

# **Sercomm Corporation**

## **Corporate Social Responsibility Report**





## About This Report

Sercomm Corporation is not only committed to its business development but is dedicated to fulfilling and promoting its corporate social responsibility in order to propagate the importance of the environment and green energy, to care for employees' interests and rights, to strengthen its corporate governance, and to participate in social and public interests. Sercomm upholds the principles of honesty, transparency, and sustainable development. Sercomm hereby prepares the "Sercomm Corporation 2016 Corporate Social Responsibility Report" to detail the status of sustainable development and social responsibility fulfilled by the company in 2016 and to disclose the report to the public.

### Publication

The report discloses Sercomm's performance and status in terms of economy, society, environment, and governance in 2016 (from January 1 to December 31, 2016), and some information related to the variance of corporate growth thereof in 2014 and 2015.

### Report Scope

The information disclosed in this report includes various performance ratings and data pertaining to environmental protection, employee relations, corporate governance, and social participation carried out by Sercomm from January 1 to December 31, 2016. The information covers Sercomm Headquarters in Nangang Software Park in Taiwan, the Chunan factory in Miaoli, and includes selected information of subsidiaries in China. Overseas branches are not covered in this report.

### Report Methodology and Guidelines

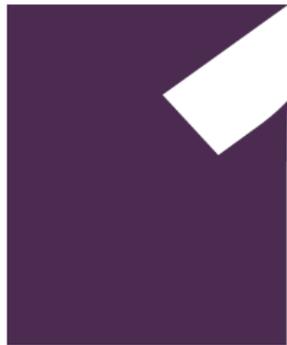
This report has been drafted based on the Global Reporting Initiative (GRI) G4 guidelines. Sercomm will publish the CSR report on an annual basis. This report is the first issue this year. This report exists in both Chinese and English versions, both of which are posted on Sercomm's website (<http://www.sercomm.com>).

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## Letter from Chairman and CEO



**James Wang** | CEO of Sercomm   **Paul Wang** | Chairman of Sercomm

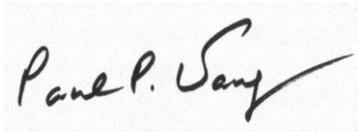
Sercomm Corporation has maintained an intense focus on research and development in communications technology since its incorporation 24 years ago. The company's capacity in production and manufacturing, as well as in customer service, has consistently improved. 2016 was a fruitful year for Sercomm, which once again performed exceptionally well, and was honored by top-notch publications. In the area of corporate governance, Sercomm was awarded by Asiamoney for the second consecutive year with the "Best Managed Company," "Best Executive," and "Best Companies in Asia for Corporate Governance." Furthermore, Finance Asia also presented Sercomm with awards for being the "Best Mid-Cap Company" and for having "Best Investor Relations." These awards provided industry-wide recognition for Sercomm as a company with exceptional corporate governance and performance.

Consolidated net sales for 2016 were NT\$36.7 billion, which represents a 5% increase over the NT\$35.01 billion for year 2015. With a better product mix, the gross margin improved for 2016 was 14.6% compared to 14.2% in 2015. The operating profit was NT\$1.77 billion increased about 6% year over year, the income before tax was NT\$1.8 billion and the net income attributable to owners of parent was NT\$ 1.46 billion, which increase 14% and 12% respectively compare with previous year. Based on 243 million weighted average shares, the EPS for year 2016 was NT\$ 6.02. Net sales, profit and EPS set new company records.

Sercomm has successfully seized the market opportunities opened up by digital convergence. With strong demand for FTTx products, Cable DOCSIS 3.x, Integrated Access Devices, and SMB products, the company has experienced an increase in operating performance. Meanwhile, the company has also proactively automated its production lines and enhanced process efficiencies. With the accumulated shipment volumes of broadband devices reaching nearly 30 million units in 2016, Sercomm's overall production capacity has again climbed towards a peak which makes the company the leader in the industry. Facing a new era of 5G communications, Sercomm continues to invest in the new technologies involved in the development of the Internet of Things (IoT) and artificial intelligence (AI). Sercomm has become the major solution partner behind telcos and is able to launch high value-added products such as cloud service markets, smart energy, smart automation, smart health, the new generation of small cells, and other solutions. Sercomm also helped customers develop new market opportunities. All of these efforts have served to create a solid foundation for the company to thrive and grow.

Sercomm is dedicated to its core business and continues to promote the corporate sustainable development and to fulfill its corporate social responsibility. Environmentally, Sercomm makes every endeavor to develop green products, promote environmental management objectives, and—via the supply chain management—works with its business partners to protect the earth. To care for employees, Sercomm values human resources training, executes multiple programs intended to care for employees, and builds a best workplace for employees. For social participation, Sercomm is committed to the planning for child education in rural areas and to organizing volunteer groups to help teachers in rural areas in the hopes of contributing educational resources to Taiwan. Looking into the future, Sercomm will fulfill the various objectives through corporate governance, sustainable environment, relations with employees, and social participation step by step. Sercomm hopes to exert the partnership sufficiently and to work with stakeholders to make good use of the corporate resources and develop a sustainable future.

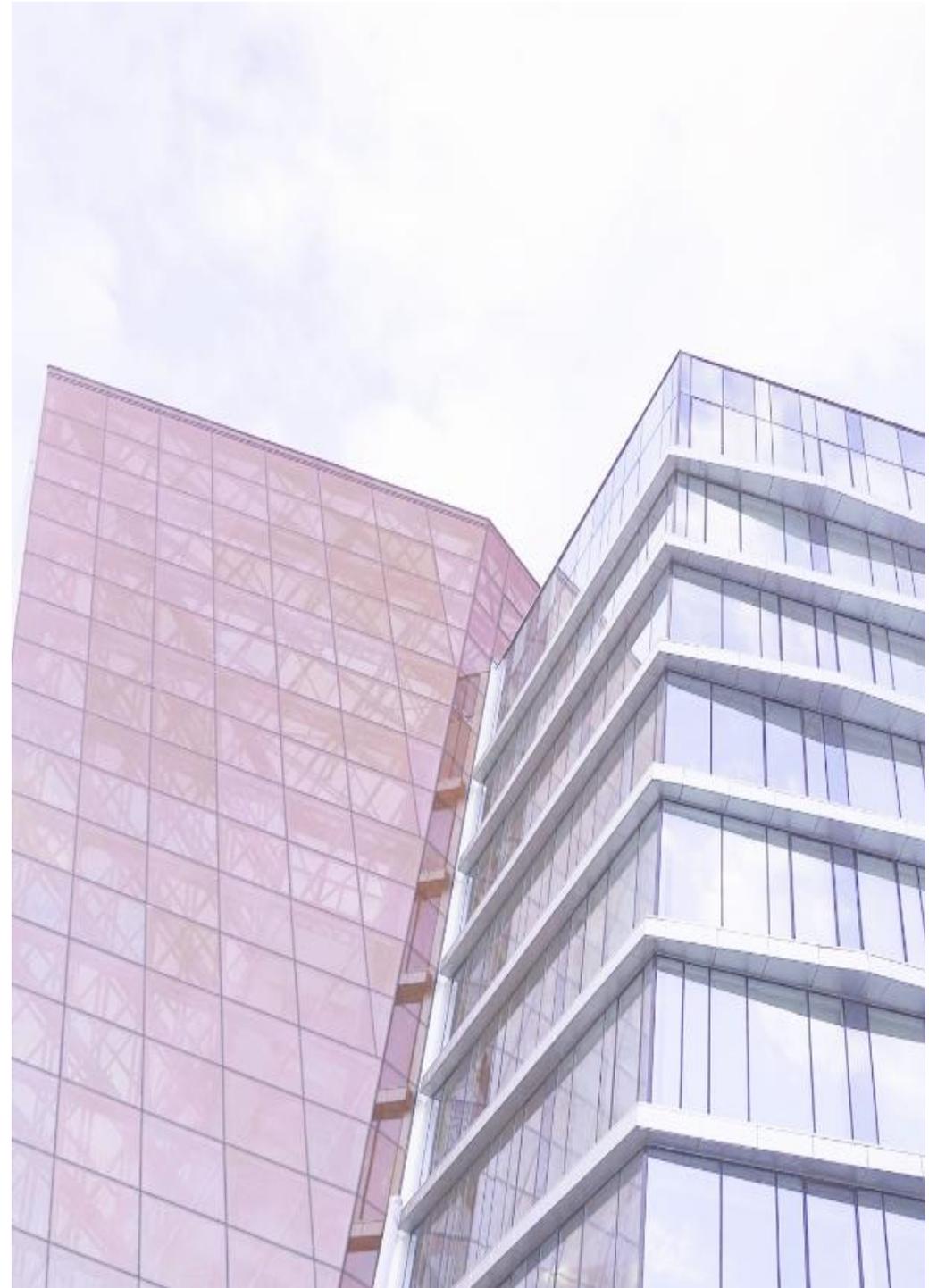
Chairman of Sercomm

Handwritten signature of Paul P. Yang in black ink on a light background.

CEO of Sercomm

Handwritten signature of James Wang in black ink on a light background.

# 1 ° Stakeholder Engagement



# Communication with Stakeholders

## 1.1 Corporate Social Responsibility Policy

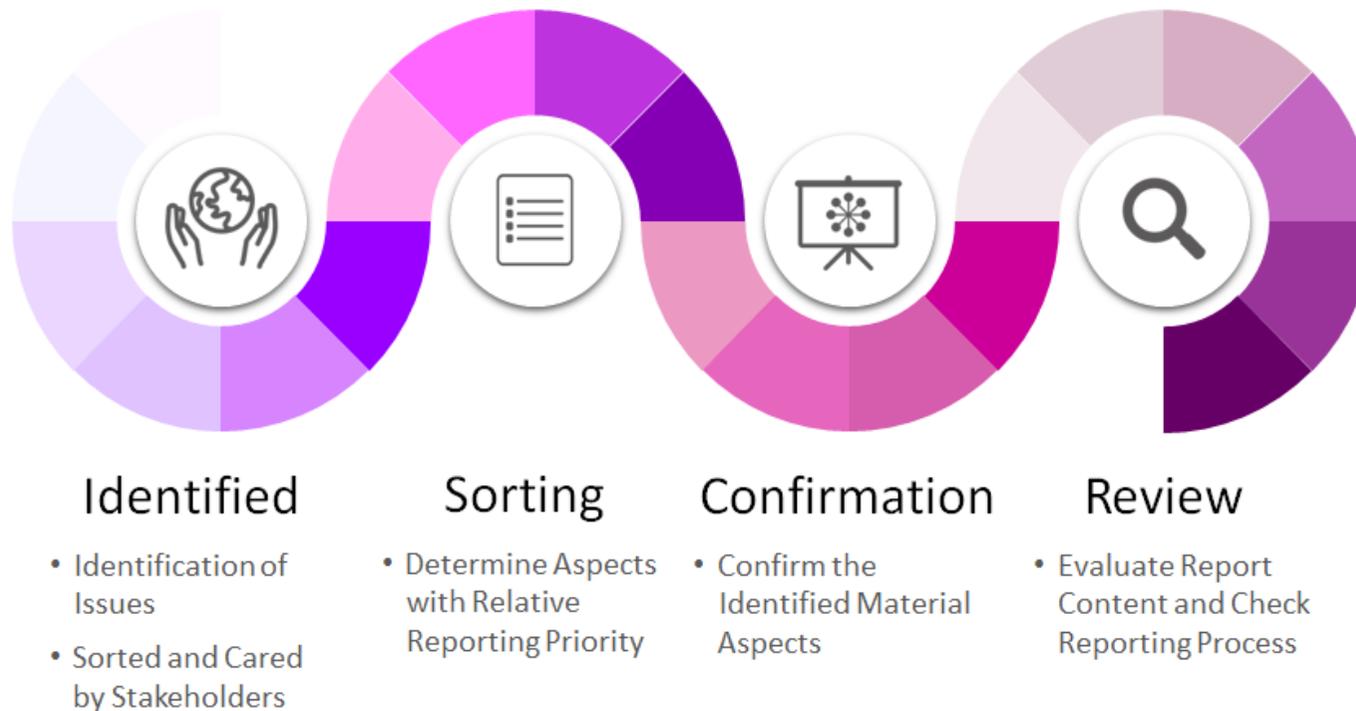
By upholding the corporate value outlining “Dedication to Core Business and Positive Feedback to Society,” Sercomm, based on the sustainable development, integrates the three major missions—ethical corporate management, environmental protection, and feedback to society—into its routine operations, and fulfills the same in terms of economy, society, environment and product by submission of the stakeholders' topics of concern. In addition to focusing on the core business, Sercomm pursues the best operating revenue and profit to take care of employees and feedback remuneration to shareholders, values the environment where it is situated, works hard to provide feedback to society, and becomes the force to make the society better through fulfillment of its corporate social responsibility.

- Corporate ethical management: Uphold corporate governance, fulfill corporate ethical management, value shareholders' equity, and forbid any unethical conduct.
- Customer service: Provide fine-quality products, protect customers' privacy, and work with suppliers to develop the value chain of sustainable operation.
- Active innovation: Encourage innovation, invest in R&D, develop professional technology, uphold excellent production, and value intellectual property rights.
- Excellent workplace: Value employees' benefits, build excellent workplaces, develop talents, and provide fair and safe working environments.
- Environmental protection: Concern about climate transformation trends, implement effective energy-saving measures, take environmental- friendly actions, and actively mitigate the impact to the environment.
- Feedback to society: Support rural children's education, participate in public welfare and charity events, fulfill corporate social responsibility perfectly, and create a better future jointly with the society.

## 1.2 Identification of Stakeholders

### 1.2.1 Process Analysis

Comments from the stakeholders will drive Sercomm’s continuous growth. In order to prevent Sercomm’s development from deviating from the stakeholders’ expectations, Sercomm works hard to fulfill its social responsibility as a corporate citizen. By virtue of the four steps—Identification, Prioritization, Validation and Review—Sercomm completes the identification of topics concerned by the stakeholders, prioritization of such topics, validation of important considerations, and review of availability of information, as the important bases for the contents given herein and the response to the stakeholders and as reference for the future sustainability implementation policy.



### 1.2.2 Identification of Stakeholders

Subject to the attributes of operations and domestic/overseas sustainable development trends, Sercomm applies the five major principles referred to in the AA1000 Stakeholder Engagement Standard 2011, and identifies seven major types of stakeholders based on the stakeholders' dependence, responsibility, strength, influence and diversified perspectives— employees, customers/partners, investors/shareholders, suppliers, governments/competent authorities, news media, and NPO/NGO.



### 1.2.3 Identification of Materiality Issues

Through the communication of various unit supervisors and colleagues with various stakeholders, Sercomm collects comments from the stakeholders in accordance with corporate cultures, management philosophies, various units' job descriptions and plans, communication channels for employees, and communication between various units' contact persons and the stakeholders about concerned topics. By referring to such critical external information as the international trends and requirements, customers' requests, the Electronic Industry Code of Conduct (EICC), the Sustainability Topics for Sectors published by EcoVadis and GRI, and the Global Risks Report 2016 published by World Economic Forum, as well as the definitions and categories defined in G4 published by GRI, Sercomm preliminarily figures out 36 topics and considerations determined by stakeholders' concerns, for the four major aspects—economy, environment, society, and product.



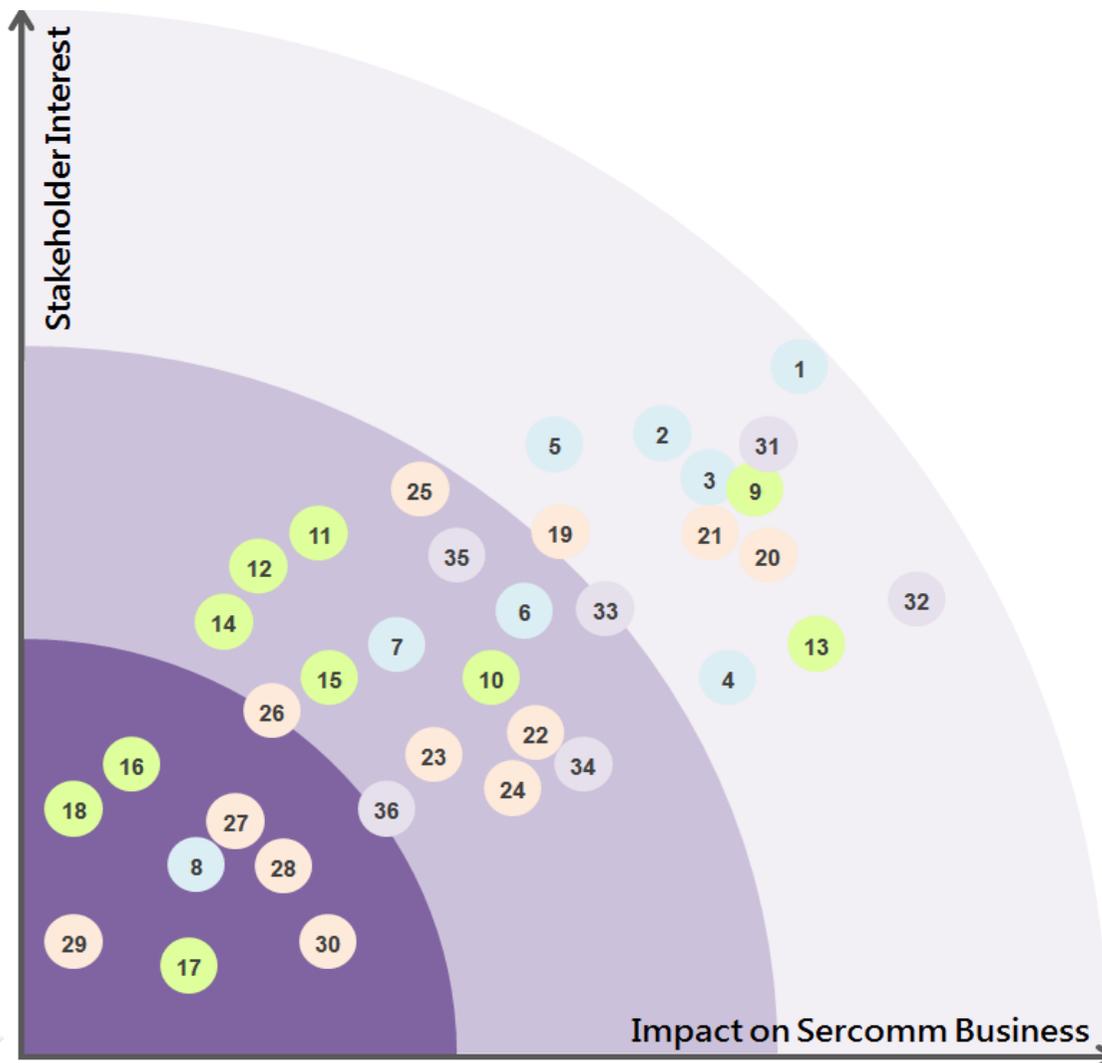
### The 36 topics concerned by Sercomm's Stakeholders



“Level of the stakeholders’ concern about the topics”, and the top 10 topics by the “level of the impact produced by the topics to operation”:

TOP 10 Stakeholder Interest	TOP10 Impact on Sercomm Business
Economic Performance	Economic Performance
Research and Innovation	Research and Innovation
Shareholders Equity	Supplier Management
Employer-Employee Relations	Customer Privacy
Product Quality	Talent Recruitment
Talent Recruitment	Employer-Employee Relations
Corporate Governance	Risk Management
Raw Materials Management	Raw Materials Management
Anti-corruption	Compliance with Regulations
Compliance with Regulations	Corporate Governance

In order to identify substantial topics and considerations to be noted, Sercomm conducts an internal investigation aimed at the unit contact persons delegated by various unit supervisors. Sercomm then identifies a total of 28 important topics more concerned by the stakeholders and producing greater impact to Sercomm’s operation by prioritizing the “level of the stakeholders’ concern about the topics” and the “level of the impact produced by the topics to operation” learned by the contact persons ex officio, upon cross-comparison. There is a total of 28 topics.



The report sets the 28 topics as the important topics and responds to the same topics substantially. For the details and corresponding sections, please refer to the GRI index.

### Scope of Application

With respect to the identified 28 important topics, the unit contact persons delegated by various unit supervisors are called to help verify the considerations and the subjects to which potential impact might be produced according to the physical operations, which are stated as following:

Inside the organization: Sercomm Headquarters, Sercomm ChuNan Manufacturing Center, and Sercomm (Suzhou) Corporation

Outside the organization: Sercomm's customers and suppliers.

### Results of Disclosure of Important Topics:

Aspect	Materiality Issues	GRI G4 Index	Relevant Chapter
<b>Economic</b>	Economic Performance	EC1-EC4	2.2
	Corporate Governance	G4-34、G4-56	2.4
	Stockholders Equity	EC1	2.2
	Risk Management	G4-2	2.4.4、2.4.5、2.4.6
	Compliance with Regulations	EN29、SQ8、PR9	2.4.5
	Business Ethics	G4-52	1.1、2.4
	Economic Impact	G4-EC1、G4-EC7	2.2、2.4.4
<b>Environmental</b>	Supplier Management	EN32-EN33、LA14-LA15、HR10-HR11	4.4.5
	Green Product Management	PR1	4.2、4.2.1-4.2.4
	Effluents and Waste	EN22-EN23	4.1.4
	Energy Management	EN3-EN6	4.1、4.1.1、4.1.6、4.3.1
	Raw Materials Management	EN32-33	4.4
	Environmental Policy	G4-EN33、G4-EN31	4.0
	Energy Saving & Carbon Reduction Effects	EN29-EN31	4.1、4.1.2、4.3、4.3.2
<b>Social</b>	Anti-Corruption	SO3 - SO5	1.1
	Talent Employment	LA1 - LA3	3.1、3.2.2
	Employer-Employee Relations	LA4	3.5
	Occupational Safety	LA5 - LA6	3.5.3

Aspect	Materiality Issues	GRI G4 Index	Relevant Chapter
	Anti-Competitive Behavior	SO7	1.1
	Training & Education	LA9 - LA11	3.3.2
	Social Care	G4-EC7	3.6
	Equal Remuneration for Women and Men	HR3	3.4.1
<b>Product Responsibility</b>	Research and Innovation	G4-4	2.2.3
	Product Quality	G4-4	2.2.3
	Customer Privacy	PR8	4.4.5
	Customer Service	G4-4	2.2.3
	Marketing Communications	PR6	1.1.3
	Product Labeling	PR1	4.4.5

### 1.3 Methods of Communication with Stakeholders

The topics concerned by various stakeholders are communicated and answered by corresponding units or taskforces via various channels, so that the stakeholders' expectations may be verified. Such feedback is served as the important reference for preparation of the CSR report for next year.

Sercomm's website (<http://www.sercom.com>), MOPS (<http://mops.twsw.com.tw>), Sercomm's email address (see Sercomm's website>About Sercomm>Contact Us), Sercomm's annual reports and CSR reports, et al. serve to be the routine communication channels for Sercomm. The stakeholders may access Sercomm's important messages via said channels and may contact the relevant units via Sercomm's open email address, from time to time. The communication channels for the other concerned topics are summarized as following.



