SERCOMM

2019 Sercomm Corporation Corporate Social Responsibility

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 2019 Corporate Social Responsibility Report" to detail the status of sustainable development and social responsibility fulfilled by the Company in 2019 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 2019 (from January 1 to December 31, 2019), and some information related to the variance of corporate growth thereof in 2017 and 2018. Previous CSR report was published in Sep. 2019.

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, 2019. The information covers Sercomm Headquarters in Nangang Software Park in Taiwan, the Zhunan factory in Miaoli, and includes selected information of subsidiaries in China and overseas branchest. The scope and boundary of the Subject Matter Information is set out in the "Summary of Subject Matter Assured".

Report Methodology and Guidelines

This report has been drafted based on the GRI standard guidelines. Sercomm will publish the CSR report on an annual basis. This report exists in both Chinese and English versions, both of which are posted on Sercomm's website (http://www.sercomm.com).

Report Assurance

PwC Taiwan has been engaged to perform assurance procedures on the sustainability performance information identified by Sercomm Corporation in accordance with the Statement of Assurance Engagements Standards No. 1, "Assurance Engagements other than Audits or Reviews of Historical Financial Information" in the Republic of China. The assurance report for this CSR report is attached in the appendix.

Contact Information

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SERCOM

Table of Content

Letter From Chairman and CEO

In 2019, the international business environment was adversely affected by the US-China trade negotiations, and the overall business growth was challenging. In response to this environment, Sercomm was proactive in transforming our operations. We have increased the proportion of direct sales to telcos and service providers, which has enabled us to expand our global footprints and achieve better operational performance. Sercomm consolidated net sales for 2019 was NT$ 31.8 billion with the operating profit reaching NT$990 million. Net income before tax was NT$1.28 billion and net income attributable to owners of parent was NT$1.03 billion, which represent a year-over-year increase of 24% and 28%, respectively. Based on 246 million weighted average shares, earnings per share (EPS) for year 2019 were reported as NT$4.21.

In the challenging economic situations in 2019, Sercomm actively expanded its global footprints of production sites. In addition to the original plant in Suzhou, the Zhunan plant in Taiwan has been expanded. Furthermore, new plants in the Philippines have also been established to support the growing demand in business. Thus, our overall capacity has been improved to meet future customer requirements. Sercomm has been striving to reach out to various international markets, as part of its accelerated globalization strategy. We are exploring opportunities in Japan and other emerging markets, such as Latin America, Southeast Asia and India. While upholding our core values of providing solid system intergation capabilities, we have not only received positive feedback from customers but also become the global partner with telcos and service providers. In addition, Sercomm has been actively investing in cutting-edge technologies, such as Small Cells, Smart Medical, M-IoT (Mobile IoT) applications, etc. Simultaneously, the Company actively participated in international exhibitions and engaged with global telecommunication customers.

As a global corporate citizen, while pursuing its growth trajectory, Sercomm is also prioritizing the development of corporate governance and corporate social responsibility. We are working with our suppliers and partners to implement sustainable practices for the environment, and the

"Corporate Social Responsibility Report" published in 2019 has been recognized internationally, which demonstrates Sercomm's commitment to sustainable development practices. Sercomm has achieved international recognition in corporate governance and has been awarded the "Best Small Cap Company" and the "Best Technology Hardware & Equipment Companies" by Asiamoney Magazine for the last four consecutive years. Sercomm is the only Company in Taiwan networking industry who receives the
international recognition. Furthermore, the Company has qualified to be in the top 20% of the listed companies in the "Corporate Governance Evaluation" of the Taiwan Stock Exchange.

For 2020, we are excited about the new era of the 5G mobile broadband technology. Sercomm has accumulated experience over the years in developing new technologies in broadband and telecommunications. We have developed pioneering solutions and continue to expand globally while launching high-value products in order to improve our competitive advantage. In a highly globalized market, the management team at Sercomm will continue to strengthen our research and development, focus on core businesses, drive transformational changes and produce excellent operating results to enhance long-term interests of shareholders, customers and employees and improve our corporate value.

Paul Wang
Chairman of Sercomm

James Wang
President & CEO of Sercomm

1

Stakeholder Engagement
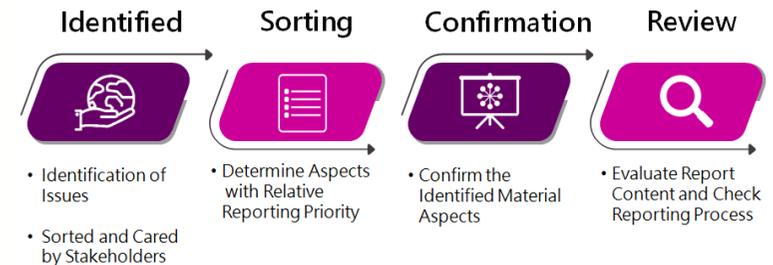
1.1 Corporate Social Responsibility Policy

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.

Identified	Sorting	Confirmation	Review
• Identification of Issues • Sorted and Cared by Stakeholders	• Determine Aspects with Relative Reporting Priority	• Confirm the Identified Material Aspects	• Evaluate Report Content and Check Reporting Process

1.2.2 Identification of Stakeholders

Secomm values the opinion of all stakeholders and the issues prioritizing them. In order to identify representative stakeholders, Secomm classified the stakeholders into 7 groups through open discussion based on the attributes of operations, domestic and overseas sustainable development trends, and the five major principles referred to in the AA1000 Stakeholder Engagement Standard including dependency, responsibility, tension, influence, and diverse perspectives. The 7 groups are: employees, customers/partners, investors/shareholders, suppliers, governments/ competent authorities, news media, and NPO/NGO.

1.2.3 Identification of Materiality Topics

Through the communication of various unit supervisors and colleagues with 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. With reference to the definitions and classifications in the GRI Sustainability Reporting Standards (GRI Standards) published by the Global Reporting Initiative (GRI). Sercomm has collected a total of 29 sustainability issues determined by stakeholders' concerns, of four major aspects—economy, environment, society, and product.

The 29 topics concerned by Sercomm's Stakeholders

High	Middle	Low
1. Business Ethics	16. Talent Training and Education	27. Energy Management
2. Economic Performance		28. Social Engagement
3. Quality Service	17. Diversity & Equal Opportunity	29. Local Employment
4. Compliance with Regulations		
5. Risk Management	18. Customer Health & Safety	
6. Innovation and Development	19. Green Product Management	
7. Customer Satisfaction	20. Supplier Management	
8. Privacy and Data Security	21. Environmental Policy	
9. Corporate Governance	22. Effluents and Waste	
10. Employment	23. Raw Materials Management	
11. Human Right	24. Anti- Corruption	
12. Anti- Corruption	25. Saving &Carbon Reduction Effects	
13. Employee Compensation		
14. Employer - Employee Relations	26. Emissions	
15. Occupational Safety and Health		

Sercomm analysis of material topics in 2019
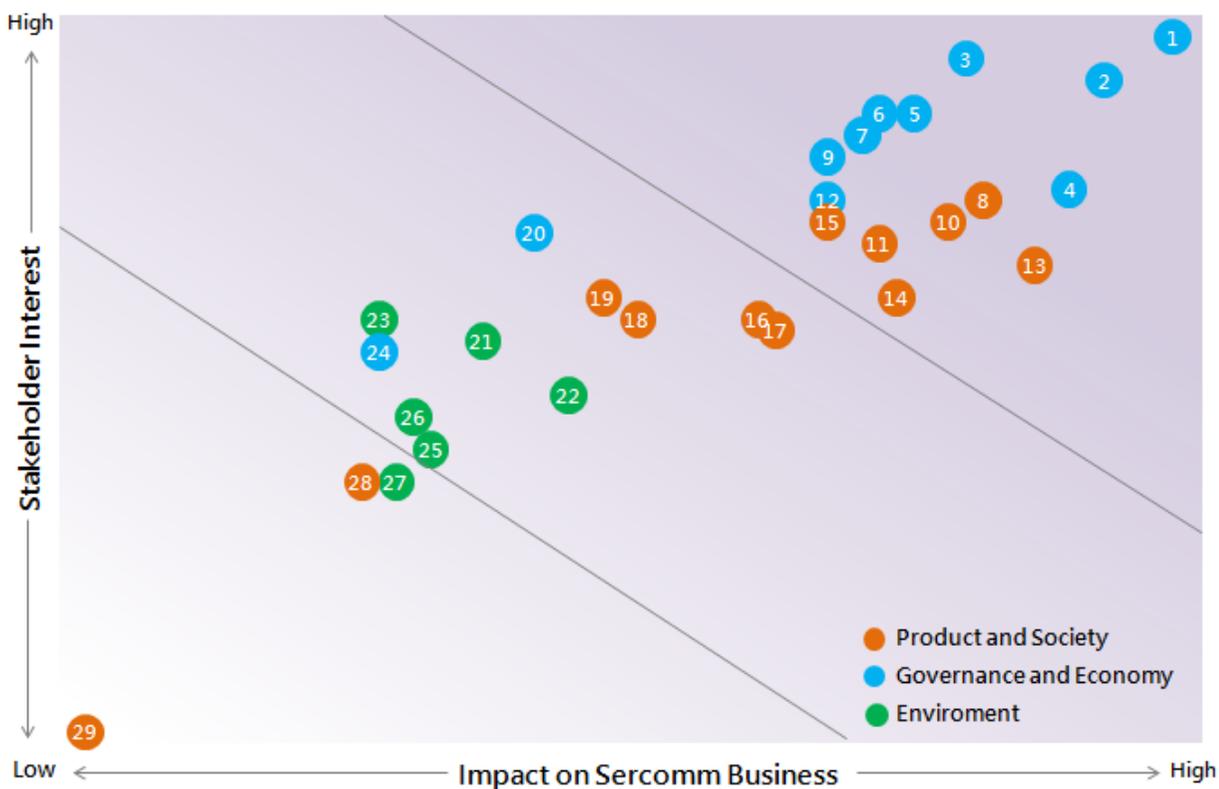
2019 Materiality

After the corporate senior management team and unit supervisors analyzed results of the above procedures, the materiality matrix for 2019 was defined. Sercomm classified the 29 sustainability topics above into significant impact, secondary impact, and negligible impact according to their locations on the matrix. The identification results provided the framework for the report and answers to the stakeholders' questions.

The 29 topics were divided into 15 high impact topics, 11 middle impact topics, and 3 low impact topics. In particular, "high impact issues" are covered in the scope of material disclosure in the report. This CSR Report is intended as a review of Sercomm's progress toward the vision of sustainability and a presentation of the Company's performance in the area. The report serves to maintain a two-way open communication channel between Sercomm and its stakeholders.

Scope of Application

With respect to the identified 29 important topics, the unit contact persons delegated by various unit supervisors are called to help verify the considerations and the subjects to which potential influence might be produced according to the physical operations, which are stated as following:

- Inside the organization: Sercomm Headquarters, Sercomm Zhunan Manufacturing Center, and Sercomm (Suzhou) Corporation
- Outside the organization: Sercomm's customers and suppliers.

Material Topics and Sustainable Issues Index

		Material Topics	GRI Disclosure	Report Chapter		Page
Governance And Economy	High	Business Ethics	GRI 102	Ethical Corporate Management	2.4.4	27
		Economic Performance	GRI 201	Operational Performance	2.2	17
		Quality Service	GRI 102 GR 416	Products and Services	2.3.2	20
				Management System and Certification	4.1.1	66
				Green Products	4.2	72
		Compliance with Regulations	GRI 307 GRI 419	Operation Risk Management	2.4.5	28
		Risk Management	GRI 102	Corporate Risk Management	2.4.5	28
				Management Systems	2.4.6	33
		Innovation and Development	Others	Innovation and Development	2.3	19
		Customer Satisfaction	Others	Customer Service and Satisfaction	4.6	84
		Corporate Governance	GRI 102	Board of Directors	2.4.3	24
		Anti- Corruption	GRI205	Operation Risk Management	2.4.5	28

		Material Topics	GRI Disclosure	Report Chapter		Page
Product and Society	High	Privacy and Data Security	GRI 418	Management Systems	2.4.6	33
				Customer Service and Satisfaction	4.6	84
		Employment	GRI 401	Respect for Human Rights	3.1	36
				Employee Recruitment and Retention	3.2.2	41
		Human Right	GRI 406	Employee Recruitment and Retention	3.2.2	41
		Employee Compensation	GRI 401	Wage Structure	3.4.1	51
		Employer - Employee Relations	GRI 402	Employee Care	3.5	55
		Occupational Safety and Health	GRI 403	Management Systems	2.4.6	33,58
				Safety and Health Management	3.5.3	

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. We hope to achieve the following through information disclosure in the report:

- Strengthen communication between customers, partners, suppliers and investors, and enhance their trust in Sercomm's performance and execution.
- Improve employees' recognition for CSR and incorporate CSR into corporate value to enhance internal cohesion in the Company.
- Maintain unimpeded communication channel between the Company and the media, government, and NGO/social groups.

Sercomm's website (http://www.sercom.com), MOPS (http://mops.twse.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	Topic	Communication Channel
Employees	• Compensation and benefits • Learning and development • Labor relations • Occupational health and safety	• Annual employee performance appraisal • Employee training system • Employee welfare committee and ESH committee • Employee opinion mailbox (sexual harassment, fraud or ethics violations)
Customers/Partners	• Customer service and satisfaction • Product quality & safety • Supplier management • Risk management	• Customer audit • Global technical support • Customer service and satisfaction survey • Green policy, green product strategy and green procurement

Stakeholder	Topic	Communication Channel
Investor/Shareholder	• Operating performance • Risk management • Corporate governance and information disclosure	• General Shareholders' Meeting • Annual reports, material information and financial press releases • Results announcement (monthly/quarterly) • Periodically hold investor conference • Regularly attend investor conference (domestic and overseas) • Sercomm company website
Suppliers	• Supplier management policy • Green products specification • Sustainable acquisition strategies • Order management • Quality management	• Supplier evaluation and assessment • Project meeting • Jointly implement ESG and corporate social responsibility(CSR) • Supplier on-site audit • Conflict of interest policy
Government Authorities	• Regulatory compliance (taxation/occupational health and safety/information disclosure) • Operating performance • Risk management	• Comply with government regulations • Obtained international certifications of EHS • Participant in public hearings and symposiums organized by governmental authorities
Media	• Operating performance • Innovation development	• Results announcement(monthly/quarterly) • Press releases • Media interview and project planning • Annual media gathering
Non-Profit Organizations	• Social participation • Environmental sustainability	• Participant in NGOs activities • Sponsoring non-profit organizations/institutions • Employee volunteering

2

Development
of Corporate Operations

2.1 Company Overview

Company Name
Sercomm Corporation

Founded in
July, 1992

Employees
4,421

Sales Revenue (2019)
NT$ 31.8 billion

EPS (2019)
NT$ 4.21

Total Capital (2019)
NT$2.49

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 America, Europe, China, Asia Pacific and emerging 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, 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 Global Branches

14

Sercomm holds plenty of know-how and expertise about broadband telecommunication. Its manufacturing centers are located in Zhunan, 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. Furthermore, to cope with the increasing international trend of business operation, in addition to the enhancement of the automated production line at the cross-strait manufacturing centers, the Company has further established new plant in Philippines and has also swiftly constructed diverse production locations in order to improve the depth and breadth of the overall production capacity.

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.

