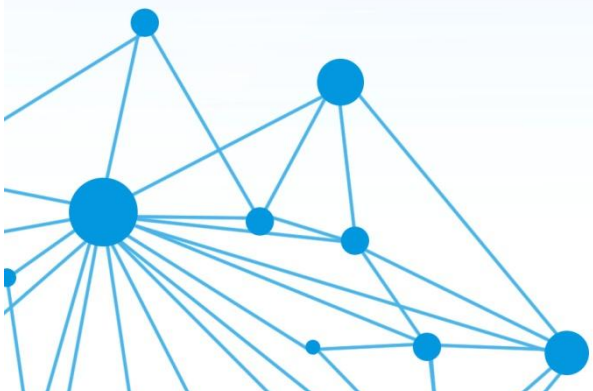




2018 Sercomm Corporation Corporate Social Responsibility Report



About This Report

Sercomm Corporation is not only committed to its business development but is dedicated to fulfilling and promoting its corporate social responsibility in order to propagate the importance of the environment and green energy, to care for employees' interests and rights, to strengthen its corporate governance, and to participate in social and public interests. Sercomm upholds the principles of honesty, transparency, and sustainable development. Sercomm hereby prepares the "Sercomm Corporation 2018 Corporate Social Responsibility Report" to detail the status of sustainable development and social responsibility fulfilled by the Company in 2018 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 2018 (from January 1 to December 31, 2018), and some information related to the variance of corporate growth thereof in 2016 and 2017. Previous CSR report was published in Nov. 2017.

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, 2018. 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

Sercomm Corporation
8F, No. 3-1, YuanQu St. (Nankang Software Park)
Taipei, Taiwan 115 R.O.C.
Phone: (886) 2-2655-3988
Email: pr@sercomm.com
www.sercomm.com

Table of Contents



About This Report	1
Letter From Chairman and CEO	3



Employee Relations and Social Participation	
3.1 Employee Policy	37
3.2 Employee Profile	38
3.3 Training and Development	43
3.4 Overall Wages and Benefits	50
3.5 Employee Care	54
3.6 Social Participation	61



Stakeholder Engagement	
1.1 Corporate Social Responsibility Policy	6
1.2 Identification of Stakeholders	7
1.3 Methods of Communication with Stakeholders	12



Environmental Sustainability	
4.1 Environmental Management	66
4.2 Green Products	71
4.3 Energy Conservation	75
4.4 Responses to Climate Change and Global Warming Policy	78
4.5 Supply Chain Management	79
4.6 Customer Service and Satisfaction	84



Development of Corporate Operations	
2.1 Company Overview	15
2.2 Operational Performance	19
2.3 Innovative Development	21
2.4 Corporate Governance	23



Appendix	
GRI Standards Index	88
SDGs Index	95
Summary of Subject Matter Assured	98
Independent Limited Assurance Report	99

Letter to Shareholders

2018 was a year full of chances and challenges. Affected by the U.S.-China trade conflicts and the increasing cost of component, Sercomm focused on the core value of software and firmware integration by being committed to the optimization of our product portfolio. Our overall business continues steady performance with consolidated net sales of NT\$33.4 billion in 2018. Operating profit was NT\$900 million, with net income before tax of NT\$1,030 million. The net income attributable to owners of parent was NT\$ 8.08 million. Based on 243 million weighted average shares, the EPS for 2018 was NT\$3.32.

Looking back on 2018, Sercomm continued to invest in new technology sectors while taking a leading position in solutions for IoT, Smart Energy, Smart Medical and LPWA (Low Power Wireless Area) products. In the meanwhile Sercomm expanded global coverage by proactively engaging in emerging markets that included Latin America, Southeast Asia and India. The market share of our telecommunications sector further expanded through the increased application of research, development and improved manufacturing capabilities. In addition, the Company actively participated in international exhibitions with partners from top telecommunications service providers around the world that allowed for the exchange of information regarding new technologies.

Sercomm, being an international corporate citizen, focuses on its own business ventures while maintaining its commitment to advancing corporate governance. In the area of corporate governance, Sercomm was presented the award for the “Best Managed Company” by FinanceAsia during the previous four consecutive years and awarded the “Best Small Cap Company” by Asiamoney for the third consecutive year. Moreover, the Company was recognized by the Institutional Investor for the “Most Honored Company” and the “Best Investor Relations”. In addition, Sercomm’s latest “Corporate Social Responsibility Report” connects with the international standards by adopting the new GRI Standards. Sercomm is also recognized internationally as a sustainable leader in the network communications industry.



For 2019, 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. Considering the rapid changes occurring in international politics and economics, as well as technological advances, Sercomm will lean upon its core competencies of research, development, and manufacturing capabilities to ensure superior quality of our products. Sercomm has maintained a firm commitment to continually enhance its corporate governance and social responsibility as we move towards sustainable development in order to obtain a better value for our shareholders, customers, and employees.

Paul Wang
Chairman of Sercomm

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

James Wang
President & CEO of Sercomm

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



1 Stakeholder Engagement

- 1.1 Corporate Social Responsibility Policy
- 1.2 Identification of Stakeholders
- 1.3 Methods of Communication with Stakeholders

Communication with Stakeholders

1.1 Corporate Social Responsibility Policy

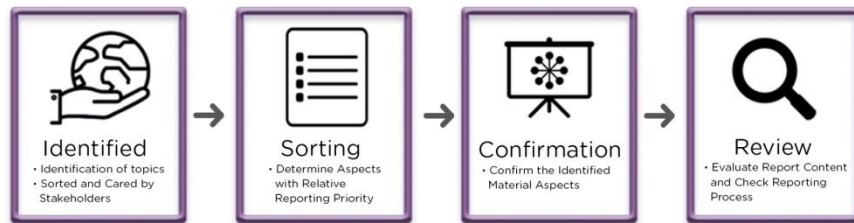
By upholding the corporate value outlining “Dedication to Core Business and Positive Feedback to Society,” Sercomm, based on the sustainable development, integrates the three major missions—ethical corporate management, environmental protection, and feedback to society—into its routine operations, and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

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

1.2 Identification of Stakeholders

1.2.1 Process Analysis

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



1.2.2 Identification of Stakeholders

Sercomm values the opinion of all stakeholders and the issues prioritizing them. In order to identify representative stakeholders, Sercomm 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.



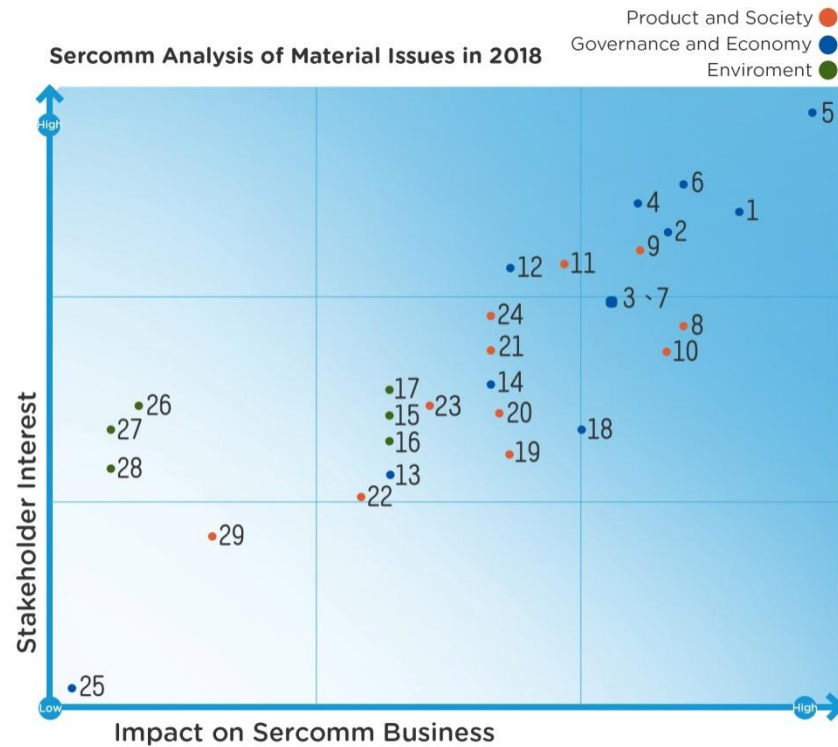
1.2.3 Identification of Materiality Topics

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

Sercomm analysis of material topics in 2018



2018 Materiality

After the corporate senior management team and unit supervisors analyzed results of the above procedures, the materiality matrix for 2018 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 11 high impact topics, 13 middle impact topics, and 5 low impact topics. In particular, "high impact issues" and "middle 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

Materiality	Material Topics	GRI Disclosure	Report Chapter	Page
High	Quality Service	GRI 102	Products and Services	22
High	Corporate Governance	GRI 102	Corporate Governance	23
			2.4.3	26
			2.4.4	29
High	Risk Management	GRI 102	Corporate Risk Management	30
			2.4.5	30
			2.4.6	34
High	Innovation and Development	Others	Corporate Governance	21
High	Economic Performance	GRI 201	Operational Performance	19
High	Business Ethics	GRI 102	Corporate Risk Management	29
High	Customer Satisfaction	Others	Customer Service and Satisfaction	84
High	Employee Compensation	Others	Wage Structure	50
			Employee Policy	37
High	Employment	GRI 401	Employee Recruitment and Retention	46
			Overall Wages and Benefits	50
High	Compliance with Regulations	GRI 419	Corporate Governance	30
Middle	Supplier Management	GRI 204 GRI 308	Supply Chain Management	79
Middle	Anti - Competition	GRI 206	Operation Risk Management	30

Materiality	Material Topics	GRI Disclosure	Report Chapter		Page
Middle	Anti- Corruption	GRI205	Operation Risk Management	2.4.5	30
Middle	Energy Management	GRI 302	Environmental Management Energy Conservation	4.1 4.1.5 4.3.1	64 70 76
Middle	Effluents and Waste	GRI 306	Waste Management	4.1.4	69
Middle	Raw Materials Management	GRI 301	Hazardous Substances Management	4.2.3	73
Middle	Occupational Safety and Health	GRI 403	Safety and Health Management	3.5.3	57
Middle	Talent Training and Education	GRI 404	Training and Development	3.3	43
Middle	Diversity & Equal Opportunity	GRI 405	Employee Recruitment and Retention	3.2.2	39
Middle	Human Right	GRI 406	Employee Recruitment and Retention	3.2.2	39
Middle	Customer Health & Safety	GRI 416	Green Products	4.2	71
Middle	Green Product Management	GRI 416	Green Products	4.2	71
Middle	Privacy and Data Security	GRI 418	Customer Service and Satisfaction	4.6	84
Low	Local Employment	GRI 202	Employee Recruitment and Retention	3.2.2	39
Low	Environmental Policy	GRI 302	Environment Management	4.1	64
Low	Saving & Carbon Reduction Effects	GRI 307	Environmental Management	4.3	75
Low	Emissions	GRI 305	Carbon Emissions Management	4.1.5	
Low	Social Engagement	GRI 413	Social Participation	3.6	61

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	<ul style="list-style-type: none"> • Compensation and benefits • Learning and development • Labor relations • Occupational health and safety 	<ul style="list-style-type: none"> • Annual employee performance appraisal • Employee training system • Employee welfare committee and ESH committee • Employee opinion mailbox (sexual harassment, fraud or ethics violations)
Customers/ Partners	<ul style="list-style-type: none"> • Customer service and satisfaction • Product quality & safety • Compliance policy and procedures • Supplier management • Risk management 	<ul style="list-style-type: none"> • Customer audit • Global technical support • Customer service and satisfaction survey • Green policy, green product strategy and green procurement

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



2 Development of Corporate Operation


2.1 Company Overview

2.2 Operational Performance

2.3 Innovative Development

2.4 Corporate Governance

2.1 Company Overview

	Company Name Sercomm Corporation
	Chairman Paul Wang
	Total Capital (2018) NT\$ 2.43 billion
	Sales Revenue (2018) NT\$ 33.4 billion
	EPS (2018) NT\$ 3.32

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

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

Facing a new era of 5G communications, Sercomm has continued to invest in the new technologies involved in the development of the Internet of Things (IoT) and artificial intelligence (AI). Sercomm is now become the major solution partner behind the Telcos, and is able to launch high value-added products such as Cloud service markets, Smart Energy, Smart Automation, Smart Health, the New Generation of Small Cells, and other solutions. The Company also helped customers develop new market opportunities. All of these efforts have served to create a solid foundation for the Company to thrive and grow. Sercomm has maintained a firm commitment to continually enhance its corporate governance and corporate social responsibility.