Stakeholder	Issue	Communication Channel
<b>Employees</b>	<ul style="list-style-type: none"> <li>• Compensation and benefits</li> <li>• Learning and development</li> <li>• Labor relations</li> <li>• Occupational health and safety</li> </ul>	<ul style="list-style-type: none"> <li>• Annual employee performance appraisal</li> <li>• Employee training system</li> <li>• Employee welfare committee and ESH committee</li> <li>• Employee opinion mailbox (sexual harassment, fraud or ethics violations)</li> </ul>
	<ul style="list-style-type: none"> <li>• Customer service and satisfaction</li> <li>• Product quality &amp; safety</li> <li>• Compliance policy and procedures</li> <li>• Supplier management</li> <li>• Risk management</li> </ul>	<ul style="list-style-type: none"> <li>• Customer audit</li> <li>• Global technical support</li> <li>• Customer service and satisfaction survey</li> <li>• Green policy, green product strategy and green procurement</li> </ul>
<b>Customers/ Partners</b>	<ul style="list-style-type: none"> <li>• Operating performance</li> <li>• Risk management</li> <li>• Sustainable development strategies</li> <li>• Corporate governance</li> <li>• Disclosure and transparency</li> </ul>	<ul style="list-style-type: none"> <li>• General Shareholders' Meeting</li> <li>• Annual reports, material information and financial press releases</li> <li>• Results announcement (monthly/quarterly)</li> <li>• Periodically hold investor conference</li> <li>• Regularly attend investor conference (domestic and overseas)</li> <li>• Sercomm company website</li> </ul>

Stakeholder	Issue	Communication Channel
<b>Suppliers</b>	<ul style="list-style-type: none"> <li>• Supplier management policy</li> <li>• Green products specification</li> <li>• Sustainable acquisition strategies</li> <li>• Environmental protection</li> <li>• Order management</li> <li>• Quality management</li> </ul>	<ul style="list-style-type: none"> <li>• Supplier evaluation and assessment</li> <li>• Project meeting</li> <li>• Jointly implement ESG and corporate social responsibility(CSR)</li> <li>• Supplier on-site audit</li> <li>• Conflict of interest policy</li> </ul>
	<ul style="list-style-type: none"> <li>• Regulatory compliance (taxation/occupational health and safety/information disclosure)</li> <li>• Corporate social responsibility policy</li> <li>• Operating performance</li> <li>• Risk management</li> </ul>	<ul style="list-style-type: none"> <li>• Comply with government regulations</li> <li>• Obtained international certifications of EHS</li> <li>• Participant in public hearings and symposiums organized by governmental authorities</li> </ul>
<b>Government Authorities</b>	<ul style="list-style-type: none"> <li>• Operating performance</li> <li>• Innovation development</li> <li>• Corporate social responsibility policy</li> </ul>	<ul style="list-style-type: none"> <li>• Results announcement(monthly/quarterly)</li> <li>• Press releases</li> <li>• Media interview and project planning</li> <li>• Annual media gathering</li> </ul>
	<ul style="list-style-type: none"> <li>• Social participation</li> <li>• Environmental sustainability</li> <li>• Corporate social responsibility policy</li> </ul>	<ul style="list-style-type: none"> <li>• Participant in NGOs activities</li> <li>• Sponsoring non-profit organizations/institutions</li> <li>• Employee volunteering</li> </ul>
<b>Media</b>		
<b>Non-Profit Organizations</b>		

## **2 ° Development of Corporate Operations**



## 2.1 Company Overview



<b>Company Name</b>	Sercomm Corporation
<b>Chairman</b>	Paul Wang
<b>Headquarters</b>	Taipei, Taiwan
<b>Date of Establishment</b>	1992/07/29
<b>Public listing</b>	2007/12/03 (TWSE : 5388)
<b>2016 Total Capital</b>	NT\$ 2.4 billion
<b>2016 Sales Revenue</b>	NT\$ 36.7 billion(consolidated)
<b>2016 EPS</b>	NT\$ 6.02
<b>2016 Total Employees</b>	4,654 (worldwide)

Since its founding in 1992, Sercomm Corporation (TWSE: 5388) has been committed to the development of broadband networking software and firmware. With its state-of-the-art manufacturing facility and its fully integrated engineering capability, Sercomm offers comprehensive telecom broadband solutions, and is now a global leader in the industry. Headquartered in Taipei, Taiwan, Sercomm now employs thousands of people around the world. A global logistics network is now taking shape with R&D centers and production sites both in Taiwan and China. As part of Sercomm's global strategy, coupled with the company's aim to provide better customer service, Sercomm's global operations network now covers the North American, European, Chinese and Asian Pacific markets. In the past decade Sercomm has continued to exert its core competencies and has been able to provide the best time-to-market solutions to customers, thereby experiencing exponential growth. The Company has maintained outstanding operations in the ever-changing technology industry and is constantly improving its performance in technology development, product quality, and customer service.

With its solid strength in system integration, Sercomm has successfully mastered the key technologies and market trends of digital convergence to upgrade its core business from an OEM to a technology partner of global operators. Its products were also transformed from single niche product to a comprehensive suite of telecom broadband solutions, serving premier telecom operators around the world. Specifically, the company set a successful example for transformation of an OEM in Taiwan. Sercomm's full product series are distributed in various markets covering home, commercial, telecom, security surveillance, and cloud-based applications, engaged in providing customers with the integrated design services for broadband products. The key products including IAD, FTTx, Cable DOCSIS 3.x, Small Cell, Smart Home Control, and IoT products, all of which are leaders in their respective genres.

Facing a new era of 5G communications, Sercomm has continued to invest in the new technologies involved in the development of the Internet of Things (IoT)

and artificial intelligence (AI). Sercomm is now become the major solution partner behind the Telcos, and is able to launch high value-added products such as Cloud service markets, Smart Energy, Smart Automation, Smart Health, the New Generation of Small Cells, and other solutions. The company also helped customers develop new market opportunities. All of these efforts have served to create a solid foundation for the company to thrive and grow. Sercomm has maintained a firm commitment to continually enhance its corporate governance and corporate social responsibility.



## 2.1.1 Global Business and Performance

Sercomm keeps enhancing the R&D of key technology in the area of communications and provides comprehensive broadband telecommunications solutions. Its customers include numerous international tier-1 telecom operators, retail brands and service providers. Subsequently, it becomes an international-scale enterprise.

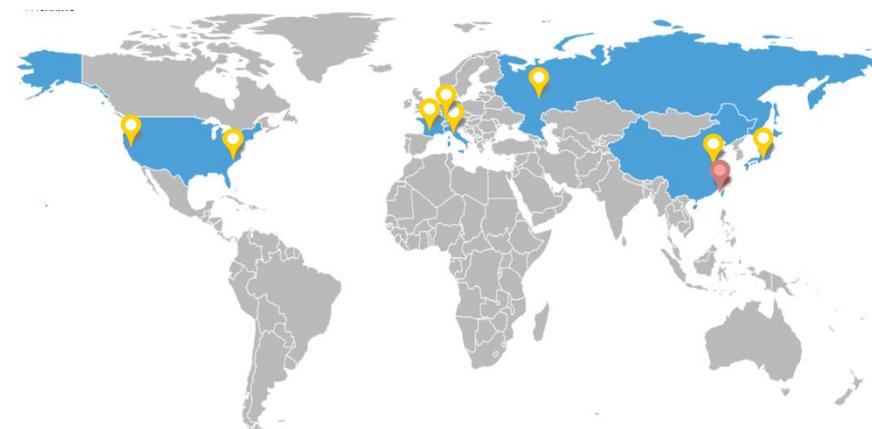
Headquartered in Nangang Software Park, Taipei, Taiwan, Sercomm’s marketing strategy emphasizes “Global Technical Support”. The company engaged to provide nearby technical support and services through the global sales branches in USA, Japan, China, France, Germany, Italy, Russia, and other countries. In the future, Sercomm will keep reaching new markets and new customers in order to expand operation scale.

Sercomm holds plenty of know-how and expertise about broadband telecommunication. Its manufacturing centers are located in Chunan, Taiwan and Suzhou, China, which are equipped with the full advanced process, and work with Sercomm’s cross-strait R&D center closely so as to receive perfect engineering supports and are continually upgrading the yield rate by virtue of high-efficiency business management system. Among other things, Sercomm (Suzhou) Corporation, which is located within Suzhou Industry Park, is identified as a representative high-tech enterprise. Meanwhile, the company has also proactively automated its production lines and enhanced process efficiency. For the time being, it is moving forward toward 5th generation of process and thereby is identified as the most representative automated production line model in Suzhou Industry Park.

Sercomm’s solid strength in system integration and precise control over the market trend generated in the past granted the company trust and recognition by international customers and made it become a major development partner for many international telecommunication customers’ new products. Sercomm established the long-term and stable cooperation relationship with its customers. In consideration of the commitment to and responsibility toward customers, Sercomm invests R&D resources to co-develop multiple new

technologies and products with customers at the initial stage of design thereof. Meanwhile, Sercomm pursues efficiency and optimization of quality with respect to production, quality control, and customer service to enhance customers’ satisfaction comprehensively.

Sercomm Global Branches



North America	Europe	Asia Pacific
<ul style="list-style-type: none"> <li>• California</li> <li>• New Jersey</li> </ul>	<ul style="list-style-type: none"> <li>• Paris, France</li> <li>• Frankfurt, Germany</li> <li>• Milan, Italy</li> <li>• Moscow, Russia</li> </ul>	<ul style="list-style-type: none"> <li>• Taipei, Taiwan (Headquarters)</li> <li>• Hsinchu, Taiwan</li> <li>• Tokyo, Japan</li> <li>• Suzhou, China</li> </ul>

Please refer to Sercomm company website ([www.sercomm.com](http://www.sercomm.com)) for detailed Global sites information.

## 2.1.2 Award and Recognition

### 2015

- Awarded by Asiamoney Magazine as: "Best Managed Company – Small Cap" , "Best Companies in Asia for Corporate Governance" , "Best for Disclosure and Transparency" , "Best for Investor Relations"
- Awarded by FinanceAsia Magazine as: "Best Managed Public Company" "Best Corporate Governance" , "Best Mid-cap Company" , "Best Investor Relations" "Most Committed to Paying Good Dividends"
- Awarded the "Global Telecoms Business Innovation Awards" by Global Telecoms Business Magazine
- Awarded by Global Views Monthly as "A+ Companies in Taiwan - Five Star Rating"
- Sercomm SmartCam and Meteor IP Camera Win 2015 iF Design Awards

### 2014

- Awarded by Commonwealth Magazine as: "2014 Most Admired Companies in Taiwan"
- James Wang, CEO of Sercomm, Received "Entrepreneur of The Year Award" and "Strategy Excellence Paradigm Entrepreneur of The Year" - Ernst & Young
- Awarded by the Taipei City Government as "2014 Best Companies to Work for"
- Awarded by Ministry of Economic Affairs, R.O.C. as "Potential Taiwan Mittelstand Award"
- Sercomm Panorama IP Camera and Smart Alarm Siren Win 2014 iF Design Awards
- Top 3 Supplier Worldwide for Small Cell and FTTx Products
- Top 1 Supplier of IP Camera in North America

### 2016

- Awarded by Asiamoney Magazine as: "Best Managed Company – Small Cap" , "Best Executive in Taiwan – James Wang" , "Best Companies in Asia for Corporate Governance" , "Best for Disclosure and Transparency", "Best for Investor Relations" , "Best for Corporate Social Responsibility" , "Best for Shareholders' Rights and Equitable Treatment", "Best for Responsibilities of Management and the Board of Directors"
- Awarded by FinanceAsia Magazine as: "Best Mid-cap Company" , "Best at Investor Relations" , "Best Managed Company", "Most Committed to Corporate Governance", "Best at Corporate Social Responsibilities"
- Awarded by Commonwealth Magazine as: "Taiwan Top 50 Best Performing Public Companies" , "Taiwan Top 50 Growing Technology Companies" , "Ranked 3rd in Taiwan Telecom and Networking Industry"
- Sercomm Full HD Wireless IP Camera, Smart Door/Window Sensor and Smart Plug Win Golden Pin Design Award 2016



### 2.1.3 Industry Association Memberships

Sercomm participates in activities carried out by the industry union voluntarily, and tries to build a frequent communication mechanism with the union members via the union meetings held periodically. Sercomm takes part in establishment of the specifications related to the communication industry:

#### Organization

Alashan SEE Ecology Association

Bluetooth Special Interest Group (Bluetooth SIG)

CBRS Allianace

China Communications Standards Association (CCSA)

China Mobile Digital Home Alliance

Chinese National Association of Industry and Commerce, Taiwan (CNAIC)

Cross-Striate CEO Summit

Device Language Message Specification (DLMS)

Digital European Cordless Telecommunications (DECT)

Digital Living Network Alliance (DLNA)

eXtended Global Platform Forum (XGP)

Fair Winds Foundation

Global Certification Forum (GCF)

Global Monte Jade Science & Technology Association

Global TD-LTE Initiative

GTI Partner Forum Leadership Committee

#### Organization

Home Gateway Initiative (HGI)

LoRa Alliance

NB-IoT Alliance

Small Cell Forum

Suzhou Industrial Park Association of Enterprises with Foreign Investment

Suzhou Society For Environmental Sciences

Suzhou Work Safety Management Association

Taiwan Association of Information and Communication Standards

Taiwan Compatriot Investment Enterprises Association of Suzhou

Taiwan Electrical and Electronic Manufacturers' Association (TEEMA)

ULE Alliance

Wi-Fi Alliance (WFA)

Wireless Innovation Forum

Yushan Science and Technology Association Suzhou

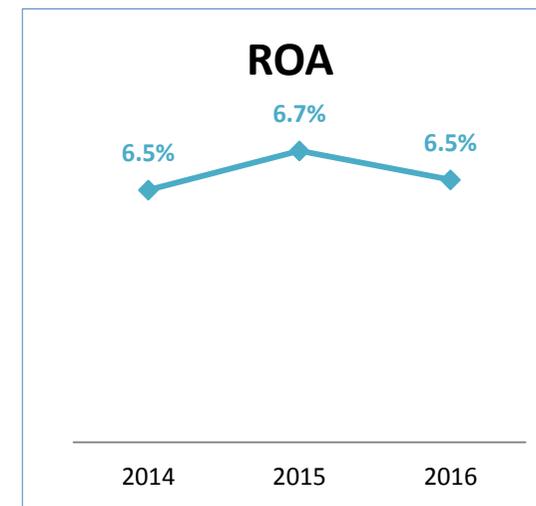
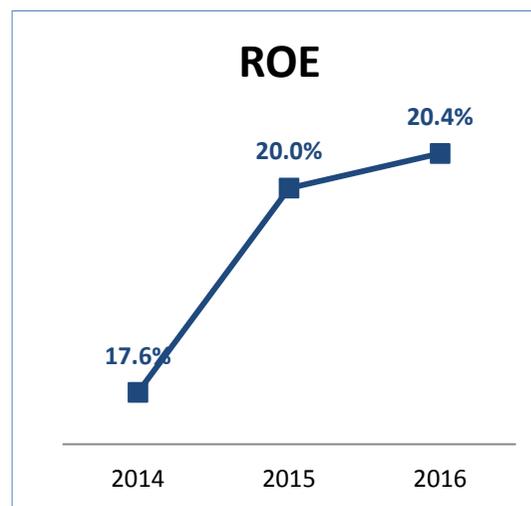
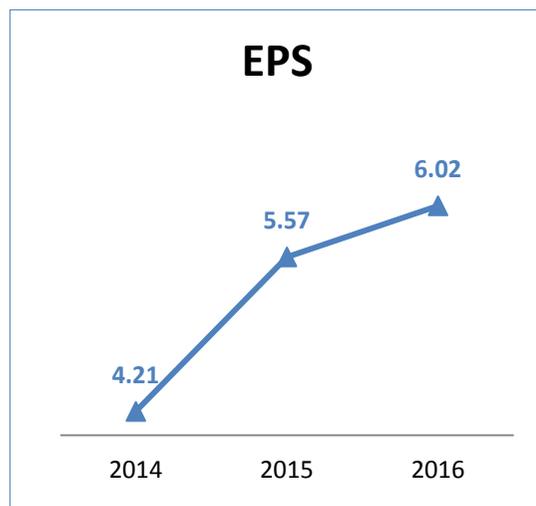
ZigBee Alliance

## 2.2 Operational Performance

2016 was a fruitful year for Sercomm, which once again performed exceptionally well. Furthermore, net sales, profit and EPS set new company records. Consolidated net sales for 2016 were NT\$36.7 billion, which represents a 5% increase over the NT\$35.01 billion for year 2015. With a better product mix, 2016 gross margin improved to 14.6% compared with 14.2% in 2015. Net income attributable to owners of parent for 2016 were NT\$1.46 billion, which also represents a 12% increase compared to NT\$1.31 billion for 2015. Based on 243 million weighted average shares, earnings per share (EPS) for year 2016 were reported as NT\$6.02.

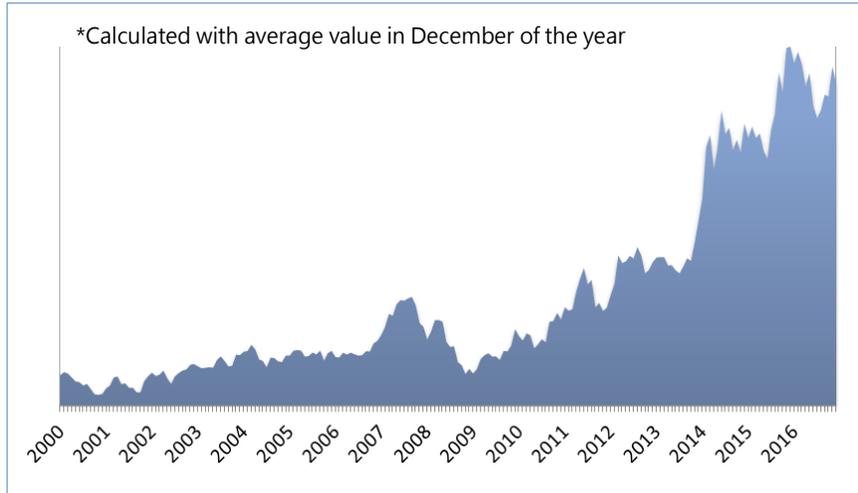


## Profitability



Year		2014	2015	2016
<b>Financial Performance</b> (NT\$ thousand)	Sales Revenue	23,192,689	35,011,966	36,701,734
	Total Assets	17,988,397	22,527,983	23,779,053
	Total Equity	6,058,947	6,937,635	7,357,068
	Net Income Attributable to Owners of Parent	949,302	1,304,508	1,461,654
<b>Profitability</b>	Return on Assets (%)	6.48	6.71	6.54
	Return on Equity (%)	17.60	19.96	20.36
	Net Income Ratio (%)	4.09	3.70	3.97
	EPS (NT\$)	4.21	5.57	6.02

As of December, 2016, Sercomm market capitalization reach above NT\$ 19 billion.

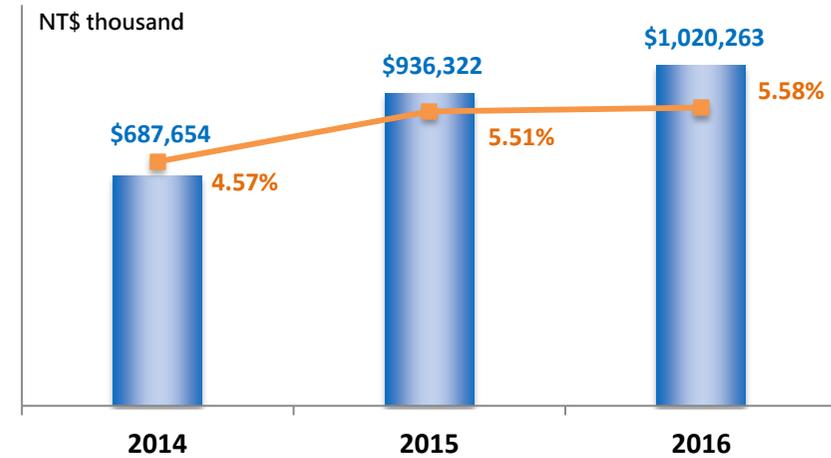


### Dividend Policy

The appropriations of the company's earnings are based on the annual net income. The dividend amount is determined by the profit earning condition, financial condition and future operating needs. In principle, dividends could be distributed in cash and/or in the form of stock; nevertheless, cash dividends shall be no less than 10% of the aggregate amount distributed.

The proposal for 2016 profit distributions was resolved by the Board of Directors as follows: Each common share holder will be entitled to receive a cash dividend of NT\$4.2 per share. In the spirit of “what is taken from the society shall be given back to the society”, while pursuing the sales revenue growth, Sercomm will continue to contribute to society in all ways.

### Cash Dividend

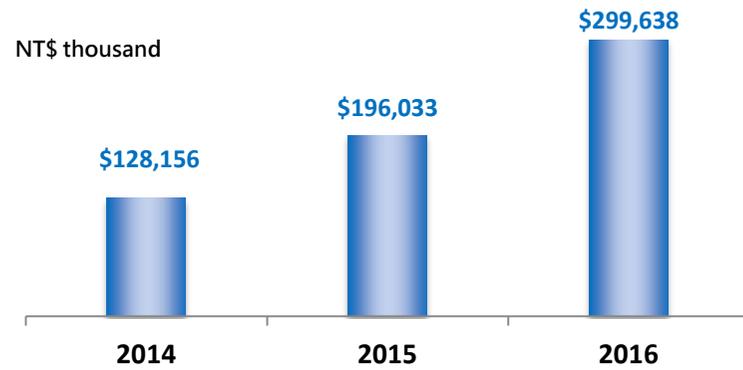


Year	2014	2015	2016
<b>Dividend (NT\$ per share)</b>	3.00	4.00	4.20
<b>Dividend Yield*</b>	4.57%	5.51%	5.58%
<b>Dividend Payout Ratio</b>	71%	72%	70%

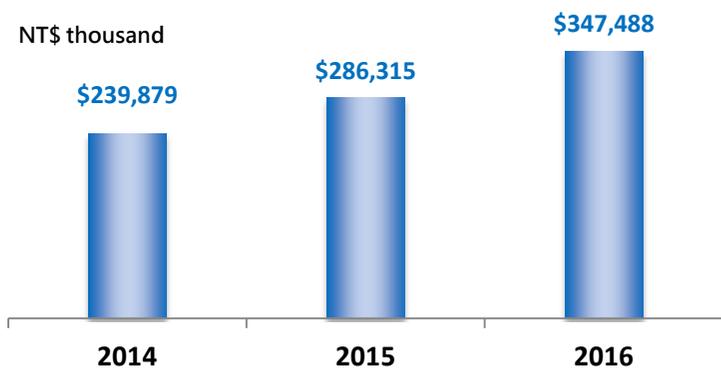
\*The calculation is based on the annual closing price

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### Employee Benefits



### Tax Payment

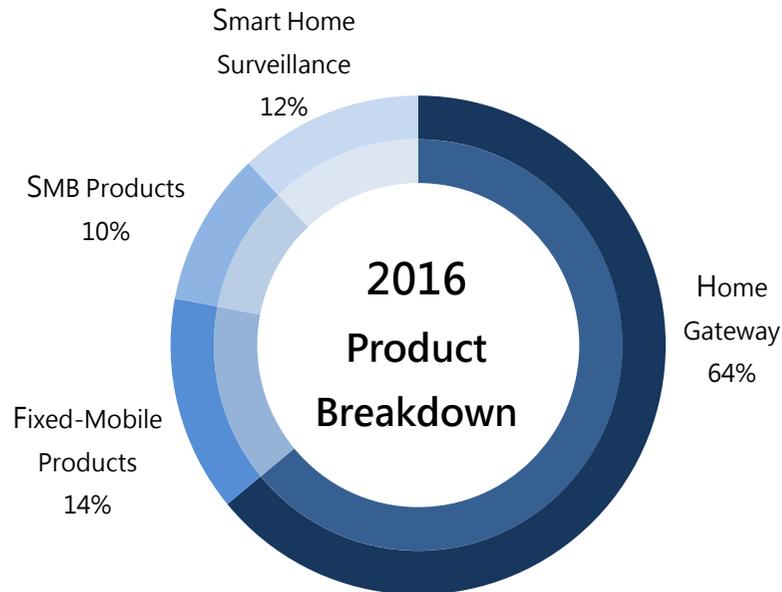


Unit: NT\$ thousand

Year	2016	2015	2014
<b>Income before Tax</b>	1,802,783	1,583,315	1,188,938
<b>Income Tax</b>	347,488	286,315	239,879

## 2.3 Products and Services

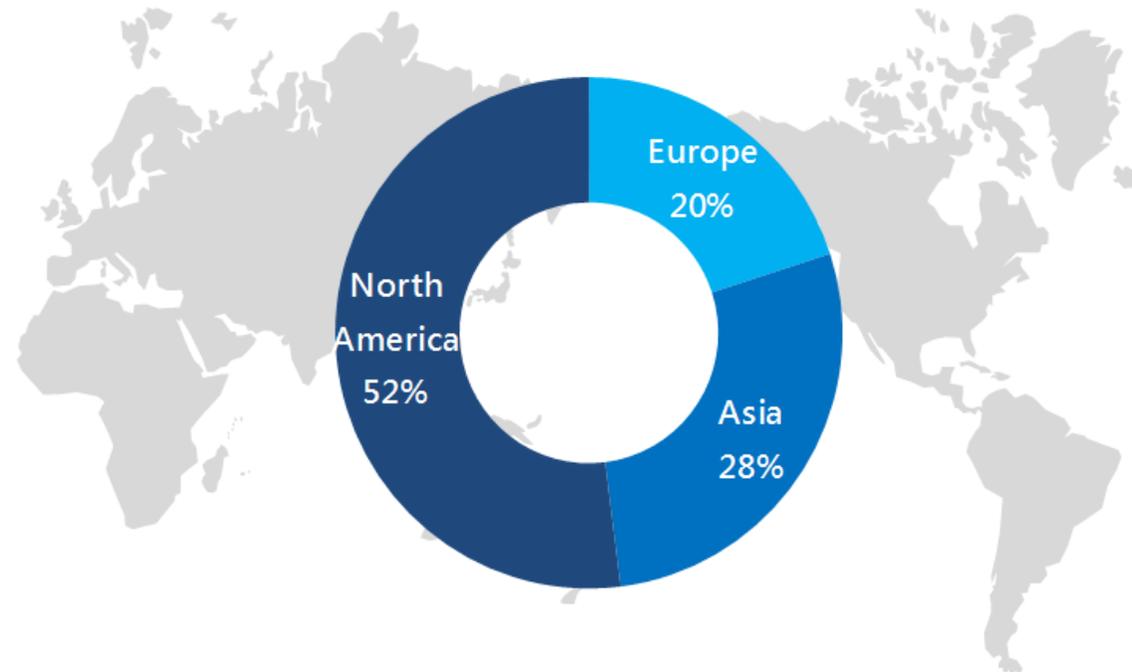
### 2.3.1 Business Performance and Outlook



- Home Gateway:** Through the strength of its system integration and the advantage of flexible manufacturing, Sercomm is successfully becoming a leading manufacturer of telecom and broadband equipment. The company’s customers include worldwide telecom operators and system integrators. In the meantime, the company is proactively promoting automated production, has greatly improved production efficiency, and has enhanced the advantage of economies of scale, maintaining a stable broadband gateway market leadership position.

