

Corporate Social Responsibility Report

2017



About This Report

Reporting Basis and Framework

Guidelines and Principles

The contents and framework of this report are structured according to the core option of the Global Reporting Initiative (GRI) Standards. Disclosures in each dimension are made according to the Rules Governing the Preparation and Filing of Corporate Social Responsibility Reports by TWSE Listed Companies.

Source and Management of Data

The data in this report are provided by head office and each operating units, and compiled by the CSR Report Team. The report was then reviewed through an administrative process to verify that it serves its purpose. Attestation of financial information in the report was completed by an accountant; the environmental safety and health management systems are subject to periodic internal audits, as well as annual external audits, including ISO 14001 and OHSAS 18001; the greenhouse gas inventory for our Yenshui plant and Taichung plant passed a third party audit in accordance with ISO 14064-1.

Review and finalization by internal editors

Content in this report was approved by the supervisor of each committee and provided to the CSR Report Team for preparation of the first draft. The draft was reviewed and revised by the team supervisor, and then reviewed by the supervisor of each committee. The revised version after second review was then submitted to the president and chairman through administrative procedure for approval and finalization before being published.

External Assurance

The Chinese version of this report was externally reviewed by Deloitte & Touche and a Limited Assurance Report was obtained. The report accords with the core GRI Standards and the standards of the Assurance of Non-historical Financial Information Auditing/Review and Guidelines for the Compilation and Declaration of Corporate Social Responsibility Reports of Publicly Listed Companies in the assurance reporting standards of the Accounting Research and Development Foundation.

Boundary of data

The contents of this report cover business activities at important locations of Walsin Lihwa Corporation (hereinafter referred to as "Walsin Lihwa," "Walsin," or the "Company") between January 1st, 2017 and December 31st, 2017. The locations include the Taipei Head Office, Hsinchuang plant, Yangmei Plant, Taichung Plant, Yenshui Plant, Walsin China Investment Co., Ltd., Shanghai Walsin Lihwa Power Wire & Cable Co., Ltd., Nanjing Walsin Metal Co., Ltd., Walsin (Nanjing) Development Co., Ltd., Jiangyin Walsin Steel Cable Co., Ltd., Changshu Walsin Specialty Steel Co., Ltd., Dongguan Walsin Wire & Cable Ltd., Yantai Walsin Stainless Steel Co., Ltd., and Walsin Precision Technology Sdn. Bhd.

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Previous reports : <http://www.walsin.com/csr/eng/download.html>

Date of Publication and Period

The Company releases its CSR report on an annual basis. The report's electronic file is available for download on the Company's official website.

Date of first issue : Published in May 2015

Previous issue : Published in May 2017

Current issue : Published in May 2018



Message from Chairman

Dear Friends,

In 2017, Walsin Lihwa not only focused on further improvement of its core businesses but also endeavored to fulfill its corporate social responsibilities (CSR). Therefore, we continued strengthening sustainable management strategically in our daily operation with foci on the domains we specialize in, while our management team, functional committees, and competent authorities also continued their efforts in resolving relevant economic, environmental and social topics. This year we started to implement the Global Reporting Initiative Standards (GRI Standards) long before relevant laws require us to do so. By doing so, we can better stay abreast with relevant international trends, enhance the quality of disclosure in our annual CSR reports, and engage in in-depth communications with all our stakeholders through a clearer structure.

Further enhancement of competitiveness to keep pace with the times

Walsin Lihwa, which just celebrated its 50th anniversary, enjoyed a fruitful year in 2017, when its business was on a steady uptrend and there was substantial progress made in core business strategy development and intelligent manufacture planning. Given today's ever-changing technology development, Walsin Lihwa believes a revolution of intelligent manufacture is forthcoming to bring in deep and widespread socioeconomic impacts. Therefore, we must make good use of available tools and critical information to strengthen our productivity and competitiveness for business synergy development in a rapidly changing industry environment.

Continuous perfection of governance to increase operational strengths

In 2017, we continued perfecting our governance structure, ensuring compliance with various standards, and endeavoring to strengthen stakeholders' trust to our company. Our ongoing self-improvement helped us rank among the top 5% in the 4th Corporate Governance Assessment conducted by the Corporate Governance Center of the Taiwan Stock Exchange. Last year a board meeting of our company approved establishing the Audit Committee with one more independent director appointed to the committee. We also convened two institutional investor briefings and mapped out the strategy and action plan to strengthen the effectiveness of our Corporate Governance Committee as an effort to continue improving the company's management accountability; perfecting sustainable management-related policies, regulations, and systems step by step; and strengthening the timeliness, consistency, and transparency of internal and external disclosures to make corporate governance become our internalized corporate culture and demonstrate our long-term corporate value.

Attentiveness to environmental protection and workplace friendliness

To increase resource reusability and decrease environmental impacts, the Taichung site of Walsin Lihwa had its Acid Regeneration Plant (ARP) and Zero Effluent Mixed Acid Pickling (ZEMAP) implemented in 2015. Since then, the Taichung site has successfully achieved a production waste recovery and reuse rate of 63%, a decrease of 33,640 tons in wastewater treatment, and a sludge output decrease of 3,964 tons. Moreover, our Yenshui site and Taichung site have rooftop solar panels set up, and the Taichung site voluntarily subscribes to green power to support green energy development with substantial action taken. Workplace health and safety-wise, employee health and safety are always the top priority at Walsin Lihwa. With comprehensive standards and policies established and through total involvement, the company can effectively implement such standards and policies at all its sites. Over the past several years, the company's occupational hygiene and health management initiatives have been widely commended, including the Hsinchuang site's accreditation with the Ministry of Health and Welfare's Commencement of Workplace Health Promotion Certificate; the Taichung site's three consecutive year wins of Excellent Nurse Award from the Nurses Association of Taichung City; and the Yenshui site's accreditation with the Ministry of Education's Corporate Sports Promotion Certificate, the National Outstanding Workplace Health Management Award from the Health Promotion Administration, Ministry of Health and Welfare, and the Outstanding Workplace Health Award from the Public Health Bureau, Tainan City Government.

CSR fulfilment for positive socioeconomic development

To realize its philosophy of company resources dedicated to the social common good, Walsin Lihwa effectively integrates company resources with employee voluntarism to structure its public interest network for social participation through ongoing corporate citizenship, care for the underprivileged, environmental protection and preservation, and community

outreach to make sincere contribution to the society. For example, our program of light up the corners throughout Taiwan, which is intended to help provide better teachers, learning environments, and facilities to relatively less resourceful elementary and junior high schools for them to develop their featured programs such as athletics and music, offered aid to 5 elementary and junior high schools in 2017 and demonstrated admirable achievements in individual domains. In Nanjing, the Walsin Centro public welfare program commenced with various initiatives in 2015 and, in 2017, held many events respectively for the blind and deaf, elderlies, as well as mentally and/or physically handicapped children. The employees at our Changshu site continued their support for the nationwide Wheatland Program -- road racing to help generate support for young people -- and also engaged themselves in local beach cleaning. Over the past several years, we have been steadfastly promoting volunteer training, encouraging our employees to provide social feedback when they are off work and free to strengthen positive personal influences by leveraging company resources to effectively contribute themselves to balanced and positive social development.

Since 2015, our CSR reports have passed third party assurance for three consecutive years and won various awards in Taiwan. We want to further improve and strengthen our CSR initiatives with even more substantial action taken by relevant committees of our company, so that we can better demonstrate the completeness and strategic importance of our corporate sustainability initiatives related to the social common good to together create a better future with our stakeholders in different domains.

Chairman: Yu-Lon Chiao



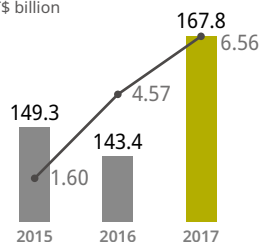
2017 Performance Overview

Economic



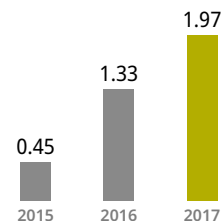
Revenue and net profit

Unit : NT\$ billion



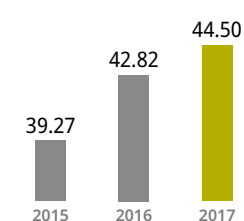
EPS

Unit : NT\$/share



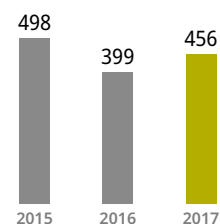
Debt asset ratio

Unit : %



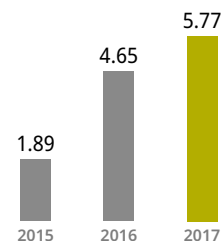
Long-term Capital to fixed assets

Unit : %



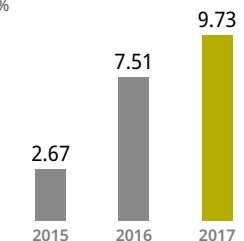
Return on assets

Unit : %



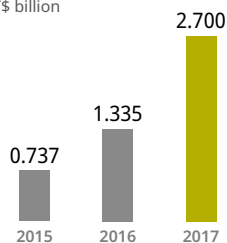
Return on shareholder equity

Unit : %



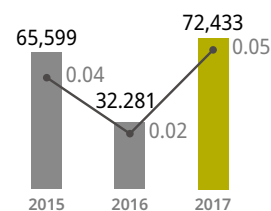
Income tax

Unit : NT\$ billion



R&D expense* and ratio

■ NT\$ thousand — %

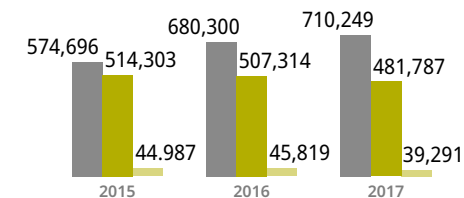


*Note: Expenses = Operating cost + Operating expenses



Volume of production

■ Steel-making ■ Copper-making ■ Wire & Cable (ton)
Capacity (ton)

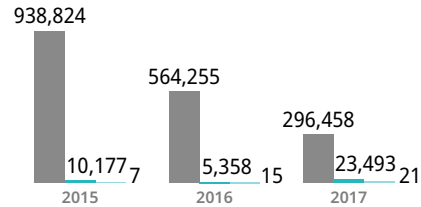


Environmental



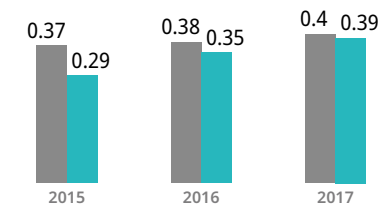
Environmental protection expenses

■ Taiwan (NT\$ thousand) ■ Mainland China (RMB\$ thousand) ■ Malaysia (MYR\$ thousand)



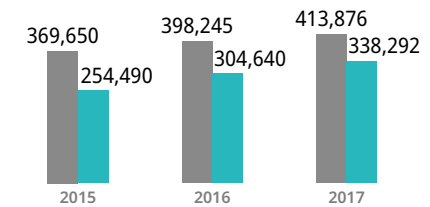
Intensity of greenhouse gas (GHG) emissions

■ Taiwan (Tons of CO₂e / Tons of product) ■ Overseas (Tons of CO₂e / Tons of product)



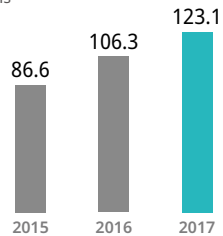
GHG emissions (Scope 1, Scope 2)

■ Taiwan (Tons of CO₂e) ■ Overseas (Tons of CO₂e)



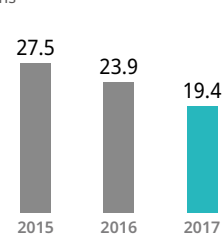
Nitrogen oxide emissions

Unit : Tons



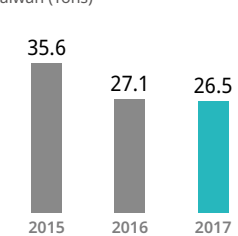
Sulfur oxide emissions

Unit : Tons



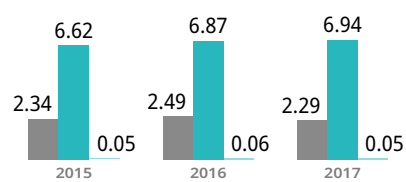
Particulate pollutant emissions

Unit : Taiwan (Tons)



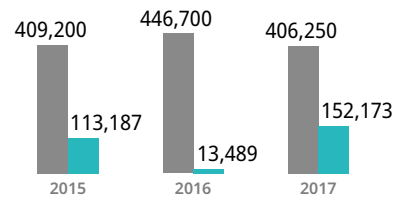
Energy consumption per unit of product

■ Copper materials – Wire and cable (GJ/ton) ■ Stainless steel (GJ/ton) ■ Real estate (GJ/m² floor area)



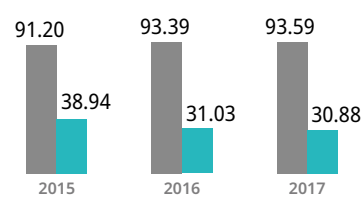
Water consumption

■ Taiwan (m³) ■ Mainland China (m³)



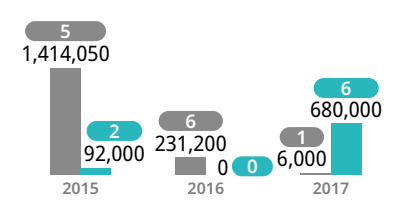
Process water recycling rate

■ Taiwan (m³) ■ Mainland China (m³)



Number and amount of environmental protection related fines

■ Taiwan (NT\$) ■ Mainland China (RMB\$)

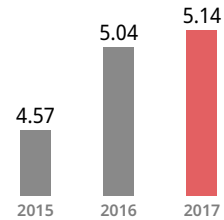


Social



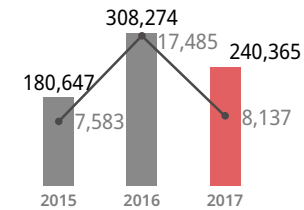
Employee salary and benefits expenses

Unit : NT\$ billion



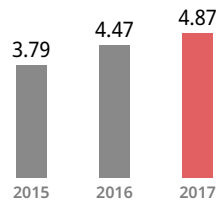
Total employee training hours and expenses

■ Number of hours — NT\$ thousand



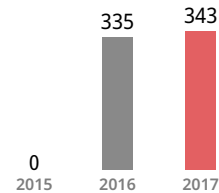
Frequency of disabling injuries

Unit : Number of disabling injury cases / 1 million work hours



Number of suppliers that signed the Letter of Commitment to CSR

Unit : Suppliers

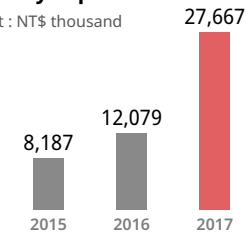


Note: The Letter of Commitment to CSR was established in November 2015.



Social engagement and charity expenses

Unit : NT\$ thousand



Awards



Ranked in the Top 5% of Companies in the TWSE's 4th Corporate Governance Evaluation

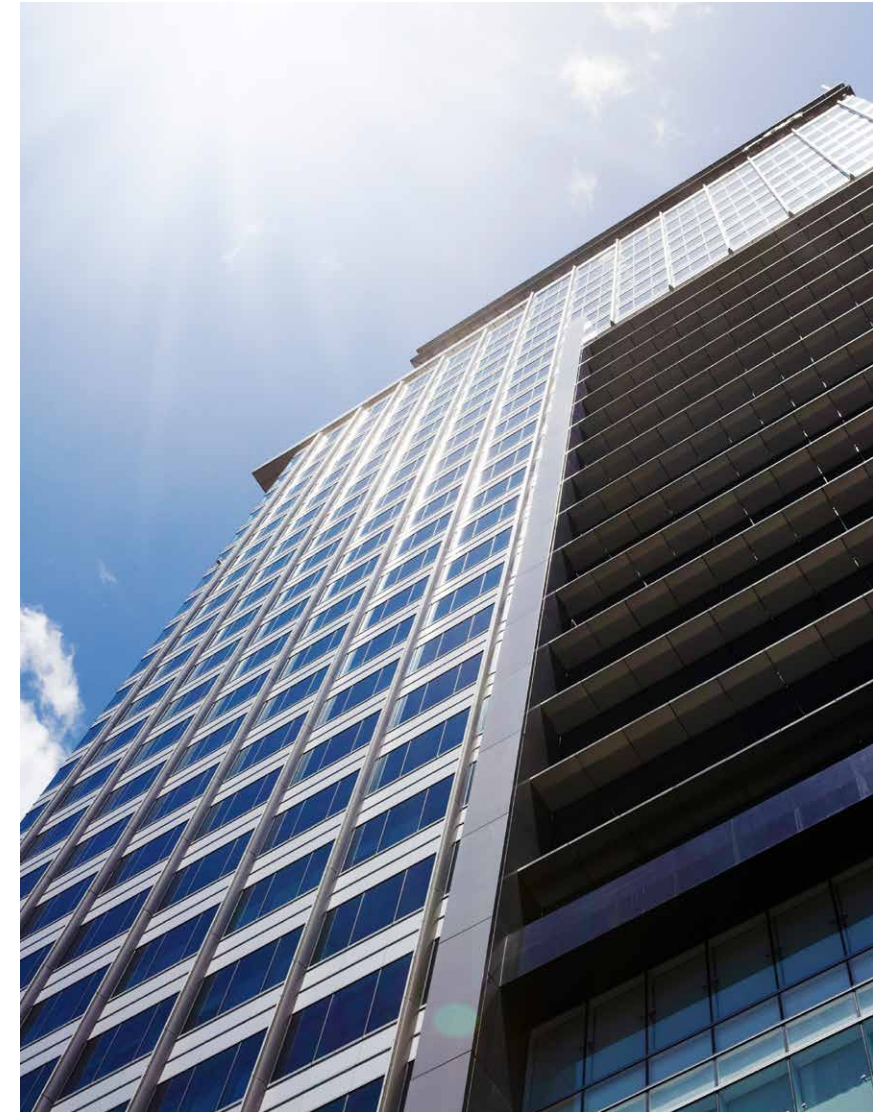


Received the Gold Award at the 2017 Taiwan Corporate Sustainability Report Awards (TCSA)

Vision for Sustainability

Sustainable development has become a major factor that influences the direction of corporate value creation and strategy plan due to recent global trends in industrial development. Following the sustainable growth in the future, companies will face risks and get opportunities from different aspect, such as application of eco-friendly material, increasingly strict regulatory requirements, and the trend of smart manufacturing. These are all key topics that must be taken into consideration for the Company to achieve sustainable goals.

In this context, Walsin Lihwa's vision is to pursuit for continuous growth by leveraging industry 4.0 advantages; insistence on environmental protection, energy efficiency, and R&D for innovation; and servitization of manufacturing for customers value creation to become the most reliable and trustworthy business partners to customers. We have further formulated the Company's sustainable development strategy to accord with this vision. Walsin Lihwa's sustainability strategy takes into consideration not only its own development and responsibilities, but also the environment and human; it also accords with the United Nations Sustainable Development Goals (SDGs). In response to changes in the global economy, each committee formulates a sustainability strategy and improves implementation guidelines for the strategy based on the foundation of integrity, total involvement, management practices, innovative thought, and adding value to the value chain. We hope to develop a sound corporate governance framework and sustainability policy that contributes to sustainable economic growth. We put the concept of full engagement into practice by providing better employee benefits, training, and occupational health, so that everyone can enjoy decent work. In response to industrial pollution and global environmental issues, we will continue to engage in innovation, develop green products, and reduce our impact on the environment. In response to climate change, renovation in production models, and limitation in resources, we will continue to refine our green processes and create a sustainable production model that effectively utilizes natural resources. We will also implement value chain sustainability management to develop a sustainable, resilient industry. Each of our five committees recently formulated a sustainability action plan and established corresponding performance indicators, so as to systematically bring Walsin Lihwa closer to its vision of sustainability, one step at a time.



The Vision of Walsin Lihwa

Pursuit for continuous growth by leveraging industry 4.0 advantages; insistence on environmental protection, energy efficiency, and R&D for innovation; and servitization of manufacturing for customers value creation to become the most reliable and trustworthy business partners to customers.

Strategy foundation

Integrity, total involvement, management practices, innovative thought, and adding value to the value chain

	Sustainability strategy	Strategy implementation guidelines	SDGs
Corporate Governance Committee	<ul style="list-style-type: none"> Enhances the functionality of the governance structure, ensures compliance with related regulations, and strives to increase stakeholders' trust 	<ul style="list-style-type: none"> Develops a sound governance framework and increases the accountability of management Sequentially completes corporate governance and sustainability related policies, regulations, and systems Improves the timeliness, consistency, and transparency of internal and external information disclosure 	 <p>Peace, Justice, and Strong Institution</p>
ESH Committee	<ul style="list-style-type: none"> Prioritizes employee safety and health, and establishes well-rounded policies and regulations which are enforced in each plant Strengthens energy and resource management to lower the impact of operations on the environment and to develop towards a circular economy 	<ul style="list-style-type: none"> Protects labor safety and health, and creates a safe working environment Increases resource-use efficiency and recycling for a circular economy Establishes energy management mechanisms for energy conservation, carbon reduction, and to reduce pollutant emissions 	  <p>Clean Water and Sanitation Affordable and Clean Energy</p>
Green Operation Committee	<ul style="list-style-type: none"> Continually develops innovative green products, creates shared value with customers, and establishes a sustainable business model 	<ul style="list-style-type: none"> Develops green products, and improves and quantifies the environmental performance of products Develops green processes, and makes improvements at the source to reduce waste and energy consumption 	 <p>Responsible Consumption and Production</p>
Customer Service and Supplier Management Committee	<ul style="list-style-type: none"> Continually engages in customer-centric innovation and R&D, improves production and service models, and strives to create value for customers Comprehensively implements and strengthens supplier sustainability management to mutually grow with our business partners 	<ul style="list-style-type: none"> Establishes a service-oriented operation model and optimizes the service process, which increases customers' trust and creates a mutually beneficial situation Applies innovative technology controls and improves product quality; works together with customers to provide products and services that best meet their needs Effectively implements supplier management mechanisms to develop a sustainable supply chain 	 <p>Industry, Innovation and Infrastructure</p>
Employee and Social Care Committee	<ul style="list-style-type: none"> Upholds the concept of total involvement, cultivates top-tier talent and creates a happy workplace Promotes mutual development with local communities to gain greater social influence 	<ul style="list-style-type: none"> Creates a happy workplace, improves labor-management relationships, and increases employees' identification and engagement Strengthens talent cultivation and career development planning, helps employees learn, grow, and self-actualize Engages in charity and increases its influence through four aspects: corporate citizenship, care for the underprivileged, environmental protection and preservation, and community outreach 	  <p>Quality Education Decent Work and Economic Growth</p>

Contents

About This Report 2

About this report / Scope and boundaries / Calculation basis /
Date of publication / CSR contact information

Message from Chairman 4

2017 Performance Overview 6

Vision for Sustainability 9

Appendix 156

Appendix 1 Table Comparing Contents of Global Reporting
Initiative Standards 156

Chapter 1 : Communication 12

Showing Respect by Listening in Interactions

- 1.1 Stakeholder interaction 13
- 1.2 Material topic analysis 16
- 1.3 Disclosure of management strategies 19

Chapter 3 : Collaboration 54

Taking Strides toward Value Innovation

- 3.1 Creating value for customers 56
- 3.2 Sustainable supply chain 71

Chapter 5 : Partnership 108

Growing in Care and Harmony

- 5.1 Employee overview and talent management policy 110
- 5.2 Occupational health and safety 112
- 5.3 Learning and development 130
- 5.4 Employee care, communication, and benefits 134

Chapter 2 : Trust 24

Building a Solid Foundation

- 2.1 About Walsin Lihwa 26
- 2.2 Governance framework 33
- 2.3 Business performance 46
- 2.4 Business integrity 48

Chapter 4 : Cherish 76

Protecting Environmental Resources

- 4.1 Environmental management policy 78
- 4.2 Energy conservation and carbon reduction 82
- 4.3 Resource recycle and pollution prevention 90
- 4.4 Green operation 101

Chapter 6 : Integration 142

Strengthening Greater Social Influence

- 6.1 Empathizing with the underprivileged 144
- 6.2 Caring for ecology 149
- 6.3 Community outreach 151
- 6.4 Corporate citizenship 154

Chapter 1

Communication

Showing Respect by Listening
in Interactions

- 1.1 Stakeholder interactions
- 1.2 Material topic analysis
- 1.3 Disclosure of management strategies





1.1 Stakeholder interactions

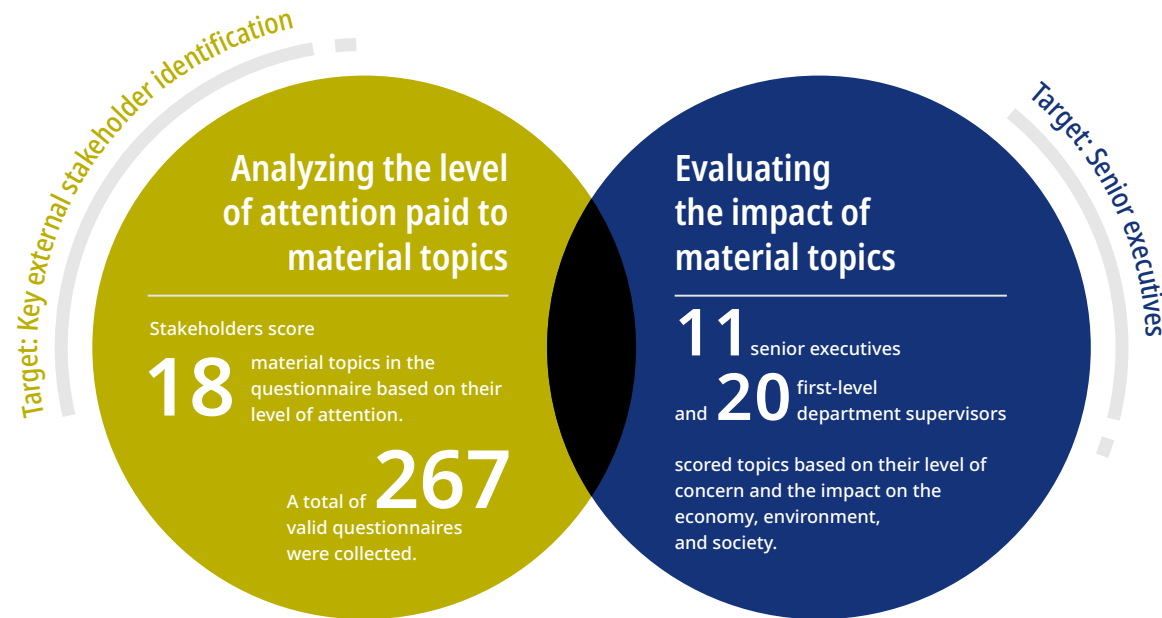
Walsin Lihwa's stakeholder identification conducted in 2017 identified 10 major categories of stakeholders. They are employees, customers, government, shareholders, suppliers/contractors/outsourcers, banks/insurance companies, media, local communities, the trade, guilds and associations, and nonprofit organizations. A questionnaire survey was conducted at Walsin Lihwa that factored in responsibility, influence, tension, diverse perspectives, and dependency, which are the 5 major principles of the AA1000 Stakeholder Engagement Standard, to identify stakeholders. Statistical analysis of the survey results from the 10 major categories found that more relevant stakeholders are employees, customers, government organizations, shareholders, and suppliers/contractors/outsourcers. Furthermore, Walsin has established complete and comprehensive channels of communication for stakeholders to learn about the topics with which stakeholders are concerned and actively respond.

Key stakeholders	Importance to Walsin	Topics of Concern	Communication method and frequency
Employees	Employees provide the impulse for Walsin to move forward. It is their unity and support which enables Walsin to achieve sustainability.	Business performance Remuneration and benefits Workplace safety	<ul style="list-style-type: none"> • Questionnaire survey for material topics identification (periodic) • Environment, Health and Safety Committee (quarterly) • Labor-management meeting (quarterly) • Employee portal, e-newsletter, and designated complaint line (immediate) • Total involvement (immediate)
Customers	Customers are the core of Walsin's improvements in products and services; Walsin develops long-term trusting customer relationships	Sustainability strategy Risk management Level of customer satisfaction with service Product quality and risk Shipment and transaction safety	<ul style="list-style-type: none"> • Customer satisfaction survey (periodic) • Questionnaire survey for material topics identification (periodic) • Customer visits (irregular) • Email, letter, and phone communications (immediate)
Government organizations	Government organizations establish regulations for economic, environmental, and social aspects at the highest level; operations at Walsin are based on the latest laws and regulations.	Compliance with relevant laws and regulations Energy and resource usage, energy saving, and carbon emission reduction Environmental Protection Workplace safety	<ul style="list-style-type: none"> • Questionnaire survey for material topics identification (periodic) • Official notification (irregular) • Briefing and conciliation meetings, questionnaires, and training courses on various policies and laws (irregular) • Email, phone, and electronic communications platforms (immediate) • Market Observation Post System (immediate)
Shareholders	Shareholders are the foundation of Walsin's existence; the shareholders' meeting is the highest level organ that decides the direction of Walsin's development according to the law.	Sustainability strategy Corporate governance Risk management Transparency of disclosure Business performance	<ul style="list-style-type: none"> • General shareholders' meeting (periodic) • Publication of annual report (periodic) • Questionnaire survey for material topics identification (periodic) • Company website (immediate) • Market Observation Post System (immediate) • Company spokesperson system (immediate) • Shareholder service center (immediate) • Complaints and suggestions mailbox (immediate)
Suppliers Contractors Outsourcer	Suppliers/Contractors/Outsourcers are Walsin's upstream materials and service providers, and are key business partners that support Walsin.	Business performance Supplier management Workplace safety Product quality and risk Shipment and transaction safety	<ul style="list-style-type: none"> • Questionnaire survey for material topics identification (periodic) • Visits, on-site assessment and audit (irregular) • Email and phone communications (immediate) • Letter communication (immediate)

Key stakeholders



1.2 Material topic analysis

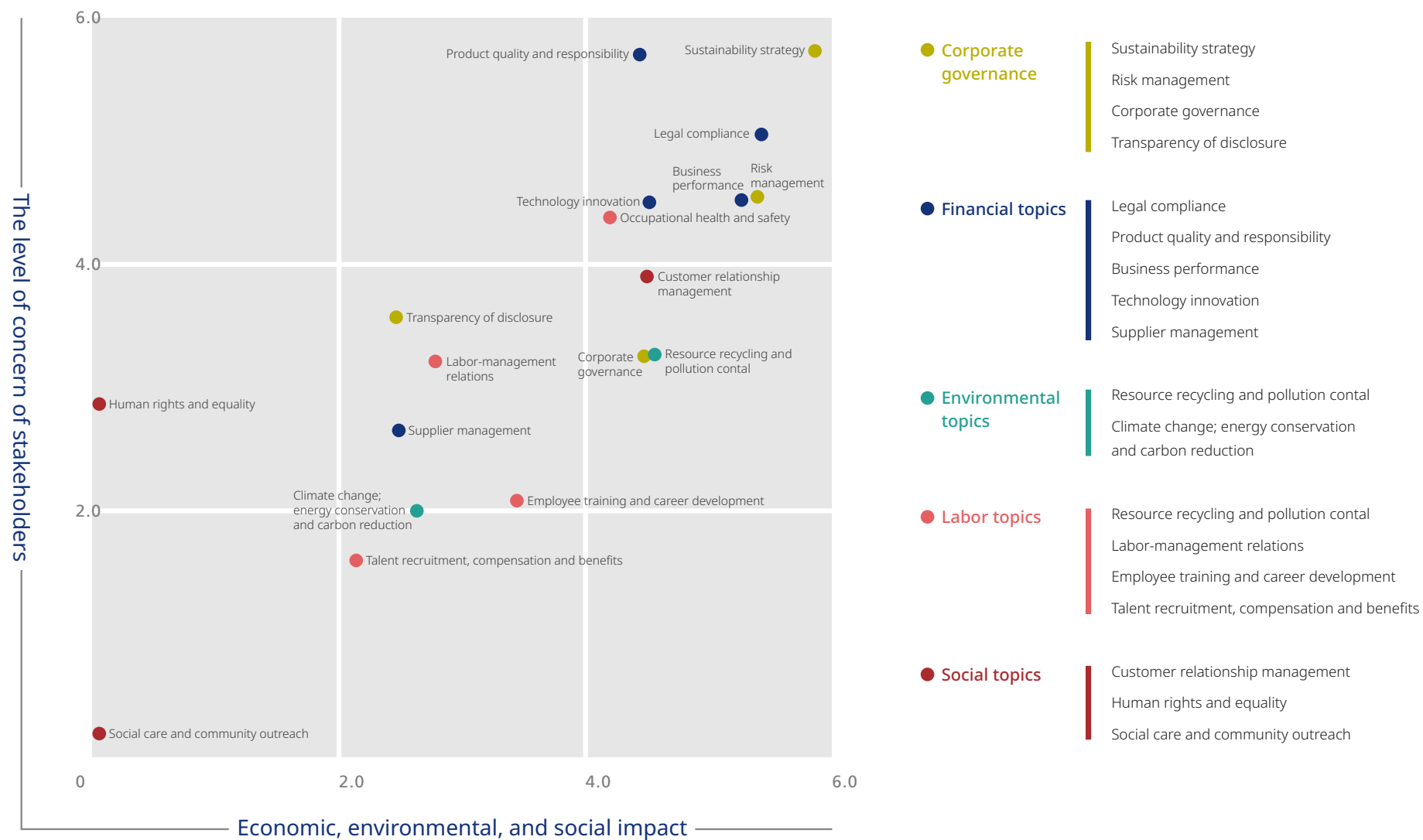


Questionnaire surveys of both internal and external material topics have been conducted to order corporate governance, economic, environmental, labor right, social, and product responsibility issues of Walsin Lihwa as to their respective levels of importance.

According to statistical analysis of stakeholder questionnaires, the 10 material topics of Walsin Lihwa are as follows: sustainability strategy, legal compliance, risk management, business performance, product quality and responsibility, occupational health and safety, technology innovation, customer relationship management, corporate governance, recycling and pollution prevention.

Further discussion at Walsin Lihwa is made based on analysis of the material topic survey findings has identified and defined internal and external target audiences, and has also identified 16 topics of consideration corresponding to the material topics. This report also discloses Walsin Lihwa's response to certain material topics (such as climate change, energy conservation and carbon reduction, labor-management relations, employee training and career development, and supplier management).

Material topic analysis diagram



Material Topics Table

● Direct impact ● Indirect impact

Material Issues	Significance to Walsin	Material Topics	Internal Impact	External Impact			
			Walsin Lihwa (including each plant and overseas subsidiaries)	Customers	Government organizations	Shareholders	Suppliers/ Contractors/ Outsourcers
Sustainability strategy	Short-, mid-, and long-term goals of Walsin Lihwa for sustainable operations under Walsin's vision for sustainability, include concrete measures and practices for economic performance, environmental protection, and social engagement.	Sustainability strategy ^(Note)	●	●	●	●	●
Legal compliance	Walsin has established policies and regulations in each area to comply with government regulations and aims to prevent violations harming the Company's business continuity and financial condition.	Environmental legal compliance	●	●	●	●	●
		Social and economic legal compliance	●	●	●	●	●
Risk management	Walsin continues to lower its enterprise risk by improving its ability to identify and manage potential risks in its operations, including risk monitoring mechanisms, warning, stop loss, crisis management, prevention, and improvement.	Risk management ^(Note)	●	●	●	●	●
Business performance	Walsin's complete strategy and management practices for business performance, investment gains/losses, company finance, operating cost, and marketing development.	Economic performance	●	●	●	●	●
Product quality and responsibility	Walsin's practices to improve product quality and ensure that product and material quality comply with health and safety regulations.	Customer health and safety	●	●	●	●	●
Occupational health and safety	Occupational safety and health management measures and policy of Walsin to improve employees' overall health and health.	Occupational safety and health	●	●	●	●	●
Technology innovation	Walsin constantly engages in innovation and the development of new materials and processes to increase its brand value, profitability, and competitiveness.	Technology innovation	●	●	●	●	●
Customer relationship management	Walsin actively builds relationships with customers to understand what customers need and improve service quality and satisfaction.	Marketing and product service information labeling	●	●	●	●	●
Corporate governance	Walsin's guidelines and measures for improving shareholders rights and interests, investor relationships, Board of Directors functionality, independence, and ethical conduct, and the operations of each functional committee.	Corporate governance ^(Note)	●	●	●	●	●
Resource recycling and pollution control	Walsin's strategy for using raw materials and resources in operations, including consumables, improvement of recycling, pollution management, and environmental impact assessments.	Materials	●	●	●	●	●
		Water	●	●	●	●	●
		Emissions	●	●	●	●	●
		Wastewater and waste	●	●	●	●	●

Note: Material Topics Identified by Walsin

1.3 Disclosure of management strategies

Material Issues	Material Topics	Management mechanisms and purpose	Policy/Commitment/Responsibility	Corresponding sustainability strategy of Walsin	Complaint mechanism	Corresponding chapters/ sections
Sustainability strategy	Sustainability strategy	The CSR Committee subordinate to the Board of Directors was established and charged with the establishment of corporate sustainability strategies and vision. The committee routinely reports strategy planning and implementation status to independent directors and directors, and periodically reports the implementation of CSR practices to the Board of Directors.	Insistence on integrity and commitment to ongoing improvement of operational effectiveness. Ongoing improvement of corporate governance to ensure business sustainability. Development of a friendly work environment and an innovative learning organization. Thorough safety management to create an outstanding workspace. Effective implementation of carbon reduction and energy to enable green production. Ongoing corporate social responsibility and public interest initiatives.	All	<ul style="list-style-type: none"> • CSR communication • Questionnaire survey for material topic identification 	Vision for Sustainability
Business performance	Economic performance	The business performance and direction of business units is monitored through strategy meetings, annual budgeting, quarterly business performance reports, and forecasts for the next quarter.	Control cost through production optimization, process improvement, and changes in raw materials prices and financing cost; develop products to drive Company growth with the goal of pursuing stable profit.	<ul style="list-style-type: none"> • Enhances the functionality of the governance structure, ensures compliance with related regulations, and strives to increase stakeholders' trust in Walsin 	• General shareholders' meeting	2.3 Business performance
Corporate governance	Corporate governance	Periodic CSR and corporate governance meetings conduct follow-up on the implementation status of annual plans to protect shareholders' rights, treat shareholders equally, strengthen the Board of Directors' structure and operations, increase information transparency, and fulfill CSR.	Corporate governance is a mechanism for guiding and managing companies to fulfill their responsibilities, protect shareholders' lawful rights, and give consideration to the interests of other stakeholders.		• CSR communication	2.2 Governance framework

Material Issues	Material Topics	Management mechanisms and purpose	Policy/Commitment/Responsibility	Corresponding sustainability strategy of Walsin	Complaint mechanism	Corresponding chapters/ sections
Legal compliance	Environmental legal compliance		<ul style="list-style-type: none"> • Bussiness Integrity is an important part of company culture that stresses that all business activities must comply with local laws and regulations. The Company has also established a reporting system. • The Company exerts every effort in the following areas to comply with laws and regulations to achieve sustainability: 			
	Social and economic legal compliance	<ul style="list-style-type: none"> • Categorized based on organizational function and the laws relevant to each function; we follow regulatory changes and make proposals where necessary to revise the Articles of Incorporation or internal regulations. • There has been established a Business Integrity Committee under the Board of Directors that is responsible for the implementation of related policies, regulatory compliance training, and supervision of the audit mechanism; it facilitates the creation of a corporate culture and sound development of honest business practices. 	<p>A. External: The Company's "Bussiness Integrity" and "Behavioral Guidelines and Operation Procedures for Bussiness Integrity" are available on the Company's website.</p> <p>B. Internal: Bussiness integrity practice area was posted on the internal platform to promote legal compliance; Training courses are organized in each plant to promote the importance of legal compliance.</p> <p>C. Suppliers: The Company's supply chain management policy, which requires suppliers to comply with international laws and customers' regulations, is specified on the Company's website. A sunshine clause as well as regulations on honest transactions, anti-bribery (anti-corruption), and other unethical conduct are incorporated in supplier contracts.</p>	<ul style="list-style-type: none"> • Enhances the functionality of the governance structure, ensures compliance with related regulations, and strives to increase stakeholders' trust in Walsin 	<ul style="list-style-type: none"> • Bussiness Conduct reporting mailbox 	2.4 Bussiness Integrity practice

Material Issues	Material Topics	Management mechanisms and purpose	Policy/Commitment/Responsibility	Corresponding sustainability strategy of Walsin	Complaint mechanism	Corresponding chapters/ sections
Risk management	Risk management	Established an internal audit system and independent directors to ensure the effective operation of internal control and reporting mechanisms; management is highly concerned about improvement results in internal control deficiencies.	<ul style="list-style-type: none"> • Compliance with related laws and regulations • Operating performance and efficiency • Reports are reliable, timely, transparent, and comply with relevant regulations. 	<ul style="list-style-type: none"> • Enhances the functionality of the governance structure, ensures compliance with related regulations, and strives to increase stakeholders' trust in Walsin 	<ul style="list-style-type: none"> • Audit and report 	2.4 Business Integrity practice
Customer relationship management	Marketing and product & service information labeling	Business units conduct annual satisfaction surveys of domestic and foreign customers. The management review meeting reviews the customer satisfaction survey report and continues to monitor progress and results.	We are committed to satisfying customers' needs and strive to provide the products and services they need. Our products comply with domestic, industry, and international testing standards, and have obtained numerous certifications in Taiwan and overseas.	<ul style="list-style-type: none"> • Continually engages in customer-centric innovation and R&D, improves production and service models, and strives to create value for customers • Continually develops innovative green products, creates shared value with customers, and establishes a sustainable business model 	<ul style="list-style-type: none"> • Customer satisfaction survey • Irregular feedback through e-mail, letter, and phone communications • Irregular visits to customers • Questionnaire survey for material topic identification • Customer service contact 	3.1 Create value for customers

Material Issues	Material Topics	Management mechanisms and purpose	Policy/Commitment/Responsibility	Corresponding sustainability strategy of Walsin	Complaint mechanism	Corresponding chapters/ sections
Product quality and responsibility	Customer health and safety	Pay close attention to chemical substance lists newly released by the ECHA, and send products for testing periodically or as needed.	The quality of all Walsin products comply with international and domestic environmental protection laws and regulations, and substance safety data sheets and material certificates are available to prove product safety.	<ul style="list-style-type: none"> Continually engages in customer-centric innovation and R&D, improves production and service models, and strives to create value for customers Continually develops innovative green products, creates shared value with customers, and establishes a sustainable business model 	<ul style="list-style-type: none"> Customer satisfaction survey Irregular feedback through e-mail, letter, and phone communications Irregular visits to customers Questionnaire survey for material topic identification Customer service contact 	3.1 Create value for customers
Technology innovation	Technology innovation	Establish a rigorous product development process, invest in R&D, and submit applications for patenting our R&D results. We participate in industry associations and engage in exchanges with associations and their members to gain a better understanding of industry trends and market information. We have also stepped up our cooperation with other companies.	Keep the Company up-to-date with the latest technological developments to simultaneously improve our brand image and market visibility.			
Occupational health and safety	Occupational safety and health	Walsin plants in Taiwan and overseas have established an Occupational Safety and Health Committee that meets on a regular basis. The Plan-Do-Check-Act (PDCA) cycle, full engagement, and regional joint defense activities help ensure comprehensive health and safety management.	Employee safety and health are the primary objectives of business administration, and Walsin has declared its commitment and policy to ensure the mental and physical health of all employees, emphasizing: care for health: cherish life, improve mental and physical health, and create a friendly environment that supports health.	<ul style="list-style-type: none"> Prioritizes employee safety and health, and establishes a well-rounded policy and regulations, which are enforced in each plant 	<ul style="list-style-type: none"> Employee portal, e-newsletter, and designated complaint line Labor-management meeting Environment, Health and Safety Committee Mechanism for the total involvement 	5.2 Occupational health and safety

Material Issues	Material Topics	Management mechanisms and purpose	Policy/Commitment/Responsibility	Corresponding sustainability strategy of Walsin	Complaint mechanism	Corresponding chapters/ sections
Resource Recycling and Pollution Control	Materials	<ul style="list-style-type: none"> Slag recycling: We are collaborating with some of the top universities in Taiwan in research projects on slag recycling, and aim to recycle stainless steel oxidizing slag and reducing slag. 	<p>"Green production, happy enterprise, and sustainable business." We carry out management improvement, resource integration, technology upgrade, and environmental R&D/technology talent cultivation to achieve the Company's environmental safety and health management vision – "Energy conservation and carbon reduction, reutilization, and recycling."</p>	<ul style="list-style-type: none"> Strengthens energy and resource management to lower the impact of operations on the environment and develop towards a circular economy 	<ul style="list-style-type: none"> Participation in environmental protection and energy saving program Participation in environmental protection and energy saving program 	4.3 Resource recycle and pollution prevention
	Water					
	Emissions	<ul style="list-style-type: none"> Water resource use: Build a rainwater collection system, process water recycling, and black smoke water recycling mechanism; we properly control effluent standards and strictly comply with laws and regulations. 				
	Wastewater and waste	<ul style="list-style-type: none"> Energy conservation and carbon reduction: Energy efficient processes and energy conservation and carbon reduction measures for utilities systems Recycling and reuse of waste acid 				

Chapter 2

Trust

Building a Solid Foundation

- 2.1 About Walsin Lihwa
- 2.2 Governance framework
- 2.3 Business performance
- 2.4 Business integrity



Walsin Lihwa has over the years utilizing a pragmatic approach cultivated its core business by exercising proper risk management based on the principle of business integrity. While pursuing stable profits, we have incorporated economic, social, and environmental topics of concern in CSR into our daily operations through our corporate governance system, which encompasses the entire process from goal setting, review, to revision. We strive to reach our corporate sustainability goals through the continued promotion of green production, encouraging employees to actively participate in environmental actions and volunteer for social work, and forging a consensus on our corporate social responsibilities. In response to shifting trends in the external environment, we transformed ourselves from manufacturer to manufacturing service provider to create value for our customers, and also became a trusted enterprise for our customers and business partners.