2.1.1 Global Business and Performance

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

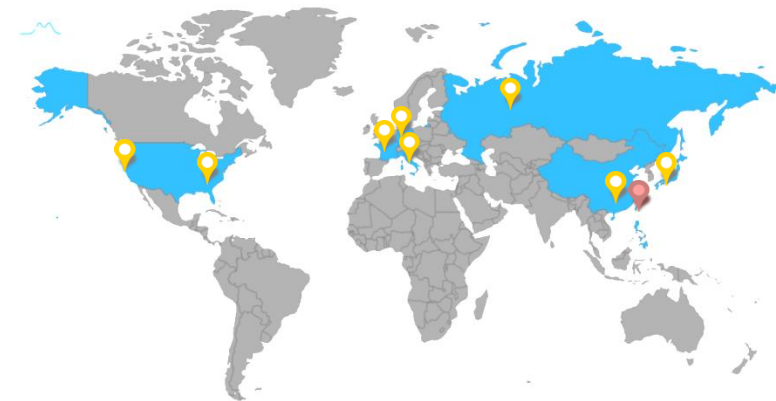
Headquartered in Nangang Software Park, Taipei, Taiwan, Sercomm's marketing strategy emphasizes "Global Technical Support". The Company engaged to provide nearby technical support and services through the global sales branches in USA, Japan, China, France, Germany, Italy, Russia, and other countries.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

Sercomm holds plenty of know-how and expertise about broadband telecommunication. Its manufacturing centers are located in 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. Among other things, Sercomm (Suzhou) Corporation, which is located within Suzhou Industry Park, is identified as a representative high-tech enterprise. Meanwhile, the Company has also proactively automated its production lines and enhanced process efficiency. For the time being, it is moving forward toward 5th generation of process and thereby is identified as the most representative automated production line model in Suzhou Industry Park.

Sercomm's solid strength in system integration and precise control over the market trend generated in the past granted the Company trust and recognition by international customers and made it

become a major development partner for many international telecommunication customers' new products. Sercomm established the long-term and stable cooperation relationship with its customers. In consideration of the commitment to and responsibility toward customers, Sercomm invests R&D resources to co-develop multiple new technologies and products with customers at the initial stage of design thereof. Meanwhile, Sercomm pursues efficiency and optimization of quality with respect to production, quality control, and customer service to enhance customers' satisfaction comprehensively.

Sercomm Global Branches



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

Please refer to Sercomm company website (www.sercomm.com) for detailed Global sites information.

2.1.2 Award and Recognition

- 
- 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 Asiamoney Magazine as: "Best Technology Hardware & Equipment", "Best Small Cap Company"
 - Awarded by Deloitte & Touche as the "Asia Pacific Technology Fast500 Company"

2017

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

2016

- Awarded by Asiamoney Magazine as: "Best Managed Company - Small Cap", "Best Executive in Taiwan - James Wang", "Best Companies in Asia for Corporate Governance", "Best for Disclosure and Transparency", "Best for Investor Relations", "Best for Corporate Social Responsibility", "Best for Shareholders' Rights and Equitable Treatment", "Best for Responsibilities of Management and the Board of Directors"
- Awarded by FinanceAsia Magazine as: "Best Mid-cap Company", "Best at Investor Relations", "Best Managed Company", "Most Committed to Corporate Governance", "Best at Corporate Social Responsibilities"
- Awarded by CommonWealth Magazine as: "Taiwan Top 50 Best Performing Public Companies", "Taiwan Top 50 Growing Technology Companies", "Ranked 3rd in Taiwan Telecom and Networking Industry"

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	Organization	Organization
Bluetooth Special Interest Group (Bluetooth SIG)	Fair Winds Foundation	Suzhou SIP EHS Association
CBRS Allianace	Global Certification Forum (GCF)	Suzhou Society For Environmental Sciences
China Communications Industry Association, Internet of Things Application Branch	Global Monte Jade Science & Technology Association	Suzhou Work Safety Management Association
China Communications Standards Association (CCSA)	Global TD-LTE Initiative	Taiwan 5G Alliance
China Mobile Digital Home Alliance	GTI Partner Forum Leadership Committee	Taiwan Association of Information and Communication Standards
China Mobile IoT Alliance	Home Gateway Initiative (HGI)	Taiwan Compatriot Investment Enterprises Association of Suzhou
China Mobile IoT Open Platform	Huawei NB-IoT Open Lab Certificate	Taiwan Electrical and Electronic Manufacturers' Association (TEEMA)
China NB-IoT Industry Alliance	Huawei IoT Ecosystem Partners	Tianyit IoT Industry Alliance
Chinese National Association of Industry and Commerce, Taiwan (CNAIC)	LoRa Alliance	ULE Alliance
Cross-Striate CEO Summit	Mobile Internet of Things Alliance	Wi-Fi Alliance (WFA)
Device Language Message Specification (DLMS)	Multimedia over Coax Alliance (MoCA)	Wireless Innovation Forum
Digital European Cordless Telecommunications (DECT)	NB-IoT Alliance	Wuxi IoT Industry Association
eXtended Global Platform Forum (XGP)	Small Cell Forum	Yushan Science and Technology Association Suzhou
	Suzhou Internet Of Things Association	ZigBee Alliance
	Suzhou Internet Of Things Association	

2.2 Operational Performance

Financial Performance

Sercomm overall business continues steady performance with consolidated net sales of NT\$33.4 billion in 2018. Operating profit was NT\$900 million, with net income before tax of NT\$1,030 million. The net income attributable to owners of parent was NT\$ 8.08 million. Based on 243 million weighted average shares, the EPS for 2018 was NT\$3.32.

	2016	2017	2018
Sales Revenue	36,701,734	38,600,003	33,384,941
Gross Profit	5,368,728	5,027,843	4,477,652
Operating Expense	3,597,818	3,493,639	3,577,191
Operating Profit	1,770,910	1,534,204	900,461
Non-operating Income & Expense	31,873	49,354	129,959
Income Before Tax	1,802,783	1,583,558	1,030,420
Net Income Attributable to Owners of Parent	1,461,654	1,311,868	807,586
EPS (NT\$)	6.02	5.38	3.32

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. We focus on reducing the proportion of low-margin products to mitigate impact on the impact during a price increase in raw materials. In 2018, the Company has achieved a gross margin of 13.4%, exhibiting an outstanding performance during price increase in compartments.

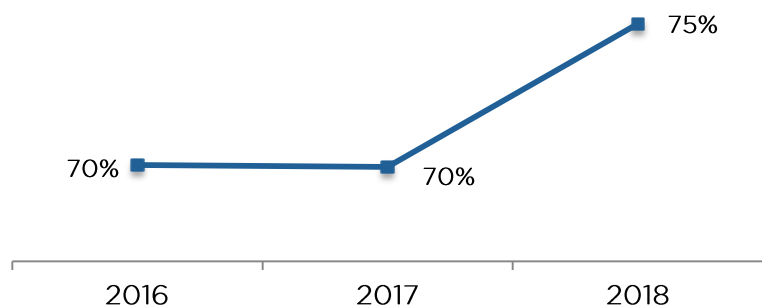
	2016	2017	2018
Gross Margin(%)	14.6	13.0	13.4
Return on Equity (%)	20.4	17.7	11.9
Return on Assets(%)	6.5	5.5	3.8

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.

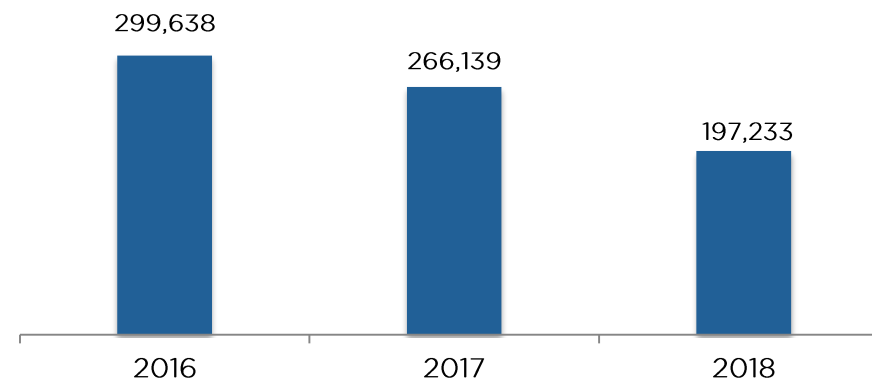
Cash Dividend Payout Ratio (NT\$thousand)



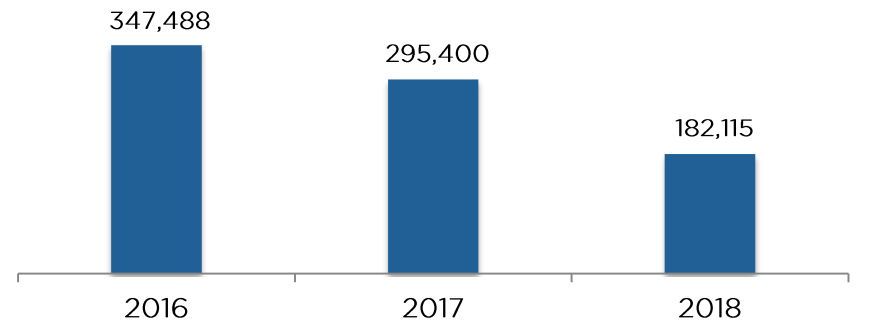
Year	2016	2017	2018
Dividend (NT\$ per share)	4.20	3.75	2.50
Dividend Payout Ratio	70%	70%	75%

*The calculation is based on the annual closing price

Employee Benefits (NT\$thousand)



Tax Payment (NT\$thousand)



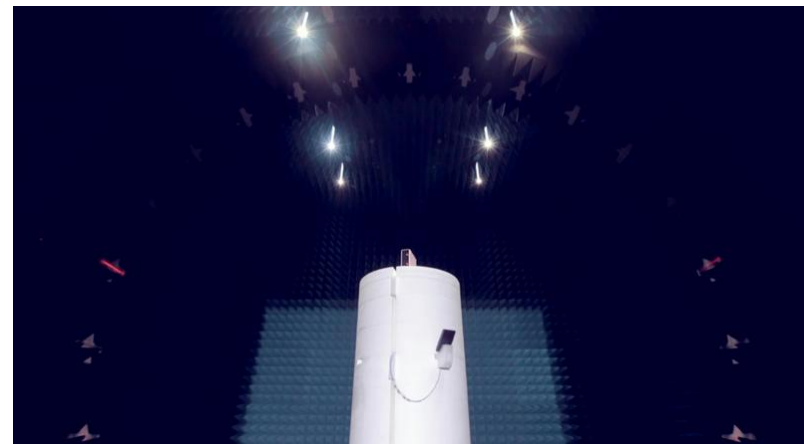
Unit: NT\$ thousand

Year	2016	2017	2018
Income before Tax	1,802,783	1,583,558	1,030,420
Income Tax	347,488	295,400	182,115

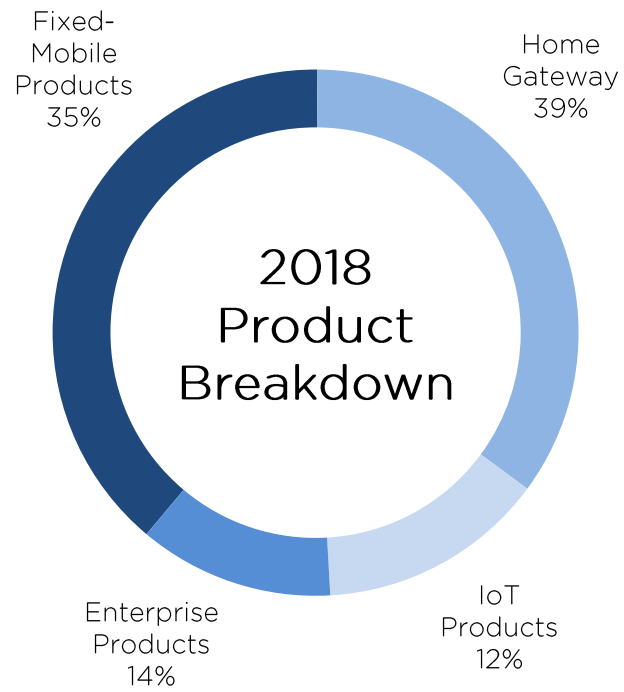
2.3 Innovative Development

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.