- Smart Home Control/Surveillance:** Facing the upcoming new age for 5G communication, Sercomm continues to further develop the next generation network communication and AI. Build on the home security surveillance, Sercomm has successfully launched into diversified areas: Remote Control, IoT, Telematics, Smart Energy, Smart Healthcare and LPWA solution to provide telecommunication customers with more IoT smart services and drive its growth in the future.
- SMB Products:** The requirements for SMB products are stricter than those for home appliances in performance, stability and safety. Sercomm’s strength in software/firmware integration has made it build its excellent brand in the industry. The company not only continues to root in the enterprise business but also increase its market share in North America. Meanwhile, Sercomm has successfully enter the China market and expected to gain market share in Asia market.
- Fixed-Mobile Product:** The demand for IAD products is increasing rapidly upon the increase in the global broadband demand for Gigabit. Sercomm’s global operations network now covers in such European countries as Germany, France, Italy and Russia to provide services to its customers nearby. With on-site technical support, the company gains market share in Europe telco market. Meanwhile, following the explosive growth of digital data, the Small Cell is identified as the optimal solution to fulfill the seamless connection of HetNet. Sercomm has invested in the Small Cell for a long term and thereby continues to take the leading role in the new-generation small cell technology (4G/Pre-5G). With comprehensive product offering covers Home, Business and Outdoor products, as the driver for Sercomm’s mid to long-term growth.

Revenue Breakdown by Geography



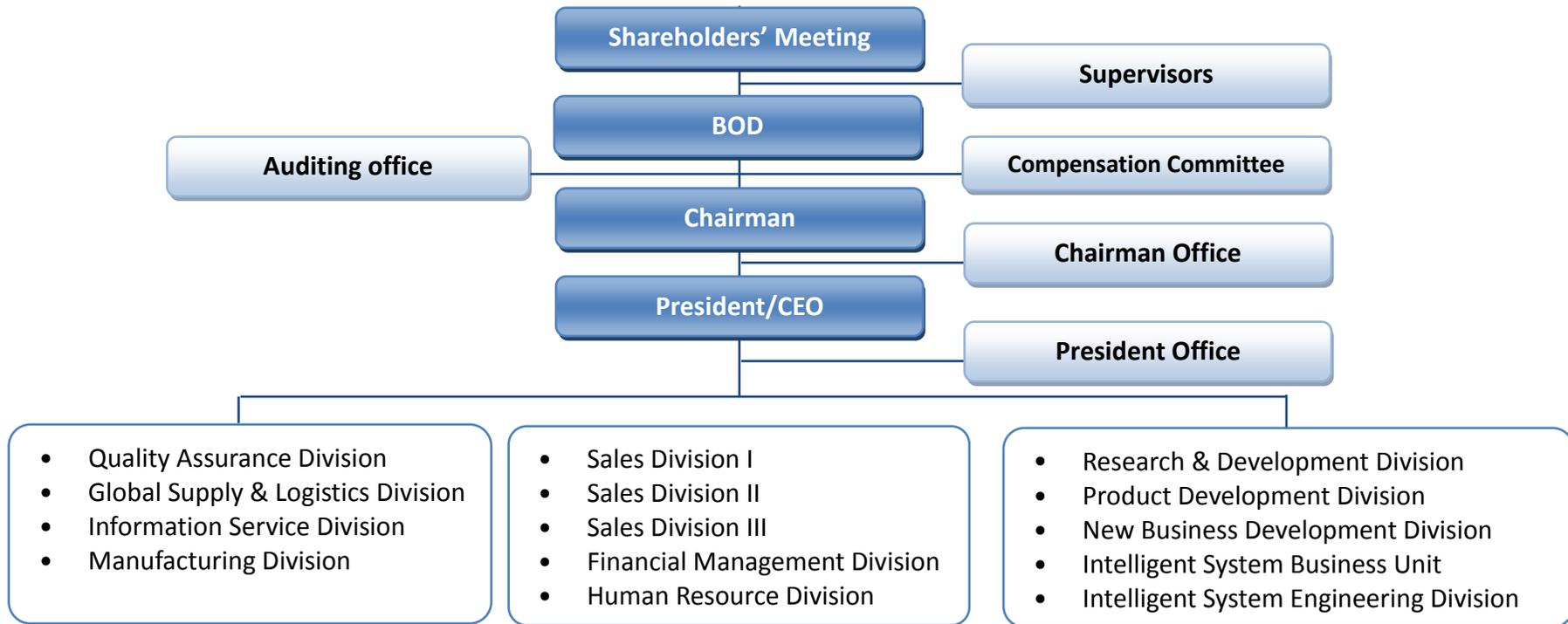
Unit: thousand NTD

	2014		2015		2016	
	Amount	%	Amount	%	Amount	%
Taiwan	6,547	0.0%	12,174	0.0%	12,532	0.0%
Europe	5,542,001	23.9%	6,578,259	18.8%	7,224,659	19.7%
North America	13,129,551	56.6%	18,247,553	52.1%	19,175,265	52.3%
Asia ex-Taiwan	4,499,571	19.4%	10,168,929	29.0%	10,225,005	27.9%
Other	15,019	0.1%	5,051	0.0%	34,273	0.1%

## 2.4 Corporate Governance

Sercomm has established a solid corporate governance system and complied with “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies” enacted by Taiwan Stock Exchange (TWSE) and Gre Tai Securities Market (GTSM). The company has also formulated a comprehensive information disclosure system to fairly and timely provide financial, operational and corporate governance related information in the Market Observation Post System and on the company’s website according to the regulations for effective communication with the company’s stakeholders. In addition, to strengthen the spirit of corporate governance and to respond to the changes in operational patterns, Sercomm’s Board of Directors has recruited several industrial and academic professionals with whose expertise help to create new prospects and to enhance the corporate value.

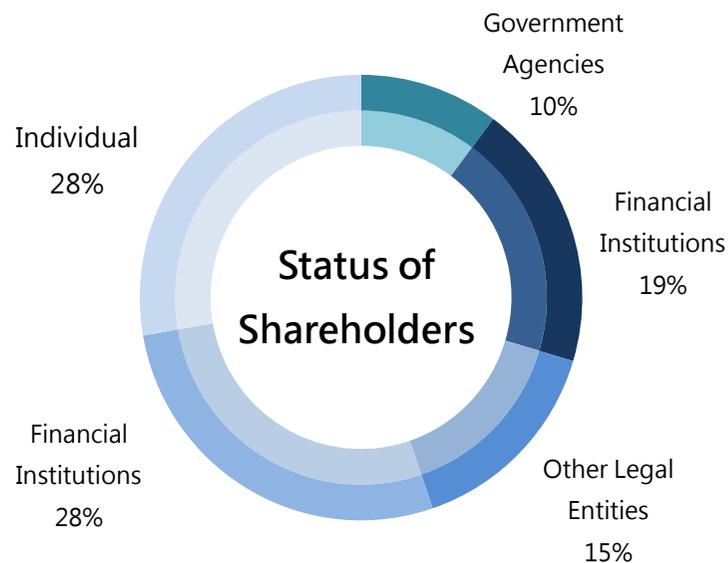
### 2.4.1 Organization Chart



## Organization Functions

Department	Main Responsibilities
President Office	Drafting, planning, implementation and monitoring of company operation plans
Research & Development Division	New Product Research and Development and drafting, planning and implementation for technical blueprints.
Product Development Division	Product development project operation, customer services and support etc.
Sales Division I	Sales promotion and operation, customer services and support etc.
Sales Division II	Sales promotion and operation, customer services and support etc.
Sales Division III	Sales promotion and operation, customer services and support etc.
New Business Development Division	New business promotion and operation, customer services and support etc.
Intelligent System Business Unit	IP Surveillance's sales promotion and operation, customer services and support etc.
Intelligent System Engineering Division	Research and development on Intelligent related products, product operation and product planning
Global Supply & Logistics Division	Production material planning, procurement, management and inventory control.
Manufacturing Division	All product QA-related work, including production implementation, product testing and machine maintenance. Production control, property management and material procurement etc.
Quality Assurance Division	Planning, promotion, implementation and monitoring of quality control procedures
Finance Management Division	Finances and accounting, legal and stock-related operations
Human Resources Division	Creating strategic human resources systems and solutions, including recruitment, salaries and bonuses, professional development, performance management and providing general HR services
Information Service Division	Network management, information system importation, planning, operation and monitoring
Auditing Office	Auditing, maintenance and improvement of internal control systems, offering recommendations and assisting in creating solutions for issues faced by other departments, including improving operations and efficiency.

### 2.4.2 Status of Shareholders



### Shareholders’ Participation in Corporate Decisions – Electronic Voting System

Under the global trends of Shareholder Activism, Sercomm requests for a motion during the general shareholders’ meeting from any shareholders that hold more than 1% of the company. Given that activist shareholders pay more attention to financial performance, compensation schemes and corporate governance of the company, the sub-committee of the Board shall assist the management with such issues.

All of the motions submitted at a shareholders’ meeting for ratification and discussion shall be resolved by ballot vote by all present shareholders, after the same are discussed by the present shareholders thoroughly. Meanwhile, the ballot vote results by shareholders’ assent to and disapproval of various motions shall also be recorded in detail to enable the resolution made by the shareholders’ meeting to reflect shareholders’ opinion sufficiently. During the 2016 Sercomm shareholder meeting, electronic voting accounted for 52.40% of total shares outstanding, and 73.87% of those who attended the meeting.

	Number of Shareholders	Shareholding	Ownership
Government Agencies	4	24,768,000	10.20%
Financial Institutions	75	47,114,526	19.40%
Other Legal Entities	67	36,794,461	15.15%
Foreign Institutions	187	66,865,608	27.53%
Individual	12,901	67,359,172	27.73%
<b>Total</b>	<b>13,234</b>	<b>242,919,767</b>	<b>100.00%</b>

### 2.4.3 Board of Directors

Election of directors shall be conducted in accordance with the candidate nomination system and procedures set out in Article 192-1 of the Company Act. Prior to the share transfer suspension date dedicated before the meeting date of a shareholders' meeting, Sercomm shall announce in a public notice of the period for accepting the nomination of director candidates (including independent director) and the quota of directors to be elected. The length of the period for accepting the nomination of director candidates shall not be shorter than ten days. The list of candidates for directors shall be evaluated by the board of directors during the shareholders' meeting for elections to ensure that all nominated candidates are qualified director candidates.

The 10th session of Board of Directors is composed of 7 directors (including independent directors) and 3 supervisors. The Board members consist of 4 legal representatives, 4 natural person and 2 independent directors. Sercomm Board considers diverse academic and industrial experiences including finance, law and technology.

#### Principles for Avoiding Conflict of Interest in Management

Provisions for avoiding conflict of interest are stated in the company's Board Meeting Regulations. Directors with vested interest in an agenda, whether it is personal or representing organizations, should explain the key content of their interest at the meeting. Should that interest undermine company interests, the said directors are not permitted to participate in discussions or votes, must be excused from discussions and decisions, and must not vote on behalf of another director. The name, key content and excuse from participation are recorded in the meeting minutes.

- In 2016, a total of 5 board meetings were held.
- The Board has 7 seats, of which 2 are occupied by independent directors. The various committees are composed of independent directors and outside directors. Members do not include members who also serve as administrative directors.
- The Board has 7 seats, of which 3 are occupied by members who also serve as administrative directors, namely Chief Executive Officer/President, Executive Vice President and Senior Vice President.

#### Board Members

Title	Name	Gender
Chairman	Paul Wang	Male
Director	Lu, Shyue-Ching	
Director and President	James Wang	
Director and Executive Vice President	Ben Lin	
Director and Senior Vice President	Charles Chu	
Independent Director	Steve K. Chen	
Independent Director	Shih, Chin-Tay	
Supervisor	J.S.Kuo	
Supervisor	Edward Y. Way	
Supervisor	Cynthia Hsueh	

### Enhancing Directors' Competency

To cope with the topics of corporate governance and corporate social responsibility and the trend in the most recent years, Sercomm encourages its directors to attend training programs and submit the certificate to Sercomm. Please refer to MOPS and Sercomm annual report on company website ([www.sercomm.com](http://www.sercomm.com)) for directors' training program participation. A total of 78 training hours participated in 2016.

- **Independent Director**

In order to establish a comprehensive corporate governance structure, Sercomm elected two independent directors at a general shareholders' meeting according to the Securities and Exchange Act in 2008, in order to strengthen the directors' independence and improve the performance of Board of Directors.

- **Compensation Committee**

To strengthening Sercomm's corporate governance and be in line with the international standards, the Board of Directors established the "Compensation Committee" in 2011, consisting of two independent directors and one external member. The Committee oversees the performance appraisal and remuneration policy/system of directors, senior management and managers, and incentives and bonus for employees, in order to ensure that professional talents may be recruited, encouraged and retained by Sercomm. According to Sercomm's "Compensation Committee Charter", the Committee shall hold at least two meetings per year. A total of three meetings were held in 2016. The Committee members are as follows:

Name	Title
Shih, Chin-Tay	Independent Director, Compensation Committee Chairman
Steve K. Chen	Independent Director, Compensation Committee member
Hilo Chen	Compensation Committee member

- **Supervisor**

Sercomm has three supervisors who shall meet semi-annually. In accordance with regulation, finance, legal affairs and internal audit shall be reported to the supervisors at the meeting. Among other things, the risk control, transactions with stakeholders, changes in accounting policies, evaluation on risk over material intellectual property complaints, various allowances in the financial statements, and basis for and adequacy of the provision of reserves shall be jointly reviewed by the supervisors to upgrade the adequate expression of the financial statements.

- **Auditing Office**

Sercomm establishes the audit office subordinated to the Board of Directors, which aims to help the Board and management check and review the validity of internal control system and measure effects and efficiency of operations, reliability, timeliness, and transparency of reporting, and compliance with related laws and regulations, and also to provide suggestions about improvement in order to ensure that the internal control system may be implemented continuously and effectively and serve as the basis for discussion about amendments to the internal control system to facilitate the solid operations.

### 2.4.4 Corporate Risk Management



### Integrity Management

Sercomm has established the “Employee Code of Conduct” and “Procedures for Handling Internal Material Information” as the guides for employees to execute the business activities. The Code consists of the general provisions, relationship with customers and suppliers, and conflict of interest. The general provisions cover Sercomm’s corporate ethical management policy. Sercomm organizes the orientation training, general education training and management development training periodically in order to propagate the corporate ethical management policy. Meanwhile, Sercomm requests employees to issue a letter of undertaking to ensure that they will comply with the internal regulations and systems, including work rules, related operating procedures and codes of conduct, et al.. The company also demands that it and its subsidiaries should carry out any operating activities in accordance with related laws and regulations and should follow high business ethical standards and avoid any unfair competition, perform the obligation to pay tax, prevent corruption and build adequate management systems to create an environment of fair competition.

Sercomm is committed to enhance the timeliness and transparency of information disclosure. It discloses its financial and business information on MOPS, and also holds the investors’ meeting semi-annually. Sercomm attends the investors’ forum and investors’ meeting organized by domestic/overseas securities firms from time to time in order to present the financial figures and business performance already disclosed and to strengthen investors’ knowledge about the company’s financial business information. Sercomm defines the conflict of interest policy, and enters into the integrity agreement with employees and suppliers. The reward and punishment disciplines and complaining system all expressly specify and provide the complaining channels and keep the complainant’s identity confidential.

- Employee Opinion Box (Sexual harassment, fraud or ethics violations mailbox : [HR\\_Help@Sercomm.com](mailto:HR_Help@Sercomm.com))
- Stakeholder contacts : [audit@sercomm.com](mailto:audit@sercomm.com)

## 2.4.5 Operation Risk Management

Sercomm is committed to its core business and upholds financial disciplines, continues strengthening the corporate governance and information transparency, and values the interactive communication with each stakeholder. Sercomm holds the shareholders' meeting and investors' meeting each year, prepares the financial statements and CSR report pursuant to laws, invests in the product engineering and participates in the social and public interests voluntarily to fulfill its social responsibility as a citizen. Meanwhile, Sercomm upholds the spirit of sustainability and philosophy of environmental protection, and devotes itself to the global environmental protection plans actively, such as Carbon Disclosure Project (CDP), Hazardous Substances Free (HSF) and Lead-free process, et al.. Furthermore, Sercomm keeps investing in R&D of key technologies for communications, and evaluates the risk and effect about introduction of new materials, new technologies and new equipment in hopes of bettering the technology integration, product performance and cost benefit to further upgrade the added value of products.

Sercomm focus on the industry profile and market trend. It keeps monitoring any changes in the global political and economic condition and maintains the flexibility of operating strategies. Meanwhile, it analyzes the changes in the industry value chain and transformation of upstream and downstream dealers, and researches and drafts the relevant responsive measures so as to mitigate the risk and impact upon business operation arising from the industrial fluctuation.

- **Operation Risk Management**

Sercomm is primarily engaged in R&D, manufacturing, and sales. Sercomm is used to adopting a stable and conservative financial management policy but is never engaged in any high-risk or high-leverage financial investment. Sercomm makes endorsements and guarantees for the bank loans only to the subsidiaries wholly owned by it in order to meet business needs, if any. Therefore, the effect rendering

against Sercomm is limited. Sercomm's exportation of products accounted for more than 90% of its operating revenue in the most recent year. Certain foreign exchange rate risk arises from the purchase or sale denominated by a currency not deemed functional. Notwithstanding, Sercomm adopts the natural hedging and avoids the foreign exchange risk by virtue of forward exchange contracts. Under contract, it is necessary to buy or sell the foreign currency identical with that denominating the hedged instruments. Therefore, Sercomm responds to the impact arising from the foreign exchange rate fluctuation by means of natural hedging and forward exchange contract.

- **Interest Rate Risk Management**

The effect on income may be categorized into that on the revenue and on capital cost. For the interest revenue, Sercomm focuses the evaluation on low-risk and high-liquidity investment, and deposits residual capital at bank under time deposit, and mitigates the impact produced by interest rate fluctuation in a conservative and stable manner. Accordingly, the future financial management policy remains unchanged. For the capital cost, Sercomm's bank loan and payable leasehold payment are referred to as the debt subject to floating interest rate. Therefore, the market interest rate fluctuation, if any, will result in fluctuation of the effective interest rate for the bank loan and payable leasehold payment and thereby cause the future cash flow to fluctuate. Notwithstanding, upon evaluation, the interest rate fluctuation renders no material effect on the fluctuation of Sercomm's income.

- **Ethic and Integrity**

Sercomm will enter into the labor contract with its new employees when the employees are hired. HR will advise the employees of the letter of undertaking and Employee Code of Conduct to require that the employees shall act honestly and in accordance with the requirements when performing their duty. The contents cover Sercomm's policies about the code of ethical management; respect toward individuals,

suppliers, and customer;, ethical management; avoidance of conflict of interest; justified enrichment; disclosure of information; business secrets; intellectual property rights; fair trade; advertisement; competition; confidentiality of personal information; privacy and ethics; prohibition of retaliation; and usage of computers. Meanwhile, Sercomm sets up various monitoring and management systems and includes the same in the orientation training program to help maintain its good will and legal and ethical standards.

- **Regulatory Compliance**

Given that Sercomm has business locations throughout the world, it will adjust its internal control system immediately upon changes of applicable laws and regulations, if any, to ensure that its operations comply with the laws and regulations established by various countries and to prevent its operations from being affected due to violations of laws or from suffering considerable penalty so as to impair its profit. Sercomm notes any changes in policy or law which might render material effective against its business or finances. Each of Sercomm's departments shall comply with the related laws and regulations. Sercomm also sets up the legal department to dedicated legal related issues and provides various departments with legal aid and consultation.

- **Risk Management**

The various lead-time operations and responsive measures are designed to mitigate environmental loss as practicably as could be. Meanwhile, the same may ensure that Sercomm may settle any emergencies and accidents [including such emergencies likely to cause casualty and loss of property, such as fire, earthquake, typhoon, and power failure] rapidly and restore its normal operations, mitigate the effect produced by the same, maintain employees' safety, and reduce its loss of property. Sercomm establishes the related operating procedures including the "Operating Procedure for Response to Emergencies" to assess the disaster and accidents and follow the emergency response operations,

and report the same. The taskforce dedicated to response to emergencies shall perform the emergency response plans, functions, and related operating procedures.

Sercomm Headquarters in Taipei conducted the fire and escape drills for all employees in 2016. By means of the full participation and assignment of mission, the drill was performed onsite in accordance with the procedures for reporting, evacuation, escape, gathering, and feedback, as identified in the "Operating Procedure for Response to Emergencies." Sercomm reviewed the adequacy of the response procedures and facilities and upgraded colleagues' awareness of, and ability to respond to, the emergencies, and control the emergencies when they occur to prepare for any contingencies.



Sercomm conducted the fire and escape drills.

