

2019 Flexium

Corporate Social Responsibility Report



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Introduction

Letter from the Chairman

2019 has been yet another year full of challenges and opportunities. Flexium has overcome numerous obstacles to achieve remarkable progress economically, socially, and environmentally. However, we could not have done this without the collective effort of our employees as well as continuing support from our stakeholders who care for the sustainable development of science and technology at Flexium. I would like to express my utmost gratitude to those who have contributed to our success. Through the ongoing publication of CSR reports, we hope to communicate our progress and accomplishments in sustainable operations to our stakeholders. This current issue marks the fourth CSR report released by Flexium. It follows the GRI standards, covers 16 material CSR topics, and sets 16 short- to long-term goals. The report was audited by an independent third party for accuracy.

Here is a sneak peek at our CSR achievements in 2019, listed by chapter:

I. Solid Business Operation

This year, we launched an in-house developed IT system failure early warning app that can predict and handle major IT system breakdowns and solve problems preemptively to prevent delays in or disruption of plant operations and product shipments. We also launched a proprietary instant messaging app called "Flexium Chat" to ensure that internal communications about client information stay securely within the company without being leaked and to fulfill our responsibility to safeguard clients' sensitive data.

II. Industry Services

As of the end of 2019, Flexium has secured the rights to 296 patents in total (not counting pending applications), further extending the company's lead in material technologies for the manufacture of flexible printed circuits (FPCs). Flexium is poised to tackle the technological challenges of 5G with its exclusive blind-hole filling technology to meet the demand for FPCs equipped with 5G antennas.

III. Environmental Sustainability

As part of our continued commitment to energy conservation, traditional 120-hp air compressors were replaced with 150-hp models with frequency conversion capability, which contribute up to 196,134 kWh in energy savings each year. Facilities for the electrolytic recovery of copper were installed at our plants, regenerating 4.9 metric tons of copper pillar for reuse from manufacturing wastewater. In addition, we conserved 119,254 metric tons water in 2019, 24,916 tons more than 2018 levels.

IV. Employee First

Talent cultivation has always been a priority at Flexium. Total HR training expenses reached NT\$ 14,547,869 in 2019, up NT\$ 5,757,288 from the previous year. To attract new talent to the company, our first ever Engineer Elite Program kicked off in 2019. After two weeks of intensive training, all trainees passed with flying colors and chose to stay with the company. Furthermore, we continue to run the First Line Supervisor Hand-in-Hand Master-protégé Program for cultivating first line supervisors and passing down technical know-how in a systematic manner. In total, 68 sets of production line training materials were produced in 2019 alone.

V. Social Involvement

In terms of social welfare, we believe in the spirit of love in caring for our employees and giving back to society. Internally, we provide emergency care services to employees in need; externally, we actively engage with and give back to the community, using volunteer work as a way of team building. In 2019, we provided full funding for the development of the Kaohsiung City Fire Department's communication management system for mobile command stations as well as terrestrial trunked radio, each of which was the first of its kind in Taiwan. We also donated lunch boxes to every student and faculty member at Kaohsiung Municipal Chaoliao Elementary School on their Sports Day to promote community connectedness, whole-person education, and the spirit of teamwork. Last but not least, we purchased 36 AI educational robots (mBots) for educational purposes in the same elementary school in the hope that technology can be incorporated into the elementary school curriculum, giving young children a chance to cultivate logic, think independently, and develop problem-solving skills through engaging activities and interaction.

At the time of publication of this 2019 CSR report (Q1 2020), the world is experiencing the unprecedented COVID-19 pandemic. The global economy has been substantially affected by the disease, resulting in record high unemployment and civil unrest. Governments around the world are trying a variety of monetary, financial, and social policies to help citizens navigate these turbulent times. It is in a time of crisis like this that we truly recognize the importance of Flexium in working to help keep society stable and aiding the recovery of the economy. We will continue to fulfil our corporate social responsibility with renewed determination and work actively towards our vision to "be a CSR doer, make society and environment better." We hope to set a worthy example for our partners and suppliers to follow in our footsteps.

Walter Cheng

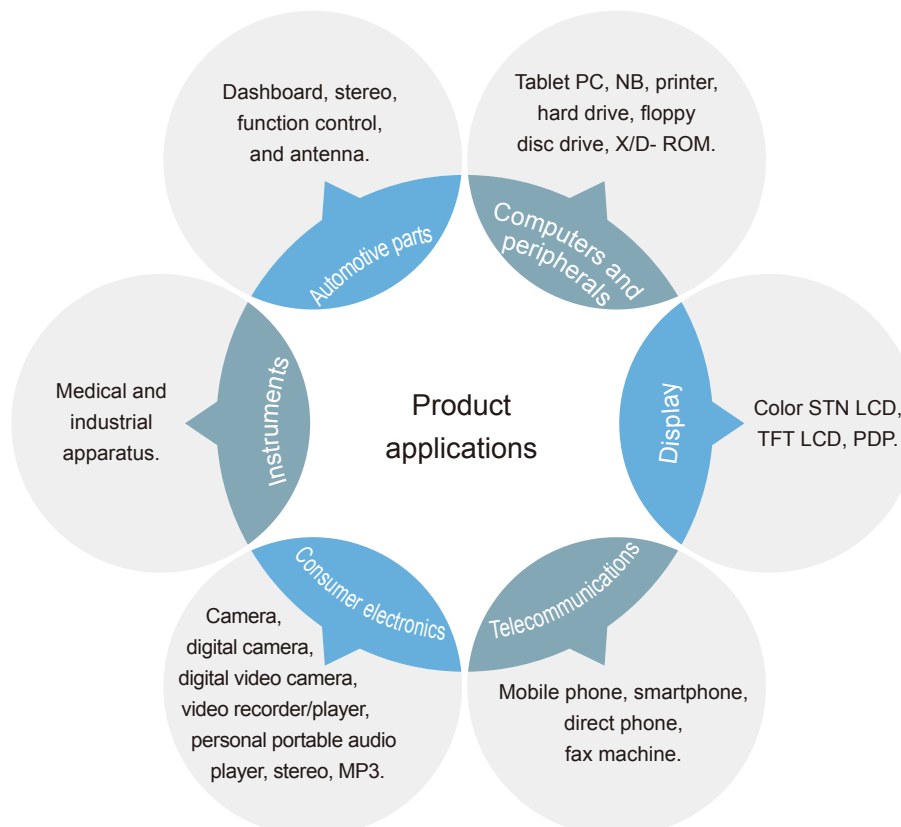
Chairman, Flexium Interconnect, Inc.



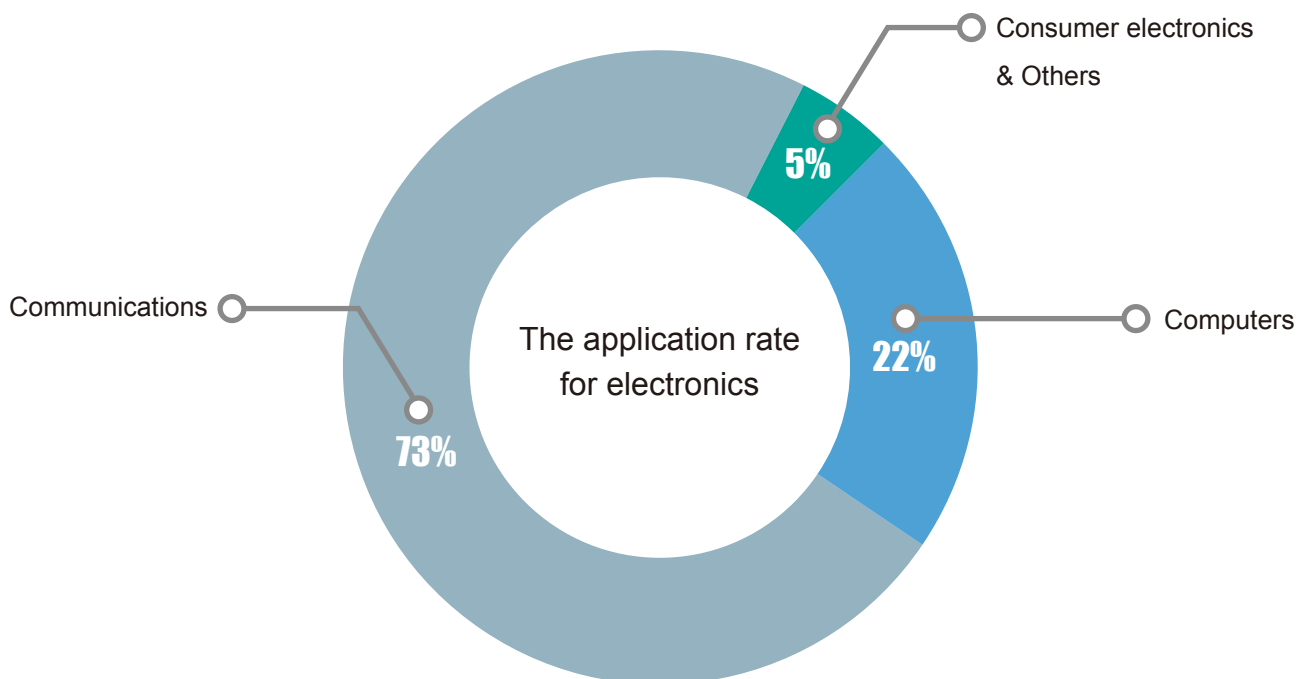
About Flexium

Company Profile

Established in 1997, Flexium Interconnect Inc. (hereinafter referred to as Flexium) is dedicated to manufacturing the highest-quality Flexible Printed Circuits (FPCs) and developing Flexible Printed Circuit Assembly (FPCA) technologies. We have recently achieved major breakthroughs in high-frequency and semiconductor technologies. On September 23, 2003, Flexium (TSE: 6269) became officially listed in the Taiwan Stock Exchange. In 2004, the Company merged with Yao Jun Technology Co., Ltd. and Chun Hua Technology Co., Ltd. (now Flexium Interconnect (Kunshan) Inc.). Meanwhile, we continued to increase our capital. We have been a constituent of the MSCI Global Small Cap Index since 2009. Alongside the establishment of Flexium Interconnect America (FIA) in 2011, the construction of the Kunshan II Plant was under way to provide ample capacity for robust future growth. We also invested in Flexium Interconnect (Suzhou) Inc. in 2017. According to *CommonWealth Magazine's Top 2000 Enterprises in Taiwan* survey in 2018, Flexium placed 133rd in the manufacturing industry and 94th in net income after taxes. In the 85th issue of *PCB Quarterly*, the Taiwan Printed Circuit Association (TPCA) ranked Flexium in the 6th place in the FPC category among the world's top PCB manufacturers by net trading income (NTI-100) in 2018. These achievements provide evidence of our global dominance in the FPC industry. Flexium was again included in *CommonWealth Magazine's Top 2000 Enterprises in Taiwan* in 2019, this time placing 135th in the manufacturing industry, 702nd in revenue growth, 70th in net income after taxes, and 208th in profitability, with our revenue growth, net income after taxes, and profitability demonstrating significant growth compared to the previous year. Flexium prepared to tackle the technological challenges of 5G and FPC diversification with the establishment of our new plant in Kaohsiung City's Ho-Fa Industrial Park in 2019. The same year, our manufacturing capacity reached 1,074,913 m², up 4.5% from 2018 levels.



Flexium’s vision is to become the global leader in FPCA solutions. We focus our technological development in FPCs and FPCAs, two major fields which involve a wide range of technologies in material selection, circuit design, manufacturing processes, module testing, high-frequency and high-speed products, and automation. We strive to provide the best pre-sale and after-sale services throughout the planning, design, and selling stages. Our pre-sale service team consists of the Design Department, which handles customized circuit design, engineering validation testing (EVT), design validation testing (DVT), and production validation testing (PVT) for our customers before prototypes enter into mass production. Our after sales services include production leveling in the mass manufacturing process to ensure that products reach our clients on time and in the best condition.



Flexium Interconnect Inc.	Founded in 1997
Stock Code	6269
Capital	3.33 billion
2019 Consolidated Revenue	26 billion
Number of Affiliates	13
Number of Employees in 2019 (excluding dispatched workers)	Number of employees: 1,911 Number of group’s employees: 5,779
Headquarters	No.23, Juguang 1st St., Tafa Industrial Park, Daliao Dist., Kaohsiung City 83164, Taiwan(R.O.C)
Corporate Website	http://www.flexium.com.tw

Global Distribution

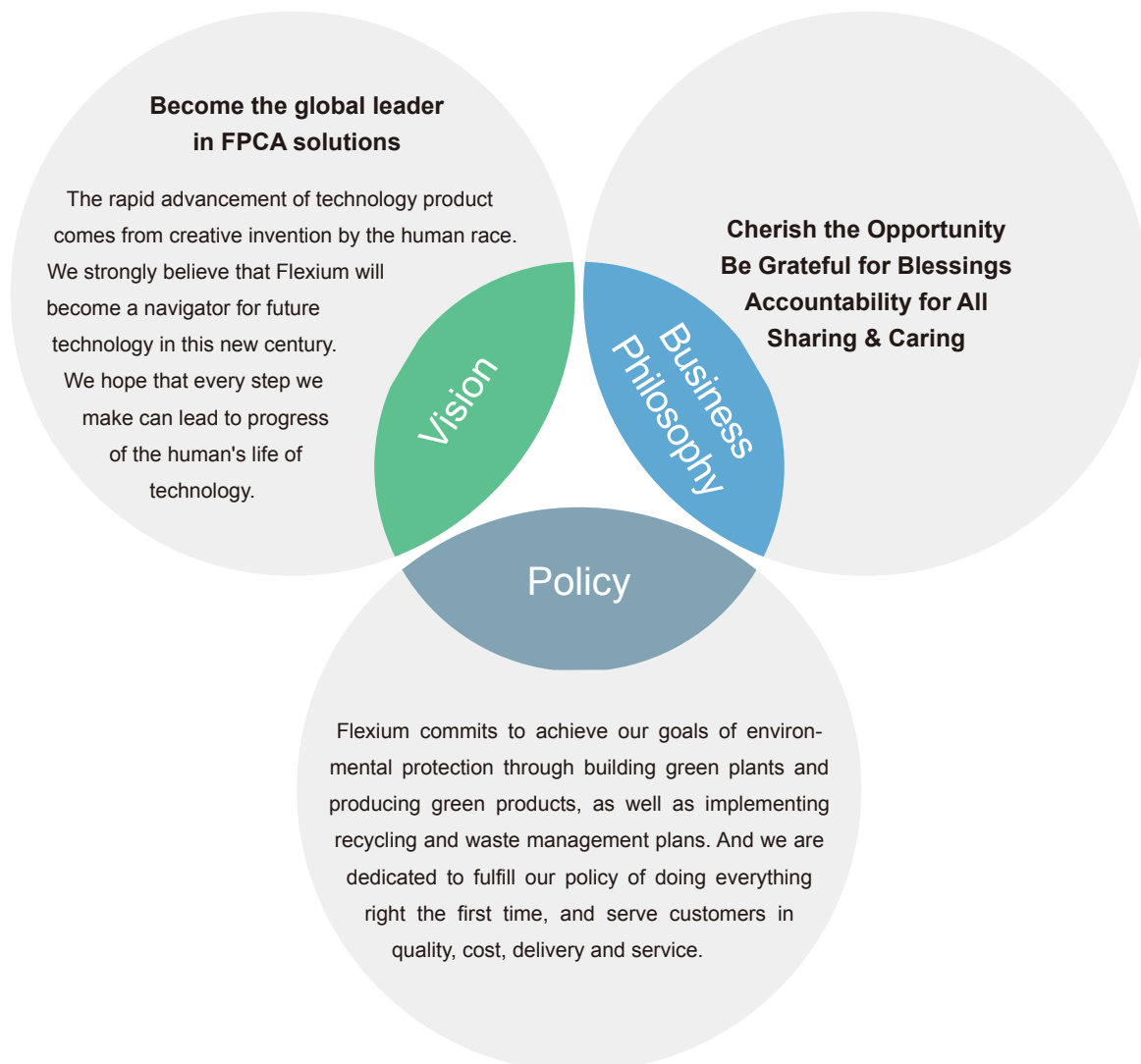


Vision, Policy, and Business Philosophy

Rapid developments in technology mean that new tech products are brought to the market almost every day, and Flexium is here to support technology advancements that improve the quality of life for humanity. In a world full of possibilities enabled by technology, Flexium's vision is to become the global leader in FPCA solutions.

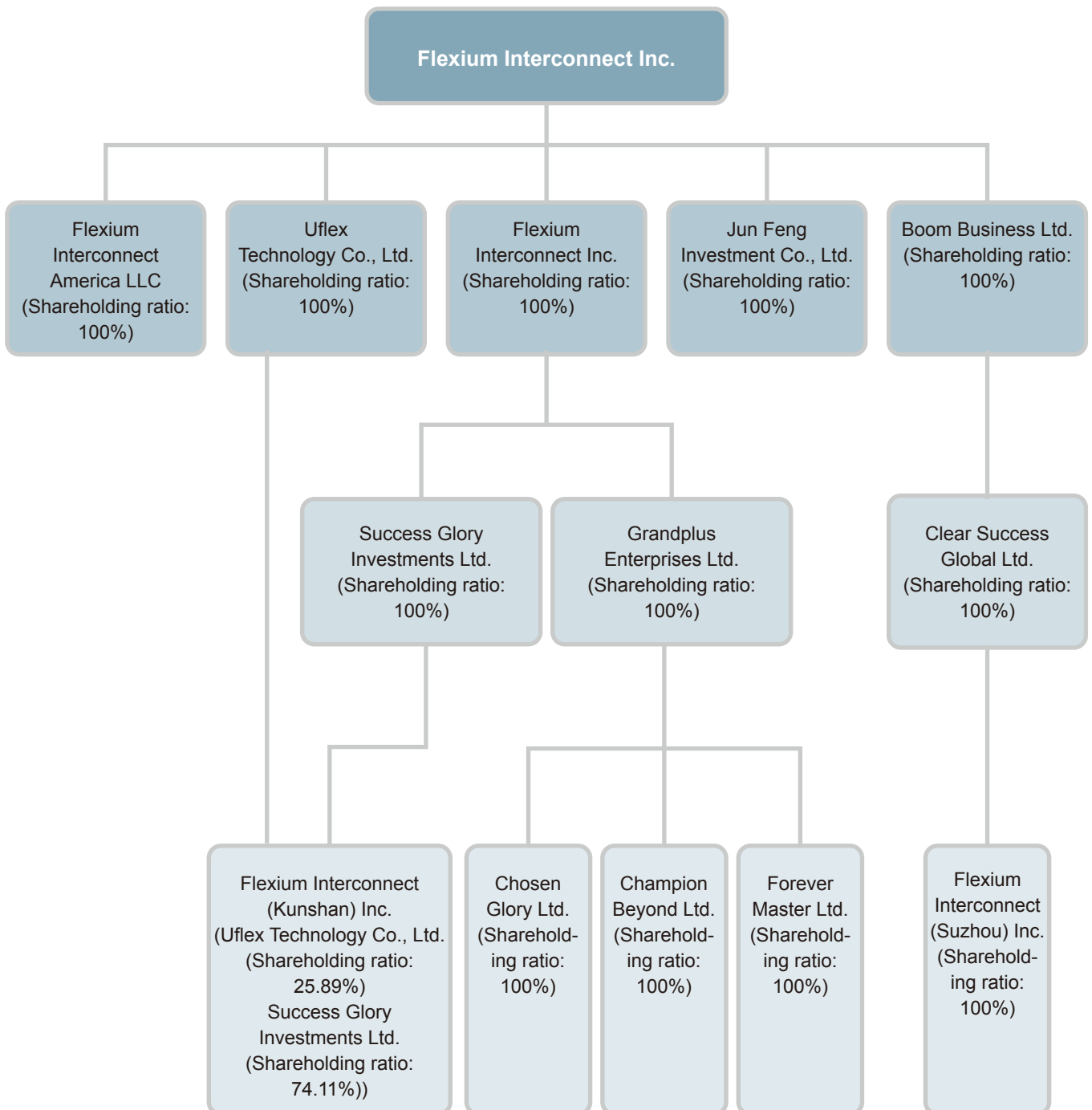
The global tech industry is moving forward at an unprecedented pace and propelling the electronics industry along the way. With people's lives being revolutionized by new technologies on a daily basis, Flexium recognizes that only through continuous innovation and change can the Company meet the needs of its clients in the electronics industry. In a quest for excellence, Flexium has consolidated its existing competitive advantages—manufacturing expertise, skilled professionals, and advanced equipment—to develop finer, lighter, and more user-friendly tech products for the world of the future.

Chairman Walter Cheng often reminds his colleagues and himself to follow the Company's four-fold business philosophy: cherish the opportunity; be grateful for the blessings; accountability for all; and sharing and caring. In recent years, our major clients have increased their number of orders from Flexium, and we are proud to see our market penetration rate rise year by year. Cheng never takes clients' orders for granted and always steers the Company to provide the best customer service possible through on-time delivery, exceptional product quality, taking full responsibility for our products, and sharing our achievements with clients, employees, and shareholders.



Flexium and its Affiliates

Flexium holds stakes in Uflex Technology Co., Ltd., Flexium Interconnect Inc., Jun Feng Investment Co., Ltd., Flexium Interconnect America LLC, Success Glory Investments Ltd., Grandplus Enterprises Ltd., Chosen Glory Ltd., Champion Beyond Ltd., Forever Master Ltd., Flexium Interconnect (Kunshan) Inc., Boom Business Ltd., Clear Success Global Ltd., and Flexium Interconnect (Suzhou) Inc. Shareholding percentages for the 13 companies are listed below. Please refer to page 44 of our 2019 Annual Report for details.



Awards and Sustainable Performance

Thanks to the efforts of the entire staff, Flexium continues to make great strides in the economic, environmental, and social aspects of its operations, claiming one award after another. In 2018, we published the Chinese-language *2017 Flexium Corporate Social Responsibility Report*, our first ever CSR report. In 2019, we went a step further and released the 2018 report in both Chinese and English. We want both our Chinese-speaking clients and non-Chinese speaking clients in countries around the world to see Flexium's CSR efforts and results, as well as its commitment to becoming a truly sustainable corporation. According to *CommonWealth Magazine's Top 2000 Enterprises in Taiwan* survey in 2019, Flexium placed 135th among manufacturers, 702nd in revenue growth, 70th in net income after taxes, and 208th in profitability, with our revenue growth, net income after taxes, and profitability demonstrating significant growth compared to 2018. Our workplace safety and health performance is also worth mentioning. For two consecutive years in 2017 and 2018, we were honored by the Kaohsiung City Government Labor Affairs Bureau as an Outstanding Corporation in Occupational Safety and Health (OSHA) Compliance. In 2017, we received the Outstanding Member Award as part of the Occupational Safety and Health Program bestowed by the Ministry of Labor and the Manufactures United General Association of Industrial Park of R.O.C. Other accolades include the KSND Excellent Corporate Taxpayer Award, KSND Excellence in Business Transformation and Upgrading Award, Kunshan Safety Culture Demonstration Enterprise Award, the Kunshan Philanthropic Foundation Charity Medal, and the Kunshan Leading Enterprise in Food Safety Management Standards Award.

2019/12

Released our first English-language *2018 Flexium Corporate Social Responsibility Report*.

2018/11

Published the *2017 Flexium Corporate Social Responsibility Report*.

2018/5

Flexium placed 135th among manufacturers, 86th in revenue growth, 74th in net income after taxes, and 214th in profitability in *CommonWealth Magazine's Top 2000 Enterprises in Taiwan* survey in 2017, and ranked top1 in terms of both revenue growth and profitability in FPC manufacturing industry in Taiwan.

2017/11

Flexium was honored with the 2017 Outstanding Member Award in Occupational Safety and Health Programs by the Ministry of Labor and the Manufactures United General Association of Industrial Park of R.O.C.

Flexium was awarded the 2016 Outstanding Corporation in Occupational Safety and Health (OSHA) Compliance by Labor Affairs Bureau of Kaohsiung City Government.



2016/10

Flexium was honored with Enterprise Gold Award in TTQS (Talent Quality- management System) assessment in 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 placed 182nd among manufacturers, 57th in revenue growth, and 130th in profitability in *CommonWealth Magazine's Top 2000 Enterprises in Taiwan* survey in 2015, and ranked top 1 in terms of both revenue growth and profitability in FPC manufacturing industry in Taiwan.



2015/3

Flexium ranked 430th in the 2014 Deloitte Technology Fast 500 Asia Pacific.

2020/5

Flexium placed 135th among manufacturers, 702nd in revenue growth, 70th in net income after taxes, and 208th in profitability in *CommonWealth Magazine's Top 2000 Enterprises in Taiwan* survey in 2019, with revenue growth, net income after taxes, and profitability demonstrating significant growth compared to 2018.

2019/5

Flexium placed 133rd in the manufacturing industry in *CommonWealth Magazine's Top 2000 Enterprises in Taiwan* survey in 2018, top 1 by profitability in FPC Manufacturing Industry in Taiwan.

2018/10

Flexium was awarded the 2017 Outstanding Corporation in Occupational Safety and Health (OSHA) Compliance by Labor Affairs Bureau of Kaohsiung City Government.

2017/12

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

2017/6

Donated Carpentry Workshop of Flexium to Kaohsiung Municipal Chaoliao Elementary School to promote children's scientific creativity.



2016/8

Flexium was awarded Outstanding Export/Import Business Certificate, ranking 272nd in Top 500 Companies in 2015.

2015/5

Flexium placed 253rd among manufacturers in *CommonWealth Magazine's Top 2000 Enterprises in Taiwan* survey in 2014.

2015/2

Flexium was awarded the Certificate for 2014 on Excellent Practices in Fire Safety Management by Fire Bureau, Kaohsiung City Government.



Sustainability Performance



Solid Business Operation

Attended **11** conferences

Flexium values stakeholders' rights and stakeholder engagement, so we attended 11 external investor conferences in 2019.

Released a CSR report in **English**

In 2019, we released the *2018 Flexium Corporate Social Responsibility Report* in English, marking our first time publishing English CSR report.

Launched an IT System Failure Early **Warning App**

In 2019, we launched an in-house developed IT system failure early warning app that can predict and respond to major IT system breakdowns and avert problems.



Industrial Services

Global distribution

To serve our global client base, we offer 24/7 local customer service at our parent company in Asia and our subsidiary in North America. We have plants across the Taiwan Strait, in both Taiwan and mainland China, and we maintain offices in eight major cities to provide immediate support to clients around the world.

Scored over **80** points in 6 Core Customer Satisfaction Indicators

Our six customer satisfaction indicators are quality, service, delivery, pricing, technology, and hazard substance management, with being the passing score for each indicator. From 2017 through 2019, we scored over 80 in all indicators.

New materials & equipment

To meet the demand for 5G-enabled FPCs, we introduced a sheet-by-sheet vertical continuous plating (SBS-VCP) process into the automatic VCP framing machine, and we developed an exclusive blind-hole filling technology to produce FPCs equipped with 5G antennas.

296 patents have been taken out

Between 2015 and 2019, we secured the rights to 85 patents, bringing our total patent count to 296 (not counting pending applications).

All suppliers have signed the *Supplier's Code of Conduct Agreement*

Existing suppliers with an annual trade volume of over NT\$ 1 million, along with new suppliers, are required to sign the *Supplier's Code of Conduct Agreement*, and so far every supplier has signed and returned the agreement.

90% of materials procured locally

From 2017 to 2019, over 90% of our annual procurement budget was spent locally.



Cutting down carbon emissions of **104,539** kg-CO₂e.

We replaced three traditional air compressors (two 50-hp models and one 20-hp model) with a 150-hp model with frequency conversion capability, resulting in a carbon footprint reduction of 104,539 kg-CO₂e in 2019.

4.9 metric tons copper pillars for reuse

Facilities for electrolytic copper recovery were installed to convert copper ions in wastewater into 4.9 metric tons of copper pillars for reuse.

Conserved **119,254** metric tons of water

Water savings amounted to 119,254 metric tons in 2019, saving the company NT\$ 5,604,938 in water bills.



Expenditure on Training NT\$ **14,547,869**

Total HR training costs amounted to NT\$ 14,547,869 in 2019.

Zero Fee Employment

Foreign employees are exempt from the following fees and expenses before, during, and after their employment at Flexium: employment brokerage fee, service fees, physical examination fee, visa/ARC application fee, utility bills, and return flight ticket(s).

Selection of **best employees**

10 Employees of the Year are selected annually to be awarded company shares.

Engineer **Elite** Program

The 1st Engineer Elite Program in 2019 recruited 14 trainees, all of whom completed the program. 13 passed the probation period and chose to stay with Flexium.

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

The First-Line Supervisor Hand-in-Hand Master-protégé Program was held again in 2019 to help employees improve their professional competencies. This year, 17 masters and 14 first-line protégés were qualified for the program.

Developed **68** sets of production line training materials

Another purpose of the First-Line Supervisor Hand-in-Hand Master-protégé Program in 2019 was to standardize knowledge-sharing to allow employees to pass down their expertise, experience, and production line management skills to newcomers in a systematic manner. To achieve this, 68 sets of standard production line training materials were developed.



A **growing** team of volunteers

As of the end of 2019, the Volunteer Association of Flexium has 124 members, and that number continues to grow.

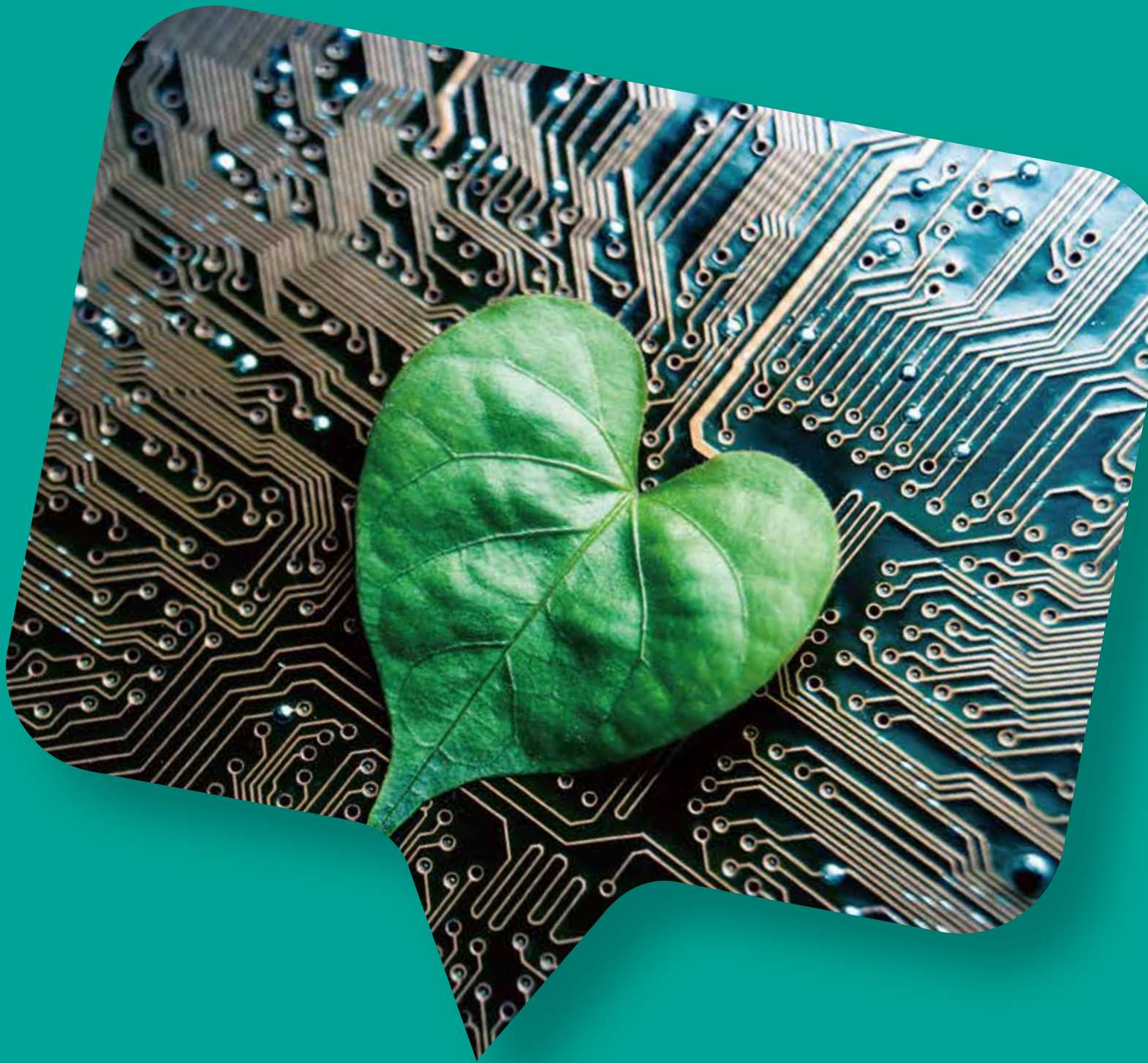
Supporting the Police and the Fire Department

- Donated radio communications equipment to the Kaohsiung City Fire Bureau, including a mobile command station and a terrestrial trunked radio.
- As a continuation of the 2018 Linyuan Precinct Police Station Computer Replacement Program, Flexium donated 16 desktop computers with monitors and 3 tablet computers to the Police in 2019.