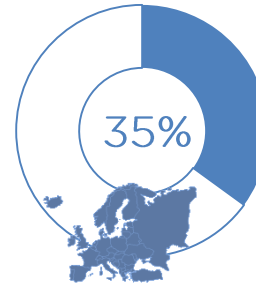
Sercomm has R&D Centers in Taipei (Taiwan), Suzhou (China), and Moscow (Russia) with more than a thousand engineers. In 2018, the telecom sector has contributed over 80% of the total revenue. This showed that Sercomm has broken through the conventional framework of OEM and thus has a larger potential growth in technology development and emerging markets. From families to offices, Sercomm 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.



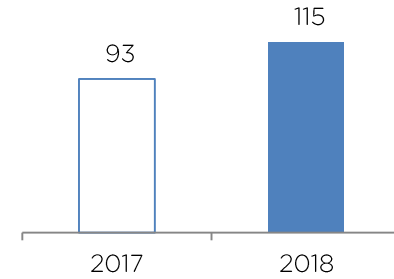
2.3.2 Product and Service



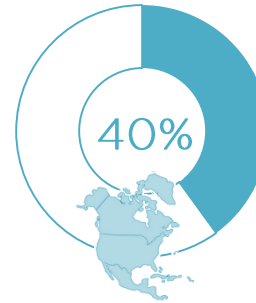
Europe



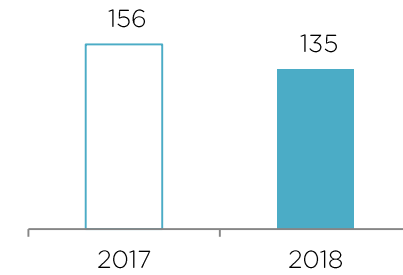
Unit: NT\$100 millions



North America



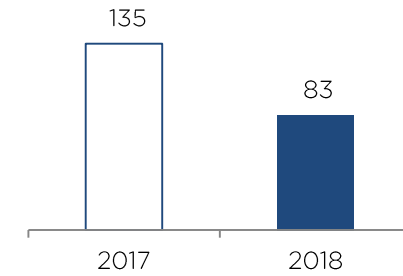
Unit: NT\$100 millions



Asia



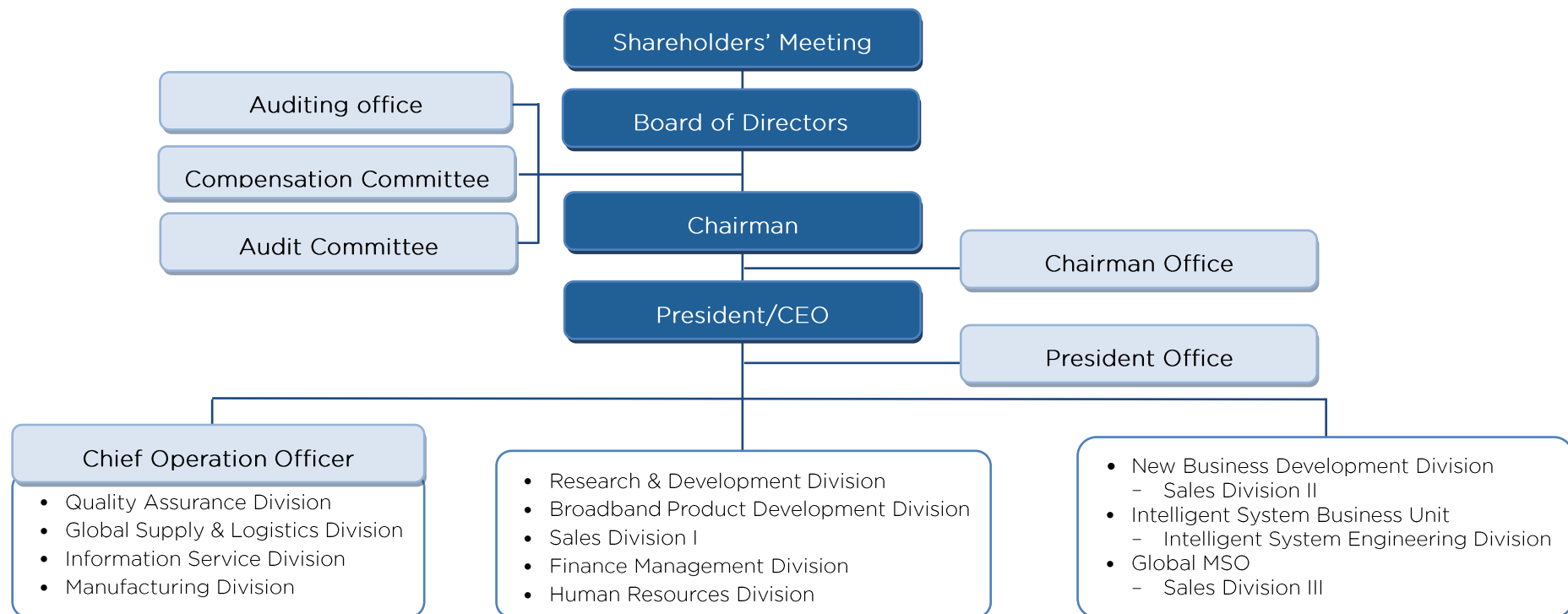
Unit: NT\$100 millions



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).

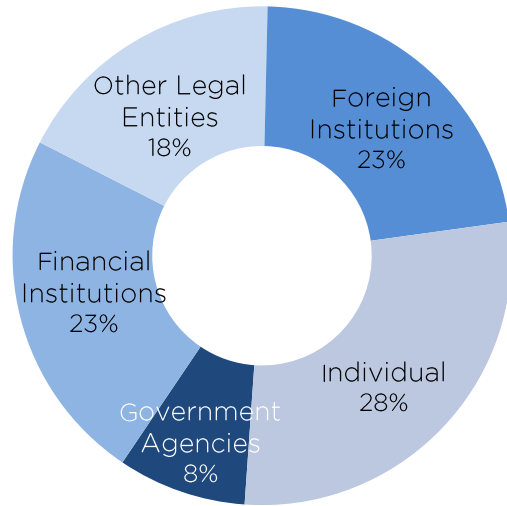
2.4.1 Organization Chart



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



	Number of Shareholders	Shareholding	Ownership
Government Agencies	4	20,489,000	8.34%
Financial Institutions	59	56,639,512	23.06%
Other Legal Entities	81	43,839,535	17.85%
Foreign Institutions	173	55,183,084	22.46%
Individual	14,012	69,502,636	28.29%
Total	21,763	245,653,767	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.

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.

- 7 board meetings were held in 2018, with an average attendance rate of 92% 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	
Director and Executive Vice President	Ben Lin	Male
Director	Shyue-Ching Lu - Representative of ZhuoJian 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 21 training hours participated in 2018.

- **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.

- **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.

- **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 four meetings were held in 2018.

The Committee members are as follows:

Name	Title
Chin-Tay Shih	Independent Director, Compensation Committee Chairman
Steve K. Chen	Independent Director, Compensation Committee member
Rose Tsou	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 5 meetings were held in 2018 with an average of 100% 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
Steve K. Chen	Independent Director, Audit Committee Chairman
Chin-Tay Shih	Independent Director, Audit Committee member
Rose Tsou	Audit Committee member

2.4.4 Corporate Risk Management



Employee Opinion Box (Sexual harassment, fraud or ethics violations mailbox : HR_Help@Sercomm.com

Stakeholder contacts : audit@sercomm.com

Integrity Management

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

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.

- **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
	<ul style="list-style-type: none"> Financial Legal Audit 	<ul style="list-style-type: none"> Operating Management Corporate Investment Public Relations Investor Relations
Economic Issues	Supply Chain Risk	<p>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”.</p> <ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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
Human Capital Risk Management	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • 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
Social Issues	<ul style="list-style-type: none"> • Implement the control over source of fire and voluntary safety inspection mechanism • Inspect electric and mechanical equipment periodically
Infectious Disease Control and Prevention	<ul style="list-style-type: none"> • Strengthen various infectious disease preparedness measures • Access control at factory premises, especially handling and disinfection at factory premises, et al. • Employees' self health management and checkup • Review and store preparedness supplies
Product Quality/Safety Management	<ul style="list-style-type: none"> • 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 OSHA 18001 with respect to the environmental and occupational safety management system so as to respond to the environmental protection topics and requirements for crisis and risk management, which are highly valued.

- **Information Security Management System**

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

In order to secure Sercomm's and customers' confidential information (including business secrets and intellectual property rights, et al.) and protect the information security to mitigate the loss and impact on operations resulting from man-made or natural disasters, Sercomm establishes the information security policies and rules to govern the account password & access authority management operations, account authorization management, control room management, portable storage equipment management, information system security and protection procedure, data backup and recovery management procedure, confidential information control operations, and various departments' document graded protection requirements, so to prevent the information system from being accessed or tampered without authorization and to prevent Sercomm's and customers' business secrets and intellectual property from being stolen or disclosed.

Information Service Division also sets up the Virtual Desktop Infrastructure System (VDI Private Cloud and IMERA System) and VES (Virtual Encryption System) per Sercomm's business needs to store and control R&D information centrally, to protect Sercomm's R&D results and confidential information, and to provide colleagues with a secured space for access to and exchange of information. 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	√			√	
Sercomm Zhunan Factory	√	√	√		√
Sercomm (Suzhou) Corporation	√	√	√		



3 Employee Relations and Social Participation

3.1 Employee Policy

3.2 Employee Profile

3.3 Training and Development

3.4 Overall Wages and Benefits

3.5 Employee Care

3.6 Social Participation

Employee Relations

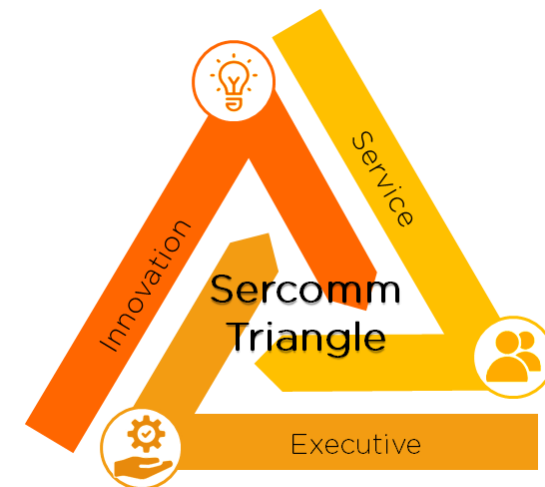
3.1 Employee Policy

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

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

Sercomm's Employee Policy :

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



3.2 Employee Profile

3.2.1 Human Resource Distribution

Sercomm upholds its innovative and forward-looking corporate culture to implement humane management. It establishes a fair labor-management relationship with its employees, and forbids any form of discrimination, including race, religion, skin color, nationality, age, gender, sexual orientation, marital status, and political affiliation. By the end of 2018, Sercomm had hired about 4,200 employees throughout the world, including 27% in Taiwan, 71% in Mainland China, and 1% thereof in the other territories. By type of the employee, its direct employees accounted for 53% and indirect employees 47% in the world. Because Sercomm engages in the industry other than the labor intensive industry, it spares no efforts to invest human resources in the added value of products.

Among Sercomm's employees, male employees accounted for 58% while the proportion of female employees was 42% as of December 31, 2018. Sercomm global high-rank management, the female employees accounted for 40%.

In order to expand the R&D energy, Sercomm works hard to train R&D talents. The proportion of its R&D personnel is about 35% and increases yearly. For the employees' seniority, more than 44% of its employees attained the seniority of more than three years. Apparently, its employees were very stable. This reflects that Sercomm had no discrimination against employees' recruitment, employment, and development and valued employees' expertise in order to provide them with a comprehensive career development environment.