2.1.2 Award and Recognition

Most Outstanding Company in Taiwan
(Small Caps Sector)

Most Outstanding Company in Taiwan
(Technology Hardware & Equipment Sector)

Most Honored Company
Best Investor Relations

Asia Pacific Technology Fast500 Company

2019

- Awarded by Asiamoney Magazine as:
  "Most Outstanding Company in Taiwan–Small Caps Sector"
  "Most Outstanding Company in Taiwan–Technology Hardware & Equipment Sector"

- Awarded by European Operator as "Supplier Awards - Outstanding Contribution"

- Announced the World's First Smart Home Small Cell Together with U.S. Wireless Carrier

- Awarded by Leading Semiconductor Company as "Outstanding Business Achievement Award"

- Ranked in top 20% in Corporate Governance Evaluation of Listed Companies by Taiwan Stock Exchange

2018

- Awarded by FinanceAsia Magazine as:
  "Best Managed Company", "Most Committed to Corporate Governance", "Best at Investor Relations ", "Best at Corporate Social Responsibilities ", "Best Mid-cap Company "

- Awarded by Institutional Investor as：
  "Most Honored Companies"，"Best Investor Relations"

- Awarded by Deloitte & Touche as the "Asia Pacific Technology Fast500 Company"

2017

- Sercomm Full HD Wireless IP Camera and Smart Door/Window Sensor Win Red Dot Product Award 2017

- Acquired Certification of "Taiwantrade Supplier Verification" by TÜV Rheinland

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
5G Industry Innovation and Development Alliance
Alashan SEE Ecology Association
Bluetooth Special Interest Group (Bluetooth SIG)
CBRS Allianace
China Communications Industry Association, Internet of Things Application Branch
China Communications Standards Association (CCSA)
China Mobile Digital Home Alliance
China NB-IoT Industry Alliance
Chinese National Association of Industry and Commerce, Taiwan (CNAIC)
Communications Industry Alliance
Cross-Striate CEO Summit
eXtended Global Platform Forum (XGP)

Organization
Fair Winds Foundation
Global Certification Forum (GCF)
Global Monte Jade Science & Technology Association
Global TD-LTE Initiative
GTI Partner Forum Leadership Committee
Home Gateway Initiative (HGI)
LoRa Alliance
Mobile Internet of Things Alliance
Multimedia over Coax Alliance (MoCA)
NB-IoT Alliance
O-RAN Alliance
Small Cell Forum
Suzhou Industrial Park Human Resources Development
Suzhou Internet Of Things Association
Suzhou SIP EHS Association

Organization
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)
The International Wireless Industry Consortium (IWPC)
Wi-Fi Alliance (WFA)
Wireless Innovation Forum
Wuxi IoT Industry Association
Yushan Science and Technology Association Suzhou
ZigBee Alliance

2.2 Operational Performance

22%

19 Years Sales Revenue CAGR (2000~2019)

17%

19 Years Averaged ROE (2000~2019)

twA-

Taiwan Ratings

Financial Performance

Sercomm overall business continues steady performance with consolidated net sales of NT$31.8 billion in 2019. Operating profit was NT$987 million, with net income before tax of NT$1,273 million. The net income attributable to owners of parent was NT$ 1,033 million. Based on 246 million weighted average shares, the EPS for 2019 was NT$4.21.

	2017	2018	2019
Sales Revenue	38,600,003	33,384,941	31,797,130
Gross Profit	5,027,843	4,477,652	5,079,038
Operating Expense	3,493,639	3,577,191	4,092,136
Operating Profit	1,534,204	900,461	986,902
Non-operating Income & Expense	49,354	129,959	291,000
Income Before Tax	1,583,558	1,030,420	1,277,902
Net Income Attributable to Owners of Parent	1,311,868	807,586	1,032,953
EPS (NT$)	5.38	3.32	4.21

Profitability

Sercomm upholds the core value of software and hardware integration. We face the adversities in the industry in a proactive manner, and devotes itself in the optimization of product portfolios. In 2019, the Company has achieved a gross margin of 16%. Through increased the proportion of direct sales to telcos and service providers, which has enabled us to expand our global footprints and achieve better operational performance.

	2017	2018	2019
Gross Margin(%)	13.0	13.4	16.0
Return on Equity (%)	17.7	11.9	14.1
Return on Assets(%)	5.5	3.8	4.5

17

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 2018 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$2.5 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.

18

Cash Dividend Payout Ratio

75%

70%

71%
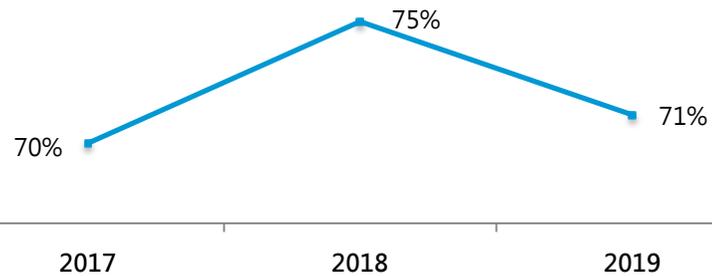
2017   2018   2019

Year	2017	2018	2019
Dividend (NT$ per share)	3.75	2.50	3.0
Dividend Payout Ratio	70%	75%	71%

*The calculation is based on the annual closing price

Employee Benefits (NT$thousand)

$266,139

$197,233

$231,275

2017   2018   2019

Tax Payment (NT$thousand)
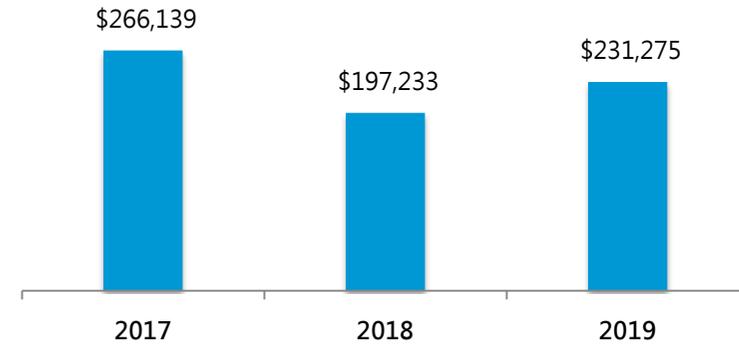
$295,400

$182,115

$243,335
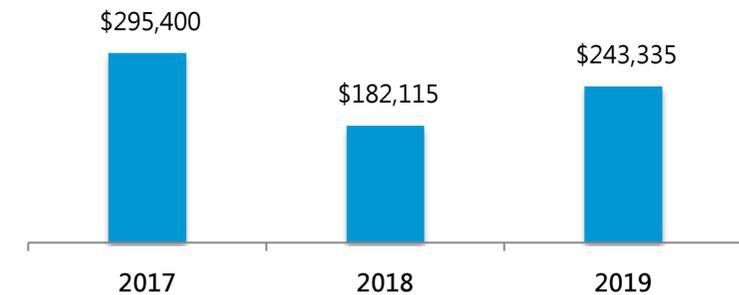
2017   2018   2019

Unit: NT$ thousand

Year	2017	2018	2019
Income before Tax	1,583,558	1,030,420	1,277,902
Income Tax	295,400	182,115	243,335

2.3 Innovative Development

2.3.1 Research and Development Capability

Sercomm devotes to the innovative research and development in the field of telecom broadband, and focuses on research and development of new communication technologies in order to strengthen our core competitive advantages. Furthermore, we constantly release innovative products ahead of our competitors in the same industry. With our strong research and development team, the Company has excellent performance in integrated development in software, hardware and firmware. We also strive to optimize the effectiveness, functions and cost structure of our products. With the our optimized and competitive design, firmware and hardware from the beginning to the product production, comprehensive testing, quality guaranteed at manufacturing, global technical support and network level management technology after sales, Sercomm provides all around telecom broadband solutions to meet different clients' needs. The excellent innovation research and development result also earned Sercomm affirmation from first-tier international clients and made us the major development partner.

Sercomm has R&D Centers in Taipei (Taiwan), Suzhou (China), and Moscow (Russia) with more than a thousand engineers. In 2019, the telecom sector has contributed over 80% of the total revenue. This showed that Secomm has broken through the conventional framework of OEM and thus has a larger potential growth in technology development and emerging markets. From families to offices, Secomm satisfies customers' need for diverse, all-in-one digital integration network communication. The operations of the Company have also transformed from single niching, to all around telecommunication equipment suppliers. With the upcoming 5G era, Sercomm is utilizing advance technology in order to be a leader in the market of AIoT (Artificial Intelligent of Things) and M-IoT (Mobile IoT). Sercomm is in a position to launch high value-add products utilizing its experience with system integration of software and firmware.

R&D Expense to Sales Ratio
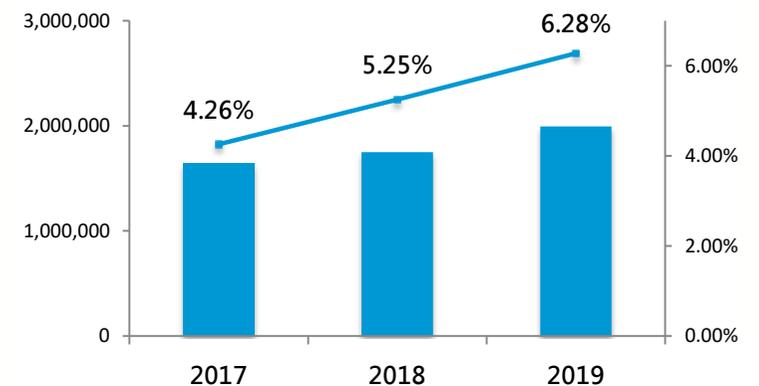
Unit: NT$ thousand

Year	2017	2018	2019
R&D Expense	1,645,589	1,751,190	1,996,009
R&D Expense to Sales Ratio	4.26%	5.25%	6.28%

2.3.2 Product and Service

Revenue breakdown by product and regions in 2019.

2019 Revenue by Market

Product Breakdown

2018	2019
12%	18%
14%	17%
35%	36%
39%	29%

- ■ Home Gateway
- ■ Fixed-Mobile Products
- ■ Enterprise Products

46% North America

32% Europe

22% Asia

North America: 2018 = 135, 2019 = 146

Europe: 2018 = 115, 2019 = 101

Asia: 2018 = 83, 2019 = 71

20
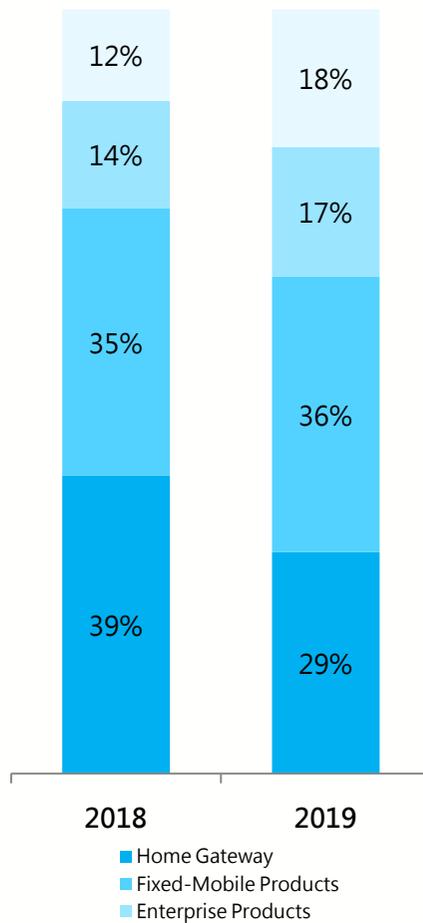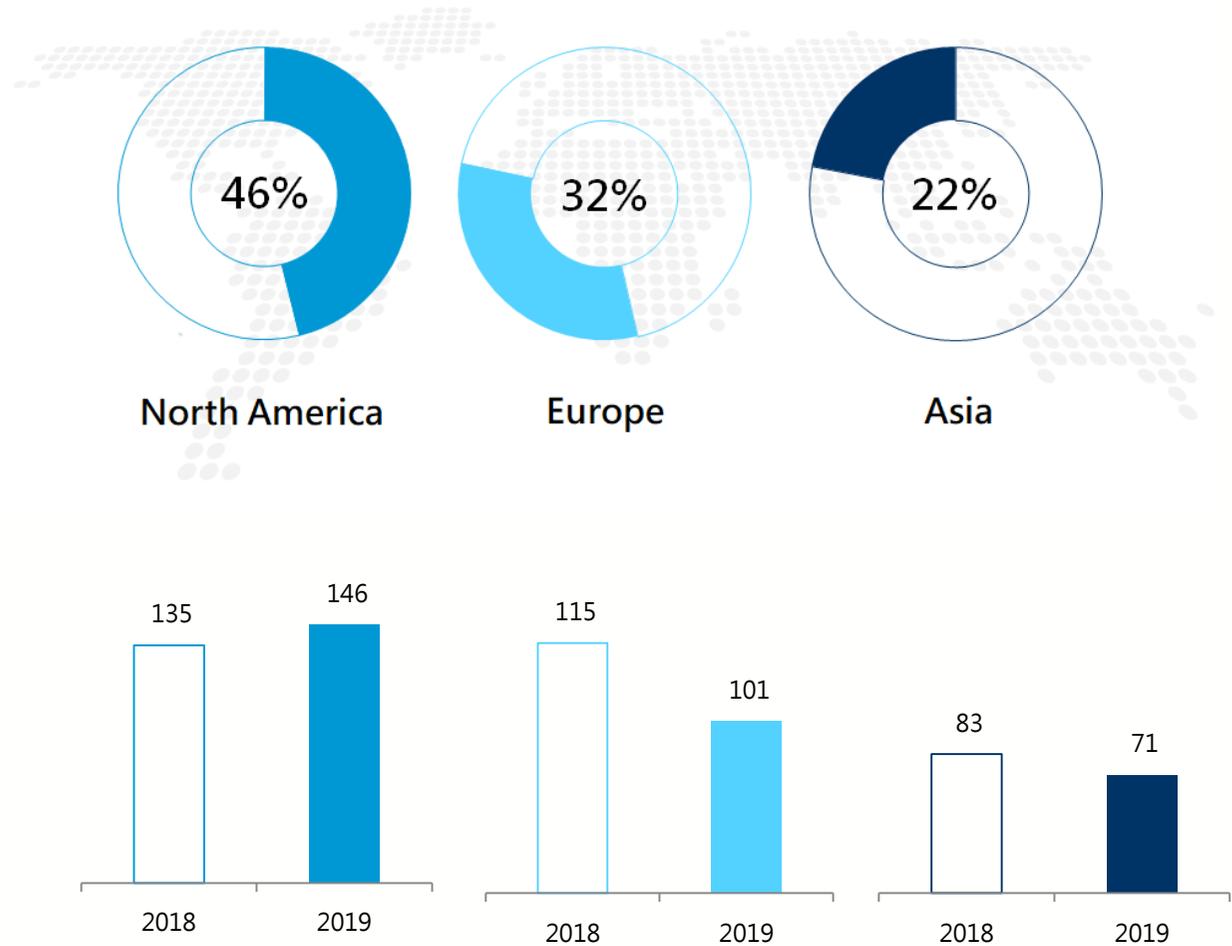
2.4 Corporate Governance

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. Sercomm was rated in the top 20% among all publicly traded companies in "2018 Corporate Governance Evaluation" held by the Taiwan Stock Exchange (TWSE) and Taipei Exchange (TPEx).

