



Corporate Social Responsibility Report

2018





Corporate Social Responsibility Report

2018

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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. Plants in Taiwan passed the third party certification ISO 50001 Energy Management Systems.

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 Publically Listed Companies in the assurance reporting standards of the Accounting Research and Development Foundation.

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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, 2018 and December 31st, 2018. The locations include

Taiwan

Taipei Head Office, Hsinchuang plant, Yangmei Plant, Taichung Plant, Yenshui Plant

Malaysia

Walsin Precision Technology Sdn. Bhd.

Mainland China

Walsin China Investment Co., Ltd. (hereinafter referred to as "Walsin China Investment")
 Nanjing Walsin Metal Co., Ltd. (hereinafter referred to as "Nanjing Walsin (Copper Wire)")
 Dongguan Walsin Wire & Cable Co., Ltd. (hereinafter referred to as "Dongguan Walsin")
 Shanghai Walsin Lihwa Power Wire & Cable Co., Ltd. (hereinafter referred to as "Shanghai Walsin")
 Yantai Walsin Stainless Steel Co., Ltd. (hereinafter referred to as "Yantai Walsin")
 Changshu Walsin Specialty Steel Co., Ltd. (hereinafter referred to as "Changshu Walsin")
 Jiangyin Walsin Steel Cable Co., Ltd., (hereinafter referred to as "Jiangyin Walsin (Steel Cable)")
 Jiangyin Walsin Specialty Alloy Materials Co., Ltd. (hereinafter referred to as "Jiangyin Walsin (Specialty Alloy Materials)")
 Walsin (Nanjing) , Ltd. (hereinafter referred to as "Nanjing Walsin (Real Estate)")
 Nanjing Walsin Property Management Co., Ltd. (hereinafter referred to as "Nanjing Walsin (Property Mgmt.)")

Compared with the 2017 report, a new calculation method was used for the customer satisfaction survey in the 2018 report. Customer satisfaction survey results were divided by business groups in response to organizational restructuring, and we recalculated customer satisfaction results for 2016 and 2017. These slight adjustments will not affect readers' trends perception.

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 2018
 Current issue : Published in May 2019
 Previous reports :

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Message from Chairman

Dear friends,

“What is taken from society should be used in the interest of society.” Walsin Lihwa fully understands that enterprises are obligated and must commit to fulfilling their corporate social responsibility and strive for common good. Therefore, we review our measures in the economic, environmental, and social aspects of sustainability through the process of preparing a report every year. This drives us to continue making progress and improvements in the fields of CSR and sustainability. In 2018, our profits reached a record high thanks to the collective efforts of our employees: a reflection that we are doing great in the economic aspect yet not forgetting our compromises with society. While pursuing better business performance, we have not forgotten to dedicate our efforts to environmental and social aspects. Our corporate sustainability goals are in line with our core business development strategies, and through the daily implementation of organizational functions in daily operations, we hope to build our ability to achieve sustainable growth.

Governance improvements, unleashing potential

With regard to corporate governance, we continue to improve our governance framework and have pushed for sustainability-related policies, regulations, and systems. We have also implemented an external mechanism that assess our Board's performance, established and disclosed Board-approved dividends and human rights policies, and strengthened the dedicated unit's supervision of the immediacy, consistency, and transparency of internal and external information disclosure, thus prudently keeping pace with the times. The company still rank among the top 5% in the 5th Corporate Governance Assessment conducted by the Corporate Governance Center of the Taiwan Stock Exchange.

For business development, we actively invest resources in R&D to gain technical capabilities in the development of new materials and products. In response to the impact of technological advancements, we are gradually transitioning to smart manufacturing. We are developing smart manufacturing systems for process optimization to improve our production efficiency and product quality. We are also developing industrial applications and implementing horizontal integration to enter the manufacturing services industry, hoping to create a synergistic effect that will enhance our competitiveness in the long run.

Moving forward together, co-existing with the environment

For supply chain management, we incorporated CSR aspects in last year's supplier assessments. We required our key suppliers to fill out the Supplier CSR Performance Self-Assessment Form. We have organized CSR workshop with suppliers at our Hsinchuang Plant in Taiwan and Changshu Plant in China, aiming to jointly comply with CSR-related regulations to improve our sustainability performance and create momentum for positive change.

Starting in 2018, Walsin Lihwa began to promote the implementation, certification, and operation of ISO 50001 management system in plants around Taiwan. We support green procurement through practical actions and continue to improve our energy performance management and operations. As we seek to further manage energy efficiency, we greatly value the carbon reduction benefits brought by energy conservation technologies, especially given the slag within the steel industry. We established a steel slag recycling promotion team and are collaborating with professional organizations and academic institutions in research projects focusing on steel slag recycling, so as to reduce and restore the slag produced during the steelmaking process to achieve the government's circular economy vision. Furthermore, we continue to carry out independent air pollution reduction engineering and have adopted the best air pollution protection and waste gas emission reduction equipment. We plan to replace our coal furnaces with natural gas furnaces in 2019.

Friendly workplace, happy society

People are the foundation of enterprises. Employees are the most important asset of Walsin Lihwa. We deeply care about the physical and mental wellbeing of our employees and the workplace environment. Besides working hard to provide a friendly working space, as well as establishing and implementing strict safety regulations, we have also planned a comprehensive health promotion plan. We regularly have physicians provide on-site medical services, including one-to-one consultation and on-site visits, so that employees may receive thorough healthcare and medical services. We have also organized a series of happiness seminars and recreational events focusing on love to elderlies, friendly workplace and social event for singles, as we exert every effort to promote work-life balance. Our goal is to promote the physical, mental, and spiritual wellbeing of our employees for them to experience happiness. Walsin Lihwa was included into the Taiwan RAFI® EMP 99 Index for the first time in 2018. It is our unshirkable responsibility to create more employment opportunities and contribute to social stability.

In line with its “Corporate commitment to social communion” philosophy, Walsin Lihwa effectively integrates company resources with employee voluntarism through ongoing corporate citizenship, care for the underprivileged, environmental protection and preservation, and community outreach to make sincere contribution to society. We have continuously funded the “Light Up the Corners Throughout Taiwan Project” for 5 years. Said initiative provides resources to relatively lacking junior high schools and elementary schools so that they can develop their educational plans. We also implemented the Baoshan Shesui Project for the protection and restoration of Taiwan's endemic plants. Additionally, and in cooperation with Chung Yuan Christian University, we developed the Industry 4.0 Industry-Academia Collaboration Base Project. Furthermore, we have demonstrated our concern and sponsored community development activities in areas where we operate. We have engaged in a variety of public welfare initiatives related to ecology, education, and care for the underprivileged through volunteer services provided by our employees. These activities have cultivated a stakeholder mindset among out employees which in turn has expanded their social participation.

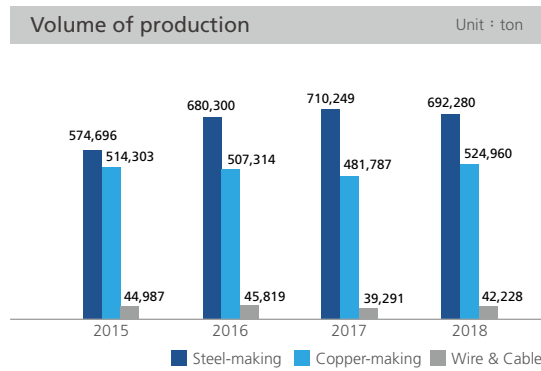
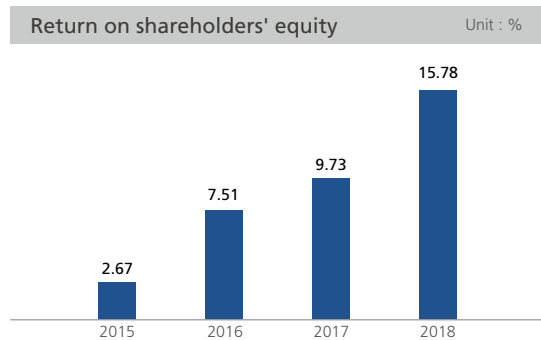
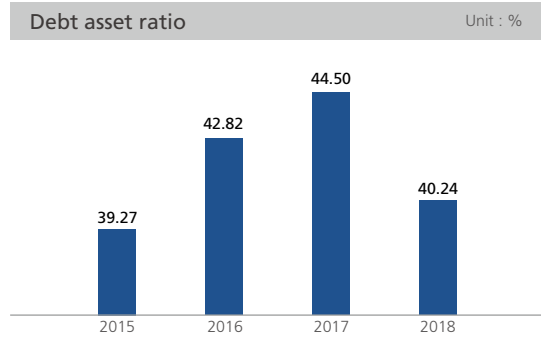
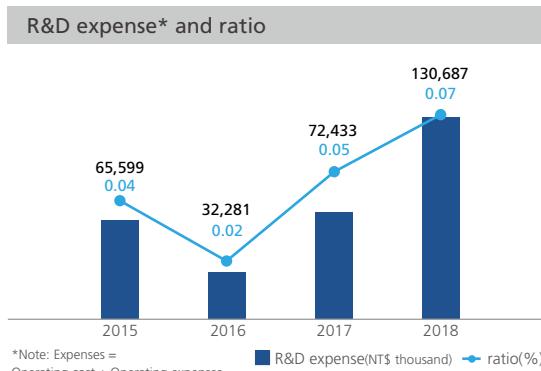
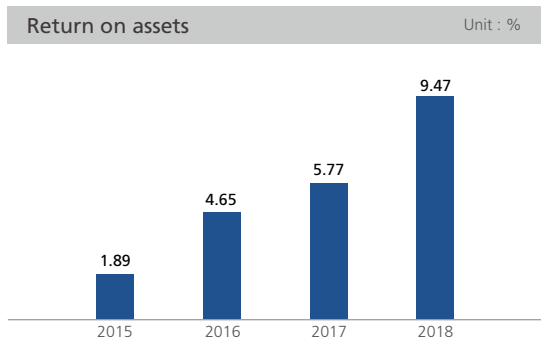
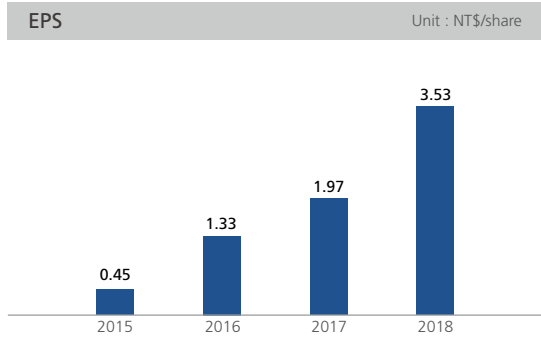
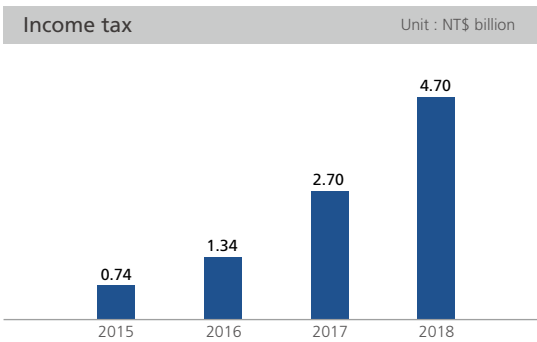
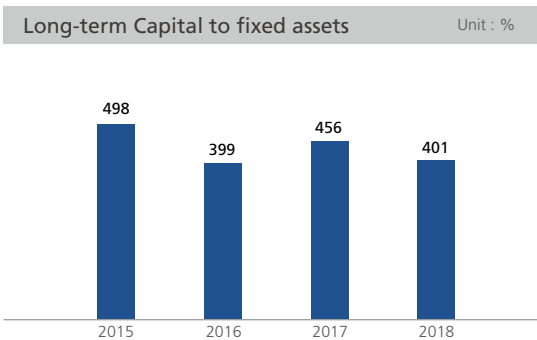
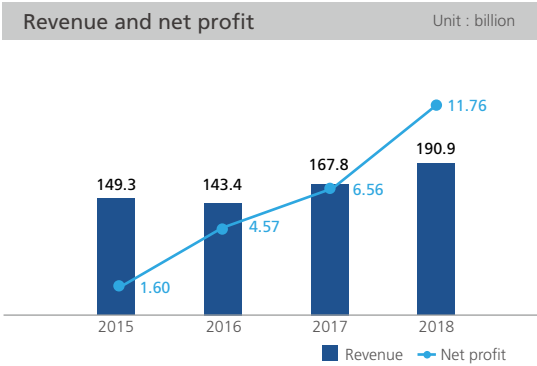
Walsin Lihwa attentively carries out CSR work and has laid a solid foundation through years of self-assessments and third-party certifications. We have also been reaffirmed through the external awards we have been receiving through many years. The next two to three years will be a turning point for our development. We hope to deliver the best performance and profits to our shareholders as we also hope that each and every single one of our employees incorporate CSR the different aspects of their work, so that CSR becomes a part of our corporate sustainability DNA as we join hands in creating a bigger and more positive impact on society.

Chairman: Yu-Lon Chiao



2018 Performance Overview

Economic



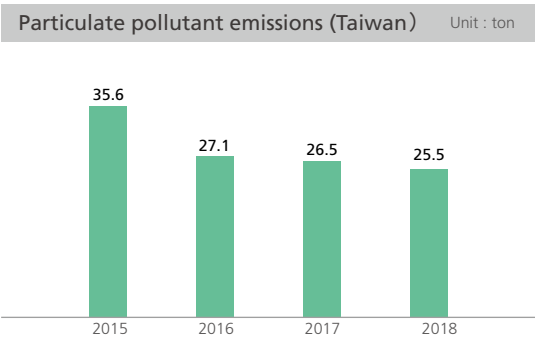
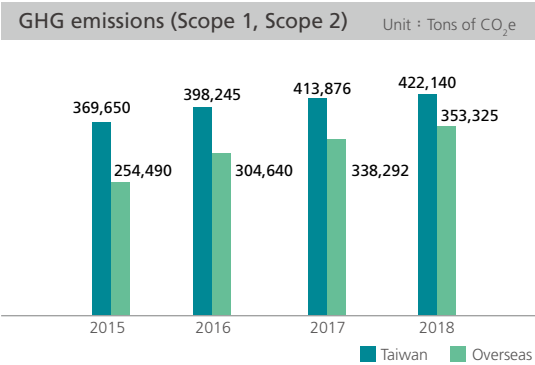
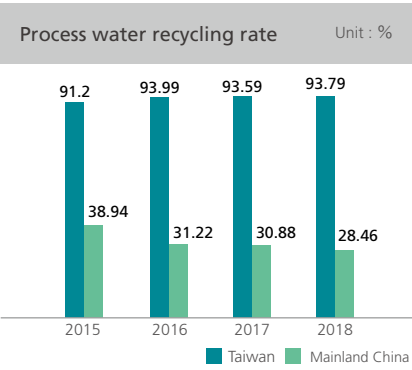
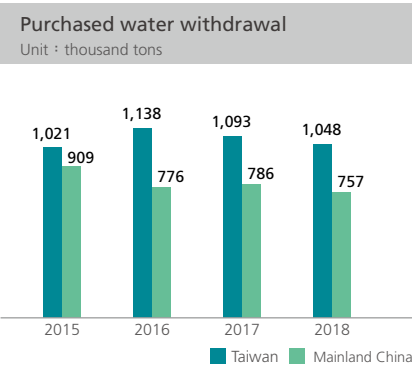
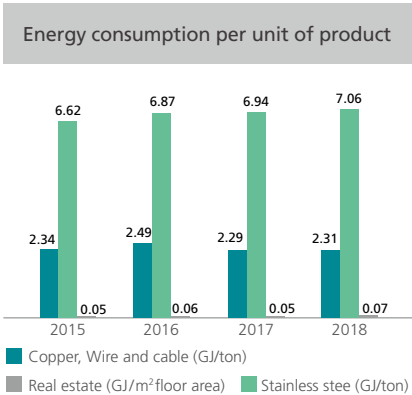
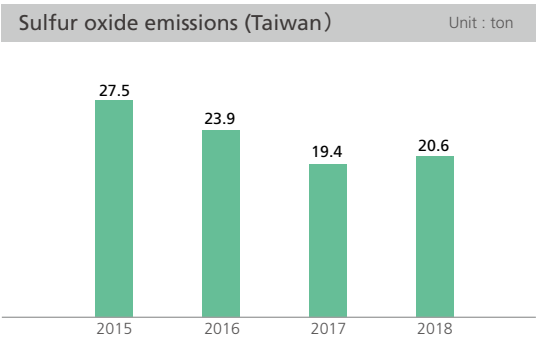
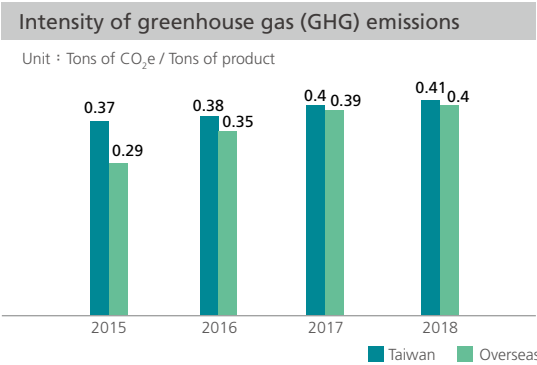
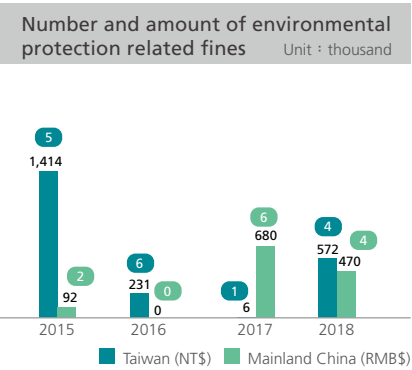
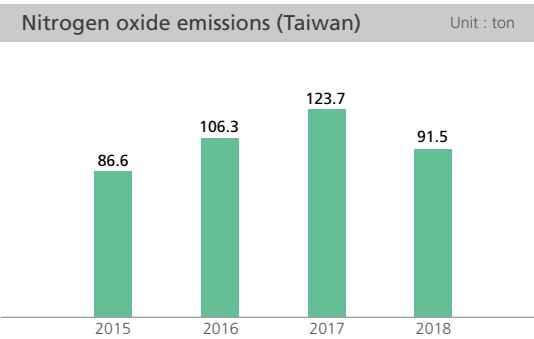
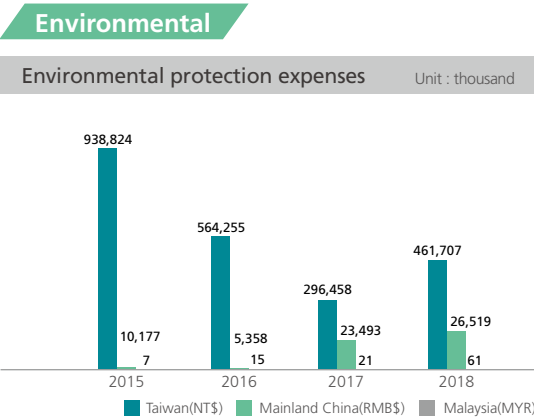
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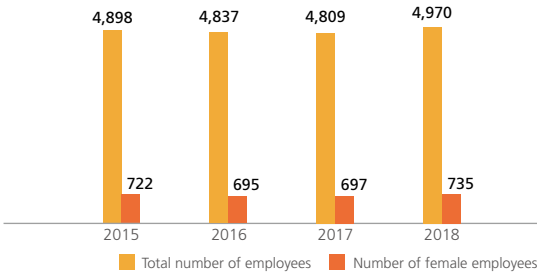
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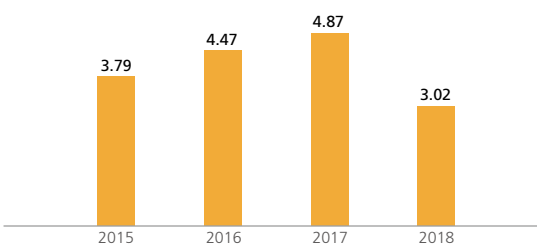


Social

Number of employees Unit : persons



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



Awards



Ranked in the Top 5% in the TWSE's 5th Corporate Governance Evaluation Award

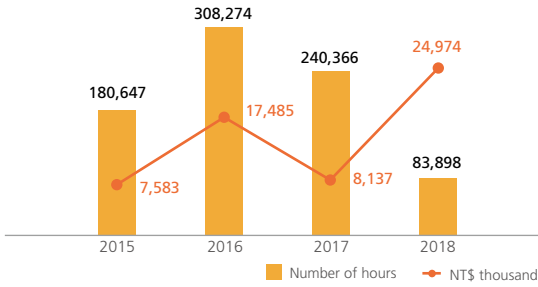


Won the TOP 50 Performance Award and Gold Award at the 2018 Taiwan Corporate Sustainability Awards (TCSA)

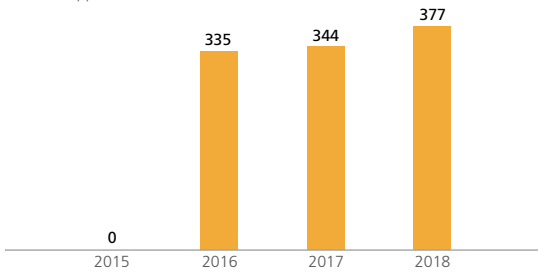


Included as a constituent stock in the Taiwan RAFI® EMP 99 Index

Total employee training hours and expenses

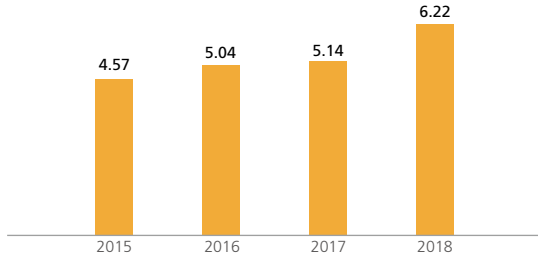


Number of suppliers that signed the Letter of Commitment to CSR Unit: Suppliers

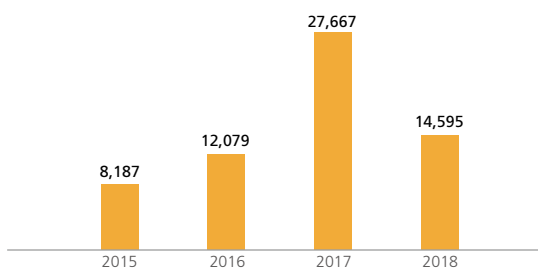


Note: The Letter of Commitment to CSR was established in November 2015.




Employee salary and benefits expenses Unit : NT\$ billion







Social engagement and charity expenses Unit : NT\$ thousand



Progress Towards Sustainability in 2018

Committee	Sustainability strategy	Strategy implementation guidelines	SDGs
Corporate Governance	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 	<div> <div>16</div> <div>PEACE, JUSTICE AND STRONG INSTITUTIONS</div> <div>  </div> </div> <div>Peace, Justice and Strong Institutions</div>
Environment, Healthy, and Safety	Prioritizes employee safety and health, and establishes well-rounded policies and regulations which are enforced in each plant	<ul style="list-style-type: none"> Protects labor safety and health, and creates a safe working environment 	<div> <div>6</div> <div>CLEAN WATER AND SANITATION</div> <div>  </div> </div> <div>Clean Water and Sanitation</div>
	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"> Increases resource-use efficiency and recycling for a circular economy Establishes energy management mechanisms for energy conservation, carbon reduction, and to reduce pollutant emissions 	
Green Operation	Continually develops innovative green products, creates shared value with customers, and establishes a sustainable business mode	<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 	<div> <div>9</div> <div>INDUSTRY, INNOVATION AND INFRASTRUCTURE</div> <div>  </div> </div> <div>Industry, Innovation and Infrastructure</div>

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Committee	Sustainability strategy	Strategy implementation guidelines	SDGs	
Customer Service and Supplier Management	Continually engages in customer-centric innovation and R&D, improves production and service models, and strives to create value for customers	<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 	 Industry, Innovation and Infrastructure	 Responsible Consumption and Production
	Comprehensively implements and strengthens supplier sustainability management to mutually grow with our business partners	<ul style="list-style-type: none"> 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 		
Employee and Social Care	Upholds the concept of total involvement, cultivates top-tier talent and creates a happy workplace	<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 	 Good Health and Well-being	 Quality Education
	Promotes mutual development with local communities to gain greater social influence	<ul style="list-style-type: none"> Engages in charity and increases its influence through four aspects: corporate citizenship, care for the underprivileged, environmental protection and preservation, and community outreach 		

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Chapter 1

Active Interaction and Response

1.1 Stakeholder Engagement

1.2 Material Topic Analysis

**1.3 Disclosure of Management
Strategies**

Positive

1.1 Stakeholder Engagement

Define major stakeholders

We added a new stakeholder category "Academic Research Institutions" in 2018 due to our collaboration with academia in product innovation and development. We continued to use the same analysis framework as in previous years while our different departments evaluated the relevance of 11 stakeholders categories in accordance with the 5 major principles of the AA1000 Stakeholder Engagement Standards. This year's statistical analysis results found that employees, government agencies, customers, shareholders, and suppliers/contractors/outsourcers, are the major stakeholders (in that order). Results were similar to the those of 2017. Walsin has established complete and comprehensive channels of communication for stakeholders to learn about the topics with which stakeholders are concerned and actively respond.



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Major stakeholders	Importance to Walsin	Topics of Concern	Communication / Response Method	Unit Engaging in Communication	Frequency of Communication
Employees	Employees provide the impulse for Walsin to move forward. It is their unity and support which enables Walsin to achieve sustainability.	<ul style="list-style-type: none"> Regulatory compliance Sustainability strategy Occupational health and safety Business Performance Risk management 	Questionnaire survey for material issue identification	CSR Committee	Once a year
			Environment, Health and Safety Committee Meeting	Environment, Health and Safety Committee	Quarterly
			Labor-management meeting Please refer to section 5.4 Care, Communication and Employee Benefits	Head Office/Human Resources Units at Factories	Quarterly
			Employee intranet and e-newsletter	Press and Media Dept. Head Office/Human Resources Units at Factories	Information on our website is updated twice a month. Announcements and the latest news are irregularly sent
			Complaints and suggestions mailbox and hotline	Auditing Office Head Office/Human Resources Units at Factories	Immediate
			Mechanism for the involvement of all employees	All departments of the Company	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.	<ul style="list-style-type: none"> Sustainability strategy Regulatory compliance Occupational health and safety Social care and community outreach Human Rights and Equality 	Questionnaire survey for material issue identification	CSR Committee	Once a year
			Official notification	All departments of the Company	Irregular
			Participation in briefing and conciliation meetings, questionnaires, and training courses on various policies and laws	Legal Office All departments of the Company	Irregular
			Phone, email and electronic communications platforms		Immediate
Customers	Customers are the core of Walsin's improvements in products and services; Walsin develops longterm trusting customer relationships.	<ul style="list-style-type: none"> Product quality and responsibility Customer relationship management Regulatory compliance Sustainability strategy Risk management 	Public Information Observance Station	Shareholders Service Office Accounting Division	Immediate
			Questionnaire survey for material issue identification	CSR Committee	Once a year
			Customer satisfaction survey Please refer to section 3.4 Create value for customers	Business units at each factory	one or two times a year
			Visits to customers	Business units at each factory	Irregular
			Phone, email and feedback sent through mail	Business units at each factory	Immediate

Major stakeholders	Importance to Walsin	Topics of Concern	Communication / Response Method	Unit Engaging in Communication	Frequency of Communication
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.	<ul style="list-style-type: none"> • Business Performance Sustainability strategy • Transparency of disclosure • Risk management • Corporate governance 	General shareholders' meeting	Shareholders Service Office	Once a year
			Publication of annual report	Accounting Division	Once a year
			Investor conferences https://www.walsin.com/walsin/page.do?menuId=886	Finance Division	two times a year
			Questionnaire survey for material issue identification	CSR Committee	Once a year
			Company website	Press and Media Dept. All departments of the Company	Immediate
			Public Information Observance Station	Shareholders Service Office Accounting Division	Immediate
			Company spokesperson system	Spokesman	Immediate
			Shareholder service center	Shareholder Relations	Immediate
			Complaints and suggestions mailbox and hotline	Auditing Office	Immediate
			• Questionnaire survey for material issue identification	CSR Committee	Once a year
Suppliers Contractors Outsourcer	Suppliers/Contractors/Outsourcers are Walsin's upstream materials and service providers, and are key business partners that support Walsin.	<ul style="list-style-type: none"> • Product quality and responsibility • Customer relationship management • Supplier management • Sustainability strategy • Occupational health and safety 	• Visits, on-site assessments and audits	Customer Service and Supplier Management Committee Procurement units at each factory	Irregular
			• Phone, email and letters	Procurement units at each factory	Immediate
			• Suppliers' Meetings Please refer to section 3.5 Sustainable supply chain	Customer Service and Supplier Management Committee Procurement units at each factory	We organized Suppliers' Meetings at our Hsinchuang Plant and Changshu Plant in 2018



Contact Person and Contact Method for Each Stakeholder Category

1.2 Material Topic Analysis

Walsin Lihwa conducts questionnaire surveys for material issue identification involving internal and external stakeholders. The purpose of said actions is to understand the materiality of sustainability issues related to corporate governance, economy, environment, labor rights, society, and product accountability. In response to the growing emphasis on sustainability in the international steel industry, Walsin Lihwa did analysis of 20 different issues, including 3 new Environmental Performance issues added for 2018: Water management, resource management, and pollution control.

Analyzing the level of attention paid to material issues

Target: Major external stakeholder identification

Stakeholders score the 20 material issues in the questionnaire based on their level of concern.

A total of **213** valid questionnaires were collected.

Evaluating the impact of material issues

Target: Senior executives

9 senior executives and **14** first-level unit supervisors scored issues based on their level of concern, impact on company operations, and overall economic, environmental, and social impact.

According to the statistical analysis of stakeholders' questionnaires, the order of material issues in 2018 is as follows: sustainability strategy, legal compliance, health and safety, product quality and safety, risk management, pollution control and corporate governance. Through internal discussion based on the analyses results, Walsin Lihwa defined targets and boundaries for every aspect within and without the organization and 10 corresponding material topics were further identified. These 10 material topics are the main scope of information disclosures in this report. Furthermore, this report also discloses our response and strategies for certain material topics (such as labor relationship, training and education, supplier management, resources management and customer service and relationship).

2018 CSR Issues List

Corporate governance	Economic issues	Environmental issues	Labor issues	Social issues
<ul style="list-style-type: none"> Sustainability strategy Corporate governance Risk management Information Transparency 	<ul style="list-style-type: none"> Technology Development and Innovation Product Quality and Safety Legal compliance Financial Performance Supplier management 	<ul style="list-style-type: none"> Climate Change and Energy Management Water Management Resources Management Pollution Control 	<ul style="list-style-type: none"> Health and Safety Labor Relationship Training and Education Hiring, Salary and Benefit 	<ul style="list-style-type: none"> Society and Community Involvement Human rights and equality Customer Service and Relationship

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2018 Material Issues Matrix



High concerns & impacts

- 1 Sustainability strategy
- 2 Legal compliance
- 3 Health and safety
- 4 Product quality and safety
- 5 Risk management
- 6 Pollution control
- 7 Corporate governance

Medium concerns & impacts

- 8 Financial performance
- 9 Labor relationship
- 10 Customer service and relationship
- 11 Training and education

Low concerns & impacts

- 12 Information transparency
- 13 Technology development and innovation
- 14 Supplier management
- 15 Resources management
- 16 Water management
- 17 Climate change and energy management
- 18 Hiring, salary and benefit
- 19 Human rights and equality
- 20 Society and community involvement

1.3 Disclosure of Management Strategies

Material Topics Table

● Direct impact
○ Indirect impact

Material Issues	Significance to Walsin	Material Topics	Internal Impact	External Impact				Chapter Response
			Walsin Lihwa (including each plant and overseas subsidiaries)	Government organizations	Customers	Shareholders	Suppliers/ Contractors/ Outsourcers	
Sustainability Strategy	The CSR Committee establishes sustainability strategies following our vision for sustainability. ESG-related management activities are implemented through annual goals and plans execution.	General Disclosure	●	○	●	○	●	<ul style="list-style-type: none"> Progress Towards Sustainability in 2018 CH2 Steady Operation and Governance CH3 Adding Value through Innovation and Mutual Advancement CH4 Environmental Protection and Energy Conservation CH5 Friendly Care and Growth CH6 Intensifying our Actions for the Common Good
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 Regulatory Compliance	●	○	○	○	●	<ul style="list-style-type: none"> 2.4 Business Integrity 4.4 Compliance with Environmental Regulations
		Social and Economic Regulatory Compliance	●	○	●	○	●	
		Anti-corruption	●	○	○	○	●	
		Anti-competitive Behavior	●	○	●	○	●	
Health and Safety	Occupational safety and health management measures and policy of Walsin to improve employees' overall health and safety.	Occupational Safety and Health	●	○	○	○	●	<ul style="list-style-type: none"> 5.2 Promotion of Occupational Health and Safety

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Material Issues	Significance to Walsin	Material Topics	Internal Impact	External Impact				Chapter Response
			Walsin Lihwa (including each plant and overseas subsidiaries)	Government organizations	Customers	Shareholders	Suppliers/ Contractors/ Outsourcers	
Product Quality and safety	Walsin's practices to improve product quality and ensure that product and material quality comply with health and safety regulations.	Customer Health and Safety	●	○	●	○	●	● 3.3 Product Quality and Responsibility
	Walsin actively builds relationships with customers to understand what customers need and improve service quality and satisfaction.	Marketing and Labeling	●	○	●	○	●	● 3.4 Creating Value for Customers
Risk Management	We continue to identify and monitor risks and plan response measures to reduce and respond to the impact of internal and external risks.	General Disclosure	●	○	●	●	●	● 2.4 Business Integrity
Pollution Control	Walsin's strategy for using raw materials and resources in operations, including consumables, improvement of recycling, pollution management, and environmental impact assessments.	Energy	●	○	○	○	●	● 4.2 Promotion of Energy Conservation and Carbon Reduction
		Wastewater and Waste	●	○	○	○	●	● 4.3 Pollution Prevention
		Environmental Regulatory Compliance	●	○	○	○	●	● 4.4 Compliance with Environmental Regulations
Corporate Governance	Guidelines and measures to safeguard shareholders' rights, reinforce the composition and operations of the Board of Directors, increase information transparency and implement CSR practices	General Disclosure	●	○	○	●	○	● 2.2 Governance Framework

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Management Approach Table

Material Issues	Material Topics	Management mechanisms and purpose	Policy/Commitment/Responsibility	Goals/Resources/Actions/Complaint Mechanisms
Sustainability Strategy	General Disclosure	The CSR Committee is responsible for the establishment of corporate sustainability strategies and vision. The Committee stays up-to-date on the implementation process through periodic meetings, and regularly reports CSR-implementation results 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.	<ul style="list-style-type: none"> 2019 Goals: <ul style="list-style-type: none"> Implement a CSR Committee governance of the functions of other functional committees Align annual goals of functional committees under the CSR Committee governance with BU goals Complaint mechanisms: <ul style="list-style-type: none"> CSR communication Questionnaire survey for material issue identification
	Environmental Legal Compliance Social and Economic Legal Compliance Anti-corruption Anti-competitive Behavior	<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. The Business Integrity Committee under the board of directors is responsible for the implementation of related policies, regulatory compliance training, and supervision of the audit mechanism. Create a corporate culture of honest business practices and facilitate sound business development and corporate sustainability. 	<p>Honest business practices are an important part of the company's culture that stress that all business activities must comply with local laws and regulations.</p> <p>We are committed to complying with laws, regulations, and procedures, and have established an emergency reporting system.</p> <p>The Company exerts every effort in the following areas to comply with laws and regulations to achieve sustainability:</p> <ul style="list-style-type: none"> External: The Company's Honest Business Practices and Behavioral Guidelines and Operation Procedures for Honest Practices are available on the Company's website. Internal: An honest business practice area was established on the internal platform to promote regulatory compliance; Training courses are organized in each plant to promote the importance of regulatory compliance. 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. Promote honest business practices during supplier meetings. A sunset provision as well as regulations on honest transactions, anti-bribery (anti-corruption) and other unethical conducts are incorporated in supplier contracts. 	<ul style="list-style-type: none"> Goals: To create a culture of honest business practices and make it a part of the DNA of every Walsin employee. Resources and actions: <ul style="list-style-type: none"> Continue to improve related regulations and systems Continue to provide training that promotes regulatory compliance and honest business practices (employees and suppliers) Identify operating practices at every factory that have high risk of violating honest business practices (sales, procurement, EHS) Conduct audits on high-risk business practices Complaint mechanisms are divided into internal and external mechanisms: <ul style="list-style-type: none"> Internal complaints: Walsin Lihwa has an internal company mailbox and easily accessible internal complaint channels External complaints (violation of honest business practices and sexual harassment) TEL: 886-2-8726-2211 ext.6399 E-mail: opinion@walsin.com
Health and Safety	Occupational Safety and Health	Establish an Execution Committee under the CSR Committee governed by the Board of Directors that is responsible for the integration and supervision of domestic and overseas factories' occupational safety and health management performances, and gradually establish a safety culture.	Our EHS and energy policy is "Green Manufacturing, Prosperous Enterprise and Sustainable Operations" . We are also committed to regulatory compliance, risk control, healthcare promotion and the creation of a friendly and healthy environment to make continuous improvements and thus achieve a better performance.	<ul style="list-style-type: none"> 2019 Goals: Frequency-Severity Indicator (FSI) <0.5 Implementation plan : <ul style="list-style-type: none"> Improve risk assessment tools and risk management practices Strengthen contractor management and reduce occupational accidents of contractors

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Material Issues	Material Topics	Management mechanisms and purpose	Policy/Commitment/Responsibility	Goals/Resources/Actions/Complaint Mechanisms
Product quality and Safety	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.	Substance safety data sheets and material certificates proving product safety are provided to customers as needed.
	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"> Complaint mechanism: <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
Risk Management	General Disclosure	<ul style="list-style-type: none"> Established an internal audit system and independent directors to ensure the effective operation of internal control and reporting mechanisms. Related departments carry out risk management work to lower the impact of operational risks 	<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"> 2019 Goals: Implement internal audits and operational risk management Complaint mechanisms: Audits and reports
Pollution Control	Energy Conservation and Emission Reduction	Establish an Execution Committee under the CSR Committee governed by the Board of Directors that is responsible for the integration and supervision of environmental and energy management performance of domestic and overseas factories and gradually stabilize environmental protection operations and energy management.	Our EHS and energy policy is “Green Manufacturing, Prosperous Enterprise and Sustainable Operations” . We are also committed to regulatory compliance, risk control, pollution prevention, resources conservation, emissions reductions and improving performance. We improve management practices, integrate resources, upgrade our technologies and cultivate R&D/technology talents in the environmental field to achieve the Company's environmental safety and health management vision: "Energy Conservation, Carbon Reduction, Reutilization, and Recycling."	<ul style="list-style-type: none"> 2019 Goals: <ul style="list-style-type: none"> Implement ISO 50001/14064 Systems and quantify energy management From 2014 to 2020, we aim to reduce electricity consumption and carbon emission every year by 1%.
	Wastewater and Waste			<ul style="list-style-type: none"> 2019 Goals: Increase resources reutilization
	Environmental Regulatory Compliance			<ul style="list-style-type: none"> 2019 Goals: Compliance with environmental protection: zero shutdowns, zero fines
Corporate Governance	General Disclosure	Periodic CSR and corporate governance meetings conduct followup 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.	<ul style="list-style-type: none"> Complaint mechanisms: CSR communication

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Chapter 2

Steady Operation and Governance

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2.2 Governance Framework

2.3 Business Performance

2.4 Business Integrity



Sustainability promotion strategy :

Enhance the functionality of the governance structure, ensure compliance with related regulations and strive to increase stakeholders' trust in Walsin

Strategy	Objectives for 2018	2018 results	Objectives for 2019
Develop a sound governance framework and increases the accountability of management	<ul style="list-style-type: none"> Improve the Board's performance 	<ul style="list-style-type: none"> Implemented external board performance evaluations 	<ul style="list-style-type: none"> Formulate improvement plans based on the external evaluation results
Sequentially complete corporate governance and sustainability related policies, regulations and systems	<ul style="list-style-type: none"> Establish a suitable governance framework to establish and review CSR policies, systems, or management guidelines 	<ul style="list-style-type: none"> Planned the establishment of corporate governance personnel 	<ul style="list-style-type: none"> Establish corporate governance personnel Revise the Corporate Governance Best-Practice Principles in coordination with our Corporate Governance Blueprint and the Company Act
Improve the timeliness, consistency and transparency of internal and external information disclosure	<ul style="list-style-type: none"> Improve information disclosure 	<ul style="list-style-type: none"> Established the Dividend Policy Organized 2 Legal Person Conferences Established and disclosed the Human Rights Policy 	<ul style="list-style-type: none"> Strengthen disclosures of the connection between directors' performance evaluations and remuneration Disclose measures taken to ensure a safe working environment and employees' personal safety and their implementation status



External Evaluation of the Board's Performance in 2018



Establishment and Disclosure of Our Human Rights Policy in 2018



The 2018 Annual Shareholders' Meeting approved the establishment of the dividends policy in the Articles of Incorporation



Ranked in the **Top 5% of Companies in the 2018 5th Corporate Governance Evaluation**

Ranked in the **top 10 percent of non-financial and non-IT companies in Taiwan with a market value of more than NT\$10 billion.**

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 2018 was approximately NT\$190.8 billion, and employees totaled around 5,000.