Sercomm Employee Totals in 2018

	Male	%	Female	%	Total	%
Direct labor (DL)	954	38%	1,060	60%	2,014	47%
Indirect labor (IDL)	1,530	62%	709	40%	2,240	53%
Total	2,484	58%	1,769	42%	4,254	100%

Note: The statistic numbers above were obtained at a different time than that of the annual report, so the number of employee shown may be slightly different than that of the annual report.

Sercomm Employee Categories in 2018

	Category	Male	%	Female	%	Total	%	
Age	Under 30	1,206	28%	778	18%	1,982	47%	
	30-50	1,206	28%	940	22%	2,146	50%	
	Above 50	74	2%	51	1%	125	3%	
Management	Direct Employee	954	22%	1,060	25%	2,014	47%	
	Indirect Employee	Manager	323	8%	97	2%	420	10%
		Professionals	1,208	28%	612	14%	1,819	43%
Years of Service	1 year or less	638	15%	431	10%	1,069	25%	
	1-3 years	738	17%	587	14%	1,324	31%	
	3-5 years	391	9%	314	7%	705	17%	
	5-10 years	453	11%	292	7%	745	18%	
	10-15 years	184	4%	109	3%	293	7%	
	15 years and above	81	2%	36	1%	117	3%	

Note: The number is permanent employees.

3.2.2 Employee Recruitment and Retention

Sercomm believes that employees are an enterprise's most important asset and therefore offers well-founded orientation training, promotion management, and employee benefit to encourage the employees to develop their career and cultivate the business growth strength. In order to fulfill the "talent as the first priority" policy, Sercomm adopts the public and transparent recruitment process so that all job seekers may be given the fair chance for employment. For colleagues who are transferred to any other units or territories, Sercomm will engage in pre-communication and educational training with them thoroughly and will provide allowances and subsidies subject to the workplace in order to protect the employees' interests and rights. For resignation management, HR will arrange the interview with colleagues who apply for resignation one by one, if necessary, to verify the root cause of resignation, and will make every endeavor to retain and care for the employees. The interview information will serve as the basis for internal management and improvement. Sercomm will be pleased to give former employees who wish to return back to the Company a chance to resume their posts.

Sercomm believes that recruitment of talents should be borderless, and recruitment of international talents help its business move forward and in line with the international industry supply chain. In 2018, Sercomm hired foreign employees from various countries, including the R&D 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. The Company has standardized criteria for the recruitment, development, performance evaluation and bonuses.

1. Recruitment and Retention

2018 New Hire Rates and Turnover Rate of Indirect and Direct Employee

		Indirect Employee				Direct Employee			
Total		Number of New Hires	New Hire Rate (%)	Departed Employee	Turnover Rate (%)	Number of New Hires	New Hire Rate (%)	Departed Employee	Turnover Rate (%)
		396	9%	491	12%	1,387	33%	1,975	46%
Gender	Male	297	7%	387	9%	806	19%	1,114	26%
	Female	99	2%	104	2%	581	14%	861	20%
Age	<30	224	5%	279	7%	1,126	26%	1,520	36%
	30-39	131	3%	174	4%	230	5%	428	10%
	40-49	34	1%	29	1%	30	1%	25	1%
	>50	7	0%	9	0.2%	1	0%	2	0%

Note: New Hire Rate = Number of Indirect/Direct Employee New Hires in the Category Concerned ÷ Total Number of Employees at the End of 2018 ; Turnover Rate = Turnover Quantity of Employees in the Category Concerned ÷ Total Number of Indirect/Direct Employees at the End of 2018

2018 Sercomm New Employee 3-month Retention Rate

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 2018, Sercomm's new indirect labor employees 3-month retention rate was up to 85% globally, up to 87% in Taiwan, and China still achieved the retention rate of 85% despite having the most intensive employee turnover 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	91	79	87%	113	109	96%	204	188	92%
China	287	243	85%	1,274	816	64%	1,561	1,059	68%
Total	378	322	85%	1,387	925	67%	1,765	1,247	71%

2. Retention Rate of Parental Leave

Sercomm values gender equality and builds a friendly workplace. In order to care for employees, Sercomm provides female employees with menstrual leave, maternity leave, family care leave, paternity leave, or parental leave without pay in accordance with the Labor Standard Law, without affecting the employees' full attendance bonus or performance appraisal or rendering any decision against the employees. 105 Taiwan employees (48 female employees and 57 male employees) of Sercomm met the conditions for unpaid parental in 2018, including 27% female employees and 2% male employees who were granted the leave after all. Upon completion of the unpaid parental leave, 73% of the female employees were reinstated. Through its family-oriented leaves of absence, Sercomm fulfills its gender protection objective

Number of Employees that took Parental Leave in 2018	Gender	
	Male	Female
Number of Employees Entitled to Unpaid Parental Leave	57	48
Number of Unpaid Parental Leave Applicants	2	13
Rate of Unpaid Parental Leave Applicants	4%	27%
Expected Number of Employees Reinstated from Parental Leave in 2018	3	15
Actual Number of Employees Reinstated from Parental Leave	2	11
Rate of Employees Reinstated from Parental Leave	67%	73%
Actual Number of Employees Reinstated from Parental Leave in 2018	1	6
Number of Employees that Worked for One Year Since Returning from Parental Leave in 2018	1	6
Retention Rate for more than one year	100%	100%

3. Local Talent Recruitment

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

% of Local Employee In Managerial Position	China	Worldwide
2016	93%	93%
2017	95%	96%
2018	97%	97%

4. Campus Recruitment

Sercomm bridges the gap between student learning and workforce application in career planning by focusing on young people's development on campus. Sercomm's talent recruitment team develops R&D projects in collaboration with various universities and provides students with the guidance about industrial trends, career awareness, and personal strengths through participation in campus fairs, corporate presentations, career training plans, and fellowships. Sercomm hopes to facilitate increased employment based on graduates' specialties and knowledge. In 2018, Sercomm recruited a total of 65 recent graduates (all R&D personnel) in the cross-strait areas. 96% of the new employees remained in post for more than 3 months in the Mainland China region. The number of campus recruiting has been climbing over the years. Now, the number of talents recruited on-campus increases yearly.



5. Prohibition of Child Labor and Forced Labor

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

Sercomm Child Labor and Forced Labor Hired

	2016	2017	2018
Child Workers	0	0	0
Under-Aged Workers	0	0	0

6. Recruiting Persons with Disabilities

Sercomm supports the employment of persons with disabilities. Since 2014, it has increased the number of employees with physical and mental disabilities. The number of such employees hired in 2018 accounted for 1% of the total employees hired in the territories of Taiwan. In 2018, the employees with physical and mental disabilities included 11 employees with minor and medium disabilities and 1 employee with severe disabilities. As of 2018, there should be a total of 12 employees with disabilities. The job descriptions cover those of the production line workers, engineers, and in-house professionals, et al. All of the employees with physical and mental disabilities adapt to the environment successfully and exert their specialty when performing their job duty, upon adequate arrangement in their working environment.

Sercomm Disabled Employees Hired in Taiwan

	2016	2017	2018
Number of Employees	14	11	12

3.3 Training and Development

3.3.1 Employee Training Strategy

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

Sercomm’s Learning and Development Strategies



Self-Learning and Development

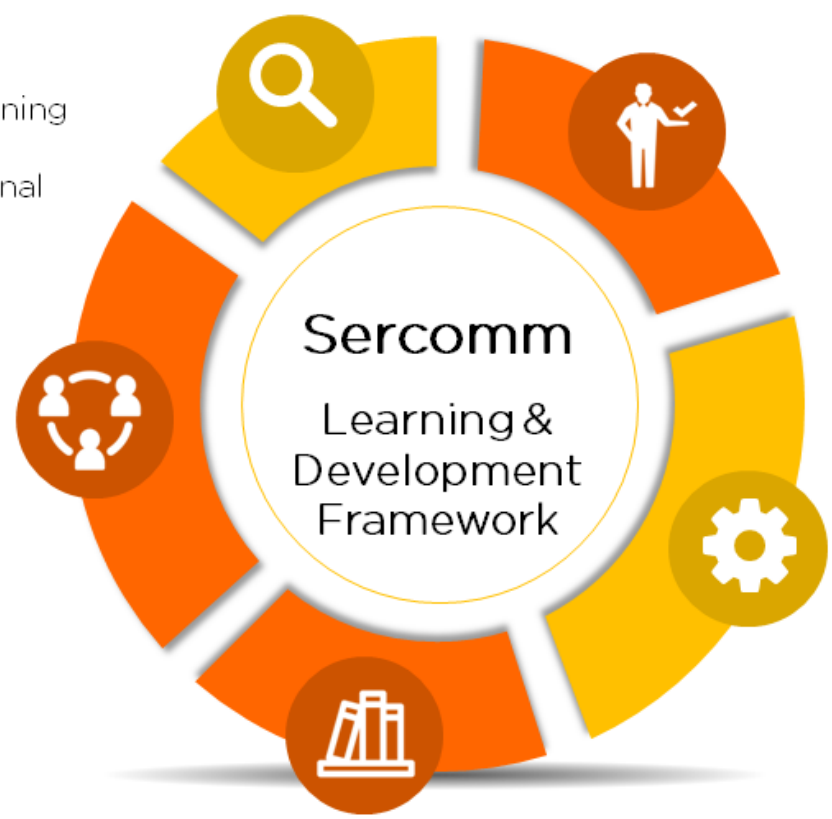
Continuing language education, digital learning resources, diversified keynote speech, internal sharing

Management Training

Basic management skills, advanced management practices, corporate governance and leadership workshop

General Education Training

Quality requirement training, enterprise culture training, soft lecture



New Hired Orientation

Information security training for new employees, environmental safety and health training, presentation of work rules

Competency Training

Multi-rank and multi-disciplinary technology forum, in-service training, technique and practical operations, internal trainer's training

Sercomm's Learning Structure

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

3.3.2 Employee Development and Training

1. Employee Training

Sercomm often organizes management workshops and technical forums to grasp the perspective market trends, respond to customer demands, and provide competitive products and services. Sercomm was able to implement its core values of innovation, service, and execution through the global cross-department high-level executive workshops, enhancing overall work efficiency. Sercomm also encourages colleagues to participate in external lectures and continue extensive in-depth studies on issues such as new scientific and technological knowledge, historical and cultural issues, and political and economic situations. In addition to the physical training courses, Sercomm introduced a virtual learning platform in 2017; gradually constructed various technology, management, or language courses; and enhanced employee knowledge by encouraging knowledge sharing and independent learning.

In 2018, Sercomm the training coverage rate was up to 67%. The training coverage rate for supervisors was up by 90%, and up by 69% for non-supervisors. The education and training coverage rate in the Taiwan region was 80%. A total of 66,860 training hours was provided in 2018. The participating trainees received an average of 16 hours in training and supervisors received an average of 33 hours in training.

Total Training Hours for Taiwan and China Employees in 2018

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	1,773	305	588	2,078
	Non-Managerial Level	5,238	5,827	5,110	11,065
	Total	7,011	6,132	5,698	13,143
China	Managerial Level	8,628	2,778	3,433	11,406
	Non-Managerial Level	30,307	12,004	21,451	42,311
	Total	38,935	14,783	24,884	53,717
Total	Managerial Level	10,401	3,083	4,021	13,484
	Non-Managerial Level	35,545	17,831	26,561	53,376
	Total	45,946	20,915	30,582	66,860

Total Training Hours for Taiwan and China Employees in 2018

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	101	22	123	124	31	155	81.45%	70.97%	79.35%
	Non-Managerial Level	383	499	882	436	570	1,006	87.84%	87.54%	87.67%
	Total	484	521	1,005	560	601	1,161	86.43%	86.69%	86.56%
China	Managerial Level	202	65	267	181	64	245	111.60%	101.56%	108.98%
	Non-Managerial Level	1,045	510	1,555	1,687	1,098	2,785	61.94%	46.45%	55.83%
	Total	1,247	575	1,822	1,868	1,162	3,030	66.76%	49.48%	60.13%
Total	Managerial Level	303	87	390	305	95	400	99.34%	91.58%	97.50%
	Non-Managerial Level	1,428	1,009	2,437	2,123	1,668	3,791	67.26%	60.49%	64.28%
	Total	1,731	1,096	2,827	2,428	1,763	4,191	71.29%	62.17%	67.45%

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 2018

	Taiwan	China
Number of New Employees	80	1,549
Number of Trainees	80	1,549
Coverage Rate	100%	100%

3. Management Training Plan: Strengthen Leadership and Management Competency

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



2018 Situational Leadership Training

4. Internationalized Talents and Enhancement of Global View

Sercomm believes that recruitment of talents should be borderless, and recruitment of international talents help its business move forward toward the world and in line with the international industry supply chain. Sercomm’s sales and R&D team members consist of nationals from 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.

