

# 2015 USI Corporation Corporate Social Responsibility Report





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01 About USI

#### 1.1. Message from the Chairman

2015 is a historic year to USI Corporation, as it marks our 50th anniversary and the onset to the 51st year. Although the global petrochemical industry recessed as international oil prices slipped continuously and global economic development slowed over last year, with the concerted effort of all employees, we managed to maintain steady growth in both revenue and profit. In a time when the condition of global economy and petrochemical industry changes rapidly and competition become keener, apart from seeking progress pragmatically and making leaps, innovations, and breakthroughs continuously in the petrochemical plastics industry, we should aggressively play a positive role, pay attention to our long-term impacts on society and the environment of business operations, make sustainable development one of our major business strategies, and implement corporate social responsibility (CSR).

Established in 1965, we are Taiwan's first manufacturer of petrochemical raw materials. Over the past half century, apart from maximizing achievements in this business and continuously creating value with excellent operating performance, we have established good interaction with our stakeholders including employees, customers, investors, suppliers, government agencies, and residents of nearby communities in our routine operations, so as to extend our business philosophy of "Solid **Operation**, **Professional Management**, **Pursuit** of Excellence, and Service to Society." Our philosophy aims to care for Earth and the next generation, and to create together with our stakeholders a better future for society and future generations together.

To streamline sustainable development efforts across all USI departments, we established the "CSR Committee" in 2014 with representatives from all functional departments as members and the president as the deputy committee chief to supervise committee operation and hold work meetings from time to time to discuss the management of economic, environmental, and social topics, and to ensure CSR policies are exactly implemented with the collective intelligence of all departments. By practicing the company's business philosophy, we assume our social responsibilities for all stakeholders. Due to our ethical and sound corporate governance, customers and suppliers have developed trustbased partnerships with us. By approving our core values, investors are willing to make long-term investments in USI. The recognition USI enjoys makes our employees proud and committed. The synergy of these internal and external forces eventually enables us to keep expanding in both scale and operations, grow, and become strong.

In "Economic aspects - sustainable operations," we demonstrate the power of continuous improvement. Since our inception, we have been facing challenges from unexpected global competition, legal compliance, and the macro environment. From a wholly owned foreign company to a domestic public company, from a subsidiary of a US parent to the headquarters of a domestic group manufacturing petrochemical raw materials, from polyethylene (PE) business to diversification into petrochemical downstream and high-value industry development, electronic materials, green energy and ecofriendly materials, and warehousing services, we keep expanding into other fields, extending the scope of operations, increasing business resources, and accumulate and pass on knowhow and experience. Playing a key role in the petrochemical raw material industry, we will continue to transform ourselves and maintain our performance.

While creating profits, we never stop linking our core competencies to corporate social





responsibility. We also support the government's "volume abroad and value at home" policy to emphasize investments in the R&D of products of high-value-added in Taiwan to enhance the value of the overall industry. In March 2016, we initiated the construction of the world's first commercial cyclic block copolymer (CBC) plant in our Kaohsiung Plant. This new-generation optical material with excellent performance can be used in touch panels, light guide plates, and optical lenses. We will also aim its development toward food packaging, biomedical examination, and medical instruments. In external development, we and other domestic petrochemical companies have co-established the Fujian Petrochemical Co., Ltd. with China Petroleum and Chemical Corporation (Sinopec) and Fujian Provincial People's Government[0] through investment companies in a third region. Both parties presided on the foundation stone laying ceremony held in December 2015 in Gulei Petrochemical Park, Zhangzhou, Fujian, marking a new milestone.

In "Environmental aspects – environmental protection," to cope with climate change and resource depletion, it is exceptionally important for industries to take action, and we have every reason to uphold our commitment to the sustainable development of the environment. Therefore, we have established our environmental objectives with targets for energy saving and emission reduction based on the "four zero targets": zero pollution, zero emission, zero industrial accident, and zero occupational accident, all to the highest standard. In 2015, we continued investments in the water saving and energy saving programs in order to provide employees and residents in the neighborhood with a more healthful environment. In addition, we invested in factory facility renewal. At the newly expanded ethylene vinyl acetate (EVA) plant where mass production will soon begin after completion, we apply the optimal process control technology to improve process safety,

reduce energy consumption, enforce pollution prevention, and effectively reduce environmental impacts and influences. Furthermore, INOMA Corporation, which we established in 2014, provides green construction materials and technical solutions for society, hoping to create benefits for the company and shareholders while contributing to the Earth.