2.4.1 Organization Chart

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                          ┌──────────────────────────┐
                          │  Shareholders' Meeting    │
                          └──────────────────────────┘
  ┌──────────────────┐    ┌──────────────────────────┐
  │  Auditing office │────│   Board of Directors      │
  └──────────────────┘    └──────────────────────────┘
  ┌──────────────────────┐
  │ Compensation Committee│───┐
  └──────────────────────┘   │ ┌──────────────────────┐        ┌──────────────────┐
  ┌──────────────────┐       │ │       Chairman        │────────│  Chairman Office  │
  │  Audit Committee │───────┘ └──────────────────────┘        └──────────────────┘
  └──────────────────┘         ┌──────────────────────┐        ┌──────────────────┐
                               │    President/CEO      │────────│  President Office │
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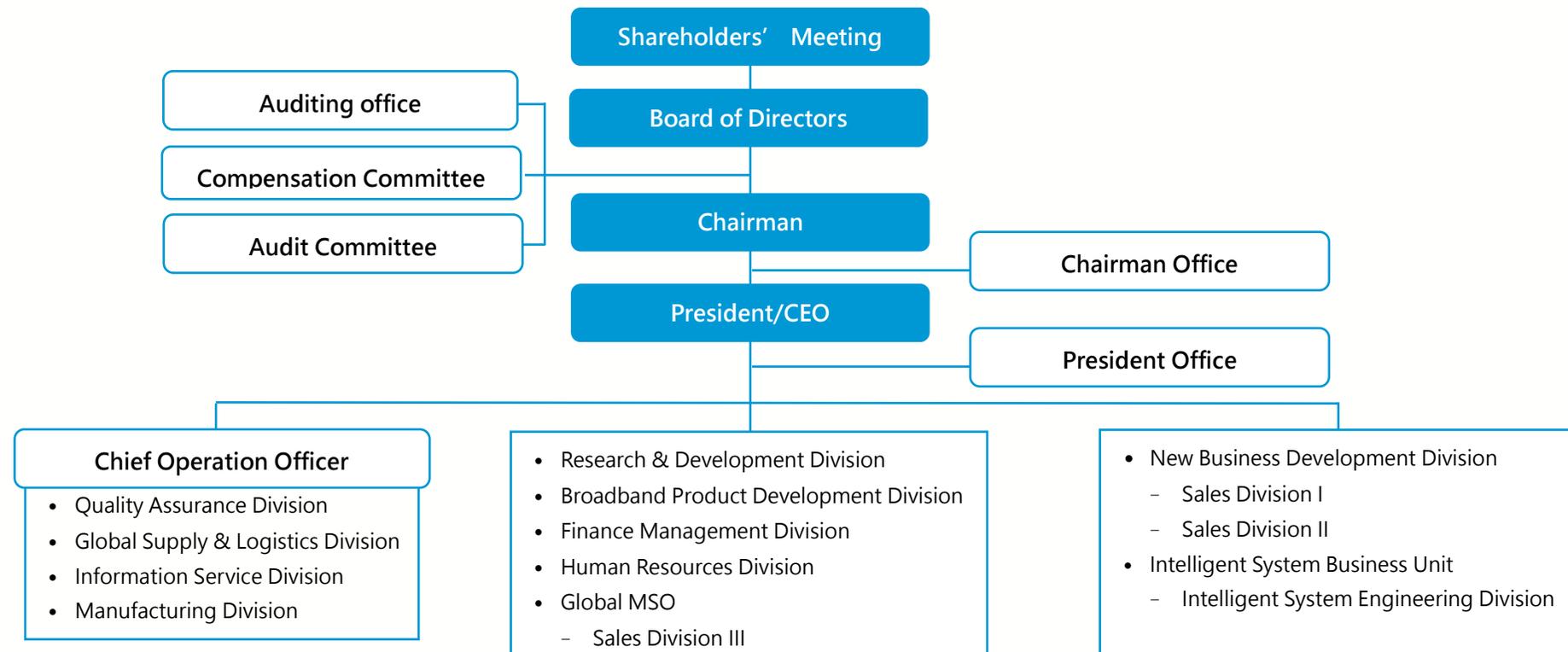**Chief Operation Officer**
- Quality Assurance Division
- Global Supply & Logistics Division
- Information Service Division
- Manufacturing Division

- Research & Development Division
- Broadband Product Development Division
- Finance Management Division
- Human Resources Division
- Global MSO
  - Sales Division III

- New Business Development Division
  - Sales Division I
  - Sales Division II
- Intelligent System Business Unit
  - Intelligent System Engineering Division

Development of Corporate Operations

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.
Broadband 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 MSO	Sales promotion and operation, customer services and support etc.
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

As of 2020/4/17

	No. of Shareholders	Shareholding	Ownership
Government Agencies	3	7,386,000	2.97%
Financial Institutions	33	32,277,606	12.96%
Other Legal Entities	80	50,151,740	20.14%
Foreign Institutions	184	66,467,495	26.69%
Individual	17,270	92,771,926	37.25%
Total	17,570	249,054,767	100.00%

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 2018 Sercomm shareholder meeting, electronic voting accounted for 54.30%of total outstanding shares, and 73.01%of those who attended the meeting. During Sercomm's 2019 shareholder meeting, electronic voting accounted for 38.62% of total outstanding shares with voting rights, and 61.57% of those who attended the meeting.

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 which consist of 2 legal representatives, 5 natural person and 3 Independent Directors. Sercomm Board considers diverse academic and industrial experiences including finance, law and technology. Information on Directors' background, education, work experience and the operation of each functional committees has been disclosed in the Company's annual report. The latest information can be found on MOPS and the Company's website (https://www.sercomm.com). To ensure the interest of investors, the Company has taken out liability insurance for all Directors and important personnel. After the renewal of insurance each year, the insurance amount, scope and rate are submitted and reported to the most recent Board meeting.

- 6 board meetings were held in 2019, with an average attendance rate of 95% for all Directors (excluding proxy attendance).
- The Board has 7 seats, of which 3 are occupied by Independent Directors. The various committees are composed of independent Directors and professionals. 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 CEO of subsidiary company.

Board Members

Title	Name	Gender
Chairman and CEO of subsidiary company	Paul Wang Representative of Pacific Venture Partners Co. Ltd.	
Director and President	James Wang Representative of Zhuo Jian Investment Co., Ltd.	
Director and Executive Vice President	Ben Lin Representative of Zhen Bang Investment Co., Ltd.	Male
Director	Shyue-Ching Lu Representative of Yun Zhou Investment Co., Ltd.	
Independent Director	Steve K. Chen	
Independent Director	Chin-Tay Shih	
Independent Director	Rose Tsou	Female

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.

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. A total of 18 training hours participated in 2019.

Independent Director

In order to establish a comprehensive corporate governance structure, Sercomm elected 2 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. The number of Independent Directors was increased to 3 in 2017.

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 three Independent Directors and one external member. The Committee oversees the performance appraisal and remuneration policy/system of Directors and senior management, and incentives and reward 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 3 meetings were held in 2019.

The Committee members are as follows:

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

Audit Committee

Sercomm established its Audit Committee in 2018. The Audit Committee consists of three Independent Directors. The Directors are responsible for the supervision of the Company's financial statements, for choosing the accountants for their independence and performance, for the effectiveness of the implementation of internal controls, for ensuring that the Company follows relevant laws and regulations, and for assessing the existence and potential risks to the Company. A total of 4 meetings were held in 2019 with an average of 83% in-person attendance rate.The Company's chief internal auditor shall regularly report audit items to the Audit Committee on a quarterly basis and discusses it in person during the meeting. The CPA shall communicate quarterly on the financial statement review, follow-up reports and other matters as required by the law, and explains the updates on the securities laws and tax laws. The Company's Audit Committee has good communication with audit personnel and the CPA.

The Audit Committee members are as follows:

Name	Title
Chin-Tay Shih	Independent Director, Audit Committee Chairman
Steve K. Chen	Independent Director, Audit Committee member
Rose Tsou	Audit Committee member

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. After the submission of audit report and follow-up report, the Company's chief internal auditor shall submit these reports for the review by the Independent Directors by the end of the month next following the completion of the audit items. Thus, the Independent Director may have a timely understanding in the audit and follow-up results.

2.4.4 Ethical Corporate 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 also lists the above-mentioned regulation as internal compulsory E-Learning courses, to serve as the basis of operation and conducts.

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
- Stakeholder contacts：audit@sercomm.com
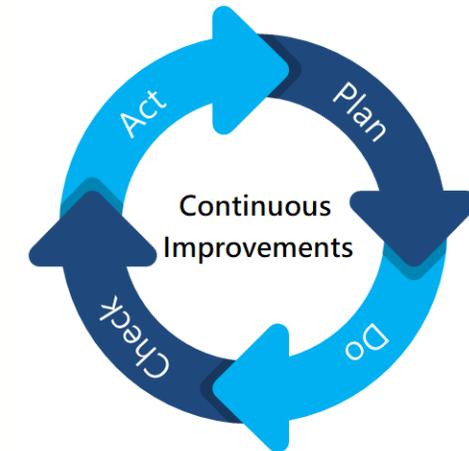
2.4.5 Operation Risk Management

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.

Sercomm's internal control system has been formulated based on Regulations Governing Establishment of Internal Control Systems, Corporate Governance, Theory of Internal Control and regulations regarding development of technology. It is to stipulate that all units and subsidiary companies shall conduct internal inspection and review, and disclose the results in the Company's annual reports.

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.

Credit Risk

Credit risk mainly comes from accounts receivable that cannot be fully paid by the transaction counterparty according to the payment terms. The business unit of the Company manages the customer credit risk according to the customer credit risk policy, procedure and control of the Group. All of the credit risk assessments of a customer shall comprehensively consider the factors of financial status of such customer, rating of the credit assessment institution, past historical transaction experience, current economic environment and internal rating standard of the Group etc. In addition, the Group also uses certain credit enhancement tools (such as advance sales receipts and insurance etc.) at appropriate timing in order to reduce the credit risk of specific customers.

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 2018. 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.

Risk Control Framework

Identification of Risk			Risk Control Measures
Economic Issues	• Financial • Legal • Audit	• Operating Management • Corporate Investment • Public Relations • Investor Relations	Please refer to 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".
	Supply Chain Risk		● Ensure that products and supply chains are exclusive of conflict minerals ● New supplier selection criteria ● Educational training for suppliers ● Graded management of and guidance to suppliers by suppliers' characteristics and risk levels
	Code of Conduct and Anti-Corruption		● Enactment of the "Employee Code of Conduct" ● Continue the employees' ethical codes and anti-corruption propagation training ● Set up the complaining channels instead of the high-rank management
Environmental Issues	Climate Change		● Develop green and innovative energy-saving products ● Develop green advanced process technologies ● Build green factory management systems ● Implement energy-saving and carbon-reducing projects ● Inspect usage of energy and resources, and manage the sources
	Strengthen Environmental Regulations		● Comply with related laws and regulations, and enact various operating procedures ● Occupational safety and health committee reviews compliance with environmental protection laws periodically.

Identification of Risk		Risk Control Measures
Social Issues	Human Capital Risk Management	● Inspect and audit human resource periodically ● Plan and execute employees' educational training and development planning ● Design competitive remuneration and employees' benefit policies ● Complete training, and development & training plan for local human resources
	Safety and Health Risk	● Occupational safety and health committee reviews compliance with occupational safety laws periodically. ● Employees' occupational safety and health educational training ● Protective measures and control over risk of hazard ● Safety and production order in workplace ● Fulfill fire protection measures and enhance employees' awareness and training of fire protection ● Implement the control over source of fire and voluntary safety inspection mechanism ● Inspect electric and mechanical equipment periodically
	Infectious Disease Control and Prevention	● Strengthen various infectious disease preparedness measures ● Access control at factory premises, especially handling and disinfection at factory premises ● Employees' self health management and checkup ● Review and store preparedness supplies
	Product Quality/Safety Management	● Design products in accordance with international rules and brand customers' standards ● Strengthen the technical team

* 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 OHSA 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 2019, Sercomm had no litigation record for breach of any customer's confidential information and no cases on appeal.

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. Information Service Division continues to maintain information security and establish an early warning system for weakness, threats and abnormalities.

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	V			V	
Sercomm Zhunan Factory	V	V	V		V
Sercomm (Suzhou) Corporation	V	V	V		

3

Employee Relations and Social Participation

3.1 Respect for Human Rights

Sercomm's care for employees starts from the respect to human rights, and the Company believes that only by establishing an environment of mutual respect, mutual trust among each other can then be promoted, in order to facilitate employees and the organization to grow healthily and to further promote individuals to care the society. It refers to a process of establishing the basic value, and this is also the starting point for Sercomm to demonstrate the relationship between the corporate and society. Respect difference, prohibit discrimination, protect confidentiality, trust and ethics not only exist in the provisions of the "Employee Code of Conduct" but also being realized in the daily diverse communication and feedback of employees in order to be deeply rooted as the unique terms for the corporate culture. New employees are required to sign the employment contract upon their report to work, and are explicitly informed of the undertaking and Employee Code of Conduct, specifying that during the performance of duties, employees shall adhere to the standard of ethics and integrity, and shall also properly comply with rules and regulations at work. The content includes the company policies of ethical management best practice principles, respect individuals, suppliers and customers, management with integrity, recusal of conflict of interest, prohibition on illegal benefits, public announcements, trade secrets, intellectual property rights, fair trade, advertisement, competition, protection of personal information, privacy, moral and ethics, prohibition on revenge and computer usage etc. The Company also establishes various monitoring and management mechanisms, which are also incorporated into the orientation training for new employees, in light of maintaining the reputation, legal and moral standards of the Company. In addition, Sercomm complies with local labor laws and regulations. When the company is about to undergo major operational changes, it will make advance notice before terminating the labor contract.

3.1.1 Protect Gender Equality Establish Friendly Workplace

Sercomm complies with the regulations of the "Act of Gender Equality in Employment" to prevent sexual harassment and gender discrimination at work. At the end of 2019, the male employee ratio was 56%, the female employee ratio was 44%, and these two employee ratios were 2% closer to the balance point in comparison to the ratios of the last year respectively.

In order to care for employees, Sercomm provides comfortable nursery rooms, and providing 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. 81 Taiwan employees (29 female employees and 52 male employees) of Sercomm met the conditions for unpaid parental in 2019, including 24% female employees and 4% male employees who were granted the leave after all. Upon completion of the unpaid parental leave, 58 % of the female employees were reinstated. After returning to one's job position, more than 82% of employees continue to remain at their job positions for more than one year, indicating Sercomm's thorough implementation on gender protection.

Sercomm Employee Gender Composition in 2019

Male Employees
2,506 in total
Account for

Female Employees
1,945 in total
Account for 44%

Number of Employees that took Parental Leave in 2019	Gender	
	Male	Female
Number of Employees Entitled to Unpaid Parental Leave	52	29
Number of Unpaid Parental Leave Applicants	2	7
Rate of Unpaid Parental Leave Applicants	4%	24%
Expected Number of Employees Reinstated from Parental Leave in 2019	2	12
Actual Number of Employees Reinstated from Parental Leave	0	7
Rate of Employees Reinstated from Parental Leave	0%	58%
Actual Number of Employees Reinstated from Parental Leave in 2019	2	11
Number of Employees that Worked for One Year Since Returning from Parental Leave in 2019	1	9
Retention Rate for more than one year	50%	82%

3.1.2 Equal Employment Prohibition on Child 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.

Sercomm Child Labor and Forced Labor Hired

	2017	2018	2019
Child Workers	0	0	0
Under-Ages Workers	0	0	0

3.1.3 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. As of 2019, there should be a total of 23 employees with disabilities. The number of such employees hired in 2019 accounted for 1% of the total employees hired in the territories of Taiwan. 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 Code of Conduct Training Hours in 2019

Area	Number of Participants	Training Hours
Taiwan	1,818	739.99
China	169	566.97
Worldwide	555	114.84

Sercomm Disabled Employees Hired in Taiwan

2017	2018	2019
11 people	12 people	23 people
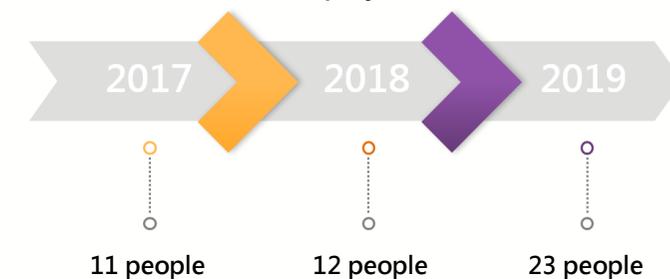
3.1.4 Communication Mechanisms

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 2019, a total of 40 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 2019, a total of 141 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 2019, a total of eight 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 2019, a total of fourteen 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

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 2019, Sercomm had hired about 4,400 employees throughout the world, including 36% in Taiwan, 61% in Mainland China, and 3% thereof in the other territories. By type of the employee, its direct employees accounted for 44% and indirect employees 56% in the world.

