



台灣聚合化學品股份有限公司
USI Corporation



2018

企業社會責任報告書

Corporate Social Responsibility Report

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Message from the Chairman (GRI 102-14)

The petrochemical industry is the fundamental pillar industry of many advanced countries. It is also Taiwan's important economic pillar. While industries have been facing the structural changes in the global petrochemical industry, including the US shale gas revolution, the rise of Chinese coal chemical industry and emerging countries, regional economic integration and so on in recent years. USI also faces problems including insufficient raw materials supply at upstream, government industrial policies, and the lack of land for developing the petrochemical industry development. The price of in-stock ethylene was running high in 2018 due to the undersupply of Taiwan CPC, and this had brought significant influence to our operations. To resolve ethylene insufficiency, we are aggressively seeking other sources and to bargaining a fairer price estimation method with Taiwan CPC. The ethylene price is expected to fall in 2019, which will increase our income significant.

The Fujian Gulei Petrochemical Project was initiated at the end of 2017, it is expected that the project will ship materials back to help Taiwan resolve the ethylene insufficiency problem. We also invested NT\$906 million in the ethylene storage tank project at the Kaohsiung Intercontinental Container Terminal to increase ethylene. In addition, apart from the R&D of high-value and differentiated products and constant promotion of green products, we embark on bio-agriculture development to boost operational performance and enhance competitiveness.

We believe that practicing CSR by addressing topics that concern stakeholders in actual management programs, including governance, industrial safety management, environmental protection, and social relations, is the only way to achieve sustainable development. In governance, we adhere to ethical corporate management. Apart from focusing on our core business and enhancing production efficiency, we strengthened vertical integration and the R&D of high-value products. In industrial safety management, apart from raising the safety awareness of employees and arranging regular safety training and education and health examinations for employees, the Kaohsiung Plant achieved no disabling injury for a total of 788,502 hours in 2018. In underground pipeline management, all maintenance, examination, and pipeline integrity management processes have been assured by international third-party certification authorities. The defense organization of pipeline 6 of which we are a member has been rated as an excellent pipeline defense organization and awarded the model pipelines medal by the Industry Development Bureau, Ministry of Economic Affairs. In the future, the "five zeros goal": "zero pollution, zero emission, zero accident, zero occupational accident, and zero

failure” is our feature vision; and “Ongoing environmental protection for zero pollution, Embrace the homeland to achieve zero industrial accident” is our Environment, Health and Safety (EHS) policy. With such, we aim to fulfill our corporate social responsibility. In environmental protection, we reduced environmental impacts at full stretch through various measures, such as continuous energy conservation and emissions reduction. Over the past decade, we have invested NT\$834 million in environmental protection, and NT\$ 640 million was spent on VOCs reduction to achieve the 26.8% reduction goal. In social relations, apart from participating in charitable activities including maintaining labor-management harmony, protecting labor human rights, increasing channels for stakeholder communication, caring and re-paying local communities, developing education in the rural areas and pursuing environmental sustainability, we will continuously offer grants and scholarships to colleges and universities and subsidize group activities; sponsor charities and charitable educational activities; care for vulnerable groups, rural areas and environmental and ecological education through the USI Education Foundation upon the spirit of “one for all and all for one”.

In addition, to keep organizational development in pace with the global sustainability trend, we have included the UN Sustainable Development Goals (SDGs) that are gaining increasing importance in organizational development assessment to establish strategies and implementation plans for sustainable development. Currently, we have adopted 11 SDGs in our strategy and implementation plan. They include decent work and economic growth, sustainable cities and communications, and responsible consumption and production.

In the face of severe regulatory restrictions and increasingly keen market competitions, reformation and innovation are brooking no delays. Apart from organizational re-engineering, efficiency and discipline improvements, and talent cultivation acceleration within the organization, we strengthen investment in startups and implement vertical integration outside the organization. We will continue to pursue sustainable development at full stretch, adhere to our business philosophy: “solid operations, professional management, seeking excellence, and serving society” to strengthen governance, implement environmental protection, and actively address all issues that concern stakeholders and respect their rights and interests, hoping to create benefits for stakeholders while contributing to the world with a macroscopic view.

Chairman, USI Corporation
Quintin Wu



Report Profile

• Reference Guidelines

For all stakeholders to understand our performance in relation to corporate social responsibility, we, USI Corporation, have prepared this report in accordance with the Core disclosure principle in the GRI Sustainability Reporting Standards (GRI Standards) published by the Global Reporting Initiative (GRI) and the “Taiwan Stock Exchange Corporation Rules Governing the Preparation and Filing of Corporate Social Responsibility Reports by TWSE Listed Companies”. We also take reference from the United Nations Global Compact (UNGC) and ISO 26000 Guidance on Social Responsibility as reporting frameworks. (GRI 102-54)

• Scope and Boundaries of the Report

This report covers USI Corporation, including the Taipei Office, the Linkou R&D Division, the Tainan Office, the Kaohsiung Plant, and the USI Education Foundation. Other subsidiaries presented in the consolidated financial statements are not covered in this report. Whenever information in this report touches upon these subsidiaries, ample clarification is given. Regarding the reporting period, this report provides a summary of the activities in fiscal year 2018 (January 1, 2018 to December 31, 2018). The financial, environmental, and social management and performance presented in this report are consistent with the financial information and CPA-certified financial data. Some statistics are extracted from the annual report, government agencies, and public information on the internet. (GRI 102-45 and GRI 102-50)

• External Assurance

This report passed Deloitte Taiwan's external assurance in May 2019 with reference to the Core disclosure principle of the GRI Standards, AS No. 1 (see ISAE 3000 Revised edition). Please refer to Appendix 6.2 for the Assurance Statement. (GRI 102-56)

• Editing Process



• History and Time of Publication



• Contact

You can download report-related information from the “Corporate Social Responsibility” section of our corporate website at <http://www.usife.com.tw/>
Should you have any comment or suggestion for our report, please feel free to contact us. (GRI 102-53)

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2018 Sustainability Performance



Business Performance

- Revenue **NT\$11.763 billion**.
- Net income before tax **NT\$620 million**.
- EPS **NT\$0.5**.
- A component of the TWSERAFT® Taiwan **High Compensation 100 Index** for five consecutive years 2014-2018.
- Established a **CSR committee** under BOD to draw up sustainable development strategies and review the effectiveness of implementation.
- **Zero transportation-related accident** in the past decade.
- Invested **NT\$12.58 million in energy conservation equipment to save electricity up to 2,007,294kWh and reduce emissions up to 1,062 t CO₂e**.
- Invested **NT\$834 million in environmental protection** over the past decade, including **NT\$640 million in VOCs reduction which reduced VOC emissions by 26.8%**.
- **No report of disabling injury** from the Kaohsiung Plant between April 2016 and 2018, **up to 1,338,718 hours**.
- Enhanced water reuse rate up to **94,016 m.t. of recyclable and reusable water** in 2018.
- **Reduced water discharge by 49,500 m.t.**



Certification and Awards

- The pipeline 6 unit of the Kaohsiung Plant underground pipeline joint defense organization was rated as **an excellent pipeline defense unit** and awarded the model pipelines medal by the Industry Development Bureau, Ministry of Economic Affairs.
- The Kaohsiung Plant received a certificate of appreciation from the Kaohsiung City Environmental Protection Bureau for voluntarily supporting the 2018 **summer light off activity**.
- Passed 2018 **“Taiwan i-Sports” certification** by the Ministry of Education.
- Awarded the 2017 **Export Excellence Top 500** in September 2018.
- **Rated the top 6-20%** listed companies in the 2018 corporate governance evaluation.



Charity

- Participated in the **Enterprise Adoption of Air Quality Purification Area** promoted by the Kaohsiung City Government.
- Initiated the **Meal Fee Donation for the Child Welfare League Foundation R.O.C.**
- Employee teams participated in the USI Cup **Tennis Champions** and the 2018 Club **Slow-Pitch Softball Invitational** organized by the Kaohsiung City Confederation of Trade Union.
- **Sponsored NT\$100,000** as the event expense for the 2018 **Taiwan Chemical Industry Forum** organized by the Industrial Development Bureau, Ministry of Economic Affairs and co-organized by the Taiwan Chemical Industry Association.
- The Mountaineering Club participated in the **Mt. Baibin Cleanup** at Makazayazaya, Pingtung County
- The Mountaineering Club participated in the **Mt. Liding Cleanup** at Makazayazaya, Pingtung County
- Organized the USI Cup **Health Weight Loss**.
- Participated in the **Vulnerable Children Long Holiday Nutritional Care Program**.
- **Donated NT\$3 million to the USI Education Foundation**.

01 Operations and Governance



Sustainable Development Goals 1.1

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Risk Management 1.6

Audit Operation and Communication Channels 1.7

1.1 Sustainable Development Goals



Governance



EHS



Social Relations

Short-Term Goals (under 2 years)

- Optimizing production lines and developing products of high added value.
- Developing CBC optical materials and their applications.
- Reinforcing vertical integration
- Regularly following up all risk factors and making timely adjustments of plans
- Assessing and planning green product development.
- Emphasizing employee education and training and experience inheritance of senior employees.
- Acquiring the CBC license.
- Investing in the ethylene storage tank at Kaohsiung Intercontinental Container Terminal.

- Constantly emphasizing and strictly implementing industrial safety
- Reducing non-disabling injuries
- Implementing ISO 50001 and ISO 45001
- Circular economy: Promoting waste recycling and reuse
- GHG inventory
- Clean production certification
- Green procurement
- Promoting the VOC improvement program

- Giving constant care to employee physical and mental health.
- Maintaining harmonious labor-management relations for labor rights and interests.
- Strengthening academia-industry collaboration
- Offering suitable job opportunities to constantly contribute to local communities.
- Constantly sponsoring various charitable activities.
- Increasing channels for stakeholder communications.

Long-Term Goals (2 or more years)

- Investing in the Gulei Refining & Petrochemical Project to stabilize upstream materials supply.
- Cultivating Taiwan and continuing local investments.
- Establishing a system for the management of all risk factors and supervision of operations.
- Continuing the development and research of high-value products.
- Establishing the high-value product R&D laboratory.
- Developing circular economy
- Developing green energy

- Enforcing the “five zeros goal”: “zero pollution, zero emission, zero accident, zero occupational accident, and zero failure”
- Reducing non-disabling injuries
- Establishing the PSM system
- Underground pipeline risk assessment plan
- Circular economy: Promoting waste reduction
- Reducing equipment and unit leakage
- Reducing pollutants emission

- Optimizing the supplier/contractor evaluation system.
- Establishing grants and scholarships/donating charities/sponsoring charitable educational activities to care the vulnerable, remote areas, and environmental protection.

1.2 Company Profile

• About USI

USI Corporation (TWSE: 1304) was established on May 26, 1965 and established Taiwan's first LDPE plant. We primarily develop, produce, and sell polyethylene (PE) resins at our complex in Renwu District, Kaohsiung City, Taiwan.

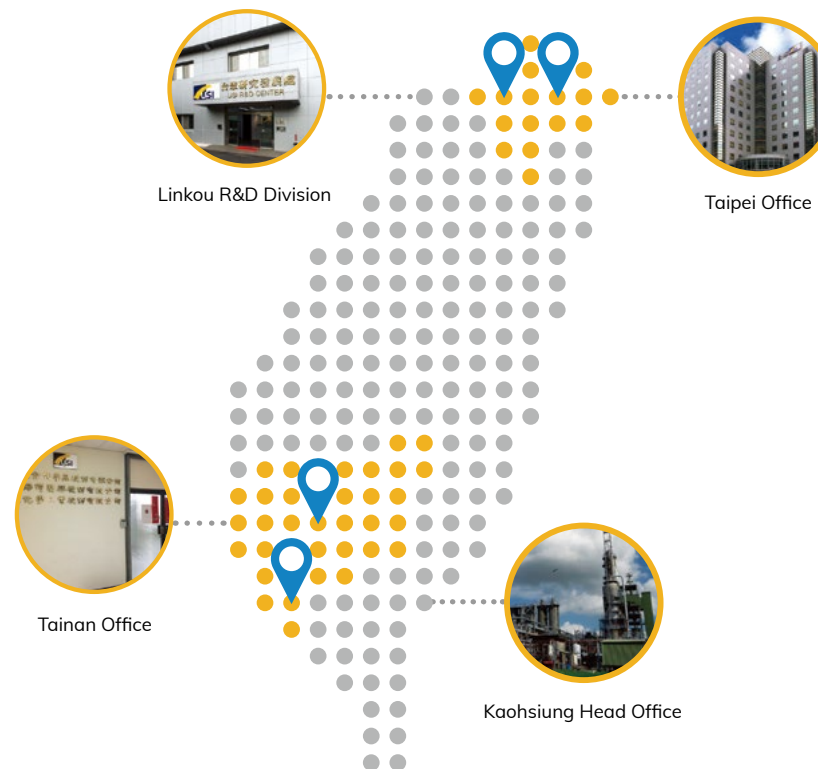
• Basic Data

	Name of Company	USI Corporation
	Industry	Plastics industry
	Head Office Location	No. 330, Fengren Road, Renwu District, Kaohsiung City
	Taipei Office	12F, No. 37, Jihu Road, Neihu District, Taipei City
	Capital	Over NT\$11.6 billion (by December 31, 2018)
	Major Products	Ethylene Vinyl Acetate Copolymer (EVA) Low Density Polyethylene (LDPE) High Density Polyethylene (HDPE) Linear Low Density Polyethylene (LLDPE) PE resins become all kinds of plastics products in daily life after processing by downstream manufacturers.
	Employees	483 persons (by December 31, 2018)

Note 1: Employees include 475 persons on a non-fixed-term contract and 8 on a fixed-term contract. (GRI 102-1, GRI 102-3, GRI 102-4, GRI 102-5, and GRI 102-7)

• Locations

Major locations are located in Taiwan, including the Taipei Office, the Linkou R&D Division, the Tainan Office, and the Kaohsiung Plant. The Kaohsiung Plant comprises Plant I for producing LDPE and EVA, Plant II for producing HDPE and LLDPE, and the CBC plant for producing cyclic block copolymers.



• External Initiatives and Membership of Associations

We exchange with various professional organizations. Through external influence and the interaction and sharing of associations, we promote the professional growth of technologies and competencies in various fields. We also support associations and unions to publish journals and organize activities to promote industrial development.

In 2018 we participated in the following external organizations: Petrochemical Industry Association of Taiwan, Taiwan Synthetic Resins Manufacturers Association, Taiwan Plastics Industry Association, Taiwan Synthetic Resin & Adhesives Industrial Association, Taiwan Responsible Care Association (TRCA), Chinese National Association of Industry and Commerce Taiwan, Chinese National Federation of Industries, Taiwan Institute of Chemical Engineers, Taiwan Chemical Industry Association, Audit Bureau of Circulations, Taiwan-Russia Association, Kaohsiung County Industrial, Taiwan Nanotechnology Industry Development Association, Cross-Strait CEO Summit, and The Third Wednesday Club. (GRI 102-13)

We did not sign any externally-developed economic, environmental and social charters, principles, or other initiatives. (GRI 102-12)



• About USI Group

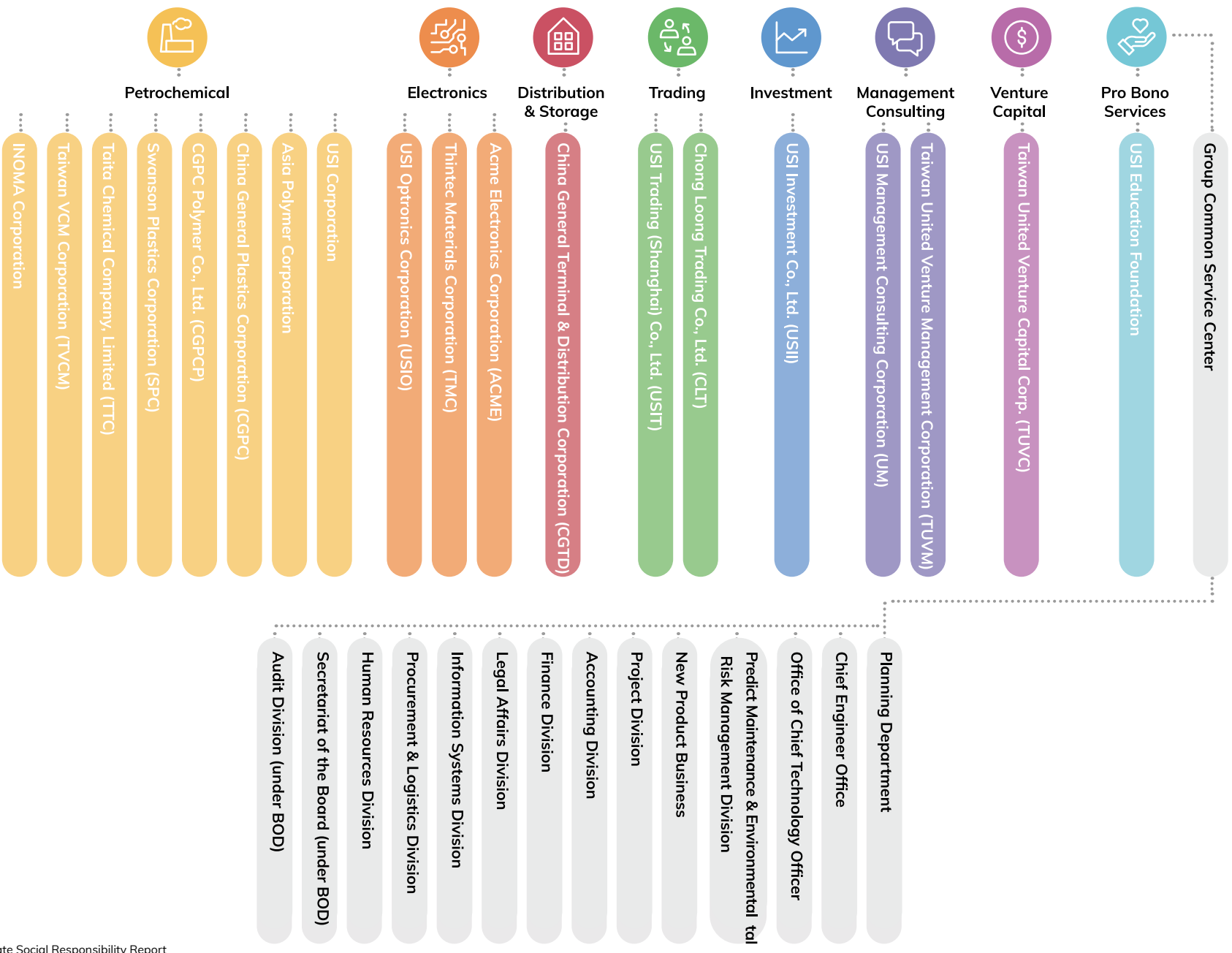
As one of the affiliates of USI Group established in 1965, we are the precursor of USI Group. In 1997, we and UPC Technology Corporation acquired the controlling shares of the CGPC Group (USI 80% and UPC 20%). This was the onset of our leadership in Taiwan's petrochemical and plastics industries. To improve the group's business performance, USI Group began integration with six homogeneous affiliates, e.g. petrochemical and plastics industries, including: USI, APC, TVCM, CGPC, TTC and CGTD and promoted resources integration and planning. In March 2001, the group founded USI Management Consulting Corporation (UM). Except for the manufacture, sales and special function projects, UM takes over the general management of these six petrochemical affiliates to strengthen the integration synergy of the group's common service functions.

In 2001 Q2, the group of affiliates moved to the USI Offices Building in Neihu Science Park to cope with future development and integrate all service functions of affiliates within the group. Apart from enhancing overall competitiveness, this enabled routine staffing functions to aim at strategic goals. Through effective group resource integration and with the solid foundation accumulated from years of experience in the petrochemical and plastics industries, the group successfully expanded its scope of business to electronics, materials and VC.

Note 1: Four publicly offered USI subsidiaries, including Asia Polymer Corporation (APC), China General Plastics Corporation (CGPC), Taita Chemical Company Limited (TTC), Acme Electronics Corporation (ACME) published their own CSR reports in 2018.

Note 2: Please refer to the 2018 consolidated statement available on the "Financial Statement" subsection of the "Investors" section on the corporate website of USI Corporation at <https://www.usife.com.tw/>

• USI Group Affiliate



1.3 Products (GRI 102-2)

Major Products

As a key PE manufacturer in Taiwan, we make continual improvement to improve product quality, increase product quantity, and supply excellent products to numerous downstream processors to raise the standard of processed products and cultivate markets with them. Our PE range covers the following four products:

USI List of Major Products and Trademarks in 2018

Major Products	Major Label
Low Density Polyethylene (LDPE)	PAXOTHENE®
Ethylene Vinyl Acetate Copolymer (EVA)	EVATHENE®
High Density Polyethylene (HDPE)	UNITHENE®
Linear Low Density Polyethylene (LLDPE)	LINATHENE®

Major Products

Application Products



• New Products - ViviOn™ CBC

ViviOn™ is a new type of cyclic block copolymer (CBC) produced by complete hydrogenation of styrene and conjugated alkene copolymer with special high-performance catalysts. This novel plastic is characterized by ultra-purity, super high transparency, great thermal oxidation stability, excellent UV durability and transmission, low water absorption rate and low density. It's suitable for use in extrusion molding, injection molding, and blow molding. In addition, by adjusting the proportion of the soft and hard blocks in the chemical structure of the copolymer, ViviOn™ can change from a rigid plastic material with great mechanical strength into a flexible, soft plastic material. This special feature enables ViviOn™ to meet the demand of products with different natures and provide a broader space for product design.

ViviOn™ Application



Ultrathin light guide plate/film



Baby milk bottles



Pre-filled syringes



ViviOn™ (CBC)

<https://www.usife.com.tw/zh-tw/dirProduct/frmProduct7.aspx>

• Heat Insulation Coating

We have been promoting energy conservation and emissions reduction for years, and our performance in reducing VOCs and enhancing efficiency with heat insulation coating is especially apparent. This coating formulated with nanoscale solid ceramic pellets can rapidly reflect heat without absorbing it. With only two layers, each 50µm thick, the coating can directly and effectively block sunlight (heat) from gasifying or evaporating VOCs and destabilizing chemicals. Particularly, this coating is a water-based eco-friendly coating that is safe and easy to use. Its performance and word of mouth have been spread from USI Group to other plants. Currently, we also provide technical support and assistance in heat insulation for other plants to undertake the responsibility of environmental protection and safety together.

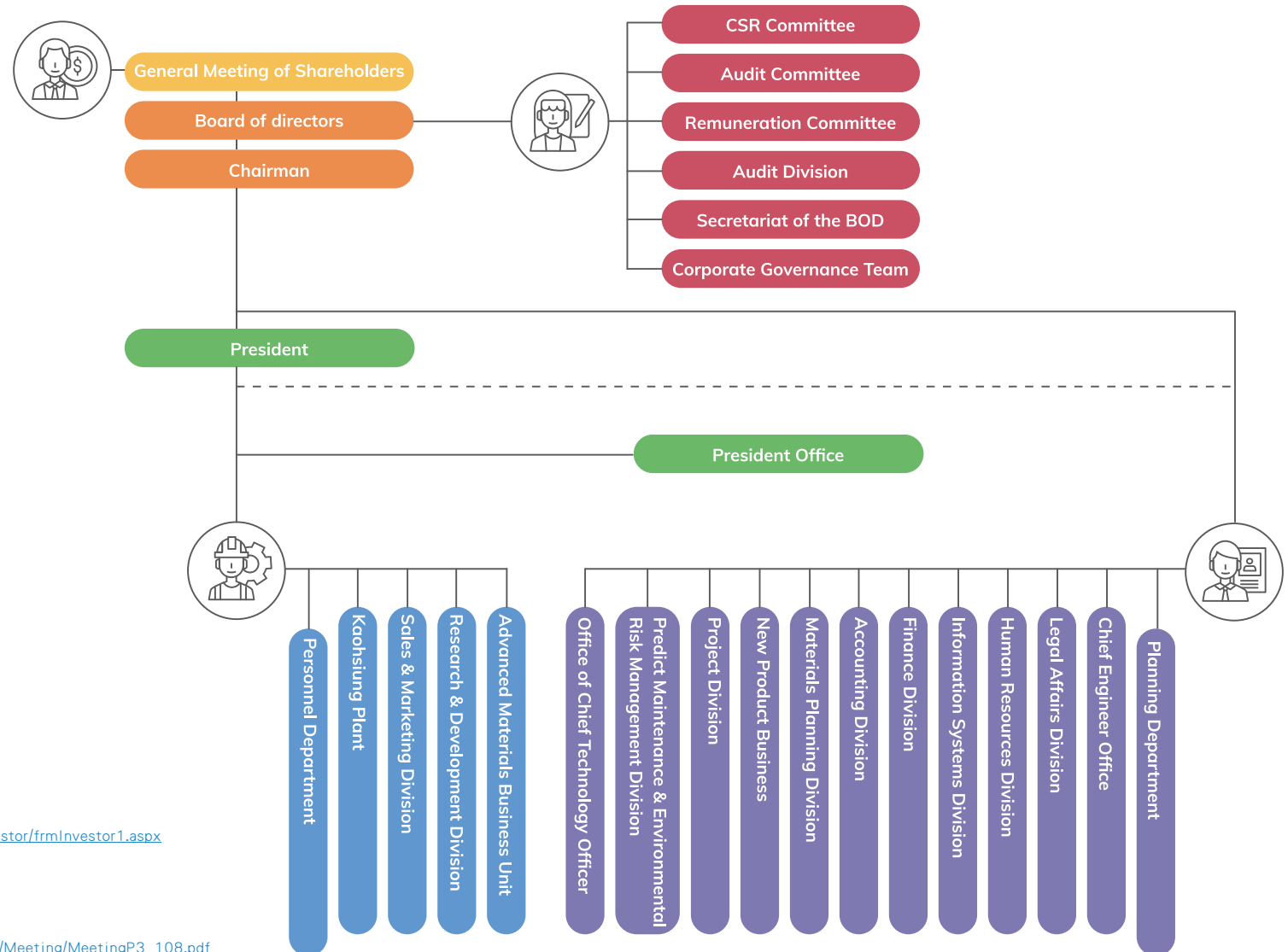
In addition, we put into consideration the problem of tank and pipeline corrosion based on the market demand while promoting the heat insulation coating and maintenance works. This year, we began to further our R&D in the overall maintenance of the coating system, in order to propose integrated solutions for anti-corrosion and heat insulation, common problems of plants, with the eco-friendly, low-pollution water-based coating or high-solid-content coating for the reference of customers to consider.



Customer field application reports show that the coating can effectively reduce tank top temperature from 51-62°C to 30-33°C.

1.4 Governance

• USI Governance Structure (GRI 102-18)



Governance

<https://www.usife.com.tw/zh-tw/dirInvestor/frmlInvestor1.aspx>



USI Annual Report

https://www.usife.com.tw/USIWebFiles/Meeting/MeetingP3_108.pdf

• Board of Directors

Composition and Operation of the Board of Directors

The board of directors is formed by nine directors with rich experience in each professional field, including three independent directors, commanding at 33% of all directors. The term of each director is three years, and each director is entitled to a second term. Candidates of directors and independent directors are nominated by shareholders holding over one percent of the totally issued shares and the board of directors. After the qualification by the board of directors, eligible candidates are elected by shareholders at the annual general meeting of shareholders. The term of the current board of directors commenced on June 8, 2017 and will end on June 7, 2020. A total of six board meetings were held in 2018, with a personal attendance rate (including independent directors) of 90.74% (100% including attendance by proxies). For details regarding board operation, please refer to p. 25 of the USI Annual Report 2018.

Performance Evaluation of the Board of Directors (Audit Committee)

Evaluation time: January 1, 2018-December 31, 2018.

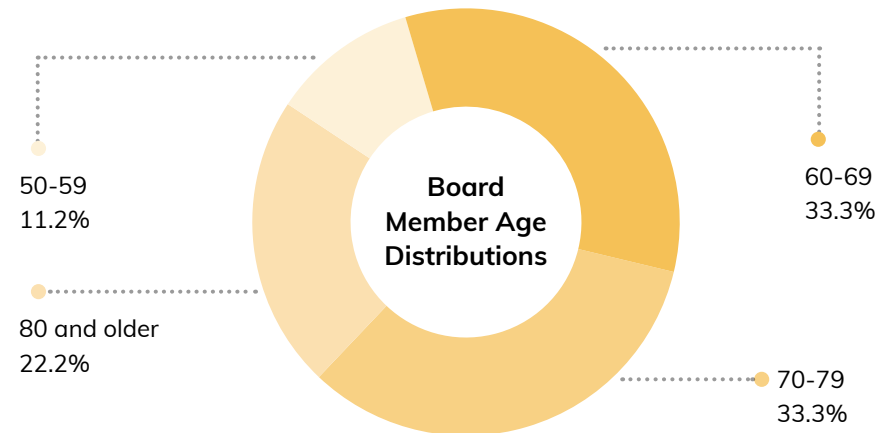
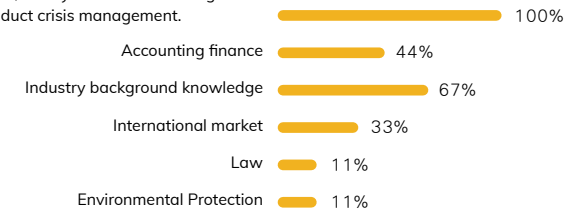
With reference to the regulations and methods of board evaluation, the board of directors (Audit Committee) shall perform a self-evaluation every year, with contents covering involvement in organizational operations, improvement of decision-making quality, board composition and structure, director selection and continual improvement, internal control and audit committee communication. The results of the 2018 performance evaluation have been reported at the 1st board meeting in 2019, and the overall results are as follows:

Aspect of Evaluation	Results
Involvement in organizational operations	Good 😊
Improvement of decision-making quality	Good 😊
Board composition and structure	Good 😊
Director selection and continual improvement	Good 😊
Internal control and audit committee communication	Good 😊

Performance Evaluation of the Board of Directors (Audit Committee)

Performance of the Board Member Expertise Diversification Policy

Ability to make operational judgments, ability to perform accounting and financial analysis, ability to conduct management administration, and ability to conduct crisis management.



Directors' Performance in Avoidance of Conflicts of Interest

- To ensure positive governance, we specify the system and measures to prevent the conflict of interest of directors in articles 16 and 17 of the "Rules of Procedure for Board of Directors Meetings". (For details regarding the "Rules of Procedure for Board of Directors Meetings", please visit our website at https://www.usife.com.tw/USIWebFiles/Others/USI_MeetStan.pdf)
- The secretary office of the board of directors has recorded contents involving conflicts of interest with directors in the board meeting minutes in accordance with paragraph 1, Article 17, the Rules of Procedure for Board of Directors Meetings. For details regarding the avoidance of interests at board meetings in 2018, please refer to p. 28 of the USI Annual Report 2018.

Improvement of Professional Competence of Directors

To improve the professional competence of directors, we arranged internal further education courses of a total of six hours for directors in 2018. These courses include three hours of “CSR in Pace with Times” by Mr. Stanley Yen on March 21, 2018 and three hours of “Environmental Protection and Sustainable Development for Enterprises” by Professor I-Kung Ma on October 16, 2018; all directors (including independent directors) also took external further education courses in different areas of specialization according to their needs. In 2018, there were a total of 63 hours of internal and external further education courses. For details regarding further education courses and length, please refer to p. 29-30 of the USI Annual Report 2018.

Functional Committees

Under BOD we have established three functional committees including the Audit Committee, Remuneration Committee, and CSR Committee. The members, operation, and duty of these committees are as follows:

Name	Audit Committee	Remuneration Committee	CSR Committee
Quintin Wu			●
Ko-shun Wang			●
Sean Chen	● (Convener)	●	
Rick Tsai	●	●	● (Committee Chief)
Yancy Hai	●	● (Convener)	●

Note: Independent Director Rick Tsai resigned on March 19, 2019. Mr. Woody Duh was elected as the new independent director at the AGM on June 12, 2019. Mr. Tsai's position in the above three functional committees will be adjusted accordingly.

· Audit Committee

1. The term of the current committee commenced on June 8, 2017 and will end on June 7, 2020. There are three seats in the committee formed by all independent directors.
2. The Audit Committee holds at least one committee meeting every quarter and provisional meetings as necessary. Six committee meetings were held in 2018, and the person attendance (independent directors) rate was 83.33% (100% including attendances by proxy).

· Remuneration Committee

1. The term of the current committee commenced on June 12, 2017 and will end on June 7, 2020. There are three seats in the committee formed by all independent directors.
2. The Remuneration Committee holds at least two committee meetings each year. Three committee meetings were held in 2018, and the personal attendance (independent directors) rate was 77.8% (100% including attendances by proxy).

· CSR Committee

To improve governance performance, BOD passed on June 26, 2018 the proposal to promote the CSR Committee to a functional committee under BOD and establish the “Regulations of CSR Committee Organization”.

Composition and operation

1. The term of the current committee commenced on June 26, 2018 and will end on June 7, 2020, with members including the chairman, president, Independent Director Rick Tsai and Independent Director Yancy Hai.
2. The CSR Committee holds meetings twice a year at least. Two committee meetings were held in 2018, and the personal attendance (independent directors) rate was 100%.
3. We established three task forces for governance, environmental protection, and social relations as shown below:



Duty

1. Discussion and establishment of CSR policies.
2. Discussion and establishment of CSR strategy planning, annual plans and project plans.
3. Supervision of the implementation of CSR strategy planning, annual plans and project plans, and assessment of their performance.
4. Review of CSR reports.
5. Report of the annual CSR results to BOD every year.
6. Other assignments instructed by BOD.