In "Social aspects – employee care and social engagement," we provide employees with an excellent work environment and value the balance of their work and life and their education, training, and growth. We also care about "employee health and safety." Although our complex has passed OHSAS 18001 Occupational Health and Safety Management Systems a long time ago, we never stop our efforts and continue to establish well-planned labor health policies and occupational diseases prevention measures. In complex management, we have established rigorous hardware facility standards, safety and health standard operating procedures (SOPs), emergency response procedures and action plans to make "zero industrial accidents and zero occupational accidents" the ultimate goals for occupational safety.

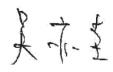
In social engagement, to promote local development for talents in Renwu and Dashe districts, we have co-established an industryacademia collaboration model with other 13 enterprises, including Formosa Plastics Renwu, the Chang Chun Group, and Dashe Industrial Park Enterprises Association) in Renda Industrial Park and Renwu Senior High School. The first "Renda Petrochemical Talent Stream" officially began in August 2015. We focus on the cultivation of new-generation petrochemical talents, hoping to create an all-win situation for enterprises, schools, and local areas by blending with local development, being a good neighbor to local communities, offering job opportunities, and minimizing brain drain. In

regard to pro bono engagement, we have the "USI Education Foundation" to actively engage in educational pro bono activities. Apart from offering scholarships to outstanding students and sponsoring service activities of colleges and universities and social education, we began supporting The Alliance Cultural Foundation and Junyi Elementary and Junior High School in 2014 to implement the teacher cultivation and education deepening programs in remote rural areas. Through the cooperation with The Alliance Cultural Foundation, we aggressively promote "flipped education" in elementary schools in Kaohsiung, hoping to provide "equal and top notch" heuristic education for every child with the cloud learning tool Junyi Academy. After the school intention assessment and teacher training, we have prioritized the program at Wang Gong and Gang Pu elementary schools in Linyuan District. In addition to offering tablets for computer assisted instruction (CAI) to both schools, we continuously organized teacher training, demonstration, and exchange activities relating to flipped education. In the future, we hope to exert our influence and combine various resources to incessantly involve ourselves with community and pro bono activities.

"Strengthening corporate governance" is our unchanged direction. At the 2nd (2015) Public Company Corporate Governance Evaluation" organized by the Financial Supervisory Commission (FSC), we were one of the top 20% enterprises. Although we value this recognition, this result also suggests that there is still space for improvement. We will incessantly encourage employees to make continuous innovations in their posts to find methods for making improvement for sustainable development and thereby to maintain abundant vigor of corporate development toward the peak of growth. To follow the increasingly important global trend of non-financial information disclosure, we published our third CSR report in June 2016 to

communicate and interact with all stakeholders and share with them our achievements in realizing corporate social responsibility. We will make greater efforts to fulfil corporate social responsibility, actively strive for the support of stakeholders, and respect the rights and benefits of stakeholders, hoping to co-exist with the environment in harmony while creating benefits for stakeholders and thereby create for and share with society a better future. On behalf of the directors, management, and all employees of USI, I hope all stakeholders that care about USI will share with us their comments and suggestions for our sustainable development.

> Yi-Kuei Wu Chairman USI Corporation

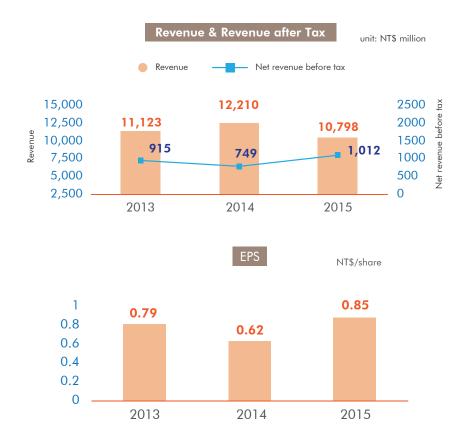




#### 1.2. 2015 Sustainability Performances

#### "Economic aspects – Sustainable operations"

#### Financial performances (Section 4.1)



#### Local major investments (Section 4.2)

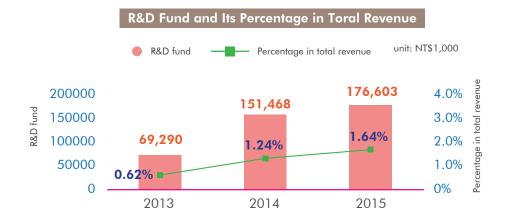
- We invested about NT\$3 billion to renew the EVA equipment at Kaohsiung Plant to increase our EVA capacity to 45,000 tons/year. Trial production will be completed by mid-2016.
- We invested in the construction on the world's first commercial CBC plant with a capacity of 5,000 tons/year. The plant, test runs, and test mass production will be completed in the second half of 2017.