**Risk Control Framework**

Identification of risk		Risk control measures
	<ul style="list-style-type: none"> <li>Financial</li> <li>Legal</li> <li>Audit</li> </ul>	<ul style="list-style-type: none"> <li>Operating Management</li> <li>Corporate Investment</li> <li>Public Relations</li> <li>Investor Relations</li> </ul>
<b>Economic Issues</b>	Supply Chain Risk	<p>Please refer to 2016 annual report chapter 7 “Review of financial position, management performance and risk management” and section 6 “Risk analysis and evaluation in recent years and up to the date of the annual report printed”.</p> <ul style="list-style-type: none"> <li>Ensure that products and supply chains are exclusive of conflict minerals</li> <li>New supplier selection criteria</li> <li>Educational training for suppliers</li> <li>Graded management of and guidance to suppliers by suppliers’ characteristics and risk levels</li> </ul>
	Code of Conduct and Anti-Corruption	<ul style="list-style-type: none"> <li>Enactment of the “Employee Code of Conduct”</li> <li>Continue the employees’ ethical codes and anti-corruption propagation training</li> <li>Set up the complaining channels instead of the high-rank management</li> </ul>
<b>Environmental Issues</b>	Climate Change	<ul style="list-style-type: none"> <li>Develop green and innovative energy-saving products</li> <li>Develop green advanced process technologies</li> <li>Build green factory management systems</li> <li>Implement energy-saving and carbon-reducing projects</li> <li>Inspect usage of energy and resources, and manage the sources</li> </ul>
	Strengthen Environmental Regulations	<ul style="list-style-type: none"> <li>Comply with related laws and regulations, and enact various operating procedures</li> <li>Occupational safety and health committee reviews compliance with environmental protection laws periodically.</li> </ul>

	Identification of risk	Risk control measures
<b>Social Issues</b>	Human Capital Risk Management	<ul style="list-style-type: none"> <li>• Inspect and audit human resource periodically</li> <li>• Plan and execute employees’ educational training and development planning</li> <li>• Design competitive remuneration and employees’ benefit policies</li> <li>• Complete training, and development &amp; training plan for local human resources</li> </ul>
	Safety and Health Risk	<ul style="list-style-type: none"> <li>• Occupational safety and health committee reviews compliance with occupational safety laws periodically.</li> <li>• Employees’ occupational safety and health educational training</li> <li>• Protective measures and control over risk of hazard</li> <li>• Safety and production order in workplace</li> <li>• Fulfill fire protection measures and enhance employees’ awareness and training of fire protection</li> <li>• Implement the control over source of fire and voluntary safety inspection mechanism</li> <li>• Inspect electric and mechanical equipment periodically</li> </ul>
	Infectious Disease Control and Prevention	<ul style="list-style-type: none"> <li>• Strengthen various infectious disease preparedness measures</li> <li>• Access control at factory premises, especially handling and disinfection at factory premises, et al.</li> <li>• Employees’ self health management and checkup</li> <li>• Review and store preparedness supplies</li> </ul>
	Product Quality/Safety Management	<ul style="list-style-type: none"> <li>• Design products in accordance with international rules and brand customers’ standards</li> <li>• Strengthen the technical team</li> </ul>

\* For the risk management in terms of economy, environment and society, please see the relevant sections referred to in Sercomm’s annual report and herein.

## 2.4.6 Management Systems

In order to provide customers with fine-quality products and value environmental sustainability, Sercomm continues to implement and maintain various management systems (e.g. ISO 9001 and ISO 14001, et al.), and various regulations applicable internationally (e.g. RoHS and conflict minerals, et al.). Sercomm is also committed to improving and preventing pollution, to provide a safe working environment, and to comply with related and applicable EHS laws and regulations. Expected product development:

- **Quality Management System (QMS)**  
ISO 9001 and TL9000 (Telecommunications Quality Management Systems) certification represents the recognition of Sercomm's customer service quality and the assurance for high-quality products. Since Sercomm received the ISO 9001 certification in 1997 and the TL9000 certification in 2004, it has maintained the validity of the certification. Additional factory premises set up subsequently, including those in Taiwan and China, were included in the scope of certification. Sercomm improves and strengthens its quality management system based on the audit result generated from the periodic audit conducted internally or via a third certification entity.
- **Environmental, Health and Safety Management System**  
In order to verify and mitigate the impact produced by Sercomm's products and production process to the environment and to provide all employees, contractors, and visitors with a healthy and safe working environment, each of Sercomm's manufacturing centers complies with the standards under ISO 14001 and OSHA 18001 with respect to the environmental and occupational safety management system so as to respond to the environmental protection topics and requirements for crisis and risk management, which are highly valued.
- **Information Security Management System**  
Upon awareness of the importance of information security environment,

Sercomm's management is committed to hold meetings and to transcend safety requirements so that the customers may feel rest assured when engaging in transactions. Sercomm received ISO/IEC 27001 certification for information security management system on January 3, 2016. Sercomm continues to propagate "respect toward intellectual property rights" and "use of software with valid license" to colleagues via educational training and internal announcements.

In order to secure Sercomm's and customers' confidential information (including business secrets and intellectual property rights, et al.) and protect the information security to mitigate the loss and impact on operations resulting from man-made or natural disasters, Sercomm establishes the information security policies and rules to govern the account password & access authority management operations, account authorization management, control room management, portable storage equipment management, information system security and protection procedure, data backup and recovery management procedure, confidential information control operations, and various departments' document graded protection requirements, so to prevent the information system from being accessed or tampered without authorization and to prevent Sercomm's and customers' business secrets and intellectual property from being stolen or disclosed. Information Service Division also sets up the Virtual Desktop Infrastructure System (VDI Private Cloud and IMERA System) and VES (Virtual Encryption System) per Sercomm's business needs to store and control R&D information centrally, to protect Sercomm's R&D results and confidential information, and to provide colleagues with a secured space for access to and exchange of information. Sercomm identifies its suppliers as its important partners and asks the suppliers to sign the non-disclosure agreement in hopes of urging the suppliers to work effectively and comply with the information security management requirements.

Certifications



	TL 9000 and ISO 9001	ISO 14001	OHSAS 18001	ISO 27001	GSV(C-TPAT)
Sercomm Headquarters	√			√	
Sercomm Chunan Factory	√	√	√		√
Sercomm (Suzhou) Corporation	√	√	√		

### **3 ° Employee Relations and Social Participation**



# Employee Relations

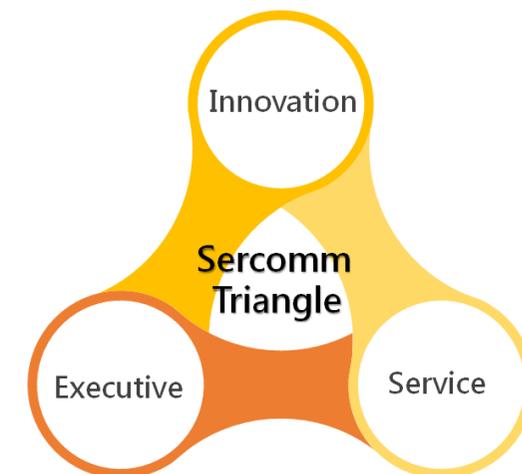
## 3.1 Employee Policy

Since Sercomm was founded, it has upheld the three core values—execution, innovation, and service to create the high-quality differentiated service for customers and to provide internal employees with the high-efficiency force to make progress and to help customers create the business opportunities in line with the market demand to enable Sercomm to become a fine-quality company winning trust from shareholders, customers, employees, and stakeholders.

Sercomm believes in that human resource is the key to maintaining its core competitiveness and, therefore, spares no effort to train its employees and strictly comply with various requirements under the labor laws and Electronic Industry Citizenship Coalition (EICC). Sercomm recruits technical human resources actively and also invests considerable resources and expenditures each year to provide the best working environment and to train employees' competency in the hopes of creating a working environment for growth, health, and balance for all colleagues, enabling them to receive kind care physically and mentally, a sense of happiness and accomplishment, and to exert their potential and growth to facilitate Sercomm's sustainable development.

### Sercomm's Employee Policy :

- Disclosure of the information about business activities, organizational structure, financial position, and performance
- Ethical management and prohibition of acceptance of any bribery or misappropriation of public funds
- Compliance with labor laws and regulations
- No employment of child labors and involuntary labors
- No threat, harassment or discrimination
- Continuous improvement to protect employees' interests and rights
- Respect of employees' freedom of assembly and association
- Respect and protection of intellectual property rights
- Adherence to fair trade and legal competition
- Maintenance of confidentiality of complainants' identity
- Active participation in various community activities



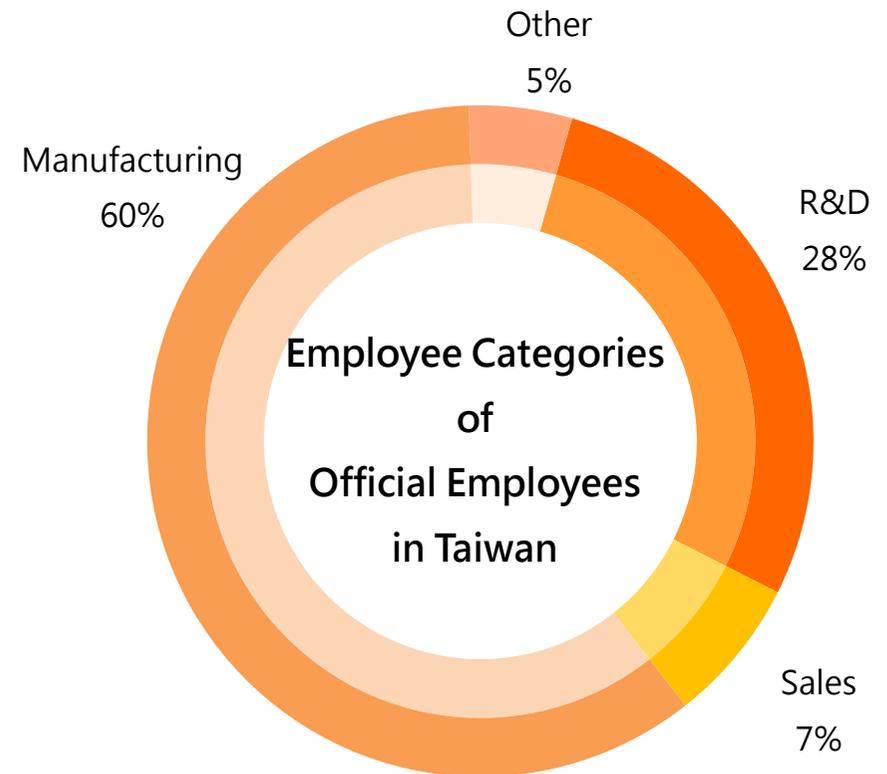
## 3.2 Employee Profile

### 3.2.1 Human Resource Distribution

Sercomm upholds its innovative and forward-looking corporate culture to implement humane management. It establishes a fair labor-management relationship with its employees, and forbids any form of discrimination, including race, religion, skin color, nationality, age, gender, sexual orientation, marital status, and political affiliation. By the end of 2016, Sercomm had hired about 5,000 employees throughout the world, including 22% in the territories of Taiwan, 77% in the territories of Mainland China, and 1% thereof in the other territories. By type of the employee, its direct employees accounted for 55.6% and indirect employees 44.4% in the world. Because Sercomm engages in the industry other than the labor intensive industry, it spares no efforts to invest human resources in the added value of products.

Among Sercomm’s employees, male employees accounted for 57% while the proportion of female employees increased year by year and attained 43% in 2016. Sercomm global high-rank management, the female employees accounted for 40%.

In order to expand the R&D energy, Sercomm works hard to train R&D talents. The proportion of its R&D personnel is about 30% and increases yearly. For the employees’ seniority, more than 30% of its employees attained the seniority of more than three years. Apparently, its employees were very stable. This reflects that Sercomm had no discrimination against employees’ recruitment, employment, and development and valued employees’ expertise in order to provide them with a comprehensive career development environment.



### Sercomm Employee Totals in 2016

	Male	%	Female	%	Total	%
<b>Direct labor (DL)</b>	1,253	48%	1,361	52%	2,614	56%
<b>Indirect labor (IDL)</b>	1,440	69%	644	31%	2,084	44%
<b>Total</b>	2,693	57%	2,005	43%	4,698	100%

Note: The number is permanent employees.



## Sercomm Employee Categories in 2016

Category		Male	%	Female	%	Total	%	
Age	Under 30	1,635	35%	1,109	24%	2,744	59%	
	30-50	999	21%	852	18%	1,851	39%	
	Above 50	59	1%	44	1%	103	2%	
Management	Direct Employee	1,253	27%	1,361	29%	2,614	56%	
	Indirect Employee	Manager	286	6%	82	2%	368	8%
		Professionals	1,154	24%	562	12%	1,716	36%
Years of Service	1 year or less	850	18%	677	14%	1,527	32%	
	1-3 years	929	20%	759	16%	1,688	36%	
	3-5 years	351	7%	224	5%	575	12%	
	5-10 years	378	8%	219	5%	597	13%	
	10-15 years	129	3%	104	2%	233	5%	
	15 years and above	56	1%	22	1%	78	2%	

Note : Numbers above are permanent employees

### 3.2.2 Employee Recruitment and Retention

Sercomm believes that employees are an enterprise's most important asset and therefore offers well-founded orientation training, promotion management, and employee benefit to encourage the employees to develop their career and cultivate the business growth strength. In order to fulfill the "talent as the first priority" policy, Sercomm adopts the public and transparent recruitment process so that all job seekers may be given the fair chance for employment. For colleagues who are transferred to any other units or territories, Sercomm will engage in pre-communication and educational training with them thoroughly and will provide allowances and subsidies subject to the workplace in order to protect the employees' interests and rights. For resignation management, HR will arrange the interview with colleagues who apply for resignation one by one, if necessary, to verify the root cause of resignation, and will make every endeavor to retain and care for the employees. The interview information will serve as the basis for internal management and improvement. Sercomm will be pleased to give former employees who wish to return back to the company a chance to resume their posts. Sercomm believes that recruitment of talents should be borderless, and recruitment of international talents help its business move forward and in line with the international industry supply chain. In 2016, Sercomm hired foreign employees from various countries, including the R&D and sales personnel from the U.S.A., Europe, and Asia. Meanwhile, it ensured the equality in employment, development, performance appraisal, and remuneration of its employees in the world.



### Employee Retention and Recruitment

#### 2016 New Hire Rates and Turnover Rate of Indirect Employee

	Total	Gender		Age			
		Male	Female	<30	30-39	40-49	>50
<b>Number of New Hires</b>	405	283	122	244	122	37	2
<b>New Hire Rate (%)</b>	8.6%	6.0%	2.6%	5.2%	2.6%	0.8%	0.0%
<b>Departed Employee</b>	347	258	89	188	129	27	3
<b>Turnover Rate (%)</b>	7.4%	5.5%	1.9%	4.0%	2.8%	0.6%	0.1%

Note : New Hire Rate = Number of Indirect Employee New Hires in the Category Concerned/Total Number of Employees at the End of 2016 ; Turnover Rate = Turnover Quantity of Employees in the Category Concerned/Total Number of Indirect Employees at the End of 2016

#### 2016 New Hire Rates and Turnover Rate of Direct Employee

	Total	Gender		Age			
		Male	Female	<30	30-39	40-49	>50
<b>Number of New Hires</b>	2,115	1,140	975	1,788	299	21	7
<b>New Hire Rate (%)</b>	45.0%	20.8%	24.3%	38.1%	6.4%	0.5%	0.2%
<b>Departed Employee</b>	2,579	1,564	1,015	2,244	306	21	8
<b>Turnover Rate (%)</b>	55.0%	33.4%	21.6%	47.9%	6.5%	0.4%	0.2%

Note : New Hire Rate = Number of Direct Employee New Hires in the Category Concerned/Total Number of DL Employees at the End of 2016 ; Turnover Rate = Turnover Quantity of DL Employees in the Category Concerned/Total Number of Direct Employees at the End of 2016

## Retention Rate of Parental Leave

Sercomm values gender equality and expects to build a friendly workplace. In order to care for employees, it provides female employees with menstrual leave, maternity leave, family care leave, paternity leave, or parental leave without pay in accordance with the Labor Standard Law, without affecting the employees' full attendance bonus or performance appraisal, or rendering any decision against the employees. 107 employees of Sercomm met the condition for parental leave without pay in the territories of Taiwan in 2016, including 20% female employees who applied for parental leave without pay and were granted the leave all. Upon completion of the parental leave without pay, their reinstatement rate was 88%. After that, 100% of them showed willingness to retain their posts. Apparently, Sercomm fulfilled the gender protection thoroughly.

### Number of Employees that took Parental Leave in 2016

	Gender	
	Male	Female
<b>Number of Employees Entitled to Unpaid Parental Leave</b>	67	40
<b>Number of Unpaid Parental Leave Applicants</b>	0	8
<b>Rate of Unpaid Parental Leave Applicants</b>	0%	20%
<b>Expected Number of Employees Reinstated from Parental Leave in 2016</b>	0	8
<b>Actual Number of Employees Reinstated from Parental Leave</b>	0	7
<b>Rate of Employees Reinstated from Parental Leave</b>	0%	88%
<b>Actual Number of Employees Reinstated from Parental Leave in 2015</b>	0	4
<b>Number of Employees that Worked for One Year Since Returning from Parental Leave in 2015</b>	0	4
<b>Retention Rate</b>	0%	100%

## Local Talent Recruitment

In order to accelerate Sercomm's development objectives and demonstrate the enterprise core value, Sercomm employs local talents to maintain the organization's flexibility and energy locally. Globally, 90% of Sercomm's officers are assumed by local employees. The proportion of local employees in the territories of China who are promoted to be officers also increases year by year.

China	% of Local Employee In Managerial Position	Worldwide	% of Local Employee In Managerial Position
<b>2014</b>	91%	2014	92%
<b>2015</b>	93%	2015	93%
<b>2016</b>	93%	2016	93%

## Campus Recruitment

In order to help students reduce the gap between learning and applying the talent and fulfilling the career planning to introduce the young blood to Sercomm, “blossoming into development on campus” is always identified as an important deliverable in Sercomm’s talent recruitment. Sercomm works hard to develop the R&D projects under collaboration with various universities and provides students with the guidance and suggestion about industrial trends, career awareness, and personal strengths through participation in campus fairs, corporate presentations, career training plans, and fellowships. Sercomm hopes to facilitate the adequate and proper employment of talents based on their specialties and professions by their knowledge about themselves and career. In 2016, Sercomm recruited a total of 100 fresh graduates (all R&D personnel) in the cross-strait areas, i.e. 25% of the whole new employees recruited in the year. The retention rate of fresh graduates amounted to 100% within three months. Now, the number of talents recruited from campus increases yearly.



Chairman of Sercomm, Paul Wang  
Participation in talent recruitment at National Taiwan University



Sercomm’s talent recruitment at National Taiwan University

### Prohibition of Child Labor and Forced Labor

Sercomm follows the Labor Standard Law and Act of Gender Equality in Employment in Taiwan to ensure adequate and proper employment of talents based on their specialties and professions. Sercomm forbids any form of discrimination, including gender, age, race, nationality, religion, marital status, or political affiliation. Sercomm’s locations in Mainland China also prohibit the employment of child labor of those under 16 years old in accordance with the local requirements. Sercomm’s business locations all follow the international society guidelines and local laws and regulations, and provide colleagues with fair working conditions and reasonable working hours. It strictly forbids the employment of child labors under 15 years old and minor laborers under 18 years old. Meanwhile, it respects colleagues’ willingness and all of the employees are allowed to resign freely pursuant to laws.

#### Sercomm Child Labor and Forced Labor Hired

	2014	2015	2016
<b>Child Workers</b>	0	0	0
<b>Under-Aged Workers</b>	0	0	0

### Recruiting Persons with Disabilities

Sercomm supports the employment of persons with disabilities. Since 2014, it has increased the number of employees with physical and mental disabilities. The number of such employees hired in 2016 increased by 50% from that in 2014, and accounted for 1.3% of the total employees hired in the territories of Taiwan. In 2016, the employees with physical and mental disabilities included 12 employees with minor and medium disabilities and 1 employee with severe disabilities. As of 2016, there should be a total of 14 employees with disabilities. In other words, Sercomm hired the employees with disabilities beyond the prescribed quota (accounting for 117%). The job descriptions cover those of the production line workers, engineers, and in-house professionals, et al. All of the employees with physical and mental disabilities adapt to the environment successfully and exert their specialty when performing their job duty, upon adequate arrangement in their working environment.

#### Sercomm Disabled Employees Hired in Taiwan

	2014	2015	2016
<b>Number of Employees</b>	9	11	14

### 3.3 Training and Development

#### 3.3.1 Employee Training Strategy

The corporate sustainable operation depends on adequate learning and application of the talent. Employee training and development is identified as one of the topics valued by Sercomm. Sercomm plans systematic training maps and delivers the comprehensive educational training programs according to the organizational development objectives, operations and functions, core competency, and supervisor’s consensus. Sercomm provides employees with the equal and adaptive opportunities, diversified learning resources and extensive career development routes. The competency adaptive test enables supervisors and colleagues to verify personal specialty and personality, upgrade self-awareness, and contribute to two-way communication between both parties. Accordingly, both parties bear the liability for learning and development jointly and seek to utilize the opportunities and resources for multi-disciplinary and multi-track development.

#### Sercomm’s Learning and Development Strategies

##### Creation of Culture

- Advocate care for society
- Enhance core value

##### Optimization of Organization

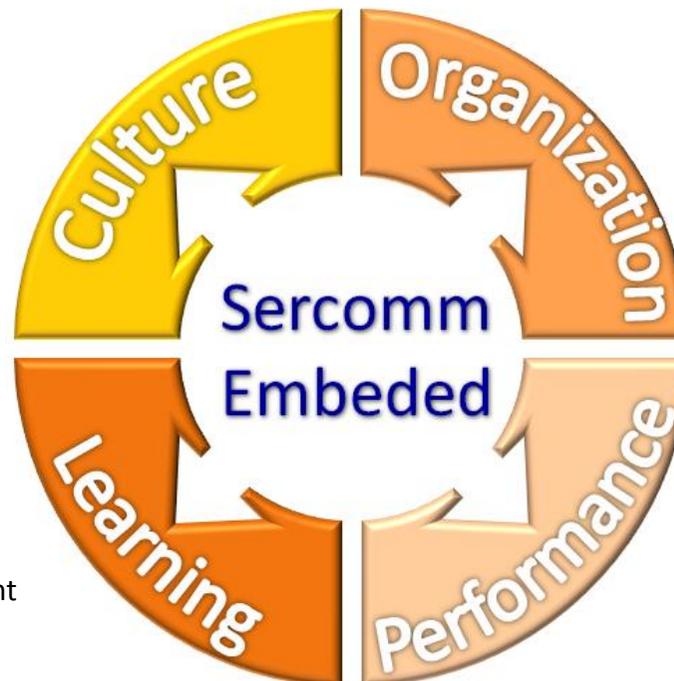
- Integrate with development strategies
- Enhance operating performance

##### Learning & Development

- Facilitate self-learning
- Encourage diversified development

##### Upgrading of Performance

- Fulfill performance management
- Improve communication and feedback





Sercomm's Learning Structure

Level/Training	On-the-job Training (OJT) System		Off-the-job Training (Off-JT) system		Self Learning-development System (SL&D)
	Orientation	Professional Skill Training	General Educational Training	Management and Leadership Development	
<b>Top Management</b>	<b>Stage 1 :</b> Training for New Hires Information Security	Technology Seminar R&D Training	Interpersonal Relations	Business Administration Leadership	
<b>Mid-Level Management</b>	Environmental Safety Job Specification Code of Conduct	Quality Training Manufacturing Training	Time Management Stress Management	Mid-Level: Advanced Management Program	Language Courses
<b>Primary-level Management</b>	<b>Stage 2 :</b> Core Value Operation	EHS Training Sales & Marketing Training	Presentation Skill Performance Assessment	Supervisory: Basic Management Competency	e-Learning Diversified Keynote Speech
<b>Indirect Employee</b>	Team Strategy Product Trend Management Strategy	HR Professional Finance Professional IT Professional	Project Management Problem Solving Skill		Internal Sharing
<b>Product Line Specialist</b>	Technical Certification	Procurement Professional	Interview Skill	Leader: Management Competency Training	

### 3.3.2 Employee Development and Training

#### 1. Employee Training

In 2016, Sercomm had a total of 4,659 employees in Taiwan and China; 3,543 (76%) attended the training. Those other than supervisors accounted for 77% of attendees. The training coverage was 94% in China. In 2016, the total training hours amounted to 51,622 hours. The average training hours per trainee were 15 hours. Among other things, the total training hours of the management were 11,205 hours, and the average training hours per supervisor were 47 hours. In 2016, the training hours of employees in Taiwan were 5,921 hours, and there were 287 trainees. The average training hours per trainee were 21 hours. In 2016, the training hours of employees in Mainland China were 45,701 hours, and there were 3,265 employees. The average training hours per trainee were 14 hours.