In 2018 each of these three teams proposed a five-year plan to present the implementation plan and schedule planning of the team's duties, including annual effectiveness assessment.

1.5 Legal Compliance

• Disclosure on Management Approach

In addition to practicing ethical management, we emphasize legal compliance in all areas. Therefore, units within the organization keep track on the trends of statutory and regulatory changes to ensure our compliance with up-to-date legal requirements and to make early planning for their impacts.

- Compliance with environmental laws and regulations.
- Management of toxic chemical substances
- Pollution control and waste management
- ISO 14001 EMS certification
- Education/training and awareness promotion of industrial safety
- Strengthening BOD functions
- Functional committees
- Information transparency
- Risk supervision
- Internal control and audit systems
- Code of CSR practice



- Product labeling
- Product quality and safety
- Fair trade
- Respect for IP rights
- Respect for human rights
- Protection of freedom of association
- Compliance with labor laws and regulations
- Occupational health and safety laws and regulations

Management Approach

For employees to understand compliance-related topics, we publicize information and trends regarding the latest regulatory and statutory requirements through education/training activities for employees and departmental routine meetings for them to acquire information regarding new laws and regulations and amendments of existing laws and regulations. The Legal Affairs Division also provides legal consultation and recommendations. Moreover, besides arranging internal training or external training courses, we further invite external legal experts to give talks or seminars to enrich employees' knowledge and competencies in business-related

policies and regulations.

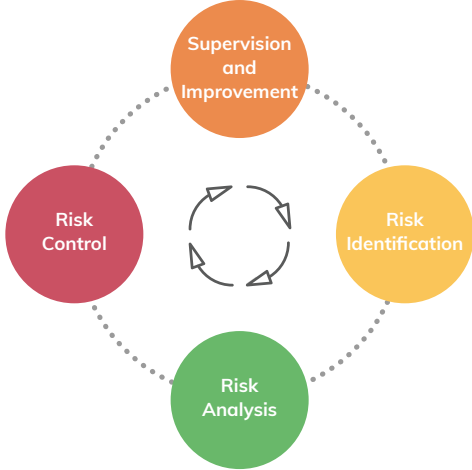
We investigate and identify non-conformities with law to find their causes and take action to control and correct them to reduce negative impacts and prevent their recurrence.

2018 there was no report of non-conformance with the social and economic laws and regulations.

Causes and Amounts of Administrative Fines for Environmental Protection in 2018.

Fine Notification Time	Item	Cause(s) of Violation	Administrative Fine	Improvement Measures
January 3 2018	Air pollution	Thickness insufficiency of the coarse graded asphalt concrete of the driveway between the construction site or car washing facility and a main road.	NT\$100,000	Completed pavement with asphalt.
February 21 2018	Air pollution	The test results of equipment components were greater than 2,000ppm, violating paragraph 2 of Article 20 of the "Air Pollution Control Act" and Article 4 of the "Kaohsiung City VOC Control and Emission Standards for Equipment Components".	NT\$200,000	Plant I: 1. Increase the testing frequency of the same leakage point. 2. Modify the connector to prevent leakage. Technology department: Enhance the inspection and testing of leakage points. Engineering department: Enhance the inspection of leakage points and complete maintenance and repair tasks within the time limit.
March 19 2018	Failure to report for examinations	Notice to proceed before the initiation of the third miscellaneous license of the CBC project.	NT\$18,000	Apply for miscellaneous licenses prior to initiation according to the project schedule.
December 13 2018	Air pollution	Discharged and process tail gas at the flare tower after an abnormal equipment fault. Apparent TSP dispersed in the air due to incomplete combustion, causing air pollution.	NT\$100,000	1. Install monitoring system to enhance management. 2. Replace the emergency discharge switch in the purification zone and arrange awareness education (switch replacement completed in December 2018).

1.6 Risk Management



We have been promoting various risk management measures to cope with short-term, medium-term, and long-term risks. Currently, all execution and responsible units assess specific items and major risks and draw up countermeasures. The Audit Division follows up on the outcomes of relevant countermeasures and reports them to the internal control self-risk inspection committee to make timely corrections and improvements in order to implement the PDCA cycle to reinforce risk management. The tables below show the challenges and countermeasures of relevant risks at the present stage (GRI 102-11, GRI 102-15).

Risk	Challenge	Due	Effectiveness
Climate change	The significant and complex impacts of climate change extend to finance, supply chain, and policy aspects. Apart from promoting adaptation and mitigation in support of government policies, we voluntarily take actions for risk management to support this.	<ul style="list-style-type: none"> We formed energy conservation and emissions reduction teams at the plants of affiliates to synchronize practices through energy and resource integration and experience sharing. We promoted practical and effective energy conservation and emission reduction programs and reviewed the effectiveness of implementation every quarter. Every year we plan budgets to make improvements for the impacts caused by climate change, such as the rainwater recycling system, heat insulation coating, effluent continuous monitoring and reclamation system, and replacement of natural gas (LNG) as boiler fuel. 	<ul style="list-style-type: none"> The Kaohsiung Plant built a rainwater interception system in 2011 and a detention basin in 2014 to reduce damage on products or equipment and minimize the risk of production line halt due to floods. Rainwater is used by the cooling tower after filtration. About 18,776 m.t. of rainwater was reclaimed in 2018. Steam condensate is reclaimed and transported to the boiler for reuse. About 47,520 m.t. of steam condensate was reclaimed in 2018. Overflow from Fly Knife Water Recirculation System is used by the cooling tower after treatment. The annual volume of reclaimed water is approximately 27,720MT in 2018. Run-off after reclaiming and treatment is used by the cooling tower to reduce tap water consumption. About 52,800 m.t. of runoff was reclaimed in 2018.

Risk	Challenge	Due	Effectiveness
Industrial safety	Appropriate measures to prevent contents from leaking and cope with accidents to prevent property from damage and life of people from injury should be adopted to improve the transportation safety of underground pipelines, ensure more effective management of underground pipelines outside of the plant, and establish proper management procedures. This should prevent potential disasters caused by corrosion of pipelines within and outside of the plant or damage of pipelines due to improper excavation of non-USI units.	<ul style="list-style-type: none"> Based on the "Kaohsiung City Regulations for Existing Industrial Pipeline Maintenance and Operation"; domestic laws and regulations and international standards; the SOPs for the operation, examination, maintenance, and emergency response of underground pipelines of the Kaohsiung Plant; the effectiveness of past maintenance and operation plans, and the management information shared from the pipelines joint defense organization, we have established the "Existing Industrial Pipeline Maintenance and Operation Program; the pipeline integrity management plan; pipeline patrol; pipeline maintenance, repair, and check; and pipeline operation and control room management. To effectively monitor and manage the transportation safety of regional underground pipelines, the Kaohsiung Plant and relevant petrochemical companies have formed the Kaohsiung Region Industrial Pipeline Regional Joint Defense Federation to continuously maintain, monitor, and manage the transportation safety of regional underground pipelines. 	<ul style="list-style-type: none"> Every year we establish, maintain and implement EHS goals and management programs to meet the safety management standards. In 2018, we established six underground pipelines management programs, and the achievement rate was 100%. In the evaluation based on the "Standards for the Effectiveness Evaluation of Underground Pipelines Joint Defense Organization" in 2018, after evaluating the baseline evaluation items, including the effectiveness of pipeline safety equipment, the emergency response of pipelines joint defense evaluation, and the effectiveness of pipelines joint defense operation and management, pipeline 6 of the Kaohsiung Plant was rated an excellent pipeline defense organization and awarded the model pipelines medal by the Industry Development Bureau, Ministry of Economic Affairs.
Environmental pollution	Major air pollutants emitted by the Kaohsiung Plant include sulfur oxides (SOx), nitrogen oxides (NOx), and volatile organic compounds (VOCs). Fuel burning of the steam boiler is the main source of SOx and NOx detected in the plant, while flares, storage tanks, and equipment components are the main sources of VOC emissions.	<ul style="list-style-type: none"> Building a steam boiler using clean, LNG as the main fuel and eliminating the fuel oil boiler to minimize the emission of air pollutants. Enhancing the processing efficiency of the regenerative thermal oxidizer (RTO) and reducing VOCs emissions with the in-house steam boiler. 	<ul style="list-style-type: none"> We revoked the operation permit of the fuel oil boiler and reduce various types of pollutants: including 3.946 m.t. of particulate matters, 36.884 m.t. of SOx, and 24.960 m.t. of NOx. High-intensity VOCs are directed to the boiler to enhance VOC processing efficiency and effectively reduce VOC emissions.
Major material supply	Ethylene prices worldwide rose in 2018 as a result of supply reduction due to the huge market change and a large number of the Asia naphtha cracking plants began their annual repair.	<ul style="list-style-type: none"> To minimize the impact of ethylene undersupply, we have formed a task force to study and establish relevant responsive strategies and plans. Cultivating new sources worldwide for source diversification. We have signed long-term supply contracts with important suppliers. Analyzing market trends regularly and adjusted the optimal procurement strategy. 	<ul style="list-style-type: none"> New ethylene sources: 1 from China. Long-term ethylene suppliers: 4 USI management meetings and group management meetings: 69 times/year.

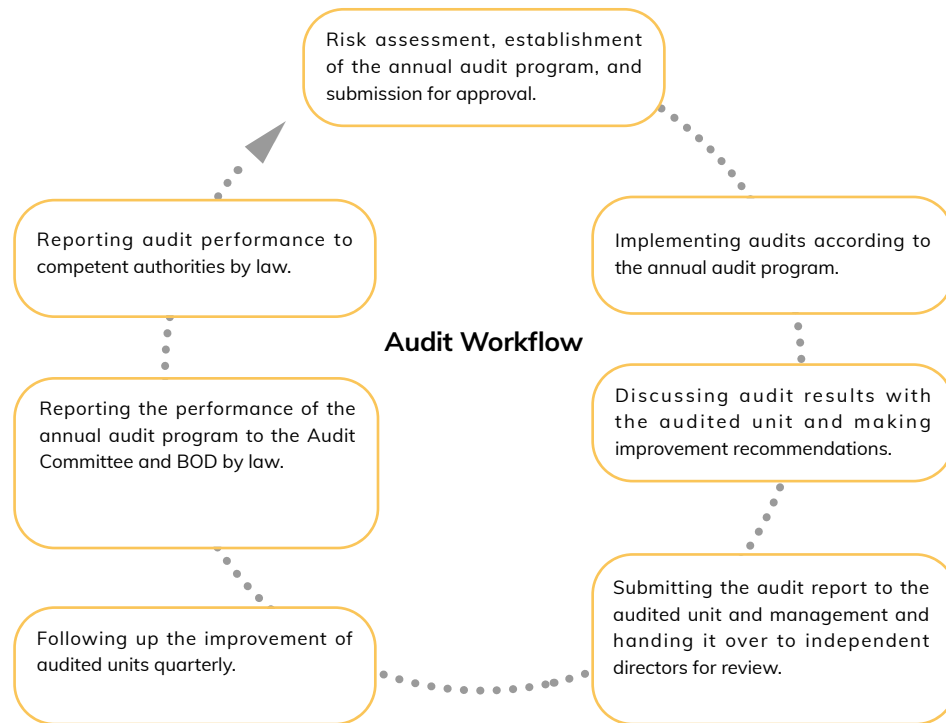
Risk	Challenge	Due	Effectiveness
Industrial risks	Facing continuously soaring ethylene prices and the sustained slowdown at home and abroad, it is difficult to raise the price of general plastics.	<ul style="list-style-type: none"> Investing in products of high added value in Taiwan to continuously create profitability. Mass production of the new EVA capacity of the Kaohsiung Plant started in mid-2016. Building the world's first commercial CBC plant in the Kaohsiung Plant to supply materials for touch screens, light guide plates, and optical lenses, and connect the CBC plant with our optoelectronic business unit in the future. Investing in the Gulei Refining and Petrochemical Project in Zhangzhou, Fujian, in collaboration with domestic and Chinese petrochemical enterprises. 	<ul style="list-style-type: none"> Commissioning and test run of CBC Project were completed in the first half of 2018, with a design capacity of 5,000 m.t. Official approval was granted to the Gulei Refining and Petrochemical Project in August 2018.
Financial risks	Financial risks include the influence of interest rate volatility, exchange rate volatility, property insurance, and endorsements and guarantees. To implement financial risk control and thereby reduce financial risks, we have implemented the relevant countermeasures.	<ul style="list-style-type: none"> Interest rate volatility: Spreading investments of surplus capital in bank deposits, MMF, REITs, and stocks with better yield to maturity to reduce risk from interest rate volatility. Exchange rate volatility: Hedging the net new positions of foreign currencies produced by business operations. Besides closely observing the trend of the international forex markets, timely hedging risks through sight sell-off of US Dollar over the market, and undertaking forward exchange agreements. Property insurance: Buying commercial fire insurance, business interruption insurance, cargo transport insurance, and so on based on the scale of operating assets and their replacement costs to avoid risk of damage and loss of operating assets due to acts of God or force majeure in order to appropriately transfer risks to insurance companies. Endorsements and guarantees: We have established the "Endorsement and Guarantee Procedures" to ensure effective assessment in advance and continuous follow-up afterwards for endorsements and guarantees. 	<ul style="list-style-type: none"> Commissioning and test run of CBC Project were completed in the first half of 2018, with a design capacity of 5,000 m.t. Official approval was granted to the Gulei Refining and Petrochemical Project in August 2018. For short-term TWD loans, keeping close track on the changes in interbank overnight call-loan rates and the interest rate for negotiable certificates of deposit (NCD) of different terms to appropriately adjust loaning days in order to effectively reduce cost. As there many factors affecting the foreign exchange rate at the moment, we have increased the hedging proportion to cope with the exchange rate risk. We have purchased various types of property insurance to appropriately spread local risks to insurers. All above items have been implemented in accordance with relevant procedures and follow-up and assessments were conducted afterwards.
Investment risks	Facing the rapidly changing international situation, we continuously assess opportunities for new business investments, hoping to expand our business territory and ensure sustainable development by enhancing governance, improving employee qualities, and diversifying the scope of operations.	<ul style="list-style-type: none"> Feasibility surveys of new business investments cover industry prospect, market, finance, and R&D. We also survey all potential risks and develop countermeasures. After repeated internal review and confirmation, BOD must approve an investment project before an investment begins. In addition, we have established the Asset Acquisition and Disposal Procedures in accordance with the Regulations Governing the Acquisition and Disposal of Assets by Public Companies to ban engagement in high-risk, high-leverage investments. 	<ul style="list-style-type: none"> Economic and technical feasibilities are the focus of investments in new business and investment risks are reduced through comprehensive risk assessments. Investment projects are discussed repeatedly within the organization before submitting to the board for approval to ensure the strictest possible investment risk control. Apart from avoiding the flaws in the investment decision-making mechanism, such a practice can prevent the invested business from running down after investments.

Risk	Challenge	Due	Effectiveness
Information security risks	Despite the ongoing business email compromise (BEC), hacker invasion, or data leakage in recent years, personal sensitive data are even the target of people with evil intention. Therefore, information security protection has become an essential topic.	<ul style="list-style-type: none"> In addition to the 4-hour information security education for internal information security staff to enhance information security management, we hired professional information security consulting companies to perform information security audits, equipment vulnerability scans, and social engineering drills in-house in 2018. Furthermore, protection measures were implemented appropriate to data in accordance with the EU specifications. Apart from the regular internal audit performed by the audit department, we hired BSI to perform ISO 27001 certification and audit every year. To enhance web browsing security, we purchased SSL certificates from Chunghwa Telecom in 2018 to change the corporate website from "http" to "https". 	<ul style="list-style-type: none"> After acquiring the ISO27001 certificate issued by BSI in July 2014, we have passed the BSI information security system review for four consecutive years. In addition to reviewing the information security management framework, we provided guidance for and prevented internal and external issues and assessed and analyzed information security risks. By effectively enhancing employees' information security awareness, we successfully stopped BEC attacks. Successfully protected the information security of web browsing. Locating potential risks to perform system fixing or propose remedial measures.
Human resources risks	To us talents are an irreplaceable core asset, and steadily and continuously growing human resources are the bedrock of steady business operations. Related human resources risk including recruitment and selection, training and education, wages and benefits, and labor safety.	<ul style="list-style-type: none"> In human resources management, we have established well-developed SOPs and related documents and forms to ensure the standardization and consistency of human resources management. To ensure all personnel policies and procedures are implemented by law and correctly, we audit them regularly every year. To ensure employees are equipped with related knowledge and skills, we arrange all types of training and education activities every year. 	<ul style="list-style-type: none"> We publish all SOPs and standards on the intranet for the reference of employees. In 2018, no significant defect was found in various internal and external audits. The total length of training and education yearly was 9,132.5 hours, 18.9 hours/person on average.

1.7 Audit Operation and Communication Channels

• Audit Operations

Apart from assisting the board and officers in inspecting and rechecking the internal control system and measuring operational effectiveness and efficiency, the Audit Division under the Board of Directors draws up the annual audit program of the next year based on the probability of occurrence and the level of impact of risks, the laws and regulations of competent authorities, and the characteristics of the industry. Then, it submits the program to the Audit Committee and BOD for approval prior to implementation. Upholding impartiality and independency, internal auditors carry our audits with objectivity and fairness and maintain the integrity and non-disclosure professional code.



In consideration of the operational and transaction cycles and the status of business management in 2018, recommendations for internal control corresponding to risk types are summarized as follows:

Risk	Audit Cycle	Summary of Recommendations
Operational risks	Procurement, payment cycle and compliance cycle	Confirmation of consistency of application to the same procurement item of different SOPs.
	Control of information system (CIS)	Real-time update of the outpost computer control room and SOP.
	Management	SOP changes shall be enforced for utilization change.

The 2019 annual audit program has been established in accordance with the laws and regulations of competent authorities.

• Reporting Channels

The Audit Committee Email in the Investor Service section on our corporate website accepts cases in relation to the responsibility and authority of the Audit Committee. On August 10, 2017 the Board of Directors and the Audit Committee passed the proposal to establish the Regulations for Handling Reports of Illegal or Unethical or Dishonest Behaviors specifying the reporting and processing procedures and related protection mechanisms. Grievance channels include personal reports, telephone reports and correspondence reports. The Regulations also specify the responsible units. We assure full protection of the confidentiality of informers, investigators and case contents to prevent them from unfair treatment or retaliation. If the informer is a USI employee, we guarantee no discrimination on him as a result of reporting a case.

02 Management of Corporate Social Responsibility



Sustainable Development	2.1
Goals and Visions for Sustainable Development	2.2
Ethics and Integrity in Management	2.3
Stakeholder Identification and Communication	2.4
Analysis and Identification of Material Topics	2.5
Material Topics and Value Chain	2.6

2.1 Sustainable Development (GRI 102-16)

USI Group has been known for being trustworthy in its business operations. We believe in the Chinese proverb, “round outside and square inside”, which means “harmonious with people and proper in business dealings”. We have also developed our own philosophy of “Solid Operations”, “Professional Management”, “Seeking Excellence”, and “Serving Society”, and created a corporate culture of rationality, practicality, continual improvement, sincerity, hospitality, and respect.

Solid Operations: We persistently seek rationalization, truth, and sustainable development.

Professional Management: We take organized, specialization, modern, and scientific approaches in management and focus on product upgrade and differentiation.

Seeking Excellence: We endeavor to surpass ourselves and are prepared to confront obstacles by constantly striving to excel in quality, performance, core competency, and customer confidence.

Serving Society: We believe in the importance of giving back to society by being a recognized, trustworthy, and contributing citizen.



2.2 Goals and Visions for Sustainable Development (GRI 102-16)

In response to the global trend of sustainable development and achieve the Sustainable Development Goals (SDGs), we represent unity governance (U), sustainable development (S), and innovative technology (I) with our English company name USI. These are the visions of our sustainable development.



Unity Governance (U):

Good governance and people-oriented management.

USI



Sustainable Development (S):

EHS excellence and CSR fulfillment.



Innovative Technology (I):

High-value products and professional services.

SDG 4.b Issued grants and scholarships amounting to NT\$1.25 million to 25 students in 2018.

SDG 4.5 Care for the education of vulnerable groups, education in remote areas, and environmental education through USI Education Foundation.

SDG 3.9 Arrange special health examinations every year for employees engaging in special work. A total of 133 employees received the special examination in 2018.

SDG 3.9 Invested NT640 million in VOCs reduction; built two sets of air pollution prevention equipment and changed to the natural gas boiler to reduce VOCs by 26.8% in total.

SDG 3.d Organized the three-month USI Cup Weight Loss Competition in 2018.

SDG 3.d Passed the Boost Sports Enterprise certification of Sports Administration, Ministry of Education in 2018

SDG 8.2 New EVA production lines started operations to raise product added value and enhance production efficiency through product improvement.

SDG 8.3 Engage in advanced materials R&D and constantly create new job opportunities.

SDG 9.4 Plan and invest in the CBC R&D Center and Commercial Plant construction project to optimize processes and products and reduce energy consumption.

SDG 9.5 Invested NT\$151,419,000 in R&D in 2018; the R&D workforce accounts for 11% of total employees; provide R&D personnel with promotion and transfer channels with well-established cultivation planning.

SDG 9.b Invested not more than NT\$8 billion in the Gulei Refinery and Petrochemical Project for the vertical integration of midstream and downstream petrochemical products.

SDG 5.4 Provide female employees with mensural leave and independent lactation rooms; and launch cooperation with nurseries and educational organizations to provide nursery and after school club services.

SDG 5.a The 2018 ratio of remuneration of men to women was maintained within 15%.

SDG 8.2 Promoted the CBC project to lead the transformation, upgrading, and high-value product development of the petrochemical industry.

SDG 8.b Enhanced the ratio of new employees under 30 years old to 61.5% in 2018.

SDG 16.6 Established the "Ethical Corporate Management Best Practice Principles" and the "Procedures for Ethical Management and Guidelines for Conduct" to develop a corporate culture for ethical corporate management.

SDG 16.10 Publicized information and trends regarding the latest regulatory and statutory requirements through education/training activities for employees and departmental routine meetings for employees to acquire information regarding new laws and regulations and amendments of existing laws and regulations.

SDG 6.3 Raised effluent quality to 60% of the discharge standard.

SDG 6.4 Reclaimed about 94,016 m.t. of water for reuse in 2018, accounting for 9.34% of total water intake.

SDG 7.3 Implemented electricity conservation measures and replaced steam boiler fuel from fuel oil with natural gas to reduce energy consumption.

SDG 7.b Invested NT\$12.58 million in energy conservation equipment to save electricity up to 2,007,294 kWh and reduce carbon by 1,062 tCO₂e.

SDG 11.6 Reduced the intensity of boiler emissions to NO_x below 150ppm, TSP below 20 mg/NM₃, and zero SO_x.

SDG 12.7 Established green procurement mechanisms, encourage the use of eco-friendly materials, such as energy-efficient equipment and ecolabel products, to raise the proportion of green procurement.

SDG 12.4 Enhanced process management, reduced end of pipe treatment, and reduced of the output of sludge and other industrial waste.

SDG 12.5 Reclaimed 58 m.t. and reclaimed and purified VAM for 2018 reuse to save raw material consumption with the ethylene purification system.



SDG 13.2 Voluntarily set management targets for energy conservation and carbon reduction to "save electricity at 1%, save energy at 2%, and reduce carbon at 1.5%" every year.

2.3 Ethics and Integrity in Management (GRI 102-16)

To further ethics and integrity in management, we have established the Codes of Ethical Conduct for Directors and Managers, Ethical Corporate Management Best Practice Principles, Procedures for Ethical Management and Guidelines for Conduct, integrity-based policies, and a good mechanism for governance and risk control.

To enforce the Codes of Ethical Conduct and Ethical Corporate Management Best Practice Principles, we established on August 10, 2017 the Regulations for Handling Reports of Illegal or Unethical or Dishonest Behaviors, which was passed by the Audit Committee and the Board of Directors.



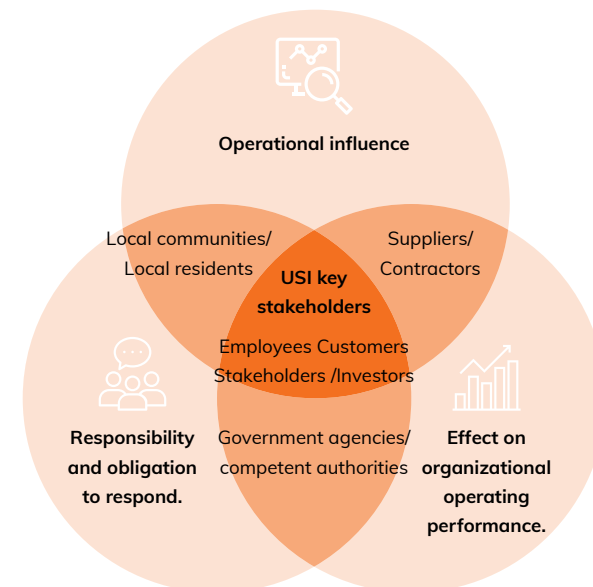
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2.4 Stakeholder Identification and Communication

We believe that in-depth communication with stakeholders is the foundation for sustainable management, and well-planned and effective communication can understand the topics that concern stakeholders. Therefore, we constantly create communication channels, focus on addressing topics that concern stakeholders, and adjust our sustainable management policy. Referring to the attributes of stakeholders as specified in AA 1000 SES: dependency, responsibility, influence, diverse, and tension perspectives, we identified five stakeholder groups: employees, customers, government agencies, shareholders/investors, and suppliers/contractors. Apart from gathering stakeholder opinions through various channels, we have established a CSR section on the corporate website to enhance communicability. In addition, we added local communities/residents as the sixth stakeholder group required communication based on the underground pipeline operation and management plan. (GRI 102-40 and GRI 102-42)



• Stakeholder Communication Channels and Topics that Concern Them (GRI 102-43 and GRI 102-44)

Stakeholder	Concerned Topics	Communication Channel and Frequency	Summary of Response in 2018
 Employees	<ul style="list-style-type: none"> Operating performance Employee benefits Occupational health and safety Employment relationship Recruitment 	<ul style="list-style-type: none"> New employee interviews (with relevant officers of all levels) Performance interviews (regularly) Labor – management meetings (quarterly) Union board meetings (quarterly) Union general meetings (annually) Employee Welfare Committee (biannually) Occupational Health and Safety Committee (quarterly) EHS Management Committee (quarterly) Labor Pension Fund Supervisory Committee (biannually) Internal health forums (five times a year minimum) Education/training (planned) On-site tour inspections (at any time) 	<ul style="list-style-type: none"> Contact: Ms. Chen, Department of Personnel Affairs, (02) 2650-3381
 Customers	<ul style="list-style-type: none"> Technology R&D Customer privacy Transportation safety management Industrial and public safety Customer satisfaction survey 	<ul style="list-style-type: none"> Customer satisfaction survey (biannually) Participation in trade fairs (once a year minimum) Sales visits (once a year minimum) “Contact us” on the corporate website (at any time) Contact by phone/email (irregularly) 	<ul style="list-style-type: none"> Provided 37 rounds of customer technical services All 16 customer complaints were answered. Perform customer satisfaction surveys twice a year, with over 99.8% responses falling in “satisfied” and “highly satisfied”.
 Suppliers/ Contractors	<ul style="list-style-type: none"> Operating performance Local major investments Market presence Legal compliance Procurement practices 	<ul style="list-style-type: none"> Supplier evaluation (twice a year) Supplier survey (annually) Participation in industry exchange and forums (annually minimum) Interviews with purchasers (irregularly) Contact by phone/email (irregularly) “Contact us” on the corporate website (at any time) 	<p>To enforce our ethical management policy and understand the needs of suppliers, we communicate with and respond to suppliers as follows:</p> <ul style="list-style-type: none"> Supplier evaluation results, twice a year Topic concerned suppliers questionnaire, once a year Purchaser visits (1-2 times/quarter) Renwu Senior High School industry-academia collaboration Sponsored local community activities. Adopted the air quality purification zone of Renwu Special Education School

Stakeholder	Concerned Topics	Communication Channel and Frequency	Summary of Response in 2018
 <p>Government agencies/competent authorities</p>	<ul style="list-style-type: none"> Market presence Legal compliance GHG emissions Air pollution control Waste management 	<ul style="list-style-type: none"> Participation in law and regulation promotional activities or public hearings (irregularly) Participation in forums or seminars (irregularly) Official documents, material information (as prescribed by law) Market Observation Post System (as prescribed by law) 	<ul style="list-style-type: none"> Participated in 27 seminars, publicity meetings, and training activities on industrial safety, environmental protection, and technology organized by the Industrial Development Bureau and Bureau of Standards, Metrology and Inspection of the Ministry of Economic Affairs; and the Economic Development Bureau, Environmental Protection Bureau, Sihwei Administration Center, and Labor Standards Inspection Office of the Labor Affairs Bureau of the Kaohsiung City Government. Feb 26 Kaohsiung City Industry Circular Economy Development Seminar Jul 4 Taiwan China Petroleum Corporation: 2018 Enterprise Sustainability Forum Dec 12 Renda Industrial Park Service Center: Underground Pipeline Joint Defense Organization-Improvement Suggestions Discussion
 <p>Stakeholders/Investors</p>	<ul style="list-style-type: none"> Local major investments Technology R&D Operating performance Customer privacy Supplier management 	<ul style="list-style-type: none"> Annual general meeting of shareholders (annually) Market Observation Post System (as prescribed by law) Annual report (annually) Financial statements (quarterly) “Investor Service” site on the corporate website (at any time) Contact information of spokespersons (at any time) “Shareholder Service” section on the corporate website (at any time) “Audit Committee Email” on the corporate website (at any time) CSR reports (annually) Investor conference (annually minimum) 	<ul style="list-style-type: none"> June 5, the annual general meeting of shareholders
 <p>Local communities/residents</p>	<ul style="list-style-type: none"> Noise abatement Air pollution control Involvement with local communities and philanthropy GHG emissions Underground pipeline maintenance 	<ul style="list-style-type: none"> “Contact us” on the corporate website (at any time) Visits on local groups (three time a year minimum) Participation in community activities (irregularly) Interview or phone contact (irregularly) 	<ul style="list-style-type: none"> Renwu Senior High School industry-academia collaboration Sponsored local community activities. Adopted the air quality purification zone of Renwu Special Education School

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2.5 Analysis and Identification of Material Topics

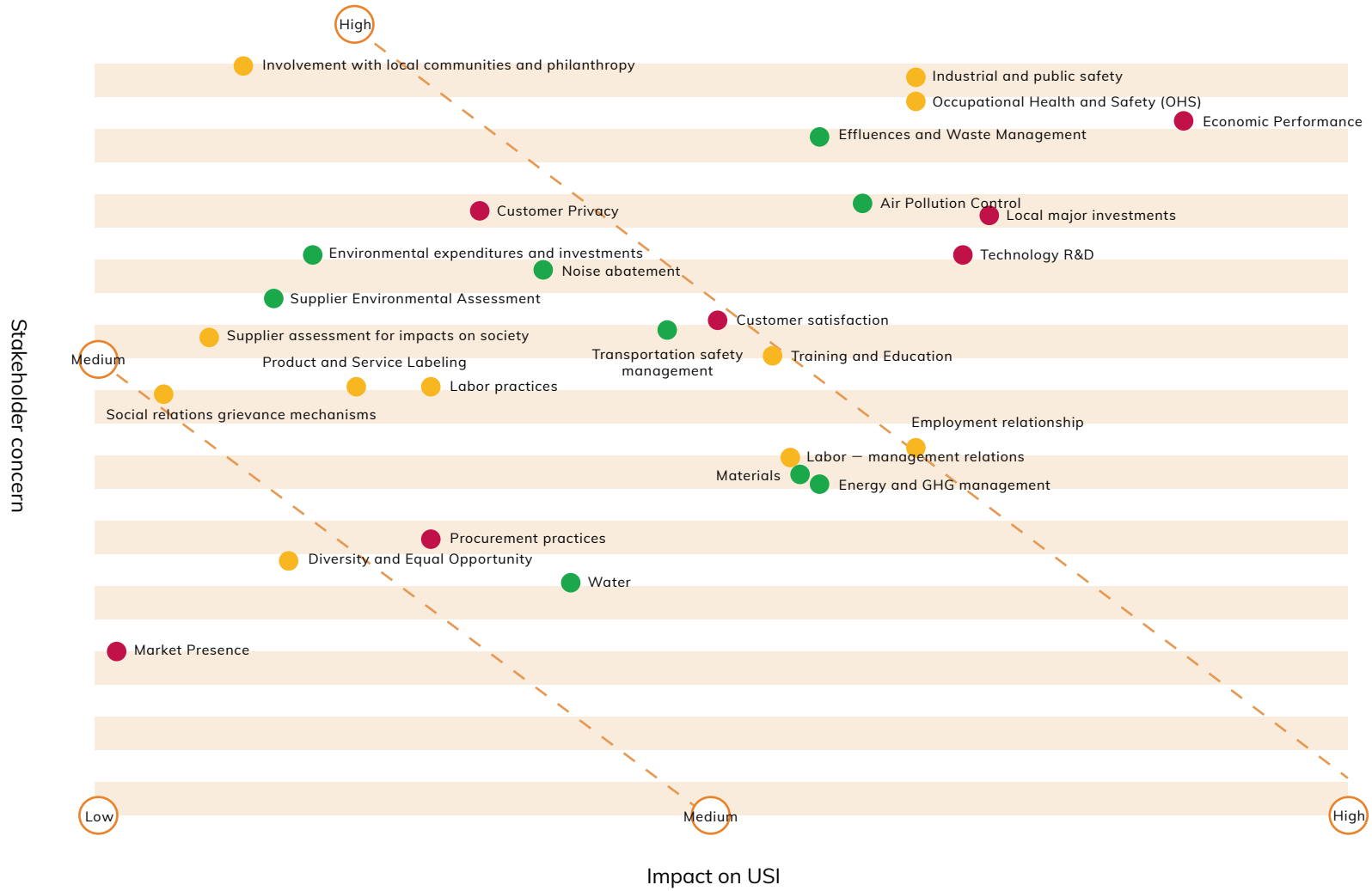


To ensure the completeness of topic inclusiveness, we measured the effectiveness of this CSR report to respond to stakeholders through an online stakeholder survey with 148 valid responses with a questionnaire developed with respect to the GRI Standards, the trends in industry sustainability topics at home and abroad, the SDGs, the information regarding the topics that concern stakeholders. Through the expertise in its duties and functions of each department under the CSR Committee, we conducted an internal survey with 41 valid responses on the "impacts on USI" of governance, environmental and social issues.