Cares for the disadvantaged

- Organized the Da-Ai BBQ Party: 42 Flexium Volunteer Association members invited 30 teachers and students from the Yong-An Children's Home to experience the fun of kiln cooking.
- Donated 200 lunch boxes to Kaohsiung Municipal Chaoliao Elementary School on their Sports Day to promote community solidarity, whole-person education, and team spirit.
- Donated 36 AI educational robots (mBots) to Kaohsiung Municipal Chaoliao Elementary School to help incorporate technology into the elementary school curriculum and give young children a chance to cultivate logic, think independently, and develop problem-solving skills through engaging activities and meaningful interaction.





Sustainable Commitment and Management

Sustainable Commitment and Management

1.1 Materiality Analysis

At Flexium, we regard corporate social responsibility (CSR) as the key to boosting our competitiveness and responding to our stakeholders' needs. We have developed our CSR vision, policies, and roadmaps to achieve long-term sustainability goals, lay the foundation for sustainable operations, and guide the Company into a sustainable future. This materiality analysis was carried out in accordance with the GRI and AA 1000 SES standards and through the participation and deliberation of CSR Editorial Team members. Results from the 2018 analysis were used as the baseline for the scope of disclosure in this 2019 CSR Report.

Identification

6 major categories of stakeholders Investors, clients, contractors/suppliers, employees, government agencies, and communities/educational institutions.

To identify material issues for disclosure, we must first determine which topics most attract stakeholders' attention and have the most significant impact on our operations. Based on the *AA 1000 Accountability Principles Standard* and through internal deliberation, we have identified and confirmed the target audience for this CSR report, which includes the following six stakeholder groups: investors, clients, contractors/suppliers, employees, government agencies, and communities/educational institutions.

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

We identified 23 core sustainability topics to be included in the materiality analysis of this annual CSR report by referencing and examining stakeholder feedback, internal operational goals, and the *Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies*, together with international regulations such as the *Global Reporting Initiative (GRI)*, *Sustainable Development Goals (SDGs)*, and *RBA* guidelines.

Analysis

344 stakeholders Based on the top 5 issues that are mostly concerned by stakeholders, 16 material topics are determined.

22 CSR team members Assessing the impact of each subjects may have on innovation and research, revenue, cost, customer satisfaction, risk, and profitability

A survey was first conducted on 344 stakeholders to gauge the extent of their concern about Flexium's efforts in sustainable operations. Meanwhile, 22 Flexium employees in charge of CSR evaluated the importance of each sustainability topic identified in terms of its impact on six aspects of the Company's operations (R&D, revenue, costs, customer satisfaction, risks, and profitability). Finally, by integrating the results from the two surveys, a materiality matrix was produced to prioritize important topics to be disclosed in this CSR report.

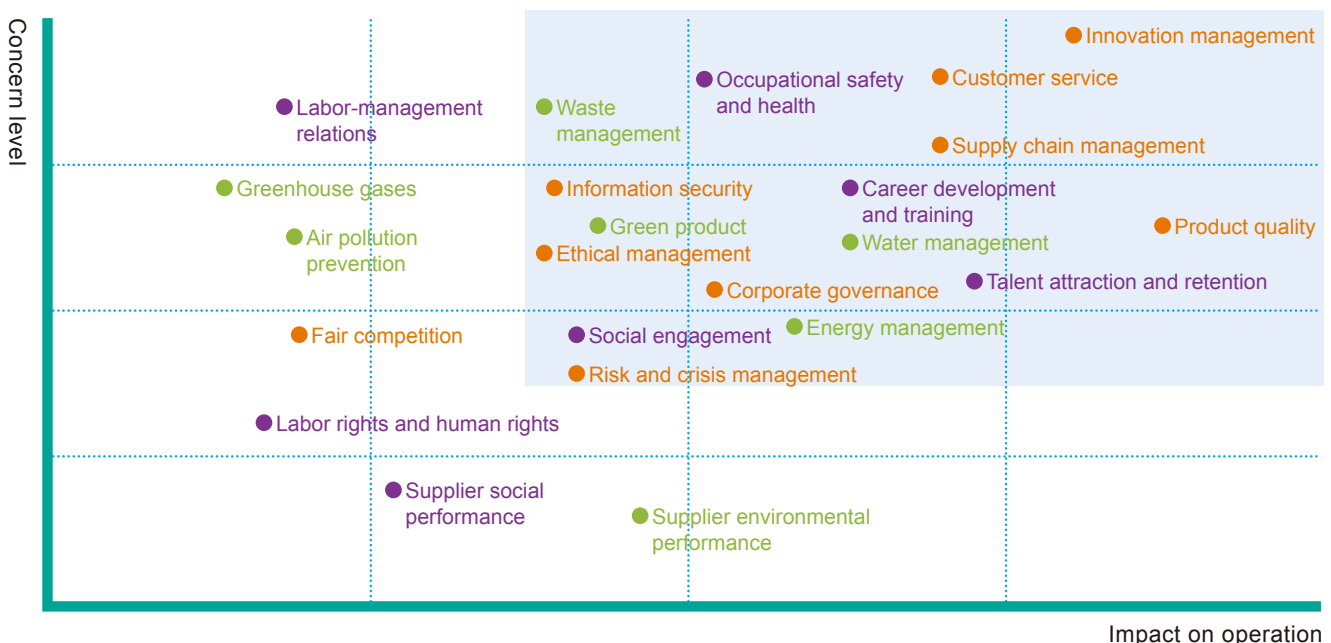
Confirmation

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 an internal discussion on the topics that most attracted the attention of our stakeholders and those which have the greatest impact on the Company's operations, 16 core material topics were determined to be central to Flexium's sustainable operations and are therefore prioritized in the following disclosure.

Materiality Matrix



Flexium’s Material Topics, Business Impacts and Disclosure Boundary

Material Topics	Business Impact						GRI Topic-specific standards	Flexium’s 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

Flexium has set 41 short-, medium-, and long-term goals for the 16 material topics identified to integrate all aspects of the Company’s strategies and plans. We used our actual performance in 2019 as a benchmark to review the short- and medium-term goals we set for 2020 and 2021, and also established new long-term goals that correspond with our corporate governance guideline for 2022 and beyond.

Economic goals

Topics	Implications for Operations Management	Strategic Goals	KPIs	Long-term (2022)	Medium-term (2021)	Short-term (2020)	Target for 2019	Target Achieved?	Actual Results in 2019
Corporate governance	Safeguarding shareholder equity and treating shareholders equitably. Strengthening the structure and operations of the Board of Directors.	1. Convene at least 1 investor conference per quarter. 2. Convene at least 6 board meetings per year.	1 Regular investor conferences	4 per year (quarterly)	4 per year (quarterly)	4 per year (quarterly)	4 per year (quarterly)	Y	4 per year
			2 Regular investor conferences	6 per year	6 per year	6 per year	6 per year	Y	7 per year
Risk and Crisis management	Preventing any single risk factor from impacting the Group's overall operating performance.	1. Invest resources into our Management Information System (MIS) to increase the stability of our network and servers. 2. Continue to conduct SWOT analysis to fine-tune our long-term operating KPIs. 3. Reduce exchange rate losses to minimize impacts on operations.	1 Manufacturing Execution System (MES) interruption rate * Calculation method: System downtime / (365 days x 24 hours)	< 0.05%	< 0.05%	< 0.05%	< 0.05%	Y	0.03%
			2 Management by objectives (MBO) achievement rate for the Group (Group MBO Performance)	> 85%	> 80%	> 80%	> 80%	Y	83%
			3 Foreign exchange losses	0%	0%	0%	0%	N	-0.07%
Supply chain management	Working with our suppliers on environmental protection and occupational safety to ensure legal compliance, satisfy corporate social responsibility, and achieve sustainable operations.	1. Supplier appraisals: require suppliers to sign the <i>Supplier's Code of Conduct Agreement</i> and <i>Letter of Commitment for Undertaking of Integrity</i> . 2. Approval of materials: require suppliers of new materials to sign the <i>Statement of Conflict-Minerals Policy</i> before they can be approved.	1 Coverage rate of the <i>Supplier's Code of Conduct Agreement</i> and <i>Letter of Commitment for Undertaking of Integrity</i> (Target: key suppliers)	100%	100%	100%	100%	Y	100%
			2 Coverage rate of the <i>Statement of Conflict-Minerals Policy</i>	90%	85%	80%	70%	Y	70.20%
Innovation management	Encouraging innovation by consolidating innovation momentum within the Company, allocating innovation resources effectively, and protecting intellectual property rights; turning innovative ideas into commercially viable products to meet potential clients' needs in the future.	1. Knowledge management (KM): achieve effective improvements, maintaining of competitive edge, innovation, knowledge sharing, knowledge integration, and continuous advancement. 2. Introduction of new manufacturing processes and materials: The development cycle for advanced processes and materials is becoming shorter and shorter; therefore, we need to act quickly to develop new materials that meet quality and quantity benchmarks.	1 Collection of core KM articles	> 80	> 75	> 70	> 60	Y	69
			2 Introduction of new manufacturing processes/materials	> 6 items	> 6 items	> 6 items	> 6 items	Y	10 items
Product quality	Implementing internal and external quality control measures to meet client specifications, lower defect rates, and reduce production costs; and by doing so, increasing profitability and creating a win-win situation for both the Company and its clients.	1. Number of customer complaints per month: formulate counter-measures for the issue in question as well as similar issues to prevent reoccurrence. 2. Monthly external failure rate: strengthen client engagement and respond immediately to product anomalies to minimize losses. 3. Lowering internal failure cost rate: monitor yield rate and conduct on-site inspections for the issue in question as well as similar issues to reduce internal failure rate. 4. Overall product yield rate: monitor yield rate on a regular basis; establish a special task force to oversee the production of special items.	1 Number of customer complaints per month	≤5	≤5	≤5	≤5	Y	3
			2 Monthly external failure rate	≤ 0.03%	≤ 0.03%	≤ 0.03%	≤ 0.05%	N	0.07%
			3 Lowering internal failure cost rate	≤ 3.0%	≤ 3.0%	≤ 3.0%	≤ 7.5%	N	10.20%
			4 Overall product yield rate	> 95%	> 95%	> 95%	> 95%	N	92.81%
Customer service	Quality products/services and good customer relations management can improve customer satisfaction and enhance the Company's bottom line and core values.	Deliver quality products on time and on par with client expectations; become a trusted supplier and lay the foundations for a sustainable corporation.	1 Customer satisfaction survey score	85-90	85-90	85-90	85	N	83
			2 NPI-to-MP achievement rate	85%	85%	85%	85%	Y	85%
Ethics management	Following the four principles of business ethics—impartiality, integrity, reliability, and transparency—in all of our business dealings.	1. Maintain the highest moral standards in dealing with employees, clients, and other companies. 2. When performing their duties, employees are prohibited from offering, accepting, promising, or requesting any unethical benefits to or from a third party, directly or otherwise, or engaging in any other dishonest or unlawful act for personal gain that conflicts with their responsibility to shareholders.	1 Violations of business ethics (cases)	0	0	0	0	Y	0
			2 Coverage rate of the <i>Letter of Commitment for Undertaking of Integrity</i> (Target: key suppliers)	100%	100%	100%	100%	Y	100%
			3 Violations of information security policy (cases)	0	0	0	0	N	3
Information security	Ensuring legal compliance and the security of our IT equipment, services, and data to safeguard confidential customer or product information, enable smooth operations, and increase the Company's operational efficiency and competitiveness.	1. Effective controls: establish the Flexium Group Information Security Management Standards to enhance IT security management and reach control goals. 2. Information security governance: promote information security awareness among employees to prevent leaks of sensitive data 3. Technology applications: use technology to conduct risk evaluations and devise feasible strategies to prevent potential IT security crises.	1 IT system stability for the Group	90%	90%	90%	90%	N	88.5%
			2 Number of IT security drills	1-2 drills per year	1-2 drills per year	1-2 drills per year	1 drill per year	Y	1 drill per year

 Environmental goals

Topics	Implications for Operations Management	Strategic Goals	KPIs	Long-term (2022)	Medium-term (2021)	Short-term (2020)	Target for 2019	Target Achieved?	Actual Results in 2019
Water management		1.Reduce tap water usage. 2.Recycle and reuse reclaimed water from production lines. 3.Introduce new recycling equipment with the latest technology. 4.Introduce new technologies for recycling heavy metals.	1 Increase in reclaimed water recycling rate	30%	30%	25%	20%	N	15.40%
			2 Decrease in Cu2+ concentration in wastewater	< 1.5 mg/t	< 1.5 mg/t	< 2.1 mg/t	< 2.4 mg/t	Y	1.57 mg/t
			3 Average water consumption per lot of products manufactured	< 12 t per lot	< 12 t per lot	< 12 t per lot	< 12 t per lot	N	12.9 t per lot
			4 Increase in output from electrolytic copper recovery	6 t	6 t	4.5 t	4 t	Y	4.9 t
Energy management	Winning clients' trust and creating a new model for green factories by establishing professional leadership in environmental protection, cultivating employees' sensitivity to the environment, promoting a positive attitude towards sustainability, encouraging participation, and increasing environmental literacy.	Increase reliance on green energy by installing energy-efficient equipment to reduce waste.	1 Replacement rate for equipment over 15 years old	50%	30%	10%	10%	Y	10%
			2 Reduction in electric power consumed by chillers. -5% vs. the previous year	-5%	-5%	-5%	-5%	Y	-5%
			3 Solar panel installation for clean energy	200,000 kWh per year	180,000 kWh per year	100,000 kWh per year	100,000 kWh per year	Y	115,000 kWh per year
			4 Florescent lamp replacement with LEDs (replacement rate)	100%	80%	75%	50%	Y	50%
Waste management		Improve garbage sorting, reduce general waste, increase recycling, reduce liquid waste disposal, and improve heavy metal recovery.	1 General waste reduction (%) -10% in weight vs. the base year (2018)	-10%	-10%	-10%	-10%	N	52%
			2 Hazardous industrial waste reduction (%) -10% vs. the base year (2018)	-10%	-10%	-10%	-10%	N	-4.6%
			3 Waste incineration and disposal reduction (%) -10% vs. the base year (2018)	-10%	-10%	-10%	-10%	N	30%
Green products	Complying with international regulations and clients' hazardous substance policies to minimize the environmental impacts of our products and demonstrate our dedication to consistent product quality that satisfies customer needs and our commitment to hazardous substance control.	1.Achieve green management and hazardous substance-free manufacturing through green design, green procurement, and effective hazardous substance control. 2.Use product life cycle management to reduce manufacturing processes, shorten production time, minimize pollution, cut back on materials, and increase efficiency.	1 Reduction in the number of hazardous substances used	≤ 41	≤ 42	≤ 42	≤ 36	N	44
			2 Shortening/optimizing the production processes for mass production items (number of items optimized)	27	25	20	5	Y	29

 Social goals

Topics	Implications for Operations Management	Strategic Goals	KPIs	Long-term (2022)	Medium-term (2021)	Short-term (2020)	Target for 2019	Target Achieved?	Actual Results in 2019
Occupational safety and health	• Safety: obtaining certification as a nationally outstanding corporation in occupational safety and health. • Health: progress towards a healthy workplace.	1.Reduce workplace incidents through weekly workplace safety inspections by managers to address potential hazards. 2.Build a healthy workplace by organizing health promotion campaigns to help employees achieve physical and mental relaxation.	1 Improvement rate of workplace safety deficiencies identified during management inspections	100%	100%	100%	100%	N	57%
			2 Health promotion campaigns	4 per year	4 per year	4 per year	2 per year	Y	12
Career development and training	Encouraging employees to achieve self-betterment and develop skills that are instrumental to innovation; cultivating talent and strengthening organizational competitiveness to meet the needs of the Company's future technological strategies and operational goals.	1.Knowledge internalization: provide more internal training with a wider variety of learning methods, including on-the-job training (OJT), mentoring, project-based training, and off-the-job self-study. 2.Professional skills: continue to refine employees' quality assurance/engineering/manufacturing skills through departmental training programs. 3.Management skills: develop the Management Mentoring Program and the First Line Supervisor Hand-in-Hand Master-protégé Program.	1 Management Mentoring Program passing rate	Passing rate ≥ 80%	Passing rate ≥ 80%	Certified trainee ≥ 50 people	Certified trainee ≥ 50 people	Y	54 people
			2 Increase in average departmental competitiveness	10%	10%	10%	5%	Y	5%
Talent attraction and retention	A talented workforce is the key to sustainable business operations. We attract outstanding workers through a variety of recruitment channels and offer competitive compensation packages to retain them so as to increase Flexium's value.	1.Multi-channel recruiting: online recruitment platforms, campus recruitment events, and career workshops at universities. 2.Pay raises/promotions: annual pay raises based on market standards; clear career advancement paths to increase talent retention rate. 3.Job rotation: opportunities for internal transfers that allow every employee to find the most suitable position and develop their skills.	1 Number of people promoted to or hired as managers	280 people (cumulative)	250 people (cumulative)	210 people (cumulative)	160 people (cumulative)	Y	177 people
			2 Recruitment of indirect labor for new plants	580 people (cumulative)	500 people (cumulative)	450 people (cumulative)	360 people (cumulative)	Y	437 people

Social goals

Topics	Implications for Operations Management	Strategic Goals	KPIs	Long-term (2022)	Medium-term (2021)	Short-term (2020)	Target for 2019	Target Achieved?	Actual Results in 2019
Social involvement	A business owes its success to society, which is why we are committed to giving back. Through community involvement, Flexium has created a positive corporate image while our employees experience the immense joy of doing good and learn to treasure what they have.	1.Scope: engage with the local community first and expand into the wider community in the future. 2.Target: give support to local police and fire departments; provide care for the disadvantaged; donate educational resources to local schools. 3.All social welfare campaigns must be built on Flexium employees' participation and involvement.	1 Volunteer service team growth	58%	50%	30%	15%	Y	+18.1%
			2 Charity benefits	≥ 30	≥ 26	≥ 23	≥ 20	Y	25 (cumulative)

Adjustments to Short-, Medium-, and Long-Term Goals

After a thorough review of our short-, medium-, and long-term goals in 2020, the management representative of the CSR management system approved the following 10 adjustments for the next three years to better reflect the Company's corporate governance guideline.

Aspect	Topic	Original Target	Adjusted Target	Explanation
Economic	Product quality	Monthly external failure rate ≤ 0.05%	Monthly external failure rate ≤ 0.03%	The target for the monthly external failure rate was adjusted from ≤ 0.05% to ≤ 0.03% to conform to our annual MBO (management by objectives) goals.
Economic	Product quality	Lowering internal failure cost rate to ≤ 7.5%	Lowering internal failure cost rate to ≤ 3.0%	The target for lowering the monthly internal failure rate was adjusted from ≤ 7.5% to ≤ 3.0% to conform to our annual MBO goals.
Environmental	Water management	Reduce the concentration of heavy metal in wastewater by 50%	Lower Cu ²⁺ concentration in wastewater to < 1.5 mg/l	The term "heavy metal" in the original KPI target pertained mostly to Cu ²⁺ , so we adjusted the description for clearer control.
Environmental	Energy management	Replace 50% of old motors with high efficiency models	Reduce electric power consumption by chillers by 5% each year	Replacing old motors with high efficiency models did not save as much energy as we expected, resulting in a low return on equipment investment. Therefore, we chose chillers as our new energy savings target.
Environmental	Water management	Reduce general waste by 10% (Base year: 2016)	Reduce general waste by 10% (Base year: 2018)	The original base year was 2016, but since the Dafa Plant III began operations in 2018, the new base year reflects the increase in general waste and allows for more meaningful comparison.
Environmental	Water management	Reduce hazardous industrial waste by 10% (Base year: 2016)	Reduce hazardous industrial waste by 10% (Base year: 2018)	The original base year was 2016, but since the Dafa Plant III began operations in 2018, the new base year reflects the increase in hazardous industrial waste and allows for more meaningful comparison.
Environmental	Water management	Reduce waste incineration and disposal by 10% (Base year: 2016)	Reduce waste incineration and disposal by 10% (Base year: 2018)	The original base year was 2016, but since the Dafa Plant III began operations in 2018, the new base year reflects the increase in waste incineration and disposal and allows for more meaningful comparison.
Environmental	Green products	Reduce the number of hazardous substances used to ≤ 36	Reduce the number of hazardous substances used to ≤ 42	New materials and chemicals were introduced to meet new product specifications. Most of these chemicals are chlorine-based with no viable alternatives, making it difficult to hit our original target.
Environmental	Green products	Shortening/Optimizing the production processes at 5 work stations	Shortening/optimizing the production processes for 25 mass production items	The original target "shortening/optimizing the production processes" was vague, so we made it clearer with the new target "shortening/optimizing the production processes for mass production items." We also increased the target to 25 items for tighter control.
Social	Career development and training	Number of certified trainees: ≥ 50 people	Management Mentoring Program passing rate: ≥80%	The original target was based on an absolute number of certified trainees. In response to plans for a new plant in 2020, we have changed the target to the passing rate for Management Mentoring Program from 2021 onwards.

Reasons for Unmet Goals in 2019 and Corrective Measures







We failed to reach 14 of our annual targets in 2019. We have requested the relevant departments to analyze the reasons for these deficiencies and draw up corrective measures to ensure continuing growth.

Aspect	Topic	KPI	2019 Target	Target Achieved?	Actual Results	Analysis	Corrective Measures
Economic	Risk and crisis management	Foreign exchange losses	0%	N	-0.15%	The New Taiwan Dollar appreciated in 2019, resulting in foreign exchange losses.	Reduce assets held in US dollars to lessen the impacts of foreign exchange rates
Economic	Product quality	Monthly external failure rate	≤ 0.05%	N	0.07%	Increases in customer complaints and material losses resulted in a higher monthly external failure rate.	To reduce customer complaints and product defects, the inspection team will review and improve the current inspection methods for product exteriors and specifications.
Economic	Product quality	Lowering internal failure cost rate	≤ 7.5%	N	10.20%	Multilayer FPCs went into mass production in 2019, and initial yields were unsatisfactory.	1. Implement a quality improvement program for items with high defect rates 2. Track and lower the defect rate for the initial batch of new product items 3. Track the defect rate of new products entering mass production for continuous improvement
Economic	Product quality	Overall product yield rate	>95%	N	92.56%	Multilayer FPCs went into mass production in 2019, and initial yields were unsatisfactory.	1. Implement a quality improvement program for items with high defect rates 2. Track and lower the defect rate for the initial batch of new product items 3. Track the defect rate of new products entering mass production for continuous improvement
Economic	Customer service	Customer satisfaction survey score	85	N	83	The global electronics industry experienced a fierce price war in 2019, resulting in significant cost-cutting targets by our clients and, therefore, a lower satisfaction score for our pricing	1. Reduce materials used by increasing layout efficiency 2. Strengthen our suppliers management and cost-cutting measures 3. Increase product yields to lower average manufacturing costs
Economic	Ethics management	Violations of information security policy (cases)	0	N	3 cases	Three information security policy violations occurred in 2019: 1. An employee logged into a personal email account on a company computer, a violation of our information security policy. 2. An employee edited a file on a personal computer, stored it on a personal USB flash drive, and transferred the file onto a company computer, a violation of our information security policy. 3. An employee used portable software on a company computer without the authorization of the MIS Department, a violation of our software usage policy.	Require employees who violated the policy to attend information security training and security responsibility for clients (SRC) workshops
Economic	Information security	IT system stability for the Group	90%	N	86%	7 anomalies (6 pertaining to inadequate monitoring and prevention, and 1 equipment malfunction)	1. Tighten control over standard operating procedures to ensure tasks are implemented as planned 2. Strengthen system monitoring; build a mobile app for early warnings and emergency response
Environmental	Water management	Increase in reclaimed water recycling rate	20%	N	15.40%	Wastewater treatment systems for the Dafa Plant, Dafa Plant II, and Dafa Plant III were being consolidated in Q4 2019, so the wastewater recycling rate for the entire year did not reach the annual target.	1. The recycling rate has risen to 17.5% in Q4 2019, after the wastewater treatment systems were consolidated. 2. Conduct a thorough inventory on production lines with reclaimed water recycling potential across the three Dafa plants and develop them into new reclaimed water sources
Environmental	Water management	Average water consumption per lot of products manufactured	<12 t	N	12.9 t	We rely on tap water as our main water source, with recycled water as a supplement to reduce fresh water usage. However, our reclaimed water treatment facilities were undergoing consolidation in Q4 2019, resulting in a lower water recycling rate and increased tap water usage, which was why water consumption exceeded the target.	Increase reclaimed water recycling rate and quantity in order to reduce tap water usage: 1. Conduct a thorough inventory on production lines with reclaimed water recycling potential across the three Dafa plants 2. In the future, purified recycled water will be used first during production to reduce reliance on tap water.
Environmental	Water management	Reduce general waste by 10% (base year: 2018)	-10%	N	52%	Production waste per lot and the number of employees increased in 2019, resulting in a significant increase in general waste.	Reinforce waste sorting; prohibit disposing of recyclable waste as general waste to reduce the volume of general waste
Environmental	Water management	Reduce hazardous industrial waste by 10% (base year: 2018)	-10%	N	-4.6%	Production wastewater increased in 2019, and so did the volume of copper sludge from wastewater processing. This caused our hazardous industrial waste reduction efforts to fall just short of our target.	Replace wastewater treatment filters and dehydrators to increase dehydration efficiency and reduce volume of sludge and hazardous industrial waste.
Environmental	Water management	Reduce waste incineration and disposal by 10% (base year: 2018)	-10%	N	30%	Production waste per lot and the number of employees increased in 2019, resulting in a significant increase in waste incineration and disposal.	Reinforce waste sorting; prohibit disposing of recyclable waste as general waste to reduce the volume of waste incineration and disposal.
Environmental	Green products	Reduction in the number of hazardous substances used	≤ 36	N	≤ 44	1. Certain chemicals were necessary to meet the requirements for the manufacture of new products. 2. The quantity of materials used increased.	Except for orders with client-specified materials, we will continue to improve manufacturing processes and search for alternative materials.
Social	Occupational safety and health	Improvement rate of workplace safety deficiencies identified during management inspections	100%	N	57%	The original calculation method for this indicator was "safety issues resolved" as a percentage of "safety issues identified" in the same month. However, certain issues required longer than a month to resolve, resulting in a low completion rate.	The calculation method was changed to "safety issues resolved" as a percentage of "safety issues to be corrected within the same month," making for a better indicator of our safety improvement efforts.

1.2 Engagement with Stakeholders

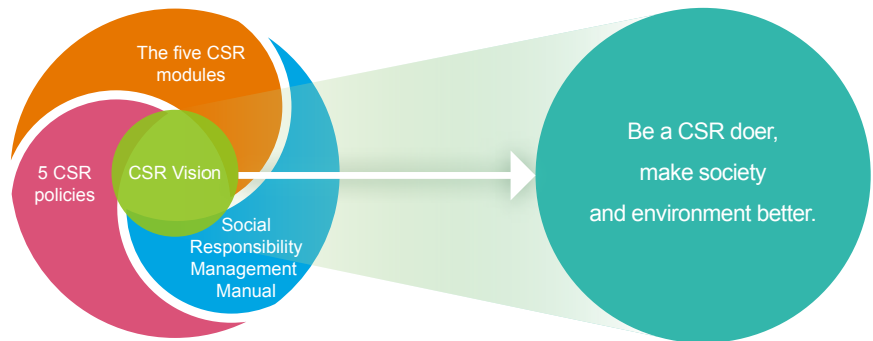
At Flexium, we believe that a deeper understanding of our stakeholders and their concerns can help us achieve greater CSR results. Every year, we collect feedback from six stakeholder groups—investors, clients, employees, business partners, government agencies, and the community—to better understand which issues concern them the most, and then respond to their inquiries through a variety of communication channels.

Flexium’s Communication Channels with Its Stakeholders

Stakeholder Group	Concern	Communication Channel/ Frequency	How Does Flexium Respond?	Results in 2019
 <p>Foreign legal entities, investment companies, insurance companies (capital investment departments), etc.</p>	Operational outcomes and strategies Information transparency Stock/cash dividend payable dates	Stockholder meetings (annual) Material disclosures, quarterly financial reports, and the latest financial information published on our corporate website (daily)	Addressing stockholders’ concerns at annual stockholder meetings Responding to investor inquiries over the phone	Attended 11 external investor conferences Held 1 stockholder meeting
 <p>All clients</p>	Delivery timelines Prototype and product pricing Product quality Industry trends and global investment plans for the future	Phone calls Emails Client visits Customer satisfaction surveys (All conducted irregularly)	Addressing clients’ concerns during face-to-face visits, by telephone, or via email Providing oral or written feedback to clients who have filled out the customer satisfaction survey	Passed 13 external audits by our clients
 <p>Local and foreign employees</p>	Employee benefits Institutional policy Management style No unreasonable fees	Employee complaints hotline, email address, and the General Manager’s Mailbox (reviewed monthly) Interviews (irregular)	Implementing corrective measures Communicating with the parties concerned Address employees’ concerns during interviews Contact foreign contact agencies for confirmation	4 Labor-Management Meetings 12 monthly meetings 150 cases of employee care
 <p>All suppliers and contractors</p>	Ethical and fair competition Materials procurement Future plans and operational goals Market information Waste disposal and waste management audits	Emails (annual) Emails and interviews (irregular) Plant visits (irregular) Phone calls (irregular)	Responding to supplier inquiries via email Scheduling supplier meetings Providing sales projections to help suppliers plan and prepare for materials shipments <i>Waste Disposal Act</i> compliance audits	Conducted 8 on-site supplier audits (including 2 CSR audits)
 <p>Competent authorities (OSHA, EPA, and MOL)</p>	Inspections, reports, and audits as required by law Inquiries regarding regulatory changes Chemicals control	Plant visits (irregular) Phone calls (semiannual) Government visits (irregular)	Fulfilling inspection and reporting duties as required by law Adjusting internal regulations to comply with regulatory changes	Passed 2 audits by the authorities Submitted 2 reports on water quality and water pollution control for Dafa Plant, Dafa Plant II, Dafa Plant III. Submitted 12 reports on waste storage and treatment Submitted 12 reports on hazardous substance storage and usage Submitted 4 reports on air pollution Met with the authorities 5 times to consult on regulatory changes Passed 24 water quality audits by the government- owned water treatment plant located in the industrial park.
 <p>Local communities and educational institutions</p>	Integration of foreign workers into the community Industry-academia collaboration programs Plant tours	Visits (quarterly) Visits (irregular)	The village did not receive any complaints against Flexium Industry-Academia Collaboration Program for Vietnamese students Co-organized 4 off-campus tours	Participated in 3 charity benefits Participated in 3 campus recruitment events Paid 4 visits to the village chief

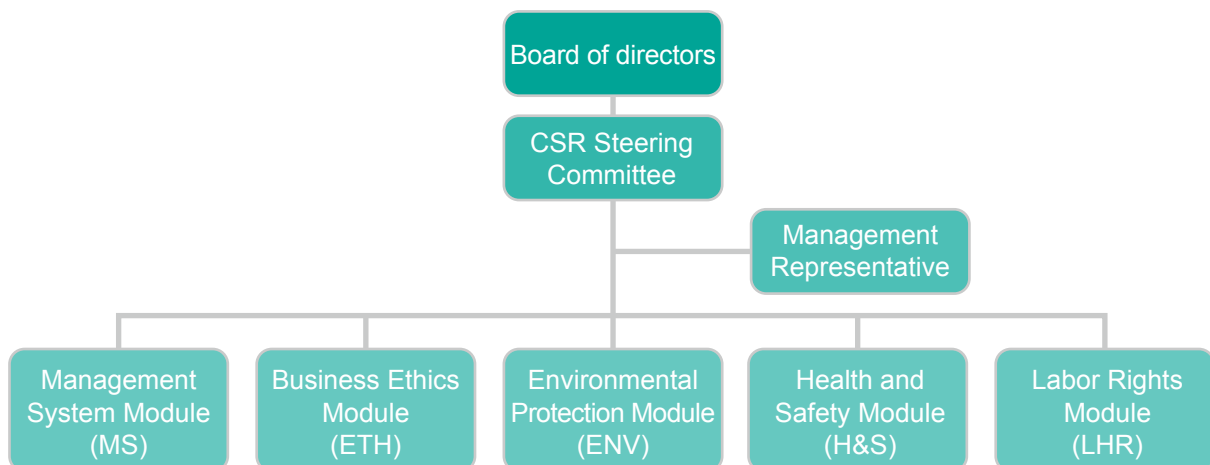
1.3 CSR Performance

Flexium puts great emphasis on its CSR fulfilment and contributions to society and the environment. Our vision is to “be a CSR doer, make society and the environment better,” and the five core values of our CSR policy are “care, health, green, integrity, and advancement.” To effectively carry out and manage our CSR efforts, we referenced Responsible Business Alliance’s (RBA) *Code of Conduct* and other applicable international regulations to formulate our own *Social Responsibility Management Manual*. Dedicated members from the five CSR modules are tasked with leading CSR participation and integration across the entire company.



1.3.1 CSR Organization

The CSR Steering Committee is the chief decision-making body for Flexium’s CSR affairs. The Chairperson of the Company serves as the Chair of the Committee, and senior executives serve as *ex officio* members. The Director of the Administration Management Division serves as the management representative, who is in charge of leading members of the five CSR modules in performing relevant CSR tasks. These include labor and human rights (LHR), occupational health and safety (H&S), environmental protection (ENV), business ethics (ETH), and management systems (MS), covering a wide range of topics and members from relevant departments within the Company. Apart from monthly KPI and budget reviews, members from the five CSR modules convene quarterly to discuss its CSR strategy roadmap. They also convene regular CSR management review meetings, in accordance with Flexium’s *Management Review Procedures*, to review the Company’s CSR policy, internal and external CSR audit results, CSR targets, management plans, budgets, regulatory compliance, compliance with clients’ CSR standards, CSR-related risk assessment and mitigation, feedback from various stakeholder groups, and workplace incidents investigations and improvements. The members from the five CSR modules formulate new CSR budgets, management plans, and progress reports every six months, which are presented to the Board of Directors Meeting by the management representative at least once a year. Directors are responsible for supervising, providing guidance to, and managing the risks associated with the Company’s CSR work to ensure its effectiveness. In 2019, the Board of Directors was presented with the 2018 CSR Report, the 2019 budget report, a CSR roadmap implementation report, and a report of tangible achievements resulting from the Company’s community involvement efforts.