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. Up to 2018, nearly 50% of all participants has passed the requirement score set by the Company, and more than 80% of the employees have attained TOEIC scores higher than 700.

TOEIC Test Scores

Score	% of Passing the test
900+	11.71%
800	22.52%
700	45.05%
600	20.72%

Enterprise Internationalization and Cultivation of Comprehensive Management Talents



3.4 Overall Wages and Benefits

3.4.1 Wage Structure

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

Ratio of Sercomm Average Salary for Fresh Graduate

Area	Category	Male	Female
Taiwan	Indirect Employee	1	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

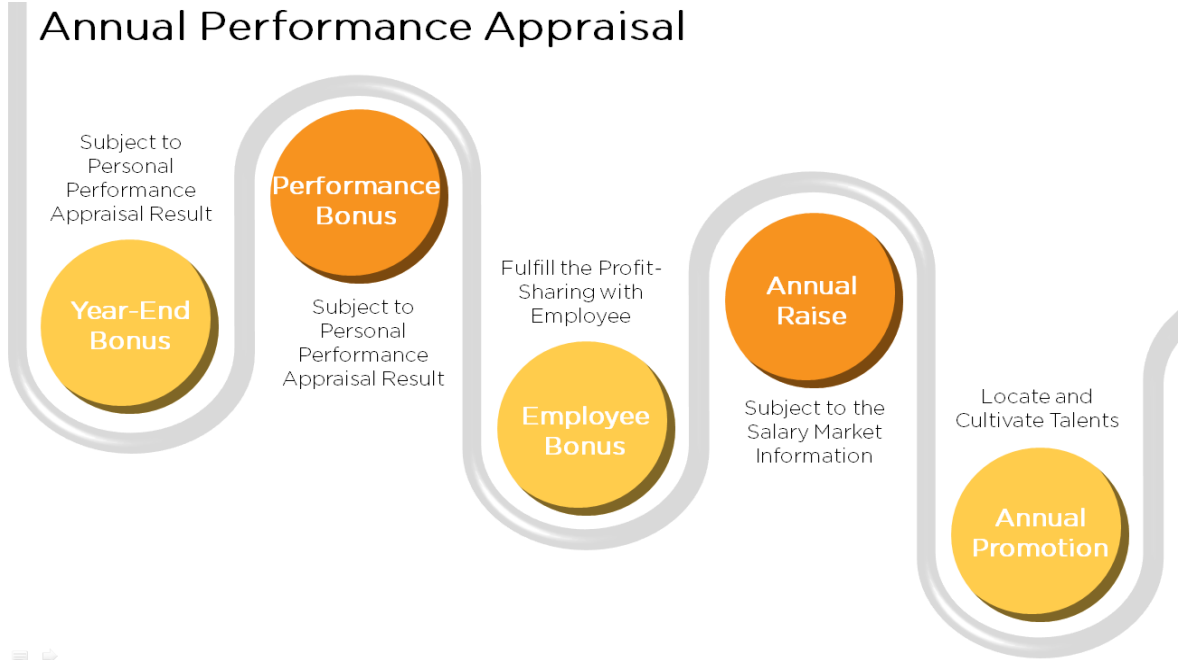
Ratio of Sercomm Starting Salary for Fresh Graduate

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

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

3.4.2 Performance Assessment

Through regular performance assessment, the Company can implement talent review and develop training plans to grasp the talents' current ability and training progress. Sercomm defines a clear and fair performance appraisal system as the basis for promotion, raise, allocation of bonus, and employees' development and training. Performance assessment includes a company level functional assessment and Department level goal evaluation. The Company also carries out face-to-face performance interviews to review employee's performance and to grant appropriate rewards or promotion. Sercomm's performance appraisal system is categorized into four steps: 1. "Objectives set-up and evaluation," 2. "Core competency measurement," 3. "Annual performance evaluation and career plan," and 4. "Employees' development plan or performance improvement plan." Sercomm's performance appraisal management is intended to integrate and upgrade the employees' personal performance and organizational performance. Sercomm will recommend any colleagues with potential who are willing to accept higher challenge for promotion, based on their performance and performance appraisal result. Meanwhile, Sercomm trains the management competency of management trainees and guides them on performance of job duty through the theory and methodology of situational leadership, to enhance managerial officers' management ability so that the trainees may be promoted immediately due to changes of the organization, Sercomm's operating strategies or update of personnel.



3.4.3 Employee Insurance

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

3.4.4 Employee Leave

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

3.4.5 Pension Scheme

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

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

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

2018 Sercomm Pension & Retirement Plan

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

3.5 Employee Care

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

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

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. Sercomm founded diversified clubs optional to employees, including the basketball club, swimming club, biking club, badminton club, cooking club, diving club, DIY club, horsemanship club, and UndoBox club, et al.. In order to cultivate the colleague relationship among employees, Sercomm organizes celebration

activities, birthday parties, and movie appreciations periodically to give the colleagues the chance to have fun together. In order to promote physical fitness and train colleagues' exercising habit, Sercomm organizes contests for hiking, marathons, biking, and rope skipping. By virtue of the training courses, voluntary training, and contests, the participating employees may achieve ultimate fitness goals and learn about good teamwork.



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. Sercomm was awarded the "Badge of Accredited Healthy Workplace" by the Health Promotion Administration, Ministry of Health and Welfare.



Scope of Health Care In Taiwan

Health Checks

Health Consultation Service

CPR+AED Courses

Weight Control Activities



3.5.3 Safety and Health Management

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

Related safety measures are stated following:

- **Safety & Health Training:** In order to enhance colleagues' awareness about safety and health in the workplace, in accordance with the "Labor Safety & Health Training Rules of Council of Labor Affairs," Sercomm enables colleagues to know about Sercomm's labor safety and health policy through quarterly training.
- **Operating Environmental Testing:** According to Article 7 of the "Labor Safety & Health Training Policy," Sercomm hires a professional engineer to conduct the CO2 concentration testing every six months. In order to seek excellent air quality, the air pollutants caused by the general workplaces, including offices and factories, shall be removed adequately to maintain the employees' physical health and safety management.
- **Delegation of First-Aid Personnel:** Sercomm delegates the first-aid personnel, who may respond to the emergencies, if any, immediately. All of the first-aid personnel shall undergo periodical training courses and acquire related license to ensure the colleagues' safety in the operating environment.
- **Access Control:** The offices or factories are equipped with the access control to ensure the personal and property safety of colleagues who leave the Company beyond business hours, and before or after office hours.
- **Operation Environment Safety Control:** The control is installed for the needs of special operation environments, such as installing anti-static floor tiles in research and development laboratories, monitoring the power supply of instruments, and installing large-scaled air conditioning units to ensure the air quality of the laboratories, etc.
- **Fire Drills:** Sercomm conducts fire drills every six months for all staff of 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
PPE Training (practical course)	1	20
Understanding Chemicals and Administration Regulations (practical course)	1	12
Safety and Health Risk Identification and Assessment (practical course)	1	21
Introduction to Hazardous Chemicals (practical course)	1	25
Promotion of Prevention Plans of Illegal Infringement during Duties and Prohibition of Workplace Violence in Workplace (practical course)	1	36
Fire Safety and Evacuation (practical course)	1	42
Things You Should Know (Illegal Infringement - E-Learning)	1	368
Introduction to Hazardous Chemicals (E-Learning)	1	70

Occupational Safety and Health Education and Training Statistics (China)

Item	Number of Courses	Number of Participants
EHS Training	5	165
Work-Related Injury Prevention Leader Training	1	65
ERT Training	6	373
Chemical Safety Management Training	2	59
Safety Awareness Promotion Training	5	150
Construction Supervisor Training	3	144
Motor Vehicle Emergency Plan Training	1	30
Equipment Safety Training	3	112

2018 Occupational Injury Statistics

Item	Taiwan		China	
	Male	Female	Male	Female
Number of Disabling Injuries	0	0	7	0
Working Days Lost due to Injury	0	0	39	0
Injury Rate (I.R.)	0	0	28.70%	0
Lost Day Rate (L.D.R.)	0	0	1.6	0
Occupational Diseases Rate (O.D.R.)	0	0	0	0
Absentee Rate (A.R.)	0%	0%	0.006%	0%

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

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

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

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

3.5.4 Communication Mechanisms

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

The communication channels between Sercomm and its employees include:

- **Two-Way Discussions**

Sercomm proceeds with the two-way discussion with colleagues via such internal meeting as the employee meetings, management meetings, and departmental meetings periodically. In 2018, a total of 25 rounds of such meeting were held in the cross-strait areas, which announced the important milestones and operating objectives of Sercomm and also enabled high-ranking management to discuss with officers and employees Sercomm's vision and cultures, consensus, and objectives. All of the colleagues may reflect their opinion or suggestion via such channels to achieve the harmonious relationship with employees.

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

At the "exchange meeting for new employees" to be held in Taiwan each quarter, HR will help new employees solve problems, promote adaption into the environment, and strengthen interaction with peers. In 2018, a total of 77 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 2018, 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 2018, a total of four union meetings were held in which the colleagues' concerns and suggestions about food, clothing, shelter, and transportation were adequately reflected.

- **Communication Channel**

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



Employee Opinion Mailbox (Sexual harassment, fraud or ethics violations)
HR_Help@sercomm.com

3.6 Social Participation



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

3.6.1 Cultivation of Talents and Student Programs

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

3.6.2 Care for Rural Area Education and Promote Social Mobility

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

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

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





4 Environmental Sustainability

4.1 Environmental Management

4.2 Green Products

4.3 Energy Conservation

4.4 Responses to Climate Change and
Global Warming Policy

4.5 Supply Chain Management

4.6 Customer Service and Satisfaction

Environmental Sustainability and Value Chain

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

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

Sercomm's factories in 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	Comply with Related International and National Laws & Regulations and Requirements	Full Participation in Boosting of Green and EHS Activities	Review the Objective of Activity Periodically to Improving the Same	Reach Agreement with Related Groups Through Communication
<ul style="list-style-type: none"> • 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. 	<ul style="list-style-type: none"> • 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. 	<ul style="list-style-type: none"> • Promote the environmental ethics and raise the environmental awareness. Meanwhile, through staff training and the implementation of ISO 14001, ensure all employees understand and fulfill their responsibilities of environmental protection. • For operating personnel and contractors, implement education and training according to the safety and health management plans, to ensure the policy and management system of safety and health are understood thoroughly. 	<ul style="list-style-type: none"> • Periodically review, audit, examine and improve operations. • Prevent hazards to ensure the safety in workplaces. 	<ul style="list-style-type: none"> • 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

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

Environmental Management Objectives and Results

Unit: tonnes

Items	2017	2018	2019 target	Execution policy
Waste Recycling Rate	90%	88%	>90%	Garbage sorting & reduction and recycling
GHG Emissions	2%	1.5%	<10%	Electricity conservation

- The inspection started in 2014, based on those generated in the previous year. The growth rate was found to be <10%.
- As the amount of Natural Gas used in Suzhou in 2018 is lower than 2017, the value in Scope 1 had drastically decreased. In addition, some of the production capacity has been transferred back to Zhunan, so the overall electricity consumption has also relatively decreased.

4.1.1 Management System and Certification

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.

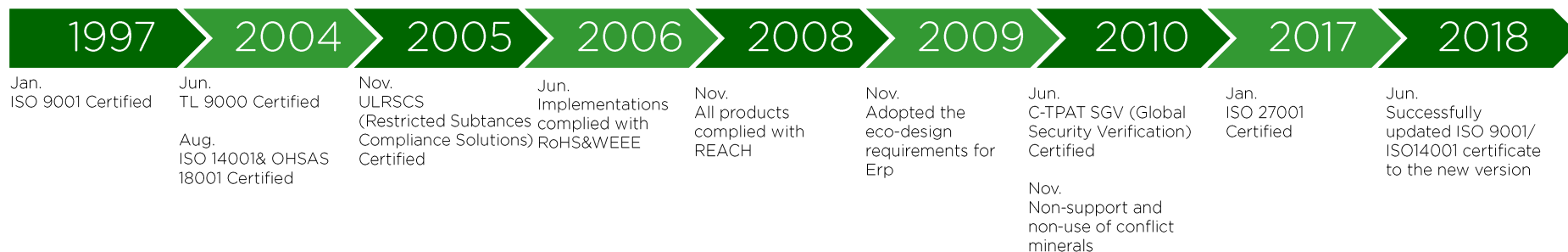
The certifications passed by Sercomm are stated as following:

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

- Information Security Management System Certification:**

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

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



4.1.2 Packaging Materials Management

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

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



Kraft paper boxes for packaging products.