• Identification of Material Topics

After analyzing the "materiality of stakeholder concerns" and the "materiality of impacts on USI" of all above topics based on the above two surveys, we held the CSR Committee meeting for committee members to discuss and identify each topic to produce the matrix of material topics in 2018. After collating 8 topics of high concern and material impact as the focus of priority disclosure and response, we have added the energy and GHG management topic recommended by the management to the 2018 CSR Report for the reference of stakeholders, making up to 9 material topics in total. (GRI 102-46)





Governance

- Economic Performance
- Local major investments
- Technology research and development



Environmental Protection

- Effluents and Waste Management
- Air Pollution Control
- Energy and GHG management






Social Relations

- Industrial and public safety
- Occupational Health and Safety (OHS)
- Employment relationship




• Changes in Material Topics in 2018

Based on the CSR Committee's recommendation, we changed the 17 material topics in 2017 into 9 topics in 2018. We have also included technology R&D to propose implementation plans and short-, medium- and long-term goals in each topic and review their effectiveness regularly. We also included the value chain concept in the topic boundaries to extend the scope of consideration of topic influence. (GRI 102-47 and GRI 102-49)

Aspects	Changes in 2018	Changes in 2017	Material Topics	Causes of Change
 Governance	Economic Performance	Operational Performance	Title changed	Concerns remained unchanged.
	Local major investments	Local major investments	Maintained	Concerns remained unchanged.
	Technology research and development	--	Added	Increase in concern.
	--	Legal compliance	Deleted	Governance is a basic requirement of business operations, thus not included in the questionnaire. The compliance of GRI disclosure approaches shall be disclosed by regulation in related sections.
	--	Circular economy	Deleted	Combined with Waste Management into Effluents and Waste Management.
	--	Supplier management	Deleted	Reduction in concern.
 Environmental	Effluents and Waste Management	Waste management	Title changed	Combined with Circular Economy (water)
	Air Pollution Control	Air pollution control	Title changed	Concerns remained unchanged.
	Energy and GHG management	GHG emissions	Title changed	Combined with Energy Consumption and Management
	--	Underground pipeline maintenance	Deleted	Combined with Industrial and Public Safety.
	--	Energy Consumption and Management	Deleted	Combined with GHG emissions for Energy and GHG Management increase in concern.
	--	Transportation safety management	Deleted	Combined with Industrial and Public Safety.
 Social	Industrial and public safety Occupational Health and Safety (OHS)	Industrial and public safety	Maintained	Combined with Underground Pipelines Maintenance, Industry and Public Safety. Concern remained unchanged.
	Employment relationship	Occupational health and safety	Title changed	Concerns remained unchanged.
	--	--	Added	Increase in concern.
	--	Recruitment	Deleted	Covered by one of the concerns in Employment
	--	Employee benefits	Deleted	Covered by one of the concerns in Employment
	--	Employment relationship	Deleted	Reduction in concern.
		Talent cultivation, education, training	Deleted	Covered by one of the concerns in Employment

2.6 Material Topics and Value Chain (GRI 102-46)

● Direct impact ○ Indirect impact

Aspects	Material Topics	Rationale	GRI Standards Topic	Value Chain				SDGs	Response
				Supply Chain Management	Operational	Product	Social		
 Governance	Economic Performance	Pursuing sustainable development, the rights and interests of stakeholders, profit, and changes in pace with the time are our bedrock of development.	GRI 201:2016 Economic Performance	○	●	●		3.1 Financial performance	
	Local major investments	To benefit local citizens and suppliers, coordinate with local laws and regulations, maintain process improvement and new product investments, and increase supplier sources.	GRI 203:2016 Indirect Economic Impacts	○	●		●	3.2 Major investments	
	Technology Research and Development	The R&D Division located in the USI R&D Center proactively recruits and cultivates professional talents to engage in R&D and innovation and provides quality products and services to meet customer demands.	N.A.		●	●		3.3 Technology research and development	
 Environmental	Effluents and Waste Management	Reduction and reuse of effluents and waste	GRI 306:2016 Effluents and Waste	○	●	○	●	4.4 Water management and effluents management 4.5 Emissions management	
	Air Pollution Control	Enhance VOC management and leakage prevention	GRI 305:2016: Emissions	○	●		●	4.5 Emissions management	
	Energy and GHG management	In response to GHG reduction, a global material topic, we implemented the ISO50001 Energy Management System.	GRI 302:2016 Energy GRI 305:2016 Emissions	○	●			4.3 Energy and GHG management	
 Social	Industrial and public safety	The Kaohsiung gas explosions on July 31, 2014 exposed the issue of how to exact gas transportation management via underground pipelines and vehicles, and protecting the life and property of people and maintaining the ecosystem and environmental protection have become a material topic.	N.A.		●	●	●	5.1 Management of public and industrial safety	
	Occupational Health and Safety (OHS)	Establish a healthy and safe workplace and a safety culture and implement OHS regulations.	GRI 403:2016 Occupational Health and Safety	○	●	○		5.2 Occupational health and safety	
	Employment relationship	To us talents are an irreplaceable core asset, and steadily and continuously growing human resources are the bedrock of steady business operations.	GRI 401:2016 Employment		●			5.3 Workforce structure 5.4 Employee turnover 5.5 Employee rights and interests 5.6 Talent cultivation and development	

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03 Operational Performance



- Financial Performance 3.1
- Major Investments 3.2
- Technology Research and Development 3.3
- Sales and Customer Service 3.4
- Supply Chain Management 3.5

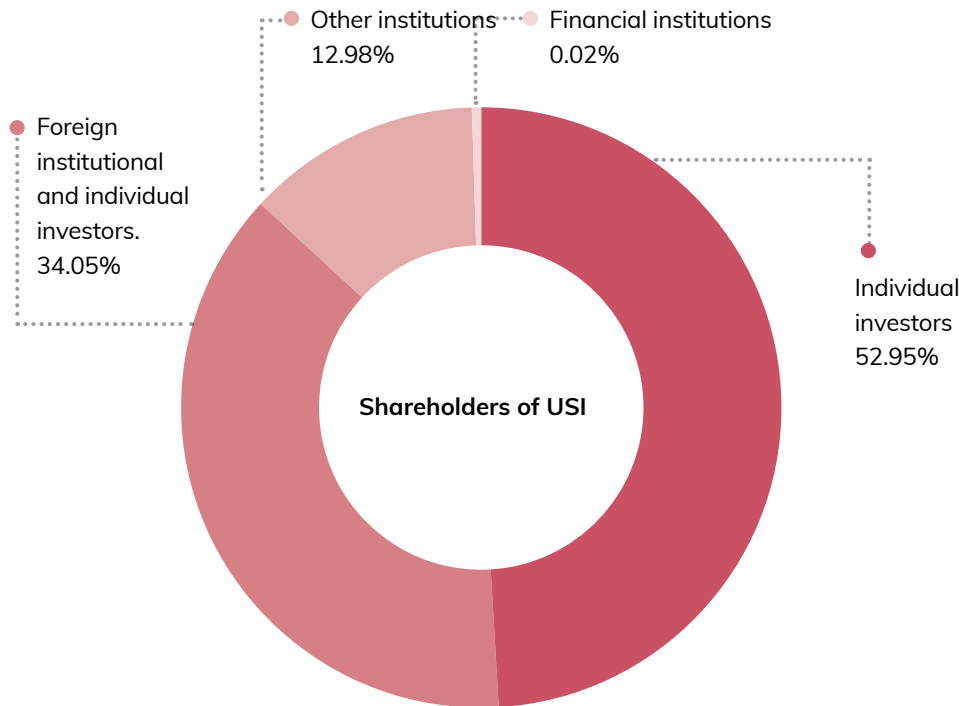
Material Topics	Economic Performance (GRI 201:2016)	Local Major Investments (GRI 203:2016)	Technology Research and Development (Non-GRI Standards Indicator)
Purpose of Management	Sustainable corporate development, constant profit and care for employee, investors, and industry development	Core business enhancement, circular economy promotion, process improvement, and development of high-value new products.	The R&D Division located in the USI R&D Center proactively recruits and cultivates professional talents to engage in R&D and innovation and provides quality products and services to meet customer demands.
Management Approaches	<p>Short-term goals:</p> <ul style="list-style-type: none"> · Cut production cost and raise materials recycling rate. · Increase the output of high-profit products. · Assess and plan green product development. <p>Mid-to Long-term goals:</p> <ul style="list-style-type: none"> · Constantly develop high-value products. · Develop downstream products of the Gulei Project. · Develop green energy 	<p>Short-term goals:</p> <ul style="list-style-type: none"> · Increase ethylene supply. · Process and environment improvement. · Launch new branded products. <p>Mid-to Long-term goals:</p> <ul style="list-style-type: none"> · Promote high-value copolymerized products. · Establish the R&D center. 	<p>To develop high-value, green, and energy-efficient products.</p> <p>2018 goals:</p> <ul style="list-style-type: none"> · Number of new products developed or products improved: 3 products/year. <p>Short-term goals:</p> <ul style="list-style-type: none"> · Number of new products developed or products improved: 4 products/year. <p>Mid-to Long-term goals:</p> <ul style="list-style-type: none"> · Number of new products developed or products improved: 5 products/year.
Effectiveness Assessment	<ol style="list-style-type: none"> 1. Annual report 2. Corporate governance evaluation 3. CSR Report 	<ol style="list-style-type: none"> 1. Production raise 2. Emission data 3. New product quantity. 	<ol style="list-style-type: none"> 1. Report the goal achievement rate in the CSR report every year. 2. Successfully developed technologies and R&D outcomes. 3. New product sales.
Complaint Mechanism	<ul style="list-style-type: none"> · General Meeting of Shareholders · “Investor Service” site on the corporate website · Investor Conference 	“Contact us” on the corporate website	Customers express demands to the sales/ R&D unit by phone/email/internet.

3.1 Financial Performance

By April 14, 2019 the closing date of stock transfer for the 2019 AGM, individual and foreign institutional and individual investors are the major shareholders of USI. The name and stake of shareholders holding over 5% of USI shares and the top ten shareholders of USI are disclosed in our annual report.

For shareholders and investors to get more real-time and more accurate information while making investment decisions, apart from disclosing the monthly revenue and quarterly financial statements and holding the annual general meeting of shareholders, we disclose relevant information over the "Investor Service" site on the corporate website and the Market Observation Post System (MOPS). Furthermore, shareholders and investors can make inquiries and feedback through the hotline of our spokesman or deputy spokesman or over the "Contact Us" site on the USI corporate website or the "Contact Us" site of the Group's stockholder service site. We will handle and address all feedback by special personnel.

The 2018 EPS was NT\$0.50. The 2018 ethylene supply was tightened as the overhaul of many naphtha cracking plants began. Along with the on-going demand for ethylene derivatives, the price of ethylene products in stock was running even higher than the global PE price. Often times, the price difference between ethylene and PE was unfavorable, leading to a cost increase of major material ethylene compared to 2017. Influenced by China's June 1 PV subsidization, the demand for solar grade EVA products began to freeze after mid-June. Fortunately, recovery came back after September. Although we did transfer the capacity to styrene grade EVA, the annual EVA sales reduced by 3,461 m.t. In addition, due to the output cut of vinyl acetate (VA), an important raw material of EVA, of suppliers and the rise of the downstream EVA demand, the cost was way higher than that of 2017. The total unit consumption cost rose by 9%. The total volume of the EVA/PE sales in 2018 was 253,263 m.t., 8,426 m.t. less than in 2017. The average increase in the sales price was lower than that of the materials cost, thus reducing the profit. In production, we continued to make process improvements and old equipment renewal to enhance the production efficiency and quality. The annual production totaled 241,699 m.t. In addition, we proactively cultivated talents, made EHS improvements, implemented energy conservation, practiced the ISO-50001 energy management system, and improved the corporate image. In terms of research and development, apart from continuing the process optimization of the optical grade cyclic block copolymer (CBC) which was verified and implemented by customers in biomedical examinations, optical lenses, and special packaging materials, we successfully developed and produced high value-added EVA products to cope with new application development and enhance competitiveness.



USI Financial Performance 2016-2018 (GRI 201-1)

(unit: NT\$ thousands)

Item	Basic Element	2016		2017		2018	
Direct economic value	Revenue (Note 1)	11,458,198		11,551,511		11,763,140	
	Operating cost (Note 2)	10,634,676		11,047,725		11,651,003	
	Employee wages and benefits (Note 3)	618,664		608,448		544,564	
Distributed economic value	Payment to investors (Note 4)	2016 cash dividend distributed in 2017	571,301	2016 cash dividend distributed in 2017	349,636	Estimated 2018 cash dividend distributed in 2019 approved by BOD	356,629
		Interest expense	22,719	Interest expense	43,818	Interest expense	60,326
	Payment to the government expense (Note 5)	157,999		29,134		76,534	
	Investments in community (Note 6)	4,310		4,190		4,190	
Residual economic value (Note 7)		1,189,570		1,111,290		539,935	

Note 1: Revenue refers to sales income.

Note 2: Operating cost refers to sales cost + operating expenses.

Note 3: Employee wages and benefits are included in the said operating cost.

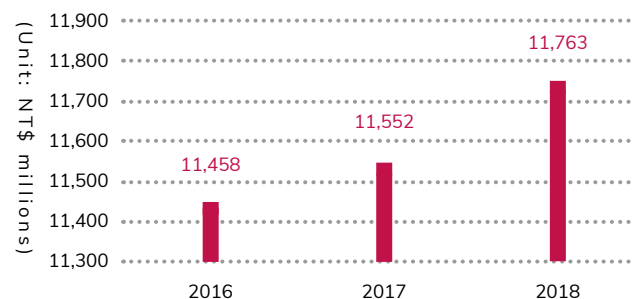
Note 4: Interest expense is included in the said operating cost.

Note 5: Payment to the government refers to the business income tax.

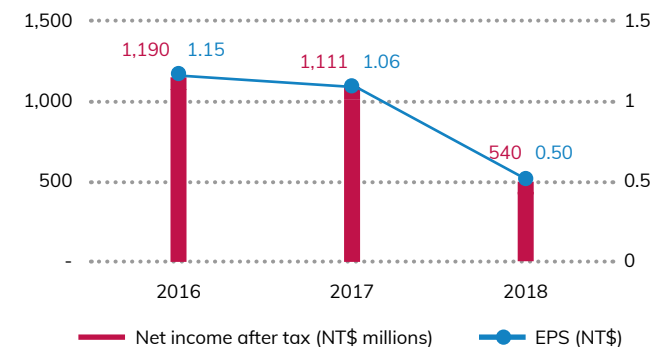
Note 6: Investments in community include contributions to local communities and donations to USI Education Foundation. Both are included in the said operating cost.

Note 7: Residual economic value refers to net income after tax.

Revenue



Net Income After Tax



For more about financial statements, please visit our website at <https://www.usife.com.tw/zh-tw/dirInvestor/frmlInvestor2.aspx>

• Distribution of Profit

Distributable earnings for 2018 amounting to NT\$486 million will be distributed cash dividend at NT\$0.3/share. The proposal is pending for the approval of AGM on June 12, 2019. For information regarding dividends over the years, please visit our website at:



Distribution of Profit

<https://www.usife.com.tw/zh-tw/dirInvestor/frmlInvestor4.aspx>

• Financial Assistance Received from Government (GRI 201-4)

We actively invest in innovation and R&D activities every year, so we can off-set the R&D expenses from the profit-seeking business income tax payable in the year or apply for a project subsidy. The table below shows the relevant information.

Unit: NT\$1,000

Legal Basis	Item	2013	2014	2015	2016	2017	2018
Article 10, Statute for Industrial Innovation	Tax Credit for Investments in R&D	5,700	1,306	5,205	2,785	6,237	15,604
Subsidy and Assistance Regulations for Promoting Industry Innovation of Ministry of Economic Affairs	Process Scale-Up Project to Shorten Gaps in the Supply Chain for Key Chemicals	-	61,027	18,030	27,491	22,293	30,000

* All figures are estimated and will be subject to change and updated after the approval of the National Taxation Bureau.

3.2 Major Investments

• Local Major Investments

• Cyclic Block Copolymer (CBC)

This CBC project can be considered as one of the blueprint items for high-value petrochemical industry promotion and is the first "Process Scale-Up Project to Shorten Gaps in the Supply Chain for Key Chemicals" approved by the Industrial Development Bureau, Ministry of Economic Affairs. After acquiring CBC-related patented technologies in 2011, we have been implementing at full steam the CBC and other relevant projects in order to lead Taiwan's petrochemical industry to transform toward a high-value petrochemical industry through collaboration among industry, government, academe and research.

Amount	<p>BOD resolutions:</p> <ol style="list-style-type: none"> 1. Mar 21, 2013: Approved the construction of the world's first commercial CBC plant in Kaohsiung Plant at NT\$1 billion. 2. Sep 23, 2014: Increased the front-end material plant and public facility system with an additional budget of NT\$1 billion. 3. Aug 11, 2016: Adjusted the complex layout with an additional budget of NT\$700 million to increase the total investment to NT\$2.7 billion.
Progress	<p>Second half of 2017: Completed CBC plant construction. 2018: Completed plant commissioning and market sample submission. 2019: Started mass production at a design capacity of 5,000 m.t.</p>
Application	<p>Touchscreens, LCD optical films, light guide plates, optical lens, food packages, biomedical examinations and medical instruments.</p>



Future Planning

If we can get the license from the Kaohsiung City Government by the end of 2019, we will continue the R&D center and commercial factory construction projects. With an estimated annual output is about NT\$7.5 billion, these projects are estimated to drive downstream industries to create an annual output of about NT\$15 billion.

CBC R&D Center

As the trial of CBC mass production has begun, we need an R&D center to optimize both the process and products, enhance material quality and properties, increase added value, enhance production efficiency, and reduce energy consumption.

CBC Commercial Factory

Taiwan has long been relying on importing high-end optical grade plastics. As the scale and the design capacity of the present CBC factory are low and incomparable to that of foreign suppliers, by building a commercial factory to expand capacity, we can shortly fill the key material opening in the industrial chain of domestic high-tech industries and provide downstream suppliers with more cost-competitive raw materials.

· Ethylene Storage Tank Project of Kaohsiung Intercontinental Container Terminal

To ensure adequate ethylene supply, BOD has passed the proposal to invest in the Ethylene Storage Tank Project of the Kaohsiung Intercontinental Container Terminal with an amount of NT\$906 million, including 10% extra, in order to increase ethylene. Currently, ethylene storage tanks are located at Wharf 27 of Kaohsiung Port. In response to the Kaohsiung Multifunctional Commerce Park (KMCP) and the Kaohsiung Free Trade Zone and Eco-Port projects of the Kaohsiung City Government, we proposed to follow the policy of the Port of Kaohsiung, Taiwan International Ports Corporation, Ltd. to relocate ethylene storage tanks to the Wharf S14 of phase II of the Petrochemical Oil Logistics Center at the Kaohsiung Intercontinental Container Terminal. By increasing storage with this opportunity, we can import more ethylene materials to enhance cost competitiveness to secure sustainable development in the future.

· Investment in Equipment Improvement of the Kaohsiung Plant

In 2018, we invested about NT\$130 million to improve various production equipment, environmental protection equipment, and distribution and storage equipment, in order to fulfill the public expectation for energy conservation and energy reduction of the petrochemical industry and to meet the market demand for new product development through equipment upgrading. We will continue investment in the future to provide high-quality and custom products.

Item	Item	Benefits	Estimated Investment (NT\$10 thousands)	Estimated Year of Completion				
				2019	2020	2021	2022	2023
1	Construction of the thermal oxidizer (TO).	Reduce VOC emissions and lower emission risks.	8,000	●				
2	Purification catalyze renewal	Enhance production efficiency and improve product quality.	1,950	●				
3	New catalytic system	Enhance production efficiency and improve product quality.	7,200	●				
4	Improvement of steam condensate reclamation of the distillation reclamation system	Save energy and water	160	●				
5	Replacement of the cooling tower fan motor to the inverter drive system	Save energy	150	●				
6	DCS renewal and switch project	Enhance system stability	1,020	●				
7	Filter automatic replacement system	Remove pollutants and impurities	2,230	●				
8	Foreign particles inspection machine	Enhance inspection capacity	391	●				
9	Refrigerator renewal	Save energy	1,350		●			
10	Plastic packaging system renewal	Enhance production efficiency	2,000			●		
11	Installation of material loading arm	Reduce VOCs and enhance operational safety.	200			●		
12	Motor maintenance/upgrading plan	Replace old motors with new cones and reduce unplanned halt.	2,330				●	
13	MV and HV distributors renewal plan	Replace old motors with new cones and reduce unplanned halt.	4,430				●	
14	Compressor cylinder renewal	Reduce VOCs emissions	16,870					●

• Major Overseas Investments

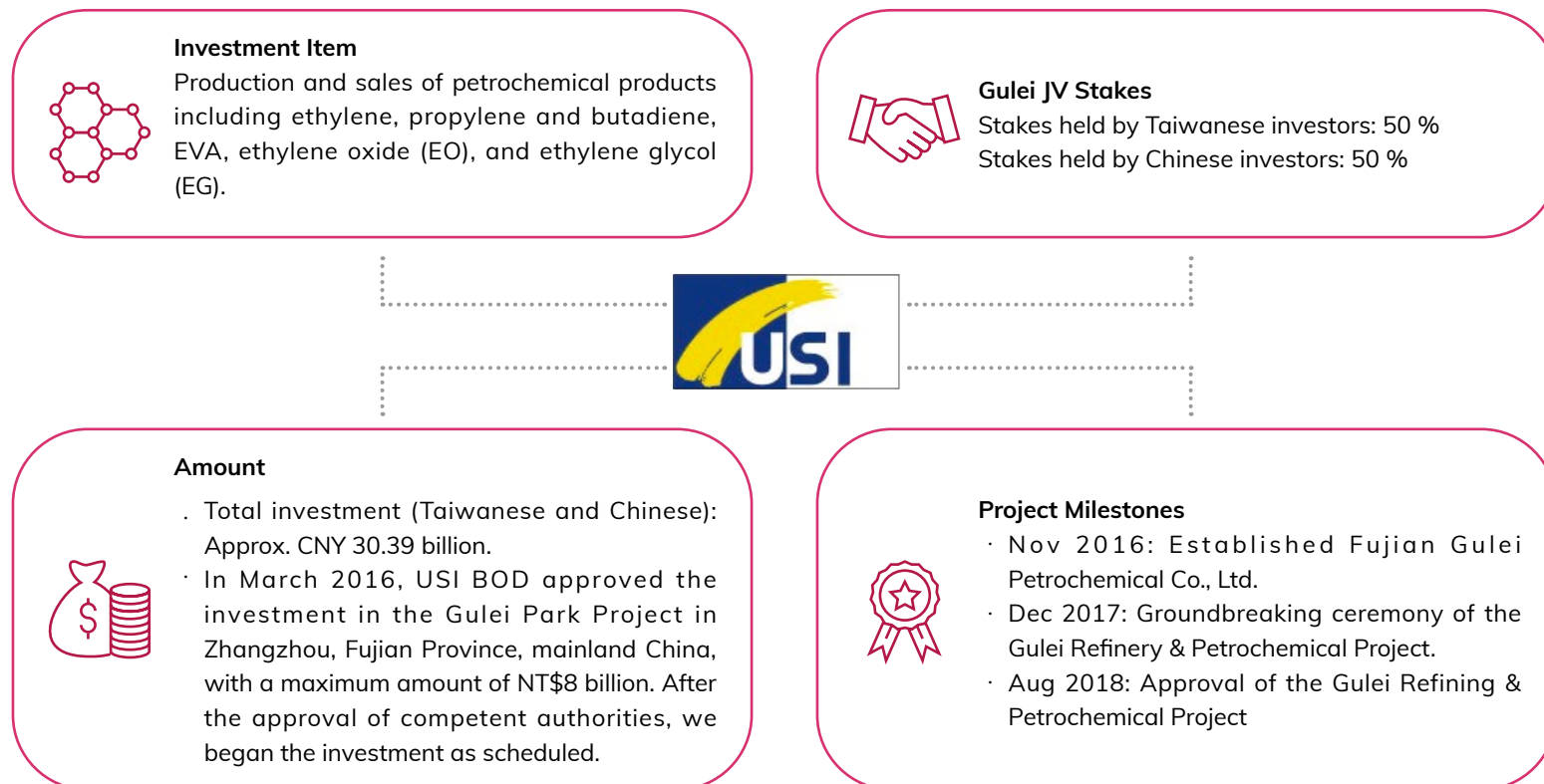
Gulei Project

Many changes have emerged in the global petrochemical industry in recent years. They included the rise of the petrochemical industry in emerging regions and the shale oil mining in North America, which have brought not only huge impacts to the energy structure and petrochemical material supply but also significant changes to development of the petrochemical industry across the Taiwan Strait.

In order to get prepared for future trends and challenges and promote long-term share investment, USI Group and major Taiwanese and Chinese petrochemical companies co-established Fujian Gulei Petrochemical Co. Ltd. in Zhangzhou City, Fujian Province. In addition to being an integrated refining and petrochemical

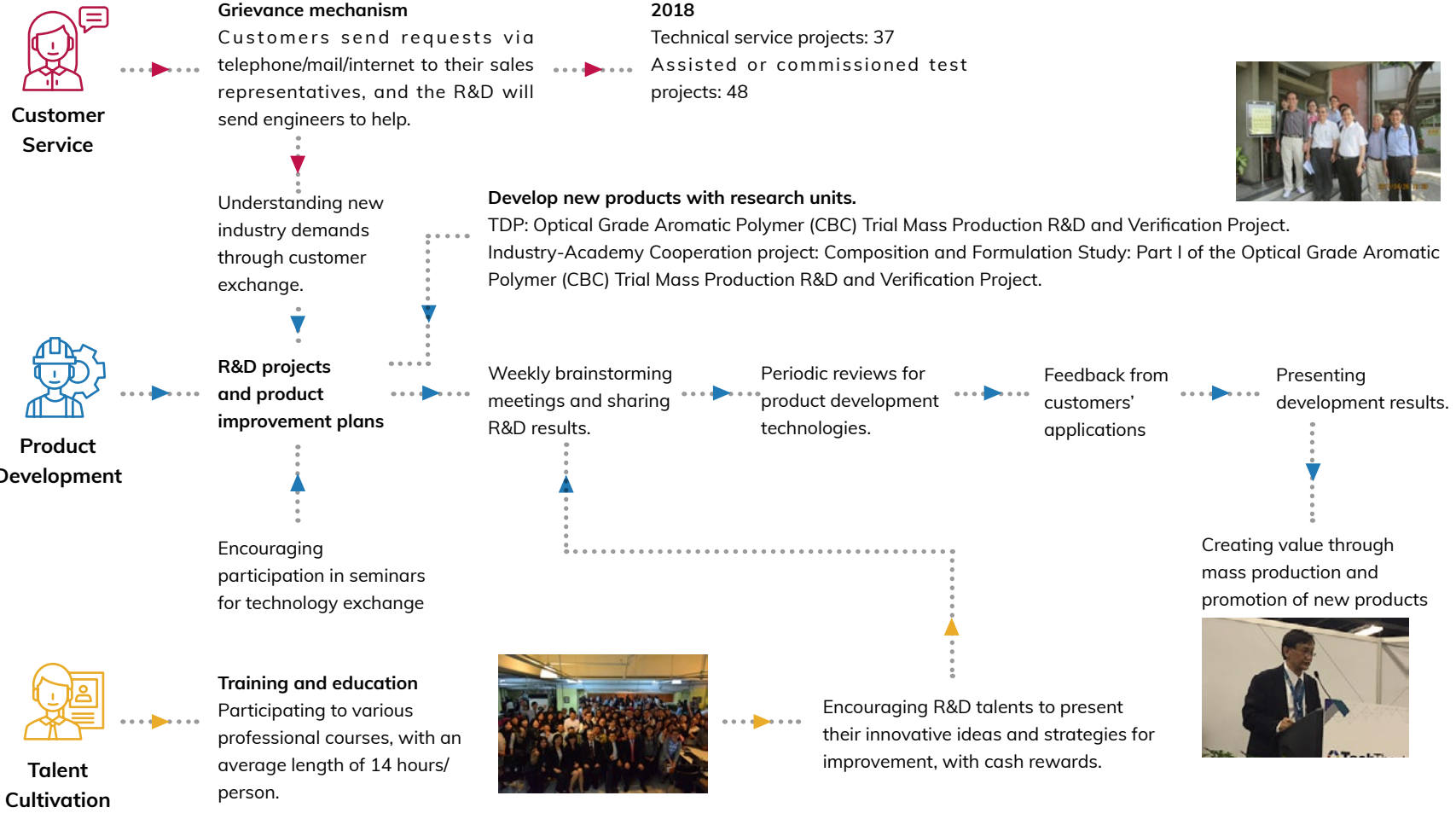
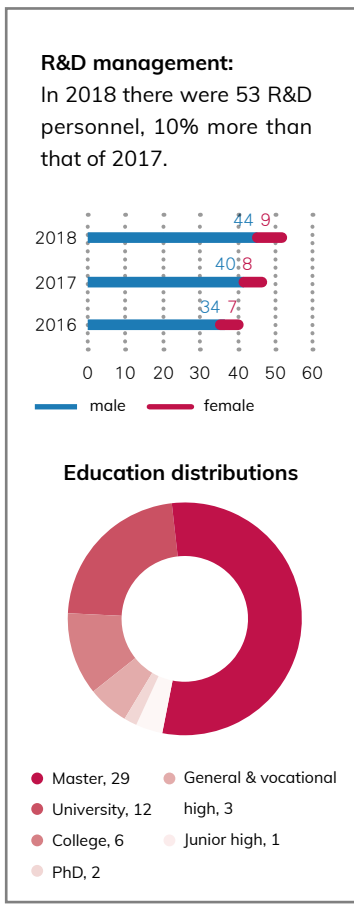
plant located in Gulei Port Economic Development Zone. It is the first cross-strait cooperation project that vertically integrates all parts of the petrochemical industry, covering upstream materials supply and mid-stream and down-stream products. In Taiwan, we formed Dynamic Ever Investments Limited with major Taiwanese investors include USI and APC, HT Chemical, LCY Chemical, Sheng Tai Petroleum, Chenergy Global, Lien Hwa Industrial, and CTCI. Through third-region investment, we co-established SINOPEC Fujian Refining & Chemical Co., Ltd., a joint venture with China Petroleum and Chemical Corporation and Fujian Petroleum and Chemical Company Limited.

Gulei Refining & Petrochemical Project Overview



*Including overpaid tax retained for offsetting future tax payable

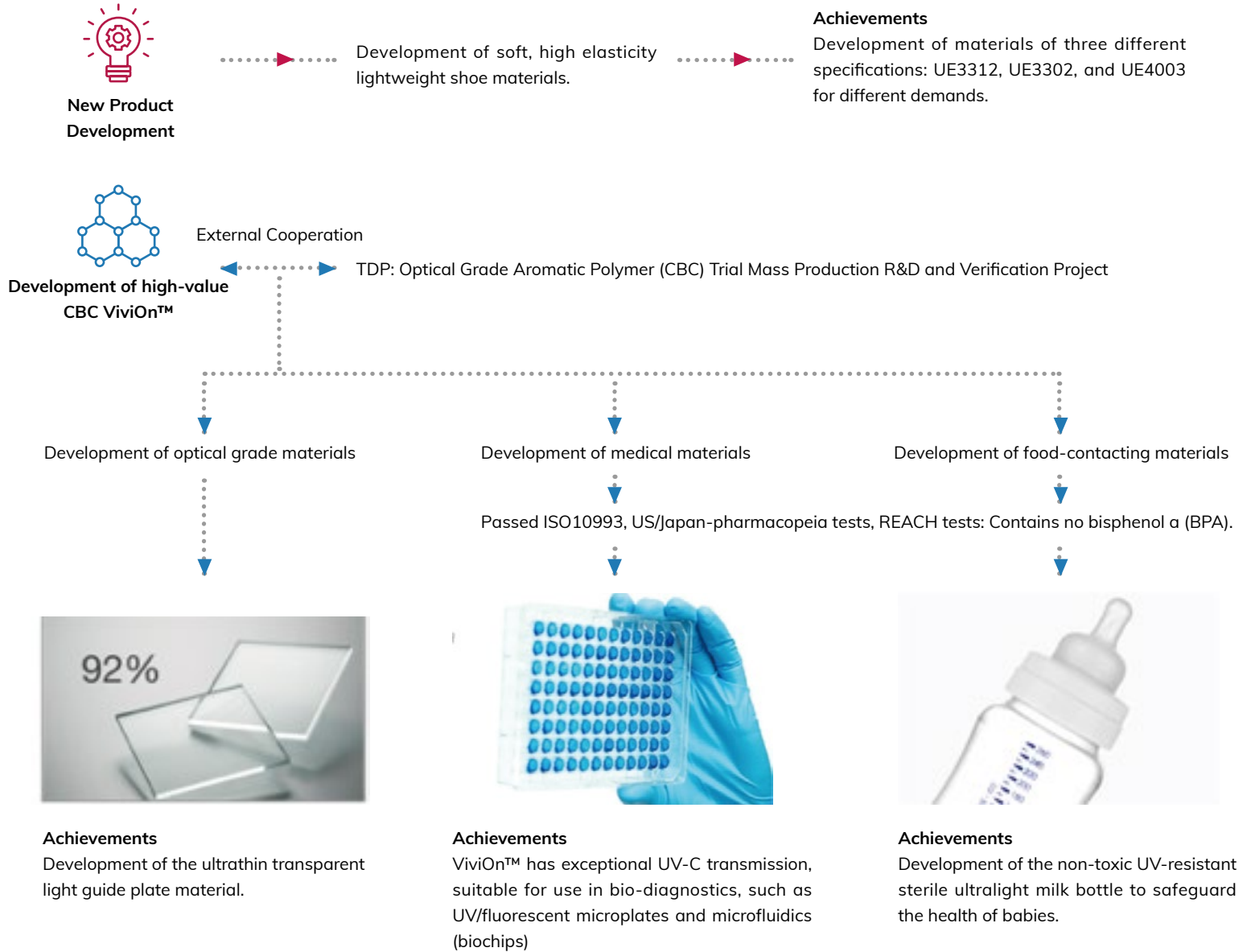
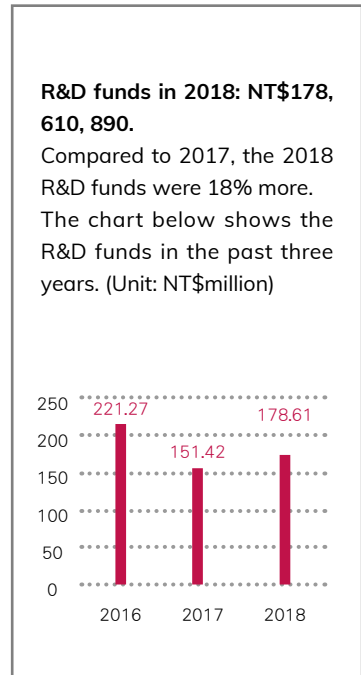
3.3 Technology Research and Development



Policy
 As a client-demand-oriented unit, the R&D Division of USI provides solutions and drafts R&D plans to dedicate to the R&D of high value products. It also recruits and develops excellent R&D talents and creates a harmonious workplace with the constructive competition to enhance corporate soft strength, in order to achieve sustainable operation.