Sercomm Employee Totals in 2019

Category	Male	%	Female	%	Total	%
Direct labor (DL)	829	19%	1,159	26%	1,988	45%
Indirect labor (IDL)	1,677	38%	786	18%	2,463	55%
Total	2,506	56%	1,945	44%	4,451	100%

Sercomm spares no efforts on continuously investing in human capital for value-added products. Research and development capability is one of the core competencies of Sercomm. The Company continues to actively cultivate research and development talents in order to ensure the quality and quantity of the research and development resources, thereby sufficiently supporting the continuously expanding existing demands and prospective plans. The number of research and development personnel accounts for nearly half of the ratio of indirect

personnel of the Company, reaching 49%, and such ratio continues to increase year after year.

The seniorities of employees of the Company are mostly in the range of three to ten years, accounted for more than 35% of all employees. In 2019, the turnover rate of direct and indirect personnel dropped by 11% and 3% respectively compared with last year. The stability of employees is high, and employees continue to demonstrate their values of work skills and dedication at work such that the corporate culture inheritance and organization knowledge can be improved, and the foundation for research and development resources can be established firmly.

Sercomm Employee Categories in 2019

Category		Male	%	Female	%	Total	%
Age	Under 30	1,097	25%	780	18%	1,877	42%
	30-50	1,326	30%	1,106	25%	2,432	55%
	Above 50	83	2%	59	1%	142	3%
Management	Direct Employee	829	19%	1,159	26%	1,988	45%
	Indirect Employee Manager	322	7%	112	3%	10%	10%
	Professionals	1,355	30%	674	15%	46%	43%
Years of Service	1 year or less	701	16%	645	14%	1,346	30%
	1–3 years	656	15%	459	10%	1,115	25%
	3-5 years	354	8%	324	7%	678	15%
	5-10 years	507	11%	364	8%	871	20%
	10-15 years	182	4%	98	2%	280	6%
	15 years and above	106	2%	55	1%	161	4%

Note: The number is permanent employees.

3.2.2 Employee Recruitment and Retention

Sercomm believes that corporate success relies on the collective efforts of all employees, and it is imperative to recruit talents to join the team in order to achieve great success for the Company. Therefore, through specific directives of talent recruitment and proper job positioning, Sercomm is able to understand employees and make appropriate personnel arrangements, allowing all talents to exploit their professions at right positions. During the recruitment process, job vacancies are announced publicly and transparently in order to prevent any information difference and to allow all applicants to have fair employment opportunities. Supervisors of the employing units and professionals perform competence evaluation on applicants individually in order jointly select appropriate talents.

Sercomm 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 2019, Sercomm hired foreign employees from various countries, including the R&D, technical support and sales personnel from the U.S.A., South America, Europe, and Asia. Meanwhile, it ensured the equality in employment, development, performance appraisal, and remuneration of its employees in the world. Sercomm hopes to discover and cultivate more potential talents through the introduction of diverse capital, in view of refining important talents for the new era of 5G.

41

1. Recruitment and Retention

Sercomm recognizes that only by actively recruiting and retaining talents can the staff inspire the R&D and manufacturing energies and support the Company in maintaining a long-term competitive advantage over global competition. Sercomm adheres to the principle of matching the right talents to the right jobs. In 2019, Sercomm's new indirect labor employees 3 month retention rate was up to 90% globally. In comparison to the number of new employees in last year (85% in 2018, number of employees of 322), the number of new employees increased by 1.67 times greater, and the retention rate also increased by 5%. In addition, even for China where the turnover rate fluctuates most severely, the retention rate of indirect personnel also increased by 6% from 85% in 2018 to 91%. This is evident to prove that during the recruitment process, through proper talent screening in conjunction with employment system and new employee training, talents are able to adapt to the challenge of new environment, to cope with the DNA of the corporate culture and to become part of the new organization in order to further exploiting their expertise, which in turn, the organization is able to grow healthily and sustainably.

2019 New Hire Rates and Turnover Rate of Indirect and Direct Employee

Total		Indirect Employee				Direct Employee			
		Number of New Hires	New Hire Rate	Departed Employee	Turnover Rate	Number of New Hires	New Hire Rate	Departed Employee	Turnover Rate
		540	12%	391	9%	1,678	38%	1,563	35%
Gender	Male	389	9%	279	9%	871	20%	909	20%
	Female	151	3%	112	3%	807	18%	654	15%
Age	<30	257	6%	151	3%	1,184	27%	1,122	25%
	30-49	202	5%	219	5%	483	11%	436	10%
	>50	0	0%	3	0.1%	11	0.2%	5	0.1%

Note:

New Hire Rate = Number of Indirect/Direct Employee New Hires in the Category Concerned÷Total Number of Employees at the End of the year

Turnover Rate = Turnover Quantity of Employees in the Category Concerned÷Total Number of Indirect/Direct Employees at the End of the year

2019 Sercomm New Employee 3 Month Retention Rate

	Indirect Labor Employees			Direct Labor Employees			Total		
	Number of New Hires	Remaining on the Job After 3 Months	%	Number of New Hires	Remaining on the Job After 3 Months	%	Number of New Hires	Remaining on the Job After 3 Months	%
Taiwan	198	175	88%	486	459	94%	684	634	93%
China	261	237	91%	1192	749	63%	1453	986	68%
Total	540	487	90%	1678	1208	72%	2218	1695	76%

2. 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.

3. Campus Recruitment

"Campus Rooting" has always been an important work item for the talent recruitment of Sercomm. Through diverse channels, the Company conducts career development dialogue with graduating students who are about to enter the job market or students with limited understanding on the career goal in order to recruit outstanding talents worldwide. Campus rooting is not only for the company business strategy and organization development needs but also for the purpose of providing assistance to students in order to reduce the gap between school learning and actual practice, thereby satisfying the supply and demand between the industry and the academic sectors as well as implementing career planning with efforts.

The specific actions for the campus rooting include active development in research project collaboration with all universities and cooperative education plans (33 vacancies). In addition, through the methods of participation in campus expositions, corporate seminars and scholarship events etc., recommendations and guidance for career planning with respect to the industry trend, knowledge of workplace, personal advantages etc. are provided to students. Furthermore, in terms of talent matching and professional social platform, the Company also enhances the employer's brand management such that job applicants are able to understand themselves as well as the work and living at Sercomm, thereby allowing talents to exploit their skills and expertise at the right positions. In 2019, at both the regions of Taiwan and China, Sercomm recruited a total of 131 fresh graduates from the campus (all being research and development personnel). The retention rate of fresh graduates in China for a period of three months reached 98%. In addition, the number of campus recruited talents continues to increase year after year.

93% 96% 97% 97%
93% 95% 97% 95%
China Local-hired Proportion
2016 2017 2018 2019

43

3.3 Training and Development

3.3.1 Employee Training Strategy

Continuous optimization of human capital is an essential subject to the corporate sustainable operation. Only through the adaptive learning and continuous development of talents, companies can then implement plans early to establish quality strategies and assets necessary for future opportunities and challenges. Accordingly, employee training and development are one of the key subjects emphasized by Sercomm. Sercomm plans the systematic training map and introduces comprehensive educational training program according to business plan and operational strategy, organization development goals, department responsibilities, core functions and management consensus rules etc. Consequently, the Company is able to provide equal and adaptive opportunities, diverse learning resources and broad career development paths to employees. In addition, the Company further breaks the restriction of time and space and shortens the learning curve through e-learning and mobile learning methods, thereby achieving greater and faster training transfer. Moreover, the open sharing of learning resources at the internal of the organization is able to not only achieve the convenience of organization knowledge gaining but also promote the natural growth of the atmosphere of self-learning. Learning development is not merely a result of the requests of supervisors but originates from self-expectation of employees seeking continuous improvement. In 2019, Sercomm linked the four major aspects of organization optimization, culture establishment, learning development and performance improvement based on the main focus of communication and feedback, in light of allowing the efforts of all levels across different fields exerted on the employee cultivation to gain synergy.

Sercomm's Learning and Development Strategies

Culture

Learning

Organization

Performance

Sercomm Embedded
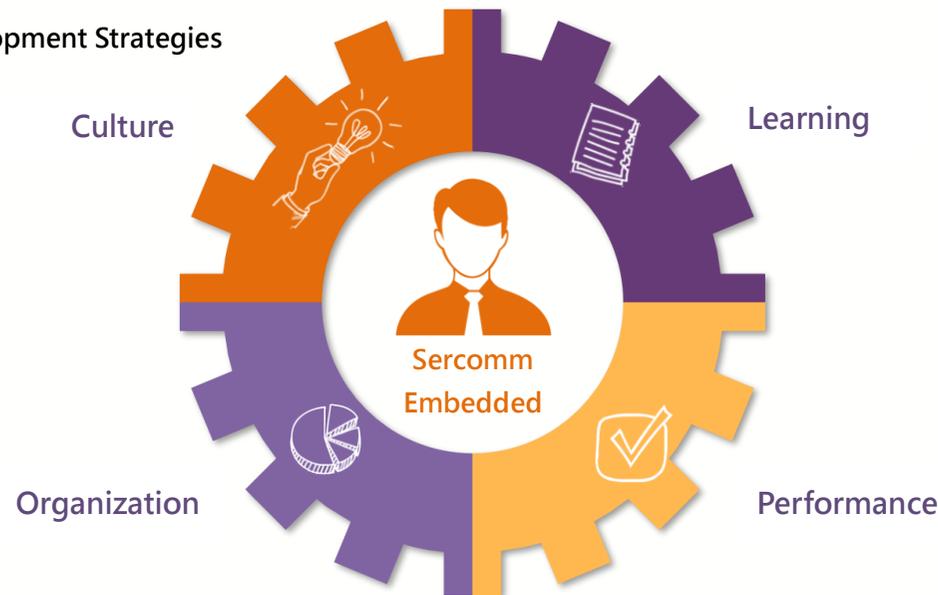
Sercomm's Learning Structure

Level/Training	Management and Leadership Development	Professional Skill Training	General Educational Training	Orientation	Self Learning Development System (SL&D)
Top Management	Operational Determination and Quality Control Industry Innovation and Technology Exchange Risk and Crisis Management	Technology Seminar R&D Training Quality Training Manufacturing Training EHS Training Sales & Marketing Training HR Professional Finance Professional IT Professional Procurement Professional	Communication and Feedback Time Management Stress Management Presentation Skill Performance Assessment Project Management Problem Solving Skill Interview Skill	**Stage 1：** Training for New Hires Information Security Environmental Safety Job Specification Code of Conduct	Language Courses e-Learning Diversified Keynote Speech Internal Sharing
Mid-Level Management	Fierece Leadership Accountability and Empowerment Problem solving and decision making				
Primary-level Management	Performance Management Communication and Feedback Planning and Integration			**Stage 2：** Core Value Operation Team Strategy Product Trend Management Strategy Technical Certification	
Indirect Employee					
Product Line Specialist	Supervisory: Basic Management Competency				

3.3.2 Employee Development and Training

1. Employee Training

Sercomm values the cultivation of talents, development of potential and diverse growth opportunities and resources provided to employees in order to allow employees to exploit their potentials sufficiently. The Company also encourages employees to participate in external training and to continue the improvement of professional competence in the job field, thereby increasing the competitiveness of individuals and organization. Each year, the Company provides physical internal trainings and also provides more than one hundred self-developed digital courses such that employees' self-learning of diverse and mixed learning courses, including general knowledge courses, professional technical courses and English courses etc., can be achieved without any restriction of time and space.

Total Training Hours for Taiwan and China Employees in 2019

Area	Position	Male	Female	Total	
		Average Training Hours Per Person	Average Training Hours Per Person	Training Participation	Average Training Hours Per Person
Taiwan	Managerial Level	2,206	473	832	2,679
	Non-Managerial Level	6,426	9,173	8,384	15,599
	Total	8,632	9,646	9,216	18,278
China	Managerial Level	7,207	2,367	3,545	9,574
	Non-Managerial Level	22,182	8,226	14,855	30,408
	Total	29,389	10,593	18,400	39,983
Total	Managerial Level	9,413	2,840	4,377	12,253
	Non-Managerial Level	28,608	17,399	23,239	46,007
	Total	38,021	20,239	27,616	58,261

To understand the prospective market trend and to seize the opportunity for technology planning, the Company periodically organizes senior manager workshops and technical forums in order to increase the corporate value and the long-lasting competitive advantages. In addition, through global cross-department senior management meetings, teaching and learning interactions, the core values of innovation, service and execution of Sercomm are implemented thoroughly.

In 2019, the training coverage rate of Sercomm Group was approximately 83%, an increase of 16% from last year. In addition, the training coverage rate of supervisors reached 90%, and the training coverage rate of non-supervisory personnel reached 80%. The educational training coverage rage in the region of Taiwan reached 80%, and the total number of training hours for the entire year of 2019 was 58,261 hours.

Total Training Hours for Taiwan and China Employees in 2019

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	113	26	139	137	36	173	82%	72%	80%
	Non-Managerial Level	376	828	1,204	568	858	1,426	66%	97%	84%
	Total	489	854	1,343	705	894	1,599	69%	96%	84%
China	Managerial Level	173	68	241	174	71	245	99%	96%	98%
	Non-Managerial Level	1,227	704	1,931	1,497	940	2,437	82%	75%	79%
	Total	1,400	772	2,172	1,671	1,011	2,682	84%	76%	81%
Total	Managerial Level	286	94	380	311	107	418	92%	88%	91%
	Non-Managerial Level	1,603	1,532	3,135	2,065	1,798	3,863	78%	85%	81%
	Total	1,889	1,626	3,515	2,376	1,905	4,281	80%	85%	82%

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. 2018 training coverage rate of new employee orientation was 100% in China and Taiwan. 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. HR training projects cover global market strategies, advanced technology forum, situational leadership, and international business presentation.

New Employee Orientation Training Coverage Rate 2019

	Taiwan	China
Number of New Employees	684	1,453
Coverage Rate	100%	100%

3. Management Training Plan: Strengthen Leadership and Management Competency

Top-down Leadership Training   Create Corporate Culture of Facilitated Communication

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. To continue the talent development and to improve work efficiency, Sercomm focuses on the establishment of effective communication between the staff and supervisors. Accordingly, through the training of leadership and dialogue model of the management level, the actual needs of employees can be understood and most effective assistance can be provided in order to discover the potentials of talents and to enhance the team efficiency. The headquarter of the Company acts as the platform for training to continue the top-down leadership training. Furthermore, at Sercomm Suzhou, the leadership dialogue training is also introduced in order to establish corporate common management language and communication modes, in light of creating the corporate culture of facilitated communication.

| 2019 Fierce Conversation in Taipei | 2019 Fierce Conversation in Suzhou |

## 4. Internationalized Talents and Enhancement of Global View

Establish English Speaking Habit Heading Toward Global Communication

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 18 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. In 2019, English oral training was implemented for Research and Development (R&D) engineers. Through a period of eleven weeks of solid systematic training, trainees improved their skills in listening and speaking skills. With in-class mission assignments and autonomous intentional trainings, R&D engineers were able to develop the habit of speaking English naturally during the routine works.

Moreover, to promote globalization, Sercomm has been encouraging employees to communicate in English, in order to allow the Company to connect to the world. The Company has set an English requirement for the employees, in aim to encourage everyone to take the TOEIC exam. In 2019, the number of employees of Sercomm taking the TOEIC exam reached 148 people, among which for personnel with the English standard above score of 800 points, the qualification rate was 40%; for personnel with the English standard above score of 700 points, the qualification rate was 47%; for personnel with the English standard above score of 600 points, the qualification rate was 56%.