1.3.2 CSR Milestones

Flexium’s CSR initiatives date back to 2012, when corporate social responsibility was gaining universal acceptance in the business world. Starting in 2013, we gradually rolled out a supplier audit system based on EICC-ON’s self-auditing spirit. We took our CSR efforts a step further in 2014 and set several KPIs to measure different aspects of our environmental, social, and corporate governance (ESG) outcomes. In the same year, we also began convening monthly to review CSR implementation results. Our CSR policy was largely based on major international standards such as the *Universal Declaration of Human Rights* (UDHR), the *United Nations Global Compact*, and directives issued by the International Labour Organization (ILO). We established a dedicated CSR steering committee in 2015 to oversee our CSR efforts in five major areas of concern, formulate the Company’s CSR vision and policy, and continue drawing up CSR roadmaps for the next three years by setting clear annual targets to encourage every employee to work together towards sustainable development.

The Flexium Volunteer Association was formed in 2017 and became active in all types of volunteer work in 2018, including invoice donation drives and the “Warmth of Winter” charity benefit to spread our love. We also assisted the House of the Little Angels Kaohsiung in organizing social welfare activities for orphaned children, including a children’s party, a fundraising dinner, and the “Piggy Bank of Love” campaign to help the children save up for the future. Besides caring for the community, we put great emphasis on employees’ physical and psychological health, earning the Company the title of Outstanding Occupational Safety and Health Corporation in 2018, an honor given by the Kaohsiung City Government. On the disclosure front, the Company is always thinking of ways to improve. In 2018, we published our second CSR report. This marked the first time our CSR report received third party assurance, which allowed us to publicly release the report to a wider audience, achieving a major milestone in our 2018 CSR roadmap. Finally, in 2019, we published our first English CSR report, allowing both our Chinese and non-Chinese speaking clients in countries around the world to see Flexium’s CSR efforts and results and our determination to become a truly sustainable enterprise.

CSR Vision Be a CSR doer, make society and the environment better				
Policy	Strategy	Roadmap		
		2019	2020	2021
Care	To promote the spirit of compassion, the care for others and to positively contribute to the wider community.	Include KPIs for social welfare campaigns to keep better track of our progress.	Increase the number of volunteers by 30%.	Increase the number of volunteers by 50%.
Health	To create a friendly, supportive workplace for all of our employees.	Promote zero workplace incidents.	Reduce hours of labor lost due to workplace incidents by half (from 2019).	Promote a smoke-free workplace for better employee health.
Green	To develop greener plants, save energy, reduce our carbon footprint and take part in caring of the earth.	Reduce CO ₂ e emissions by 96 metric tons per year.	Turn garbage into gold (resourcization of liquid waste).	Wastewater recycling rate > 50%.
Integrity	To act with integrity in business and to protect everyone's intellectual property rights.	Rank in the top 50% percent in corporate governance evaluations among publicly traded companies.	Rank in the top 30% percent in corporate governance evaluations among publicly traded companies.	Establish a comprehensive intellectual property protection policy and management system.
Advancement	To advance management systems through continuous improvement and pursuit of better solutions.	Release a CSR report that complies with the new GRI standard.	Move up the CSR report release date to June.	Expand the scope of CSR disclosure to include the entire Flexium Group.

1.3.3 Management of Material Topics and the UN SDGs

In our efforts to achieve sustainability, Flexium follows the five major steps of the Sustainable Development Goal Compass (SDG Compass), namely understanding the SDGs, defining priorities, setting goals, integrating, and reporting and communicating. We have integrated our sustainability vision into the Company's core developmental strategies. We take the 17 UN SDGs into consideration when determining our own corporate sustainable goals and identifying material topics for disclosure, hoping to find a common ground between sustainable operations of the Company and the sustainable development of the world.



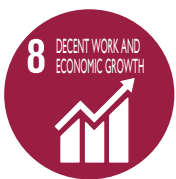
Improving children's education

- Flexium donated 36 AI educational robots(mBots) to Kaohsiung Municipal Chaoliao Elementary School to help incorporate technology into the elementary school curriculum and give young children a chance to cultivate logic, think independently, and develop problem-solving skills through engaging activities and meaningful interaction.



Achieving gender equality and empowering female employees

- Flexium actively promotes qualified female employees to decision-making positions. Two out of our 11 directors are female, and we expect that number to rise in the future.



Creating job opportunities for the younger generation

- Flexium recruited 490 new employees in 2019, creating ample job opportunities for the local community.
- We hired employees with disabilities to the legal quota, and we offered the same starting salary to male and female employees.



Minimizing the negative impacts of urban waste disposal and treatment on the environment

- Recycling programs at our plants generated NT\$ 120,022,650 in economic benefits from 2017 to 2019.



Reducing energy and resource consumption in fulfilling our service obligations

- In 2019, 94.2% of our annual procurement budget was spent in Taiwan to support local suppliers' growth.
- We published our *2019 CSR Report* to disclose information related to our sustainability.



Reinforcing energy management and reducing GHG emissions to mitigate and adapt to climate change

- Flexium is aware that the earth's climate and environment are deteriorating because of increasing greenhouse gas emissions. Therefore, it is committed to GHG inventories and reductions by keeping track of its GHG emissions..



Maintaining business integrity, complying with the law, and establishing a sound corporate governance system

- To maintain integrity, achieve robust operations, and achieve further growth, Flexium formulated its *Integrity Operating Procedures* as its guiding principles for employees.
- The Company utilizes internal grievances and external complaints to formulate risk control measures to eliminate all forms of injustice.



Solid Business Operation

Solid Business Operation

In a time of rapid technological development and global economic growth, Flexium believes that good corporate governance measures are the foundation of stronger operational performance. Through progressive and sustainable corporate governance, we have established a resilient business model built upon reciprocity with our suppliers, which is as long-lasting as our product – flexible printed circuit boards (FPCs).

2.1 Corporate Governance

2.1.1 The Board of Directors

The Board of Directors is the highest decision-making body at Flexium, and the Chairperson of the Board also serves as the General Manager of the Company and assumes overall responsibility for managing its operations. In accordance with our *Articles of Incorporation* and *Rules for Director and Supervisor Elections*, each member of the Board shall serve a term of three years. Directors must be nominated to stand for election to the Board, and directors who are reelected may continue to serve on the Board for another term. The Board comprises 11 directors (including 3 independent directors), who are in charge of formulating the Company's business blueprint and major strategies. The Board is subject to the *Rules of Procedure for Board of Directors Meeting* and hence is required to convene quarterly. The *Ethical Management Procedures* stipulate that a director with a personal interest in any agenda item at a meeting of the Board shall neither vote nor exercise his or her right to vote on behalf of another director.

All members of the board possess the professional knowledge, experience, and competencies required for their duties. The board includes members with chemical engineering, machinery, finance, and legal backgrounds. Their deep international perspective, decisive leadership, and crisis management capabilities are sufficient to deal with changes in the economy, environment, and society. In terms of the demographics, all but two are above 50 years of age. Pursuant 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 board directors to enhance their understanding of emerging issues and their impact on the effectiveness of corporate governance. As of publication, two of the eleven board members are female. The meeting attendance rate among directors was 95% in 2019. For detailed credentials of each director, please refer to pages 8-10 of the Company's 2019 Annual Report.



Strengthening the Functionality of the Board

To strengthen the board's supervisory, auditing, and management functions, Flexium has established the Audit Committee and Compensation Committee under the Board, along with an internal audit office to oversee the planning and implementation of audits. They report to the Board in regular meetings as well as to the Chairperson (also the General Manager) on a monthly basis or whenever necessary.

Audit Committee

- Convenor: Hsin-Pin Fu; Members: Pei-Jun Wu, Shui-Tung Huang
- 4 meetings were convened in 2019 with an overall attendance rate of 92%.
- The Committee is entirely made up of independent directors and was established to assist the Board in strengthening corporate governance.

Compensation Committee

- Convenor: Hsin-Pin Fu; Members: Pei-Jun Wu, Shui-Tung Huang
- 2 meetings were convened in 2019 with an overall attendance rate of 100%.
- The Committee is responsible for assisting the Board to routinely assess and formulate compensation packages for directors and managers, review the performance of directors and managers, and evaluate the policies, standards, and structure of said packages.

2.2 Ethical Management

2.2.1 Internal Control

To strengthen our internal control system, Flexium established internal audit rules for auditing and reviewing internal control procedures over the Company's operations in order to determine the adequacy (or lack thereof), effectiveness and efficiency of the design, and practicality of the our internal control procedures. These rules apply to the Company and its subsidiaries.

Internal audits are conducted in accordance with the audit plans approved by the Board. The plans are drafted based on identified risks. Special investigations or secondary reviews may be conducted on an ad hoc basis. Conducting these audits and special investigations enables management to control our internal operations and gain insight into existing or potential deficiencies.

The Auditing Office is an independent department comprising a Chief Auditor and a Deputy Auditor who report directly to the Board. In addition to regular Board meetings, these officers report monthly (or whenever necessary) to the Chairperson and the General Manager respectively. To perform audit duties without interference, the auditors are both formal full-time professionals.

2.3 Regulatory Compliance

To ensure the adoption and implementation of ethical governance policies, sound development, and good business practices, Flexium has established its *Ethical Management Procedures* to regulate the Company and its subsidiaries and provide ethical standards and guidelines for 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 strictly prohibited. Our business activities must follow the principles of fairness, honesty, integrity, and transparency. Through policies based on ethical corporate governance and a strong risk control mechanism we create an environment for sustainable development in which we can pursue both our best interests and our commitment to sustainability.

Employee Code of Conduct

Flexium has established an *Employee Code of Conduct* that requires the highest standard of conduct for our employees at work. Employees must strictly abide by the law and Company rules whether dealing with business or personal duties. Under no circumstances should an employee be involved in any act that violates the law, damages the Company's goodwill and interest, or involves corrupting interests. The *Employee Code of Conduct* adopts a holistic approach by incorporating 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

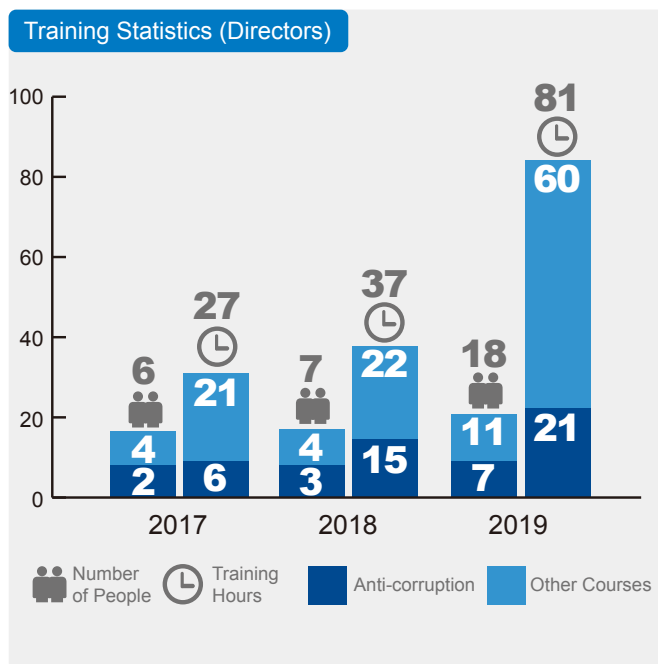
Flexium has an Auditing Office that reports directly to the Board of Directors. Internal audit rules are in place to assist the Board and management in assessing internal control over the Company's operations, auditing and evaluating the effectiveness of preventive measures, and conducting routine evaluations and assessments of related operating procedures. Our Company encourages internal and external stakeholders to report ethics issues to us through secure channels. Anyone suspecting or discovering an act carried out by our Company or an employee that may violate the laws or code of ethics may raise such concerns with our supervisors, managers, head of internal audits, or other appropriate personnel. Alternatively, they may use the email address (109@flexium.com.tw) or hotline (07-7871008 ext. 109) which can be found on our Company's website and intranet. Upon receipt of a reported violation, our Ethics Management Committee will launch a covert investigation. Our anti-corruption policy applies to our suppliers as well. The Company requires all new suppliers with an estimated annual business volume exceeding NT\$ 1,000,000 to sign the *Letter of Commitment for Undertaking Integrity*.

The Ethics Management Committee conducts an annual risk assessment of ethical business practices, including business integrity, no improper advantages, and information disclosure, scored on a five-point scale in terms of risk severity (S), occurrence (O), and detectability (D). The total score (called the “risk priority number”) is determined by multiplying S, O, and D. A total score above 27 indicates that corrective measures must be taken until a specified improvement target is met. From 2017 to 2019, all scores were below 27.

Business Ethics Evaluation Indicators	Controlled? (Y/N)	Risk Priority Number (RPN)		
		2017	2018	2019
1.Business Integrity	Y	15	15	15
2.No Improper Advantages	Y	16	16	20
3.Information Disclosure	Y	16	16	12

To protect stakeholders’ interests, Flexium also requires all employees to sign *Non-Disclosure, Non-compete, and IPR agreements*. No corruption or bribery was committed within the Company in 2019, 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, unlawful, or otherwise contrary to the responsibilities entrusted to them by the Company.

All directors of the Board and employees are required to participate in routine anti-corruption and anti-bribery training. The percentage of Board members participating in such training has consistently exceeded 20% in the past three years.



Information Security Management

Flexium provides the *Security Responsibilities for Customers (SRC) Manual* to ensure that our clients' products and confidential information are secure and that their information property is properly protected, stored, and used. The manual covers four areas of responsibility, namely management, manufacturing, the security project office, and information protection. A managing organization was established with the chairperson as leader and the plant manager or division-level head as representatives, who shall appoint a direct person in charge. Four subunits are responsible for the implementation of the organization's mandates. These safety rules are applicable to all employees, visitors, and contractors within the perimeter of the plant.

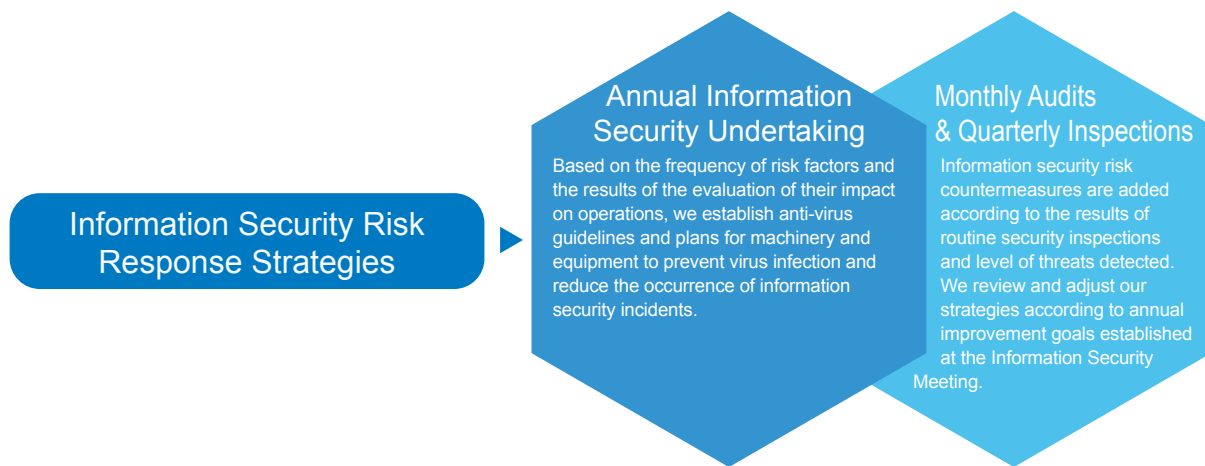
A set of information security policies was adopted as well. With sustainability, compliance, conceptualization, and control as our strategies, we have established a safety responsibility management framework specifically aimed at protecting our clients' products and confidential information, thus allowing our clients to understand and trust in our efforts and commitment to their security.



To fulfill our corporate responsibility to protect our customers' personal information, we continuously strengthen our information security measures to respond to threats associated with computer equipment management, hardware protection, application security monitoring, and Internet access. We have completed technical and managerial inspections and evaluations of the items required by our *Information Protection and Management Protocol*, thus enhancing our defense of and governance over our network and information systems.

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

Furthermore, we launched an early warning app that helps employees stay on top of the information system in order to mitigate risks associated with system downtime. The app detects system anomalies in real time and alerts staff to respond immediately and address issues before they lead to major system failure. We have plans to integrate early warnings for the power supply, plant facilities, and manufacturing equipment into the app in the near future to notify responsible personnel of potential critical issues so that they can respond quickly to mitigate operational risks.



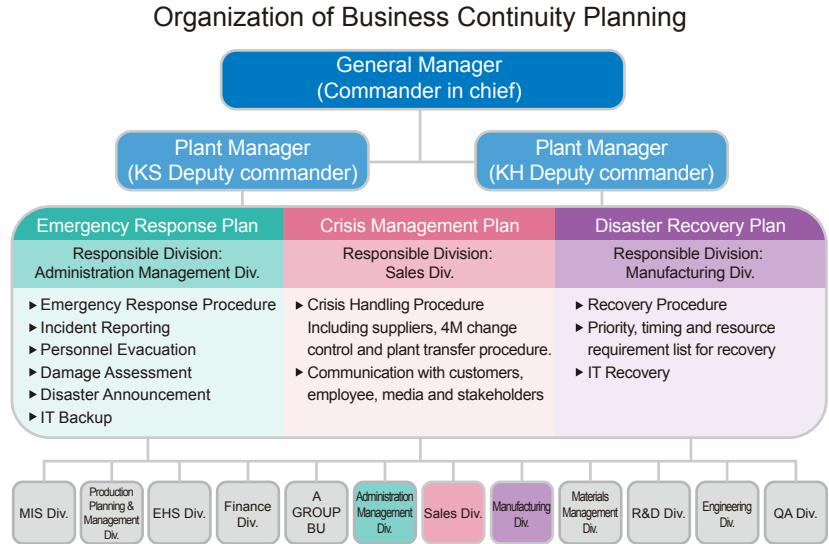
Information Disclosure and Communication

Flexium maintains a variety of communication channels to pursue sustainable development, information disclosure and transparency, address stakeholders' concerns, and satisfy their different needs.

- 
Investors Conference and Annual Shareholders' Meeting
▶
Convened annually to communicate the Company's financial and operational performance to shareholders
- 
Investor Relations
▶
Timely disclosure of corporate governance implementation, business announcements, financial statements, material information, investor conference, and internal audits
- 
Market Observation Post System (MOPS)
▶
Provides detailed information about the Company's operations and management
- 
Stakeholder Engagement
▶
Specific questions from shareholders and stakeholders are answered by designated personnel with knowledge in the designated area. Shareholders and stakeholders can contact us directly though phone, fax, or email.
- 
Corporate Social Responsibility
▶
A dedicated CSR section on the corporate website provides stakeholders with the latest information on our CSR practices.

2.4 Risk Management

In an evolving world of threats, a thorough corporate risk management system and enhanced responsiveness to crises have become essential for corporate sustainability and competitiveness. Flexium has adopted a framework for sustainable management that allows it to comprehensively manage operational risk, mitigate future risks, and increase the Company's resilience. In accordance with its *Business Continuity Planning Management Procedures*, Flexium established an organization with the authority and responsibility to react and respond quickly to all aspects of operational risks to lessen their impacts on the Company's business.



Flexium has operating locations across the globe, and so our management staff has established a regulations for exchange rate risks associated with a variety of currencies which stipulates that each subsidiary within the group should manage the exchange rate risk of its relative functional currency exchange rate risk, and hedge the overall currency exchange rate risk through the parent company's Finance Division.

During the normal course of business, there is potential for any operations, activities, facilities, and manufacturing processes that involve materials, machinery, equipment, personnel, or certain operations to result in physical, chemical, biological, or ergonomic hazards. Therefore, Flexium identifies and assesses the risks associated with each operation or activity while making improvements to control existing or potential unacceptable risks to reduce the impact on Environment, Health and Safety.

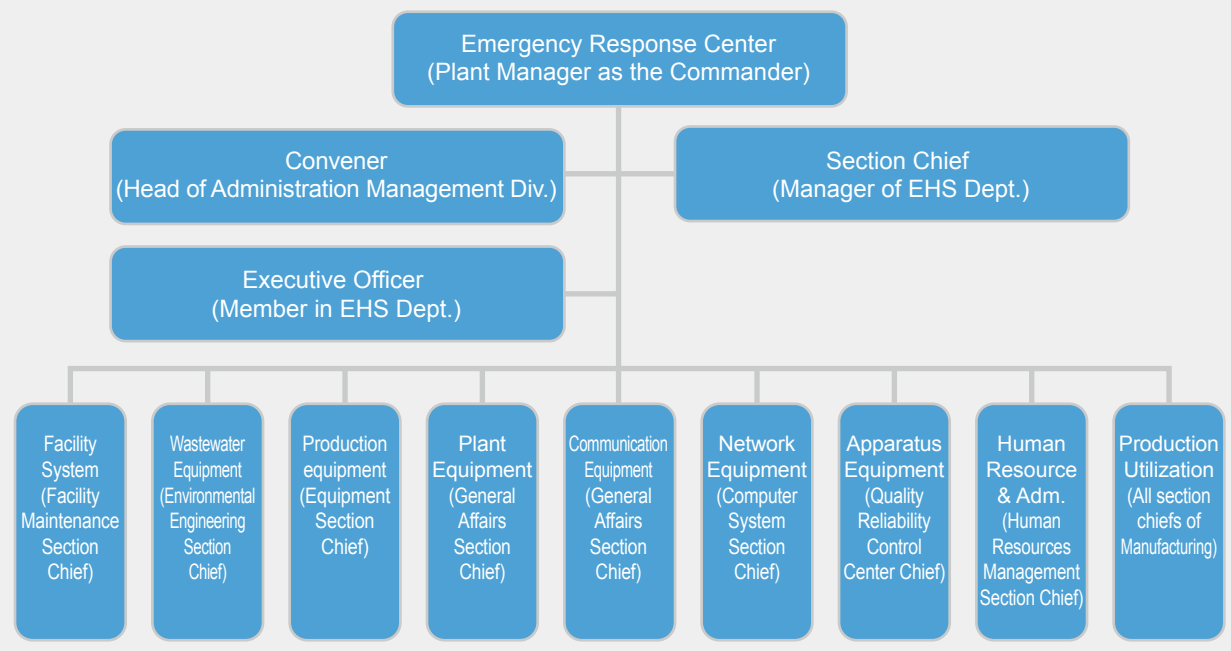
As products become more complex and specialized, supply chain management is becoming an indispensable key of business operations. Flexium established the *Directions for Reporting Delayed Deliveries of Materials* to deal with various causes of late deliveries by our suppliers. Moreover, our Company established its *Hazard Identification and Risk Evaluation Management Procedures* to assess the frequency, possibility, and weighted possibility of occurrence, as well as severity level of events. A risk level is then assigned to the event by cross-referencing its weighted possibility of occurrence and severity. The risk level is used to formulate improvement measures so as to ensure proper control and risk reduction. Additionally, to ensure that the Company's business information system runs without interruption, we conducted our annual disaster drill in September 2019 to practice our off-site backup, disaster recovery, and service continuity protocols across various servers, networks, storage devices, and data centers. Results indicated that our systems can be switched automatically to the backup servers needed depending on the circumstances of the disaster so that business operations can remain uninterrupted.

Structure of Business Continuity Planning

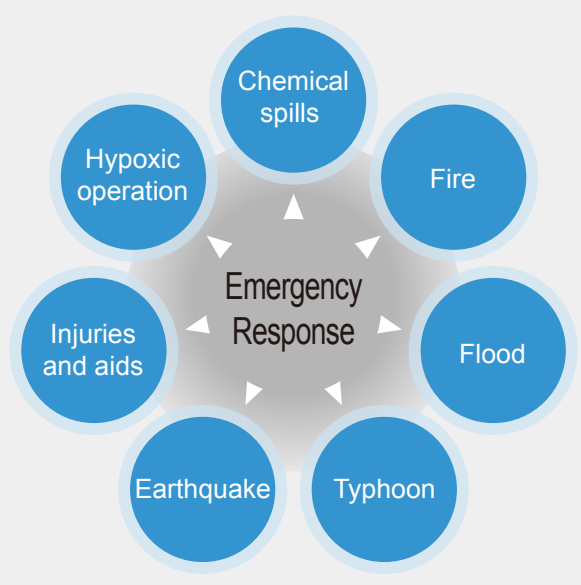


Emergency Response

Flexium issued its *Business Continuity Planning Management Procedures* to address the responses to, handling of, recovery training for, and horizontal coordination of all disasters and incidents so that potential losses and damage due to disasters or incidents can be contained in the first instance. We have taken steps to ensure that all employees understand the protocols and mitigation methods for handling disasters, thus reducing possible damage to the environment. Our emergency response policy can safeguard our employees' safety at work, prevent losses from disasters, protect stakeholders' interests, enhance our emergency response capabilities, and enable speedy recovery to fulfill our promise of protecting our clients. Two self-organized fire response drills were held at our plants in 2019 with a combined attendance of 410 people. The drills trained employees in extinguishing fires, reporting fire hazards, and evacuation. Two similar drills were held for our foreign workers to improve their disaster response skills.



Photos from the Self-Organized Fire Safety Response Drill in 2019



2.5 Business Performance

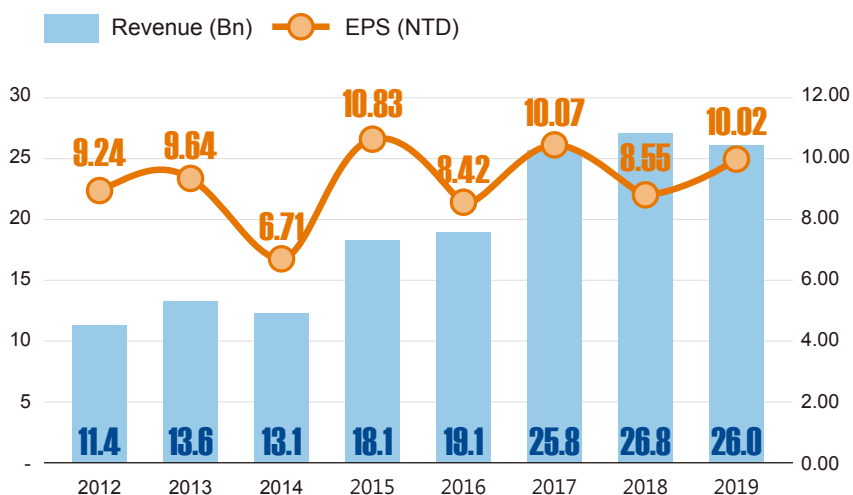
Industry Overview

Thanks to the diversification of mobile devices in recent years, FPCs are now in high demand globally for use in the smartphone, tablet, and wearables market, as well as in the automotive industry. In fact, FPCs have become the product with the biggest potential in the global PCB market. According to statistics by the Taiwan Printed Circuit Association (TPCA), the Taiwanese FPC market was worth US\$ 3.95 billion (NT\$ 116 billion) in 2016, topping all other countries in the world with a global market share of 38%. Another estimate by the Industrial Technology Research Institute's Industrial Economics and Knowledge Center (IEK) suggested that the global FPC market would reach US\$ 12.6 billion (NT\$ 377.2 billion) by 2017, and up to US\$ 13 billion (NT\$ 384.1 billion) by 2018. Based on a projection by ID TechEx, the market value of FPCs may further expand to US\$ 26.2 billion by the end of 2020. On the supply side, the global handheld electronics market continues to experience exponential growth, and the industry was initially optimistic about the demand for foldable FPCs. However, this good market condition has attracted many small manufacturers into the industry, bringing chaos to the market with unsustainable price-cutting strategies that result in falling revenues or even a net loss for FPC suppliers. Surplus in FPC supplies coupled with the financial crisis drove small suppliers to extinction, and many more withdrew from the business due to unsustainable losses. Thus, the market has gradually returned to a state of balance where growth in supply is limited while demand remains steady. In addition, emerging applications such as autonomous vehicles, Industrial IoT, and smart voice assistants are gaining mainstream acceptance, further driving FPC market growth to new heights.

The majority of Flexium products are exported to the 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.

Unit: NT\$ '000s

Year		2017		2018		2019	
Market		Volume	%	Volume	%	Volume	%
Domestic		1,686,990	6.53	1,780,077	6.65	1,530,903	5.88
Export	Asia	9,264,305	35.84	9,008,765	33.65	10,437,510	40.09
	Europe/ Americas	14,895,108	57.63	15,981,649	59.70	14,064,817	54.03
	Subtotal	24,159,413	93.47	24,990,414	93.35	24,502,327	94.12
Total		25,846,403	100.00	26,770,491	100.00	26,033,230	100.00



Historical Financial Performance

Year	2017	2018	2019	Unit	Remark
EPS (Earnings per share)	10.07	8.55	10.02	NT\$	Consolidated
Individual Income Tax Expense	814,856	783,145	874,584	NT\$ '000s	
Consolidated Income Tax	819,950	835,991	848,566	NT\$ '000s	
Paid-In Capital	3,179,912	3,182,954	3,346,328	NT\$ '000s	
Individual Total Revenue	25,425,049	26,629,126	25,681,858	NT\$ '000s	
Consolidated Total Revenue	25,846,403	26,770,491	26,033,230	NT\$ '000s	
Individual Net Profit Before Tax	3,871,692	3,427,857	4,027,787	NT\$ '000s	
Consolidated Net Profit Before Tax	3,876,786	3,480,703	4,001,769	NT\$ '000s	
Total Market Capitalization	33,866,058	23,709,562	38,315,456	NT\$ '000s	Based on year-end share price
Individual Operating Expense	763,541	796,133	950,186	NT\$ '000s	
Consolidated Operating Expenses	1,700,962	1,967,309	2,147,892	NT\$ '000s	
Retained Earnings	11,874,509	12,987,385	15,357,966	NT\$ '000s	
Individual Total Salaries	1,320,199	1,154,552	1,260,690	NT\$ '000s	
Consolidated Total Salaries	2,952,156	2,925,022	3,175,294	NT\$ '000s	
Total Employee Benefits	1,490,226	1,355,257	1,462,688	NT\$ '000s	Individual
Total Pension	36,664	44,255	44,758	NT\$ '000s	Individual
Stock Dividends	Cash: 5.01534853	Cash: 4.99504094	Cash: 5	NT\$	



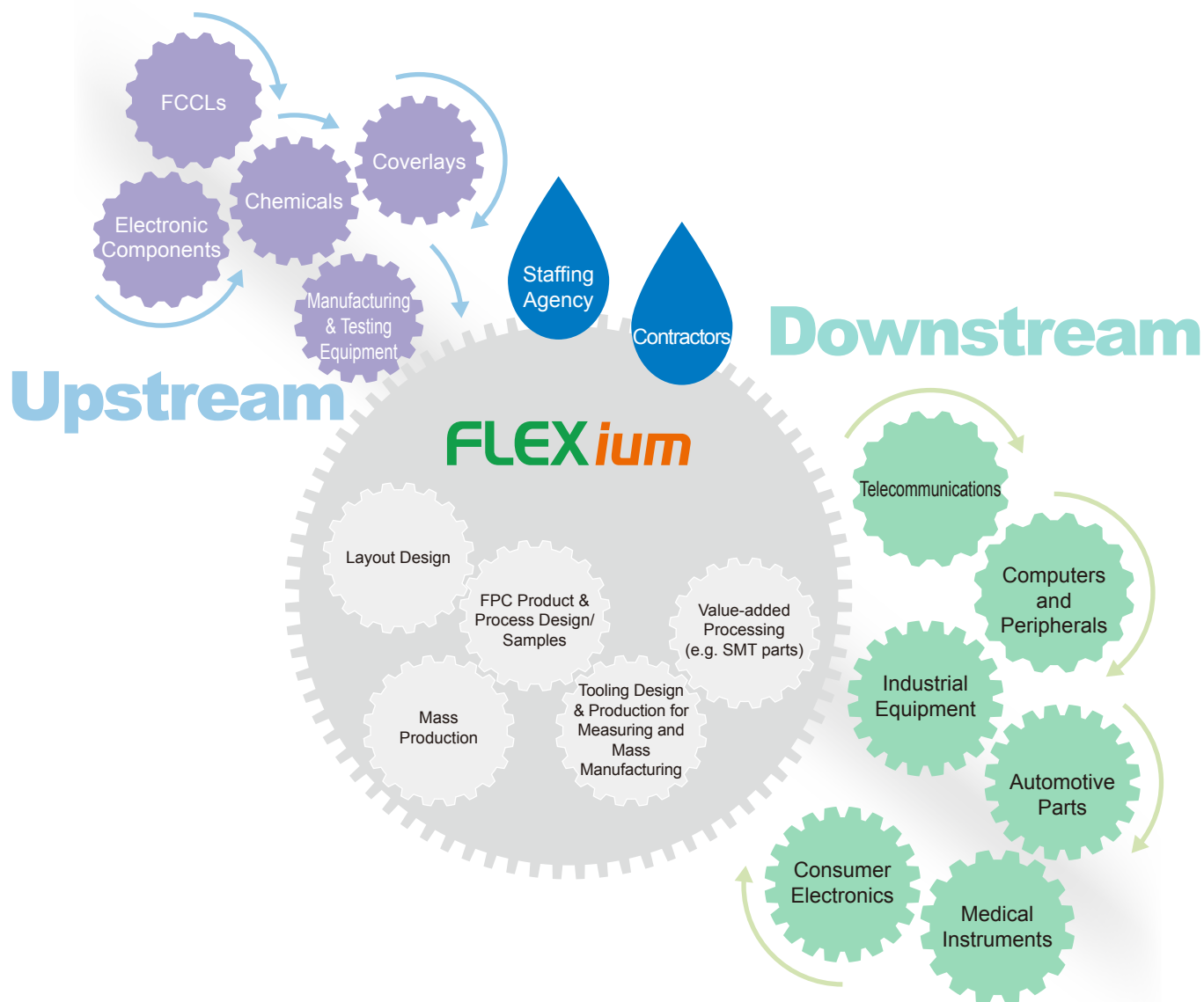
Industrial Services

Industrial Services

Electronics today are moving towards thinner, lighter, more power efficient, touch-based designs, making FPCs a popular component in a variety of products. In fact, FPCs may have the biggest growth potential of all PCB products. Therefore, Flexium is committed to increasing product R&D and sales through comprehensive supply chain management, customer service, and innovative research and development. We strive to improve product technologies and materials research and development, cultivate and retain existing clients, and consolidate our technical service teams to provide the highest quality professional services.