Policy
 The R&D Division of USI is client-demand-oriented, provides solutions and drafts R&D plans, in order to dedicate to high valued products. Meanwhile, excellent R&D talents are recruited to be developed, in order to create a harmonious workplace with the constructive competition, enhance the soft strength of the Corporate, so that the sustainable operation is achieved.

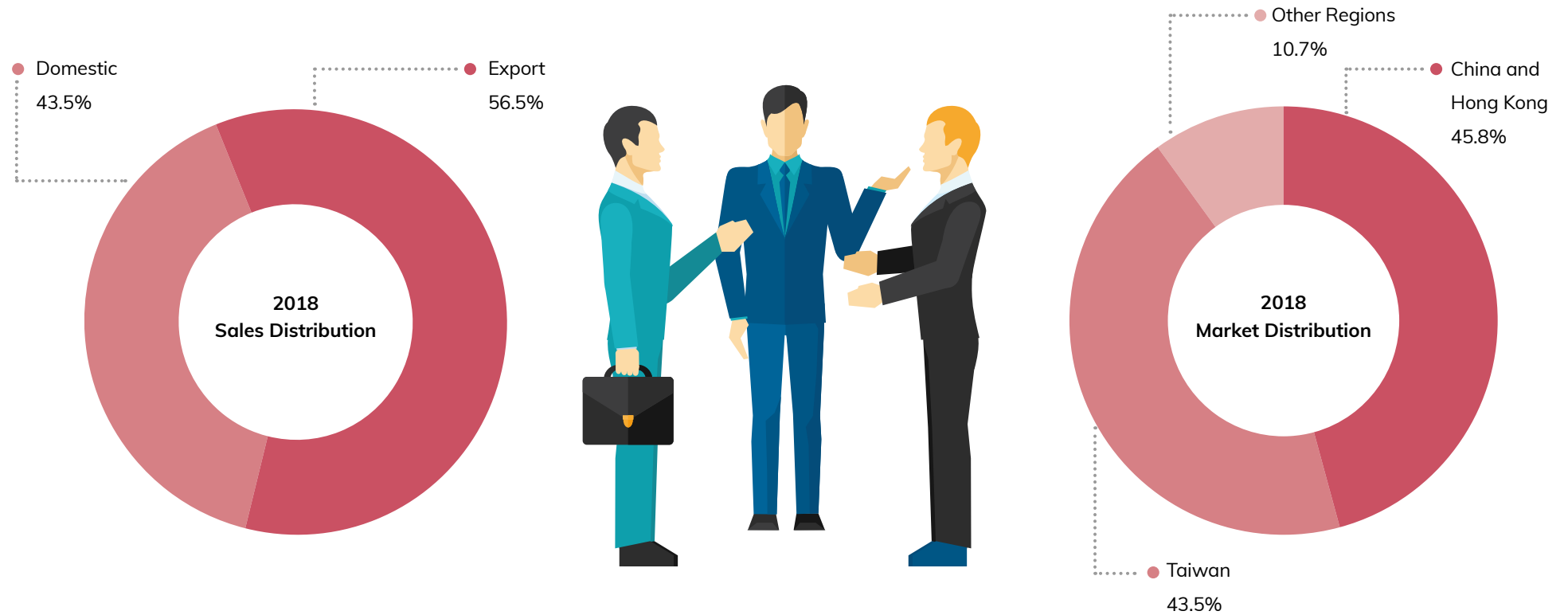
Successfully Developed Technologies and R&D Achievements in 2018



3.4 Sales and Customer Service

USI products are distributed worldwide, including United Arab Emirates, Australia, Bangladesh, Brazil, China, Egypt, the UK, Guatemala, Hong Kong, Indonesia, India, Iran, Japan, Cambodia, Sri Lanka, Macedonia, Myanmar, Mexico, Malaysia, Nepal, New Zealand, Peru, the Philippines, Pakistan, Poland, Qatar, Russia, Thailand,

Ukraine, the USA, Uzbek, Venezuela, Vietnam, and South Africa. Products exported by ranking are EVA, HDPE, LDPE and LLDPE. The chart below shows the sales distributions and market distributions of USI products in 2018. All were calculated by sales volume. (GRI 102-2 and GRI 102-6)



• Sales Services



Technical Support

- Establishing the “Customer After Sales Technical Service Policy”
- In the “Product” section of our corporate website, we provide complete information regarding the specifications, properties, functions, application manual, and safety data sheet (SDS) of our current and new products.
- Setting up an enquiry hotline.
- In 2018 there is no report of non-conformance with regulations in relation to product labeling and related fines.
- Providing customers with a small quantity of samples for test runs and continuous technical support.



Product Responsibility

- All USI products comply with the Restrictions on Hazardous Substances (RoHS).
- Provision of quality inspection reports as requested by customers.



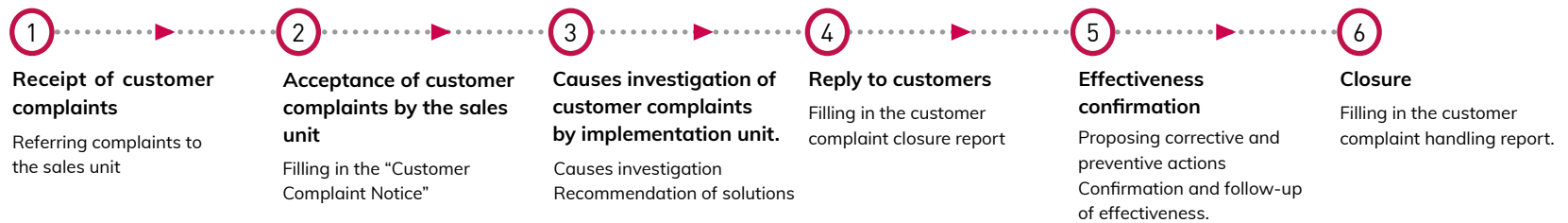
Customer Privacy

- To ensure the security and the correct use of customer information, the Group Information Systems Division has established a series of regulations regarding information security management, including the General Provisions for the Information Security Management Policy, System Development and Maintenance Management Regulations, Directions for Going Live Management of Application Systems and Programs, and Directions for Database Management to protect and control all types of information. Moreover, we have strengthened privacy protection to prevent exposure of information by reinforcing firewall management, privilege control, segregation of testing environments and operating environments, and de-identification of data containing personal information.
- In 2018 there is no report of damage or leakage of customer privacy.



Customer Complaints

- Establishing the “Customer Complaint Handling Procedure” to process all customer complaints about products.
- Customer complaint handling workflow



- We adopt the following procedures to ensure all customer complaints are addressed and resolved: computer processing and recordation of customer complaint processing; discussion of each complaint at the monthly meeting; effective implementation of quality improvement activities; dedicated personnel for cause analysis, follow-up of corrective and preventive actions, and tracing the effectiveness of corrective and preventive actions.



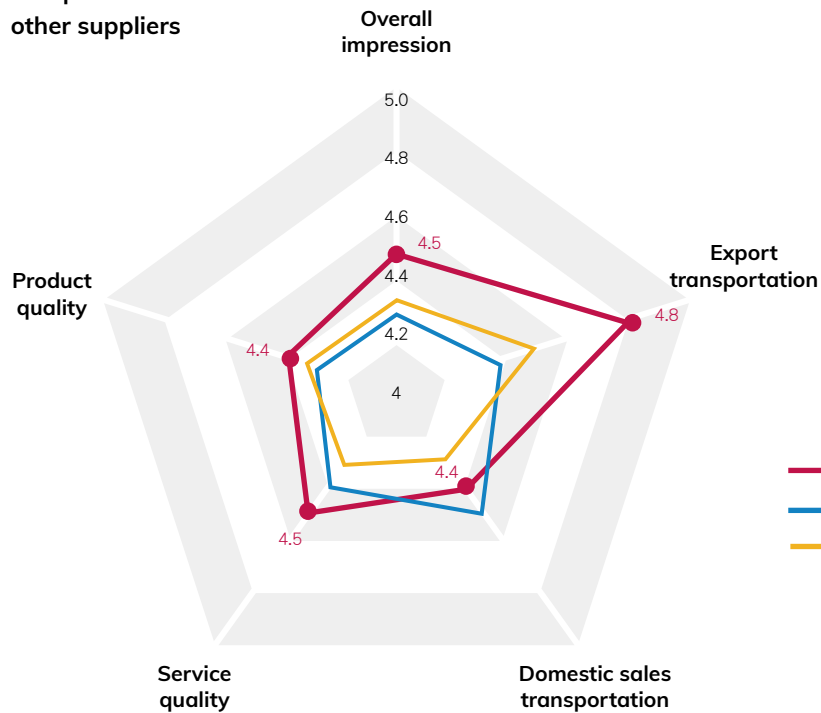
• Customer Satisfaction

Survey Frequency A customer satisfaction survey is conducted semi-annually.

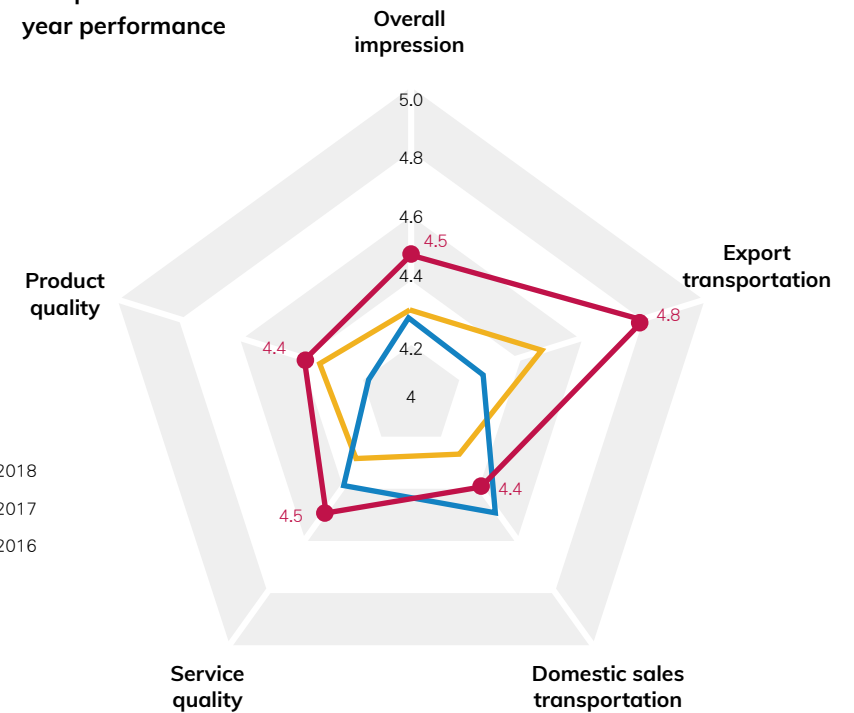
Sampling Method Fifty, including 40 domestic buyers and 10 overseas buyers, from the top one hundred buyers by purchasing quantity are surveyed during the first and second halves of the year.

Contents and Results In 2018, all aspects were above the “satisfied” level, and up to 99.8% of investigation feedback for investigations in the year was either “highly satisfied” or “satisfied”, achieving the 2018 target $\geq 90\%$. The charts below show the survey results in “comparison with other suppliers” and “comparison with the previous year performance” in the past three years.

Comparison with other suppliers



Comparison with last year performance



Note: “5” for highly satisfied; “4” for satisfied; “3” for fair; “2” for unsatisfied; and “1” for highly unsatisfied.

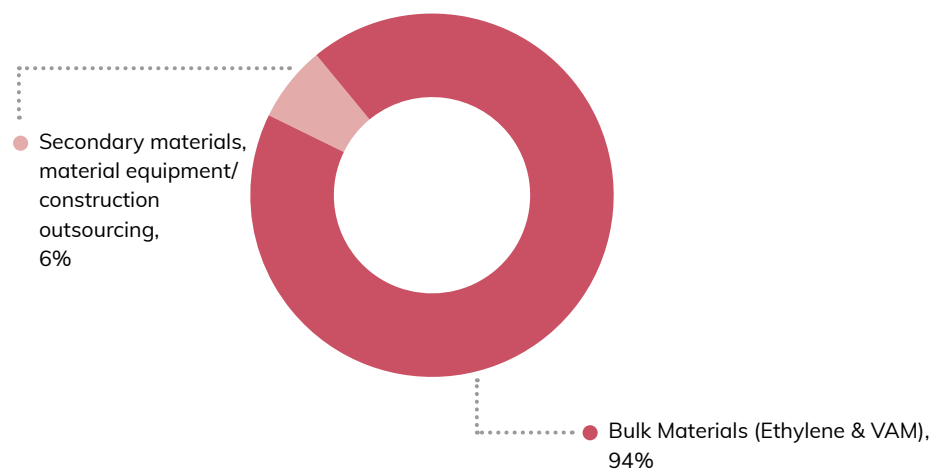
3.5 Supply Chain Management (GRI 102-9)

With the rise in the awareness of topics related to sustainable development and supply chain risk management, apart from proactively performing social responsibilities and contributing to society, we have gradually realized the need to understand suppliers and reinforce the supply chain management in the environmental, social, and governance aspects.

As a petrochemical material manufacturer, our major suppliers are raw materials suppliers, equipment suppliers, project suppliers/contractors. We always maintain integrity when trading with suppliers and conduct procurements in accordance with the internal e-procurement system to ensure transparent and fair procurements.

• Risk Management

Proportion of Procurements 2018



The procurement of plasticizing materials (ethylene and VAM) is the highest every year. The 2018 procurement of such materials commanded at 94% of the total. Currently, ethylene and VAM are the major raw materials of USI products. In consideration of the risk of supply shortages, we have adopted the following solutions:

Type	Potential Risk	Strategy	Practice
Materials Risk	Supply interruption	Source dispersion	Cultivate new sources across the world.
		Supply contract	Sign long-term supply contracts with important suppliers.
		Strategic procurement	Analyze market movements regularly and adjust the optimum procurement strategy.

To secure the sustainable supply of material sources and stimulate market circulation, we aggressively cultivate new material sources and increase bulk material suppliers to 14 companies, including 2 domestic suppliers and 12 foreign suppliers.

Locations / Materials	2018 / Ethylene	2018 / VAM
Taiwan	81%	91%
Foreign	19%	9%
Source	Totaling 8 suppliers	
	Totaling 6 suppliers	

Note 1: VAM is short for vinyl acetate monomer.

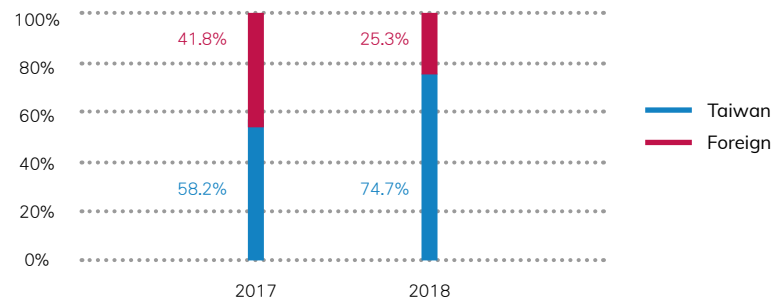
Note 2: Procurements of bulk materials.

• Support for Local Procurement

Taiwan is our operational and production base. When the procurement conditions are similar, we prioritize procurements from local suppliers in order to achieve the following goals:

- Establish long-term, sustainable cooperation
- Promote local economic development
- Increase job opportunities
- Reduce transportation processes

Procurements of secondary materials, and contracts in the past two years.



• Continual Improvement of the SCM Mechanism

With quality, ability and environmental policy as conditions, we perform corporate social responsibility in collaboration with outperforming suppliers on a long-term basis. We also communicate with contractors and transporters our environmental policy, comply with the EU's RoHS directive, reinforce environmental education and training, and care about the safety of contractors working in our plant, in order to ensure the safety of all operations, protect the life, health and safety of personnel, and optimize risk management with contractors and transporters together.

Management of raw materials suppliers:

We establish long-term strategic partnership with raw materials suppliers and determine the safety stock based on materials preparation lead-time to ensure

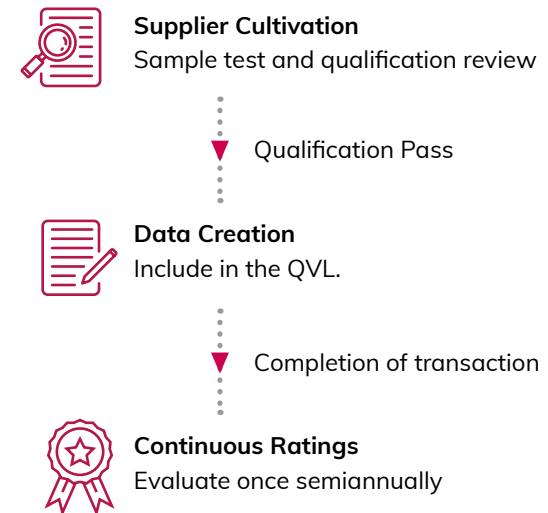
supply chain fluency. To encourage suppliers to make continual improvement, so that we can receive quality raw materials and services at the right time, in the right quantity, and at the right price, we constantly increase supply sources and evaluate suppliers biannually.

The Procurement Section of the Kaohsiung Plant implements the supplier evaluation according to the following mechanism:

We select qualified suppliers of raw materials and OEM products based on one of or a combination of the following:

- Suppliers with credibility or a good reputation at home and abroad.
- Suppliers certified by international systems, such as ISO 9001.
- Suppliers designated by technology suppliers.
- Suppliers with a good quality or delivery record.
- Exclusive suppliers of materials

We also establish a qualified supplier selection process as follows:



Rating items:

Raw Materials		Product Transportation	
Delivery Punctuality	Quality	Undertaking capacity, cost, guarantee, and claim	Work quality, efficiency, and cooperativeness
40%	60%	40%	60%

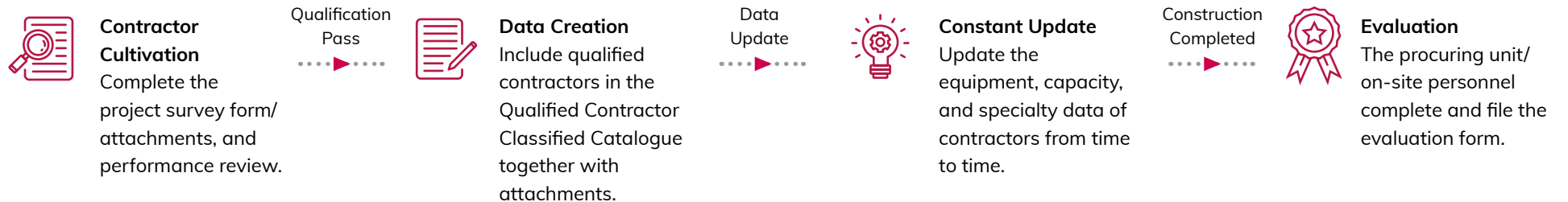
Results of raw materials supplier evaluation in 2018:

Factory Area	Plant I	Plant II
Suppliers evaluated	31	40
Pass rate	99.47%	99.51%

Management of construction contractors:

We outsource construction contracts to local contractors, and on-site personnel of the plant supervise and manage them during the construction period. In addition to construction projects, we care about EHS, occupational safety, human rights and labor practices.

We also established a qualified contractor selection process, which is as follows:



Contractor qualification items:

Capital	Total Amount of Two Major Projects in the Last 2 Years	Cumulative Amount of Projects each over NT\$200K in the Last Year	Factory Scale	Amount of Equipment Investments	Employees
10%	20%	10%	20%	20%	20%

Project construction evaluation items:

Construction quality	Health and safety measures	Coordination performance	Site manager	Environment maintenance	Construction progress
40%	20%	10%	10%	10%	10%

Note: The passing mark is 50 points. We will stop enquiries from contractors with a score of 30-49 points for one or two years and dis-qualify contractors with a score below 30 points.

Results of construction contractor evaluation in 2018

Factory Area	Plant I	Plant II
Projects evaluated	85	44
Pass rate	100%	100%

In the 2018 evaluation, three suppliers were scored below 70 marks because of: performance delay, poor attitude of the responsible person, and violation of public safety regulations. Although these suppliers will still be qualified suppliers, the procurement department will minimize procurement from them.

• Supplier CSR Commitment

Sustainable development indicators including environment, labor practices, human rights, and social impacts have become the social focus in recent years. In addition to ourselves, suppliers will be examined for compliance with the above sustainable indicators.

Currently, apart from including these sustainable development indicators as part of the criteria for new supplier selection and supplier evaluation, we request new suppliers to sign related undertakings to comply with the following:

Labor and human rights	No forced labor; no child labor; provision of due wages and benefits; guarantee for working hours and breaks; elimination of workplace sexual harassment, bully, and discrimination; and no conflict minerals.
Health and safety	Measures required for occupational safety, emergency response, occupational health, protection against machinery injuries, public health, food and accommodation, and health and safety information.
Environment	Operation permit; pollution prevention and resource conservation; hazardous substances; effluents; non-toxic solid waste; noise; exhaust emissions; product and service limitation; energy/resource consumption; and GHG emissions.
Ethics and integrity	Ethical corporate management; respect for intellectual property rights; abidance by non-disclosure agreements; privacy protection; and avoidance of the conflict of interest.

We have progressively requested existing suppliers to sign and abide by the undertaking for one of the references of their continuity of qualified supplier. Currently, we request the suppliers of bulk materials and the top five raw material suppliers to sign the undertaking. After all suppliers sign the undertaking, we will arrange onsite spot supplier check for violation of the undertaking.

New suppliers in 2018	99
New suppliers that have signed the undertaking	0
Existing suppliers that have signed the undertaking	6
Investigating suppliers with potential/negative impacts	129

In 2018, all new suppliers were accepted prior to the release of the undertaking. In the future, we will include the process for existing suppliers to sign the undertaking.

Currently, major raw material suppliers and contractors Taiwan CPC and Dairen Chemical and partner CTCI have become our sound sustainable developer corporate suppliers. We adopt the “active risk management” policy to investigate suppliers with potential/negative impacts, including irregular visit of THAU BING (<https://thaubing.gcaa.org.tw/>) to check for the offences or news regarding suppliers’ violation of the said terms and assess if such offences or news will bring negative or potential impacts (such as punishment or suspension order of competent authorities). In addition, we will take related risk controls and countermeasures for the potential raw materials supply crisis based on their offences.

• Energy-efficient and Eco-friendly Equipment

In addition to continuously promoting environmental protection and energy conservation policies, we have been encouraging all units to use energy-efficient and eco-friendly materials in recent years. These materials include energy-efficient devices (e.g., high-performance IE3 motors) and ecolabel products (e.g. LED tubes and energy-efficient IT equipment).

With reference to Article 96 of the Government Procurement Act, we specify the preference to use ecolabel-accredited products; products or materials that are

recoverable, recyclable, reusable, eco-friendly and energy-efficient; and other products that either increase social benefits or reduce social costs, in order to establish the USI green procurement mechanism and increase the proportion of green procurement.

Equipment Purpose	Amount
Inverter drive	\$30,000
Tanker LED lamp (anti-explosion)	\$20,000
Anti-explosion feeder	\$300,000
High-performance anti-explosion motor	\$10,100,000
Anti-explosion LED lighting fixtures	\$2,176,700
Water motor	\$50,000
Pump replacement	\$850,000
Air compressor renewal	\$6,500,000
Blower renewal	\$900,000
Heat insulation coating	\$600,000
Total amount	\$21,526,700



04 Environment and Safety



Environmental Management System 4.1

Raw Materials Management 4.2

Energy and GHG Management 4.3

Water Resources Management and Effluent Management 4.4

Emissions Management 4.5

EHS Grievance Channels 4.6

Material Topics	Purpose of Management	Management Approaches	Effectiveness Assessment	Complaint Mechanism
Effluents and Waste Management (GRI 306:2016)	Continuous environment improvement to achieve “zero pollution and zero emission”.	Short-term goals: <ul style="list-style-type: none"> · Promotion of waste recycling and reuse · Clean production certification Mid-to Long-term goals: <ul style="list-style-type: none"> · Promotion of waste reduction · Promotion of water conservation programs 	1. Waste reporting data 2. Water quality monitoring report	“Contact us” on the corporate website Stakeholder contact information Stakeholder questionnaire
Air Pollution Control (GRI 305:2016)	Continuous environment improvement to achieve “zero pollution and zero emission”.	Short-term goals: <ul style="list-style-type: none"> · Promotion of VOC reduction programs Mid-to Long-term goals: <ul style="list-style-type: none"> · Reduction of equipment component leakage · Reduction of pollutant emissions 	Emissions data	“Contact us” on the corporate website Stakeholder contact information Stakeholder questionnaire
Energy and GHG Management (GRI 302:2016 and GRI 305:2016)	Drawing up of related energy conservation and emissions reduction measures, enhancing climate change responsiveness, reduce GHG emissions, lower operating cost, raise process efficiency, and enhance competitiveness.	Short-term goals: <ul style="list-style-type: none"> · Promotion of GHG inventory · Saving energy at 1% each year. · Promotion of the energy management system · Promotion of the energy conservation and emission reduction project Mid-to Long-term goals: <ul style="list-style-type: none"> · Automation (Industry 4.0) and AI · Green energy development 	1. Energy consumption per unit 2. Energy saved	“Contact us” on the corporate website Stakeholder contact information Stakeholder questionnaire

Operations and Governance

Management of Corporate Social Responsibility

Operational Performance

Environment and Safety

A Great Place to Work and Care for Society

Appendices

4.1 Environmental Management System

It has been more than two decades since we established the ISO 14001 environmental management system (EMS) in 1998. EMS provides the Kaohsiung Plant with a good environmental protection framework for controlling and reducing environmental impacts, preventing accidents from impacting the environment, and ensuring legal compliance. Following international trends, we have integrated the EMS and the health and safety system to draw up an environment, health and safety (EHS) policy.



• Environmental Objectives and Management Programs

Environmental Objectives and Management Programs 2018

Policy	Objective	Program	Effectiveness
Zero Emission	Reduce VOCs emissions by 670kg	Enhance RTO processing efficiency to reduce VOC emissions.	<ol style="list-style-type: none"> 1. Reduce VOC leakage of equipment components. 2. Perform full inspection of equipment component VOCs quarterly. 3. Remove and reduce unnecessary equipment components. 4. Perform FLIR measurements. 5. Reduce VOC leakage of equipment components in plants I and II to reduce VOC emissions. Reduced about 6.96 m.t. of VOC emissions by the end of 2018.
	Reduced 1,840 m.t. of GHG emissions.	Save energy program of all plants	In 2018, electricity was saved up to 2,007,294kWh (target 3,484,509kWh) accumulatively and emissions were reduced up to 1,062 tCO ₂ e.
	Water was saved up to 49,500 m.t.	Effluent reclamation	At the end of 2018, we completed the modification of the conductivity PLC control water motor for wastewater transportation to automatic recycling. We also relocated the SS online detector. The estimated wastewater recycling volume is 52,800 m.t.
Zero Pollution	NOx<150 ppm , SOx trace , Particle< 20 mg/NM ³	Replaced LD boiler fuel from crude oil to LNG.	The natural gas pipelines, natural gas burner, electricity supply, meter installation, and control system were completed. Tests will be run in 2019.
	Enhance effluent quality to 60% [Chemical Oxygen Demand (COD)<60 mg/L, Suspended Solids (SS)<18 mg/L, and grease<6 mg/L)	Raise effluent quality control	<ol style="list-style-type: none"> 1. At the end of December, we completed the modification of the conductivity PLC control water motor for wastewater transportation to automatic recycling. We also relocated the SS online detector. 2. Before improvement: Average COD 74 mg/L and average SS 15.5 mg/L. After improvement: Average COD 24 mg/L and average SS 8.5 mg/L.

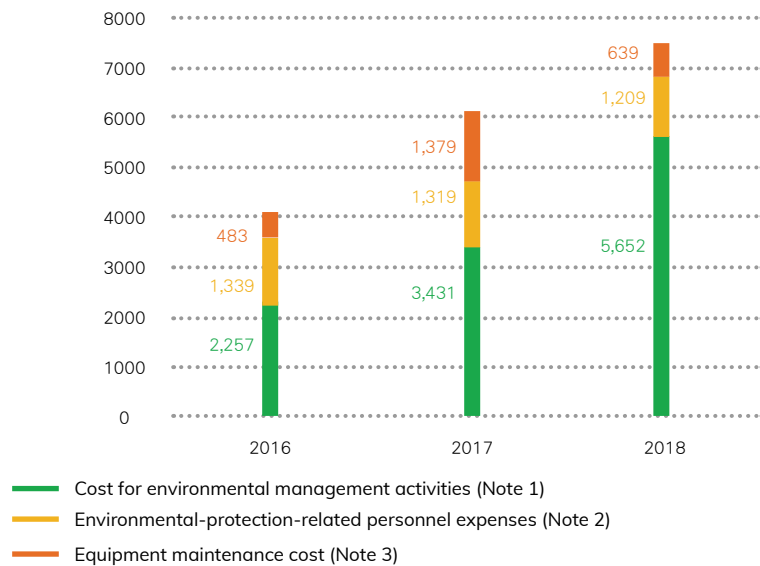
The Kaohsiung Plant received a certificate of appreciation from the Kaohsiung City Environmental Protection Bureau for voluntarily supporting the 2018 summer light off activity and helping with GHG reduction in Kaohsiung City.



• Environmental Expenditures

Our environmental management costs include the cost for environmental management activities, environmental-protection-related personnel expenses, and equipment maintenance cost. In 2018, the total amount of environmental expenditures was about NT\$75million.

Environmental Expenses of Kaohsiung Plant in the Past 3 Year (NT\$ 10 thousand)



Note 1: The cost for environmental management activities includes fees for air pollution control, water pollution prevention, waste disposal, noise pollution prevention, depreciation of fixed assets for pollution prevention and others (e.g., cleaning and mowing).

Note 2: Environmental-protection-related personnel expenses include personnel expenses and environmental protection-related training fees.

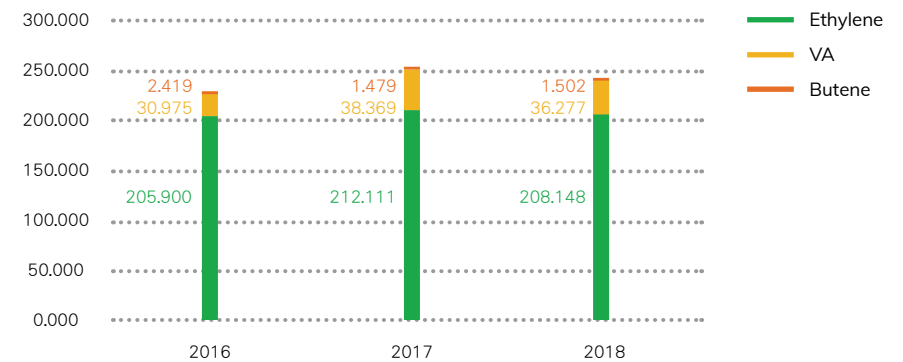
Note 3: Equipment maintenance cost includes the fees of environmental-protection-related equipment and the fees for equipment maintenance.