Corporate Governance Assessment

Ranked in the Top **5%**
of Companies



Board of Directors
Independent director

Increased to **4** seats



Established the
Audit Committee



Convened two

**Investor
Conferences**

2.1 About Walsin Lihwa

2.1.1 Business development

Walsin Lihwa Corporation was founded in 1966 with a capital of NT\$30 million, and started out as a manufacturer of wire and cable. Walsin Lihwa is currently the leader of the wire and cable and Speciality steel industry in Greater China, and is an international enterprise that has successfully entered the real estate business and made investments in the technology industry.

Walsin Lihwa became listed on the Taiwan Stock Exchange in 1972; the company's copper wires, power cables, communications cables, and speciality steel materials are extensively used in infrastructure, including power transmission, telecommunication network, transportation, and industrial production. Consolidated revenue in 2017 was approximately NT\$167.8 billion, and employees totaled over 4,800.

Walsin Lihwa began in the early 1990s to actively expand its operations in mainland China, which is now the mainstay of its development, and now has over 10 production and sales locations around the world.

Of Walsin's core businesses, the wire and cable business includes copper materials and power and communication cables. Walsin has a complete line of power cables and communication cables to meet the power and telecommunication demands in Greater China. Our speciality steel business is a stainless steel plant in Asia that specializes in the manufacturing of long whole strip products, such as steel billets, coils, bars, and seamless steel pipes. Walsin focuses on business opportunities from cross-Strait trade in the real estate business, and uses its real estate development and management experience accumulated over the last three decades to develop large scale real estate products in cities of China.

Walsin Lihwa began investing in the semiconductor, electronic parts and components, printed circuit boards, photonics, and financial industries in 1980, and established a number of enterprises including Winbond Electronics Corporation, Walsin Technology Corporation, HannStar Board Corporation, and HannStar Display Corporation. We utilize our experience and achievements from developing the semiconductor and advanced materials industries as a foundation for developing emerging technologies.

Walsin Lihwa has always stayed up-to-date on trends and utilizes a proactive expansion strategy to pursue new growth. We continue to work together with well-known companies and universities in Taiwan and overseas in proprietary technology research, and to develop new products and businesses based on market and customer demand. Walsin Lihwa consistently maintains strict requirements on quality, and has become the best partner of our customers by providing fast, integrated services. While revenue and profits continue to grow, Walsin makes substantial contributions to society and the environment. Growing together with society is a goal we have always worked very hard towards. This is apparent in our daily operations and drives stable progress in economic, social, and environmental development, thereby laying a solid foundation for corporate sustainability.

Industry supply chain

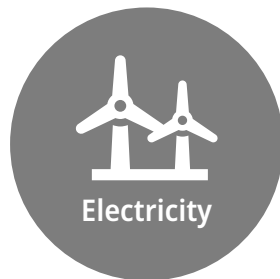
► Industries and customers served

Walsin has established over ten business locations in Taiwan, Mainland China, Southeast Asia, and the United States. We are headquartered in Taiwan with the Asia-Pacific as our growth engine, providing customers with excellent quality and refined services in view of establishing our presence in the global market. Industries and customers we serve include :



Energy use

- Petroleum
- Natural gas
- Mining
- Chemical engineering



Electricity

Power generation:
Thermal power (coal, gas),
nuclear power, hydropower,
wind power, solar power

Power transmission and distribution system:
National network, power supply bureau, power transmission, power distribution, tertiary industry companies



Construction

Government buildings
factories and warehouses
public buildings
(including shopping centers, commercial centers, and sports facilities)
Private houses



Industry

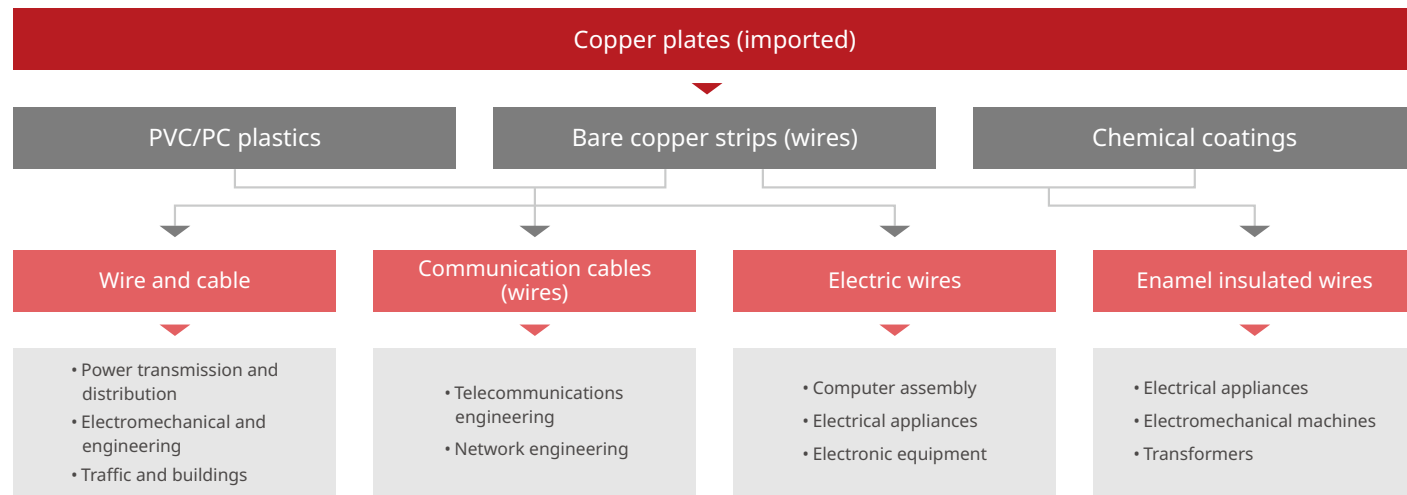
Automated facilities
industrial electronic equipment
vehicles, ships, airplanes
domestic electricity use
medical devices
computer and peripheral equipment



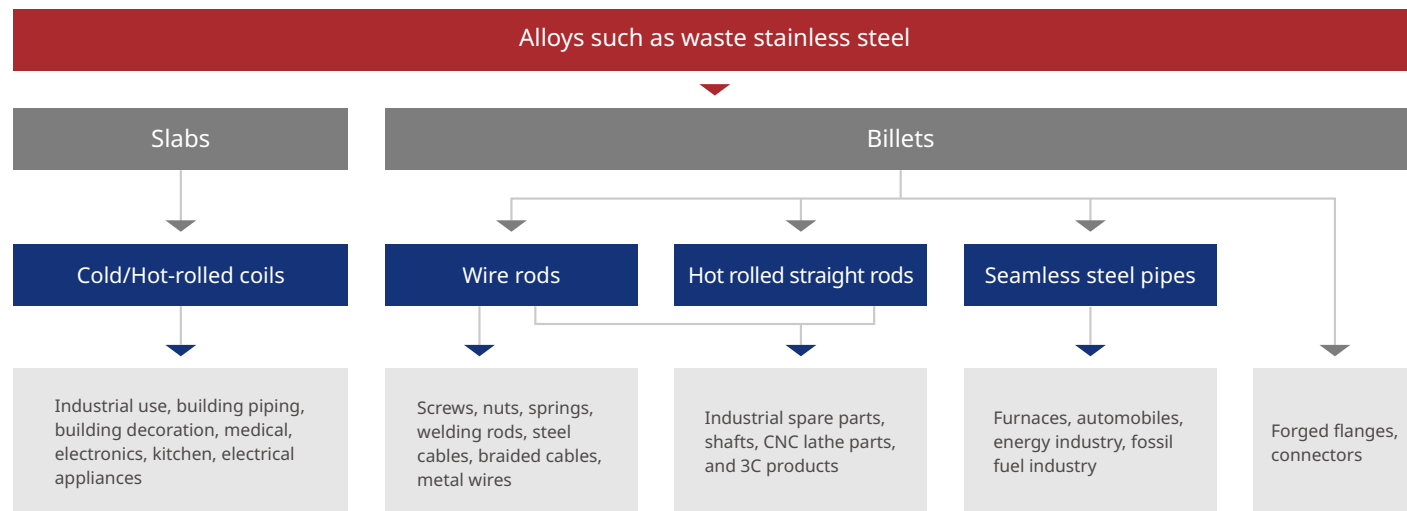
Infrastructure

Roads, bridges, tunnels, railways, airports, harbors, others

► Wire and Cable Business



► Speciality Steel Business



Business locations

Walsin Lihwa has dedicated great efforts to developing the infrastructure market in Greater China, and began actively establishing overseas locations in the early 1990s. The Company currently has over ten production and sales centers in Taiwan, Mainland China, and Southeast Asia, especially in the densely populated Yangtze river basin with booming industries and business where Walsin has established copper wire, wire and cable, and stainless steel factories. In recent years, Walsin has further expanded to Bohai Bay. Our dense production and sales network across the Taiwan Strait has shown the benefits of resource integration and can rapidly satisfy customers' needs.

Our headquarters is located in Taipei, Taiwan, and business locations are distributed throughout Taiwan, Mainland China, Malaysia, Indonesia, and California, U.S.A.





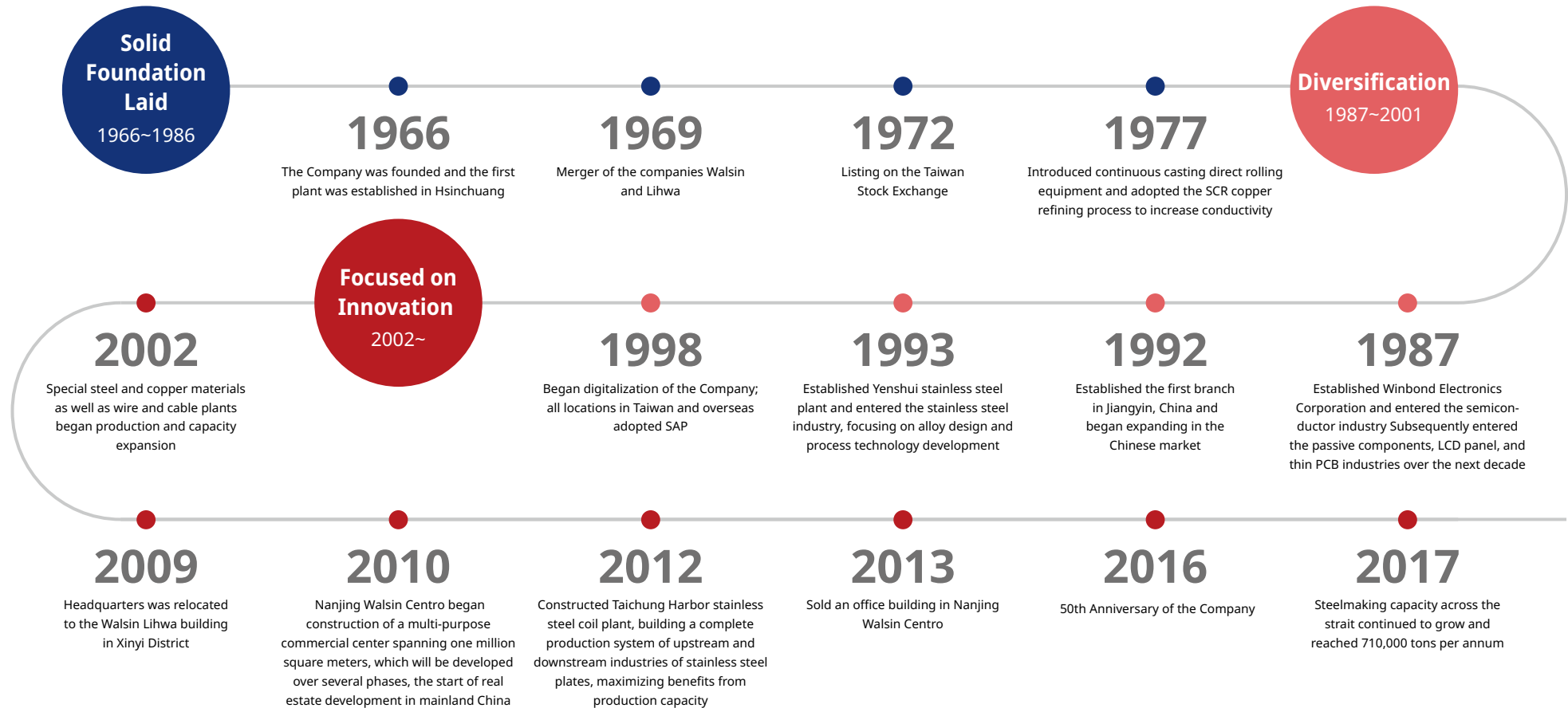
2.1.2 External collaboration

Walsin Lihwa participates in industry associations and engages in exchanges with associations and their members to gain a better understanding of industry trends, market information, and government laws. We have also stepped up our cooperation with other companies so as to keep abreast of the latest technological developments and simultaneously improve our brand image and market visibility.

Category	Association	Member	Director/Supervisor
Industry exchanges	Electric-Electronic & Environmental Technology Development Association of R.O.C. (CED)	✓	✓
	Taiwan Electric Wire & Cable Industries Association	✓	Standing director
	Taiwan Electrical and Electronic Manufacturers' Association	✓	Director Yu-Cheng Chiao is appointed honorary chairman
	Chinese National Federation of Industries	✓	
	Taiwan Telecommunication Engineering Industry Association	✓	
	Taiwan Electrical Contractors Association	✓	
	Taiwan Metal Industry Association	✓	
	Chinese National Association of Industry and Commerce, Taiwan	✓	
	Industrial Safety and Health Association of the R.O.C. (Taiwan)	✓	
Social development	Friends of the Police Association of R.O.C.	✓	
	Criminal Investigation Association of R.O.C.	✓	✓
	Cross-Strait CEO Summit	✓	✓
	Chinese International Economic Cooperation Association	✓	
	The Third Wednesday Club	✓	

2.1.3 Milestones and awards

Company Development Milestones



Honor and Awards

	Taiwan	Mainland China
2017	<ul style="list-style-type: none"> • Ranked in the Top 20% of Companies in the TWSE's 3rd Corporate Governance Evaluation in 2016 • Gold Award at the 2017 Taiwan Corporate Sustainability Report Awards (TCSA) • Ranked 290th in the Top 1,000 Companies Across the Taiwan Strait by CommonWealth Magazine in 2016 • Ranked 25th in the Top 2,000 Manufacturers by CommonWealth Magazine in 2016 • Ranked 41th among the Most Profitable Manufacturers by CommonWealth Magazine in 2016 • Received the "School Donation Role Model" award from Yilan County Government for the "Light Up the Corners throughout Taiwan" project • Yenshui Plant – Received the iTaiwan iSports Badge from the Sports Administration • Hsinchuang Plant – Recognized by the Occupational Safety and Health Administration as an Occupational Health Family Demonstration Company 	<ul style="list-style-type: none"> • Shanghai Walsin – Annual company AAA credit rating certificate • Shanghai Walsin – Demonstrative unit of "Advanced Home of Workers" from Shanghai Jiading District Trade Union Council • Nanjing Walsin – Nanjing Brand Product Certificate • Changshu Walsin – Suzhou Brand Product Certificate • Yantai Walsin – Runner up for the CSR excellence award issued by the YEDA Administrative Commission in 201
2016	<ul style="list-style-type: none"> • Ranked in the Top 20% of Companies in the TWSE's 2nd Corporate Governance Evaluation in 2015 • Silver Award at the 2016 Taiwan Corporate Sustainability Report Awards (TCSA) • Ranked 282nd in the Top 1,000 Companies Across the Taiwan Strait by CommonWealth Magazine in 2015 • Ranked 24th in the Top 2,000 Manufacturers by CommonWealth Magazine in 2015 • Received a letter of appreciation for donating computers to the international volunteer group of National Tsing Hua University for "Tanzania Education" and "Belize IT Education" • Taipei Headquarters – Received a trophy of appreciation for participating in the charity event on World Prematurity Day • Hsinchuang Plant – Received a trophy of appreciation for sponsoring the National High School Skills Competition • Hsinchuang Plant – Received a certificate of appreciation for participating in the National High School Skills Competition Contestant Retainer and Talent Matching Project • Yenshui Plant – Received a medal of appreciation for donating a water mist fire engine to the Fire Bureau of Tainan City Government 	<ul style="list-style-type: none"> • Yantai Walsin– Third place in the CSR excellence award issued by the YEDA Administrative Commission in 2016 • Shanghai Walsin – Received the 2016 "Worker Pioneer" award from Jiading District Trade Association • Shanghai Walsin – Annual company AA credit rating certificate • Shanghai Walsin – Participated in the "Love under blue skies" charity event in Shanghai in 2016 • Shanghai Walsin – Commended in the 2016 "Government Support, Care for Citizens, Support for Military, and Care for Subordinates" event
2015	<ul style="list-style-type: none"> • Included as a constituent stock in the TWSE Corporate Governance 100 Index • Ranked 236th in the Top 1,000 Companies Across the Taiwan Strait by CommonWealth Magazine in 2014 • Ranked 25th in the Top 2,000 Manufacturers by CommonWealth Magazine in 2014 • Yangmei Plant – Commended by Yangmei District Office, Taoyuan City Government, for assisting with urban landscape greening and beautification • Hsinchuang Plant – Excellent Energy Saving Performance Award from the Bureau of Energy, Ministry of Economic Affairs in 2015 • Taichung Plant – Received the Healthy Workplace Certification – Tobacco Hazards Prevention Label from the Health Promotion Administration, Ministry of Health and Welfare • Taichung Plant – Runner-up at in Taichung City's Workplace Health Promotion Contest in 2015 • Yenshui Plant – Received the Excellent Adopting Company in the General Company Division of Tainan City's Environmental Protection Excellence Units in 2015 	<ul style="list-style-type: none"> • Dongguan Walsin – Top 10 taxpaying industrial companies in Dalang Town in 2015 • Dongguan Walsin – Top 10 exporting industrial companies in Dalang Town in 2015 • Dongguan Walsin – Home of advanced workers in Dongguan City • Shanghai Walsin – "Worker Pioneer" from Shanghai Jiading District Trade Union Council

2.2 Governance framework

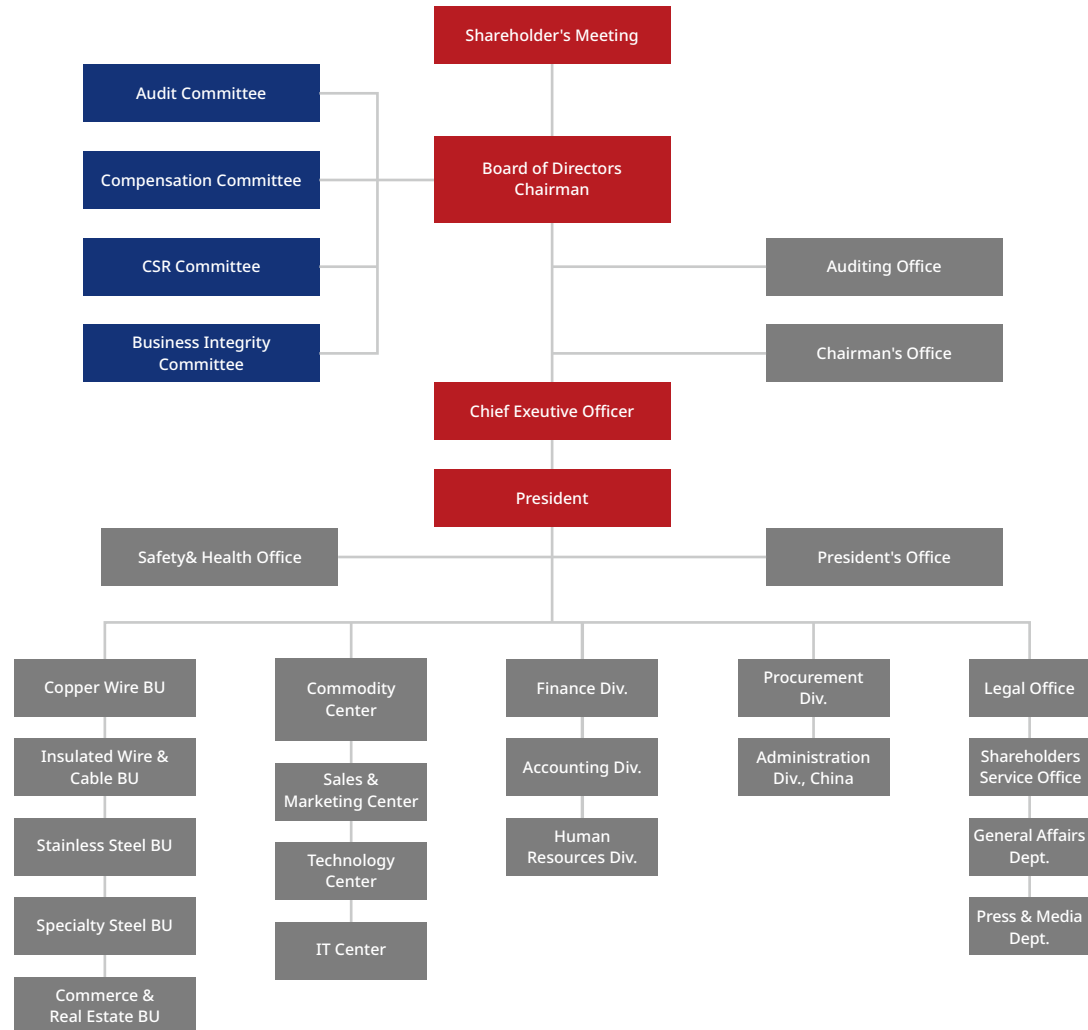
2.2.1 Organizational structure

The Company insists on business integrity and actively promotes corporate governance and sound proceedings at Board meetings. The Board of Directors authorizes the Compensation Committee and Audit Committee to assist it in performing supervisory duties. Existing or potential operating risks of the Company are effectively supervised, mitigated, and improved through internal audits, internal control, and revision of regulations.

2.2.2 Board of directors

The Board of Directors is the highest level governance unit and decision-maker of the Company. The Company's general shareholders' meeting in 2011 approved the revision of its Articles of Incorporation, and established a candidate nomination system for Board elections in accordance with Article 192-1 of the Company Act. During the general shareholders' meeting on May 26, 2017, 18 directors including 4 independent directors were elected.

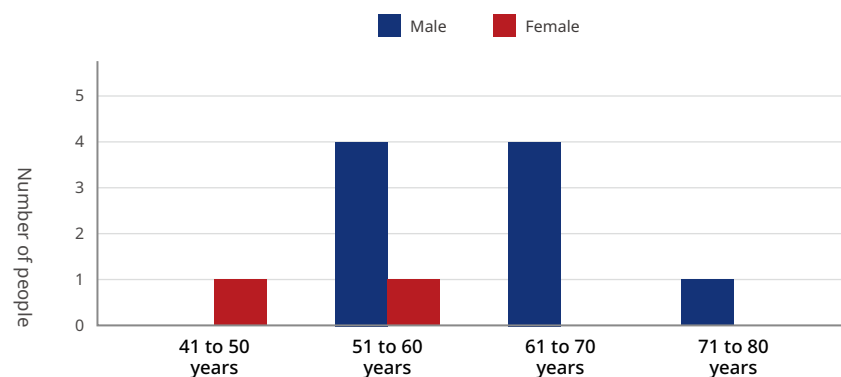
Walsin Lihwa Corporation Organization



Please see the table below for statistics on director age and gender. The term of new directors including independent directors is 3 years. Directors assume the position once they are elected, and the current Board will serve from May 26, 2017 to May 25, 2020. Board meetings are convened at least once a quarter, and the Company convened a total of 6 Board meetings in 2017 with an 80% attendance rate among all directors and supervisors. Important resolutions of the Board of Directors are disclosed on the Company's website to provide timely and transparent information.

The Company has directors and supervisors from diverse backgrounds. Directors and supervisors are all professionals from the management team or managers from related industries that possess expertise in finance, business, and accounting, and have worked in different fields and occupations. This enables them to effectively perform their duties as Board members, which include establishing and maintaining the Company's vision, values, and principles. Board members assist in the promotion of corporate governance and strengthening of business administration, supervise and evaluate policy and business plan implementation by management, and are responsible for the Company's overall economic, social, and environmental operations. Board members set out from the perspective of stakeholders and elevate the Company's corporate governance and company value.

Gender and age of directors



Important resolutions of the Board of Directors in 2017 are as follows:

Date of Meeting	Important Resolutions
2017/11/03	<ol style="list-style-type: none"> 1. Reported the Company's financial statements for the first three quarters of 2017. 2. Approved the Company's plan to fund a cash capital increase of Winbond Electronics Corporation for about 72,521,000 shares at about NT\$1.6 billion.
2017/08/04	<ol style="list-style-type: none"> 1. Reported the Company's financial statements for the first half of 2017. 2. Approved the appointment of the Company's Chief Information Officer and Chief Technology Officer.
2017/05/26	<ol style="list-style-type: none"> 1. Approved the establishment of the Audit Committee. 2. Approved the appointment of the 3rd Compensation Committee members.
2017/05/05	<ol style="list-style-type: none"> 1. Reported the Company's financial statements for the first quarter of 2017. 2. Canceled 30,000 board lots of treasury stock, the benchmark date for capital reduction is May 5, 2017.
2017/02/17	<ol style="list-style-type: none"> 1. Approved the Company's 2016 Business Report. 2. Approved the distribution proposal for the Company's 2016 profits, a cash dividend of NT\$0.7 will be issued per share. 3. The Company's Shareholders' Meeting was scheduled to be held in the Multi-functional Conference Hall at 1F, No. 15, Lane 168, Xingshan Rd., Neihu District, Taipei City on at 9:00 A.M. on May 26, 2017. 4. Approved the Company's plans to fund a cash capital increase of Powertek Energy Co. with a maximum of NT\$693 million.
2017/01/13	<ol style="list-style-type: none"> 1. Approved the lifting of the non-competition ban on managers of the Company. 2. Approved the capital reduction of subsidiary Concord Industries Ltd. by US\$4,400,000. 3. Approved a donation to HannStar Culture and Education Foundation to promote cultural and educational events and drive the development of cultural creativity.

Director Profiles

Title	Name	Key Education/Work Experience	Other Current Positions Within the Company
Chairman	Yu-Lon Chiao	Business Administration Department, University of Washington; The Company's former President and Vice Chairman.	Chairman of Concord Venture Capital Group; Vice Chairman of Hangzhou Walsin Power Cable & Wire Co., Ltd. and Jiangsu Taiwan Development Co., Ltd.; Director of Walton Advanced Engineering, Inc., Ltd.; Director and Vice President Commissioner of and subsidiaries of Walsin Lihwa Corporation.
Vice Chairman	Patricia Chiao	MBA at College of Notre Dame; Former Company clerk, secretary, deputy manager of Finance Dept., special assistant to the President, assistant vice president of Investment Dept., assistant vice president of Financial Dept., head of Financial Investment Dept., assistant vice president of Commodity Center and Financial Investment Management Center, President of Insulated Wire & Cable BU.	Chairman of Nanjing Walsin Metal Co., Ltd.; Board Director of Renowned International Co., Ltd., Jiangying Walsin Steel Cable Co. Ltd., Walsin Lihwa Holding Co., Ltd., Walsin Specialty Steel Holding Co., Ltd. and Walsin Specialty Steel Corporation; President of Chin-Xin Investment Co., Ltd.
Director	Yu-Cheng Chiao	University of Washington Masters of Electrical Engineer and Business Administration; The Company's former chairman.	Chairman of Winbond Electronics Corporation, Chin-Xin Investment Co., Ltd. and Nuvoton Technology Corp; Director of Walsin Technology Corporation, Jincheng Construction Co., Ltd., United Industrial Gases Co., Ltd., Songyong Investment Co., Ltd., Baystar Holdings Ltd., Marketplace Management Limited, Newfound Asian Corporation, Peaceful River Corporation, Pigeon Creek Holding Co., Ltd., Winbond Electronics Corporation America, Winbond Int'l Corporation, Landmark Group Holdings Ltd. and Nuvoton Investment Holding Ltd. Supervisor of MiTAC Holdings Corporation; CEO of Winbond Electronics Corporation; Manager, Goldbond LLC; Independent Director & convener of the Compensation Committee at Taiwan Cement Corp.; Independent Director & member of the Compensation Committee at Synnex Technology International Corporation;
Director	Yu-Heng Chiao	Golden Gate University, Master of Business Administration; The Company's former vice president and vice chairman.	Chairman of Walsin Technology Corporation, Walton Advanced Engineering, Inc., HannStar Board Corp., Global Brands Manufacture, Prosperity Dielectrics Co., Ltd., Info-Tek Corp., HannStar Color Co. Ltd., VVG Co. Ltd., HannStar Board Corporation (Jiangyi); Director of Yu Yue Corporation, Sheng Cheng Industry and An Xin e-Commerce
Director	Hui-Ming Cheng	Master in Business Administration, Kelley School of Business at Indiana University. Master in Science in Chemical Engineering, University of California, Los Angeles; Former CFO at HTC Corporation	The Company's President; Director of Da-Sheng Venture Capital Co., Ltd., Da-Sheng Yi-I Venture Capital Co., Ltd., Da-Sheng Si Venture Capital Co., Ltd., Acme Electronics Corporation, Gogoro Inc. and Gogoro Taiwan Limited.
Director	Wei-Shin Ma	Ph.D., College of Humanities and Social Sciences of National Tsing Hua University, Peking University, Master of Business Administration for Senior Managers, University of California (Berkeley), Department of East Asian Languages; Chairman of Yuanta Securities Investment Trust Corporation; Special Assistant to Chairman of Yuanta Securities Corporation; Chairman of HannStar Display Corp.	Chairman of HannsTouch Solution Inc., Xingshiyuema Investment Co., Ltd., Yuemayihao Investment Co., Ltd.; Yuemaerhao Investment Co., Ltd., Hannspeer, Inc., White Stone Management Consultancy; Director of HannStar Color Co. and Winbond Electronics Corporation

Director Profiles

Title	Name	Key Education/Work Experience	Other Current Positions Within the Company
Director	Chin-Xin Investment Co., Ltd Representative: Tung-Yi Chan	Doctor of Science in Electrical Engineering, University of California, Berkeley, Master of Management Science, Stanford University; BCD Semiconductor CEO	President of Winbond Electronics Corporation; Chairman of Winbond Electronics (Suzhou) Limited. and Winbond Technology LTD; Director of Walton Advanced Engineering, Inc., Mobile Magic Design Corp., Pine Capital Investment Limited, Miaowanlianxin Co., Ltd., Landmark Group Holdings Ltd., Winbond Electronics Corporation Japan, Peaceful River Corp., Winbond International Corporation, Winbond Electronics Corporation America, Marketplace Management Limited, Pigeon Creek Holding Co., Ltd., Newfound Asian Corp., Baystar Holdings Ltd.; CEO of Mobile Magic Design Corp.
Independent Director	Juei-Lung Chen	Department of Economics, National Chung Hsing University; Minister of MOEA; Chairman of Institute for Information Industry and Commerce Development Research Institute	Chairman of Powerchip Technology Corporation and Sinocon Foundation! Taiwan Inc.; Secretary general of Cross-Strait CEO Summit; Director of Powergate Optical Inc., Chijen Technology Development Co., Ltd., Asia Cement Corporation, HannStar Board Corporation and Bank of Panhsin ; Independent Director of China Petrochemical Development Corporation., FORMOSA CHEMICALS & FIBRE CORPORATION and Inventec Corporation.
Independent Director	Ming-Ling Hsueh	Soochow University, Master in Accountancy; Bloomsburg University of Pennsylvania, Master of Business Administration; PwC Taiwan Director; Executive Director of Taiwan Corporate Governance Association .	Independent Director of Yuanta Financial Holdings & Yuanta Commercial Bank, TTY Biopharm and Lite-On Technology Corporation.
Independent Director	King-Ling Du	Mississippi State University, Masters in Mechanical Engineering; New York University, financial management research; Stanford University, Advance marketing research; U.S. representative of China Steel Corporation (Steel Division, U.S. Purchasing Group of Executive Yuan), Deputy General Manager of Business Department, Engineering Department, Corporate Planning Department, and Executive Deputy General Manager; General Manager, Kaohsiung Rapid Transit Corporation; Chairman, China Ecotek Corporation.	Director of Sheh Fung Screws Co., Ltd and Green River Holding Co., Ltd. Independent Director of Ta Liang Technology Co., Ltd. and Sheh Kai Precision Co., Ltd.
Independent Director	Shiang-Chung Chen	The School of Industrial Engineering at Purdue University; President of Mercuries Data Systems Ltd.	Chairman and President of Mercuries Data Systems Ltd.; Chairman of Mercuries Insurance Agent Co., Ltd., Wayia.com Inc. and Hipact Tech Inc.; Director of Mercuries Holdings Corporation, Mercuries Data Systems Ltd., Shang-Ling Investment Inc., Shang-Hong Investment Inc. and EASYCARD Corporation; Supervisor of Digicentre Co., Ltd. and Powertec Energy Corp.; Independent Director of Teco Image Systems Inc. and Keyware Electronic, Corp.

Continuing education status of directors

The Company arranged internal continuing education courses on April 7 and August 4, 2017, and invited lecturers from Taiwan Corporate Governance Association. Directors and independent directors also took various external courses, including:

Taiwan Corporate Governance Association

Knowledge Management Case Sharing

Industry 4.0-based Business Operation

Embrace of the Era of the Internet of Things and Industry 4.0 to Ride on and Take Advantage of Trends World Economy and Trade Development Challenged by the Struggle between Globalization and Anti-globalization

Outlook on the 2017 Global Economic Development Trends

AI eating the world. What's the future of work?

Contemporary Economic and Political Situations vs. Confucian Management Philosophy

Can IOT Make Semiconductor Great Again?

Corporate Governance and Criminal Penalty Risk Management

The Legal Responsibilities of Board Directors and Supervisors for Acquisitions and Mergers

The Liabilities of Board Directors and Supervisors for Financial Statement Frauds

Insights into the Critical Information Concealed by Financial Statements

Unveiling Corporate Secretaries, the Behind-the-Scene Driver of Corporate Governance

Amendments to and Trends of Important Tax Laws and Decrees, and the Functions of Board Directors to Promote What is Beneficial

A Make-up Class on International Risks: How Corporate Management Should Face up to International Risks

Securities & Futures Institute

The Interlace between the Theory and Practice of the Corporate Secretary System, and New Approaches to Corporate Governance Given Comprehensive Amendments to the Company Act

Developments of Tax Evasion and Counter-tax Evasion in Taiwan and Other countries, and How Businesses Should Deal with Such Developments

The Responsibilities of Board Directors Related to Disclosure of Material Information

Taiwan Securities Association

Prevention of Insider Trading and Money Laundry

Organizational Resilience: The Challenges and Opportunities Associated with Financial Digitalization

Amendments to and Trends of Important Tax Laws and Decrees, and the Functions of Board Directors to Promote What is Beneficial

Enhancing the functions of the Board of directors

The quality of Walsin Lihwa's Board of Directors significantly improved under the implementation of corporate governance in 2017. Walsin continues to drive overall business development by enhancing the decision-making performance and quality of its Board of Directors. Thanks to the emphasis and support of the Board of Directors, as well as assistance from the management team and functional units, we ranked among the top 20% of companies in the Corporate Governance Evaluation held by the Corporate Governance Center of the Taiwan Stock Exchange Corporation for three consecutive years. We scored 98.3 points in the 4th Corporate Governance Evaluation in 2017, which was announced in 2018, ranking in the top 5% of 1,539 participating listed and OTC companies. This fully shows our persistence in business integrity and sustainable development.

For directors to become more familiar with the Company's affairs, to improve their decision-making quality, and increase director involvement, the Board of Directors Proceedings Unit arranges Board meetings, business meetings, and strategy meetings for the following year at the last Board meeting of each year. Besides Board meetings, Board members directly engage in exchange and communication with management during different important meetings, jointly discussing, examining, and establishing the Company's philosophy, vision, and strategic development goals and operations.