#### Legal compliance (Section 3.3)

- In 2015, we organized eight law-related classes with a total of 20 hours.
- In 2015, the Kaohsiung Plant was fined three times, for a total of NT\$405,000. Kaohsiung Plant has made continuous improvement to prevent the recurrence of violations.
- In 2015, no event involving violations of corporate governance, labor practices, human rights, society, and product responsibility was reported.



#### Technology R&D (Section 4.3)

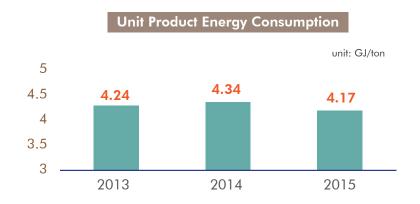


#### "Environmental aspect – Environmental protection"

#### Raw material management (Section 5.2)

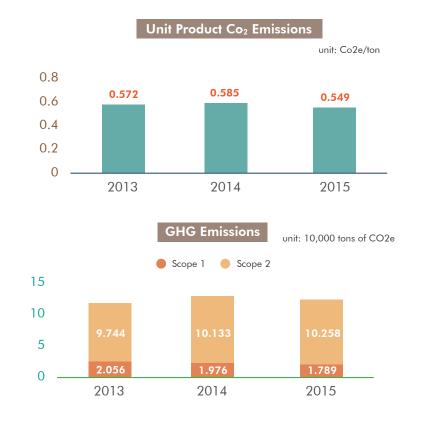
- Committed to enhancing the resource recycling rate, the Kaohsiung Plant completed the improvement of the high-pressure gas recycling system at Plant II at the end of 2013. As a result, the plant saved up to about 1,107 tons of butene, n-hexane, and isopentane among the bulk subsidiary materials in 2015.
- Vinyl acetate (VA) is the major material of the Kaohsiung Plant. In response to the increasing need for annual VA recovery, the Kaohsiung Plant has begun purchasing new modifier recovery treatment towers, which will be ready for use by the end of June 2016.

#### Promoting energy conservation and emissions reduction (Section 5.4)

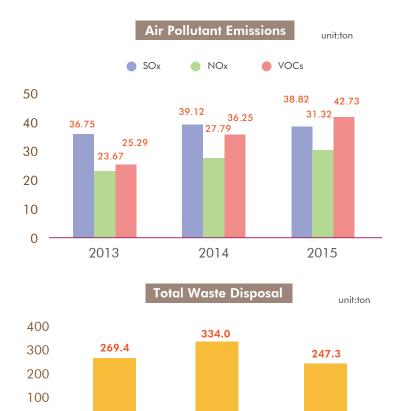






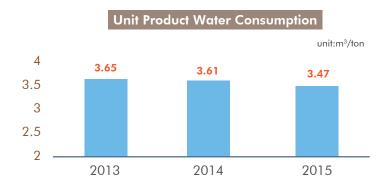


Green process (Section 5.5)



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#### Safe transport (Section 5.3)

- In 2015, no accidents relating to raw material transport or product transport were reported.
- To strengthen underground pipeline management, we have established the "Existing Industrial Pipeline Maintenance and Operation Plan," including a pipeline safety management system; a pipeline information management system; a pipeline integrity management plan; tour management operation; maintenance, repair and inspection; and pipeline operation control room management. We also formed the Kaohsiung Industrial Pipeline Mutual Aid System Federation with relevant petrochemical organizations to implement continuous pipeline maintenance.

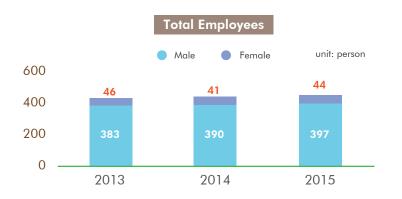
#### Social aspects – Employee care and social engagement

#### Product and service responsibility (Sections 4.4, 4.5, and 5.6).

- All USI products comply with the EU's RoHS requirements and quality inspection reports are submitted at customer request.
- In 2015, no event related to violation of the regulatory requirements of product and service responsibility was reported.

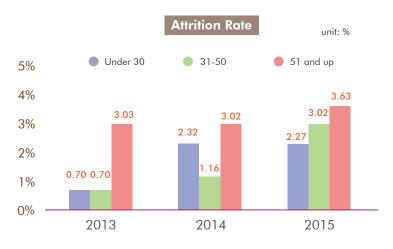
#### Personnel recruitment and retention and employee rights and benefits (Sections 6.1, 6.2, and 6.3)

Every month we allocate 0.15% of revenue to the funds of the "Employee Welfare Committee."