4.2 Raw Materials Management

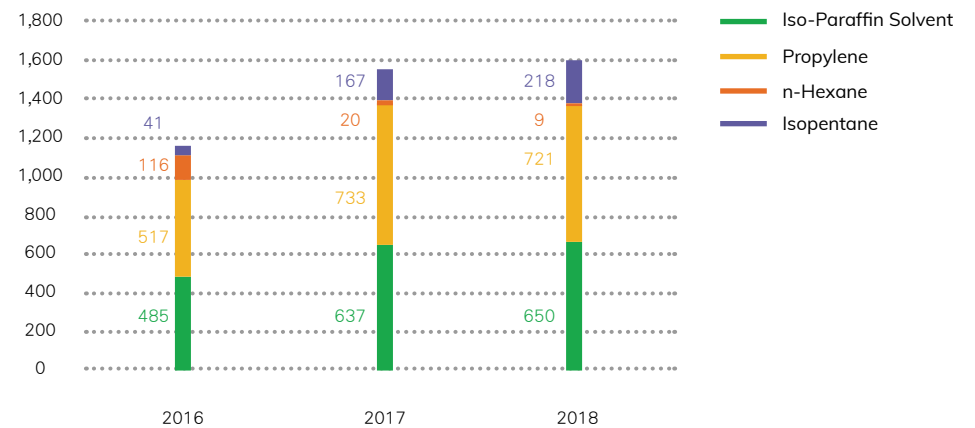
• Major Raw Materials

Our main products are: LDPE, EVA, HDPE, and LLDPE. Our raw materials include ethylene, VA, and butene.

Consumption of Major Raw Materials in the Past 3 Years (unit: 1,000 m.t.)



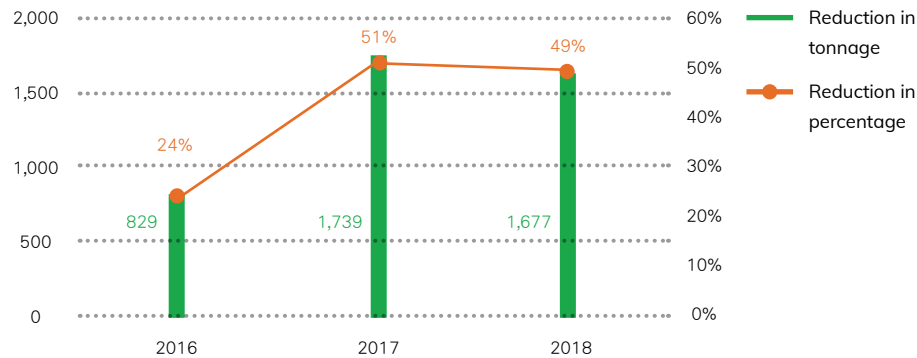
Consumption of Bulk Secondary Materials in the Past 3 Years (unit: m.t.)



Note: We use non-recyclable raw materials.

We are committed to enhancing the efficiency of process material reclamation to minimize VOCs emissions, reducing material consumption, and lowering manufacturing costs. At the end of 2013, we have completed the improvement of a high-pressure gas recovery system at Plant II of the Kaohsiung Plant, with significant effects in recovering butene, n-hexane, and isopentane.

Reduction of Butene, n-Hexane and Isopentane Uses in the Past 3 Years than in 2013 (t)



EVA containing high VA has gradually become the major product of the Kaohsiung Plant and therefore the need for VA recovery also increases every year. In 2015, the Kaohsiung Plant thus began to plan a new modifier recovery treatment (MRT) system, which was completed in mid-2016. Currently, the new and existing towers are used together. In 2017, we added a new condenser to the front end of the ethylene purification tower (EPT). Apart from preventing VAM from congealing in the heat exchange and molecule sieve during purification, the system enables VA recovery for re-use to reduce materials consumption.

4.3 Energy and GHG Management

• Disclosure on Management Approach

The increasing energy demand caused by social development results in energy supply reduction and challenges including global warming and climate change. Therefore, building a sustainable low-carbon society by reducing energy consumption and GHG emissions at full stretch is our corporate social responsibility. Every year, we draw up related energy conservation and carbon reduction measures, reduce GHG emissions, lower operating cost, enhance process efficiency, and enhance corporate competitiveness.

• Management Targets

In 2016 we voluntarily set the annual energy conservation and carbon reduction target at “electricity conservation 1%, energy conservation 2%, and carbon reduction 1.5%”. Aiming to become a benchmarking enterprise in the industry, we proactively implement various innovative technologies for energy conservation and carbon reduction and review our approaches in line with the national policies and regulations. By holding the “resources integration conference” and the “technology exchange conference” through group integration, we constantly exchange achievements in energy conservation and carbon reduction through sharing, hoping to achieve total reduction within the group.

We held the Kaohsiung Plant Technology Exchange Conference in September 2018 for the Kaohsiung Plant to share its achievements in energy conservation, carbon reduction, water conservation, and waste reduction. The group chairman and presidents of all subsidiaries attended the conference as commentators to discuss with related staff of plants in northern Taiwan, in order to promote mutual learning among plants.



• Management Approach

To understand the status of GHG emissions, the Kaohsiung Plant conducts voluntary GHG inventory every year. The organizational boundary of GHG inventory covers the entire Kaohsiung Plant. We consolidate emissions of major emission sources with operational control. We also convert the 2007 global warming potentials (GWPs) of different types of GHGs (including CO₂, methane, and NO_x) into carbon dioxide equivalent (CDE, CO₂e) as announced by the Intergovernmental Panel on Climate Change (IPCC) in the GHG inventory registration form provided by the Environmental Protection Administration (EPA).

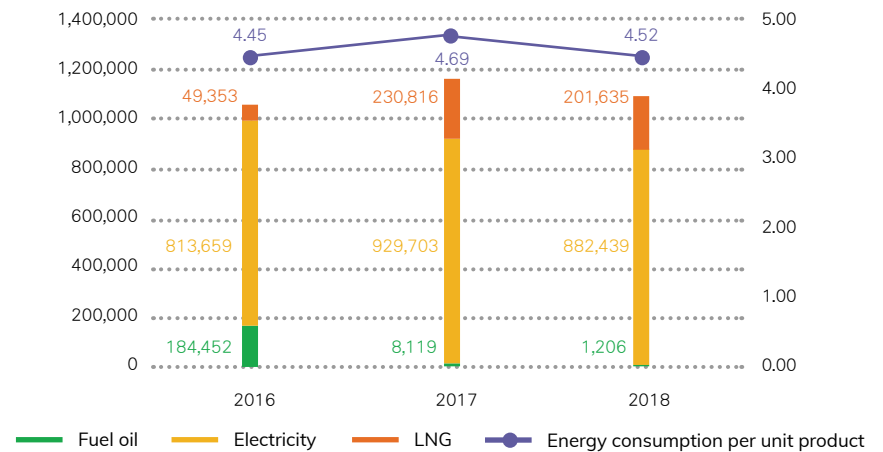
In establishment and implementation of energy conservation and carbon reduction, apart from reporting the energy conservation and emissions reduction plan of the next year every year, the Kaohsiung Plant holds the EHS Management Committee meeting every quarter to keep track on the progress of the energy conservation and emissions reduction plan and reviews the effectiveness of related plans regularly. In addition to maintaining the records of periodic assessment, the Kaohsiung Plant requests all units to promote practical and effective plans to conserve energy and reduce emissions to fulfill our responsibility for energy conservation and emissions reduction.

• Management Performance

Energy management

In response to the government's energy conservation and policy, the Kaohsiung Plant implements related electricity saving measures and changes the fuel of the steam boiler from fuel oil to LNG to reduce energy consumption. Product energy consumption thus reduced from 4.69 GJ/m.t. in 2017 to 4.52 GJ/m.t. in 2018. (GRI 302-3 and GRI 302-5)

Energy Consumption and Energy Consumption Per Unit Product of Kaohsiung Plant over the Past 3 Years



Note 1: As the consumption of diesel is far lower than that of electricity, fuel oil and LNG, it cannot be shown in the chart. Please refer to the table below for details.

Note 2: Energy consumption of the CBC process was excluded as it is still in commissioning.

Note 3: Energy consumption unit: GJ; energy consumption per unit product unit: GJ/m.t.

Energy Consumption and Energy Consumption Per Unit Product of Kaohsiung Plant in the Past 3 Years (GRI 302-1)

Energy Type	Unit	2016	2017	2018
Fuel oil	GJ	184,452	8,119	815
Electricity	GJ	813,659	929,703	882,456
LNG	GJ	49,353	230,816	208,097
Diesel	GJ	328	376	584
Total consumption	GJ	1,047,792	1,169,015	1,091,952
Production	MT	235,476	249,086	241,699
Energy consumption per unit product	GJ/MT	4.45	4.69	4.52

Note 1: Referring to the Energy Heating Value Per Unit Product Table announced by the Bureau of Energy, Ministry of Economic Affairs, the conversion factor of energy consumption of fuel oil, electricity, LPG, LNG, and diesel is as follows: 9,600 kcal/L, 860 kcal/kWh, 8,000kcal/m³, and 8,400 kcal/L; where 1 cal = 4.187 J.

Note 2: Sources of LNG and electricity consumption: fuel bill statistics.

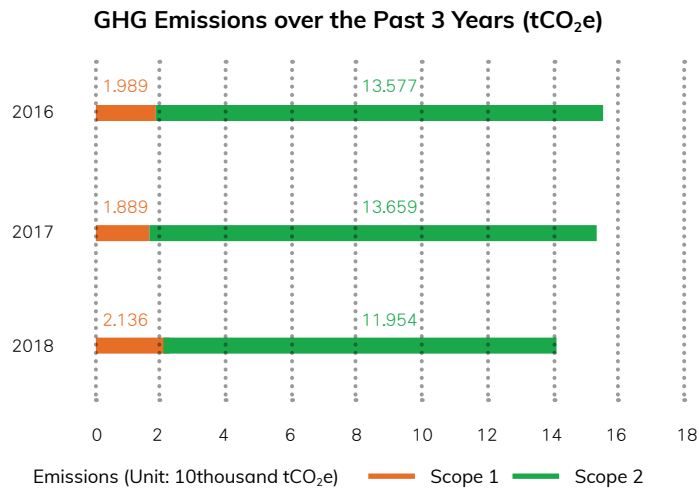
Note 3: Source of fuel oil consumption: Storage tank liquid level records.

Note 4: Source of diesel consumption: Material collection forms.

Note 5: Only non-renewable energy is used.

• GHG Management

Through related energy conservation and carbon reduction measures, electricity consumption reduced by 2,007,294 kWh accumulatively in 2018, equivalent to 1,062 tCO₂e. (GRI 305-1 and GRI 305-2)

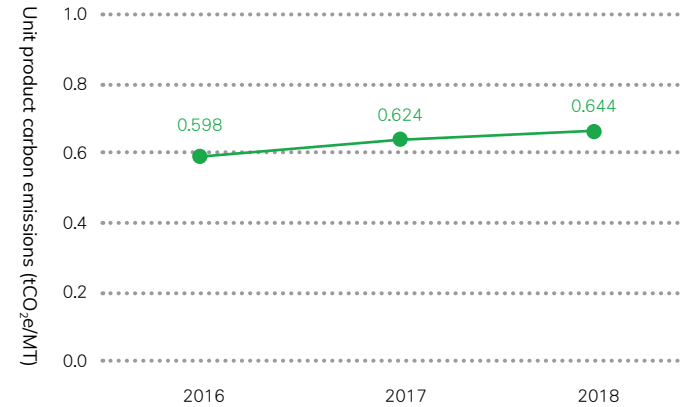


Note 1: Scope 1 refers to direct GHG emissions from production processes or facilities. The data presented in the above chart cover only major emission sources including fuel oils, LNG, RTO, and flare stack(including emission from stationary burning of fossil fuel and flaring)

Note 2: Scope 2 refers to indirect GHG emissions from indirect sources, such as purchased electricity.

Despite various efforts made, the GHG emissions and tonnage product carbon emissions of the Kaohsiung plant increased in 2018, as a result of the operation of new production lines and increase in production, which raised electricity consumption significantly. We will make constant efforts to achieve win-win for the environment and profit.

Unit Product Carbon Emissions in the Past 3 Years (tCO₂e/MT)



Energy conservation and carbon emissions targets and performance (GRI 302-4)

The 2018 targets and performance for energy conservation and carbon emissions and the 2019 targets for energy conservation and carbon emissions are tabulated below:

	2018		2019
	Targets	Performance	Targets
Electricity conservation (%)	1.32	0.81	1.79
Energy conservation (%)	1.02	0.66	1.45
Emissions reduction (%)	1.19	0.75	1.64
Water conservation (%)	5.81	1.92	5.21

Note 1: Energy conservation refers to electricity conservation.

Note 2: Emissions reduction covers emissions from energy consumption.

Note 3: Electricity conservation, energy conservation and emissions reduction did not include consumption in commissioning.

The 2018 targets for electricity saving, energy conservation, and carbon emissions are unachieved as some electricity saving projects require power supply suspension of the plant and clarification of equipment technical specifications. In addition, water conservation equipment was completed not until Q4 2018 due to the clarification of equipment technical specifications. Equipment went live in 2019 and is expected to save water by 5.21% in 2019.

The table below shows the programs and effectiveness of energy conservation and emissions reduction in 2018 of the Kaohsiung Plan. The energy conservation volume reported to the Bureau of Energy in 2018 was 2,007,294 kWh, equivalent to 1,062tCO₂e.

Type	Item	Program	Energy Saved kWh/year	Emissions Reduced (tCO ₂ e/year)	Calculation period (2018)
Save energy	1	J-230D-1 FKC water motor replacement	4,135	2.2	Jan-Apr
	2	Plant I air compressor renewal.	1,221,784	646.3	Jan-Dec
	3	Plant II EG pump renewal.	2,974	1.6	Nov-Dec
	4	J-311A/B clear water pump replacement	16,436	8.7	Aug-Dec
	5	INOMA insulation paint	16,847	8.9	Jan-Sep
	6	Plant II G-8421A shutdown and cooling water supply from Plant I.	130,699	69.1	Jan-Dec
	7	VFD control for the cooling tower fan of Plant I	21,216	11.2	Jan-Nov
	8	Shortening B Line silo blending time by six hours.	403,952	213.7	Jun-Dec
Performance enhancement	9	Replacement of two motors of the old conveying blower with high-efficiency motors.	5,675	3.0	Jan-Aug
	10	Replacement of one motor of the J-275A/B/C with the high-efficiency motor.	80,841	42.8	Jan-May
	11	Conveying blower renewal	23,514	12.4	May-Dec
	12	Replacement of the booster compressor motor with the high-efficiency motor.	71,373	37.8	Jan-Dec
Lighting improvement	13	Improvement of lighting in the compressor and processing workshops of Plant I.	7,848	4.2	Jan-Dec
Total			2,007,294	1,062	-

Note 1: Electricity to emission conversion coefficient is 0.529 (kgCO₂e/kWh).

Note 2: Based on the 2018 Report on the Annual Energy Saving Audit System of Energy Users of the Bureau of Energy.

Note 3: Electricity conservation of items 6 and 8 was calculated based on the design value and the idle period of equipment.

Note 4: Electricity conservation of items 1, 3, and 4 was calculated based on the enhanced efficiency/operating current/power factor and the operating time of equipment after improvement.

Note 5: Electricity conservation of items 2, 5, 7, 9, 10, 11, 12 and 13 was calculated based on the design value/measured value and operating time of equipment before and after replacement.

Note 6: The converted energy conservation is 7,228 GJ, and electricity is the energy source.

In addition, the energy conservation programs reported to the Bureau of Energy in 2019 include replacement of pump motors with high-efficiency motors, connection of the cooling water pipelines of Plant I to reduce the operating time of cooling water pumps, shortening blower operation, replacement of old blowers, repair and replacement of plant aircon, replacement of the motor of the cooling water tower fan of Plant II with VFD systems, replacement of the chiller motor with the high-efficiency motor, and freezer renewal. It is estimated that electricity can be saved by 1.79% in 2019, with an annual carbon reduction at 2,360 tCO₂e.

Electricity Conservation Rate of USI Kaohsiung Plant over the Past 3 Years

Item / Year	2016	2017	2018
Electricity Saved (kWh)	4,058,262	7,338,720	2,007,294
Electricity conservation (%)	1.79	2.78	0.81

Note 1: Based on the 2018 Report on the Annual Energy Saving Audit System of Energy Users of the Bureau of Energy.

Note 2: Subject to the energy audit equation of the Bureau of Energy: reported energy saved divided by the total electricity consumption (excluding commissioning).



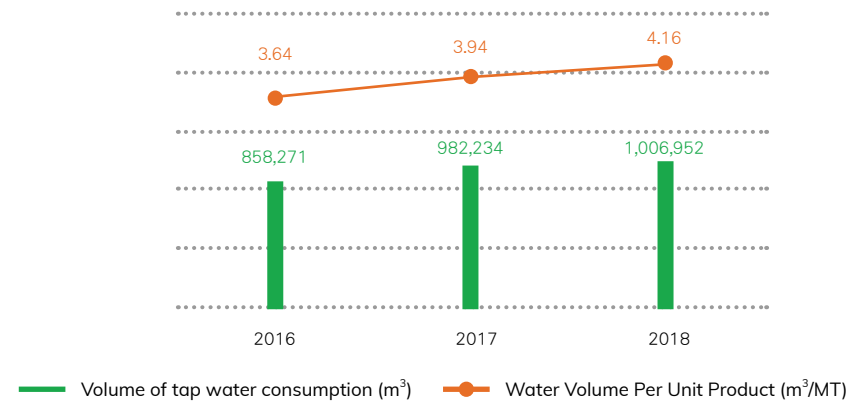
4.4 Water Resources Management and Effluent Management

• Water Resources Management

The circular economy is an industrial system designed for recovery and regeneration to replace “end of life” with “recovery,” in order to turn waste into resources and thereby achieve waste reduction. We set the annual water conservation target at “1%”.

Tap water is our primary water source. The tap water consumption of the Kaohsiung Plant in 2018 was 1,006,952 m³, and the water volume per unit product is 4.16 m³/t.

Water Consumptions and Water Volume Per Unit Product in the Past 3 years



Note: Water consumption data were extracted from the water meter.

Based on this concept, the Kaohsiung Plant is focusing on water recycling through the following plans:

Program	Effectiveness
<p>Enhancing the recycling rate of water resources</p>	<p>We have improved the steam condensate recovery system. After the completion and operation of the Kaohsiung Plant's new steam boiler, the condensate reclaimed from steam can be reused in the new boiler for re-use. The water reclaimed is approximately 47,520m.t./year. Calculation: The project was completed in 2016. After field tests, we found that the reclamation volume is 6m.t./hour. Based on 330 days a year, the annual reclamation volume is 47,520t.</p>
<p>Recycling spillage water reclaimed from chip cutting</p>	<p>Spillage water reclaimed from chip cutting is first transported to the sedimentation tank. Then, it is pumped into the reclaimed water treatment plant before being further transported to the cooling tower for re-use to reduce tap water consumption and process effluents. The water reclaimed is approximately 27,720m.t./year. Calculation: The project was completed in 2016. After field tests, we found that the reclamation volume of the system is 14m.t./time. Based on six times a day and 330 days a year, the annual reclamation volume is 27,720t.</p>
<p>Continuous monitoring and reclamation of effluents</p>	<p>Continuous monitoring of the in-house effluent quality to enhance effluent treatment and response capacity and ensure that effluents comply with the discharge standards. After reclaiming by the system, effluents are treated before being transporting to the cooling tower for re-use to reduce tap water consumption and process effluents. Estimated water reclamation is about 52,800 m.t./year. Calculation: The project was completed in December 2018 and went live in January 2019. After field tests, we found that the reclamation volume is 22 m.t./hour. Based on 8 hours a day and 300 days a year, the annual reclamation volume is 52,800 m.t.</p>
<p>Detention basin and rainwater reclamation channel</p>	<p>Pipelines will be installed from the existing detention basin and rainwater reclamation channel to the cooling tower. After filtering by the storm water separator next to the cooling tower, storm water will be re-used by the cooling tower. The water reclamation in 2018 is about 18,776 m.t. Calculation: The project was completed in 2017 and started operation in 2018. The plant catchment area is 3,500m², the tank site dike area is 3,300m², Kaohsiung's annual rainfall is 3,068 mm in 2018. Based on a reclamation rate of 90%, the estimated water reclamation is about 18,776 m.t./year.</p>

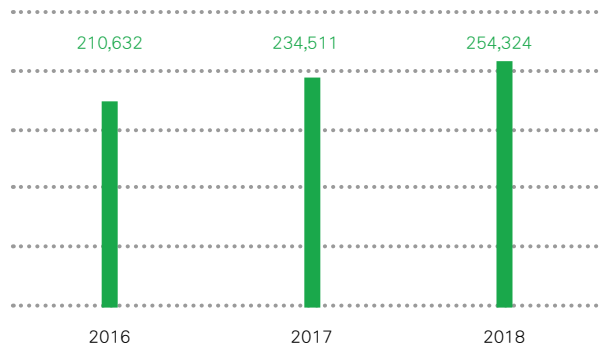
Note: The estimated volume of reclaimed and recycled water in 2018 was 94,016 m.t.; the total water intake was 1,006,952 m.t.; the volume of reclaimed and recycled water was 9.34% of the total water intake.

• Effluents Management

The Kaohsiung Plant discharges effluents to the surface water body—Houjing River. To reduce the environmental impact of effluents, apart from following related environmental laws and regulations, we spare no effort to improve effluent quality, reduce effluent discharge, increase water recycling and reduce tap water consumption.

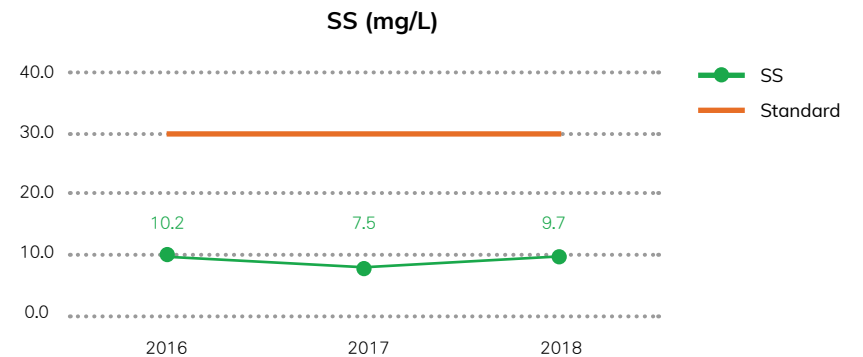
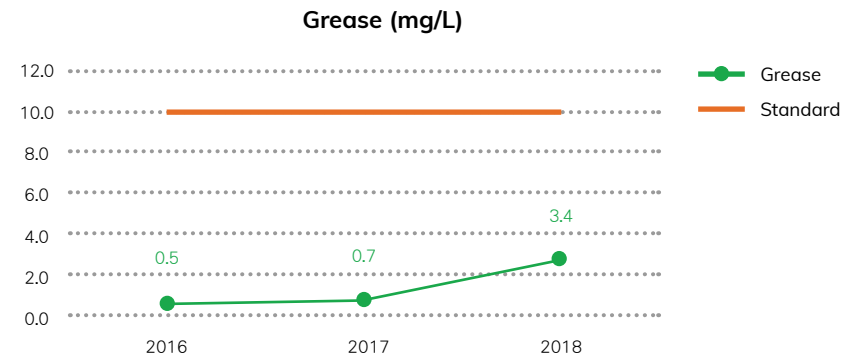
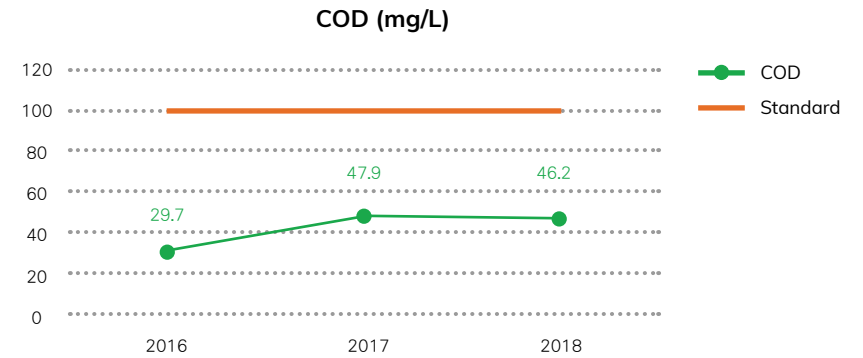
In wastewater discharge, wastewater is treated and discharged with criteria superior to the regulatory and statutory requirements. In 2018, the Kaohsiung Plant discharged 254,324 m³ of effluents into the Houjing River in Kaohsiung. Tap water consumption increased as the commissioning of new production lines began in 2018. (GRI 306-1)

Effluent Volume in the Past 3 Years / Effluent volume (m³)



Referring to the Effluent Standards promulgated on December 25, 2017, there are 24 items for controlling effluent quality from the petrochemical industry. Major control items of the Kaohsiung Plant include SS, grease and COD. The value of these items is far lower than the regulatory effluent standards or even lower than the method detection limit (MDL).

Effluent Quality of the Kaohsiung Plant over the Past 3 Years (unit: mg/L)



4.5 Emissions Management

Air Pollution Control

Disclosure on management approach

The Kaohsiung Plant is located in Kaohsiung City within the Gaoping Total Volume Control Area and the level 3 control area of PM₁₀, PM_{2.5}, and O₃. Therefore, air quality improvement has always been our prime target. To fulfill our corporate social responsibility, the Kaohsiung Plant spares no effort to implement environmental improvement continuously, hoping to achieve the “zero pollution and zero emission” goals in the five zero’s policy and contribute to air quality improvement.

Management targets

To achieve the “zero pollution and zero emission” goals in the five zero’s policy and in support of the reduction targets in phase I of the Gaoping Total Volume Control Area, the Kaohsiung Plant set the VOCs target to 5.525m.t. in 2017. In 2018, the EPB audit confirmed that we had achieved the phase I reduction target at 5% and reduced the boiler’s emission intensity to NOx 150ppm, TSP to 20 mg/NM³, and SOx to zero.

Management approach

In addition to regularly testing and reporting air pollutants, the Kaohsiung Plant has planned the following reduction programs to effectively reduce air pollutants:

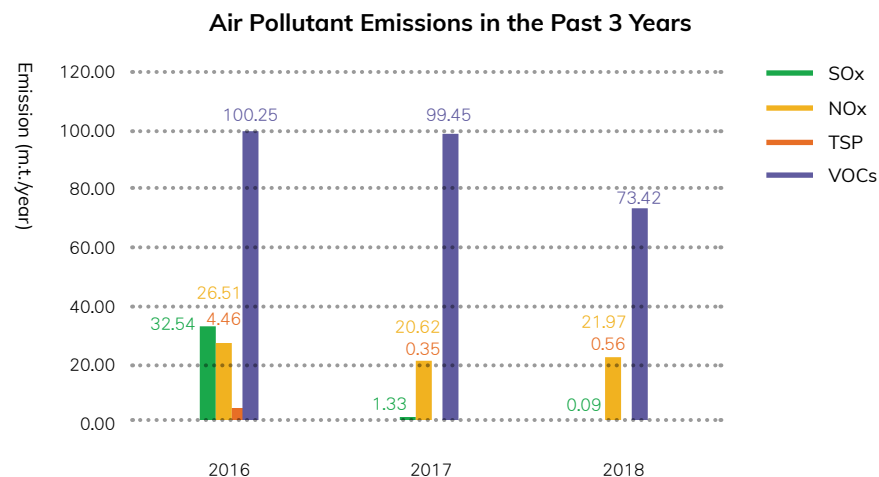
VOCs Reduction	Create files for each equipment component in the plant for management, replace glandless pumps, purchase low-leakage valves, simplify process pipelines, reinforce the maintenance of equipment components and seal waste water tanks with a cover.
Effective VOCs Treatment	Apart from building one RTO, the Kaohsiung Plant effectively processes VOCs with the steam boiler and recovers heat energy to reduce energy consumption. The Kaohsiung Plant officially implemented the RTO in production processes in 2015.

Reduction of Pollutant Emissions

Plan and build a steam boiler using clean energy natural gas as the main fuel to significantly reduce fuel oil consumption and thereby the emission of air pollutants. Compared 2018 (LNG) to 2015 (petroleum), it is estimated that SOx emissions reduced by 38.8 m.t./year and NOx by 12.2 m.t./year.

Management performance

Major air pollutants emitted by the Kaohsiung Plant include sulfur oxides (SOx), nitrogen oxides (NOx), total suspended particulate (TSP), and volatile organic compounds (VOCs). Fuel burning of the steam boiler is the main source of SOx, NOx and TSP detected in the plant, while RTO, flares, storage tanks, and equipment components are the main sources of VOCs emissions. Emissions are calculated based on the pollutant testing data and EPA announced coefficients and with reference to the reporting range of air pollution control fees. The chart below shows the air pollution emissions over the years. (GRI 305-7)



Over the past decade, we have invested NT\$834 million in environmental protection, and NT\$ 640 million was spent on VOCs reduction to achieve the 26.8% reduction goal. In 2019, we will invest NT\$85.45 million in VOCs reduction.

Over the years, emission test results of the Kaohsiung Plant have been consistently well below the EPA emission standards. In the past three years, we hired environmental engineering company accredited by the Environmental Analysis Laboratory to directly measure the pipeline emissions of the Kaohsiung Plant with respect to the EPA-announced methods. The measurement results are tabulated below:

Pollutant	2016	2017	2018	Standard
SOx (ppm)	165	180	ND	100
NOx (ppm)	164	176	92	150
TSP (mg/Nm ³)	56	70	1	50

- Note: 1. The VOC emission measurement results of the Kaohsiung Plant comply with the statutory requirements over the years, with a reduction rate over 95%.
 2. Emission intensity reduced significantly after the replacement of boiler fuel oil with steam in 2018.
 3. Emission standards are subject to the "Kaohsiung City Combustion Equipment Air Pollution Emission Standard" announced by the Kaohsiung Environmental Protection Bureau in 2017.

Waste Management

Disclosure on management approach

For proper waste disposal, the Kaohsiung Plant hires a licensed contractor to dispose of such waste according to laws and regulations related to waste disposal. Apart from reviewing the qualifications of contractors and requesting them to provide support documents for proper waste disposal on a regular basis, we perform onsite inspections on contractors to verify their waste disposal performance, in order to perform our supervision obligation.

Management approach

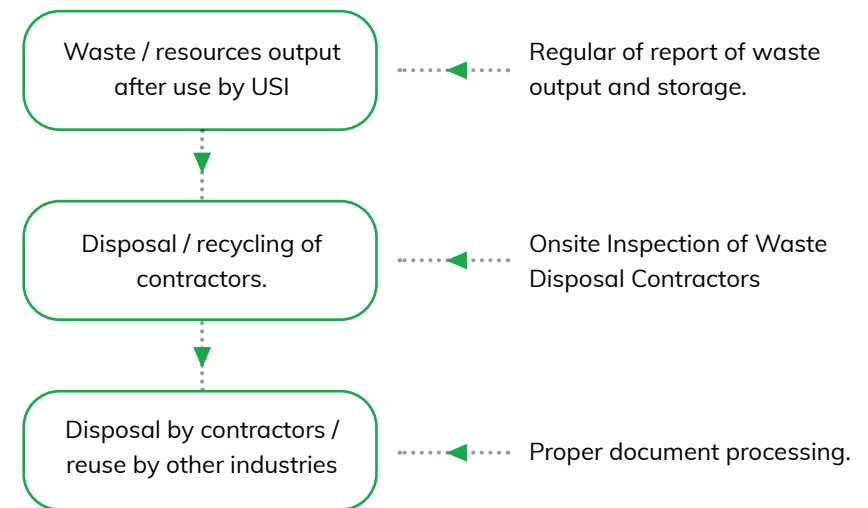
The Kaohsiung Plant produces both hazardous industrial waste and general industrial waste and disposes of such waste by incineration, physical treatment and cleaning. The Kaohsiung Plant also hires licensed waste disposal contractors to dispose of and treat such waste in accordance with the "Waste Disposal Act". All contractors hired in 2018 had no non-conformity record. In addition, we perform onsite inspection on waste disposal contractors in accordance with the " Regulations

Governing Determination of Reasonable Due Care Obligation of Enterprises Commissioning Waste Clearance" to understand the storage, removal, disposal, and recycling of waste of disposal contractors.

Figure: Onsite inspection of waste disposal contractors.



Waste disposal workflow:



Waste reduction programs:

Reinforcement of awareness education	Reinforce education of the need for waste separation and labeling to increase waste recovery volume and reduce the disposal volume of general waste.
Clean production	Strengthen process management to minimize end-of-pipe treatment and reduce the output of sludge and other industrial waste.

Management performance

The Kaohsiung Plant is also committed to resource sorting and recovery and hires licensed contractors to recycle waste metal. In 2018, the Kaohsiung Plant recovered 58 t of waste metal and hired nearby resource recycling contractors to dispose of the plant's wastepaper, though no record on the recovery quantity was maintained.