The Board of Directors made the following important resolutions in 2017 to show the Company's continued efforts to achieve sustainable development and progress in corporate governance:

- Established an Audit Committee to formulate a strong governance system, enhance supervisory capabilities, and strengthen management capabilities
- Revised the Company's organizational charter, so that organizational design meets operational and development needs, the organization effectively serves its function, and organizational function and duties are clearly defined, thereby establishing a sound corporate governance system
- Smaller organizational units dedicated to CSR and business integrity strengthen the implementation and continued improvement of CSR practices

► Independent directors participate in discussions on corporate governance

The Company entrusts independent directors to use their expertise to assist management with the implementation of corporate governance, including irregularly meeting with members of the Corporate Governance Team, and providing valuable advice for the future direction of the Company's corporate governance based on their practical experience. Furthermore, independent directors provide considerable guidance for the Company's auditing operations and legal compliance.

Independent directors also participate in the assessment of major investment projects and business strategies, and provide their expert opinions during Board meetings.

► Corporate governance-linked guidelines

Walsin Lihwa began implementing corporate governance through projects in 2014, and used the Corporate Governance Evaluation as a performance indicator. A three-year implementation plan was laid out, which mainly included the establishment of the Board of Directors Performance Evaluation Regulations to strengthen the structure and operations of the Board of Directors; establishment of the Business Integrity Committee and CSR Committee; and establishment of related policies for the promotion and implementation of CSR. Corporate governance meetings are convened on a quarterly basis. Various committees under the CSR Committee and main officers of the Business Integrity Committee give reports on work plans and implementation during the meeting, and make plans for implementation in overseas affiliates to make CSR a key task. This strengthens the promotion of corporate governance mechanisms and fulfillment of CSR.

► Fully engaged Board of Directors

Before each Board meeting, the Company arranges business operation meetings so that management can directly and fully discuss the Company's overall operations and future development directions with directors and independent directors. This arrangement allows directors and independent directors to better understand the Company's operations, so that the Board can fully serve its function and make better decisions. Strategy meetings are arranged to address the operations and strategic developments of different business units. During the meetings, management of each business unit discusses the characteristics, market, and economic environment of the business with directors and independent directors, so as to consolidate the core strategic goals of each business unit.

2.2.3 Operations of functional committees

Functional committees under the Board of Directors include the Audit Committee, Compensation Committee, Business Integrity Committee, and CSR Committee. The committees are responsible for establishing and reviewing related policies, promoting and implementing systems, and strengthening Board operations.

● Convener

Member	Audit Committee	Compensation Committee	Business Integrity Committee	CSR Committee
Hsueh, Ming-Ling Independent Director	●	●		
Du, King-Ling Independent Director	●	●		
Chen, Juei-Lung Independent Director	●			
Chen, Shiang-Chung Independent Director	●	●		
Chairman, Vice Chairman			●	●
President, Vice President, First-level unit supervisor			●	●

Audit Committee

The Company established the Audit Committee on May 26, 2017 to replace supervisors, and the committee is composed of all independent directors.

► Duties of the Committee

The main function of the Audit Committee is to supervise the following matters:

1. Fair presentation of the Company's financial statements
2. Hiring (and dismissal), independence, and performance of certificated public accountants
3. Effective implementation of the internal control system
4. Compliance with relevant laws and regulations
5. Management of the Company's existing or potential risks

► Committee Operation

The operation of the Audit Committee is implemented in accordance with the company's Audit Committee Charter. The Committee meets at least once each quarter. A total of four Audit Committee meetings were convened in 2017, the status of each meeting and attendance by each committee member is as follows:

Position	Name	Attended in person	Attended by representative	Attendance percentage
Convener	Hsueh, Ming-Ling	4	0	100%
Member	Chen, Juei-Lung	4	0	100%
Member	Du, King-Ling	4	0	100%
Member	Chen, Shiang-Chung	2	2	50%

Compensation Committee

To strengthen corporate governance, ensure a sound system for compensation management of the Board of Directors, and protect the rights and interests of shareholders, the Company established the Compensation Committee Charter in accordance with the Regulations Governing the Appointment and Exercise of Powers by the Compensation Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter in 2011, and officially established the Compensation Committee the same year.

► Duties of the Committee

The Compensation Committee assists the Board in executing and evaluating the compensation programs of Walsin Lihwa's directors and executives,

1. Establishing and periodically reviewing the performance assessments for the directors and managers of Walsin Lihwa, and the policies, systems, standards, and structure of their compensation.
2. Periodically assessing the degree to which performance goals for the directors and managers of Walsin Lihwa have been achieved, and setting the types and amounts of their compensation.

► Committee Members

The 3rd Compensation Committee is currently formed by 3 independent directors appointed by resolution of the Board of Directors. The Compensation Committee's term is from May 26, 2017 to the tenure expired date of the Company's 18th term Board of Directors.

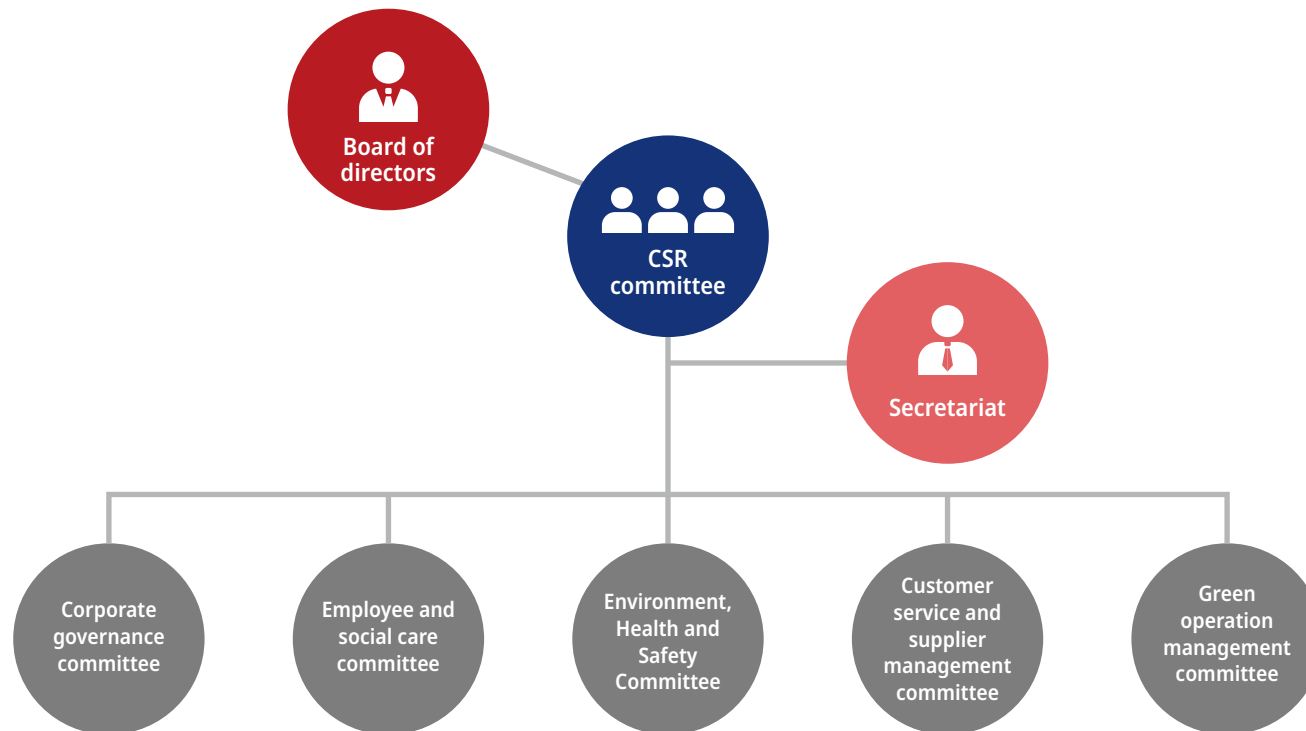
► Committee Operation

The operation of the Compensation Committee is implemented in accordance with the Company's Compensation Committee Charter. The Committee meets at least two times a year, and convened a total of 6 meetings in 2017. The status of committee meetings and the attendance of each committee member are as follows:

Position	Name	Attended in person	Attended by representative	Attendance percentage
Convener	Du, King-Ling	6	0	100%
Member	Chen, Shiang-Chung	4	2	67%
Member	Hsueh, Ming-Ling	6	0	100%

CSR Committee

Companies should not only shoulder the important responsibility of creating economic value, but must also undertake the duty of preserving social value. The Company's CSR Committee, which is directly subordinate to the Board of Directors, was established in April 2015 and charged with the establishment of corporate sustainability strategies and vision. Functional committees established under the CSR Committee include the Corporate Governance Committee, Environment, Health and Safety Committee, Green Operation Management Committee, Customer Service and Supplier Management Committee, and Employee Relations and Social Care Committee. Functional committees are responsible for implementing the Company's CSR related work and management. The committee routinely reports strategy planning and implementation status to independent directors and directors, and periodically reports the implementation of CSR practices to the Board of Directors. Implementation status for 2017 is scheduled to be reported in May 2018.



► Responsibilities and Functions of the CSR Committee



The CSR Committee and functional committees held two seminars and training courses and four meetings in 2017; issues discussed include important stakeholders, the identification of topics of concern, indicators disclosed in the 2017 report, and data collection and compilation. The committee reported CSR implementation results for 2016 to the Board of Directors in May 2017.

► CSR Policy and Best Practices

Walsin Lihwa believes “what is taken from society should be used in the interest of society.” It means that the company must consider the influence caused from operational actions on all stakeholders, including employees, customers, suppliers, communities, and the environment, and not just shareholders. Therefore, the company has developed CSR guidelines and a CSR policy for employees to abide by.

CSR Policy



Insistence on integrity and commitment to ongoing improvement of operational effectiveness



Thorough safety management to create an outstanding workspace



Ongoing improvement of corporate governance to ensure business sustainability



Effective implementation of carbon reduction and energy efficiency to enable green production



Development of a friendly work environment and an innovative learning organization



Ongoing corporate social responsibility and public interest initiatives

Business Integrity Committee

The Business Integrity Committee was established in accordance with the Ethical Corporate Management Best Practice Principles for TWSE- and TPEX-listed Companies in 2015 to implement our business integrity policy, prevent dishonest conduct, and implement sound management of business integrity.

► Duties of the Committee

The committee assists the incorporation of integrity and business ethics into the company's operation strategies, and develops corruption and fraud prevention measures in accordance with relevant laws and regulations to ensure business integrity.

Function	Description
Assists the Board of Directors in periodically assessing implementation status	Assists the Board and Management to check and assess whether corruption and fraud prevention measures are effectively implemented, and reports compliance status in relevant business practices on a regular basis.
Establishes a Code of Conduct	Develops programs for preventing dishonest practices, with standard operation procedures and codes of conduct specified in each program.
Supervision and management	<ul style="list-style-type: none">• Plans internal organization, personnel assignment, and the duties of such personnel so as to ensure mutual-monitoring and check and balance mechanisms are in place for business activities more liable to dishonest practices.• Develop a whistleblowing policy and ensure its feasibility.
Promotional efforts and educational training	Promotes and coordinates the business integrity policy through employee education and training.

► Committee Operation

The Business Integrity Committee is subordinate to the Board of Directors, and has a secretariat and three work groups. Committee members include the heads of the Human Resource Div., Legal Office, Auditing Office, and Accounting Div. The committee aims to strengthen the Company's implementation of business integrity. Operations of the committee are implemented in accordance with the Company's "business integrity." The Committee meets at least once a quarter and reports to the Board of Directors on an annual basis. Please refer to Walsin Lihwa's Annual Reports issued each year for the operating status of committee meetings. The Business Integrity Committee convened a total of four meetings in 2017.

2.3 Business performance

2.3.1 Financial performance

Walsin Lihwa's total capital was NT\$33.7 billion in 2017, consolidated revenue was approximately NT\$167.8 billion, and number of employees reached nearly 5,000. The Company's three major business units are wire and cable, speciality steel, and commerce & real estate. The Wire and Cable BU's revenue was NT\$98.6 billion in 2017, shipping approximately 570,000 tons of bare copper wire and wire and cable. The speciality Steel BU's revenue was NT\$54.9 billion, shipping approximately 810,000 tons of primary speciality steel products. The Commerce & Real Estate BU's income from real estate sales and leasing was NT\$6 billion; The Company's consolidated revenue in 2017 was approximately NT\$167.8 billion, and net profit was NT\$6.6 billion.

Unit: NT\$1 million

Category	2016	2017
Operating revenue	143,355	167,793
Gross profit	9,564	12,005
Operating expenses	4,242	4,109
Operating profit	5,322	7,896
Non-operating income and expenses	851	1,498
Pre-tax profit/loss	6,173	9,394
Net profit/loss	4,568	6,560

2.3.2 Business development overview and future outlooks

The global economy steadily recovered in 2017, international raw material prices increased, and the Company's overall operations also showed stable growth. The manufacturing business units brought in stable profits, and the commerce & real estate business unit also began to profit as a portion of housing products were completed and handed over during the year.

The international economic conditions in 2018 are expected to exhibit the same performance as that in 2017. As we enter the era of artificial intelligence, the Company will not only remain committed to properly managing its current businesses based on the philosophy of "business integrity and pursuing excellence," but will further keep pace with the times and utilize technological developments and intelligent tools to gradually transform into a manufacturing service provider in hopes of enhancing our core competitiveness and profitability.

(I) Wire and Cable Business

The Copper Materials Department adopts the principle of sound operations and its production capacity is almost fully utilized. The department will continue to improve its product quality and adjust its customer and product portfolio to increase its profit margin.

The Wire and Cable Department will dedicate its efforts to the development and sales of environmental conservation, green energy, and port machinery related products, and continue improving customer service quality to increase market share and thereby maintain stable profits.

(II) Speciality Steel Business

The Speciality Steel Department in Taiwan is sequentially resolving process and capacity bottleneck issues through capital expenditures. Besides continually improving product quality to satisfy customers' needs, the department will increase the types of steel products manufactured as well as the product dimensions and specifications and develop higher value products so as to enhance its profitability.

The Speciality Steel Department in mainland China has benefited from the Chinese government's emphasis on environmental protection and regulation of production capacity, which has stabilized prices in the market. The department strives to achieve lean production and cost reduction, and will in the future improve product quality and optimize product and customer portfolios through capital expenditures, in hopes of further improving its business performance.

(III) Commerce & Real Estate Business

Walsin Lihwa's A6 Headquarters Building is nearly fully occupied, and exhibits stability in terms of both operations and profitability.

Construction of the housing product in Lot D of Nanjing Walsin Centro – "Jing Yuan" was completed in the second half of 2017. Handover of Phase 1 houses and pre-sale of Phase 2 houses were completed, and handover of Phase 2 houses and sale of Phase 3 houses will be arranged in accordance with the real estate sales policy adjustments made by Nanjing Government.

Office building products in Lots A and B of Nanjing Walsin Centro will be developed and sold in phases. Phase 1 pre-sale of office buildings No.3 and No.4 were completed in 2016 and 2017, respectively, and handover was completed in January 2018. The Phase 2 No.1 Building is an office building connected to the mall which is currently under construction and scheduled to be completed in 2020. The Phase 3 Buildings No.2 and No.5 are independent office buildings currently being planned; total construction area planned is about 180,000 square meters.

We are currently actively carrying out business recruitment for the mall "Hwatsaitiandi" in Lots A and B of Nanjing Walsin Centro; the mall is scheduled to open and begin operating at the end of 2018.

2.4 Business integrity

2.4.1 Integrity policy and legal compliance

Moral Values and Professional Conduct

Walsin Lihwa is committed to becoming an excellent, sustainable company, and established the Director Code of Ethical Conduct, the Employee Code of Ethical Conduct, and the Regulations Governing the Handling of Business by Employees, so that corporate social responsibility and moral values are integrated into the company's operation business operations and practiced by its employees. Walsin also promotes the Company's corporate culture and value of business integrity by requiring employees to comply with the Code of Ethical Conduct with respect to business ethics, labor relations, environmental protection, safety and health, internal control, corporate governance, and community involvement.

Business Integrity and Anti-corruption

The Company's "Business Integrity" and "Behavioral Guidelines and Operating Procedures for Business Integrity" stipulate the following matters:

1. Standards for the determination of providing or receiving improper benefits.
2. Establish regulations on avoiding conflict of interest with one's duties and position, and the associated reporting and handling procedures.
3. Regulations and handling procedures for suppliers, customers, and trading counterparts involved in unethical conduct.
4. Provide procedures and standard amounts for donating or sponsoring charities; the Human Resources Div. also established a clear and effective reward and penalty system to integrate this policy with employee performance evaluations and the human resource policy.

To incorporate integrity and business ethics into the Company's operational strategies, and develop corruption and fraud prevention measures in accordance with relevant laws and regulations to ensure business integrity, the Business Integrity Committee, established in April 2015, reports annually to the Board of Directors.

Educational Training and Promotion

Offer training courses according to regulatory changes so employees understand the latest laws and regulations, and strengthen their commitment to comply with professional ethics.

1. Key points of legal compliance: Encourage employees of the Legal Office to actively participate in specialized courses in Taiwan and other countries, stay up-to-date on the latest regulatory information, and understand the latest developments in specialized fields of law, such as corporate governance, CSR, anti-trust the Fair Trade Act, harassment prevention, insider trading prevention, personal information protection, and trade secret protection. Also, build a legal database for employees to use in learning.
2. Convene on a non-periodic basis legal compliance meetings at affiliates to strengthen the legal compliance and risk management of subsidiaries and affiliates, thereby ensuring that all subsidiaries and affiliates adopt the same legal compliance standards as the parent company.
3. In addition to a variety of training courses on legal compliance, related resources are available on the internal website for employees, and other promotion activities are organized as well. For example, educational articles on legal compliance are posted on the business integrity section of the internal website, and the Company's latest policies and regulations are also available on the internal website, so that all employees cloud access and understand business integrity related information.
4. The Company began actively offering training courses on business integrity and legal compliance to employees at each plant in 2017. The courses were offered for the implementation of specific measures of the business integrity policy and plans for preventing unethical conduct; the implementation status of the courses are shown in the table below:

Plant	Session	Number of trainees (people)	Training hours (h)
Hsinchuang	1	20	2
Taichung	1	55	2
Shanghai	1	30	3
Changshu	1	19	2
	2	14	2
Jiangyin	1	31	2
	2	10	1



Complaints and Suggestions System

The Company established the "Regulations for Stakeholder Suggestions and Complaints" and set up a designated stakeholder section on the Company's website so that the Stakeholders could offer suggestions and file complaints to the Company's management and internal audit supervisors. We received 2 complaints in 2017.

Walsin Lihwa promotes the "Employee Code of Conduct and Rules for Executing Their Tasks" during new employee orientation, so that employees gain an understanding of the Company's "Business Integrity" and business integrity related operating procedures and codes of conduct. Employees could also offer suggestions through the Company's Suggestion Box, which encourages the Employees and Stakeholders to report any suspicious activities or misconducts within the organization or between transacting parties, thereby preventing unlawful conduct or misconduct, including the following aspects:

1. Employee complaints
2. Sexual harassment
3. Violation of environmental, safety, and health regulations
4. Violation of trade secrets
5. Violation of business ethics.

2.4.2 Risk management

Internal audits

Walsin has a robust internal audit system and has appointed independent directors to ensure the effective operation of internal control and reporting mechanisms; management also closely monitors the improvement results for internal control deficiencies. The Auditing Office is an independent unit with an auditing supervisor and full-time auditors. The office is directly subordinate to the Board of Directors, and regularly attends Board meetings to give reports. When necessary, the office reports to the Chairman, Independent Directors, and President. It also provides management with timely information on existing or potential issues with internal control through auditing activities.

Please see the Walsin Lihwa website for details: <http://www.walsin.com/walsin/page.do?menuId=72>

Internal control

The Company conducts annual risk assessments on the nine trading cycles and operating items in accordance with the FSC's "Regulations Governing Establishment of Internal Control Systems by Public Companies" to strengthen its corporate governance. Business units and division supervisors at the Company's headquarters prepare self-evaluation reports based on the Company's internal control system, and submit the reports to the President and Chairman, so that they are made aware of the implementation of self-supervision by each unit. Each unit describes deficiencies, ranks the deficiencies by their potential impact and emergency, and formulates improvement measures. The five elements of internal control are implemented to ensure the following three major goals are attained:

Organizational structure and control measures for risk management

First-level units (business units/centers/functional units) of the Company are tasked respectively with risk management duties. Each unit is responsible for initial risk detection, assessment, and formulating preliminary countermeasures and prevention measures. Furthermore, the President hears reports from various units during monthly meetings and quarterly performance meetings. Besides assessments of goal attainment, the reports also include risk assessments. The Auditing Office conducts regular and irregular audits of units and assesses their respective risks.

Five elements of internal control



2017 Risk Management Categories and Controls

Risk type	Risk content	Management strategy or approach
Strategic and Operating Risks	Product manufacturing and quality management Purchase and management of major equipment	<ul style="list-style-type: none"> Attainment of policies and strategic goals each year is managed through business performance meetings. Major capital expenditures must be reviewed by the Board of Directors.
Financial risks	Interest rate fluctuation	<ul style="list-style-type: none"> Monitor interest rate and market changes, control positions of long-term and short-term loans, and use market tools to fix interest rate costs in a timely manner. Monitor the Company's financial condition and evaluate financing methods and instruments based on annual budget requirements to reduce financing cost. Maintain good relationships with banks to obtain the best interest rates on loans and savings.
	Exchange rate volatility	<ul style="list-style-type: none"> Monitor fluctuations and information in the foreign exchange market on a daily basis, estimate and monitor currency risks derived from imports and exports, and assess foreign exchange risks and changes in gains/losses from the Company's assets and liabilities. Formulate conservative hedging strategies and use hedging instruments, such as spot exchange transactions and forward exchange transactions, for exchange rate hedging. Strictly control foreign exchange risks and carry out hedging for major capital expenditures and fund transfers that will change the Company's foreign currency position.
	Price fluctuations of raw materials	<ul style="list-style-type: none"> The Company makes spot purchases and hedges for metal materials. Hence, price fluctuations of raw materials do not have material impact on the Company's gains and losses.
Climate change risks	Carbon emission management	<ul style="list-style-type: none"> Continue to manage the Group's implementation of energy conservation and carbon reduction. Invest in green energy and gradually establish the carbon footprint of products to improve carbon reduction performance and prepare for carbon rights management.
Supply chain and raw material risks	Supply cut off	<ul style="list-style-type: none"> Supplier management: Carefully evaluate and actively develop new sources of materials to prevent being controlled by a few suppliers. Inventory management: Establish safety inventory and use spot purchases for a portion of materials used to flexibly respond to production requirements. Understand the market condition through data collection or market surveys and respond in advance.
Environmental, health, and safety risks	EHS	<ul style="list-style-type: none"> Organizing environmental safety and health competency and education training: Implement an environmental safety and health management system that is consistent throughout plants in Taiwan and overseas, identify employees' operating risks through reviews, and continue to lower the incident rate. Reinforcement and integration of occupational safety and environmental protection management systems: Integrate the environmental protection and occupational safety and health management system into a Group-wide unified operating model, and provide on-site guidance; require consistent documentation and stable system operations. All employees promoting the environmental safety and health management system participate in regional joint defense activities. Employees comprehensively implement autonomous safety management from environmental safety, equipment safety, to operating safety through the joint defense activities, which integrate equipment safety, 5S, and occupational safety. The Company's safety management system is internalized through the safety culture built through shift (section) handover meetings, brainstorming meetings, and joint defense and recurrence prevention activities in plant areas. These efforts are made in hopes of raising employees' safety awareness and implementing the Company's safety management. Implementing contractor management: More actively consider environmental, social, and economic aspects in supplier and contractor audits and appraisals, carry out proper and effective management, and monitor apparent or potential risks within the supply chain.
	Environmental Protection	<ul style="list-style-type: none"> Strive to lower process energy consumption and develop green material technologies to continue engaging in energy conservation and carbon reduction. Continue to improve reclaimed water and waste liquid recycling technologies and reduce raw material and tap water consumption. Continue to search for and develop waste reuse technologies to increase the resource reuse rate.

Risk type	Risk content	Management strategy or approach
Information security risks	Information systems and confidential information protection	<ul style="list-style-type: none"> • Execute proper access rights and protection based on the confidentiality level of information to reduce exposure. • Continue to implement advanced information security solutions to effectively protect, manage, and monitor systems and network activity. • Periodically organize education and training activities to promote new knowledge on information security and enhance the information security awareness of employees. • Periodically conduct disaster readiness drills for key ERP systems, and use prevention measures to rapidly restore operations when a disaster occurs to ensure the Company's business continuity.
Legal risks	Penalties for violations Leakage of personal information Employee misconduct Transaction risks	<ul style="list-style-type: none"> • The legal department is responsible for managing legal risks, reviewing contracts and providing legal advice, and assisting business units with handling litigation/non-litigation matters, patents, trademarks, and intellectual property rights, and establishing the Company's legal system and process management. • Established the "Regulations for Personal Information Protection Management" to protect and manage the Personal Information; the IT, human resource, and legal departments are responsible for personal information protection measures. • Established the Business Integrity, Guidelines for Business Integrity and Conduct, and Employee Code of Ethical Conduct to instill the values of business integrity and create a corporate culture of integrity, which will guide employees to act according to moral standards, avoid the risk of violating the laws, and achieve sound corporate governance. • Our internal website has a business integrity section that informs employees of the latest laws and practical cases, and we regularly organize legal education and training so employees are able to comply with the laws when engaging in business activities, thereby lowering risks. Gain the ability to prevent transaction risks in advance to ensure the Company is in compliance with the laws, and raise employees' awareness of legal risks for the implementation of corporate governance.
Technology risks	Outdated technology Delay in product development Sudden market changes	<ul style="list-style-type: none"> • Intensively collect information about production, technology, and product development from benchmark competitors, and use the information as a reference for establishing directions for production, technology, and product development. • Intensively collect information on trends in industry, market, and customer development and demand, and use the information as a reference for establishing directions for sales, product, and technology development. • Fully utilize the latest technologies, such as: big data analysis, Internet of Things, click-and-mortar, etc., to improve product development efficiency, manufacturing ability, and product quality. • Follow the trend and get information on the development of advanced production equipment and make necessary upgrades and replacement. • Develop and strengthen core technologies and core capabilities to accelerate the development of high-end products and rapidly meet customer and market demand.
Management risks	Personnel changes and handling labor-management relations	<ul style="list-style-type: none"> • Implement talent cultivation plans and strengthen labor-management communication to promote harmonious relations. • Increase personnel recruitment channels, education and training.
Corporate image risks	Negative image	Establish a crisis response system for operating risks that may affect the Company's image, and have a spokesperson system in place to speak to external audiences on behalf of the Company, or clarify false information using major information platforms to maintain the Company's image and fully communicate with stakeholders.

Chapter 3

Collaboration

Taking Strides toward Value Innovation

3.1 Creating value for customers

3.2 Sustainable supply chain





Innovation and response have always been the foundation of Walsin Lihwa's growth. We are constantly making technological innovations, process/equipment innovations, and product innovations, and optimizing our service process from a service-oriented approach. We strive to gain the trust of our customers and aim to create mutual benefit. In the future, we will uphold this spirit to further enhance our competitiveness and create value for our customers, so that they are able to experience the high added value we provide. We will utilize innovative control technologies, continue to use a customer-centric approach in the development of innovative products, and advance our production and service models. As such, we established the vision: "to utilize advantages of Industry 4.0, pursue continuous growth, insist on energy conservation, environmental protection, R&D, and innovation, create value for customers through manufacturing services, and thus become the most trustworthy company to customers and business partners."

With regard to our supply chain, we will continue to implement supplier sustainability management in hopes of jointly growing with our suppliers.



Overall customer satisfaction of

83.6%



All 75 key suppliers
comply with
Walsin's "CSR Management
Commitment"



Shipments of high performance
stainless steel products newly
developed by
Yenshui plant grew **123%**



Taichung steel coil plant
obtained Japan's
JIS Mark certification



3.1 Creating value for customers

We all know how inconvenient unexpected blackouts can be in everyday life, but they are even more devastating to companies. For example, unexpected blackouts in high tech industries, such as panel and semiconductor industries, will not only render products useless, but also cause hundreds of millions in damages from loss of production capacity to injured business reputation. Every second counts when container ships dock and are unloading containers. When equipment power failure occurs, idle ships, equipment, and personnel will severely affect work efficiency and cause the ship owner and cargo owners to sustain millions in losses every single day. The main source of power in electric vehicles is transferred through cables, and sudden loss of power while driving is extremely dangerous. The loss of lives and brand value if an accident occurs will be immeasurable. Robots claim to be able to work around the clock and have replaced a considerable amount of manpower, but production lines will still be suspended if the factory loses power, and productivity will be zero. The losses and hazards described above can be avoided if we are able to predict when cables will become ineffective. Cables are like the blood vessels of equipment, and can cause equipment to stop working in the event of damage. What if cables were able to actively tell you its wear after a period of use? How many more days it can last? When it will break? Wouldn't it be wonderful? In light of this, Walsin Lihwa's Insulated Wire & Cable BU collaborated with Chung Yuan Christian University in developing smart cables that are able to predict when they will need repair and replacement. The cables will issue warnings when they begin to deteriorate, and can even predict that they will become ineffective in a few weeks. This will allow customers to unhurriedly take necessary action to prevent cable failure from causing massive loss by stopping the production line. This creates value for customers and allows customers to experience the high added value provided by our products.

3.1.1 Customer satisfaction

The Company strives to gain customers' trust and create mutual benefit through a service-oriented approach to optimizing the service process. Each BU regularly carries out satisfaction surveys on customers in Taiwan and overseas each year, asking customers to score the four major aspects of business, quality, service, commercial terms, and delivery, according to the five ratings below: very satisfied, satisfied, regular, dissatisfied, and very dissatisfied. We hope to learn of and understand the issues customers are most concerned about and their degree of concern, and use them as a basis for improving our products and services. These efforts will in turn improve our business reputation and brand image.

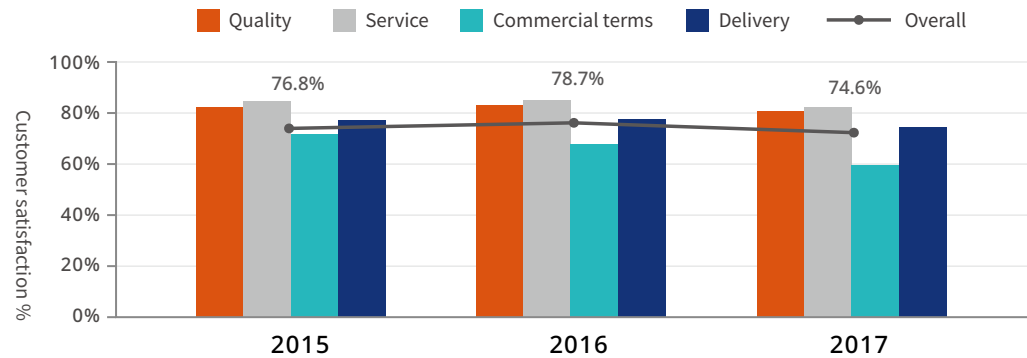
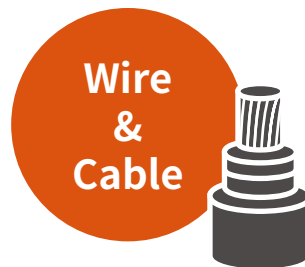
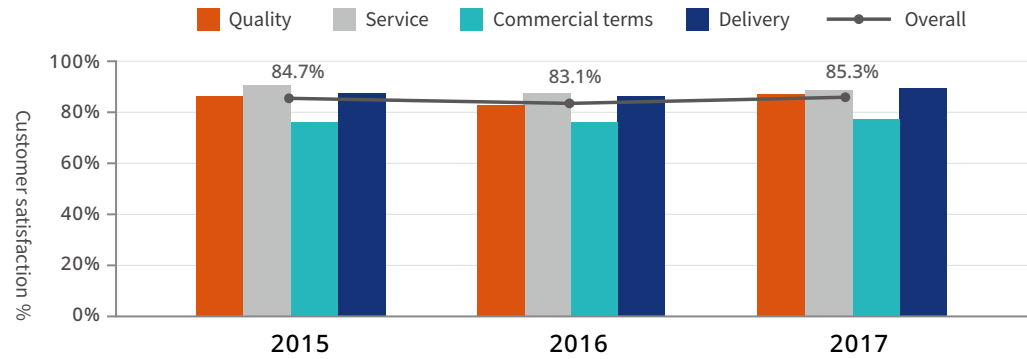
In 2017, we sent out a total of 1,191 satisfaction survey questionnaires and received 848 samples, which is a recovery rate of 71.2%; overall satisfaction was 83.6% for the whole company.

Customer satisfaction of each plant in 2017

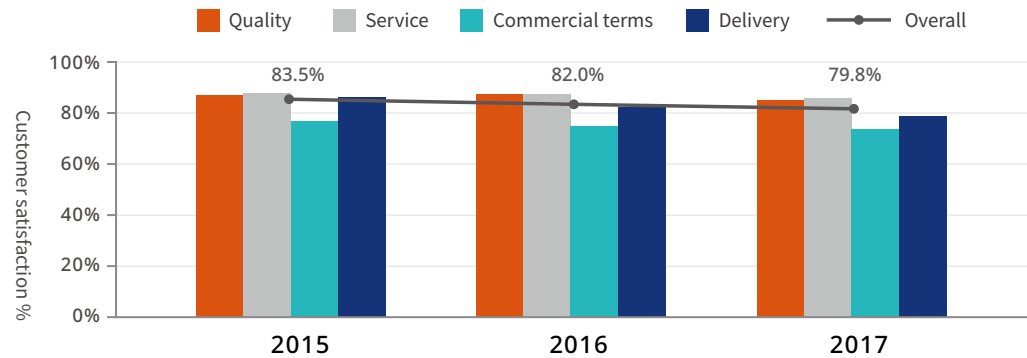
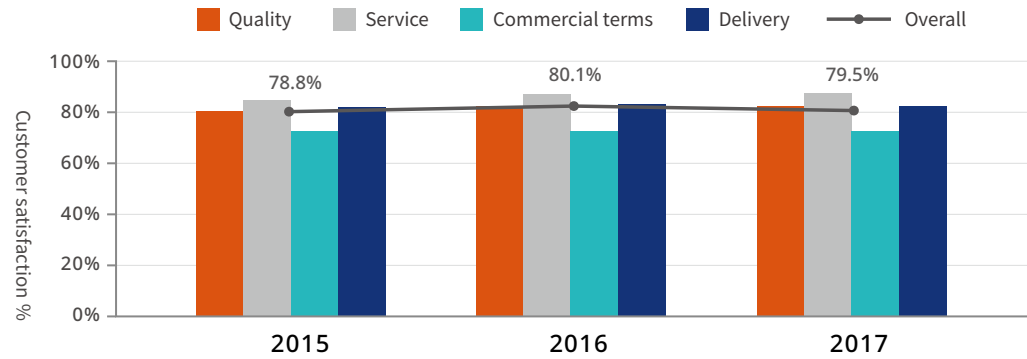
	Plant	Quality	Service	Delivery	Commercial terms	Overall
Copper Wire	Yangmei	89.2%	90.1%	88.4%	Note	89.2%
	Nanjing	85.4%	86.3%	91.5%	Note	87.7%
	Dongguan	85.1%	88.7%	88.4%	77.0%	84.8%
Wire & Cable	Hsinchuang	80.0%	82.1%	77.3%	71.4%	77.7%
	Shanghai	79.7%	81.2%	74.2%	57.2%	73.1%
Stainless Steel	Yenshui	81.6%	87.6%	71.8%	84.4%	81.4%
Specialty Steel	Changshu	84.1%	83.4%	72.7%	66.5%	76.7%
	Jiangyin	83.4%	84.6%	75.9%	81.2%	81.3%
Real Estate	Nanjing	Note	98.8%	Note	Note	98.8%
Other	Walsin Precision Tech. (Malaysia)	79.5%	84.5%	76.4%	70.0%	77.6%

Note: This category is not included in the plant's customer satisfaction survey for the time being.

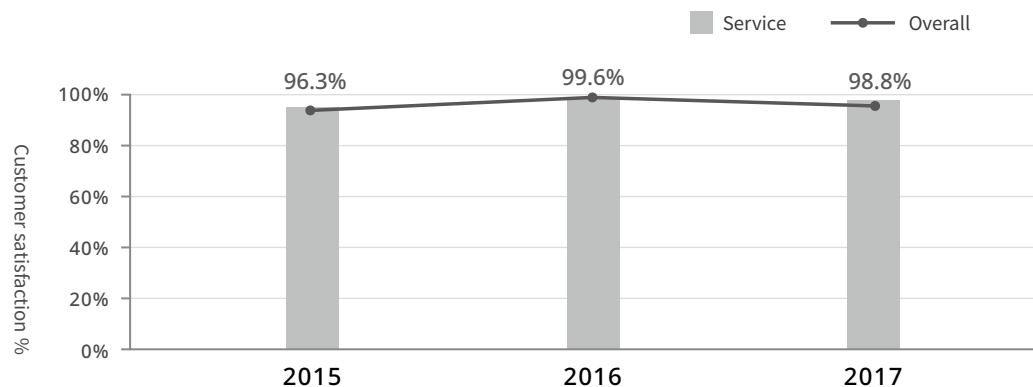
Product category



Product category



Product category



Satisfaction of the Insulated Wire & Cable BU's customers slightly declined in 2017. This was mainly due to the enforcement of one fixed and one flexible day off per week and 46-hour work week in Taiwan, which impacted our production capacity and stock and resulted in many customer complaints regarding promptness of delivery. After replenishing our manpower, adjusting our inventory level, and making flexible adjustments to production and sales, we were able to restore the promptness of deliveries to past levels after October 2017, effectively reducing customer complaints and dissatisfaction.

Observing satisfaction survey results in 2017, most customers of our BUs were relatively more dissatisfied with the price and payment clauses of our commercial terms. Due to the fact that we have exerted great effort in improving the quality of our products and services, our prices and payment terms may appear to be less flexible to customers in our pursuit of perfection, innovation, and lower credit risk. To enable customers to experience the high added value we provide, we are committed to creating value for customers. As such, we will utilize innovative control technologies, continue to use a customer-centric approach in the development of innovative products, and improve our production and service models. In addition to our active efforts to achieve stable material quality so that customers better recognize our product quality, we also jointly develop new products with customers to provide them with the products and services they truly need. Furthermore, we are making active efforts to enhance the timeliness of our deliveries so as to ensure the fulfillment of our commitment to customers and their clients.

3.1.2 Customer privacy

The Company upholds professional ethics and complies with requirements of the GRI Standard and related laws and regulations. We protect the full privacy of our customers through the management of system access right settings. The company website has also established channels of communication for stakeholders. If a customer's privacy is invaded, the customer can file a complaint through this channel or directly to our sales personnel. In 2017, none of our BUs invaded customers' privacy and did not receive any complaints for invasion of privacy.

3.1.3 Quality management

Walsin Lihwa has always put customers first and striven to produce premium quality products. We established our quality policy on this basis. Today, quality management has shifted towards process management. As such, we have identified nine business operation process management models (such as: sales process, R&D process, production process, quality control process, procurement process, etc.), and applied the PDCA management process and its interactions. As described in our quality policy, we seek "to provide products and services that satisfy the needs of our customers and stakeholders." This means establishing business operation strategies based on internal and external situation analyses as well as risk and opportunity assessments, and applying P (Plan) → D (Do) → C (Check) → A (Action) to our business operations and all process operating modules." Hence, our quality management system operates under the following principles:

- Integrated management of processes and systems based on internal and external situation analyses results, adopt a risk-based approach, and find opportunities for innovation in technology, process/equipment, and products to ensure that products, services and quality meet market and customer demand.
- Processes are based on customer satisfaction, so that high quality products meeting customers' needs are produced using abundant resources. We also collect information on customer satisfaction as a basis for continual improvement.
- Ensure that raw material procurement and use adequately fulfills requirements on product performance and quality, so that products will not cause any problems or difficulties when being used by customers. For this reason, we implement green procurement and carefully evaluate new suppliers and new raw materials during the R&D stage. We avoid using conflict minerals (by rejecting minerals mined from the Congo and nearby conflict countries) and ensure that hazardous substances do not appear in our production processes and products.
- Collaborate with companies and academic institutions in R&D and innovation, and use manufacturing services to increase the benefits of our products and create value for customers.
- Adopt a practical, scientific approach to monitoring, measuring, and analyzing data on products and processes, and continue to make improvements through internal/ external audits, corrective/preventive measures, TPM, 5S, full engagement, and proposal of improvement plans. We hope to thus become a trustworthy company to our customers and business partners.

We periodically organize the following quality review activities in compliance with the quality policy and principles above. The purpose of these activities is to continue improving our business processes and systems, and also advance our technologies, products, services, and quality.

