radio and mobile command station. This set of equipment was successfully tested in April, 2019, and the total development cost was donated by FLEXIUM. This set of equipment is a great help to augment the disaster radio on-site and effectively control the disaster recovery information. It is also the first design in Taiwan.

Mobile Command Station and Terrestrial Trunked Radio

Within the effective radio signal coverage area, 999 distress call may be transmitted to the mobile command station, showing the caller's name and saving logs automatically. A firefighter caught in emergency situation can now send distress call much faster. This is the first system of its own kind in Taiwan, which solve the problem of distress call unable to send out.

Mobile command station and terrestrial trunked radio are designed to be functional even in a tunnel, a subway station or underground of the building. In a massive scale disaster or a compound disaster, this system can link up with the radio systems used by military and civilian rescue teams, making sure cross-service radio communication can deliver directives smoothly and effectively.



6.1.3 Enhancing Community Safety

Police officers and firefighters are the unsung heroes who kept our lives safe, and FLEXIUM understands their hardship. Since 2015, FLEXIUM has been donating equipment and funds to the local police and fire squads. In 2018, FLEXIUM donated 15 computers, and 120 volunteer vests, which are worth NTD 520,000, to the Linyuan Precinct of the Kaohsiung City Police department. Furthermore, to boost the morale of the police force, FLEXIUM individually donated NTD 20,000 to the Dafa Branch and the Daliao Branch of the Linyuan Precinct of Kaohsiung City Police Department and Friends of the Police Association of Zhao Ming. An additional NTD 30,000 was donated to the advisory group of the Daliao Emergency and Rescue Corps of the Kaohsiung City Fire Bureau.



Donation Ceremony



Donation Ceremony

In 2018, the residents of the Yiren Village in Daliao District have donated land for the Village Park project. For the greater good, FLEXIUM also donated NTD 100,000 to purchase exercise equipment, which would be installed in the park, adding fun to the public.



6.2 Community Care

6.2.1 Volunteer Association of FLEXIUM

As part of FLEXIUM's CSR, our Company established the Volunteer Association of FLEXIUM in 2017 to organize public benefit events. The volunteers' efforts and devotion to humanity show their value of life so as to attract more employees to join.

The event took place in January 2018, in which the Warmth for Winter was initiated by the chief of Daliao Village. By donating Government Uniform Invoice (GUI), a participant was given the opportunity to play old class retro games for free. Within one week, we gathered 2018 invoices. The cash prizes won through these invoices were all donated to low-income households in Chaoliao, Huijie, and Guoxi Villages, uplifting residents' lives.

The Kids' Party was hosted at the House of Little Angels Kaohsiung in March, right before Children's Day. Twenty four volunteers participated in the event. Our volunteers and the kids have spent a happy weekend in a McDonald's. Every kid was accompanied by two volunteers. Volunteers helped the kids to develop further through interaction and dialogues. We also prepared simple games, such as drawing that gave visual, tactile, and auditory stimuli. The kids drew many wonderful sand paintings. The older children took part in the Hamburger Box Stacking Contest, which required cooperation and coordination between the kids and the volunteers. This game also trained the kids' motor skills and eye-hand coordination. This event helped the kids of the House of Little Angels Kaohsiung to have an opportunity to contact the outside world, a great way to assist in the development of children from zero to two years of age.



Volunteer Briefing



Interaction with Children



Hamburger Box Stacking Contest



We are family

The House of Little Angels Kaohsiung participated in the Power of Love, a public benefit charity event sponsored by a local bank, which took place in November 2018. To win additional resources for the kids, the volunteers sent internal emails and posted posters in our Company to invite all colleagues and their family members to vote. With the love and efforts of our employees, the House of Little Angels Kaohsiung has won 10,282 votes, entering the top 20 list and has received a charity fund of NTD 250,000. The House of Little Angels Kaohsiung used the money to build a multi-sensory lab that aims to promote the sensual development of the kids from zero to one year old and upgrade the equipment for diversity and functionality.