3.1 Industrial Value Chain

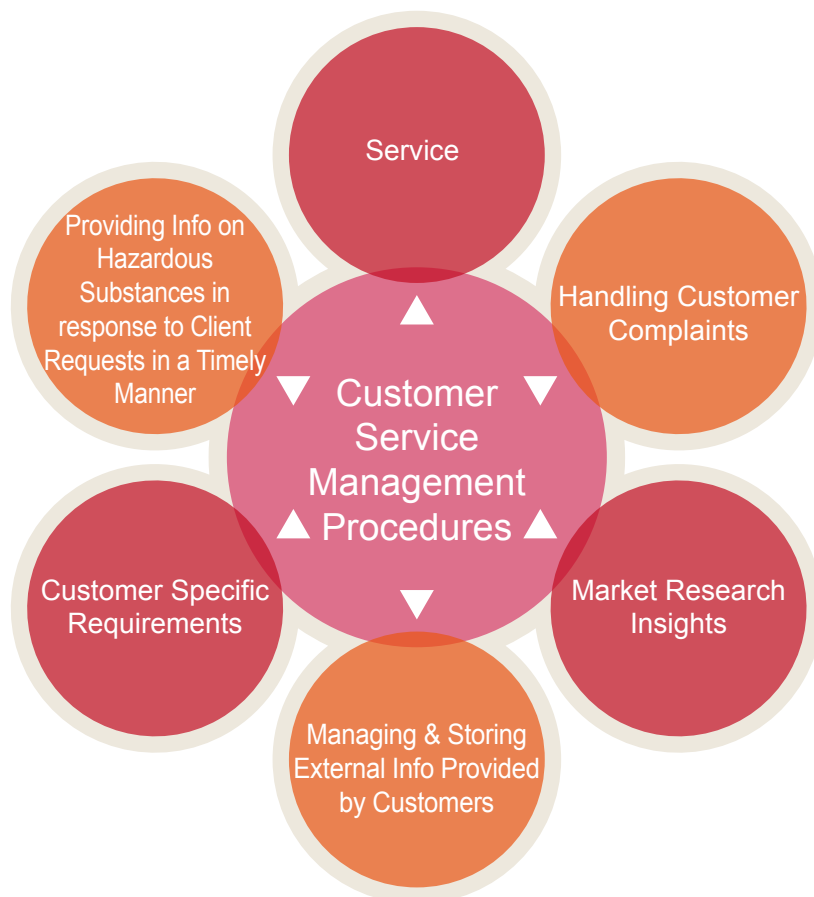
The mainstay of Flexium’s product lineup is FPCs, which are produced from flexible copper clad laminates (FCCL), various chemicals, coverlays, and electronic parts and components. FPCs can be applied to all sorts of electronics in IT, telecommunication, and consumer products. The properties, production methods, and manufacturing technologies of upstream materials all have a significant effect on the quality of FPCs, and it is important to ensure high levels of expertise and maintain close cooperative relationships with our up-, mid-, and downstream suppliers and partners.



3.2 Customer Relationship Management

3.2.1 Customer Services

Customer feedback is invaluable in helping Flexium achieve continuous improvement. To provide the best service quality, we take customer feedback very seriously. We provide clients who wish to reach out to us not one but multiple ways in which to do so, and we promise to respond in an accurate, thorough, and expeditious manner. To achieve this, Flexium has developed its *Customer Service Management Procedures* and *Customer Complaint Handling Procedures* to serve our clients. From general complaints to questions regarding information security, clients can rest assured that they will be taken care of and that their information remains secure. Our customer service efforts are part of our strategy to gain a competitive edge and a larger market share.



Contact Information Corporate website: http://www.flexium.com.tw/index_en.asp



Domestic

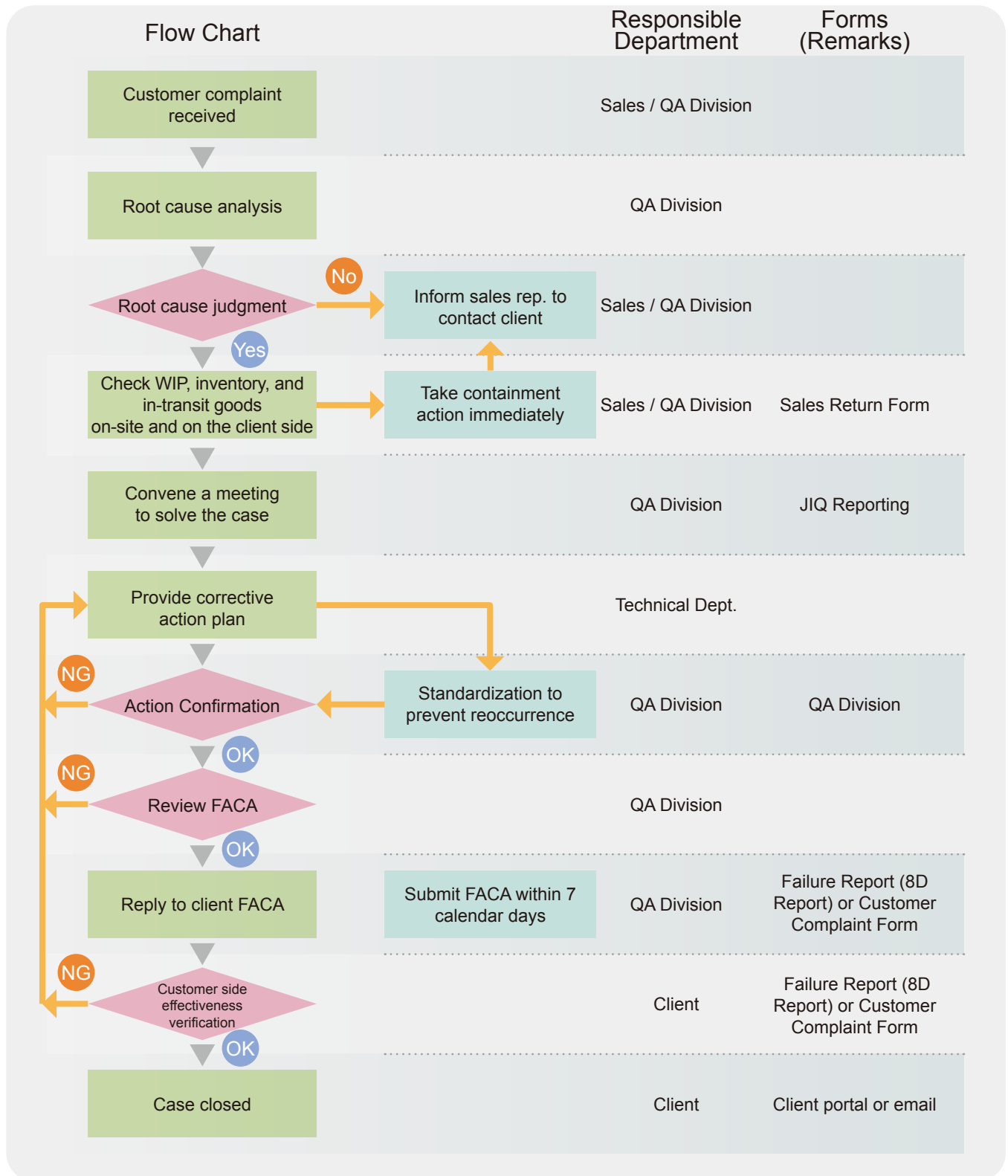
Tel: +86 512-577-755-99 Ext. 8666
 briancheng55@flexium.com.cn



International

Tel: +1 408-838-2234
 Claudio.tang@flexium.com.tw

To ensure clients' concerns are addressed, reduce future customer complaints, prevent problems from reoccurring, and ultimately increase customer satisfaction, Flexium has developed a set of standardized procedures to handle complaints, reviews, returns, hazardous substance non-compliance complaints, and major recalls of defective automotive or medical parts.



3.2.2 Customer Satisfaction Survey

To be mindful of clients' opinions, continuously improve our services, and fulfill customer needs, the Sales Division conducts an annual customer satisfaction survey with our top 10 customers in annual turnover. The results are then reviewed in a management meeting convened by the General Manager to ensure that improvement measures are properly implemented. The survey results from the current year are also compared and contrasted with those from previous fiscal years to provide us with a dynamic view of general trends in customer satisfaction levels, which serves as a reference for future improvements and corrective measures we may adopt.

Our customer satisfaction survey covers six major indicators: quality, service, delivery, price, technology, and hazardous substance management. We set our annual target at 85 on a 100-point scale. In an attempt to increase product yields and lower defect rates across all of our products, we began holding daily quality meetings (DQMs) in 2019. We implemented controls to prevent anomalies at critical production nodes and conducted periodic reviews of control data. We also established the Product Quality Control Department to reduce the likelihood of product defects. Looking into 2020, we plan to further secure our leadership position in the smartphone FPC market (including expansion into high-frequency 5G products) and continue improving the quality and service of automotive and medical products. As always, we assume full responsibility to our clients in terms of quality improvement, customer service, delivery, pricing, technology, and hazardous substance management. Our ultimate goal is to create a win-win situation for both ourselves and our clients. Unfortunately, the global electronics industry experienced a fierce price war in 2019, resulting in significant cost-cutting targets, which explains why the satisfaction level for pricing was lower. We will implement stricter cost control measures to address this issue. Our customer satisfaction goal for 2020 remains identical at 85 points.

Customer Satisfaction Survey Results

Indicators	2017	2018	2019
Quality ▶	84	86	86
Service ▶	81	95	90
Delivery ▶	84	92	83
Pricing ▶	67	81	62
Technology ▶	83	91	88
Hazardous Substance Management ▶	85	92	88
Total ▶	80.67	89.50	83.00
Target (%) ▶	85%	85%	85%
Revenue contribution of top 10 clients as a percentage of all revenue (%) ▶	87%	88%	81%

Note: The targets for this survey were our top 10 clients in terms of revenue contributions in 2019.

Flexium reviews the following customer-related performance indicators in monthly managerial meetings to continuously improve our customer service standards.

Indicators	Description
Product Yield ▶	Single-layer 96%, double-layer 95%, multi-layer 93%
Quotation Acceptance Rate ▶	Accepted quotations as a percentage of all quotations
Order Fulfillment Rate ▶	Fulfilled orders as a percentage of all orders
Premium Freight Count ▶	The number of instances in which premium freight was incurred
Number of Customer Complaints ▶	Statistics on customer complaints due to product quality, hazardous substance control, or late deliveries (The number of customer complaints averaged ≤ 5 cases in 2019.)

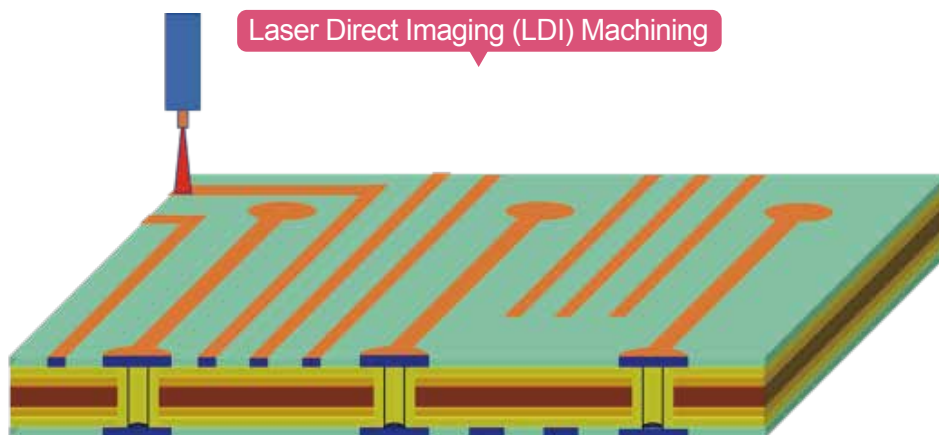
3.3 Research and Innovation

Flexium has been in the FPC business for many years, and it has accumulated a wealth of experience in design, marketing, manufacturing, and management. As an elite player in the industry, Flexium has adopted a state-of-the-art roll-to-roll automated production line with the advantages of high efficiency and human-machine integration. We stay ahead of our competitors by constantly optimizing our technology and production processes. We will continue to provide an increasingly diverse range of technical solutions to cement our unique competitive edge.

3.3.1 Innovation Management

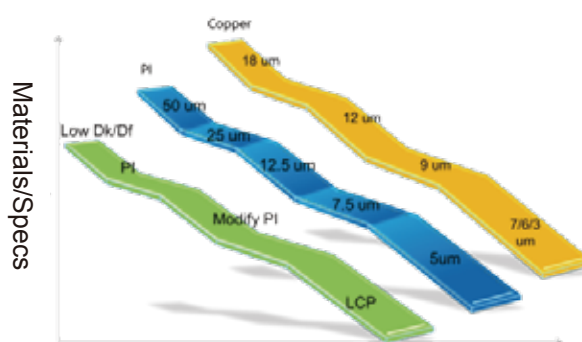
Flexium works closely with major global materials providers and the most advanced manufacturers around the world to develop multi-functional materials and hi-tech equipment. At the same time, we collaborate with international and domestic research institutions to propel the development of new materials and innovative technologies. We take our customers' needs to heart in designing next-generation products.

To optimize FPC production, we have adopted the most advanced technology and equipment. Our current technical target is the mass production of 18/18 μm fine pitch printed circuits. Starting from the design stage, we have adopted a process that allows for automatic line correction. During manufacturing, we use laser direct imaging (LDI) machining to complete the exposure for fine line processing. Then, we use the vacuum etching method for fine line processing, followed by blind hole laser drilling. Moreover, we employ continuous manufacturing to maximize production throughput, and blind holes are inspected in real time with a laser micrometer, allowing us to maintain quality and quantity standards simultaneously.



The rapid approach of the 5G high-speed transmission era will lead to an increase in demand for engineering plastics with high performance capabilities. For example, liquid crystal polymers are a key material in development thanks to their low moisture absorption, good chemical resistance, high gas barrier properties, and low dielectric constant and dissipation factor. In keeping with industry trends, Flexium has invested in multi-layer liquid crystal polymer lamination technology and product applications. Meanwhile, we are working with our clients to develop high-frequency circuitry mock-up designs for the early adaptation of this future trend. We are also actively developing laser micro-vias and multilayer micro blind and buried via full fill plating technologies.

Trends in Materials Evolution



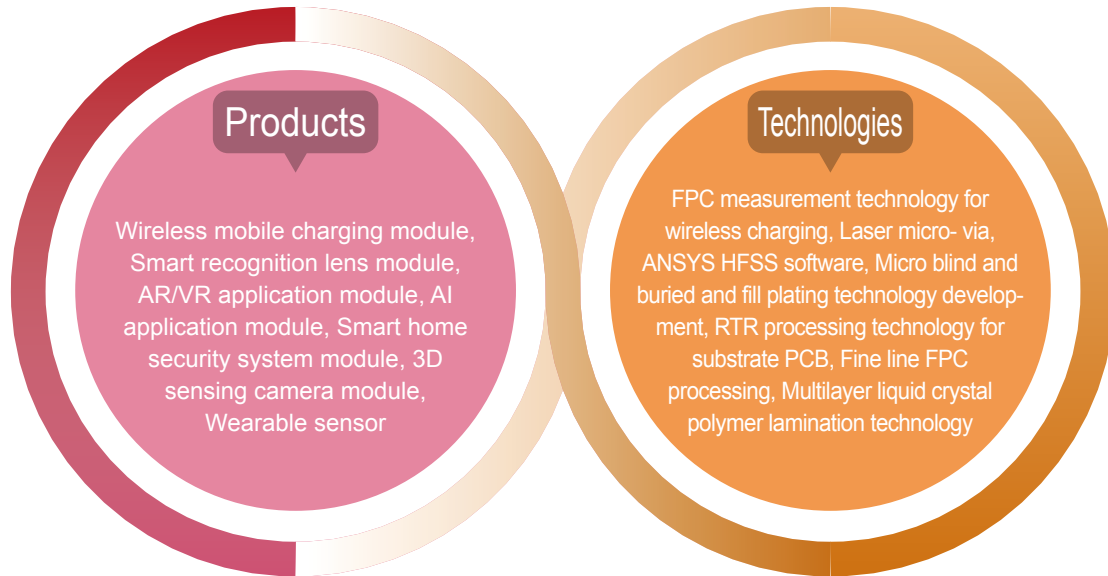
Flexium's Product Development Roadmap

Capability		2017	2018	2019	2020	2021
Layer counts		<ul style="list-style-type: none"> S/S & D/S Multi-Layers: 4 layers 	<ul style="list-style-type: none"> S/S & D/S Multi-layers: 6 layers 	<ul style="list-style-type: none"> S/S & D/S Multi-layers: 8 layers 	<ul style="list-style-type: none"> S/S & D/S Multi-layers: 10 layers 	<ul style="list-style-type: none"> S/S & D/S Multi-layers: 12 layers
Flex material		<ul style="list-style-type: none"> Polyimide 	<ul style="list-style-type: none"> Polyimide LCP Try Run 	<ul style="list-style-type: none"> Polyimide LCP Mass Production 	<ul style="list-style-type: none"> Polyimide & LCP Low Dk/Df Material 	<ul style="list-style-type: none"> Polyimide & LCP Low Dk/Df Material Colorless Polyimide
Base thickness		50um, 25um, 12.5um	50um, 25um, 12.5um	50um, 25um, 12.5um, 7um	75um, 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	70um, 35um, 18um, 12um, 9um, 6um, 3um
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	12.5um/25um, 12.5um/15um, 7um/10um
Drills	Mechanical	0.1mm	0.1mm	0.1mm	0.1mm	0.075mm
	Laser	0.075mm	0.05mm	0.05mm	0.04mm	0.04mm
Via Structure		PTH, Blind & Buried	PTH, Blind & Buried	PTH, Blind & Buried	PTH, Blind, Buried & Copper fill plating	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	0.018/0.018mm
L/S	D/S (12um)	0.050/0.050mm	0.045/0.045mm	0.040/0.040mm	0.035/0.035mm	0.030/0.030mm
LPSM of shift tolerance		0.055mm	0.050mm	0.045mm	0.040mm	0.035mm
LPSM of opening		0.25mm	0.2mm	0.175mm	0.150 mm	0.10 mm

3.3.2 Investment in Innovation

Flexium values and encourages our R&D personnel to pursue innovation and technology advancements. In practice, we have secured a wide range of patents for manufacturing processes, materials, and measurement technologies. As of the end of 2019, Flexium has secured the rights to 296 patents in total (not counting pending applications), further extending the company's lead in materials technology for FPC manufacturing.

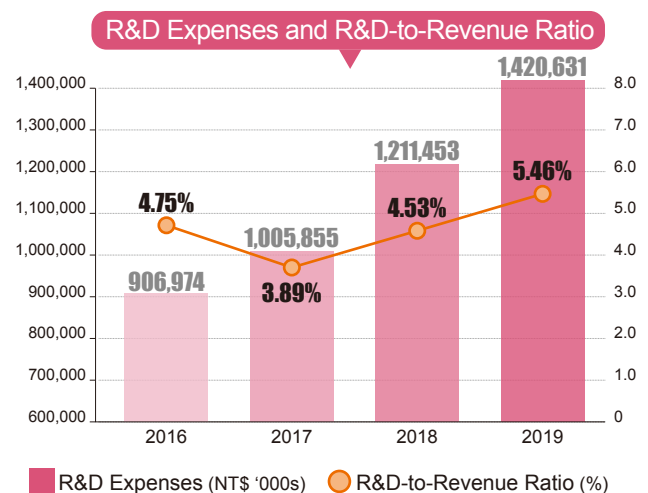
Our commitment to developing FPC products, technologies, and services has successfully yielded the following results in the past two years.



Flexium will continue to cultivate and retain its major existing clients, consolidate its technical service teams, and focus on non-mainstream product lines in the consumer electronics industry, including automotive, medical, and others that are yet to be explored. We will remain committed to improving our technology and materials development in high-frequency, high-speed smart cloud applications, such as smart TVs, smart cars, and smart PCs.

👤 R&D Projects	🛒 Future Market Demand
Flip chip substrate	For IC packaging
25um/25um fine line substrate FPC	For LCD/HD substrates
4–8 layers rigid-flex PCB	For communication/medical substrates
6-layer multilayer FPC	For camera modules
Chip on film	For LCD displays
LED backlight module FPC	For LCD displays
Blind and buried via FPC	For smartphones
Laser drilling	For notebook PCs
Roll-to-roll process for double-sided FCCL	For touch panels
Multilayer liquid crystal polymers lamination technology	For smartphones

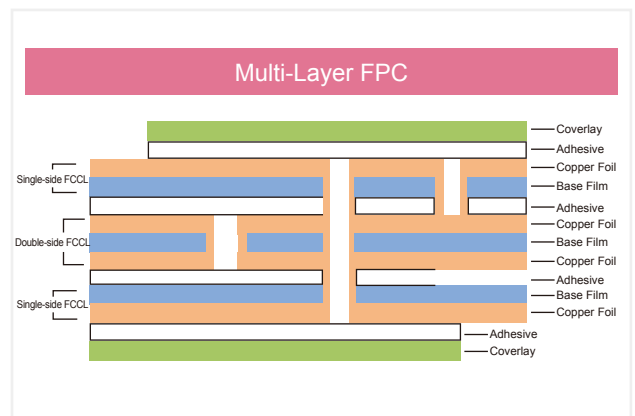
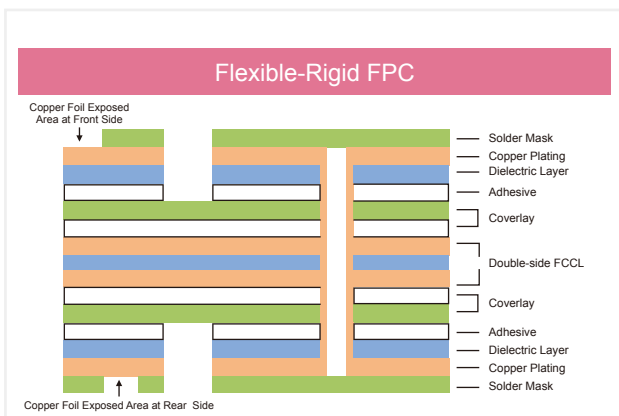
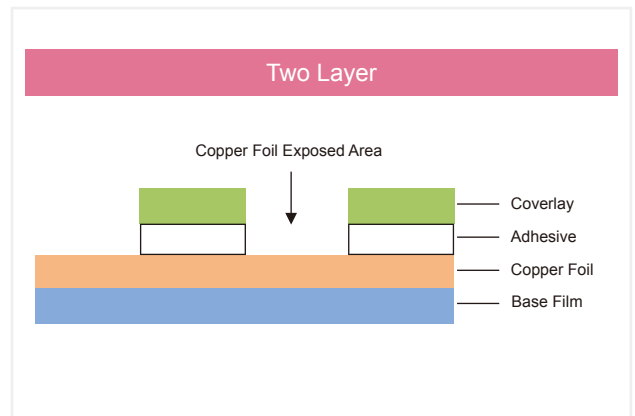
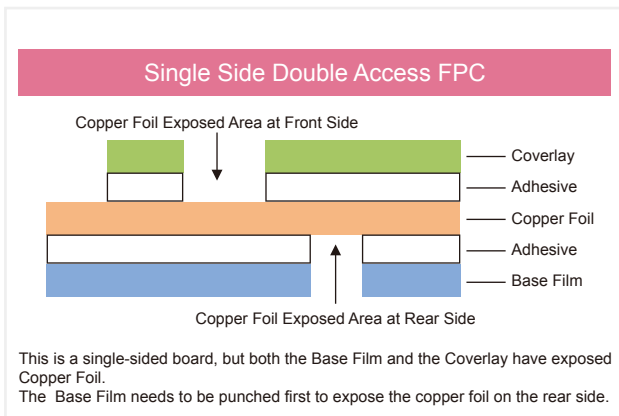
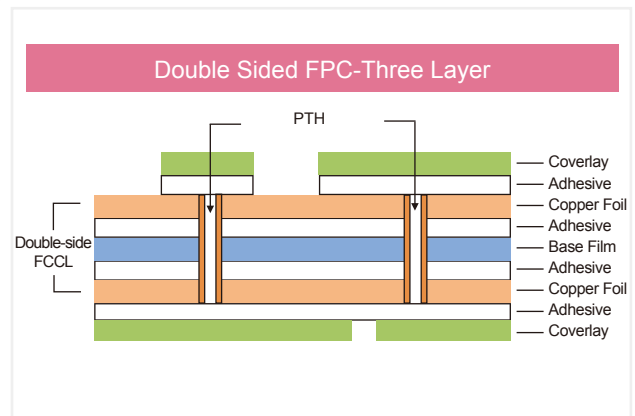
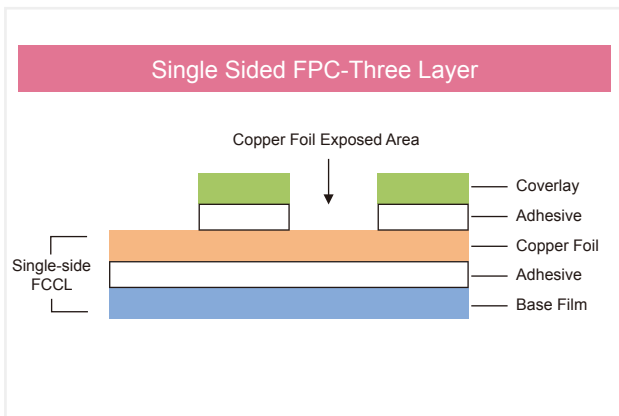
Flexium joined forces with the Ministry of Economic Affairs to conduct research under the A+ Technology Development Programs (TDPs) with the goal of stimulating industrial and economic development. Flexium's study focused on replacing the traditional adhering layer with PSPI to simplify the adhering layer process and develop the technology needed for full-roll FPC production. The goal of the development team was to use photo-sensitive polyimides as a layer material in rolling hot air circulation oven and IR oven processing to produce an all-polyimide FPC. The agreement for the study was signed in July 2017, and the duration of the project was two years. The project concluded in June 2019 on a total research grant of NT\$ 18 million.



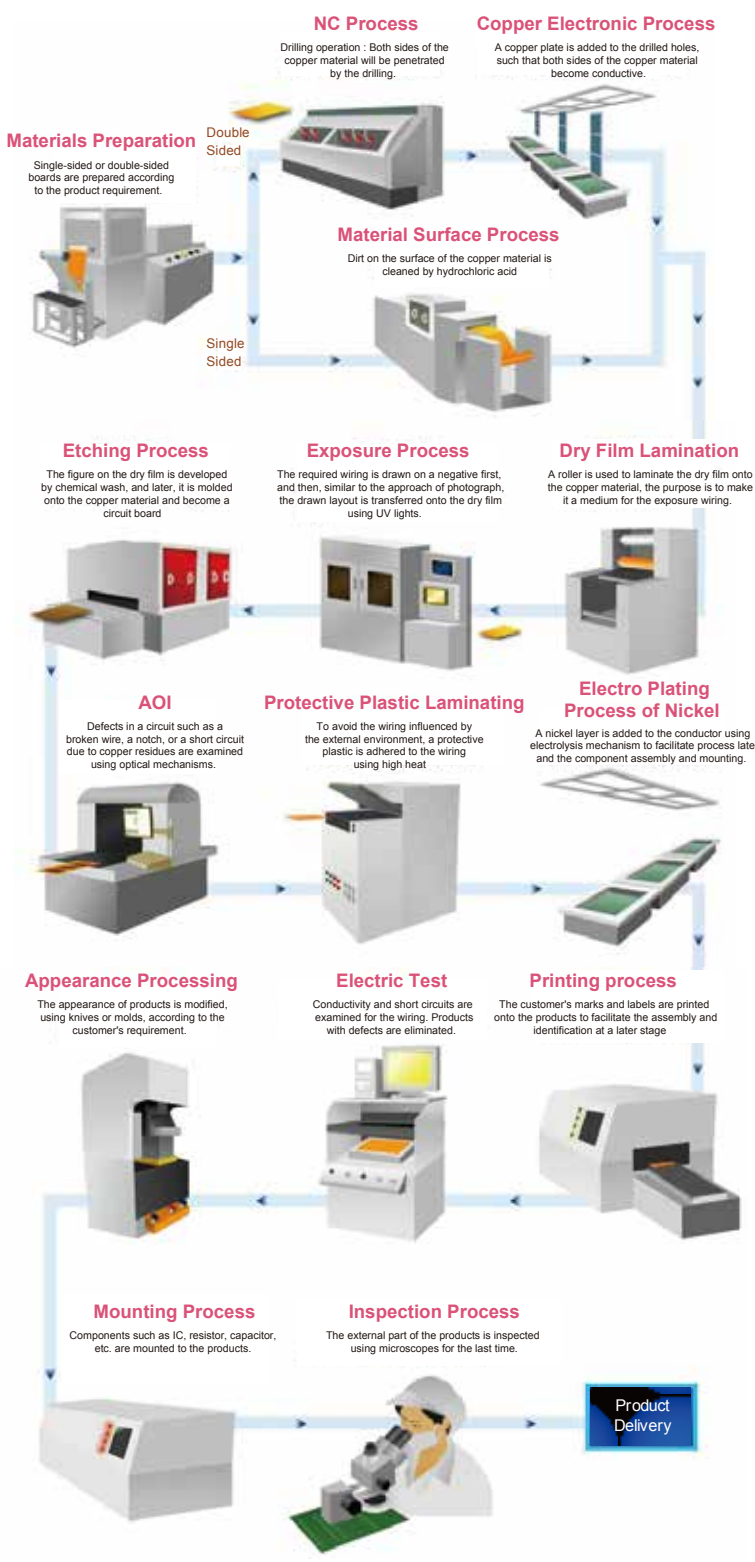
3.3.3 Product Quality

Flexium delivers superior service to our customers through careful mass production planning, risk assessment, and design-development-sales synergy. Our design and development departments are the key departments responsible for presale services. They partner with customers to evaluate and discuss layout planning, structural design, circuit simulation, tooling, and testing of parts and spare parts. Upon completion of the design, the post-sale service departments take over to provide value-added services, including product quality guarantees as well as shipping and handling. We also provide an in-house app that is constantly being optimized and updated. The app collects big data for analysis and accurate and detailed production output control. The app also works in conjunction with various monitoring systems to maintain consistent operations and production, which in turn makes quality control, smart production, and rapid-response to the market possible.

Product Category



We produce products that meet client needs through the meticulous planning of production flow and control, illustrated as follows:



Flexium is committed to maintaining consistent product quality and protecting our clients' rights and interests. We have invested resources into a strict monitoring and control system. The Quality Assurance Division is responsible for product quality assurance and improvements. We are also committed to the adoption and implementation of ISO 9001. In addition to adopting ISO/IATF 16949 (*Automotive Quality Management Systems*), ISO 13485 (*Medical Devices – Quality Management Systems*), and IECQ QC 080000 (*Hazardous Substances Process Management*), we are rolling out robust quality assurance practices across all our product lines. We also have a quality policy in place with a series of quality assurance management systems that ensure a consistent standard for quality and service optimization.

Quality Policy

Preventive Management

To provide clients with consistent product quality, the Company has adopted both IATF 16949/ISO 9001 to establish a framework for quality assurance. The Company has set up a detailed quality plan, and implemented the PDCA (plan-do- check-act) management cycle. The Company requires the entire management team to perform under a standardized system to prevent managerial errors and do everything right the first time.

Continuous Improvement

Flexium employs Management by Objectives (MBO) to set up top-to- bottom goals that support the overall quality management program. Through an improvement proposal system, the continuous improvement process (CIP), and teamwork, the Company continually strives for quality improvement.

Commitment to Innovation

To keep up with the rapidly changing world, we actively cultivate outstanding talent to maintain the Company's leading position, coordinate with customers to develop innovative products, and provide customers with comprehensive and professional technical support through constant R&D. We continue to introduce superior products and adapt to an ever-changing market driven by innovation. We look forward to working together with our clients to create superior technology products and improve the quality of human life.