System operation performance measurement and assessment items

Review activities	Chair	Description	Period
Annual quality strategy meeting	Highest level supervisor of each BU	The Chairman strategy is implemented by BUs → Division head → Departments (top-down), and then sections provide feedback on the department's policy, which is compiled and becomes the BU's annual business strategy and policy (bottom-up).	Initiated in the fourth quarter for establishing the strategies for the following year.
Management review meeting	Highest level supervisor of each plant	Reviews the annual performance of each plant's management system, production quality performance, and demand of direct stakeholders with respect to quality. Takes into consideration internal and external situation analysis results, discovers opportunities from a risk-based approach, and continually makes improvements.	Carried out based on the annual plan of each plant at least once a year
Customer satisfaction	Highest level supervisor of each plant	Uses customer satisfaction survey results as a basis for internal efforts to continue making improvements and seizing opportunities, and prevents undesirable results to achieve quality assurance and continual improvement. Meets customer demand on materials and thereby increases customer satisfaction. The organizer convenes a meeting with technology, sales, production, and logistics departments to jointly review market trends and collect data on customers' demand on materials. This then serves as the basis for product development and continual improvement.	Customer satisfaction: 1-2 times/year (Note: Varies with each plant)

Management system verification information

Walsin Lihwa's core businesses include cable and specialty steel, and its business units include the Copper Wire BU, Insulated Wire & Cable BU, Stainless Steel BU, Specialty Steel BU, and Commerce & Real Estate BU. With the goal to strengthen the Company's constitution, the BUs strive to stably provide consistent products and services that meet customers' needs and comply with regulatory requirements, which further increase customer satisfaction. Management system certifications obtained by each plant in their respective fields are shown below.

List of management system certifications

Certificate details	Copper wire and cables business			Specialty steel business				
	Yangmei	Hsinchuang	Shanghai	Yenshui	Taichung	Yantai	Changshu	Jiangyin
ISO 9001 Quality Management System	✓	✓	✓	✓	✓	✓	✓	✓
ISO 14001 Environmental Management System	✓	✓	✓	✓	✓	✓	✓	
OHSAS 18001 Occupational Safety and Health Management System		✓		✓	✓	✓	✓	
CNS 15506 Taiwan Occupational Safety and Health Management System		✓		✓	✓			
ISO50001 Energy Management Systems Certification						✓		
ISO 14064-3:2006 Greenhouse Gas Emission Verification					✓			
ISO 14046:2014 Water Footprint Verification					✓			
ISO/IEC 17025 General Requirements for the Competence of Testing and Calibration Laboratories		✓		✓	✓			
China National Accreditation Service (CNAS) for Conformity Assessment-Laboratory Accreditation						✓	✓	
Certificate for Examination of Measurement Standard (calibration)						✓		
Pressure Equipment Directive (PED) Material Manufacturer Quality System Certification				✓	✓	✓	✓	✓



List of management system certifications

Certificate details	Specialtu steel business				
	Yenshui	Taichung	Yantai	Changshu	Jiangyin
AD 2000 Code for Pressure Vehicles Material Manufacturer Quality System Certification	✓	✓	✓	✓	✓
Special Equipments Manufacture License of P.R.C (pressure piping component)				✓	
API Q1 Certification				✓	
NORSOK M650				✓	
JIS Mark (JIS certification) – (Taichung Plant)		✓			
IATF 16949 Automotive Quality Management System			✓	✓	
American Society of Mechanical Engineers (ASME) nuclear material quality system certification				✓	
Civilian nuclear safety equipment manufacturer permit				✓	
American Bureau of Shipping (ABS) certificate	✓		✓	✓	
Bureau Veritas (BV) certification			✓	✓	
China Classification Society (CCS) certificate			✓	✓	
Det Norske Veritas Germanischer Lloyd (DNV.GL) certificate	✓		✓	✓	
Korean Register of Shipping (KR) certificate			✓		
Lloyd's Register (LR) certificate	✓		✓	✓	
Nippon Kaiji Kyokai (NK) certificate			✓		
Registro Italiano Navale (RINA) certificate			✓		

Product Safety Monitoring

Walsin Lihwa implements the concepts of "green manufacturing, happy company, and sustainability," and has established prohibited/restricted substance management procedures applicable to various regions and industries to exert control over product quality. Walsin ensures that hazardous substances are not used by controlling the source, and inspects and monitors during design and production based on relevant standards. These efforts are aimed at providing high quality products that are safe and pollution free. Related laws and regulations on monitoring and testing are as follows:

- The RoHS Directive restricting the use of hazardous substances in electrical and electronic equipment
- REACH substance of very high concern (SVHC)
- Restriction on sale and use of perfluorooctane sulfonate (PFOS)
- EU Toy Safety Directive (EN71)
- Fire safety laws and regulations
- Shipping industry – Asbestos restriction

Thanks to the implementation of the system operations and product monitoring above, Walsin Lihwa's products have been recognized by customers (such as: China National Petroleum Corporation, China National Nuclear Corporation, State Nuclear Power Automation System Engineering Company, TI Automotive, Benteler International AG, etc.) after a second party audit and were able to enter industries with high added value (nuclear power, shipping, automobile). We also adopt laboratory standards (ISO/IEC17025) to ensure the precision of instruments and equipment in producing high quality products, and our quality has been verified by many product tests, such as: CNS, ABS/LR/DNV, etc. for cables used in ships. In the case of cables and stainless steel seamless pipes, details of product certifications are as follows:

Product/ Plant	Copper wire and cables business (Hsinchuang Plant)	Stainless steel seamless pipe (Changshu Plant)
Product Name	Bare hard-drawn stranded copper wire	Nuclear power plant duplex stainless steel seamless pipe
	Bare hard-drawn copper wire	Pressure piping
	600V PVC insulated wire	CPR 1001 nuclear grade 2 and 3 heat exchanger heat pipe
	600V PVC insulated and sheathed cable	00Gr22Ni5Mo3N (S22053, S22253) duplex stainless steel seamless pipe (for 2205 heat exchanger)
	600V light PVC insulated and sheathed cable	00Gr22Ni5Mo3N (S22053, S22253) duplex stainless steel seamless pipe (for 2205 fluid transfer)
	600V Heat-resistant PVC insulated wire (HIV)	10Cr18Ni9NbCu3BN Stainless steel seamless pipe for boiler use (S304)
	CPE insulated and sheathed cable	S25073 (00Cr25Ni7Mo4N) duplex stainless steel seamless pipe (for heat exchanger)
	PE (CPE) insulated PVC (PE) sheathed fire-resistant cable	S25073 (00Cr25Ni7Mo4N) duplex stainless steel seamless pipe (for fluid transfer)
	Shielded control cable	Iron nickel base alloy NS1101, NS1102, NS1402, NS1104
	Control cable	Urea grade S31603, S31053
	PVC insulated cords	07Cr25Ni21NbN (TP310HCbN)
	600V EPR insulated cable	NS3102 corrosion resistance alloy for heat exchanger
	600V rubber insulated flexible cable	NS3105 corrosion resistance alloy for heat exchanger
	Ship cables, flame-resistant, heat-resistant cables, wind power cables, high voltage cables in electric vehicles, cables for solar panels, cables in equipment, construction-use wiring and cables	NS3306 (N06625) corrosion resistance alloy for heat exchanger

3.1.4 Product and technology innovation

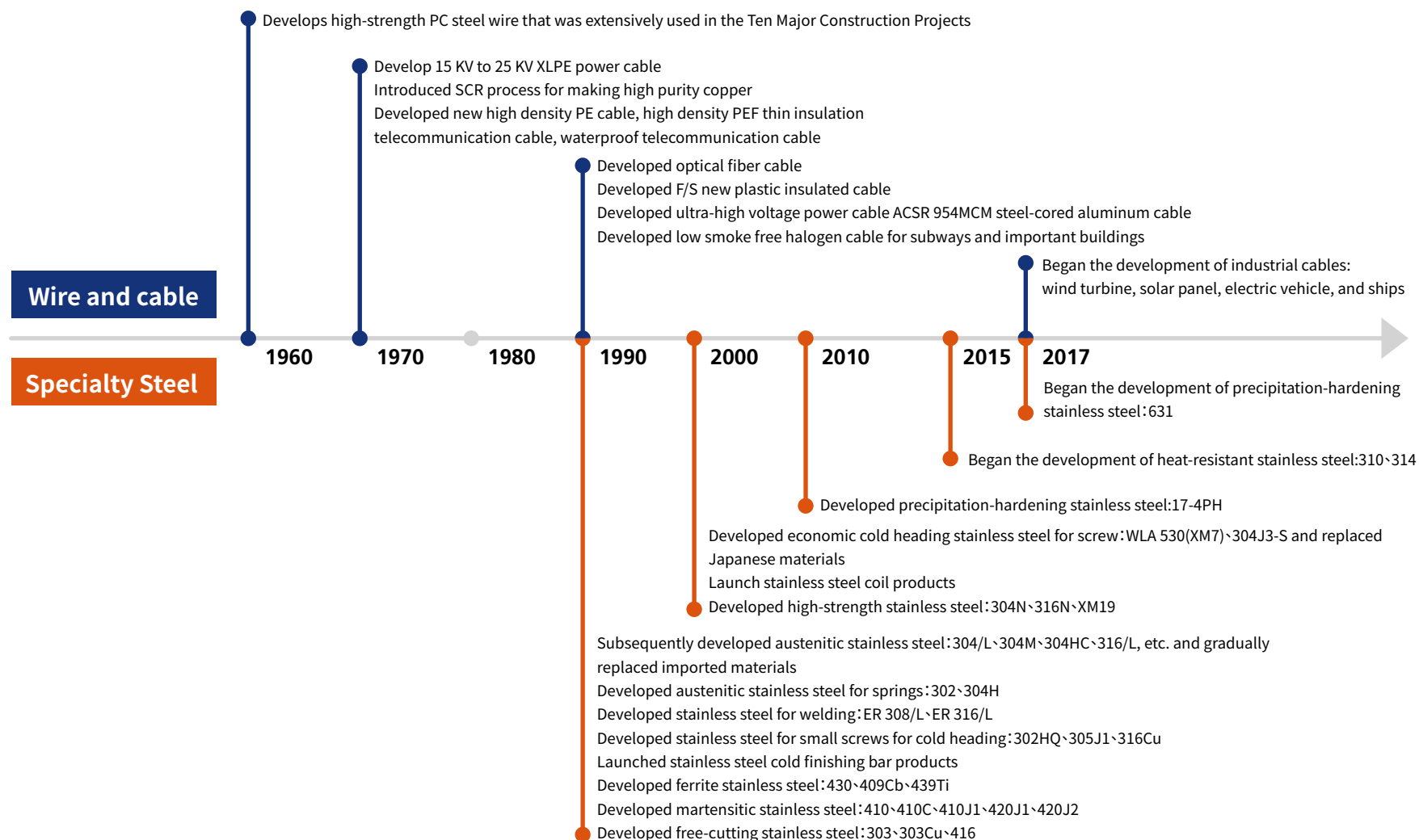
Walsin Lihwa has a history of over half a century and continues to move forward towards becoming a hundred year old company. The way ahead is full of challenges and even more severe competition than there has been in the past. Due to rapid developments in technology, a stream of new buzzwords have appeared within a short amount of time: IoT, click-and-mortar, big data analysis, AI, Industry 4.0, smart manufacturing, electric vehicles, smart driverless cars, and many more. These all go to show that we have entered an era of rapid change. Customers are changing, the market is changing, competitors are changing, and the overall environment is changing, so we must change as well. Luckily, innovation and response have always been the foundation of Walsin Lihwa's growth. We are constantly making technological innovations, process/equipment innovations, and product innovations, and we will uphold this spirit as we further enhance our competitiveness. As such, we established the vision: "to utilize advantages of Industry 4.0, pursue continuous growth, insist on energy conservation, environmental protection, R&D, and innovation, create value for customers through manufacturing services, and thus become the most trustworthy company to customers and business partners."

Product and Technology Innovation Strategy

Wire and cable and specialty steel industries are relatively mature traditional industries. Innovation is what we have relied on to continue moving forward through the severe challenges and competition in these traditional industries over the past 50 years. In response to the rapid changes of the future environment, strategies we have adopted for product and technology innovation are as follows:

Dimensions	Direction	Measure	Description
Green process development	Adopt state-of-the-art technologies and equipment to develop into a smart factory for Industry 4.0, and dedicate efforts to develop green processes for energy conservation and waste reduction.	Process improvement	Production process improvement and innovation
		Process streamlining	Examine and streamline the production process
		Production equipment replacement	Gain full information on advanced production equipment and make necessary upgrades and replacement.
		Advance pollution prevention and waste disposal	Optimize solid, liquid, and air pollution prevention and treatment
Green products	Continue to develop products with high cost-performance ratio and implement PLM. Recycle products whenever possible to realize a circular economy and reduce the impact on the environment.	<ul style="list-style-type: none">• Develop high cost-performance products• Serve customers by reducing downstream processes or material consumption• Use recyclable raw materials whenever possible• Reduce packaging and optimize transportation cost• Develop environment-friendly products	

Continual product and technology innovation:



Note: The development of new products above not only involve product development, but also new technology and equipment development. Due to the large number of technologies and equipment that were developed, however, they are not listed in detail.

Smart manufacturing

Walsin Lihwa will continue to effectively differentiate its cost, products, energy conservation, environmental protection, and customer services to make a breakthrough and enhance its competitive advantages. Hence, we develop products with high added value through the modification and addition of equipment, as well as the strengthening of smart manufacturing technologies. This will help us develop new markets and new niches and improve our product quality and productivity. At the current stage, we will adopt the following methods:

**Utilize smart^{note}
manufacturing
technology**

**Revamp wire and cable
production line
equipment**

**Revamp stainless steel
rolling production
line equipment**

**Revamp stainless steel
bar production
line equipment**

note: Ex: smart machinery, IoT, big data analysis, etc. for production monitoring and warning, rapid equipment/process/quality troubleshooting, rapid decision-making, new product design, and shortening development time, etc.

Revamping of the production line equipment above will be integrated with smart manufacturing technology. We will use the method above to further increase our productivity, ensure product quality, and rapidly respond to customer and market demand.

R&D process and measures

We see trends in the industry and will further focus on our core business and professional fields. The R&D team will continue to engage in the development of new products and technologies, and have established a rigorous product development process, as shown below:



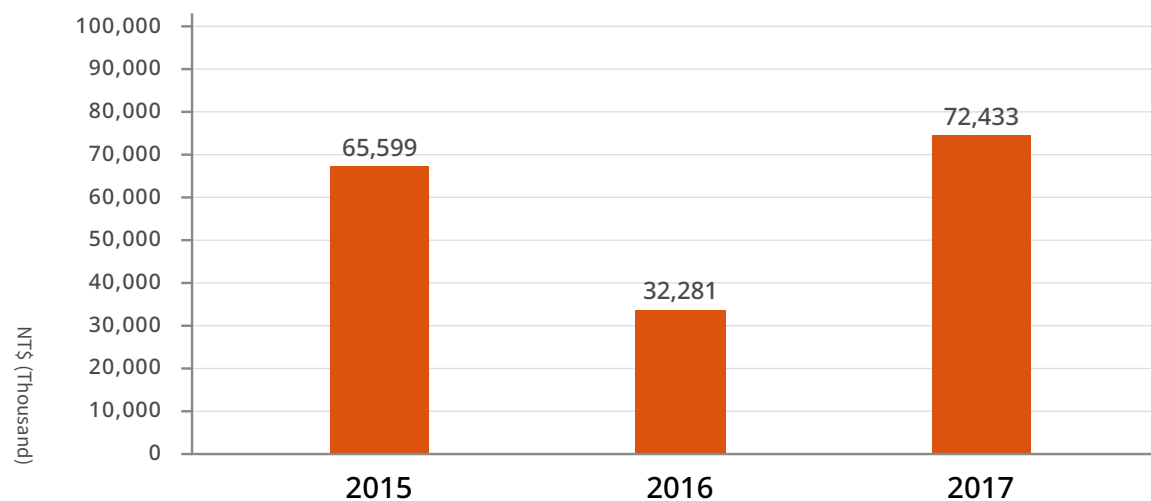
Knowing the importance of advance preparation, we strengthen our R&D capabilities and efficiency through the following four aspects:





R&D expenditure

Walsin Lihwa's R&D expenditures in the last three years are shown in the figure below. In light of the severe challenges in the industry that lie ahead, we will invest even more resources into R&D and technology innovation.



Protection of R&D results

Applying for patents is an important channel for protecting R&D results, and embodies technology innovation. The Company also views patents as important assets, and has obtained 71 patented products and technologies over the years.

3.2 Sustainable supply chain

3.2.1 Sustainable supply chain policy

Walsin Lihwa established its "Principles for Supplier CSR Performance Appraisal" to comprehensively implement and strengthen supplier sustainability management, and jointly grow with its business partners (Walsin's vision). We hope that all of our suppliers will contribute to sustainability. Suppliers' promptness of delivery, quality control, as well as quality of communication and service are appraised to ensure suppliers meet the company's requirements. Moreover, supplier sustainability appraisals should be conducted on a regular basis to review their performance in the categories of social influences, human rights protection, labor practices, and environmental protection.

For the implementation of the Principles for Supplier CSR Performance Appraisal, the Company convened a meeting on November 3rd, 2017 to let procurement personnel of each BU to understand the principle's contents and methods. This allows sustainable supply chain management to be implemented in each BU. We required business units to establish supplier appraisal mechanisms in accordance with the Principles for Supplier CSR Performance Appraisal before the end of 2017, and aspects of CSR performance appraisal were added to supplier appraisals. We expect future supplier appraisal strategy to follow this principle and encourage suppliers to jointly comply with the principle, using their social influence to achieve a balance between economy, society, and ecology that will enable sustainable development.



Local purchase

Suppliers are important business partners of Walsin Lihwa, and we work closely with local suppliers to jointly pursue sustainability and growth. Walsin has actively engaged in local procurement in recent years, and 10% of procurements by key suppliers in Taiwan are from local suppliers (metal minerals in Taiwan are mainly imported), 100% of procurements by key suppliers in mainland China are from local suppliers, and 28% of procurements by key suppliers in Malaysia are from local suppliers. Overall, about 46% of key suppliers are local suppliers.

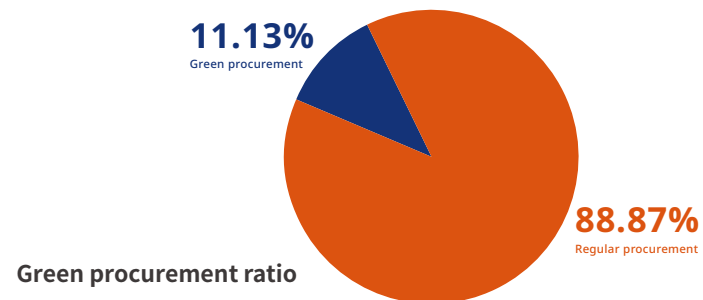
Ratio of local purchases



Note: Local procurement is when the payment is made to a local supplier.

Green procurement

Walsin Lihwa is dedicated to green procurement, and recycles old wood iron shaft and seal plate for reuse, reducing the amount of new wood iron shaft and seal plate procured, reducing the consumption of environmental resources. Green procurements in Taiwan are for recycled packaging materials, such as old wood iron shaft and seal plate, and recycled raw materials. A total of NT\$7,646,051,884 was spent on green procurements in 2017, accounting for 11.13% of all procurements.



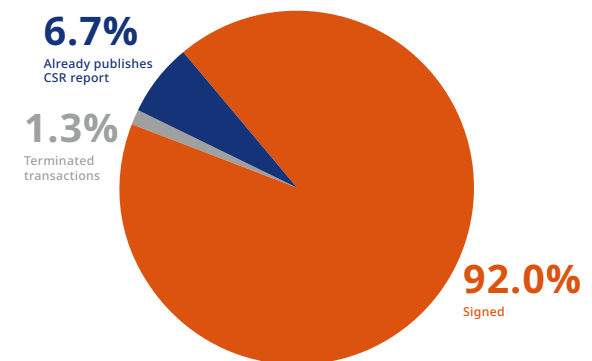
3.2.2 Implementation of supply chain management

To effectively manage suppliers, Walsin Lihwa's BU's established the Regulations for Supplier Management, which applies to raw materials, mechanical equipment, and parts suppliers. Key suppliers were identified based on the ratio of their procurement amount to overall procurements. In order to let the list of key suppliers more accurately represent important suppliers to Walsin Lihwa in 2017, the level of key supplier screening was adjusted from business group to business division, so that more in-depth analysis can be performed for each plant. Using this principle we identified 75 key suppliers in 2017, which collectively accounted for 72.87% of our total procurement amount. These 75 suppliers are important business partners of Walsin Lihwa and were targeted for the promotion of supplier CSR and management.

Supplier Management Commitment to Social Responsibility

To ensure that suppliers fulfill their commitment to CSR, Walsin Lihwa asks suppliers to sign its "Supplier Management Commitment to Social Responsibility," which requires the conduct of suppliers to comply with guidelines on labor health and safety, ethics and business integrity, environmental protection, and continual improvement. Suppliers are also required to comply with domestic and overseas CSR related laws, regulations, and standards.

In 2017, 69 of our 75 key suppliers signed and returned the commitment, we terminated transactions with 1 supplier in March, and the remaining 5 suppliers indicated that they are already publishing their own CSR reports and disclose integrity related measures, which is the reason why they have not separately signed our "Supplier Management Commitment to Social Responsibility."



Important results of supplier interactions in 2017

We not only visit suppliers during audits, but also when it is necessary to discuss matters with suppliers to ensure delivery and product quality. Furthermore, our suppliers also visit Taiwan for meetings and to gain information on business and market conditions. Strong partnerships are built with suppliers through intensive interactions, and ensure a stable source of supply.

Supplier		Number of visits	Major issues discussed
Taipei Head Office		23	• Sample presentation/Price negotiation/Courtesy visit • CSR report and concept promotion
Wire & Cable	Commodity Center(Copper)	41	• Update the business overview of both parties • Market information exchange • CSR report and concept promotion
	Yangmei Plant	32	• Ensure consistent quality and stable supply • Delivery date management • Develop alternative materials to lower the risk of supply being cut off • Maintain stable partnerships with suppliers • CSR report and concept promotion
	Nanjing Walsin	23	• Understand production operations • Market information exchange • Technology exchange and improvement • Communicate and resolve complaints • Build partnership • Supplier review • CSR report and concept promotion
	Dongguan Walsin	21	• Discuss quality plans and promote the Company's CSR policy (environmental protection, honest business practice) • Delivery date management • Maintain stable partnerships
	Hsinchuang Plant	107	• Inspect supply capacity to ensure consistent quality • Reduce procurement cost and shorten delivery time • Develop new suppliers
	Shanghai Walsin	57	• Quality, delivery, cost (includes development of alternative materials) • CSR report and concept promotion
Specialty Steel	Commodity Center (Nickel)	59	• Update the business overview of both parties • Market information exchange • CSR report and concept promotion
	Yenshui / Taichung Plant	3	• Inspect supply capacity to ensure consistent quality • Reduce procurement cost and shorten delivery time • Develop new suppliers • Maintain stable partnerships with suppliers • CSR report and concept promotion
	Yantai Walsin	31	• Inspect supply capacity to ensure consistent quality • Reduce procurement cost and shorten delivery time • Develop new suppliers • Maintain stable partnerships with suppliers • CSR report and concept promotion
	Changshu Walsin	3	• Inspect supply capacity to ensure consistent quality • Shorten delivery time • Increase the stability of product quality • Maintain stable partnerships with suppliers • Annual visits to suppliers • CSR report and concept promotion
	Jiangyin Walsin (Specialty Alloy Materials)	15	• Inspect supply capacity to ensure consistent quality • Delivery date management • Develop new suppliers • Maintain stable partnerships with suppliers • CSR report and concept promotion
	Jiangyin Walsin (Steel Cable)	12	• We visit key material suppliers (steel factories) along with manufacturing, technology, and quality control departments each quarter to provide feedback on quarterly consumption and engage in technology exchange. • If there is an issue with the quality of a certain batch (such as: brittle fracture), then a sample is provided to the supplier for the supplier to analyze the cause, and a penalty is imposed based on the impact on production, so that the supplier will implement improvement measures. • Irregular visits or calls are made for feedback on the use of other materials or accessories • Promote the Company's CSR management, and require main suppliers of raw materials and accessories to sign the "Supplier Management Commitment to Social Responsibility" during annual appraisals
Real Estate	Walsin (Nanjing) Development	12	• On-site construction progress meeting • CSR report and concept promotion
Other	Walsin Precision Tech.	14	• Build stable partnerships with suppliers • Technology exchange, quality improvement • Improve the ratio of on-time delivery • Understand material production processes • CSR report and concept promotion

Note: The Metals Division is the procurement unit in Headquarters responsible for important materials, such as copper and nickel.

New supplier selection results in 2017

Of the 428 new suppliers in 2017, up to 80% or 344 signed the "Supplier Management Commitment to Social Responsibility." We will continue to encourage suppliers to sign the commitment, so as to ensure the fulfillment of CSR in our supply chain.

Supplier		Taipei Head Office	Wire & Cable					Specialty Steel						Real Estate	Other	Total
			Commodity Center(Copper)	Yangmei/ Hsinchuang Plant	Nanjing Walsin	Dongguan Walsin	Shanghai Walsin	Commodity Center (Nickel)	Yenshui / Taichung Plant	Yantai Walsin	Changshu Walsin	Jiangyin Walsin (Specialty Alloy Materials)	Jiangyin Walsin (Steel Cable)	Walsin (Nanjing) Development	Walsin Precision Tech.	
Number of new suppliers		12	1	50	45	3	34	7	178	20	0	50	26	0	2	428
New suppliers that signed the commitment (includes suppliers screened for the CSR report)	Number of suppliers that signed the commitment	4	1	43	28	1	26	3	155	15	0	41	26	0	1	344
	Signed the commitment (%)	33%	100%	86%	62%	33%	76%	43%	87%	75%	-	82%	100%	-	50%	80%

Note: The Metals Division is the procurement unit in Headquarters responsible for important materials, such as copper and nickel.

We required business units to establish supplier appraisal mechanisms in accordance with the Principles for Supplier CSR Performance Appraisal, and aspects of CSR performance appraisal are added to supplier appraisals. We plan to hold a supplier conference in 2018 to help suppliers understand how to establish sustainable supply chain related management mechanisms. Sustainability appraisals of key suppliers will be carried out and results of the sustainability appraisal questionnaire will be included as an indicator for supplier appraisals. We expect future supplier appraisal strategy to follow this principle and encourage suppliers to jointly comply with the principle, using their social influence to achieve a balance between economy, society, and ecology that will enable sustainable development.

Chapter 4

Cherish

Protecting Environmental Resources

- 4.1 Environmental management policy
- 4.2 Energy conservation and carbon reduction
- 4.3 Resource recycle and pollution prevention
- 4.4 Green operation



Walsin Lihwa is always committed to fulfill “corporate social responsibility (CSR)” and the environmental sustainability goals. Furthermore, we expect to achieve the goal of “Creating Shared Value (CSV)” and become a diversified manufacturing corporation with environmental co-prosperity through technical upgrade and continuous improvement while our businesses are growing steadfastly.



Taiwan and Overseas Sites
Reduction of CO₂ Emission

6,656tons



Taiwan Sites
Wastewater Discharge
Volume Per Unit of Product

18.6%



Taiwan Sites
Waste Recycling & Reuse Rate

96.6%



Taiwan Sites
Reduction of Water Consump-
tion Per Unit of Product

8.8%



Yenshui Site
Manufacturing Process
Improvement and Adjustment -
Reduction of Acid Consumption

3.93Kg/MT



Waste Specialty Steel
Recycling & Reuse Rate

99%

4.1 Environmental management policy



Policy Strategy

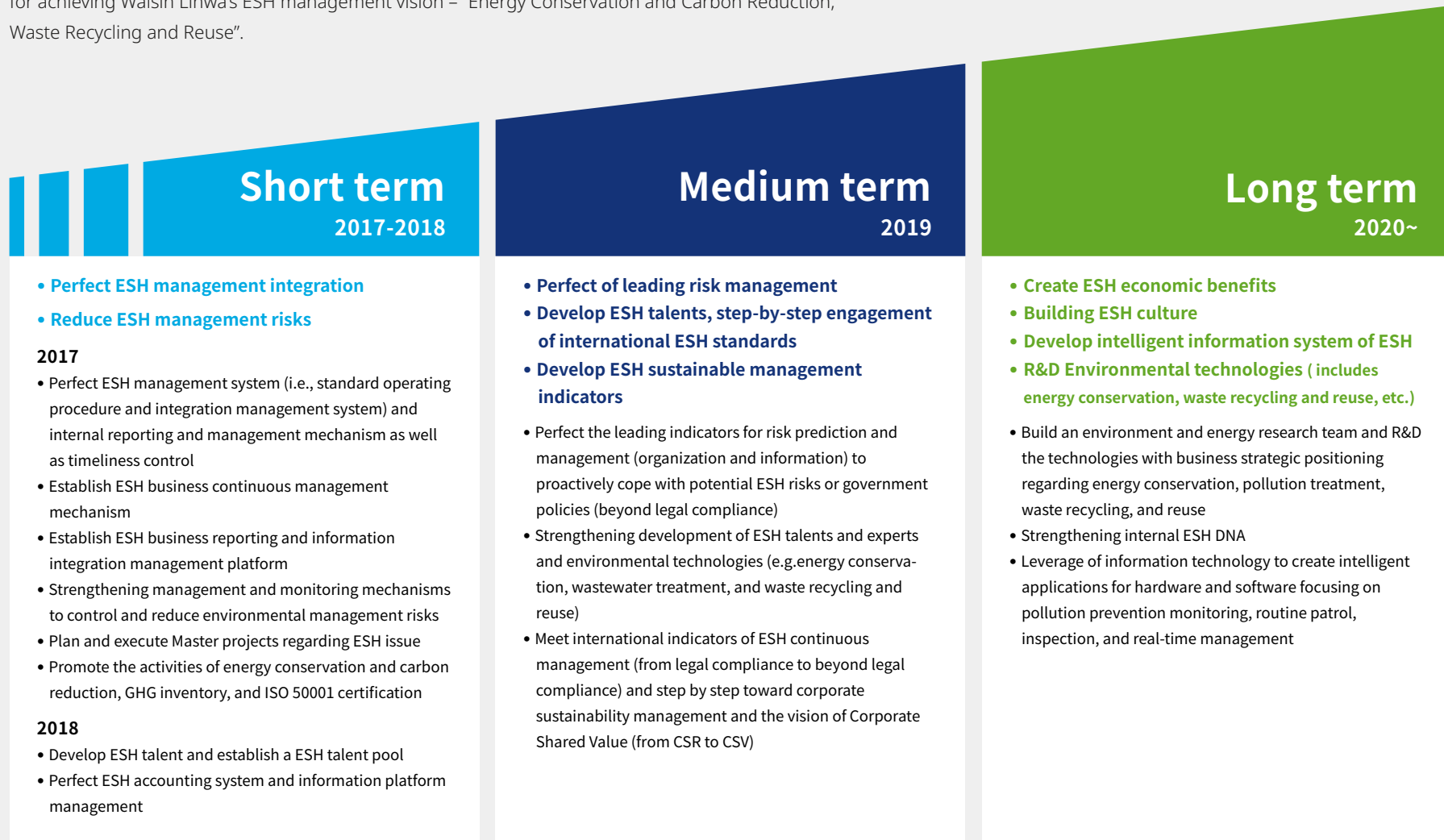
- | Legal and Regulatory Compliance, Risk Control
- | Pollution Prevention, Energy Efficiency and Carbon Reduction
- | Health Care, Enhance Environmental, safety, health and Energy Performance
- | Consultation and Communication, Total Employee Involvement

2017 Master Plan of Environmental Management in Walsin Lihwa

-  Strengthening environmental risk control
-  Keep increasing waste recycling and reuse rate
-  Energy management
-  Greenhouse gas inventory and reduction
-  Keep striving to achieve energy conservation and pollution/carbon reduction

Short-, medium-, and long-term objectives for environmental safety and health (ESH) management

By strengthening management, integrating relevant resources, upgrading technologies, and developing environmental R&D/technical talent for achieving Walsin Lihwa's ESH management vision – "Energy Conservation and Carbon Reduction, Waste Recycling and Reuse".

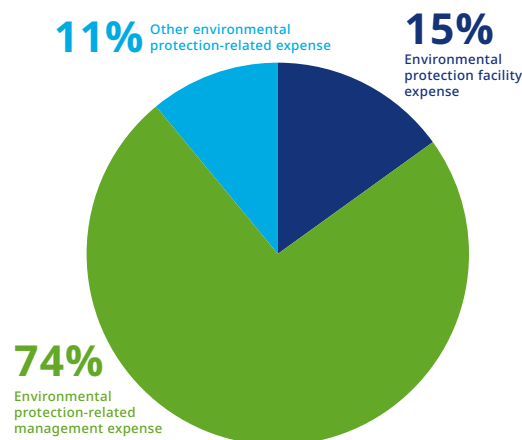


Environmental protection expenditure at Walsin Lihwa

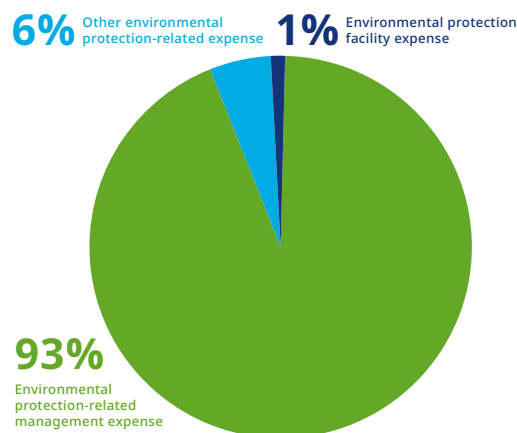
In 2017, Walsin Lihwa spent NT\$296,459,000 on environmental protection facilities at its Taiwan sites, RMB\$23,495,000 on environmental protection facilities at its sites in mainland China, and MYR\$22,000 primarily on general waste treatment and environmental monitoring at its Malaysian site. Relevant details are tabulated as below.

Accounted expenditure on environmental protection in 2017		Taiwan (in NT\$1000)		Mainland China (in RMB\$1000)		Malaysia (in MYR\$1000)	
Environmental protection cost by category	Environmental protection cost category	Expense	Capital expenditure	Expense	Capital expenditure	Expense	Capital expenditure
Environmental protection facility expense	E01-01 Pollution prevention expense	3,783	41,343	9	183	0	0
Environmental protection-related management expense	E02-01 Resource recycle expense	210,971	0	9,532	0	11	0
	E02-02 Expenditure on natural resource	250	0	8,424	0	0	0
	E02-03 Green procurement	926	0	3,339	0	0	0
	E02-04 Education and training expense	73	0	14	0	0	0
	E02-05 Verification and certification expense	1,557	0	253	0	0	0
	E02-06 Monitoring expense	5,499	0	329	0	6	0
Other environmental protection-related expense	E02-07 R&D cost	6,197	0	8	0	0	0
	E02-08 Social activity cost	600	0	8	0	0	0
	E02-09 Compensation cost	6	0	680	0	0	0
	E02-10 Government charge and fee	25,254	0	716	0	5	0
Sum	Subtotal	255,116	41,343	23,312	183	22	0
	Grand total	296,459		23,495		22	

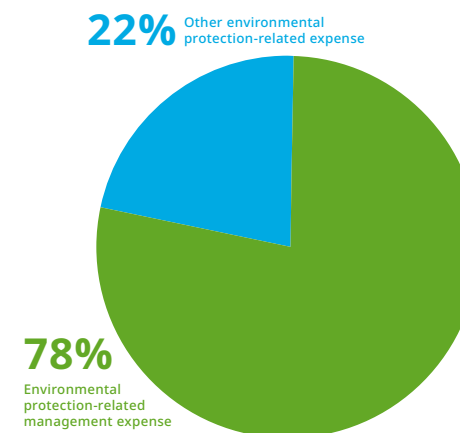
Percentage of accounted expenditure on environmental protection in Taiwan



Accounted expenditure on environmental protection in Mainland China



Percentage of accounted expenditure on environmental protection in Malaysia



Legal compliance

Some of the operations of Walsin Lihwa in the steelmaking industry are subject to inspection by central and local government authorities in individual markets. In 2017, there was no serious leakage or pollution issue at Walsin Lihwa, but there were seven environmental protection faults -- not substantial environmental pollution, though -- found at the company's Taiwan and overseas sites. Related shortcomings were immediately addressed with in-depth investigations into their root causes. In the future, self-monitoring and control pursuant to the ISO 14001 Environmental Management System will continue, while the company's Environment, Health, and Safety Committee will conduct unscheduled audits of compliance with environmental protection laws and regulations at individual sites, and such sites shall also on their own accord inspect how effective environmental protection is implemented on their own premises to avoid violation and prevent environmental pollution.

Environmental protection	Laws unobserved	Accusatory authorities	Number of requirements for improvement (including fines)	Amount of money fined/ Times
Taiwan sites	Waste Disposal Act	Environmental Protection Bureau of Tainan City Government	1	NT\$6,000/ One time
Overseas	Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution Law of the People's Republic of China on the Prevention and Control of Water Pollution Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste	Yantai Environmental Protection Bureau Changshu Environmental Protection Bureau	6	RMB\$680,000/ Six times



4.2 Energy conservation and carbon reduction

Along with global economic development, ecological destruction and extreme weathers resulting from climate changes have been bringing forth disastrous cyclones, floods, droughts, and snowstorms around the world, severely endangering the existence of creatures and ecologies while incurring tremendous economic losses and dealing a strong blow to how business is run and global supply chain development. Therefore, businesses should assume an important role in environmental risk management.

Greenhouse gas reduction to deal with climate changes has become a common objective and a mission that must be accomplished among businesses around the world to pursue sustainable management given international promotion by government policies and nature striking back. Walsin Lihwa always spares no effort in promoting energy conservation and carbon reduction, continuing improving its greenhouse gas inventory and energy efficiency management as well and through industry benchmarking, continuous improvement and innovation to become even more environment friendly. Walsin Lihwa looks forward to developing itself gradually into an industry benchmark in this regard.

4.2.1 Energy efficiency management

Walsin Lihwa has been actively bringing in energy-conservation and environment-friendly facilities, energy-efficient technologies, environmental protection designs, and green production processes, enhancing energy efficiency at the very beginning of design, supporting government energy policies and measures, educating all employees about the importance of energy conservation, and conducting energy consumption inventory of the company's facilities to identify energy efficiency improvement opportunities and feasible energy-conservation solutions.

In 2017, solar panels were set up at the Taichung and Yenshui sites in Taiwan. The Taichung site voluntarily subscribes to one hundred million watts of green power, taking various energy-conservation initiatives help crystallize Walsin Lihwa's business philosophy of green production, employee happiness, and sustainable management.

Amount of energy consumption at Walsin Lihwa

Our 2017 CSR objective for environmental protection was "Keep Promoting Effective Energy Conservation and Carbon Reduction and Move Toward Cleaner Production". In 2017, the types of energies consumed at Walsin Lihwa included natural gas, electricity, heavy oil, diesel, petroleum, and liquefied petroleum gas. Liquefied petroleum gas was the primary direct energy with a calorific value of 2.80068×10^6 GJ used, while outsourced electricity was the primary indirect energy with a calorific value of 6.77965×10^6 GJ used. The percentages of calorific values of direct and indirect energies used are respectively 29.6% and 70.4%, and the types of energies used by product category and calorific value percentages are disclosed as below.