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.

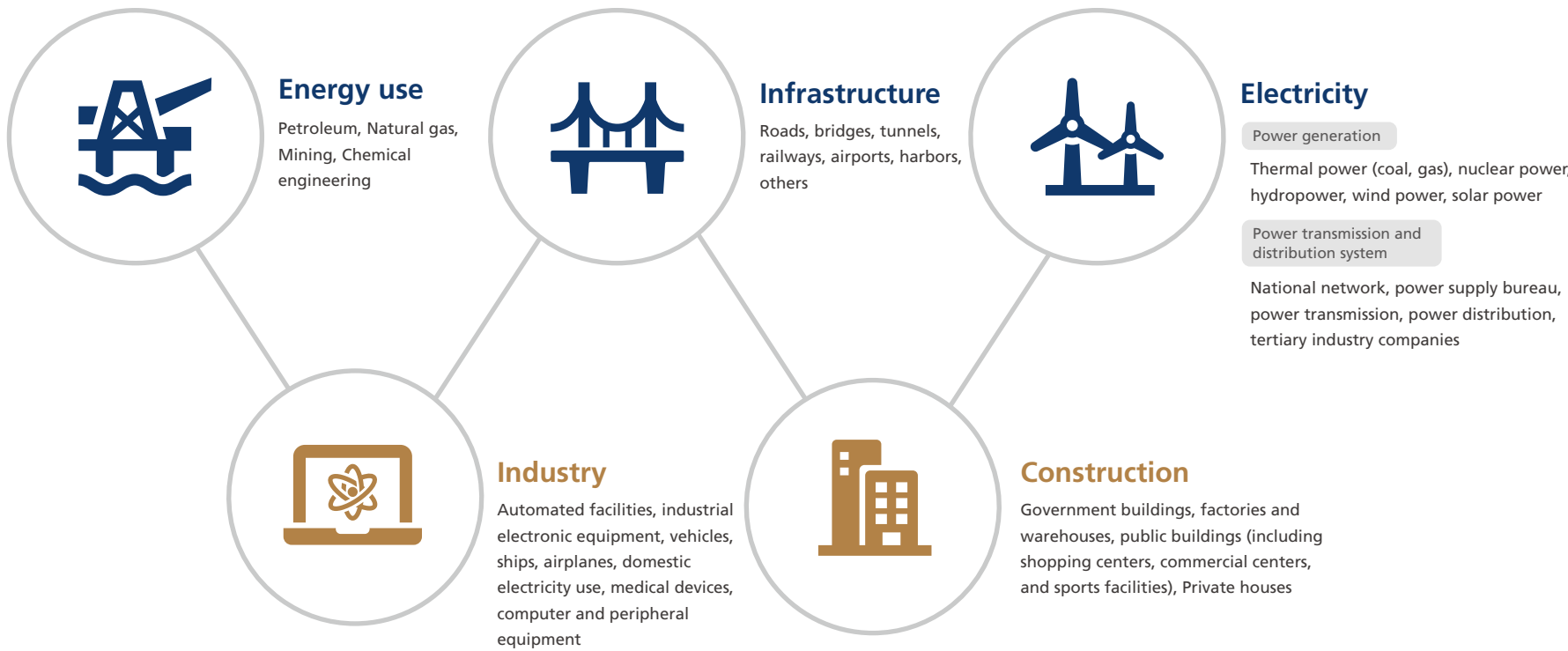
Walsin Lihwa began investing in the semiconductor, electronic parts and components, printed circuit boards, photonics, and financial industries in 1980, and established a number of enterprises including Winbond Electronics Corporation, Walsin Technology Corporation, HannStar Board Corporation, and HannStar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

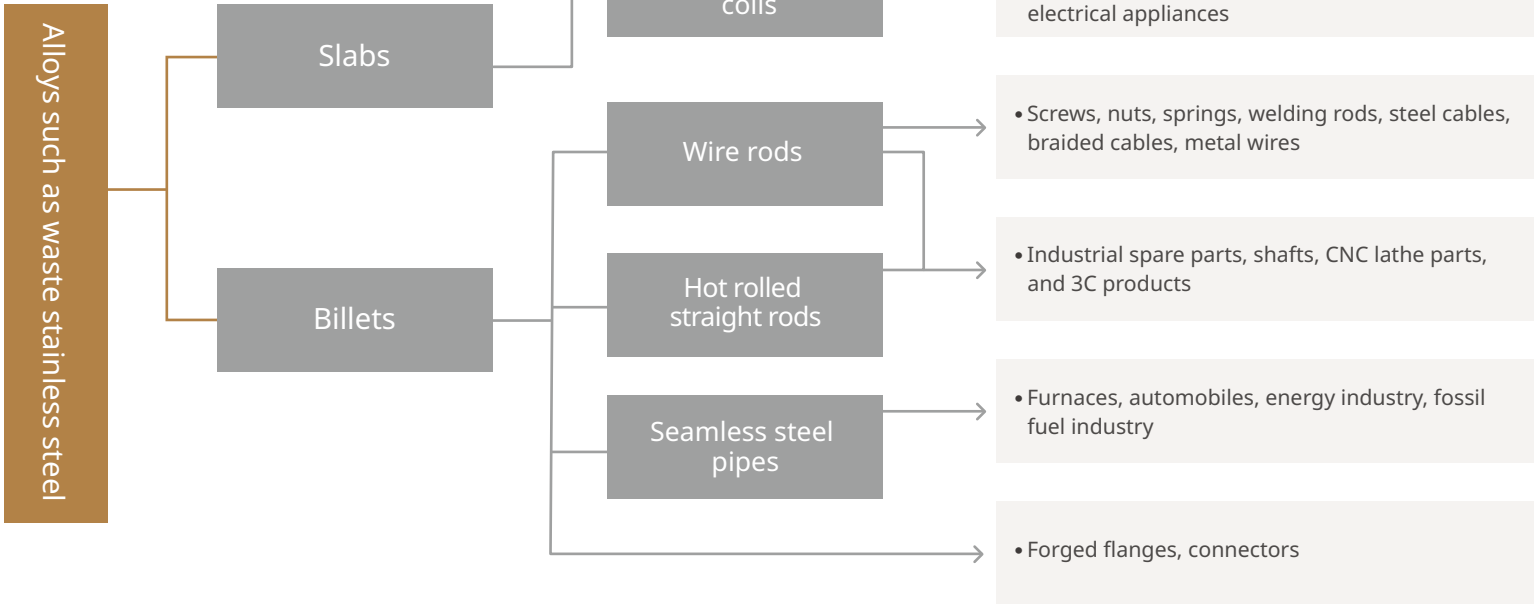
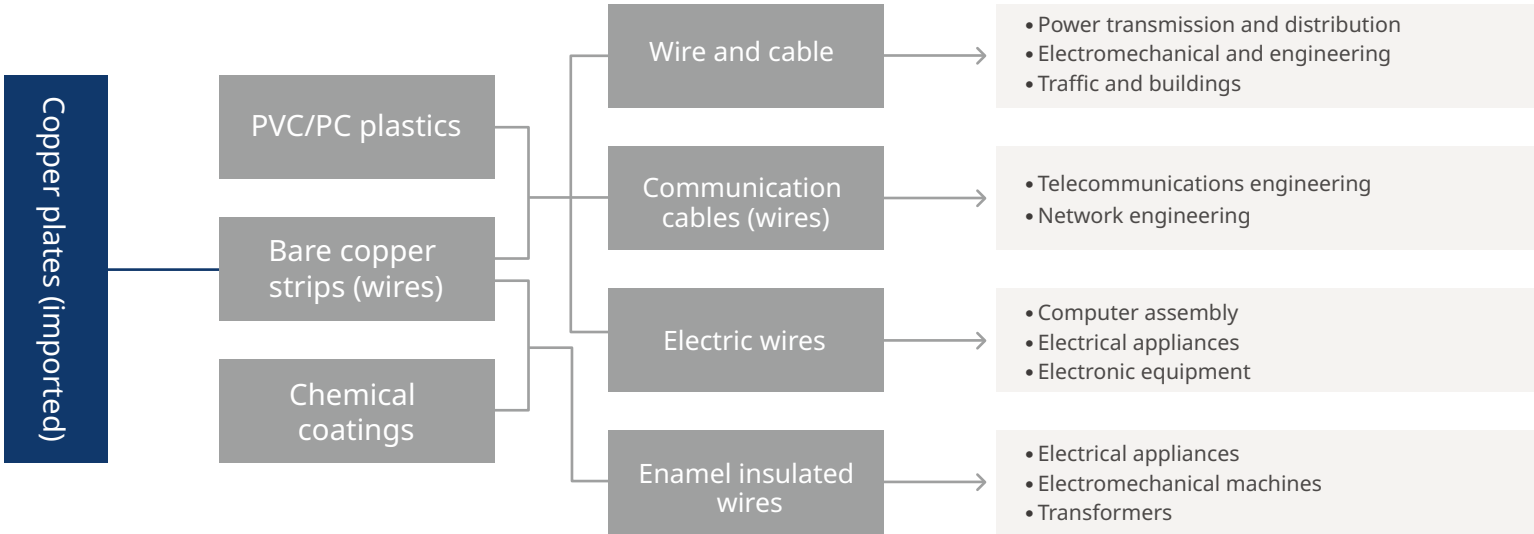
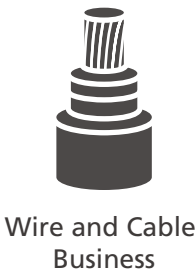
Walsin Lihwa has always stayed up-to-date on trends and utilizes a proactive expansion strategy to pursue new growth. We continue to work together with well-known companies and universities in Taiwan and overseas in proprietary technology research, and to develop new products and businesses based on 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 :

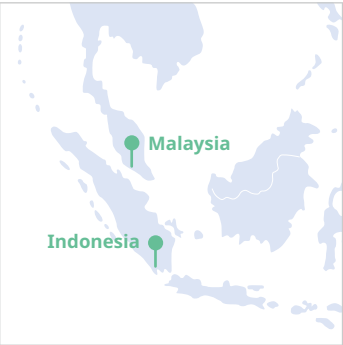
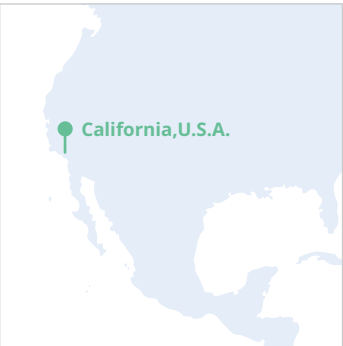




Business locations

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.

- Wire and Cable Business
- Speciality Steel Business
- Real Estate Business
- Other Overseas Sites



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

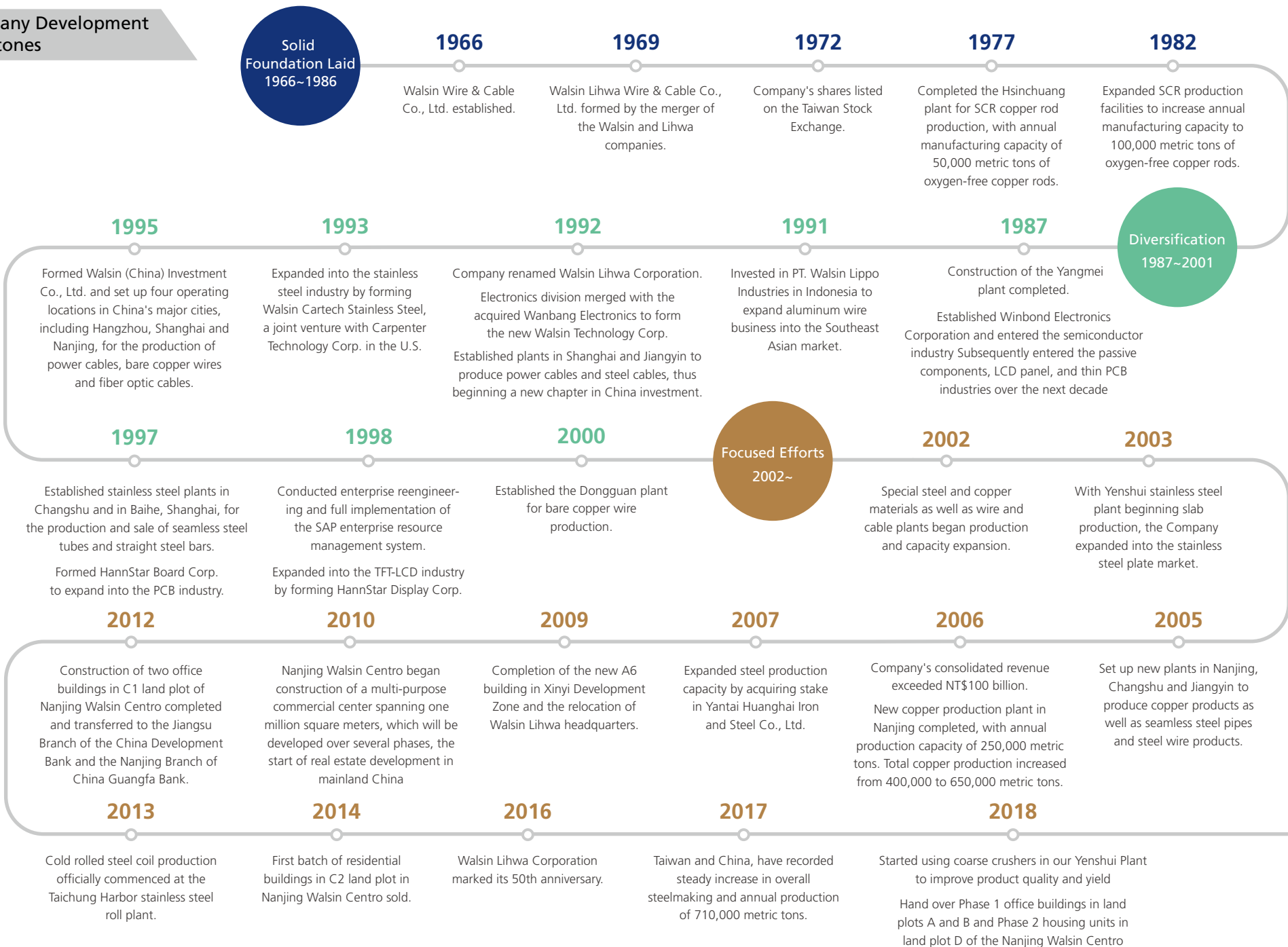
2.1.3 Milestones and awards

Honors and Awards

Taiwan
<ul style="list-style-type: none"> Ranked in the Top 5% of Companies in the TWSE's 5th Corporate Governance Evaluation in 2018 Ranked in the top 10 percent of non-financial and non-IT companies in Taiwan with a market value of more than NT\$10 billion. TOP50 Performance Award and Gold Award at the 2018 Taiwan Corporate Sustainability Awards (TCSA) Won the Golden Trade Award from the Bureau of Foreign Trade, Ministry of Economic Affairs CommonWealth Magazine <ul style="list-style-type: none"> Ranked 300th in the Top 1,000 Companies Across the Taiwan Strait in 201 Ranked 24th in the Top 2,000 Manufacturers in 2017 Ranked 37th among the Most Profitable Manufacturers in 2017 Received the "School Donation Role Model" award from Yilan County Government for the "Light Up the Corners throughout Taiwan" project The Hsinchuang Plant was given the Role Model Award by the Taiwan Food and Drug Administration and Health Promotion Administration, Ministry of Health and Welfare Taichung Plant <ul style="list-style-type: none"> Won the Vitality and Energy Award in the 2018 National Outstanding Workplace Health Award Won the Best Corporate Participant Award in the 2018 Exercise Mileage Contest held by the Health Bureau of Taichung City Government Won the third place in the "Air Quality Cleaning Zone: Dongfeng Green Corridor Bicycle Path" evaluation conducted by the Taichung Environmental Protection Bureau
Mainland China
<ul style="list-style-type: none"> Nanjing Walsin (Copper Wire) <ul style="list-style-type: none"> 2018 Xiaxi District Advanced Statistics Unit Nanjing Economic and Technological Development Zone - 2018 Economic Statistics Advanced Unit Nanjing Economic and Technological Development Zone - 2018 Safe Manufacturing Advanced Individual Shanghai Walsin <ul style="list-style-type: none"> Jiading District Amateur Tournament (broadcast operator, third prize) Recognized as an advanced organization by Nanxiang Township Trade Union Jiading District, Shanghai City Annual company AAA credit rating certificate

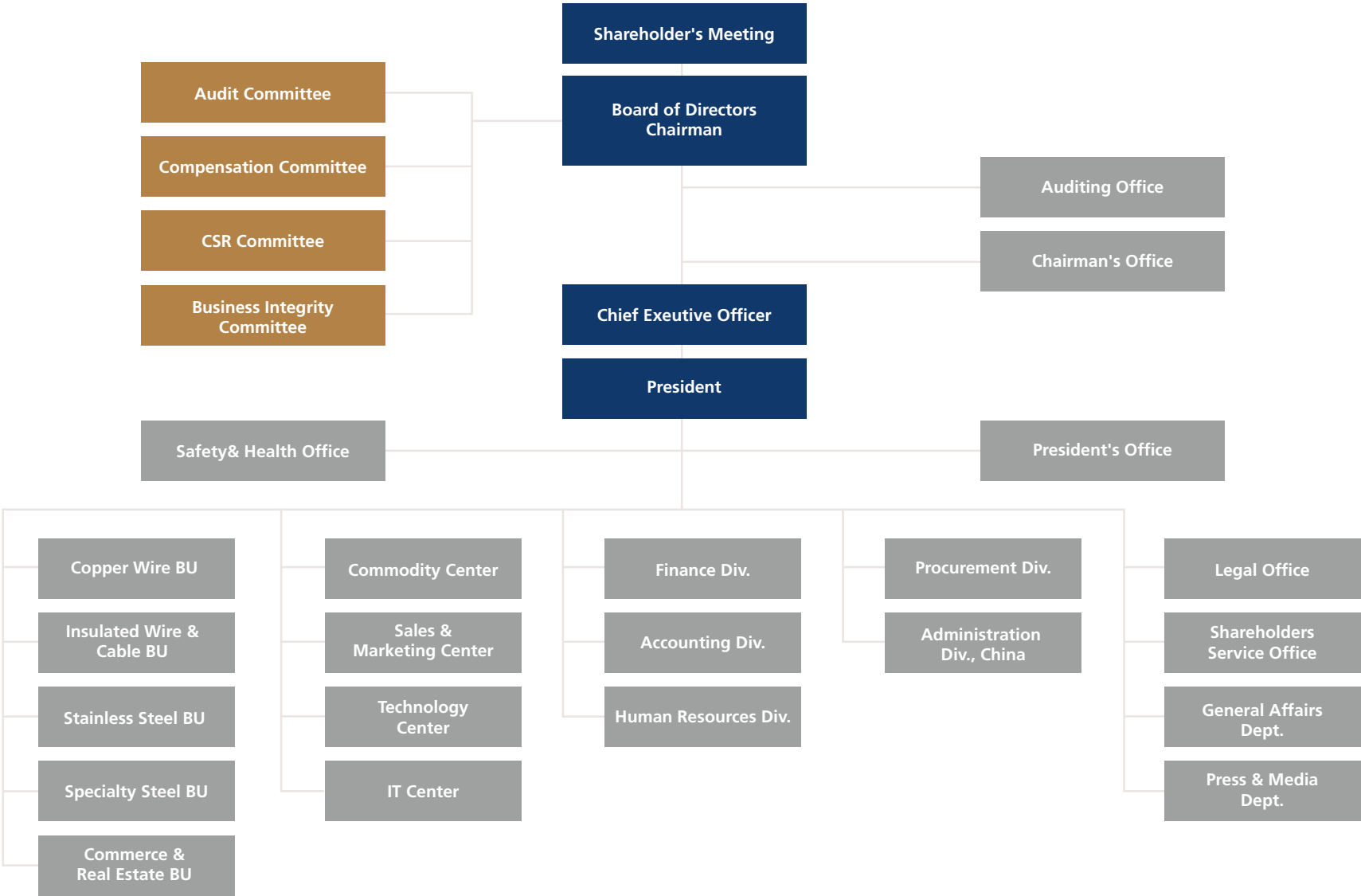
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Steady Operation and Governance



2.2 Governance framework

2.2.1 Organizational structure



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Steady Operation and Governance

2.2.2 Board of directors

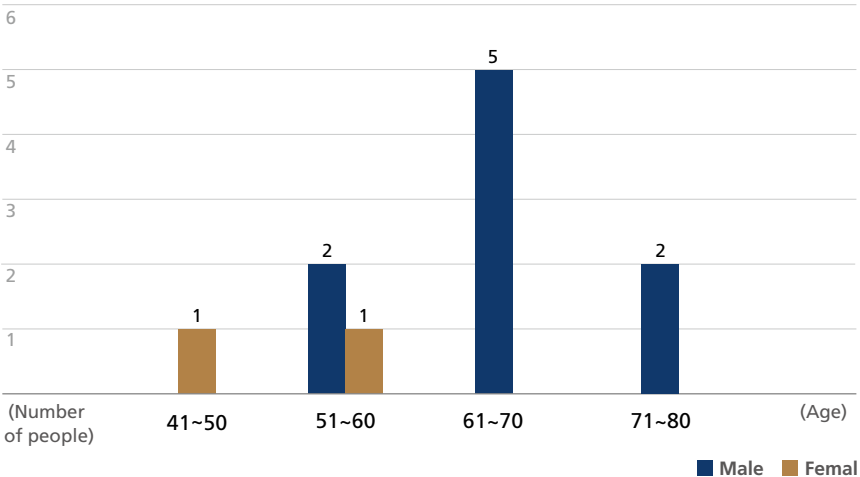
The Board of Directors is the highest level governance unit and decision-maker of the Company. The Company's general shareholders' meeting in 2011 approved the revision of its Articles of Incorporation, and established a candidate nomination system for Board elections in accordance with Article 192-1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

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 2018 with an 80% attendance rate among all directors. Important resolutions of the Board of Directors are disclosed on the Company's website to provide timely and transparent information.

The Company has directors from diverse backgrounds. Directors 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.

The Board of Directors does not have any representatives of the underprivileged or stakeholders other than shareholders.A total of 8 Board members received training in anti-corruption courses in 2018, accounting for 72.7% of members. Please refer to our website for information on the continuing education of Board members related to corporate governance.

Gender and age of directors



Director Profiles and Implementation of Board Diversity



Important resolutions of the Board of Directors in 2018



Continuing education status of directors in 2018

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. Members of each committee are summarized in the table below:

Member	<div> <div></div> <div>convener</div> </div>			
	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			✓	✓



Duties and Operations of the Audit Committee, Compensation Committee and Business Integrity Committee

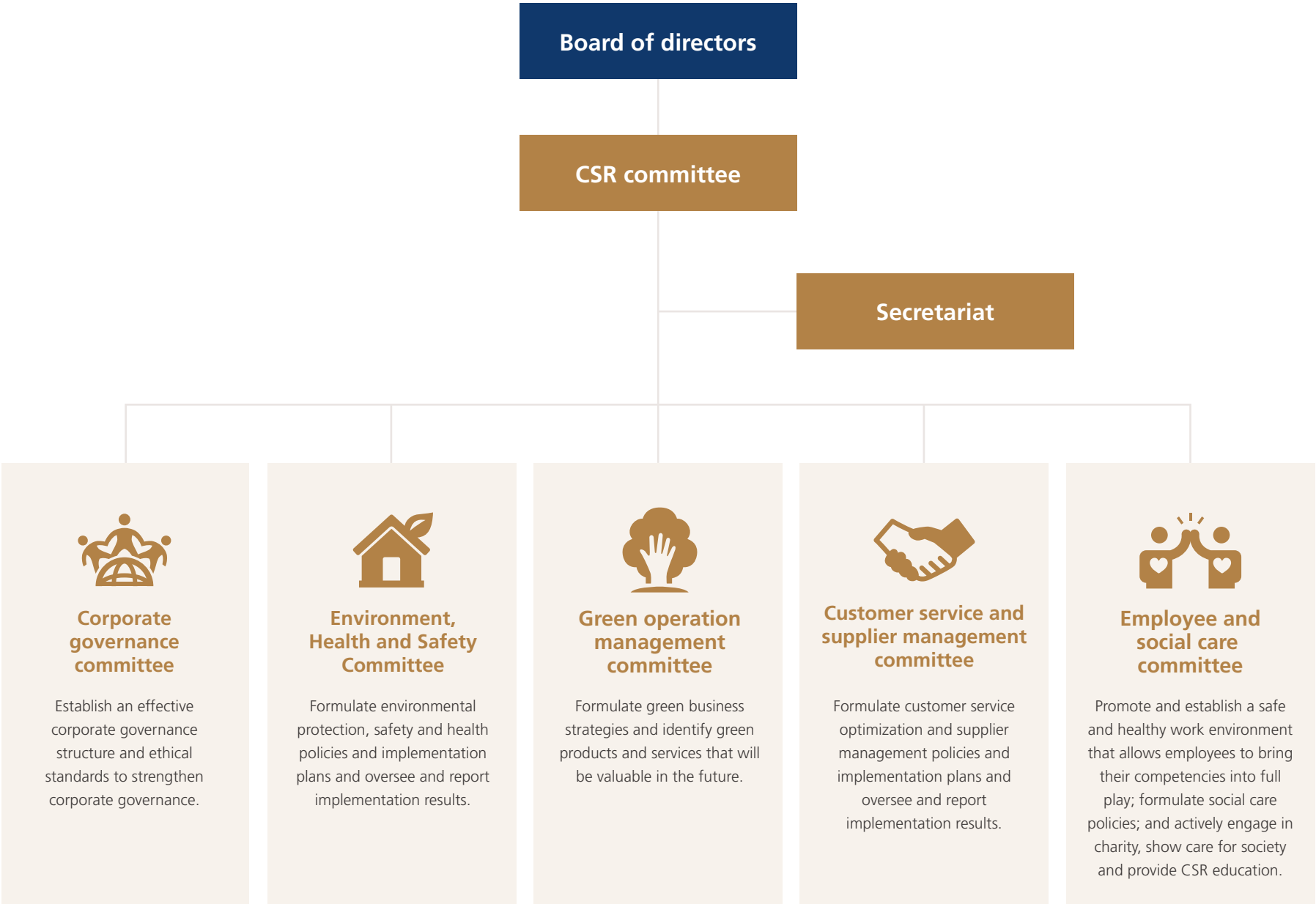
CSR Committee

Walsin Lihwa takes stakeholders' rights and interests seriously in the fulfillment of CSR. As we pursue sustainability and profitability, we are concerned about the impact we have on the environment, society and governance and consequently continue to improve our sustainability performance. Our CSR Committee was established in April 2015 and is responsible for the establishment of corporate sustainability strategies and vision. Functional committees established under the CSR Committee include the following: Corporate Governance; Environment, Health and Safety; Green Operations Management; Customer Service and Supplier Management; and Employee and Social Care. Functional committees are responsible for implementing 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 results in 2018 and the implementation plan for 2019 was reported in January 2019.

Corporate Social Responsibility Committee Operation

Communication plan	Communication mechanism	Frequency	Status of communication in 2018
Report to the Board of Directors	The CSR Committee shall, on a regular basis, report the results of CSR implementation in the current year as well as the following year's CSR implementation plan to the Board of Directors.	<ul style="list-style-type: none"> Annual report: Once every year Other CSR issues: On an as-needed basis 	Report of the results of CSR implementation in 2017 and the 2018 CSR implementation plan in May 2018
Annual CSR plan development and implementation follow-up	The CSR Committee shall, by the end of every year, develop the following year's CSR objectives and implementation plan, and shall convene scheduled CSR Committee meetings in the first and second half of every year for its sub-committees to report the latest status on CSR implementation.	<ul style="list-style-type: none"> At least two scheduled CSR Committee meetings to be convened every year 	Three CSR Committee meetings convened
Annual CSR report development	The CSR Committee shall identify material stakeholders and the issues of their concern to accordingly address them, and shall disclose such issues and how they are addressed as well as relevant CSR indices and information in its annual CSR report.	<ul style="list-style-type: none"> On an as-needed basis 	Two discussions regarding annual CSR report development

Organizational Structure and Functions of the CSR Committee



2.3 Business performance

2.3.1 Financial performance

Walsin Lihwa's total capital was NT\$33.3 billion in 2018, consolidated revenue was approximately NT\$190.9 billion, and number of employees reached nearly 5,000. The Company's three major business units are wire and cable, speciality steel, and real estate. The Wire and Cable BU's revenue was NT\$98.7 billion in 2018, shipping approximately 490,000 tons of bare copper wire and wire and cable. The speciality Steel BU's revenue was NT\$63.4 billion, shipping approximately 840,000 tons of primary speciality steel products. The Commerce & Real Estate BU's income from real estate sales and leasing was NT\$14.3 billion; The Company's net profit was NT\$11.8 billion.

NT\$ million		
Category	2018	2017
Operating revenue	190,915	167,793
Gross profit	15,935	12,005
Operating expenses	4,909	4,109
Operating profit	11,026	7,896
Non-operating income and expenses	5,645	1,498
Pre-tax profit/loss	16,671	9,394
Net profit/loss	11,757	6,560

Annual sales volume of stainless steel products increased to 840,000 tons in 2018, up 7% compared with 2017. Copper materials and insulated wires and cables sales volume was about the same as previous years. Commerce and real estate generated NT\$8 billion in revenue in 2018. Our overall revenue increase NT\$23.1 billion compared with 2017 due to the 6% and 26% hike in copper and nickel prices.

Gross profit

Our gross profit increased NT\$3.9 billion in 2018 compared with last year. This was mainly due to profits acquired from the hand over of phase 1 A and B land plots and phase 2 D land plots by the Commerce and Real Estate Business Unit in 2018.

Operating expenses

The increase in operating expenses in 2018 was the result of an increase in employee bonuses due to record high profits, the investment in talent for technology applications, and expenses the Real Estate Business incurred into from real estate sales.

Non-operating income and expenses

Non-operating income and expenses significantly increased in 2018 compared with 2017. This was mainly due to our record high profits in 2018; remaining investments are generating stable profits.

2.3.2 Business Development Overview and Future Outlooks

We gained record high profits in 2018 due to the global economic recovery. Profits from our Wire and Cable Business Unit increased as a result of Taiwan's demand on infrastructure and factory construction. The Commerce & Real Estate Business Unit recognized profits from office building and housing product sales. Business was booming for the electronics industry in the first half and increased profits from our investments. Due to the rise of protectionism in the fourth quarter and the U.S.-China trade war, the EU also conducted investigations for trade defense. Fluctuations of international raw material prices became more severe, as did the imbalance of supply and demand in the stainless steel market. This further affected the Stainless Steel BU's profits in the fourth quarter.

Looking towards 2019, the overall international economic situation will continue to be affected by the U.S.-China trade war and imbalance of supply and demand in the stainless steel market. Furthermore, the Fed's hiking interest rates, China's economic slowdown, and Taiwan limited market growth will all cause our manufacturing business units to face harsher challenges. Facing the challenges and opportunities brought by constant technological innovations and changes to business models caused by the IoT, we will continue to increase investments in technology applications to accelerate the accumulation of specialized knowledge and technologies by manufacturing business units, shorten the response time to customers' needs, and increase the value delivered through customer services. We hope to thus transition to a manufacturing service provider to maintain our growth momentum.



Wire and Cable Business

The Copper Wire Business Unit adopts the principle of sound operations and its production capacity is almost fully utilized. However, due to the U.S.-China trade war and severe competition from China's market, we will continue to improve our product quality to maintain our edge against competitors and our market share. Taiwan's construction sector has become a mature and stable market for the main products of the Wire and Cable BU. We are actively developing products for solar power, wind power, and port machinery industries, and are seeking the opportunity to push our cable products into the international market to gain greater market presence.



Specialty Steel Business

The Stainless Steel BU continues to improve its manufacturing capabilities and product quality through capital expenditures. It also develops new steel varieties and expands product sizes to meet customers' requirements, increasing the ratio of high value products to lower the impact of Chinese competitors enjoying an edge from export tax refunds. Furthermore, we will continue to invest in green manufacturing, including environmental protection and energy conservation.



Real Estate Business

Construction of the housing products in land plot D of Nanjing Walsin Centro's "Jing Yuan" was completed, handover of Phase 1 and Phase 2 houses were completed, and profits were recognized. Sale of Phase 3 houses is expected to be completed in 2019. Office building products in land plots A and B of Nanjing Walsin Centro will be developed and sold in phases. Handover of Phase 1 office buildings was completed and profits were recognized in 2018. Buildings No.1 and No.6 of Phase 2 are office buildings connected to the mall which is currently under construction and scheduled to be completed in 2020. "One Mall" in land plots A and B of Nanjing Walsin Centro covers an area of approximately 170,000 m2. The mall's three core elements are "healthy lifestyle, family fun, and aesthetic experience," creating a town of living aesthetics with spaces for sharing art and culture. The mall is scheduled to open at the end of 2019.

2.4 Business Integrity

2.4.1 Regulatory compliance

Regulatory compliance foundation: Corporate culture of "commitment to business integrity"

A so-called corporate culture of "commitment to business integrity" stresses that all business activities must comply with local laws and regulations of Taiwan and the place of business. We stress to our employees that they must refrain from violating relevant laws and regulations for obtaining business profits.

Monitoring and Evaluation of Relevant Business Laws and Regulations

We are in the manufacturing industry and our main compliance risks are related to labor and environmental protection laws, as well as the use of conflict minerals. Sales related risks include protection of consumer safety and health rights by the industry's competent authority and the Fair Trade Act. Accounting related risks are mainly related to the Tax Laws, the Tax Collection Regulations in each country, and the Anti Money Laundering Regulation. Public companies are required to comply with the Company Act, Securities and Exchange Act, and corporate governance and CSR related regulations.

We closely follow policy and law changes in Taiwan and overseas that may have a material impact on our business operations and financial positions. Therefore, we follow regulatory changes based on the classification of organizational functions and the laws relevant to each one of them, as described below:

Name of the Law/Regulation	Accountable department	Examine the mechanism (method, frequency)	Regulation revision mechanism
Environmental Protection, Labor Safety and Health-related Regulations	Environmental Safety	Designated personnel collect information on changes in laws and regulations at any time.	Revisions are made according to ISO criteria requirements.
The Banking Act of the Republic of China, Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies	Financial	Designated personnel collect information on laws and regulations amendments through a variety of channels (competent authority, official website, external consultants, news).	Proposals are made when it is necessary to revise the Articles of Incorporation or internal regulations.
Business Entity Accounting Act, Accounting Standards, Tax Laws, and Regulations Governing the Acquisition and Disposal of Assets	Accounting	Designated personnel collect information on laws and regulations amendments through a variety of channels (competent authority, official website, external consultants, news).	Proposals are made when it is necessary to revise the Articles of Incorporation or internal regulations.
Labor Laws, Personal Information Protection Act	Human Resources	Designated personnel collect information on laws and regulations amendments through a variety of channels (competent authority, official website, external consultants, news).	Proposals are made when it is necessary to revise the Articles of Incorporation or internal regulations.
Company Act, Securities and Exchange Act, Trade Secrets Act, Fair Trade Act, and Intellectual Property Rights Laws	Legal Affairs	Designated personnel collect information on laws and regulations amendments through a variety of channels (competent authority, official website, external consultants, news).	Proposals are made when it is necessary to revise the Articles of Incorporation or internal regulations. External lawyers or internal personnel are irregularly hired to hold laws promotion events based on the scope affected by laws.

2.4.2 Integrity Policy

Moral values and professional conduct

Walsin Lihwa is committed to becoming an excellent, sustainable company, and strives to make business integrity a corporate value, so that corporate social responsibility and moral values are integrated into the company's business operations and practiced by its employees. We therefore established Ethical Conduct Guidelines for Directors of the Board, Ethical Conduct Guidelines for Employees, and Regulations Governing the Handling of Business by Employees, and established the Company's corporate culture and value of business integrity by requiring employees to comply with codes 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

To implement the values of business integrity, in addition to the Ethical Corporate Management Best Practice Principles and the Procedures for Ethical Management and Guidelines for Conduct, we revised the Regulations Governing the Handling of Business by Employees in 2018, and focused on the implementation in factories in China, which is summarized below:

- 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.
- 3

Regulations for suppliers, customers, and trading counterparts involved in unethical conduct.
- 4

These regulations are linked to our human resources performance evaluation 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. The Business Integrity Committee is mainly responsible for the following matters:

- 1.Assisting in incorporating ethics and moral values into this Company's business strategy and adopting appropriate prevention measures against corruption and malfeasance to ensure ethical management in compliance with the requirements of laws and regulations.
- 2.Adopting programs to prevent unethical conduct and setting out in each program the standard operating procedures and conduct guidelines.
- 3.Planning the internal organization, structure, and allocation of responsibilities and setting up check-and-balance mechanisms for mutual supervision of the business activities within the business scope which are possibly at a higher risk for unethical conducts.
- 4.Promoting and coordinating awareness and educational activities with respect to the Company's ethics policy.
- 5.Developing a whistleblowing system and ensuring its effectiveness.
- 6.Assisting the board of directors and management in auditing and assessing whether the prevention measures taken for implementing ethical management are effectively operating, and preparing reports on the regular assessment of compliance with ethical management in operating procedures.