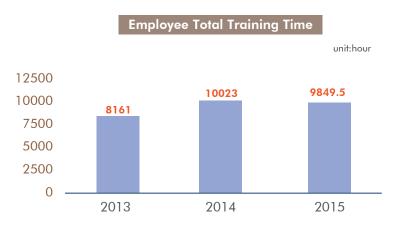








#### Talent cultivation and development (Section 6.4)



In 2015, the USI Education Foundation sponsored various activities with a total amount of NT\$4.476 million, including: NT\$1.25 million for scholarships and grants; NT\$1 million for the Alliance Cultural Foundation and Junyi Elementary School and Junyi High School; NT\$0.741 million for charitable educational groups such as the Boyo Social Welfare Foundation, the "Teach for Taiwan" Association, and the "Exclamation Mark" Strategic Alliance; and NT\$0.485 million for service activities of colleges and universities. Since the foundation was established four years ago, it has sponsored various activities and organizations to a cumulative amount of NT\$16.26 million.

#### 1.3. Report profile

#### **Reference guidelines**

For stakeholders of USI Corporation (USI) to understand how we fulfill corporate social responsibility, we follow the Core options of the Global Reporting Initiative (GRI) G4, the AA1000 Accountability Principles Standard, and the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies. We also take reference from The Global Compact's Ten Principles and ISO 26000

Guidance on Social Responsibility as reporting frameworks. In addition, the overall framework of the current report continues the structure of our 2014 CSR Report, except for Chapter 6 "Care for Employees and Society" which has been split into two chapters: "6. A great place to work" and "7. Care for Society."

#### **Editing process**

Members of the three working team of the CSR Committee provided relevant information and data of the business of each unit. Such information and data has been preliminarily reviewed by the head of corresponding unit. After these three CSR working teams consolidate and edit the first draft, members review the draft according to the functions and duties of each unit before submitting the draft to the President's Office and Planning Department for proofreading and revision. Lastly, the draft was submitted to the President and Chairman for approval before publication.

#### Scope and boundaries of the report

This report covers USI Corporation, including the Taipei Headquarters, the Kaohsiung Plant, the Linkou R&D Division, the Tainan Office, 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 2015 (January 1, 2015 to December 31, 2015). The financial, environmental, and social management and performances 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.

#### **Report guarantee**

This report passed BSI's independent third-party assurance in May 2016 with reference to the Core "in accordance" of GRI G4 and Moderate Assurance in Type 1, AccountAbility (AA) 1000 Assurance Standard. Please refer to Appendix 8.4 for the Statement of Assurance.

#### **Publication**

We publish the CSR report on an annual basis. No significant change has occurred during the reporting period of this year.

- Current issue: June 2016
- First release: December 2014
- Next issue: Scheduled for June 2017





#### Contact

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

Address: 12F, No. 37, Jihu Road, Neihu District, Taipei City Contact persons: Mr. Jiang/Ms. Pao Phone: 886-2-8751-6888 ext.: 3283 / 6779 Fax: 886-2-2659-9523 CSR email: csr-usi@tpe.usife.com.tw

#### 1.4. 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) chips at our complex in Renwu District, Kaohsiung City, Taiwan. Our PE range covers four products: low-density polyethylene (LDPE), ethylene vinyl acetate (EVA), high-density polyethylene (HDPE), and linear low-density polyethylene (LLDPE). After processing by downstream manufacturers, PE chips are used to produce all kinds of plastic products for daily use.

Company	USI Corporation
Industry	Plastics industry
Headquarters location	12F, No. 37, Jihu Road, Neihu District, Taipei City
Kaohsiung Plant	No. 330, Fengren Road, Renwu District, Kaohsiung City
Capital	Over NT\$11.4 billion (as per December 31, 2015)
	Ethylene Vinyl Acetate (EVA)
	Low Density Polyethylene (LDPE)
Major products	High Density Polyethylene (HDPE)
	Linear Low Density Polyethylene (LLDPE)
Employees	441 persons (as per December 31, 2015).

#### **Basic data**



#### **Locations**

Major locations are located in Taiwan, including Taipei Headquarters, the Linkou R&D Division, the Tainan Office, and the Kaohsiung Plant. The Kaohsiung Plant comprises Plant I for LDPE and Plant II for EVA. Both plants produce HDPE and LLDPE.



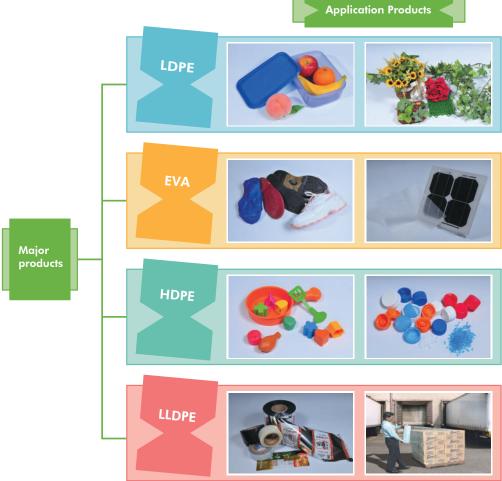
Note: We shut down the Taichung Office on January 1, 2015 which was charged with sales operations in Central Taiwan. Taipei HQ and the Tainan Office have taken over promotion and sales in Central Taiwan.