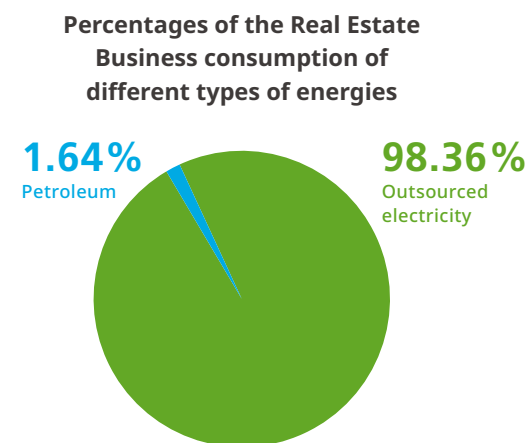
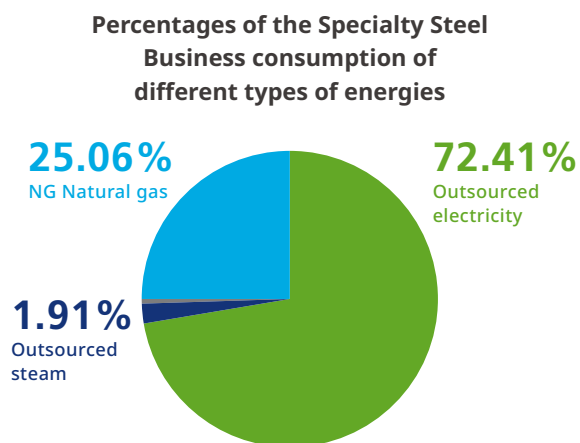
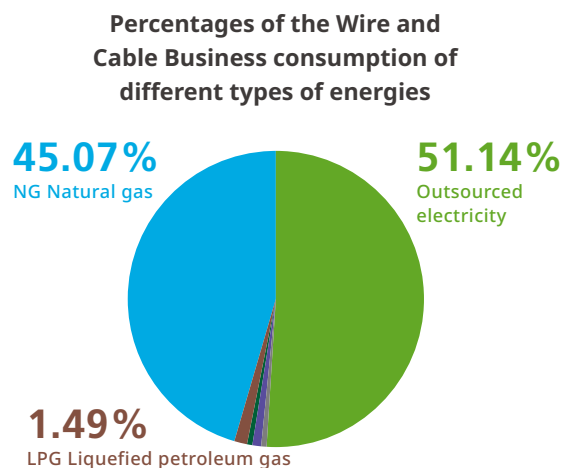
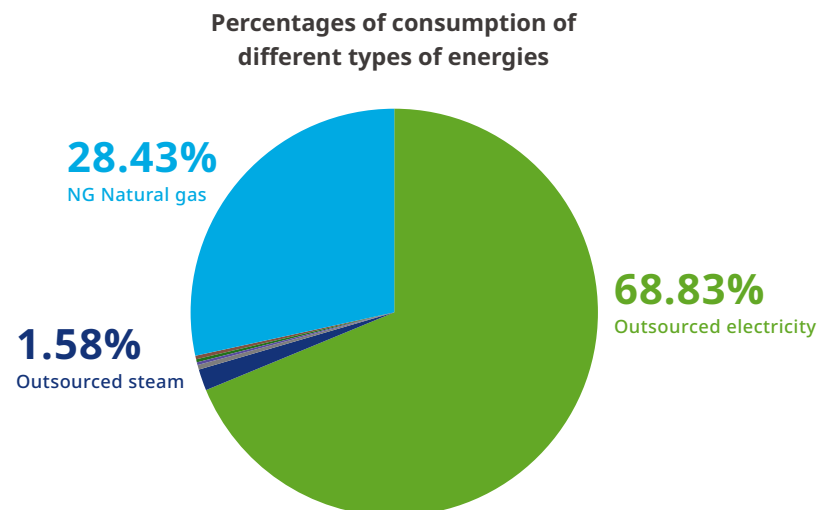
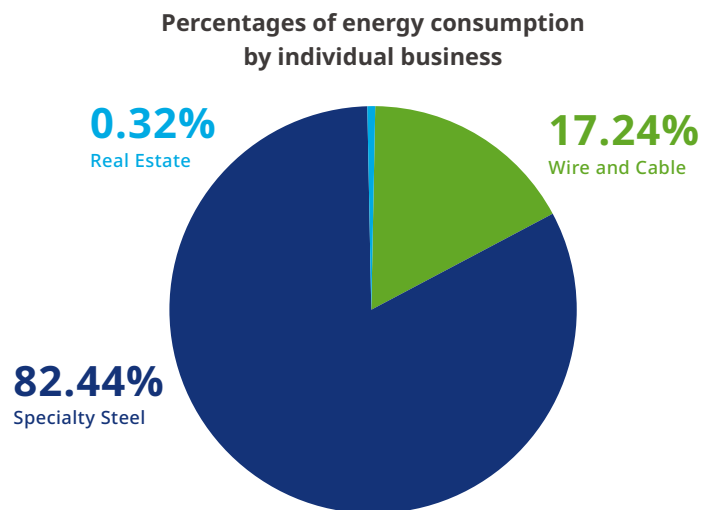
Energy consumption by individual business groups in 2017					GJ= 10^9 J
2017		Wire and cable	Specialty Steel	Real estate	Total
Indirect energy	Outsourced electricity	8.68711×10^5	5.88003×10^6 (including green power of 0.8664MJ)	3.09082×10^4	6.77965×10^6
	Outsourced steam	0	1.55370×10^5	0	1.55370×10^5
Direct energy	Petroleum	0	2.22304×10^3	5.16225×10^2	2.73926×10^3
	Diesel	4.44060×10^3	3.36098×10^4	0	3.80504×10^4
	Fuel oil	1.81693×10^4	0	0	1.81693×10^4
	Automotive petroleum	1.23743×10^3	2.53033×10^3	0	3.76776×10^3
	Automotive diesel	9.02995×10^3	6.49329×10^3	0	1.55232×10^4
	Liquefied petroleum	2.53134×10^4	4.59783×10^3	0	2.99113×10^4
	Liquefied petroleum gas	7.65551×10^5	2.03513×10^6	0	2.80068×10^6
	Natural gas	6.22310×10^3	9.87905×10^1	0	6.32189×10^3
Total		1.69868×10^6	8.12008×10^6	3.14244×10^4	9.85018×10^6



Taichung site's green power subscription certificate

Note:

1. Energy consumption = Fuel consumption * Fuel calorific value (based on the Bureau of Energy's 2014 manufacturing industry annual audit report)
2. The information above includes Walsin Lihwa's power cable and wire operations in Yangmei, Hsinchuang, Nanjing, Dongguan, and Shanghai; Specialty Steel operations in Yenshui, Taichung, Yantai, Changshu, Jiangyin, and Malaysia; and real estate development in Nanjing.
3. In 2017, the subcontract work at the Baihe site in Shanghai was transferred to the Jiangyin site.

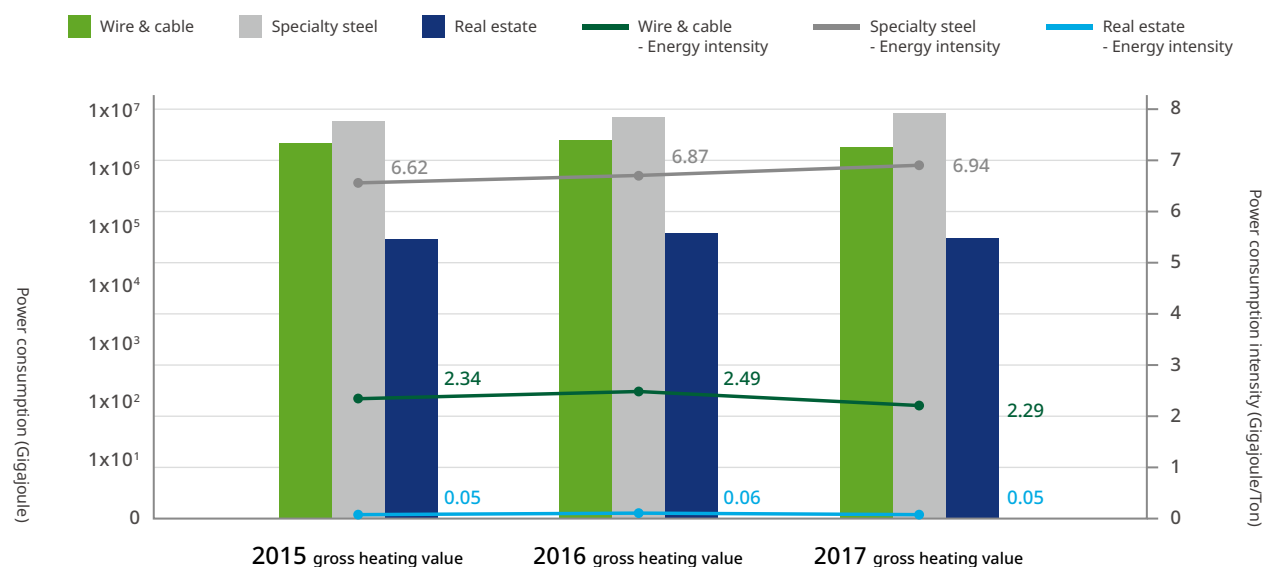


Types of energies consumed from 2015 - 2017

Year	2015			2016			2017		
Business group	Gross heating value (gigajoule)	Output (ton) (floor area, i.e., m ²)*	Energy intensity	Gross heating value (gigajoule)	Output (ton) (floor area, i.e., m ²)*	Energy intensity	Gross heating value (gigajoule)	Output (ton) (floor area, i.e., m ²)*	Energy intensity
Wire & cable	2.02433x10 ⁶	865,687.29	2.34	2.19326x10 ⁶	881,098.66	2.49	1.69868x10 ⁶	740,937.79	2.29
Specialty steel	6.41428x10 ⁶	968,269.36	6.62	7.06243x10 ⁶	1,028,013.25	6.87	8.12008 x 10 ⁶	1,170,862.18	6.94
Real estate	2.91568x10 ⁴	602,412.00	0.05	3.73877x10 ⁴	602,412.00	0.06	3.14244x10 ⁴	602,412.00	0.05

Note:

1. Real estate development's energy intensity is gross heating value (gigajoule) / floor area (m²), and the energy intensity of Specialty Steel and power cable and wire operations is gross heating value (gigajoule) / output (ton)
2. Heat values are based on the unit heating values of energy products in the 2015 energy statistic handbook.
3. A gigajoule is 109 joules



In terms of the energy consumption intensity per unit of product at Walsin Lihwa in 2017, the intensity of power cables and wires was 7.93% lower than that in 2016 primarily because of product mix changes. The intensity of Specialty Steel products was 0.89% higher than that in 2016 primarily because of increased natural gas consumption resulting from pollution prevention facility implementation. Walsin Lihwa will continue its investment in carbon reduction as well as waste recycling and reuse, and the 2018 objective for carbon emission per unit of product is 1% lower than that in 2014.

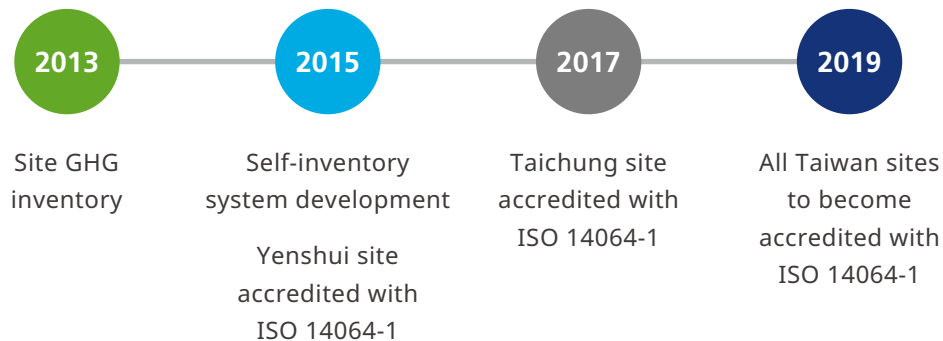
4.2.2 Greenhouse gas (GHG) inventory

To cope with climate changes and global warming, GHG reduction is imperative, and GHG inventory can serve as a benchmark for GHG reduction.

In 2013, Walsin Lihwa started to identify the amount of green gas emission from its plants and the value of carbon emission controlled. In 2015, an ESH information platform was set up to inventory greenhouse gas emission and calculate carbon emission per unit of product. Every quarter both the Taiwan and overseas sites are required to complete inventorying their scope one and two of GHG emissions in the previous quarter. Moreover, as Walsin Lihwa has been actively promoting conformity with ISO 14064-1 through verification by third-party accreditation bodies, the Yenshui site and the Taichung site became accredited with ISO 14064-1 respectively in 2015 and 2017. All Walsin Lihwa sites in Taiwan are expected to become accredited with ISO14064-1 in 2019 and obtain carbon footprint certification in 2020 to develop comprehensive carbon audit and management capability and enhance the international competitiveness of products.

項目	單位	數量	單位
電力消耗	kWh	47,573.46	CO ₂ e
蒸汽消耗	kg	10,933.97	CO ₂ e
燃料消耗	kg	1,108.53	CO ₂ e
其他消耗	kg	187.307	CO ₂ e
其他消耗	kg	177.802	CO ₂ e
總計	kg	10,933.97	CO ₂ e

Self-inventory system development



Yenshui site accredited with ISO 14064-1

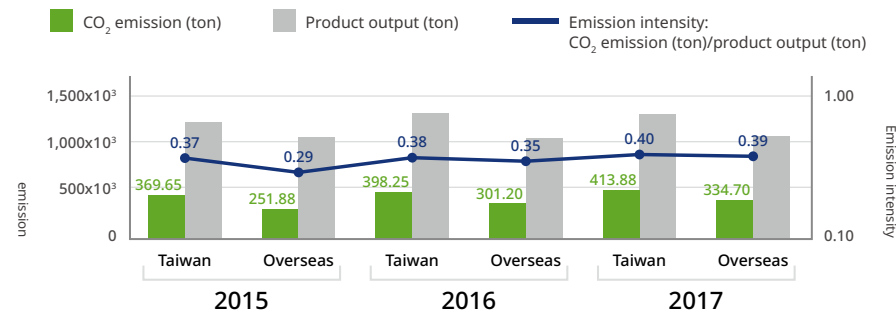


Taichung site accredited with ISO 14064-1

Greenhouse gas (GHG) emission

In 2013, Walsin Lihwa started to audit its greenhouse gas emission intensity (metric tons of CO₂ emission /metric tons of product output), and the intensities inventoried at the Taiwan and overseas sites, exclusive of real estate development, were respectively 0.42 and 0.29. In 2014, individual sites started to actively implement energy-conservation solutions and, after four years' implementation, the intensities (emission per unit of product) audited at the Taiwan and overseas sites, exclusive of real estate development, were respectively 0.40 and 0.39, 4.7% lower but 25% higher as compared to those in 2014, when the intensities at the Taiwan and overseas sites were respectively 0.42 and 0.31. The higher intensity at the overseas site primarily resulted from product mix changes and downsizing there in 2017; therefore, energy consumption per unit of product increased. In 2018, accreditation with ISO 50001 is promoted, while carbon emission per unit of product will be effectively managed and reduced.

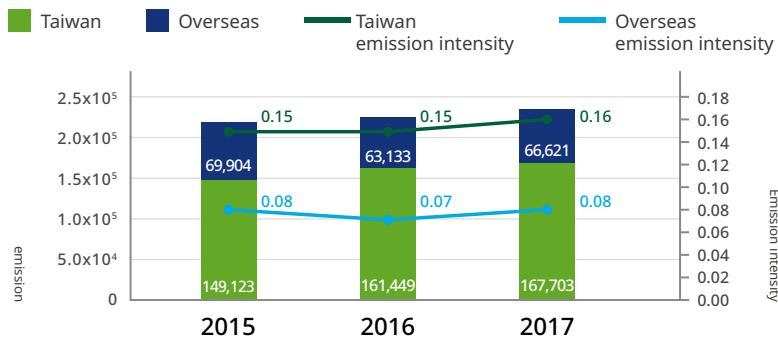
Greenhouse gas (GHG) emission and emission intensity at Taiwan and overseas sites



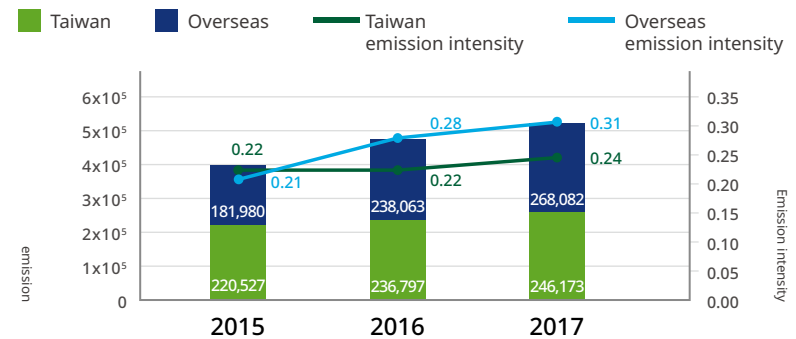
Note:

1. Scope One and Two refer respectively to direct and indirect energies, while greenhouse gas (GHG) emission includes CO₂, N₂O, and CH₄.
2. Taiwan sites are in Yangmei, Hsinchuang, Yenshui, and Taichung
3. Overseas sites include Nanjing Walsin Metal, Dongguan Walsin Wire & Cable, Shanghai Walsin Power Wire & Cable, Yantai Walsin Stainless Steel, Changshu Walsin Specialty Steel, Jiangyin Walsin Steel Cable and Walsin Precision Technology.
4. The unit of emission is CO₂ emission expressed in metric tons and the unit of intensity is CO₂ emission expressed in metric tons/product output expressed metric tons.
5. The emission coefficient is based on the 6.02 version of the greenhouse gas (GHG) emission coefficient management table (IPCC 2nd Assessment Report in 1995) published by the Industrial Development Bureau, Ministry of Economic Affairs, for self-auditing. Global warming potential (GWP) is dealt with by the operational control method.
6. 2014 is the benchmark year for implementation of energy-conservation solution.
7. Scope Two emission is calculated by the location-based method.

Scope One: direct greenhouse gas (GHG) emission



Scope Two: indirect greenhouse gas (GHG) emission





4.2.3 Implementation of energy conservation and carbon reduction

When setting annual objectives for energy conservation, Walsin Lihwa refers to the energy-conservation policies that published by both Taiwan and overseas governments, implementing energy conservation and carbon reduction year by year through engineering control and administration management to reduce greenhouse gas (GHG) emission by power conservation, waste reduction, and enhancement of energy efficiency, and waste recycling and reuse.

To effectively decrease environmental pollution and greenhouse gas (GHG) emission, reasonable maximization of energy efficiency is pursued, and individual sites all have energy-conservation and carbon-reduction management teams to follow and implement the strategies developed by the company's ESH Committee as well as individual objectives and KPI available on the ESH information platform, report progresses made at bimonthly energy management meetings, and analyze relevant international trends to discuss responding measures.

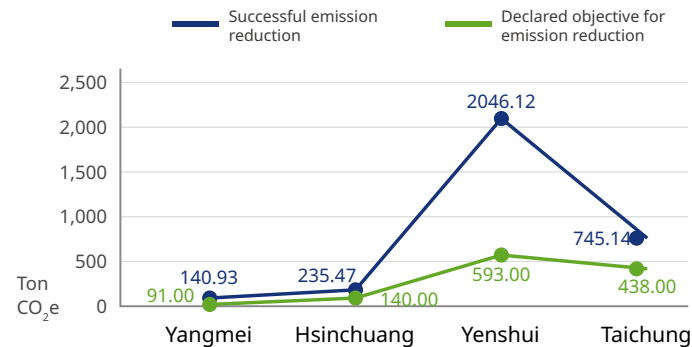
When declaring the objective for carbon reduction at the beginning of every year, 3,457.30 tons of CO₂ emission at the Taiwan and overseas sites were declared to be reduced in 2017, and what was actually reduced amounted to 6,656.59 tons, an accomplishment rate of 192.54%, primarily because the Yenshui site had the highest accomplish rate with as many as 22 annual energy-conservation solutions implemented, including the time required for vacuum carbon decarburization (VCD) differentiated based on high- or low-carbon steel to decrease natural gas consumption. The Yenshui site had the highest achievement in carbon reduction with annual reduction of 2,046.12 tons of CO₂ emission, approximately 30.73% of what was reduced at the Taiwan and overseas sites. In 2017, the Taiwan and overseas sites proposed a total of 86 carbon-reduction solutions, which reduced 6,656.59 tons of CO₂ emission and saved approximately NT\$13,737,658 in Taiwan as well as RMB\$2,344,353 and MYR\$167,296.23 overseas.

Energy-Conservation plan by area in 2017

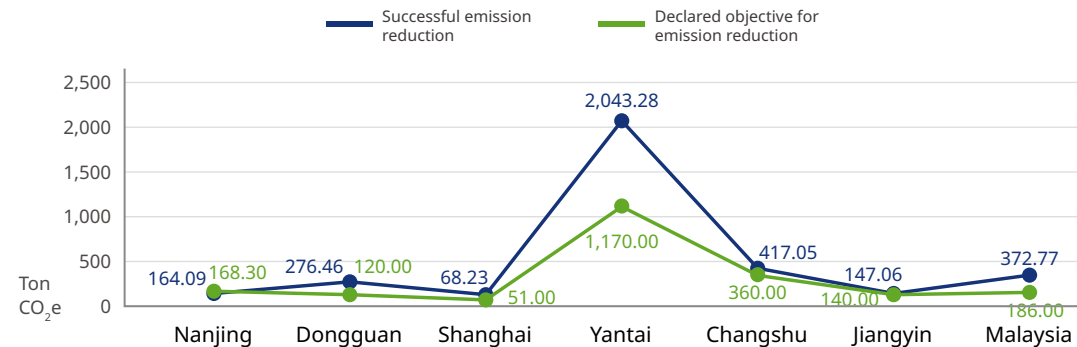
Area	Solution	Energy	Number of solutions	Amount saved	Carbon emission reduction (1,000 tons)	Cost Saved
Taiwan	Energy Conservation in Manufacturing Process	Electricity (I million watts)	39	4,685.85	2,476.50	NT\$13,737,658
		Natural gas (1,000 cubic meters)	3	364.45	684.79	
	Office energy saving	Electricity (I million watts)	2	12.04	6.37	
Total			44	-	3,167.66	
Overseas	Energy Conservation in Manufacturing Process	Electricity (I million watts)	34	3,165.11	2,306.20	RMB\$2,344,353 MYR\$167,296.23
		Natural gas (1,000 cubic meters)	3	101.51	208.00	
		Petroleum (kiloliter)	1	3.66	11.37	
		Diesel (kiloliter)	1	1.58	4.64	
		Liquefied petroleum gas (kiloliter)	1	11.26	31.34	
		Steam (cubic meter)	1	2,828.00	892.77	
			1	3.17	34.61	
Total			42	-	3,488.93	

Note: The CO₂ emission equivalent is calculated based on the emission coefficients of electricity, natural gas, petroleum, steam, diesel, liquefied petroleum gas and/or others used at individual sites.

Declared objective for emission reduction vis-à-vis percentage of successful emission reduction in 2017 (Taiwan)



Declared objective for emission reduction vis-à-vis percentage of successful emission reduction in 2017 (Overseas)



4.3 Resource recycle and pollution prevention

4.3.1 Slag recycle

Walsin Lihwa not only invests in waste acid recycling facilities to move toward zero waste discharge but also engages in proper waste treatment as part of its CSR. Considering resource recycle and reuse imperative, the company painstakingly processes steelmaking slags to try to effectively recycle EAF slags and LF slags to help realize the government vision for recycle economy development. In 2017, the company commenced research cooperation projects with renowned universities in Taiwan for slag recycle and reuse and has made significant progress

Research project	Cooperation partner
EAF slags and asphalt concrete as road pavement	Chinese Society of Pavement Engineering
LF slugs as partial replacement of cement	Taiwan Construction Research Institute
Environmental protection cement made from LF slags	Department of Civil Engineering, National Kaohsiung University of Science and Technology
Environmental protection cement made from LF slags	Department of Resources Engineering, National Cheng Kung University
Application to the Ministry of Economic Affairs for Technology Development Program Subsidization	Slag Recycle Feasibility Research Team, National Cheng Kung University

The hardness of EAF slags has been successfully utilized and processed into green particles used together with asphalt concrete as pavement at the Yenshui site and Yangmei site. The highly-interlocking polygonal green particles help enhance resistance to ruts, and there is no toxic leaching exceeding limits when added to asphalt concrete. Therefore, the green particles are competitive enough against natural sandstone particles and will have very high recycle potential.

EAF slags' superior resistance to degradation

Type	EAF slag	Natural sandstone	Standard value	Standard
Los Angeles Abrasion Test (%)	20.9	28	< 40.0	ASTM C131

Environmental toxic-free EAF slag

Materials detected (mg/L)	Detected value 1	Detected Value 2	Standard value
Pb	ND	ND	4.0
Cr	0.013	0.1	4.0
Cr ⁶⁺	ND	ND	0.2
Cd	ND	ND	0.8
Cu	ND	ND	12.0
Hg	ND	ND	0.016
Se	ND	ND	0.8
As	ND	ND	0.4
Ba	0.505	0.736	10.0



Process of EAF slag processing



Pavement weight resistance tested with heavy trucks



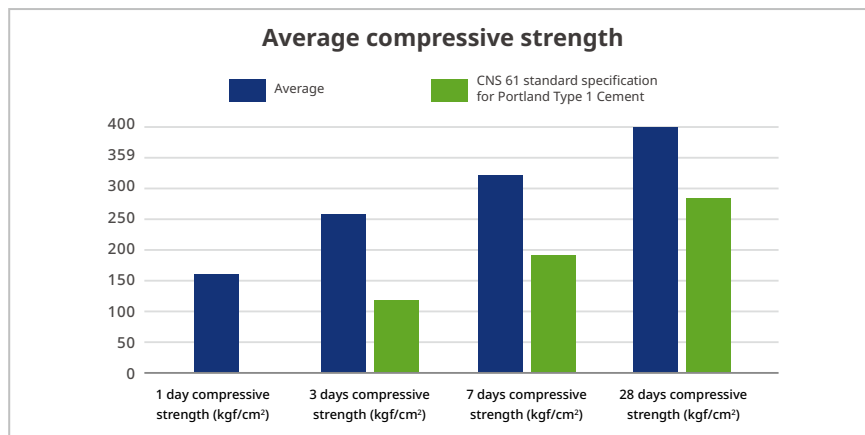
Only a few rust specks



Process of LF slag processing

LF slags' dual properties of being near cement and easy to powder have been successfully utilized for processing into green particles, and such particles have been proven effective in replacing cement. The particles' chemical ingredients are stable with CaO higher than 50% as a superior replacement of limestones. Experiments have proved compressive strength of the raw and hot-melt cement ingredients in the particles meets standards and there is no adverse impact on environmental protection and human health.

Superior compressive strength to replace cement



LF slags free from hexavalent chromium toxicity

Data source: SGS Taiwan

Compound	Standards for Defining Hazardous Industrial Waste	Sample 1	Sample 2
Hexavalent chromium (Cr ⁶⁺)	>2.5	0.66	0.95

Data source: Environmental Engineering Lab, National Taiwan University

Compound	Standards for Defining Hazardous Industrial Waste	Sample 1	Sample 2
Hexavalent chromium (Cr ⁶⁺)	>2.5	0.55	0.60

Working with academic institutes and government organizations, Walsin Lihwa promotes the application of such research achievements to pavement and roadbed bottoming while continuing developing resource recyclability.

EAF slag recycle or LF slag recycle can decrease sandstone and limestone mining. If such recycled flags can be widely used in asphalt concrete pavement or replace cement, natural resources can be better preserved, and carbon emission will also be reduced considerably because of decreased use of cement. This meets the pressing need of greenhouse gas reduction.

However, there is a prevalent misconception about slags; nonetheless, Walsin Lihwa will work even harder on product source management and strengthen control of whereabouts of waste related to product development, so that the misconception can be gradually corrected, and low-carbon recycle economy will happen.

Quality management Legal compliance



Product source
management
(self-management)



Third-party
verification
and certification



Government
control

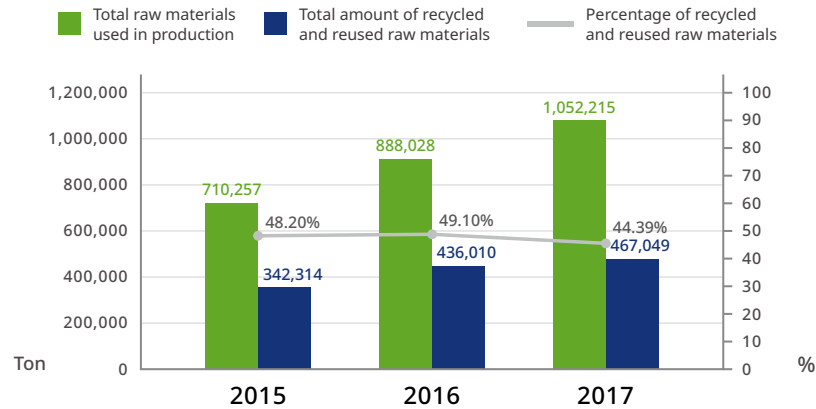
4.3.2 Waste and resource recycle

4.3.2.1 Status on material use

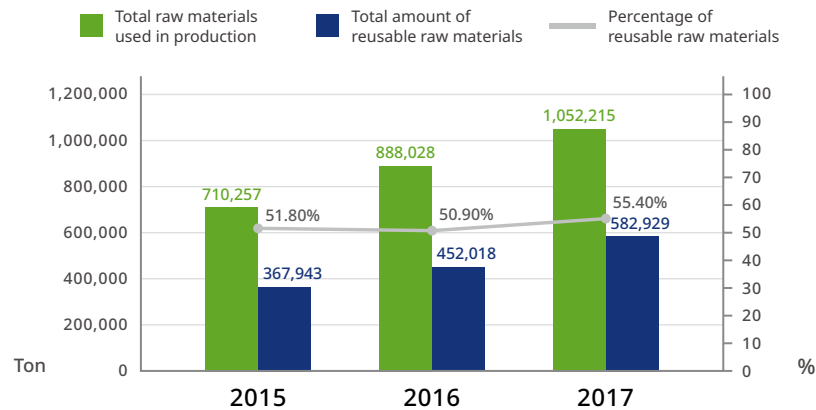
Stainless steel can be considered one of the most representative green products for its superior corrosion resistance, product longevity, as well as 100% recyclability and reusability incurring no environmental burden. Therefore, Walsin Lihwa uses a high percentage of recycled stainless steel scrap as the raw materials for stainless steel it produces, so that consumption of natural resources can be decreased as much as possible to alleviate environmental impacts. The nonrenewable raw materials used in stainless steel production at Walsin Lihwa include stainless steel scrap, carbon steel scrap, ferro-chromium, ferro-nickel, slabs, sheets, bars, wire rods, etc. of which stainless steel scrap and carbon steel scrap are recycled and reused. In 2017, recycled and reused raw materials amounted to approximately 44% of the raw materials used, while ferro-chromium, ferro-nickel, slabs, sheets, and bars are reusable and can be processed into recyclable and reusable final products. In 2017, reusable raw materials amounted to approximately 55% of the raw materials used; therefore, the raw materials used in stainless steel production in 2017 were all recycled or reused, and such recycled or reused materials amounted to a total of approximately 99%.

The nonrenewable raw materials used in copper wire as well as electric power cable and wire production at Walsin Lihwa include copper, PVC particles, PE particles, plastics, copper bars, etc., of which copper is highly reusable; therefore, reusable materials amounted to approximately 97% of the raw materials used in 2017.

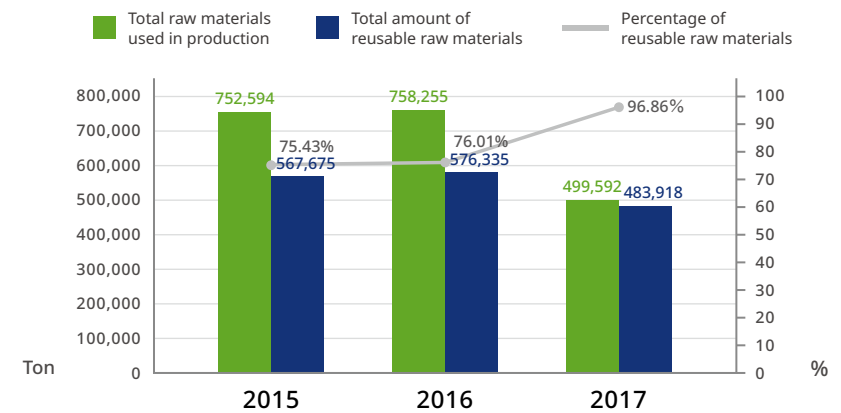
Specialty Steel production Raw Materials used vs. use of recycled and reused materials



Specialty Steel production Raw Materials used vs. use of reusable materials



Copper wire and power cable and wire production Raw materials used vs. use of reusable raw materials



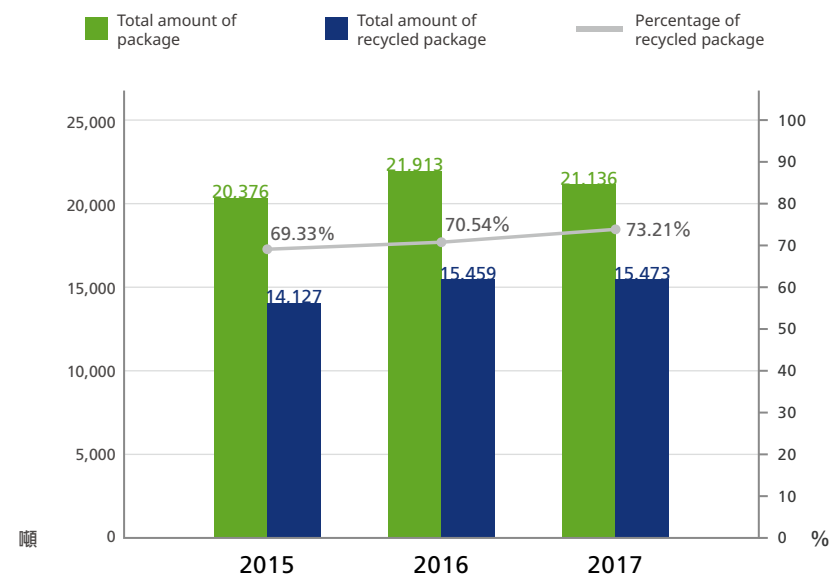
Note: The total amount of raw materials used in Specialty Steel production in 2017 was significantly higher than that in 2016, while that used in copper wire and power cable and wire production was much lower primarily because the Jiangyin Walsin Steel Rope Plant of the Copper Wire and Power Cable and Wire Business was transferred to the Specialty Steel Business in 2017.



4.3.2.2 Package material use and recycling

The packages of stainless steel products such as plastic wraps and steel belts among others cannot be repeatedly used because they tend to be worn out even if they are retrieved, and they are directly and properly recovered at increasingly environmental conscious customers to help decrease environmental impacts. The packages of copper wires and power cables and wires are recyclable and the packages used on the sold products are to be retrieved and reused, primarily including pallets, iron racks, iron shafts, wooden shafts, shrouding, etc. to help decrease pollution by wastes. Recycled or reused packages amounted to 73% of the packages of copper wires and power cables and wires in 2017.

Copper wire and power cable and wire package material use and recycling



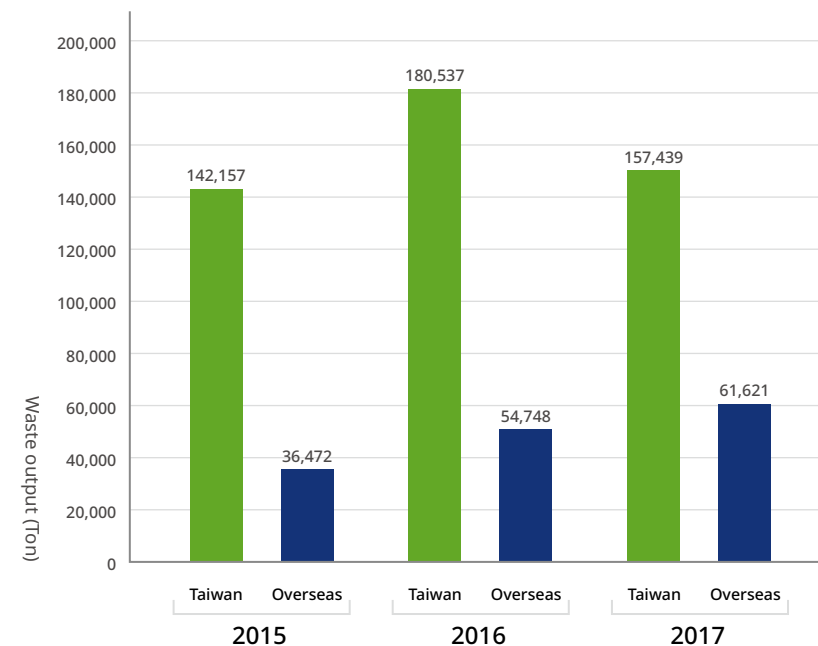


4.3.2.3 Waste output control

Four Rs of environmental protection -- Reduce, Reuse, Recycle, and Recover -- are always the foundation of waste output control at Walsin Lihwa, where power cable and iron and steel wastes are completely recoverable and useable as they can be remade into power cables, copper wires, and iron as well as steel materials. We recover and reuse some of the wastes we produce, and the others are cleaned up, treated, or reused by qualified contractors. In 2017, the total amount of wastes at the Taiwan sites was 13% lower than that in 2016, with hazardous wastes decreasing by 18% primarily because of hazardous sludges sharply decreased by using Acid Regeneration Plant (ARP) and Zero Effluent Mixed Acid Pickling (ZEMAP) at the Taichung site.

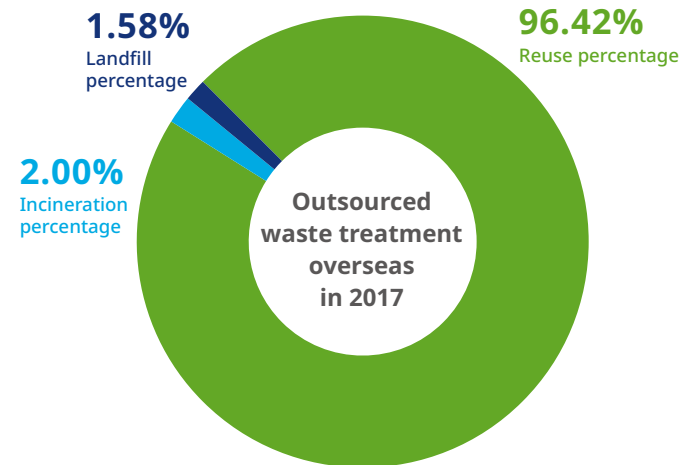
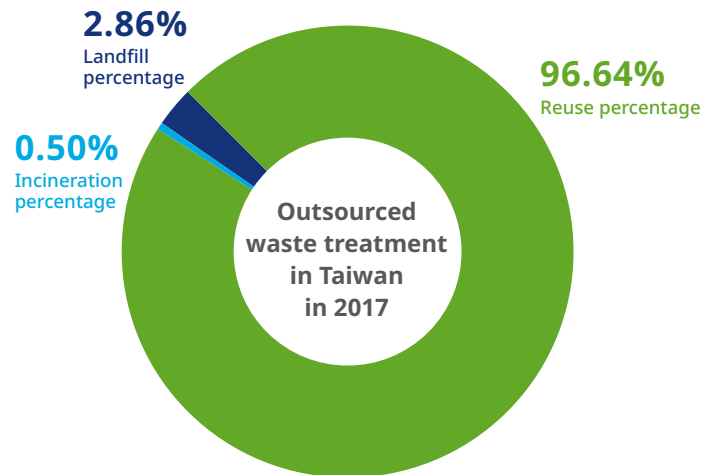
In 2017, the recycle percentage at the Taiwan sites was as high as 96.64% and the landfill percentage was 2.86%. The recycle percentage at the overseas sites was almost equally high, 96.42%, while the landfill percentage was 1.58%.and the future objective is to keep it under 2%. Walsin Lihwa will keep promoting source reduction as well as waste recovery and reuse at its sites, working with supply chain partners to together decrease consumption of raw materials to alleviate environmental burdens, pursuing environmental protection technology innovation to support recycle economy development. The company will also keep strengthening sustainability, controlling the whereabouts of its wastes, and rigorously selecting and auditing qualified contractors to ensure legal compliance with waste management.

Total amount of wastes at Taiwan and overseas sites from 2015 - 2017



Waste output and waste treatment at Taiwan and overseas sites from 2016 - 2017

Category	2017		2016	
	Taiwan	Overseas	Taiwan	Overseas
General business waste (ton/year)	26,849.85	51,075.20	24,875.19	48,152.85
Hazardous business waste (ton/year)	17,050.72	9,141.84	20,653.76	5,530.13
Waste reuse percentage (%)	152,160.30	59,413.89	174,619.25	53,438.87
Waste incineration percentage (%)	783.74	1,234.28	569.81	71.29
Waste landfill percentage (%)	4,495.02	973.20	5,347.64	1,238.12



4.3.3 Air pollution control and amount of air pollutant emission

For effective waste exhaust treatment, individual sites have air pollution control facilities to control the sources of air pollution while studying better waste exhaust treatment measures to become more environmentally friendly.

At Walsin Lihwa, nitrogen oxides (NO_x), sulfur oxides (SO_x), and suspended particles (TSP) among others are subject to air pollution control, and the individual amounts of air pollutants emitted in 2017 are diagramed on the right side of the page. Individual sites of Walsin Lihwa have been gradually switching to natural gas, a cleaner fuel with lesser environmental impact, on their production lines to effectively reduce SO_x emission. The Hsinchuang site is expected to switch to natural gas in 2018 to decrease SO_x intensity. Coping with NO_x pollutants, DeNO_x processing at the Taichung site and Yenshui sites can reduce as high as 90% of NO_x. In compliance with domestic and air pollution control laws and regulations. Both the Taiwan and overseas sites of Walsin Lihwa have already obtained required process and facility operating permits while inspecting and reporting the amount of emission from stationary pollution sources in accordance with such laws and regulations. With proper treatment of waste exhaust from all the sites prior to emission, the air pollution values detected are much lower than the maximum tolerable value as prescribed by environmental protection laws and regulations.