Members of the Business Integrity Committee

We changed the secretariat of the Business Integrity Committee from the Human Resources Division to the Legal Office on April 9, 2018 for regulatory compliance. Members of the Business Integrity Committee are introduced (including the responsibilities of each member) below:

Secretariat (Legal Office)	Promotion and Guidance (Human Resources, Legal Affairs)	Rewards and Penalties (Human Resources)	Supervision and Management (Audit)	Implementing Units (Division directors/Controllers /Function supervisors)
Responsible for the operations of the Business Integrity Committee, establishes and revises the Ethical Corporate Management Best Practice Principles and the Procedures for Ethical Management and Guidelines for Conduct, ensures regulatory compliance and the lawfulness, and effectiveness of regulations and periodically evaluates with related business procedures.	Regularly promotes the importance of business integrity in accordance with regulations. <ul style="list-style-type: none"> Human Resources: Training and advocacy of integrity culture and behavior. Legal Affairs: Training and advocacy of regulatory compliance. 	Reward and punishment system as the basis for the assessment.	Regularly promotes the importance of business integrity in accordance with regulations. <ul style="list-style-type: none"> Offer suggestions for supervision and check and balance mechanisms. Plan a whistleblower system 	<ul style="list-style-type: none"> Implement the decisions of the Business Integrity Committee. Regularly receive supervision and audits. Establish enforcement rules for specific prevention measures.

Operating Status of the Business Integrity Committee in 2018



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.

- 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 elds of law, such as Corporate Governance, CSR, Anti-Trust (the Fair Trade Act), Anti-Corruption, Insider Trading Prevention, Personal Information Protection, and Trade Secret Protection. Also, build a legal database for employees to use in learning.
- 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.
- In addition to a variety of training courses, regulatory compliance-related resources are provided to employees. Other promotion activities are also organized to raise their compliance awareness. For example, educational articles on regulatory compliance are posted on the Business Integrity section of the internal website, and our latest policies and regulations are also available on the internal website, so that all employees could access and understand business integrity-related information.

Date	Topics introduced	Target	Number of people
2018/05/28	Description of New Provisions in the Money Laundering Control Act	Relevant management units of the company	Total number of people: 76 persons Managerial position : 28 persons Non-managerial position: 48 persons
2018/06/26	Measures in response to the EU's General Data Protection Regulation		Total number of people: 68 persons Managerial position : 27 persons Non-managerial position : 41 persons

- We are dedicated to creating a stable Walsin culture (from the Company to affiliates, suppliers and trading counterparts). The Company began actively offering training courses on business integrity and regulatory compliance to employees at each plant in 2018. The courses were offered for the implementation of specific measures of the business integrity policy and plans for preventing unethical conduct: (Each batch receives 1.5 hours of training)

Plant (Time)	Course topic	Training Batch	Number of Trainees	As a percentage of the plant's total number of employees
Jiangyin Walsin (Dec, 2018)	Business integrity: A corporate value worthy to be protected by all of us	8 batches in total	314	99%
Changshu Walsin (Oct, 2018)		7 batches in total	484	97%
Shanghai Walsin (Nov, 2018)		5 batches in total	243	99%
Dongguan Walsin (Dec, 2018)		2 batches in total	82	100%
Nanjing Walsin (Copper Wire) (Dec, 2018)		2 batches in total	122	98%
Nanjing Walsin (Real Estate) (Dec, 2018)		1 batch in total	35	98%
Yantai Walsin (Jan, 2019)		5 batches in total	407	99%

Furthermore, we began actively promoting business integrity and regulatory compliance (including anti-corruption) to major suppliers in different factories in 2018: (Each batch receives 0.5 hours of training)

Plant	Course topic	Time	Number of major suppliers that participated
Changshu Walsin	Business Integrity : A corporate value worthy to be protected by all of us	Jun, 2018	20 companies
Hsinchuang Plant		Oct, 2018	37 companies

We also identified high risk business activities in our factories in 2018, as described below:

Plant	Purpose	Improvement method
Shanghai Walsin	Strengthen business processes control	<ul style="list-style-type: none"> Reconstructed the insulated wire and cable business process of Shanghai Walsin Completed a cross BU standardized online contract review system in December 2018
Changshu Walsin	Improve procurement processes management	<ul style="list-style-type: none"> Measures for handling complaints of special steel suppliers against Changshu Walsin: <ol style="list-style-type: none"> Dispose of and dismiss the supervisor of the procurement and demand unit that were involved in accordance with relevant regulations for handling personnel. Stopped business dealings with the supplier involved. Improved the procurement process and found new suppliers.

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. The responsible department properly handled the matter after receiving feedback and reported the results to the Audit Committee.

We received 4 complaints in 2018, all cases were handled and closed after results were communicated to the parties involved.

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 cloud 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:



2.4.3 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

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:

Five elements of internal control



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Risk type and control

	Risk type	Accountable department	Risk description	Control strategy
Economic	Financial Risks	Finance Division	Interest rate fluctuation	Strategy of Interest rate fluctuation control: <ul style="list-style-type: none">● Closely monitor interest-rate market, control positions of current interest rate exposure, including long-term and short-term loan. Use financial tools to lock-in funding cost when deeded.● Monitor company treasury and cash-flow condition, Evaluate all kinds of funding and financial tools based on annual budget, to minimize funding cost.● Maintain good relationships with banks to obtain the best interest rate on loan and saving.● Monitor Foreign Exchange market risk and information on daily basis. Estimate FX risk exposure derived from both side of asset and liability, and evaluate real-time potential profit/loss.● With conservative principle to formulate FX hedging strategy. Use financial instruments including spot/forward, to match FX hedging demand.● Strictly control and hedge foreign exchange risk from major capital expenditures and also all treasury activities.
			Exchange rate volatility	
	Supply Chain and Raw Material Risks	Commodity Procurement Division	Price risk of raw materials	The company monitor material risk and hedge for base metal price risk in real-time basis. Hence, price fluctuation of base materials do not have significant impact on company profit. <ul style="list-style-type: none">● Supplier management: Carefully evaluate and actively develop new sources of materials to prevent being controlled by few suppliers.● Inventory management: Build safety inventory level, use spot purchases for certain portion of materials demand to flexibly respond to our production requirements.● Collect business information through data collection and market surveys, to be quick respond in advance.
			Supply disruption	
	Information Security Risks	IT Center	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.● Strengthen endpoint security protection (e.g. removing administrator permissions, configuring security settings and laptop hard drive password) to reduce risks on the user's end.● 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 important systems (such as SAP), so as to rapidly restore operations when a disaster occurs to ensure the Company's business continuity.
	Strategic Risks	President's Office	Strategic Goals	<ul style="list-style-type: none">● Periodically schedule strategy meetings to report strategy issues to directors and listen to the opinions and suggestions of directors.● Periodically schedule executive committee meetings to review the progress of strategic projects and to ensure they are in line with strategic goals.
	Operating Risks	Accounting Division	Operating Goals Achievements	Attainment of policies and strategic goals each year is managed through business performance meetings.
	Capital Expenditure Risks	Accounting Division	Purchase and management of major equipment	Major capital expenditures must be reviewed by the Audit Committee and the Board of Directors.
	Technology Risks	Technology Center	Outdated technology	<ul style="list-style-type: none">● To understand the requirements of customers on terminal applications, accelerate the development of technologies related to product materials, production processes, and product applications, we are strengthening our technical capabilities to respond to the rapidly changing external environment.● Implement smart manufacturing and utilize IoT, big data analysis, and artificial intelligence to improve efficiency and quality and reduce cost.● Closely follow and respond to changes in competitors, market, industry, and customers, and use this as a basis for production, technology and product development.● Develop high value/quality products, provide better customer services and transition from manufacturing to manufacturing services.
			Delay in product development	
			Sudden market changes	

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	Risk type	Accountable department	Risk description	Control strategy
Economic	Legal Risks	Legal Office	<div>Penalties for violations</div> <div>Leakage of personal information</div> <div>Employee misconduct</div> <div>Transaction risks</div>	<ul style="list-style-type: none"> The legal department is responsible for managing legal risks, reviewing contracts, accompanying negotiations and providing legal advises, assisting business units with handling litigation/non-contentious matters, Patents, Trademarks, and other Intellectual Property Rights, and establishing the Company's legal system and process management. We established the Regulations for Personal Information Protection Management in December 2014 to protect and manage personal information; IT, Human Resources, and Legal departments are responsible for personal information protection measures. Established the Ethical Corporate Management Best Practice Principles, Procedures for Ethical Management and Guidelines for Conduct, and Ethical Conduct Guidelines for Employees to instill the values of business integrity and create a corporate culture of integrity, which will guide employees to act according to moral standards, thus avoiding the risk of violating the laws, and achieving sound corporate governance. Our internal website has an Ethical Management section that informs employees of the latest laws and practical cases. Furthermore, we have a contract system to manage the status of contract signing and related risks, and we regulatory organize legal education and training to raise employees' awareness of legal risks, so that employees comply with relevant laws when engaging in business activities, which will lower transaction risks. This enables us to prevent and control transaction risks in advance, ensure the Company's regulatory compliance, and comprehensively implement corporate governance.
Environment	Climate Change Risks	<div>Environment, Healthy, and Safety Committee</div> <div>Safety and Health Office in each operation location</div>	Carbon emission management	<ul style="list-style-type: none"> Implement energy management systems (ISO 50001) and establish energy management performance indicators for effective long-term management. Continue to implement energy conservation and carbon reduction management. Invest in green energy and gradually establish the carbon footprint of products to improve carbon reduction performance and prepare for carbon rights management.
	Environmental Risks	<div>Environment, Healthy, and Safety Committee</div> <div>Safety and Health Office in each operation location</div>	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 prevention activities. Employees comprehensively implement autonomous safety management through joint prevention activities integrating equipment safety, 5S and occupational safety: from environmental and equipment safety to operating safety. The Company's safety management system is internalized through the safety culture built through shift (section) changing meetings, brainstorming meetings and joint prevention and recurrence prevention activities in plants. These efforts are executed in hopes of raising employees' safety awareness. Implementing contractor management: We further stressed the importance of implementing management and having a well-rounded system in 2018 and began implementing an electronic system for managing on-site operations of contractors to achieve transparent construction information.
			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.
Social	Management Risks	Human Resources Division	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	Press and Media Dept.	Negative image	<ul style="list-style-type: none"> Establish crisis management mechanisms during normal times and simulate possible events. A spokesperson system will communicate to external audiences on behalf of the Company and clarify false information using major information platforms to maintain the Company's image and keep in touch with stakeholders at all times.

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Sustainability promotion strategy


- 

Continually develop innovative green products, create shared value with customers and establish a sustainable business model
- 


Continually engage in customer-centric innovation and R&D, improve production and service models and strive to create value for customers
- 

Comprehensively implement and strengthen supplier sustainability management to mutually grow with our business partners


Strategy	Objectives for 2018	2018 results	Objectives for 2019
Develop green products and improve and quantify the environmental performance of products	<ul style="list-style-type: none"> Develop recyclable, high performance-price products 	<ul style="list-style-type: none"> Completed: High elasticity and tonicity, high weldability, etc.; 6 in total Under development: High machinability, high corrosion resistance, etc.; 4 in total 	<ul style="list-style-type: none"> Continuous development of high performance-price products: <ul style="list-style-type: none"> - Stainless steel: Developing high machinability, ultra cleanliness, high corrosion resistance, high weldability, high strength, etc., 5 in total - Insulated Wire and Cable: Develop power cables for the renewable energy industry
Develop green processes and makes improvements at the source to reduce waste and energy consumption	<ul style="list-style-type: none"> Implement process improvement plans for energy conservation and emission reduction 	<ul style="list-style-type: none"> Improvements to steel-rolling mills reduced natural gas consumption by 38,432 m³/month New annealing furnace reduced electricity consumption by 3,825 kWh/month 	<ul style="list-style-type: none"> Continuous promotion of process improvements: <ul style="list-style-type: none"> - Increase the use of recyclable raw materials: Simplify the refining process to increase the maximum amount of recyclable raw materials used - Increase production capacity and reduce units' energy consumption - Reduce the use of chemical agents - Decrease the amount of residual materials
Establish a service-oriented operation model and optimize the service process which increases customers' trust and creates a mutually beneficial situation	<ul style="list-style-type: none"> Establish a CRM system to optimize the service process 	<ul style="list-style-type: none"> Completed customer master files and structured visitor reports for the Yenshui Plant 	<ul style="list-style-type: none"> Yenshui Plant's CRM system went online Verified CRM system requirements and planned system functions for the Yantai Plant Examined the sales cycle and improved operating procedures for the Yantai Plant
Apply innovative technology controls and improve product quality; work together with customers to provide products and services that best meet their needs	<ul style="list-style-type: none"> Planned new services to meet customers' potential needs 	<ul style="list-style-type: none"> Completed a map of Taiwan's industrial ecosystem Carried out market survey and assessments and formulated strategy directions 	<ul style="list-style-type: none"> Proposed and implemented new service models
	<ul style="list-style-type: none"> Engaged in industry-academia collaboration to develop smart products 	<ul style="list-style-type: none"> Completed the dynamic damage experiment on smart products Completed the mid-term review of the MOEA's Industrial Value Creation Program 	<ul style="list-style-type: none"> Product verification and performance evaluation
Effectively implement supplier management mechanisms to develop a sustainable supply chain	<ul style="list-style-type: none"> Continue to organize suppliers' meetings 	<ul style="list-style-type: none"> Completed the first suppliers' meetings at the Hsinchuang Plant 	<ul style="list-style-type: none"> The Yenshui Plant also organized its first suppliers' meeting
	<ul style="list-style-type: none"> Increase the number of key suppliers 	<ul style="list-style-type: none"> The number of key suppliers increased from 75 to 111 	<ul style="list-style-type: none"> The number of key suppliers reached 153
	<ul style="list-style-type: none"> Increase the percentage of suppliers that conduct sustainability self-assessment questionnaires 	<ul style="list-style-type: none"> Self-assessment percentage of 82% 	<ul style="list-style-type: none"> Self-assessment percentage of 82%




Technology Innovation
631 Stainless steel
 The first steel manufacturer in Taiwan to develop 631 precipitation-hardening stainless steel wire rods (Yenshui Plant)
 Walsin Lihwa 2018 CSR Report




Green Operation
99%
 Proportion of recycled materials and reusable raw materials used by the Stainless Steel Business (Plants in Taiwan & Mainland China)




Green Operation
↓ 4.81kg/MT
 Employ a new pickling process to reduce the average volume of acidic solution used (Yenshui Plant)



Customer service
84.8%
 Overall customer satisfaction (Taichung Plant)



Quality management
India's BIS product certification
 The Steel Coil Business Unit passed India's BIS certification



Supplier Management
Convened 2 suppliers' meetings

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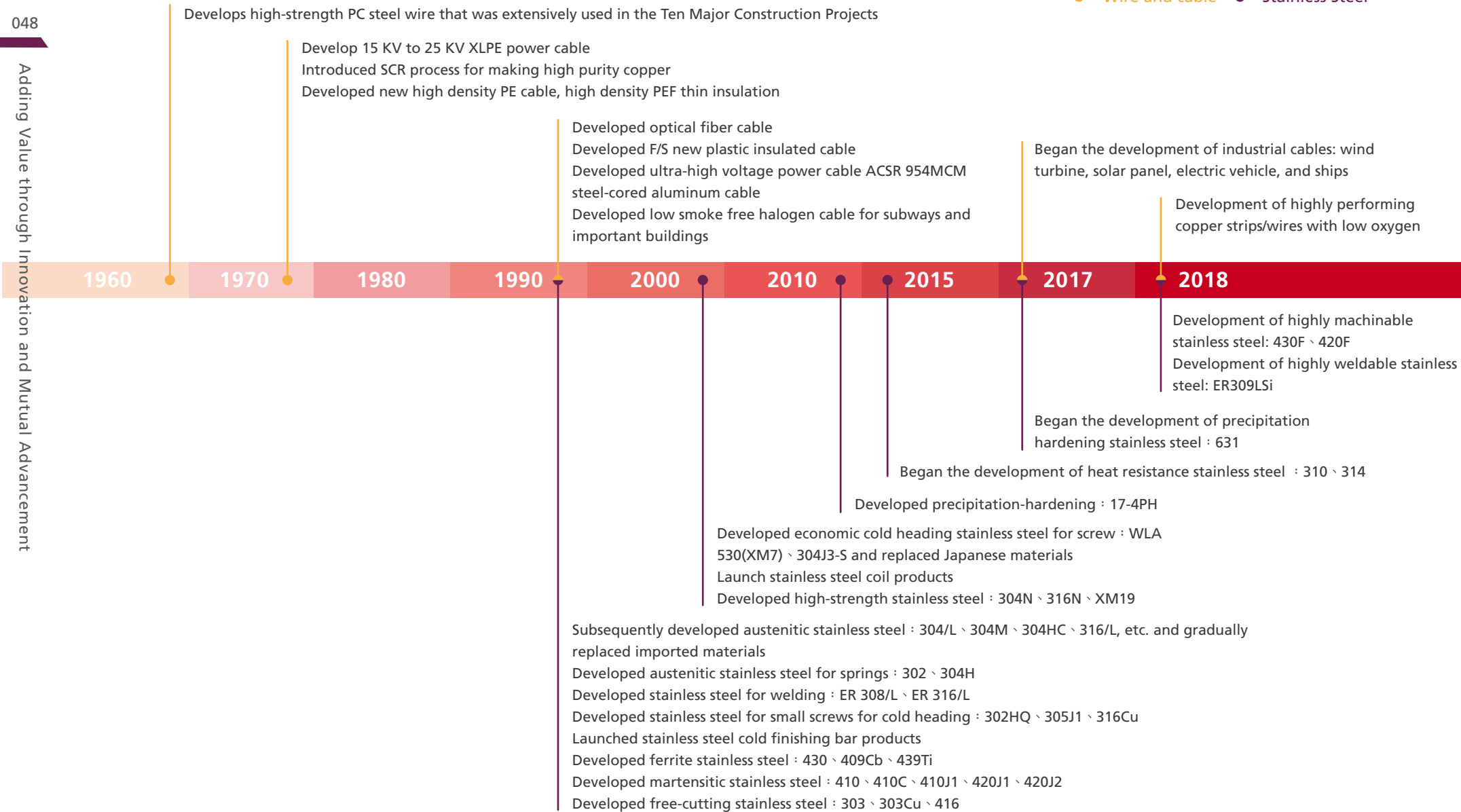
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Highlights of New Product and Technology R&D Results in 2018

Development of new products	Explanation
Highly machinable stainless steel – 430F long product	Successfully developed 430F long product with excellent machinability and corrosion resistance, which can be used for the manufacturing of automobile safety and 3C parts and components.
Highly machinable stainless steel – 420F long product	Successfully developed 420F long product with excellent machinability, high strength and corrosion resistance, which can be used as parts and components for the 3C, automobile, and medical industries, among others.
Highly elastic and tonic stainless steel – 631 wire rod	The first steel manufacturer in Taiwan to develop 631 precipitation-hardening stainless steel wire rod products, which have excellent resilience, high strength, toughness, and corrosion resistance, and can be used in high-end industries, such as automobile engines and energy industries.
Highly weldable stainless steel – ER 309L wire rod	Successfully developed ER 309L wire rod products with excellent weldability. These products and can be used in the automobile, energy, chemical industries, shipbuilding, and water industries.
Highly weldable stainless steel – ER 309LSi wire rod	Successfully developed ER 309LSi wire rod products with excellent weldability, which can be used in the automobile, energy, chemical industries, shipbuilding and water industries.
Highly weldable stainless steel – ER 630 wire rod	Successfully developed ER 630 wire rod products with excellent weldability, high strength, and corrosion resistance, which can be used in high-end industries such as the energy industry.
Industrial cable	Such as solar power cables, wind power cables, etc. with excellent performance, such as: sunlight resistance, humidity and heat resistance, weather resistance, etc., and can be used in the solar power and wind power industries.

R&D of New Technologies	Explanation
Study of the 310 stainless steel thermal cyclic oxidation	We collaborated with National Cheng Kung University in a study of the 310 high-heat-resistant stainless steel in a thermal cyclic environment. We analyzed factors that affect surface oxidation and the results can be applied for the development of stainless steel products with high heat resistance.
Study of the surface scale liquefaction of 400 series sulfur-containing stainless steel at high temperatures	We collaborated with National Cheng Kung University in a study of the surface oxidation layer liquefaction of 400 sulfur-containing stainless steel at high temperatures. Results can be applied for the development of 400 sulfur-containing stainless steel products.
Effects of water steam, hydrogen and stress on the oxidation of 310 stainless steel at high temperatures	We collaborated with National Cheng Kung University in a study of the effects of water steam, hydrogen and stress on the oxidation of 310 stainless steel at high temperatures. Results can be applied for the development of stainless steel products with high heat resistance.

—●— Wire and cable —●— Stainless Steel



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.

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3.1.3 Innovative R&D and Intellectual Property Rights Protection

To achieve higher efficiency in innovative R&D, we start from data collection and research. In addition to information on markets, competitors, and literature, patents are also an important source of information for innovative R&D. We have invested even more resources into the innovative R&D of products and technologies, focusing on the patents of our competitors, while strengthening our own patents' retrival and analysis, infringement evaluations, design around and patent layout capacities.

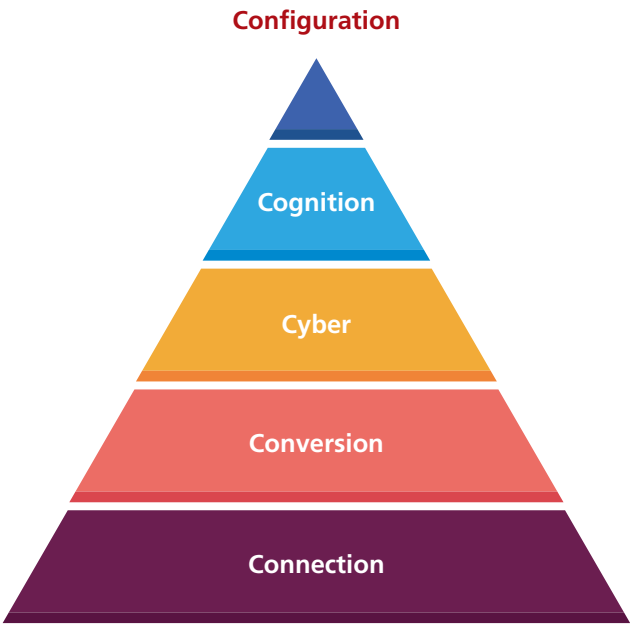
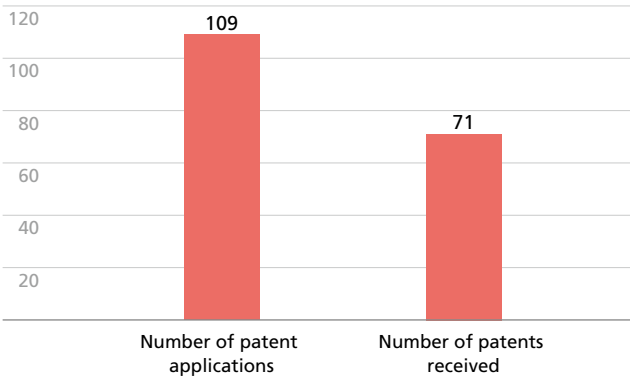
We attach importance to and respect intellectual property rights, as we exert every effort to protect our intellectual property rights. Applying for patents is an important channel for protecting R&D results as it embodies technological innovation. Over the years, we have submitted 109 patent applications and received 71 patents.

3.1.4 Smart Manufacturing

Following the gradual maturation of new technologies such as IoT, Big Data analysis, and AI, the application of these new technologies to improve production efficiency and product yield has become an industrial trend. We have established a smart manufacturing system based on the concept of 5C (Configuration, Cognition, Cyber, Conversion, Connection) as observable in the right figure. This concept was also transformed into a framework equipped with an expert database, online two-way information access module, smart analysis module, and connection module. This framework is being sequentially implemented and our factories have completed a number of cases, such as:

- | | |
|--|---|
| ✓ Stainless steel: Knowledge Guidance System | ✓ Smart Scheduling System |
| ✓ Stainless steel: 410 Tensile Strength Decision-making System | ✓ Real-time Information System – Situational Room |
| ✓ Stainless steel: Straight bar cold drawing process design and control system | ✓ Unmanned Weigh Station |
| ✓ Wire and cables: Copper Wire Tension Precision Control System | |

Smart manufacturing is not something that can be immediately achieved: it requires the investment of considerable financial and human resources. We will sequentially implement smart manufacturing according to the plans. Through the implementation of a smart manufacturing system, we expect to achieve production monitoring and warning, rapid equipment/process/quality troubleshooting, rapid decision-making, new product design, and shorter development time, etc. We will continue to effectively differentiate and achieve higher efficiency with respect to cost, products, energy conservation, environmental protection, and customer services to enhance our competitive advantages.



Highlight – Provide customized products and services to create exclusive value for customers

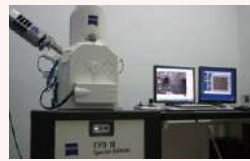
Changshu Walsin – From generic products to a high-quality, value-added strategy

Establishment of a professional testing center to execute precise material evaluations to meet customers' requirements

Walsin's Changshu Testing Center has 34 professional testing instruments capable of evaluating physical performance (room-temperature tensile test, high-temperature tensile test, flaring test, flattening test, Brinell hardness test, Rockwell hardness test, impact test), spectral analysis, grain size, non-metallic inclusion, intergranular corrosion, and macro analysis (general porosity, central porosity, segregation). The testing center is certified by the CNAS and is able to provide excellent testing services for customers.



High temperature tensile strength experiment

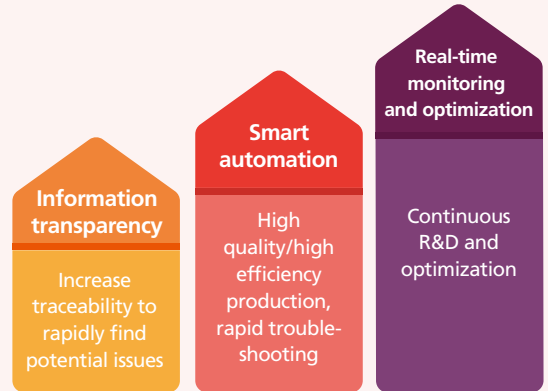


Scanning electron microscope



Implementation of smart production technologies, development of precision processes and continuous improvement

Actively develop and use IoT and automated monitoring technologies and establish a knowledge-sharing platform that comprehensively promotes smart production in the human, mechanical and process aspects to improve product quality.



Provide value-added services and consultation to gradually achieve the "manufacturing services provider" vision

Actively provide consultation for product applications through technology exchanges with customers; actively communicate with customers to understand their needs and discover potential opportunities for developing high quality products. We combined the Technology Department and Sales Department and completed 8 technology exchanges with key customers in 2018; we were recognized by a key customer, Sinopec Group, with its Technological Advancement Award.

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3.2 Green Operation

We are an upstream supplier for the copper industry and stainless steel industry, with products such as copper rods, stainless steel wire rods, steel coils, and seamless pipes and tubes used in the 3C, food, automobile, oil and gas, oil refinery, power plant, chemical industries, and machinery industries, among others. We aim to become an important promoter for green supply chains and expand the supply for green products. In addition to developing green products, we are promoting cradle to cradle designs in our production processes based on the circular economy concept, thus hoping to reduce raw material mining and allow materials to be circulated. Therefore, we dedicate great effort to use recycled raw material and the development of green processes that save water, electricity and resources and reduce energy consumption. We have adopted the following strategies:

Dimensions	Direction	Measure & Explanation
Green product	Continue to develop products with high performance-price ratio and implement product life cycle (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 performance-price products• Serve customers by reducing downstream processes or material consumption• Use recyclable raw materials whenever possible• Reduce packaging and optimize transportation cost• Develop environmentally-friendly products
Green manufacture 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.	<ul style="list-style-type: none">• Manufacture process improvement:Technology and workmanship improvement and innovation• Manufacture process streamlining:Production process review and simplification• Production facility retirement and replacement: Full access to information on most advanced and latest production facilities for necessary production facility retirement and replacement• Further prevention of environmental pollution and waste treatment:Greater effort for solid waste, liquid waste, and air pollution prevention and treatment

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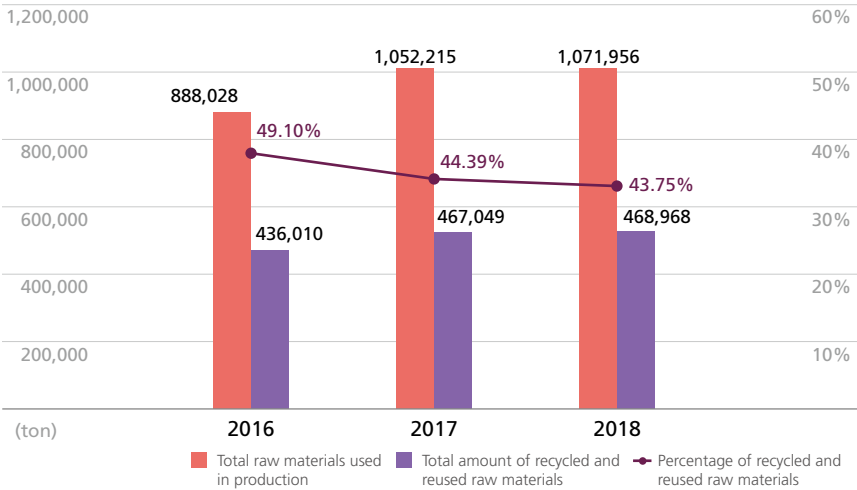
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3.2.1 Status on raw material use

We employ the electric furnace steel making method and raw materials used are mainly carbon steel scrap, stainless steel scrap, and iron alloys. Since stainless steel is 100% recyclable and reusable, we use a high ratio of recycled stainless steel to reduce the consumption of Earth's natural resources. All raw materials are non-renewable materials, including stainless steel scrap, carbon steel scrap, ferrochrome, ferronickel, slabs, steel coils, billets, straight bars, and wire rods. Among these, stainless steel scrap and carbon steel scrap are all recycled and reused materials. Recycled and reused materials accounted for about 43.75% of our raw materials in 2018. Furthermore, ferrochrome, ferronickel, slabs, steel coils, billets, straight bars, and wire rods are reusable materials, and can be recycled and reused after being processed into finished products. Reusable materials accounted for about 56.06% of our raw materials in 2018. Recycled materials and reusable materials accounted for 99% of materials used to make stainless steel in 2018.

Stainless Steel production Raw Materials used vs. use of recycled raw materials

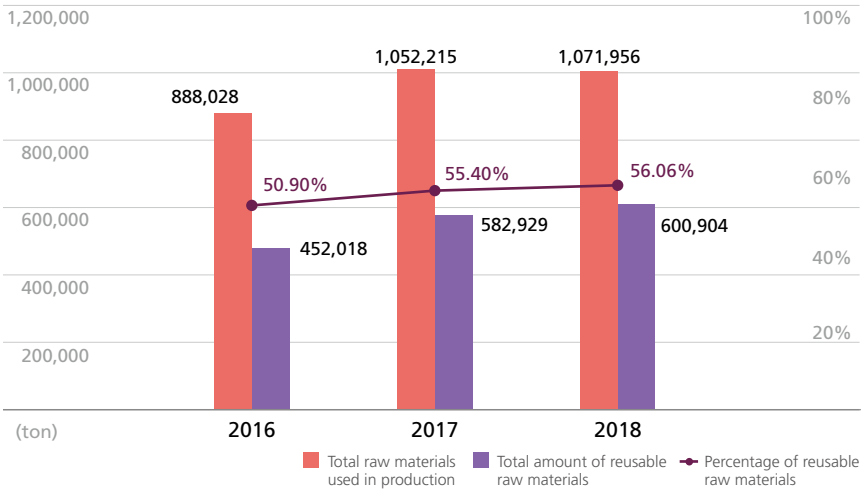


Pure copper is the main material required for the production of copper wires and cables. Other raw materials include PVC pellets, PE pellets, and plastics, which are all non-renewable materials. Copper is highly reusable and can be viewed as a reusable material. Hence, reusable materials accounted for 96.7% of raw materials used in 2018.

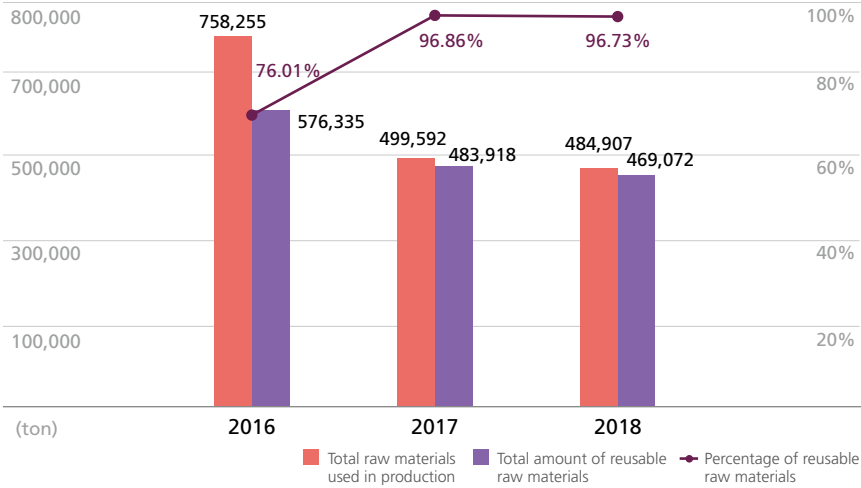
Note:

- 1.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 wire and cable production was much lower primarily because the Jiangyin Walsin Steel Rope Plant of the Copper Wire and wire and cable Business was transferred to the Specialty Steel Business in 2017.
2. The statistics above are mainly for raw materials, and do not include supplementary materials.

Stainless Steel production Raw Materials used vs. use of reusable raw materials



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



3.2.2 Green Products

Inputs – Low Energy Consuming Raw Materials – Recycled, Reusable Raw Materials

As described above, our products, including copper wire, wire and cable, and stainless steel are made using recycled or reusable raw materials whenever possible based on the concept of circular economy, so as to maintain a green Earth.

Outputs – High Performance Products – Preventing Global Warming for a Sustainable Planet

Climate change and extreme weather caused by global warming has resulted in frequent disasters. Governments and corporations around the world have been committed to promote energy conservation and carbon reduction, and have formulated a variety of measures, such as: reducing waste gas emissions from vehicles and power plants, improving the fuel efficiency of engines and power generators and developing lightweight cars, machines, and structures. Materials used to achieve these goals and make this equipment, such as stainless steel and electrical wire and cables, need to have higher heat resistance, corrosion resistance, and higher strength. We strive to develop stainless steel and copper wires and cables with even better performance in response to this trend.

Our strategy for developing green products is to "Continue to develop products with a high performance-price ratio and recycle products whenever possible to realize a circular economy and reduce the impact on the environment." As shown in the table below, we developed a variety of green products in 2018, including high performance stainless steel products such as high cold headability, high machinability, high resilience, high weldability, high strength, high heat resistance, and high corrosion resistance and offshore wind turbine cables, which offer energy conservation and carbon reduction benefits, thus contributing to a sustainable living environment on Earth.

	Product	Shape or type	Benefit in environmental protection and energy saving	Application
Stainless steel	Highly cold headability stainless steel	Long product	Improve formability, extend the lifetime of punch-pins and improve production efficiency	Screw for machinery, computer, communication device, and consumer electronics, instrument and electronics, and building construction
	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
	High resilience stainless steel	Long product	High resilience improve equipment performance and extends its lifetime. High strength allows for the manufacture of lighter products through enabling materials' weights to be lowered.	3C parts and components, automobiles
	Highly weldable stainless steel	Long product	High weldability improves the welding efficiency and quality of weld bead	Petrochemicals, chemical industries, shipbuilding, automobile and desalination
	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	Oil and gas, oil refineries, power plants 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	Oil refineries, power plants, heat treatment furnace conveyors and bright heat treatment furnace tubes
	High corrosion-resistant stainless steel (Duplex)	Long product	High corrosion resistance to prolong service life and high strength for weight reduction	Oil and gas, oil refineries, power plants, petrochemicals and oil industry heat exchangers and equipment
Wire and Cable	Power cable for offshore wind turbine	Power cable	Renewable energy production, i.e., wind power generation	Offshore wind turbine

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Highlight – Green product development

Changshu Walsin – Development of supercritical power generator furnace tube for the environment

Supercritical power generators are 6-10% more efficient than subcritical generators and can save about 60,000 tons of standard coal a year, significantly saving energy and improving the environment. This is also the direction that the developments in coal-fired power plants are taking. However, supercritical power generators must be employed in an environment with steam temperature reaching 650°C and steam pressure reaching 25MPa, so high quality, high pressure resistant, and high temperature resistant parts and pipes are necessary. Changshu Walsin Specialty Steel Co., Ltd successfully developed the super 304 for supercritical furnace tube in 2018. This development has excellent creep resistance, corrosion resistance and oxidation resistance within the usage environment, making it the main material used in supercritical power generators.



Changshu Power Plant Phase II



Power station boiler high temperature superheater



Power station boiler under construction



High temperature superheater made of seamless stainless steel pipes

3.2.3 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 factory. The company also dedicates itself to green manufacture process developed for energy saving and carbon reduction. Green manufacture process development in 2018 as the following will further decrease environmental pollution for more effective energy and resource saving as well as carbon reduction.

- Adjust the steelmaking process to increase the percentage of recycled raw materials used.
- Adjust the continuous casting process to increase production capacity and reduce energy consumption.
- Adjust the converter operating method to reduce the consumption of highly-priced gas and save resources.
- Introduction of pure oxygen combustion to decrease fuel consumption as well as nitrogen oxide emissions
- Revamping of steel rolling mills shortened the heating time of billets, increased productivity, improved quality, increased yield and reduced energy consumption.
- Optimization of heat treatment process to decrease fuel consumption.
- Expand and promote pickling process adjustments and reduction, to reduce chemical agents use.
- Increased recovery of the waste sulfuric acid from pickling, along with increased regeneration facilities to decrease the use of sulfuric acid.
- The Yenshui Plant added new equipment to recycle and reuse mixed acids and wastewater, and reduce nitrate nitrogen and sludge. Added new equipment to reduce NOx.

Important Process Improvements

Changshu Walsin – Hydrogen Furnace Drying Equipment

In the production of its key product, vehicle pipes, Changshu Walsin Specialty Steel Co., Ltd installed hydrogen furnace drying equipment in 2018 to meet higher quality requirements. The equipment can effectively lower the water content in feed pipes, reduce non-conforming products and save energy, achieving environmental protection and higher product quality.