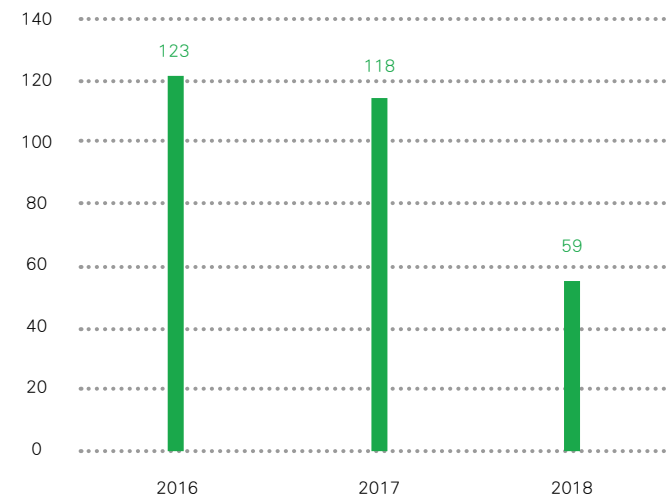
In the future, we will classify and manage recyclable in-house resources, maintain records regarding the recovery quantity and disclose the performance in future CSR reports. The table below shows the disposal volume of different types of waste over the past three years. (GRI 306-2)

**Disposal Volume of Different Types of Waste
by the Kaohsiung Plant over the Past 3 Years (Unit: t)**

Waste	Treatment	2016	2017	2018
Waste plastics, mixed	Cleaning	14.56	18.85	19.42
Waste wood, mixed	Incineration	18.47	-	24.13
Organic sludge	Incineration	19.07	8.55	8.42
Waste metal	Cleaning	34.57	44.61	45.75
Waste oil, mixed	Physical	61.26	-	73.81
Household waste	Incineration	92.98	106.56	82.43
Waste wax	Physical	1.82	-	49.8
Waste wires and cables	Physical	-	-	12.24
*Other flammable objects, mixed.	Incineration	0.97	0.74	0.99
Waste metal	Recovery	123.04	118.07	58.58
Total annual volume of waste		366.74	297.38	375.57

* Hazardous industrial waste

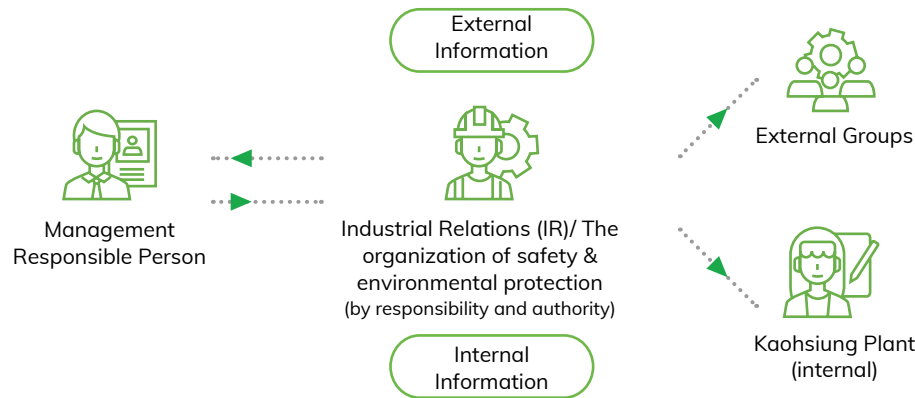
Waste Metal Recovery Volume in the Past 3 Years (MT)



In 2018, there is no report of oil, fuel, waste or chemical substance leakage in the Kaohsiung Plant. (GRI 306-3)

4.6 EHS Grievance Channels

The Kaohsiung Plant has established, implemented, and maintained the HSE Communication, Involvement, and Consultation Management Regulations as channels and procedures for the communication, engagement, and consultation of environment-related topics for internal stakeholders (employees, industry associations, employee welfare committee, labor-management meetings, occupational health and safety committee meetings) as well as external stakeholders (customers, EHS competent authorities, community residents, and environmental groups).



Addressing internal EHS grievances

“Labor-Management Meetings,” “Union Board Meeting,” “Health and Safety Meeting” and other meetings. When awareness education or responses are required, responsible departments will review the case and send a written response to the IR Office. After approving the response, the EHS responsible person will announce it within the organization.

Handling external EHS grievances

After receiving an EHS grievance from outside the organization over the phone, orally or in writing, any unit of the Kaohsiung Plant will refer the case to the responsible unit to verify the contents of the grievance and register it in the “EHS Information Registration List.” After a case has been confirmed, a proper response will be made. Data related to the EHS policy of USI is available at the IR Office of the Kaohsiung Plant for public access or retrieval. Such data is also registered on the “EHS Information Registration List” to achieve communication with stakeholders.

Statistics on External EHS Grievances at Kaohsiung Plant over the Past 3 Years

Item	2016	2017	2018
Grievance (cases)	3	0	0
Valid case (cases)	0	0	0

No EHS grievance was received in 2018. As none of the grievances received in 2016 was caused by production or operational activities of the Kaohsiung Plant, no valid grievance has been reported over the years.



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Community Involvement	5.7
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Material Topics	Purpose of Management	Management Approaches	Effectiveness Assessment	Complaint Mechanism
Industrial and public safety (Non-GRI Standards indicator)	In consideration of the safety of pipeline transportation and vehicle transportation, the Kaohsiung Plant applied appropriate transportation for raw material and product transportation to ensure quality integrity during transportation. The Kaohsiung Plant is also committed to extending pipeline lifespan through enhanced maintenance to prevent accidents and leakage.	<p>Routine management:</p> <ul style="list-style-type: none"> Regulations in relation to OHS management and underground pipeline management Preventive maintenance, daily patrol, and anomaly management of underground pipelines. Pipeline pressure holding test Pipeline IT management system and data analysis and management <p>Mid-to Long-term goals:</p> <ul style="list-style-type: none"> Establishment of underground pipeline 3D maps 	<p>Periodic check of transportation vehicles</p> <p>Third-party accreditation of international certification authorities</p> <p>Periodic emergency response training and drills.</p>	<p>Transportation meetings and safety meetings for transportation contractor</p> <p>Renda Industrial Park Service Center: Underground Pipelines Joint Defense Organization</p> <p>Improvement made according to the audit results by competent authorities of the underground pipeline operation and management plan.</p>
Occupational Health and Safety (OHS) (GRI 403:2016)	To take care of employee health, prevent industrial safety accidents, increase protection for labor health and safety, and to develop the emergency response and self-safety management ability of employees.	<p>Fire drills and training and education for industrial safety every year</p> <p>Short-term goals:</p> <ul style="list-style-type: none"> Version change of the OHS management system Contract management, sobriety test, AED <p>Mid-to Long-term goals:</p> <ul style="list-style-type: none"> PSM System construction Application for the excellent OHS unit selection 	<p>Employee health examinations</p> <p>Reduction of lost time injury/training and education for near miss events.</p>	<p>Labor-management meeting, labor union directors' and supervisors' meetings, OHS meetings</p>
Employment Relationship (GRI 401:2016)	To us talents are an irreplaceable core asset and steadily and continuously growing our human resources is the bedrock of our steady business operations. With a fair and open selection system, a fair and respectful management environment, and a well-established performance evaluation system, we aim to provide an ideal environment for eligible talents to demonstrate their expertise.	<p>Short-term goals:</p> <p>No report of non-conformance in the year, protection of gender equality in employment, complete training and education for employees</p> <p>Mid-to Long-term goals:</p> <p>Establishment of sound labor-management relations for employees to grow with the company, and equal opportunity for career development and complete development mechanisms.</p>	<p>No report of non-conformance in the year.</p> <p>Men-to-women remuneration ratio is maintained within 15%.</p> <p>Annual training and education for indirect labor is over 8 hours.</p>	<p>Labor union, labor-management meeting, employee grievance regulations, ethical corporate management best practice principles and measures, and employee feedback box.</p>

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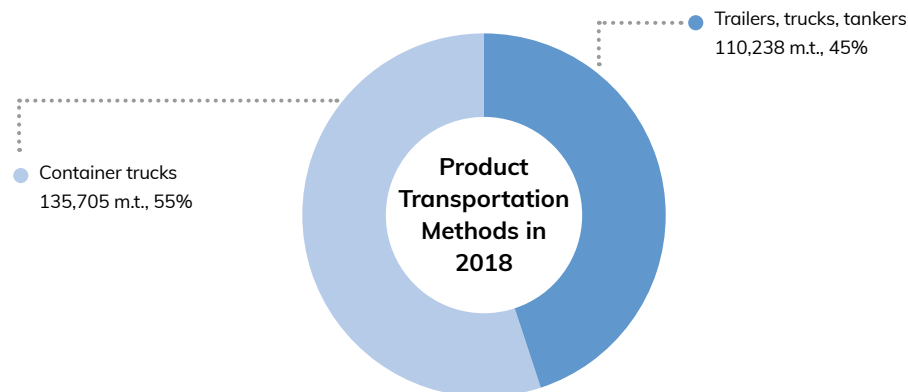
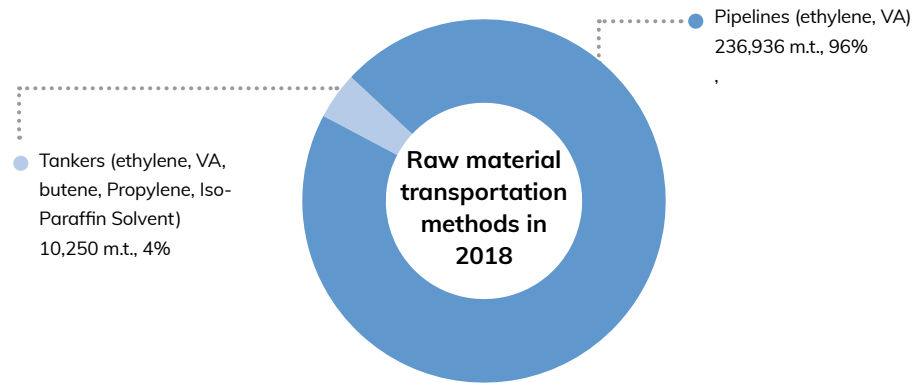
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5.1 Management of Public and Industrial Safety

• Transportation Safety Management

Disclosure on management approach

In consideration of the safety of pipeline transportation and vehicle transportation, the Kaohsiung Plant applied appropriate transportation for raw material and product transportation to ensure quality integrity during transportation. The Kaohsiung Plant is also committed to extending pipeline lifespan through enhanced maintenance to prevent accidents and leakage and ensure stable raw materials supply. No transportation-related accident was reported over the past decade.



• Raw Materials Transportation

Transportation Methods 96% of raw materials required by the Kaohsiung Plant are transported via underground pipelines, and 4% by tankers.

Management Plan The Kaohsiung Plant has established regulations for EHS management and underground pipelines management in its internal control system. In addition to conducting emergency response training and drills, the Kaohsiung Plant implements preventive maintenance, routine tour inspections, and error management of owned underground pipelines within and outside of the plant to prevent pipeline corrosion and leakage.



Implementation Plan	2018 Management Effectiveness
<p>Double protection including corrosion zone and impressed current cathodic corrosion protection.</p>	<p>To ensure pipeline safety, at least one pressure holding test is conducted every year and pressure sustaining tests from time to time. In 2018, the Kaohsiung Plant implemented the pipeline pressure holding test after the in-line inspection (ILI). The pipeline pressure holding test was completed on two long-distance underground pipelines: 6-inch (USI-A) and 10-inch (USI-B) in March and October respectively.</p>
<p>Established the regulations for cathodic protection (CP) points inspection according to international standards and hired government-registered qualified contractors to perform the CP point inspection every quarter to maintain constant maintenance and management.</p>	<p>In 2018, the Kaohsiung Plant discovered the efficiency of three old rectifiers was low and replaced them all in August.</p>
<p>The Kaohsiung Plant and other plants in the same regional joint defense organization built the cloud platform of the underground pipelines information management system and commissioned professional security company to patrol the platform every day. Implement in-process inspection through systematic, digital, and automatic computer management to enhance the management efficiency of pipeline maintenance.</p>	<p>Exactly implement daily pipeline patrol and register results in the management system.</p>
<p>Establishing relevant emergency response plans and reporting mechanisms and implementing emergency response training and exercises regularly to ensure no significant on the environment and traffic.</p>	<p>Two emergency response drills on April 26, 2018 and October 25, 2018.</p>
<p>By establishing and implementing the pipeline joint defense organization, and based on organizational integration and pipeline response capacity enhancement, we achieve zero damage of pipeline disasters and maintain pipeline safety together to ensure public interest.</p>	<p>In the evaluation based on the “Standards for the Effectiveness Evaluation of Underground Pipelines Joint Defense Organization” in 2018, after evaluating the baseline evaluation items, including the effectiveness of pipeline safety equipment, the emergency response of pipelines joint defense evaluation, and the effectiveness of pipelines joint defense operation and management. Pipeline 6 of the Kaohsiung Plant was rated an excellent pipeline defense organization and awarded the model pipelines medal by the Industry Development Bureau, Ministry of Economic Affairs.</p>
<p>All tankers are qualified tankers for transporting chemical substances; each contractor has good emergency response ability, and well-established emergency response plans. Transportation is implemented according to the relevant control regulations and management measures.</p>	<p>Zero accident of tanker transportation</p>

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• Product Transportation

Transportation Methods	We transport products with trailers, trucks, tankers, and containers.
Management Plan	The Kaohsiung Plant transports products through qualified contractors.
Implementation Plan and Effectiveness	<ul style="list-style-type: none"> · Legally registered transporters. · Passed ISO 9001 certification with trained, qualified health and safety management personnel. · Semi-annual evaluation of performance, efficiency, cooperation and quality and proposals for improvement programs based on customer feedback at the transportation review meeting. · Regular vehicle examinations according to the relevant regulations. Holding safety meetings quarterly to ensure that contractors can safely transport products to the destination to minimize environmental impacts caused by transportation.

Based on the package type, products are shipped in bag or in bulk (by tankers). Packaging bags include PE bags, bulk bags, and paper bags. To reduce the environmental impact of product packaging materials, we encourage customers to choose tanker transportation. We reduced 113,890 kg of packaging materials.

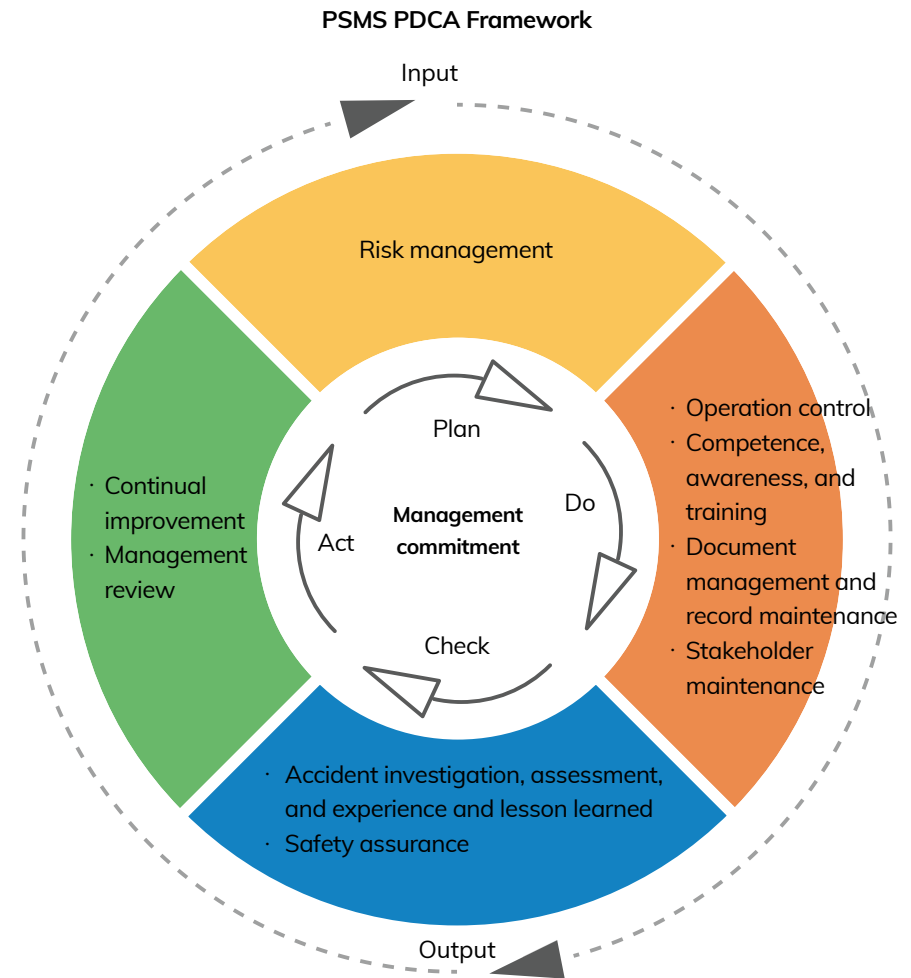
• Underground Pipeline Management

Disclosure on management approach

Appropriate measures to minimize environmental pollution and prevent property damage and personal injury should be adopted to improve the transportation safety of underground pipelines, ensure more effective management of underground pipelines outside of the plant, establish proper management procedures to prevent potential disasters caused by corrosion of pipelines within and outside of the plant or damage to pipelines due to improper excavation by non-USI units and provide a dependable reference for personnel to follow.

Management approach

With reference to the international standard API RECOMMENDED PRACTICE 1173, Pipeline Safety Management System Requirements, we establish and maintain the pipeline safety management system (PSMS). The Kaohsiung Plant will integrate PSMS' safety policy, targets and objectives, safety culture, accident investigation, continual improvement, document management, and emergency response with the OHSAS 18001 system.

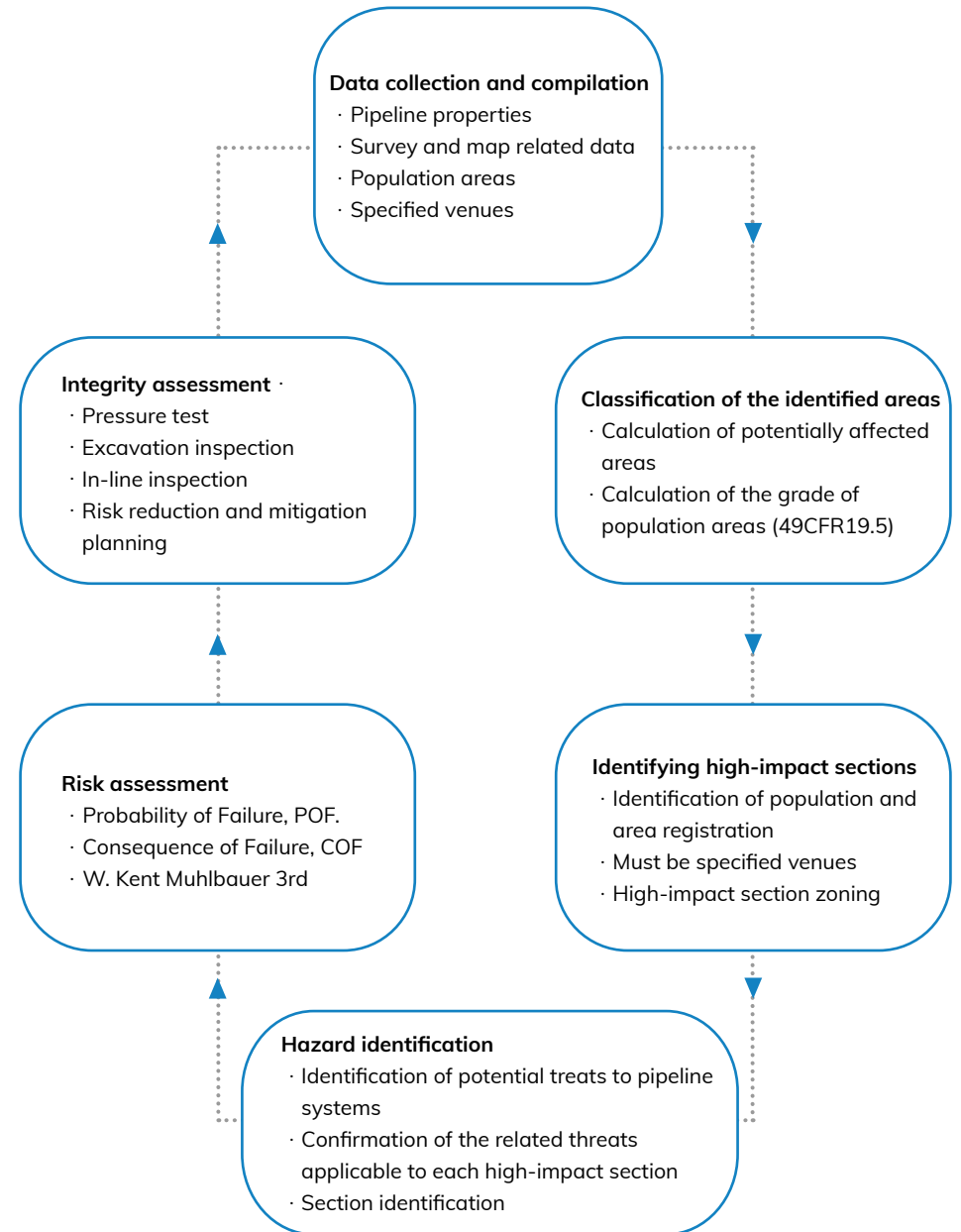


Convene OHSAS 18001 meetings to ensure the effectiveness of operation and the continual improvement of PSMS, achieve the pipeline management policy and objectives; and plan, do, check, measure, and analyze continual improvement according to the PDCA cycle to ensure the risk control of underground pipelines.

Based on the integrity management principles (IMP) recommended in the ASME B31.8S Managing System Integrity of Gas Pipelines of the USA, we establish an effective underground pipeline integrity management framework to identify and assess pipeline risk factors and establish the relevant risk control measures, make continual improvement of unfavorable factors to control pipeline risk level to a reasonable and acceptable range. In addition, we obtain pipeline integrity information combined with professional management through monitoring, inspection, and tests. We also analyze and perform adaptive assessment of major threats to pipeline failure to achieve continual improvement, reduce and prevent pipeline accidents, and assure pipeline safety and operation.



Underground Pipeline Integrity Management



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Based on international pipeline management standards including ASME B31.8S Managing System Integrity of Gas Pipelines and 49 CFR 192 Transportation of Natural and Other Gas by Pipeline, we completed pipeline inspections, maintenance, and management including ILL, pipeline pressure test, CP point test and maintenance, risk assessment, and excavation verification. Based on the current Kaohsiung City Existing Industrial Pipeline Management Regulations and the Kaohsiung City Environmental Maintenance and Management Regulations, we established the USI Underground Pipeline Maintenance and Operation Plan with the following projects:

1. Pipeline safety management system
2. Pipeline information management system and data analysis management
3. Pipeline integrity assessment and management
4. Pipeline operation and monitoring system, pipeline patrol, and supporting measures.
5. Pipeline maintenance, repair, and inspection
6. Pipeline change management
7. Competency training and management of pipeline maintenance and operation personnel
8. Establishment of the pipeline joint defense organization and management plan
9. Pipeline anomaly reporting mechanism and emergency response plan

Management Performance

Our underground pipeline maintenance, inspection, and integrity management have been approved by international third-party certification bodies. We have also submitted the underground pipeline maintenance and operation plan to the Economic Development Bureau for review to ensure that pipeline operation will be against corrosion, third-party damage, and man-induced errors, in order to protect the public safety of residents living along the pipelines and the industrial safety of employees.

The Kaohsiung Plant and other plants in the same regional joint defense organization built the cloud platform of the underground pipelines information management system and commissioned professional security company to patrol the platform every day. Implement in-process inspection through systematic, digital, and automatic computer management to enhance the management efficiency of pipeline maintenance. In collaboration with other plants of the pipeline joint defense organization, the Kaohsiung Plant completed the CP point diversion station renewal and test station repair, implemented emergency response drill, and organized pipeline safety training and education. The Kaohsiung Plant also implemented unannounced drills with the competent authorities, established related emergency response plans and reporting mechanisms, organized emergency

response training and drills periodically to ensure no significant impact on the environment and transportation. In addition, by establishing and implementing the pipeline joint defense organization, and based on organizational integration and pipeline response capacity enhancement, we achieve zero damage of pipeline disasters and maintain pipeline safety together to ensure public interest.

Pipeline 6 of the Kaohsiung Plant was rated an excellent pipeline defense organization and awarded the model pipelines medal by the Industry Development Bureau, Ministry of Economic Affairs.



5.2 Occupational Health and Safety

In March 2001, we acquired OHSAS 18001 certification for our occupational health and safety management system (OHSMS). The EHS and construction departments of the plant inspect various industrial safety items every day at planned intervals. The plant also joined the Group Health and Safety Partner Area Joint Defense system recommended and instructed by the Southern Regional Labor Inspection Office, Council of Labor Affairs. Furthermore, all affiliates within USI Group check and balance and exchange experiences with one another in order to further implement health and safety management.

2018 OHS Targets and Management Plan

Policy	Objective	Program	Effectiveness
Zero accident	Accident frequency rate <2.575	Prevention of pipeline corrosion hazards and steam injection point inspection.	100%
		C-202B pipeline vibration monitoring	100%
		Underground pipeline monitoring	100%
		Installation of new monitoring system at the tanker unloading zone	100%
		Maintenance and inspection of underground pipeline [Underground Pipeline Operation and Maintenance Plan]	100%
		Education and training for pipeline tour inspection personnel [Underground Pipeline Operation and Maintenance Plan]	100%
		Routine tour inspection of underground pipelines [Underground Pipeline Operation and Maintenance Plan]	100%
		Emergency response exercise [Underground Pipeline Operation and Maintenance Plan]	100%
		ILI [Underground Pipeline Operation and Maintenance Plan]	100%
		Pipeline strength stress test [Underground Pipeline Operation and Maintenance Plan]	100%
Zero occupational accidents	Frequency-Severity Indicator (FSI) < 0.22	Reduction of near misses.	100%
		K-4003 casing drain gas emission pipeline renewal	100%

1. Incident Rate (IR) = Number of incidents x 1,000,000 hours worked/total hours worked

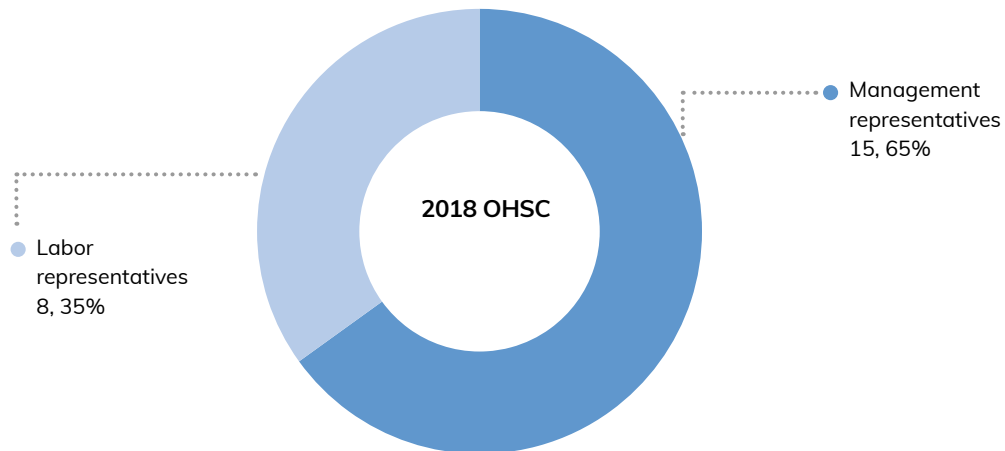
2. Frequency-Severity Indicator (FSI) = $\sqrt{[(FR \times SR)/1000]}$

• OHS Organization and Operation

In addition to the USI Kaohsiung Plant Labor Union, the Kaohsiung Plant has an Occupational Health and Safety Committee (OHSC) established in accordance with the Regulations for Occupational Health and Safety Management, with members including the committee chair (the plant general manager), committee executive secretary (industrial safety chief), committee members (department chiefs/unit chiefs/labor representatives). Labor representatives are elected by employees. Currently, there are 8 labor representatives (35%) and 15 management representatives, totaling 23 members. The committee holds a committee meeting every quarter. Labor representatives voice for all employees and discuss EHS issues with the management. (GRI 403-1)

2018 OHSC Structure

OHSC	Members	Proportion
Labor representatives	8	35%
Management representatives	15	65%
Total	23	100%

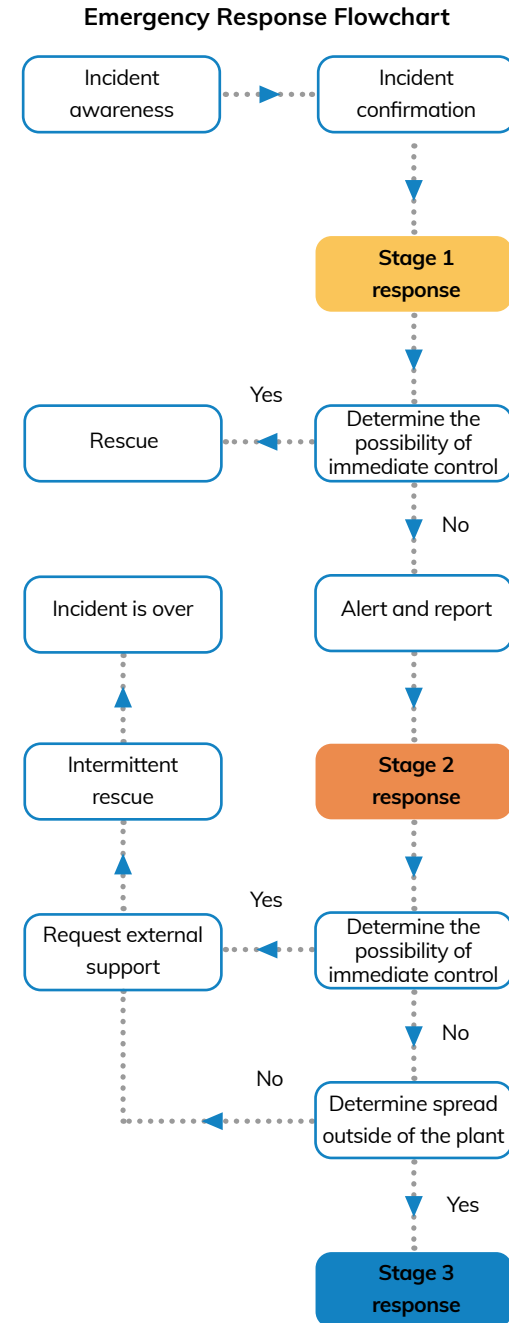
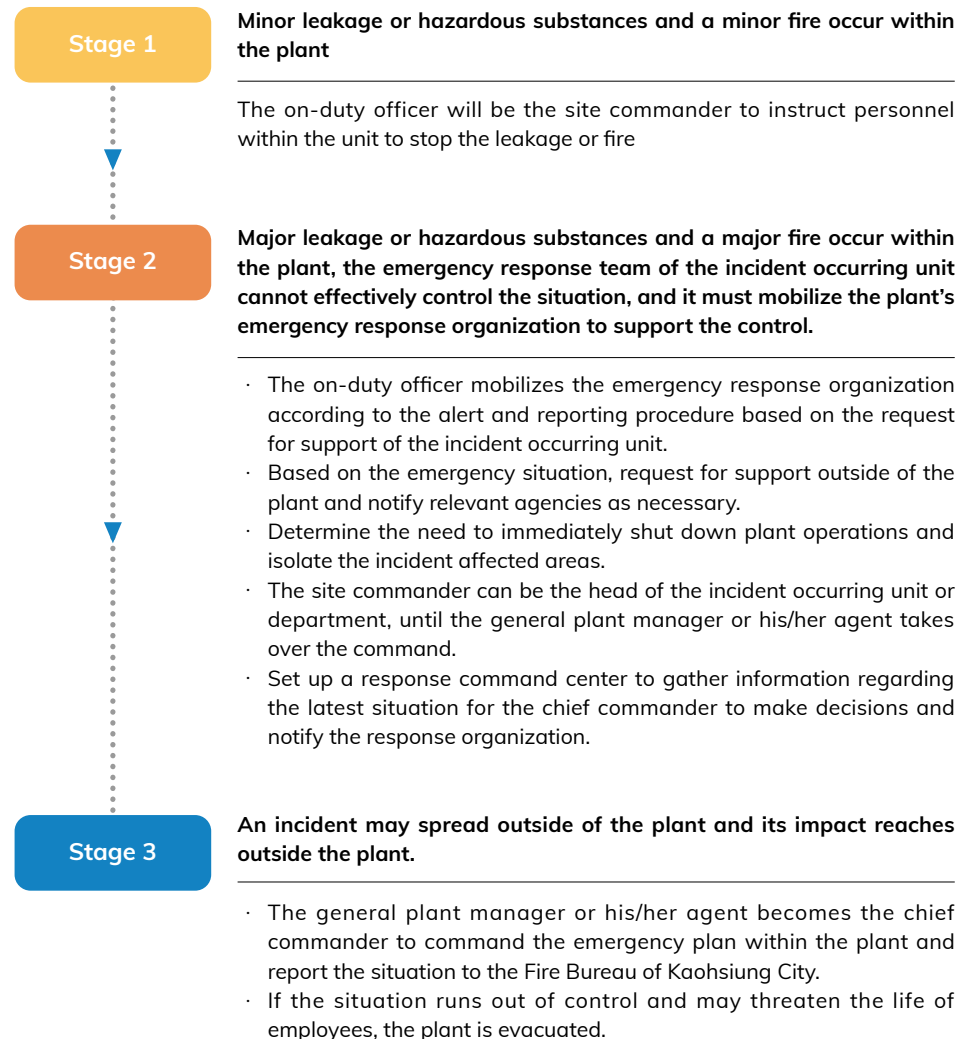


• Workplace Health and Safety Operations

We team up with the Taiwan Responsible Care Association (TRCA) and the Renda Industrial Park Health and Safety Promotion Association to promote occupational health and safety, and environmental protection together and learn from one another in order to improve the protection of employee health and safety. In addition, we organize fire drills and occupational safety education and training activities every year to develop the emergency response skills and self-safety management ability of employees.