4.1.3 Emissions Management

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

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

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

4.1.4 Waste Management

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

Per the regulatory requirements, Sercomm disposes of and recycles the existing waste. Sercomm reduces the consumption of energy and resource and mitigates the environmental impact caused during the product campaign and service. Sercomm strictly implements garbage sorting and reduction of waste at its factory premises, installs the storage area for the waste in accordance with the relevant requirements, and contracts the qualified waste disposition service provider to dispose of the waste. The Company raised the environmental friendly and recycling awareness among employees through various channels including flyers and announcement in 2018. Meanwhile, it will conduct an audit on the site from time to time. The contents of audit cover the vehicle operations, storage facilities, mode of disposition, and inspection on documents, et al., in order to ensure the sound operations for disposing of the waste.

Total Waste Generated during the Most Recent Three Years

	Unit: tonnes		
	2016	2017	2018
Non-Hazardous Waste	2,653.27	2,532.06	2,208.77
Hazardous Waste	78.78	101.45	104.61

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

2018 Sercomm's Waste Material Total Weight and Their Processing Modes at Taiwan and China Sites (Unit: tonnes)

Waste Categories	Taiwan					China				
	Total	Re-use	Incineration	Landfill	Recycled	Total	Re-use	Incineration	Landfill	Recycled
General Waste	33.88	0.00	0.00	33.88	0.00	142	0	0	142	0
Hazardous Waste	9.81	5.55	3.50	0.76	0.00	94.8	0	94.8	0	0
Recyclable Waste	111.89	0.00	0.00	0.00	111.89	1,921	0	0	0	1,921
Total Waste	155.58	5.55	3.50	34.64	111.89	2,157.8	0	94.8	142	1,921

4.1.5 Carbon Emissions Management

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

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

GHG Inventory Results in the Most Recent 3 Years

Unit: tonne CO2e

Year	Scope	Taiwan	China
2016	Scope 1	30	187
	Scope 2	1,009	25,560
	Total Emission	1,039	25,747
2017	Scope 1	27	97
	Scope 2	999	26,277
	Total Emission	1,026	26,374
2018	Scope 1	25	0
	Scope 2	1,031	26,751
	Total Emission	1,056	26,751

4.1.6 Environmental Expenditure

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

Sercomm Environmental Expenditures in Recent Three Years

Unit: NT\$

Items	2016	2017	2018
ISO 14001 Certification Fee	162,000	192,789	369,927
Environmental Consultant and Training Fee	76,600	472,500	0
Environmental Administrative Fee	25,000	0	0
LED Lighting Replacement	1,422,775	1,128,096	237,461
Waste Treatment Fee	1,216,805	1,241,785	1,508,436
Environmental Improvement Fee	617,933	14,829,041	1,674,730
Waste Gas & Water Monitoring and Testing Fee	96,470	163,294	139,407
Air-Pollution Prevention Equipment Maintenance Fee	0	2,244,933	1,440,148
Sewage Treatment Fee	665,440	1,839,244	1,700,783
Total	4,283,023	22,111,683	7,070,892

4.2 Green Products

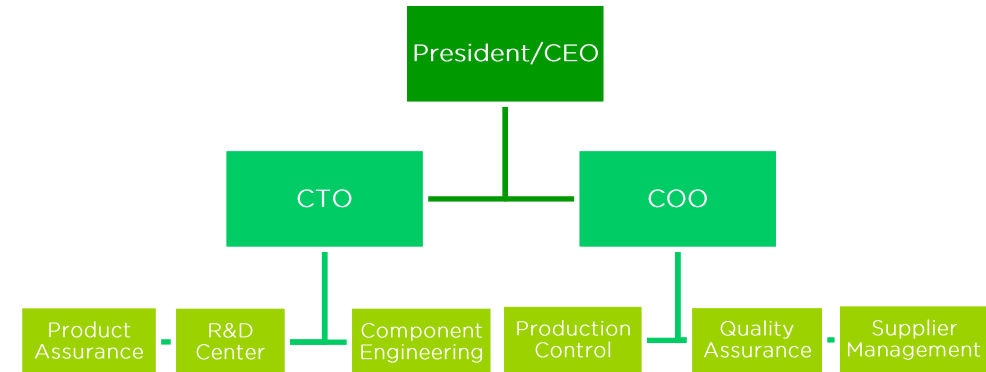
In accordance with the international environmental protection trends, Sercomm saves materials and energy by virtue of green design and reduces the environmental pollution accordingly. Sercomm's green product design is required to not only comply with power-saving design and various regulations banning 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.

4.2.1 Green Product Policy and Management

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

Green Product Management Organization



4.2.2 Green Product Design

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

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

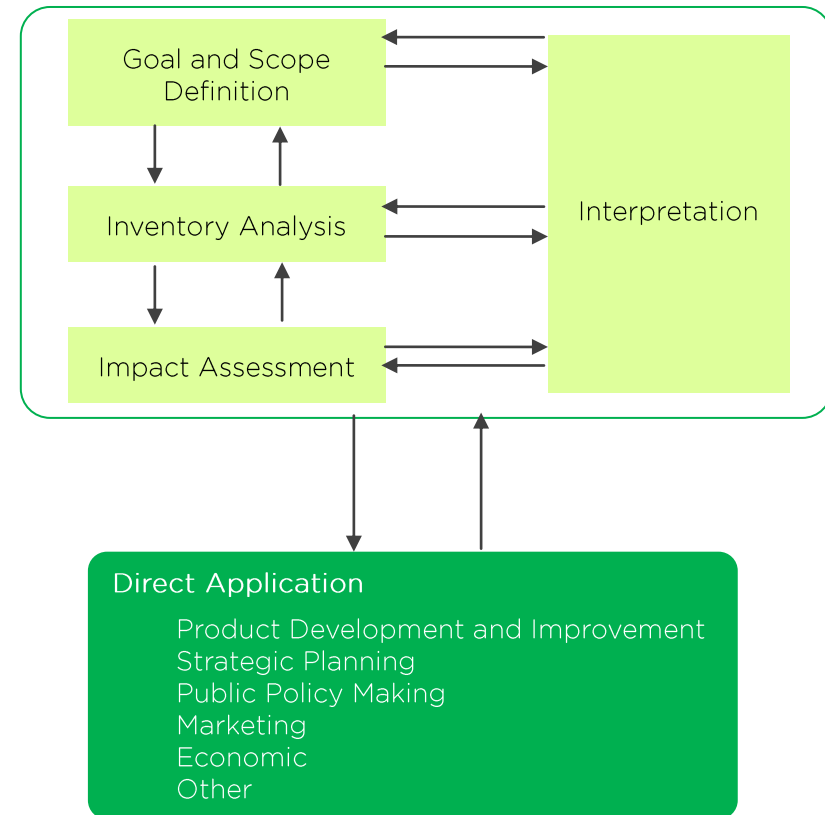
Inspection on impact factors:

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

The stages of a life cycle analysis:

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

ISO 14040:2006 Life Cycle Assessment Framework

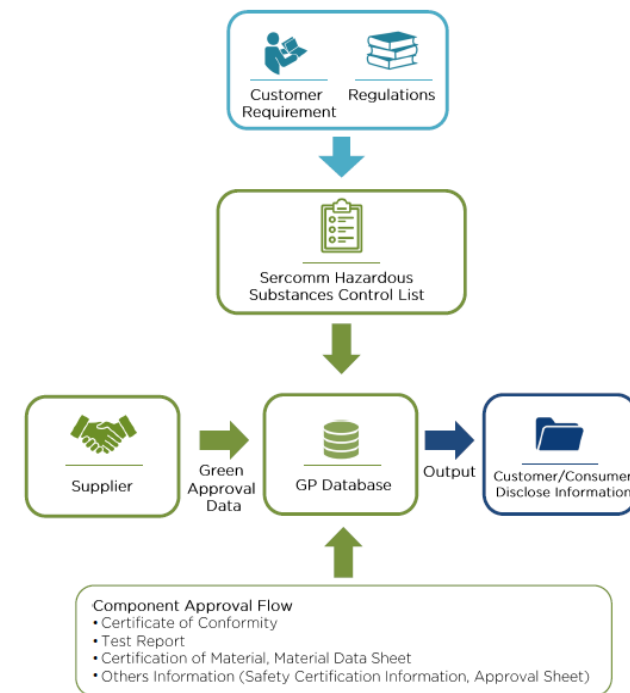


4.2.3 Hazardous Substances Management

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

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

In addition to managing the materials and raw materials for process at the factories through the suppliers, Sercomm also utilizes the precision XRF. 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.



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. Sercomm plans to replace the light tubes with LED lights in specific areas to save power by more than 50%. At present, 50% of the lighting fixtures in Sercomm (Suzhou) plant have been switched to LED.
2. Set automatic turn on/turn off function for the light in specific area
3. Set the computer (including PC and NB) to stand by or hibernation mode when not in use
4. Perform internal training and case advocacy from time to time
5. Create the monthly water and electricity statistic and analysis list to control consumption of water, electricity, and other resources
6. Paste insulation paper on the curtain wall to mitigate radiant heat, enhance the air conditioning effect, and reduce the consumption of power for the air conditioner
7. Periodically clean the filter and maintenance system for the air conditioner to enhance the efficiency of air conditioner
8. Control the air conditioner temperature at 26-28 °C
9. Install water-efficient toilets, and recycle wastewater for landscaping
10. Apply the online document approval system, and replace the telephone system with network telephone
11. Apply video or phone conference frequently, and reduce employees' business travels to save on flight energy
12. Since June 2017, Sercomm (Suzhou) plant has introduced the air compressor waste heat recovery system to replace the original natural gas burning boiler to provide hot water for employee showers. The new system can save approximately 90,000 cubic meters of natural gas and reduce 187,310 kilograms of carbon emissions per year.



4.3.1 Energy and Resource Usage

Electricity

The primary source of energy for Sercomm's Taiwan and China sites is electricity. In 2018, Taiwan region's electricity consumption was 24,115GJ; Sercomm headquarters' and the Zhunan manufacturing center's self-use electricity consumption were 4,981 GJ and 6,743 GJ respectively; public-use electricity consumption was 4,555GJ. The Zhunan manufacturing center's self-use electricity consumption was 6,743GJ, and public-use electricity consumption was 7,836GJ.

Sercomm's Suzhou electricity consumption was 118,718 GJ in 2018. Compared to 2017, Sercomm has recruited R&D talents in different fields and purchased more advance R&D equipment for the improvement of the Company's R&D capability and product reliability. This has contributed to a minor increase in electricity intensity in 2018. The main electricity consumption amounts for the past 3 three years are shown in the table below:

	Unit: GJ		
	2016	2017	2018
Taiwan	24,296	24,267	24,115
China	113,432	116,651	118,718
Total Electronic Consumption	137,728	140,918	142,833
Electricity Intensity	3.75	3.65	4.28

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

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

Water

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

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

Specific approaches to save water:

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

	Unit: M ³		
	2016	2017	2018
Taiwan	27,777	28,556	23,385
China	89,556	171,089	182,001
Total Water Consumption	117,333	199,645	205,386
Water Intensity	25.18	47.07	49.01

Note 1 : Water Intensity = Total Water Consumption (M3) / Total Employees





Note 2 : This is due to the increased number of employees staying overnight for factory production during 2018 Chinese New Year.

4.3.2 Effects of the Energy Conservation Measures

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

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

Energy Saving Measures

Items	Energy Saving Solutions
 Lighting	Switch to LED lighting. Electricity savings. The parking lot shall apply timing controllers, and the public spaces and aisles shall apply sensor controllers.
 Air-Condition Control	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
 Electronic	Lighting is only used in active sections of the production line. Introduce automatic soldering machine to save power and flux and solder.
 Water	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: CO₂, CH₄, N₂O, HFCs, PFCs, and SF₆. In 2016, NF₃ 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.