Improvement Results

57,300 kWh

Monthly electricity saving

Achieved 2.4 times the original production capacity

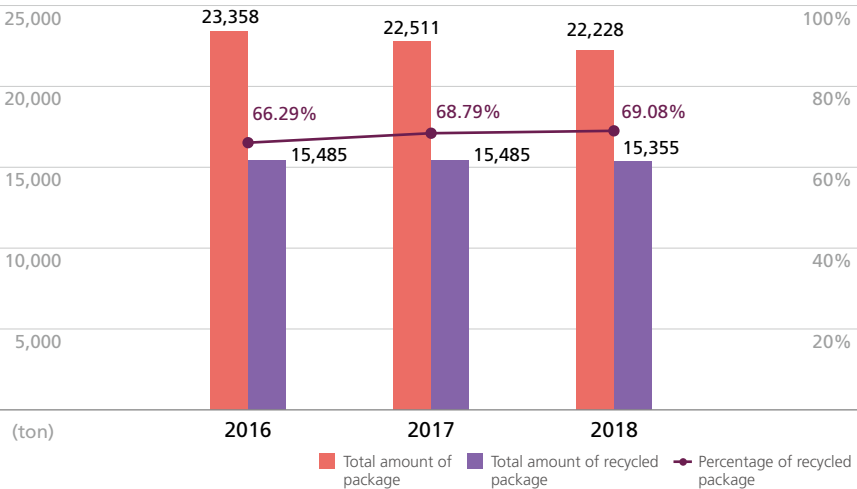
Increased production capacity

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3.2.4 Packaging Material Use and Recycling

Due to the characteristics of the stainless steel business, packaging materials (such as: plastic packaging, steel strips, etc.) will be damaged and deformed even if they are recycled, and thus cannot be reused, so the packing is directly discarded by customers as a recyclable resource. As for copper materials and the copper wire and cable business, recycled packaging materials are used or packaging materials are recycled. Such materials include: pallets, racks, iron shafts, wood shafts and closure plates. Recycled materials accounted for about 69% of packaging materials in 2018.

Copper wire and wire and cable package material use and recycling



3.3 Product Quality and Responsibility

Quality is a key factor to Walsin Lihwa's sustainable development. We have established a customer-oriented quality system, insist on compliance with product quality, suitability for customers, and green manufacturing management policies. We have implemented Industry 4.0 – smart manufacturing, using new technologies to help us engage in innovation, R&D, and technological upgrades, so as to constantly improve product quality. Our goal is to provide customers with comprehensive solutions and excellent technical services, so as to transition from manufacturing to manufacturing services. On this basis, operating principles of our quality management system are as follows:

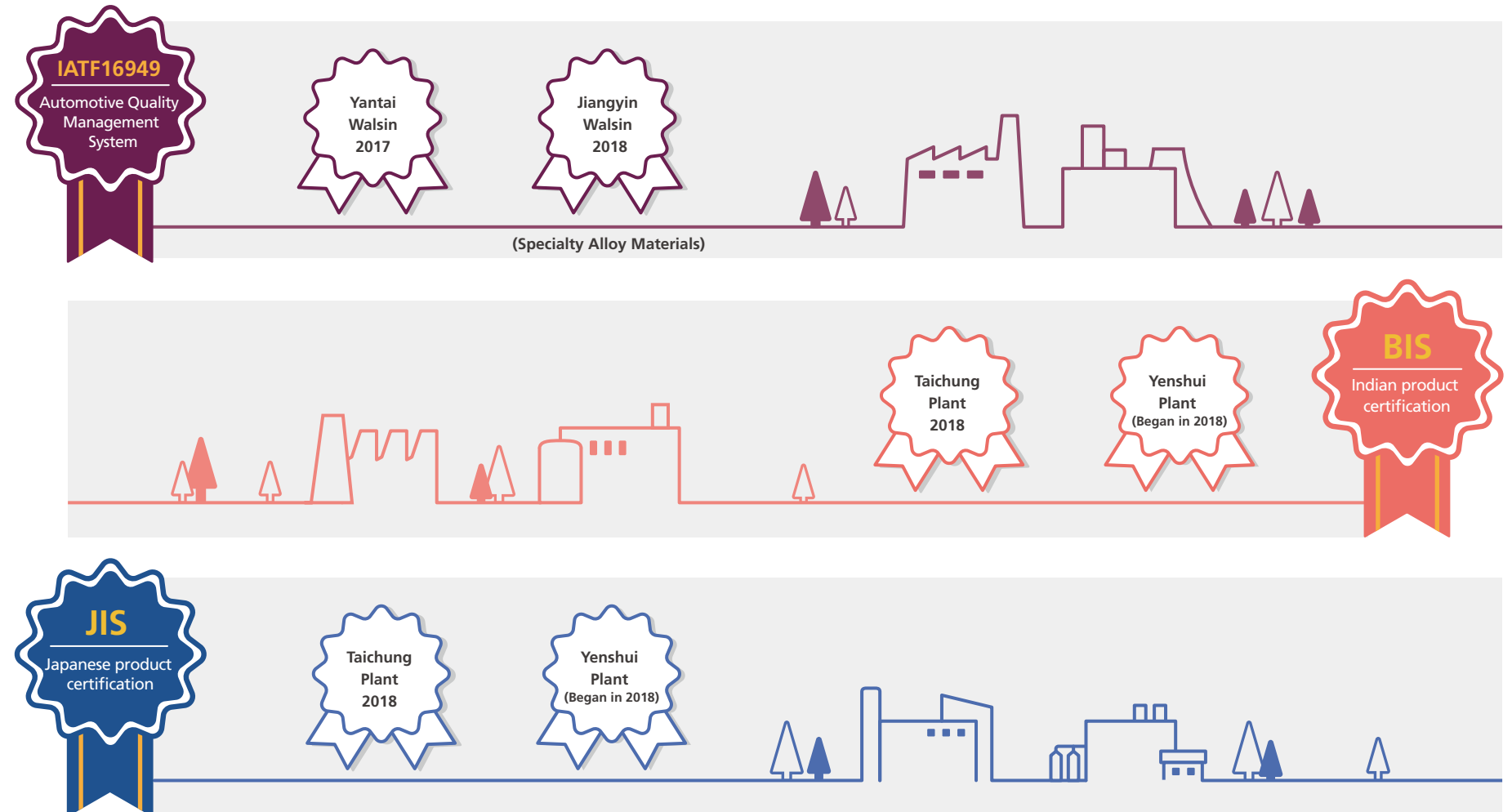
- Identify management models for nine major operating processes (such as: sales process, R&D process, production process, quality control process, procurement process, etc.), and apply the PDCA circulatory process management and its interactions.
- Risks and opportunities are found through the assessment of internal and external situations. We focus on risks and find opportunities for innovation in technology, process/equipment and products to ensure that products, services and quality meet market and customer demands.
- Processes are based on customer satisfaction, so that high-quality products meet customers' needs. 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. Based on the circular economy concept, we insist on cradle to cradle hoping to reduce raw material mining and allow materials to be circulated. This also ensures that hazardous substances will not appear in our processes and products.
- We are implementing smart manufacturing and information transparency to achieve automated production monitoring and warning, rapid equipment/process/ quality troubleshooting, rapid decision-making, automated testing/measurement, supervision, and data analysis. We avoid producing non-conforming products throughout the manufacturing process, ensure that any non-conforming products are identified and rapidly find the cause of non-conformity to make improvements and ensure product quality.
- We hope to become a trustworthy company for our customers and business partners through the implementation of risk management, internal/ external audits, corrective/ preventive measures, TPM, 5S, full engagement, proposal for improvements and other measures.

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3.3.1 Quality Management System Verification

Walsin Lihwa implements the PDCA standardized product quality and other operating process controls, and periodically reviews issues directly related to the organization and the performance and effectiveness of the system. International standards certifications obtained by each plant through third-party certification within the last two years are shown in the table below.

Certifications obtained within the last two years



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Details of the system and product certifications obtained by each plant

○ indicates ongoing implementation

Type of Certification	Taiwan				Mainland China				Malaysia
	Yangmei (Copper wire)	Hsinchuang (Wire & cable)	Yenshui (Stainless steel Wire Rod)	Taichung (Stainless steel cold- and hot- rolled black coils)	Shanghai Walsin (Wire & cable)	Yantai Walsin (Billet / Ingot)	Changshu Walsin (Stainless steel seamless pipes and tubes)	Jiangying Walsin (Stainless steel straight bars)	Walsin Precision (Precision Foil)
ISO 9001 Quality Management System	✓	✓	✓	✓	✓	✓	✓	✓	✓
ISO 14001 Environmental Management System	✓	✓	✓	✓	✓	✓	✓	○	
OHSAS 18001 Occupational Safety and Health Management System		✓	✓	✓		✓	✓	○	
TOSHMS Taiwan Occupational Safety and Health Management System		✓	✓	✓					
ISO 50001 Energy Management Systems Certification	✓	✓	✓	✓		✓			
ISO 14064-1:2006 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			✓	✓		✓	✓	✓	
AD 2000 Code for Pressure Vehicles Material Manufacturer Quality System Certification			✓	✓		✓	✓	✓	
Special Equipment Manufacture License of the P.R.C (pressure piping component)							✓		
API Q1 Certification							✓		
NORSOK M650 Norwegian Petroleum Standard Certification							✓		
JIS Mark Certification			○	✓					
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						✓			
CR Classification Society		✓							
ISO 14067:2013 Product Carbon Footprint Verification				✓					
India's BIS Product Certification			○	✓					
CPR certification (EU construction products regulation)				✓					

3.3.2 Control of Hazardous Substances in Products

Walsin Lihwa not only manages product and service quality, but also manages hazardous substances from the source and performs hazardous substance tests in accordance with industry related regulations, such as: the RoHS Directive restricting the use of hazardous substances in electrical and electronic equipment, the European Union's REACH substance of very high concern (SVHC), the restriction on sale and use of perfluorooctane sulfonate (PFOS), EN71 European Toy Safety Standards, fire safety regulations and shipping industry asbestos restrictions. These regulations are provided to interested parties at appropriate times for reference. Product acceptance was of 100% in 2018, which indicates that no hazardous substances are added to Walsin Lihwa products in the manufacturing process.

3.4 Creating Value for Customers

We planned a customer relationship management (CRM) system to establish a service-oriented operation model and optimize the service process, which in turn increases customers' trust and creates a mutually beneficial situation. The CRM was first implemented in plants in Taiwan in 2018, and integrates the customer information database with sales-related data so that through the CRM system information can be standardized and systematized and important data can be managed and stored efficiently. We employed big data and BI (Business Intelligence) for data mining and analysis, and developed CRM system applications to better understand customers' needs and provide products and services that better meet these needs, thus creating unique commercial value.

Furthermore, we hope to apply innovative technology controls, improve product quality, and work together with customers to provide the products and services that best meet their needs. After interacting with customers and discovering needs that have not yet been addressed and met, we collaborated with academia for the implementation of the MOEA's Industrial Value Creation Program. This cooperation resulted in the development of smart product prototypes so that in the future we may provide customers with high value-added products. In 2018 we completed the destructive testing of smart products and passed the mid-term review of the Industrial Value Creation Program as expected. The progressive results of the Program gained recognition and commendation from the review committee members. We continue to interact with customers to learn their needs and thoughts of smart products.

Customer service

We continually engage in customer-centric innovation and R&D, improve production and service models, and strive to create value for customers. In addition to establishing a CRM system, we continue to optimize our customer service website in response to customer needs, and update information to facilitate customers' consultations.

Our domestic and overseas plants periodically conduct customer satisfaction surveys every year. In 2018, we sent out a total of 1,548 satisfaction survey questionnaires and collected 1,209 samples, which is a recovery rate of 78.1%; overall customer satisfaction was at 84.8%.

To continuously increase customer satisfaction, our plants summarize and analyze customer feedback, formulate measures for items that did not meet their goal and carry out follow-up. When customers notify us of issues with our product quality, we assign personnel to contact the customer for verification and when circumstances so require, we go to the site for verification and handling of subsequent matters. After making an effort to improve quality, optimize systems, and enhance the services provided by our personnel, most of our Business Units achieved higher customer satisfaction levels in 2018.

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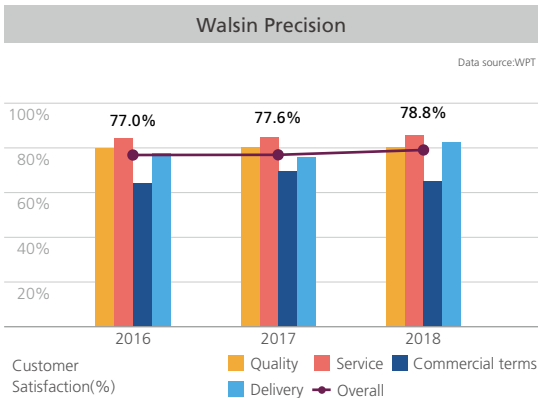
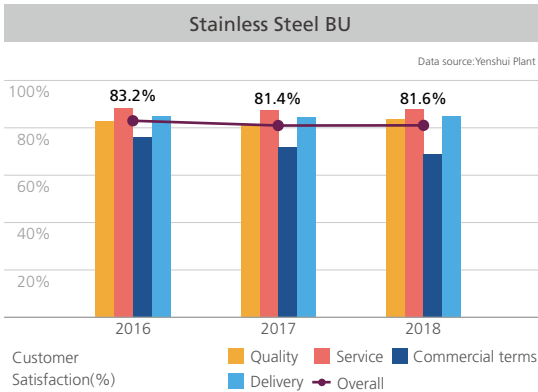
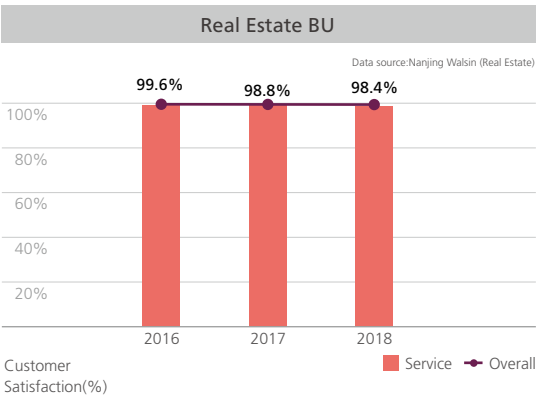
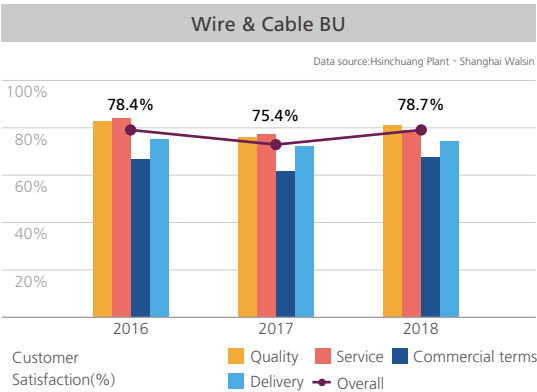
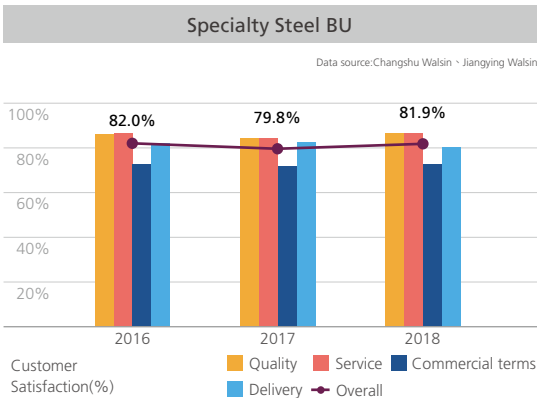
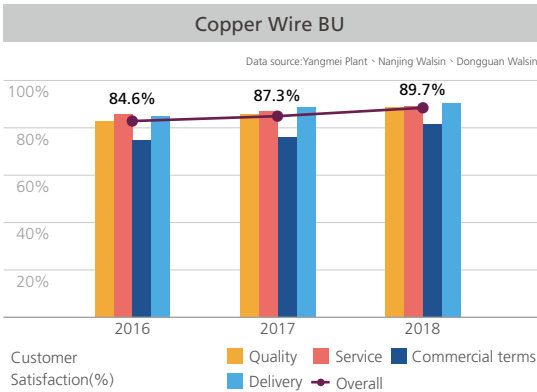
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2016~2018 Customer Satisfaction



Note: A new calculation method was used for the customer satisfaction survey in 2018. Walsin Precision Technology was separated from the Stainless Steel Business Unit in response to organizational restructuring, and were thus assessed separately. We also recalculated customer satisfaction results for 2016 and 2017.

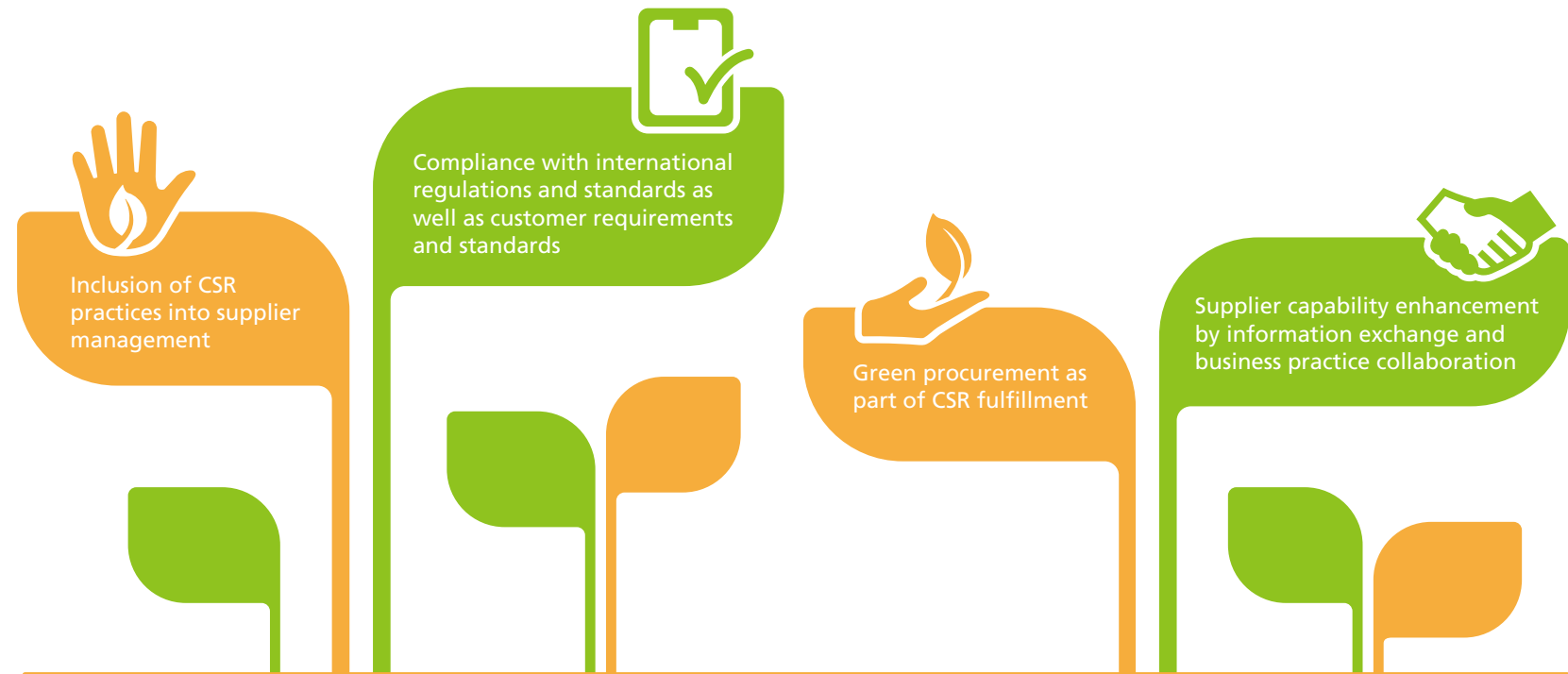
We exert great efforts to protect our customers' privacy. Access to customer information is strictly controlled through system access restrictions. In 2018, there were no customer privacy invasion incidents and we did not receive any complaints for invasion of privacy.

3.5 Sustainable Supply Chain

3.5.1 Sustainable Supply Chain Policy

There were no material changes in the supply chain of Walsin Lihwa in 2018. Suppliers are mainly divided into five categories, namely raw materials, equipment, contractors, recycling and others. To implement and strengthen sustainable supplier management and grow together with our partners, besides assessing suppliers' quality, timeliness of completion/delivery, prices, services/communication and coordination, we also added CSR to supplier assessment items in 2018. We established supplier selection mechanisms and urged suppliers to jointly comply with CSR-related regulations, thus exerting our social influence to achieve a balance between economic, social, and environmental aspects that will enable sustainable development. Furthermore, we will adopt management measures to ensure that our company and our supply chain all comply with policies and regulations that prohibit the use of conflict minerals.

Supplier Sustainability Policy



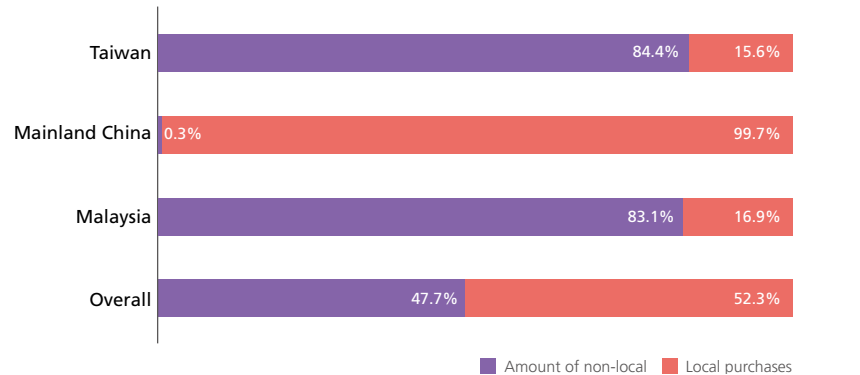
Key Supplier Identification

To effectively manage suppliers, Walsin Lihwa's Business Units incorporated CSR aspects into the Regulations for Supplier Management in 2018. Key suppliers were identified based on important raw materials or the ratio of their procurement amount to overall procurements. Using this principle we identified 111 key suppliers in 2018, which collectively accounted for 69.68% of our total procurements. These 111 suppliers are Walsin Lihwa's important business partners and were targeted for the promotion of supplier CSR and management.

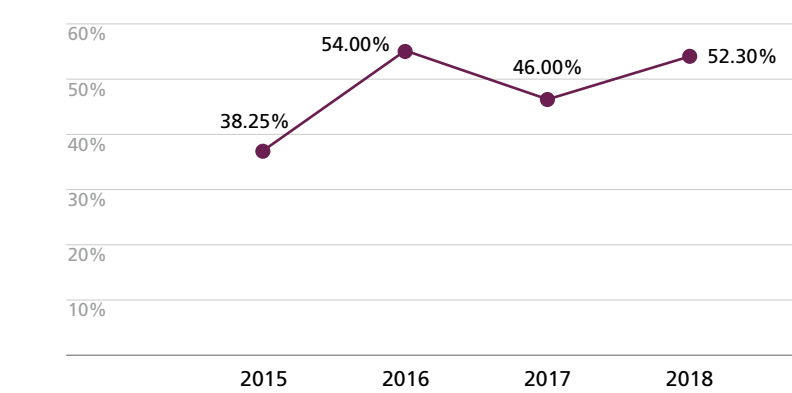
Local procurement

We work closely together with our suppliers in the pursuit of corporate sustainability and growth. In recent years, we continued to engage in local procurement. 15.6% of procurements made by our key suppliers in Taiwan are sourced from local suppliers (key metals and minerals in Taiwan are mostly imported from abroad); 99.7% of procurements made by our key suppliers in mainland China are sourced from local suppliers; and 16.9% of procurements made by our key suppliers in Malaysia are sourced from local suppliers. Overall, about 52.3% of our key suppliers are local suppliers, up 6.3% compared with last year.

Percentage of local purchases



Percentage of local procurements

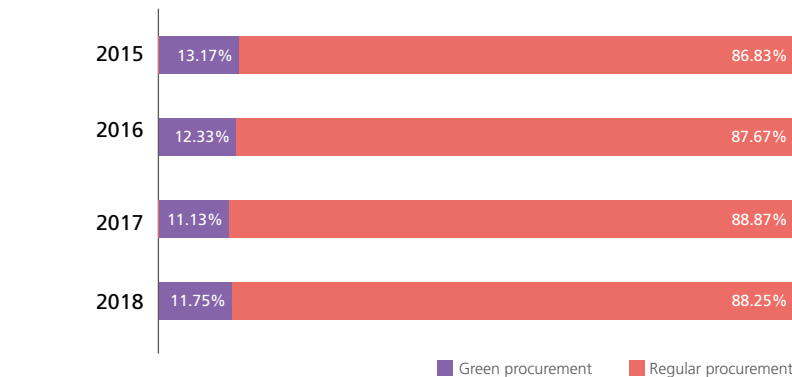


Note: Local procurement is when the payment is made to a local supplier.

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. 2 Green procurements amounted to NT\$9.4 billion in 2018, accounting for 11.75% of all procurements and up NT\$1.8 billion compared with last year.

Percentage of green procurements



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3.5.2 Implementation of supply chain management

Supplier Assessment Mechanism

In accordance with policies revised by our CSR Committee in recent years and in order to comply with corporate policies, the Customer and Supplier committee revised Walsin Lihwa's Supplier Management Commitment to Social Responsibility at the end of 2018. Contents that were revised include occupational safety and health, emergency response mechanisms and procedures, ethical conduct and environmental protection. Starting from 2019, procurement personnel of each OU sent the new version of the Commitment Letter to suppliers to fill out.

To ensure our supply chain fulfills our commitment to CSR, 85% or 377 of our new 443 suppliers in 2018, signed the Supplier Management Commitment to Social Responsibility, up 5% compared with last year.

To implement the principles for supplier CSR performance appraisal, in addition to signing the Supplier Management Commitment to Social Responsibility, in 2018 we also asked key suppliers to fill out a Supplier CSR Performance Self-assessment Form. We require suppliers to comply with domestic and overseas CSR related laws, regulations, and standards for corporate governance, trade secret protection, supplier management, labor relationships management, health and safety management and environmental protection.

Of our 111 key suppliers, 96 returned the Supplier CSR Performance Self-Assessment Form in 2018; about 86% of suppliers completed questionnaires for sustainability self-assessment.

Site	Head Office	Wire & Cable					Specialty Steel					Real Estate	Other	Total
	Taipei Head Office	Commodity Center (Copper)	Yangmei/Hsinchuang Plant	Nanjing Walsin (Copper Wire)	Dongguan Walsin	Shanghai Walsin	Commodity Center (Nickel)	Yenshui / Taichung Plant	Yantai Walsin	Changshu Walsin	Jiangyin Walsin	Nanjing Walsin (Real Estate)	Walsin Precision	
Number of Key Suppliers	4	20	8	17	8	4	14	9	4	4	8	7	4	111
Self-assessment Forms Returned by Key Suppliers	Number of suppliers that signed the commitment	2	15	8	17	7	4	12	8	2	4	6	7	96
	Signed the commitment (%)	50%	75%	100%	100%	88%	100%	86%	89%	50%	100%	75%	100%	86%

To comprehensively implement the principles for supplier CSR performance appraisal, we plan to increase the number of key suppliers that are assessed in 2019, and plan to include new suppliers among those that conduct CSR performance self-assessments, so that suppliers that collaborate with us jointly promote sustainable development.

We not only visit suppliers during audits, but also when it is necessary to discuss matters 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.

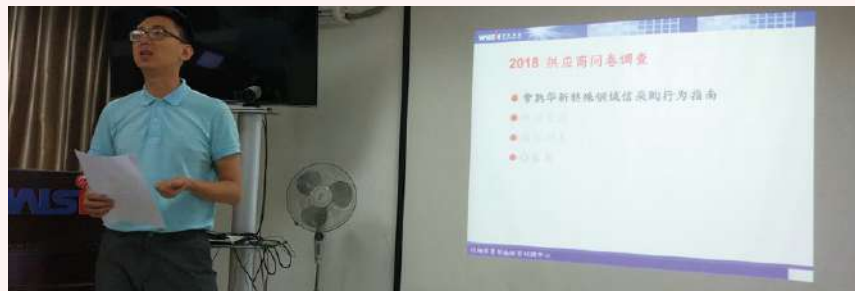
Supplier CSR Meeting

We began making an effort to comply with international CSR standards in 2014. To properly implement related measures and achieve corporate sustainability, we began to request our suppliers to sign the Supplier Management Commitment to Social Responsibility and conducted supplier assessments in recent years. This allows suppliers to clearly understand our CSR policy and expectations, engage in direct communication and obtain feedback. Our Changshu Walsin plant in Mainland China and our Hsinchuang Plant have organized supplier CSR meetings and plan to continue organizing supplier meetings to further discuss CSR-related contents. In 2019, we will help suppliers understand how to establish sustainable supply chain-related management mechanisms. We included results of sustainability questionnaires as an indicator in supplier assessments. We hope our suppliers jointly comply with the principles, and use their social influence to achieve a balance between economic, social, and environmental aspects that will enable sustainable development.

Highlight : Supplier Meetings

Changshu Walsin – Organizing Supplier Meetings to Promote Honest Business Practices

Changshu Walsin invited key suppliers to a supplier meeting in June 2018, and promoted the requirements for business integrity in procurement. Changshu Walsin also explained how suppliers can file complaints and asked participants to fill out questionnaires to increase supply chain transparency.



Hsinchuang Plant – Bringing Suppliers Together to Jointly Fulfill CSR

Our Hsinchuang Plant in Taiwan organized the first Supplier CSR Meeting in October 2018, and held an interactive discussion with suppliers in five topics, namely sustainability policy, human rights policy, EHS policy, business integrity, and supplier CSR performance assessment. Besides communicating our Sustainability Policy and promoting CSR, the event also allowed suppliers to understand the future role of CSR in enterprises, and enabled us to promote our requirements on business integrity, human rights and labor policies, EHS policy, and supplier CSR performance assessment items. The face-to-face explanations and Q&A allowed every supplier to understand the importance and effects of CSR implementation in businesses. We hope that Walsin Lihwa will jointly exert its social influence along with its supply chain partners to drive economic, social and environmentally sustainable development.

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Sustainability promotion strategy

Strengthen resource management, decrease environmental impact, and pursue circular economy

Strategy	Objectives for 2018	2018 results	Objectives for 2019
Strengthen resource utilization efficiency, recyclability, and recovery to pursue circular economy	<ul style="list-style-type: none"> Strengthen reuse, recyclability, and recovery 	<ul style="list-style-type: none"> Waste acid regeneration: <ul style="list-style-type: none"> Increased waste acid recovery with waste acid from Yenshui treated in Taichung Decrease of sludge from 99 kg → 73 kg per ton of steel produced Increased recovery of reclaimed water: 94% increase in Taiwan and 33% increase in Mainland China Waste reuse: <ul style="list-style-type: none"> Increased reuse of furnace dust from 0.022 ton to 0.035 ton per ton of steel produced Increased reuse of furnace slags from 0.088 ton to 0.124 ton per ton of steel produced Increased reuse of oxidized metal powder from 818 tons to 860 tons 	<ul style="list-style-type: none"> Increase waste acid recovery and regeneration as well as oxidized metal powder recovery and regeneration <ul style="list-style-type: none"> Objective: Decrease sludge to 57 kg per ton of steel produced Increase wastewater recovery at overseas sites Recover and reuse 100% of furnace slags in Yantai for such slags to be reused by the local government for pavement
Establish effective energy management mechanism to promote energy saving, decrease carbon emission, and lower pollutant exhaust	<ul style="list-style-type: none"> Promote ISO 50001 and 14064 to quantify energy management Save 1% of annual power consumption from 2014 through 2020 	<ul style="list-style-type: none"> Enhanced energy management efficiency with ISO 50001 implementation in Taiwan Availability and uptime enhancement with replacement of power-consuming equipment Power saving:Taiwan 0.93% → 1.11% Carbon reduction: Taiwan 0.77% → 0.74% Review of operation units' non-compliance and potential risks to strengthen counselling and guidance as well as prevention and control engineering Decreased environmental fine payment from NT\$3,060,000 to NT\$420,000 Enhanced pollution prevention engineering professionalism with effective training of environmental protection technologists 	<ul style="list-style-type: none"> Set up quantified performance benchmarking to reduce inefficient power consumption Implement clean production indexes to improve process energy saving Use oxygen-fuel combustion in steelmaking to decrease carbon emission Strengthen onsite pollution risk control Increase reuse of furnace slags and acquire furnace slag storage sites



Energy management

↓3.75%

Energy consumption per unit of product
Decrease of 3.75% in power cable and wire production and Decrease of 1.25% in stainless steel production
Note: Compared to 2014 as the benchmark year



Greenhouse gas

↓2.4%

Decrease of 2.4% greenhouse gas emission intensity in Taiwan
Note: Compared to 2014 as the benchmark year



Energy management

5,783 tons

5,783 tons of carbon reduction



Water resource management

93.79%

Decrease of 1.86 - 6.13% of purchased water intake per unit of product
Increase of 2.13% water recovery to reach 93.79% in Taiwan



Wastewater management

↓6.12%

Decrease of 6.12% wastewater emission per unit of product in Taiwan
Decrease of 2.65% wastewater emission per unit of product at overseas sites



Waste management

98.28%

98.28% of waste recovered and reused in Taiwan
92.81% of waste recovered and reused at overseas sites

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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.

4.1 Environmental and Energy Management Policy

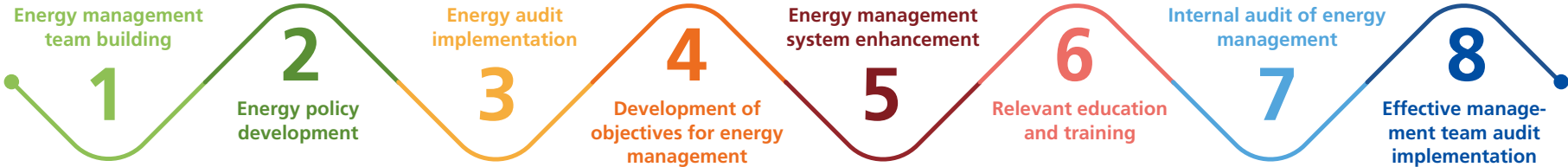
Walsin Lihwa continued its endeavor to strengthen environmental communion and sustainable business development in 2018, when the company proactively dealt with global warming and environmental changes by pursuing the ISO 50001 certification, committing itself to green procurement, establishing energy efficiency management, and publicizing the company's amended environment, health, and safety policy to demonstrate its determination of .energy saving and emission reduction.

Therefore, with clean production as a critical objective, the top priorities for Walsin Lihwa include ongoing process technology improvement, investment in environmental protection facilities, and development of relevant applications to focus on recycling of resources and emission reduction to help decrease the environmental impacts on air, soil, water, and the overall ecosystem. Pollution prevention and environmental risk control will also continue to be rigorously implemented while suppliers and vendors are required to comply with relevant laws and regulations to develop a green supply chain together with Walsin Lihwa, at which energy saving and resource recovery will continue to be promoted to all employees by the company's Environment, Health, and Safety Committee on a regular basis.

Environment, health, and safety as well as energy policies



With the policy objectives and basis for policy implementation review accordingly established, the company's management review meeting is responsible for the policy implementation review on a regular basis as well as adequate communication with stakeholders on relevant implementation results.

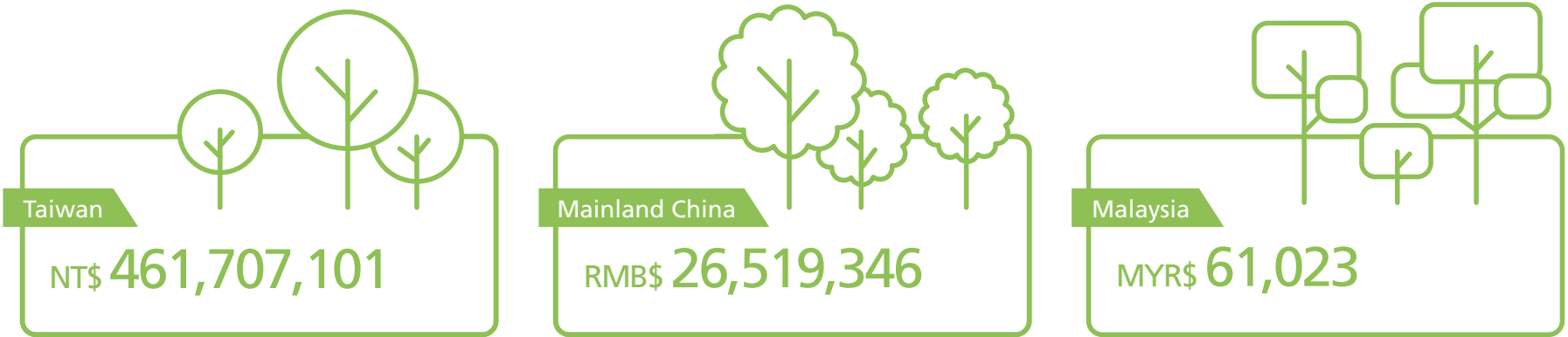


External certifications are expected to be obtained in 2019.

Self-inventory of major energy-consuming equipment in 2020 is intended to establish energy-saving performance benchmarking.

Certification	Yangmei Plant	Hsinchuang Plant	Yenshui Plant	Taichung Plant	Nanjing Walsin (Copper Wire)	Dongguan Walsin	Shanghai Walsin	Yantai Walsin	Changshu Walsin	Jiangying Walsin
ISO 14001 Environmental Management System	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
ISO 14064-1 Greenhouse Gas Inventory Verification	Self-inventory	Self-inventory	✓	✓	Self-inventory	Self-inventory	Self-inventory	Self-inventory	Self-inventory	Self-inventory
ISO 50001 Energy Management System	✓	✓	✓	✓	✓	●	○	✓	○	●

2018 environmental protection expenditure



4.2 Promotion of Energy Conservation and Carbon Reduction

Climate change is a common global issue, and Walsin Lihwa has been taking greenhouse gas inventory of its own accord every year since 2013 to better control carbon emission at its local and overseas subsidiaries, meeting relevant local government requirements as well as the company's Environment, Health, and Safety Committee's guidelines by establishing specific carbon reduction objectives for its individual sites at the beginning of every year and moving steadfastly toward the objectives.

In 2018, our Taiwan sites adopted the ISO 50001 Energy Management System and became ISO 50001 certified with the system implemented at our Taiwan sites to continue enhancing energy management effectiveness. With our in-depth understanding of energy management, we also paid great attention to the benefit of emission reduction resulting from energy saving technologies, taking inventory of energy consumption by equipment and facilities to identify the opportunities of energy efficiency improvement while continuing improvement and innovation through industrial benchmarking as an attempt to develop Walsin Lihwa into an industry benchmark.