Based on the production activities of the Kaohsiung Plant, we have established emergency response procedures for raw materials (chemical) leakage, fire, explosions, and earthquakes. In addition, we have classified incidents into three levels and have planned different response stages. When the level of an incident rises, the stage of response also rises. The three stages of response are as follows:



Disability Injury and Absenteeism of Employees

Given that “zero industrial accident” is our objective for occupational accident management, disability injury and absenteeism are two key indicators for evaluating occupational health and safety within an organization.

Between Jan 1 and Dec 31, 2018, the Kaohsiung Plant achieved no disabling injury for a total of 788,502 hours. In addition, no occupational accident was reported in the Taipei office, Linkou R&D Division, and Tainan Office in 2018 (Table 1), nor was any injury incident of contractors reported (Table 2). (GRI 403-2)

Table 1: OHS Management Performance Indicators 2016-2018

Item / Year	OHS Management Indicators					
	2016		2017		2018	
	Male	Female	Male	Female	Male	Female
F.R.	0	0	1.31	0	0	0
S.R.	0	0	39	0	0	0
F.S.I.	0	0	0.22	0	0	0
Incident rate (IR)	0	0	0.262	0	0	0
Lost Day Rate (LDR)	0	0	7.9	0	0	0
Occupational Disease Rate (ODR)	0	0	0	0	0	0
Work-related deaths	0	0	0	0	0	0

Note:

- All employees (full-time employees only)
- Disabling injury frequency rate (F.R.) = Injury frequency × 1,000,000 hours worked /total hours worked.
- Disabling injury severity rate (S.R.) = Injury days lost × 1,000,000 hours worked /total hours worked.
- Frequency severity index (F.S.I.) = $\sqrt{[(F.R \times S.R.) / 1000]}$
- Injury Rate (IR) = Total# of injuries × 200,000 /Total hours worked
- Lost Day Rate (LDR) = Total number of lost days × 200,000 /Total hours worked
- Occupational Diseases Rate (ODR) = Total number of occupational disease cases × 200,000 /Total hours worked

Table 2: Contractor OHS Management Performance Indicators 2016-2018

Item / Year	OHS Management Indicators					
	2016		2017		2018	
	Male	Female	Male	Female	Male	Female
Injury Class						
· Temporary	0	0	0	0	0	0
· Partially Permanent	0	0	0	0	0	0
· Permanent	0	0	0	0	0	0
Injury Rate	0	0	0	0	0	0
Work-related Deaths	0	0	0	0	0	0

Absenteeism Rate

Year	2018	
Gender	Male	Female
Absenteeism rate	0.328%	0.565%

Note: Absenteeism rate (AR) = Total days lost due to absenteeism in the period / Working days available in the period × 100%

Total days lost due to absenteeism: Based on the 2018 statistics on the length of sick leave, personal leave, menstrual leave, and home care leave provided by the HR.

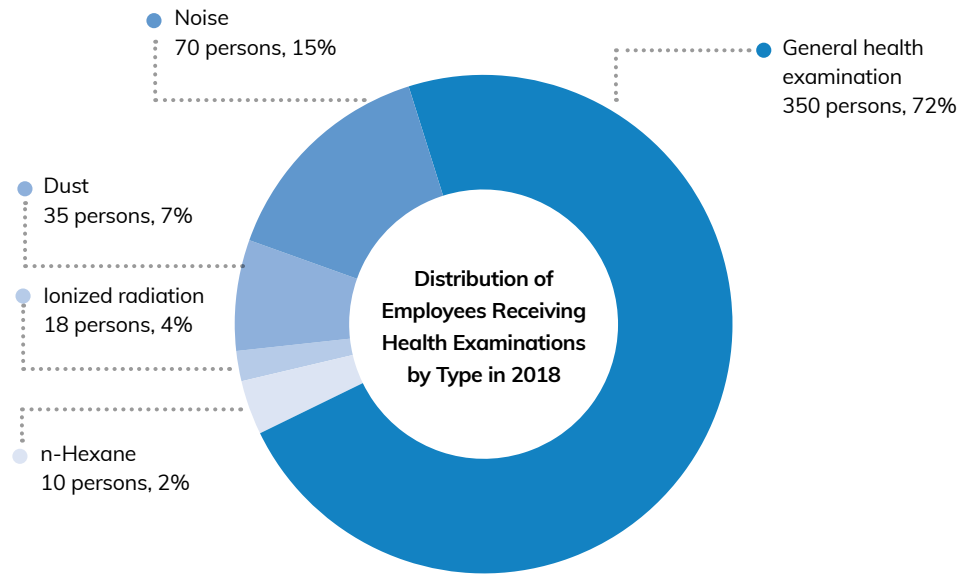
Working days available in the period: The actual number of days worked in 2018: 249 days.

Number of employees in 2018: Male 445 persons, female 38 persons, totaling 483 persons.

Care for Employee Health

Health examination: We arrange one health examination for employees regardless of age every year according to Article 15, Chapter 3, Rules for Labor Health Protection. Through well-planned health examinations, we ensure that every employee can check on their health condition and make early intervention of potential illness to achieve the objective that prevention is better than cure. We also arrange one special

health examination each year for employees engaging in special work exposing to noise, dust, n-hexane and ionizing radiation. In 2018 a total of 133 employees received special health examination. Through a well-established health risk grading and management system, we ensure early discovery of employees with a higher incidence rate. Through continual source improvement and terminal health care, we build a healthy and comfortable work environment for employees. (GRI 403-3)



Note 1: The total number of employees qualified for the health examination in 2018 was 483 persons (Taipei Office and Kaohsiung Plant), with a 98.4% examination rate.

Note 2: All employees received the general health examination, other items are additional special examinations.

Employee family: We offer free physical examination for the spouse of officers, and the family of other employees may enjoy the same discount as employees in self-financed health examinations.

Community resident: We care about the disease prevention and risk control of residents in local communities. Therefore, we purchased one new RTO and one TO to reduce VOC emissions and changed boiler fuel from fuel oil to natural gas to reduce PM2.5 emissions, in order to maintain the air quality of local communities.

Health promotion

1. To extend care for employee health, we arrange mid-year short tours and club activities (cycling club, table tennis club, basketball club, karaoke club, hiking club, etc.) to promote friendship for employees and relieve their work stress to achieve health promotion.



2. Employee health service physicians offer in-house service, health consultation, and health talks, hoping to encourage employees to care about and manage their health voluntarily through talks on physical and mental health.
3. Employee health service nurses compile new findings in health and medicine every month, measure blood pressure for employees across the plant, and offer health education for employees to encourage them to care about health voluntarily.
4. We encourage employees to develop regular exercise habits and passed the Boost Enterprise Certification of the 2018 Sports Administration, Ministry of Education. We were awarded by Vice President Chien-jen Chen KSG KHS.

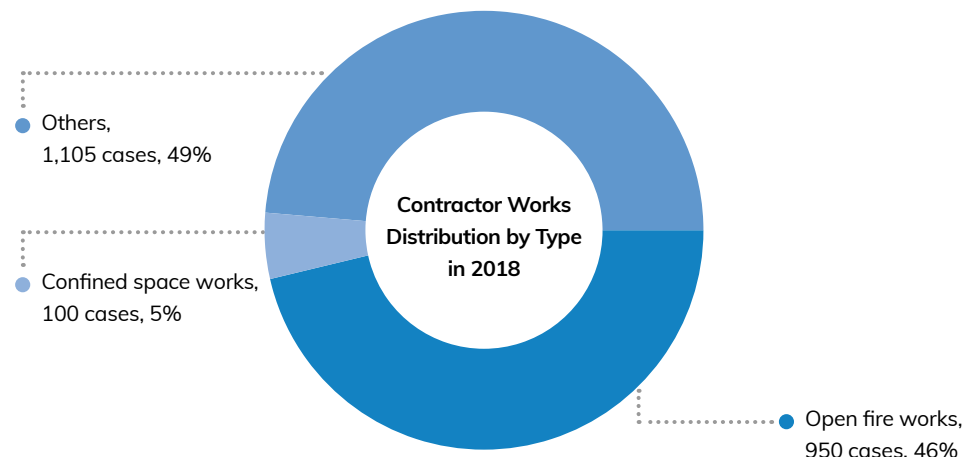


5. In 2018 we organized the three-month USI Cup Weight Loss Competition. A total of 43 employees from Taipei, Linkou, and Kaohsiung lost a total of 115kg, and each of the first two prizewinners lost 15kg.



• Contractor Safety Management

To us contractor safety management and supplier safety management are equally important. Therefore, we have established the Contractor Management Regulations and the Contractor Entry Management Manual. Both documents include industrial safety education and training before project construction, and only those who pass safety certification can perform contracts at USI. To strengthen safety supervision during construction, we have established the Labor Health and Safety Tour Inspection Regulations to implement EHS tour inspections every day within the plant to improve the safety of all processes and ensure the safety, life and health of employees. Before implementing high-risk work, we run a risk assessment process to identify hazards, assess risk, take precautionary measures, and review the emergency response plan. We also hold communication and coordination meetings with contractors from time to time to ensure operation safety. In 2018, the accident rate per one thousand persons at the Kaohsiung Plant was zero.



Note: Contractor accident rate per 1,000 persons = Total number of contractor accidents/ total number of contractors x 1,000

• EHS Education

Education, training, and publicity are the foundations in promoting EHS awareness to employees and contractors. By establishing the "Labor Health and Safety Education and Training Regulations," we provide knowledge and skill training for different categories of employees and contractor personnel based on actual needs. In 2018, we provided 134 sessions of EHS education and training for 1,365 persons, totaling 1,576 hours.

Statistics on EHS Education and Training 2018

Type	Hours / Person	Sessions	Person	Total Hours
New employee training	6	10	23	138
On-the-job training	3	3	48	144
Contractor training	1	121	1,294	1,294

We conduct on-site tour inspections every day and clean up the environment regularly. We close all containment facilities on sunny days and open them on rainy days to prevent water deposition. We also keep gutters dry and clean in ordinary times. Therefore, no dengue fever was reported in the Kaohsiung Plant in 2018.

5.3 Workforce Structure

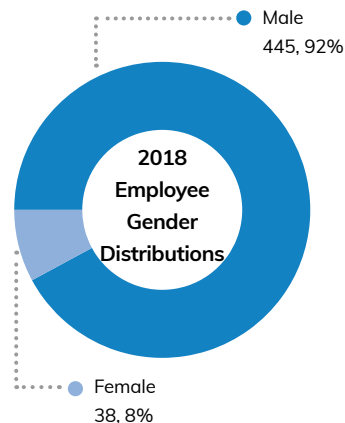
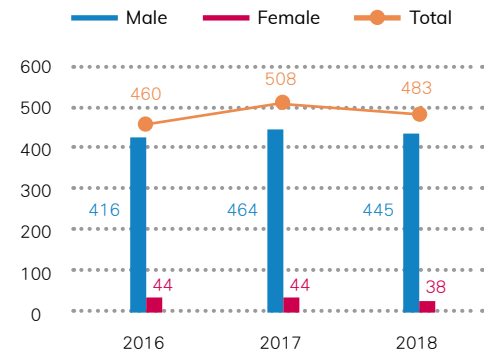
2018 Personnel Data (GRI 102-8)

Employees	483 persons, Male 445 persons (approx. 92%), female 38 persons (approx. 8%)
Average age	43.4
Average service length	14.2 years
Summary	<ol style="list-style-type: none"> We hire employees from Taiwan, mainly distributed in the Taipei and Kaohsiung areas. Except for employees of different business attributes, such as advisors (consultants) and experts with whom a fixed-term employment contract is signed, we sign non-fixed-term employment contracts with all full-time employees. We hired three people with disabilities in 2018, accounting for approximately 0.6% of total employees. About 83% were college and university graduates.

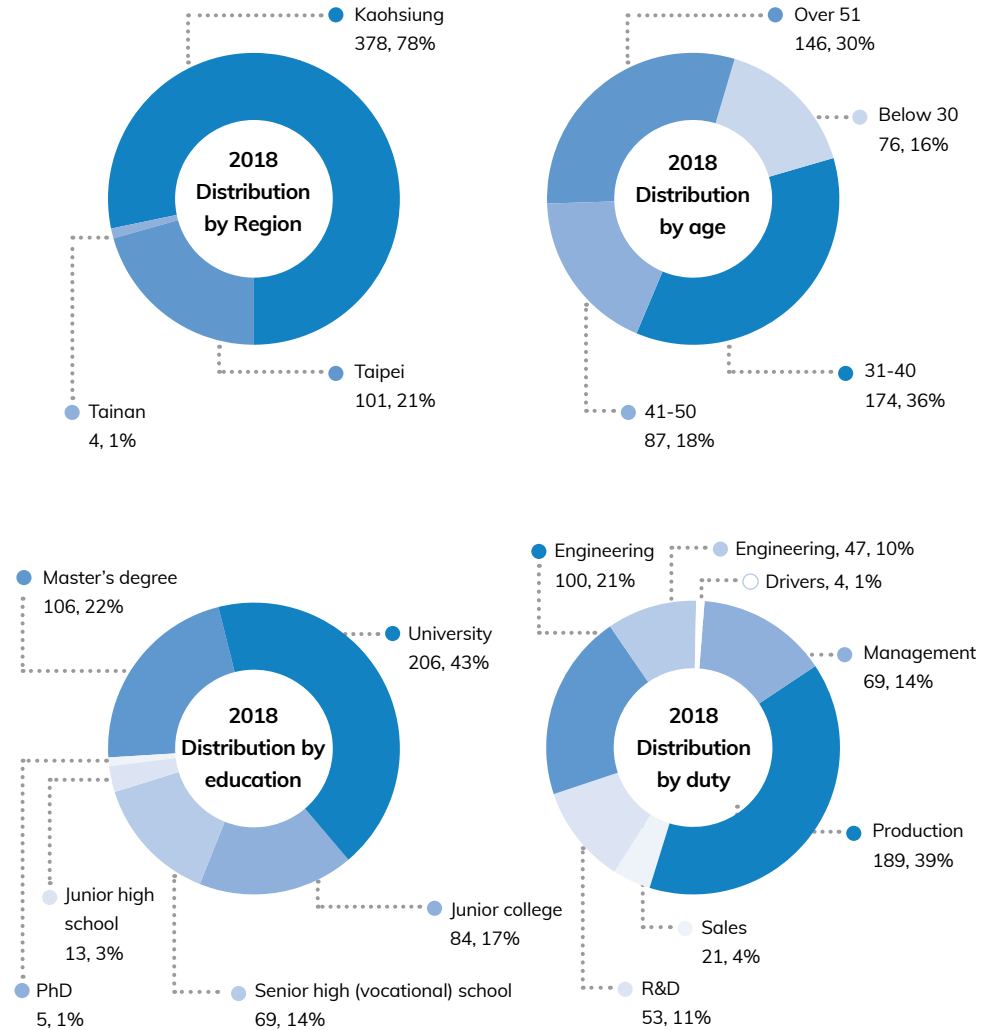
Note1: Due to the characteristics of the petrochemical industry where male employees are more than female employees.

Note2: Personnel data were obtained from the human resources system.

Number and Gender Distributions of Employees in the Last 3 Years (unit: persons)



	Taipei		Tainan		Kaohsiung	
	Non-fixed-term contract employees	fixed-term contract employees	Non-fixed-term contract employees	fixed-term contract employees	Non-fixed-term contract employees	fixed-term contract employees
Male	73	4	2	0	365	1
Female	21	3	2	0	12	0



5.4 Employee Turnover (GRI 401-1)

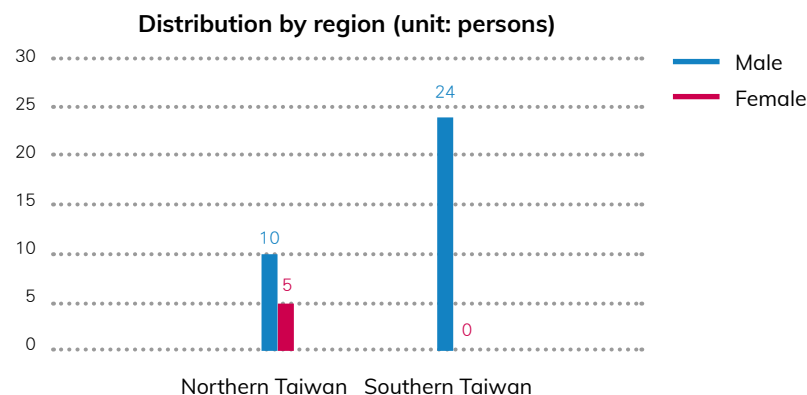
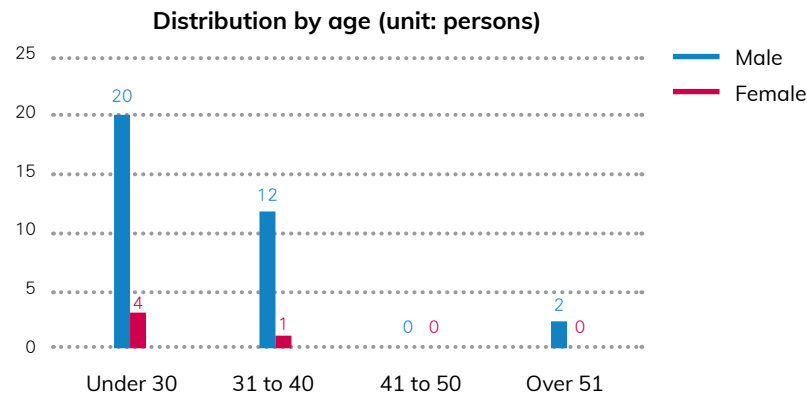
• Recruitment, Hiring, and Evaluation

To stabilize human resources, we recruit excellent talents with a fair, open, transparent and efficient recruitment system in order to build a strong organization. In addition to maintaining diversity and equal opportunities, we do not engage in discrimination based on race, color, age, gender, sexual orientation, gender identity and expression, ethnicity or national origin, disability, pregnancy, religion, political affiliation, union membership or marital status in hiring. In routine operations, we maintain workforce composition control and workforce structure balance and we analyze and improve employee turnover.

When new or existing positions need to be filled or the workforce needs to be expanded due to business needs, organizational planning or employee resignations, the workforce-requesting unit must complete the "Personnel Replenishment Request Form." After the request is approved, we will first recruit personnel from within the organization or transfer eligible candidates by announcing the openings over the intranet or by email. With the approval of their current supervisors, active employees interested in such openings may voluntarily submit their resume to the human resources unit. After further screening, the human resources unit will forward the resumes of eligible candidates to the supervisor of the requesting unit to provide multiple options to the unit and a better career development mechanism for employees. We also recruit employees from outside of the organization through newspapers, human resources websites, human resources consulting agents, schools and employment service stations. For job openings at the Kaohsiung Plant, we give priority to local citizens as a way of giving back to the local communities.

Except for higher management, such as vice presidents and higher-level officers, and fixed-term contract employees who do not need performance evaluation, all employees receive a performance evaluation at planned intervals.

In 2018, we hired a total of 39 new employees, accounting for 8.07% of all employees. The tables below show their distributions by gender, age, and region.

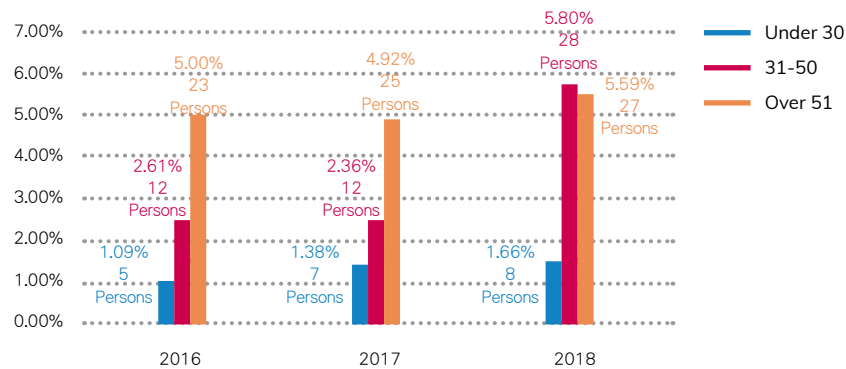


• Turnover Rate

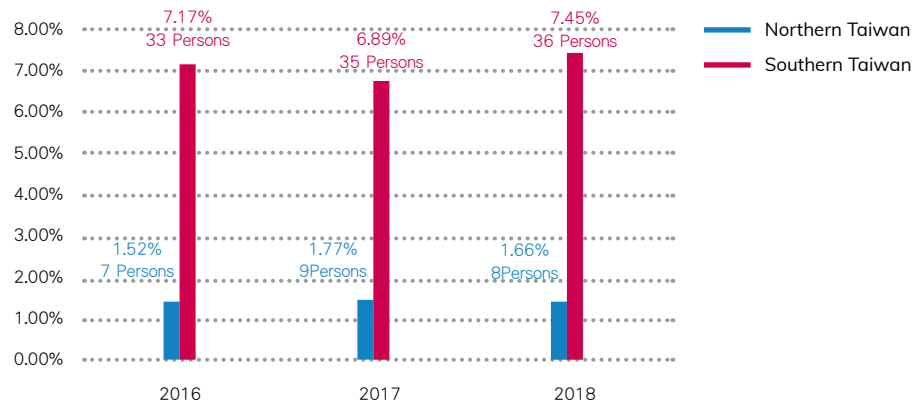
All employees are free and have the right to leave work at any time or terminate their employment by law. Their labor conditions are subject to local laws and regulations, including minimum wage, working hours, overtime pay, Labor Insurance, National Health Insurance, redundancy pay and pensions. We also provide employees with group insurance and various employee benefits.

In 2018, a total of 63 employees resigned (including 22 retired), including 11 female employees. Workforce optimization and the company rotation policy are the main cause for employee turnover in 2018. As some employees were transferred to affiliates for training, the turnover rate of employee aged 31-50 in northern Taiwan was higher.

Distribution of Turnover Rate by Age in the Past 3 Years



Distribution of Turnover Rate by Region in the Past 3 Years



5.5 Employee Rights and Interests

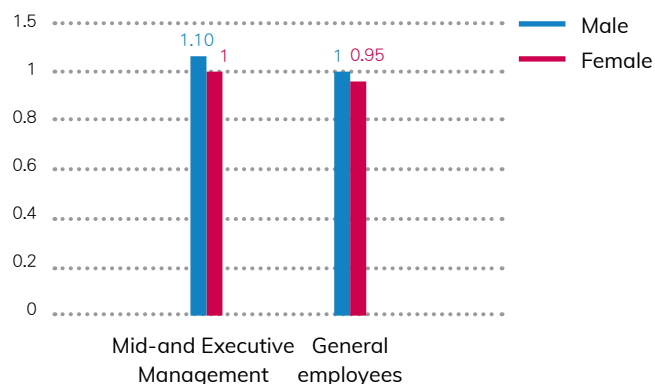
Employee rights and benefits are our focus, and every USI employee are entitled to the following benefits: (GRI 401-2)

Item	Content
Bonus	Year-end bonus and performance bonus
Leave	Parental, menstrual, family care and paternal leaves.
Insurance	Labor Insurance, National Health Insurance, travel insurance for business trips, employee/dependent group insurance, pension contributions
Food	Employee canteens and meal allowances.
Transport	Employee parking spaces and travel allowances
Entertainment	Employee gym, employee tours, and regular employee gatherings.
Allowances	Subsidies for on-the-job training, domestic/overseas further education
Other benefits	Wedding/childbirth/funeral subsidies, employee tour subsidy, citation for senior employees, bonuses for three major folk festivals, children education allowance, employee savings plan, periodic health examination and healthcare plan.

• Employee Compensation Plan

Upholding the belief to share profits with employees, we attract, retain, cultivate and encourage all kinds of outstanding talents and have established a comprehensive and competitive employee compensation plan. All new employees are paid better than the statutory minimal wage. Allowances vary according to the position and educational attainment of employees. The year-end bonus is distributed according to the employees' performance. Most importantly, the base salary is equal regardless of gender. Due to the characteristics of the petrochemical industry, the proportion of wage for female and male employees is slightly different. To stabilize the workforce and retain outstanding talents, apart from adjusting the pay for employees according to the consumer price index and personal performance of the employees every year, we participate in a compensation survey of the petrochemical industry to estimate pay standards in the market to make appropriate adjustments and planning. We also give a special raise to employees with outstanding performance to ensure that our pay is competitive with the market.

2018 Ratio of Salary and Remuneration of Women to Men



Note 1: The base for female employees is "1," including wage, bonuses and benefits. The calculation does not include contractual employees.

Note 2: The entry pay for inexperienced employees is 1.65 times of Taiwan's 2018 minimum wage.

Information of the Salary Non-officer Full-time Employees

Item	Content	2018	Difference from the previous year
1	Number of non-officer full-time employees	462	16
2	Average salary of non-officer full-time employees (NT\$ thousands)	1,020	-109

• Health Care Benefits

Every year we arrange periodic health examinations for employees. Our Taipei Office is equipped with a gym and the Kaohsiung Plant has qualified nurses who offer lifestyle advice and medical assistance to the employees there. We provide menstruation leave and individual breastfeeding space for female employees and have cooperation with kindergartens and educational organizations to provide daycare services for employees. In addition, we periodically organize outdoor activities for employees to maintain a balance between work and life.

To fulfill the need for parental leave, employees with children under three can apply for parental leave. In 2018, four employees applied for parental leave for the term of half a year, and one of them was reinstated in accordance with the leave schedule. We have made perfect re-instatement plans for employees. When an employee is re-instatement after a leave of absence, we will arrange re-instatement training and education for her or him to protect their right to work and ensure that she/he can smoothly return to work. (GRI 401-3)

Item		Male	Female	Total
Year Status	Number of employees entitled to parental leave	2	2	4
	Number of employees took parental leave	2	2	4
Return to work Status	A) Total number of employees due to return to work after taking parental leave and did return to work	0	1	1
	B) Total number of employees that did return to work after parental leave	0	1	1
	Return to work rate=A/B	0	100%	-
Retention Status	C) Total number of employees retained 12 months after returning to work following a period of parental leave	0	0	0
	D) Total number of employees returning from parental leave in the prior reporting period	0	1	1
	Retention rate=C/D	0	0	0

• Pension Contribution (GRI 201-3)

We have established a set of retirement regulations for all full-time employees and contribute every month to the employee pension reserves to the personal pension account at the Labor Insurance Bureau for each employee in accordance with the Labor Standards Act. Please refer to the information on the retirement benefit plan disclosed in Note 23 of the 2018 individual financial statement for details.

https://www.usife.com.tw/USIWebFiles/Meeting/Finance4I_107.pdf

Item	Proportion of Contribution	Employee Participation in the Retirement Plan
Pension under the Labor Standards Act (old system)	Employer contribution: 12% of the employee's monthly wage.	100%
Pension under the Labor Pension Act	Employer contribution: 6% of the employee's monthly wage. Employee contribution: 0-6% of the employee's monthly wage.	100%

• Labor Union

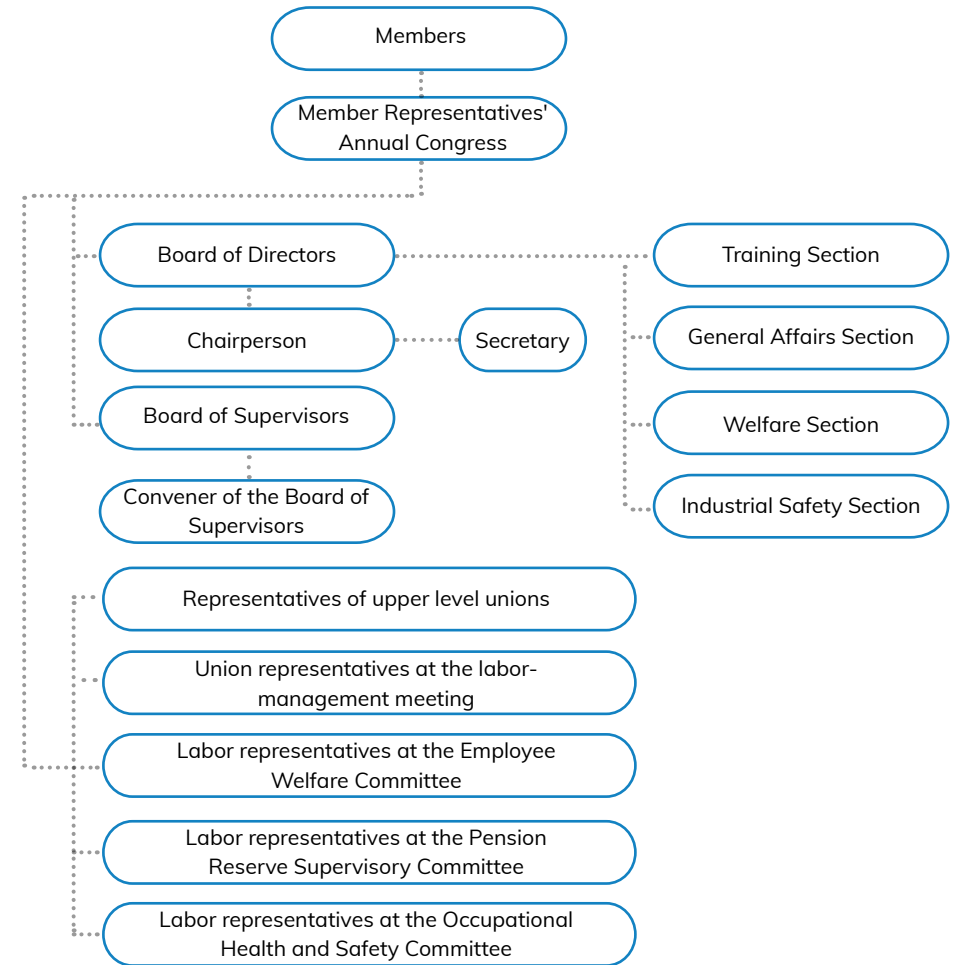
We have a labor union and protect the right to collective bargaining and freedom of association of the employees. This fully demonstrates our determination to uphold labor rights and benefits. Every year, representatives elected by the employees attend the “labor-management meeting” held periodically by the management to negotiate and discuss matters relating to labor conditions and employee welfare. In addition, relevant officers from management attend the “board meeting” and the “member representatives’ annual congress” held by the union to listen to the voices and appeals of employees and engage in face-to-face communication with the member representatives in order to arrive at a consensus, promote labor-management cooperation and create a win-win situation for both parties through this process.

By the end of 2018, the union had a total of 359 members, including 11 females and 348 males. Except for the unit heads and personnel affairs staff of the Taipei Office and the Kaohsiung Plant who did not participate in the union, all employees of the Kaohsiung Plant are union members, with a 100% participation rate. In addition, representatives of labor and management have formed the “Pension Reserve Supervisory Committee,” the “Employee Welfare Committee,” and the “Occupational Health and Safety Committee.” These committees hold meetings at planned intervals to provide a channel for labor and management to communicate and thereby maintain labor rights and interests. (GRI 102-41)

2018 Member Representatives' Annual Congress



2018 Labor Training and Education



• Employee Welfare Committee

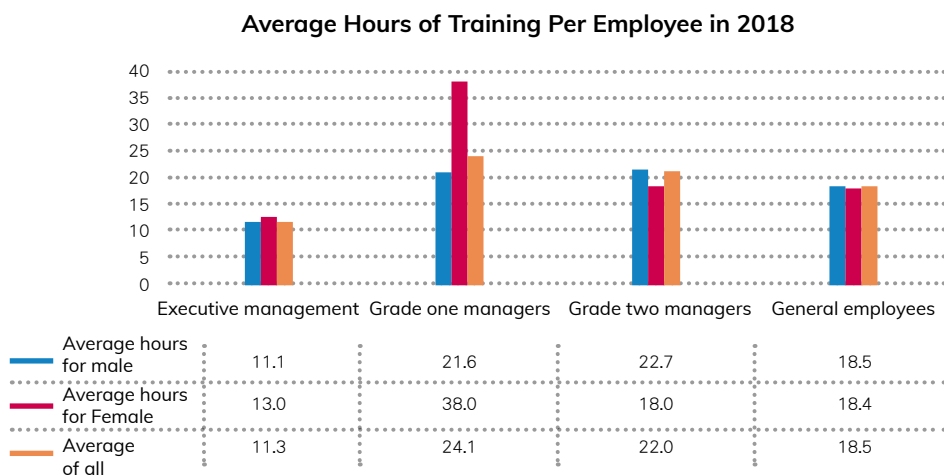
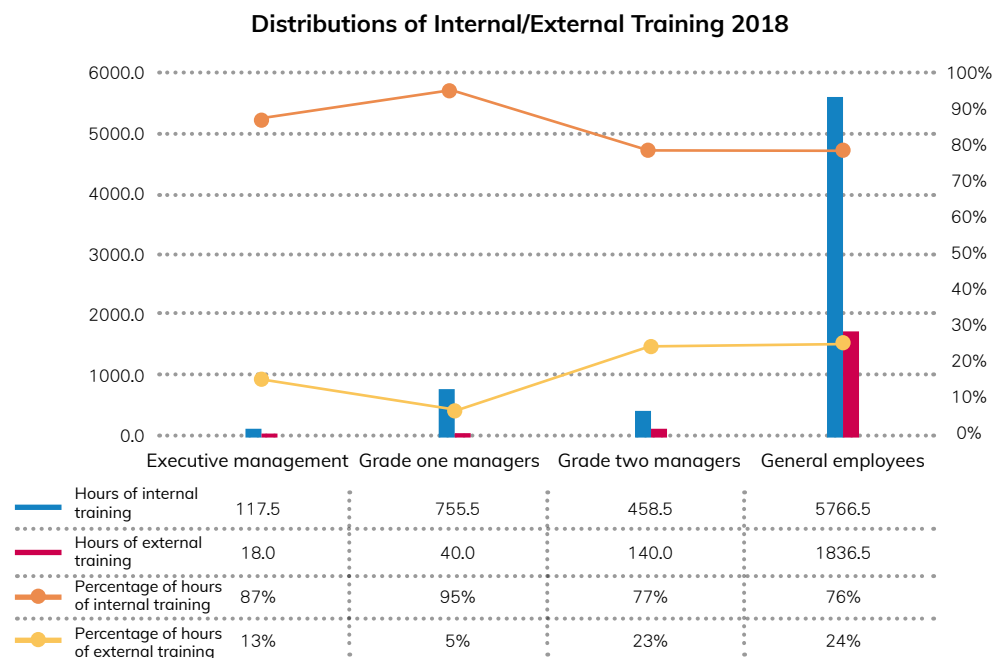
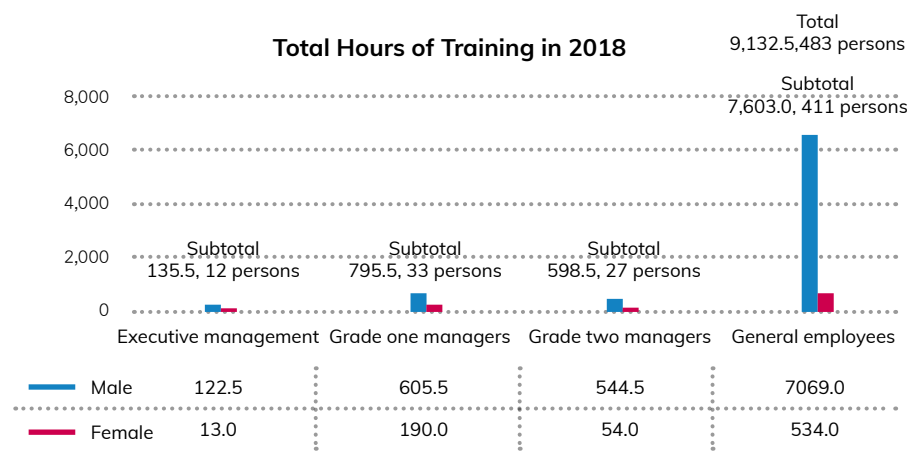
Every month we contribute 0.15% of our sales turnover to the “Employee Welfare Committee.” The fund is used for subsidizing employee tours, the education and entertainment and scholarships of preschoolers of employees to reward the effort and hard work of employees. In terms of employee clubs, we have 11 employee clubs so far, including a badminton club a baseball club, a table tennis club, a tennis club and so on. The company and the Employee Welfare Committee guide and sponsor them. Employees can relieve their work stress, promote their health with club activities, and thereby improve their organizational commitment.