To help boost the finance of the House of Little Angels Kaohsiung, our volunteers joined the Piggy Bank of Love, which launched by the House of Little Angels Kaohsiung, calling people to deposit their pocket changes into the piggy banks. This event was a saving contest among all departments in our Company. Within the half-year period, the campaign became a part of everyone's daily life. People were comparing whose piggy bank is fatter and heavier. Eventually, we accumulated NTD 159,000 for the House of Little Angels Kaohsiung, and they could make use of the fund to care for the children. Through the campaign, our employees have learned that giving is a happy and satisfying experience. With the belief of "Giving back to society what society gave us," we should extend our gratitude for everything in life.



"Piggy Bank of Love" campaign



The House of Little Angels Kaohsiung members and kids at FLEXIUM 21st Corporate Anniversary



Received a certificate of appreciation from the House of Little Angels Kaohsiung

6.2.2 Kunshan Volunteer Activity

FLEXIUM's society care initiatives are not limited to Taiwan. At Kunshan, we are also active in social benefit events, such as visits to the fire squadron, fundraising, supplying the children in poverty, preparing cakes for the charity, clothing drives for Tibet, and emergency services. Whenever our employees or their family are in need, we will try to provide the assistance they need. From 2010 to December 2018, we have completed 440 cases of relief at the total amount of RMB 1.72 million (or NTD 7.78 million).



Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	Total
Relief case	12	17	31	45	56	67	79	74	59	440

Volunteer Service Team

The Chunhua Foundation has been working on social care activities since its founding in October, 2015. We extend our efforts by organizing the Chunhua Volunteer Service Team to deliver care to where our society needs them. We completed 14 service missions by the end of 2018. From 2016 to 2018, we visited the lonely and frail elderly at the Kunshan Kangren Nursing Hospital, sent gifts, and accompanied them. In 2018, together with the Engineering Division, the Chunhua Volunteer Service Team visited the Shanghai Hongkou Duolun Tongxin Elementary School for a water conservation awareness event. We taught the children how to conserve water. Our Company is keen to recycle water as well. Currently, the water recycle rate has reached beyond 50%. Our efforts have inspired our downstream customers, who recommended our Kunshan Plant to adopt the AWS International Water Stewardship Standard for sustainable water management. Furthermore, we became the first company in the industry to obtain this certification.









Poverty Scholarship


In July, 2016, the Chunhua Volunteer Service Team established the Chunhua Poverty Scholarship/Financial Aid, donating RMB 5,000 per person to our employees to help their children or siblings enter college. From 2016 to 2018, we sponsored seven employees to encourage them to receive schooling, which is a driving force for our society's advancement.



Principles of Reporting

Flexium Interconnect Inc. (hereinafter referred to as FLEXIUM) publishes the third Corporate Responsibility Report (CSR) in 2019. We voluntarily disclose the principles and practices about sustainable operation and management to stakeholders and demonstrate our determination in pursuing sustainability. In the future, we'll continuously disclose the information about operational performance, environmental protection and social participation. And we'll actively communicate with stakeholders. The previous CSR Report has been published in September 2018 and the next CSR Report is expected to be released in Sep, 2020.


 <p>Timeframe of information disclosure</p>	 <p>Scope of information collection-internally</p>	 <p>Scope of information collection-externally</p>
<p>From Jan. 1, 2018 to Dec. 31, 2018</p>	<p>This Report includes FLEXIUM Kaohsiung Plant Area (Dafa Plant, II and III) and Pingzhen Office. The boundary for materiality in this report is limited to all plants within Taiwan. It is planned that within 3 years our overseas plants will be included in the future reports.</p>	<p>Government Customer Investor Supplier/contractor Community/academic institute</p>
 <p>Data quality management</p>	 <p>GRI level</p>	 <p>Contact</p>
<p>Financial figures: PwC Taiwan Quality information: ISO 9001:2015 Environmental Statistics: ISO 14001:2015 Society information: OHSAS 18001:2007</p>	<p>GRI Standards Cores</p>	<p>Eva Liao Tel.:+886 7 787 1008 ext. 163 CSR@flexium.com.tw</p>



Scope of information

Inside of the organization The timeframe within which the information disclosed in this Report begins from January 1, 2018 and ends on December 31, 2018. The information includes all activities and performance of operational management, environmental protection and social participation. The scope of the Report includes FLEXIUM Kaohsiung Plant Area (Dafa Plant, II and III) and Pingzhen Office.