#### Total Training Hours for Taiwan and China Employees in 2016

Area	Position	Male		Female		Total		
		Hours	Average Training Hours Per Person	Hours	Average Training Hours Per Person	Training Participation	Hours	Average Training Hours Per Person
Taiwan	Managerial Level	997	24	144	16	51	1,141	23
	Non-Managerial Level	3,270	35	1,511	11	236	4,781	20
	Total	4,266	32	1,655	11	287	5,921	21
China	Managerial Level	7,175	53	2,889	54	3,987	10,064	53
	Non-Managerial Level	23,336	13	12,301	10	16,418	35,637	12
	Total	30,511	16	15,190	12	20,405	45,701	14
Total	Managerial Level	8,172	46	3,033	48	4,038	11,205	47
	Non-Managerial Level	26,606	14	13,812	10	16,654	40,418	12
	Total	34,777	17	16,845	12	20,692	51,622	15

## Total Training Hours for Taiwan and China Employees in 2016

Area	Position	Number of Trainees			Number of Employees On Duty			Training Coverage Rate		
		Male	Female	Total	Male	Female	Total	Male	Female	Total
Taiwan	Managerial Level	41	9	50	113	20	133	36%	45%	38%
	Non-Managerial Level	94	143	237	414	662	1,076	23%	22%	22%
	Total	135	152	287	527	682	1,209	26%	22%	24%
China	Managerial Level	135	54	189	169	62	231	80%	87%	82%
	Non-Managerial Level	1,837	1,230	3,068	1,964	1,255	3,219	94%	98%	95%
	Total	1,972	1,284	3,256	2,133	1,317	3,450	92%	98%	94%
Total	Managerial Level	176	63	239	282	82	364	62%	77%	66%
	Non-Managerial Level	1,931	1,373	3,304	2,378	1,917	4,295	81%	72%	77%
	Total	2,107	1,436	3,543	2,660	1,999	4,659	79%	72%	76%

## 2. Construct Complete Talent Cultivation System

Each colleague may verify Sercomm's core value and strategic objectives through the complete orientation guidance and training and may undergo the systematic professional training by function after he or she is hired. Sercomm allocates a considerable training budget each year to arrange diversified and plentiful training plans for colleagues to develop the colleagues' vision and new knowledge of work. In order to help colleagues grow with Sercomm's sustainability, HR constructs the complete talent cultivation system and executes the planning and promotion of various training programs on an ad hoc basis. For example, in 2016, HR completed three major training projects in the cross-strait areas, covering topics like global market strategies, advanced technology forum, situational leadership, and international business presentation.



Colleagues attend the management theory and practice program passionately.



Orientation training



Colleagues attend the problem analysis and solution passionately.

## 3. Management Training Plan: Strengthen Leadership and Management Competency

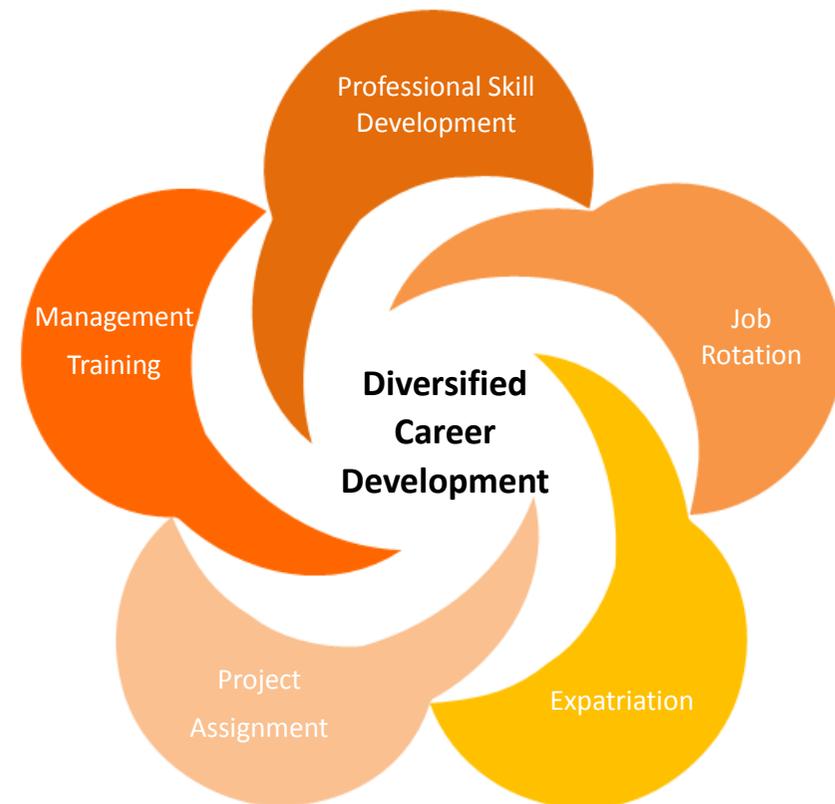
Sercomm provides diversified, unique, and original high-potential talents management system, and enables excellent talents to exert their specialty under Sercomm's global layout by means of the high-ranking management's guidance, assignment challenge, incentive remuneration, and excellent benefits. Meanwhile, it establishes the training plan for its internal high-potential talent upon inventory-taking of talents to provide the talents with accelerated development training. Sercomm continues to organize the leadership training for management, builds the common management languages in order, and trains the basic and mid-rank management's leadership to cultivate the existing and future leading team. Meanwhile, it fulfills the internal talent cultivation, strengthens the function and philosophy of the management system, drives the positive organizational transformation, and upgrades efficiency to further develop the enterprise's growth strength by optimizing the HR cost on an ongoing basis through performance management.

#### 4. Internationalized Talents and Enhancement of Global View

Sercomm believes that recruitment of talents should be borderless, and recruitment of international talents help its business move forward toward the world and in line with the international industry supply chain. Sercomm’s sales and R&D team members consist of nationals from 16 countries in the world, including the U.S.A., France, Germany, Italy, Spain, Russia, Canada, Japan, Taiwan, China, India, Croatia, Malaysia, Myanmar, Korea, Turkey, and Philippines. In light of the enterprise culture, Sercomm adopts the localization strategies; integrates diversified cultures, lifestyles, and experience; and coordinates individual contribution. Sercomm believes that diversified and internationalized talents create unlimited possibilities. Therefore, all of the colleagues anywhere may exert their specialty by function with full power. In order to encourage employees’ career growth and meet Sercomm’s operating and planning needs, the colleagues hold the professional positions and may develop their career by means of such diversified opportunities as ad hoc delegation, transfer, overseas business trips, and appointments.



#### Enterprise Internationalization and Cultivation of Comprehensive Management Talents



## 3.4 Overall Wages and Benefits

### 3.4.1 Wage Structure

Sercomm is used to valuing colleagues' pay and benefit. Since 2014, Sercomm has been enrolled into the name list of enterprises for "Taiwan High Compensation 100 Index." Its business locations all adopt the competitive wages and benefits policy and take the level of salary applicable in the same industry and entire economic indicators into consideration. The pay to employees will be determined subject to personal competency, educational background and work experience, seniority, and performance. Any raise in the pay will also be evaluated based on the personal performance, market value and contribution. The remuneration to overseas employees shall be subject to the reasonable and competitive remuneration policy defined based on the local labor market condition. Sercomm also grants long-term and short-term incentive bonus according to the local laws, practices applicable in other industries and operating performance, in order to encourage employees' long-term contribution and growth together with it. The employees' remuneration system will not be discriminated because of gender, race, age, religion, or political affiliation. Sercomm is dedicated to creating harmonious labor-management relationship as is permitted by law, so as to move forward toward sustainable operation.

#### Ratio of Sercomm Average Salary for Fresh Graduate

Area	Category	Male	Female
Taiwan	Indirect Employee	1.08	1.08
	Direct Employee	2.22	2.20
China	Indirect Employee	1.12	1.14
	Direct Employee	2.80	2.75

Note: Standard salary for fresh graduate/statutory minimum wages

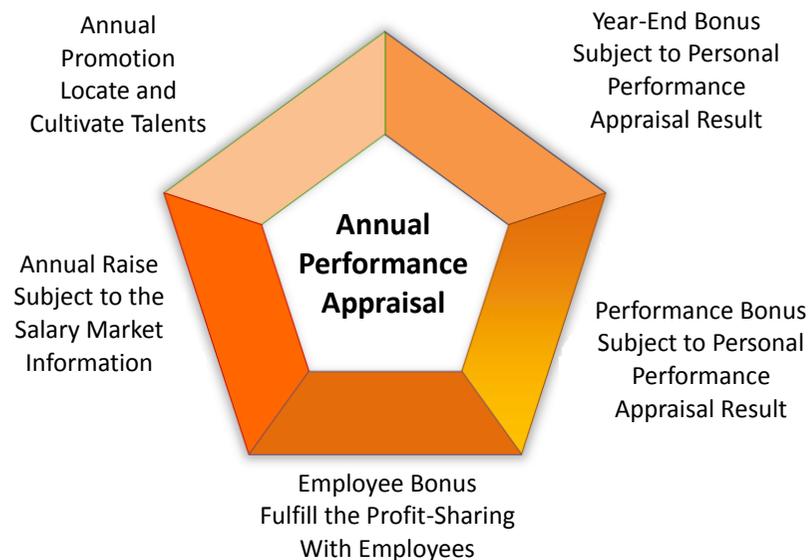
#### Ratio of Sercomm Starting Salary for Fresh Graduate

Area	Category	Male	Female
Taiwan	Indirect Employee	1	1
	Direct Employee	1	1
China	Indirect Employee	1	1
	Direct Employee	1	1

Note: Ratio of starting salary for fresh graduate = female fresh graduate/male fresh graduate

### 3.4.2 Performance Assessment

Sercomm defines a clear and fair performance appraisal system as the basis for promotion, raise, allocation of bonus, and employees' development and training. Sercomm's performance appraisal system is categorized into four steps: 1. "Objectives set-up and evaluation," 2. "Core competency measurement," 3. "Annual performance evaluation and career plan," and 4. "Employees' development plan or performance improvement plan." Sercomm's performance appraisal management is intended to integrate and upgrade the employees' personal performance and organizational performance. Sercomm will recommend any colleagues with potential who are willing to accept higher challenge for promotion, based on their performance and performance appraisal result. Meanwhile, Sercomm trains the management competency of management trainees and guides them on performance of job duty, so that the trainees may be promoted immediately due to changes of the organization, Sercomm's operating strategies or update of personnel.



### 3.4.3 Employee Insurance

According to the local laws and regulations in Taiwan, all of the colleagues will be enrolled into the labor insurance and health insurance programs immediately on the hiring date, and Sercomm should contribute pension fund pursuant to laws accordingly. Meanwhile, Sercomm will maintain the group insurance program for the colleagues. The employees' group insurance program consists of life insurance, casualty insurance, health insurance for hospitalization, cancer insurance, and accident & health insurance, et al., and covers the colleagues' spouses and children, so as to provide the colleagues' family with more comprehensive health care planning. Sercomm will provide the group insurance of higher insured value to expatriated colleagues, so that the expatriated colleagues may rest assured when working overseas. The social security systems applicable to overseas employees shall also implemented in accordance with the local laws and regulations. Meanwhile, Sercomm allows certain insurance companies to set up location dedicated to providing services within the company, in order to provide the colleagues with the services about consultation and claim of benefits under the insurance program, and to introduce the knowledge about insurance and benefits from time to time so that the colleagues may know about the substantial contents and protection of the insurance more clearly.

### 3.4.4 Employee Leave

Each of Sercomm's business locations defines its own employee leave system in accordance with the local laws and regulations. Sercomm defines the leave system superior than that required by laws, in accordance with the "Labor Standard Law" in Taiwan. If necessary, the colleagues may apply for special leave, menstrual leave for female employees, pregnancy checkup, paternity leave for male employees, family care leave, and parental leave without pay. Meanwhile, if necessary, the colleagues may arrange for a day off in a flexible manner, so as to balance work and family leisure under the concept encouraging employees to take leave, if applicable.

### 3.4.5 Pension Scheme

Sercomm's pension scheme is based on the relevant local laws and regulations. For example, the employees in the territories of Taiwan shall contribute pension fund to the statutory accounts periodically according to the pension system under the Labor Standard Law in Taiwan. For the employees in the territories of China, Sercomm maintains the endowment insurance pursuant to the local laws, hoping that all colleagues may receive secured protection after retirement. For the time being, the coverage rates of both are 100%.

In the territories of Taiwan, according to the Labor Standard Law and Labor Pension Act, the employees who were hired before June 30, 2005 (inclusive) are entitled to the old pension scheme. According to the old pension scheme, 2% of the salary of the employee who is entitled to the old pension scheme should be deposited to the old pension scheme account maintained at the Central Trust of China on a monthly basis. Until Q4 of 2016, the pension reserve has amounted to NT\$71,000,000, sufficient to meet the retirement need for next one decade, which will be adjusted according to the actuarial report on a yearly basis to meet retired employees' needs.

According to the new pension scheme, 6% of the salary of the employee who is entitled to the new pension scheme should be deposited into the employee's personal pension account on a monthly basis. In addition to the 6% pension fund contributed by the employer on a monthly basis, the employee may also contribute 0%~6% of his or her salary to his or her personal pension account, to his or her sole discretion.

#### 2016 Sercomm Pension & Retirement Plan

Area	Pension Plan	Contribution	Coverage
Taiwan	Labor Standards Act (the Old Scheme)	Employer : 2% Employee : 0%	100%
	Labor Pension Act (the New Scheme)	Employer : 6% Employee : 0~6%	
China	Retirement Insurance	Employer : 13~20% Employee : 8%	100%

### 3.5 Employee Care

Sercomm works hard to build a friendly working environment, spares no effort to take care of colleagues and to increase the colleagues' better life index by virtue of diversified benefits and recreational activities, so as to achieve the purpose for "balanced work and life". Sercomm also provides the traveling allowance and encourages employees to participate in the group tours and clubs organized by Workers' Welfare Committee, so that the colleagues have chance to have fun with their family members in life to relieve them from the pressure of work and also achieve the balance of their personal physical and mental condition, work and family.

#### Sercomm Employee Compensation & Benefit

Competitive Compensation Package	Comprehensive Insurance Structure	Flexible Vacation System	Comprehensive Employee Care	Brilliant Employee Activities	Fine-Quality Working Environment
Bonuses For The Three Festivals	Labor Insurance Health Insurance Group Insurance Overseas Business Trip Insurance Spouse And Child Health Insurance	2-Day Weekend Off Flexible Working Hours Paternity Leave (For Male Employees) Encouraged Special Leave Family Care Leave Menstrual Leave Compensatory Leave	Lactation Room	Year-End Party Birthday Parties Christmas Parties Movie Appreciation Event Department Dinner(S) Social Clubs Sports Event Employee Outing	Fitness Center Library Reading Room Meditation Room Mobile Office Cafe Area Lounge Bar
Birthday Cash Gift			Expectant Mothers Parking		
Year-End Bonus			Health Checks		
Performance Bonus			Weight Control Activities		
Patent Bonus			Massage Therapy		
Project Bonus			Parental Leave Without Pay		
Employee Profit			Program For Cooperation With Kindergartens		
Sharing Program			Health Seminar		
Employee Stock			Commendation of Senior Colleagues		
Incentive Program					

### 3.5.1 Diversified Clubs and Leisure Activities

In order to relieve colleagues from the pressure produced by routine work, Sercomm organizes local tours periodically and also offers traveling allowances. Sercomm founded diversified clubs optional to employees, including the basketball club, swimming club, biking club, badminton club, cooking club, diving club, DIY club, horsemanship club, and UndoBox club, et al.. In order to cultivate the colleague relationship among employees, Sercomm organizes celebration activities, birthday parties, and movie appreciations periodically to give the colleagues the chance to have fun together. In order to promote

physical fitness and train colleagues' exercising habit, Sercomm organizes contests for hiking, marathons, biking, and rope skipping. By virtue of the training courses, voluntary training, and contests, the participating employees may achieve ultimate fitness goals and learn about good teamwork.





Life at Sercomm



### 3.5.2 Health Care

For the employees' health care, Sercomm appoints certain excellent health examination institutes to periodically examine colleagues' health and arranges health examinations for new employees, expatriated colleagues, and high-rank management under the terms and conditions superior than those required by the government. For those colleagues whose health examination report shows negative results, the health care institution conducts a follow-up appointment and refers the colleagues to a doctor for consultation for maintenance of their health. The examination rate was 90% in 2016. In 2016, Sercomm also organized physical fitness activities and healthy weight-loss functions. A total of 50 participants in the function lost a total of 148.9 kg. Sercomm also granted a bonus to the individual who lost the weight in order to promote a healthy awareness and value of physical fitness and to achieve the purpose for physical fitness, healthy dieting, and effective disease prevention. Sercomm was also awarded the "Health Promotion Mark" for health workplace by the Health Promotion Administration.

#### Scope of Health Care In Taiwan

Health Checks

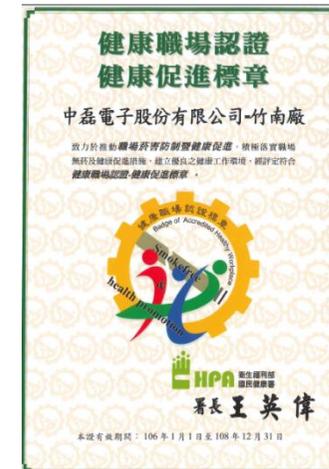
Health Consultation Service

Physical Fitness

CPR+AED Courses

Weight Control Activities

Give A Like. Massage Therapy



### 3.5.3 Safety and Health Management

In order to enable employees to work in a safe environment, Sercomm is dedicated to employees' safety management to ensure the safety of the operating environment, to mitigate occupational disasters, and to instill management policies to secure employees' safety. Sercomm shall comply with the labor safety and health policy and enforcement rules thereof. In order to prevent occupational disease and disaster, its offices or factories shall designate dedicated personnel to supervise the environmental safety & health and improvement operations.

Related safety measures are stated following:

- **Safety & Health Training:** In order to enhance colleagues' awareness about safety and health in the workplace, in accordance with the "Labor Safety & Health Training Rules of Council of Labor Affairs," Sercomm enables colleagues to know about Sercomm's labor safety and health policy through quarterly training.
- **Operating Environmental Testing:** According to Article 7 of the "Labor Safety & Health Training Policy," Sercomm hires a professional engineer to conduct the CO2 concentration testing every six months. In order to seek excellent air quality, the air pollutants caused by the general workplaces, including offices and factories, shall be removed adequately to maintain the employees' physical health and safety management.
- **Delegation of First-Aid Personnel:** Sercomm delegates the first-aid personnel, who may respond to the emergencies, if any, immediately. All of the first-aid personnel shall undergo periodical training courses and acquire related license to ensure the colleagues' safety in the operating environment.
- **Access Control:** The offices or factories are equipped with the access control to ensure the personal and property safety of colleagues who leave the company beyond business hours, and before or after office hours.
- **Operation Environment Safety Control:** The control is installed for the needs of special operation environments, such as installing anti-static floor tiles in research and development laboratories, monitoring the power supply of instruments, and installing large-scaled air conditioning units to ensure the air quality of the laboratories, etc.
- **Fire Drills:** Sercomm conducts fire drills every six months for all staff of Chunan and Suzhou factories in order to acquaint employees with the response techniques of reporting, emergency evacuation, on-site control, and rescue of the injured, so that they are prepared for unexpected situations.

**Occupational Safety and Health Education and Training Statistics (Taiwan)**

Item	No. of Courses	No. of Participants
Fire Prevention Training	2	952
New Employee Orientation	12	130
Regularly (Quarterly) Safety Propaganda	4	900
On-Site Healthcare Consulting	12	48

**Occupational Safety and Health Education and Training Statistics (China)**

Item	No. of Courses	No. of Participants
ERT Training	16	538
Class Instructor Emergency Training	2	65
Occupational Health Management Training	2	42
Chemical Safety Training	4	181
Equipment Safety Training	6	364
Engineering Supervisor Training	4	239

**2016 Occupational Injury Statistics**

Item	Taiwan		China	
	Male	Female	Male	Female
Number of Disabling Injuries	0	0	4	1
Working Days Lost due to Injury	0	0	262	26
Injury Rate (I.R.)	0	0	0.084	0.021
Lost Day Rate (L.D.R.)	0	0	5.521	0.548
Occupational Diseases Rate (O.D.R.)	0	0	0	0
Absentee Rate (A.R.)	0%	0%	0.022%	0.002%

Note 1: Injury Rate (I.R.) = Number of Disabling Injuries/Total Working Hours × 200,000

Note 2: Lost Day Rate (L.D.R.) = Working Days Lost Due to Injury/Total Working Hours × 200,000

Note 3: Occupational Diseases Rate (O.D.R.) = Number of Occupational Diseases Cases/Total Working Hours × 200,000

Note 4: Absentee Rate (A.R.) = Total Absentee Hours (sick leave and personal leave)/Total Working Hours × 100%

### 3.5.4 Communication Mechanisms

In order to strengthen the harmonious labor-management relationship, Sercomm provides diversified and transparent communication channels dedicated to listening to employees' thoughts and reflecting employees' concerns in order to settle and prevent any dispute.

The communication channels between Sercomm and its employees include:

- **Two-Way Discussions**

Sercomm proceeds with the two-way discussion with colleagues via such internal meeting as the employee meetings, management meetings, and departmental meetings periodically. In 2016, a total of 25 rounds of such meeting were held in the cross-strait areas, which announced the important milestones and operating objectives of Sercomm and also enabled high-ranking management to discuss with officers and employees Sercomm's vision and cultures, consensus, and objectives. All of the colleagues may reflect their opinion or suggestion via such channels to achieve the harmonious relationship with employees.

- **Talks (including the quarterly exchanging meeting for new employees and the performance interview)**

At the "exchange meeting for new employees" to be held in Taiwan each quarter, HR will help new employees solve problems, promote adaption into the environment, and strengthen interaction with peers. In 2016, a total of 150 new employees attended the "exchange meeting for new employees." Through the team competition and creative games, Sercomm led the new employees to experience the enterprise culture. Meanwhile, the teamwork and creative solutions facilitate Sercomm's internal teams' trust and learning model. Certainly, there would be a chance to talk to the CEO face-to-face for direct two-way discussion.

The global employees shall be interviewed by their immediate supervisors directly via the annual performance appraisal operations. The interview is intended to verify the employees' work status, to exchange the development objectives, and to discuss adoption of a healthy work-life balance, all in order to gain a better understanding of company and employee goals under terms of employment.

- **Internal Announcements**

Sercomm will announce its internal systems or important information in the internal announcement system by type of the contents thereof. All of its employees may read and control the information freely, so that the information may be error-free enough to clarify the employees' benefits and interests. Meanwhile, Sercomm will also collect the colleagues' suggestions through the questionnaire in the internal system to better the planning of following activities.