Passing Rate of TOEIC in 2019

TOEIC

900	12%
800	40%
700	47%
600	56%
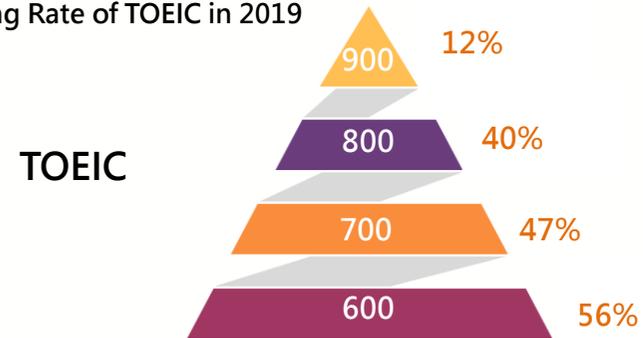
Enterprise Internationalization and Cultivation of Comprehensive Management Talents
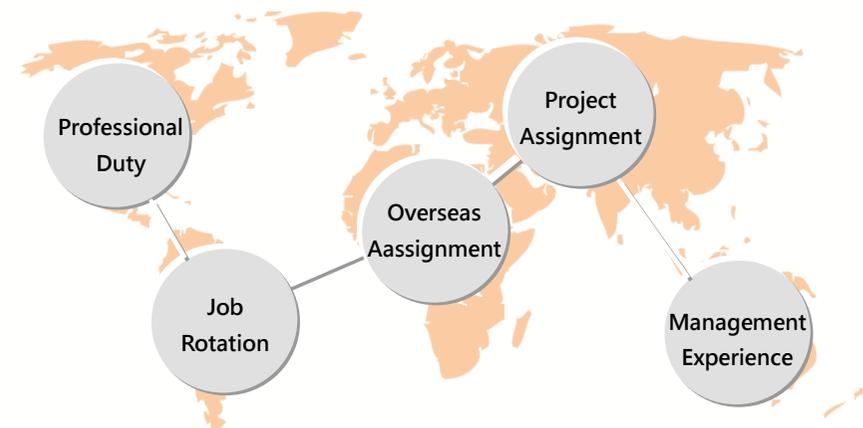
5、Develop Digital Course Create Real-time and Diverse Learning Environment

Sercomm provides an environment allowing employees to practice learning at any time and any place. Through a digital learning platform, employees are offered with real-time and diverse courses, and employees are able to perform self-learning according to their individual job needs. In 2019, at total of 13 English courses, 27 professional courses, 4 general courses and 6 orientation courses were newly offered to employees, and the training completion rate reached 90%. The accumulated total number of courses over the past years also reaches 152 courses.

Courses on eLearning System

	English	Professional	General	Newbie	Total
Number of New Courses	13	27	4	6	50
Number of Total Courses	34	78	25	15	152

Status of eLearning System

Number of trainees	Number of trainees completing trainings	Count of trainees	Total hours
3649	3305	1317	2174.9

Lean Perfection Environment for Continuous Growth

In 2019, Sercomm Suzhou Plant promotes and implemented the "Lean Production Training Project". The purpose of this project was to allow all employees to have a solid understanding of the management concept and practical operation of lean production, and to gain actual application at the production site of the Company. This project was promoted via the method of digital learning, and the accumulated number of trainees reached 1229 employees with a training completion rate above 90%. Through such project, employees are able to improve work efficiency during the actual performance of job and the production cost is reduced, such that the lean production corporate culture with continuous internal improvement of the Company has been achieved.

3.4 Overall Wages and Benefits
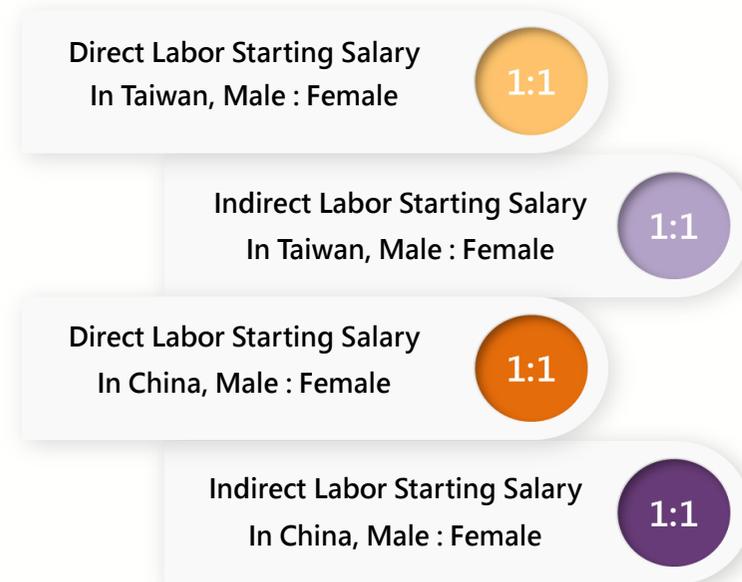
3.4.1 Wage Structure

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	1
	Direct Employee	1.9	1.9
China	Indirect Employee	1.2	1.2
	Direct Employee	2.2	2.5

Note: Standard salary for fresh graduate/statutory minimum wages

Ratio of Sercomm Starting Salary for Fresh Graduate

Direct Labor Starting Salary In Taiwan, Male : Female — 1:1

Indirect Labor Starting Salary In Taiwan, Male : Female — 1:1

Direct Labor Starting Salary In China, Male : Female — 1:1

Indirect Labor Starting Salary In China, Male : Female — 1:1

Note: Ratio of starting salary for fresh graduate = female fresh graduate/male fresh graduate
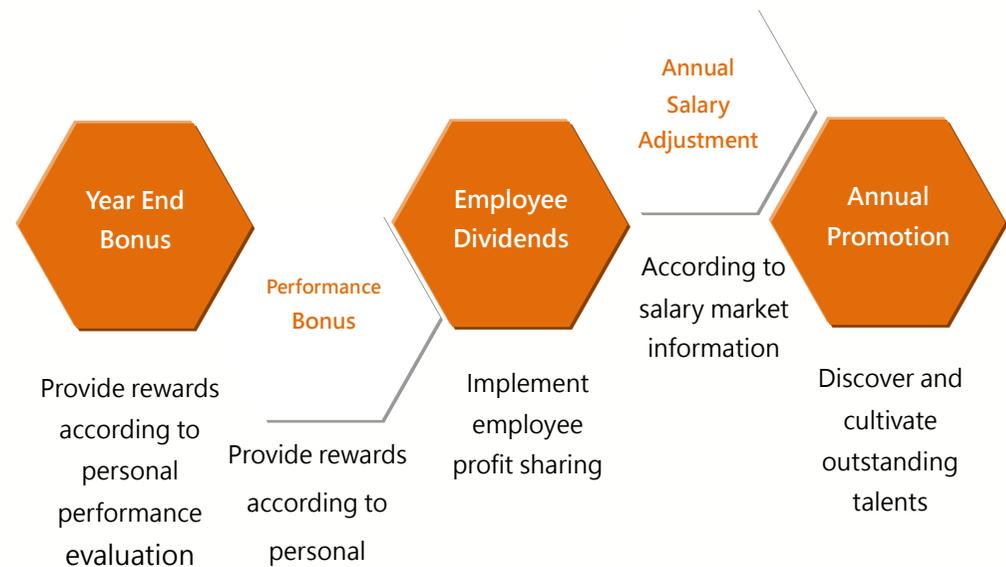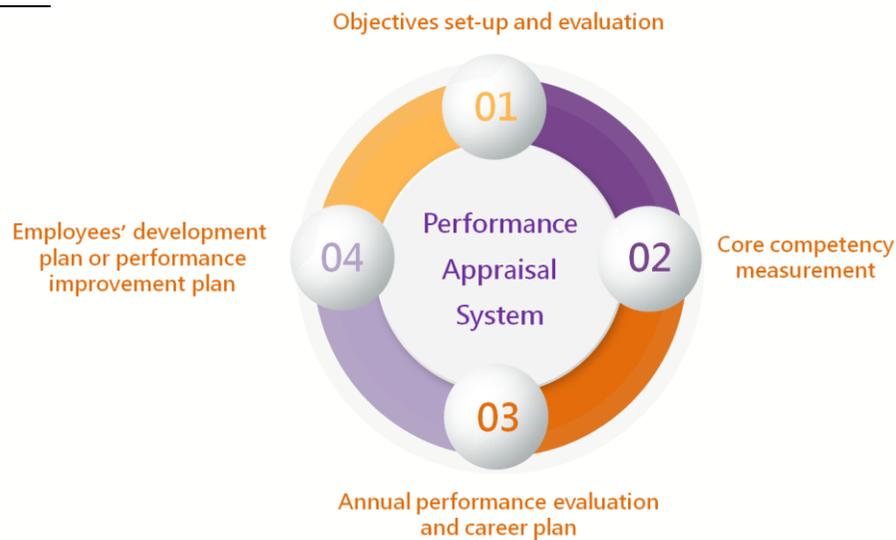
51

3.4.2 Performance Assessment

As performance management is essential to the business operation, Sercomm utilizes performance management cycle to gather the energy of all employees and properly allocates various resources to achieve the annual business objectives. In addition, the performance outcome is also evaluated. During the deployment and execution process of performance goals, supervisors and employees at all levels also adjust the goal achievement status and correct the execution method through real-time communication and feedback, in-depth training and guidance, thereby expanding the performance outcome. For the posterior section of the performance management cycle, Sercomm establishes a clear and fair performance evaluation system.

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." Evaluation result is used as the basis for the operations of employee job position promotion, salary adjustment, bonus issuance and training development etc.

Four Steps of Performance Appraisal System

Annual Performance Appraisal

Objectives set-up and evaluation

01

Performance Appraisal System

Employees' development plan or performance improvement plan
04
02
Core competency measurement

03

Annual performance evaluation and career plan

Year End Bonus

Provide rewards according to personal performance evaluation

Performance Bonus

Provide rewards according to personal

Employee Dividends

Implement employee profit sharing

Annual Salary Adjustment

According to salary market information

Annual Promotion

Discover and cultivate outstanding talents

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.

53

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.

Sercomm Pension & Retirement Plan in 2019

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 (Taiwan)

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

3.5.1 Diversified Clubs and Leisure Activities

Sercomm's Employee Benefit Committee funded with Company's annual income and employee benefits. Sercomm organizes local tours periodically and also offers traveling allowances. Company also respects individual's freedom of assembly and association, encourages and assists the formation of diverse clubs, allowing employees to develop their personal interests。Sercomm founded diversified clubs optional to employees, including the basketball club, swimming club, biking club, badminton club, cooking club, diving club, DIY club, eSports 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.

Sercomm Family Day

UndoBox Club

UndoBox Club

Bike and Running Club

eSports club

Badminton Club

Yoga Club

Employee health is essential to the corporate sustainable operation. Sercomm creates a healthy workplace. Through the creation of active exercise culture, the Company establishes employees' habit of routine exercise, and annual body & brain competition is the trigger point for the establishment of such habit.

Through thematic content, the gap between supervisors and staff is reduced such that all employees are able to enjoy meals and contact with each other for the latest status. In addition, during the free time of work, employees are able to have sufficient rest and share joy.

2019 Body & Brain Competition

2019 Year End Party

Birthday Party
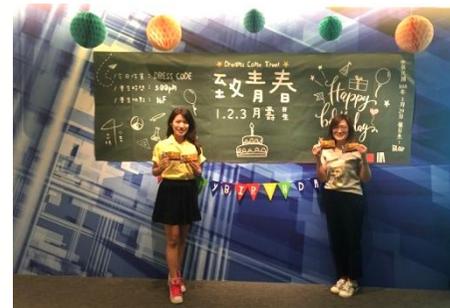
3.5.2 Health Care

Sercomm has always devoted in creating a healthy work environment. For the employees' health care, Sercomm appoints certain excellent health examination institutes to periodically examine colleagues' health and conditions superior than those required by the government. Moreover, the Company also invites external doctors to the Company to provide employees with face-to-face health counseling. 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 Company also provides cozy and private nursery rooms, allowing employees to use such facilities conveniently and safely. Sercomm Zhunan Manufacturing Center was awarded the "Badge of Accredited Healthy Workplace" by the Health Promotion Administration, Ministry of Health and Welfare.
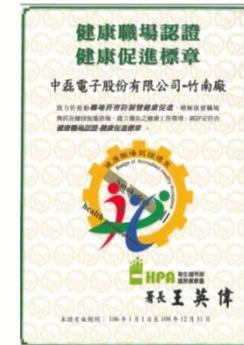
3.5.3 Safety and Health Management

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:** The inspection content includes physical factor and chemical factor operating environment measurements. According to Article 7 of the "Labor Safety & Health Training Policy," Sercomm hires a professional engineer to conduct the CO_2 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 Zhunan 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	Number of Courses	Number of Participants
First-aid personnel training course (physical course)	1	18
Contractor safety and health educational training course (physical course)	1	121
Environmental safety committee member educational training (physical course)	1	21
Hazard communication educational training course (physical course)	1	65
Fire Drill(Physical course)	1	750
Fire escape seminar (physical course)	1	38

2019 Fire Drill Training

Occupational Safety and Health Education and Training Statistics (China)

Item	Number of Courses	Number of Participants
Industrial and commercial hazard prevention training	2	89
Construction supervision management training	4	168
ERT	8	246
Chemical safety management	4	114
Contractor stationed personnel safety	2	95
Occupational health and safety management	2	70
Equipment use safety training	3	134
Safety incident reporting process	4	179

Occupational Injury Statistics in 2019

2019 Health Screening

Item	Taiwan		China	
	Male	Female	Male	Female
Number of Disabling Injuries	0	3	7	1
Working Days Lost due to Injury	0	59	128	54
Injury Rate (I.R.)	0%	0.37%	0.347%	0.05%
Lost Day Rate (L.D.R.)	0%	7.33%	6.35%	2.68%
Occupational Diseases Rate (O.D.R.)	0%	0%	0%	0%
Absentee Rate (A.R.)	0%	0%	0.25%	0.11%

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%

2019 Fire Escape Planning and Practice

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 mployees 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.x

Knowledge Economy

Rural Education

Environmental Conservation

Charity Event

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 Charity Sale Booth and Blood Donation Event

Through the organization of family day, Sercomm invited charity sale group to arrange field booths to participate in the family day event in order to expand the love and care to others. In 2019, the first blood donation event was organized, and passionate young people of Sercomm were called and encouraged to participate in this blood donation event. In addition, great responses were also received from the nearby plants with their joint participation in the event.

3.6.3 Walk for Love Walk with Love

To combine health and love, on October 27, 2019, Sercomm organized the Charity Walk Event at Suzhou Jinji Lake side, and "Walk for Love, Walk with Love" was used as the theme for this charity event. A total of 453 employees were successfully called to participate the event with passion, and a race course of 9.5km was completed. Participants demonstrated strong cohesion, and through team work, the Sercomm employees' passion in charity was realized in each step along the course. In addition, the winning team's award was donated to Suzhou Welfare General Hospital Children Welfare Center under the name of each member of the winning team to expand the love and care to others!

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.

64

Sercomm's factories in Zhunan, 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 enviromental ethics and raise the enviromental 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 managmeent plans, to ensure the policy and management system of safety and health are understood thoroughly.