Detected emission intensity at Taiwan sites in 2017

2017	Hsinchuang	Yangmei	Taichung	Yenshui	Standard value
NO _x (ppm)	146	33	82	3	250
SO _x (ppm)	215	18	N.D.	N.D.	300
TSP (mg/Nm ³)	70	19	11	6	50~100

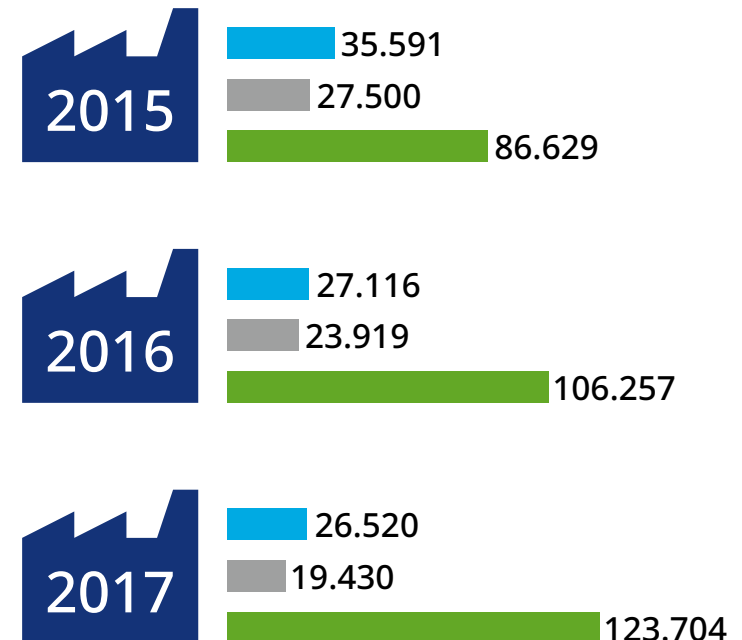
※ Some of the data vary by product at individual sites subject to different legal standards, and the TSP value is between 50 and 100.

※ The pollutant emission amounts in the above table are based on the data reported the Environmental Protection Administration.

※ Hsinchuang site TSP emission standard: 100 mg/Nm³

Waste exhaust amount in Taiwan from 2015 - 2017

■ Suspended particle (TSP) ■ Sulfur oxide (SO_x) ■ Nitrogen oxide (NO_x) Unit: Ton



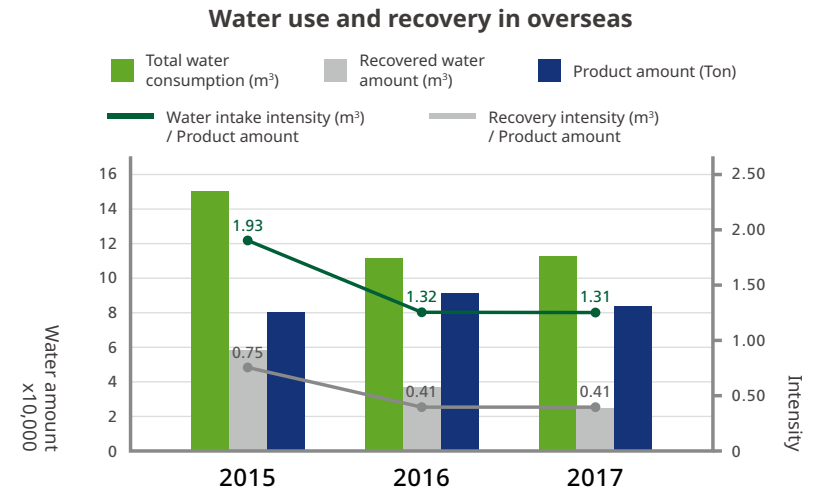
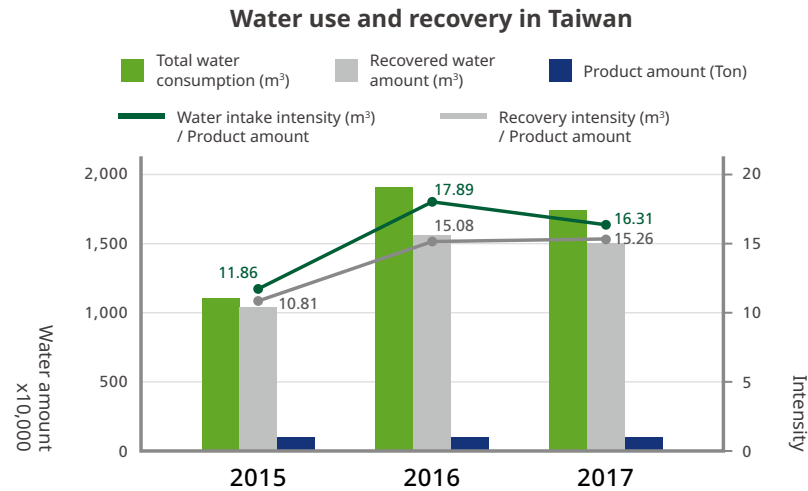


4.3.4 Water resource utilization

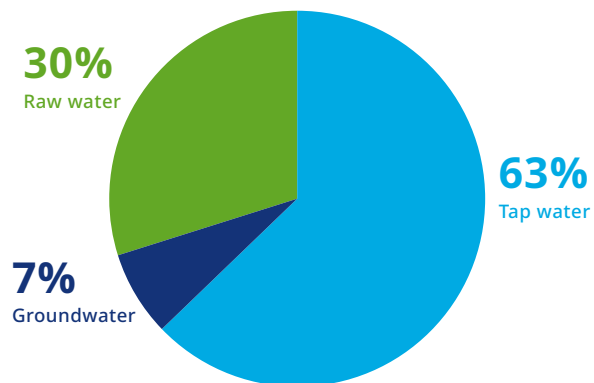
Water source and water conservation

Water is an important resource, but domestic water supply has been unstable over the past few years because of extreme weathers. Accordingly, Walsin Lihwa endeavors to save, recover, and reuse water in production, and has waste water properly treated. Water resource management-wise, Walsin Lihwa recovers rainwater, process water, and black smoke mist to substantially save water, ensures the effectiveness of its wastewater emission control, and abides strictly by relevant laws and regulations. Water sources at the company's individual sites include raw water (industrial water), tap water, and groundwater, of which raw water amounts to approximately 30% (558,423 cubic meters), tap water amounts to approximately 63% (1,180,095.9 cubic meters), and groundwater amounts to approximately 7% (140,434 cubic meters) primarily for process cooling, cleaning, and environmental protection facilities. In 2017, the total water consumption in Taiwan amounted to 170.56149×10^5 cubic meters, and that at the overseas sites amounted to 11.37145×10^5 cubic meters.

The 2017 total water consumption at Walsin Lihwa included tap water, groundwater, industrial water, and water recovered from processes at the Yangmei, Hsinchuang, Yenshui, and Taichung sites in Taiwan as well as the Nanjing, Dongguan, Shanghai, Yantai, Changshu, Jiangyin, and Malaysia sites overseas. The water consumption per unit of product in Taiwan and overseas amounted respectively to 16.31 cubic meters and 1.31 cubic meters, approximately 8.83% and 0.76% lower than those in 2016 (calculated based on water meter readings). As Walsin Lihwa continued endeavoring to save and recover water in 2017, the water reused in Taiwan was approximately 11.9% higher than that in 2016 (as high of 93.59% of water was recovered in 2017). The water reused at the overseas sites was approximately unchanged from that in 2016 primarily because of some product mix changes. While continuing increasing our production capacity and expanding our sites in 2017, we achieved comprehensive water consumption reduction as well as process water recovery and reuse.



Percentages of different sources of water used in Taiwan and overseas in 2017



Water reuse in Taiwan

Taiwan	2015	2016	2017
Total water consumption (m³)	11,602,899	18,944,057	17,056,150
Recovered water amount (m³)	10,582,239	15,962,924	15,963,150
Recovery percentage	91.20%	84.26%	93.59%

Water reuse overseas

Overseas	2015	2016	2017
Total water consumption (m³)	1,488,758	1,124,972	1,137,145
Recovered water amount(m³)	579,794	35,119	351,192
Recovery percentage	38.94%	31.22%	30.88%

Note: Water recovered from processes and cooling water is the primary source of water recovered and what is recovered is recorded by water meters.

Wastewater treatment

Wastewater at the individual sites of Walsin Lihwa is properly converted by their wastewater treatment facilities prior to emission, and there are wastewater quality checks on a regular basis to prevent environment pollution. Once wastewater treatment is completed, wastewater is discharged to nearby rivers or centrally gathered and controlled according to applicable laws and regulations. As source management is the top priority of water saving, wastewater recovery and treatment at Walsin Lihwa are designed based on water quality features. The 2017 total wastewater emission at the Taiwan sites of Walsin Lihwa amounted to 51.0086×10^4 cubic meters, equivalent to emission of approximately 0.49 cubic meters per ton of product and 18.6% lower than that in 2016. The 2017 total wastewater emission at the overseas sites amounted to 9.7976×10^4 cubic meters, equivalent to emission of approximately 0.11 cubic meters per ton of product and 22.63% lower than that in 2016.

Wastewater treatment, amount of emission, emission destination, and level of treatment

Site	2017			
	Amount of wastewater treatment (cubic meter)	Amount of wastewater emission (cubic meter)	Emission destination	Level of treatment
Yangmei	15,535	15,171	Shezi River	Level one treatment
Hsinchuang	123,319	123,319	Dahan River	Level one treatment
Yenshui	10,900,354	247,919	Jishui River	Level two treatment
Taichung	123,677	123,677	Industrial zone piping	Level one treatment and level two treatment
Nanjing	56,765	8,823	Onsite sewage treatment	Level one treatment
Dongguan	36,462	12,451	Hanxi River in Changping, Dongguan	Level two treatment
Shanghai	10,141	10,141	Piping emission (Sewage treatment facility in Shidongkou)	Level two treatment
Yantai	27,368	9,086	Industrial zone piping	Level two treatment
Changshu	165,000	0	Luobojing River	Level one treatment
Jiangyin	181,910	57,475	Shengang Industrial Zone Sewage Treatment Co. Ltd.	Level one treatment

Wastewater emission intensity in Taiwan

Site	2017			
	BOD	COD	SS	Emission standard
Yangmei	Unregulated by environmental law	14.0	6.1	BOD:30mg/l COD:100mg/l SS:30mg/l
Hsinchuang	18.3	50.7	<2.5	
Yenshui	Unregulated by environmental law	38.1	<2.5	
Taichung	20.8	72.0	36.5	

Note:

1. The emission amounts in the above table are based on water meter reading records.
2. Proper wastewater treatment at the Taiwan sites helps make wastewater emission lower than effluent standards.
3. Process wastewater at our overseas sites is recovered and reused. The wastewater discharged is domestic sewage, which is piped and treated by industrial zone authorities and then discharged to receiving water when it meets effluent standards.
4. The data in the above table are the results for water taken from our sites and analyzed by qualified inspection companies.

4.4 Green operation

Stainless steel wire rods, straight bars, steel rolls, and copper bars among others produced by Walsin Lihwa are upstream raw materials for many industries. Most of them need to be processed by downstream customers to become finished products delivered to consumers. As a company in the upstream of copper and stainless steel making, Walsin Lihwa is committed to developing and increasing the supply of green products, not to mention stainless steel as one of the most representative green products; therefore, the company hopes to develop itself into a green supply chain bellwether.

From raw material selection to finished products made, Walsin Lihwa endeavors to pursue an environmental balance and alleviate environmental burdens; therefore, the company not only continues investment in environmental protection facilities to help decrease environmental impacts but also keeps improving and streamlining manufacture processes to decrease resource consumption and environmental pollution and to achieve energy saving and carbon reduction. The company will also strengthen green supply chain and green product development to help slow down global warming.

Walsin Lihwa's green operation development starts from its improvement and optimization in four categories as tabulated below to help achieve sustainable management.





4.4.1 Green manufacture process development

Green manufacture process development-wise, Walsin Lihwa embraces state-of-art technologies and facilities to move toward Industry 4.0 to enable highly efficient smart manufacturing. The company also dedicates itself to green manufacture process development for energy saving and carbon reduction. To achieve these aims, we approach from the following four categories.



1. Manufacture process improvement:

Technology and workmanship improvement and innovation



2. Manufacture process streamlining:

Production process review and simplification



3. Production facility retirement and replacement:

Full access to information on most advanced and latest production facilities for necessary production facility retirement and replacement



4. Further prevention of environmental pollution and waste treatment:

Greater effort for solid waste, liquid waste, and air pollution prevention and treatment

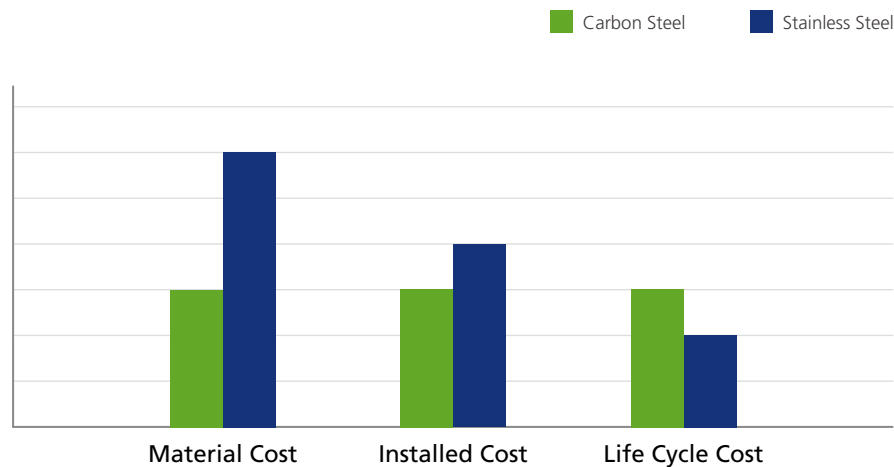
Green manufacture process development in 2017 as the following will further decrease environmental pollution for more effective energy and resource saving as well as carbon reduction.

- Slag characteristics modification treatment and reuse technology development to decrease slags' environmental impacts
 - Slag-reduction steelmaking process development to save resources and decrease slags' environmental impacts
 - Oxy-fuel combustion to decrease fuel consumption as well as NO_x emission
 - Heat processing optimization to decrease fuel consumption for energy saving and carbon reduction
 - Decrease of pickling with mechanical derusting replacing part of pickling to save resources and decrease use of chemicals to decrease environmental pollution
 - Further recovery and reuse of waste sulfur resulting from pickling by increasing recycle and regeneration facilities to decrease use of liquid sulfur to save resources
- Waste mixed acid treatment and regeneration facility addition to the Taichung site pickling process to further increase both waste mixed acid treatment capability and regeneration output while decreasing use of liquid acid to save resources
 - Pickling facility addition to further decrease NO_x in exhaust emission as well as nitrates and sludges in effluents, with increased recovery and reuse of waste mixed acids and wastewater to decrease environmental pollution
 - Square bar manufacture process refining to decrease the times required for cold drawing and annealing and thus to decrease mold and annealing fuel consumption for energy saving and carbon reduction

4.4.2 Environmental protection-green product, stainless steel

Green environmental product, stainless steel

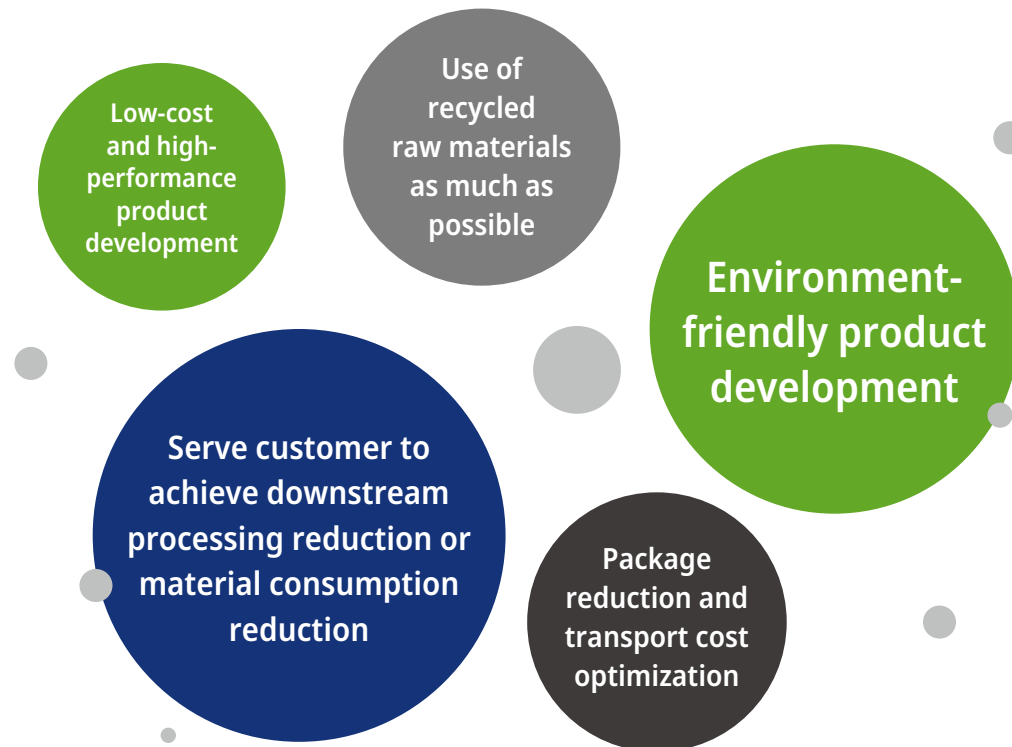
Stainless steel -- because of its superior corrosion resistance and heat resistance -- stands up to harsh environments and helps decrease outages resulting from equipment failures while prolonging service life. Because stainless steel is also 100% recyclable and reusable, approximately higher than 40% of the raw materials of stainless steel Walsin Lihwa produces come from recycled stainless steel to decrease environmental burdens resulting from wastes. Therefore, stainless steel can be considered a green environmental protection product and it features a lower lifecycle cost, i.e., although more precious elements such as chromium and nickel added to stainless steel lead to a production cost higher than that of ordinary steel, the lifecycle cost of stainless steel is much lower than ordinary steel because the corrosion resistance and service life of stainless steel are superior to those of ordinary steel. The diagram as below cites International Stainless Steel Forum data (Module 07 Sustainability.pptx) to show the lower lifecycle cost of stainless steel as rooftop material than that of carbon steel.



LCC Example : Roofing

Cost comparison of 0.6 mm coated galvanized carbon steel and 0.4mm stainless steel grade 1.4401: Due to the mechanical properties of stainless steels, the material thickness can be reduced to 0.5 or 0.4 mm, providing a lighter weight (3.2 kg/m² for 0.7 mm coated carbon steel). While coated carbon steel has a life expectation of 15 to 20 years, the service life of a stainless steel roof is generally that of the building.

Given today's ever changing extreme weathers and worsening environments, energy saving and carbon reduction are imperative. Therefore, both governments and businesses take various initiatives to cope with related issues. Such initiatives, for example, include reduction of exhaust emission from motor vehicles and power plants, engine and power generation facility performance enhancement, and development of lightweight motor vehicles, machineries, and related structures. This is a trend that demands higher quality and performance of stainless steel. As a major supplier of stainless steel materials such as wire rods, straight bars, and steel rolls as well as power cables and wires, Walsin Lihwa adopts the policy, to keep developing low-cost and high-performance products to achieve as much recyclability as possible in green product development, so that recycle economy will happen to have environment impacts minimized. The company's product development follows the following directions.



In 2017, Walsin Lihwa worked more thoroughly on the development of green products such as high-performance stainless steel of high strength, high heat resistance, high corrosion resistance, high machinability, high cold headability and nickel saving as well as power cables and wires for offshore wind turbines to help contribute to environmental sustainability.

Product		Shape or type	Benefit in environmental protection and energy saving	Application
Stainless steel	High-strength stainless steel (Solid solution strengthening)	Long product	High strength for weight reduction and high corrosion resistance to prolong service life and decrease equipment failures	Industrial shaft for shipbuilding, and building pedestal
	High-strength stainless steel (Precipitation hardening)	Long product	High strength for weight reduction and high corrosion resistance to prolong service life and decrease equipment failures	Industrial shaft for shipbuilding, vehicle chain, building pedestal , and mold
	High heat-resistant stainless steel	Long product	High heat resistance to prolong service life and decrease outages resulting from equipment failures	Conveyor mesh for heat treatment furnace and tubing for bright heat treatment furnace
	High heat-resistant stainless steel	Long product	High strength for weight reduction and high corrosion resistance to prolong service life and decrease equipment failures	Automobile spring
	High corrosion-resistant stainless steel (Duplex)	Long product	High corrosion resistance to prolong service life and high strength for weight reduction	Chemical and oil industry heat exchanger and equipment
	High-machinability stainless steel (Ferrite)	Long product	High machinability to prolong service life and high strength for weight reduction	Computer, communication device, and consumer electronics component and part as well as electromagnetic valve core
	Highly cold headability stainless steel	Long product	Enhancement of shaping, punch life, and production efficiency	Screw for machinery, computer, communication device, and consumer electronics, instrument and electronics, and building construction
	Ferrite stainless steel (Nickel saving)	Steel sheet	High corrosion resistance to prolong service life for lifecycle cost reduction	Kitchenware and livelihood goods
Power cable and wire	Power cable for offshore wind turbine	Power cable	Renewable energy production, i.e., wind power generation	Offshore wind turbine

4.4.3 Hazardous material control

No hazardous material is added to stainless steel products produced at Walsin Lihwa. All such products comply with domestic and international environmental protection laws and regulations, and their material safety data sheets and material certificates are available to prove product safety.

Regarding the European Union's Registration, Evaluation and Authorization of Chemicals (REACH) and Substances of Very High Concern (SVHC), Walsin Lihwa pays close attention to the SVHC announced by the European Chemicals Agency (ECHA) and has its products examined on a regular basis or as required to ensure effective compliance. The company is also very attentive to the Restriction of Hazardous Substances Directive (RoHS) restricting the use of cadmium, mercury, lead, hexavalent chromium, polybrominated biphenyl, and polybrominated diphenyl ether in iron and steel products and has its products examined on a regular basis to ensure effective compliance. In 2017, Walsin Lihwa's products examined showed 100% compliance with the RoHS and SVHC, evidencing no hazardous material added to stainless steel products made at Walsin Lihwa.

Chapter 5

Partnership

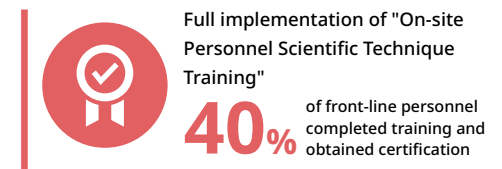
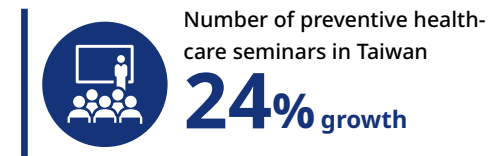
Growing in Care and Harmony

- 5.1 Employee overview and talent management policy
- 5.2 Occupational health and safety
- 5.3 Learning and development
- 5.4 Employee care, communication, and benefits





Pursuit for excellence, innovation, ongoing learning, and a friendly workplace are to the foundation of business sustainability of Walsin Lihwa. Over the past half century, Walsin Lihwa has been maintaining and strengthening its down-to-earth approach to running business thanks to the coherence of all employees to work hard together to support the company to overcome many difficulties, keep strengthening itself, and face up to new challenges. As employees are a strong backup to Walsin Lihwa and a precious asset that helps enable business sustainability, Walsin Lihwa is committed to providing employees a friendly workplace, competitive remuneration and welfare packages, and ongoing initiatives for employee care to strengthen the psychological and physical wellbeing of employees and live up to the company value of respect for people.



5.1 Employee overview and talent management policy¹

5.1.1 Status of employment

As of the end of December 2017, our total employees around the world amounted to 4,809 people, of whom near 95% were regular employees, 0.4% were regular contracted workers (a substantial decrease from 2% in 2016 due to the conversion of contracted workers to full-time personnel in 2017), and 5% were foreign national workers. An additional 47 employees were leased workers, including 29 males and 18 females, who primarily engaged in non-core jobs. Because our power cable and wire as well as stainless steel operations fall in the heavy manufacturing industry category, the workforce at our plants consists primarily of males and therefore the percentage of male workers is higher than that of female workers. As of the end of December 2017, most of our employees were in the age bracket between 31 to 40 years old, a group amounting to 36% of all our employees.

Factoring in prevalent legal prohibitions of employment of child workers, Walsin Lihwa complies with local labor laws and regulations in the areas where it has business presence and does not employ anyone under 16 years old. As of the end of December 2017 in Taiwan, Walsin Lihwa had 26 mentally or physically handicapped employees, amounting to approximately 1.08% of the total employment in Taiwan. As our power cable and wire as well as stainless steel operations are labor-intensive industries, the education of most plant workers is below the senior high school level. However, as of the end of December 2017, 55% of our office workers, including those who in managerial positions, had a college degree or above.

¹ The employee overview discloses information of the following Walsin Lihwa sites:

Taiwan: The Taipei head office, Hsinchuang, Yangmei, Taichung, Yenshui, and Kolin Construction and Development Company

Mainland China: Walsin China Investment Company, Shanghai Walsin Lihwa Power Wire and Cable Company, Nanjing, Dongguan, Jiangyin, Changshu, Yantai, Baihe, Walsin Nanjing Development Company

Malaysia: Walsin Precision Technology Sdn. Bhd.

Classification			Male		Female		Subtotal	
			Number of people	Percentage (%)	Number of people	Percentage (%)	Number of people	Percentage (%)
Type of employment	Taiwan	Regular employee	1,909	89%	240	11%	2,149	89.4%
		Regularly contracted worker	8	50%	8	50%	16	0.7%
		Foreign worker	240	100%	0	0%	240	10.0%
	Mainland China	Regular employee	1,821	81%	426	19%	2,247	99.9%
		Regularly contracted worker	2	100%	0	0%	2	0.1%
	Malaysia	Regular employee	132	85%	23	15%	155	100%
Position	Managerial position		407	80%	99	20%	506	10.5%
	Non-managerial position		3,705	86%	598	14%	4,303	89.5%
Area	Taiwan		2,157	90%	248	10%	2,405	50.0%
	Mainland China		1,823	81%	426	19%	2,249	46.8%
	Malaysia		132	85%	23	15%	155	3.2%
Age	Below 30 years		849	85%	155	15%	1,004	20.9%
	31 to 40 years		1,484	85%	255	15%	1,739	36.2%
	41 to 50 years		1,211	85%	220	15%	1,431	29.7%
	Above 51 years		568	89%	67	11%	635	13.2%
Education	Doctor		13	81%	3	19%	16	0.3%
	Master		276	83%	57	17%	333	6.9%
	Bachelor		801	76%	258	24%	1,059	22.0%
	Junior college		573	74%	206	26%	779	16.2%
	Below senior high school		2,449	93%	173	7%	2,622	54.5%
Total			4,112	86%	699	14%	4,809	100%

Note: 1. Managerial positions refer to section heads and above (inclusive) 2. Workers are not divided by full-time/part-time

5.1.2 Percentage of local employees

It is the company's policy to hire local employees as a priority throughout its locations. In the case of managers, managers account for 9% of all employees in Taiwan and 100% are locals. Managers account for 12% of all employees in mainland China and 85% are locals; among them, the vice president and higher level managers are still mainly from Taiwan. Managers account for 14% of all employees in Malaysia and 100% are locals.

Area	Taiwan	Mainland China	Malaysia
Percentage of managers	9%	12%	14%
Percentage of managers that are locals	100%	85%	100%

Note: Managerial positions refer to section heads and above

5.1.3 Employee retention

Walsin Lihwa has always maintained that employees are the Company's most important asset. A total of 481 employees voluntarily resigned in 2017. When an employee tenders his/her resignation, the human resources unit will verify the resignation and arrange an exit interview to understand the reason for the resignation, urge the employee to remain with the company, and demonstrate care and concern.

Total number and ratio of employees who voluntarily resigned in 2017

Area		Age				Female		Subtotal
		Below 30 years	31 to 40 years	41 to 50 years	Above 51 years	Male	Female	
Taiwan	Number of people	108	113	17	2	229	11	240
	Turnover rate	22%	12%	3%	1%	11%	5%	10%
Mainland China	Number of people	112	73	24	7	168	48	216
	Turnover rate	30%	9%	3%	2%	9%	11%	9%
Malaysia	Number of people	15	8	1	1	24	1	25
	Turnover rate	26%	20%	2%	15%	20%	4%	17%
Total	Number of people	235	194	42	10	421	60	481
	Turnover rate	25%	11%	3%	2%	10%	9%	10%

Note: Annual voluntary turnover rate = Total of monthly voluntary turnover rate

The Company recruits talent on a merit basis through fair and open channels. We hired nearly 800 new employees in 2017 to satisfy the Company's overall operational requirements, creating opportunities for employment and development.

Total number and ratio of new employees in 2017

Area		Age				Female		Subtotal
		Below 30 years	31 to 40 years	41 to 50 years	Above 51 years	Male	Female	
Taiwan	Number of people	265	188	41	12	465	41	506
	Turnover rate	53%	20%	8%	3%	22%	17%	22%
Mainland China	Number of people	125	93	26	6	171	79	250
	Turnover rate	34%	12%	3%	2%	9%	18%	11%
Malaysia	Number of people	30	11	0	0	41	0	41
	Turnover rate	50%	28%	0%	0%	33%	0%	28%
Total	Number of people	420	292	67	18	677	120	797
	Turnover rate	44%	17%	5%	3%	16%	17%	17%

Note: Annual new employee ratio = Total of monthly new employee ratios

5.2 Occupational health and safety

Philosophy and Policy

The Company's environmental safety and health policy insists on prioritizing "legal compliance, risk control, health care, and consultation and communication" in occupational health and safety. The policy is applicable to the headquarters and all BUs, and is signed by the highest level supervisors of all BUs who are jointly committed to the provision of a safe and secure workplace. In the process of Company operations and project implementation, we strive to achieve zero occupational casualties. To improve the health and well-being of employees, the Company is actively promoting occupational health self-management, strengthening physical and mental health protection and care, and creating a healthy work environment, so that employees may lead lifestyles of health and sustainability (LOHAS). In the implementation of risk management mechanisms, we identify potential hazards of environmental safety and health activities, assess and handle risks, prevent occupational illness and environmental pollution, and continue to enhance our overall achievements in environmental safety and health.

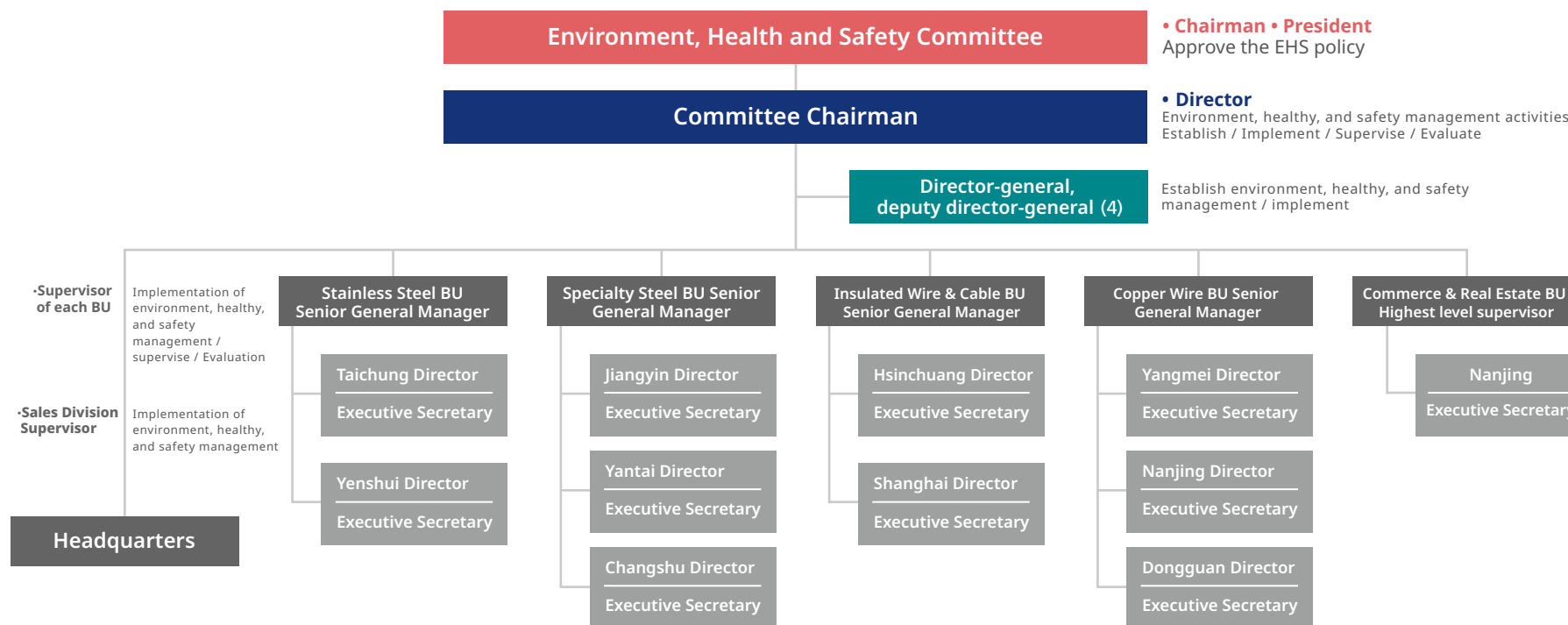
The presentation of project results must be predicated upon the safety and health of employees, contractors, customers, and the work environment. Hence, while the Company is expanding its operations, it is also committed to creating a safe and healthy work environment, thereby guaranteeing labor conditions and quality in the project implementation process.

Organization of the environmental, safety and health committee

The Company established the environmental, safety and health committee in 2015 to demonstrate its determination in the management of environmental safety and health. The committee chairman and director-general of the Committee are responsible for coordinating the Group's environmental safety and health integrated operations, as well as overseeing the environmental safety and health operations and management at each plant. Environmental safety and health project engineers within the Company are gathered together and external experts are hired to comprehensively implement integrated projects on environmental safety and health for the Group. The projects involve environmental safety and health management systems, environmental protection technologies, loss prevention, and energy conservation and carbon reduction.

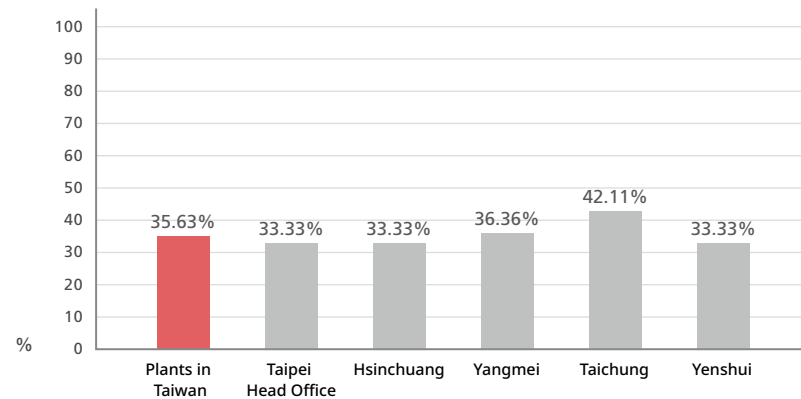
Systematic operations of the environmental, safety, and health management organization

Necessary standardization and organization operating efficiency (Business Management Regulations / Emergency report / Necessary control of information)

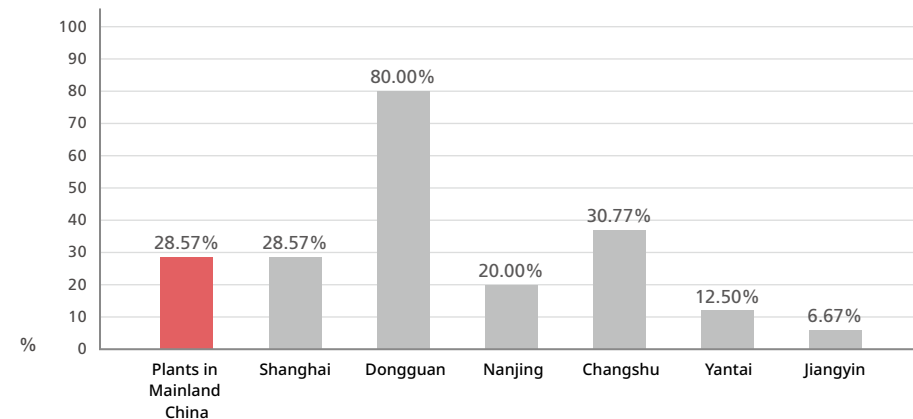


Each of Walsin's BUs has an Occupational Safety and Health (Taiwan)/Production Safety Committee (Mainland China). Labor representatives account for one third of committee members in Taiwan. BUs in Taiwan and overseas convene committee meetings every three months to discuss matters of occupational safety and health, and meeting minutes are announced to the public. Standards, laws and regulations, and risk assessments are regularly reviewed during Occupational Safety and Health/Production Safety Committee meetings each year. The Company's SJP was successfully revised in 2017. The environmental safety and health management system was completed according OHSAS 18001. External consultants on occupational safety and health management systems were hired in 2016-2017 to assist with preparations for revision to the ISO 45001. We look forward to the completion of ISO 45001 certification at our BUs in Taiwan and overseas in 2019, as this will enable our BUs to simultaneously become companies with certified occupational safety and health systems.

Labor representatives of occupational safety and health committee at Taiwan sites



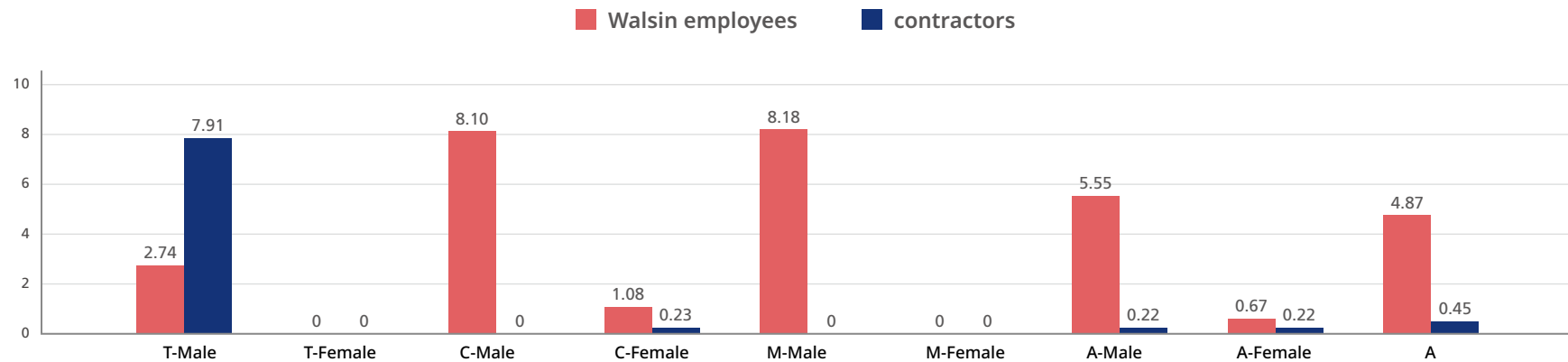
Labor representatives of safety production committee at Mainland China sites



Cases with lost days, restricted or transfer

There were a total of 52 occupational accidents in Taiwan and overseas in 2017: 12 in Taiwan, 37 in mainland China, 3 in Malaysia (including 1 death), and 2 with contractors: 1 death in Taiwan and 1 disabling injury in mainland China; occurrence of occupational illness is 0. Positions at high risk of occupational accidents are mainly basic level technicians and operators (78.85%); common causes of accidents include getting caught in running equipment or machinery (38.46%), falling objects (17.31%), and fall in the work environment (17.31%). To address this issue, employees and collaborating personnel in units involved in occupational accidents will receive intensified education and training, and zone defense will be implemented from a bottom up approach by basic level personnel or in coordination with section meetings. All employees will participate in demonstration activities, false alarms will be reported and managed, and the 5S will be used to improve self-management, as well as self-protection, mutual protection, and guardianship measures. These efforts will be carried out to achieve continual improvement. Furthermore, BUs have significantly reduced the exposure of personnel to health risks through regular operating environment monitoring, special health examinations and management, hazards education and training, engineering improvements, safety gear, and auditing. This has significantly lowered the occurrence of occupational illness, and no occupational illnesses have occurred among employees over the last six years.

2017 lost time frequency rate of employees and contractors



Note:

1. Number of people involved in disabling injury per million working hours = Disabling injury frequency rate (FR) = (Number of disabling injuries x 1,000,000) / Total work hours elapsed (Equivalent to 5x IR – Occupational injury rate)

2. In the table, "T" refers to Taiwan, "C" refers to mainland China, "M" refers to Malaysia, and "A" refers to the entire Company.

The Company's statistical analysis of occupational accidents is based on important indicators of disabling injuries announced by the ILO, and disabling severity rate (disabling injury days per million working hours, SR) and disability injury frequency rate (number of disabling injuries per million working hours, FR) are analyzed. The number of days in this statistic refers to calendar days, and lost days are calculated from the day after the accident occurred. Statistics do not include traffic accidents while commuting and mild injuries (less than 1 lost day).

Formula:

1. Total number of working days lost: Total number of absent days for all occupational injuries
 2. Number of occupational injuries: Total number of occupational injuries
 3. Annual death per thousand man rate: Number of deaths due to performing duties during the reporting period/Total number of workers * 1,000 (Annual death per thousand man rate)
 4. SR = (Total number of days lost × 1,000,000)/Total work hours elapsed (equal to 5x LDR - Lost day rate)
 5. FR = (Total number of days lost × 1,000,000)/Total work hours elapsed (equal to 5x IR - Occupational injury rate)
 6. LDR = Total number of absent days from work due to illness (injury) / Total work hours elapsed x 200,000
 7. AR = Total number of absent days from work due to personal reasons, illness, and occupational injury / Total work hours elapsed x 200,000
 8. ODR = Total number of occupational illness x 200,000 / Total work hours elapsed
 9. FSI = $\sqrt{(FR \times SR / 1000)}$, i.e. an index that is the square root of the product of FR and SR divided by 1,000.
- The total work hours elapsed is based on the number of work hours on the schedule: Calculated using the Company's calendar as "Number of work days * Number of employees * Number of work hours".