- **Labor-Management Meeting and Labor Union**

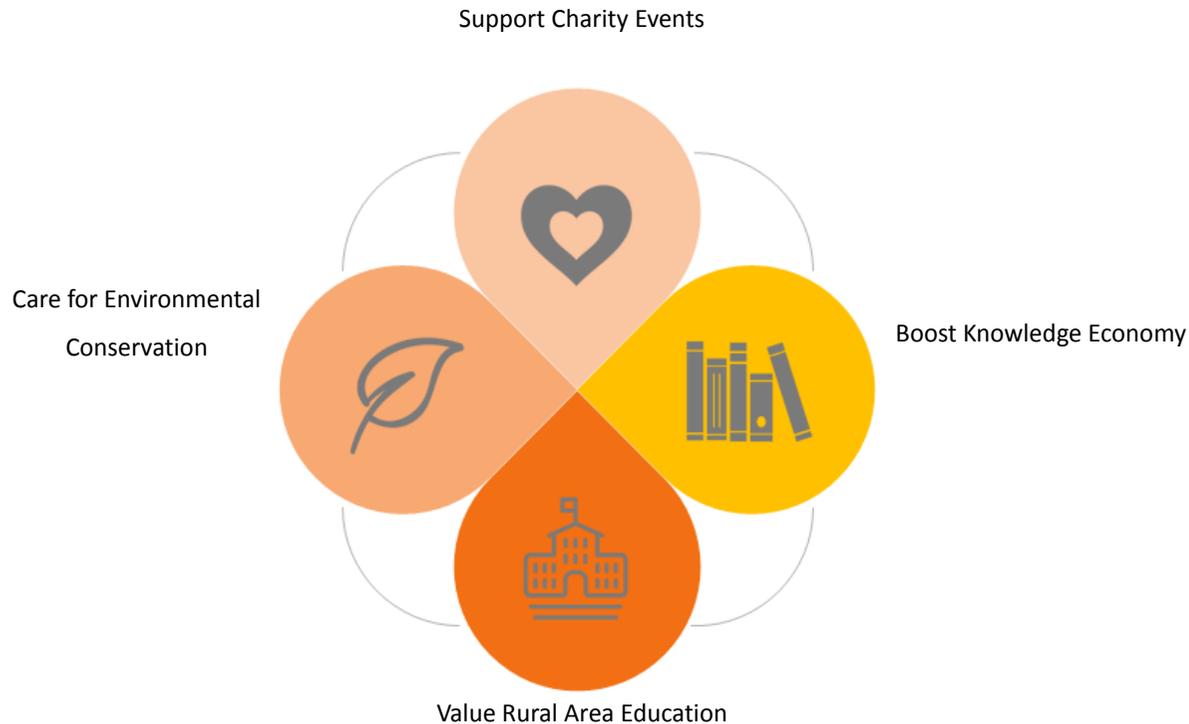
The freedom of assembly and association is subject to the rights vested in the employees according to the local laws. The employees may decide whether to exercise such freedom or not, as Sercomm will not interrupt or intervene. The "labor-management meeting" will be held in Taiwan periodically. In 2016, a total of four meetings were held in which attendants stated their opinions and resolved issues. In China, Sercomm founded a labor union in accordance with the "Trade Union Law of the People's Republic of China." The union members are elected by their colleagues. Union member shall call a meeting or attend meetings, training sessions, and events held by the government from time to time, if necessary. In 2016, a total of four union meetings were held in which the colleagues' concerns and suggestions about food, clothing, shelter, and transportation were adequately reflected.

- **Communication Channel**

In order to create the harmonious relationship between Sercomm and its employees, Sercomm works hard to build the diversified two-way communication channels dedicated to listening to employees' thoughts and concerns. The employees may make their statement via the complaint channels. Sercomm will designate dedicated personnel ex officio to deal with, follow up, and give feedback of the result. The communication is expected to be transparent, real-time, and free from any interruption to protect each employee's interests and rights.

Employee Opinion Mailbox (Sexual harassment, fraud or ethics violations) : [HR\\_Help@sercomm.com](mailto:HR_Help@sercomm.com)

### 3.6 Social Participation



Since Sercomm was founded, its social participation has been rooted in its core value. Sercomm has been dedicated to “Care for Rural Area Education,” “Support of Art & Cultural Activity,” “Training of Young Talents,” and “Construction of Knowledge Economy Platform” as the major elements of its social participation. Sercomm exerts the strength gathered by employees from inside out, expands its social participation, provides feedback to the community, and services to people in the hopes of building a society which is innovative and diversified and that shows care for the society and environmental sustainability.

#### 3.6.1 Cultivation of Talents and Student Programs

Sercomm has played the role responsible for bridging the internal and external society charity groups to gather the charity and care, expand resources, and provide help. In order to care for the vulnerable groups in the community, Sercomm donates a fixed fund to orphanages and rural area schools each year and founded the “Sercomm Scholarship.” By upholding the spirit of feedback to the community and society, Sercomm has its R&D supervisors nominate excellent junior high school students from the supervisors’ hometown to receive the incentives granted by Sercomm in order to encourage the students to study hard and enable the young people and poor students to mitigate their economic burden and help their family’s economy. Sercomm supports rural children in the hopes that the students may complete studies to help themselves and others and later contribute to society. Social participation has now become a part of Sercomm’s corporate culture. Looking ahead, Sercomm will uphold the vision of “Care for the society and pass down hope,” contribute efforts, and cultivate talents. Through these practical actions, Sercomm exerts a positive influence on society.

### 3.6.2 Care for Rural Area Education and Promote Social Mobility

In consideration of the huge gap in resources between urban and rural areas in Taiwan, the rural area students lack educational resources. It is difficult to recruit teachers to teach in rural areas, with a high turnover rate to prove it. Accordingly, the rural area children's right to education is compromised. Sercomm has worked with the public welfare group, "Teach for Taiwan," since 2015. Under the two-year full-time teacher project, TFT recruited young educators with the sense of mission to work for the rural area elementary schools which need the educational resources. Sercomm provided them with the training and support system on an on-going basis. As a result, TFT has become the promoter of fine-quality education and has exerted its influence permanently in Taiwan.

In addition to sponsoring the salary and training of rural area teachers, Sercomm also organizes the volunteer workers' groups, and has each volunteer worker's group propose its teacher supporting plan to provide the ad hoc assistance per the need of each teacher or school. For example, by founding the art creation club, students of Kuangfu Elementary School in Qigu, Taiwan were motivated to cultivate the sense of art and design technique periodically. By organizing the biking team, students of Guangrong Elementary School in Zuozhen, Tainan were granted the opportunity to experience the life value to find beauty in their own hometown. Sercomm also organizes the teeth cleaning and care activity to teach children to brush their teeth correctly and to enhance children's awareness about teeth cleaning.

Sercomm volunteer workers' groups help rural area teachers solve any difficulty met by them in the process of teaching by organizing activities with the aid of software and hardware and routine communication and by utilizing the enterprise's resources as their strong backup. Sercomm expects to enable the rural area children to receive the education they deserve and thereby affect the school's teaching effects positively through the rural teachers supporting plan. Sercomm wishes to rectify the defect of insufficient educational resources in Taiwan as its long-term objective to enable the rural area children to change their future by education. Sercomm also encourages younger generations who have big ideas and a passion to be dedicated to the rural area education, so as to cultivate the leaders with entrepreneurship for the society.



Discussion between CEO of Sercomm, James Wang, and Taiwan Kuangfu Elementary School students



Taiwan Kuangfu Elementary School students visited Sercomm Headquarters.



Sercomm TFT volunteer workers organized the "Fossil Collection Activity"



Sercomm TFT volunteer workers organized the "Magic Science and Baking Camp"

### 3.6.3 Care for Environmental Conservation and Advocate Energy Saving and Carbon Reduction

Sercomm concerns itself with environmental conservation and allocates fixed expenditures to promoting the environmental protection activities. Sercomm also plays the role responsible for bridging the internal and external environmental protection groups, encourages employees to participate in any related activities, and keeps calling on the public to value the environmental sustainability. Meanwhile, Sercomm organizes the beach clean-up activity and invites its employees and their family members to participate in the activity, teaching the employees about the importance of marine resources and maintenance of coastal ecology through the education and practices and to think about how to prevent their work from ruining the environment, directly or indirectly.

As a corporate citizen, Sercomm upholds the corporate sustainable development philosophy and continues to develop green products, reduce the waste, and work with its business partners to protect the earth via the supply chain management. After physically experiencing the influence exerted by the enterprise to the environment, Sercomm wishes to continue mitigating the impact to the environment by means of product design, process management, and supply chain management. Sercomm's factories in Chunan and Suzhou have delivered the comprehensive green process in 2005. Now, its products comply with ECOC Green requirements as a whole.



CEO of Sercomm, James Wang, led the employees to clean up the beach together in order to promote the environmental protection philosophy.



Sercomm Suzhou employees participated in the mountain clean-up activity to pick up beverage bottles and plastic rubbish while advocating for the environmental protection philosophy.



Sercomm employees participated in the beach clean-up activity, concerning themselves with environmental conservation.

### 3.6.4 Construct the Global Chinese Platform for Exchange of Technology

Chairman of Sercomm, Paul Wang, has been dedicated to facilitating the exchange, cooperation, and development for the high-tech government-industry-academia-research exchange and cooperation permanently. Chairman Wang held the position as Chairman of Taiwan Monte Jade Science & Technology Association in 2013 and was elected as Chairman of the World Monte Jade Science & Technology Association in 2016. Since Chairman Wang held said position, he has been dedicated to the exchange of the global high-tech Chinese talents and constructed the global Chinese platform for exchange of knowledge and economy. Chairman Wang also worked hard to promote the economic and cultural exchange and co-development in Mainland China, Taiwan, and Hong Kong.

Via the 11 organizational locations, including 8 branches of the Monte Jade Science & Technology Association in the world (Monte Jade West, Southern California Monte Jade, Monte Jade-DC, Monte Jade Southeastern, Monte Jade Canada, Monte Jade New England, Monte Jade Hong Kong, and Monte Jade Taiwan) and Shenzhen Monte Jade Alliance—Sichuan Monte Jade and Suzhou Monte Jade—Sercomm expanded the Chinese global view and promoted the results of technological innovation and transformation and upgrading of industry. Sercomm solicited for more Chinese high-tech entrepreneurs’ participation based on the exchange of technology, business, and investment, advocating for the upgrading of SMEs in Taiwan and the invested value through innovative technology, business model, or transformation of marketing packaging.



Global and Taiwan Monte Jade Science of Technology Association Chairman Paul Wang delegation visited President Tsai Ing-Wen.

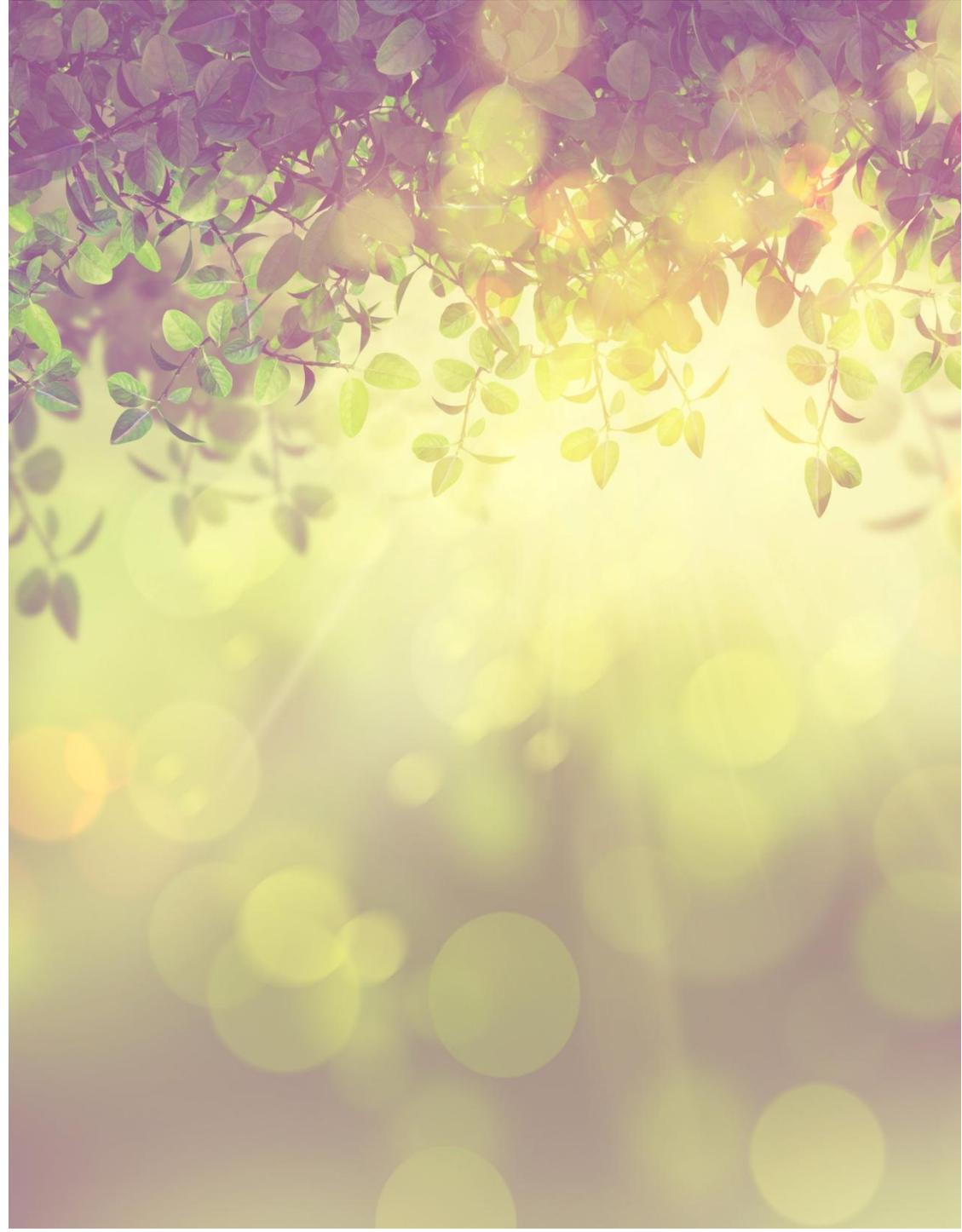


Monte Jade annual meeting  
Keynote speech by “Three Tsai’s Union”



Foundation of “Suzhou Monte Jade Science & Technology Association”

## 4 ° Environmental Sustainability



# Environmental Sustainability and Value Chain

Sercomm upholds the sustainability philosophy and fulfills its responsibility as a corporate citizen. By following its environmental protection and safety and health policies to the highest standards, Sercomm continues to develop green products and devote itself to reduction of waste and prevention of pollution and continues to pursue the optimal utilization of energy, water, and other resources. Meanwhile, it works with its business partners to control the environmental protection risk, mitigate the environmental impact, and protect the earth via the supply chain management.

In order to achieve the balance of environmental protection and business sustainability, Sercomm works on its environmental protection plan actively, such as Hazardous Substance Free (HSF) and Lead-free Process, et al. After physically experiencing the influence exerted by an enterprise to the environment, Sercomm continues to pursue the win-win situation between environment and enterprise.

Sercomm's factories in Chunan, Taiwan and Suzhou, China have already received the ISO 14001 and OHSAS 18001 certification but are also dedicated to preventing pollution, saving energy and resources, reducing waste, preventing accidents, and providing colleagues with a comfortable and safe working environment. All of the employees at the factory premises reach the consensus and promise to comply with Sercomm's environmental protection and safety and health policies to fulfill its responsibility as a corporate citizen and pursue a sustainable future.



## Sercomm Environmental Policy

### Build and Maintain the EHS System

- Implement the environmental management system and blend it into the overall organizational management system, and strives to consistent improvement.
- Implement preventive management to ensure the safety of working environment and operations, so as to bring comfort to employees and confidence to customers.

### Comply with Related International and National Laws & Regulations and Requirements

- Comply with environmental protection laws and requirements of the International Covenant to become a green corporation implementing sustainable development.
- Abide by the environmental health and safety and energy-related voluntary commitments.

### Full Participation in Boosting of Green and EHS Activities

- Promote the environmental ethics and raise the environmental awareness. Meanwhile, through staff training and the implementation of ISO 14001, ensure all employees understand and fulfill their responsibilities of environmental protection.
- For operating personnel and contractors, implement education and training according to the safety and health management plans, to ensure the policy and management system of safety and health are understood thoroughly.

### Review the Objective of Activity Periodically to Continue Improving the Same

- Periodically review, audit, examine and improve operations.
- Prevent hazards to ensure the safety in workplaces.

### Reach Agreement with Related Groups Through Communication

- Improve waste reduction and pollution prevention from the origin, in order to achieve the goal of green design, production and management.
- Reduce air and water pollution, and waste

## 4.1 Environmental Management

### 4.1.1 Management System and Certification

To pursue the balance between environmental protection and business sustainability, Sercomm actively sets the management objectives and continues to improve the utilization of various resources and prevention of pollution. In August 2004, it was granted the ISO 14001 certification and established the management system dedicated to preventing any potential environmental damage or pollution in order to fulfill the environmental management, therefore mitigating the pollution, increasing the effect of recycling and reduction of waste, striving to pursue balance between economy and environmental protection, and fulfilling its corporate social responsibility.

Environmental Management Objectives and Results					Unit: tonnes
Items	2014	2015	2016	2017 Target	Execution policy
<b>Waste Recycling Rate</b>	91%	91%	92%	>90%	Garbage sorting & reduction and recycling
<b>GHG Emissions</b>	23976 CO <sub>2</sub> e	4%	6%	<10%	Electricity conservation

The inspection started in 2014, based on those generated in the previous year. The growth rate was found to be <10%.

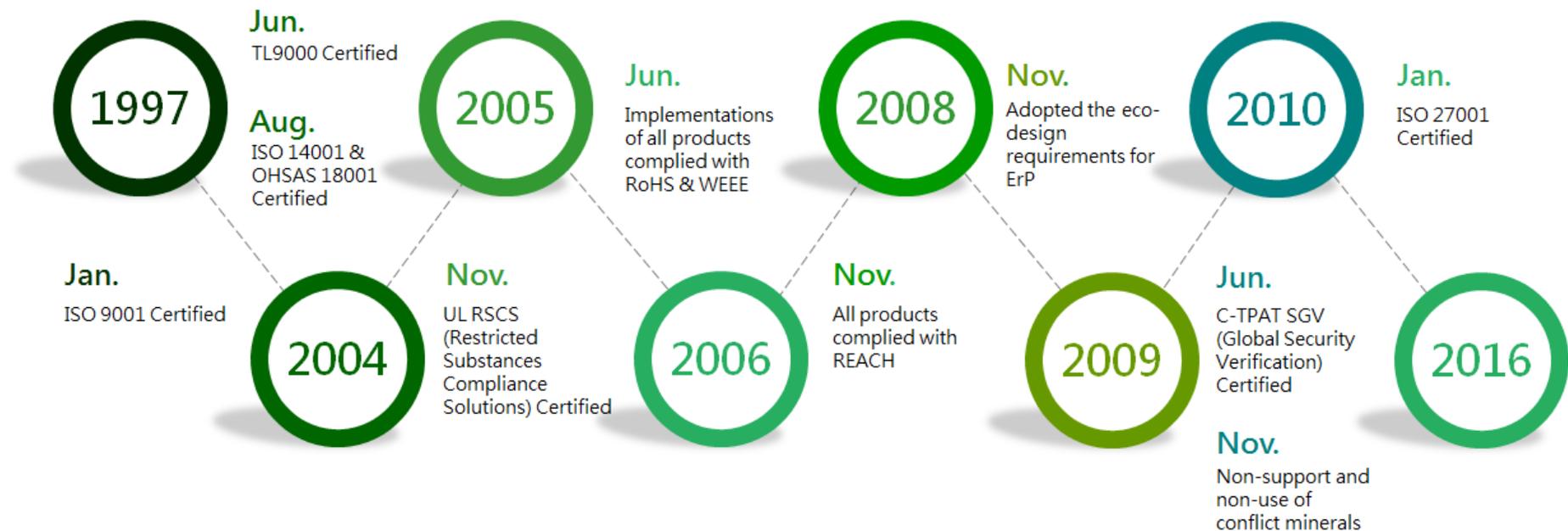
Sercomm values the environmental sustainability topic, and continues to implement and maintain various management systems (e.g. ISO 9001 and ISO 14001, et al.), and various regulations applicable internationally (e.g. RoHS and conflict minerals, et al.). Sercomm is committed to comply with various EHS laws and regulations and continues to fulfill the environmental protection policy.

The certifications passed by Sercomm are stated as following:

- Quality Management System Certification:**  
 ISO 9001 and TL9000 (Telecommunications Quality Management Systems) certification represents the recognition of Sercomm's customer service quality and the assurance of high-quality products. Since Sercomm received the ISO 9001 certification in 1997 and TL9000 certification in 2004, it has maintained the valid system operation, and the additional factory premises set up subsequently were included into the scope of certification. Sercomm improves and strengthens its quality management system based on the periodic audit conducted internally or via a third certification entity.
- Environmental and Occupational Safety and Health Management System Certification:**  
 In order to verify and mitigate the impact produced by Sercomm's products and production process to the environment and to provide all employees, contractors and visitors with a healthy and safe working environment, each of Sercomm's manufacturing centers complies with the standards under ISO 14001 and OHSAS 18001 with respect to the environmental and occupational safety management system, so as to respond to the environmental protection topics and requirements for crisis and risk management, which are increasingly valued.

- Information Security Management System Certification:  
Upon awareness of the importance of information security environment, Sercomm is committed to construct a well-founded information security system, so that the customers may rest assured when engaging in transactions. Sercomm received the ISO/IEC 27001 certification for information security management system (by SGS) in January 2016.

Sercomm’s commitment to compliance with ISO/IEC 27001 is reflected in the multiple procedures implemented and compulsory executed by the company, including the information security process for accessing the knowledge of ISO/IEC 27001, employees’ training and accurate recording, to ensure that each employee may get sufficient resources and support from the organization to meet ISO/IEC 27001, define and manage the level of confidentiality of the company’s information assets, and deliver the VES to fulfill the control over confidential information.



### 4.1.2 Packaging Materials Management

The packaging materials applied by Sercomm for its shipments are all recyclable environmental protection materials, including corrugated paper, foam, plastic bag, label, leaflet, and colorful box, et al., all of which comply with the related international laws and regulations.

Sercomm continues to work with its raw material suppliers and adopts recyclable and reusable packaging materials and reduces the packaging steps for the raw materials to mitigate consumption of resources and reduce carbon emissions. For example, it applies plastic boxes to replace ordinary paper boxes and then recycles the trays in part for reuse by the suppliers.



Kraft paper boxes for packaging products.

### 4.1.3 Emissions Management

Since Sercomm founded its factories, it has started to plan and execute the environmental protection work and set the annual environmental objectives through the effective environmental management system (ISO 14001) year after year to continue improving the environmental performance, and self-inspect the status of pollution prevent through internal audit. Defects, if any, will be rectified immediately.

The production process performed at Sercomm's factory premises only consists of DIP, SMT, testing, and packaging and, therefore, it renders minor effects to pollution by waste gas, waste water, noise, and toxicant. Besides, Sercomm has delivered the lead-free process in whole since 2006. Therefore, the welding flux applied in the process (tin paste, tin rod, and tin wire) was lead-free, reducing the source of pollution by waste air. The waste solution of various organic solvents (flux and detergent) applied in the production lines is handled by the legal cleaning service provider contracted by the factories.

By virtue of strict control, the pollutants generated from the process were reduced remarkably, and various emitted substances were held complying with the relevant laws and regulations.

### 4.1.4 Waste Management

In order to mitigate the potential environmental hazard arising from waste, Sercomm is dedicated to reducing waste and to fulfilling the reclamation of resources. Sercomm strictly manages and sorts waste from the stage of procurement until waste is in the process to upgrade the effect of reduction and recycling of the waste.

Per the regulatory requirements, Sercomm disposes of and recycles the existing waste. Sercomm reduces the consumption of energy and resource and mitigates the environmental impact caused during the product campaign and service. Sercomm strictly implements garbage sorting and reduction of waste at its factory premises, installs the storage area for the waste in accordance with the relevant requirements, and contracts the qualified waste disposition service provider to dispose of the waste. Meanwhile, it will conduct an audit on the site from time to time. The contents of audit cover the vehicle operations, storage facilities, mode of disposition, and inspection on documents, et al., in order to ensure the sound operations for disposing of the waste.

#### Total Waste Generated in Sercomm during the Most Recent Three Years

	Unit: tonnes		
	2014	2015	2016
<b>Non-Hazardous Waste</b>	1,655	2,467	2,606.34
<b>Hazardous Waste</b>	7.86	65.34	78.78

#### 2016 Sercomm's Waste Material Total Weight and Their Processing Modes at Taiwan and China Sites (Unit: tonnes)

Waste Categories	Taiwan					China				
	Total	Re-use	Incineration	Landfill	Recycled	Total	Re-use	Incineration	Landfill	Recycled
<b>General Waste</b>	45.98	0	45.98	0	0	150.00	0	0	150.00	0
<b>Hazardous Waste</b>	9.34	6.89	1.50	0.95	0	69.44	0	69.44	0	0
<b>Recyclable Waste</b>	10.36	0	0	0	10.36	2,400.00	2,400.00	0	0	0
<b>Total Waste</b>	65.68	6.89	47.48	0.95	10.36	2,619.44	2,400.00	69.44	150.00	0

### 4.1.5 Carbon Emissions Management

To cope with the climate transformation and warming throughout the world, greenhouse gas reduction becomes very important work. Sercomm plans to reduce its carbon emission one step at a time and tries various approaches to achieve reduction of greenhouse gas emissions. The objective and priority of such reductions are set according to the self-inspection results, so that the subsequent reduction process may be more efficiency, and the result of such reduction could be verified accordingly.