Review the Objective of Activity Periodically to Improving the Same
- Periodically review, audit, examie 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.
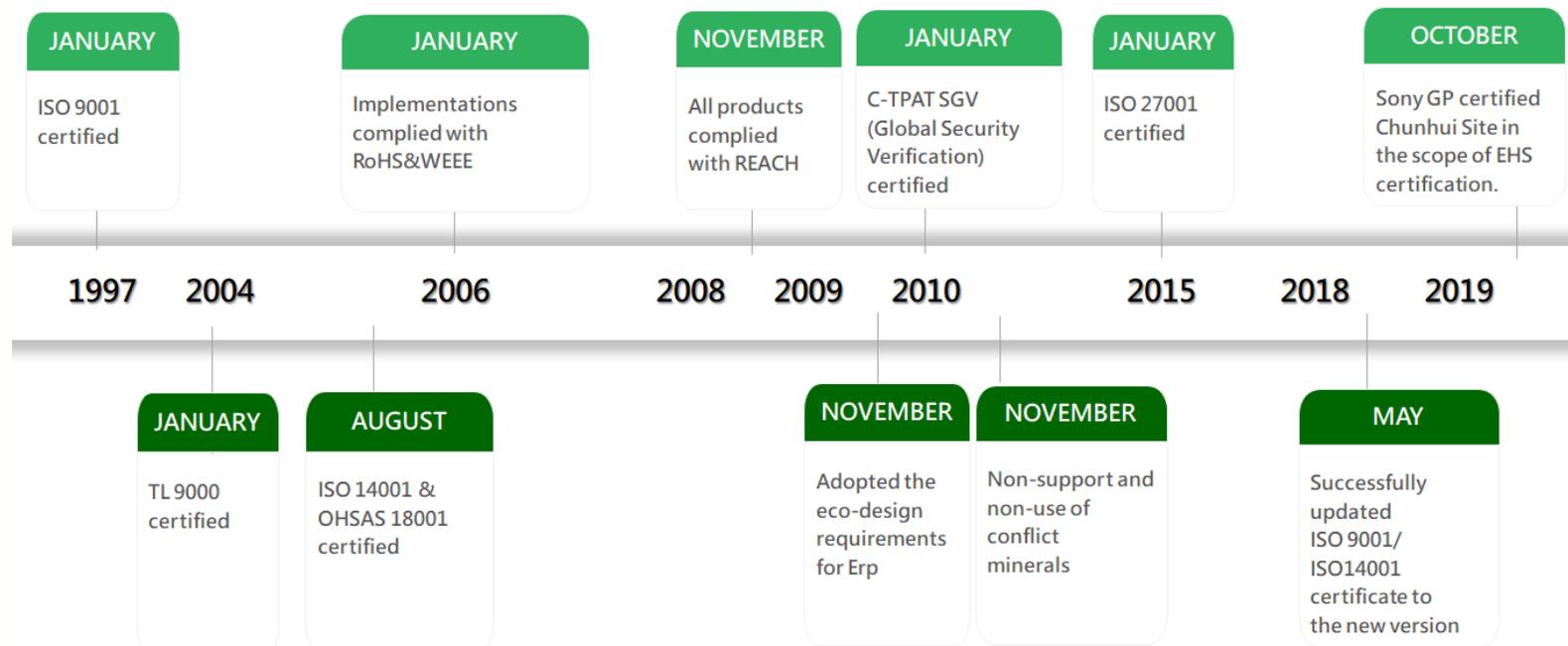- Reduce air and water pollution, and waste

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.　In 2018, to cope with the requirements specified in the new version of ISO 14001:2015, the viewpoint of life cycle was considered for the entire process from product design to final treatment in order to reduce impacts on the environment and to concretely demonstrate the sustainable environment policies and guarantees

Sercomm values environmental sustainability and continues to implement and maintain various management systems (e.g. ISO 9001, ISO 14001 and OHSAS 18001, et al.). ISO 9001: After publication of the 2015 edition, Sercomm has completed the conversion and has obtained new certificates in 2018. In addition to meeting the EHS laws and regulations, Sercomm has continued to improve and enhance the management processes and ensure the execution of the environmental protection policies.

JANUARY — ISO 9001 certified

JANUARY — Implementations complied with RoHS&WEEE

NOVEMBER — All products complied with REACH

JANUARY — C-TPAT SGV (Global Security Verification) certified

JANUARY — ISO 27001 certified

OCTOBER — Sony GP certified Chunhui Site in the scope of EHS certification.

1997　2004　2006　2008　2009　2010　2015　2018　2019

JANUARY — TL 9000 certified

AUGUST — ISO 14001 & OHSAS 18001 certified

NOVEMBER — Adopted the eco-design requirements for Erp

NOVEMBER — Non-support and non-use of conflict minerals

MAY — Successfully updated ISO 9001/ ISO14001 certificate to the new version

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

To confirm and reduce impacts of products manufactured and manufacturing processes on the environment, and to further emphasize the safety and health of employees and non-employees performing operations in the plant site, Sercomm provides a health and safe working environment for all employees, contractors and visitors. Each production site of Sercomm has obtained the ISO 14001 and OHSAS 18001 environmental and occupational safety management system certifications, and has satisfied relevant requirements. To cope with the international standards and trends, starting from the year of 2019, the Company has planned to promote the

occupational safety and health management based on the standard of ISO 45001. In addition, the Company also plans to qualify the third party verification in 2020 in order to further improve the safety and health management operation of the working environment with greater completeness.

Information Security Management System Certification

Sercomm understands the importance of information security and is dedicated to construct a complete information security system. To protect customer documents and data, the Company uses the virtual encryption system (VES) such that through comprehensive information security management framework and complete management tools, relevant internal management processes of the organization are planned. In addition, the latest information security trend and concept are incorporated into the internal execution planning, thereby continuously enhancing the information security risk prevention. With the launch of the international standard of ISO/IEC 27001:2013 Information Security Management System (ISMS), a fair and just third party verification unit is entrusted to verify that the internal information security management system has been controlled appropriately, allowing all control processes of the Company to satisfy the internal management requirements and to achieve the standard demanded by customers at the same time.

The undertaking of Sercomm for the compliance with the standard of ISO/IEC 27001 is reflected by the Company's thorough implementation and forceful execution of numerous procedures, inducing periodic employee trainings and educational promotions, accurate recording and monitoring of information security procedures, various information security testing and drills as well as weak spot scanning performed annually etc., demonstrating the Company's determination in the protection of information security.

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.Replaced plastic parts manufactured via the plastic injunction method with environmental friendly paper materials.

4.1.3 Emissions Management

Since Sercomm founded its factories, it has started to plan and execute the environmental protection work through the effective environmental management system (ISO 14001) to continue improving the environmental performance. In addition, Sercomm complies with the local environmental related laws and regulations of the global operation locations, and also actively cooperates with the global environmental protection issues requested and concerned by customers, including green raw material management and conflict mineral management.

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. Through rigorous control measures, the Company significantly reduces the generation of pollutants from the manufacturing processes in order to ensure that all emission substances comply with the regulatory requirements.

4.1.4 Waste Management

To reduce impacts of wastes on the environment, Sercomm is dedicated to reducing waste and to fulfilling the reclamation of resources. For all stages from the purchase at the source end to the wastes generated after the process use, Sercomm implements rigorous management on proper classification in order to increase the resource reuse ratio and to promote resource closed cycle, thereby achieving the maximum reuse of resources. Increase the resource reuse ratio and promote resource closed cycle, achieving maximum reuse of resources. In 2019, Sercomm handled waste and recycling according to local regulations. No significant pollution incidents occurred, and no Sercomm sites received any penalties or fines for violations of environmental protection regulations.

Total Waste Generated during the Most Recent Three Years

Unit: tonnes	2017	2018	2019
Non-Hazardous Waste	2,532.06	2,208.77	2,864.37
Hazardous Waste	101.45	104.61	111.58

Note: As hazardous waste comes mainly from PCB tailings; thus the amount may increase with the increase of production volume.

In 2019, the overall manufacturing plant site waste total amount was statistically calculated to be approximately 2,975.95 tons, among which the amount of non-hazardous wastes was 2,864.37 tons, accounted for 96.3% of the entire waste amount; the amount of hazardous wastes was 111.58 tons, accounted for 3.7% of the entire waste amount. In addition, the recycling rate in 2019 even reached a high percentage of 87.8%. With regard to the waste disposal at the factory end, Sercomm utilizes various propaganda and announcements etc. to enhance employees' concept in recycling classification and environmental friendliness. In addition to the establishment of waste storage area complying with the regulations, the Company further entrusts a waste cleaning and disposal contractor approved by the Environmental Protection Administration to perform cleaning, disposal and online declaration. Moreover, the Company also proceeds to the waste disposal plan to perform audits periodically. The audit content includes the items of disposal vehicle transportation operation, storage facility, treatment method and document review etc., in order to ensure that the treatment plant operates normally.

2019 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
General Waste	66.77	0.00	0.00	66.77	0.00	185	0	0	185	0
Hazardous Waste	15.58	11.91	3.16	0.51	0.00	96	0	96	0	0
Recyclable Waste	278.60	0.00	0.00	0.00	278.60	2,334	0	0	0	2,334
Total Waste	360.95	11.91	3.16	67.28	278.60	2,615.0	0	96	185	2,334

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 started to participate in CDP to conduct greenhouse gas inventory checking in stages in order to disclose the greenhouse gas emission of the Group. Over the past years, Scope 2 has been the main scope of greenhouse gas emission of the Group (accounted for more than 97% of the total emission). The greenhouse gas emission reduction strategy of the Sercomm focuses mainly on the internal energy management of the plant, and starting from 2020, the unit product carbon emission reduction rate is set to be >1%.

GHG Inventory Results in the Most Recent 3 Years (Unit: tonne CO2e)

	2017			2018			2019		
	Scope 1 (ton)	Scope 2 (ton)	Unit product emission kg/piece	Scope 1 (ton)	Scope 1 (ton)	Unit product emission kg/piece	Scope 1 (ton)	Scope 1 (ton)	Unit product emission kg/piece
Zhunan	56.16	2216.88	0.84	52.42	2243.48	0.68	65.18	3472.69	0.84
China	525.27	26277.81	0.90	366.40	26751.28	1.06	308.27	23206.69	1.17
Total Emission	581.43	28494.69	0.89	418.81	28994.76	1.02	373.45	26679.38	1.12

4.1.6 Environmental Expenditure

By identification under the environmental protection laws and regulations, regulatory compliance is considered to be the most basic requirement, and Sercomm continues to improve the energy and resource management and pollution prevention measures. The daily operation also focuses on reducing impacts on the local ecological environment to the minimum. 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 also entrusts a qualified waste disposal, treatment and reuse operator to handle waste treatment affairs properly. In addition, the Company is not subject to any environmental protection violations in recent years.

Sercomm Environmental Expenditures in Recent Three Years (Unit: NT$)

Items	2017	2018	2019
ISO 14001 Certification Fee	193	370	382
Environmental Consultant and Training Fee	473	0	23
Environmental Administrative Fee	0	0	310
LED Lighting Replacement	1,128	237	94
Waste Treatment Fee	1,242	1,488	1,277
Environmental Improvement Fee	14,829	1,675	2,929
Environment Monitoring Expenses	163	139	129
Air-Pollution Prevention Equipment Maintenance Fee	2244.933	1,440	267
Sewage Treatment Fee	1,839	1,701	1,795
Total	22,112	7,051	7,206

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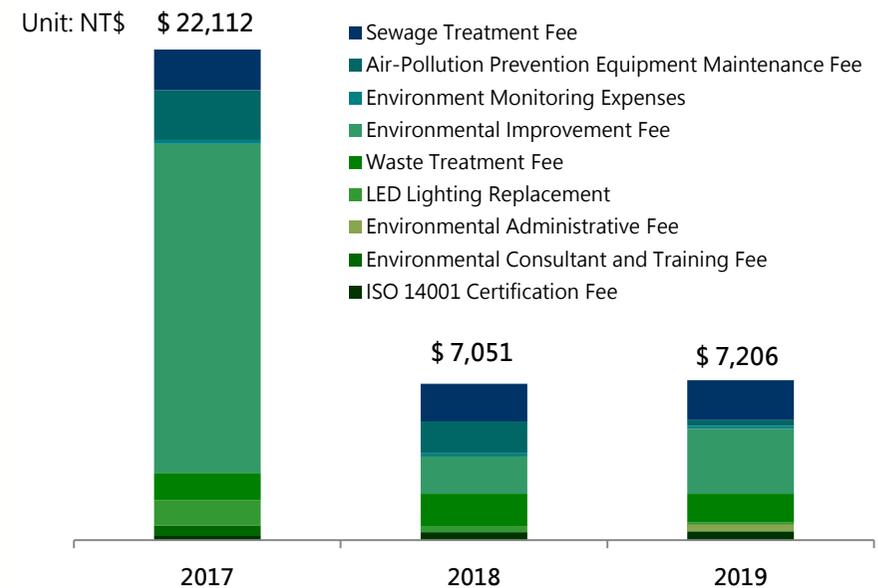
4.2 Green Products

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

- President/CEO
  - CTO
    - Product Assurance
    - R&D Center
    - Component Engineering
  - COO
    - Production Control
    - Quality Assurance
    - Supplier Management
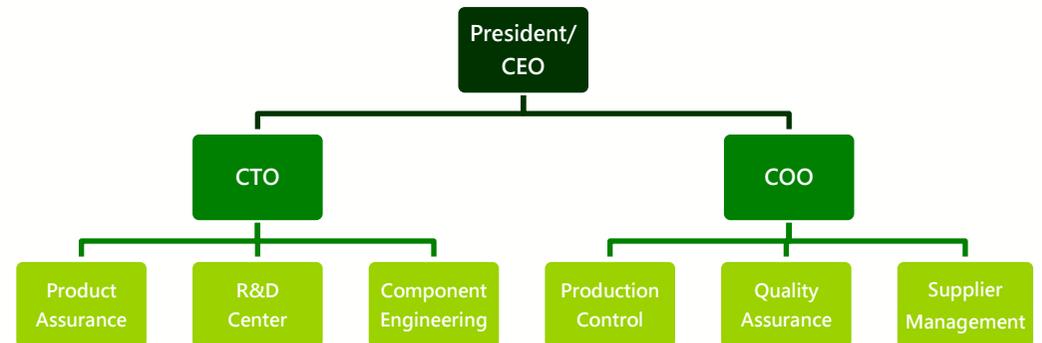
4.2.1 Green Product Policy and Management

Sercomm designates its dedicated unit to control the process of green products consisting of design, production, and shipment. Sercmm 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 substancse, performs audits on green products, and keeps the suppliers under control, so as to help Sercomm move forward toward the green policy objective.