In 2018, Sercomm executed the annual audit and introduced a total of 260 new suppliers that met the standards for labor interests and rights, health and safety, environmental protection, ethics, management systems, and social impact.

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

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.

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

b. Rating Upon Audit:

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

Supplier’s Education and Training

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

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. As of 2018, 87% of the key qualified suppliers have signed on to this effort 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, that suppliers should support the Conflict-Free Smelter Program (CFSP), and that suppliers conduct the supply chain's due diligence reporting and disclosure survey based on the Conflict Minerals Reporting Template (CMRT).

4.6 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 the important basis for the product and service procedure to create the value that best fits the customers' needs. Sercomm controls customer satisfaction based on the rating record (e.g. scoring card) issued by its customers to its suppliers periodically (per quarter, six months, or year), covering quality, price, delivery, service, technical competency, corporate social responsibility, and feedback. Various business departments shall draft the improvement plans based on the rating result and set the upgrading of scores given by customers as the performance indicator of each related unit.

According to the quality management system, Sercomm sends the "Customers' Satisfaction Survey Form" to main customers each year, as the basis for review and improvement of the annual plan. The factories will also collect customer feedback at the same time. The scoring given upon

customers' periodic or irregular audit on various factories is also an important basis for improvement of customer satisfaction. According to the customer satisfaction survey results in 2018, the average satisfaction rate was 87.13%.

Customer Privacy

At the same time that it works hard to upgrade customer service, Sercomm values the customers' privacy and intellectual property rights more so. Sercomm signs the non-disclosure agreement with the customers to protect customers' confidential information and to ensure that the colleagues involved in the related business fulfill their non-disclosure obligation when executing the business. In 2018, Sercomm didn't engage in any act against the customers' privacy, never resulting in loss of customers' information that injured the customers' interests and rights.

Regulatory Compliance

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

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

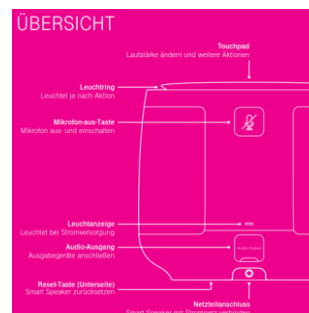
In addition to basic legal compliance, Sercomm takes into account its products' impact on users' health safety. In terms of health, Sercomm has collected the regulatory norms for substances that have major environmental impacts from countries worldwide and consolidated the data into the "Sercomm Environmental 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.



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.



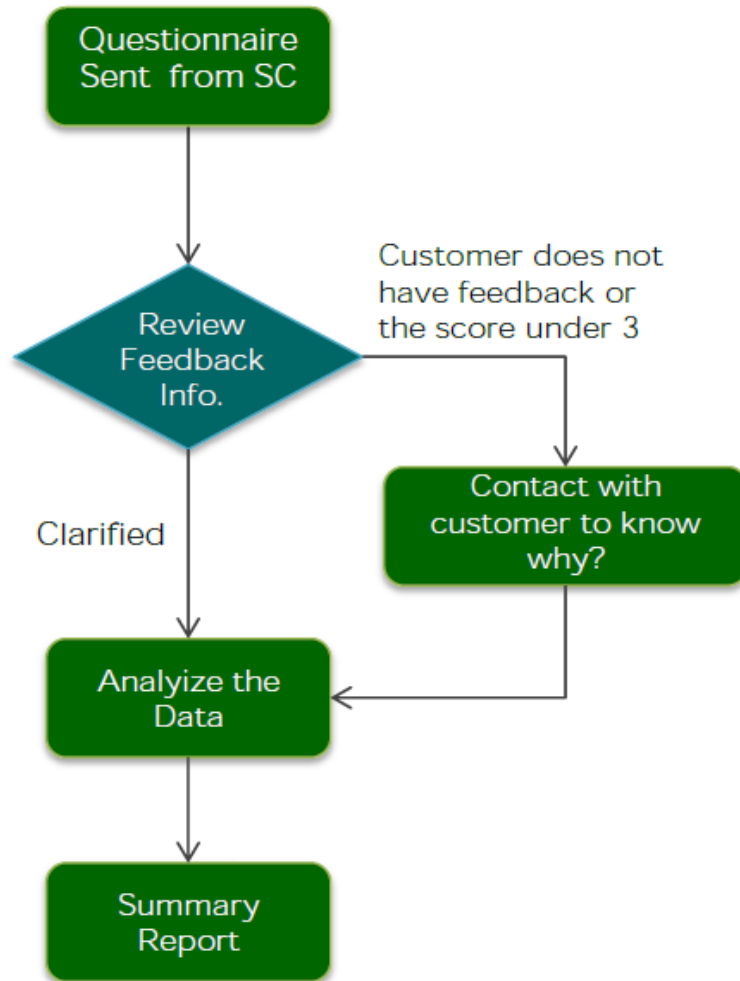
The QSG describes the parts of the product and clearly defines the names and functions of the various parts.

Elektrischer Schlag
Berühren Sie Ihren Smart Speaker oder das Netzteil niemals mit nassen Händen. Berühren Sie niemals die Kontakte an den Anschlussbuchsen.
Schließen Sie Ihren Smart Speaker nicht während eines Gewitters an.

Reparatur und Reinigung
Vermuten Sie einen technischen Defekt, nehmen Sie Ihren Smart Speaker keinesfalls in Betrieb. Unternehmen Sie keine eigenständigen Reparaturversuche. Wenden Sie sich an den Technischen Service der Telekom.
Reinigen Sie Ihren Smart Speaker ausschließlich mit einem trockenen, weichen, fusselfreien und antistatischen Tuch. Verwenden Sie keine Reinigungs- oder Lösungsmittel.

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

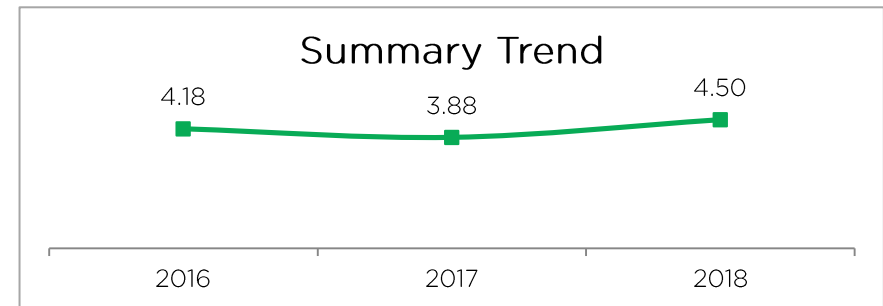
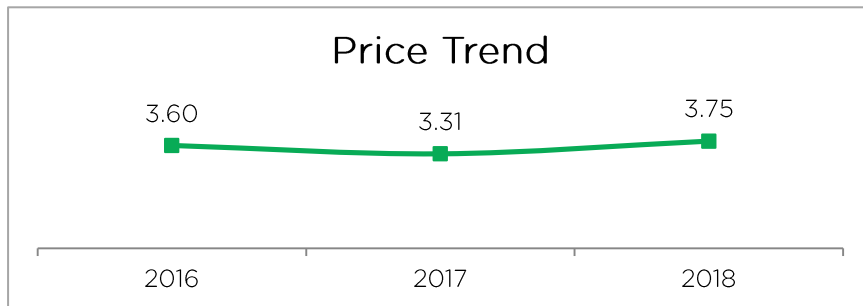
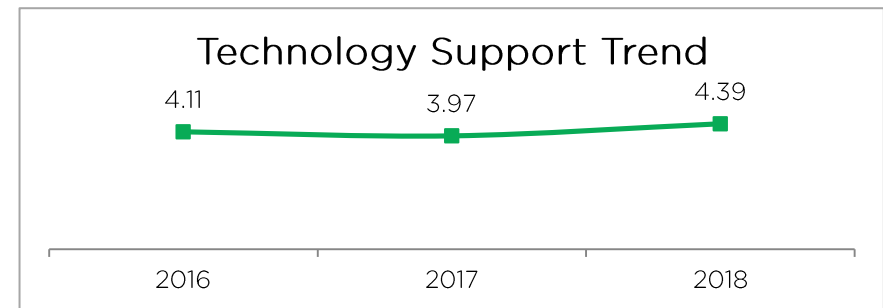
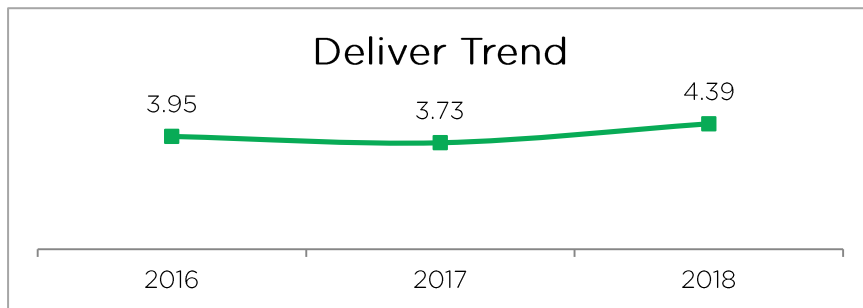
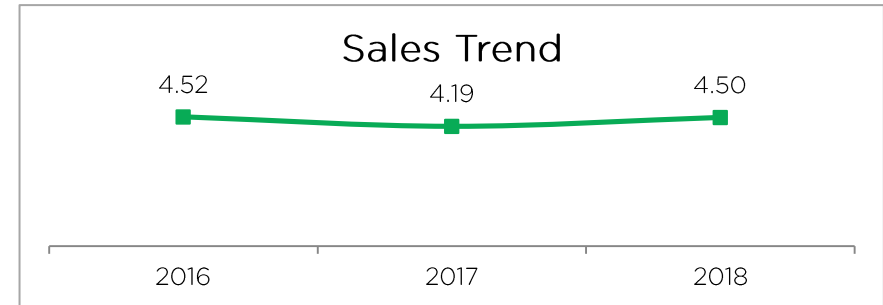
Customer Service Satisfaction Survey Process Table



2018 Sercomm's Customer Satisfaction Survey

Satisfaction Survey Items	Average Satisfaction	
	Score	Satisfaction (%)
Quality	4.61	92.20%
Delivery	4.39	87.80%
Price	3.75	75.00%
Sales	4.50	90.00%
Technology Support	4.39	87.80%
Overall rating	4.50	90.00%
Total Average	4.36	87.13%

Upon analysis of the customers' satisfaction survey results generated from 2016 to 2018, the trend chart for various scores is specified as following:



GRI Standards Content Index

General Disclosures

Topics	Disclosure	Related Report Sections	Page	Omissions	
1. Organization Profile	102-1	Name of the organization	2.1	15	
	102-2	Activities, brands, products, and services	2.3	22	
	102-3	Location of headquarters	2.1.1	16	
	102-4	Location of operations	2.1.1	16	
	102-5	Ownership and legal form	2.1	15	
	102-6	Markets served	2.1.1	16	
	102-7	Scale of the organization	2.1, 2.1.1, 2.2	15,16,19	
	102-8	Information on employees and other workers	3.2.1	38	
	102-9	Supply chain	4.5	79	
	102-10	Significant change to the organization and supply chain	About This Report	1	
	102-11	Precautionary principle approach	2.4.4 , 2.4.5	29,30	
	102-12	External initiatives	1.1	6	
	2. Strategy	102-13	Memberships of associations	2.1.3	18
102-14		Statement from senior decision-maker	Letter from Chairman and CEO	3	
3. Ethics and Integrity	102-15	Key impacts, risks, and opportunities	2.4.4 , 2.4.5	29,30	
	102-16	Values, principles, standards and norms of behavior	2.1, 2.4, 3.5.4, 4.1	15, 23, 59, 66	
	102-17	Mechanisms for advice and concerns about ethics	2.4.5	30	