13.Climate Action

Mission and Vision

ISO 50001

adoption for energy saving and emission reduction to help decrease the influence on climate change

Sustaining Effort

- ✓ ISO 50001 Energy Management System
- ✓ energy saving manufacture process
- ✓ inventory of greenhouse gas
- ✓ Climate change management



4.2.1 Energy efficiency management

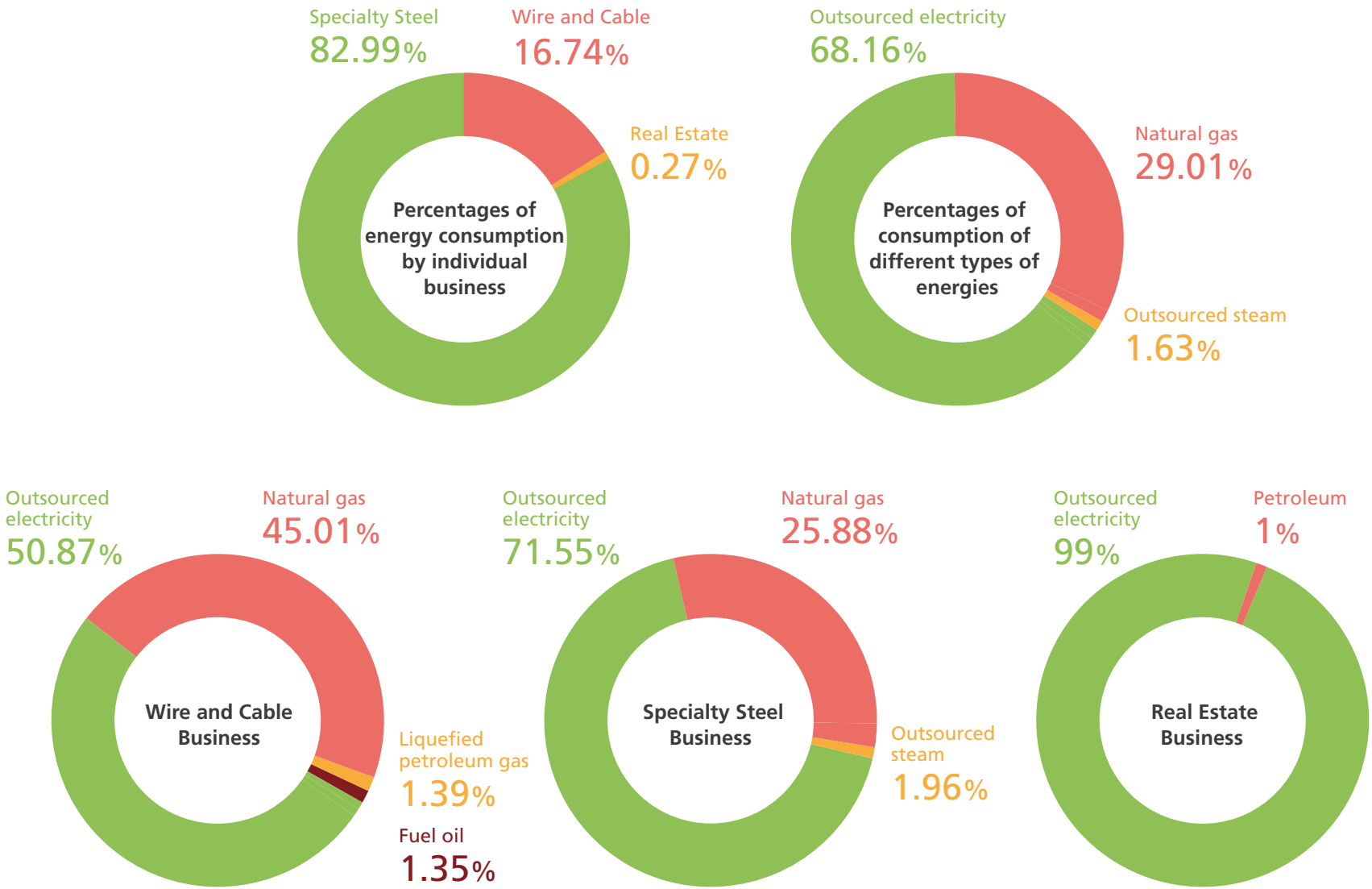
In terms of corporate social responsibility fulfillment in 2018, we continued strengthening our environment, health safety policy implementation while promoting energy saving and emission reduction to pursue green circular production. In 2018, electricity was the primary energy for production at Walsin Lihwa, followed by natural gas. Other types of energies consumed included petroleum, diesel, and purchased steam among others for company business vehicles as well as cargo transportation and forklifts at our production sites. The energies consumed included direct and indirect energies in 2018, when the percentages of calorific values of direct and indirect energies at our Taiwan and overseas sites respectively amounted to 30.22% and 69.78%. The types of energies used by product category and calorific value percentages are disclosed as below.

Energy consumption by individual business groups in 2018					Unit : GJ=10 ⁹ J
	Category	Wire and cable	Specialty steel	Real estate	Total
Indirect energy	Outsourced electricity	8.56281 x 10 ⁵	5.96984 x 10 ⁶	2.66579 x 10 ⁴	6.85278 x 10 ⁶
	Outsourced steam	0	1.63822 x 10 ⁵	0	1.63822 x 10 ⁵
Direct energy	Petroleum	0	2.05942 x 10 ³	3.59117 x 10 ²	2.41854 x 10 ³
	Diesel	4.27662 x 10 ³	3.46671 x 10 ⁴	1.23053 x 10 ²	3.90667 x 10 ⁴
	Fuel oil	2.27147 x 10 ⁴	0	0	2.27147 x 10 ⁴
	Automotive petroleum	7.93975 x 10 ²	2.65740 x 10 ³	0	3.45137 x 10 ³
	Automotive diesel	1.13132 x 10 ⁴	6.40203 x 10 ³	0	1.77152 x 10 ⁴
	Liquefied petroleum gas	2.33485 x 10 ⁴	5.02270 x10 ³	0	2.83712 x 10 ⁴
	Natural gas	7.57644 x 10 ⁵	2.15934 x 10 ⁶	0	2.91698 x 10 ⁶
	Ethyne	6.81359 x 10 ³	1.33399 x 10 ²	0	6.94699 x 10 ³
	Total	1.68319 x 10 ⁶	8.34394 x 10 ⁶	2.71401 x 10 ⁴	1.00543 x 10 ⁷

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.
4. None of the above is regenerated energy.

Percentages of the consumption of different types of energies



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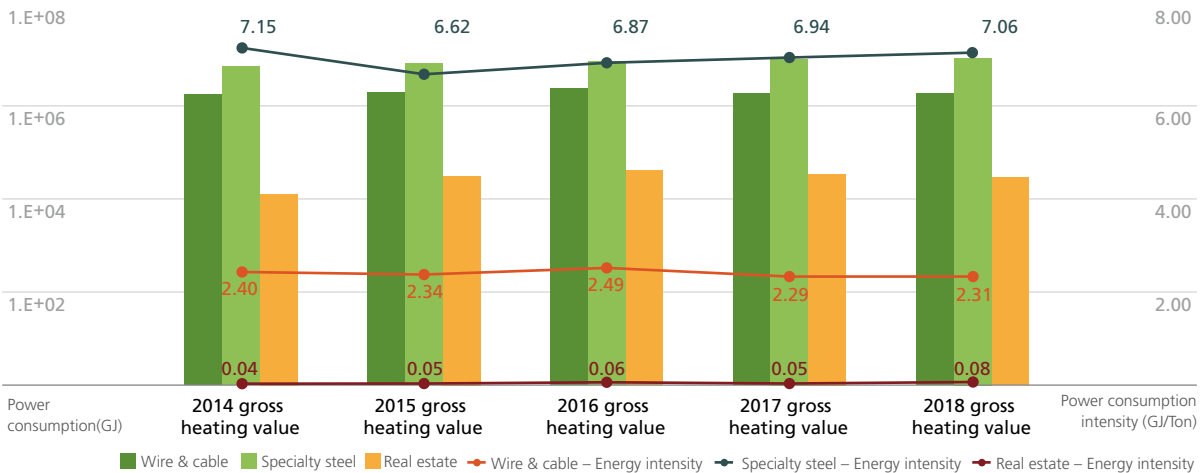
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Types of energies consumed from 2015 - 2018

Year	2015			2016			2017			2018		
Business group	Gross heating value (gigajoule)	Output (ton) (floor area, i.e., m²)*	Energy intensity	Gross heating value (gigajoule)	Output (ton) (floor area, i.e., m²)*	Energy intensity	Gross heating value (gigajoule)	Output (ton) (floor area, i.e., m²)*	Energy intensity	Gross heating value (gigajoule)	Output (ton) (floor area, i.e., m²)*	Energy intensity
Wire & cable	2,024,329.22	865,687.29	2.34	2,193,257.56	881,098.66	2.49	1,698,675.068	740,937.792	2.29	1,683,185.519	728,043.757	2.31
Specialty steel	6,414,283.62	968,269.36	6.62	7,062,432.47	1,028,013.25	6.87	8,115,111.28	1,170,862.179	6.94	8,343,943.064	1,182,190.518	7.06
Real estate	29,156.80	602,412.00	0.05	37,387.73	602,412.00	0.06	31,424.40	602,412	0.05	27,140.119	354,279.6	0.08

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 in 2018 at Walsin Lihwa, the intensity of power cables and wires remained the same as that in 2017 primary because the 2018 production capacity was slightly lower than that in 2017. The intensity of stainless steel products was 1.73% higher than that in 2017 primarily because natural gas consumption increased resulting from waste acid treatment at the Taichung stainless steel mill in lieu of the Yenshui site, but Walsin Lihwa will continue investing in and strengthening the facilities for carbon reduction, pollution prevention, and waste reuse. In 2014, the company commenced energy consumption management and has become ISO 50001 certified, setting 2014 as the benchmark year. The intensities of power cables and wires and stainless steel products in 2018 were respectively 3.75% and 1.25% lower than those in the 2014 benchmark year, and the energy consumption and carbon emission per unit of product in 2019 are expected to be 1% lower than those in the 2014 benchmark year.



Hsinchuang Plant



Yangmei Plant



Taichung Plant



Yenshui Plant

4.2.2 Greenhouse gas (GHG) inventory

In 2015, Walsin Lihwa set up its environment and safety information platform to inventory greenhouse gas emission and calculate carbon emission per unit of product, collecting information on its Taiwan and overseas sites' self-inventory of greenhouse gas emission on a regular basis. Ongoing annual review and system intellectualization helped the company completed greenhouse gas inventory optimization in 2018 to understand beforehand the quarterly emission status as compared to the same period of the previous year and show a comprehensive trend chart. Moreover, the carbon emission status is subject to quarterly review by the Environment, Health, and Safety Committee for effective carbon emission control, and the company has been promoting conformity with ISO 14064-1 to its individual sites through verification by third-party accreditation bodies. The Taichung and Yenshui sites in Taiwan have become accredited with ISO 14064-1, and we also actively engage in carbon emission trading in Shanghai to ensure sufficient carbon quotas for the company in the future and painstakingly develop advanced energy saving technologies to strengthen our long-term growth opportunities.

Greenhouse gas (GHG) emission

In 2013, Walsin Lihwa started to audit its greenhouse gas emission intensities (metric tons of CO₂ emission/metric tons of product output), and the intensities inventoried at the Taiwan and overseas sites, exclusive of the real estate development operation , were respectively 0.43 and 0.29. In 2014, our individual sites started to actively implement energy saving solutions and, after four years' implementation, the intensities inventoried at the Taiwan and overseas sites, exclusive of the real estate development operation, were respectively 0.41 and 0.40, respectively 2.4% lower and 29% higher than those in the benchmark year. The higher intensity per unit of product at the overseas sites primarily resulted from product mix changes and downsizing at some sites there during the four years. In 2018, the product mix adjustment was finalized and the 2018 emission intensity was therefore more stable than the 2017 emission intensity.

廠區	上海電力				
申報單位	WC9000_BA0120 上海電力安環課				
中文名稱	顧亞彪	電話分機	205		
通報時間	2018 年第 4 季				
產品	產品	產量	單位		
	電力電纜	3089.6	公噸		
			公噸		
			公噸		
			公噸		
	總量 (A)	3089.6	公噸		
去年同期產量	3422.4				
溫室氣體排放量	排放源		排放量	單位	
	範疇一	直接排放	固定式燃燒排放	50.19	公噸CO ₂ e
		直接排放	移動式燃燒排放	38.6	公噸CO ₂ e
	範疇二	間接排放	電力熱力排放	858.23	公噸CO ₂ e
		範疇三	其他排放		0
	總排放 (B)		947.02	公噸CO ₂ e	
排放強度 (C)	本季排放強度 = B/A = 0.307 公噸CO ₂ e / 公噸產品				
上季排放強度 (D)	0.362				
去年同期排放強度 (E)	0.316				
排放量排放強度與上季差異說明	差異%	說明			
	-15.19	4季度OCV繼續降機，比3季度新增機耗耗能減少			
排放量排放強度與去年同期差異說明	差異%	說明			
	-2.85	基本持平，在正常波動範圍內			
附件(溫室氣體盤查工具(GRI)檔)	 				
2018溫室氣體盤查(海外)上電Q4.xls 2018年季溫室氣體排放.xlsx					

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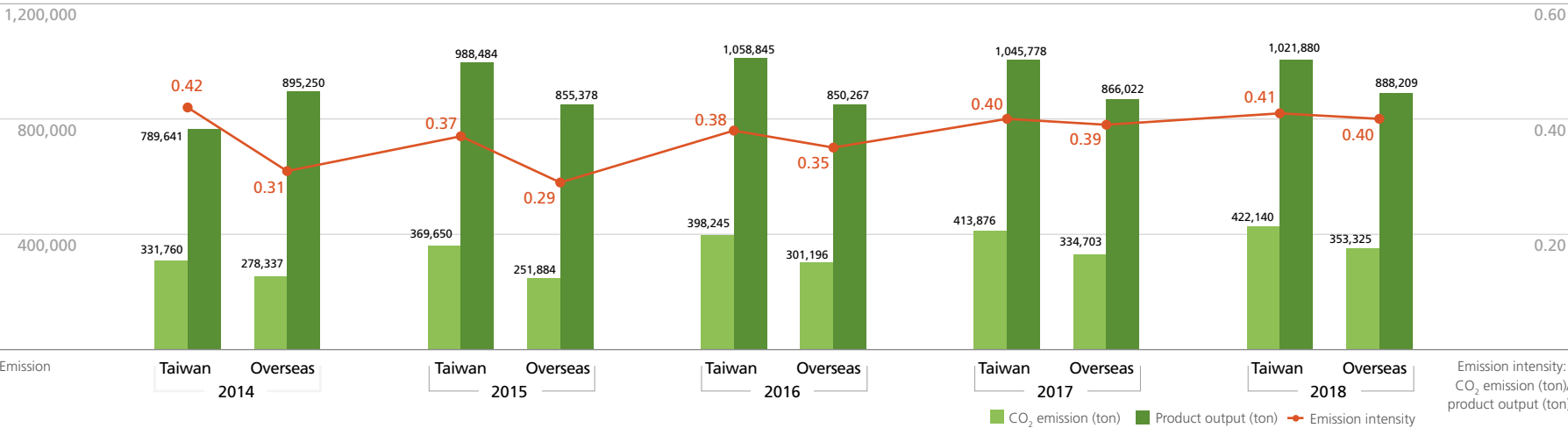
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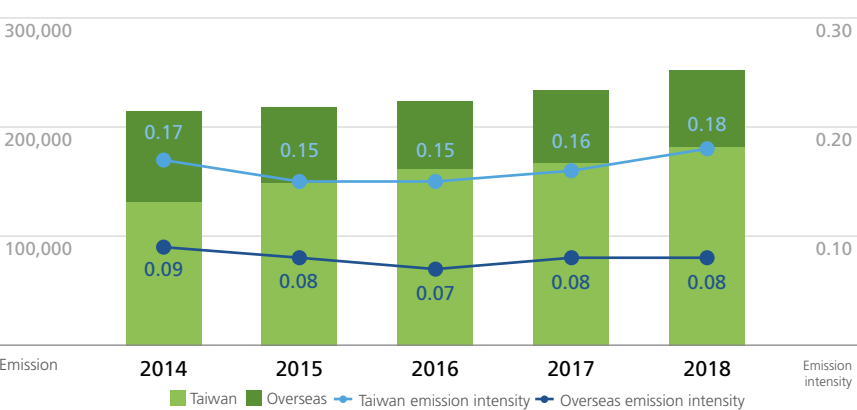
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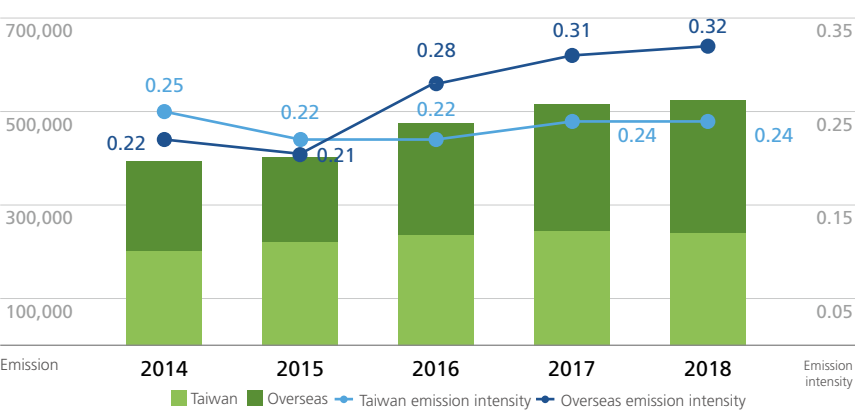
Greenhouse gas (GHG) emission and emission intensity at Taiwan and overseas sites



Scope One: direct greenhouse gas (GHG) emission



Scope Two: indirect greenhouse gas (GHG) emission



Note:

- Scope One and Two refer respectively to direct and indirect energies, while greenhouse gas (GHG) emission includes CO₂, N₂O, CH₄, HFCs, SF₆
- Taiwan sites are in Yangmei, Hsinchuang, Yenshui, and Taichung
- Overseas sites include Nanjing Walsin(Copper Wire), Dongguan Walsin, Shanghai Walsin, Yantai Walsin,Changshu Walsin, Jiangyin Walsin, and Walsin Precision.
- 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.
- The emission coefficient is based on the 6.02 version of the greenhouse gas emission coefficient management table (IPCC 2nd Assessment Report in 1995) published by the Industrial Development Bureau for self-auditing. Global warming potential (CWP) is dealt with by the operational control method.
- 2014 is the company's benchmark year for energy saving solution implementation.
- Scope Two emission is calculated by the location-based method.

4.2.3 Implementation of Energy Saving and Carbon Reduction

To effectively decrease environmental pollution and greenhouse gas (GHG) emission, reasonable maximization of energy efficiency is pursued, and individual sites all have energyconservation 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 internationals trends to discuss responding measures.

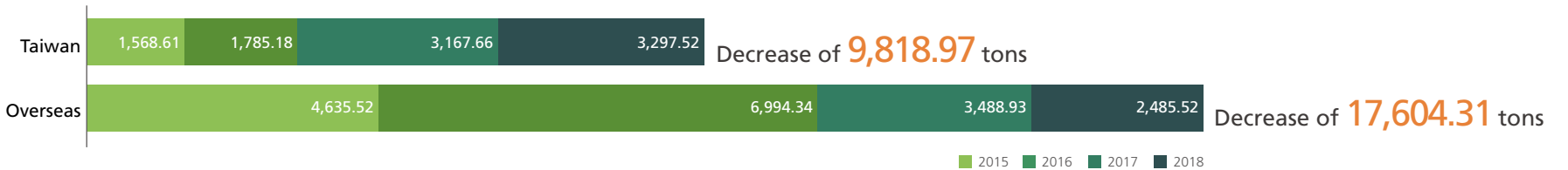
When declaring the objective for carbon reduction at the beginning of every year, 4,458.01 tons at the Taiwan and overseas sites were declared to be reduced in 2018, and what was actually reduced amounted to 5,783.04 tons, an accomplishment rate of 129.72% primarily because the Yenshui site had the highest accomplishment rate with as many as 46 annual energy saving solutions implemented, including increased silicon as an electric arc furnace charging material to increase furnace chemical energy and decrease power consumption. As a result, the Yenshui site's annual carbon reduction amounted to 790.18 tons, approximately 13.67% of the carbon reduction at the Taiwan and overseas sites. In 2018, the Taiwan and overseas sites proposed 97 solutions to carbon reduction that reduced 5,783.04 tons of CO₂ emission and saved approximately NT\$17,319,053 in Taiwan as well as RMB\$916,810 and MYR\$59,321 overseas.

Energy-Conservation plan by area in 2018

Area	Solution	Energy	Number of solutions	Amount saved	Energy saving (Megajoule)	Carbon reduction (ton)	Cost Saved
Taiwan	Energy Conservation in Manufacturing Process / Office energy saving	Electricity (1,000 kW·h)	73	5,216.24	45,193.51	2,877.23	NT\$ 17,319,053
		Natural gas (1,000 cubic meters)	4	231.71	8,728.37	420.29	
		Total	77	-	53,921.88	3,297.52	
Overseas	Energy Conservation in Manufacturing Process	Electricity (1,000 kW·h)	16	1,778.63	15,410.06	1,364.52	RMB\$ 916,810 MYR\$ 59,321
		Natural gas (1,000 cubic meters)	2	461.89	17,399.36	984.94	
		Diesel (kiloliter)	1	3.98	139.93	12.32	
		Steam (cubic meter)	1	123	338.99	38.83	
		Others (Ton)	1	23.18	200.83	84.91	
		Total	20	-	33,489.17	2,485.52	

Note: 1. The CO₂ emission equivalent is calculated based on the emission coefficients of electricity, natural gas, petroleum, steam, diesel, and/or others used at individual sites.
2. Category one: Natural gas, diesel, and others. Category two: Electricity and purchased steam.
3. Carbon reduction calculation is compared to the emission amount before equipment replacement or renovation and manufacture process adjustment.
4. Decreased energy consumption = Amount of energy saving x Calorific value (based on the Table of Heat Content of Energy Products in the Burau of Energy's 2014 Energy Statistics Handbook)

Carbon reduction from 2015 through 2018



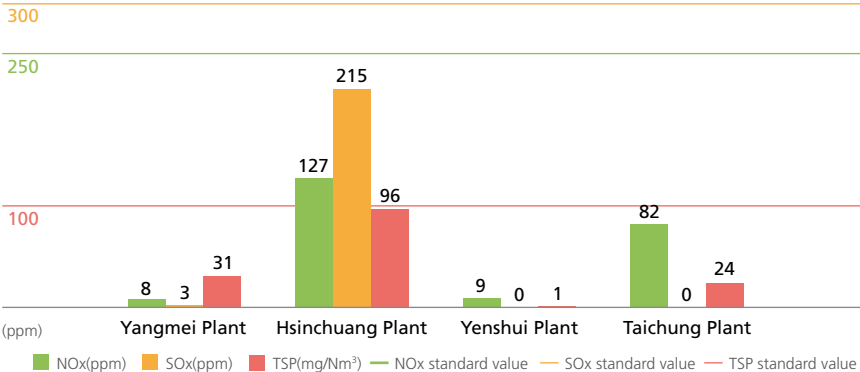
4.2.4 Air pollution control and amount of pollutant emission

To strengthen many environmental protection initiatives, Walsin Lihwa continues its manufacture process optimization, having various effective air pollution control systems implemented. The company's air pollution prevention measures start from plant setup planning and last through production and use of materials. Its plant design makes good use of best available as well as best available control technologies, and its production adopts best air pollution prevention equipment to decrease waste exhaust. Natural gas boilers are expected to replace the company's coal fuel boilers in 2019.

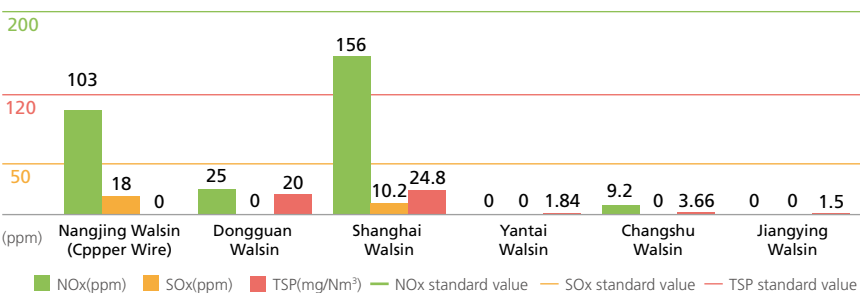
At Walsin Lihwa, nitrogen oxides (NOx), sulfur oxides (SOx), and suspended particles (TSP) among others are subject to air pollution control. In 2018, the NOx emission intensity per unit of product decreased 25% and the SOx emission intensity per unit of product decreased 33%. With individual pollutants in compliance with relevant environmental protection laws and regulations, the company will continue strengthening its various air pollution reduction initiatives.

NOx, SOx, and TSP emission

Emission intensity at Taiwan sites and prescribed standard value



Emission intensity at overseas sites and prescribed standard value



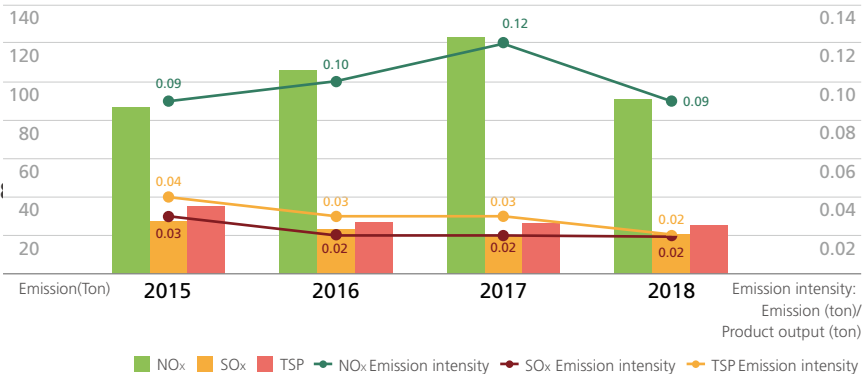
Note: 1. The above emission data are reported to the Environmental Protection Administration in Taiwan and individual local environmental protection bureaus in Mainland China on a regular basis in compliance with relevant laws and regulations.

2. The above annual emission amount calculation is based on: Detected intensity x air flow x time.

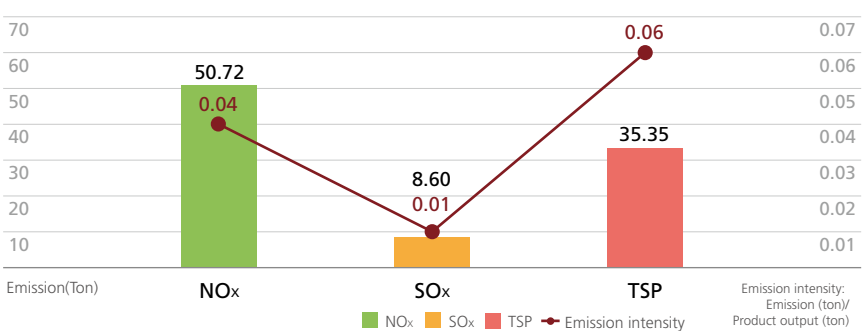
3. Taiwan sites included: Yangmei Plant, Hsinchuang Plant, Yenshui Plant, Taichung Plant

4. Overseas sites included: Nanjing Walsin (Copper Wire), Dongguan Walsin, Shanghai Walsin, Yantai Walsin, Changshu Walsin, Jiangying Walsin, Walsin Precision

Total amount of waste exhaust and emission intensity at Taiwan sites from 2015 through 2018



Amount of emission and emission intensity at overseas sites in 2018



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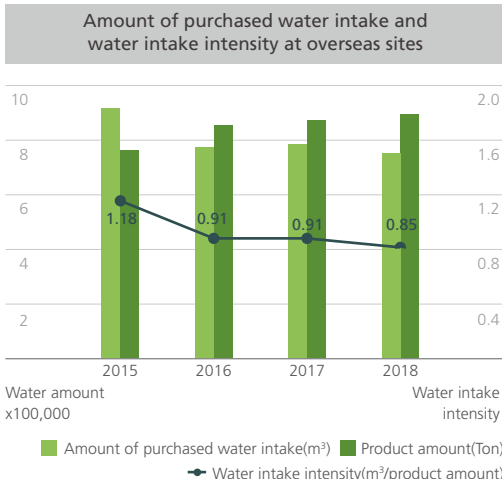
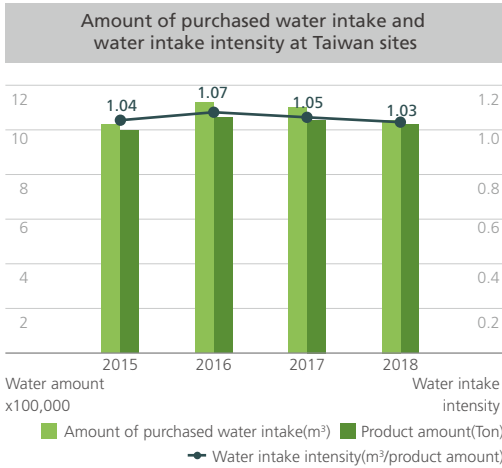
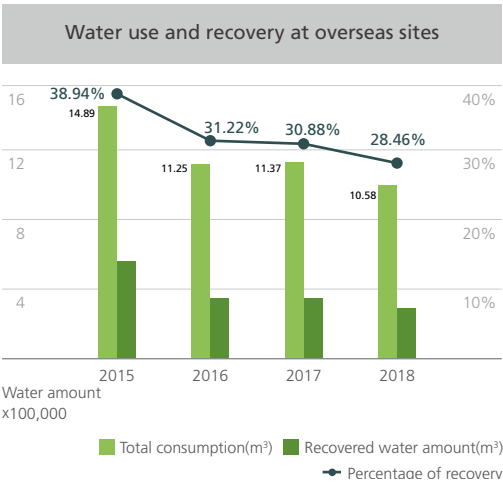
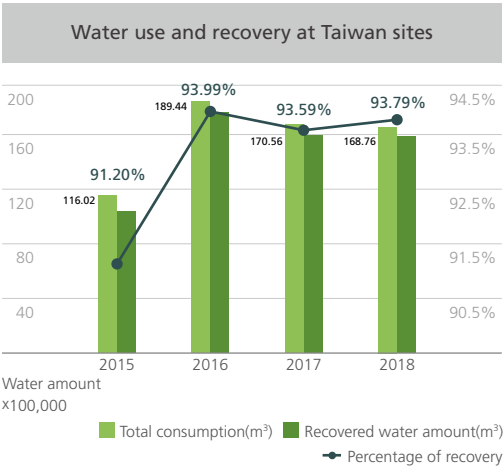
4.3 Pollution Prevention

4.3.1 Water resource utilization

Water source and water conservation

Walsin Lihwa is committed to water resource protection and conservation by the Three R's (Reduce, Reuse, and Recycle), recovering rainwater, process water, and black smoke mist throughout production to save water. Tap water is our primary water resource for production, and the Taiwan sites used a total of 168.76078 x 10⁵ cubic meters of water in 2018, when the overseas sites used 10.57660 x 10⁵, according to water meter readings and water bills.

The 2018 monthly water consumption at the Taiwan and overseas sites included 6.47196 x 10⁵ cubic meters of tap water, 0.76807 x 10⁵ cubic meters of groundwater, 1.080945 x 10⁵ cubic meters of industrial water, and 161.28789 x 10⁵ cubic meters of water recovered from processes. The consumption of purchased water per unit of product at the Taiwan sites (Yangmei, Hsinchuang, Yenshui, and Taichung) and overseas sites (Nanjing, Dongguan, Shanghai, Yantai, Changshu, Jiangyin, and Malaysia) amounted respectively to 1.03 cubic meters and 0.85 cubic meters, approximately 1.86% and 6.13% lower than those in 2017 (based on water meter readings and water bills). As Walsin Lihwa continued endeavoring to save and recover water in 2018, the water reused in Taiwan was approximately 2.13% higher than that in 2017. The water reused at the overseas sites was approximately 7.83% lower than that in 2017 primarily because of some product mix changes. While continuing increasing our production capacity and expanding our sites in 2018, we achieved comprehensive water consumption reduction as well as process water recovery and reuse.



Note:

- Consumption of tap water, industrial water, and groundwater is primarily based on water meter readings.
- Water is primarily recovered from manufacture processes and cooling water, and the water recovered is recorded by water meters.
- Taiwan sites included: Yangmei Plant, Hsinchuang Plant, Yenshui Plant, Taichung Plant
- Overseas sites included: Nanjing Walsin (Copper Wire), Dongguan Walsin, Shanghai Walsin, Yantai Walsin, Changshu Walsin, Jiangying Walsin, Walsin Precision

Wastewater treatment

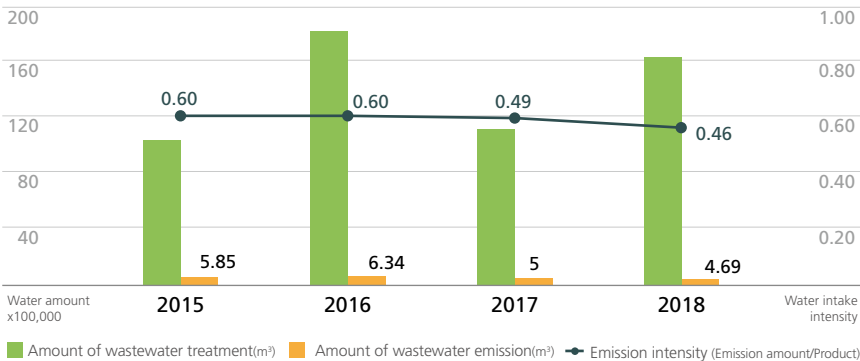
Wastewater at the individual sites of Walsin Lihwa is properly converted by their wastewater treatment facilities to comply with effluent standards, and there are wastewater quality checks on a regular basis to prevent environmental pollution resulting from wastewater emission. The 2018 total wastewater emission at the Taiwan sites of Walsin Lihwa amounted to 4.69318 x 10⁵ cubic meters, equivalent to emission of 0.46 cubic meters per ton of product and 6.12% lower than that in 2017. The 2018 total wastewater emission at the company's overseas sites amounted to 0.97624 x 10⁵ cubic meters, equivalent to emission of 0.11 cubic meters per ton of product and 2.65% lower than that in 2017. Walsin Lihwa continued decreasing pollutants in wastewater treatment procedures while increasing wastewater reduction, recovery, and reuse in 2018, when the company's Changshu site achieved zero wastewater emission and recovered and reused all its wastewater through biological processing, reclaimed water recovery, and mechanical vapor recompression (MVR) treatment systems.

Site	2018 Wastewater emission intensity in Taiwan					
	BOD	COD	SS	Effulent standard	Piping standard	Emission destination
Hsinchuang	8	22.1	3.5			Dahan River
Yangmei	Unregulated by environmental law	12	1.8	BOD : 30mg/l COD : 100mg/l SS : 30mg/l	BOD : 300mg/l COD : 550mg/l SS : 300mg/l	Shezi River
Taichung	40.3	84.2	27.8			Industrial zone piping
Yenshui	Unregulated by environmental law	21.9	<2.5			Jishui River

Note: 1. The emission amounts in the above table are based om water meter reading records.
2. Proper wastewater treatment at the Taiwan sites helps make wastewater emission lower than effluent standards.
3. With piping treatment, wastewater at the Taichung site meets effluent standards prior to emission.
4. The data in the above table are the results for water taken from our sites and analyzed byqualified inspection companies

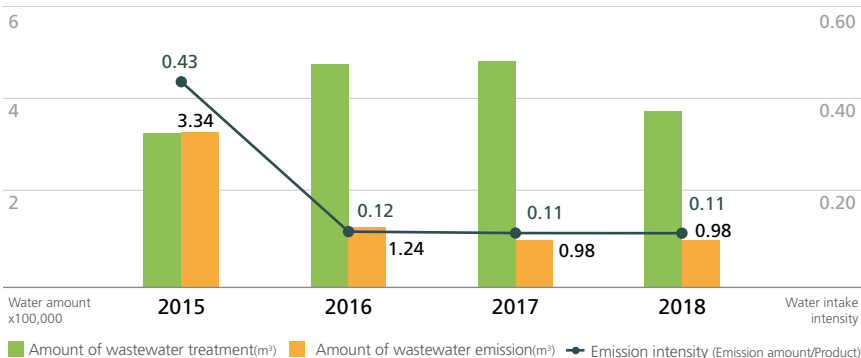
Wastewater emission intensity from 2015 through 2018

Wastewater emission intensity in Taiwan



Note :
Taiwan sites included: Yangmei Plant, Hsinchuang Plant, Yenshui Plant, Taichung Plant

Wastewater emission intensity in Overseas



Note :
Overseas sites included: Nanjing Walsin (Copper Wire), Dongguan Walsin, Shanghai Walsin,Yantai Walsin, Changshu Walsin, Jiangying Walsin, Walsin Precision

Highlight: Zero wastewater emission

Changshu Walsin Special Steel's investment in its advanced MVR system enables zero wastewater emission.

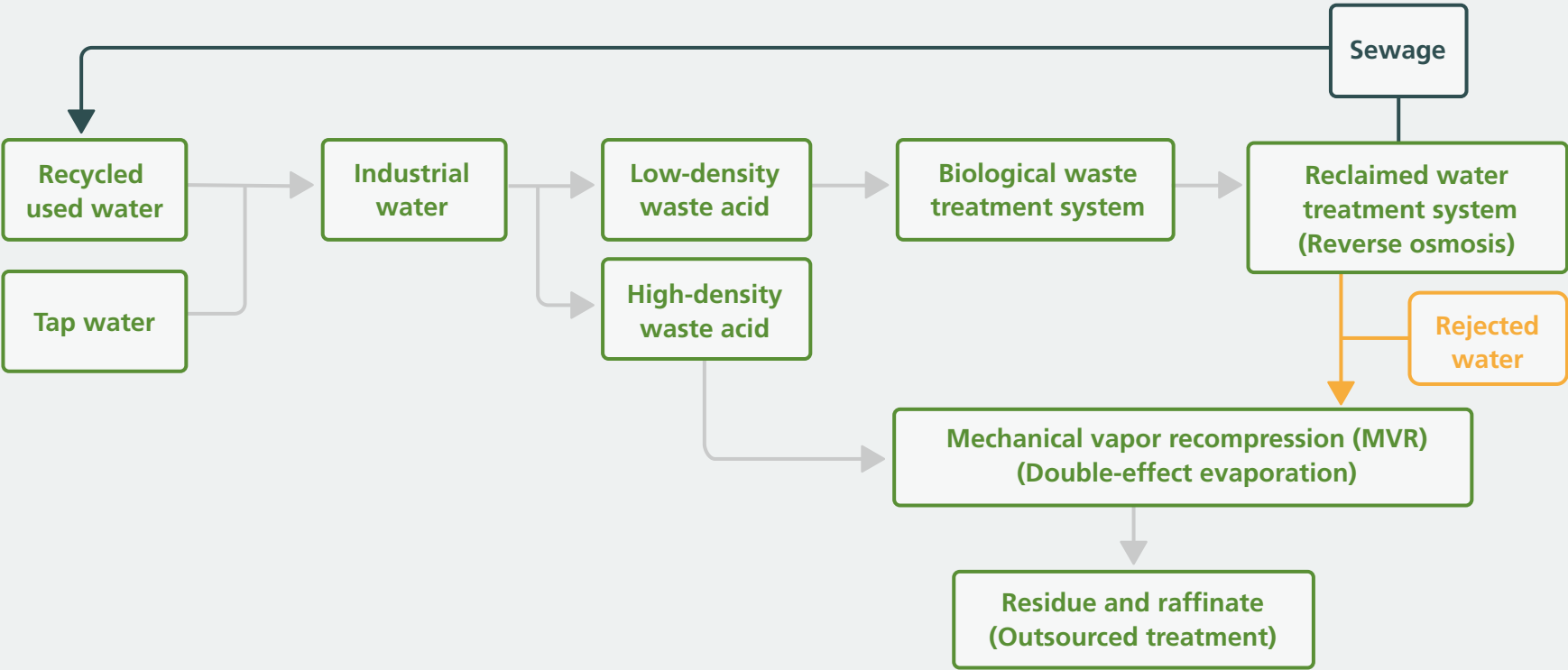
Changshu Walsin realizes zero wastewater emission as well as water resource recycle and reuse thanks to its advanced biotech environmental protection, MVR, and reclaimed water recovery by reverse osmosis.