Since 2014, Sercomm has set the boundary of organization per the customer's need and performed the greenhouse gas inspection by phase. Meanwhile, it set 2014 as the record year and the annual carbon emission is expected to increase <10%.

#### GHG Inventory Results in the Most Recent 3 Years

(Unit: tonne CO<sub>2</sub>e)

	2014			2015			2016		
	Scope 1	Scope 2	Total Emissions	Scope 1	Scope 2	Total Emissions	Scope 1	Scope 2	Total Emissions
Taiwan	22	926	948	27	889	916	30	1,009	1,039
China	169	22,859	23,027	185	23,986	24,171	187	25,560	25,747

In 2016, the greenhouse gas emission in the territories of Taiwan increased by 13.3% more than the previous year. The addition of the office at 4F of Chunan Factory in April 2016 and several production lines in order to meet productivity expansion needs increased the entire power consumption relatively.



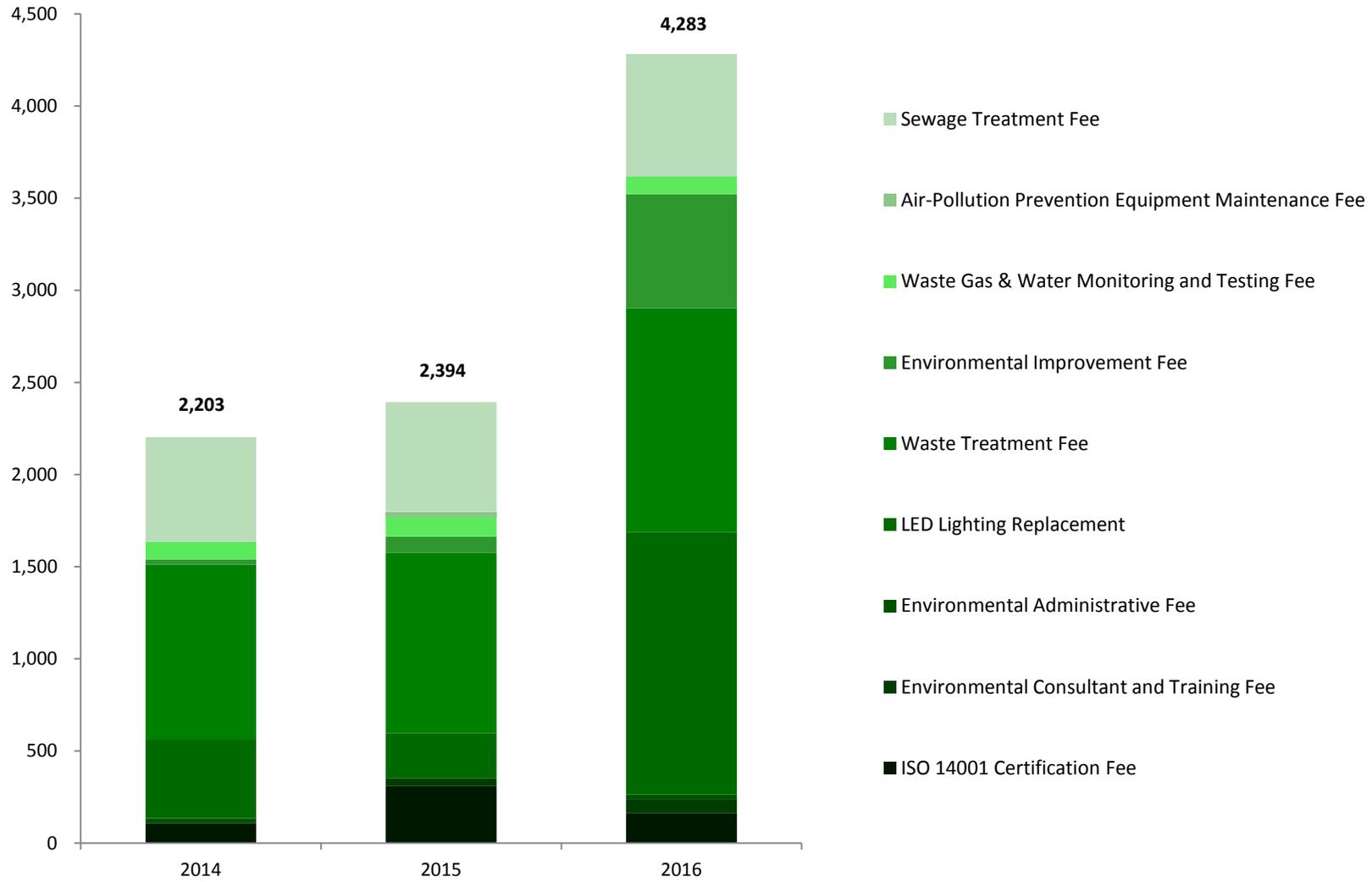
### 4.1.6 Environmental Expenditure

By identification under the environmental protection laws and regulations, Sercomm reviews the related environmental protection equipment and facilities one by one, and continues to improve the energy and resource management and pollution prevention measures as the basis for promotion of various environmental sustainability operations. For the investment and expenditure in environmental protection, Sercomm organizes the environmental educational programs periodically, procures environmental protection and energy-saving equipment as the first priority, delivers the environmental management system, and contracts excellent service providers to dispose of the waste. Sercomm's expenditure in environmental protection increases yearly. The expenditure spent in 2016 was more than NT\$4 million.

#### Sercomm Environmental Expenditures in Recent Three Years

	(Unit: NT\$)		
Items	2014	2015	2016
<b>ISO 14001 Certification Fee</b>	108,000	310,000	162,000
<b>Environmental Consultant and Training Fee</b>	2,000	41,500	76,600
<b>Environmental Administrative Fee</b>	25,000	0	25,000
<b>LED Lighting Replacement</b>	427,380	246,772	1,422,775
<b>Waste Treatment Fee</b>	950,392	979,396	1,216,805
<b>Environmental Improvement Fee</b>	27,000	86,000	617,933
<b>Waste Gas &amp; Water Monitoring and Testing Fee</b>	96,470	107,880	96,470
<b>Air-Pollution Prevention Equipment Maintenance Fee</b>	0	27,000	0
<b>Sewage Treatment Fee</b>	566,425	595,497	665,440
<b>Total</b>	2,202,667	2,394,045	4,283,023

Unit: NTD\$ thousand

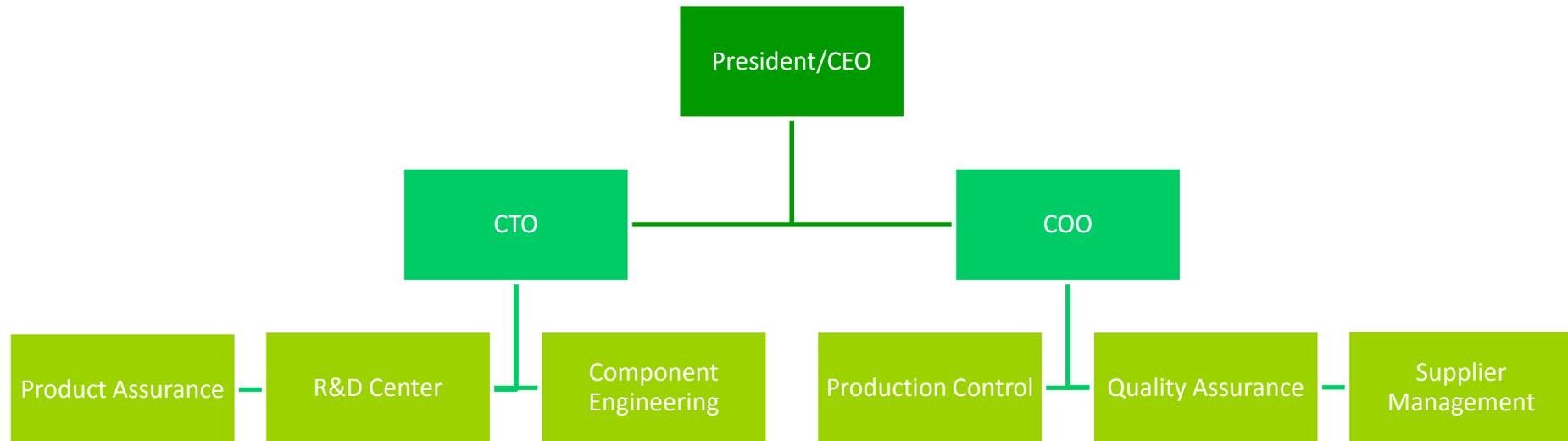


## 4.2 Green Products

In accordance with the international environmental protection trends, Sercomm saves materials and energy by virtue of green design and reduces the environmental pollution accordingly. Sercomm’s green product design is required to not only comply with power-saving design and various regulations banning and restricting substances harmful to the environment, but to also follow the “3R” (Reduce, Recycle and Reuse) principles of Waste of Electronic and Electrical Equipment (WEEE) implemented by the European Union to conduct the inspection on life circle of products. In doing so, Sercomm hopes to achieve the goals of eco-friendliness, extension of the product lifetime, easy disassembly, and easy recycling of the products.

Meanwhile, through the collaboration among upstream and downstream supply chains, Sercomm provides energy saving, efficiency-improving, and low hazardous products per domestic/overseas customers’ requirement, in hopes of mitigating the effect to the environment as much as possible.

### Green Product Management Organization :



### 4.2.1 Green Product Policy and Management

Sercomm designates its dedicated unit to control the process of green products consisting of design, production, and shipment. Sercomm mitigates waste of resources, upgrades efficiency of energy, and effectively reduces the impact rendered by the toxicity against the ecological environment. In order to ensure that Sercomm’s green products comply with the international laws and regulations and customers’ requirements toward environmental protection, Sercomm continues to boost the green product improvement project to control hazardous substance, performs audits on green products, and keeps the suppliers under control, so as to help Sercomm move forward toward the green policy objective.



### 4.2.2 Green Product Design

Sercomm delivers the strict lead-free process comprehensively and seeks to mitigate the impact to the environment by virtue of the green design at the R&D stage. Through the green procurement, Sercomm extends the environmental protection requirements into the end of component and raw material and into the product utilization process and disposition of the waste in order to comply with the international environmental protection standards and to fulfill the green manufacturing policy.

Meanwhile, Sercomm conducts the inspection on the life circle of the products developed by the company in accordance with ISO 14040:2006, so as to complete the comprehensive inspection on the potential environmental impact factors by the products from Cradle to Grave.

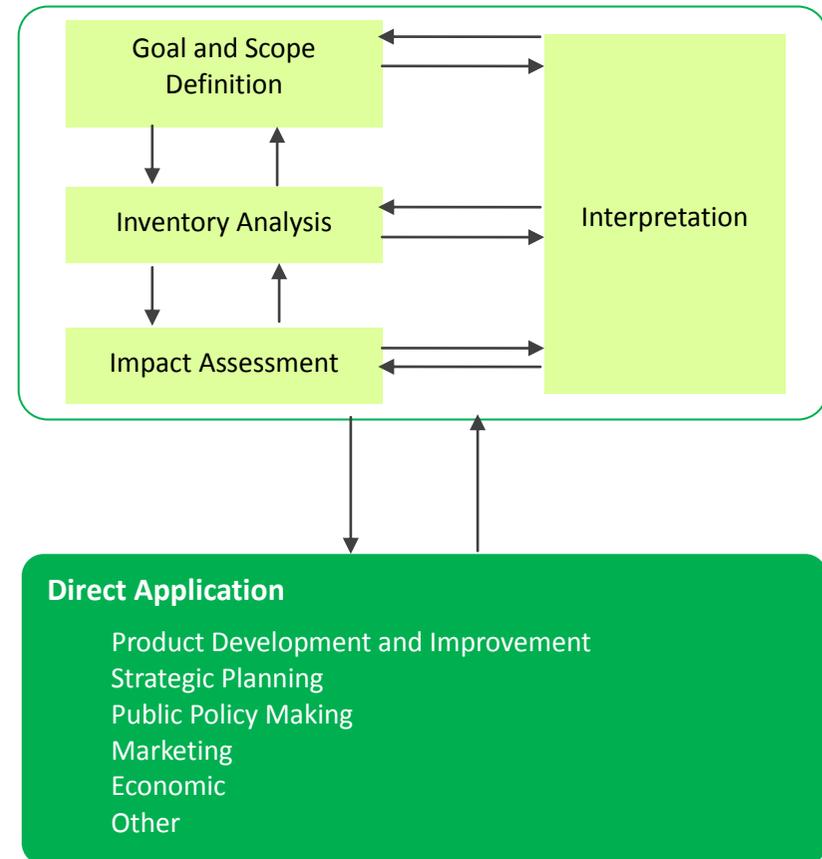
Inspection on impact factors:

- Global warming, CO2 eq
- Ozone layer depletion, Kg CFC-11 eq
- Photochemical oxidation, Kg C2H4 eq
- Acidification, SO2 eq
- Eutrophication, Kg PO4 eq
- Non renewable, fossil, MJ LHV

The stages of a life cycle analysis :

There are four phases in an LCA study : Goal and Scope Definition, Life Cycle Inventory Analysis(LCI), Life Cycle Impact Assessment (LCIA) and Life Cycle Interpretation.

### ISO 14040:2006 Life Cycle Assessment Framework

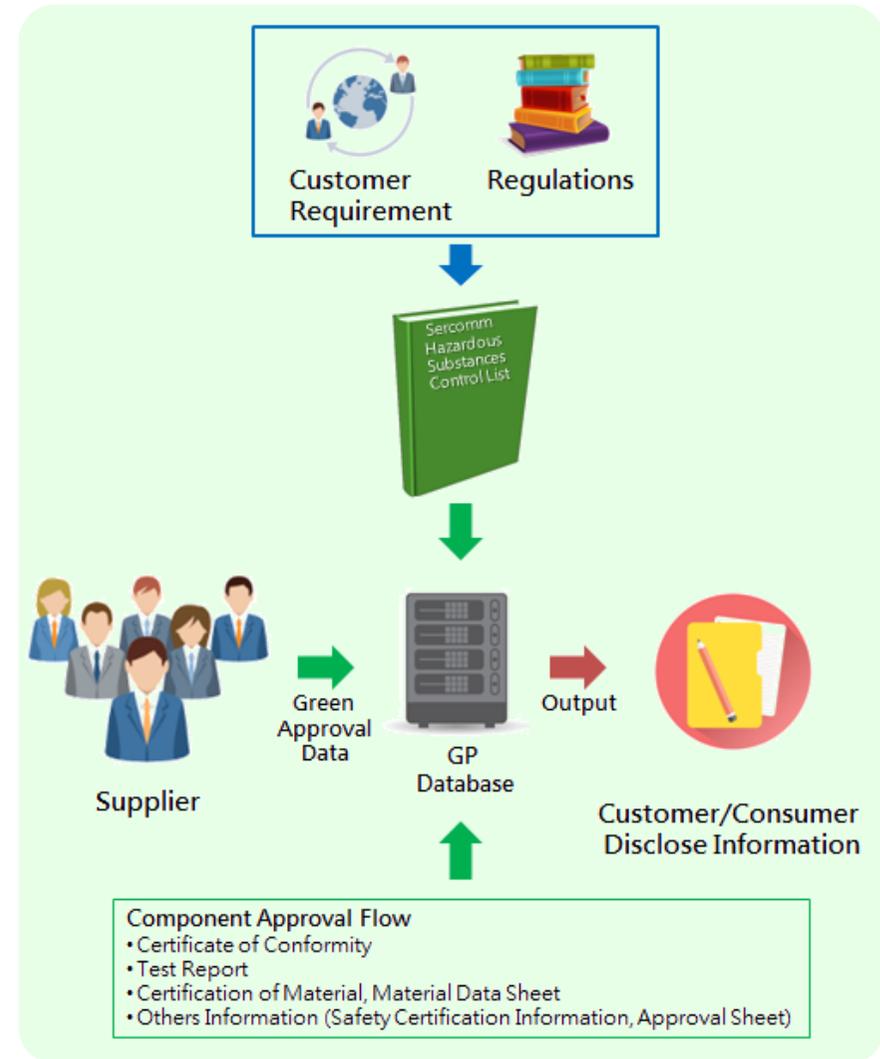


### 4.2.3 Hazardous Substances Management

In order to comply with the international environmental protection laws and customers' requirement, the company enacts the "Sercomm Environmentally Restricted Substance Regulations" to enhance the control over hazardous substances contained in products. Sercomm establishes the list of environmentally restricted substances in order to strictly demand that suppliers comply with the same standards and to sign the "Product Quality Guarantee Agreement" to ensure that the products and components delivered by them to Sercomm (including accessories, packaging materials and other supplies delivered together with the products) comply with the international laws—including RoHS, REACH, PPWD and batteries, et al.—and the international regulations related to no use of conflict minerals and Sercomm's requirements for environmentally hazardous restricted substance.

Sercomm restricts or forbids any substance affecting human health adversely and ruining the environmental ecology in the production process pursuant to laws (including lead, mercury, Hexavalent chromium, Poly Brominated Diphenyl, and Poly Brominated Diphenyl Ethers). Meanwhile, Sercomm demands that all suppliers should ensure the materials and components are free from any pollutants forbidden or restricted under the related environmental laws and regulations in the process of manufacturing, packaging, storage, and transportation.

In addition to managing the materials and raw materials for process at the factories through the suppliers, Sercomm also utilizes the precision XRF to strictly control and measure the restricted/forbidden substance harming the environment to ensure that the raw materials and supplies comply with the green product environmental protection requirements from procurement until manufacturing to mitigate the impact produced by the product to the environment.



#### 4.2.4 Product Carbon Footprints

In order to reduce the carbon emission from transportation of materials, Sercomm implements the low-carbon procurement principles. Except for the key materials, the principle is used to procure materials from the local suppliers as the first priority. For example, the expenditure in the local procurement of printed circuit board (PCB) in the territories of China and Taiwan accounted for 100% and 50% respectively in 2016 and, therefore, the carbon emission from transportation of materials was reduced remarkably. Meanwhile, Sercomm urges the component suppliers in the territories of China to install Local Hub and reuse the carrier (plastic frame), so as to cut both parties' cost (e.g. travel time, warehousing, and supplies, et al.) and to produce the effect of saving energy and carbon reduction. Sercomm also works with the transportation service providers to adopt the pallet of one single specification, combined transportation, and Milk Run, in order to produce the effect of green logistics management.



## 4.3 Energy Conservation

In order to perform the valid energy management, Sercomm propagates the philosophy and approaches about environmental protection and saving energy to its employees during orientation training and in the internal announcement system. Sercomm also actively boosts the energy- and power-saving operations at the office and factory premises, hoping that the green value may be fulfilled by the enterprise and employees at the same time, and the employees' work behavior model may sufficiently reflect the enterprise's green spirit for saving energy and environmental protection.

### Sercomm Approaches to Save Energy and Protect the Environment

1. Replace the light tubes with LED light in specific area to save power by more than 50%
2. Set automatic turn on/turn off function for the light in specific area
3. Set the computer (including PC and NB) to stand by or hibernation mode when not in use
4. Perform internal training and case advocacy from time to time
5. Create the monthly water and electricity statistic and analysis list to control consumption of water, electricity, and other resources
6. Paste insulation paper on the curtain wall to mitigate radiant heat, enhance the air conditioning effect, and reduce the consumption of power for the air conditioner
7. Periodically clean the filter and maintenance system for the air conditioner to enhance the efficiency of air conditioner
8. Control the air conditioner temperature at 26~28 °C
9. Install water-efficient toilets, and recycle wastewater for landscaping
10. Apply the online document approval system, and replace the telephone system with network telephone
11. Apply video or phone conference frequently, and reduce employees' business travels to save on flight energy



### 4.3.1 Energy and Resource Usage

#### Electricity

The energy used by Sercomm’s business locations primarily refers to power. Its consumption of main energy for the most recent three years are stated in the following schedule. Given the yearly increasing productivity, the total consumption of power increases year by year accordingly. The total consumption of power in 2016 grew by 14.2% from 2015.

	Unit: GJ		
	2014	2015	2016
<b>Taiwan</b>	51,397	61,063	77,869
<b>China</b>	101,444	106,448	113,432
<b>Total Electronic Consumption</b>	152,841	167,511	191,301
<b>Electricity Intensity</b>	6.59	4.78	5.21

Note: Electricity Intensity = Total Electronic Consumption (GJ) / Sales Revenue (NT\$ million)

#### Water

For water resource management, Sercomm implements the water saving policy through its ISO 14001 management system. In consideration of the industrial characteristics, Sercomm doesn’t consume too much water resource in the process. Its consumption of water is primarily intended for the recycling water for such infrastructures as air conditioners and air compressors and for the service water for employees. The water source refers to the municipal water instead of river, lake, or underground water. Therefore, no significant impact may be rendered against the water source and community water.

In order to continue boosting saving water, Sercomm improves the facilities and propagates that employees may upgrade the efficiency of water use by changing their usage of water.

#### Specific approaches to save water:

- Install water faucet economizer
- Use agent to reduce the water used for air conditioner
- Check the toilet flush valve every day to verify whether there is leakage
- Check water supply switch and consumption of water every day

	Unit: M <sup>3</sup>		
	2014	2015	2016
<b>Taiwan</b>	19,613	21,857	27,777
<b>China</b>	87,577	90,060	89,556
<b>Total Water Consumption</b>	107,190	111,917	117,333
<b>Water Intensity</b>	27.79	23.46	25.18

Note: Water Intensity = Total Water Consumption (M3) / Total Employees

### 4.3.2 Effects of the Energy Conservation Measures

Sercomm is dedicated to upgrading the efficiency of energy conservation and carbon reduction and integrating energy conservation and carbon reduction into the working environment at each business location, including landscaping, improvement and replacement of the old facilities, electricity/water consumption record and analysis, energy performance management, and implementation of various energy saving projects. Since 2014, Sercomm has started to improve the environmental lighting energy conservation. It has successively replaced the lighting with LED lights in the office and public areas and at the factory premises since 2015.

Taiwan is situated in a water deficient area. Therefore, Sercomm has drafted and adjusted its water utilization plan in terms of “reduction of water consumption” and “recycling of water” permanently. Sercomm strongly propagates that its colleagues should save water consumption in daily life, and Sercomm continues researching and implementing various water preservation measures. Sercomm expects to construct it as an environmental protection, energy-saving, water-saving, and comfortable enterprise and provide employees with a smart and low-carbon working space by boosting the energy-saving policy step by step.

#### Energy Saving Measures

Items	Energy Saving Solutions
 <b>Lighting</b>	Switch to LED lighting. Electricity savings were 334 GJ in 2015. <hr/> The parking lot shall apply timing controllers, and the public spaces and aisles shall apply sensor controllers.
 <b>Air-Condition Control</b>	Cooling towers and fans are installed with temperature-control and frequency-conversion features. <hr/> Maintain air-conditioning temperatures at 26 °C ± 2 °C in the summer
 <b>Electronic</b>	Lighting is only used in active sections of the production line. <hr/> Introduce automatic soldering machine to save power and flux and solder.
 <b>Water</b>	The toilet shall apply the faucet with water economizer, and the company will install flush valve or toilet with water economizer. <hr/> Signs for saving water consumption in public areas.

## 4.4 Supply Chain Management

Sercomm has always worked with its customers and suppliers to establish a sustainable supply chain and to develop the green products friendly to the environment together through periodic audit and guidance. Sercomm demands that the suppliers from various countries comply with the related local laws and regulations and also concerns itself with the supply chain's management of labor rights, environmental protection, safety, and health risk.

Sercomm defines the basic suppliers' principles according to the EICC, demanding that all suppliers should comply with the related social responsibility and commitment to honesty and integrity. Sercomm also defines the suppliers' EICC audit regulations to cover the highlights of evaluation including business ethics, labors' human rights, environmental protection, safety and health, and management systems, et al.