3.4 Sustainable Supply Chain

At Flexium, we understand the importance of establishing a sustainable supply chain, which is the key to improving the quality of products and services. Therefore, we developed our *Supplier Management Procedures*, *Supplier CSR Evaluation Management Rules*, and *EHS Supplier Evaluation*. We also ask our suppliers to sign a *Letter of Commitment for Undertaking of Integrity*, *Supplier's Code of Conduct Agreement*, and *Statement of Conflict-Minerals Policy*. Flexium conducts regular audits on its direct suppliers to understand and monitor the measures they take to safeguard labor rights, protect the environment, guarantee ethical practices, and mitigate EHS risks. These efforts not only reduce the operational risks and costs of Flexium and its suppliers but also contribute to robust 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 primary and key suppliers based on procurement volume. Each type of supplier is assigned a different method of evaluation, which may include on-site audits and written assessments. Over 94% of our suppliers are located in Taiwan.

Number of Primary/Key Suppliers and Procurement Volumes and Percentages			
Year	2017	2018	2019
Total Number of Suppliers ▶	376	398	417
Number of Primary Suppliers ▶	13	14	18
Number of Key Suppliers ▶	98	94	111
Procurement from Primary Suppliers (%) ▶	46.68	43.10	47.59
Procurement from Key Suppliers (%) ▶	97.24	95.87	96.56

Notes:
 1. The primary suppliers provide copper and coverlays.
 2. Key suppliers are those with an annual transaction volume with Flexium in excess of NT\$ 1 million.

3.4.2 Supplier's Code of Conduct

Flexium has always been an advocate for labor rights, environmental protection, health and safety, corporate ethics, and corporate governance. Our *Supplier's Code of Conduct Agreement* is based on international initiatives and mandates on human rights, labor standards, environmental protection, and anti-corruption. These include the *United Nations Global Compact*, the *Universal Declaration of Human Rights*, the *UN Framework and Guiding Principles on Business and Human Rights*, and the Responsible Business Alliance (RBA) *Code of Conduct*. The agreement applies to all suppliers as well as their supply chains and contractors. We hope that by requiring our suppliers to comply with the laws and regulations enacted by local governments, we can help them move towards international compliance and promote sustainable supply chains and corporate social responsibility along the way.

Flexium started inviting suppliers and contractors to voluntarily sign the *Supplier's Code of Conduct Agreement* in 2014. In 2015, we took things a step further and required all new suppliers to acknowledge and agree to the terms set forth in the agreement. Flexium will cease all business relations with suppliers who refuse to sign the agreement; the same applies to key and primary suppliers. As of the end of 2019, all key suppliers had signed the agreement. We amended our *Supplier's Code of Conduct Agreement* in the first half of 2019 in response to the EICC *Code of Conduct's* conversion into the RBA *Code of Conduct*. All 111 key suppliers (including contractors) were required to sign the updated agreement by H1 2020. As of publication, 107 suppliers have signed, and the remaining four have provided a Letter of Declaration as a promise to strictly abide by Flexium's ethical guidelines as well as national/local laws and regulations regarding labor rights, occupational safety and health, environmental protection, business ethics, and corporate governance. To ensure continued compliance, Flexium maintains a direct communication channel with our suppliers to inform them of the latest changes in standards and regulations.

Flexium Supplier's Code of Conduct Agreement

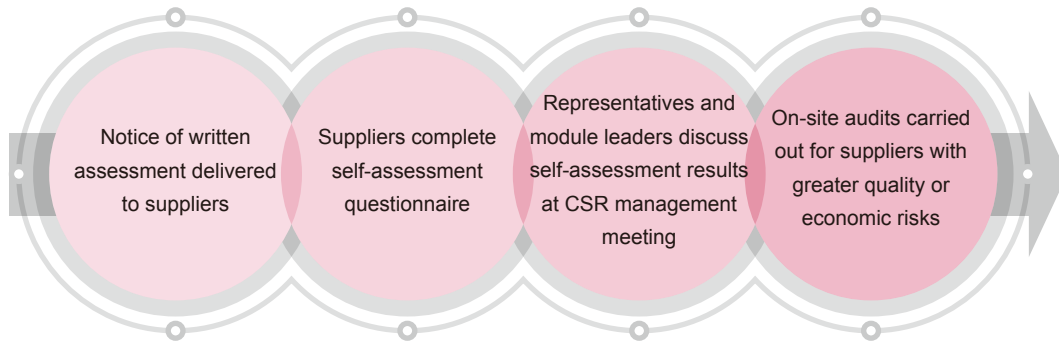
Labor	Environment	Health and safety	Ethics	Management system
<input type="checkbox"/> Freely chosen employment	<input type="checkbox"/> Environment permit and reporting	<input type="checkbox"/> Occupational safety	<input type="checkbox"/> Business integrity	<input type="checkbox"/> Company commitment
<input type="checkbox"/> Young workers	<input type="checkbox"/> Pollution prevention and resource reduction	<input type="checkbox"/> Emergency preparedness	<input type="checkbox"/> No improper advantage	<input type="checkbox"/> Management accountability and responsibility
<input type="checkbox"/> Working hours	<input type="checkbox"/> Hazardous substances	<input type="checkbox"/> Occupational injury and illness	<input type="checkbox"/> Disclosure of information	<input type="checkbox"/> Legal and customer requirements
<input type="checkbox"/> Wages and benefits	<input type="checkbox"/> Solid waste	<input type="checkbox"/> Industrial hygiene	<input type="checkbox"/> Intellectual property	<input type="checkbox"/> Risk assessment and risk management
<input type="checkbox"/> Humane treatment	<input type="checkbox"/> Air emissions	<input type="checkbox"/> Physically demanding work	<input type="checkbox"/> Fair business, advertisement and competition	<input type="checkbox"/> Improvement objectives
<input type="checkbox"/> Non-discrimination	<input type="checkbox"/> Materials restrictions	<input type="checkbox"/> Machine safeguarding	<input type="checkbox"/> Protection of identity and non-retaliation	<input type="checkbox"/> Training
<input type="checkbox"/> Freedom of association	<input type="checkbox"/> Water management	<input type="checkbox"/> Sanitation, food, and housing	<input type="checkbox"/> Responsible sourcing of minerals	<input type="checkbox"/> Communication
	<input type="checkbox"/> Energy consumption and greenhouse gas emissions	<input type="checkbox"/> Health and safety communication	<input type="checkbox"/> Privacy	<input type="checkbox"/> Worker feedback, participation and grievance
				<input type="checkbox"/> Audits and assessments
				<input type="checkbox"/> Corrective action process
				<input type="checkbox"/> Documentation and records
				<input type="checkbox"/> Supplier responsibility

3.4.3 Supplier Selection, Auditing, and Consulting

New suppliers are classified based on their product categories. Depending on their classification, they must submit a written report or undergo an on-site audit in accordance with the *Supplier Evaluation Form* before they can start working with Flexium. Existing suppliers are also subject to monthly assessments and reviews based on the *Hazardous Substance Process Management* and *Conflict-Minerals Policy*. Suppliers who receive a D grade are issued a quality improvement notice and given a two-month window to meet the requirements. Failure to do so will result in the suspension of procurement, revocation of trade qualifications, and blacklisting in our procurement system.

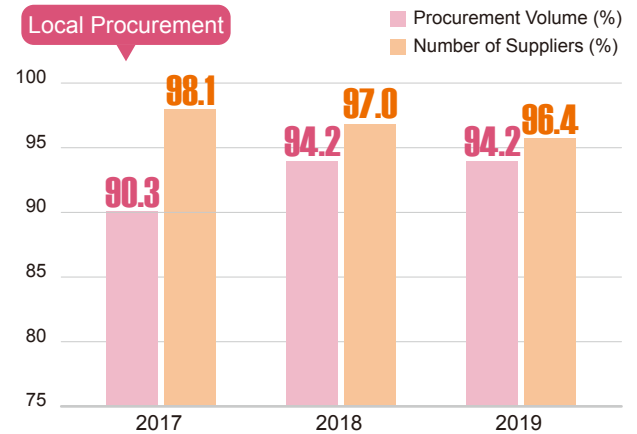
To maintain optimal competitiveness, Flexium's quality assurance, procurement, and engineering personnel join forces to conduct routine supplier assessments and audits on several sustainability factors, such as labor rights, business ethics, environmental protection, and occupational safety and health. In the spirit of sustainable management, each year's audit results inform suppliers of compliance deficiencies and help them identify the causes. If necessary, guidance is provided to help suppliers and partners to enhance sustainability with the ultimate goal of increasing the competitiveness and resilience of our supply chain.

As part of our CSR efforts, Flexium developed its own set of CSR Supplier Auditing Standards based on the regulations stipulated in the RBA *Code of Conduct* to evaluate suppliers' sustainability management outcomes. An annual written assessment is conducted on major suppliers with a transaction volume in the top 80% and a workforce of 300 or more. If quality or economic risks are identified in the written assessment, then an on-site audit is conducted in accordance with our annual *Supplier CSR Audit Plan*. In 2019, we audited two major suppliers and found no compliance anomalies in one supplier and one occupational safety anomaly in the other. The supplier in question had a lopsided butanone pipeline next to its waste storage area. The issue was promptly resolved within the time frame for improvement stipulated by Flexium.



3.4.4 Local Procurement

At Flexium, not only do we care about our own independent manufacturing capabilities and experience, but we also take the extra step of contributing to and supporting the growth of our supply chain, thus creating more business opportunities and jobs for the local community. Our commitment to local procurement has led to the reduction of unnecessary air freight and ocean freight, thus lowering our carbon footprint, which would have been much higher if long-haul shipping had been used instead. Except for certain proprietary components and spare parts that can only be purchased from abroad, we purchase locally whenever and wherever possible. In addition, we help local suppliers develop their expertise through technology transfers, thus creating additional jobs for the local community and building strong ties with our partners. The result is a win-win situation for both Flexium and our suppliers.



Note: Local procurement excludes all purchases from outside Taiwan.

3.4.5 Conflict Minerals

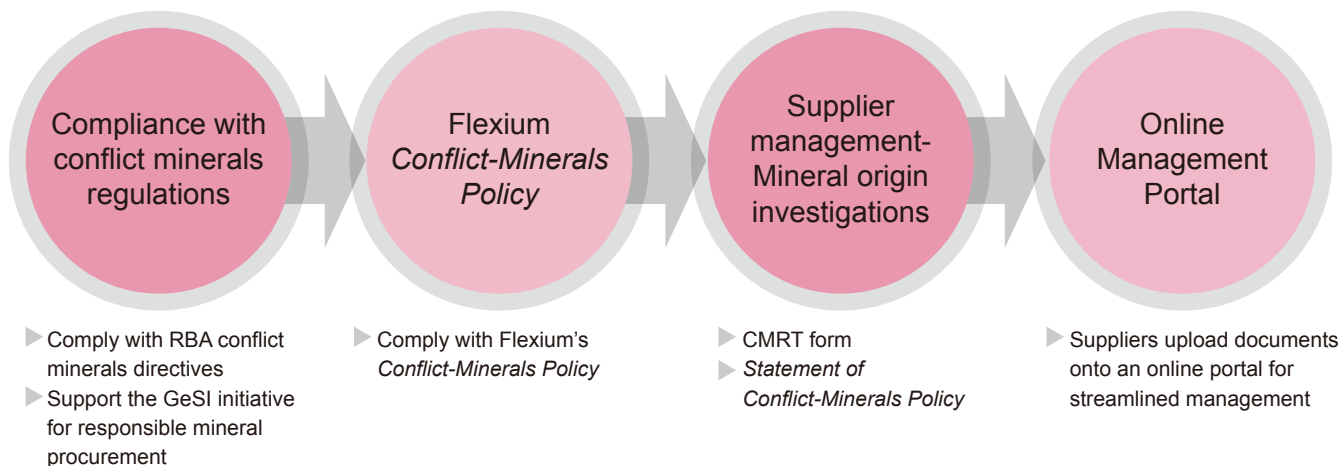
Flexium supports the responsible procurement of minerals as advocated by the Responsible Business Alliance (RBA) and the Global Enabling Sustainability Initiative (GeSI) and makes a point of staying updated on the latest conflict mineral issues. Our *Conflict-Minerals Policy* is publicly available on our corporate website.

To manage potential issues with conflict minerals, in addition to our *Conflict-Minerals Policy*, we also conduct conflict mineral investigations into major FPC materials suppliers and require them to fill out the latest version of the *Conflict Minerals Report Template (CMRT)* and sign the *Statement of Conflict-Minerals Policy* whenever a revision is made. Suppliers can upload these documents onto an online portal for streamlined management.

Of the 37 major FPC materials suppliers (copper, coverlays, and stiffeners) in 2019, 26 have completed and passed the CMRT form. One supplier has submitted an affidavit of compliance, while the remaining 10 suppliers have yet to complete this process. As for the *Statement of Conflict-Minerals Policy*, 24 suppliers have signed the document; however, 13 have not yet signed. Two of these suppliers have provided an affidavit of compliance. The remaining 11 suppliers have yet to respond. We will continue to follow up with suppliers who have yet to complete the CMRT form or sign the *Statement of Conflict-Minerals Policy* to keep them posted on the latest updates through timely communication.

Flexium is strongly against the use of minerals originating from armed conflict areas or excavated illegally or under inferior working conditions. Internally, the Company regularly advocates our *Conflict-Minerals Policy*—“We do not purchase and use conflict minerals”—to promote awareness of the issue of conflict minerals among employees and new hires. We have also printed our *Conflict-Minerals Policy* on small placards and distributed them to all employees. Our advocacy coverage rate is 100%.

Conflict Minerals Management Flow

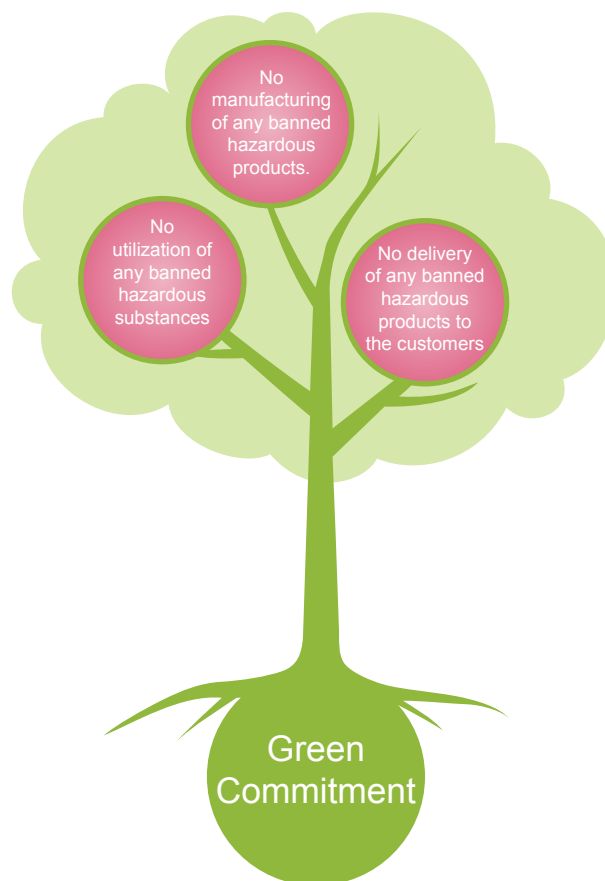


3.4.6 Green Procurement

Flexium insists on utilizing hazardous-substance-free (HSF) materials in order to manufacture green products (GPs) that are in compliance with regulations as well as customer demand for GPs. By observing international environmental regulations and directives, we endeavor to protect the environment through reductions in 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 regulations. We fulfill the 'three-no' principle."

Thanks to effective control, the materials we procure for producing green products (such as copper and coverlays) are 100% compliant with the *Registration of Hazardous Substances Directive* (RoHS) and the *Registration, Evaluation, Authorization, and Restriction of Chemicals* (REACH). Improvements are constantly being made based on IECQ QC 080000 (*Hazardous Substance Process Management*). As a demonstration of Flexium's green commitment and to ensure the thorough implementation of our policy, we introduced an online portal in 2018 for managing hazardous substance use by suppliers. Suppliers are required to upload material test reports certified by third party and other related documents to the portal for periodic review to ensure that all materials sourced from them are RoHS and REACH compliant.

In addition to purchasing green materials and banning hazardous substances, we encourage customers to recycle packaging materials, including cartons and trays. At present, more than 90% of our customers have responded to our recycling initiative together. In H2 2019, we began planning for a centralized chemical feeding system, which will be introduced to our new plant in 2020. The system will reduce the frequency of material feeds and, in turn, carbon dioxide emissions.

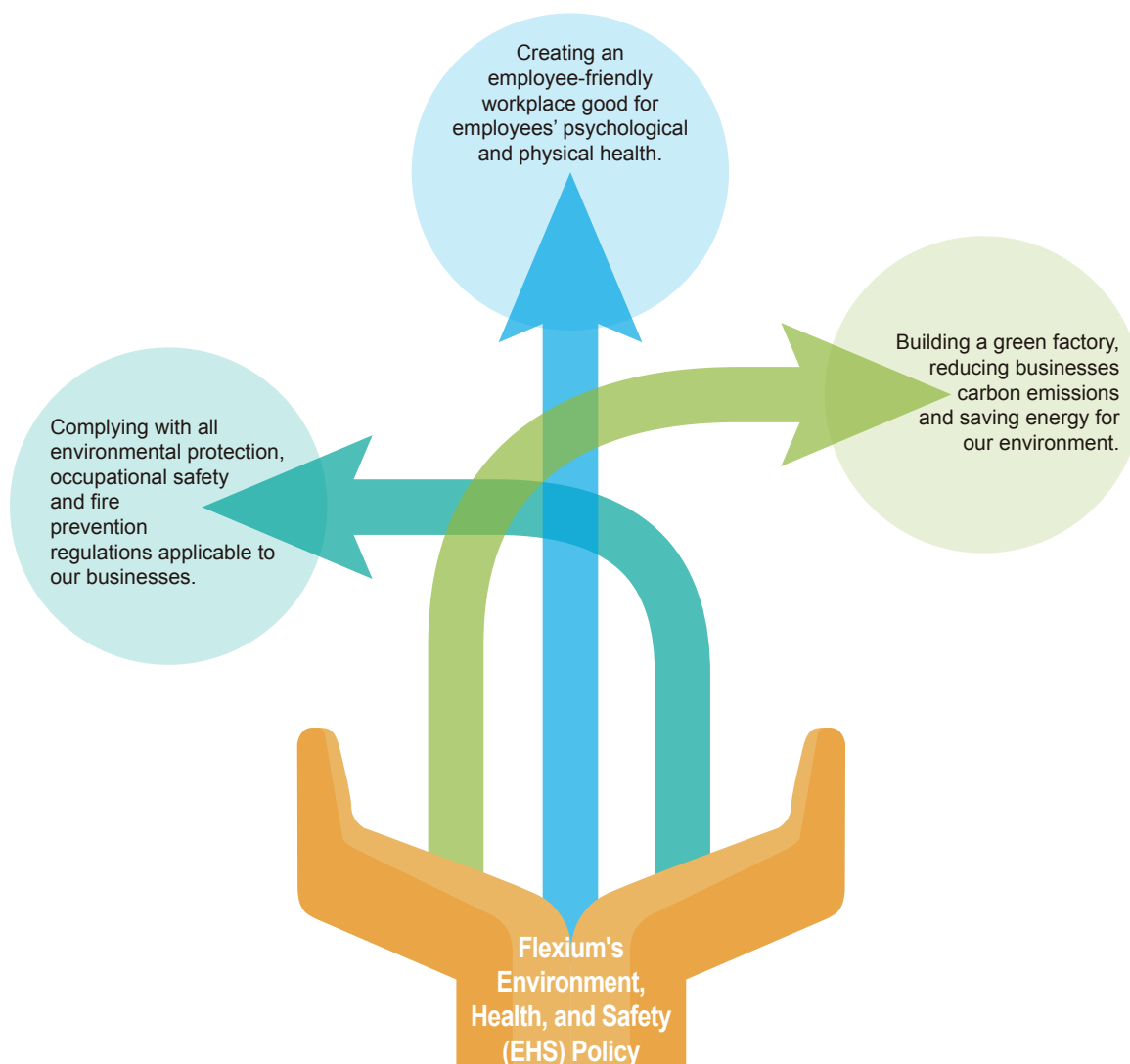




Environmental Sustainability

Environmental Sustainability

Compliance with environment, health, and safety (EHS) regulations is the cornerstone of Flexium's environmental protection philosophy. We act in accordance with ISO 14001:2015 and OHSAS 18001:2007 to evaluate our operations, products, environmental impact, and risks, and we formulated our *Environment, Health, and Safety (EHS) Management Manual* as an integral part of our operational strategies. The manual applies the plan-do-check-act cycle to the establishment and maintenance of our EHS management system. To ensure that we fulfill our EHS responsibilities, we conduct training and certification in the knowledge and skills required of our employees. We have communication channels designed specifically to help us promote our EHS campaigns to external organizations, collect feedback from stakeholders, identify the sources of impacts on our Company, and stay up to date with EHS laws and regulations. The relevant departments are required to act in accordance with the *Environmental Aspects Identification Management Procedures* and the *Hazard Identification and Risk Evaluation Management Procedures* to identify potential emergencies and accidents that might have an impact on EHS. The same departments are also required to follow the *Emergency Response Management Procedures* when responding to environmental emergencies and accidents to prevent or mitigate unfavorable effects on EHS.



4.1 Climate Change and Energy Management

4.1.1 Risk Response and Opportunity Evaluation

Flexium regularly reviews climate change-related transformation and physical risks that might pose a threat to the Company. We evaluate and determine the appropriate mitigation measures for each type of risk in order to establish an effective real-time emergency response framework to minimize potential losses and damages. If a natural disaster occurs, the Emergency Response Center will act in accordance with our *Emergency Response Plan Instructions* to confirm, report, handle, contain, and resolve problems. If an accident occurs, the Company will report the accident to the competent authority as required by law. The purpose of these measures is to address, at the earliest time possible, climate change risks that may threaten our Company’s operations and help the Company seize new opportunities as they arise.

Physical Risks and Opportunities

	Typhoon	Heat and Drought	Torrential Rains and Flooding	Cost of Resources
Risk Description	Climate change has resulted in more frequent and severe typhoons, which usually bring strong winds and torrential rains, resulting in architectural damage, falling objects, power outages, and fire hazards caused by malfunctioning electrical appliances.	Heat and drought increase energy consumption by air conditioning and chiller systems and, thus, costs to the Company. Extreme high temperatures may cause equipment malfunctions that lead to production delays. Long periods of hot weather may cause fires that damage our property or threaten the lives of our employees, leading to a significant decrease in productivity in severe cases.	Our plants are located in an industrial zone that is not prone to geological slippage or landslides. However, long periods of torrential rain that surpass the design capacity may cause sewage systems to overflow and lead to flooding in our plants. This may further lead to traffic jams, property damage, and in severe cases, a complete shutdown of operations.	Weather-related disasters may disrupt or break down our supply chain, making the procurement of materials difficult. It may also lead to higher material costs and overhead expenses.
Response Measures and Opportunities for Flexium	We formulated our Typhoon Response Guidelines. A typhoon prevention and disaster mitigation system was established in accordance with the Emergency Response Plan for Typhoons and Torrential Rains section of the Guidelines for a rapid response. The system is designed to minimize damage and expedite recovery.	We purchased high-efficiency, energy-saving equipment to reduce power consumption and manufacturing costs. We formulated our Firefighting Guidelines, which include the following fire response steps: rescue, contact, guidance, protection, and provision of medical treatment.	Our Flood Emergency Guidelines stipulate that if a plant experiences flooding in excess of 20 centimeters, the General Affairs Section and water treatment staff from the Environmental Engineering Section shall be responsible for verifying the cause of the flood and implement measures to mitigate damage.	Recycling and reuse of waste materials at our plants has generated approximately NT\$ 120,022,650 in economic benefits from 2017 to 2019.

Transformation Risks and Opportunities

	Policies and Laws	Technology	Market	Brand Image
Risk Description	International and local greenhouse gas emissions standards; treaties and agreements on climate change mitigation and adaptation, including carbon taxes, emissions credits, emissions trading, the greenhouse gas reporting program (GHGRP), fuel/energy taxes, and product energy efficiency	The global trend toward low carbon footprints and energy efficient product development can potentially render our current manufacturing process obsolete. If the Company is not able to make breakthroughs in technology, it could face slowing profits.	Uncertainties involving global and regional market data, especially changes in consumer behavior and climate change-related issues, could potentially have a significant impact on product supply.	Due to rising awareness of environmental sustainability within the region and around the world, potential negative environmental and social impacts from current products could damage our brand image down the road.
Response Measures and Opportunities for Flexium	Increasing employee’s knowledge of greenhouse gases and applicable regulations; organizing training programs to help employees understand changes to the law so that they can adopt the necessary measures to mitigate the direct impacts of policy changes on the Company	Holding weekly production line water usage meetings to monitor water usage and avoid waste	Moving towards thinner, lighter products with smaller form-factors to minimize possible negative impacts	Increasing employees’ water resource awareness: FPC parts undergo 2–3 cycles of cleaning after wet processing. Water used in the first cycle of cleaning can be reused in the second cycle, effectively reducing water usage.

4.1.2 Greenhouse Gas Inventory

Tackling climate change is a global effort. Flexium is deeply aware of the fact that the global climate and environment are deteriorating due to greenhouse gas (GHG) emissions. As citizens of the Earth, we are committed to greenhouse gas inventories and reductions in accordance with the *United Nations Framework Convention on Climate Change* (UNFCCC) and the *Paris Agreement*. We are implementing controls to monitor and manage greenhouse gas emissions as well as conducting risk assessments to effectively reduce or prevent operational losses and foster future business opportunities.

Flexium believes that the key to combating climate change and global warming is the reduction of greenhouse gas emissions, and greenhouse gas inventories serve as a benchmark to work from in the future. We set our reduction goals and priorities based on our inventory results, and with our clearly defined reduction guidelines, we have been able to execute energy-saving plans effectively and examine the outcomes objectively. We held our first greenhouse gas inventory in 2009 and have conducted inventories every year since to review greenhouse gas emissions of the previous year. Total emissions in 2018 (the base year) amounted to 21,816.680 metric tons of carbon dioxide equivalents (tCO₂e). The Company formulated the *Greenhouse Gas Inventory Management Procedures* based on ISO 14064-1:2006 to quantify our greenhouse gas emissions. Each department concerned must conduct its own inventory according to the procedure. We have adopted the organizational control approach to determine organizational boundaries; that is, an organization assumes 100% ownership of the greenhouse gas emissions caused by all facilities under that organization's managerial or operational control. Therefore, our carbon emissions boundaries encompass the Dafa Plant, Dafa Plant II, and Dafa Plant III, all of which are based in Kaohsiung. We conduct inventories of carbon dioxide, methane, and nitrous oxide at these plants. A plant-wide refrigerant replacement project for the chiller system resulted in a significant increase in Scope I fugitive GHG emissions in 2019.

Greenhouse Gas Emissions (tCO ₂ e)				
	Source	2017	2018	2019
Scope 1	Stationary combustion	0.377	1.423	0.784
	Mobile combustion	18.701	15.425	17.382
	Process emissions	0	0	0
	Fugitive emissions	0.512	0.501	113.127
	Subtotal	19.590	17.349	131.293
Scope 2	Purchased electricity	14,971.296	21,799.331	23,202.662
	Total	14,990.886	21,816.680	23,333.955

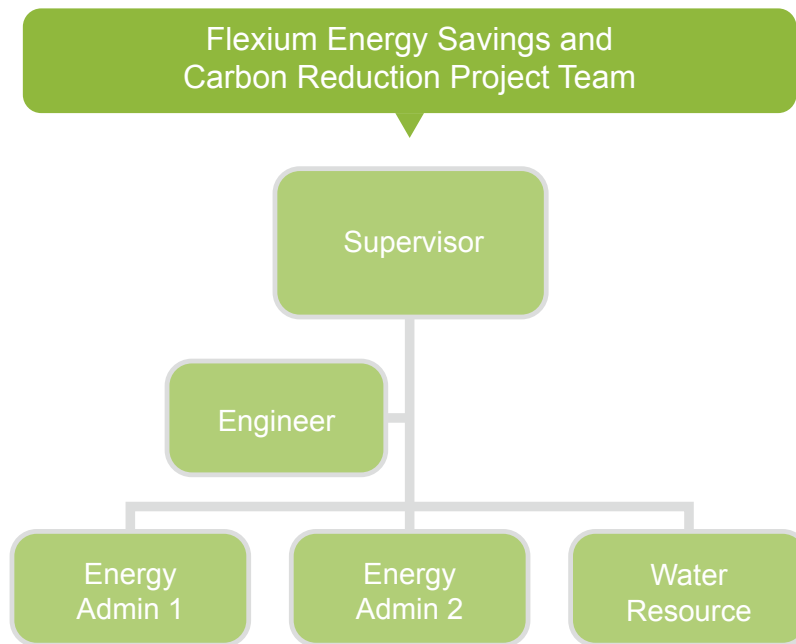
Notes:

- Scope I stationary combustion emissions can be attributed to diesel generators; mobile combustion emissions can be attributed to gasoline consumed by company vehicles and diesel consumed by forklifts; fugitive emissions can be attributed to septic tanks and cooling system refrigerants. No process emissions were produced.
- The increase in scope I mobile combustion emissions was due to the 3,135.05 liters of diesel consumed by forklifts, compared to 2,200.83 liters in 2018.
- Scope II emissions for 2019 can be attributed to purchased electricity. The emission coefficient was 0.533 kg-CO₂e/kWh in 2019, compared to 0.554 kg-CO₂e/kWh in 2017 and 2018.
- The inventory shows that 99% of our emissions can be attributed to electric power consumption. Annual consumption by our Pingzhen Office accounted for less than 0.1% of that consumed by the three Kaohsiung plants combined, and the office was therefore excluded from the energy and greenhouse gas inventory.
- Calculation of GHG emissions was based on the Greenhouse Gas Emission Coefficient Table (ver. 6.0.4) as amended by the Environmental Protection Administration (EPA), Executive Yuan on June 27, 2019. Global warming potential (GWP) was based on the IPCC's *Fourth Assessment Report*.
- The figures for CH₄ emissions from septic tanks in 2017 and 2018 have been updated to address an error in the calculation formula.

Scope I Emissions by Gas (tCO ₂ e)				
	Gas	2017	2018	2019
Scope 1	CO ₂	18.773	16.719	18.038
	CH ₄	0.251	0.218	0.232
	N ₂ O	0.566	0.412	0.382
	HFCs	0	0	112.641
	Total	19.590	17.349	131.293

Note: Scope I inventory includes emissions from diesel generators, gasoline consumed by company vehicles, fugitive emissions from septic tanks, and refrigerant replacement for the chiller system.

Our improvement efforts in 2018 were carried over into 2019, where the volume of purchased electricity continued to increase along with the utilization rate of our capacity. More specifically, utilization due to increased production capacity contributed to 5.53% of all electricity purchased. Our energy administrators continue to implement energy-saving and carbon-reduction projects. Flexium has two energy administrators who also serve as the supervisors of the Facility Maintenance Section. They are in charge of the Energy Savings and Carbon Reduction Project Team, which plans and implements annual energy-saving programs. Our factories are powered by gasoline, diesel, and electricity, with electricity being the primary energy source. Energy administrators are tasked with monitoring and recording electric power consumption on a weekly basis for cost control and energy efficiency monitoring.



The responsibilities for each role in the Energy Savings and Carbon Reduction Project Team:

1. Supervisor: oversees carbon emissions reduction efforts, sets energy savings goals, and achieves project objectives.
2. Energy Administrators: improve energy efficiency
3. Water Resources: improves the water resources system
4. Engineer: arranges meetings, collects information on carbon emissions reductions, and produces monthly reports.



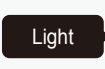

4.1.3 Energy-saving and Reduction

In accordance with the Company's *Greenhouse Gas Inventory Management Procedures*, Flexium implements greenhouse gas emissions control measures to reduce or prevent greenhouse gas emissions or to increase greenhouse gas removal. As electric power consumption is the primary source of greenhouse gas emissions, the Facility Maintenance Section has replaced major manufacturing machinery that was 15 years old or older, such as air compressors and water chillers, with new models. In 2019, we replaced three compressors (two 50-hp models and one 20-hp model) with one 150-hp model with frequency conversion capability, which can save up to 196,134 kWh of electricity each year.