#### **Major products**

As a key PE manufacturer in Taiwan, we make continual improvement to improve product quality and quantity to 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:







#### Participation in external organizations

Exchange is one the means to promote professional growth. By participating in various professional groups, we strengthen our external influence and power. Through sharing with members of associations and unions, we improve technical skills and abilities. We also support associations and unions to publish journals and organize activities to promote industrial development.

#### Major External Organizations Participation in 2015

Name of Organization	Member	Committee member	Supervisor/ Director	Consultant
Petrochemical Industry Association of Taiwan	×.	×.	۶. ۲	٠. بېر
Taiwan Synthetic Resins Manufacturers Association	Ť	Ť	٠ <u>₩</u>	
Taiwan Plastics Industry Association	Ť		***	
Taiwan Synthetic Resin & Adhesives Industrial Association	*			

Name of Organization	Member	Committee member	Supervisor/ Director	Consultant
Taiwan Responsible Care Association (TRCA)	***** ***			
Chinese National Association of Industry and Commerce, Taiwan	т. Х			
Chinese National Federation of Industries	***** ***		Ť,	
Taiwan Institute of Chemical Engineers	**** ***			
Taiwan Chemical Industry Association	**. ***			
Audit Bureau of Circulations	nt. N.			
Taiwan Technology Industry Legal Officers Association	nt. Ne			
Chinese Society for Quality	nt. N	* <u>*</u> *	٠. بلر	
Kaohsiung County Industrial	Ť.			

Note: President Guo-hong Li of Asia Polymer Corporation, a USI affiliate, is a director of Taiwan Responsible Care Association (TRCA).

#### 1.5. About USI Group

USI Corporation is one of the affiliates of the USI Group. The 2015 parent-subsidiary consolidated financial statements of USI Corporation included this company and all 63 entities (e.g. subsidiaries). These subsidiaries are the same as those that must be included in the consolidated financial statements produced in 2015 according to IAS 27–Consolidated Financial Statements and Accounting for Investments in Subsidiaries and the Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises.

USI Corporation is the subject of this report. Although subsidiaries (equivalent to affiliates) are not covered in this report, in 2015 the USI Group shared USI Corporation's experience in promoting CSR with the group's other four public companies (Asia Polymer Corporation, China General Plastics Corporation, Taita Chemical Co., Ltd., and Acme Electronics Corporation). In addition, these four companies also published their own CSR reports in 2015 to implement the group's gradual promotion of CSR to all members of the group.

USI Corporation established in 1965 is the precursor of the USI Group. In 1997, we and UPC Technology Corporation acquired the controlling shares of the Huasu 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 subsidiaries (affiliates), i.e. 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) and six petrochemical affiliates. Except for manufacture, sales, and special function projects, UM takes over the general management of these six petrochemical affiliates to strengthen synergy of integration of the group's common service functions.

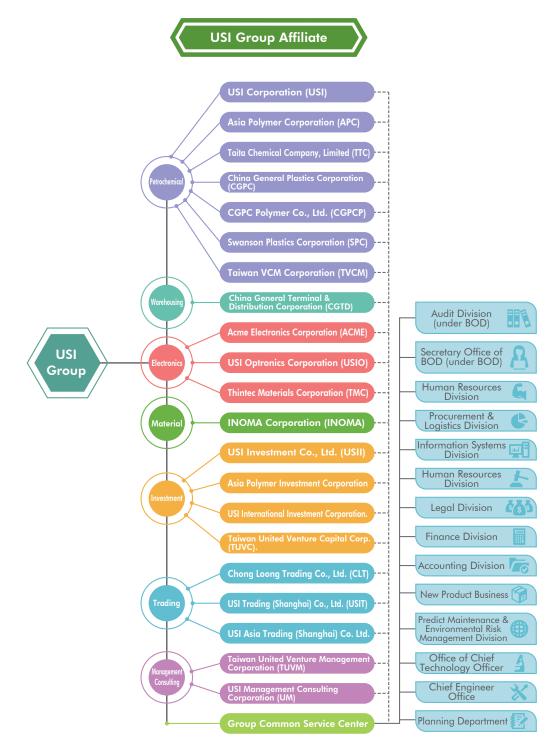
2016 USI Corporation •





To further integrate all service functions of affiliates within the group and to cope with future development, group affiliates moved to the USI Offices Building in Neihu Science Park in Q2, 2001. Apart from enhancing competitiveness, this enables 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.