Outside of the organization External scope of disclosure includes customers, investors, suppliers/contractors, communities, government and academic institutes.



Review

Internal review The information and data in the Report were collected and compiled by our employees from various departments. And the contents were reviewed by the heads of departments, verified by our CSR Committee. At the same time, we consulted by external guidance teams. After all the information is completed, they were reviewed by levels of department heads and finally approved by our Chairperson. To make sure that all data and figures are credible, a standardized specification table is established for all departments to follow when preparing this Report.

External review The financial data found in this Report are Annual Report information audited by CPA in PricewaterhouseCoopers (PwC) and were calculated in NTD. The environmental management system (ISO 14001), quality management system (ISO 9001), occupational safety and health management system (OHSAS 18001), have all been verified by an impartial third party.

Participation in Industry Associations and Initiatives

Institute	Member
 Taiwan Printed Circuit Association	V
 Taiwan Electrical and Electronic Manufacturers' Association	V
 Kaohsiung Chamber of Industry	V
 Kaohsiung City Chamber of Commerce	V
 Dafa Industrial Park Association	V
 Dafa Industrial Park- Labor Safety and Health Association	V (Convener)
 Kaohsiung Personnel Representative Association	V
 Kaohsiung Harbor City Entrepreneurs Association	V
 Cross-Strait CEO Summit (Jan-Jun 2018)	V
 National Federation and the Republic of China Youth Venture Corp.	V
 The Institute of Internal Auditors – Chinese Taiwan	V

GRI Standards Index

Required criteria	GRI Std. Code	GRI Std. Title	Disclosure Code	Description	Chapter	Page No.	Remarks
Core	GRI 102	General disclosure	102-1	Name of the organization	Company Profile	3	
Core		General disclosure	102-2	Activities, brands, products, and services	Company Profile	3	
Core		General disclosure	102-3	Location of headquarters	Company Profile	3	
Core		General disclosure	102-4	Location of operations	Company Profile	3	
Core		General disclosure	102-5	Ownership and legal form	Company Profile	3	
Core		General disclosure	102-6	Markets served	Company Profile	3	
Core		General disclosure	102-7	Scale of the organization	Company Profile	3	
Core		General disclosure	102-8	Information on employees and other workers	Company Profile 5.1 Talent Attraction and Retention	3 59	
Core		General disclosure	102-9	Supply chain	3.4 Sustainable Supply Chain	41	
Core		General disclosure	102-10	Significant changes to the organization and its supply chain	Company Profile 3.4 Sustainable Supply Chain	3 41	
Core		General disclosure	102-11	Precautionary Principle or approach	2.4 Risk Management 4.1 Climate Change and Energy Management	27 47	
Core		General disclosure	102-12	External initiatives	-		Flexium responds to RBA.
Core		General disclosure	102-13	Membership of associations	Participation in Industry Associations and Initiatives	89	
Core		General disclosure	102-14	Statement from senior decision-maker	Letter from the Chairman	2	
		General disclosure	102-15	Key impacts, risks, and opportunities	2.4 Risk Management	27	
Core		General disclosure	102-16	Values, principles, standards, and norms of behavior	2.3 Regulatory Compliance	23	
		General disclosure	102-17	Mechanisms for advice and concerns about ethics	2.3 Regulatory Compliance	23	
Core		General disclosure	102-18	Governance structure	2.1 Corporate Governance	22	
		General disclosure	102-19	Delegating authority	1.3 CSR Performance	18	
		General disclosure	102-20	Executive-level responsibility for economic, environmental, and social topics	1.3 CSR Performance	18	
		General disclosure	102-21	Consulting stakeholders on economic, environmental, and social topics	1.3 CSR Performance 1.2 Engagement with Stakeholders	18 17	
		General disclosure	102-22	Composition of the highest governance body and its committees	2.1 Corporate Governance	22	
		General disclosure	102-23	Chair of the highest governance body	2.1 Corporate Governance	22	
		General disclosure	102-24	Nominating and selecting the highest governance body	2.1 Corporate Governance	22	
		General disclosure	102-25	Conflicts of interest	2.1 Corporate Governance	22	
		General disclosure	102-26	Role of highest governance body in setting purpose, values, and strategy	1.3 CSR Performance	18	
		General disclosure	102-27	Collective knowledge of highest governance body	2.3 Regulatory Compliance	23	
		General disclosure	102-29	Identifying and managing economic, environmental, and social impacts	1.3 CSR Performance	18	
		General disclosure	102-30	Effectiveness of risk management processes	1.3 CSR Performance 2.4 Risk Management	18 27	
		General disclosure	102-31	Review of economic, environmental, and social topics	1.3 CSR Performance	18	
		General disclosure	102-32	Highest governance body's role in sustainability reporting	1.3 CSR Performance	18	