Gender \ Area		Taiwan	Mainland china	Malaysia	Company-wide
lost days ¹	Male	468	1,066	6,079	7,613
	Female	-	30	-	30
Number of occupational injuries ²	Male	12	36	3	51
	Female	-	1	-	1
Annual death per thousand man rate ³	Male	-	-	7.58	0.25
	Company-wide	-	-	6.45	0.21
SR ⁴	Male	107	240	16,579	829
	Female	-	32	-	20
	Company-wide	96	204	14,119	716
FR ⁵	Male	2.74	8.10	8.18	5.55
	Female	-	1.08	-	0.67
	Company-wide	2.46	6.89	6.97	4.87
LDR ⁶	Male	21.39	47.98	3,315.72	165.74
	Female	-	-	-	4.05
AR ⁷	Male	939.73	2459.64	6,822.35	1,946.07
	Female	1,179.68	1,626.60	38,338.89	2940.22
ODR ⁸	Male	-	-	-	-
	Female	-	-	-	-
FSI ⁹	Male	0.54	1.39	11.65	2.14
	Female	-	0.19	-	0.12

Compliance with occupational safety and health laws and regulations

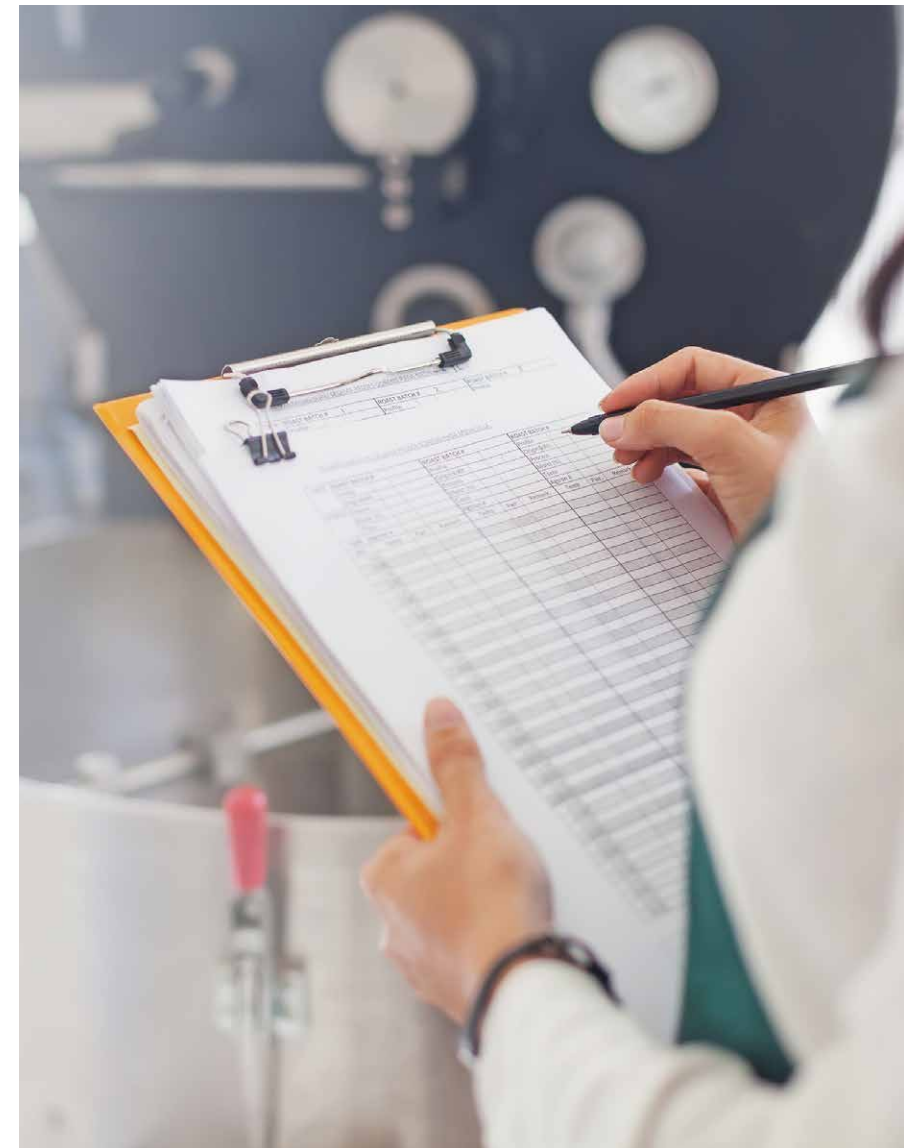
(1) Regulation identification

In the OHSAS 18001 management system, enterprises are required to comply with regulations and also identify relevant regulations. The Company uses its internal network system to send information on occupational safety and health regulation to responsible units for regulation identification. The units determine regulations and locations that require compliance and respond in advance.

(2) Legal compliance

Taiwan's labor inspection units and mainland China's safety inspection units conducted a total of 15 on-site inspections in 2017; 7 improvement notifications were issued (improvements of sporadic deficiencies, such as daily records, chemical labeling, and equipment protections); 8 fines were imposed (occupational injury hazard, warning and labeling of major hazard source). Improvements were made to all deficiencies through internal control and internal auditing, and we further strengthened occupational safety management in plants to prevention the recurrence of regulatory violations.

In violation of	Reported by	Number of improvement notifications (including fines)	Fine amount/ times
Occupational Safety and Health Act	Southern Center, Occupational Safety and Health Administration, Ministry of Labor Chungkang Branch, Export Processing Zone Administration, MOEA Taoyuan City Government Labor Standards Inspection Office, New Taipei City Government	11	NT\$840,000/ 6 times
Safety production law	Dongguan Administration of Work Safety Yantai Administration of Work Safety Changshu City Haiyu Town Government	4	RMB\$ 40,000/ 2 times





Foci on occupational health and safety

(1) Environmental safety and health duties and training

We continued to implement full employee engagement, hazard identification and risk assessment, SJP improvement, and special chemical specialist training in 2017, so that the environmental safety and health management system will be consistent throughout the Group's plants in Taiwan and overseas. We identify employees' operating risks through annual hazards identification and risk assessments and SJP reviews, and continue to lower the incident rate. In 2017, we hired lecturers to offer special chemicals training courses to enhance the professional competencies of operators. A total of 21 training courses were organized, including concepts of occupation safety and health and environment management systems. About 800 individuals participated in the 118 hours of training. We will strengthen the commitment of leaders mentioned in occupational safety and health and environmental protection management systems in 2018. We will strengthen the concepts of managers at each level, and will strive to fulfill our commitment to environmental protection and occupational safety.

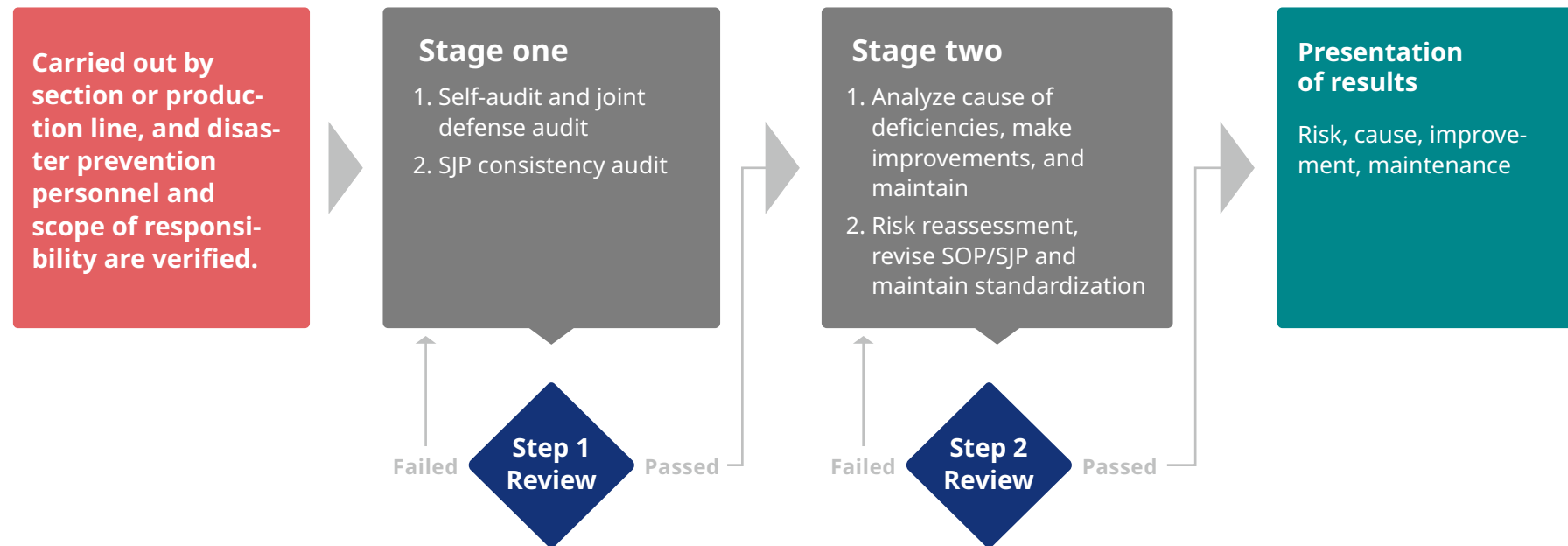
(2) Reinforcement and integration of occupational safety and health / environmental management system

We hired a team of professional consultants in 2017 to improve the effectiveness of our occupational safety and health and environment management system. The teams provided guidance to 10 plants in Taiwan and overseas for the transition to ISO 14001:2015, including integrating the environmental protection and occupational safety and health management system into a Group-wide unified operating model, providing on-site guidance, and requiring consistent documentation and stable system operations. Several training sessions were organized at each plant for the interpretation of articles to actual operations, deeply embedding the management system's spirit into actual operations. We will make active efforts to continue improving environmental protection and the constitution of the occupational safety and health organization, so as to improve our environmental performance, reduce losses caused by the environment, improve our company image, and enhance our international competitiveness. We expect to complete the integration and transition of management systems at each plant in May 2018.

(3) Mutual defense activities

Mutual defense activities have been carried out for three consecutive years to understand the implementation of safety and health operations by Walsin's BUs in Taiwan and overseas, including the consistency of zone defense activities, appropriateness of operations, and performance. This provides a basis for the implementation of safety and health operations in 2018-2019. The flowchart for the activities is shown below.

Mutual defense & corrective and preventive activities

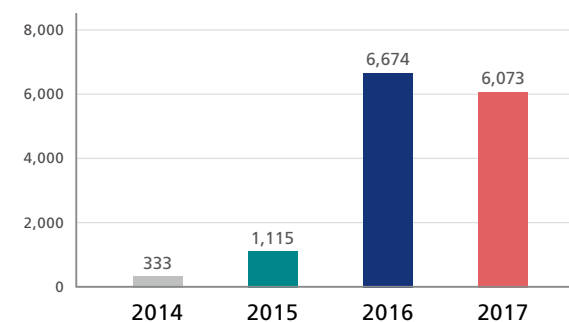




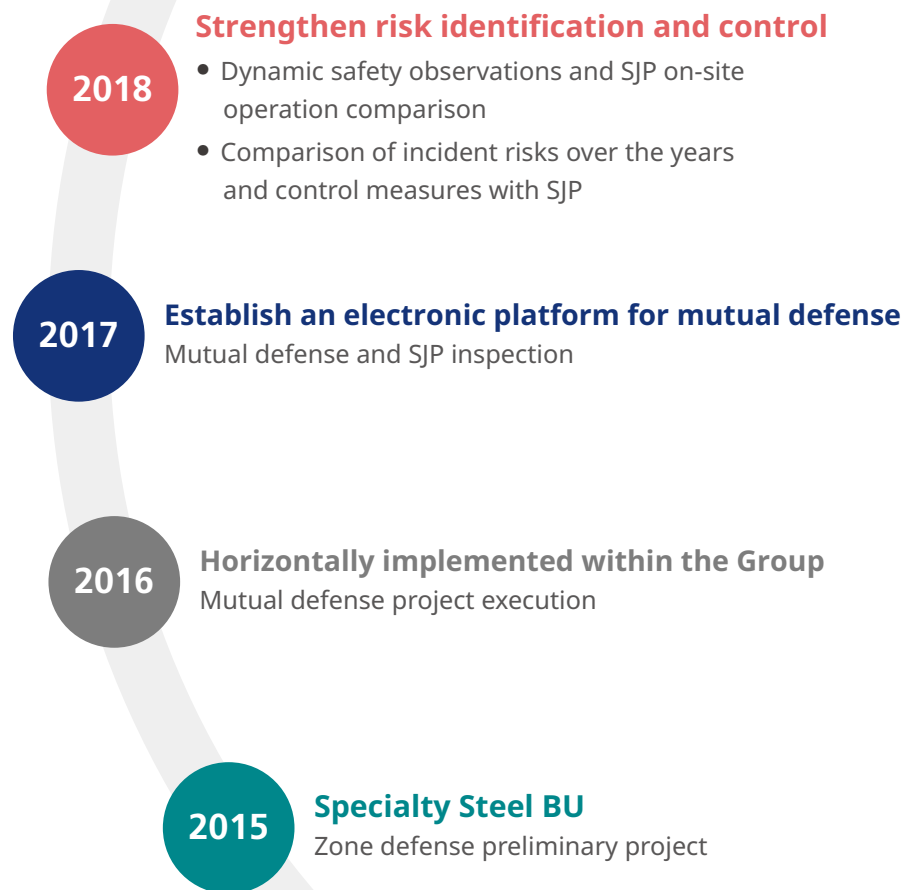
Besides full employee engagement and zone prevention activities for occupational safety in 2017, disaster prevention units conducted self-audits, and joint prevention units assisted with the audits. The audits include operation safety observations, SJP on-site operation comparison, and improvements made the previous year to prevent the same incidents from occurring and maintain a safe state. In 2017, the plant zone prevention activities discovered 6,073 items for improvement. A total of 2,347 improvements made in 2016, which accounted for 35.3% of improvements made (6,674), were also audited. (2014 was the year the preliminary project was implemented)

Differences in improvement items in 2014-2017

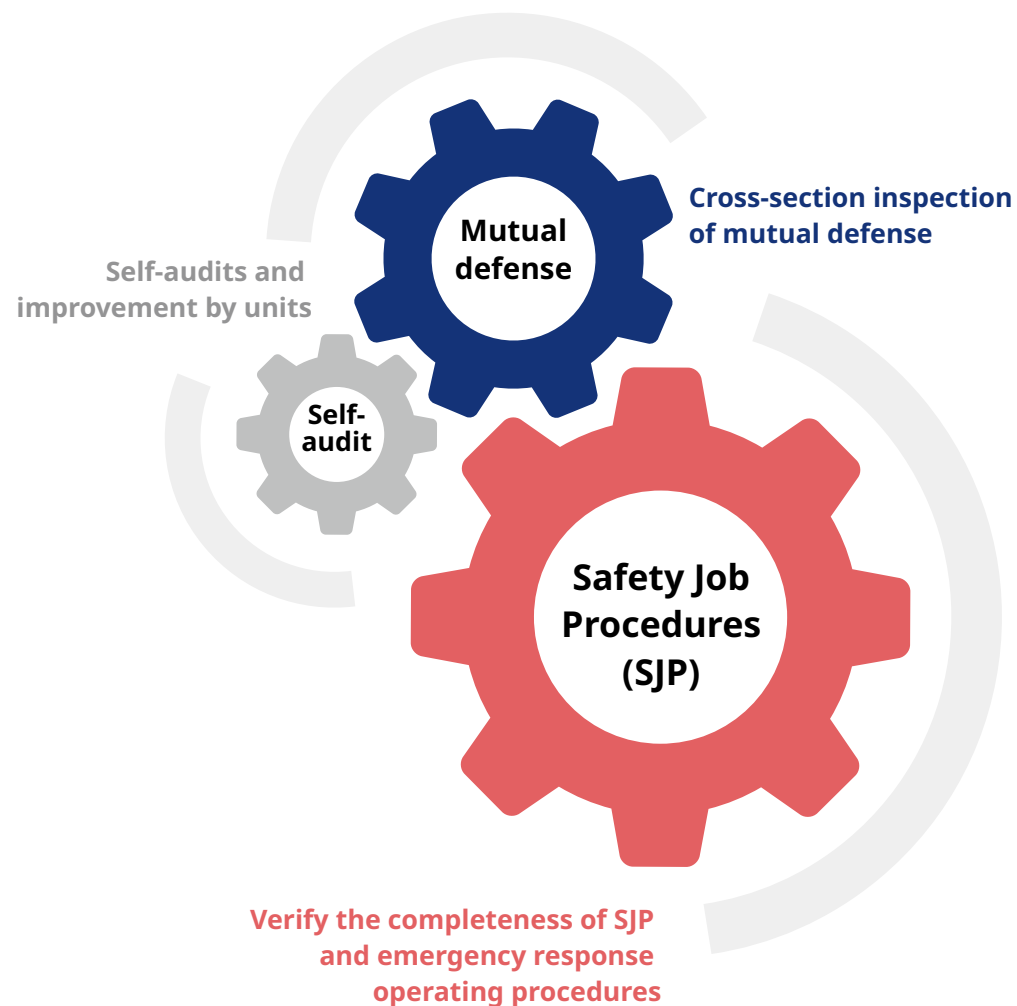
Unit: Items



Development of Walsin's zone prevention in 2015-2018

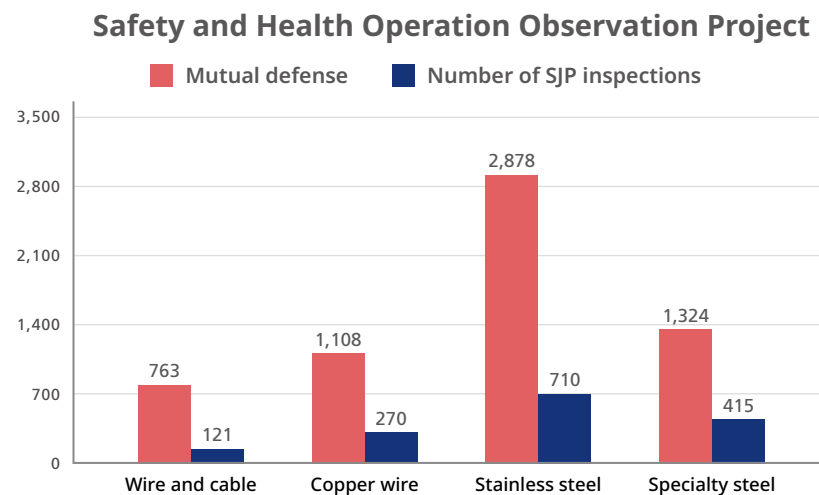


Operation safety observations and SJP on-site operation comparison model



(4) Operation safety observations and SJP on-site operation comparison

Starting in 2016, our domestic and overseas BUs have reassessed their risks and reviewed and revised the SJP. Business divisions were grouped together during operations in light of their similar processes, and collectively received guidance and made improvements. Operation safety observations and SJP on-site operation comparisons were carried out in 2017 to ensure consistency between documentation (what is said) and actual operations (what is done). A total of 1,516 items were compared for consistency between SJP and on-site operations, accounting for 73% of all SJP items in the Group. Statistics on the implementation results of each BU are shown below. Despite failing to achieve the expected benefits this year (compared with occupational injuries), we found that relying solely on discovery has limited effects on reducing the number of hazards identified in the work environment. It is even more important to maintain the status after improvements are made, so that hazards discovered in the past remain in a safe state.



Improvement measures

1. We are actively promoting safety in plants, and carry out bottom-up safety and health self-management activities (full employee engagement and zone defense activities), so that personnel will be able to actively discover potential hazards of occupational safety, and work together to make improvements and reduce operating risk.
2. Supervise plants with respect to violations, such as incidents that occurred in the past and operating procedure anomalies. Check if SJP (what is said) and operating procedures (what is done) are consistent to determine if procedures meet safety requirements, and also increase personnel's understanding of operation safety.
3. For high priority hazards or categories in unit risk assessments, videos are used for observation and review. We also check if incidents resulting in occupational injuries over the years are reviewed and consistent with contents of risk assessments. Employees and collaborating personnel discuss revisions to the SJP based on their operation hazard perception, so that operation standards are appropriate. We also prepare safety and health text messages or teaching materials to strengthen hazard situational training.

(5) Contractor management and auditing

The Company strives to fulfill its CSR, and also requires contractors to fulfill their CSR as well. In the past, our management of contractors was from the perspective of requirements on products and outsourcing projects. After a bitter lesson in 2017, we began to more actively consider environmental, social, and economic aspects in supplier and contractor audits and appraisals, carry out proper and effective management, and monitor apparent or potential risks of the supply chain.

► Implementation of short-term improvement plans



Supplier education and training

Environmental Protection, Safety and Health Seminars



Access qualification control Work permit



Hazard notice

On-site construction safety notice



Contractor evaluation



Signing contractor must-knows

Contractor must-knows



Access operation control

Construction control



Join agreement organization

Agreement organization application form, meeting



Hazardous operation control

Flame operation, elevated operation, confined space operation, dangerous pipe cutting operation, and hanging operation



Electricity consumption management

Electricity consumption application



Construction management

Construction safety measures, 6S control

► Long-term plan for the development of a dedicated app to provide a basis for employees to execute spot inspections, plant safety, and supervision during contractor audits. It will also establish an emergency response organization and reporting procedures (education and training/establish subsequent procedures/handle affairs after an accident).



A Friendly Safe Workplace for the Health of Employees

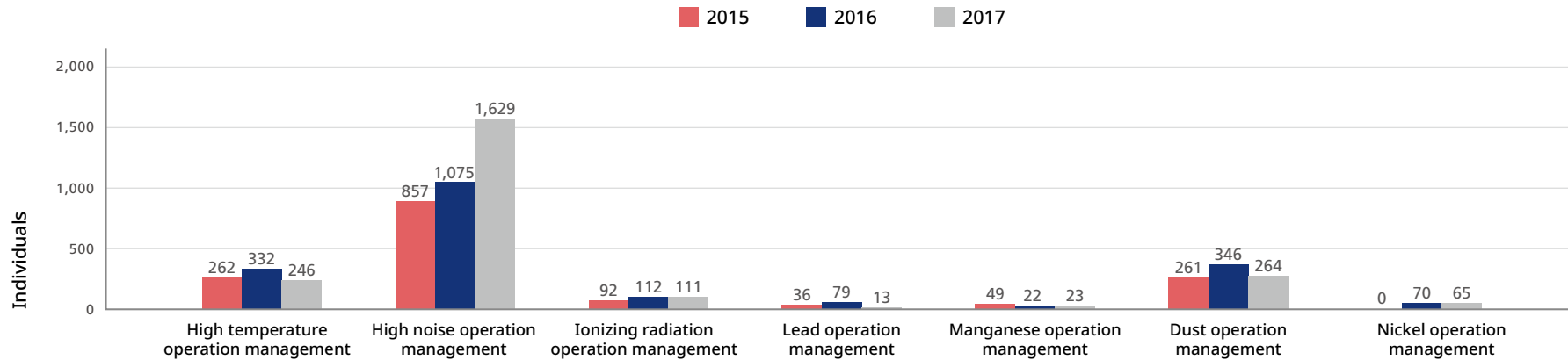
► Employee health exam and care

The Company provides health exam services better and more frequent than the regulatory requirement to take care of employees. Health management measures are implemented based on results of health exams, providing consultation, treatment, and referral services. A total of 6,308 individuals received health exams and were managed in 2017.

Employee Healthcare Management in Taiwan	2015	2016	2017
Health exam	1,309 Individuals	2,003 Individuals	1,481 Individuals
New employee healthcare management	266 Individuals	231 Individuals	401 Individuals
Current employee healthcare management	1,167 Individuals	1,828 Individuals	2,075 Individuals
Special health hazard exam and management	1,557 Individuals	2,036 Individuals	2,351 Individuals
Total	4,299 Individuals	6,098 Individuals	6,308 Individuals

BUs in Taiwan implement health management by reminding employees to return for follow-ups on abnormalities identified in the results of their annual health exams. We also hired a professional environmental monitoring institution to study employee health exams and data measured from the operating environment. This will help us understanding hazards and propose prevention training plans. Personnel working in special work environments receive special health exams, including high temperature, noise, ionizing radiation, lead, manganese, dust, and nickel.

Special health hazard management in Taiwan



Employee-friendly care (labor mental and physical health protection measures)

The Company in 2015 announced the Regulations for Health Risk Management (overwork management, ergonomic hazard prevention, workplace violence management, and maternal protection management) in plants in Taiwan. In 2016, management plans were implemented and various promotional events and training sessions were held. Health management questionnaire surveys were administered regularly, and results were analyzed by specialists and nurses at each plant to effectively control employee health management risks. This enabled early discovery of abnormal conditions, so that health management advice could be offered.

Ergonomic questionnaire survey and improvement

A total of 927 employees participated in the questionnaire survey in 2016-2017, in which 1 employee was determined to be medium risk and 1 employee required ergonomic improvement.

Overwork questionnaire survey and improvement

A total of 1,971 employees participated in the questionnaire survey in 2016-2017, and survey results were evaluated together with health exam reports. Follow-up was completed for employees determined to have potential risks through health management measures (care for employees' health, health education, and health consultation by physician/nurse).

Maternal protection management

The protection and management of maternal health, which focuses on occupational hazards to female employees' motherhood health and also includes hazard assessment and control, physician interviews for guidance, and classified risk management, has been provided to 10 employees in 2017.

Violence prevention

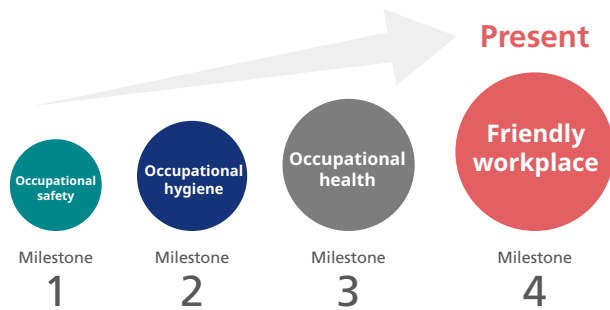
No workplace violence cases were found during the investigation in 2017.



Health promotion and on-site medical service

We implemented a number of health promotion projects and events to create a healthier workplace. A variety of dynamic and static events suitable for the characteristics of each plant were organized to improve the mental and physical health of employees, such as health screening, weight loss, counseling, health seminars, nutrition and sports consultation, and quit smoking. These events provide employees with thorough healthcare and medical services. We regularly hire specialists to provide on-site medical services, including one-to-one consultation, seminars, and on-site visits, so that employees may receive thorough healthcare and medical services.

Health autonomy events in Taiwan	2017	
Dynamic – Health autonomy events	37 events	A headcount of 1,873 people
Static – Preventive healthcare seminars	56 events	1,094 participants
On-site medical services – Consultation	19 events	78 participants
On-site medical services – Seminar	4 events	114 participants
On-site medical services – On-site visit	6 events	



Name of dynamic event in 2017	Event
Blood donation	2
Mobile quit smoking clinic	2
Weight-loss	2
Quit betel nut	1
Xitou hiking	1
10,000 steps a day	1
Physical fitness	1
Flu shot	2
Club activities (mountain climbing/aerobics/ biking/basketball)	4
Total	16





Success cases of occupational health promotion

Workplace health and safety-wise, Walsin Lihwa is a responsible employer committed to ongoing work environment improvement. Our steadfast promotion of occupational hygiene and health management has been recognized many times by the government: Our Hsinchuang Plant not only received the Badge of Accredited Healthy Workplace, but also received certificates of appreciation from Taipei Medical University, Health Promotion Administration, and Food and Drug Administration for their joint campaign against smoking, betel nut, and drugs. The plant also received a certificate of appreciation from the Occupational Safety and Health Administration of the Ministry of Labor for promoting labor health services. Our Taichung Plant received the Dynamic Workplace Creative Golden Ideas Award – Excellent Performance Award from Taichung City Government Bureau of Health, and also received the Outstanding Occupational Health Nurse Award from the Taiwan Association of Occupational Health Nurses. Our Yenshui plant received the National Outstanding Workplace Health Management Award, the Outstanding Workplace Health Award from the Public Health Bureau of Tainan City Government, the iTaiwan iSports Badge, and also the Excellent Nurse Award from Tainan City Nurses Association.



Hsinchuang
Plant



Health Promotion Administration,
Ministry of Health and Welfare
Badge of Accredited Healthy
Workplace



Taipei Medical University
Certificate of Appreciation for
Campaign Against Smoking,
Betel Nut, and Drugs



Occupational Safety and
Health Administration
Certificate of appreciation for
promoting labor health
services.



Taichung
Plant



Health Bureau, Taichung City
Government
Dynamic Workplace Creative
Golden Ideas Award Excellent
Performance Award



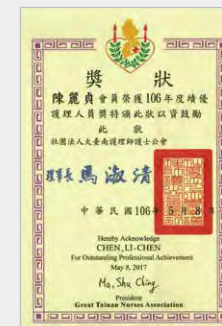
Taiwan Association of
Occupational Health Nurses
Outstanding Occupational
Health Nurse in 2017



Yenshui
Plant



Sports Administration,
Ministry of Education
2017 iTaiwan iSports Badge

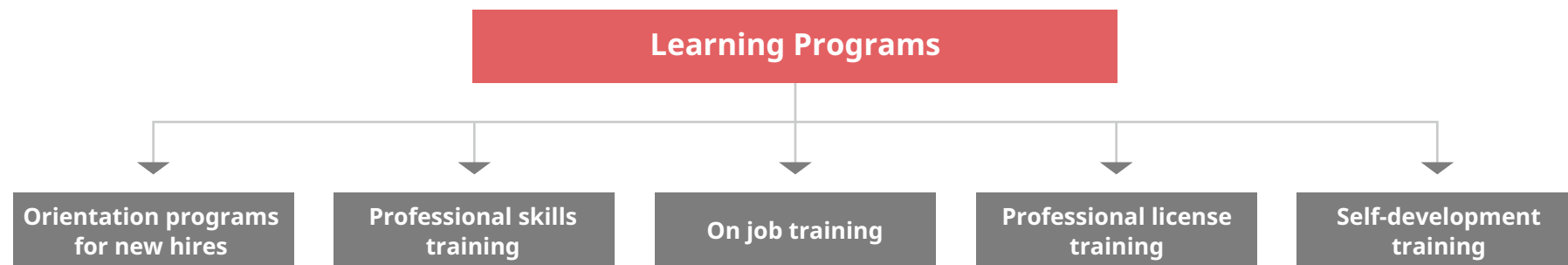


Tainan City Nurses Association
2017 Excellent Nurse Award

5.3 Learning and development

In the business philosophy of our founder Chiao Ting-Piao, talent is of the utmost importance. In his memoir he mentioned that "company investments are investments in talent." Modern human resources management emphasizes: Recruiting and staffing, Training and learning, Compensation and benefits, talent retention. This has been the theme throughout Walsin's history. The Company was founded in 1966. A group of fresh graduates fearlessly joined the Company, despite it being only a block-house next to deserted land. The aluminum, steel, and copper wire business they created continues to shine throughout Southeast Asia fifty years later. Hence, we established employee career development plans and learning channels to provide employees for self-development. We encourage employees to engage in innovation, and propose modifications and improvements to work methods. This has been a powerful force constantly driving the Company forward.

The Company is currently advancing towards Industry 4.0 along with technological development trends, and has implemented various development projects accordingly. In light of the drastic changes, the Company's organizational capabilities also need to keep pace with the times. Hence, we arranged Industry 4.0 related training courses in coordination with the Company's development in 2017. The courses help employees understand trends, establish basic concepts, and inspire new thought. The first change brought by Industry 4.0 is the quantification of various data for analysis, measurement, and application. In the light of this, the collection of data on personnel training model, behavior, and records is also inevitable. As such, Walsin began implementing the training system in 2017. The system makes it convenient to record training related data. More importantly, it offers diverse, efficient learning methods that increase employees' learning intention and training quality.

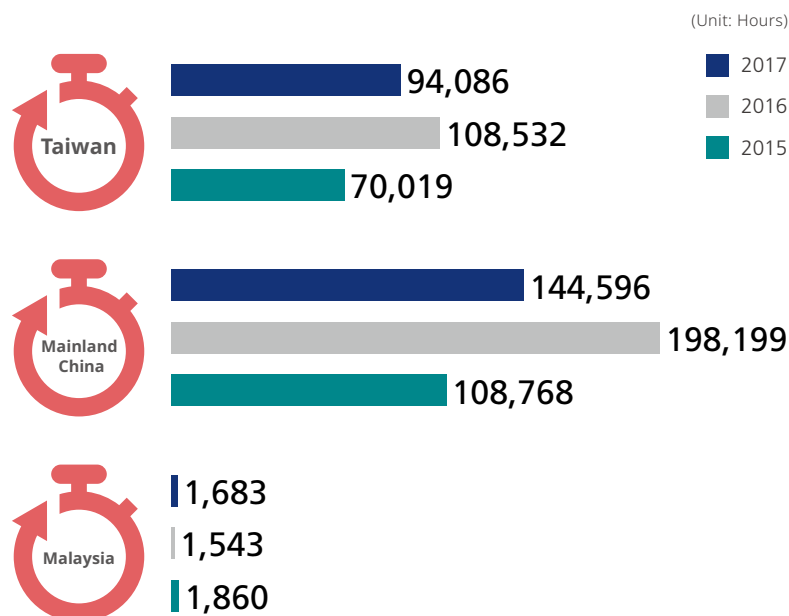


Training and learning at Walsin Lihwa are available to all employees without discrimination of age or gender. The company provides annual training based on its strategies, job competency, and such training is available to employees on different levels. Moreover, various types of learning activities help trainees strengthen the effectiveness of learning to apply what they learn to their work and enhance the quality and efficiency of whatever they do. The status on our training provided to employees in Taiwan, mainland China, and Malaysia in 2017 is shown in the table below.

Average training hours by type of employee:

Type of employee	Male	Female
Manager training hours	701	40
Number of people	407	99
Average training hours	1.72	0.40
General training hours	221,714	17,910
Number of people	3,705	598
Average training hours	59.84	29.95

Total training time in the last three years



Overview of Company training:

Location	Statistical items	Male	Female	Subtotal
Taiwan	Total hours	88,609	5,477	94,086
	Total number of employees	2,157	248	2,405
	Average training hours	41	22	39
Mainland China	Total hours	132,390	12,206	144,596
	Total number of employees	1,823	426	2,249
	Average training hours	73	29	64
Malaysia	Total hours	1,416	267	1,683
	Total number of employees	132	23	155
	Average training hours	11	12	11

Note: Managerial positions refer to section heads and above

Learning and development as well as career path planning at Walsin Lihwa

Learning and development at Walsin Lihwa are supported by performance assessment, project participation, and in-house counselors to enable career development planning for employees. How these initiatives are implemented is tabulated as below.



Learning and development

Education and training as needed by different levels of employees are provided, including a variety of classroom-based study, company internal workshops, book-reading groups, presentations, sharing, and overseas visits to stimulate employees' interest in ongoing learning to combine what they learn with their jobs.



Performance assessment

Annual key performance indicators and biannual performance assessments help understand the abilities employees need to strengthen as well as employees' attitudes toward work as a reference for employee education and training planning.



Project participation

In line with relevant strategies of Walsin Lihwa and factoring in individual employees' abilities as well as attributes of jobs, cross-departmental and interdisciplinary projects invite employee participation to help strengthen teamwork, different practical experiences, and different job competencies.



Functional expert

Experts of different functions at Walsin Lihwa are selected to provide technology and business practice guidance to share and pass along their experiences.

Total involvement training in 2017

Walsin Lihwa continued to promote total involvement throughout 2017! We believe that through total involvement, all employees can freely apply their knowledge and expertise, and actively participate and make contributions. This will allow employees to achieve learning and development and continue to pursue excellence. Based on this concept, we began providing systematic training to front-line employees through a series of total involvement training courses for the first time in 2017.

► Total involvement starts with employee support: On-site Personnel Scientific Technique Training

At Walsin Lihwa, nearly 3,000 front-line employees work attentively at the production site every day. Their goal is to produce high quality products that better meet customers' needs. These employees are the Company's most important foundation. We look forward to supporting employees in performing their work safer, more easily, and even better when facing different situations in production. This is why Walsin Lihwa began offering "On-site Personnel Scientific Technique Training" in 2017, including safety awareness, specialized knowledge, and practical skills. The training was offered to section heads and technicians in manufacturing plants, and a total of 1,297 employees completed the training.

Course name	Total involvement Gold certificate	Total involvement Silver certificate
Subjects	group leader	Technician
Course topic	Occupational safety management, concept of Total involvement, 5S, Visual management, TPM, QCC, conference hosting skills, and A3/OPL reports	Occupational safety management, concept of Total involvement, 5S, Visual management, and TPM

Note 1: The gold certificate recognizes learning results from the training of skills required for on-site management and operations in plants. Gold certificates are for section heads.

Note 2: The silver certificate recognizes learning results from the training of skills required for on-site operations in plants. Silver certificates are for technicians.

► Total involvement starts with employee training: Training the trainer to train and Functional expert training

Complete training requires good teachers and coaches to extend courses from the classroom to workplace, and ensure that employees are able to apply what they learned in their routine work. Hence, we trained 99 trainer and 49 functional expert in 2017. The trainer and functional expert organized a series of teaching and practical application activities in coordination with the timetable for implementing total involvement. They assist with on-site personnel scientific technique training, as well as the implementation of practices in the workplace. The trainer and functional expert are not only members of the total involvement promotion team, but also outstanding employees in each unit. We hope that the training process will be seen by even more employees, and will discover even more talent with great potential, finding the most suitable position for every employee.

Course name	Training the trainer to train (Gold, Silver)	Functional expert
Subjects	trainer	Functional expert
Course topic	Specialized training (Gold, Silver) Teaching technique training (not included in the table)	Specialized training (Gold, Silver) Occupational skill training (e.g. communication guidance, problem solving skills, etc.)

Mighty oaks from little acorns grow! On the road to total involvement and in the pursuit of excellence, we are fully aware that our vision can only be achieved by creating a friendly environment where employees are willing to become fully engaged. In the future, we will continue to let employee grow, bring out their full potential, and continue to move forward.



5.4 Employee care, communication, and benefits

Diverse communication channels

Walsin values the thoughts and opinions of employees, and provides a variety of internal communication channels to facilitate communication and coordination between labor and management. Walsin aims to build too labor-management relations, improve labor conditions, and protect employees rights and interests.

Internal announcements and Network Communication Platform

Important messages from the Company are posted on Walsin's bulletin board and distributed through the Walsin portal and e-newsletter. These messages provide employees Company-wide with the latest information on corporate culture, business philosophy, business performance, and the latest events at each plant. Online events and opinion surveys are irregularly held to facility opinion sharing and exchange between employees.

Unions and Labor-Management Meetings



Walsin Lihwa Corporation Union was established in Taiwan based on employees' rights and interests provided by laws and regulations. Employees may freely decide whether or not to join the union without interference or intervention from the Company; 84% of employees in Taipei Headquarters, Hsinchuang Plant, Yangmei Plant, Taichung Plant, and Yenshui Plant have joined the union (the participation rate is 87% if section heads and above and human resource supervisors are excluded). Employer representatives are invited to the union's quarterly board meetings and the annual general assembly, during which both parties discuss topics of concern to employees, and also communicate the Company's policy, direction, and goals to union members.

The four-year term of the Walsin Lihwa Corporation Union's 13th Members' Representatives expired, and the election of the 14th Members' Representatives was held in July 2017. Members voted for their ideal representative and a total of 108 members' representatives were elected. The new elected members' representatives from each plant in Taiwan gathered together in our Taichung Plant for a general meeting on November 10, 2017. The vice chairman also attended the event and expressed his expectations for the union to continue speaking on behalf of and serving members based on the philosophy to "listen to members' voices, create a friendly environment, and create a win-win situation for labor and management."

She shared that "friendly environment" means lending a helping hand to colleagues to show care and love, and that the honorary chairman used a people-oriented approach, showing care for employees through "workers own shares, workers have homes."

In mainland China, the subsidiaries Shanghai Walsin Lihwa Power Wire & Cable Co., Ltd., Jiangyin Walsin Steel Cable Co., Ltd., Dongguan Walsin Wire & Cable Ltd., Nanjing Walsin Metal Co., Ltd., Changshu Walsin Specialty Steel Co., Ltd., and Yantai Walsin Stainless Steel Co., Ltd. also established unions. Employee participation in unions in this region is about 97%.

Arrangements and notifications of labor-management meetings at BUs are issued three days to one month in advance. Managers can communicate business philosophy, build a consensus on goals, and employees can express their opinions or give suggestions during labor-management meetings, which further create harmonious labor-management relations.

A total of 10 meetings were held in Taiwan in 2017 (5 union board meetings, 1 general assembly, and 4 labor-management meetings). In addition to employee salary and benefits related issues, labor-management meetings in 2017 focused on friendly workplace environment, including response measures to the leave system after amendments to labor laws, and discussions on working hours, work environment, and labor safety and health related issues, such as: on-site dust cleaning operations, employee cafeteria and dormitory improvement, nighttime lighting of roads in plant areas, the provision of AED and operation training for personnel, and employee healthcare activities.