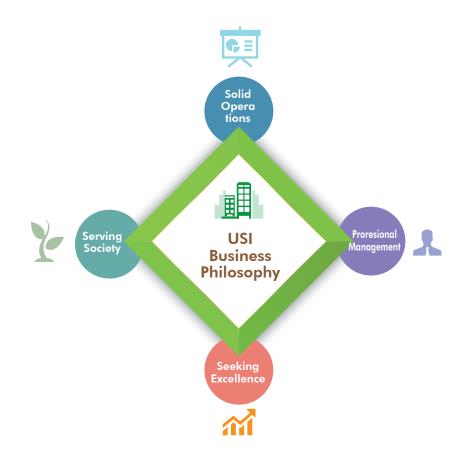
Note: Please refer to the 2015 consolidated statement available on the "Financial Statement" subsection of the "Investors" section on the corporate website of USI Corporation at http://www.usife.com.tw/.





#### **Group business philosophy**

By transforming the idea "suaviter in modo, fortiter in re" into the business philosophy of "resolute in execution, gentle in manner," we extend the concept to our business philosophy: "Solid Operations, Professional Management, Pursuit of Excellence, Service to Society" and the traits of our corporate culture: persistently seek rationalization, truth, continual improvement, honesty and comprehensiveness, peace, respect, and care." We also blend the high-efficiency operations of modern enterprises to set "knowledge," "innovation," "integration," and "development" as the pillars of our enterprise map for sustainable operations and continuous growth.



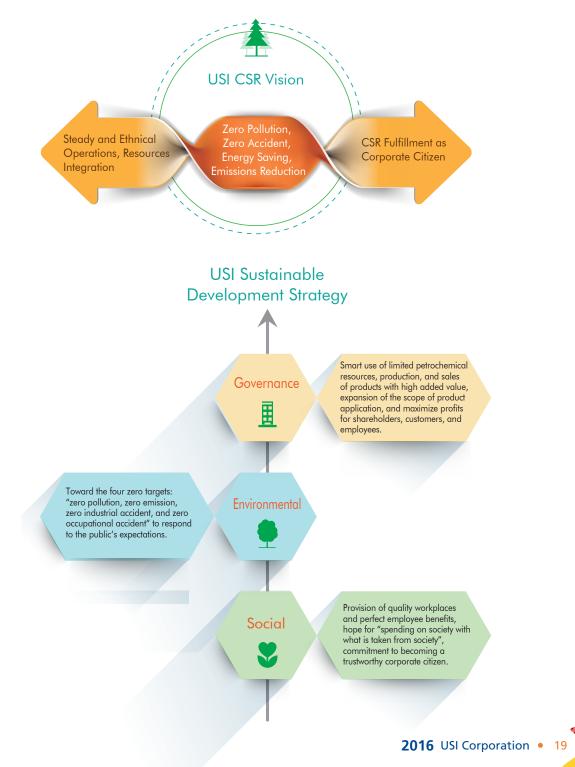
- \* Solid operations: We persistently seek rationalization, truth, and sustainable development.
- Professional management: We take organized, professional, modern, and scientific approaches in management and focus on product upgrade and differentiation.
- Pursuit of excellence: We endeavor to surpass ourselves and are prepared to confront obstacles by constantly striving to excel in quality, performance, core competencies, and customer confidence.
- Service to society: We believe in the importance of giving back to society by being a recognized, trustworthy, and contributing citizen.



02 Corporate Social Responsibility

#### 2.1. Vision and strategy for sustainability

At USI, corporate social responsibility (CSR) is rooted in its business philosophy and corporate culture. It includes robust corporate governance, takes into account stakeholders, promotes environmental sustainability, maintains labor rights and benefits, gives back to society, and pursues corporate growth and eco- and socio-friendliness, co-existence, and co-prosperity of the environment and society. We are committed to providing adequate resources to enforce CSR management and uphold the following vision to drive forward our sustainable development strategy.



Corporate Social Responsibility

#### 2.2. CSR Committee

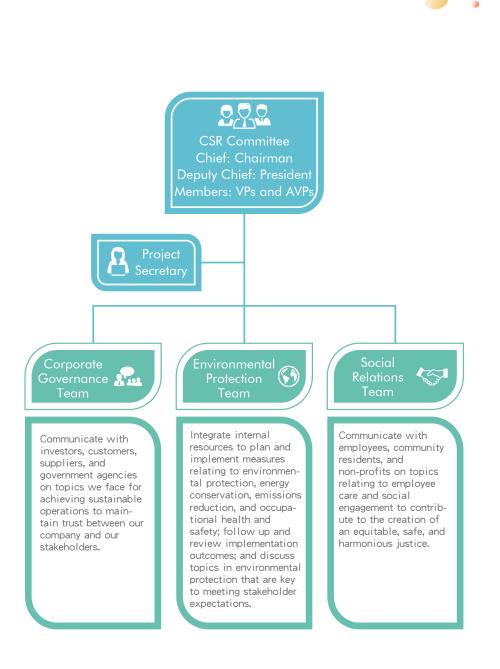
To be a sustainable enterprise, a viable strategy and a sound management system are key to turning its CSR vision into reality. When promoting and operating CSR, we need management and need to internalize CSR as a criterion for daily business and operations to effectively improve overall CSR outcomes.