Required criteria	GRI Std. Code	GRI Std. Title	Disclosure Code	Description	Chapter	Page No.	Remarks
Core		General disclosure	102-33	Communicating critical concerns	1.3 CSR Performance	18	
		General disclosure	102-40	List of stakeholder groups	1.2 Engagement with Stakeholders	17	
Core		General disclosure	102-41	Collective bargaining agreements	-		Flexium employees have not yet established their own union, therefore no collective agreement has been made. However, Flexium regularly convenes labor-management council to make sure that labor-management communication stays open.
Core	GRI 102	General disclosure	102-42	Identifying and selecting stakeholders	1.2 Engagement with Stakeholders	17	
Core		General disclosure	102-43	Approach to stakeholder engagement	1.2 Engagement with Stakeholders	17	
Core		General disclosure	102-44	Key topics and concerns raised	1.2 Engagement with Stakeholders	17	
Core		General disclosure	102-45	Entities included in the consolidated financial statements	About FLEXIUM	3	
Core		General disclosure	102-46	Defining report content and topic Boundaries	Principles of Reporting	88	
Core		General disclosure	102-47	List of material topics	1.2 Engagement with Stakeholders	17	
Core		General disclosure	102-48	Restatements of information	No information is revised.		
Core		General disclosure	102-49	Changes in reporting	No major change.		
Core		General disclosure	102-50	Reporting period	Principles of Reporting	88	
Core		General disclosure	102-51	Date of most recent report	Principles of Reporting	88	
Core		General disclosure	102-52	Reporting cycle	Principles of Reporting	88	
Core		General disclosure	102-53	Contact point for questions regarding the report	Principles of Reporting	88	
Core		General disclosure	102-54	Claims of reporting in accordance with the GRI Standards	Principles of Reporting	88	
Core		General disclosure	102-55	GRI content index	GRI Standards Index	90	
Core		General disclosure	102-56	External assurance	Assurance Statement	94	
Core		GRI 103	Management approach	103-1	Explanation of the material topic and its Boundary	1.2 Engagement with Stakeholders	17
Core	Management approach		103-2	The management approach and its components	1.2 Engagement with Stakeholders	17	
Core	Management approach		103-3	Evaluation of the management approach	1.2 Engagement with Stakeholders	17	
Material Topic	GRI 203	Indirect Economic Impacts	203-1	Infrastructure investments and services supported	6. Social Involvement	80	
Material Topic	GRI 204	Procurement Practices	204-1	Proportion of spending on local suppliers	3.4 Sustainable Supply Chain	41	
Material Topic	GRI 205	Anti-corruption	205-2	Communication and training about anti-corruption policies and procedures	2.3 Regulatory Compliance	23	No corruption/bribery incident.
			205-3	Confirmed incidents of corruption and actions taken			
Material Topic	GRI 302	Energy	302-1	Energy consumption within the organization	4.1 Climate Change and Energy Management	47	
			302-3	Energy intensity	4.5 Ecological Efficiency	57	
			302-4	Reduction of energy consumption	4.1 Climate Change and Energy Management	47	
Material Topic	GRI 303	Water	303-1	Water withdrawal by source	4.3 Water Management	52	
			303-3	Water recycled and reused	4.3 Water Management	52	
Material Topic	GRI 305	Emissions	305-1	Direct (Scope 1) GHG emissions	4.1 Climate Change and Energy Management	47	
			305-2	Energy indirect (Scope 2) GHG emissions	4.1 Climate Change and Energy Management	47	
			305-5	Reduction of GHG emissions	4.1 Climate Change and Energy Management	47	