In 2016, Sercomm executed the annual audit and introduced a total of 100 new suppliers that met the standards for labor interests and rights, health and safety, environmental protection, ethics, management systems, and social impact.

### 4.4.1 Green Procurement

Sercomm believes that the supply chain risk management should be held at a high standard critical to the output of fine-quality products. It demands for evaluation on suppliers' quality, cost, delivery, service, and technical competency and also implements the procurement management based on the green supply chain. It takes the green procurement system and standard as the basis for development, selection, and evaluation to boost the suppliers' active performance of social responsibility. It demands that the suppliers should submit the analysis report, letter of undertaking, and product material composition declaration to ensure that they provide reusable, recyclable, energy-saving, and non-hazardous green products, and that the suppliers' raw materials, workmanship, process, and circulation of product shall comply with the green policy.

Sercomm's green product design is required to not only comply with power-saving design and various regulations banning and restricting substances harmful to the environment, but to also follow the "3R" (Reduce, Recycle and Reuse) principles of Waste of Electronic and Electrical Equipment (WEEE) implemented by the European Union. Meanwhile, by taking the customers' intent into consideration, Sercomm selects the paper suppliers certified by the Forest Stewardship Council (FSC) as the first priority, in hopes of having the global forest resources cultivated again.

Sercomm strictly demands that suppliers shall comply with the "Sercomm Environmentally Restricted Substance Regulations" and sign the "Product Quality Guarantee Agreement" to ensure that the products and components delivered by them to Sercomm (including accessories, packaging materials, and other supplies delivered together with the products) comply with the international laws, including RoHS, WEEE, REACH, ErP and Batteries, et al., and the international regulations related to no use of conflict minerals and the requirements for environmentally hazardous restricted substance.

Sercomm also includes hazardous substance control into the incoming inspection procedure, and demands that the suppliers should propose the

corrective action and preventive measures to deal with the raw materials and supplies against the controlled substance requirements, recognize key components according to the Production Part Approval Process (PPAP), prepare clear checklists and requirements, and control the source to prevent waste of production and social cost derived from any problems in the production specifications and quality.

#### **Sercomm's Green Procurement Policy:**

- Materials suppliers shall comply with the related local laws and regulations and define their own risk control mechanism.
- The suppliers shall establish the environment, employees' health and safety, and non-hazardous substance management system.
- It is necessary to comply with the "Environmentally Controlled Substance Checklist" prepared by Sercomm, which may be accessed by the suppliers on Sercomm's website.
- Provide adequate certifications and update self declaration pursuant to the component restricted substance management plan.

Sercomm strictly demands that the suppliers should comply with the environmental protection requirements with respect to the raw materials, packaging, or emission of pollutants used by the suppliers. The suppliers shall undertake and warrant that their products are free from any "environmentally forbidden substance" and also provide the following information:

- Environmentally controlled substance test and report of the product
- Knowledge and collection of the information related to materials and components
- Collection of the information about toxicity and restriction (Material Safety Data Sheet, MSDS) on related chemicals
- Presentation of the suppliers' management system review result

## **4.4.2 Supplier Selection and Assessment**

In order to fulfill effective suppliers' management, Sercomm establishes the selection criteria when selecting the suppliers. After selecting qualified suppliers, it conducts an audit on the site and convenes a review meeting to review the suppliers' performance to identify the priority suppliers' management checklist. Then, it introduces the materials based on the result of evaluation on suppliers made by various departments by quality, cost, delivery, service, and technical competency, and encourages the suppliers thereof.

### **New Supplier Investigation**

When selecting new suppliers, in addition to the quality, cost, delivery and service covered by the general evaluation, the suppliers shall also comply with Sercomm's specifications about green products. In addition to the general procurement agreement and non-disclosure agreement, the suppliers shall also sign the following instruments and may become the qualified suppliers upon passing the audit on green products.

- (1). Product Quality Guarantee Agreement: To govern the quality standards to be followed by the suppliers.
- (2). Letter of undertaking for corporate social responsibility: The undertaking about labor interests and rights, health and safety, environmental protection, ethics, management systems, and social impact.
- (3). Supplier's EICC letter of undertaking: Requirements for business ethics and integrity.

### Supplier Performance Evaluation

- (1). Monthly Evaluation:  
 Score the suppliers in terms of “delivery quality,” “quality improvement,” “delivery timeliness,” and “price and service” on a monthly basis; conduct the graded management based on the scores; and guide the suppliers who receive poor scores to help them improve the delivery quality and service.

Rating:

<b>Grade A</b>	$\geq$ 95 scores
<b>Grade B</b>	95~85 scores
<b>Grade C</b>	< 85 scores

Note: Said grading may be adjusted subject to Sercomm’s strategies, if necessary.

- (2). Evaluation, Annual Audit, and Guidance for New Suppliers:  
 For effective execution of the procurement, seek the qualified suppliers to ensure the supply quality level and compliance with Sercomm’s green product requirements; manage the suppliers’ activities and environmental effects derived from the products or services provided by them to verify and control the suppliers’ environmental status as the basis for selection of and guidance to strategic suppliers, in hopes of achieving the optimal suppliers’ management. From the suppliers of arm’s length transactions, Sercomm selects the long-term suppliers of key components, presents the on-site audit plan, and notifies the related entity each year.

- a. Conduct an audit on the existing suppliers according to the audit plan, and record the audit in the “Sercomm’s suppliers’ post-review report).  
 b. Rating Upon Audit:

<b>Approved</b>	The case may be closed only after the supplier provides feedback of the corrective action measures against any abnormality found during the audit and provides supporting information for the corrective action within 10 working days.
<b>Conditionally Approved</b>	The supplier is required to give feedback as to the corrective action measures and supporting information for the corrective action within 10 working days, and the relevant record shall be produced to control and conduct re-consideration against the supplier periodically.
<b>Not Approved</b>	Not recommended as a qualified supplier.

### Supplier's Education and Training

In consideration of green product development, Sercomm convenes the suppliers' meeting voluntarily to further propagate the EICC CSR training. Sercomm presents the product environmental declaration and concept about evaluation on life circle to enable the suppliers to understand the international trend. Sercomm also asks the suppliers to share their experiences of inspections to help the suppliers find the correct concept about inspection.

Sercomm suppliers' meeting:



### 4.4.3 e-Supplier Management System

According to the suppliers' evaluation and management procedure, Sercomm selects fine-quality suppliers to satisfactory levels of Sercomm in terms of quality, cost, delivery, service, and technical competency. Sercomm shares the information via the e-management system.

e-Procurement :

Via the system, the suppliers may accept purchase orders, provide the delivery date, and receive the demand plan for materials forecasted based on the scheduling at the same time. Through share of the demand plan for materials, the suppliers may control the future demand more precisely and arrange the production plan to avoid unnecessary waste and reduce overtime working hours.

### 4.4.4 Supplier Quality Agreement

Sercomm hopes to achieve the win-win situation together with suppliers and customers and make certain to ensure compliance with the ethical and environmental protection standards. Since 2007, Sercomm has required the conclusion of the "Product Quality Assurance Agreement," demanding that the suppliers should comply with the regulations established by Sercomm, so that it may start from the source to control the suppliers' process, green product design, and hazardous substance. The suppliers shall undertake and warrant that their products comply with the "Product Quality Assurance Agreement" defined by Sercomm. If necessary, the suppliers shall submit the test report prepared by a fair third party. In the future, Sercomm will continue to sign the Quality Assurance Agreement with its cooperative suppliers to ensure that the products designed and manufactured by Sercomm comply with laws and regulatory topics at the same time, satisfy customers' green product requirements, and comply with the international laws and regulations, so as to achieve the objective for establishment of the green supply chain.

#### 4.4.5 Conflict Minerals Policy Statement

Sercomm respects international human rights and practices humane treatment as a global citizen. To comply with the requirement of sourcing the Conflict-Free Minerals in Sec. 1502 of the Dodd-Frank Wall Street Reform and Consumer Protection Act, Sercomm expressly states that it forbids the use of Gold (Au), Tantalum (Ta), Tin (Sn), and Tungsten (W), which come from the Democratic Republic of Congo or adjoining countries, as these minerals constitute a major financial source of the illegal armed groups in that area.

To support the global prohibition against the Conflict Minerals, Sercomm promises not to use Conflict Minerals or the raw minerals which come from the Democratic Republic of Congo or adjoining countries. Meanwhile, to shoulder the responsibility associated with the purchasing activities, Sercomm requires all suppliers to forbid the Conflict Minerals. To ensure that all the suppliers comply with Sercomm's expectations, Sercomm conducts an on-site audit of their mineral purchasing policy, purchasing process, and due diligence process to make sure all the materials are free of Conflict Minerals.

#### Sercomm's Conflict Minerals Policy

- To ensure all the products are free of Conflict Minerals from the Democratic Republic of Congo or adjoining countries
- To demand that all suppliers should trace the source of Gold (Au), Tantalum (Ta), Tin (Sn), and Tungsten (W) used in products and smelters thereof, that suppliers should support the Conflict-Free Smelter Program (CFSP), and that suppliers conduct the supply chain's due diligence reporting and disclosure survey based on the Conflict Minerals Reporting Template (CMRT).



## 4.5 Customer Service and Satisfaction

### Customer Satisfaction Survey

Sercomm's customers cover international first-class networking suppliers, global telecommunications, and system service providers. Sercomm provides complete and rapid service through its global layout. Via real-time interaction established by its global business locations and customers, Sercomm has its local supporting teams provide the omnibus business, product, technical, and logistic support, including flexible allocation of warehousing, flexible planning of shipping schedule and locations. Sercomm will make adjustments and provide assistance based on customers' requirements, will enhance the relations with customers, and will identify customers as its long-term partners to maintain the fair relationship.

"Customer is the first priority" refers to the core value of Sercomm's operation and also the foundation of the corporate business. Sercomm has been dedicated to creating maximum value for customers for a long time. Sercomm strives to meet customers' needs and continually satisfy customers. Based on the knowledge and analysis of customers' satisfaction levels, Sercomm continues to improve the important basis for the product and service procedure to create the value that best fits the customers' needs. Sercomm controls customer satisfaction based on the rating record (e.g. scoring card) issued by its customers to its suppliers periodically (per quarter, six months, or year), covering quality, price, delivery, service, technical competency, corporate social responsibility, and feedback. Various business departments shall draft the improvement plans based on the rating result and set the upgrading of scores given by customers as the performance indicator of each related unit.

According to the quality management system, Sercomm sends the "Customers' Satisfaction Survey Form" to main customers each year, as the basis for review and improvement of the annual plan. The factories will also collect customer feedback at the same time. The scoring given upon customers' periodic or irregular audit on various factories is also an important basis for improvement of customer satisfaction. According to the customer satisfaction survey results in 2016, overall satisfaction peaked at 88.40%.

### 2016 Sercomm's Customer Satisfaction Survey

		Satisfaction Survey Items					
		Quality	Delivery	Price	Sales	Technology Support	Summary
<b>Average</b>	<b>Score</b>	<b>4.33</b>	<b>4.23</b>	<b>3.73</b>	<b>4.44</b>	<b>4.25</b>	<b>4.36</b>
<b>Satisfaction</b>	<b>Satisfaction (%)</b>	<b>86.60%</b>	<b>84.60%</b>	<b>74.60%</b>	<b>88.80%</b>	<b>85.00%</b>	<b>87.20%</b>

Note: 5 scores represent the full mark.

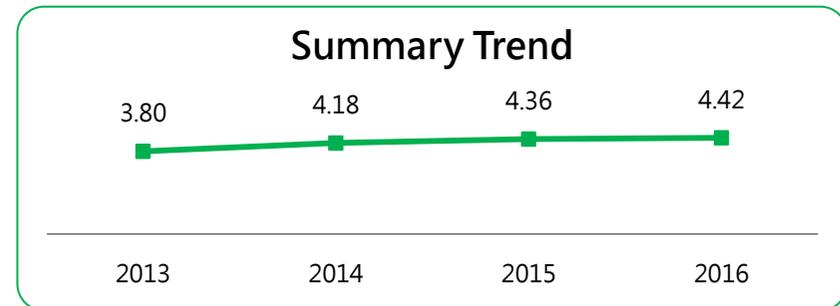
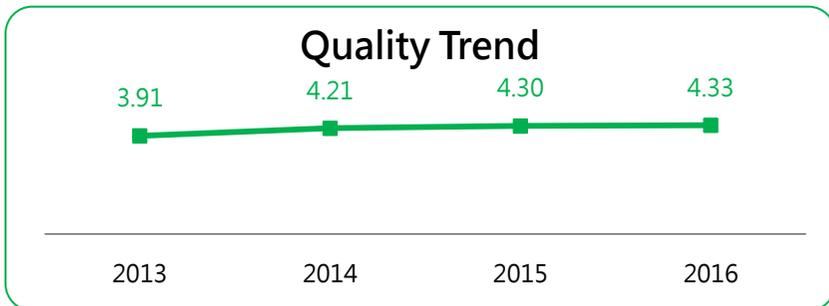
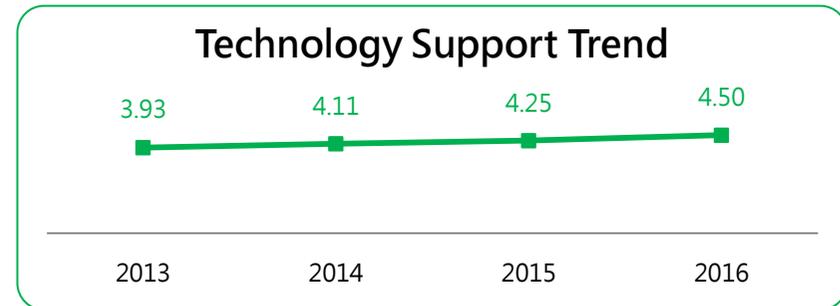
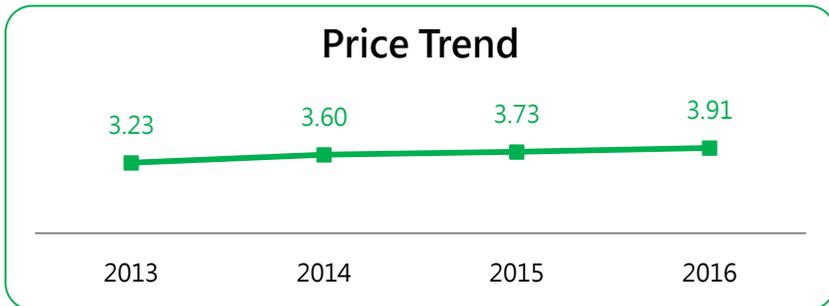
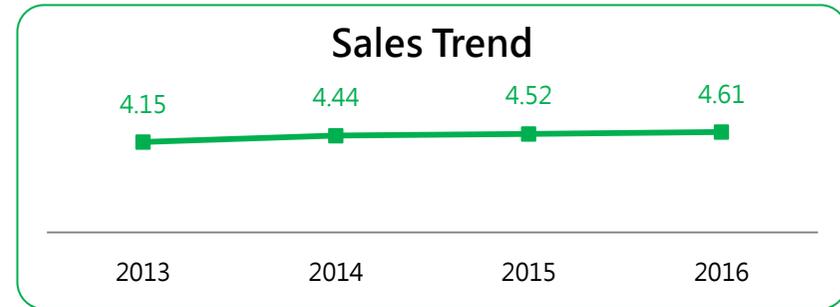
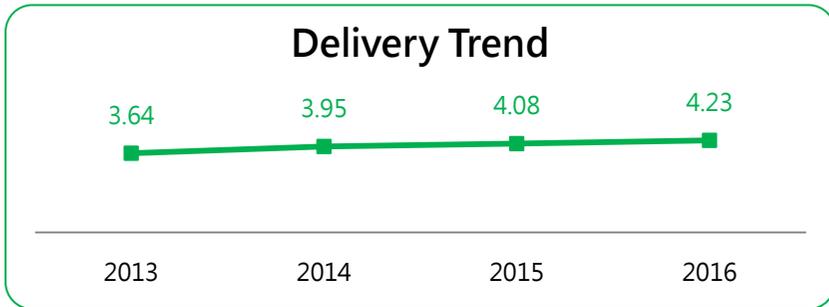
### Customer Privacy

At the same time that it works hard to upgrade customer service, Sercomm values the customers' privacy and intellectual property rights more so. Sercomm signs the non-disclosure agreement with the customers to protect customers' confidential information and to ensure that the colleagues involved in the related business fulfill their non-disclosure obligation when executing the business. In 2016, Sercomm didn't engage in any act against the customers' privacy, never resulting in loss of customers' information that injured the customers' interests and rights.

### Regulatory Compliance

Sercomm is committed to comply with all applicable national and international laws, ethical codes, and generally accepted practices. In the territories where it runs business, Sercomm will strive to boost the fair competition; provide customers with product and service safety; comply with labor laws and practices; commit to the declaration of human rights and international standards; and protect copyright, corporate assets, and intellectual property rights in any form.

Upon analysis of the customers' satisfaction survey results generated from 2013 to 2016, the trend chart for various scores is specified as following:



## Appendix

### Global Reporting Initiative (GRI)/G4.0 Index

#### General Standard Disclosures Overview

Aspect	General Standard Disclosures	Related Report Sections	Page Omissions
Strategy and Analysis	G4-1 Statement from the most senior decision-maker of the organization.	Letter to Stakeholders	3-4
	G4-2 Key impacts, risks, and opportunities	2.4.4	33
Organizational Profile	G4-3 Name of the organization.	2..1	17
	G4-4 Primary brands, products, and services.	2.3 ∙ 2.3.1	26-27
	G4-5 Location of the organization's headquarters	2.1.1	19
	G4-6 Number of countries where the organization operates, and names of countries where either the organization has significant operations or that are specifically relevant to the sustainability topics covered in the report.	2.1.1	19
	G4-7 The nature of ownership and legal form.	2.1	17
	G4-8 Markets served (including geographic breakdown, sectors served, and types of customers and beneficiaries).	2.3	26-27
	G4-9 Scale of the organization.	2.1 ∙ 2.2 ∙ 2.3	17 ∙ 22-27
	G4-10 Total number of employees by contract, employment type, supervised workers, region, and all broken down by gender.	3.2.1	42-43
	G4-12 Description of the organization's supply chain.	4.4	88
	G4-13 Significant changes during the reporting period regarding the organization's size, structure, ownership, or its supply chain.	About this Report	1
	G4-14 Precautionary approach or principle is addressed by the organization.	2.4.4 ∙ 2.4.5	33 ∙ 34-37
	G4-16 Memberships of associations (such as industry associations) and national or international advocacy organizations in which the organization.	2.1.3	21

Aspect	General Standard Disclosures	Related Report Sections	Page Omissions
Identified Material Aspects and Boundaries	G4-17 Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures.	About this Report	1
	G4-18 Process for defining the report content and the Aspect Boundaries.	1.1 \ 1.2 \ 1.3	6 \ 7 \ 14
	G4-19 List all the material Aspects identified in the process for defining report content.	1.1 \ 1.2 \ 1.3	6 \ 7 \ 14
	G4-20 For each material Aspect, report the Aspect Boundary within the organization, as well as whether the Aspect is material within the organization.	1.1 \ 1.2 \ 1.3	6 \ 7 \ 14
	G4-21 For each material Aspect, report the Aspect Boundary outside the organization, as well as whether the Aspect is material outside of the organization.	1.1 \ 1.2 \ 1.3	6 \ 7 \ 14
Stakeholder Engagement	G4-24 A list of stakeholder groups engaged by the organization.	1.2.2	8
	G4-25 The basis for identification and selection of stakeholders with whom to engage.	1.2.3	9
	G4-26 Approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group.	1.3	14
	G4-27 Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting.	1.3	14
Report Profile	G4-28 Reporting period (such as fiscal or calendar year) for information provided.	About this Report	1
	G4-30 Reporting cycle (such as annual, biennial).	About this Report	1
	G4-31 The contact point for questions regarding the report or its contents.	About this Report	1
	G4-32 The 'in accordance' option the organization has chosen.	Appendix	95
Governance	G4-34 The governance structure of the organization, including committees of the highest governance body. Identify any committees responsible for decision-making on economic, environmental and social impacts.	2.1 \ 2.4	17 \ 28
	G4-38 The composition of the highest governance body and its committees.	2.4.3	31-32
	G4-52 The process for determining remuneration whether the consultants are involved in determining remuneration and whether they are independent of management, and any other relationships with the organization.	2.4.3	31-32

Aspect	General Standard Disclosures		Related Report Sections	Page Omissions
Ethics and Integrity	G4-56	The organization's values, principles, standards and norms of behavior such as codes of conduct and codes of ethics.	2.4.4	33

### Specific Standard Disclosures Overview

Aspect	Disclosures On Management Approach(DMA) & Indicators		Related Report Sections	Page Omissions
<b>ECONOMIC</b>				
Economic Performance	G4-EC1	Direct economic value generated and distributed.	2.2	22
	G4-EC3	Coverage of the organization's defined benefit plan obligations.	3.4.5	59
Market Presence	G4-EC5	Ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation.	3.4.1	56
	G4-EC6	Proportion of senior management hired from the local community at significant locations of operation.	3.2.2	45
Indirect Economic Impacts	G4-EC7	Development and impact of Infrastructure investments and services supported.	3.6	66
<b>ENVIRONMENTAL</b>				
Energy	G4-EN3	Energy consumption within the organization.	4.3.1	86
	G4-EN5	Energy intensity.	4.3.1	86
	G4-EN6	Reduction of energy consumption.	4.3	85
Water	G4-EN8	Total water withdrawal by source.	4.3.1	86
	G4-EN10	Percentage and total volume of water recycled and reused.	4.3.1	86
Emissions	G4-EN15	Direct greenhouse gas (GHG) emissions (Scope 1).	4.1.5	77
	G4-EN16	Energy indirect greenhouse gas (GHG) emissions (Scope 2).	4.1.5	77

Aspect	Disclosures On Management Approach(DMA) & Indicators		Related Report Sections	Page Omissions
	G4-EN18	Greenhouse gas (GHG) emissions intensity.	4.1.5	77
	G4-EN19	Reduction of greenhouse gas (GHG) emissions.	4.1.5	77
Effluents and Waste	G4-EN23	Total weight of waste by type and disposal method.	4.1.4	76
Compliance	G4-EN29	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.	4.1	73
Overall	G4-EN31	Total environmental protection expenditures and investments by type.	4.1.6	78
Supplier Environmental Assessment	G4-EN32	Percentage of new suppliers that were screened using environmental criteria.	4.4	88
	G4-EN33	Significant actual and potential negative environmental impacts in the supply chain and actions taken.	4.4.2	89
<b>SOCIAL: LABOR PRACTICES AND DECENT WORK</b>				
Employment	G4-LA1	Total number and rates of new employee hires and employee turnover by age group, gender, and region.	3.2.2	45
	G4-LA2	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation.	3.4	56
	G4-LA3	Return to work and retention rates after parental leave, by gender.	3.3.2	45
Occupational Health and Safety	G4-LA5	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs.	3.5.2	62
	G4-LA6	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender.	3.5.3	63-64
Training and Education	G4-LA9	Average hours of training per year per employee by gender, and by employee category.	3.3.2	52-53
	G4-LA10	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	3.3	49-51
Supplier Assessment for	G4-LA14	Percentage of new suppliers that were screened using labor practices criteria.	4.4.2	89

Aspect	Disclosures On Management Approach(DMA) & Indicators		Related Report Sections	Page Omissions
Labor Practices				
<b>SOCIAL: HUMAN RIGHTS</b>				
Non-Discrimination	G4-HR3	Total number of incidents of discrimination and corrective actions taken.	3.2.2	45
Child Labor	G4-HR5	Operations and suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor.	3.2.2	45
Forced or Compulsory Labor	G4-HR6	Operations and suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of all forms of forced or compulsory labor.	3.2.2	45
<b>SOCIAL: SOCIETY</b>				
Anti-Corruption	G4-SO4	Communication and training on anti-corruption policies and procedures.	3.3.2	52-53
<b>SOCIAL: PRODUCT RESPONSIBILITY</b>				
Product & Service Labeling	G4-PR5	Results of surveys measuring customer satisfaction.	4.5	93-94