Major equipment investment

More than RMB\$ **6** million

Annual saving by doing without outsourced liquid waste treatment

RMB\$ **47.27** million (Saving of RMB\$2,688.8 per ton of liquid waste)



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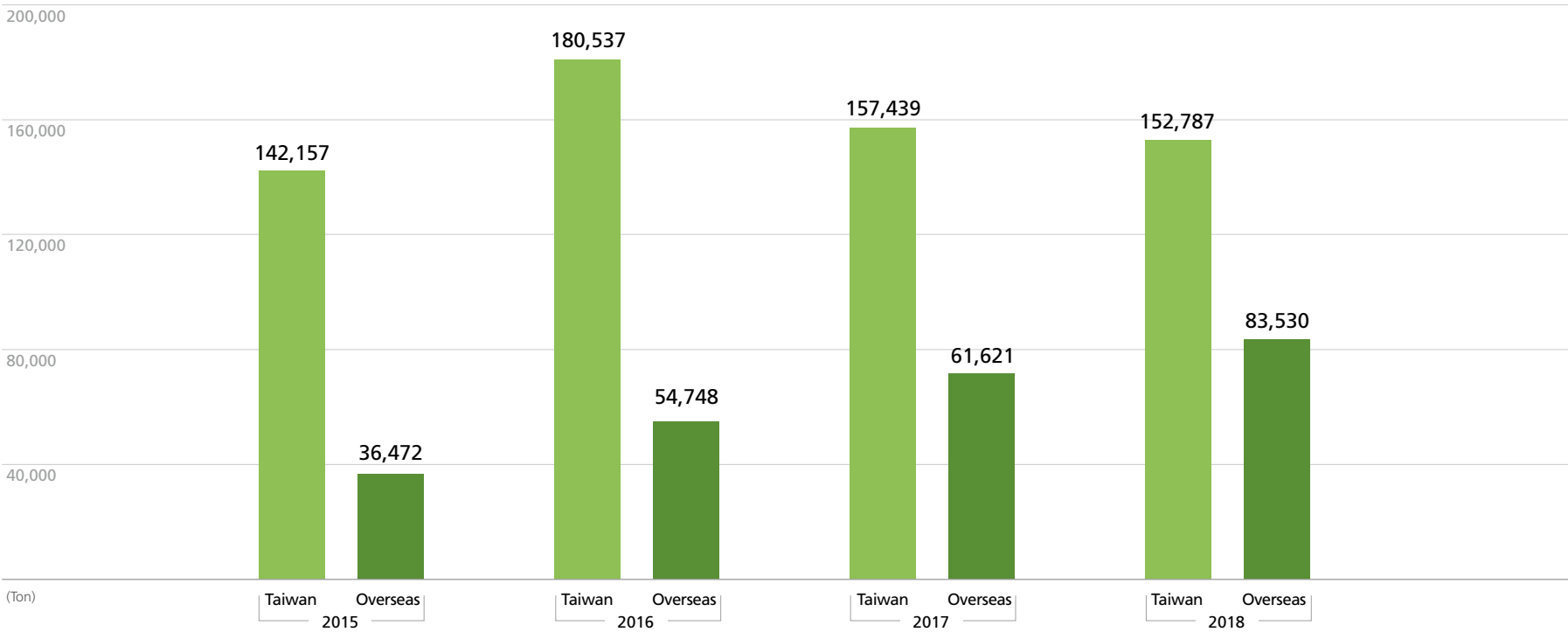
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4.3.2 Waste and resource recycle

Committed to circular economy development and the 4 R's (Reduce, Reuse, Recycle, and Recovery), Walsin Lihwa can have as high as 96% of its used and junked power cables and wires as well as stainless steel products recovered and reused. The overall recovery and reuse rates of non-hazardous wastes and hazardous wastes are respectively 98.69% to 99.14% and 69.83% to 94.95%. In 2018, we recovered and reused some of the wastes ourselves with the rest cleaned up, disposed, or reused by qualified contractors, and the total amount of wastes at the Taiwan site was 2.95% lower than that in 2017, and the percentage of landfills at the Taiwan sites decreased from 2.68% to 1.07%, 62.58% lower than that in 2017 primarily because the Yenshui site had its waste acid treated and reused by the Taichung site and the output of sludge therefore decreased. The percentage of landfills at the overseas sites decreased from 1.58% to 1.15%, 27.21% lower than that in 2017 primarily because the Yantai site stopped outsourcing electric arc furnace dust treatment to have such dust treated and reused by itself and therefore decreased dust solidification. Walsin Lihwa will keep the percentage of landfills under 2% by ongoing promotion of waste reduction at source as well as waste recovery and reuse throughout its sites, and leverage its whole supply chain to decrease raw material consumption and environmental burdens resulting from production, realize its ideal of circular economy with ongoing development of innovative environmental protection technologies, strengthen business sustainability, and keep perfecting the audit and control of whereabouts of its wastes as well as waste treatment contractors to ensure legal compliance.

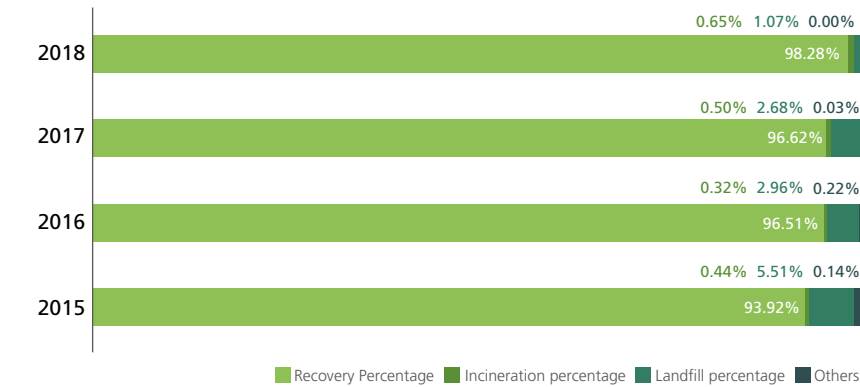
Total amount of wastes at Taiwan and overseas sites from 2015 through 2018



Percentages of different approaches to waste treatment at Taiwan & overseas sites from 2015 through 2018

Area	Taiwan		
Treatment	Non-hazardous waste	Hazardous waste	Total
Recovery	120,414.93	29,742.73	150,157.70
Incineration	995.74	0	995.74
Landfill	45.53	1,582.48	1,628.01
Others	5.46	0	5.46
Total	121,461.67	31,325.21	152,786.90
Recovery percentage	99.14%	94.95%	98.28%
Incineration percentage	0.82%	0.00%	0.65%
Landfill percentage	0.04%	5.05%	1.07%
Others	0.00%	0.00%	0.00%

Percentages of different approaches to waste treatment at Taiwan sites

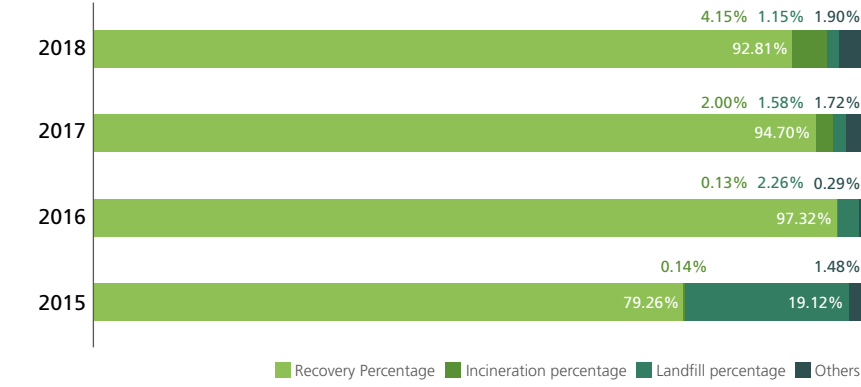


Note :

Taiwan sites included: Yangmei Plant, Hsinchuang Plant, Yenshui Plant, Taichung Plant

Area	Overseas		
Treatment	Non-hazardous waste	Hazardous waste	Total
Recovery	65,649.50	11,876.50	77,526.00
Incineration	18.10	3,444.37	3,462.47
Landfill	627.03	330.72	957.75
Others	228.082	1,355.89	1,583.97
Total	66,522.71	17,007.48	83,530.19
Recovery percentage	98.69%	69.83%	92.81%
Incineration percentage	0.03%	20.25%	4.15%
Landfill percentage	0.94%	1.94%	1.15%
Others	0.34%	7.97%	1.90%

Percentages of different approaches to waste treatment at overseas sites



Note :

Overseas sites included: Nanjing Walsin (Copper Wire), Dongguan Walsin, Shanghai Walsin, Yantai Walsin, Changshu Walsin, Jiangying Walsin, Walsin Precision

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4.4 Compliance with Environmental Regulations

As the ISO 14001 Environmental Management System requires identification of relevant laws and regulations to strengthen the awareness of legal and regulatory accountabilities, Walsin Lihwa makes good use of its intranet to keep all its responsible units updated on such laws and regulations for them to be proactive about environmental management.

In particular, Walsin Lihwa's steelmaking and surface processing operations are subject to scrutinization by central and local regulatory authorities, but the company was free from production suspension or plant siege by local residents in 2018 thanks to no pollution issue; however, there were 15 environmental shortcomings at both the Taiwan and overseas sites, and most of them were some data erroneously or inaccurately reported to regulatory authorities, failure to apply for government approval for changed planning of air pollution control procedures, etc. Related shortcomings were immediately addressed with management of relevant operating procedures improved. In the future, self-monitoring and control pursuant to the ISO 14001 Environmental Management System will continue to be strengthened, while the company's Environment, Health, and Safety Committee will conduct regular and unscheduled audits of compliance with environmental laws and regulations at the individual sites, and the individual sites shall also on their own accord strengthen inspecting how effective environmental protection is implemented on their own premises to avoid violation and prevent environmental pollution.

Area	Laws violated	Accusatory authorities	Number of requirements for improvement (including fines)	Amount of money fined/Times
Taiwan	<ul style="list-style-type: none">Air Pollution Control ActWaste Disposal Act	<ul style="list-style-type: none">Environmental Protection Bureau of Tainan City Government	4	NT\$572,000/4 times
Overseas	<ul style="list-style-type: none">Law of the People's Republic of China on the Prevention and Control of Water PollutionLaw of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid WasteLaw of the People's Republic of China on the Prevention and Control of Pollution from Environmental Noise	<ul style="list-style-type: none">Changshu Environmental Protection BureauYantai Environmental Protection BureauJiangyin Environmental Protection Bureau	11	RMB\$470,000/4 times

Note:
The 11 penalty fines imposed on the overseas sites included a fine of RMB\$200,000 imposed on the Changshu site in 2018 and is therefore disclosed in this 2018 report despite the fine payment in 2019.

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Friendly Care and Growth

**5.1 Employee Overview and Talent
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**5.2 Promotion of Occupational Health
and Safety**

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Sustainability promotion strategy

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Prioritize employee safety and health, and establish well-rounded policies and regulations to be enforced in each plant.



Uphold Walsin's concept of full engagement to cultivate top-tier talent and create a happy workplace.

Strategy	Objectives for 2018	2018 results	Objectives for 2019
Protect labor safety and health, and creates a safe working environment	<ul style="list-style-type: none"> Frequency-Severity Indicator (FSI) <0.5 	<ul style="list-style-type: none"> FSI=0.52 	<ul style="list-style-type: none"> FSI<0.5
Create a happy workplace, improve labor-management relationships, and increases employees' identification and engagement	<ul style="list-style-type: none"> Friendly Treatment Friendly Living Friendly Work Employee Welfare 	<ul style="list-style-type: none"> Increased labor-management communication channels Organized friendly workplace activities Improved communal areas and employee restaurants Diverse employee benefits to ensure employees' quality of life 	<ul style="list-style-type: none"> Lower the turnover rate at each plant Create a friendly workplace atmosphere
Strengthen talent cultivation and career development planning, help employees learn, grow, and self-actualize	<ul style="list-style-type: none"> Develop the management abilities of entry-level managers Develop the ability of entry-level employees to use scientific techniques Continue to promote the second and third classes of the EMBA program 	<ul style="list-style-type: none"> A total of 68 current section heads attended the course this year and course satisfaction reached 91 points A total of 2,222 employees completed training courses this year 26 students that attended Walsin's second class of the EMBA program completed their studies 	<ul style="list-style-type: none"> Develop the management abilities of entry-level managers: 80% of new section heads will complete training Develop the ability of entry level employees to use scientific techniques: 100% of new on-site employees will complete training Continue to promote the EMBA program: Develop employees' systematic thinking ability and knowledge of business administration



Bronze Medal

Yenshui Plant was awarded a bronze medal in the Labor Development Quality Management System Evaluation of the Ministry of Labor



Training Results

Yenshui Plant was invited by the Workforce Development Agency, Ministry of Labor to present occupational training results in Yunlin, Chiayi and Tainan.



Vitality and Energy Award

The Taichung Plant received the 2018 National Outstanding Workplace Health Award – Vitality and Energy Award.



↓ 28.85%

The comprehensive promotion of "safe zones" reduced occupational accidents by 28.85%.

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5.1 Employee Overview and Talent Management Policy

5.1.1 Status on Employment

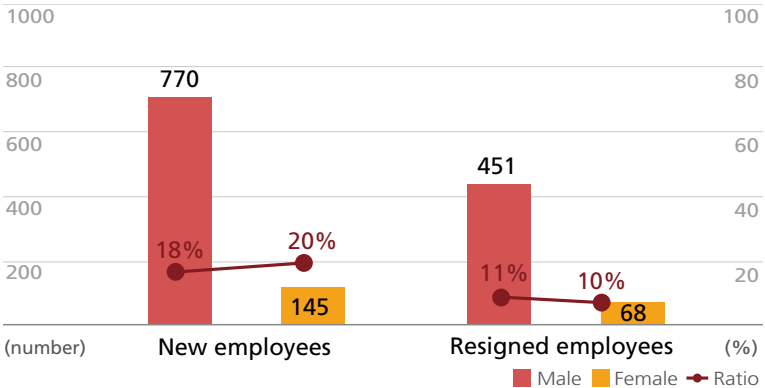
As of the end of December 2018, we have a total of 4,970 employees worldwide (4,235 male, 735 female), most are regular employees, 0.4% are contractors, and the percentage of foreign workers remained at 5%. Moreover, we hired 50 temporary workers (33 male, 17 female), who are primarily engaged in non-core jobs. We do not have any part-time workers.



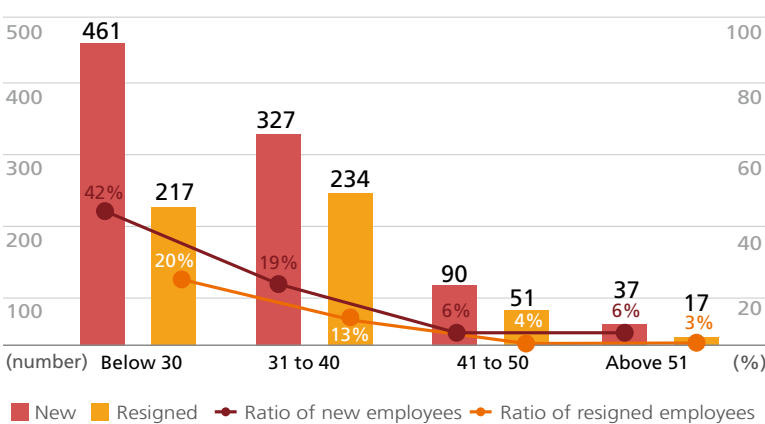
The Company recruits talent on a merit basis through fair and open channels. We hired nearly 915 new employees in 2018 to satisfy the Company's overall operational requirements, creating opportunities for employment and development.

Walsin Lihwa has always maintained that employees are the Company's most important asset. A total of 519 employees voluntarily resigned in 2018, which is a turnover rate of 11%. 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 [new and resigned] employees (by gender)



Total number and ratio of [new and resigned] employees (by age groups)



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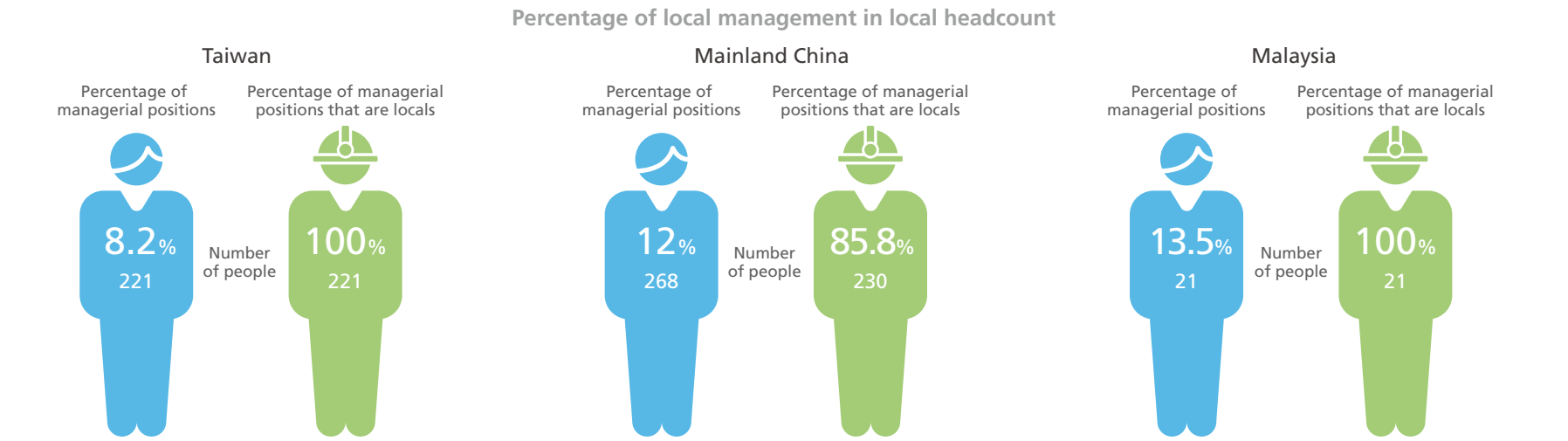
5.4 Employee Care, Communication and Benefits

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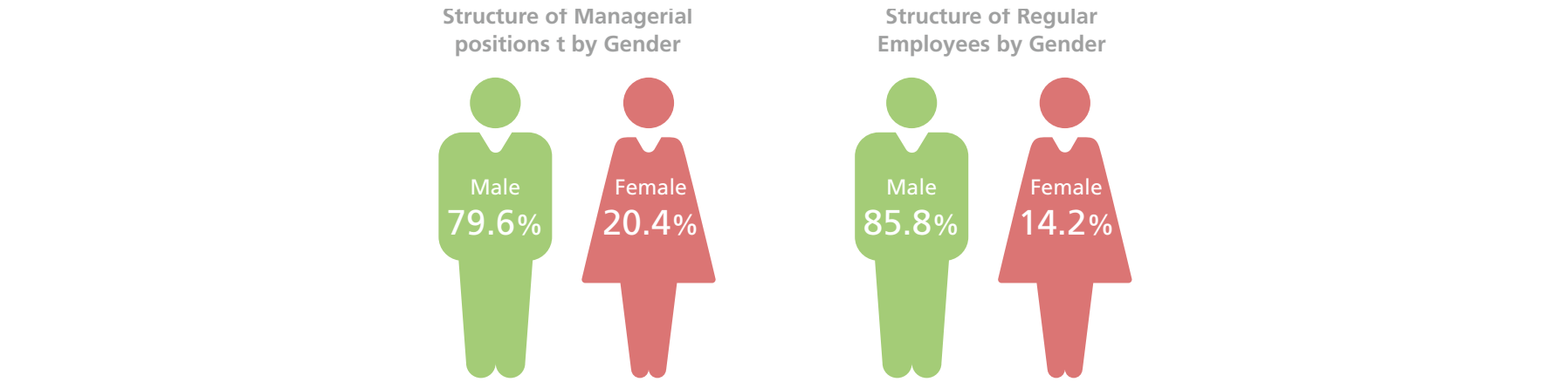
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It is the company's policy to hire local employees as a priority throughout its locations. In the case of managers, managers account for 8.2% of all employees in Taiwan and 100% are locals. Managers account for 12% of all employees in mainland China and 85.8% are locals; among them, the vice president and higher level managers are still mainly from Taiwan. Managers account for 13.5% of all employees in Malaysia and 100% are locals.



Note: Managerial positions refer to section heads and above

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. Managers are mainly between the ages of 41 and 50; regular employees are mainly between the ages of 31 and 40. Insulated wire & cable and stainless steel are technology and labor-intensive industries. In terms of educational background, most managers graduated from college or above (inclusive), while regular employees mainly graduated from senior high school or lower. 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. Walsin Lihwa Taiwan has 27 mentally or physically handicapped employees, amounting to approximately 1.03% of the total number of employees in Taiwan.



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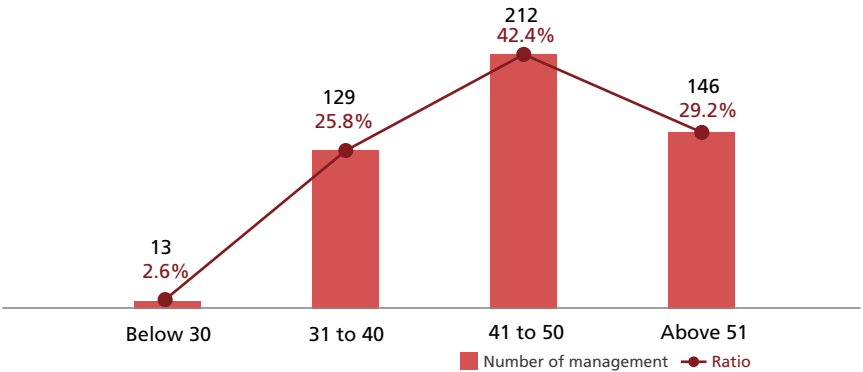
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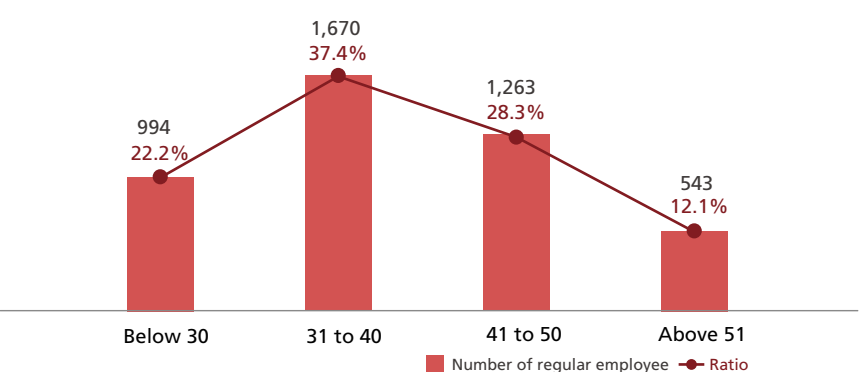
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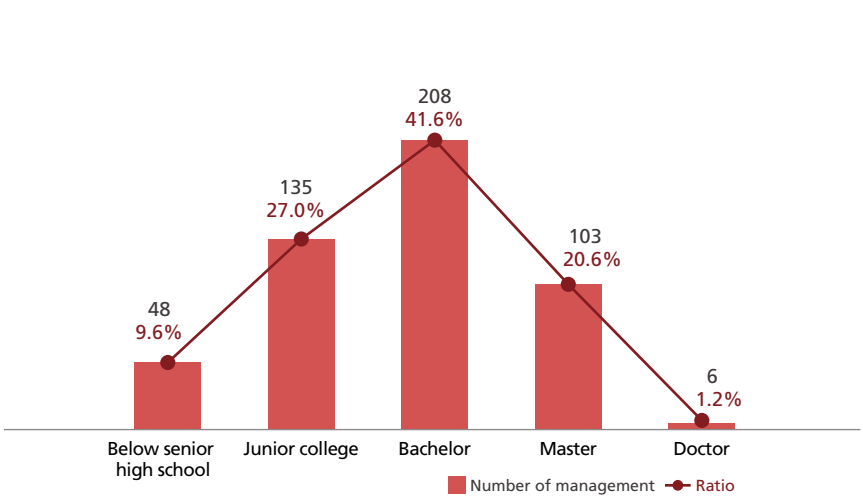
Managerial positions by age



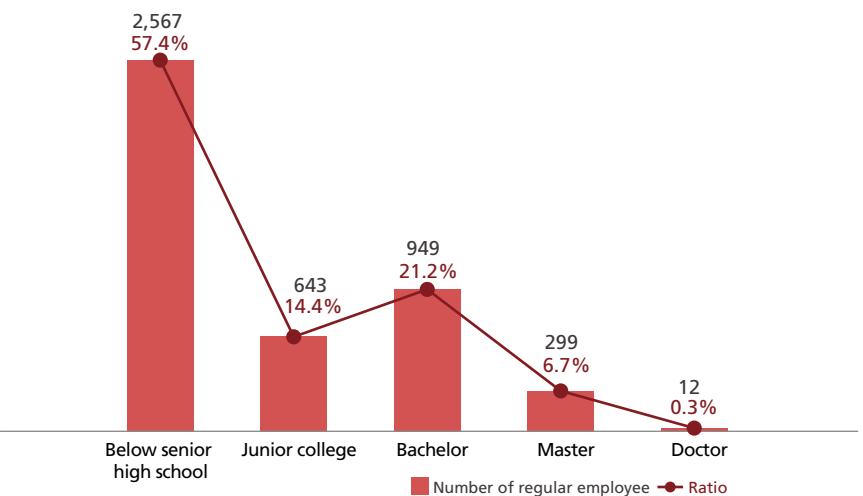
Regular Employees by age



Managerial positions by education



Regular Employees by education



Note :

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, Nanjing Walsin (Copper Wire), Dongguan Walsin, Shanghai Walsin, Yantai Walsin, Changshu Walsin, Jiangyin Walsin, Nanjing Walsin (Real Estate), Nanjing Walsin (Property Management), Nanjing Formosa Trade Center

Malaysia: Walsin Precision Technology Sdn. Bhd.

5.1.2 Human Resources Policy

Walsin Lihwa's Human Rights Policy

Walsin Lihwa strictly abides by the local laws and regulations governing the operations of its business locations around the world; supports and complies with human rights conventions and guidelines recognized by the international society; treats all employees, including regular employees, temporary workers, foreign workers, interns, and contractors, in a fair, reasonable, friendly, and respectful manner and extends this spirit to its partners.

Implementation guidelines are as follows:



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 regulationsWe 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.

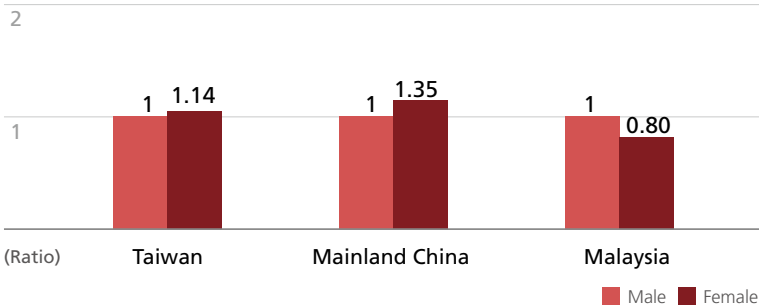
Number of non-managerial, full-time employees in Taiwan, their average salaries and differences from the previous year

Year	Number of full-time employees	Average salary (NT\$1,000)
2017	2,221	902
2018	2,375	931
Difference	+154	+29

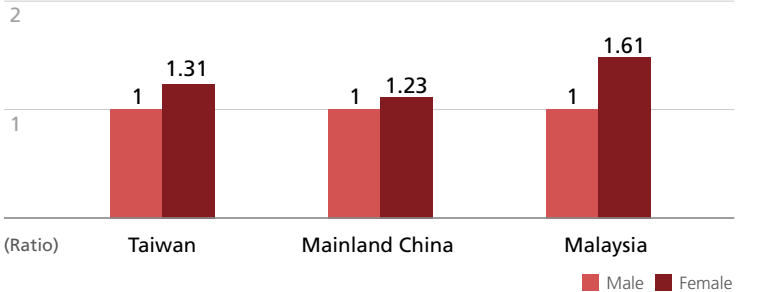
Note: Non-managerial employees refer to all employees (excluding managers), under the same scope of managers reported by the Company and disclosed in the annual report of the Annual Shareholders' Meeting.

The times of average remuneration differences by gender and position in 2018 are tabulated as below.

Managerial positions



Regular Employees



Note:

- The remuneration systems at the following Walsin Lihwa sites are disclosed:
 Taiwan: The Taipei head office, Yangmei, Hsinchuang, Yenshui, Taichung, and Chin-Cherng Construction Co.
 Mainland China: Walsin China Investment, Nanjing Walsin (Copper Wire), Dongguan Walsin, Shanghai Walsin, Yantai Walsin, Changshu Walsin, Jiangyin Walsin, Nanjing Walsin (Real Estate), Nanjing Walsin (Property Management), Nanjing Taiwan Trade Mart Management Co., Ltd.
 Malaysia: Walsin Precision Technology Sdn. Bhd.
- Managerial positions are the positions higher than section or division chiefs.

5.2 Promotion of Occupational Health and Safety

5.2.1 Philosophy and Policy

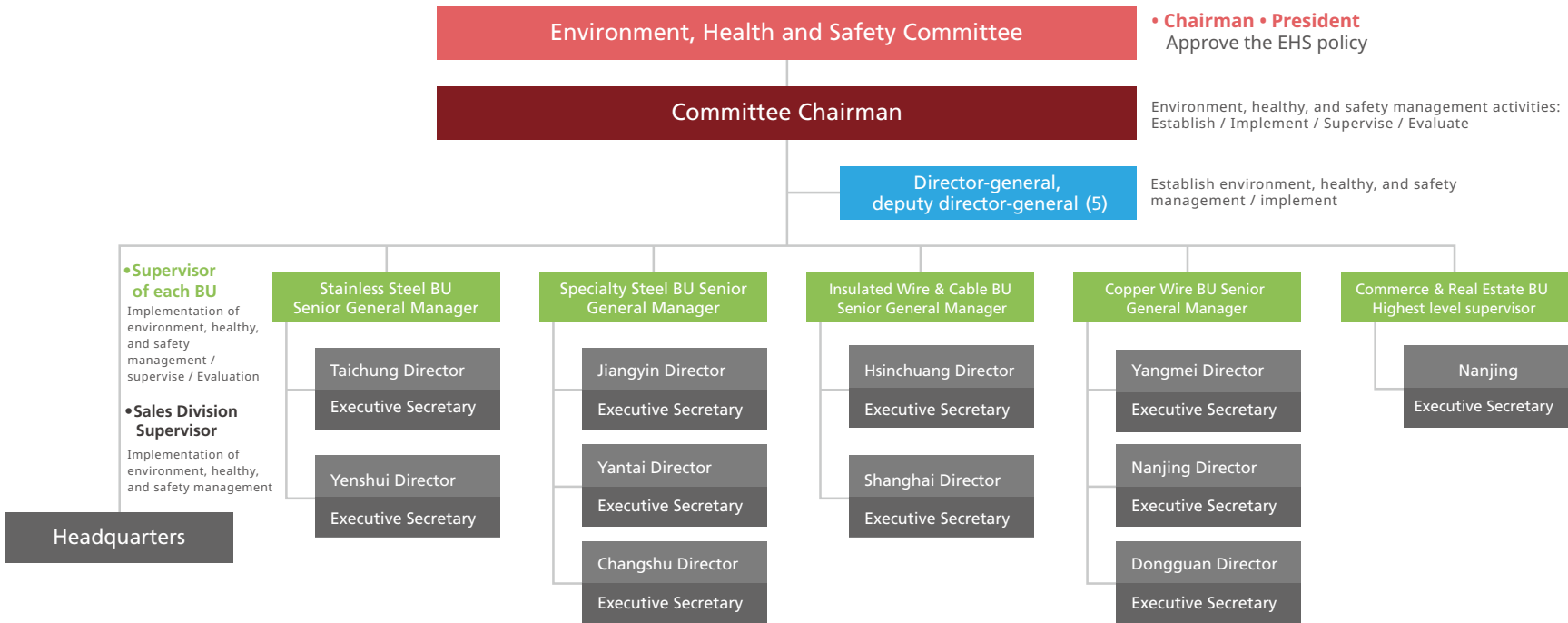
In Walsin EHS Policy, our vision for occupational health and safety is to: "create a friendly environment, a healthy and safe workplace, comprehensive contractor and supply chain management and create shared value." We strive to achieve harmony and mutual prosperity between individuals, the environment (society), business operations and management performance based on the "regulatory compliance, risk control, healthcare, consultation and performance management" strategy.

Environment, Health and Safety Committee – Supervision

To enhance the Company's EHS management, we established an Environmental, Health and Safety Committee that serves to formulate environmental protection, safety, and health policies and implementation plans, and to monitor and report on implementation performance. The Committee is composed of heads of business units and related departments, and is chaired by the Projects Division director at the President's Office. The Committee is divided into a head office and five business divisions, which are responsible for implementing occupational safety and health-related tasks in our factories.

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)

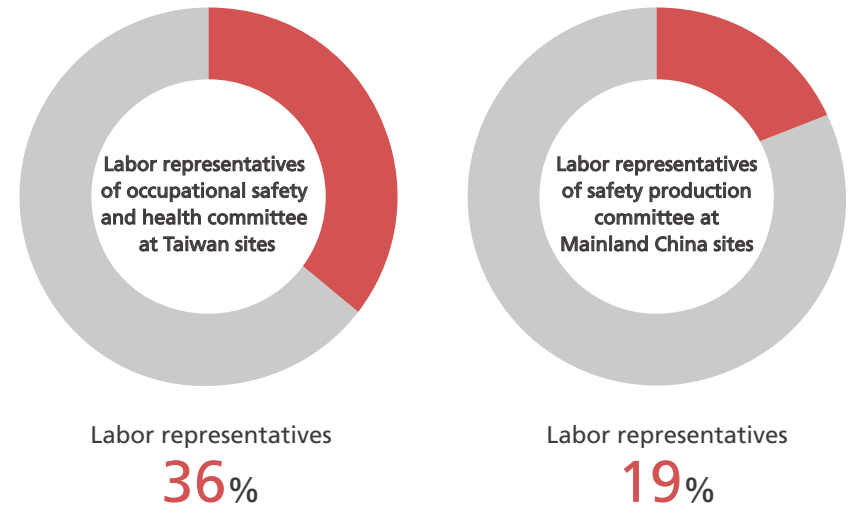


Occupational Safety and Health Committee – Mutual Protection

The Head Office established an Occupational Safety and Health Committee to effectively resolve practical issues. The chairperson position is concurrently held by the chairperson of the EHS Committee, and the labor union has 9 representatives on the Committee (accounting for 30% of all committee members). The Occupational Safety and Health Committee meets on a quarterly basis, and reports EHS management performance in the annual report prepared for the Shareholders' Meeting, so that it can be inspected by the public.

Occupational Safety and Health (Taiwan) / Production Safety Committee (Mainland China) – Self-protection

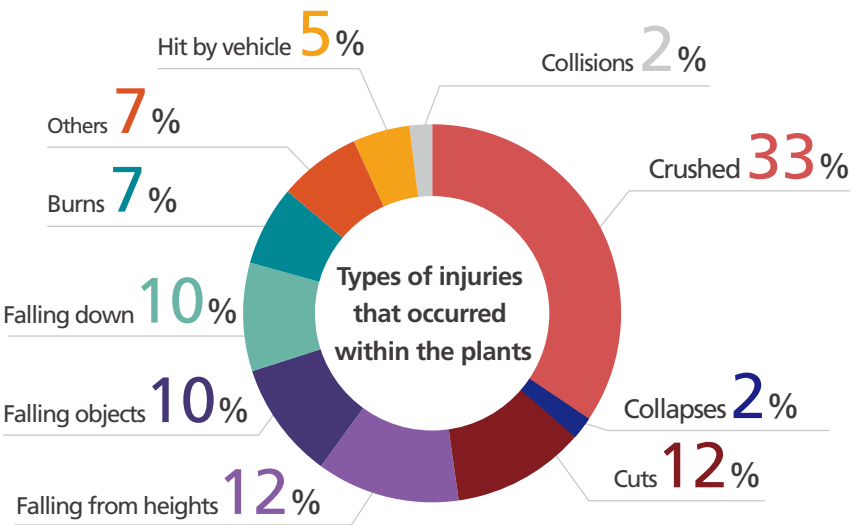
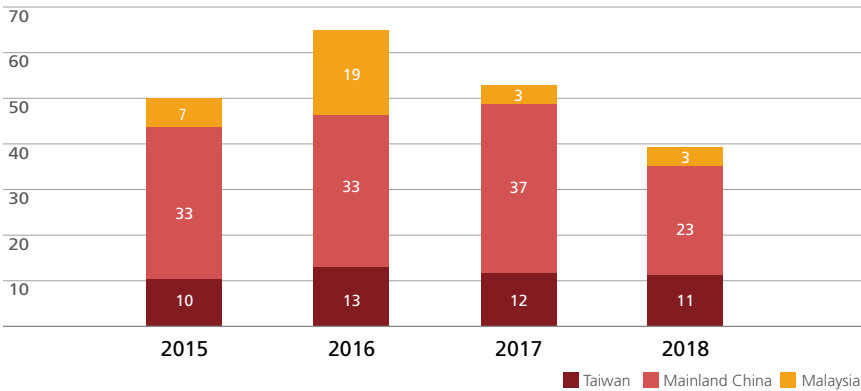
Each of Walsin's BUs has an Occupational Safety and Health (Taiwan)/Production Safety Committee (Mainland China). Labor representatives account for one third of committee members in Taiwan. BUs in Taiwan and overseas convene committee meetings every three months to discuss matters of occupational safety 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.



5.2.2 Cases with lost days, restricted or transfer

In 2018, there were a total of 37 occupational accidents in Taiwan and overseas (no employee deaths) and 5 additional incidents with contractors. Positions at medium to high risks of occupational accidents are mainly basic-level technicians and operators (73.81%), in which the majority of accidents involved crush injuries (36%), falling from heights and cuts (each 12%), and falling down and falling objects (each 10%). No employees were diagnosed with occupational diseases in recent years.