5.6 Talent Cultivation and Development

• Education / Training

In 2018, we offered a total of 9,132.5 hours (including training courses participated by employees and organized by the group) of training activities, with a total expense of about NT\$560,000. We sponsor employees with higher learning motivation and greater development potential to receive further education in universities at home and abroad and arrange duty adjustment to give them complete training and cultivate talents for the company. (GRI 404-1)

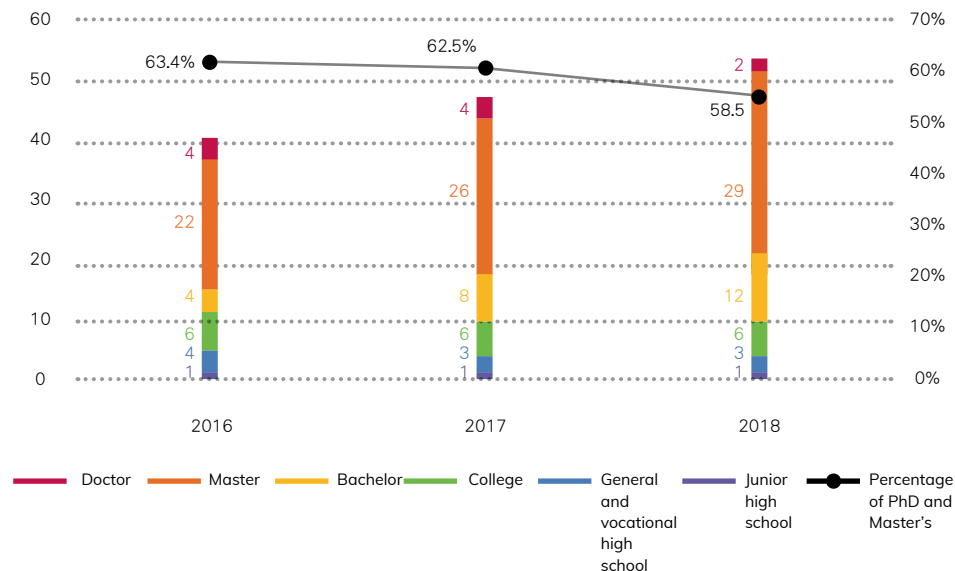
As shown in the distributions of internal training and external training, we offer well-planned internal and external training resources to employees. Apart from hiring external professional instructors to give classes in the facility, employees may apply for training at external professional training organizations through the online application system.



• R&D Personnel Training and Planning

To cultivate important R&D talents, we will promote R&D personnel who pass the performance evaluation and with organizational management ability to managerial posts. Those who are fond of R&D can develop specialties in their R&D work. We also have a well-established job rotation system. After R&D personnel have worked in an R&D position for some time, we will transfer them to technical support to interface with customers in order to cultivate all-round R&D talents with comprehensive knowledge and skills. For draftees taking R&D alternative service with outstanding performance in the annual performance assessment, we will notify them of job opportunities at USI when they are released after the third year of their service. In 2018, we hired 53 R&D staff members, which together make up 11% of all employees. All R&D personnel hold a master's degree or higher.

Distribution of Education Attainment of R&D Personnel in the Past 3 Years



• Diversified and Complete Employee Development Framework

We provide employees with a diversified and complete development framework for them to make well development in management, engineering, or other specialties based on personal traits and expertise. In addition, we encourage employees to make voluntary career planning with transparent information of internal job openings and respect for their transfer intention. In promotion, instead of seniority, potential is always our first priority. Therefore, we put "potential" one of our important evaluation items.

Through work planning and performance management, we establish the "overall performance and talent development system" for business units to optimize their key missions, for departments to fully demonstrate their functions, and for business units to constantly acquire and capture competitive strengths.

The system for "overall performance management" builds key performance indicators and performance association in the "company → department → post" cycle. The anticipated outcomes are:

- Establish a systematic employee development mechanism.
- Capture the performance and potential of medium- and higher-level employees to secure successor sources.
- Ensure the development of medium- and higher-level employees to extend the organizational leadership style.
- Select and appropriately and timely guide employees and given them training opportunities.
- Review individual performance and development potential to ensure the development of management personnel and smoothen the road to career development.

Establish a diversified and complete employee development framework, strengthen supports for HR-related systems, and provide employees with a suitable environment for development.

- Define the difference between management and engineering jobs and implement performance assessment and development procedures.
- Provide different professional training courses for management and engineering officers.
- Ensure equality in promotion through the Employee Review Committee.

Workforce Development Framework



5.7 Community Involvement

• Community Care

In addition to caring for the education of the vulnerable, education in remote areas, and environmental education, upholding the spirit of “Giving Back”, we spare no effort to express our care for the communities, local groups, and schools in the vicinity of the Kaohsiung Plant to maintain and develop positive relationships with these neighbors.



Community support

Communication development associations, education and culture, volunteer police and firefighters, community groups, local folk festivities and emergency relief.



Job opportunities

Where appropriate, we hire nearby residents for job openings and encourage contractors to hire nearby residents.



Community involvement

Community activities, group representatives, environmental protection groups, religious activities

Contributions to Communities Around Kaohsiung Plant in the Past 3 Years (NT\$)

Year	2016	2017	2018
Religion and culture	61,000	51,000	35,000
Communities and social groups	120,000	128,000	111,150
Volunteer police and volunteer firefighters	37,000	25,000	155,000
Schools and education	75,232	192,370	86,700
Community development associations	202,999	189,000	204,000
Emergency assistance	16,000	0	0
Total	512,231	585,370	591,850

- Mountain Cleanup



- USI Cup Tennis Tournament



• Club Slow-Pitch Softball Invitational Organized by the Kaohsiung City Confederation of Trade Union



• Industry-Academy Cooperation

In response to declining student numbers in recent years, schools are developing more sophisticated and unique education approaches and programs to provide students with a high-quality and comprehensive learning environment. In the context of these population and education trends in the Renwu and Dashe districts, our Kaohsiung Plant and other 13 other plants (including Formosa Plastics Renwu, the Chang Chun Group, and the Dashe Industrial Park Enterprises Association) of Renda Industrial Park and the Renwu Senior High School have established an industry-academy cooperation model to cultivate a talent base for the future and for local schools to develop dynamic learning models and strengthen their ability to attract more top students through their linkages with enterprises.

This cooperation model among industry, government and academe aims to develop high-caliber students with market-relevant skills and sound employment prospects. Enterprises will have direct access and warm relationships with specifically trained talent, and they can develop positive relationships with neighboring communities in a substantial way. Moreover, the government can promote local prosperity, close the urban-rural gap, bolster regional economic development, and minimize brain drain. Thus, the project will produce a win-win-win situation for the students, schools, enterprises, communities and the local government.

“Kaohsiung Renda Petrochemical Talent Stream” Cooperation Program

Period	August 1, 2018 to July 31, 2023 (three graduation classes for five years)
Partner	Kaohsiung Municipal Renwu Senior High School
Target	Students with household registrations in Renwu, Dashe, Dashu, Niaosong, and Nanzi districts near Renda Industrial Park, 35 tenth graders a year.
Internship	<ol style="list-style-type: none"> 1. In addition to the general tenth grade curriculum, electives relating to the petrochemical industry and professional ethics are emphasized. 2. Students on the program will visit USI during the summer break or on Saturdays to further understand the industry and job environment
Vacancy	10 students each year, totaling 90 for three graduation classes in five years.
Scholarships and grants	<p>Three graduation classes in five years: NT\$1.08 million</p> <p>Subsidization for the hourly pay for professional courses in three years: NT\$330,000</p> <p>USI sharing for three graduation classes in five years based on the program MOU: NT\$140,000.</p>
Preferential hiring	<ol style="list-style-type: none"> 1. USI will recommend one student from the top-ten graduating students from relevant college departments to other Ren Da Industrial Park Service Center companies that are partners of the 2. Renda Petrochemical Talent Stream program to serve as trainee. Students who choose to further their studies will be priority candidates for hiring by companies in the Ren Da Industrial Park Service Center as long as they pursue studies in relevant disciplines.
Summary	<ol style="list-style-type: none"> 1. The first Kaohsiung Renda Petrochemical Talent Stream program ended in 2018 with brilliance performance. Of the total of 27 graduates, 26 enrolled to the Star Plan, and 24 of them were accepted, with an acceptance rate up to 92%, and ten of them were even accepted by national universities and medical schools. 2. With eye-witnessed acclaim of the first Kaohsiung Renda Petrochemical Talent Stream program, the contract of the second program was signed on April 20, 2018 and initiated in August.



Presentation of the 2018 scholarship and industry visits



Contract execution of the second Kaohsiung Renda Petrochemical Talent Stream program



Biology exploration and practice



Program students in a seminar with the CEO of the High-Value Petrochemical Industry Promotion Office.



Summer R7 Printing Research Institute visit



Professional petrochemical course from I-Shou University

In addition, to implementing the government's high-value petrochemical industry policy, we have been aggressively developing relevant high-value products in recent years through industry-academe (also research institutions) collaboration. These academic or research institutions included the Industrial Technology Research Institute (ITRI), the Plastics Industry Development Center (PIDC), and the National Chung Cheng University. The scope of research and development covers the preparation of raw materials, process optimization, product processing or modification and development of product applications. In addition, we launched an internship program ended in April 2018 with the Department of Chemical Engineering, National Chung Cheng University.

5.8 USI Education Foundation

The USI Education Foundation was established on December 30, 2011 funded with donations from USI and APC. The foundation officially started operations in 2012 to promote educational charitable affairs, with a focus on the care for the education of the disadvantaged, in remote areas and environmental protection. The foundation advances its goals by establishing scholarships and grants, donating to charities and sponsoring educational and charitable activities.

To further expand the scale of charity, CGPC and Taiwan VCM Corporation (TVCM) joined the foundation in 2017. In 2018, Taita Chemical Co., Ltd. also joined the foundation to enable investments of more resources in rural education and environmental sustainability in order to give back to society.

In 2018, USI Education Foundation sponsored various activities with a total amount of NT\$8.94 million, including NT\$1.25 million for scholarships and grants; NT\$0.5 million for service activities of colleges and universities; NT\$1.5 million for the Alliance Cultural Foundation and NT\$4 million for Junyi Experimental High School; NT\$1.24 million for other charitable educational groups.

Expenditure on Sponsoring of USI Education Foundation in 2018

Item	Amount (NT\$10K)
Scholarships and grants	125
Service activities of colleges and universities	50
The Alliance Cultural Foundation	150
Junyi Experimental High School	400
Other educational activities	124
Total	849

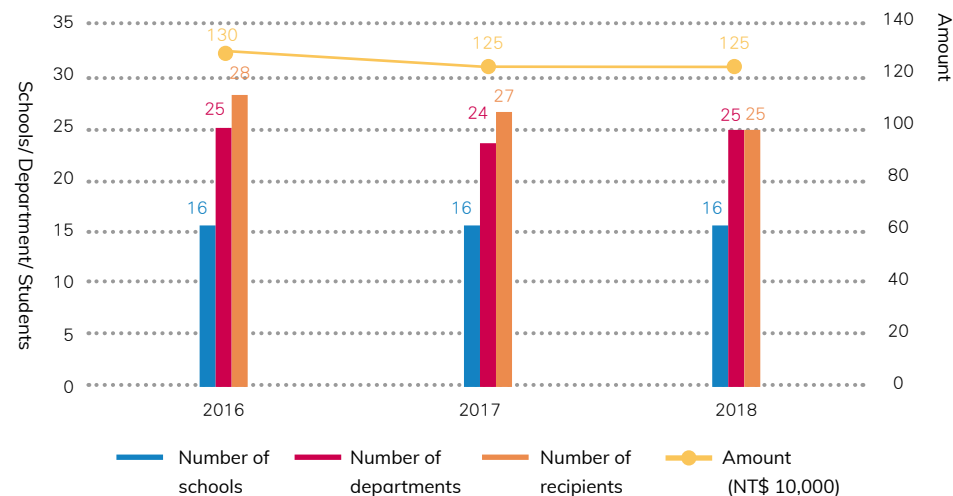
Scholarships and Grants

We offer scholarships to students from low-income families with outstanding performances and specializing in chemical engineering, materials science, environmental science and ecology-related disciplines of over a dozen public and private universities to promote education and talent cultivation in related fields, encourage university students of related disciplines to study hard and cultivate outstanding industrial talents for society.

In 2018, we offered scholarships and grants totaling NT\$1.25 million to 25 students from 25 departments of 16 public and private universities, including 4 from doctoral programs, 17 from master's programs, and 4 undergraduates; 15 of them were from low-income families.

Since the establishment of our scholarships and grants, we have offered a sum of NT\$8.35 million, and the number of disciplines has been expanded from 19 to 25. We will offer scholarships and grants to more outstanding students from low-income families.

Distribution of Scholarships and Grants 2016-2018



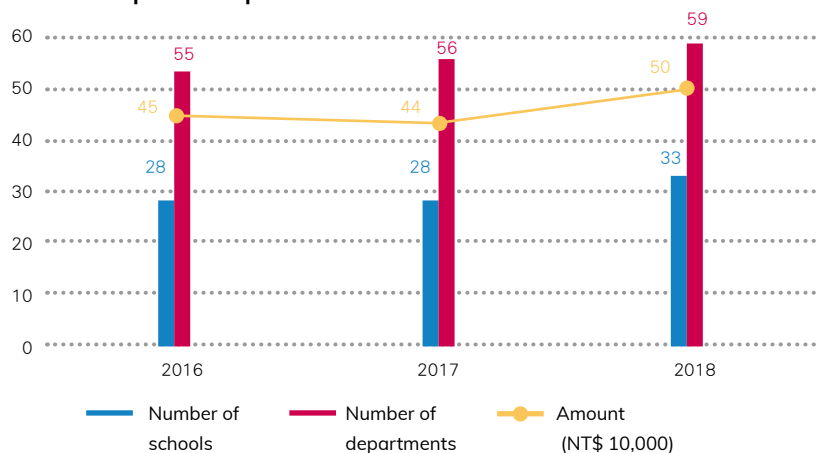
• Sponsoring Service Activities of Colleges and Universities

To encourage college and university clubs to provide educational services for the disadvantaged, in remote areas, and about environmental protection, the USI Education Foundation sponsors clubs officially registered under colleges and universities.

The foundation sponsors a wide variety of educational services, covering language, mathematics, natural sciences, social studies, arts and culture, life counseling, physical exercise, character building, ICT, environmental education, etc. In doing so, we hope to provide more diversified education for the disadvantaged and those in the remote areas through high-quality club activities and human resources programs of colleges and universities.

In 2018, the foundation sponsored 59 activities from 33 schools out of 118 applications from 44 schools for a total sum of NT\$500,000. Over the past seven years, the foundation has sponsored activities for a cumulative amount of NT\$2.99 million, benefitting about 8,359 volunteers and 18,302 students as participants in or recipients of the club or college services. As the number of applications increases every year, the foundation will continue its sponsorship of these activities in 2019 to encourage students to participate in social service activities.

Sponsorship of School Service Activities 2016-2018



• Alliance Cultural Foundation and Junyi Experimental High School

When Chairman Stanley Yen of the Alliance Cultural Foundation chaired Junyi Experimental High School (now Taitung Junyi Experimental High School) in 2011, he hoped to let students in remote areas enjoy equal opportunities to education and create new education value for Taiwan with the heuristic teaching method. Concurring with the care for education in remote areas of Taiwan and the sustainable development concept advocated by Chairman Stanley Yen, the USI Education Foundation sponsors the Alliance Cultural Foundation and Junyi Experimental High School to support his plans for promoting and developing education in the remote areas.

In recent years, the Alliance Cultural Foundation has progressively expanded from rural education to an administrative platform for nationwide education reformation. In 2016 it began to promote the Sharestart teaching method and organize the Sharestart Asia Conference. In 2017 the Alliance Cultural Foundation planned the Career Planning and Teaching Practice for New Teachers training program on commission of the Department of Teacher and Art Education, Ministry of Education. As a coordinator between the public sector and first-line teachers, the Alliance Cultural Foundation invited 340 well-experienced teachers to share their experience with new teachers. Each accompanied 8-10 new teachers, so that they can return to school or service at remote areas after training and receive constant support of senior teachers and peers. Furthermore, the Alliance Cultural Foundation is responsible for promoting classical music and administrative support for Taiwan Connection, in order to connect Taiwan with the world through music. The foundation also shares this with enterprises and campuses for each TC musician to undertake the mission to promote classical music, in order to improve the environment for classical music performance and appreciation in Taiwan.

In tribal youth development, the Alliance Cultural Foundation began to organize thematic learning summer camps, such as English, music, animation, and industrial design, for indigenous students of different age groups in 2010 for over 2,000 indigenous students of Hualien and Taitung to explore their talent and inspire their learning motivation. In addition, the foundation has arranged overseas exploration and training for no less than 50 outstanding (indigenous) young men from Hualien and Taitung, including the Asian Executive Management Program of Brigham Young University, the sustainable learning trip of Hawaiian culture, and Taiwan indigenous

Hualien-Taitung Youth English Camp



youth overseas study plan. With these activities, the foundation aims to let youth to find the cultural advantages and positions of their own cultures by walking into the world. In the future, the Alliance Cultural Foundation wishes to gather those sown seeds to develop Taiwanese indigenous youth leaders and bring more positive reinforcements through regular topic discussions.

Junyi Experimental High School develops youth for “good character”, “culture and art”, and “civics and critical thinking” in terms of four main core value: “effective sensory projection”, “bilingualism”, “local connection”, and “positive innovation”. After successfully transforming into a senior high school and the experimental curriculum was approved in 2015, Junyi Experimental High School stimulates students to explore with self-confidence and courage with an innovative curriculum. Through “learning from doing”, Junyi Experimental High School aims to develop various skills, such as “communication”, “collaboration”, “critical thinking”, and “creativity” required by future talents. The first graduation class ended in 2018 summer, and the school has actively established the “Innovation and Overseas Study Education Fund” to encourage talented students with outstanding academic and conduct performance and integrated potential to study overseas, learn foreign languages and professional skills, develop independent living skills and an international view, in order to develop sustainable survival ability.

Sustainable learning of Hawaiian culture



Commencement of Junyi Experimental High School in 2018



- **Sponsored China General Plastics Corporation to organize the Long Fong Fishing Port Beach Cleanup**

In support of the marine environmental protection policy of the Miaoli Environmental Protection Bureau, CGPC adopted 500m coast of Long Fong Fishing Port in Jhunan Town in 2017 by arranging volunteers to clean up the beach regularly for employees to care more about marine environmental protection issues through the coast cleanup. In recognition of marine environmental protection, the USI Education Foundation sponsored the coast cleanup expense. The second coast cleanup after the adoption took place on September 8, 2018. A total of 147 employees participated in the cleanup, including employees from the Taipei Office, to contribute to the Earth.

Employees gather rubbish on the beach.



Employees gather and sort rubbish.



- **Sponsoring Other Educational and Philanthropic Activities**

In 2018, we sponsored other educational and philanthropic activities with a total amount of NT\$1.24 million. Recipients included the Boyo Social Welfare Foundation, the Teach for Taiwan. To provide steady support for these units highly recognized by society and to continuously help more students, the USI Education Foundation will continue to support them in 2019.

1. Founded in 2002, the Boyo Social Welfare Foundation provides free “remedial teaching” after-school club services for junior high school and elementary school students from low-income families in the belief in “education give hopes for children living in poverty”, in order to achieve its mission “education beats poverty”. Five days a week and 2-3 hours a day, it equips every student from vulnerable groups with basic skills to improve their social competitiveness and give them chances to beat poverty through “right education for the right person” and strict “quality control”. The program has been running for over 16 years. Every year, the foundation invests a large amount of human and other resources in curriculum design, develop remedial teaching materials, and train parents in the community. At present, there are 18 locations to provide after-school club service for over 2,000 students.
2. Founded in 2013 by a group of activists caring for “education inequalities”, the association was inspired by the concept and model of Teach for America, hoping to create equal opportunities in education for every child. The association provides teacher training for competent youth with a sense of responsibility before sending them to teach at low-income communities in remote areas for at least two years in order to demonstrate the change from schools, families to communities and from classrooms to outside of classrooms. By doing so, the association hopes to provide every child with quality education and the opportunity to self-development regardless of their backgrounds. The association also aims to resolve the long-standing teacher shortage and high turnover rate problems in remote areas. In 2014, it sent out the first group of nine TFT teachers to eight schools in Taitung and Tainan, making this the onset of a change. To date, TFT has sent over 100 youth to remote areas, including Taitung, Tainan, Pingtung, Yunlin, Hualien, and Nantou, to help over 3,000 children from vulnerable groups.

06 Appendices



GRI Content Index 6.1

Assurance Statement 6.2

6.1 GRI Content Index

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	102-2	Activities, brands, products, and services	1.3 Products 3.4 Sales and customer services	11 43		
	102-3	Location of headquarters	1.2 Company profile	08		
	102-4	Location of operations	1.2 Company profile	08		
	102-5	Ownership and legal form	1.2 Company profile	08		
	102-6	Markets served	1.3 Products 3.4 Sales and customer services	11 43		
	102-7	Scale of the organization	3.1 Financial performance	35		
	102-8	Information on employees and other workers	5.3 Workforce structure	80		
	102-9	Supply chain	3.5 Supply chain management	46		
	102-10	Significant changes to the organization and its supply chain	--		No significant change.	
	102-11	Precautionary principle or approach	1.6 Risk management	18		
	102-12	External initiatives	1.2 Company profile	08	NA	
	102-13	Membership of associations	1.2 Company profile	08		
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	102-15	Key impacts, risks, and opportunities	1.6 Risk management 3.1 Financial performance	18 35		

GRI 102: General Disclosures 2016

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			2.2 Goals and visions for sustainable development	24	
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		102-44 Key topics and concerns raised	2.4 Stakeholder identification and communication	26	
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		102-48 Restatements of information	--	--	No restatements of information
A Great Place to Work and Care for Society	Reporting practice	102-49 Changes in reporting	2.5 Analysis and identification of material topics	29	
		102-50 Reporting period	Report profile	03	
		102-51 Date of most recent report	Report profile	03	
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		102-53 Contact point for questions regarding the report	Report profile	03	
		102-54 Claims of reporting in accordance with the GRI Standards	Report profile	03	
		102-55 GRI content index	6.1 GRI Content Index	96	
		102-56 External assurance	6.2 Assurance statement	101	

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		103-2	The management approach and its components	Chapter III Operational Performance	34	
		103-3	Evaluation of the management approach	Chapter III Operational Performance	34	
	GRI 201: Economic Performance 2016	201-1	Direct economic value generated and distributed within the organization.	3.1 Financial performance	35	
		201-3	Defined benefit plan obligations and other retirement plans	5.5 Employee rights and interests	82	
		201-4	Financial assistance received from government	3.1 Financial performance	35	
Local major investments	GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundaries	2.6 Material topics and value chain Chapter III Operational Performance 3.2 Major investments	32 34 37	
		103-2	The management approach and its components	Chapter III Operational Performance	34	
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		103-2	The management approach and its components	Chapter III Operational Performance	34	
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			Non-GRI disclosure indicators	3.3 Technology research and development	41	
Category: Environmental						
Effluents and waste management	GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundaries	2.6 Material topics and value chain Chapter IV Environment and Safety	32 52	
		103-2	The management approach and its components	Chapter IV Environment and Safety	52	

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Material Topics	Topic-specific Disclosures					
	Management Approach and Disclosures			Section	Page	Remark
Effluents and waste management	GRI 306: Effluents and Waste 2016	103-3	Evaluation of the management approach	Chapter IV Environment and Safety	52	
		306-1	Water discharge by quality and destination	4.4 Water resources management and effluent management	60	
		306-2	Waste by type and disposal method	4.5 Emissions management	63	
		306-3	Significant spills	4.5 Emissions management	63	
Air Pollution Control	GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundaries	2.6 Material topics and value chain Chapter IV Environment and Safety	32 52	
		103-2	The management approach and its components	Chapter IV Environment and Safety	52	
		103-3	Evaluation of the management approach	Chapter IV Environment and Safety	52	
	GRI 305 Emissions 2016	305-1	Direct (Scope 1) GHG emissions	4.3 Energy and GHG management	56	
		305-2	Energy indirect (Scope 2) GHG emissions	4.3 Energy and GHG management	56	
		305-7	Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	4.5 Emissions management	63	
Energy and GHG management	GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundaries	2.6 Material topics and value chain Chapter IV Environment and Safety	32 52	
		103-2	The management approach and its components	Chapter IV Environment and Safety	52	
		103-3	Evaluation of the management approach	Chapter IV Environment and Safety	52	
	GRI 302: Energy 2016	302-1	Energy consumption within the organization	4.3 Energy and GHG management	56	
		302-3	Energy intensity	4.3 Energy and GHG management	56	
		302-4	Reduction of energy consumption	4.3 Energy and GHG management	56	
		302-5	Reductions in energy requirements of products and services	4.3 Energy and GHG management	56	

Material Topics		Topic-specific Disclosures			Section	Pages	Remark
		Management Approach and Disclosures					
Category: Social							
Industrial and public safety	GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundaries	2.6 Material topics and value chain Chapter V A Great Place to Work and Care for Society	32 68		
		103-2	The management approach and its components	Chapter V A Great Place to Work and Care for Society	68		
		103-3	Evaluation of the management approach	Chapter V A Great Place to Work and Care for Society	68		
		Non-GRI disclosure indicator		5.1 Management of public and industrial safety	69		
Occupational Health and Safety	GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundaries	2.6 Material topics and value chain Chapter V A Great Place to Work and Care for Society	32 68		
		103-2	The management approach and its components	Chapter V A Great Place to Work and Care for Society	68		
		103-3	Evaluation of the management approach	Chapter V A Great Place to Work and Care for Society	68		
	GRI 403 Occupational Health and Safety 2016	403-1	Workers representation in formal joint management-worker health and safety committees	5.2 Occupational health and safety	74		
		403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	5.2 Occupational health and safety	74		
		403-3	Workers with high incidence or high risk of diseases related to their occupation	5.2 Occupational health and safety	74		
Employment relationship	GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundaries	2.6 Material topics and value chain Chapter V A Great Place to Work and Care for Society	32 68		
		103-2	The management approach and its components	Chapter V A Great Place to Work and Care for Society	68		
		103-3	Evaluation of the management approach	Chapter V A Great Place to Work and Care for Society	68		
	GRI 401 Employment 2016	401-1	New employee hires and employee turnover	5.4 Employee turnover	81		
		401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	5.5 Employee rights and interests	82		
		401-3	Parental leave	5.5 Employee rights and interests	82		
	GRI 404 Training and Education 2016	404-1	Average hours of training per year per employee	5.6 Talent cultivation and development	85	This indicator is not a material topic in this report	

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6.2 Assurance Statement

Deloitte.

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CPA Limited Assurance Statement

USI Corporation

After completing the assurance procedure of the selected target information of the 2018 Corporate Social Responsibility (CSR) Report of USI Corporation, we, Deloitte & Touche Taiwan, released this limited assurance statement. Please refer to Annex 1 "List of Assurance Items" of the target information of this assurance program.

The responsibility of the management to the CSR report

The responsibility of the management is to produce the CSR report with respect to the "Taiwan Stock Exchange Corporation Rules Governing the Preparation and Filing of Corporate Social Responsibility Reports by TWSE Listed Companies", the GRI Standards published by the Global Reporting Initiatives (GRI), and other trade-specific applicable standards. The management shall also maintain the controls in relation to the production of the CSR report to ensure the target information disclosed in the CSR report does not contain material misstatement.

The responsibility of the accountant to the CSR report

With respect to Assurance Standard No. 1 "Engagements Other than Audits or Reviews of Historical Financial Information", after expression our opinions regarding the compliance with the standards for report production in paragraph 2 for all material aspects of the target information (Annex 1) selected in the said CSR report, we released this limited assurance report. Compared to reasonable assurance, the nature of the procedure and the time of limited assurance projects are different from that of reasonable assurance projects. The former has a smaller scale as the level of assurance is apparently lower than that of reasonable assurance.

The accountant has obtained the limited assurance evidences of the related targeted information based on the professional judgement plan and the execution of the assurance procedure; as any internal control has its inherent limitation, it is possible that not all the existing material misstatements can be identified. The assurance

procedure executed by the accountant includes:

- Obtaining and reading the CSR report;
- Interviewing the management and related personnel, to understand the related policies and procedures involving the preparation of the CSR report;
- Interviewing the related personnel to understand the processes, internal controls and the information system to generate the selected targeted information; and
- Analyzing and randomly inspecting the related documentation and records of the targeted information for the purpose of testing.

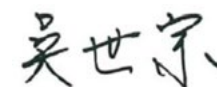
Compliance Statement of Independence and Quality Control

The firm and its subsidiary firms adhere all the rules concerning independence and other ethical regulations within the professional ethic codes of accountants; the basic principles of such codes including integrity, fairness and objectivity, professional capabilities, and the required professional care, confidentiality, and professional attitudes. Also, the subsidiary firms of the firm adhere the Statement of Auditing Standards, No. 46, "Quality Control For Firms," to maintain an appropriate quality control system, including the written policies and procedures for the compliance with the professional ethical codes, the professional standards, and the applicable laws and regulations.

Assurance Conclusion

Based on the executed procedure and the obtained evidences, the firm has not found any targeted information selected in the 2018 CSR report of USI Corporation not complying with the "Rules Governing the Preparation and Filing of Corporate Social Responsibility Reports by TWSE Listed Companies," Taiwan Stock Exchange Corporation, and the GRI Standards issued by the Global Reporting Initiative (GRI) and by referring other applicable rules according to its sector features, in any material aspect.

Deloitte & Touche Taiwan
Jimmy S. Wu, Accountant



Approval Letter No. of Financial Supervisory Commission
Jin-Guan-Zheng-Sheng-Zi No.1010028123
May 22, 2019

Attachment 1

Summary Sheet of Assurance Items

No.	GRI No.	Description of Indicator	Corresponding Section	Benchmark
1	GRI Standards 305-1 : 2016	Direct (Scope 1) GHG emissions	4.3 Energy and GHG management	Subject to Direct (Scope 1) GHG emissions of the GRI Standards, GHG Protocol, and the Guidelines for GHG Emissions Inventory and Registration of the Environmental Protection Administration.
2	GRI Standards 305-2 : 2016	Energy indirect (Scope 2) GHG emissions	4.3 Energy and GHG management	Subject to Energy indirect (Scope 2) GHG emissions of the GRI Standards, GHG Protocol, and the Guidelines for GHG Emissions Inventory and Registration of the Environmental Protection Administration.
3	GRI Standards 302-3 : 2016	Energy intensity	4.3 Energy and GHG management	Subject to the total energy consumption in 2018 and the packaging volume of finished products in 2018.
4	GRI Standards 404-1 : 2016	Average hours of training per year per employee	5.6 Talent cultivation and development	The average hours of training and education of employees by type and gender are calculated subject to the statistics on the hours of training and education in 2018 produced by the personnel affairs department and the total number of in-service employees at the end of 2018.
5	GRI Standards 403-2 : 2016	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	5.2 Occupational health and safety	The satisfactions and calculations, including the types of injuries; the ratio of injuries, occupational diseases, lost days, and absenteeism; and deaths in service; are verified based on the data of the attendance system and occupational accident reports.



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