Employee grievance channels:

The Company set up an employee grievance hotline, e-mail, and opinion boxes. Employees can use the channels mentioned above or the union to provide their opinion or suggestions. The human resources unit of each plant is responsible for looking into the opinions and needs of employees, and for providing immediate response and assistance. There were no employee grievances in 2017.

Furthermore, Walsin prohibits all kinds of sexual harassment and discrimination within the workplace. Employees are assured that they will not be discriminated against based on their race, religious beliefs, skin color, nationality, or gender. In addition to outlining clear rules and policies (e.g. Regulations for Establishing Measures of Prevention, Correction, Complaint and Punishment of Sexual Harassment), we also set up employee grievance channels, which have strict confidentiality rules in place to protect the complainant's identity, to create a good work environment for employees. There were no incidents of sexual harassment or discrimination at the Company in 2017.

Besides employee grievances, our Yenshui plant was fined NT\$20,000 for violating the extension of working hours specified in Paragraph 2 of Article 32 of the Labor Standards Act after a labor inspection in 2017. The Company's management specially instructed supervisors of talent recruitment units and human resource units in each plant to pay attention to working hour extension, so as to prevent working overtime from affecting employees' mental and physical health.

Major changes in operations that will affect employees' rights and interests and response measures are discussed in labor-management meetings before being implemented. Employees that will be affected are also notified in advance in accordance with the law. Furthermore, the Company also provides support measures, such as assistance with transfers to other internal units, and provides employees with conditions to help them apply for government subsidies. In Taiwan, the Company gives employees notice 10 to 30 days in advance based on employees' seniority in accordance with the Labor Standards Act.

Incentivized compensation system

Walsin attaches importance to employee benefits and upholds the concept of employee profit sharing. We conduct regular market surveys in hopes of providing employees with competitive overall salaries, so that we can attract outstanding talent to join the team of Walsin Lihwa.

Walsin Lihwa offers a competitive salary and compensation system. Permanent employees are entitled to:

- Development of a harmonious capital-labor relation in compliance with relevant local laws and regulations

We comply with relevant local laws and regulations, and strive to establish harmonious labor-management relations within the scope of the law.

- Starting salaries for fresh-out-of-school employees and foreign national workers in compliance with relevant local laws and regulations.

Starting salaries for fresh graduates and foreign workers are in compliance with local laws and regulations.

- Reasonable yet competitive total rewards based on the market value of individual professional functions and job contributions to the company.

The Company pays reasonable and competitive salaries based on the market value of professional functions, and the contributions of employees in their position.

- Bonuses based on the company business performance, extents to which team objectives are achieved, and individual job contributions to the company.

Employees are rewarded with bonuses based on the Company's business performance, team goal attainment, and individual contribution and performance.

- Salaries and benefits based on education levels, work experience, professional knowledge and skills, professional seniority, and personal work performance without discrimination of gender, race, religion, political stance, marital status, and/or union membership.

Employees' salaries and compensation are determined by their education, knowledge, skills, professional experience, and individual performance. In no way does gender, race, religious belief, political affiliation, marital status, or membership in a union play a part in these decisions.

The times of average remuneration differences by gender and position in 2017 are tabulated as below.

Position	Taiwan		Mainland China	
	Male	Female	Male	Female
Managerial position ^(Note)	1	1	0.88	1
Non-managerial position	1.07	1	0.99	1

Note:

1. Managerial positions are the positions higher than section or division chiefs.

2. The remuneration systems at the following Walsin Lihwa sites are disclosed:

Taiwan: The Taipei head office, Yangmei, Hsinchuang, Yenshui, Taichung, and Kolin Construction and Development Company

Mainland China: Walsin China Investment Company, Shanghai Walsin Lihwa Power Wire and Cable Company, Nanjing,

Dongguan, Jiangyin, Changshu, Yantai, Walsin Nanjing Development Company, Nanjing Walsin Property Management Company, Nanjing Taiwan Trade Mart)

Diverse employee benefits

Walsin values the mental and physical health of employees, as well as their benefits, and thus provides regular employees with a number of benefits measures to ensure their quality of life and help them achieve work-life balance.

In Taiwan, our Employee Welfare Committee organized pursuant to the Organization Regulations on Employee Welfare Committee is responsible for overall planning of the committee budget and implementation of a variety of employee welfare measures to realize the care for employees at Walsin Lihwa. Every month the company appropriates the employee welfare fund from its monthly revenue as well as the revenue from sales of scraps. In 2017, the total employee welfare fund appropriated amounted to approximately NT\$41.33 million.



Note 1: The text in black is for all regions, the text in blue is for Taiwan, the text in red is for mainland China, and the text in green is for Malaysia.

Note 2: The actual benefits at each plant is planned and designed differently each year based on the condition of the plant.

Retirement pension system

Walsin Lihwa complies with the retirement laws, regulations, and systems in the markets where it has presence to protect employee rights after retirement for retired employees to lead a worriless life.

(I) Confirmed Pension Program

The pension system for employees in Taiwan is set forth in the Labor Pension Act, and is a defined contribution plan managed by the government; 6% of employees' monthly salary is contributed to a personal account at the Bureau of Labor Insurance. The contribution amounts of the 2017 and 2016 defined contribution plans are listed as expenses in the consolidated statement of comprehensive income as NT\$74,743,000 and NT\$67,991,000.

Subsidiaries located in mainland China set aside a certain percentage (13%-19%) of individual employees' monthly salary as retirement pension, which is deposited by the relevant competent authority in employees' independent savings accounts, in accordance with the local governing laws. The salaries of retired employees are managed by the local social security bureau where the company is located, and employees enjoy retirement pension according to local regulations. When employees reach the statutory age of retirement and have made payments for a cumulative 15 years, they will enjoy basic retirement insurance benefits.

Subsidiaries in Malaysia make monthly payments of 12%-13% of employees' salary to the EPF according to regulations of Malaysia's government, providing security after retirement.

(II) Confirmed Benefit Program

The pension system for employees in Taiwan is set forth in the Labor Standards Act, and is a defined benefit pension plan managed by the government. Pension payments are calculated based on the employee's years of employment and average monthly salary for the last 6 months before retirement.

The Company makes monthly payments equal to 2% of the total salary of employees who retained their seniority in the old system to their retirement fund, and the Supervisory Committee of Workers' Retirement Preparation Fund deposits the funds into a dedicated account at the Bank of Taiwan under its name. Before the end of the year, if the account's balance is determined to be insufficient to pay workers that reach requirement conditions the following year, then the difference will be deposited into the account before the end of March the following year. The amount of defined benefit plans on 2017 and 2016 consolidated balance sheets are as follows:

Unit: NT\$1,000

	December 31, 2017	December 31, 2016
Current value of defined benefit obligations	1,500,384	1,385,363
Fair value of plan assets	(698,056)	(622,340)
Net defined benefit liabilities	802,328	763,023

Recognition of senior employees and model employees

Walsin is grateful to the efforts of every employee for the Company, especially senior employees who have stuck with the Company over the years. Their collective efforts have enabled Walsin to grow stably for over half a century. In 2017, a total of 154 gold medals were awarded to senior employees in Taiwan, and 24 gold medals were also awarded to senior employees in mainland China who have been with the Company for 20 years.

To pass on the Company's common values, Walsin holds model employee selections every March and holds commendation events for model employees in May. The 50 model employees in Taiwan and mainland China in 2017 were commended at their plants. Their outstanding performance was posted on the Company's internal network communication platform, recognizing their contributions to the Company, or actions that can set an example for employees. This encourages other employees to follow in their footsteps and improves overall organizational performance.



Unpaid parental leave in Taiwan

Walsin complies with the Act of Gender Equality in Employment and employees who have worked at Walsin for six months or more may apply for unpaid parental leave if they need to take care of children under the age of 3. A total of 132 employees were qualified for unpaid parental leave in 2017, 3 of the employees applied for unpaid parental leave, and reinstatement rate and retention rate were both 100%. Statistics are shown below:

Number of unpaid parental leave applicants	Gender		Total
	Male	Female	
Number of employees eligible for unpaid parental leave in 2017 ^{Note}	122	10	132
Number of unpaid parental leave applicants in 2017	1	2	3
Number of employees expected to return from unpaid parental leave in 2017 (A)	0	4	4
Number of employees that actually returned from unpaid parental leave in 2017 (B)	0	4	4
Unpaid parental leave reinstatement rate (B/A) x 100%	-	100%	100%
Number of employees that returned from unpaid parental leave in 2016 (C)	1	1	2
Number of employees that returned from unpaid parental leave in 2016 had continued to serve a full year in 2017 (D)	1	1	2
Unpaid parental leave retention rate (D/C) x 100%	100%	100%	100%

Note: Employees who applied for maternity leave or paternity leave in 2015/01/01-2017/12/31 and were still at the Company on 2017/12/31.



Recreational events for singles

In addition to creating a safe and friendly work environment, Walsin is also concerned about helping single employees find spouses, and Taichung Plant and Yenshui Plant worked with an external vendor in organizing two matchmaking events on a trial basis in 2017. A total 32 single male employees participated in the events, and five couples were successfully matched. The Company also provided a matchmaking fund and overall satisfaction of the events reached 92.3%. We will continue to make plans in 2018 in hopes of helping employees marry and settle down and be happy.

Club activities

Walsin encourages employees to participate in health promotion clubs and charity events. Club activities improve employees' relationship with each other, and further improve their mental and physical health and work efficiency. The Company established the Regulations for Subsidizing Club Activities to provide annual subsidies and resources. Current clubs include the softball club, mountain climbing club, cycling club, basketball club, badminton club, hospitality club, yoga club, aerobics club, and singing club.

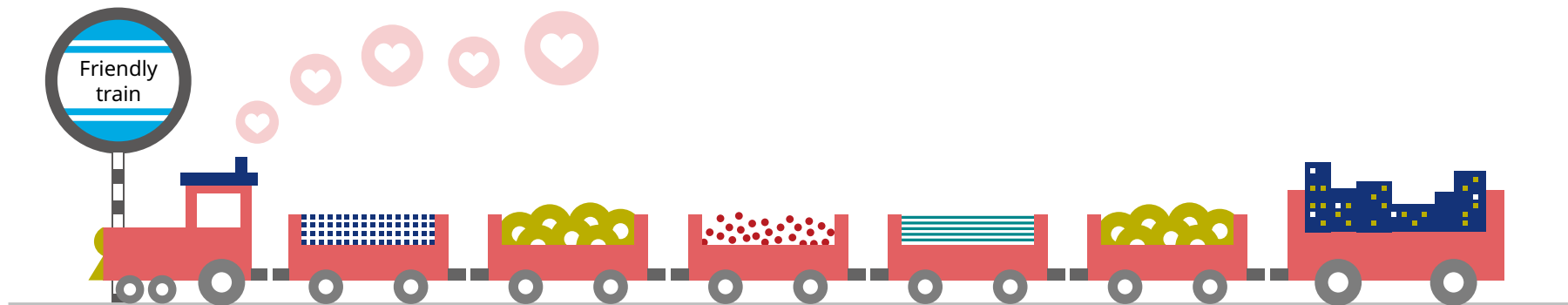
Happiness Seminar

Walsin Happiness Seminar was first held in 2011. The highly acclaimed event irregularly invites experts in various fields to share their experience in a wide range of topics. Seminars held in 2017 include "Contract and legal knowledge", "My home also has a happy farm, growing organic bean sprouts", "Good quality sleep", "Healthy diet, say goodbye to metabolic syndrome", and "Colorectal cancer prevention and examination". We hope that employees will pay attention to their personal life and health when they are not busy at work, and these seminars are an active effort to help employees find happiness.



Friendly train

Walsin is actively promoting a friendly workplace and implemented the Friendly Train Project in October 2017. The vice chairman personally led a team to inspect each plant from a people-oriented approach with love, promoting holistic care in the workplace, and sharing and implementing the concept of "friendly environment" by being "willing to extend our hands and share care and love with every employee, care for the true needs of employees, and spread seeds of love." We hope to thus create a positive force, because an organization with a virtuous cycle and friendly workplace can only be created when employees are willing to embrace their jobs with a positive outlook.



Chapter 6

Integration

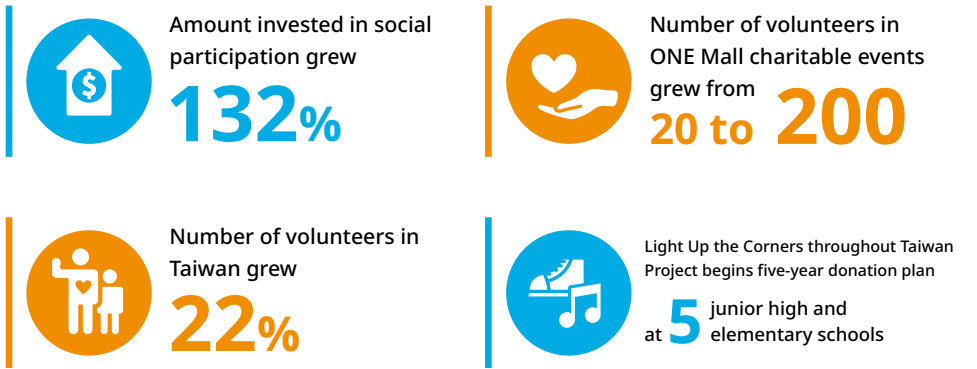
Strengthening Greater Social Influence

- 6.1 Empathizing with the underprivileged
- 6.2 Caring for ecology
- 6.3 Community outreach
- 6.4 Corporate citizenship





Walsin has dedicated great effort to charity for many years, and views corporate sustainability as its core value. Under the vision "to utilize advantages of Industry 4.0, pursue continuous growth, insist on energy conservation, environmental protection, R&D, and innovation, create value for customers through manufacturing services, and thus become the most trustworthy company to customers and business partners", we continue to invest in and focus on smart technology development projects due to their influence on the economy and society. We also insist on developing together with local communities, which is carried out in four aspects, namely "care for the disadvantaged", "environmental conservation", "neighborhood improvement" and "corporate citizenship". We draw the attention of our employees to issues related to the disadvantaged, corporate citizenship, and social development by participating in different events and projects. This expands our influence beyond neighborhoods around our plants, and allows us to contribute to the positive and balanced development of society.





6.1 Empathizing with the underprivileged

A progressive society requires balanced progress in all aspects. Walsin Lihwa starts with the opportunities of the underprivileged to receive quality education, and hopes to sow seeds of hope for future social development. We began implementing the "Light Up the Corners throughout Taiwan" Project at the end of 2016, and also engage in "mentally-challenged children baking volunteer work" and "recycling donations". In mainland China, Walsin (Nanjing) Development Co., Ltd. integrated its care activities, proposed the "ONE Mall Charity Project", and organized 12 charitable events in 2017. Employees at our Changshu plant continue to support the nation-wide Maitian Project Run for the Youth Road Run Charitable Event.

6.1.1 "Light Up the Corners throughout Taiwan" project

To show our gratitude on Walsin's 50th Anniversary, the company implemented the "Light Up the Corners throughout Taiwan" five-year donation plan at the end of 2016, hoping to spread warmth and light. The donations will help 5 elementary and junior high schools in Taiwan with relatively scarce resources, and will provide students with a better teaching environment and facilities for developing sports and music education. In 2017, the 5 elementary and junior high schools that participated in the project all produced inspiring results in various fields.

♥ A member of Walsin Mountain Climbing Club at the Hsinchuang Plant who climbed Hehuan Mountain together with Guangwu Junior High School wants to say

Even though these junior high school students are still young, they are well trained, and I didn't hear any complaints about being tired. Elementary and junior high school students worked in teams in the climbing process, and they learned about the plants and ecology of Hehuan Mountain along the way. It is truly remarkable that all of the participants in this batch were able to climb the main peak. I was touched when I saw the Company flag on the main peak of Hehuan Mountain, and felt that it was meaningful to donate, so that students can better learn and grow in nature.

Hsinchu Guangwu Junior High School learns from nature during outdoor courses

Outdoor courses such as river tracing, mountain climbing, cycling, and scuba diving

A total of 480 children participated in Guangwu Junior High School's river tracing course at Dagang Mountain and outdoor course at Hehuan Mountain in 2017. The employee from the Mountain Climbing Club at Walsin Lihwa's Hsinchuang Plant represented the Company in joining the 120 children from Guangwu Junior High School in climbing Hehuan mountain, and saw their training results.

Personally experiencing nature and learning from nature strengthens children's body and mind, and further develops their problem solving ability.

Pingtung Taiwu Elementary School enriches students' hearts through learning music

Band, ancient ballads troupe

The ancient ballads troupe performed in the opening ceremony of the 2017 Summer Universiade in Taipei. The school formed a band, purchased violins and keyboard, and selected students for regular practice. Students were highly interested in learning the instruments, and are expected to become the best accompaniment for the ancient ballads troupe when the time comes.

Children learn about their own culture through singing ancient ballads and learning music, and beautiful flowers of music will bloom on this solid foundation.

Yilan Datong Elementary School wins over children's hearts with love and care

Percussion group, baseball team

The percussion group was invited to participate in the performance of Yilan's charity organization "Dreaming the Sound of Dreams" in 2017; the baseball team entered the Chiayi Zhuluo Cup National Youth Softball Tournament for the first time in 2017, increasing children's competition experience by entering cross-county/city tournaments.

Music and sports nourish children's body and mind, and team practice develops their organization ability, team spirit, and sense of honor.

Hualien Huaren Junior High School gives children opportunities and a future

Extracurricular activities such as percussion, baseball, track and field, dance, and soccer

The percussion group won first place in Hualien County's percussion contest in 2017, only six months after the group was formed. The baseball team won first place in Hualien County's softball tournament, and also won the gold medal in the Hualien County Games for the third consecutive year.

Music, sports, and dance have given children good interests and expertise, and gave them beautiful memories in life.

Pingtung Gaoshi Elementary School strives to make progress

Judo, soccer, ancient ballads troupe

The judo team won 2 gold, 2 silver, and 4 bronze medals in the Pingtung County Games. Won 4 gold, 3 silver, and 6 bronze medals in the Pingtung County Elementary and Junior High School Games. The soccer team won second place in the Pingtung County Chairperson Cup Soccer Games, fourth place in the Southern Taiwan Soccer Tournament of the National Youth Cup, and first place in the 11 year old division of the National Youth Spring Soccer Games. The ancient ballads troupe performed at the concert of the 143rd anniversary of the Mutan Village Incident "Listen! Who is singing over there", and was invited to be a distinguished guest at the Office of the President Concert and also to perform at New Formosa Band-Bobby Chen countdown concert.

The development of an expertise in sports and music broadens children's horizons and opens a window to a colorful world.

Care for the disadvantaged

We worked together with Huofenghuang Zhucan Center, Gulou Blind Association, Huaao Hearing and Speech Rehabilitation Center, Ningsheng Hearing Rehabilitation Center, Ningxin Sunshine Home, and Ningxin Home and made sachets together with elderly disabled people. We took people with visual impairment out to the banks of Xuanwu Lake to enjoy the sunlight and warmth of spring. We recorded the sunlight in spring, atmosphere during the Dragon Boat Festival, and warmth in society through plant rubbings and paintings together with children with hearing impairment. We accompanied children with disabilities in making candles, and saw each other's passion for life, optimism, and aspirations. We worked with suppliers in producing films that aroused society's care for people with autism and disabilities.



May «Let me accompany you through a class»
new plant rubbing experience



June «Golden dream»
making a promotional film
with Ningxin Sunshine Home



February «Let's start the year with
making fragrance sachets»



March «Taking people with visual impairment
out to enjoy the sunlight and warmth of spring»

6.1.2 2017 ONE Mall charitable events

Walsin's subsidiary Walsin (Nanjing) Development Co., Ltd. is responsible for the development and operation of Walsin Lihwa's real estate projects in Nanjing. ONE Mall is a shopping mall in Nanjing Walsin Centro, and it began actively engaging in charity in 2015 and systematically planning various caring events.

In 2017, it organized 12 charitable events in cooperation with 12 different institutions based on the idea that "we are always focused on doing one thing: accompanying others". Through the events we came in contact, learned about, and understood different groups of people, and the number of our volunteers grew from 20 to nearly 200. Through each and every event and the smiles on every face, we believe that we can reach even more people, and they will join us in charity.

Interacting with communities

Walsin (Nanjing) Development Co., Ltd. noticed that most families in modern society are busy at work, and the elderly left at home need to be cared for. It invited the elderly living in Jiangwan community to participate in planting plants at home and elderly healthcare seminars, enriching their lives and improve their ability to take care of themselves.

We also noticed the extraordinary efforts of cleaners and mailman to communities, as well as the new energy brought by foreigners who become part of the Nanjing living circle (we call them new Nanjing people), and invited them to come take photos, enjoy a delicious meal, and personally make a bowl of local delicacies.



July «You are the most beautiful in my eyes» dining with the city's makeup artists (cleaners) and taking photos of them



September «Properly having a meal» the extraordinary efforts of mailman to communities



December «Good morning Nanjing» making breakfast with new Nanjing people



November «Accompaniment in the flower pot» planting plants at home and elderly healthcare seminar



6.1.3 Taking care of the underprivileged

Walsin Lihwa and employees have been concerned about education for children for many years. The company regularly donates to the World Vision Taiwan, Taiwan Fund for Children and Families, Child Welfare League Foundation, Lian Xin Yuan Education and Nursing Center, and Chinese Children Home and Shelter Association; a total of NT\$1,761,240 was donated to the 12 children welfare institutions in 2017.



Volunteering for mentally challenged children

Walsin Lihwa has called its volunteers to participate in the "Little Helpers of Love" before Mid-autumn Festival each year starting in 2012. The volunteers go to the sheltered workshop and restaurant to help mentally-challenged children make moon cakes and support the restaurant. They set out from a humanistic perspective, show love, care, and support for mentally-challenged children, so that the children will gain better work skills and the ability to support themselves and become part of society. A total of 26 volunteers participated in the event in 2017.



Donating recycled resources

Starting in 2012, Walsin called on employees to participate in the recycled resource donation activity held at the end of each year, and donate things at home they no longer need. A total of 410 usable resources were collected from plants in Taiwan in 2017, and were donated to Catholic Kuang Jen Social Welfare Foundation, so that the resources can be fully utilized by helping those in need and giving back to society.



Supporting the Maitian Project Run for the Youth

Changshu Walsin began participating in the Maitian Project Run for the Youth charitable road run event in 2016, and continued to support the nation-wide event in 2017 with about 50 employees taking part. The Maitian Project was implemented by the Maitian Education Foundation and organizes road run events that feature children's education topics. Funds raised from the event are used to improve the education environment of children living in poor mountain areas, and also for the Project to Help Sick Students in Mountain Areas.



6.2 Caring for ecology

6.2.1 Annual organic farmers' market

Walsin began regularly organizing organic markets at its Taipei Headquarters in 2012, inviting farmers to bring local organic produce, as well as agricultural processed products, which are cultivated in a sustainable method that shows respect for the land and ecology. Employees that visit the market are able to choose products without any concern of pesticide residue, and they also learn the importance of land and ecological sustainability through face-to-face interactions and exchange thoughts with farmers.

6.2.2 Promoting the protection and restoration of Taiwan's endemic plants

Walsin is considering how to use the land at the Baoshan Shesui Project site located in Baoshan Township, Hsinchu County without damaging the ecological environment. We signed an MOU with National Chung Hsing University College of Agriculture and Natural Resources in 2017, and will build a seedling cultivation net house and an open seedbed for "endemic plant resource germplasm protection and collection" and "endemic plant resource and management talent cultivation". Efforts will be directed towards tree planting and afforestation applications, seedlings for environmental education, conservation and promotion, protection of Taiwan diverse protected animal and plant species, and also the cultivation of endemic tea trees and persimmon in coordination with local features. We hope to jointly carry out Taiwan forest germplasm protection and native plant restoration through industry-academia collaboration.



6.2.3 Coastal clean up and ecological education campaigns

Beach cleaning in Gaomei Wetland ecological protected area

Walsin volunteers began participating in beach cleaning activities in 2015. A total of 250 volunteers from plants in Taiwan gathered together in Gaomei Wetland ecological protected area in the fall of 2017. Volunteers learned the importance of wetland protection to ecological diversity after listening to the explanation of ecological guides from local communities. They worked together in the wetland barefoot to clear garbage, setting a good example of environmental protection for the next generation as they contributed to the sustainability of our living environment.



"I promote what I practice" Changshu riverbank cleaning

Changshu Walsin voluntarily organized a riverbank cleaning event in the fall of 2017. About 50 volunteers followed the riverbank in Luoshiwan Ecological Culture Park in Haiyu Town, Changshu City, using their actions to promote the environmental protection concept: "cherish the environment; a civilized city is predicated upon the efforts of us all".

♥ Thoughts of Changshu Walsin volunteers that participated in the riverbank cleaning

It was interesting cleaning the riverbank. Everyone rolled up their pants and went into the water barefoot to pick up trash. We found that about 90% of the trash was plastic bags. "Plastic products" have brought great convenience to our daily lives, but they are also a great burden for Earth's environment. As people become more aware of the concept of sustainability, reducing plastic use will be an issue we must inevitably face.

6.3 Community outreach

Walsin Lihwa's plants in Taiwan continue to support local culture, local activities, and the out underprivileged in communities by effectively using resources to drive community development. Our plants have participated in the following affairs:

6.3.1 Newspapers and study aid at elementary and junior high schools

In the second half of 2014, Walsin Lihwa began working with Mandarin Daily News to provide the newspaper to elementary and junior high schools near Walsin Lihwa plants in Taiwan. Teachers introduce topics reported in the newspaper to students, and broaden their horizons through interactions and discussions, while laying a solid foundation in their linguistic ability.

The company sponsored 8 classes in 3 schools in Taoyuan City, 3 classes in 1 school in Taichung City, 18 classes in 7 schools in Tainan City, and 2 classes in 2 schools in Kaohsiung City, benefiting a total of 525 students. We also organized a newspaper reading challenge in Yenshui Elementary School in Yenshui District, Tainan City, during which 26 volunteers interacted with the students and provided education through entertainment, making knowledge more concrete to inspire children's interest in learning.

Walsin Lihwa also made donations to the study aid projects of 4 elementary schools in Yenshui district, in hopes of reducing the gap between education in urban and rural areas. Students stayed after school and teachers accompanied them, helping them review lessons and write homework.



♥ Thoughts of an employee that served as a game master at Yenshui plant

I am very glad to have the opportunity to serve as volunteer in the newspaper reading challenge at Yenshui Elementary School. Seeing the children's passion and energy made me feel young again. I hope that similar events will continue to be held, and corporate sponsorship is mutually beneficial in that it not only improves the Company's image, but also helps build up the next generation.

♥ Appreciation from second graders at Yenshui Elementary School

I thought the challenge was fun and liked the mysterious treasure box the most. You could touch the things inside the box and learn about the different texture of different stainless steel and materials. Thank you older brothers and sisters of Walsin Lihwa, I hope you will come back and play again.



6.3.2 Making neighborhoods more beautiful

Plants in Taiwan support local community environment clean up, sterilization, and show appreciation to environmental volunteer group. The plants have also continued to adopt nearby roads or parks, investing funds in the cleaning, maintenance, greening, and beautification. Besides giving back to local communities, these efforts also provide local communities with an excellent environment and cityscape. We spent a total of NT\$603,285 in 2017 on planting, cleaning, maintenance, and beautification of the roads and parks we adopted.

The Taipei Headquarters has been recognized as a "Green Resource Tree Adoption Model" by Taipei City Government for its adoption of greenbelts and sidewalks within the vicinity of Songzhi Park, which are connected to the greenery surrounding the headquarters building and provide a comfortable green landscape in the urban jungle. Around Chinese New Year, the cherry blossoms at the front entrance create a warm and lovely atmosphere in Xinyi District.

The Hsinchuang Plant adopted a triangle shaped piece of green land nearby to make the community environment even greener and more beautiful. Starting in 2015, our Yangmei Plant donated to the beautification of the entrance of Yangmei Senior High School, and adopted Gaoshi Rd., cleaning and maintaining the road on a monthly basis. Our Taichung Plant adopted Jing 3rd Rd. and, aside from engaging in sidewalk cleaning and tree maintenance, in 2017 it jointly adopted Dongfeng Green Corridor Bicycle Path together with Shigang Wangxing Community in response to Taichung City Government's "air quality cleaning zone" event. Our Yenshui plant adopted surrounding roads in 2014, planting trees and cleaning the environment. The plant was recognized by Tainan City Government with the "Excellent Cleaning Adopting Enterprise".

6.3.3 Supporting local events



Supporting local culture

- Sponsored the Lantern Festival event in Hsisheng Borough, Hsinchuang District, New Taipei City.
- Assisted with the temple fair event in Hsisheng Borough, Hsinchuang District, New Taipei City.
- Sponsored the Yenshui Beehive Fireworks Festival and the Yuejin Lantern Festival.
- Sponsored Tainan City Yenshui District Office's "Yenshui Shopping District and Fried Noodles Festival"



Community care

- Sponsored activities of Tainan City Yenshui District and Houbi District Seniors Association
- Sponsored Huashan Social Welfare Foundation's "2017 Elderly Care Service – Lighting Up Mid-autumn Festival"
- Sponsored Tainan City Council's "2017 Care for Families Supported by the Northern Tainan Center for Children and Families and Encouragement for Youth to Grow in Adversity"
- Made a charitable donation to Chungkang Export Processing Zone Association.



Building good relationships with neighbors

- Sponsored activities of New Taipei City Hsinchuang District Guanghua Civil Defense Branch, Guanghua Friends of the Police Station, Guanghua Volunteer Police Brigade, and Hsinchuang Civil Defense Squadron No. 2
- Sponsored the Mid-autumn Festival Celebration at Guanghua Precinct, Hsinchuang District, New Taipei City
- Sponsored Fu Jen Catholic University's "TEDxFJCU 2017 annual event"
- Sponsored Tainan Yenshui District and Houbi District's community, club, and temple activities
- Sponsored Tainan Yenshui District's civil defense, volunteer firefighters, and volunteer police activities
- Sponsored Tainan Yenshui Station's "2017 Mid-Autumn Festival Evening Party"
- Sponsored Tainan City Council's 2017 "Mid-autumn Festival Speaker Cup Singing Contest", "Sexual Assault Prevention Campaign and Parent-Child Sketching", "Baby's Christmas Dream Coloring", and "Year of the Dog – Speaker Cup Hiking Contest".
- Sponsored Tainan Yenshui Elementary School's "120 Years of Glory" 120th anniversary celebration
- Donated hardware facilities to Tainan Yenshui District Office's library
- Participated in the "Love under blue skies" charity event in Shanghai in 2017.
- Participated in the "Government Support, Care for Citizens, Support for Military, and Care for Subordinates" in Nanxiang, Shanghai in 2017.



6.4 Corporate citizenship

Driving industrial, economic, technological, and cultural creative development

To drive social development, economic cooperation and exchange, and fulfill its CSR, Walsin Lihwa is actively participating in social and economic cooperation institutions (such as the Chinese International Economic Cooperation Association, Epoch Foundation, Cross-Strait Peace Foundation, and Chinese National Association of Industry and Commerce Taiwan), thereby showing the corporate spirit of social inclusion. Furthermore, Walsin donated NT\$2 million to HannStar Culture and Education Foundation in 2017 to promote culture and education events, assist the development of cultural creativity, and make art and culture a part of daily life.

Support Chung Yuan Christian University "Industry 4.0 Industry-Academia Collaboration Base" Project

Walsin Lihwa responded to the government's Asia Silicon Valley strategy by supporting industry-academia collaborations for promoting knowledge economy, industry and technology innovation policies. To this end, Walsin donated NT\$15 million to the "Smart Manufacturing R&D Center and Industry 4.0 Demonstration Site" at Chung Yuan Christian University for developing a smart technology and manufacturing innovation demonstration center, thereby driving social and economic development as well as fulfilling our CSR.



Walsin Lihwa responds to the annual charity project of Taipei City Xinyi District with lights of its Taipei Headquarters



Lights off for "Earth Hour"



Blue lights for "World Autism Awareness Day"



Red lights for "World Hemophilia Day"



Blue lights for "Tuberous Sclerosis Complex Global Awareness Day"



Blue lights for "Care for Alzheimer's"



Purple lights for "World Prematurity Day"



Orange lights for "Against Child Abuse Day"



Blue lights for "Human Rights Day"



Appendix

Appendix 1 Table Comparing Contents of Global Reporting Initiative Standards

GRI Standards	Information Disclosed	Corresponding chapter	Page	Remarks
GENERAL DISCLOSURES				
GRI 102 : GENERAL DISCLOSURES 2016				
Organizational profile				
102-1	Name of the organization	About This Report	2	
102-2	Activities, brands, products, and services	2.1 About Walsin Lihwa	26	
102-3	Location of headquarters	2.1 About Walsin Lihwa	26	
102-4	Location of operations	2.1 About Walsin Lihwa	26	
102-5	Ownership and legal form	2.1 About Walsin Lihwa	26	
102-6	Markets served	2.1 About Walsin Lihwa	26	
102-7	Scale of the organization	2.3 Business performance	46	
102-8	Information on employees and other workers	5.1 Employee overview and talent management policy	110	
102-9	Supply chain	2.1 About Walsin Lihwa 3.2 Sustainable supply chain	26 71	
102-10	Significant changes to the organization and its supply chain	2.1 About Walsin Lihwa	26	There were no material changes in operations this year.
102-11	Precautionary Principle or approach	2.4 Business integrity	48	
102-12	External initiatives	2.1 About Walsin Lihwa	26	The Company did not sign any external initiatives.
102-13	Membership of associations	2.1 About Walsin Lihwa	26	
Strategy				
102-14	Statement from senior decision-maker	Message from Chairman	4	
102-15	Key impacts, risks, and opportunities	Vision for Sustainability 2.4 Business integrity	9 48	

GRI Standards	Information Disclosed	Corresponding chapter	Page	Remarks
Ethics and integrity				
102-16	Values, principles, standards, and norms of behavior	2.4 Business integrity	48	
102-17	Mechanisms for advice and concerns about ethics	2.4 Business integrity	48	
Governance				
102-18	Governance structure	2.2 Governance framework	33	
102-19	Delegating authority	2.2 Governance framework	33	
102-20	Executive-level responsibility for economic, environmental, and social topics	2.2 Governance framework	33	
102-22	Composition of the highest governance body and its committees	2.2 Governance framework	33	
Stakeholder engagement				
102-40	List of stakeholder groups	1.1 Stakeholder interaction	13	
102-41	Collective bargaining agreements	5.4 Employee care, communication, and benefits	134	The Company did not sign any collective bargaining agreements with the trade union.
102-42	Identifying and selecting stakeholders	1.1 Stakeholder interaction	13	
102-43	Approach to stakeholder engagement	1.1 Stakeholder interaction	13	
102-44	Key topics and concerns raised	1.1 Stakeholder interaction	13	
Reporting practice				
102-45	Entities included in the consolidated financial statements	1.2 Material topic analysis	16	Please refer to the Company's 2017 Annual Report.
102-46	Defining report content and topic Boundaries	1.2 Material topic analysis	16	
102-47	List of material topics	1.2 Material topic analysis	16	
102-48	Restatements of information	About This Report	2	None
102-49	Changes in reporting	About This Report	2	None
102-50	Reporting period	About This Report	2	
102-51	Date of most recent report	About This Report	2	
102-52	Reporting cycle	About This Report	2	
102-53	Contact point for questions regarding the report	About This Report	2	
102-54	Claims of reporting in accordance with the GRI Standards	About This Report	2	

GRI Standards	Information Disclosed	Corresponding chapter	Page	Remarks
102-55	GRI content index	Appendix	156	
102-56	External assurance	About This Report	2	
GRI 103: MANAGEMENT APPROACH 2016				
103-1	Explanation of the material topic and its Boundary	1.3 Disclosure of management strategies	19	
103-2	The management approach and its components	1.3 Disclosure of management strategies	19	
Economic				
GRI 201: ECONOMIC PERFORMANCE 2016				
201-1	Direct economic value generated and distributed	2.3 Business performance	46	Please see the annual report and financial statements for complete financial information.
201-3	Defined benefit plan obligations and other retirement plans	5.4 Employee care, communication, and benefits	134	
GRI 202: MARKET PRESENCE 2016				
202-2	Proportion of senior management hired from the local community	5.1 Employee overview and talent management policy	110	
GRI 204: PROCUREMENT PRACTICES 2016				
204-1	Proportion of spending on local suppliers	3.2 Sustainable supply chain	71	
Environmental				
GRI 301: MATERIALS 2016				
301-1	Materials used by weight or volume	4.3 Resource recycle and pollution prevention	90	
301-2	Recycled input materials used	4.3 Resource recycle and pollution prevention	90	
301-3	Reclaimed products and their packaging materials	4.3 Resource recycle and pollution prevention	90	
GRI 302: ENERGY 2016				
302-1	Energy consumption within the organization	4.2 Energy conservation and carbon reduction	82	
302-3	Energy intensity	4.2 Energy conservation and carbon reduction	82	

GRI Standards	Information Disclosed	Corresponding chapter	Page	Remarks
302-4	Reduction of energy consumption	4.2 Energy conservation and carbon reduction	82	
GRI 303: WATER 2016				
303-1	Water withdrawal by source	4.3 Resource recycle and pollution prevention	90	
303-3	Water recycled and reused	4.3 Resource recycle and pollution prevention	90	
GRI 305: EMISSIONS 2016				
305-1	Direct (Scope 1) GHG emissions	4.2 Energy conservation and carbon reduction	82	
305-2	Energy indirect (Scope 2) GHG emissions	4.2 Energy conservation and carbon reduction	82	
305-4	GHG emissions intensity	4.2 Energy conservation and carbon reduction	82	
305-5	Reduction of GHG emissions	4.2 Energy conservation and carbon reduction	82	
305-7	Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	4.3 Resource recycle and pollution prevention	90	
GRI 306: EFFLUENTS AND WASTE 2016				
306-1	Water discharge by quality and destination	4.3 Resource recycle and pollution prevention	90	
306-2	Waste by type and disposal method	4.3 Resource recycle and pollution prevention	90	
GRI 307: ENVIRONMENTAL COMPLIANCE 2016				
307-1	Non-compliance with environmental laws and regulations	4.1 Environmental management policy	78	
GRI 308: SUPPLIER ENVIRONMENTAL ASSESSMENT 2016				
308-1	New suppliers that were screened using environmental criteria	3.2 Sustainable supply chain	71	
Social				
GRI 401: EMPLOYMENT 2016				
401-1	New employee hires and employee turnover	5.1 Employee overview and talent management policy	110	
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	5.4 Employee care, communication, and benefits	134	
401-3	Parental leave	5.4 Employee care, communication, and benefits	134	

GRI Standards	Information Disclosed	Corresponding chapter	Page	Remarks
GRI 402: LABOR/MANAGEMENT RELATIONS 2016				
402-1	Minimum notice periods regarding operational changes	5.4 Employee care, communication, and benefits	134	
GRI 403: OCCUPATIONAL HEALTH AND SAFETY 2016				
403-1	Workers representation in formal joint management-worker health and safety committees	5.2 Occupational health and safety	112	
403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	5.2 Occupational health and safety	112	
403-3	Workers with high incidence or high risk of diseases related to their occupation	5.2 Occupational health and safety	112	
GRI 404: TRAINING AND EDUCATION 2016				
404-1	Average hours of training per year per employee	5.3 Learning and development	130	
404-3	Percentage of employees receiving regular performance and career development reviews	5.3 Learning and development	130	All employees are periodically evaluated.
GRI 405: DIVERSITY AND EQUAL OPPORTUNITY 2016				
405-1	Diversity of governance bodies and employees	2.2 Governance framework	33	
		5.1 Employee overview and talent management policy	110	
405-2	Ratio of basic salary and remuneration of women to men	5.4 Employee care, communication, and benefits	134	
GRI 406: NON-DISCRIMINATION 2016				
406-1	Incidents of discrimination and corrective actions taken	5.4 Employee care, communication, and benefits	134	
GRI 408: CHILD LABOR 2016				
408-1	Operations and suppliers at significant risk for incidents of child labor	5.1 Employee overview and talent management policy	110	
GRI 416: CUSTOMER HEALTH AND SAFETY 2016				
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	3.1 Creating value for customers	56	

GRI Standards	Information Disclosed	Corresponding chapter	Page	Remarks
GRI 417: MARKETING AND LABELING 2016				
417-2	Incidents of non-compliance concerning product and service information and labeling	3.1 Creating value for customers	56	
GRI 418: CUSTOMER PRIVACY 2016				
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	3.1 Creating value for customers	56	
GRI 419: SOCIOECONOMIC COMPLIANCE 2016				
419-1	Non-compliance with laws and regulations in the social and economic area	2.4 Business integrity	48	
		5.1 Employee overview and talent management policy	110	
		5.2 Occupational health and safety	112	
		5.4 Employee care, communication, and benefits	134	
G4 Construction and Real Estate Sector Disclosures				
CRE1	Building Energy Intensity	4.2 Energy conservation and carbon reduction	82	



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