Number of occupational accidents in Taiwan and overseas



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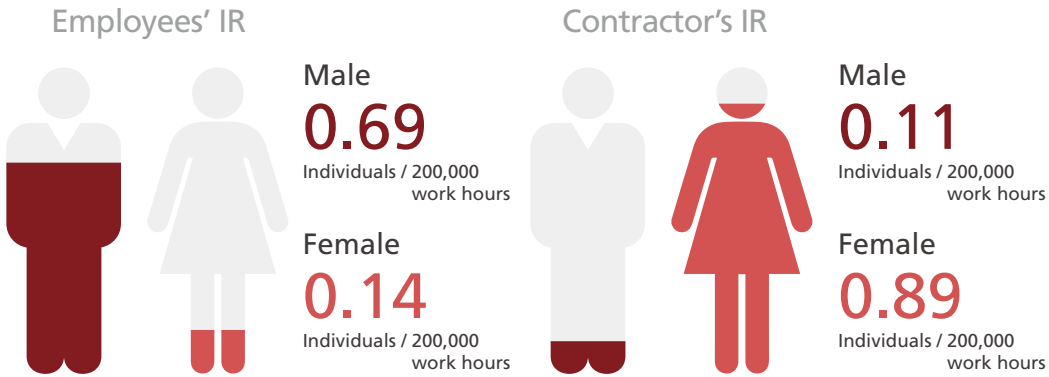
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Types of injuries that occurred within the plants (including injuries of contractors)

Type of injury	Type of Disaster	Collapses	Falling from heights	Falling down	Collisions	Falling objects	Hit by vehicle	Crushed	Cuts	Burns	Others	Total
Number of incidents involving employees	Taiwan	-	2	2	-	3	1	3	-	-	-	11
	Mainland China	-	2	2	1	-	1	9	3	2	3	23
	Malaysia	-	-	-	-	-	-	1	2	-	-	3
Number of incidents involving contractors	Taiwan	-	1	-	-	-	-	-	-	-	-	1
	Mainland China	1	-	-	-	1	-	1	-	1	-	4

Employees' injury rate (IR), lost day rate (LDR), and absenteeism rate (AR)

Plant	IR			LDR			AR		
	Male	Female	Company-wide	Male	Female	Company-wide	Male	Female	Company-wide
Taiwan	0.42	0.00	0.38	29.82	42.50	31.18	0.57%	0.70%	0.58%
Mainland China	0.92	0.24	0.82	123.54	25.93	106.53	1.80%	1.46%	1.74%
Malaysia	1.78	0.00	1.57	41.77	0.00	35.95	2.36%	1.70%	2.27%
Company-wide	0.69	0.14	0.63	69.90	31.69	64.63	1.15%	1.16%	1.15%



Contractor's IR and deaths due to performing duties

Contractors	IR			Deaths due to performing duties		
Area	Male	Female	Company-wide	Male	Female	Company-wide
Taiwan	0.66	-	0.62	1	-	1
Mainland China	0.08	0.93	0.15	1	-	1
Malaysia	-	-	-	-	-	-
Company-wide	0.11	0.89	0.17	2	-	2

Formula:
 Injury rate (IR) = Total employees with disabling injuries ÷ Total work hours × 200,000
 Lost day rate (LDR) = Work days lost due to injury ÷ Scheduled work hours × 200,000
 Absenteeism rate (AR) = Number of days absent ÷ Scheduled work days × 100%
 Scheduled work days: Calculated using the Company's calendar as "Number of work days * Number of employees."
 Scheduled work hours: Scheduled work days * Number of work hours (usually 8 hours)
 Actual hours worked: Scheduled work hours + Overtime hours - All hours on leaves
 Number of days absent: Personal leave + Sick leave + Work-related injury leave + Absenteeism
 Supplementary information: For the statistical analysis of occupational accidents, the number of days in this statistic refers to work days, and lost days are calculated from the day after the accident occurred. Statistics do not include traffic accidents while commuting and minor injuries (less than 1 lost day).

5.2.3 Compliance with Occupational Safety and Health Laws and Regulations

Domestic and overseas safety inspection units conducted a total of 28 on-site inspections in 2018; 17 improvement notifications were issued (improvements of sporadic deficiencies, such as daily records, chemical labeling, and equipment protections); 11 fines were imposed (occupational injury hazard, hazardous chemical reporting). 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.

Plant	In violation of	Reported by	Number of improvement notifications (including fines)	Total fine amount/times
Taiwan	Occupational Safety and Health Act	Occupational Safety and Health Administration, Ministry of Labor	11	NT\$500,000/4 times
Mainland China	Production Safety Law Regulations on the Safety Management of Hazardous Chemicals	<ul style="list-style-type: none"> Public Security Bureau of Jiangyin City Changshu City Haiyu Town Work Safety Administration Yentai Economic and Technological Development Area Administration of Work Safety Nanjing Construction and Installation Projects Quality Supervisory Station 	15	RMB 48,000/5 times
Malaysia	Occupational Safety and Health Act	Department of Occupational Safety and Health Malaysia	2	MYR 22,500/2 times

5.2.4 Foci on Occupational Health and Safety

(1) Dynamic safety observations of occupational safety

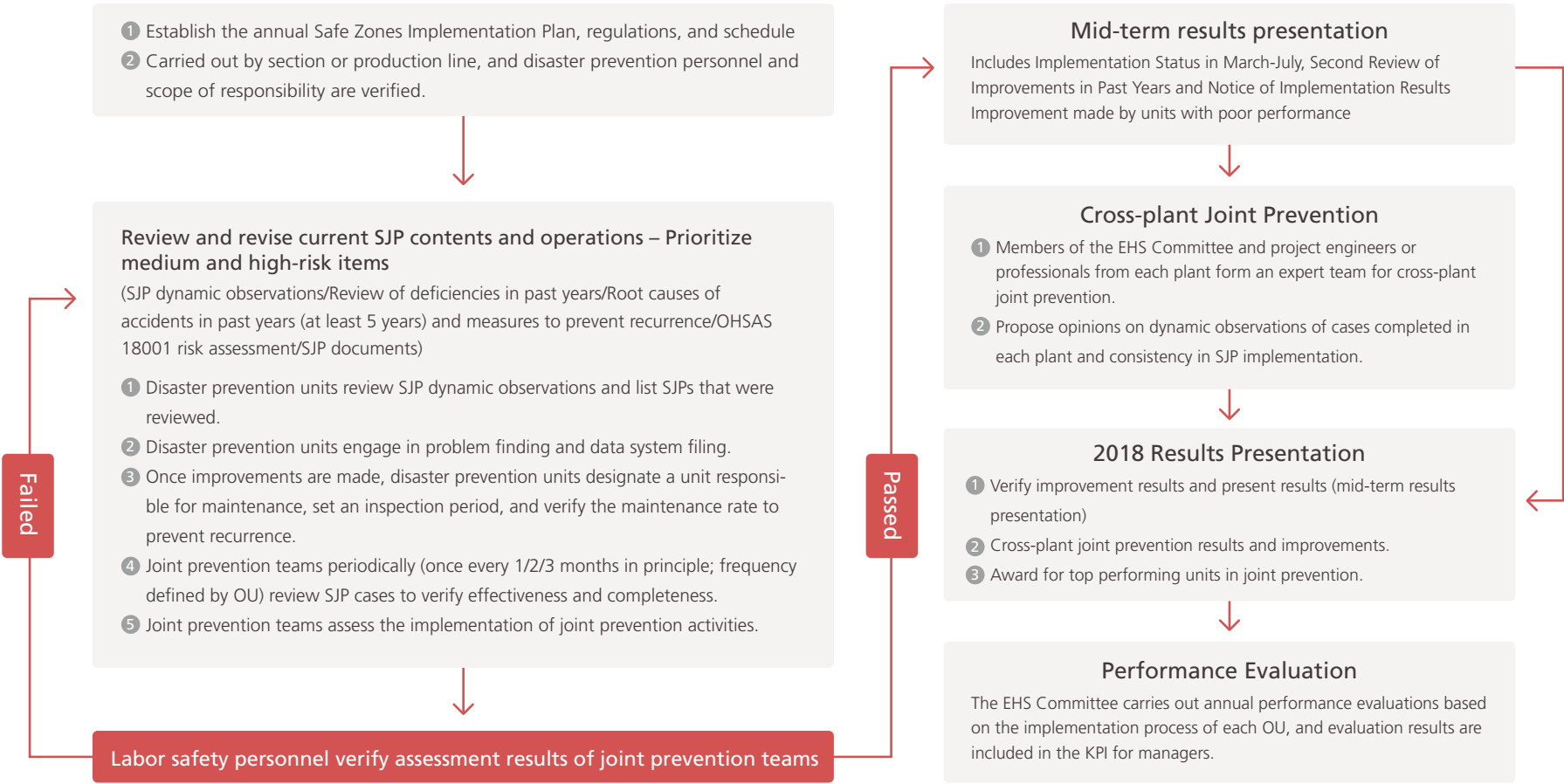
Every accident can be avoided. Occupational safety and health management starts with standard operating procedures, hazard identification, and risk assessment. Risks of many hazards can be reduced or avoided through prior planning and analysis. Our business units began looking into operations associated to each process in 2018, and established a SJP management system, which implements standard operating procedures, hazard identification, and risk assessments based on dynamic safety observations. We take action based on risk assessment results, and continue to make improvements to the working environment so as to decrease hazards. We emphasize the participation of all employees, and implement dynamic safety observations through a bottom-up approach through shift/section meetings, so as to achieve continual improvement.

(2) Plant safe zones and prevention activities

Occupational accident statistics of previous years show that the majority of accidents are still caused by employees' insufficient safety awareness. Hence, our promotion of safe zones in 2018 focuses on dynamic safety observations. All employees of different units participate in shift/section meetings and review videos of employees performing operations, review SJP contents and employee compliance during operations, and revise SJPs to achieve consistency with implementation and for the completeness of risk assessments. All units in each plant compete with each other. (See the flowchart below)



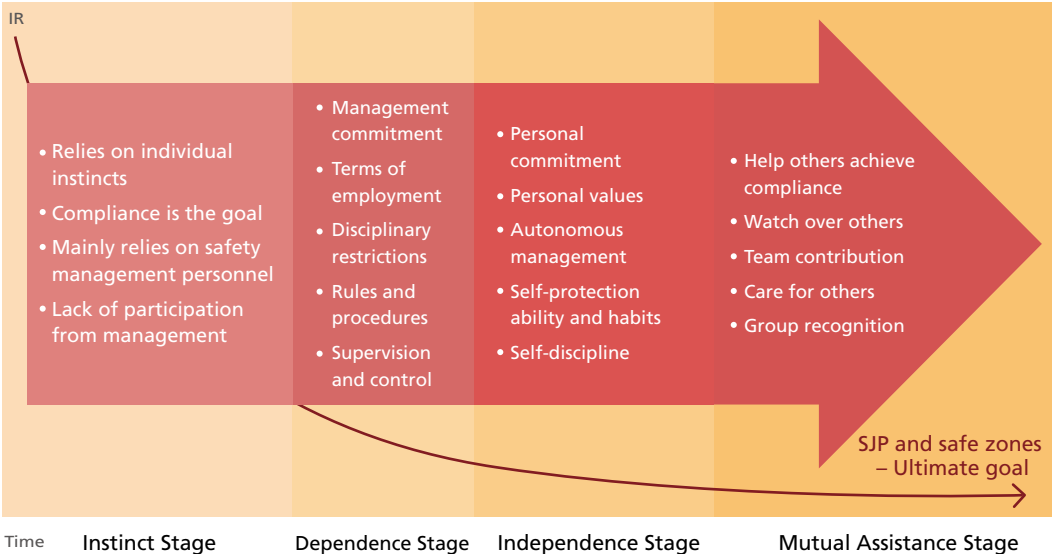
Process of safe zones promotion events



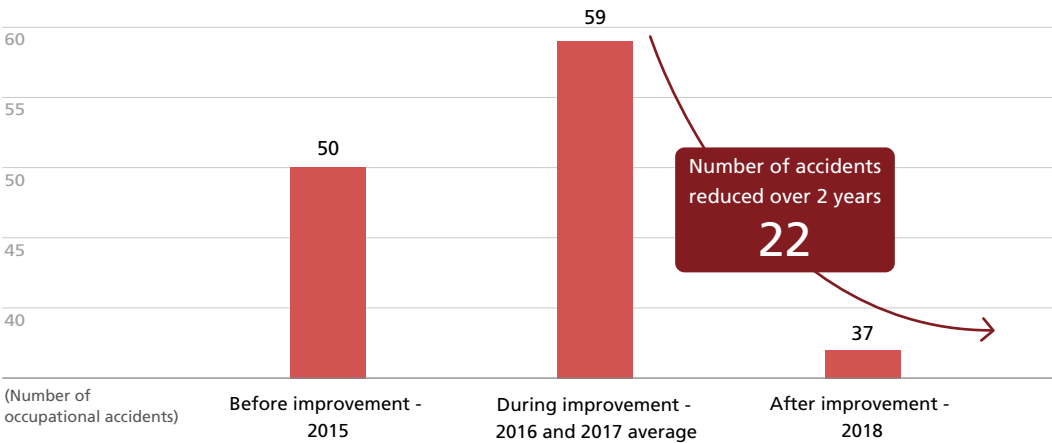
The SJPs and safe zones activities in 2018 were implemented based on the results obtained within the past two years. We reviewed operations with medium to high risk, the root causes of accidents within the past 5 years, the reasonableness of improvement measures and the current status, and made improvements accordingly. In the activities plan for this year, we specially required each plant to film a dynamic observations video of medium and high risks. Personnel of each unit review the videos and propose improvements during shift (section) meetings or regular department meetings. A total of 818 reviews and revisions were made in Taiwan and overseas in 2018. Revisions included changes in work methods and hardware modifications or improvements. Machinery, electrical instruments and production operations team were formed for safe zone activities. After a year of modifications and improvements, the number of occupational accidents decreased from 52 in 2017 to 37. The most significant improvement was made in the number of crush injuries (down 6 cases compared to 2017). See the chart for detailed statistics.

Medium and Long-term Outlook

We are progressively improving operating standards and improving the knowledge and skills of safe zones personnel to reach the "mutual assistance stage."



Statistics of SJPs and Safe Zones Results in 2018
(number of occupational accidents in 2018 compared to 2015)



Statistics of SJP revisions in 2018



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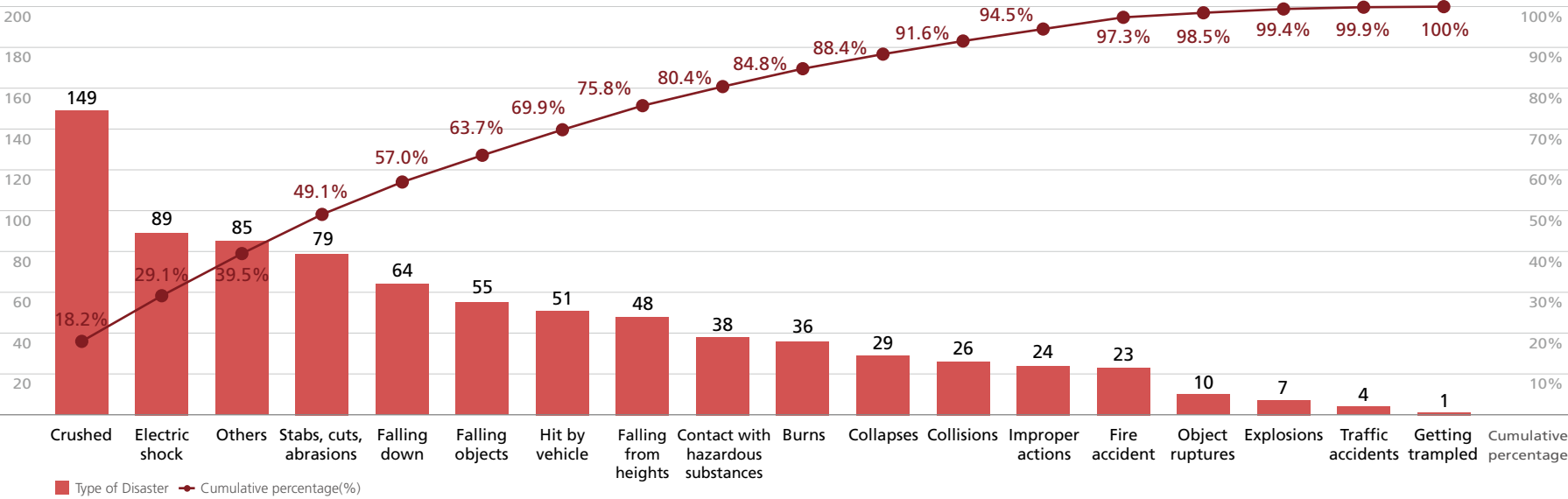
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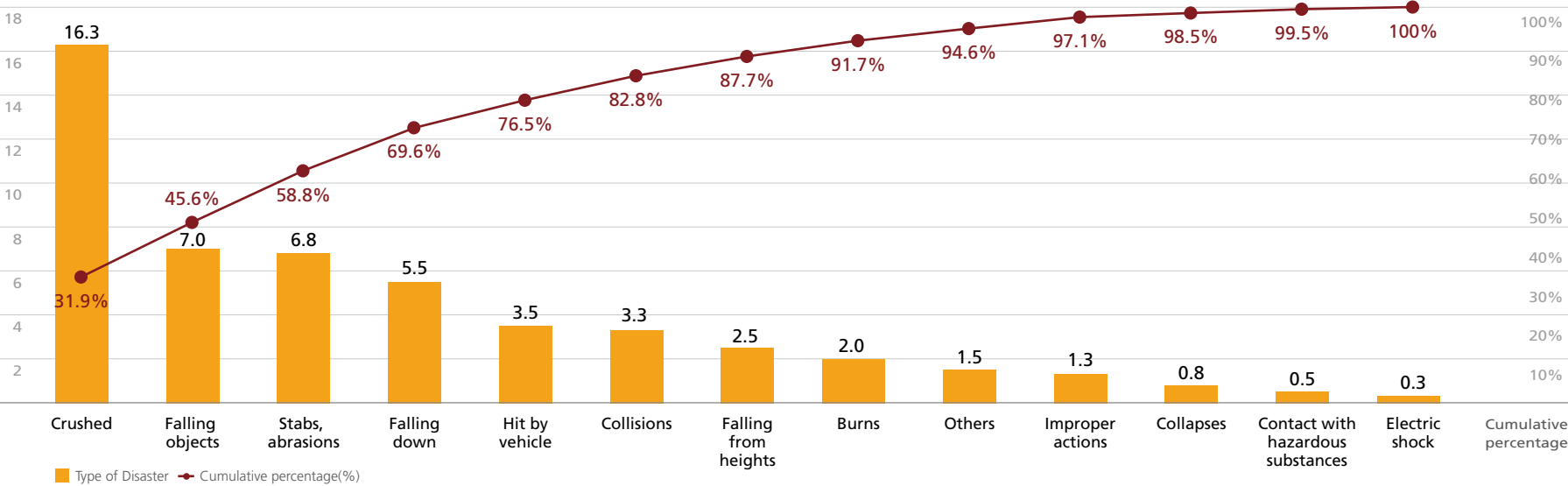
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Statistics of SJP revisions in 2018



Average number of occupational accidents in 2015-2018



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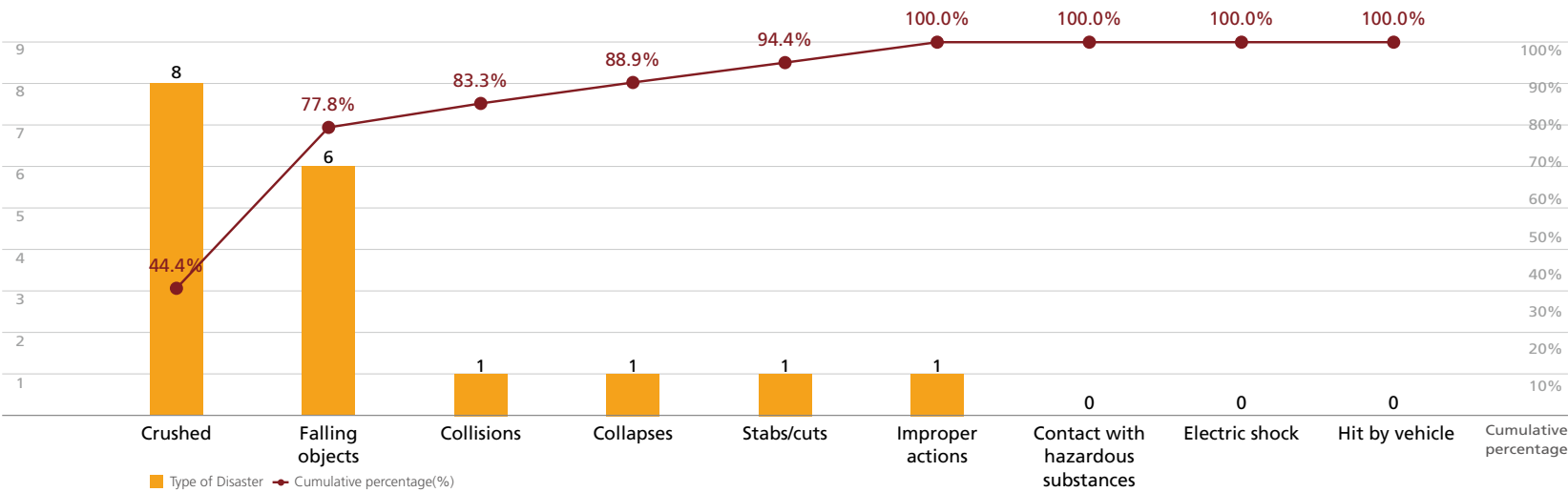
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Decrease in number of occupational accidents in 2015-2018



Highlight - Work Safety

Changshu Walsin – Safety Skills Contest

Changshu Walsin regularly organizes safety skills contests, such as forklifting and fire extinguisher use contests, to raise employees' awareness of work safety. Employees who win the contest receive gift cards.

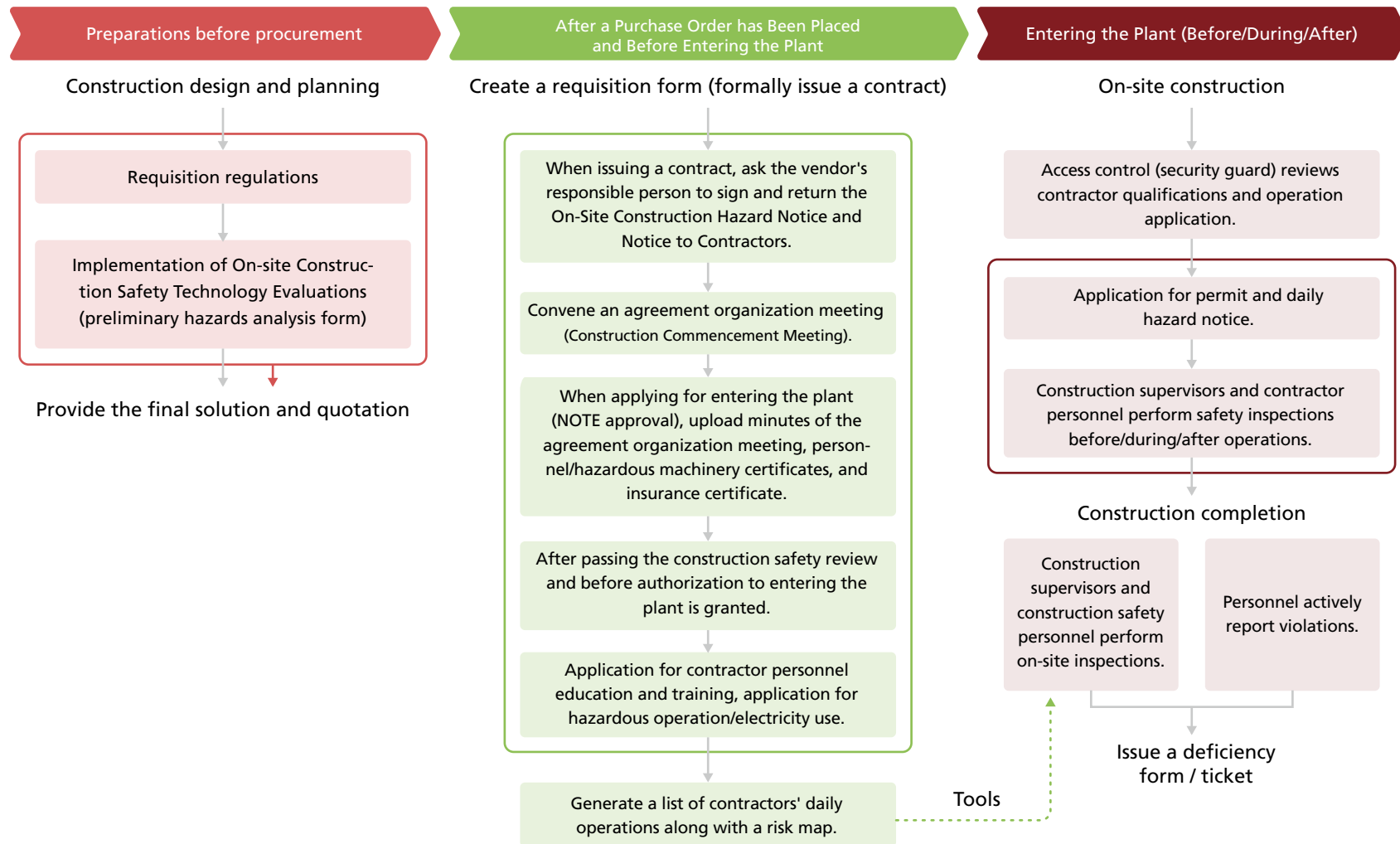
- The Environmental Safety Division improves fire safety and emergency response plans through safety skills contests and fire safety drills, and strives to improve employees' fire safety abilities and skills and raise their safety awareness. These efforts will enhance self-protection and self-help abilities on site, and create a safe and comfortable environment for managers and workers.
- Fire accidents should be prevented before they happen, and fire safety is of utmost importance. The drills and contests greatly raised the fire safety awareness of all employees, and verified that fire safety facilities are all in good condition. The activities served their purpose as employees gained practical experience from emergency responses to fire accidents and learned to correctly use fire extinguishers.



5.2.5 Contractor Management and Auditing

We not only take it upon ourselves to fulfill our CSR, but also require our business partners and contractors to sign an EHS Policy Commitment to jointly abide by EHS regulatory requirements and reduce disasters and pollution. Based on our contractor management in the past, we further stressed the importance of management and having a well-rounded system in 2018, and began implementing an electronic system for managing on-site operations of contractors, hoping that the layers of supervision will achieve information transparency, ensure the construction measures are properly performed, and promote construction supervision by all employees. We plan to implement this system on a trial basis and for the first time in two plants in Taiwan in 2019, and will continue on to other domestic and overseas plants in 2020.

Contractor Management Procedures



5.2.6 Promotion of a Friendly and Healthy Workplace

Walsin greatly values employees' health management, plans complete health exams, and organizes health promotion activities to care for employees' health, so that all employees have access to comprehensive healthcare. The Company provides better and more frequent health examination services than those required by law, and provides a variety of cancer screenings. Individual consultation is provided after annual health examinations so that employees will better understand their own health conditions. Follow-up is carried out for abnormalities so that these can be detected and treated earlier. A total of 6,500 individuals received health exams and were managed in 2018.

Employee Healthcare Management in Taiwan Unit: Individuals

Year	Health exam	New recruits healthcare management	Current employees healthcare management	Special health hazards exam and management	Total
2015	1,309	266	1,167	1,557	4,299
2016	2,003	231	1,828	2,036	6,098
2017	1,481	401	2,075	2,351	6,308
2018	2,282	361	2,202	1,655	6,498

Personnel working in special work environments undergo special health exams and are managed separately. Examination items include high temperature, noise, ionizing radiation, lead, manganese, dust, and nickel. A total of 1,693 employees working in special work environments underwent special health exams in 2018.

Special health hazards exam and management in Taiwan Unit: Individuals

Year	High temperature operation management	High noise operation management	Ionizing radiation operation management	Lead operation management	Manganese operation management	Dust operation management	Nickel operation management
2015	262	857	92	36	49	261	0
2016	332	1,075	112	79	22	346	70
2017	246	1,629	111	13	23	264	65
2018	248	972	108	10	24	264	67

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5.2.7 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.

2018		
Statistics of Health Activities in Taiwan	Events	Individuals
Dynamic-Health activities	26	1,978
Static-Preventive healthcare seminars	83	1,955



4

events

Quit smoking activities and mobile quit smoking clinic



5

events

Blood donation



1

events

Flu shot



4

events

Mountain climbing and hiking activities



3

events

Physical fitness and bone density testing activities



2

events

10,000 Steps for Muscle Growth and Fat Loss



4

events

Stretching activities



Success Cases of Occupational Health Promotion

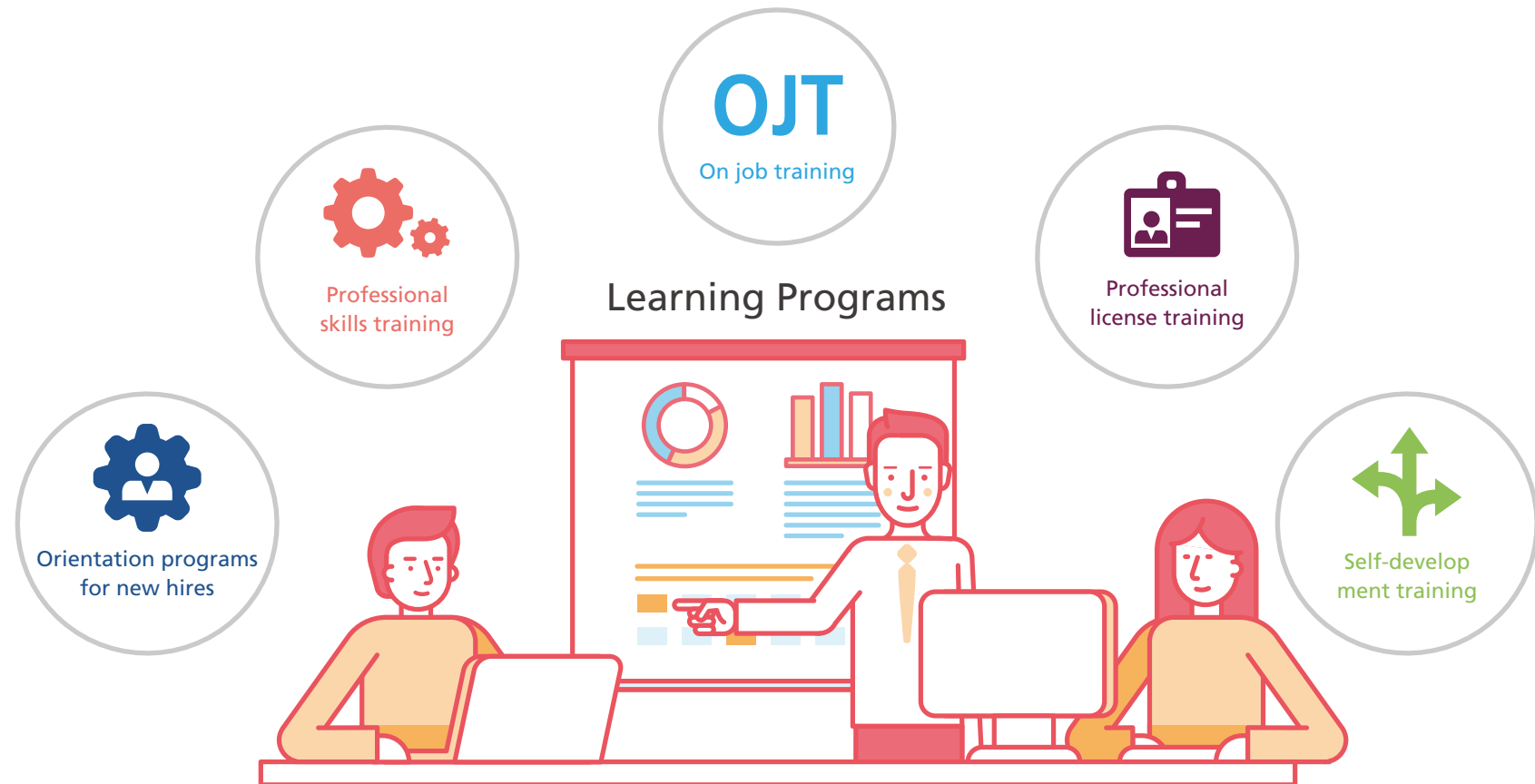
Walsin continues to create a safe working environment, protects employee health and promotes a work-life balance, thus maintaining the physical and mental health of employees and their dependents. Our steadfast promotion of occupational hygiene and health management has been recognized many times:



5.3 Comprehensive Growth of All Employees

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: Talent utilization, talent recruitment, talent education, talent retention. This has been the theme throughout Walsin's history. Hence, we established employee development plans and learning channels to provide employees with space for self-development and growth. 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.

We arranged workshops related to the topics of strategic projects implemented in 2018, so as to help the project team focus and build consensus for project implementation. Walsin Lihwa is currently transitioning and undergoing change, and continues to strengthen and optimize the management ability of supervisor, middle management, and executives. We are creating synergistic effects through management culture to help the Company transition more smoothly.



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Talent education and development at Walsin Lihwa are available to all employees without discrimination of age or gender. The company provides annual training based on its policies, strategies, and job competency planning, 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 2018 is shown in the table below.

Overview of company training:

Area	Statistical items	Male	Female	Subtotal
Taiwan	Total hours	35,950	2,731	38,681
	Total number of employees	2,353	290	2,643
	Average training hours	15	9	15
Mainland China	Total hours	23,468	4,205	27,673
	Total number of employees	1,750	422	2,172
	Average training hours	13	10	13
Malaysia	Total hours	5,641	188	5,829
	Total number of employees	132	23	155
	Average training hours	43	8	38

Area	Statistical items	Managerial position	Non-managerial position	Subtotal
Taiwan	Total hours	7,231	31,450	38,681
	Total number of employees	211	2,432	2,643
	Average training hours	34	13	15
Mainland China	Total hours	7,805	19,868	27,673
	Total number of employees	268	1,904	2,172
	Average training hours	29	10	13
Malaysia	Total hours	8	5,821	5,829
	Total number of employees	21	134	155
	Average training hours	0.4	43	38

Note: Managerial positions refer to team leader and above



Education and training

We provide necessary training to employees at each level, and use a variety of training methods, such as physical courses, internal workshops, study groups, presentations, sharing events, and overseas visits, to increase employees' willingness to learn and link it to practices at work.



Performance evaluation

We understand the gaps in employees' abilities and their work performance through annual KPI and semi-annual performance reviews, which serve as the basis for training plans.



Project participation

Employees participate in cross-department, cross-disciplinary, and cross-team projects based on their abilities and nature of work and in line with the company's strategy. These participations increase their practical experiences and develops abilities in different aspects.



Internal counselors

Experts in each function are selected to provide technical and practical guidance and pass on their experience.

Required management skills for Supervisors in 2018 – Supervisor training results

Supervisors shoulder the responsibility of production output, quality, cost, and delivery, and must be capable of leading a team to achieve its goals safely and effectively, while training subordinates in the process. In light of these requirements, management training for Supervisors at Walsin Lihwa focused on work relationships, work guidance, and work improvement in 2018, and was supported by a large number of drills, so that students could gain abundant practice in class and immediately apply what they learned when they return to work.

We organized two training sessions in Autumn 2018, and a total of 69 Supervisors from the Hsinchuang, Yangmei, Taichung, and Yenshui Plans participated. Satisfaction with the training reached 4.5 points (5 points in total) and overall feedback was good. In the future, we will continue to organize related courses to strengthen the management abilities of managers at each level, leading Walsin Lihwa to reach new heights.

5.4 Employee Care, Communication and Benefits

Employees are Walsin's most important asset, and also the main force bringing Walsin forward. We care for employees and their family life, listen to their voices, and through communication bring employees together. The Company's vision and culture is centered around working and growing together based on mutual trust.

Diverse Communication Channels

We provide a variety of internal communication channels to facilitate communication and coordination between labor and management. We aim to establish good interactions and trust between labor and management, and further improve labor conditions and protect employee 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; 86% of employees in Taipei Headquarters, Hsinchuang Plant, Yangmei Plant, Taichung Plant, and Yenshui Plant have joined the union. 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.

Walsin Lihwa Corporation Union convened the second meeting of its 14th-term representatives on November 30, 2018. The chairperson attended the meeting that day, and mentioned the conflicts between the new systems and actual conditions throughout the process of industrial transformation and upgrade. Luckily, cadre members of the union are actively improving labor-management relations, and provide feedback on the current state of operations for the Company to make improvements. We wish all our employees can adapt to the changes in our era and discuss any problems they may have with their direct supervisor, so that harmony can be achieved between labor and management.

A total of 9 meetings were held in Taiwan in 2018 (4 union board meetings, 4 extraordinary union board meetings, and 1 representatives meeting). In addition to employee salary and benefits related issues, labor-management meetings in 2018 focused on a friendly workplace environment, working hours, work environment, labor safety and health-related issues, such as: on-site dust cleaning operations, working environment improvement, and employee healthcare activities. Labor representatives for labor-management meetings are elected during labor representative meetings, and labor-management meetings for all plants in Taiwan are held to increase communication channels and promote harmony between labor and management.

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.

In 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 Yentai Walsin Stainless Steel Co., Ltd. also established unions. Employee participation in unions in this region is about 97%.

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 plan is responsible for looking into the opinions and needs of employees, and for providing immediate response and assistance. There were no employee grievances in 2018.

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 2018.

Besides employee grievances, violations of labor laws and regulations found during labor inspections and fines imposed in 2018 are detailed below:

Plant	In violation of	Fine (NTD)
Taipei	Paragraph 1, Article 24 and Paragraph 2, Article 32 of the Labor Standards Act	40,000
Yenshui	Paragraphs 1 and 2, Article 32 of the Labor Standards Act	70,000
Yenshui	Paragraph 2, Article 32 of the Labor Standards Act	100,000
Total		210,000

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.

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Shortest Notice for Operational Changes

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.

Diverse Employee Benefits

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 2018, the total employee welfare fund appropriated amounted to approximately NT\$46.34 million.

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.



- Regular health exams for employees
- Health exam subsidies for managers and expatriates
- Health promotion activities and seminars.