Required criteria	GRI Std. Code	GRI Std. Title	Disclosure Code	Description	Chapter	Page No.	Remarks
	GRI 305	Emissions	305-7	Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	4.4 Waste Management	54	
Material Topic	GRI 306	Effluents and Waste	306-1	Water discharge by quality and destination	4.3 Water Management	52	
			306-2	Waste by type and disposal method	4.4 Waste Management	54	
	GRI 307	Environmental Compliance	307-1	Non-compliance with environmental laws and regulations	-		No environment-related penalty received.
Material Topic	GRI 308	Supplier Environmental Assessment	308-2	Negative environmental impacts in the supply chain and actions taken	3.4 Sustainable Supply Chain	41	
Material Topic	GRI 401	Employment	401-1	New employee hires and employee turnover	5.1 Talent Attraction and Retention	59	
			401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	5.2 Talent Development	63	
			401-3	Parental leave	5.3 Human Rights	70	
Material Topic	GRI 403	Occupational Health and Safety	403-1	Workers representation in formal joint management worker health and safety committees	5.5 Occupational Safety and Health	76	
			403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	5.5 Occupational Safety and Health	76	
			403-3	Workers with high incidence or high risk of diseases related to their occupation	5.5 Occupational Safety and Health	76	
Material Topic	GRI 404	Training and Education	404-1	Average hours of training per year per employee	5.2 Talent Development	63	
			404-3	Percentage of employees receiving regular performance and career development reviews	5.2 Talent Development	63	
Material Topic	GRI 405	Diversity and Equal Opportunity	405-1	Diversity of governance bodies and employees	5.1 Talent Attraction and Retention	59	
			405-2	Ratio of basic salary and remuneration of women to men	2.1 Corporate Governance	22	
Material Topic	GRI 414	Supplier Social Assessment	414-1	New suppliers that were screened using social criteria	3.4 Sustainable Supply Chain	41	
			414-2	Negative social impacts in the supply chain and actions taken	3.4 Sustainable Supply Chain	41	
Material Topic	GRI 418	Customer Privacy	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	-		No such events occurred.
	GRI 419	Socioeconomic Compliance	419-1	Non-compliance with laws and regulations in the social and economic area	4.5 Ecological Efficiency	57	

Required criteria	Flexium Specific critical subjects	Disclosure code	Description	Chapter	Page No.	Remark
Management Approach	GRI 103	103-1	Explanation of the material topic and its Boundary	1.2 Engagement with Stakeholders	17	
		103-2	The management approach and its components	1.2 Engagement with Stakeholders	17	
		103-3	Evaluation of the management approach	1.2 Engagement with Stakeholders	17	
Material Topic	Innovative management		Propose innovative R&D and management methods to be applied in technology, production and product.	3.3 Research and Innovation	36	
Material Topic	Product quality		Establish and promote quality management system, culture of quality and product recall protocol.	3.3 Research and Innovation	36	
Material Topic	Customer service		Apply measures of customer relation management, customer complaint, customer satisfaction customer confidential information protection.	3.2 Customer Relationship Management	33	
Material Topic	Risk and crisis management		Fulfill risk management system by measures of risk identification, evaluation, prioritization and risk strategy.	2.4 Risk management	27	
Material Topic	Green product		Evaluations on hazardous material, carbon footprint, water footprint, environment-friendly product certificate and life-cycle.	4.2 Green Materials	51	
				4.5 Ecological Efficiency	57	

Assurance Statement



ASSURANCE STATEMENT

SGS TAIWAN LTD.'S REPORT ON SUSTAINABILITY ACTIVITIES IN THE FLEXIUM INTERCONNECT INC.'S CORPORATE SOCIAL RESPONSIBILITY REPORT FOR 2018

NATURE AND SCOPE OF THE ASSURANCE/VERIFICATION

SGS Taiwan Ltd. (hereinafter referred to as SGS) was commissioned by FLEXIUM Interconnect Inc. (hereinafter referred to as Flexium) to conduct an independent assurance of the Corporate Social Responsibility Report for 2018 (hereinafter referred to as CSR Report). The scope of the assurance, based on the SGS Sustainability Report Assurance methodology, included the sampled text, and data in accompanying tables, contained in this report.

The information in the Flexium's CSR Report of 2018 and its presentation are the responsibility of the management of Flexium. SGS has not been involved in the preparation of any of the material included in Flexium's CSR Report of 2018.