Energy Consumption				
Energy Type	Unit	Annual Performance		
		2017	2018	2019
Diesel	kL	1.7	3.1	3.4
	MJ	5.97*10 ⁴	1.09*10 ⁵	1.21*10 ⁵
Gasoline	kL	6.1	4.1	3.9
	MJ	1.99*10 ⁵	1.34*10 ⁵	1.26*10 ⁵
Purchased Electricity	MWh	27,024	39,349	43,532
	MJ	9.74*10 ¹⁰	1.46*10 ¹¹	1.56*10 ¹¹
Total	MJ	≈9.74*10 ¹⁰	≈1.46*10 ¹¹	≈1.56*10 ¹¹

Notes:

1. Diesel is used as a stationary energy source primarily for generators and a mobile energy source for forklifts, whereas gasoline is used as a mobile energy source primarily for company-owned vehicles.
2. Purchased electricity as indicated on electric bills issued by the Taiwan Power Company.
3. Annual consumption by our Pingzhen Office accounted for less than 0.1% of total consumption in the past three years, and the office has therefore been excluded from the energy and greenhouse gas inventory.
4. Gross calorific value of diesel: 8,400 Kcal/l 8,400 Kcal/l × 4.184 = 35,146 KJ/l 35,146 KJ/l × (energy intensity + 1,000) = megajoules (MJ)
5. Gross calorific value of gasoline: 7,800Kcal/l 7,800Kcal/l × 4.184 = 32,635KJ/l 32,635 KJ/l × (energy intensity + 1,000) = megajoules (MJ)
6. Electricity (MWh) ÷ 0.000277778 = megajoules (MJ)

Major Energy Saving Measures				
Year	Measures	Estimated Annual Electricity Savings (MWh)	Calculation Method	
2017	 Operating frequency lowered from 60 Hz to 50 Hz	51.4	Two air conditioners had their operating frequency lowered from 60 Hz to 50 Hz, lowering their wattages by a combined 5.86 kW. 5.86 kW × 8,760 hours (1 year) = 51,334 kWh/year	
	 Purchase of green electricity	100		
2018	 Replacement of fluorescent lamps with LED lights	934	80 W fluorescent lamps replaced with 28 W LED lights. 2,400 sets of fixtures × (80W – 28W) ÷ 1,000 (W / kW) × 7,488 hours (1 year) = 934,502 kWh/year	
2019	 Replacement	196	Three traditional compressors totaling 120 horsepower (two 50-hp models and one 20-hp model) were replaced with one 150-hp model with frequency conversion capability: <ul style="list-style-type: none"> ● Before the replacement, the three compressors ran 8,592 hours annually with 120 hp combined, consuming 769,156 kWh electricity. ● The new compressor requires a lower wattage of 6.55 kW /m³ compared to the original 8.8 kW /m³, boosting power efficiency by 25.5%. Therefore, the replacement resulted in 196,134 kWh in annual energy savings (= 769,156 kWh × 25.5 %).	



Adjust air pressure supplied by air compressor to reduce electricity consumption








Replacement of fluorescent lamps with LED lights



Replacement of two traditional compressors with a frequency conversion one

Greenhouse Gas Reduction Outcomes After Implementing Energy-saving Measures

	Outcomes		
	2017	2018	2019
Electric Power Savings 	51 MWh	934 MWh	196 MWh
Electric Power Savings 	1.8*10⁵ MJ	3.4*10⁶ MJ	0.7*10⁶ MJ
CO ₂ Reduction 	28.254 tCO ₂ e	517.436 tCO ₂ e	108.584 tCO ₂ e
Total Invested Amount 	0 NT\$	2,160,000 NT\$	1,650,000 NT\$
Annual Cost Savings 	128,355 NT\$	2,226,255 NT\$	490,000 NT\$

Notes:

1. The emission coefficient for purchased electricity was 0.554 kg-CO₂e/KWh (2017–2018) and 0.533 kg-CO₂e/KWh in 2019.
2. Electricity (MWh) × 0.000277778 = megajoules (MJ)
3. Cost savings were calculated based on an electric power rate of NT\$ 2.5 per kWh (the average electric power rate during off-peak and half-peak hours as listed in Taiwan Power Company's three-stage rate schedule).

4.2 Green Materials

4.2.1 Hazardous Substance Management

Flexium formulated its hazardous-substance-free (HSF) policies and goals in accordance with the IECQ QC 080000 *Hazardous Substances Process Management* (HSPM) Standard, with particular emphasis on systematic management and a process-oriented approach for dealing with hazardous substances to provide our clients with products that comply with international environmental protection regulations and satisfy customer needs.

The Company complies with RoHS, REACH, the EU *Packaging and Packaging Waste Directive*, China RoHS, California Prop 65, and the *Montreal Protocol*, as well as other applicable international or regional regulations. Internally, we have a management system in place to control the procurement process, manufacturing, and finished goods and ensure that hazardous substance control rules are followed at every stage. We regularly audit the Company's compliance with hazardous substance controls. Furthermore, we use a variety of measures to achieve airtight compliance, including annual customer satisfaction surveys, statistics on hazardous substance complaints, informing employees of the latest international and domestic regulations, and internal and external audits. To reinforce source materials management, we launched our in-house developed provider's portal in 2017, giving all suppliers a quick and efficient way to access and agree to Flexium's hazardous substance control policies and rules in real time. This ensures that the materials they provide are in keeping with international regulations and customer requirements. Flexium's current products are all 100% RoHS compliant. Excluding orders with client-specified materials, we have, for many years, had zero use of hazardous substances, zero customer complaints related to hazardous substances, and zero anomalies when screening materials for such substances.

4.2.2 Materials Management

In keeping with our vision to “be a CSR doer and make society and the environment better,” we have set short-, medium- and long- term sustainability goals and actively implemented our CSR policies of “Care, Health, Green, Integrity, and Advancement.” Providing high-quality, eco-friendly products for our customers around the world is the ultimate goal of our materials procurement strategy and our primary consideration in environmental protection. For better product quality that meets our clients’ standards, we use new materials in all our products. At this stage, we have no plans to purchase recycled materials. According to internal procurement statistics in 2018, our top three materials in terms of volume were copper, coverlays, and chemicals. Fluctuations in volume can be attributed to changes in product structure and market demand. Due to the rising demand for new products and multi-layer FPCs in 2019, our usage of copper, coverlays, and chemicals increased by 15%, 3% and 10% respectively over the previous year. Flexium is intent on procuring locally-sourced materials to reduce unnecessary air or ocean freight costs and lower our carbon footprint in the shipping process. Currently, the majority of our raw materials are sourced from Taiwan. In 2019, 94% of our procurement budget was spent locally to support local suppliers’ growth. As for chemical containers, we stopped ordering 1-liter bottles and switched to 10-liter barrels instead, dramatically cutting down on waste containers, frequency of delivery, and the labor required to sort through chemicals. In H2 2019, we began planning for a centralized chemical feeding, which will be installed in a new plant in 2020. The system will reduce the required frequency for material feeds and, in turn, carbon dioxide emissions.

Usage of Main Materials				
Item	Unit	Usage		
		2017	2018	2019
Copper	m ²	853,826	622,172	715,566
Coverlays	m ²	1,068,708	868,120	890,610
Chemicals	l	658,968	611,324	672,476

Notes:
 1. Chemicals are primarily liquids.
 2. Data sources: internal procurement system and material requisition slips.

4.3 Water Management

Flexium is dedicated to the protection and effective use/reuse of water resources as well as reducing consumption. We review our use and conservation of water resources and closely monitor for drought-induced water stress risk. We have installed pH meters and conductivity meters to measure tap water quality at all times, and use the resulting data as the baseline for the water-purification system. Reservoirs were installed in our plants to ensure that our water supply will not be interrupted by unforeseen external factors and that we will experience no immediate impact from water shortages. Our water usage management is based on the three principles of reduction, reuse, and recycling. We monitor daily water consumption on our production lines and adjust our usage of purified reclaimed water accordingly. We rely solely on tap water from the Fongshan Reservoir as our only water source. In 2019, the total volume of tap water we drew from the Reservoir amounted to 732,384 metric tons, a 2.8% increase from 712,539 tons in 2018. In mid-2019, we introduced a new reclaimed water treatment system and used it to process 119,254 metric tons of recycled water, a 26.4% increase from 2018’s 94,338 tons. Digital water meters were installed to remotely monitor water usage, check for irregularities, and reduce resulting waste. We require all production lines to conserve water to the greatest extent possible and convene weekly to review water usage. In addition to production line monitoring, we hope to identify water conservation bottlenecks and draw up effective solutions through interdepartmental brainstorming.



Tap water pH monitoring






Tap water conductivity monitoring



Purified water conductivity monitoring

Water Management Performance				
Item	Unit	Metric tons (t)		
		2017	2018	2019
Tap Water	t	676,368	712,539	732,384
Recycled Water	t	88,985	94,338	119,254
Recycling Rate (recycled water/tap water)	%	12.77	13.23	16.28

Notes:
 1. Tap water usage is based on monthly water bills.
 2. The volume of recycled water is based on daily records (end-of-day readings of the volume of water entering the recycling system).

Water Conservation Measures and Outcomes				
Item	Unit	2017	2018	2019
Measures 	-	Digital water meters for plant-wide water usage monitoring and real-time management	Digital water meters for plant-wide water usage monitoring and real-time management	New reclaimed water treatment system introduced in 2019
Water Conservation 	t	88,985	94,338	119,254
Annual Cost Savings 	NT\$	4,182,295	4,433,886	5,604,938

Notes:
 1. Digital water meters produce real-time statistics for effective control of water usage.
 2. The new reclaimed water treatment system introduced in mid-2019 significantly increased our water recycling rate.
 3. The base rate for calculating cost savings was NT\$ 47 per metric ton of recycled water.
 4. Annual cost savings = water conservation × NT\$ 47 per ton (sewage collection: NT\$ 27 per ton + basic water charge: NT\$ 20 per ton).



Reclaimed water treatment facility ultrafiltration (UF) unit



Reclaimed water treatment facility electrodiolysis reversal (EDR) unit




Reclaimed water treatment facility automated control system

4.4 Waste Management

In case of a chemical leak incident, Flexium has a set of emergency response guidelines in place to minimize the threat posed to our employees and the environment. Fortunately, the Company has experienced no major leaks resulting in penalties imposed by the competent authority since it began operations. Our manufacturing processes do not produce any substances that deplete the ozone layer, and we procure eco-friendly refrigerants whenever possible.

Air pollutants produced by Flexium primarily consist of volatile organic compounds (VOCs). We hold a permit for stationary pollution sources issued by the Environmental Protection Bureau. According to test results from a trial run, our actual emissions level was well below the standards stipulated by the Environmental Protection Bureau as set forth in the *Stationary Pollution Source Installation and Operating Permit Management Regulations*. Furthermore, we have formulated our *Air Pollution Control Procedures* and *Acid Gas Scrubber Tower Processing Procedures*, as well as management protocols for irregularities, such as our *Exhaust Scrubber Tower Emergency Response Procedures*. We keep trained air-pollution prevention technicians on staff to operate stationary pollution source equipment, and we regularly update our operational records for permit compliance. We have passed all inspections throughout our history, including surprise inspections by the competent authority, with no record of violation. We have installed equipment to capture pollutants from our scrubbers and we keep weekly, monthly, quarterly, semi-annual, and annual maintenance schedules for various facilities and components. Should a large amount of pollutants be released due to plant equipment malfunctions or other unexpected incidents, Flexium promises to report the incident to the local Environmental Protection Bureau within an hour of occurrence, repair the malfunction or cease operations within 24 hours, and submit a written report to the local authorities within 15 days, pursuant to the *Air Pollution Control Act*.

VOC Emissions				
Item	Unit	Usage		
		2017	2018	2019
Emissions 	kg	12,610	21,488	24,480

Notes:

- All values were calculated based on the Environmental Protection Bureau's Regulations Governing VOC-Discharging Industry Reporting of Manufacturing Discharge Coefficients, Operating Units (Including Equipment and Components) Discharge Coefficients, Control Efficiency, and Other Metrics from Stationary Pollution Sources at Public and Private Properties for Air Pollution Control Fee Assessment
- Greater manufacturing capacity in 2019 led to an increase in VOC emissions.
- Source: Quarterly reports prepared for the Environmental Protection Administration (EPA) in 2019.



Air pollution prevention system



Cleaning scrubber tower filters



Backfilling scrubber towers with cleaned filters

All wastewater produced by Flexium is treated through coagulation to meet local effluent standards before being discharged into the Kaohsiung Linhai Linyuan & Dafa Industrial Parks Combined Wastewater Treatment Plant for further processing. We make an effort to reduce wastewater discharge from the source and put equal emphasis on end-of-pipe (EOP) treatment so that it does not impact natural habitats and biodiversity in any significant way. The volume of discharged wastewater in 2019 was 643,778 tons, a 4.6% increase from 615,485 tons in 2018, which can be attributed to an increase in production output.

Wastewater Discharge Management Performance						
Category	Item	Effluent Limits	Unit	2017	2018	2019
Volume	-	-	Ton	545,651	615,485	643,778
Quality	Temperature	<40	°C	29.6	31.4	29
	H ⁺	5-9	pH	8.6	7.4	7.4
	COD	<480	ppm	89.7	60.6	81.9
	BOD	<240	ppm	23.3	16.7	<2.0
	SS	<240	ppm	5.6	4.6	7.5
	CN ⁻	<1.0	ppm	N.D	N.D	0.01
	Cd	<0.03	ppm	N.D	N.D	N.D
	Pb	<1.0	ppm	N.D	<0.001	N.D
	Cu	<3.0	ppm	0.889	0.209	0.607
	Cr ⁶⁺	<0.5	ppm	N.D	N.D	N.D
	Ni	<1.0	ppm	0.057	<0.008	0.176
	As	<0.5	ppm	N.D	N.D	N.D
	Hg	<0.005	ppm	N.D	N.D	N.D

Notes:
 1. N.D = Not detected
 2. Test dates: November 28, 2017; May 21, 2018; April 16, 2019 (conducted by an EPA-certified inspection organization)
 3. Discharge volumes were based on the wastewater processing bills issued by the treatment plant in the industrial park.



Chemical coagulation and sedimentation tank



Electrolytic copper recovery system



Water outflow from the sedimentation tank

Flexium and its contractors have never violated solid waste disposal and processing regulations. To ensure that solid wastes are effectively classified and stored, and to allow for immediate and appropriate response in case of waste-related incidents, we formulated our *Solid Waste Sorting, Storage, and Disposal Operation Procedures* to help personnel in the Environmental Engineering Section classify our solid waste into two major categories: general industrial waste and hazardous industrial waste. According to our *Solid Waste Disposal Checklist*, our primary hazardous solid waste includes waste mercury-vapor lamps, waste ink, PCB scrap (waste metals and debris), wastewater treatment sludge from electroplating, waste etchants, containers for hazardous waste, copper and copper compounds, copper sulfate pentahydrate, and waste cyanide-based electroplating solution, all of which has been contracted to licensed domestic companies for transport and disposal. No solid waste was shipped abroad for disposal. The total volume of solid waste produced in 2019 was higher than the previous year mainly due to an increase in output.

Solid Waste Production					
Category	Item	Unit	2017	2018	2019
General Industrial Waste	Recycled	tons	509	325	470
	Recycling rate	%	59	46	48
	Incinerated	tons	350	385	502
	Incineration rate	%	41	54	52
Subtotal		tons	859	710	972
Hazardous Industrial Waste	Recycled	tons	1,530	1,645	1,569
	Recycling rate	%	100	100	100
	Incinerated	tons	0	0	0
	Incineration rate	%	0	0	0
Subtotal		tons	1,530	1,645	1,569
Total		tons	2,389	2,355	2,541

Notes:

1. Source: Data collected from the EPA's Solid Waste Export Report System.
2. Notes on the calculation: Domestic waste is weighed once a month, and the results are used to estimate monthly total waste outputs.

In terms of product recycling and treatment of packaging materials, our primary products are FPCs and FPCAs. After our products are sold to a client, any defective items will be either scrapped locally for disposal by the client or shipped back to Flexium for disposal. Therefore, returned products consist of defective FPCs or FPCAs. Our packaging materials consist mostly of cartons and trays, which become the property of the client upon delivery. We encourage our clients to recycle, clean, and reuse these packaging materials.



Waste storage area



Recycling defective goods for scrap value



Disposal of copper scrap

4.5 Ecological Efficiency

To ensure eco-efficient manufacturing, Flexium has introduced the following green design concepts into its production lines: green materials, green manufacturing, green processes, and green products. Beginning from the product planning and design stage, we try to minimize environmental risk and impacts to achieve reductions in carbon emissions, exhaust, and wastewater. In the selection of materials, we prioritize products made from green materials that not only comply with EU and global regulations but also measure up to Flexium's environmentally friendly outlook. Our R&D and procurement teams meet with suppliers every year to search for green alternatives. Therefore, we are able to continually increase the percentage of green materials used. Our ultimate goal is to use green materials in all of our production lines.

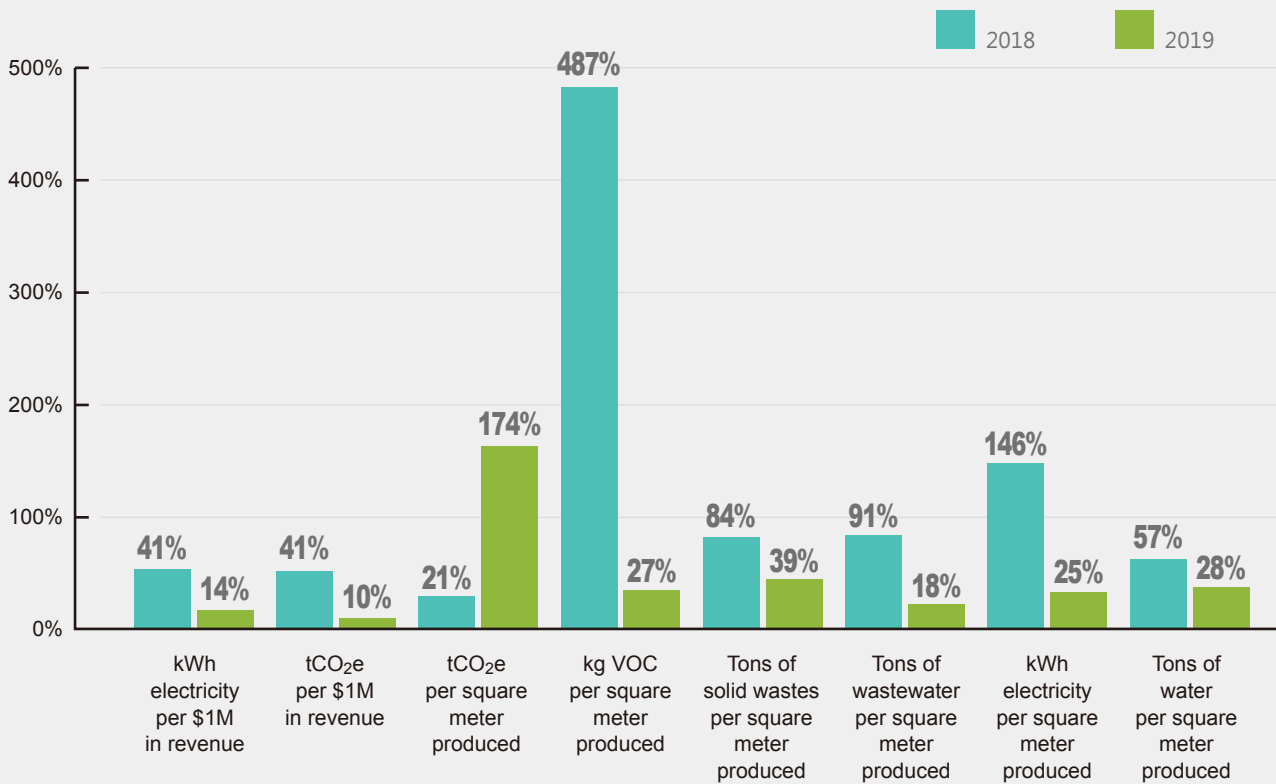
Flexium's primary consideration for achieving green design is saving energy and reducing carbon emissions during new product R&D. We respond early to potential environmental risks and impacts associated with our products by eliminating unnecessary manufacturing processes and optimizing the overall workflow. FPCs can be rolled, twisted, bent, and curved in a 3-D space for embedding in devices requiring a high-density circuit layout. FPCs work extremely well under spatial constraints, and customers may request very specific lengths, weight, and thinness, or even irregular shapes, posing a challenge to circuit layout design. Because of the high degree of customization and frequent spatial constraints, FPCs are considerably more process-intensive and require more steps to produce than traditional PCBs. However, by shortening production time without compromising quality and quantity, we can reduce environmental pollution, increase efficiency, cut down on materials use and therefore the amount of waste and waste disposal, as well as effluents and air pollutant emissions from the manufacturing process. Doing so helps us fulfill our goals of conserving energy and contributing to a greener environment.

Manufacturing Eco-Efficiency				
Unit	Efficiency			Change (% , 2019 vs. 2018)
	2017	2018	2019	
kWh electricity per \$1M in revenue	1,046	1,470	1,674	+14%
tCO ₂ e per \$1M in revenue	0.580	0.815	0.900	+10%
tCO ₂ e per 1 m ² produced	0.014	0.017	0.047	+174%
kg VOC per 1 m ² produced	0.0063	0.0370	0.0470	+27%
Tons of solid waste per 1 m ² produced	0.0019	0.0035	0.0049	+39%
Tons of solid wastewater per 1 m ² produced	0.55	1.05	1.24	+18%
kWh electricity per 1 m ² produced	27.2	67.0	84.0	+25%
Tons of water per 1 m ² produced	0.70	1.10	1.40	+28%

Notes:

- Dollar amounts are denominated in New Taiwan Dollars.
- One lot is equal to 100 items and was equivalent to 8.03 m² in surface area in 2017, 8.50 m² in 2018, and 8.00m² in 2019.
- Data for wastewater and tap water volume comes from water bills. The figures for production output were provided by the Finance Division.
- Changes from 2018 to 2019 were calculated as follows: [(2019 values – 2018 values) / 2018 values] × 100%.

Comparison of Manufacturing Eco-Efficiency in 2018 and 2019



Flexium’s environmental protection goal is zero fines and zero pollution. If our products or operations cause an environment-related dispute, then we refer to our *Communication Management Procedures* to provide guidelines on handling, communications, and negotiation. Flexium has never experienced any environmental pollution incidents or received any complaints in this regard. However, in October 2018, the Environmental Protection Bureau notified us of a clerical error in solid waste volume reporting that occurred in January 2018, which resulted in a mismatch between the actual output volume minus reported volume and the storage volume. Despite an appeal on the grounds that no threat of pollution was caused by the error, the Environmental Protection Bureau still deemed it a violation of §31.1.2 of the *Waste Disposal Act*, and a fine was issued in January 2019. A review procedure was established to prevent similar human error from occurring in future reports.



Employee First

Employee First

Talent is the heart that drives the business operations of Flexium and the key to its sustainable corporate governance. We make a point of investing resources into talent management in order to improve employee performance, maintain the Company's competitiveness, and attract and retain top talent. We also support our employees in their efforts to continue learning and evolving, and provide a healthy and safe working environment to increase employee engagement, creating a win-win situation that is mutually beneficial to the Company, our employees, and their families (society).

5.1 Talent Attraction and Retention

5.1.1 Workforce Composition

Due to the complex nature of the flexible printed circuit manufacturing process, the large amount of manpower needed for the back-end manufacturing process, and the industry's seasonal fluctuations in demand, Flexium is continuing to move toward automated manufacturing and increasing employee retention rates. We focus on the recruitment and development of talent with expertise in related fields. In 2019, Flexium had a workforce (including dispatched workers) of 2,022 individuals, an increase of roughly 6% compared to 2018. The growth in our workforce mainly stemmed from an increase in first line workers. To enhance the capabilities of the existing workforce, Flexium continues to train and develop multi-skilled workers and, through job rotation, helps first line workers acquire new skills and fully explore their potential.



In order to maintain a stable workforce, we have adopted key performance indicators for our vacancy fill rate and new hire retention rate:

Vacancy fill rate

We calculate the weekly vacancy fill rate by compiling a spreadsheet with the weekly number of hires, recruitment target, and total number of individuals recruited, and notify relevant departments to keep them updated with the latest workforce status.

New hire retention rate

We compile monthly statistics on employee turnover and analyze both new hires and existing employees to determine the status of new hire retention and the causes of employee turnover.

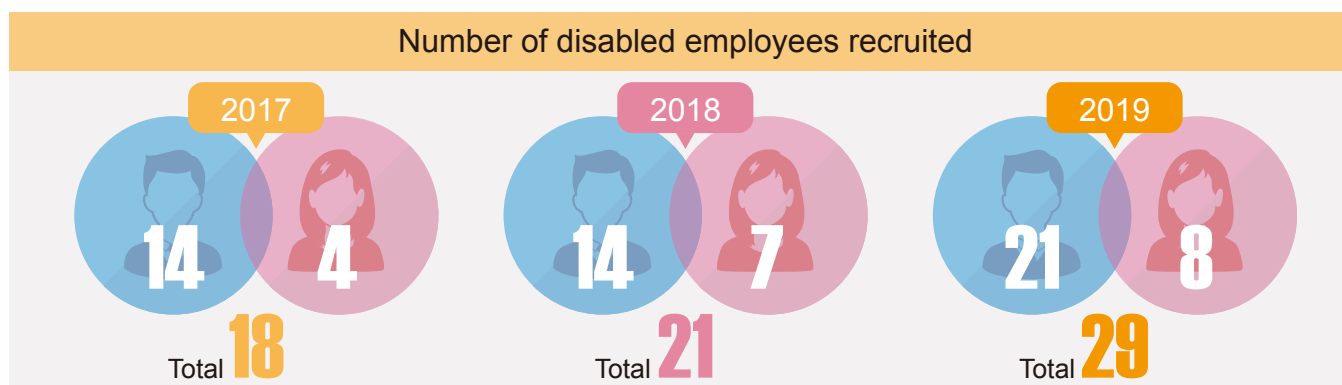
Flexium Workforce Composition								
Categories	Year		2017		2018		2019	
	Group	Gender	Number of employees	Percentage in workforce(%)	Number of employees	Percentage in workforce(%)	Number of employees	Percentage in workforce(%)
Type of employment contract	Permanent employees	Male	907	42.3	861	45.3	902	44.6
		Female	550	25.7	568	29.9	629	31.1
	Dispatched workers	Male	245	11.4	85	4.5	67	3.3
		Female	182	8.5	70	3.7	44	2.2
	Foreign Workers	Male	0	0.0	0	0.0	0	0.0
		Female	259	12.1	317	16.7	380	18.8
Age	Below 30	Male	482	22.5	313	16.5	306	15.1
		Female	461	21.5	436	22.9	490	24.2
	30-50	Male	635	29.6	592	31.1	624	30.9
		Female	515	24.0	498	26.2	545	27.0
	50 and above	Male	35	1.6	41	2.2	39	1.9
		Female	15	0.7	21	1.1	18	0.9
Position	Senior management	Male	17	0.8	20	1.1	18	0.9
		Female	0	0.0	1	0.1	1	0.0
	Middle management	Male	75	3.5	79	4.2	82	4.1
		Female	16	0.7	15	0.8	18	0.9
	First-line management	Male	97	4.5	89	4.7	80	4.0
		Female	19	0.9	18	0.9	24	1.2
	Engineers & administrators	Male	254	11.9	247	13.0	297	14.7
		Female	133	6.2	153	8.0	165	8.2
First line workers	Male	709	33.1	511	26.9	492	24.3	
	Female	823	38.4	768	40.4	845	41.8	
Job category	Manufacturing	Male	827	38.6	632	33.2	660	32.6
		Female	801	37.4	745	39.2	833	41.2
	QA	Male	68	3.2	51	2.7	59	2.9
		Female	56	2.6	60	3.2	73	3.6
	R&D	Male	101	4.7	128	6.7	101	5.0
		Female	53	2.5	57	3.0	42	2.1
	Administrators and others	Male	156	7.3	135	7.1	149	7.4
		Female	81	3.8	93	4.9	105	5.2

Notes:

- The statistics are compiled based on the number of individuals on December 31 of each year.
- Senior management: top managers; middle management: mid managers; first-line management: section/subsection supervisors. Permanent employees: Employees under regular employment, including senior management, first line workers, and part-time employees, but excluding foreign employees. Dispatched workers: Employees who are employed by a dispatching agency to provide services for Flexium. Foreign employees: Foreign workers employed under fixed-term contracts.
- Manufacturing personnel: Employees in all manufacturing departments. R&D personnel: Employees in all R&D departments. QA personnel: Employees in all quality assurance and control departments. Administrative personnel: Employees in the Administration Management Division, MIS Division, Finance Division, Materials Management Division, and Sales Division. Personnel not listed above are categorized as other personnel.

5.1.2 Workforce Diversity

To improve workforce diversity and provide opportunities for minority groups, Flexium does not discriminate on the basis of age, gender, religion, or race in its recruitment of employees. We encourage the recruitment of disabled employees, placing them in suitable positions to improve operational efficiency and boost employee confidence. In the past three years, the Company has seen continuous growth in its number of disabled employees, who all rank higher in terms of seniority than the average for non-disabled employees. Flexium gives back to society through employee recruitment by offering stable, steady work and a safe working environment for members of disadvantaged groups.



5.1.3 New Employee Hires and Employee Turnover

The number of new employees hired at Flexium in 2019 was 490, a large number of which are individuals aged below 30 years.

Category	Year		2017		2018		2019	
	Group	Gender	Number of employees	Percentage in workforce(%)	Number of employees	Percentage in workforce(%)	Number of employees	Percentage in workforce(%)
Age	Below 30	Male	151	8.80	67	3.84	103	5.39
		Female	170	9.91	140	8.02	164	8.58
	30-50	Male	167	9.73	66	3.78	114	5.97
		Female	106	6.18	66	3.78	105	5.49
	50 and above	Male	3	0.17	2	0.11	3	0.16
		Female	0	0.00	0	0.00	1	0.05
Total			597	34.79	341	19.53	490	25.64

Note: New hire percentage = total number of new employees hired (excluding dispatched workers)/total number of incumbent permanent employees (excluding dispatched workers) on December 31 of the given year

A total of 398 employees left Flexium in 2019, accounting for 20.83% of our workforce; most of the employees who left the Company were individuals aged 30-50 years. The turnover rate has increased over the past two years due to the transition of dispatched workers to full-time employees, as well as the changes in work shifts policy.

In order to reduce the turnover rate and improve employee care, employees who announce their intent to resign are asked to attend an exit interview with their department head and the Human Resources Department, who attempt to determine whether the resignation is due to personal or managerial reasons. If an employee resigns for managerial reasons, the opinions of the employee are forwarded to the relevant department in order to carry out corrective action. Irregular and annual stay interviews are conducted (the latter by the Human Resources Department) to

collect employee feedback, which is analyzed to develop corrective action. To improve its retention rate, Flexium conducts an annual review to decide on promotions and pay raises by examining employees' personal performance metrics and their performance evaluation by their superiors, to motivate employees to give their best.

Composition of employees who resign								
Category	Year		2017		2018		2019	
	Group	Gender	Number of employees	Percentage in workforce(%)	Number of employees	Percentage in workforce(%)	Number of employees	Percentage in workforce(%)
Age	Below 30	Male	57	3.32	106	6.07	80	4.19
		Female	61	3.55	82	4.70	82	4.29
	30-50	Male	38	2.21	103	5.90	123	6.44
		Female	56	3.26	73	4.18	104	5.44
	50 and above	Male	1	0.06	3	0.17	7	0.37
		Female	3	0.17	0	0.00	2	0.10
Total			216	12.59	367	21.02	398	20.83

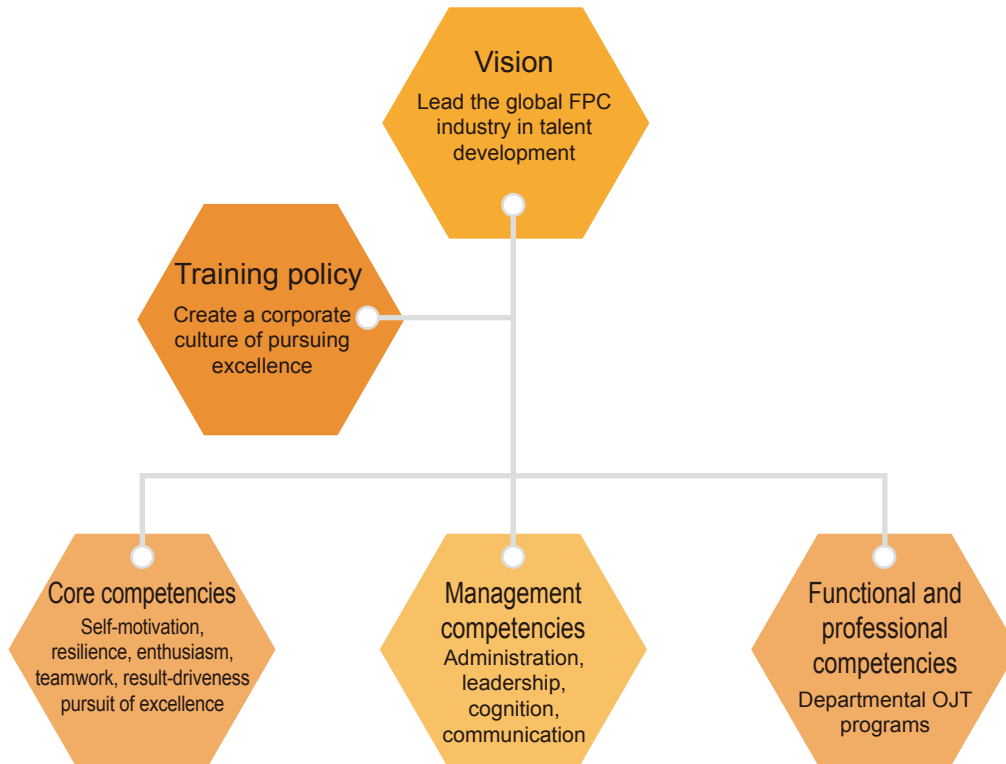
Notes:
1. Turnover rate = total number of permanent employees (excluding dispatched workers) who resign/total number of incumbent permanent employees (excluding dispatched workers) on December 31 of the given year
2. Employees who resign within three months of employment are excluded from calculation; the data for 2017 and 2018 have been adjusted accordingly.