Supplier Management
- Product Quality Contract
- Green Product Audit

Component Approval
- Certificate of Conformity
- Supplier Test Report

Incoming Quality Inspection
- Test Equipment
- Test Method
- Test Frequency
- Human Qualification

In Process Quality Control
- Sub-material Inspection
- RoHS Test
- Periodically Test

Products Control
- Follow Customer Requirement

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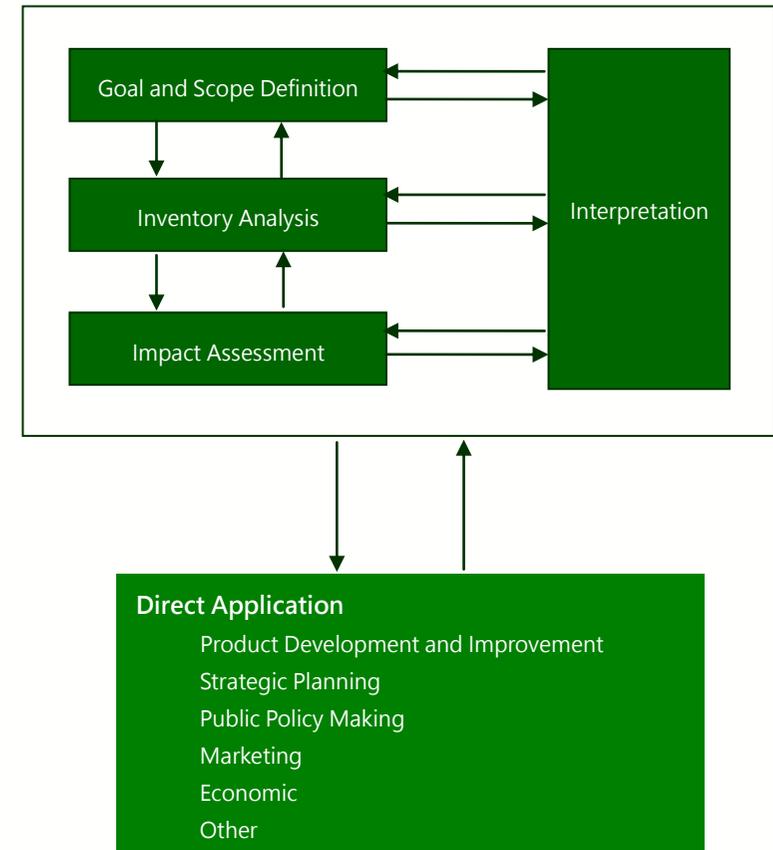
Inspection on impact factors:
- Global warming, CO2 eq
- Ozone layer depletion, Kg CFC-11 eq
- Photochemical oxidation, Kg C2H4 eq
- Acidification, SO2 eq
- Eutrophication, Kg PO4 eq
- Non renewable, fossil, MJ LHV

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

Goal and Scope Definition

Inventory Analysis

Impact Assessment

Interpretation

Direct Application
Product Development and Improvement
Strategic Planning
Public Policy Making
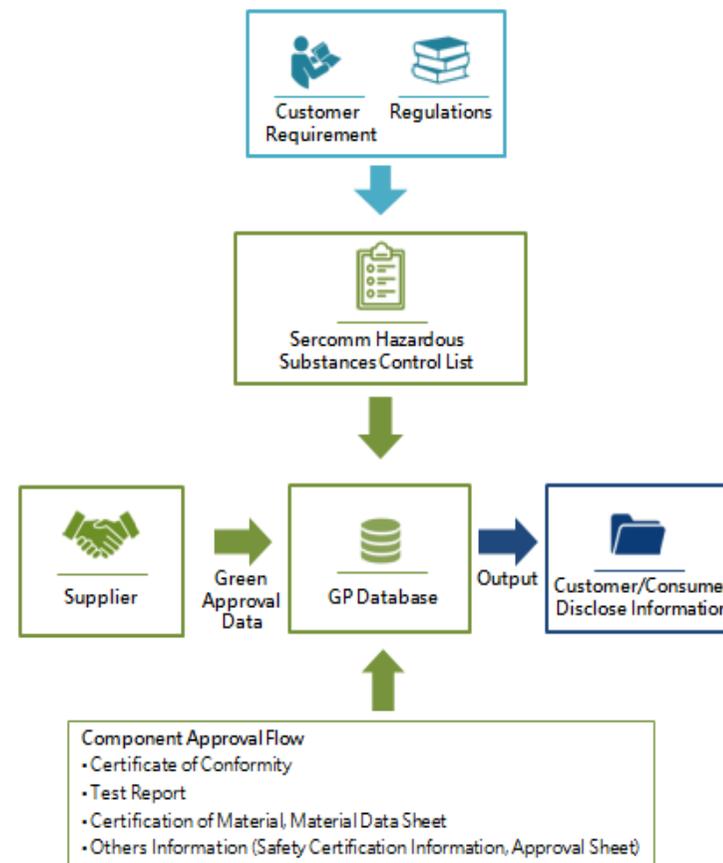Marketing
Economic
Other

73

4.2.3 Hazardous Substances Management

In order to comply with the international environmental protection laws and customer requirements, the Company enacts the "Sercomm Environmental Restricted Substance Regulations" in order to properly control hazardous substances contained in products. Through the establishment of Sercomm Environmental Restricted Substance List, suppliers and partners are rigorously requested to comply with the requirements thoroughly and are requested to sign the "Product Quality Guarantee Agreement" to ensure that the products and component parts delivered by them to the Company (including accessories, packaging materials and other supplies delivered together with the products) comply with the international regulations of RoHS, REACH, PPWD, Batteries etc., and shall also support relevant international laws and regulations for the prohibition on the use of conflict minerals etc. and the requirements on the prohibition of use of environmental hazardous substances specified by Sercomm.

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. In response to the compulsory enforcement of RoHS (EU)2015/863 in July 2019, Sercomm has begun to strengthen the chemical testing for the specified 4 chemicals (DEHP, BBP, DBP and DIBP), and send sampled products and components to qualified and credible external laboratories for chemical testing in 2018, 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. environment.

Customer Requirement   Regulations

Sercomm Hazardous Substances Control List

Supplier → Green Approval Data → GP Database → Output → Customer/Consumer Disclose Information

Component Approval Flow
- Certificate of Conformity
- Test Report
- Certification of Material, Material Data Sheet
- Others Information (Safety Certification Information, Approval Sheet)

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. 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 Saves Energy and Protects 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 ℃
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
12. Sercomm Suzhou Plant has implemented the air compressor waste heat recovery system, replaced the original method of boiler with burning of natural gas.
13. Through the measures of shared use and modification of jigs, improvement of carrier mechanical accessories and materials, recycling of cables and wires etc., the material life cycle is extended.
14. Select machineries and equipment of high energy efficiency, replace obsolete and old machines with new ones (such as installation of variable-frequency air compressor) in order to reduce carbon emission.
15. Adjust and improve process parameters to reduce emergency consumption and process scrap.

4.3.1 Energy and Resource Usage

Electricity

The primary source of energy for Sercomm's Taiwan and China sites is electricity. In 2019, Taiwan and China regions' electricity consumption was 137,896 GJ; Sercomm headquarters' electricity consumption were 11,453 GJ in 2019. The Zhunan manufacturing center's electricity consumption was 23,455 GJ in 2019. Sercomm's Suzhou electricity consumption was 102,988 GJ in 2019. Compared to 2018, since June 2019, due to the expansion of production line at the Zhunan Plant and the increase of the allocation of the public power consumption, the power consumption of Sercomm has increased. The main electricity consumption amounts for the past 3 three years are shown in the table below:

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: GJ

	2017	2018	2019
Taiwan	24,267	24,115	34,908
China	116,651	118,718	102,988
Total Electronic Consumption	140,918	142,833	137,896
Electricity Intensity	3.65	4.28	4.34

Note 1 : Electricity Intensity =Total Electronic Consumption (GJ) / Sales Revenue (NT$ million)

Note 2: The public electricity consumption by Sercomm corporate headquarters is converted according to Taipower summer and non-summer electricity prices

Note 3: In 2019, production line at Zhunan Plant in Taiwan was expanded such that the overall power consumption was increased

Unit: M^3

	2017	2018	2019
Taiwan	28,556	23,385	30,106
China	171,089	182,001	163,405
Total Water Consumption	199,645	205,386	193,511
Water Intensity	47.07	49.01	36.02

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.

In addition to the basic power consumption and energy saving measures, for process materials, through the measures of shared use and modification of jigs, improvement of carrier mechanical accessories and materials, recycling of cables and wires etc., the material life cycle is extended. Furthermore, machineries and equipment of high energy efficiency are selected, and obsolete and old machines are replaced with new ones (such as installation of variable-frequency air compressor) in order to reduce carbon emission.

Protect the Earth, Treasure Water Resources. 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.

77

Energy Saving Measures

- Switch to LED lighting. Electricity savings.
- The parking lot shall apply timing controllers, and the public spaces and aisles shall apply sensor controllers.

- Installation of variable-frequency air compressor: In 2019, the electrical power consumption saved was 7,625 degree/month
- Replacement of old desoldering tool with new machine: In 2019, the electrical power consumption saved was approximately 14,666 degree(electricity)/year

- Cooling towers and fans are installed with temperature-control and frequency-conversion features.
- Maintain air-conditioning temperatures at 26 °C ± 2 °C in the summer

- The toilet shall apply the faucet with water economizer, and the Company will install flush valve or toilet with water economizer.
- Signs for saving water consumption in public areas.

4.4 Responses to Climate Changes and Global Warming

The 5th climate change assessment report issued by the Intergovernmental Panel on Climate Change (IPCC), an intergovernmental organization established by the United Nations Environment Programme (UNEP) and the World Meteorological Organization (WMO), clearly describes the continuous warming of the entire climate system. The atmosphere and the oceans have become warmer, the snow- and ice-covered areas have decreased, the sea level has risen, and the greenhouse gas concentration has increased.

The assessment concluded that human activities based on burning fossil fuels are very likely to be the main cause of global warming since the 1950s (with the probability of 95%). This probability is significantly higher than the 66% and 90% estimated by the 3rd and 4th assessment reports published in 2001 and 2007, respectively. With the increase of ocean observation data, scientists confirmed that the temperature of the upper 700 meters of the oceans had a virtually certain increasing trend from 1971 to 2010, and a likely increasing trend from 1870 to 1971. The deep sea data shows that there is a likely trend of temperature increase at 3000 meters below sea level as well. Scientists are increasingly convinced that the sea level is rising.

Study reports indicated that the adoption of active greenhouse gas reduction policies may be able to control the global average temperature to no more than 1.5 degrees Celsius higher than that prior to the industrial revolution. If the greenhouse gas emissions are not controlled, the global average temperature would rise 2 degrees Celsius higher than that prior to the industrial revolution.

Impacts of Climate Change
Increases in greenhouse gas concentrations will exacerbate the greenhouse effect by causing atmospheric temperatures to rise. It can also lead to major changes in the global climate and ecological environment such as rapid melting of ice caps, rising sea levels, flooding of the lands, global climate anomalies (storms or drought formation), landslides, increased instances of typhoons (hurricanes), land desertification, and ecological environmental changes.

Trends and Demands
In addition to actively promulgating global greenhouse gas emission regulations, nations worldwide have drafted and signed conventions; formulated greenhouse gas emission reduction and control strategies starting with household and industrial emissions; and developed countermeasures on environmental, ecological, and public health impacts. The Environmental Protection Administration of the Executive Yuan in Taiwan has officially promulgated the Greenhouse Gas Reduction and Management Law on June 15, 2015 to reduce six greenhouse gases: CO_2, CH_4, N_2O, HFCs, PFCs, and SF_6. In 2016, NF_3 was added as the seventh greenhouse gas to be controlled. Specific industries were required to conduct mandatory inventory registrations and voluntary reductions; the audit management mechanism is performed by third-party verification agencies. Although Sercomm is not required to conduct inventory registrations in light of the global warming and climate changes, it has actively promoted the energy conservation and carbon reduction measures as well as the Company's green design policies. Sercomm cooperates with customers in regards to its carbon exposure disclosure on the CDP platform.

4.5 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.

4.5.1 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 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

80

4.5.2 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

Grade A	≧ 95 scores
Grade B	95~85 scores
Grade C	< 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. In 2019, Sercomm conducted annual audits on 65 suppliers including aspects on quality and CSR compliance, and the pass rate is 100% (Note 1、2).

Note 1：Approved in Taiwan: Quality System Audit (QSA) or Quality Process Audit (QPA) scored over 85(included). Conditionally Approved in Taiwan: Quality System Audit (QSA) or Quality Process Audit (QPA) scored over 75~85. Pass include Conditionally Approved.

Note 2: Approved in China: QSA or QPA scored over 85 (included) and the key item of CSR are satisfactory.

Supplier Partnership

Sercomm values the interaction and learning with suppliers, and in addition to regular business review meetings, Sercomm also actively convenes supplier quality review meetings. Furthermore, in addition to discussion on the topics of quality and industry new trends and information etc., suppliers are also requested to implement educational trainings and promotion according to the environmental requirements specified by Sercomm, and to provide explanation according to the revision status of product environmental restricted substances and international standard development trend. Moreover, suppliers are also requested to share their experience in order to jointly launch products and services satisfying the market demands.

4.5.3 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.

4.5.4 Supplier Quality Agreement

Sercomm hopes to work 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 designs, and hazardous substances. 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 2019, there were a total of 363 copies of Quality Assurance Agreements signed back to the Company to ensure that the products designed and manufactured by Sercomm comply with laws and regulatory topics, 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.

4.5.5 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 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,
- All suppliers are requested to track the sources of the metals of gold (Au), tantalum (Ta), tin (Sn) and tungsten (W) used in products and smelters thereof. In 2019, to cope with the trend and requests of major customers, cobalt (Co) was also included into the restriction scope. All suppliers are requested to support the "Responsible Minerals Initiative (RMI) and to purchase non-conflict raw materials according to the "Responsible Minerals Assurance Process" (RMAP), and are also requested to perform supply chain due diligence investigation and to disclose the investigation information according to the Conflict Minerals Reporting Template (CMRT) and the Cobalt Reporting Template (CRT).
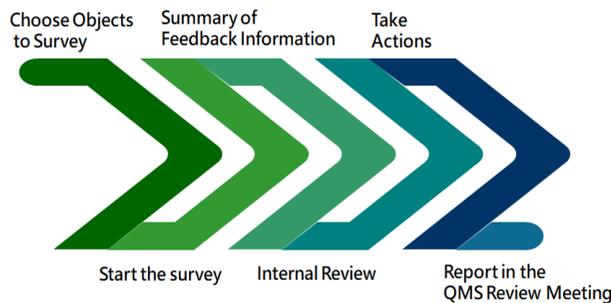
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4.6 Customer Service and Satisfaction

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 thee

important basis for the product and service procedure to improve the customer satisfaction performance. 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. In addition to passively obtaining customers' periodic evaluation information, Sercomm also actively sends out the online "Customer Satisfaction Survey Form" to major customers annually in order to use such survey as a basis for annual review and improvement. The factory also collects customer feedback information simultaneously. The evaluation also includes the evaluation scores of regular or irregular field audits conducted by customers at each factory, which is also considered as one of the important bases for customer satisfaction improvement. According to the customer satisfaction survey results in 2019, the average satisfaction rate was 87.2%.

Customer Service Satisfaction Survey Process Table

Choose Objects to Survey — Summary of Feedback Information — Take Actions

Start the survey — Internal Review — Report in the QMS Review Meeting

2017 ~ 2019 Customer Satisfaction Survey

2019 Customer Satisfaction Survey

Satisfaction Survey Items	Score	Satisfaction(%)
Quality	4.44	88.85
Delivery	4.46	89.15
Price	3.98	79.50
Sales	4.50	90.00
Technology Support	4.43	88.50
Average	4.36	87.2

Note: Score of 5

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, through various control processes of ISO 27001 Information Security Management System, confidentiality is ensured for business dealings performed by employees of relevant businesses.   Up to the year of 2019, there has been no violation of the privacy right of customers, or any incidents of damaging the rights and interests of customers due to loss of customer information.

Assessment on the Impacts that the Products and Services Hhave on Health and Safety

In addition to basic legal compliance, Sercomm takes into account its products' impact on users' health safety. In terms of health, collect and evaluate control regulations on major environmental impact substances worldwide. Sercomm has collected the regulatory norms for substances that have major environmental impacts from countries worldwide and consolidated the data into the "Sercomm Environmental Control Substances List" to serve as the basic requirements for the production materials selection. All products must meet all of these requirements. In addition to exempting users from the risk of exposure to harmful substances, the effort promotes environmental sustainability. In terms of safety, our products must comply with the product safety regulations of the selling countries. We also made sure the products pass the qualified/authorized laboratory certifications to ensure that the users can use Sercomm's products safely.

Product and Service Information and Labeling Requirements

To ensure that everyone can conveniently and safely use Sercomm's products, our products are stamped with the relevant safety specification qualification marks—such as CE—in addition to the basic electricity consumption information labels. The labels also contain instructions notifying users not to discard the product into a trash can but to follow the Waste Electrical and Electronic Equipment (WEEE) recycling directive instead. Meanwhile,

Sercomm's products will also provide a Quick Start Guide (QSG), detailing how the products should be installed and used. A Safety Flyer is provided to remind users of their rights and obligations, the safety pre-cautions required to use the product, and the complete product application information.