With the support of the highest governance body (top management), all departments have been implementing CSR in their work. In 2014, we officially established the CSR Committee to ensure CSR policies are effectively managed and implemented. Members of the CSR Committee include the chairman as the committee chief, the president as the deputy committee chief, committee members appointed by the chairman, the project secretary, and the heads of three CSR working teams: the Corporate Governance Team, the Environmental Protection Team, and the Social Relations Team.

The role and responsibility of members of the CSR Committee are as follows: the deputy committee chief hosts committee meetings and draws conclusions from proposals discussed in the committee. The project secretary arranges committee meetings, supervises and coordinates the work implemented by the working teams, hosts working team meetings, and compiles and produces the CSR report. The heads of the working teams are responsible for internal and external communication and coordination and oversee implementation of their teams' CSR tasks. In addition, team members who are the heads or representatives of relevant departments collect data, set targets, and make future planning of relevant topics.

Every year, the CSR Committee presents the CSR outcomes to the BOD that supervises and reviews the processes and outcomes of the committee's governance, environmental, and social-related work. The CSR Committee also requests the BOD for its comments and suggestions on major CSR issues.





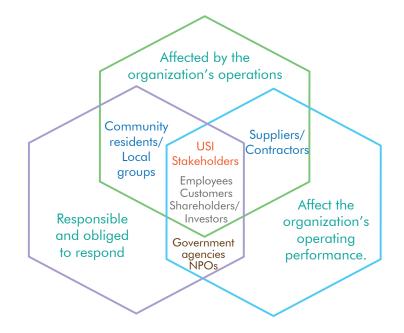
#### 2.3. Stakeholder identification and communication

The trust and support of stakeholders make us push even more for sustainable development. Stakeholders are those who affect or are affected by an organization's operations or whom the company is responsible and obliged to respond to. Through pro-active and extensive communication with stakeholders, we can adequately understand and respond timely to the concerns and topics raised by them. These can help us sustain our improvement and growth.

With reference to the AA1000 Stakeholder Engagement Standard (AA1000SES) and taking into account the opinion of all units and the experience of other plastics manufacturers, we have identified the following seven major stakeholder groups: employees, customers, shareholders/ investors, suppliers/contractors, government agencies, community residents/local groups, and non-profit organizations (NPOs).

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2 Corporate Social Responsibility



#### Channels of communication and concerned topics raised by stakeholders

We uncover the concerned topics raised by stakeholders through various communication channels and use these as major references for the content of our CSR reports and future CSR development. We also rely on the CSR reports to communicate with to stakeholders and promote exchange between the company and stakeholders to pursue mutual progress and growth. The following table shows the channels, frequency, and concerned topics of communication between this company and major stakeholder groups.

Stakeholder	Communication Channel	Communication Frequency	Concerned Topics
	New employee interviews	Interviews with relevant officers	
		of all levels	Labor/management relations
	Performance interviews	Regularly	Employee benefits and rights
	Labor/management meetings	Quarterly	Talent cultivation, education,
	Union board meetings	Quarterly	training
	Union general meetings	Annually	Performance management system
Employees	Employee Welfare Committee	Semiannually	Career development
Employees	Labor Safety & Health Committee	Quarterly	OSH
	ESH Management Committee	Quarterly	Communication management and
	Labor Pension Fund Supervisory	Semiannually	suggestion system
	Committee		Organizational operations and
	Internal health forums	At least five times a year	visions
	Education/training	As planned	Ethics and integrity
	On-site tour inspections	At any time	