5.2 Talent Development

5.2.1 Career Development and Planning

To improve the Company's competitiveness and boost talent development, Flexium actively invests resources into employee training and development to enhance employee capabilities and develop a multi-skilled workforce through on-the-job training (OJT), off-the-job training (Off-JT), and personal self-development. For our efforts, we were awarded the Talent Quality-management System (TTQS) Enterprise Silver Award in 2014 and the Enterprise Gold Award in 2016 by the Ministry of Labor. This recognition from the government is a testament to our achievements in talent training and development. We shall continue our employee development efforts to improve the quality of our workforce and help our employees grow and find satisfaction in their jobs.

Flexium aspires to lead the global flexible printed circuit (FPC) industry in talent development and is committed to a corporate culture of pursuing excellence. We have developed training courses in three core competencies to improve employee capabilities and boost innovation. We have also formulated key training curriculums for different positions to help employees develop their professional and management competencies. Through these training curriculums, we help our employees develop their professional competencies and maximize corporate benefits. Employee training programs in 2019 totaled 116,605 training hours, with each employee receiving, on average, 40 hours of training. The training programs include new employee orientation, general education courses, project management training, and other competency training programs. Training expenditures in 2019 totaled approximately NT\$14.54 million. Due to the establishment of the new plant in 2019, there was a great surge in the number of new employee hires, which in turn increased the number of training hours for new employee orientation, production line training, and CSR training, along with the corresponding training expenditures.



Total training expenditures/training hours		
2017	2018	2019
<p>\$\$\$ Total expenditure (NTD) 18,506,603</p>	<p>\$\$\$ Total expenditure (NTD) 8,790,581</p>	<p>\$\$\$ Total expenditure (NTD) 14,547,869</p>
<p>🕒 Total training hours 154,920</p>	<p>🕒 Total training hours 63,324</p>	<p>🕒 Total training hours 116,605</p>
<p>\$\$\$👤 Mean training expenditure per employee (NTD) 4,971</p>	<p>\$\$\$👤 Mean training expenditure per employee (NTD) 3,711</p>	<p>\$\$\$👤 Mean training expenditure per employee (NTD) 4,945</p>
<p>🕒👤 Mean training hours per employee 42</p>	<p>🕒👤 Mean training hours per employee 27</p>	<p>🕒👤 Mean training hours per employee 40</p>
<p>Notes: 1. The number of employees used in the calculation is the number of employees at the Kaohsiung Site who received training in the given year and includes permanent employees/dispatched workers/foreign workers/resigned employees. The number of employees in 2019 was 2,942. 2. Total training expenditure includes payroll expenditures for new employee hires in orientation training.</p>		

Competency training hours

		2017	Mean	2018	Mean	2019	Mean
All personnel	Male	89,593	42	30,991	26	68,665	45
	Female	52,404	33	22,419	19	37,261	27
Position	Senior management (Male)	1,126	66	562	28	943	50
	Senior management (Female)	0	0	28	28	52	52
	Middle management (Male)	4,970	65	2,220	27	4,296	51
	Middle management (Female)	1,060	66	421	28	943	52
	Junior management (Male)	6,427	65	2,501	28	4,191	52
	Junior management (Female)	1,259	66	506	28	1,257	52
	Engineers (Male)	16,830	58	6,940	25	15,559	45
	Engineers (Female)	8,813	62	4,299	27	8,644	48
	Specialists (Male)	46,979	29	14,357	20	25,774	26
	Specialists (Female)	54,533	38	21,577	22	44,267	37
Type of work	Manufacturing personnel (Male)	54,798	24	22,846	27	62,531	53
	Manufacturing personnel (Female)	53,075	30	16,469	18	35,787	31
	QA personnel (Male)	4,506	44	2,240	33	2,131	30
	QA personnel (Female)	3,711	42	2,419	31	2,277	26
	R&D personnel (Male)	6,692	54	3,112	23	4,467	40
	R&D personnel (Female)	3,512	48	850	15	922	21
	Administrative and other personnel (Male)	10,337	51	2,790	19	4,597	27
	Administrative and other personnel (Female)	5,367	55	2,685	27	3,713	32

Notes:

1. Competency training includes courses in administrative competencies (management courses) and professional competencies (professional training courses for all positions).
2. Total competency training hours are calculated with the following formula: Total training hours – (total training hours for Human Rights & CSR course and SRC course) = total competency training hours.
3. Senior management: top managers; middle management: mid managers; first-line management: section/subsection supervisors. Manufacturing personnel: Employees in all manufacturing departments. R&D personnel: Employees in all R&D departments. QA personnel: Employees in all quality assurance and control departments. Administrative personnel: Employees in the Administration Management Division, MIS Division, Finance Division, Materials Management Division, and Sales Division. Personnel not listed above are categorized as other personnel.
4. Mean training hours are the average training hours per employee for courses in administrative competencies (management courses) and professional competencies (professional training courses for all positions).
5. The calculation of mean training hours is as follows: Total hours of competency training (for all positions and types of work) divided by total number of employees (including regular employees, dispatched workers, and new employee hires in all positions and for all types of work) of the given year.

Engineer Elite Program

Flexium launched its Engineer Elite Program, a new trainee development project, in June 2019. As of the end of 2019, the program has been held twice. The program primarily recruits new engineering bachelor's and master's degree graduates without work experience. The Company looks for individuals with plenty of drive and an adventurous spirit and provides them with the opportunity to make full use of their skills and abilities by offering a comprehensive training program carried out to improve departmental productivity. We also created an interdepartmental training program to facilitate interdepartmental collaboration and boost the development of ambitious young new hires.

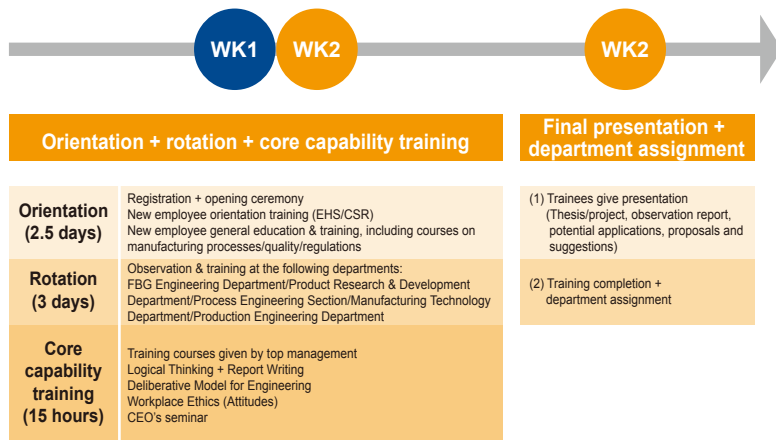
Engineer Elite Program Performance

Number of trainees attending the program	Number of trainees appointed in the Mutual Selection*	Training completion rate	Number of trainees who passed the probation	Passing rate
14	14	100 %	13	93 %

*Mutual Selection: Trainees fill out their preferred department, while the training managers select trainees during the final presentation. Through a matchmaking process afterwards, the preferences of both parties are taken into consideration, and the trainees who have been selected are announced and appointed to the various departments.

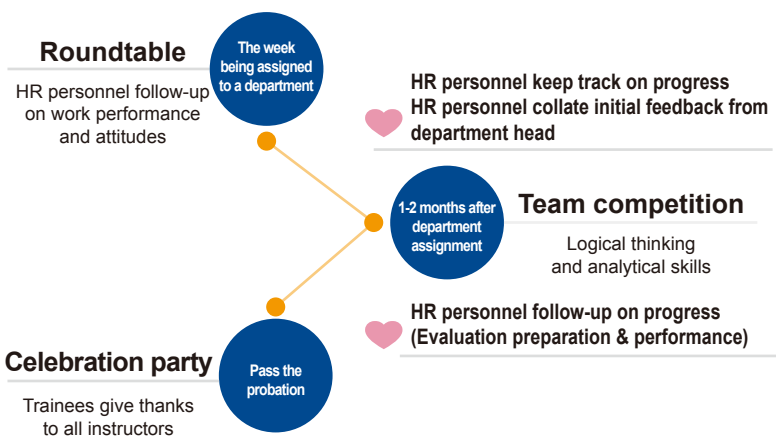
Mode System

Development Phase: Two-Week Training



The CEO and all the trainees at the seminars

Team-building Phase: Post-Appointment Activities





Final presentation and Mutual Selection (matchmaking activity for departments and trainees) are carried out after two weeks of training – The trainees of the 2nd Engineer Elite Program and the department heads



Line managers and program trainees at the production lines during rotation training



The trainees of Engineer Elite Program and the department heads



Program trainees having fun in team-building activities

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

The 2nd First Line Supervisor Hand-in-Hand Master-protégé Program was begun in 2019 with the selection of a new group of mentor/mentee pairs. In addition to the production line learning pathway carried over from the previous program, we created several sets of standardized teaching materials to help mentors carry out one-on-one online coaching with their mentee. We also continued our systematic approach to extract the knowledge, skills, and experience of production line managers and pass them on via a standardized process, thus maximizing corporate benefits. Furthermore,



Mentor-mentee matching ceremony



Final presentation

we adopted Structured On-the-Job Training (S-OJT) for production line managers to create a more comprehensive training system that will help future first line supervisors at our new plant acquaint themselves with their responsibilities.

Performance:

Number of mentees were selected from different departments in 2019	Set of teaching materials were developed	Number of mentees gave final presentations	Number of mentees were certified
16 mentees	16 sets	16 mentees	14 mentees

5.2.2 Promotion and Compensation

Flexium motivates its employees by tying compensation to Company performance, departmental performance, and personal performance. In addition to offering competitive wages higher than the local minimum wage, we ensure external, internal, and employee equity and offer regular performance and career development evaluations to ensure open channels for employee advancement.

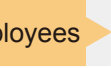

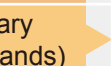
We conduct biannual performance reviews for employees who have been with us for over 4.5 months. After discussion with their superiors, employees in positions above the level of engineers/administrators set annual goals in January and July, which are evaluated in the midterm evaluations in March and September and final evaluations in July and the following January. Annual promotions and pay raises based on the results of the previous year's performance evaluation are made effective in February and August.

In terms of career development, we aspire to place our employees in positions where they can be the most effective. Internal job transfer opportunities are offered to employees through internal announcements to solicit voluntary applications. If employee reassignment is required, the Company consults the employees before implementing any changes in order to ensure employees' rights.

The salary ratio of men to woman						
Gender pay ratio	2017		2018		2019	
	Basic Salary	Package	Basic Salary	Package	Basic Salary	Package
Engineers/ administrators 	1.23	1.34	1.39	1.66	1.45	1.60
QA personnel 	1.13	1.22	1.05	1.24	1.50	1.89
R&D personnel 	1.27	1.33	1.30	1.42	1.15	1.31
Manufacturing personnel 	1.18	1.11	1.21	1.21	1.25	1.34
Other personnel 	1.59	1.68	1.66	1.71	1.23	1.19

Notes:

1. Basic salary = basic pay. Package = basic salary + bonus + benefits. Gender pay ratio = male wages/female wages.
2. Manufacturing personnel: Employees in all manufacturing departments. R&D personnel: Employees in all R&D departments. QA personnel: Employees in all quality assurance and control departments. Administrative personnel: Employees in the Administration Management Division, MIS Division, Finance Division, Materials Management Division, and Sales Division. Personnel not listed above are categorized as other personnel.

Salary of non-management full-time employees			
Item	2018	2019	Percentage increase/decrease (%)
Number of employees 	1,622	1,583	-0.02
Mean salary (NTD in thousands) 	630	630	0
Median salary (NTD in thousands) 	-	545	-

5.2.3 Retirement and Benefits

Flexium has formulated a pension scheme in accordance with the *Labor Standards Act* and opened a designated account at the financial institute specified by the government to generate interest for the disbursement of pension funds and severance pay in case of closure. The Company also established its Labor Retirement Reserve Fund Supervisory Committee pursuant to regulations requiring the precise calculation and sufficient disbursement of funds in the old pension scheme, which allocates 2% of employees' monthly salaries for deposit. For employees covered under the new pension system, we allocate 6% of monthly salaries for deposit into the employees' designated personal accounts set up with the Bureau of Labor.

Flexium values employee benefits and has established the Employee Welfare Committee to provide employees with insurance benefits, subsidies, and flexible leave. All employees are insured by the Company under the basic labor insurance and national health insurance policies. To further enhance employee welfare, we insure our employees under group life insurance, accident insurance, and additional health insurance policies. We also offer annual employee health checkups to safeguard employee health. To meet the needs of our employees and improve employee welfare, we also provide wedding and funeral subsidies through the Employee Welfare Committee and offer annual travel subsidies for company outings along with gift boxes or gift certificates for the Mid-Autumn and Dragon Boat Festivals. In 2019, we signed a collaboration agreement with a travel agency to provide a variety of travel packages over an eight-month period which offered employees affordable travel options in their choice of time and destination. As a result, more employees participated in this year's company outings compared to previous years.

Employee leave and number of leave days are administered pursuant to the law. By mutual consent of employer and employees, we have allowed a one-year postponement of all unused annual leave beginning in December 2018 in order to provide employees with flexible leave options and ample time to rest and recharge. The Company also pays out expired annual leave in the month of expiration pursuant to the law. Employees may apply for unpaid parental leave or injury or illness leave if the number of paid leave days is insufficient.



Employee Welfare Committee expenditures			
Item	2017	2018	2019
Total amount (NTD)	26,913,865	24,492,666	24,511,129
Benefit expenditures as a percent of revenue (%)	0.11	0.09	0.10



20th corporate anniversary



21st corporate anniversary



22nd corporate anniversary



20th corporate anniversary



21st corporate anniversary



22nd corporate anniversary



Year-end party



Year-end party



Year-end party



Family Day—Senior employees accepting awards



Family Day—Team-building activities



Family Day—Family activities



Family Day—Senior employees accepting awards



Family Day—Team-building activities

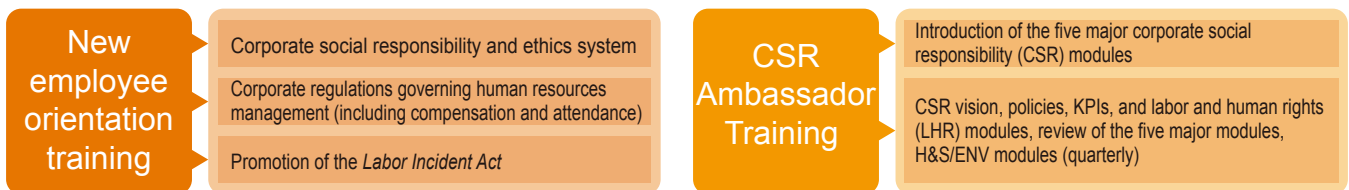


Family Day—Family activities

5.3 Human Rights

To ensure labor rights and equality, Flexium has stipulated in its *Employee Code of Conduct* that all forms of discrimination or harassment on the basis of race, skin color, gender, age, sexual orientation, disability, religion, political belief, union membership, or marital status will not be tolerated. The Company treats its employees fairly and with respect, and does not tolerate any acts of sexual misconduct, violence, intimidation, or extortion. The relevant rules are also stipulated in the work regulations.

Our annual CSR Ambassador Training program includes courses on human rights promotion and helps acquaint first line supervisors with the Company’s CSR policy and annual KPI goals. Furthermore, our new employee orientation training helps new employees learn about the Company’s guidelines, developmental direction, management approach, EHS issues, and the concept of corporate social responsibility. These courses aid the Company in its efforts to prevent forced labor, child labor, discrimination, and harassment, while promoting the appropriate management of employee working hours and ensuring employees are treated with respect and provided with a safe and healthy work environment. All contract security guards are also required to participate in at least 2 hours of human rights training after reporting for duty. The course includes a sexual harassment prevention overview and training on proper security guard behavior and response to prevent sexual harassment and human rights violations during the execution of security duties. In 2019, we communicated the provisions of the new *Labor Incident Act*, which came into force in 2020, with supervisors and above in order to raise awareness of labor rights and interests.



Human rights policy training			
	2017	2018	2019
Number of participants	2,143	1,901	2,022
Training hours	12,614	9,781	10,498
Participation rate (%)	100	100	100

Notes:

- Coverage rate (%) = number of employees who participated in training/number of employees eligible for training *100%
- Number of participants: The total number of incumbent employees on December 31 of the given year
- The criteria for course classification were adjusted, and the training hours in 2017 and 2018 were therefore adjusted accordingly.

5.3.1 Labor-Management Communication

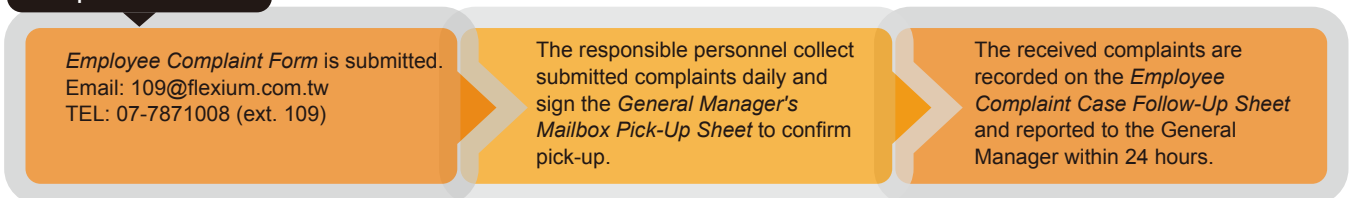
Flexium emphasizes people-oriented management and is committed to a philosophy of mutually beneficial labor-management relations. We provide a wide range of communication channels for labor-management issues to facilitate communication and help both parties reach consensus, achieve harmony, and improve organizational cohesion.

- Monthly Labor-Management Meetings** • Organized monthly to solicit employee opinions, resolve issues, and improve organizational cohesion
- Employee Welfare Committee meetings** • Employer and employee representatives discuss welfare measures, including employee views on work and non-work issues, in the Employee Welfare Committee meeting on a case-by-case basis. The meeting helps both parties communicate and understand each other and serves as a reference for management.
- Occupational Safety and Health Committee** • Employees can raise issues of workplace safety and health during meetings in order to make improvements and find solutions.
- Managerial meetings** • Managerial meetings are held every two weeks to discuss interdepartmental issues and communicate company policy, thus ensuring reasonable management and streamlining company operations.
- Complaint channels** • The Company and its subsidiaries have established confidential complaint channels for employees to report any illegal activities or violations of employees' rights directly to the General Manager's Office. These channels allow senior management to promptly resolve issues to ensure employees' rights.

Flexium honors the United Nations Universal Declaration of Human Rights' statement that all human beings are born free and equal in dignity and rights and upholds the core labor standards stipulated in the *UN Global Compact* and the Conventions of the International Labor Organization. Our employees can utilize the Company's communication channels to report any instances of discrimination, sexual harassment, forced labor, unfair treatment, or violations of personal health and safety.

To protect employees' rights, we provide a range of complaint channels, including a complaint hotline and physical and electronic mailboxes direct to the General Manager's Office. In case of any violations of employees' rights or poor handling of such violations, employees may submit a complaint to the responsible department by following the *Employee Complaint/Whistleblowing/Opinion Submission Process* to ensure the confidentiality and safety of the complainants. Complaints are investigated within two weeks at the latest and a complaint investigation report is later submitted to the General Manager and forwarded to the relevant departments to solicit responses on how the complaint should be handled. In 2019, a total of 28 complaints regarding internal labor issues were submitted, all of which have since been closed. After a complaint is opened, improvements are implemented based on the results of the investigation and the case is followed up to ensure that similar incidents do not occur in the future.

Complaint Channel



Number of complaints			
Type of complaint	2017	2018	2019
General Complaint	11	15	28
Ethics complaints	1	0	0
Opinions or suggestions	1	17	12
Total (cases)	13	32	40
Case closure rate (%)	100	100	100

Notes:
 1. General complaints: Complaints of unfair treatment or poor management of employees at work
 2. Ethics complaints: Complaints of ethics violations that interfere with the normal operations of the Company.
 3. Opinions or suggestions: Opinions or suggestions regarding company facilities or equipment.
 4. There was an increased number of general complaints in 2019 due to an increased number of employee complaints (14 cases) regarding changes to working hours.

5.3.2 Employee Care

Healthy, happy employees are the key to steady corporate development. At Flexium, we spare no effort in employee care and are committed to building organizational cohesion and providing our employees with a positive and cordial working environment in which they can apply themselves, thus improving employee efficiency, which in turn drives the Company's growth.

We have established regulations regarding unpaid parental leave in accordance with the provisions of the *Gender Equality in Employment Act*. In 2019, a total of 30 employees (25 women and 5 men) applied for unpaid parental leave; the application rate was 15.38% and the returned-to-work rate after unpaid parental leave was 86.67%. Through exit interviews with employees who left the Company after parental leave (including employees who returned to work after leave before resigning), we found that the main reason for employee turnover after parental leave is the employee's intent to become a stay-at-home parent.

Unpaid parental leave in 2019			
Number of employees eligible for unpaid parental leave in the given year (A)	118	77	Total 195
Number of employees who have applied for unpaid parental leave in the given year (B)	5	25	Total 30
Number of employees who intend to return to work after unpaid parental leave in the given year (C)	1	14	Total 15
Number of employees who have returned to work after unpaid parental leave in the given year (D)	1	12	Total 13
Number of employees who returned to work after unpaid parental leave in the previous year and who have stayed with the Company for over a year (E)	1	10	Total 11
Number of employees who returned to work after leave in the previous year (F)	2	14	Total 16
Application rate for unpaid parental leave (%) (B/A)	4.24	32.47	Total 15.38
Returned-to-work rate of employees taking unpaid parental leave (%) (D/C)	100.00	85.71	Total 86.67
Retention rate of employees taking unpaid parental leave (%) (E/F)	50.00	71.43	Total 68.75

Note: The calculation of the number of employees eligible for unpaid parental leave is based on employees who have applied for maternity or paternity leave in the past three years and employees who have children under three years of age.

5.4 Healthy Workplace

Flexium is committed to building a healthy, positive workplace to help our employees maintain a good work-life balance. To achieve this goal, we have pooled manpower and resources to build a healthy and cordial working environment and organized health management and promotional activities to give employees access to accurate healthcare knowledge and help them develop a positive, proactive attitude toward their health.

5.4.1 Health Management

To establish a comprehensive health management system, Flexium performed a risk assessment based on our different manufacturing processes and the raw materials involved. We identified plant operators and engineers to be the two groups at a higher risk of exposure. We then took action to monitor their work areas, identify environmental issues, adopt management systems, and improve our engineering. We also completed an employee health risk assessment in order to identify high-risk employees, and we formulated a system for allocating work that prevents repeated exposure to hazardous elements. In 2019, a total of 114 employees performed specific health hazard operations, which mainly involved exposure to hazardous elements that could lead to damage to the respiratory tract, skin, or hearing, or cause malignant tumor growths. With our comprehensive health management system, the Company currently has zero cases of major occupational disease.

Number of employees that performed specific health hazard operations			
Type of work\Year	2017	2018	2019
Operations involving noise exposure	28	15	16
Operations involving ionizing radiation	26	35	35
Operations involving exposure to nickel	25	35	48
Operations involving exposure to chromic acid	7	15	15
Total	86	100	114

Note: A total of 10 employees performed two types of specific health hazard operations in 2019.

Flexium offers regular employee health checkups more frequently than regulated by law, with regular health checkups and special checkups for potential hazards held annually. A total of 71 employees (8 exposed to noise, 28 exposed to ionizing radiation, 30 exposed to nickel, 5 exposed to chromic acid) were put under Class 2 Health Management in 2019. Our comprehensive health checkups ensure that employees are provided with proper healthcare. Based on the checkup results, we classify employees for health management and hire doctors to provide one-on-one health consulting services in order to learn more about their work environment and exposure to certain elements, and carry out health education and monitoring. Depending on employees' condition and health needs, we may also suggest a job transfer in order to ensure their health. Employees with over one year of seniority are required to participate in health checkups and consulting. In 2019, a total of 114 employees were required to participate in



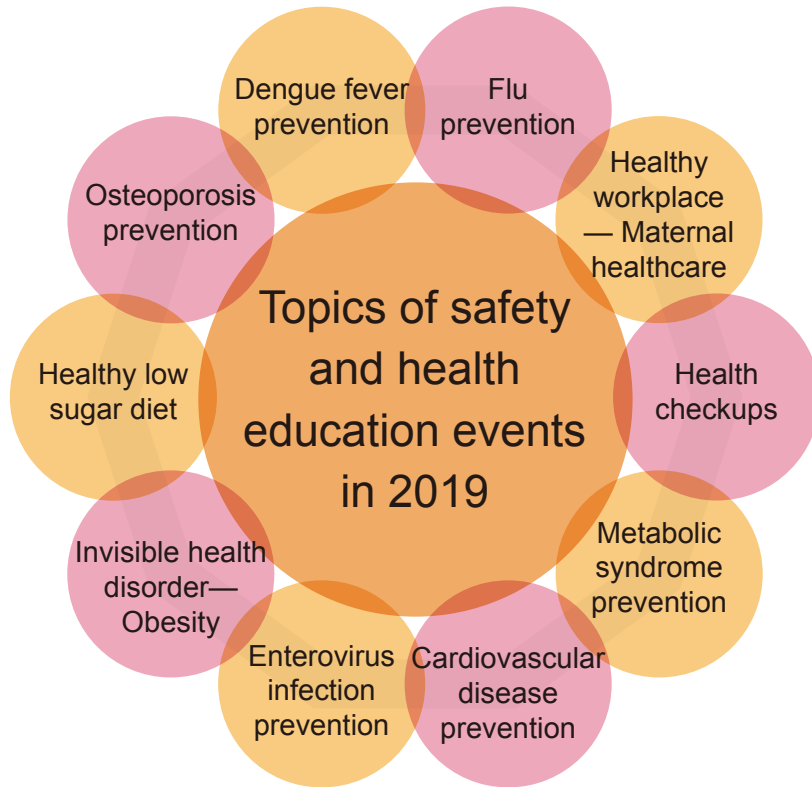
Annual and special health checkups

special health checkups; all 114 employees participated as required for a participation rate of 100%. Since 2018, we have required all new employees to get a special health checkup before performing specific health hazard operations and after leaving the Company. Since 2019, in order to prevent overwork, we have performed ECG testing on shift workers to assess the risk of cerebrovascular and cardiovascular disease.

5.4.2 Health Promotion

Flexium is committed to creating safe working conditions and a healthy work environment for its workforce. In addition to annual health checkups, we also organize health seminars, provide healthcare information, and have established infirmaries with on-site nurses and doctors to provide health consulting and medical care services. We have also installed automated external defibrillators (AEDs) in work areas and invited the Daliao Branch of the Kaohsiung Fire Department to give our employees AED classes. These measures allow non-medical personnel to provide emergency care for sudden cardiac arrest within the maximum five-minute response time. We encourage our employees to practice self-monitoring for health and have placed digital blood pressure monitors in each building cafeteria for employees to check their own blood pressure. Going forward, we shall continue to work to ensure a healthy, positive workplace and establish a corporate culture of safety and health for every employee.

Health promotion measure	Description	Outcomes
Maternal health care	One-on-one consultations with a doctor are arranged for pregnant employees who perform high-risk operations, and pregnant employees are reassigned to a different work area that will not lead to an adverse effect on the pregnancy, and given less strenuous duties and shifts. Pregnant employees are given an easily identifiable health education and pregnancy tag to wear on their uniforms to remind other employees to support them in the workplace. We also provide pregnant employees with other assistance at work, including the prompt reassignment of night shift workers to day shift once the Company is notified of their pregnancy. Once the Company has been notified, pregnant employees can present their prenatal brochure to receive a pregnancy gift box. We also regularly inquire about the progress of the pregnancy and whether there is any need for breaks or leave.	<p>1.The Company provides lactation rooms to create a pregnancy-friendly workplace and help employees with nursing infants balance work and with their child's feeding needs.</p> <p>2.A total of 23 employees received pregnancy gift boxes in 2019.</p>
Safety and health information	We provide the most current safety and health information to provide employees with correct and accurate information on the topics of flu prevention, metabolic syndrome prevention, cardiovascular disease prevention, healthy low sugar diets, and more.	New information is posted on company bulletin boards monthly.
Anti-smoking drives	The Company collaborates with the local health center to organize seminars to help employees quit smoking in order to effectively control the environmental and health problems caused by tobacco use.	A total of 16 employees participated in the seminar in 2019.
HIV screening	The Company collaborates with the local health center to provide HIV screening. Individuals who wish to undergo screening first give their consent and sign an agreement before screening. Test results and all related information are kept strictly confidential.	A total of 113 employees underwent HIV screening in 2019.
Medical services provided by on-site doctors	We hire doctors to provide on-site health education and instruction and help employee with health assessments and management by reviewing the results of physical examinations.	Of the 46 employees put under Class 2 Health Management after a on-site special health checkup was carried out in 2019 for employees who performed specific health hazard operations, 25 were provided with health consultations, 2 with health risk assessments before or after returning to work, 2 with general health consulting, 7 with maternal health care, and 10 with work overload consulting.



Health education seminar



Family Day activity: Jump for Health and Joy



5.5 Occupational Safety and Health

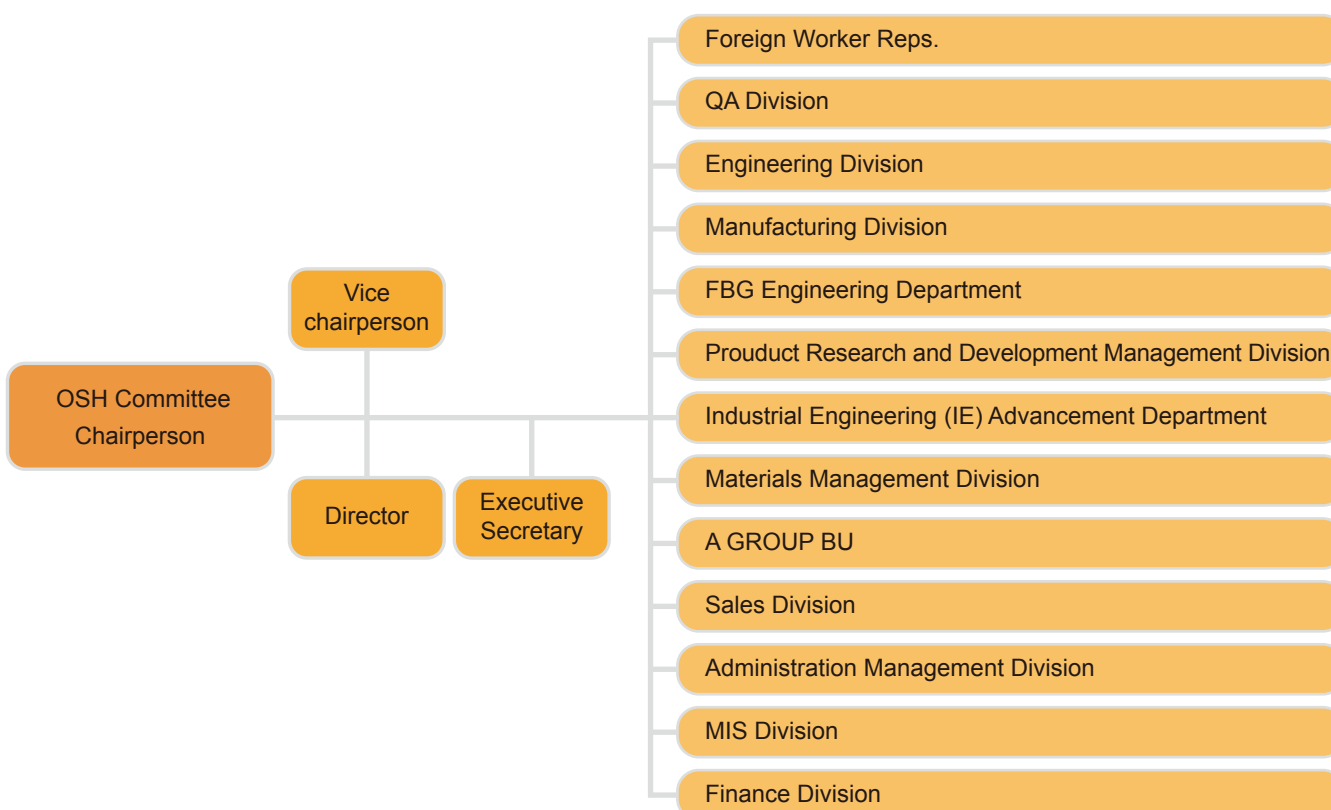
To reduce environmental impacts and prevent accidents, Flexium fulfills its corporate social responsibility and is committed to the philosophy of “doing everything right the first time.” Through our EHS management system, we have been able to effectively prevent occupational injuries and diseases. We also developed an EHS policy guided by the principles of complying with all environmental protection, occupational safety and fire prevention regulations applicable to our businesses; building a green factory, reducing carbon emissions and saving energy for our environment; creating an employee-friendly workplace good for employees’ psychological and physical health. We work continuously to ensure a green, legally compliant, and safe work environment.

5.5.1 Occupational Safety and Health Committee

Flexium established its Occupational Safety and Health Committee (OSH Committee) in accordance with the law. The plant manager serves as the chair of the committee and serving under the plant manager is one director, one deputy chair, and one secretary. The OSH Committee is made up of heads of departments, occupational safety and health personnel, engineering technicians, on-site nurses, and employee representatives (including foreign worker representatives). The OSH Committee holds a meeting every three months and has a larger percentage of employee representatives than the one-third stipulated by law.