Topics	Disclosure	Related Report Sections	Page	Omissions	
4. Governance	102-18	Governance structure	2.4	23	
	102-19	Delegating authority	1.1	6	
	102-20	Executive-level responsibility for economic, environmental, and social topics	1.1	6	
	102-21	Consulting stakeholders on economic, environmental and social topics	1.3	12	
	102-22	Composition of the highest governance body and its committees	2.4.3	26	
	102-23	Chair of the highest governance body	2.4.3	26	
	102-24	Nominating and selecting the highest governance body	2.4.3	26	
	102-25	Conflicts of interest	2.4.3	26	
	102-26	Roles of highest governance body in setting purpose, values, and strategy	1.1, 2.4	6, 25	
	102-27	Collective knowledge of highest governance body	2.4	23	
	102-28	Evaluating the highest governance body's performance	2.4	23	
	102-29	Identifying and managing of economic, environmental and social impacts	Letter from Chairman and CEO 2.4	3, 23	
	102-30	Effectiveness of risk management processes	2.4.4	29	
	102-31	Review of economic, environmental and social Topics	2.4.4, 2.4.5	29, 30	
	102-35	Remuneration policies	2.4.3	26	
	102-36	Process for determining remuneration	2.4.3	26	
	102-37	Stakeholders involvement in remuneration	2.4.3	26	

Topics	Disclosure	Related Report Sections	Page	Omissions	
5. Stakeholder Engagement	102-40	A list of stakeholder groups	1.2.2	7	
	102-42	Identifying and selecting stakeholders	1.2.2	7	
	102-43	Approach to stakeholder engagement	1.3	12	
	102-44	Key topics and concerns raised	1.3	12	
6. Reporting Practice	102-45	Entities included in the consolidated financial statements	About This Report	1	
	102-46	Defining report content and topic Boundaries	1.2	7	
	102-47	List all material topics	1.2.3	8	
	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	1	
	102-51	Date of most recent report	About This Report	1	
	102-52	Reporting cycle	About This Report	1	
	102-53	Contact point for questions regarding the report	About This Report	1	
	102-54	Claims of reporting in accordance with the GRI Standards	About This Report	1	
	102-55	GRI content index GRI	GRI Standard Index	88	
	102-56	External assurance	Summary of Subject Matter Assured Independent Limited Assurance Report	97 98	

Material Topics

Material Topics	Disclosure		Related Report Sections	Page	Omissions
GRI 103 Management Approach	103-1	Explanation of the material topic and its Boundary	1.2.1, 1.2.3	7,8	
GRI201 Economic Performance	Management Approach 103-2, 103-3	The management approach & its components Evaluation of the management approach	Letter from Chairman and CEO 2.1	3, 15	
	201-1	Direct economic value generated and distributed	2.2	19	
GRI 202 Market Presence	Management Approach 103-2, 103-3	The management approach & its components Evaluation of the management approach	3.1	37	
	202-1	Ratios of standard entry level wage by gender compared to local minimum wage	3.4.1	50	
	202-2	Proportion of senior management hired from the local community	3.2.2	46	
GRI 205 Anti-Corruption	Management Approach 103-2, 103-3	The management approach & its components Evaluation of the management approach	2.4, 2.4.4, 2.4.5	23, 21, 30	
	205-1	Operations assessed for risks related to corruption	2.4.5	30	
	205-2	Communication and training about anticorruption policies and procedures	2.4.5	30	
	205-3	Confirmed incidents of corruption and actions taken	2.4.5	30	

Material Topics	Disclosure	Related Report Sections	Page	Omissions
GRI 302 Energy	Management Approach 103-2, 103-3	The management approach & its components Evaluation of the management approach	4	64
	302-1	Energy consumption within the organization	4.3.1	76
	302-3	Energy intensity	4.3.1	76
	302-4	Reduction of energy consumption	4.3.2	77
	302-5	Reductions in energy requirements of products and services	4.2.2	72
GRI 303 Water	Management Approach 103-2, 103-3	The management approach & its components Evaluation of the management approach	4	64
	303-1	Water withdrawal by source	4.3.1	76
GRI 305 Emissions	Management Approach 103-2, 103-3	The management approach & its components Evaluation of the management approach	4	64
	305-1	Direct (Scope 1) greenhouse gas (GHG) emissions	4.1.5	70
	305-2	Energy indirect (Scope 2) greenhouse gas (GHG) emissions	4.1.5	70
	305-4	Greenhouse gas (GHG) emissions intensity	4.1	66
	305-5	Reduction of greenhouse gas (GHG) emissions	4.1	66
GRI 308 Supplier Environment Assessment	Management Approach 103-2, 103-3	The management approach & its components Evaluation of the management approach	4.5	79
	308-1	New suppliers that were screened using environmental criteria	4.5.2	81
	308-2	Negative environmental impacts in the supply chain and actions taken	4.5.1	79

Material Topics	Disclosure	Related Report Sections	Page	Omissions
GRI 401 Employment	Management Approach 103-2, 103-3	The management approach & its components Evaluation of the management approach	3.1	37
	401-1	New employee hires and employee turnover	3.2.2	39
	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	3.4, 3.5	50, 54
	401-3	Parental leave	3.2.2	39
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	57
	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	57
GRI 404 Training and Education	Management Approach 103-2, 103-3	The management approach & its components Evaluation of the management approach	3.3	43
	404-1	Average hours of training per year per employee	3.3.2	46
	404-2	Programs for upgrading employee skills and transaction assistance programs	3.3	43
GRI 405 Diversity and Equal Opportunity	Management Approach 103-2, 103-3	The management approach & its components Evaluation of the management approach	3.1	37
	405-1	Diversity of governance bodies and employees	2.4.3, 3.2.1	26, 38
GRI 406 Non-Discrimination	Management Approach 103-2, 103-3	The management approach & its components Evaluation of the management approach	3.1	38
	406-1	Incidents of discrimination and corrective actions taken	3.2.2, 3.5.4	39, 59



Material Topics	Disclosure	Related Report Sections	Page	Omissions
GRI 408 Child Labor	Management Approach 103-2, 103-3	The management approach & its components Evaluation of the management approach	3.1	37
	408-1	Operations and suppliers at significant risk for incidents of child labor	3.2.2	39
GRI 414 Supplier Social Assessment	Management Approach 103-2, 103-3	The management approach & its components Evaluation of the management approach	4.5	79
	414-1	New suppliers that were screened using social criteria	4.5.2	81
	414-2	Negative social impacts in the supply chain and actions taken	4.5.2, 4.5.3	81, 83
GRI 416 Customer Health and Safety	Management Approach 103-2, 103-3	The management approach & its components Evaluation of the management approach	4.2	71
	416-1	Assessment of the health and safety impacts products and service categories	4.2.1, 4.2.2, 4.2.3	71, 72, 73
GRI 417 Marketing and Labeling	Management Approach 103-2, 103-3	The management approach & its components Evaluation of the management approach	4.6	84
	417-1	Requirement of product and service and labeling?	2.3, 4.6	21, 84
GRI 419 Socioeconomic Compliance	Management Approach 103-2, 103-3	The management approach & its components Evaluation of the management approach	2.4.4	29
	419-1	Non-compliance with laws and regulations in social economic area	2.4.4	29









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 2018, 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, 3.6
 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	3.6, 3.3.2
 5. Gender equity	Equal remuneration for women and men Gender equality Parental leave	3.4.1 3.3.2, 3.4.1 3.2.2
 6. Clean water and sanitation	Sustainable water withdrawals Waste Water quality Water recycling and reuse	4.3.1 4.1.4 4.3.1 4.3.1



SDGs	Business Theme	Relevant Chapter
 7 AFFORDABLE AND CLEAN ENERGY 7. Affordable and clean energy	Energy efficiency Renewable energy	4.3, 4.1.5
 8 DECENT WORK AND ECONOMIC GROWTH 8. Decent work and economic growth	Abolition of child labor Earnings, wages and benefits Employee training and education Employment Freedom of association and collective bargaining Labor practices in the supply chain Occupational Safety and Health Parental leave Youth employment	3.2.2 3.5 3.3.1, 3.3.2 3.2.1, 3.2.2 - 4.5 3.5.3 3.2.2 3.2.2
 9 INDUSTRY INNOVATION AND INFRASTRUCTURE 9. Industry, innovation and infrastructure	Infrastructure investments Research and development	2.2, 3.6 2.3
 10 REDUCED INEQUALITIES 10. Reduced inequalities	Equal remuneration for women and men	3.4.1
 11 SUSTAINABLE CITIES AND COMMUNITIES 11. Sustainable cities and communities	Infrastructure investments	3.6
 12 RESPONSIBLE CONSUMPTION AND PRODUCTION 12. Responsible consumption and production	Air quality Energy efficiency Procurement practices	4.1.5 4.1 4.5
 13 CLIMATE ACTION 13. Climate action	Energy efficiency GHG emissions Risks and opportunities due to climate change	4.1 4.1 4.4
 14 LIFE BELOW WATER 14. Life below water	Water discharge to oceans	4.3.1

SDGs	Business Theme	Relevant Chapter
 15. Life on land	Forest degradation	4.3.1
 16. Peace, justice and strong institutions	Abolition of child labor Anti-corruption Compliance with laws and regulations Grievance mechanisms Workplace violence and harassment	3.2.2 2.4.5 2.4.5 3.5.4 3.5.4
 17. Partnerships for the goals	-	-

Summary of Subject Matter Assured

No.	Subject Matter Information	Page	Applicable Criteria
1	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.	25	<ol style="list-style-type: none"> 2018 Ratio of e-voting shares to total outstanding shares= Number of E-voting conducted on e-voting platform of Taiwan Depository & Clearing Corporation (TDCC)/ Total outstanding shares. 2018 Ratio of e-voting shares to total shares held by those shareholders who attended the annual shareholder meeting= E-voting conducted on e-voting platform of Taiwan Depository & Clearing Corporation (TDCC)/ Total shares held by the shareholders who attended the annual shareholder meeting in 2018.
2	7 board meetings were held in 2018, with an average attendance rate of 92% for all Directors (excluding proxy attendance).	26	<ol style="list-style-type: none"> The number of board meetings held in 2018. Average board meeting attendance rate of Directors (excluding proxy attendance) = Total number of Directors' board meeting attendance in 2018/ Total number of times Directors are expected to attend board meeting in 2018.
3	Among Sercomm's employees, male employees accounted for 58% while the proportion of female employees was 42% as of December 31, 2018.	38	The respective male and female full-time employees as proportion to the total number of full-time employees in Sercomm Group as of December 31, 2018.
4	Sercomm headquarters' and the Zhunan manufacturing center's self-use electricity consumption were 4,981 GJ and 6,743 GJ respectively.	76	<ol style="list-style-type: none"> Sercomm headquarters' self-use electricity consumption= 2018 Sercomm headquarters' self-use electricity consumption at Nangang Software Park based on "Utility bill list of NanKang Software Park II" and at Xizhi Oriental Science Park based on "Taiwan Power Company Utility Bill". Zhunan manufacturing center's self-use electricity consumption= 2018 Zhunan manufacturing center's self-use electricity consumption based on "Taiwan Power Company Utility Bill." <p style="text-align: right;">GJ is converted by "1kW*3,600 seconds= 3,600,000J."</p>
5	According to the customer satisfaction survey results in 2018, the average satisfaction rate was 87.13%.	84	Average satisfaction rate = The average score from 2018 "Customer Satisfaction Survey Form" / Maximum score of 5.

Independent Limited Assurance Report

 <p>資誠 Independent Limited Assurance Report</p> <p style="text-align: right;">PWCM19000150</p> <p>To Sercomm Corporation :</p> <p>We have been engaged by Sercomm Corporation ("Company") to perform assurance procedures on the sustainability performance information identified by the Company and reported in the 2018 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.</p> <p>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 Matter Assured" on page 98 of the CSR Report. The scope of the aforementioned Subject Matter Information is set out in the "Report Scope" on page 1 of the CSR Report.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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:</p> <div style="border: 1px dashed black; padding: 5px; margin-top: 10px;"> <p>資誠聯合會計師事務所 PricewaterhouseCoopers, Taiwan 11012 台北市信義區基隆路一段 333 號 27 樓 27/F, No. 333, Sec. 1, Keelung Rd., Xinyi Dist., Taipei 11012, Taiwan T: +886 (2) 2729 6666, F: +886 (2) 2729 6686, www.pwc.tw</p> </div>	 <p>資誠</p> <ul style="list-style-type: none"> • 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 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 on the Subject Matter Information to obtain evidence for limited assurance. <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>PricewaterhouseCoopers, Taiwan <i>Chang Jui-Ting</i> Chang, Jui-Ting Partner September 17, 2019</p>
---	--