- Birthday gift voucher
- Cash/gifts for Chinese New Year
- Dragon Boat Festival
- Mid-Autumn Festival
- Souvenir on Labor Day
- Cash/gifts on Woman's Day



- Employee dormitories
- Employee cafeteria
- Commuter bus
- Happiness seminar
- Club activity subsidies
- Birthday celebrations and social events
- Year-end celebrations
- Employee travel subsidies
- Discounts at designated stores
- Organic farmers' market



- Wedding cash gift
- Childbirth subsidy
- Hospitalization consolation money
- Funeral subsidy
- Scholarships for employees and their children
- Interest-free loans (emergency relief loans, education loans for employees' children, and mortgages)
- Group insurance plan for employees' dependents
- Unpaid parental leave



- Compensation system
- Pension plan
- Labor Insurance
- National Health Insurance
- Group insurance (life insurance, casualty insurance, medical insurance, and cancer insurance)
- Overseas business trip and expatriate insurance
- Retirement insurance
- Occupational injury insurance
- Medical insurance
- Unemployment insurance
- Childbirth insurance
- Housing EPF
- Employee group accident insurance
- EPF
- Occupational injury insurance
- Employee group accident insurance

Note 1: The text in black is for all regions, the text in red is for Taiwan, the text in pink 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

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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 2018, a total of 169 gold medals were awarded to senior employees in Taiwan.

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 53 model employees in Taiwan and mainland China in 2018 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 196 employees were qualified for unpaid parental leave in 2018, 2 of the employees applied for unpaid parental leave, reinstatement rate was 50% and retention rate was 100%. Statistics are shown below:

Number of unpaid parental leave applicants	Gender		Total
	Male	Female	
Number of employees eligible for unpaid parental leave in 2018 ^{Note}	183	13	196
Number of unpaid parental leave applicants in 2018	1	1	2
Number of employees expected to return from unpaid parental leave in 2018 (A)	2	2	4
Number of employees that actually returned from unpaid parental leave in 2018 (B)	1	1	2
Unpaid parental leave reinstatement rate (B/A) x 100%	50%	50%	50%
Number of employees that returned from unpaid parental leave in 2017 (C)	0	4	4
Number of employees that returned from unpaid parental leave in 2017 had continued to serve a full year in 2018 (D)	0	4	4
Unpaid parental leave retention rate (D/C) x 100%	-	100%	100%

Note : Employees who applied for maternity leave or paternity leave in 2016/01/01-2018/12/31 and were still at the Company on 2018/12/31.

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We organized a series of activities in 2018 to create a friendly workplace and promote work-life balance, hoping employees can feel our good intentions, care, and experience great happiness.

Social event for singles

Walsin cares about single employees and encourages them to go outdoors to make friends and hopefully find a significant other and get married. The Taichung Plant and Yenshui Plant organized three recreational events for singles in 2018. The elaborately-designed activities created opportunities for interaction and exchange, and the relaxed atmosphere allowed people to naturally interact and have fun. All participants highly approved the events. A total of 92 single male employees participated in the events, and many people that met during the events wanted to further get to know each other better. The happiness employees brought back to work also affected other colleagues as well. In the future, we will continue to organize similar events in hopes of helping employees find their significant other, so they will settle down and be happy.

Love to Elderlies

Walsin extended its care for employees to elders in their families in 2018. The vice chairperson personally visited each plant to interact and show concern for employees and their elderly family members. Besides promoting filial piety, respect for the elderly, and showing love before it is too late, we also hope to make everyone feel like part of the Walsin family and to strengthen employee commitment. The meaning behind the filial piety activities is for employees to feel the intimacy and warmth of a family.



The activity is not limited to a single day, and hopes that employees will show care for their parents whenever they have time, spreading love and care to every corner of the Company, and wishing happiness for every father and mother.

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. Activities held in 2018 include Introduction to Herbs & Wormwood DIY, Serving and Leading as a Servant, Fragrant Handmade Soap DIY, Therapeutic Mini Potted Plants DIY, DNA of a Leader, and Interesting Cinema: Fly, Kite Fly. We hope that employees engage in DIY activities, attend lectures for spiritual guidance and learn about caring for other forms of life in nature when they have free time, so that they experience therapeutic effects, relieve stress and create a sense of happiness.

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Friendly train

Walsin is actively promoting a friendly workplace. 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.



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 2018 and 2017 defined contribution plans are listed as expenses in the consolidated statement of comprehensive income as NT\$83,553,000 and NT\$74,743,000.

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.

Friendly Working Environment

Employees are not only partners in the workplace, but also important assets of Walsin Lihwa. Hence, providing employees with a good working environment is a basic responsibility of the company. We strive to create a friendly environment through exchanges and experience sharing between our plants. We continue to improve physical facilities, purchase new equipment, and manage the hygiene and cleanness of office areas, employee restaurants, and dormitories, in hopes of providing employees with a friendly and comfortable working environment.

Furthermore, to strengthen traffic safety management in plants, we are improving separation of pedestrians and vehicles to maintain traffic order and prevent and reduce traffic accidents in plants, thus protecting employees' transportation safety.



The amount of defined benefit plans on 2018 and 2017 consolidated balance sheets are as follows:

	December 31, 2018	December 31, 2017
Current value of defined benefit obligations	1,457,483	1,500,384
Fair value of plan assets	(872,070)	(698,056)
Net defined benefit liabilities	585,413	802,328

Unit: NT\$ thousand

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Sustainability promotion strategy

Promotes mutual development with local communities to gain greater social influence

Strategy	Objectives for 2018	2018 results	Objectives for 2019
Engages in charity and increases inuence through four major aspects: <ul style="list-style-type: none"> Corporate citizenship Care for the underprivileged Environmental conservation Neighborhood improvements 	<ul style="list-style-type: none"> Solidifying the Impact of our Social Influence 	<ul style="list-style-type: none"> Support Chung Yuan Christian University's Industry 4.0 Industry- Academia Collaboration Base Project 	<ul style="list-style-type: none"> Continue to expand the scope of our projects in the four major aspects
	<ul style="list-style-type: none"> Properly care for the underprivileged 	<ul style="list-style-type: none"> Donating to underprivileged children and charity events such as the Light Up the Corners throughout Taiwan Project 	
	<ul style="list-style-type: none"> Cherishing environmental resources 	<ul style="list-style-type: none"> Established Huabao Conservation and Breeding Co., Ltd. and engaged in industry-academia collaboration with National Chung Hsing University Organized organic farmers' markets, beach cleanup and ecological education campaigns 	
	<ul style="list-style-type: none"> Promoting community development 	<ul style="list-style-type: none"> Elementary and junior high school newspaper reading, park adoption 	



100%

All elementary schools in the region of our Yenshui plant were included in the newspaper reading project



↑1,271

Number of elementary and junior high school students participating in the newspaper reading project reached 1,271

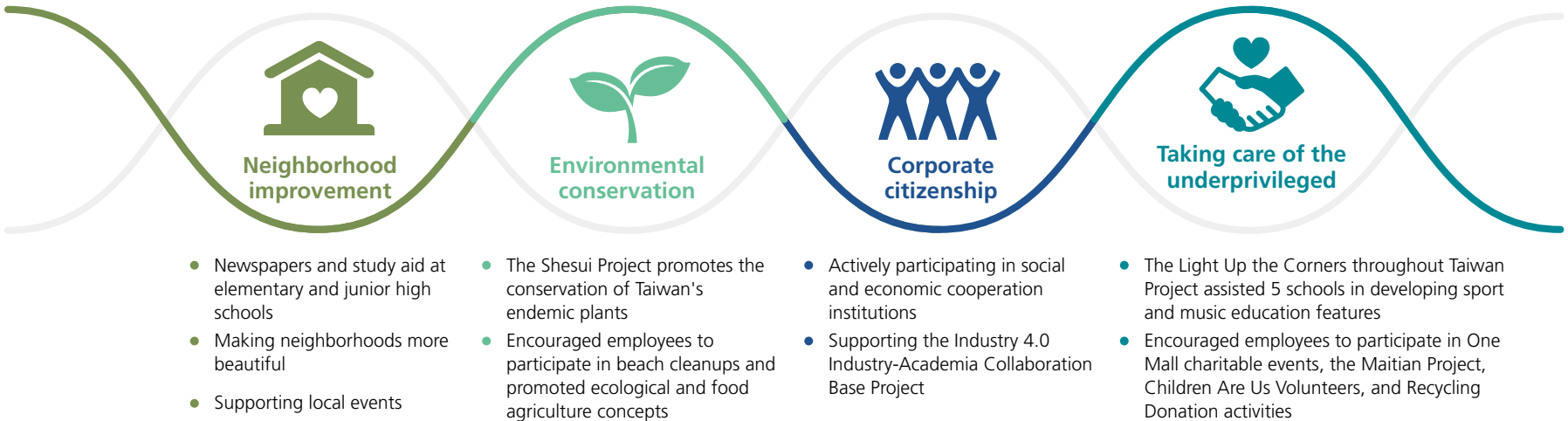


Third place

Adopted the Dongfeng Green Corridor Bicycle Trail and won the third place on the evaluation of Taichung's Environmental Protection Bureau

6.1 Social Engagement Policy

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 underprivileged", "environmental conservation", "neighborhood improvement" and "corporate citizenship". We draw the attention of our employees to issues related to the underprivileged, 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.



6.2 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 continued to implement the Light Up the Corners throughout Taiwan Project in 2018, and also volunteered in helping mentally-challenged children learn to bake and donation of recycled resources. In Mainland China, Walsin (Nanjing) Development Co., Ltd. integrated the One Mall Charity Events and employees at our Changshu plant continued to support the nation-wide Maitian Project "Run for the Youth" charity events.

6.2.1 "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 2018, the 5 elementary and junior high schools that participated in the project all produced inspiring results in various fields.



Please refer to our website for more information.

Hsinchu Guangwu Junior High School learns from nature during outdoor courses



Outdoor experience courses

In 2018, Guangwu Junior High School continued to organize outdoor experience courses, such as river tracing, mountain climbing, snorkeling and cycling.

A total of 70 students participated in a 15-day course organized in July to cycle around Taiwan. An ecology course was also organized. An elementary school along the way assisted by allowing the students to use its premises for bicycle inspections and conduction of a science camp.

Walsin Lihwa's Hsinchuang plant Cycling Club called 25 employees to accompany the students along the way from Bali to Tamsui. Employees of the cycling club rode on the outside to protect the children on the bicycle trail along the bank of Tamsui River. Volunteers from the head office set up supply stations along the way for adults and children to replenish their energy.

Employees in the cycling club were moved by the students' perseverance and were happy to participate in the event, praising Guangwu's cycling team for their organization ability. Cycling around Taiwan under the bright sun will definitely become an unforgettable memory of their youth.

Hualien Huaren Junior High School Gives children opportunities and a future



Youth baseball, soccer, dance, percussion, and track and field

Huaren Junior High School's youth baseball, soccer, dance, percussion, and track and field teams obtained excellent results in 2018.

The dance class won the modern dance and classical dance categories in the National Dance Contest. The percussion group won the group division in the Student Music Competition. The baseball team won first place in the Lanyang Cup National Youth Baseball Tournament, second place in the youth division of the Maple Leaf Baseball Championships, and first place in the youth division of the Hualien County Nengao Baseball Festival and National Division 3 Baseball Tournament. The soccer team showed great skill and won first place in the Taiwan Youth League Championships and second place in the National Junior Cup Soccer Tournament. Zhang Bo-Ya of the track and field team broke the 100m and 200m records in the New Taipei City Youth Cup Championship.

Pingtung Gaoshi Elementary School Strives to make progress



Soccer, judo, and ancient ballads troupe

The ancient ballads troupe gave the closing performance at the local folk song festival. The Judo team won 3 bronze medals and 2 fourth place recognitions at the Pingtung County United Sports Competition Judo Championship, as well as second place in the National Zhongzheng Cup Judo Tournament.

The soccer team performed well in the Yilan County Shengeng Cup, Pingtung County Junior High School and Elementary School Sports Competitions, and at the National Youth Soccer League, winning first place in the Pingtung County Sports Promotion Elementary School Soccer Tournament. In July, the soccer players formed a team with students from other schools in Pingtung and entered the Shimizu Cup: the most famous elementary school soccer event in Japan. The students were happy and honored to be able to compete overseas after working so hard.

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



Youth baseball and percussion

Datong Elementary School's baseball team is the first baseball team in Datong Township with players from different tribes. Most players come from underprivileged, low-income households ran by a single parent and housing various family generations. The school has the entire team stay in dormitories to provide them with proper care. The youth baseball team entered the Yangmingshan Cup Tournament this year and travel to Chiayi to compete in the Zhuluoshan Cup Tournament against a Japanese team. Datong Elementary School's percussion group also entered the Yilan County Student Music Competition this year.

A student who participated in the Zhuluoshan Cup Tournament said: "Baseball is fun and I want to keep playing baseball. The opportunity to compete against a team from Japan was a rare experience." We believe that through these tournament and competition experiences, these students will learn more about the world.



Pingtung Taiwu Elementary School Enriches students' hearts through learning music



Violin and piano courses

Taiwu Elementary School hopes to enable children to become familiar with themselves and the world through a variety of activities. Music is one of them. The school selected interested students, hired professional piano and violin teachers and purchased a variety of instruments for weekly music classes. The school hopes to uncover students' talent and music potential.

Students taking violin and piano courses have performed in the Mother's Day celebration, the annual concert and in special performances for the elderly arranged by Taiwu Elementary School in 2018. Teachers hope to enhance students' experience and learning motivation through these performances and hope that in the future they can unleash their full potential.



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6.2.2 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\$1,600,000 was donated to the 12 children welfare institutions in 2018.



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 20 volunteers participated in the event in 2018.



Donating recycled resources

Starting in 2012, we called on employees to participate in the recycled resource donation activity held at the end of each year, by donating things they no longer need at home. Usable resources were collected from plants in Taiwan in 2018 and were donated to Catholic Kuang Jen Social Welfare Foundation and St. Joseph Social Welfare Foundation, so that the resources can be fully utilized by helping those in need and giving back to society.



ONE Mall charitable events

One Mall, a comprehensive shopping mall operated by Walsin (Nanjing) Development Co., Ltd., continues to organize the One Mall Charity Events, and co-organized the Happy Air event with Ningsheng Hearing Recovery Center in 2018. Eight volunteers played interactive games with children affected with hearing loss on the day before the International Children's Day leaving behind heartwarming memories for them.



Supporting the Maitian Project Run for the Youth

Since phase 1 on the Maitian Project was implemented in 2015 with the theme "New Uniforms for a New Semester: 1000 Uniforms for 1000 Dreams", Changshu Walsin Specialty Steel Co.,Ltd. has extended the scope of the initiative during its 4th phase organized in 2018. The Company purchased 1,500 uniforms with funds raised from charity bazaars, auctions, and donations. The uniforms were donated to students in eight schools including the Danqing Center Elementary School, Jishou City, Hunan Province, China. The 10km Youth Road Run is a charitable event that increases employees' participation in welfare events.



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6.3 Caring for Ecology

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

The Baoshan Shesui Project was implemented by Walsin Lihwa to cultivate talents for endemic plant conservation, collection and management. We worked together with the College of Agriculture and Natural Resources of National Chung Hsing University in building a seedling cultivation net house and an open seedbed. Efforts are directed towards reforestation initiatives, environmental education, conservation and promotion, and protection of Taiwan's diverse plant and animal species. In order to become more focused on the project's implementation, we jointly established the Huabao Conservation and Breeding Co., Ltd. with Windbond Electronics Corporation in 2018. Huabao will focus on Taiwan's forest protection and endemic plant restoration.

6.3.2 Coastal clean up and ecological education campaigns

Beach Cleanup at Chushui's Coast, Yuanli, Miaoli

Walsin volunteers began participating in beach cleaning activities in 2015. A total of 245 volunteers from factories in Taiwan gathered together at the coast of Chushui, Yuanli in Central Taiwan in autumn 2018 to clean the coast. Volunteers also experienced the traditional rice-centric culture and enjoyed the ecological environment at a nearby rice farm. Volunteers who participated left with a heightened awareness of environmental protection.

6.3.3 Food Agriculture Education Campaign

Educational trips introduced employees to local agriculture and an adequate diet, as well as the local culture and their impact on the environment, through an interactive experience with food, producers, and the natural environment. In 2018, we made plans for employees to experience organic agriculture at an organic rice farm, where they learned about farming with ducks. Employees also experience traditional rice-centric culture by making crispy popped rice treats, rice noodles and steamed taro cakes. Walsin began regularly organizing organic markets at its Taipei Headquarters since 2012, inviting local 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 learn the importance of land and ecological sustainability also through face-to-face interactions and exchange with farmers.



6.4 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:

6.4.1 Newspapers and study aid at elementary and junior high schools

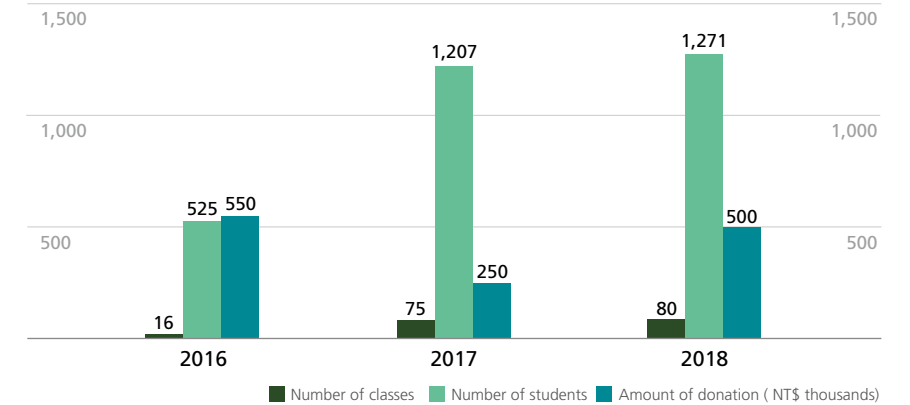
In the second half of 2014, Walsin Lihwa began working with Mandarin Daily News to provide the newspaper to elementary and junior high schools near Walsin Lihwa plants in Taiwan. Teachers introduce topics reported in the newspaper to students, and broaden their horizons through interactions and discussions,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

The company sponsored 8 classes in 4 schools in Taoyuan City, 2 classes in 1 school in Taichung City, 20 classes in 8 schools in Tainan City, and 2 classes in 2 schools in Kaohsiung City, benefiting a total of 1,271 students. We continue to implement the newspaper reading project for schools near our factories in Taiwan. Elementary schools participating in the project near our Yenshui plant increased from 7 to 8 in 2018, making all elementary schools near our Yenshui plant part of the project. We also organized newspaper-reading challenges with schools participating in the project at Taoyuan City's Longan Elementary School and Tainan City's Annei Elementary School. 38 volunteers interacted with students to achieve education through entertainment, which concretized knowledge and increased students' interest in learning.

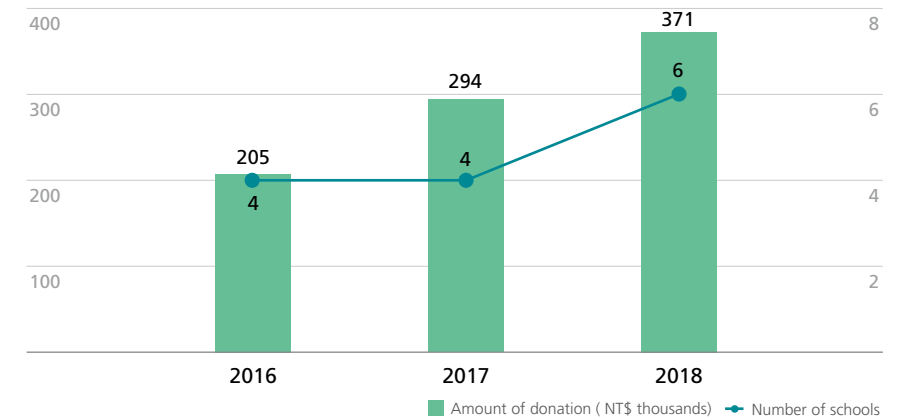
Walsin Lihwa reduced the gap between education in urban and rural areas by continuing to donate to the study aid projects of elementary schools in Yenshui.



Results of the Elementary and Junior High School Newspaper Reading Project



Results of the Elementary School Study Aid Project in Yenshui District



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- 6. Intensifying our Actions for the Common Good
 - 6.1 Social Engagement Policy
 - 6.2 Empathizing with the Underprivileged
 - 6.3 Caring for Ecology
 - 6.4 Community Outreach
 - 6.5 Corporate Citizenship

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Thank you for giving us free newspapers to read. The newspapers have changed me, and I learned so much from them. They changed me making my writing more elegant and making me even fonder of reading. I learned that rainbows can be seen in the sky for several hours and there is even a world record for it. It opened my eyes and I learned so many new things from newspapers.

Liu, N.J.

Thanks to the funding provided by Walsin Lihwa, we have newspapers to read every single day. Reading the news not only makes you wiser, but also lets us learn Chinese characters. Having newspapers to read makes us happy. We hope to continue reading newspapers in the future.

Chou, C.F.

I didn't know the news were so interesting until I began reading the newspaper, and it made me fall in love with the news. I used to hate the news when I was younger, but now I wake up to read them and I enjoy reading newspapers very much. I am truly grateful with you.



Lin, J.C.



I am used to reading newspapers every day. If I didn't have anything to read one day, I would think: "Did I forget to take something?" I feel happy when I read the newspaper every day, and I learned about many things in life and the country. I also learned many new characters. I am grateful to Walsin Lihwa for their subsidies that allows us to read the newspaper.



Huang, J.C.

Dear uncles & aunties:
Reading newspapers improved my reading comprehension. I am now better at writing too. Reading newspapers changed how I use my time during the after-school program. I now use this time to read the newspapers distributed by teachers that day. I am truly grateful to you for giving me this entertainment.

Yeh, T.D.



6.4.2 Making neighborhoods more beautiful

Our plants in Taiwan support local community environment cleaning, sterilization, and show appreciation to environmental volunteer group. The plants have also continued to give back to local communities by cleaning, maintaining, greening, and beautifying nearby roads or parks, providing local communities with an excellent environment and cityscape. We spent a total of NT\$664,561 in 2018 on planting, cleaning, maintenance, and beautification of the roads and parks we adopted.

Taipei Head Office

Recognized as a "Green Resource Tree Adoption Role Model" by the Taipei City Government for its adoption of greenbelts and sidewalks within the vicinity of Songzhi Park.



Yangmei plant

Adopted the Meigao Rd. green space and cleaned and maintained Gaoshi Rd. each month starting in 2015



Hsinchuang Plant

Adopted a triangle-shaped piece of green land nearby and trimmed trees outside the factory area



Taichung Plant

Adopted Jing 3rd Road and engaged in sidewalk cleaning and tree maintenance. Jointly adopted Dongfeng Green Corridor Bicycle Path together with Shigang Wangxing Community in response to Taichung's City Government "air quality cleaning zone" event since 2017 and won third place in the evaluation of Taichung's Environmental Protection Bureau in 2018.



Yenshui plant

Adopted the County Road 80 near the Yenshui plant since 2014, planting trees and cleaning its vicinity. The plant was recognized by Tainan's City Government with the Excellent Cleaning Adopting Enterprise.



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6.4.3 Supporting local events

Supporting local culture

- Sponsored the Mid-autumn Festival Celebration at Guanghua Precinct, Hsinchuang District, New Taipei City
- 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 Mid-autumn Festival Celebration at Gaoshan Village, Yangmei District, Taoyuan City
- Sponsored the 2018 Taiwan Lantern Festival- Yenshui Beehive Firecrackers Folkloric Celebration.
- Sponsored Tainan City Yenshui District Office's "Yenshui Shopping District Yi Noodles Festival"
- Sponsored the Mazu festival of Hubi Temple, Yenshui District, Tainan City

Community care

- Made a charitable donation to Chungkang Export Processing Zone Association.
- Sponsored activities of Tainan City Yenshui District and Houbi District Seniors Association
- Responded to the Changshu City Charity Foundation event in benefit of the underprivileged
- Responded to Jiangyin City's rice donation charity event to care for the underprivileged

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
- Responded to the social security and protection forum organized by the Hsinchuang Precinct of the New Taipei City Police Department
- Sponsored New Taipei City's Futian Care Association Mid-autumn Festival Celebration
- Sponsored Fu Jen Catholic University's "TEDxFJCU 2018 annual event"
- Sponsored Tainan Yenshui District and Houbi District's community, club, and temple activities
- Sponsored Tainan Yenshui District's civil defense, volunteer firefighters, volunteer police, and friends of the police activities
- Sponsored Tainan City Council's "2018 Children's Welfare and Rights Promotion, 'Baby Climbing Race' and 'Moving Around Contest'"
- Sponsored the 80th anniversary celebration of Xindong Elementary School in Houbi District

6.5 Corporate Citizenship

Driving industrial, economic, and technological 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, Chinese National Association of Industry and Commerce, Taiwan, The Third Wednesday Club, Cross-Straits Common Market Foundation and the Cross-Strait CEO Summit), thereby showing the corporate spirit of social inclusion.

Support Chung Yuan Christian University "Industry 4.0 IndustryAcademia Collaboration Base" Project

Walsin Lihwa responded to the government's Asia Silicon Valley strategy by supporting industry-academia collaborations for promoting economic and industrial knowledge and technology-related innovation policies. Since 2017, we began to collaborate with Chung Yuan Christian University in the "Smart Manufacturing R&D Center and Industry 4.0 Demonstration Site" for developing a smart technology and manufacturing innovation demonstration center. The center, which was completed in March 2019, will drive innovation in industry and academia through cross-disciplinary technology integration, and serve as a basis for cultivating elite talent for the industry, driving social and economic development.



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	24	
102-3	Location of headquarters	2.1 About Walsin Lihwa	24	
102-4	Location of operations	2.1 About Walsin Lihwa	24	
102-5	Ownership and legal form	2.1 About Walsin Lihwa	24	
102-6	Markets served	2.1 About Walsin Lihwa	24	
102-7	Scale of the organization	2.1 About Walsin Lihwa	24	
102-8	Information on employees and other workers	5.1 Employee Overview and Talent Management Policy	84	
102-9	Supply chain	2.1 About Walsin Lihwa 3.5 Sustainable Supply Chain	24 60	
102-10	Significant changes to the organization and its supply chain	2.1 About Walsin Lihwa 3.5 Sustainable Supply Chain	24 60	There were no material changes in operations this year.
102-11	Precautionary Principle or approach	2.4 Business Integrity	36	
102-12	External initiatives	2.1 About Walsin Lihwa	24	The Company did not sign any external initiatives.
102-13	Membership of associations	2.1 About Walsin Lihwa	24	

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GRI Standards	Information Disclosed	Corresponding chapter	Page	Remarks
Strategy				
102-14	Statement from senior decision-maker	Message from Chairman	4	
102-15	Key impacts, risks, and opportunities	Message from Chairman 2.4 Business Integrity	4 36	
Ethics and integrity				
102-16	Values, principles, standards, and norms of behavior	2.4 Business Integrity	36	
102-17	Mechanisms for advice and concerns about ethics	2.4 Business Integrity	36	
Governance				
102-18	Governance structure	2.2 Governance Framework	30	
102-19	Delegating authority	2.2 Governance Framework	30	
102-20	Executive-level responsibility for economic, environmental, and social topics	Message from Chairman 2.2 Governance Framework	4 30	
102-22	Composition of the highest governance body and its committees	2.2 Governance Framework	30	
Stakeholder engagement				
102-40	List of stakeholder groups	1.1 Stakeholder Engagement	13	
102-41	Collective bargaining agreements	5.4 Employee Care, Communication and Benefits	103	The Company did not sign any collective bargaining agreements with the trade union.
102-42	Identifying and selecting stakeholders	1.1 Stakeholder Engagement	13	
102-43	Approach to stakeholder engagement	1.1 Stakeholder Engagement	13	
102-44	Key topics and concerns raised	1.1 Stakeholder Engagement	13	
Reporting practice				
102-45	Entities included in the consolidated financial statements	1.2 Material Topic Analysis	16	Please refer to the Company's 2018 Annual Report.

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GRI Standards	Information Disclosed	Corresponding chapter	Page	Remarks
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 1.3 Disclosure of Management Strategies	16 18	
102-48	Restatements of information	About This Report	2	
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	
102-55	GRI content index	Appendix 1	120	
102-56	External assurance	About This Report Appendix 2	2 126	
GRI 103 : MANAGEMENT APPROACH 2016				
103-1	Explanation of the material topic and its Boundary	1.3 Disclosure of Management Strategies	18	
103-2	The management approach and its components	1.3 Disclosure of Management Strategies	18	
Economic				
GRI 201: ECONOMIC PERFORMANCE 2016				
201-1	Direct economic value generated and distributed	2.3 Business Performance	34	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	103	
GRI 202: MARKET PRESENCE 2016				
202-2	Proportion of senior management hired from the local community	5.1 Employee Overview and Talent Management Policy	84	

GRI Standards	Information Disclosed	Corresponding chapter	Page	Remarks
GRI 204: PROCUREMENT PRACTICES 2016				
204-1	Proportion of spending on local suppliers	3.5 Sustainable Supply Chain	60	
GRI 205: ANTI-CORRUPTION 2016				
205-2	Communication and training about anti-corruption policies and procedures	2.2 Governance Framework	30	
GRI 206: ANTI-COMPETITIVE BEHAVIOR 2016				
206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	2.4 Business Integrity	36	None
Environmental				
GRI 301: MATERIALS 2016				
301-1	Materials used by weight or volume	3.2 Green Operation	51	
301-2	Recycled input materials used	3.2 Green Operation	51	
301-3	Reclaimed products and their packaging materials	3.2 Green Operation	51	
GRI 302: ENERGY 2016				
302-1	Energy consumption within the organization	4.2 Promotion of Energy Conservation and Carbon Reduction	68	
302-3	Energy intensity	4.2 Promotion of Energy Conservation and Carbon Reduction	68	
302-4	Reduction of energy consumption	4.2 Promotion of Energy Conservation and Carbon Reduction	68	
GRI 303: WATER 2016				
303-1	Water withdrawal by source	4.3 Pollution Prevention	76	
303-3	Water recycled and reused	4.3 Pollution Prevention	76	
GRI 305: EMISSIONS 2016				
305-1	Direct (Scope 1) GHG emissions	4.2 Promotion of Energy Conservation and Carbon Reduction	68	
305-2	Energy indirect (Scope 2) GHG emissions	4.2 Promotion of Energy Conservation and Carbon Reduction	68	
305-4	GHG emissions intensity	4.2 Promotion of Energy Conservation and Carbon Reduction	68	

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GRI Standards	Information Disclosed	Corresponding chapter	Page	Remarks
GRI 305: EMISSIONS 2016				
305-5	Reduction of GHG emissions	4.2 Promotion of Energy Conservation and Carbon Reduction	68	
305-7	Nitrogen oxides (NO _x), sulfur oxides (SO _x), and other significant air emissions	4.3 Pollution Prevention	76	
GRI 306: EFFLUENTS AND WASTE 2016				
306-1	Water discharge by quality and destination	4.3 Pollution Prevention	76	
306-2	Waste by type and disposal method	4.3 Pollution Prevention	76	
GRI 307: ENVIRONMENTAL COMPLIANCE 2016				
307-1	Non-compliance with environmental laws and regulations	4.4 Compliance with Environmental Regulations	81	
Social				
GRI 401: EMPLOYMENT 2016				
401-1	New employee hires and employee turnover	5.1 Employee Overview and Talent Management Policy	84	
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	103	
401-3	Parental leave	5.4 Employee Care, Communication and Benefits	103	
GRI 402: LABOR/MANAGEMENT RELATIONS 2016				
402-1	Minimum notice periods regarding operational changes	5.4 Employee Care, Communication and Benefits	103	
GRI 403: OCCUPATIONAL HEALTH AND SAFETY 2016				
403-1	Workers representation in formal joint management-worker health and safety committees	5.2 Promotion of Occupational Health and Safety	89	
403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	5.2 Promotion of Occupational Health and Safety	89	
403-3	Workers with high incidence or high risk of diseases related to their occupation	5.2 Promotion of Occupational Health and Safety	89	
GRI 404: TRAINING AND EDUCATION 2016				
404-1	Average hours of training per year per employee	5.3 Comprehensive Growth of All Employees	101	
404-3	Percentage of employees receiving regular performance and career development reviews	5.3 Comprehensive Growth of All Employees	101	All employees are periodically evaluated.

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GRI Standards	Information Disclosed	Corresponding chapter	Page	Remarks
GRI 405: DIVERSITY AND EQUAL OPPORTUNITY 2016				
405-1	Diversity of governance bodies and employees	2.2 Governance Framework	30	
		5.1 Employee Overview and Talent Management Policy	84	
405-2	Ratio of basic salary and remuneration of women to men	5.1 Employee Overview and Talent Management Policy	84	
GRI 406: NON-DISCRIMINATION 2016				
406-1	Incidents of discrimination and corrective actions taken	5.1 Employee Overview and Talent Management Policy	84	
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	84	
GRI 416: CUSTOMER HEALTH AND SAFETY 2016				
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	3.3 Product Quality and Responsibility	55	None
GRI 417: MARKETING AND LABELING 2016				
417-2	Incidents of non-compliance concerning product and service information and labeling	3.3 Product Quality and Responsibility	55	None
GRI 418: CUSTOMER PRIVACY 2016				
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	3.4 Creating Value for Customers	58	None
GRI 419: SOCIOECONOMIC COMPLIANCE 2016				
419-1	Non-compliance with laws and regulations in the social and economic area	2.4 Business Integrity 5.1 Employee Overview and Talent Management Policy 5.2 Promotion of Occupational Health and Safety	36 84 89	In 2018, Shanghai Walsin Lihwa Power Wire & Cable Co., Ltd. paid a penalty fine of RMB\$242,178.57 as well as an overdue fine of RMB\$376,253.99 for its delay in corporate income tax filing from 2011 through 2014. The company has addressed such negligence.
G4 Construction and Real Estate Sector Disclosures				
CRE1	Building Energy Intensity	4.2 Promotion of Energy Conservation and Carbon Reduction	68	

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Appendix 2 Independent Auditor's Limited Assurance Report



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INDEPENDENT AUDITOR'S LIMITED ASSURANCE REPORT

The Board of Directors and Stockholders
Walsin Lihwa Co., Ltd.

We have performed a limited assurance engagement on the selected subject matter information (see Appendix A) in the Corporate Social Responsibility Report ("the Report") of Walsin Lihwa Co., Ltd. ("the Company") for the year ended December 31, 2018.

Responsibilities of Management for the Report

Management is responsible for the preparation of the Report in accordance with Taiwan Stock Exchange Corporation Rules Governing the Preparation and Filing of Corporate Social Responsibility Reports by TWSE Listed Companies and GRI Standards and Sector Guidance published by the Global Reporting Initiatives (GRI) and other applicable rules according to its sector features, and for such internal control as management determines is necessary to enable the preparation of the Report that are free from material misstatement.

Auditor's Responsibilities for the Limited Assurance Engagement Performed on the Report

We conducted our work on the selected subject matter information (see Appendix A) in the Report in accordance with the International Standard on Assurance Engagements 3000 (revised) (ISAE 3000 (revised)) to issue a limited assurance report on the preparation, in all material respects, of the Report. The nature, timing and extent of procedures performed in a limited assurance engagement are different from and more limited than a reasonable assurance engagement and, therefore, a lower assurance level is obtained than a reasonable assurance.

We applied professional judgment in the planning and conduct of our work to obtain evidence supporting the limited assurance. Because of the inherent limitations of any internal control, there is an unavoidable risk that even some material misstatements may remain undetected. The procedures we performed include, but not limited to:

- Obtaining and reading the Report.
- Inquiring management and personnel involved in the preparation of the Report to understand the policies and procedures for the preparation of the Report.
- Inquiring the personnel responsible for the preparation of the Report to understand the process, controls, and information systems in the preparation of the selected subject matter information.
- Analyzing and examining, on a test basis, the documents and records supporting the selected subject matter information.


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Independence and Quality Controls

We have complied with the independence and other ethical requirements of the Norm of Professional Ethics for Certified Public Accountant in the Republic of China, which contains integrity, objectivity, professional competence and due care, confidentiality and professional behavior as the fundamental principles. In addition, the firm applies Statement of Auditing Standard No. 46 "Quality Control for Public Accounting Firms" issued by the Accounting Research and Development Foundation of the Republic of China and, accordingly, maintains a comprehensive system of quality controls, including documented policies and procedures regarding compliance with ethical requirements, professional standards, and applicable legal and regulatory requirements.

Conclusion

Based on the procedures performed and evidence obtained, nothing has come to our attention that causes us to believe that the information in the Report is not stated fairly, in all material respects, in accordance with the abovementioned reporting criteria.



Deloitte & Touche
Taipei, Taiwan
Republic of China

July 22, 2019

Notice to Readers

For the convenience of readers, the independent auditor's limited assurance report has been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditor's limited assurance report shall prevail.

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Appendix A Summary of Selected Subject Matter Information

#	GRI Number	Descriptions of Indicators	Corresponding Section	Applicable Criteria
1	GRI 204-1:2016	Proportion of spending on local suppliers	3.5 Sustainable supply chain	The ratio of expenditure on local suppliers.
2	GRI 301-1:2016	Materials used by weight or volume	3.2 Green operation	The total weight of non-renewable materials used.
3	GRI 302-1:2016	Energy consumption within the organization	4.2 Promotion of energy conservation and carbon reduction	The consumption of electric power, steam, natural gas, gasoline and diesel, fuel, liquefied petroleum gas, acetylene.
4	GRI 302-3:2016	Energy intensity	4.2 Promotion of energy conservation and carbon reduction	The energy intensity of each type of product.
5	GRI 306-1:2016	Water discharge by quality and destination	4.3 Pollution prevention	The volume of wastewater discharge at Changshu plant.
6	GRI 306-2:2016	Waste by type and disposal method	4.3 Pollution prevention	The total weight of hazardous and non-hazardous wastes categorized by treatments.
7	GRI 307-1:2016	Non-compliance with environmental laws and regulations	4.4 Compliance with environmental regulations	The amount of incidents and fines of non-compliance with environmental regulations.
8	GRI 401-1:2016	New employee hires and employee turnover	5.1 Employee overview and talent management policy	The numbers and rates of new employee hires and employee turnover classified by age group, gender, and region.
9	GRI 401-3:2016	Parental leave	5.4 Employee care, communication and benefits	By gender, the numbers of employees entitled to and taking parental leave, and the numbers and ratios of employees returning to work and staying employed after parental leave.
10	GRI 403-1:2016	Workers representation in formal joint management worker health and safety committees	5.2 Promotion of occupational health and safety	The ratio of worker representatives in health and safety committees.

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#	GRI Number	Descriptions of Indicators	Corresponding Section	Applicable Criteria
11	GRI 403-2:2016	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	5.2 Promotion of occupational health and safety	The types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and numbers of work-related fatalities classified by gender and region.
12	GRI 404-1:2016	Average hours of training per year per employee	5.3 Comprehensive growth of all employees	The yearly average on-job training hours of each employee, by gender and employee types.
13	GRI 405-1:2016	Diversity of governance bodies and employees	2.2 Governance framework 5.1 Employee overview and talent management policy	The percentages of gender and age groups of Board of Directors; the percentages of gender, age groups, and titles of employees.
14.	Designated indicator 1	Survey results of customer satisfaction	3.4 Creating value for customers	The survey results of customer satisfaction by divisions.
15.	Designated indicator 2	The numbers of participants and events of health care promotion	5.2 Promotion of occupational health and safety	The numbers of participants and events of health care promotion in Taiwan.
16.	Designated indicator 3	Community service	6.2 Empathizing with the underprivileged 6.4 Community outreach	The funds for child charity and the expenditure on community services, e.g. road/street maintenance, park gardening.



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