The Company’s Environment Health & Safety Section gives presentations on safety and health issues during OSH Committee meetings which focus on the analysis and comparison of occupational hazard statistics. During meetings, the departments in which incidents have occurred report the safety and health management measures implemented. The committee members are responsible for reviewing the reports, coordinating between departments, and proposing solutions to issues of occupational safety and health, so as to prevent occupational hazards and ensure the safety and health of employees.

Composition of OSH Committee			
Number of employee representatives	23	Percentage of employee representatives (%)	63.9
Number of employer representatives	13	Percentage of employer representatives (%)	36.1



Key points for the implementation of occupational safety and health management in 2019	
Item	Description
Health management	New employees who are assigned to perform specific health hazard operations are required to provide a copy of their special health checkup results report at registration.
Safety officers	Two safety officers (one safety officer and one deputy safety officer) are selected from each department to be responsible for ensuring occupational safety and health.
Maternal health care	Pregnant employees are provided with a safe working environment that is suitable for their physical condition as needed.
Plant extension cord safety inspection	To prevent electrical short circuits, a safety inspection and inventory of the plant's extension cords was carried out. 3.92% of the extension cords did not pass the safety inspection.

5.5.2 Occupational Injury Prevention

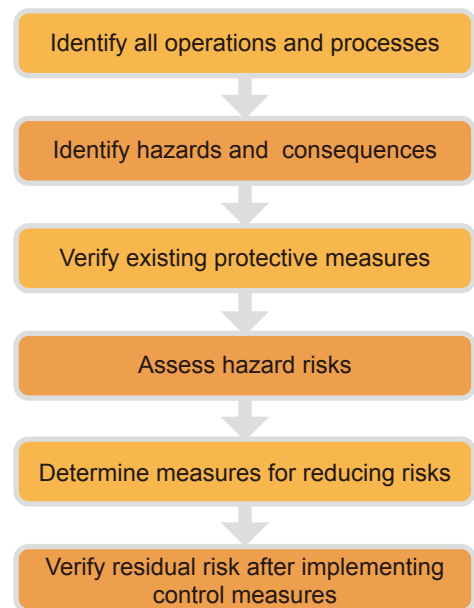
Flexium is committed to occupational safety and health and has invested resources into providing its employees with a friendly workspace. Our employees are also aware of the close relationship between occupational safety and personal health, and are dedicated to implementing the Company's safety measures. We seek to create a hazard-free workplace and have invested manpower and resources into building a safe, healthy working environment, so as to ensure our employees' safety and health and achieve hazard-free operations.

To mitigate occupational hazards, we have identified the potential occupational hazards extant in routine and non-routine activities, assessed their risk, and classified them for further management and control. We perform annual hazard identification and risk assessments, in which processes and operations are categorized as either routine or non-routine and risk is classified into five levels. We then determine risks and opportunities based on the risk level and establish control plans to address unacceptable risks. We also take the Company's operational needs into consideration in determining priorities for goal-setting. Legal compliance, external concerns, technology acquisition and the degree of technology control, and the impact of the investment amount on the Company's operations and activities are among the factors considered in establishing control plans to address unacceptable risks.

To prevent occupational hazards, we enlist the help of every employee to build an incident-free corporate safety culture. We include near-miss incidents in our incident management and reporting process and offer awards to encourage employees to report potential hazards and propose improvement plans, so as to reduce the likelihood of near-miss incidents.

Employees may report incidents anonymously through the plant's reporting system. In case of imminent danger, employees may step away and notify the head of their department later. We do not penalize employees who report such issues, but rather offer monetary rewards to both the individuals who raise the issues and those who implement improvement measures based on the effectiveness of said measures. After an occupational hazard incident, the department in which the incident has occurred is required to implement improvement measures. The Company also reviews other departments to see if the same operation is performed and, if so, the improvement measures are immediately implemented there as well. These cases are then studied in employee training for future reference.

The Environment Health & Safety Section appoints personnel with occupational safety and health certification to investigate occupational incidents. Any department in which an incident has occurred is required to cooperate with the investigation. If an incident occurs in the workspace, the investigators are accompanied by employee representatives. Employees returning from injury leave of more than a month are required to report back to the head of their department and submit the estimated return date agreed to by the attending physician at the hospital to which they were first admitted. An interview is held between employees returning to work and the head of their department in order to evaluate the progress of their recovery and their ability to perform their duties. Such employees are assigned to suitable duties or work based on the interview results. Employees are monitored and interviewed after returning to work to ensure that they are able to handle the assigned tasks.



Training hours and participants in workspace safety and health training courses in 2019

Category	Training course for:	Training hours	Number of participants
Workspace health and safety	Supervisors in charge of operations involving organic solvents (refresher training)	6	5
	Supervisors in charge of operations involving organic solvents (initial training)	18	3
	Forklift operators (refresher training)	3	15
	Forklift operators (initial training)	18	3
	Supervisors in charge of operations involving specific chemical substances (refresher training)	6	13
	Supervisors in charge of operations involving specific chemical substances (initial training)	18	12
	First aid personnel (initial training)	18	1
	Class A occupational health and safety supervisors (refresher training)	6	1
	Class A occupational health and safety supervisors (initial training)	42	2
	Safety and health educational training for new employees	3	1,443
	Class B boiler operators (initial training)	50	2
	Boiler operator training (refresher training)	3	1
	Sub 3-ton fixed crane operators (initial training)	18	1
	Supervisors in charge of roofing operations (refresher training)	6	1
	Operators of specific high-pressure gas equipment (refresher training)	3	2
On-the-job training for worker healthcare service personnel (refresher training)	6	1	
Fire safety	Plant fire safety drills	4	1,211
	Fire safety managers (initial training)	12	3
Other	Operators of operations involving ionizing radiation (initial training)	18	22
	Operators of operations involving ionizing radiation (refresher training)	3	43
Total		261	2,785

Incidents of occupational injury at Flexium

Category\Year	2017	2018	2019
Falling	-	-	-
Slips and trips	1	1	-
Crush injuries	1	-	1
Exposure to hazardous substances	-	-	-
Improper movement	-	-	1
Cuts, lacerations, and scrapes	-	-	-
Strikes by falling objects	-	-	1
Collisions	-	-	1
Total incidents	2	1	4

Note: Calculations are based on data from the Kaohsiung Site (Dafa Plant, Dafa Plant II, and Pingzhen Office in 2017; Dafa Plant, Dafa Plant II, Dafa Plant III, and Pingzhen Office in 2018 and 2019).

Occupational injuries					
Item	Gender	2017	2018	2019	Calculation
Total incidents of occupational injury	Male	0	1	2	1. Calculations are based on the annual number of individuals affected by occupational hazards in Dafa Plant, Dafa Plant II, Dafa Plant III, and the Pingzhen Office. Due to the small workforce (roughly 10 employees) in the Pingzhen Office, its numbers have been consolidated with those of the Kaohsiung Site. As Dafa Plant and Dafa Plant II personnel regularly provide support for one another (due to the close proximity of the two plants), their numbers have also been consolidated. 2. The data for 2017 does not include Dafa Plant III.
	Female	2	0	2	
	Total (incidents)	2	1	4	
Disabling injury frequency rate	Male	0.00	0.50	1.06	Disabling injury frequency rate = number of occupational injuries / total hours worked * 1,000,000. (Total numbers are rounded down to the second decimal place.)
	Female	1.22	0.00	1.00	
	Total	0.58	0.26	1.03	
Disabling injury severity rate	Male	0	65	43	Disabling injury severity rate = number of work days lost / total hours worked * 1,000,000. (Totals are rounded down to the nearest integer.)
	Female	89	0	18	
	Total	42	34	30	
Absence rate	Male(%)	7.5	8.5	8.9	Absence rate = total days absent/total days worked * 100% 1. Calculations for total days absent are based on injury leave, sick leave, personal leave, and menstrual leave. 2. The scope of the data for 2017 includes Dafa Plant, Dafa Plant II, and the Pingzhen Office. Calculations are based on total days absent for both genders / total days worked by both genders. 3. The scope of the data for 2018 and 2019 includes Dafa Plant, Dafa Plant II, Dafa Plant III, and the Pingzhen Office. Calculations are based on total days absent for both genders / total days worked by both genders.
	Female(%)	9.1	9.8	8.7	
	Total (%)	8.3	9.1	8.8	

Notes:

1. Incident classification and hazard reporting processes have been developed for contractor management. No major occupational incidents occurred during on-site contractor operations between 2017 and 2019, nor were any general occupational incidents reported.
2. "Major occupational incident" refers to an occupational fatality, an incident affecting three persons or more, or an incident resulting in the hospitalization of one person or more.
3. "General occupational incident" refers to all other occupational hazard incidents.

Flexium prioritizes the safety and health of its employees and has developed policies to address risk management, legal compliance, communication training, and continuous improvement. The Kaohsiung Site (Dafa Plant and Dafa Plant II) became OHSAS 18000 certified in 2009 and continues its commitment to a comprehensive management system in order to create a safe, healthy working environment for employees and incorporate health and safety into its corporate culture. In response to the replacement of OHSAS 18001 with ISO 45001, Flexium has worked toward compliance with the new standard and is expected to become ISO 45001 certified in March 2020. The scope of the certification includes the employees of the Kaohsiung Site, our contractors, and other plant personnel.

5.5.3 Occupational Safety and Health Management and Future Prospects

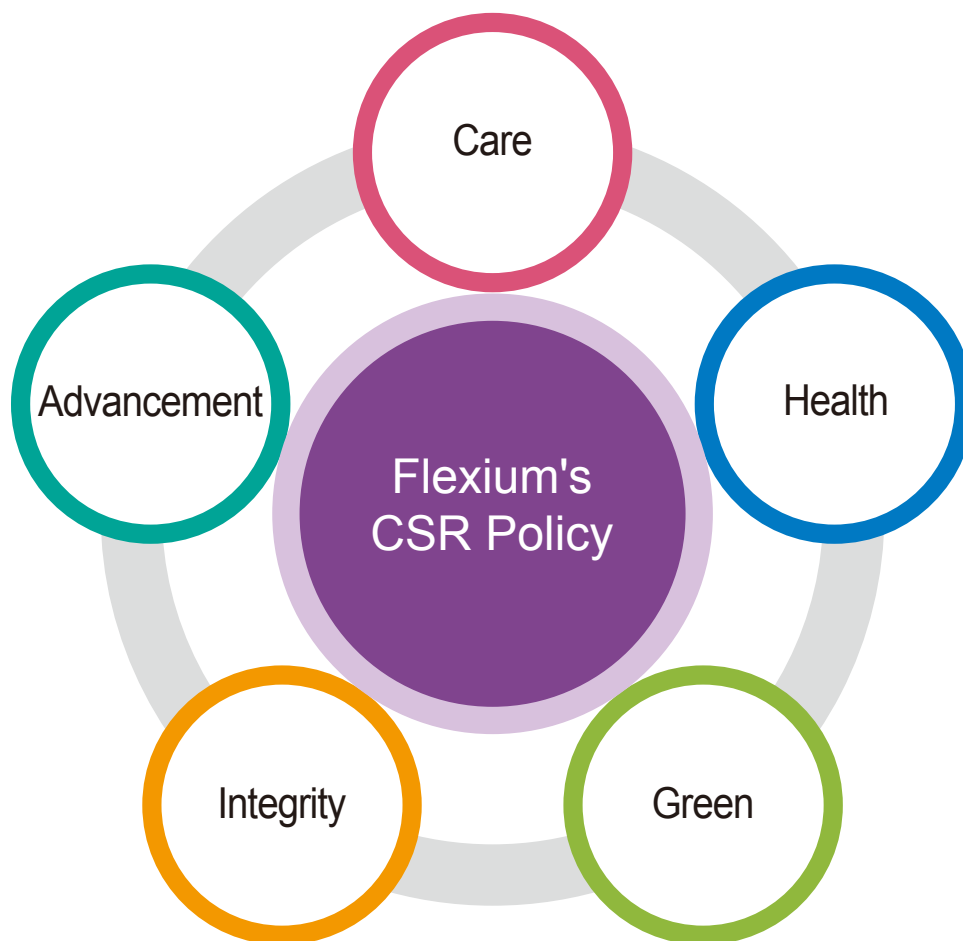
In occupational safety and health management, Flexium is dedicated to creating a safe workplace and is working toward its ultimate goal of achieving zero occupational incidents. The four occupational incidents that occurred in 2019 resulted in a total of 118 work days lost. We adopted an industry safety patrol measure, which is carried out by senior management on a weekly basis. This top-down approach led by senior management helps raise awareness of occupational safety, encourages employee engagement, and safeguards employee safety. We selected two safety officers from each department (one safety officer and one deputy safety officer) to promote occupational safety and health in corporate activities and operations and help first line supervisors and employees recognize the importance of occupational safety and health. We have established operating standards and provided training for personnel, and we use hazard identification and risk assessment to determine the feasibility of our operating standards in order to achieve our goal of safe operations. We also hold annual safety and health training sessions to reduce the frequency of workplace incidents and raise safety awareness.



Social Involvement

Social Involvement

In its pursuit of profit and financial performance, Flexium has not ignored its commitment to Corporate Social Responsibility (CSR). In keeping with the United Nations' *17 Sustainable Development Goals*, we are dedicated to fulfilling the five core values of our CSR policy: care, health, green, integrity, and advancement. In terms of social welfare, we have adopted care and compassion as our core value. We show care for our employees by helping employees in need, and we give back to society by proactively interacting with and showing our appreciation for the local community and by making a sincere effort to provide assistance to the disadvantaged. We also encourage our employees to participate in volunteer work. These efforts are just some examples of our efforts to fulfill our vision of corporate social responsibility. We are keen to contribute and offer care and compassion for the betterment of society.



6.1 Community Engagement

With Flexium's vision to "be a CSR doer, make society and the environment better," we are expanding our involvement in social welfare beyond our plants in Taiwan and China. We have made donations to police and fire departments and sponsored cultural and educational events, maximizing value for both internal and external stakeholders, to fulfill our social responsibility.

6.1.1 Enhancing Local Disaster Rescue Capacity

With Flexium’s vision to “be a CSR doer, make society and the environment better,” we are expanding our involvement in social welfare beyond our plants in Taiwan and China. We have made donations to police and fire departments and sponsored cultural and educational events, maximizing value for both internal and external stakeholders, to fulfill our social responsibility.



Donation Ceremony



Our Chairman and the Chief of the Kaohsiung City Fire Bureau at the Donation Ceremony

Mobile Command Station and Terrestrial Trunked Radio

Within the effective radio signal coverage area, 999 distress calls may be transmitted to the mobile command station with caller I.D. and call logging. Firefighters caught in an emergency situation can now call for help instantly. This system is the first of its kind in Taiwan, and solves the problem of transmissibility in distress calls.

The mobile command station and terrestrial trunked radio are designed for maximum functionality in tunnels, subway stations or underground buildings. In large-scale or compound disasters, this system can connect with radio systems used by military and civilian rescue teams, ensuring that cross-service radio communication can be used to deliver directives smoothly and effectively.



Mobile Command Station



Terrestrial Trunked Radio

6.1.2 Enhancing Community Safety

Police officers and firefighters are the unsung heroes who keep us safe, and Flexium appreciates their contributions to their communities. Since 2015, Flexium has been donating equipment and funds to local police and fire stations. In 2018, Flexium donated 15 computers and 120 volunteer vests worth NT\$520,000 to the Linyuan Precinct of the Kaohsiung City Police Department. In a continuance of our equipment replacement project for Linyuan Precinct in 2019, Flexium donated 16 desktop computers with monitors and 3 tablet computers to support these dedicated public servants.



Group Photo in Front of Linyuan Precinct



Computer Equipment Donation

6.2 Community Care

6.2.1 Volunteer Association of Flexium

As a part of our corporate social responsibility, Flexium has encouraged our employees to contribute to and participate in volunteer work ever since our establishment. We set up the Volunteer Association of Flexium in 2017 to organize and carry out social welfare activities. We also held many interesting activities in 2018 and 2019, including more than 10 social welfare events in just 3 years of operations. As of the end of 2019, we had 124 volunteers in the association, whose efforts and dedication are the best embodiment of our respect for life. In the future, we plan to organize a wider range of activities to attract more employees to join.

The Yong-An Children's Home in Daliao is a focus of Flexium's social welfare efforts. In March 2019, the Volunteer Association of Flexium held the Da-Ai BBQ Party and invited 30 students and teachers at Yong-An Children's Home to join. Students, teachers, and volunteers enjoyed the group activities and had fun together.

The main event of the day was to learn about kiln (earth oven) cooking and enjoy the BBQ party. A hands-on approach was used to teach the children how to clean and prepare the ingredients, pile up bricks in the shape of a pyramid to create the kiln, place the wood and kindling in the kiln and light the fire, push away the bricks on the top and place their food inside the kiln, and finally open the kiln to enjoy the delicious food they made. The children had the opportunity to experience the fun of kiln cooking, which came about the result of their own efforts. The activity taught the children that achieving one's goal takes manpower, material resources, and time. It was our hope that the experience would help the children learn to cherish everything around them and live every day with gratitude.

Our volunteers also designed three activities suitable for different ages—a maze challenge, a game of paintball, and pinball—so that the children could eat, play, and win prizes throughout the event. These activities made an eventful day for the children at Yong-An Children’s Home and helped broaden the children’s horizons, promote autonomous learning, and support their all-round development.

Forty-two Flexium volunteers dedicated themselves into the service. Their enthusiasm will live on through the caring they gave to others, and the invaluable memories they gained through volunteering.

Da-Ai BBQ Party



Kiln cooking is no easy task.



The children are having fun with the activities.



We are one family.

Flexium’s care for the society never falls behind. Since 2016, we have sponsored the nearby Kaohsiung Municipal Chaoliao Elementary School, donating both a library and the Flexium Dream Comes True Carpentry Workshop. In 2019, we devoted our time and efforts to the school’s 66th Anniversary Sports Day. The Volunteer Association of Flexium prepared 200 nutritious lunchboxes—one for every student and teacher—to give them the motivation and energy they would need for the games and races. Teachers, students, and volunteers all shared the joy of Sports Day, which strengthened the connection between Flexium and the community, fostered the children’s development, and taught them the value of teamwork.



The Volunteer Association of Flexium appreciates its many dedicated volunteers.



An energetic performance by the children at Kaohsiung Municipal Chaoliao Elementary School’s 66th Anniversary Sports Day

In December 2019, Flexium donated 36 AI educational robots (mBots) to Kaohsiung Municipal Chaoliao Elementary School in an effort to integrate technology into the curriculum. Unlike traditional learning, the course focuses on logical thinking, programming, creativity, and teamwork. By incorporating games into the course, children are able to learn by exploring and experiencing AI technology, leading to greater engagement, motivation, and autonomous learning.



Group photo of our volunteers with students from Kaohsiung Municipal Chaoliao Elementary School



The Volunteer Association of Flexium donated 36 AI educational robots (mBots) to Kaohsiung Municipal Chaoliao Elementary School.

In the future, Flexium will continue to abide by our business philosophy “Cherish the Opportunity, Be Grateful for Blessings, Accountability for All, and Sharing and Caring” and encourage more employees with compassionate hearts to become volunteers. By expanding the number of volunteers, we can continue contributing to social development and talent cultivation, investing in local educational resources, and providing community care services to spread our compassion and care and create sustainable benefits for the community through volunteer work.

6.2.2 Kunshan Volunteer Activity

Flexium’s social care initiatives are not limited to Taiwan. At Kunshan, China, we are also active in social welfare activities such as visiting the fire brigade, fundraising, donating supplies to children in poverty, holding charity cake sales, organizing clothing drives for Tibet, and providing emergency services for the community. Whenever our employees or their families are in need, we are here to listen to their concerns and offer monetary assistance as necessary. From 2010 to December 2019, we have assisted 502 employees in need with a total amount of RMB 1.94 million (NT\$ 8.31 million).



Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	Total
No. of employees receiving assistance	12	17	31	45	56	67	79	74	59	62	502

Flexium Volunteer Service Team

The Flexium Foundation (Kunshan) has been dedicated to social welfare activities since its establishment in October 2015. To increase our capabilities and expand the scope of our services, we established the Flexium Volunteer Service Team to bring together employees with a passion for doing good and direct them to places in need of social support and care. In 2018 and 2019, we completed 17 service activities in total. In 2019, we made visits to Kunshan Kangren Nursing Hospital and Kunshan Sheng'ai Nursing Hospital to bring gifts to the elderly patients there and alleviate their loneliness and vulnerability by providing companionship.

In terms of sustainability of local environmental resources, Flexium promotes water resource management at Flexium plants and their surroundings. Internally, we have implemented the use of reclaimed water; more than 50% of our water is recycled, which has received great attention from our downstream clients. Thanks to a referral from one of our clients, our Kunshan Plant acquired a Gold Certification from the Alliance for Water Stewardship (AWS). This was the first Gold Certification issued in the electronics industry worldwide. To spread awareness of water conservation in the surrounding area, the Flexium Volunteer Service Team visited Tongxin School in conjunction with the EHS Department for a water conservation awareness event in 2018. In 2019, we expanded the scope of our campaign and visited Kunshan City Bailu Experimental Primary School to promote water conservation and frugal water use.



Kunshan City Bailu Experimental Primary School—Water Conservation Promotion



Flexium Foundation (Kunshan)—Group Photo on Love Day (May 12th)



Flexium Volunteer Service Team



Event in Kunshan Kangren Nursing Hospital



Group Photo with Kunshan Sheng'ai Nursing Hospital



Certification from the Alliance for Water Stewardship (AWS)







Flexium Financial Aid Scholarship


To help employees from disadvantaged families send their children or siblings to post-secondary educational institutions, the Volunteer Service Team set up the Flexium Financial Aid Scholarship in July 2016. The scholarship targets students from low-income families and awards each applicant RMB 3,000 to 5,000. From 2016 to 2019, we have sponsored 17 students in total and awarded bonuses at factory-wide monthly meetings to encourage continuing education as a driving force for social development.



Principles of Reporting

Flexium Interconnect, Inc. (hereinafter referred to as Flexium) is publishing its fourth Corporate Social Responsibility Report (CSR report) in 2020 to inform our stakeholders about our business philosophy as well as our practical promotion of and determination to pursue sustainable operations. In the future, we will continue to proactively communicate with our stakeholders on an annual basis through the disclosure of information regarding our business performance, environmental protection efforts, and social engagement. Our previous CSR report was published in December 2019 and we will be releasing the next report in June 2021.


 <p>Period of Disclosure</p>	 <p>Scope of Data Collection—Internal</p>	 <p>Scope of Data Collection—External</p>
<p>January 1st, 2019 to December 31st, 2019</p>	<p>This report covers Flexium's Kaohsiung factories (Dafa Plant, Dafa Plant II, and Dafa Plant III) and Pingzhen office. The scope of consideration of this report primarily pertains to factories in Taiwan.</p>	<p>Government Clients Shareholders Suppliers/Contractors Community/Academic Institutions</p>
 <p>GRI (Global Reporting Initiative) Standards</p>	 <p>AA1000 Assurance Standard from Accountability</p>	 <p>Contact Us</p>
<p>GRI Standards Core Indicators</p>	<p>TYPE 1- Moderate Level</p>	<p>Eva Liao Tel.: +886 7 787 1008 ext. 163 CSR@flexium.com.tw</p>



Scope of Disclosure

Internal The period of disclosure for this report dates from January 1st to December 31st, 2019. The scope of disclosure includes company operations and management, environmental protection, and social engagement. The report covers Flexium's Kaohsiung factories (Dafa Plant, Dafa Plant II, and Dafa Plant III) and Pingzhen office. Information on our foreign plants (specifically the Kunshan Plant) is only included in Section 6.2.2 "Kunshan Volunteer Activity."

External The scope of external disclosure includes clients, shareholders, suppliers/contractors, community, government, and academic institutions.



Review

Internal The information and data collected and compiled by each department was first reviewed by the department heads, then submitted to the Corporate Social Responsibility Committee (CSR Committee) for confirmation. We also commissioned an external organization for consulting purposes. After all the data and information were collated, they were thoroughly reviewed by the directors and finally approved by the Chairman. Information and data included in this report have been standardized to serve as the procedures for internal management, so as to ensure data quality and reliability.

External The financial data in this report were audited by PricewaterhouseCoopers Taiwan (PwC Taiwan) and denominated in TWD. Compliance with the Environmental Management System (ISO 14001), Quality Management System (ISO 9001), and Occupational Health and Safety Assessment Series (OHSAS 18001) Standards was certified by an impartial third party.

Participation in Industry Associations

Institute	Member
 Taiwan Printed Circuit Association	V
 Taiwan Electrical and Electronic Manufacturers' Association	V
 Kaohsiung Chamber of Industry	V
 Kaohsiung City New Chamber Of Commerce	V
 Dafa Industrial Park Association	V
 Kaohsiung Personnel Representative Association	V
 Kaohsiung Harbor City Entrepreneurs Association	V
 National Innovation and Entrepreneurship Association, R.O.C.	V
 The Institute of Internal Auditors – Chinese Taiwan	V
 Institute of Antenna Engineers of 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 62	
Core		General disclosure	102-9	Supply chain	3.4 Sustainable Supply Chain	43	
Core		General disclosure	102-10	Significant changes to the organization and its supply chain	Company Profile 3.4 Sustainable Supply Chain	3 43	
Core		General disclosure	102-11	Precautionary Principle or approach	2.4 Risk Management 4.1 Climate Change and Energy Management	29 49	
Core		General disclosure	102-12	External initiatives	-		Flexium responds to RBA.
Core		General disclosure	102-13	Membership of associations	Participation in Industry Associations	91	
Core		General disclosure	102-14	Statement from senior decision-maker	Letter from the Chairman	2	
Core		General disclosure	102-15	Key impacts, risks, and opportunities	2.4 Risk Management	29	
Core		General disclosure	102-16	Values, principles, standards, and norms of behavior	2.3 Regulatory Compliance	25	
Core		General disclosure	102-17	Mechanisms for advice and concerns about ethics	2.3 Regulatory Compliance	25	
Core		General disclosure	102-18	Governance structure	2.1 Corporate Governance	24	
Core		General disclosure	102-19	Delegating authority	1.3 CSR Performance	20	
Core		General disclosure	102-20	Executive-level responsibility for economic, environmental, and social topics	1.3 CSR Performance	20	
Core		General disclosure	102-21	Consulting stakeholders on economic, environmental, and social topics	1.3 CSR Performance 1.2 Engagement with Stakeholders	20 19	
Core		General disclosure	102-22	Composition of the highest governance body and its committees	2.1 Corporate Governance	24	
Core		General disclosure	102-23	Chair of the highest governance body	2.1 Corporate Governance	24	
Core		General disclosure	102-24	Nominating and selecting the highest governance body	2.1 Corporate Governance	24	
Core		General disclosure	102-25	Conflicts of interest	2.1 Corporate Governance	24	
Core		General disclosure	102-27	Collective knowledge of highest governance body	2.3 Regulatory Compliance	25	
Core		General disclosure	102-29	Identifying and managing economic, environmental, and social impacts	1.3 CSR Performance	20	
Core		General disclosure	102-30	Effectiveness of risk management processes	1.3 CSR Performance	20	
Core		General disclosure	102-31	Review of economic, environmental, and social topics	1.3 CSR Performance	20	

Required Criteria	GRI Std. Code	GRI Std. Title	Disclosure Code	Description	Chapter	Page No.	Remarks	
Core		General disclosure	102-40	List of stakeholder groups	1.2 Engagement with Stakeholders	19		
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		General disclosure	102-42	Identifying and selecting stakeholders	1.2 Engagement with Stakeholders	19		
Core		General disclosure	102-43	Approach to stakeholder engagement	1.2 Engagement with Stakeholders	19		
Core		General disclosure	102-44	Key topics and concerns raised	1.2 Engagement with Stakeholders	19		
Core		General disclosure	102-45	Entities included in the consolidated financial statements	About Flexium	3	For information on Flexium and its Affiliates, please refer to Pg. 44 of 2019 Annual Report.	
Core	GRI 102	General disclosure	102-46	Defining report content and topic Boundaries	Principles of Reporting	90		
Core		General disclosure	102-47	List of material topics	1.2 Engagement with Stakeholders	19		
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	90		
Core		General disclosure	102-51	Date of most recent report	Principles of Reporting	90		
Core		General disclosure	102-52	Reporting cycle	Principles of Reporting	90		
Core		General disclosure	102-53	Contact point for questions regarding the report	Principles of Reporting	90		
Core		General disclosure	102-54	Claims of reporting in accordance with the GRI Standards	Principles of Reporting	90		
Core		General disclosure	102-55	GRI content index	GRI Standards Index	92		
Core		General disclosure	102-56	External assurance	Assurance Statement	96		
Core		GRI 103	Management approach	103-1	Explanation of the material topic and its Boundary	1.2 Engagement with Stakeholders	19	
Core			Management approach	103-2	The management approach and its components	1.2 Engagement with Stakeholders	19	
Core			Management approach	103-3	Evaluation of the management approach	1.2 Engagement with Stakeholders	19	
Material Topic	GRI 203	Indirect Economic Impacts	203-1	Infrastructure investments and services supported	6. Social Involvement	83		
Material Topic	GRI 204	Procurement Practices	204-1	Proportion of spending on local suppliers	3.4 Sustainable Supply Chain	43		
Material Topic	GRI 205	Anti-corruption	205-2	Communication and training about anti-corruption policies and procedures	2.3 Regulatory Compliance	25	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	49		
			302-3	Energy intensity	4.5 Ecological Efficiency	59		
			302-4	Reduction of energy consumption	4.1 Climate Change and Energy Management	49		
Material Topic	GRI 303	Water	303-1	Water withdrawal by source	4.3 Water Management	54		
			303-3	Water recycled and reused	4.3 Water Management	54		
	GRI 305	Emissions	305-1	Direct (Scope 1) GHG emissions	4.1 Climate Change and Energy Management	49		
			305-2	Energy indirect (Scope 2) GHG emissions	4.1 Climate Change and Energy Management	49		
			305-5	Reduction of GHG emissions	4.1 Climate Change and Energy Management	49		

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	56	
Material Topic	GRI 306	Effluents and Waste	306-1	Water discharge by quality and destination	4.4 Waste Management	56	
			306-2	Waste by type and disposal method	4.4 Waste Management	56	
	GRI 307	Environmental Compliance	307-1	Non-compliance with environmental laws and regulations	4.5 Ecological Efficiency	59	
Material Topic	GRI 308	Supplier Environmental Assessment	308-2	Negative environmental impacts in the supply chain and actions taken	3.4 Sustainable Supply Chain	43	
Material Topic	GRI 401	Employment	401-1	New employee hires and employee turnover	5.1 Talent Attraction and Retention	62	
			401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	5.2 Talent Development	65	
			401-3	Parental leave	5.3 Human Rights	73	
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	79	
			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	79	
			403-3	Workers with high incidence or high risk of diseases related to their occupation	5.5 Occupational Safety and Health	79	
Material Topic	GRI 404	Training and Education	404-1	Average hours of training per year per employee	5.2 Talent Development	65	
			404-3	Percentage of employees receiving regular performance and career development reviews	5.2 Talent Development	65	
Material Topic	GRI 405	Diversity and Equal Opportunity	405-1	Diversity of governance bodies and employees	5.1 Talent Attraction and Retention	62	
			405-2	Ratio of basic salary and remuneration of women to men	2.1 Corporate Governance	24	
Material Topic	GRI 414	Supplier Social Assessment	414-1	New suppliers that were screened using social criteria	5.2 Talent Development	65	
			414-2	Negative social impacts in the supply chain and actions taken	3.4 Sustainable Supply Chain	43	
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	-		No incident in violation of laws and regulations in the social and economic.

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	19	
		103-2	The management approach and its components	1.2 Engagement with Stakeholders	19	
		103-3	Evaluation of the management approach	1.2 Engagement with Stakeholders	19	
Material Topic	Innovative management		Propose innovative R&D and management methods to be applied in technology, production and product.	3.3 Research and Innovation	38	
Material Topic	Product quality		Establish and promote quality management system, culture of quality and product recall protocol.	3.3 Research and Innovation	38	
Material Topic	Customer service		Apply measures of customer relation management, customer complaint, customer satisfaction customer confidential information protection.	3.2 Customer Relationship Management	35	
Material Topic	Risk and crisis management		Fulfill risk management system by measures of risk identification, evaluation, prioritization and risk strategy.	2.4 Risk management	29	
Material Topic	Green product		Evaluations on hazardous material, carbon footprint, water footprint, environment-friendly product certificate and life-cycle.	4.2 Green Materials	53	
				4.5 Ecological Efficiency	59	

Assurance Statement



ASSURANCE STATEMENT

SGS TAIWAN LTD.'S REPORT ON SUSTAINABILITY ACTIVITIES IN THE FLEXIUM INTERCONNECT INC.'S CORPORATE SOCIAL RESPONSIBILITY REPORT FOR 2019

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 2019 (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 the report presented during on-site. SGS reserves the right to update the assurance statement from time to time depending on the level of report content discrepancy of the published version from the agreed standards requirements

The information in the Flexium's CSR Report of 2019 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 2019.

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 2019 verified is accurate, reliable and provides a fair and balanced representation of Flexium sustainability activities in 01/01/2019 to 12/31/2019.

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 commitment to stakeholder inclusivity and stakeholder engagement. 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. More frequent engagements with stakeholders is recommended for future reporting.

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 2019, 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 encouraged to taking into account overseas factories' ESG risks and opportunities when identifying material topics and gradually including their management performances into CSR report's reporting boundaries

Signed:

For and on behalf of SGS Taiwan Ltd.



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Senior Director
Taipei, Taiwan
12 June, 2020
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