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.

85

As shown in the figure above, Netzteil Input is the power input required for this product. CE is the EU safety requirement compliance mark. The crossed out trash can symbol reminds the user not to discard the product directly into the trash can but to follow the recycle directive instead.

The QSG describes the parts of the product and clearly defines the names and functions of the various parts.

The Safety Flyer provides instructions for the safe use of the product.

GRI Standards Content Index

General Disclosures

Topics	Disclosure		Related Report Sections	Page	Omissions
	Organizational Profile				
	102-1	Name of the organization	2.1	13	
	102-2	Activities, brands, products, and services	2.3.2	20	
	102-3	Location of headquarters	2.1.1	14	
	102-4	Location of operations	2.1.1	14	
	102-5	Ownership and legal form	2.1	13	
	102-6	Markets served	2.1.1	14	
	102-7	Scale of the organization	2.1, 2.1.1, 2.2	13,14,17	
GRI 102: General Disclosures 2016	102-8	Information on employees and other workers	3.2.1	40	
	102-9	Supply chain	4.5	79	
	102-10	Significant change to the organization and supply chain	About This Report	01	
	102-11	Precautionary principle approach	2.4.4 , 2.4.5	27,28	
	102-12	External initiatives	1.1	05	
	102-13	Memberships of associations	2.1.3	16	
	Strategy				
	102-14	Statement from senior decision-maker	Letter from Chairman and CEO	03	
	102-15	Key impacts, risks, and opportunities	2.4.4 , 2.4.5	27,28	
	Ethics and Integrity				
	102-16	Values, principles, standards and norms of behavior	2.1, 2.4, 3.1.4, 4.1	13, 21, 38, 66	
	102-17	Mechanisms for advice and concerns about ethics	2.4.5	28	

Topics	Disclosure		Related Report Sections	Page	Omissions
			Governance		
GRI 102: General Disclosures 2016	102-18	Governance structure	2.4	21	
	102-19	Delegating authority	1.1	06	
	102-20	Executive-level responsibility for economic environmental, and social topics	1.1	06	
	102-21	Consulting stakeholders on economic, environmental and social topics	1.3	10	
	102-22	Composition of the highest governance body and its committees	2.4.3	24	
	102-23	Chair of the highest governance body	2.4.3	24	
	102-24	Nominating and selecting the highest governance body	2.4.3	24	
	102-25	Conflicts of interest	2.4.3	24	
	102-26	Roles of highest governance body in setting purpose values, and strategy	1.1, 2.4	06, 21	
	102-27	Collective knowledge of highest governance body	2.4	21	
	102-28	Evaluating the highest governance body's performance	2.4	21	
	102-29	Identifying and managing of economic, environmental and social impacts	Letter from Chairman and CEO 2.4	03, 21	
	102-30	Effectiveness of risk management processes	2.4.4	27	
	102-31	Review of economic, environmental and social Topics	2.4.4, 2.4.5	27, 28	
	102-35	Remuneration policies	2.4.3	24	
	102-36	Process for determining remuneration	2.4.3	24	
	102-37	Stakeholders involvement in remuneration	2.4.3	24	

Topics	Disclosure		Related Report Sections	Page	Omissions
	Stakeholder Engagement				
	102-40	A list of stakeholder groups	1.2.2	07	
	102-42	Identifying and selecting stakeholders	1.2.2	07	
	102-43	Approach to stakeholder engagement	1.3	10	
	102-44	Key topics and concerns raised	1.3	10	
	Reporting Practice				
	102-45	Entities included in the consolidated financial statements	About This Report	01	
	102-46	Defining report content and topic Boundaries	1.2	06	
	102-47	List all material topics	1.2.3	07	
GRI 102: General Disclosures 2016	102-48	Restatement of information	-	-	Did not rearrange the information in previous reports
	102-49	Changes in reporting	-	-	No major changes
	102-50	Reporting period	About This Report	01	
	102-51	Date of most recent report	About This Report	01	
	102-52	Reporting cycle	About This Report	01	
	102-53	Contact point for questions regarding the report	About This Report	01	
	102-54	Claims of reporting in accordance with the GRI Standards	About This Report	01	
	102-55	GRI content index GRI	GRI Standard Index	86	
	102-56	External assurance	Summary of Subject Matter Assured	95	
			Independent Limited Assurance Report	96	

Material Topics

Material Topics	Disclosure		Related Report Sections	Page	Omissions
GRI 103 Management Approach 2016	103-1	Explanation of the material topic and its Boundary	1.2.1, 1.2.3	06,07	
GRI201 Economic Performance 2016	103-2, 103-3	The management approach & its components Evaluation of the management approach	Letter from Chairman and CEO 2.1	03 13	
	201-1	Direct economic value generated and distributed	2.2	17	
GRI 205 Anti-Corruption 2016	103-2, 103-3	The management approach & its components Evaluation of the management approach	2.4, 2.4.4, 2.4.5	21,27,28	
	205-2	Communication and training about anticorruption policies and procedures	2.4.5	28	
GRI 307: **Environmental** **Compliance 2016**	Management Approach 103-2, 103-3	The management approach & its components Evaluation of the management approach	4	63	
	307-1	Non-compliance with environmental laws and regulations.	4.1.4	69	
GRI 401 Employment 2016	Management Approach 103-2, 103-3	The management approach & its components Evaluation of the management approach	3.1	36	
	401-1	New employee hires and employee turnover	3.2.2	41	
	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	3.4, 3.5	51,55	
	401-3	Parental leave	3.2.2	41	

Material Topics	Disclosure		Related Report Sections	Page	Omissions
GRI 402 Labor/Management Relations 2016	Management Approach 103-2, 103-3	The management approach & its components Evaluation of the management approach	3.1	36	
	402-1	Minimum notice periods regarding operational changes.	3.1	36	
GRI 403 Occupational Health and Safety	Management Approach 103-2, 103-3	The management approach & its components Evaluation of the management approach	3.5.3	58	
	403-2	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities	3.5.3	58	
GRI 406 Non-Discrimination	Management Approach 103-2, 103-3	The management approach & its components Evaluation of the management approach	3.1	36	
	406-1	Incidents of discrimination and corrective actions taken	3.2.2, 3.1.4	41,38	
	414-2	Negative social impacts in the supply chain and actions taken	4.5.2, 4.5.3	81,82	
GRI 416 Customer Health and Safety	Management Approach 103-2, 103-3	The management approach & its components Evaluation of the management approach	4.2	72	
	416-1	Assessment of the health and safety impacts products and service categories	4.2.1, 4.2.2, 4.2.3	72,73,74	
GRI 418 Customer Privacy 2016	Management Approach 103-2, 103-3	The management approach & its components Evaluation of the management approach	2.4.6	33	
	418-1	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.	2.4.6	33	

Material Topics	Disclosure		Related Report Sections	Page	Omissions
GRI 419 Socioeconomic Compliance 2016	Management Approach 103-2, 103-3	The management approach & its components Evaluation of the management approach	2.4.4	27	
	419-1	Non-compliance with laws and regulations in social economic area	4.5,4.6	79,85	

91

SDGs Index

The United Nations set 17 Sustainable Development Goals (SDGs) in the 2030 Agenda for Sustainable Development to identify key issues in economic, social and environmental aspects.The goals have since become a common language and strategy for global sustainable development. Being a global corporate citizen, Sercomm shoulders the responsibility and answer to the goals of SDGs. In 2019, Sercomm reviewed its connection with SDGs, enhanced internal coherence, and cooperated with customers and suppliers, looking forward to bringing changes and innovations to the industry and society.

Sercomm's responding to UN Sustainable Development Goals:

SDGs	Business Theme	Relevant Chapter
1. No poverty	Earnings, wages and benefits	3.4, 3.5
2. Zero hunger	Infrastructure investments	2.2
3. Good health and well-being	Air quality Occupational Safety and Health	4.1.5 3.5.3
4. Quality education	Employee training and education	3.3.2
5. Gender equity	Equal remuneration for women and men Gender equality Parental leave	3.4.1 3.1.1, 3.4.1 3.1.1

SDGs	Business Theme	Relevant Chapter
6. Clean water and sanitation	Sustainable water withdrawals	4.3.1
	Waste	4.1.4
	Water quality	4.3.1
	Water recycling and reuse	4.3.1
7. Affordable and clean energy	Energy efficiency	4.3, 4.1.5
	Renewable energy	
8. Decent work and economic growth	Abolition of child labor	3.1.2
	Earnings, wages and benefits	3.4
	Employee training and education	3.3
	Employment	3.2.2
	Freedom of association and collective bargaining	-
	Labor practices in the supply chain	4.5
	Occupational Safety and Health	3.5.3
	Parental leave	3.1.1
	Youth employment	3.2.2
9. Industry, innovation and infrastructure	Infrastructure investments	2.2, 3.6
	Research and development	2.3
10. Reduced inequalities	Equal remuneration for women and men	3.4.1
11. Sustainable cities and communities	Infrastructure investments	3.6

SDGs		Business Theme	Relevant Chapter
	12. Responsible consumption and production	Air quality	4.1.5
		Energy efficiency	4.1
		Procurement practices	4.5
	13. Climate action	Energy efficiency	4.1
		GHG emissions	4.1.5
		Risks and opportunities due to climate change	4.4
	14. Life below water	Water discharge to oceans	4.3.1
	15. Life on land	Forest degradation	4.3.1
	16. Peace, justice and strong institutions	Abolition of child labor	3.1.2
		Anti-corruption	2.4.5
		Compliance with laws and regulations	2.4.5
		Grievance mechanisms	3.1.4
		Workplace violence and harassment	3.1.4
	17. Partnerships for the goals	-	-

Summary of Subject Matters Assured

No	Subject Matter Information	Page	Applicable Criteria
1	According to the customer satisfaction survey results in 2019, the average satisfaction rate was 87.2%.	84	The satisfaction survey is issued by Sercomm Group. The annual satisfaction rate is calculated from valid questionnaires by taking the quarterly average (maximum score of 5) from 2019's "Customer Satisfaction Survey Form" and multiplied by 20.
2	At the end of 2019, the male employee ratio was 56%, the female employee ratio was 44%.	36	The respective male and female full-time employees (excluding contractors and employee on leave of absence) as proportion to the total number of full-time employees in Sercomm Group as of December 31, 2019.
3	In 2019, Taiwan and China region's electricity consumption was 137,896 GJ. Sercomm headquarters' electricity consumption was 11,453 GJ in 2019. The Zhunan manufacturing center's electricity consumption was 23,455 GJ in 2019. Sercomm's Suzhou electricity consumption was 102,988 GJ in 2019.	76	1. Sercomm headquarters' electricity consumption = 2019 Sercomm headquarters' self-use electricity consumption is based on the electricity bill. The public-use consumption is based on electricity expense from the property management cost allocation and converted by the average unit expense of summer and non-summer seasons. 2. Zhunan manufacturing center's electricity consumption = 2019 Zhunan manufacturing center's self-use electricity consumption is based on the electricity bill. The public-use consumption is based on the electricity bill for the building complex and allocated based on contractual agreement. 3. Sercomm's Suzhou electricity consumption = 2019 Sercomm's Suzhou's self-use and public-use electricity consumption is based on the electricity bill. 4. GJ is converted by "1kW*3,600 seconds= 3,600,000J."

No	Subject Matter Information	Page	Applicable Criteria
4	During Sercomm's 2019 shareholder meeting, electronic voting accounted for 38.62% of total outstanding shares with voting rights, and 61.57% of those who attended the meeting.	23	1. 2019 Ratio of e-voting shares to total outstanding shares with voting rights = The number of e-voting conducted on e-voting platform of Taiwan Depository & Clearing Corporation (TDCC) divided by the total number of outstanding shares with voting rights registered at the cut off date for suspension of share transfer for a shareholders meeting. 2. 2019 Ratio of e-voting shares to total shares held by those shareholders who attended the meeting = The number of e-voting conducted on e-voting platform of Taiwan Depository & Clearing Corporation (TDCC) divided by the total number of shares held by the shareholders who attended the annual shareholder meeting in 2019.
5	In 2019, Sercomm conducted annual audits on 65 suppliers including aspects on quality and CSR compliance, and the pass rate is 100% (Note 1、2). Note 1: Approved in Taiwan: Quality System Audit (QSA) or Quality Process Audit (QPA) scored over 85(included). Conditionally Approved in Taiwan: Quality System Audit (QSA) or Quality Process Audit (QPA) scored over 75~85. Pass include Conditionally Approved. Note 2: Approved in China: QSA or QPA scored over 85 (included) and the key item of CSR are satisfactory.	81	The number of suppliers which have been audited in Taiwan and China, items evaluated, and their pass rate in 2019.

96

Independent Limited Assurance Report

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Independent Limited Assurance Report

PWCM20000120

To Sercomm Corporation：

We have been engaged by Sercomm Corporation ("the Company") to perform assurance procedures on the sustainability performance information identified by the Company and reported in the 2019 Corporate Sustainability Report (hereinafter referred to as the "CSR Report"), and have issued a limited assurance report based on the result of our work performed.

Subject Matter Information and Applicable Criteria

The sustainability performance information identified by the Company (hereinafter referred to as the "Subject Matter Information") and the respective applicable criteria are stated in the "Summary of Subject Matters Assured" on page 95 to 96 of the CSR Report.

Management's Responsibilities

The Management of the Company is responsible for the preparation of the sustainability performance information disclosed in the CSR Report in accordance with the respective applicable criteria, and for such internal control as management determines is necessary to enable the preparation of the sustainability performance information that is free from material misstatement, whether due to fraud or error.

Our Responsibilities

We conducted our assurance work on the Subject Matter Information disclosed in the CSR Report in accordance with the Statement of Assurance Engagements Standards No. 1, "Assurance Engagements other than Audits or Reviews of Historical Financial Information" in the Republic of China, to identify whether any amendment is required of the Subject Matter Information to be prepared, in all material aspects, in accordance with the respective applicable criteria, and issue a limited assurance report.

We conducted our assurance work in accordance with the aforementioned standards including identifying the areas where there may be risks of material misstatement of the Subject Matter Information, and designing and performing procedures to address the identified areas. The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed a reasonable assurance engagement.

The extent of the assurance work we performed were based on the identified risk areas and determined materiality, and given the circumstances of the engagement, we designed and performed the following procedures:

● Made inquiries of the persons responsible for the Subject Matter Information to understand the processes, information systems (if any), and the relevant internal controls relating to the preparation of the

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aforementioned information to identify the areas where there may be risks of material misstatement; and
● Based on the above understanding and the areas identified, performed selective testing including inquiry, observation, and inspection to obtain evidence for limited assurance.

We do not provide any assurance on the CSR Report as a whole or on the design or operating effectiveness of the relevant internal controls.

Compliance of Independence and Quality Control Requirement

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Statement of Auditing Standard No. 46, "Quality Control for Public Accounting Firms" in the Republic of China and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Inherent Limitations

Certain Subject Matter Information involves non-financial data which is subject to more inherent limitations than financial data. Qualitative interpretations of the relevance, materiality and the accuracy of data are subject to individual assumptions and judgments.

Limited Assurance Conclusion

Based on the procedures we have performed and the evidence we have obtained, we are not aware of any amendment that is required of Subject Matter Information to be prepared, in all material aspects, in accordance with the respective applicable criteria.

Other Matter

The Management of the Company is responsible for maintaining the Company's website. If the Subject Matter Information or the applicable criteria are modified after this limited assurance report is issued, we are not obliged to re-perform the assurance work.

PricewaterhouseCoopers, Taiwan

Chang, Jui - Ting

Chang, Jui-Ting
Partner
September 3, 2020