Our responsibility is to express an opinion on the report content within the scope of verification with the intention to inform all Flexium's stakeholders.

The SGS protocols are based upon internationally recognized guidance, including the Principles contained within the Global Reporting Initiative Sustainability Reporting Standards (GRI Standards) 101: Foundation 2016 for accuracy and reliability and the guidance on levels of assurance contained within the AA1000 series of standards and guidance for Assurance Providers.

This report has been assured using our protocols for:

- AA1000 Assurance Standard (2008) Type 1 evaluation of the report content and supporting management systems against the AA1000 Accountability Principles (2008) at a moderate level of scrutiny; and
- evaluation of the report against the requirements of Global Reporting Initiative Sustainability Reporting Standards (100, 200, 300 and 400 series) claimed in the GRI content index as material and in accordance with.

The assurance comprised a combination of pre-assurance research, interviews with relevant employees, superintendents, CSR committee members and the senior management in Taiwan; documentation and record review and validation with external bodies and/or stakeholders where relevant. Financial data drawn directly from independently audited financial accounts has not been checked back to source as part of this assurance process.

STATEMENT OF INDEPENDENCE AND COMPETENCE

The SGS Group of companies is the world leader in inspection, testing and verification, operating in more than 140 countries and providing services including management systems and service certification; quality, environmental, social and ethical auditing and training; environmental, social and sustainability report assurance. SGS affirm our independence from Flexium, being free from bias and conflicts of interest with the organisation, its subsidiaries and stakeholders.

The assurance team was assembled based on their knowledge, experience and qualifications for this assignment, and comprised auditors registered with ISO 26000, ISO 20121, ISO 50001, SA8000, RBA, QMS, EMS, SMS, GPMS, CFP, WFP, GHG Verification and GHG Validation Lead Auditors and experience on the SRA Assurance service provisions.

VERIFICATION/ ASSURANCE OPINION

On the basis of the methodology described and the verification work performed, we are satisfied that the information and data contained within Flexium's CSR Report of 2018 verified is accurate, reliable and provides a fair and balanced representation of Flexium sustainability activities in 01/01/2018 to 12/31/2018.

The assurance team is of the opinion that the Report can be used by the Reporting Organisation's Stakeholders. We believe that the organisation has chosen an appropriate level of assurance for this stage in their reporting. In our opinion, the contents of the report meet the requirements of GRI Standards in accordance with Core Option and AA1000 Assurance Standard (2008) Type 1, Moderate level assurance.

AA1000 ACCOUNTABILITY PRINCIPLES (2008) CONCLUSIONS, FINDINGS AND RECOMMENDATIONS

Inclusivity

Flexium has demonstrated a good commitment to stakeholder inclusivity and stakeholder engagement. A variety of engagement efforts such as survey and communication to employees, supplier, investors, customers, governmental authorities, and communities are implemented to underpin the organization's understanding of stakeholder concerns.

Materiality

Flexium has established processes for determining issues that are material to the business. Formal review has identified stakeholders and those issues that are material to each group and the report addresses these at an appropriate level to reflect their importance and priority to these stakeholders.

Responsiveness

The report includes coverage given to stakeholder engagement and channels for stakeholder feedback.

GLOBAL REPORTING INITIATIVE REPORTING STANDARDS CONCLUSIONS, FINDINGS AND RECOMMENDATIONS

The report, Flexium's CSR Report of 2018, is adequately in line with the GRI Standards in accordance with Core Option. The material topics and their boundaries within and outside of the organization are properly defined in accordance with GRI's Reporting Principles for Defining Report Content. Disclosures of identified material topics and boundaries, and stakeholder engagement, GRI 102-40 to GRI 102-47, are correctly located in content index and report. For future reporting, it is recommended to have more descriptions of Flexium's involvement with the impacts for each material topic (103-1), and how efforts were given to mitigate the impacts. Flexium is also encouraged to taking into account overseas factories' ESG risks and opportunities when identifying material topics and gradually include their management performances into CSR report's reporting boundaries.

Signed:

For and on behalf of SGS Taiwan Ltd.



David Huang
Senior Director
Taipei, Taiwan
6 August, 2019
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