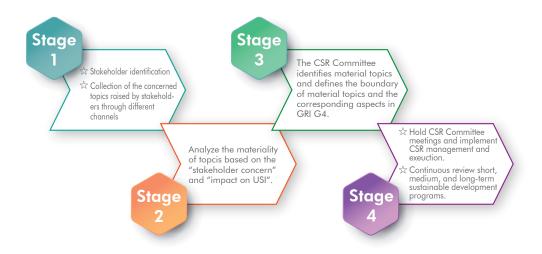
Stakeholder	Communication Channel	Communication Frequency	Concerned Topics
Customers	Customer satisfaction survey Participation in trade fairs Sales visits "Contact us" on the corporate	Semiannually At least once a year At least once a year At any time	Product information, quality, and delivery time. After-sale service and complaint channels.
	website Contact by phone/email	Irregularly	Customer privacy Technological R&D
Suppliers/	Supplier evaluation Participation in industry exchange and forums Interviews with purchasers	Semiannually At least once a year Irregularly	Supply chain management Fair and open procurement practices
contractors	Contact by phone/email "Contact us" on the corporate website	Irregularly At any time	OSH Ethics and integrity
	Participation in law and regulation promotional activities or public hearings.	Irregularly	Legal compliance and policies
Government agencies	Participation in forums or seminars	Irregularly	Corporate governance and operations
agenties	Official documents, material information	As prescribed by law	Transparency of information disclosure
	Market Observation Post System	As prescribed by law	
	Annual general meetings of shareholders	Annually	
	Market Observation Post System	As prescribed by law	
	Annual reports Financial statements	Annually Quarterly	Status of operations and financial performance
Shareholders/	"Investor Service" site on the corporate website	At any time	Corporate governance Risk management
investors	Contact information of spokespersons	At any time	Disclosure of real-time information
	"Shareholder Service" section on the corporate website.	At any time	Communication channels Dividend distribution
	"Audit Committee Email" on the corporate website	At any time	
	CSR reports	Annually	
Community	"Contact us" on the corporate website	At any time	Social engagement
residents/ local groups	Visits on local groups Participation in community activities	At least three times a year Irregularly	Employment opportunities Industrial safety and environmental protection
	Interview or phone contact	Irregularly	environmental protection
	Involvement with charitable	Irregularly	
	activities Participation in community activities	Irregularly	Cooperation with charities Befriending with neighbors and requiting society
NPOs	Market Observation Post System	As prescribed by law	Industrial safety and
	"Contact us" on the corporate website	Irregularly	environmental protection Labor rights and diversity and
	"CSR email" on the corporate website	Irregularly	equal opportunity



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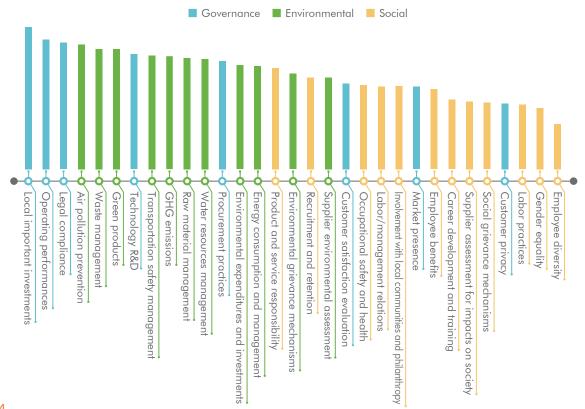


### 2.4. Analysis and identification of material topics



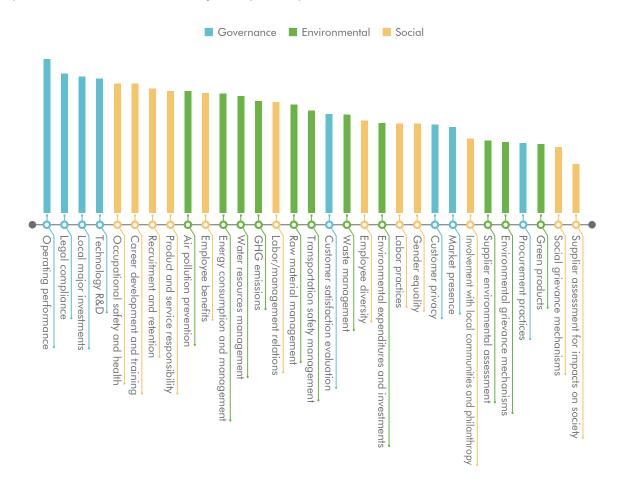
#### Analysis of the materiality of stakeholder concerns

To ensure the completeness of topic inclusiveness, we collect information of concerned topics raised by stakeholders through comprehensive channels, take reference from the 46 material aspects in the GRI Sustainability Reporting Guidelines G4 and trends in industry sustainability topics at home and abroad, and check whether the information disclosed in this CSR report effectively respond to concerns raised by stakeholders through the "Stakeholder Questionnaire Survey" on the corporate website. Based on the 203 responses collected from the survey, the materiality of the stakeholder concerns is prioritized as follows:





We count on the expertise in its duties and functions of each department under the CSR Committee. By conducting the internal questionnaire survey, these departments assess the materiality of governance, environmental, and social impacts of the company on each topic. Based on the 24 responses collected, the materiality of impacts is prioritized as follows:



#### Identification of material topics

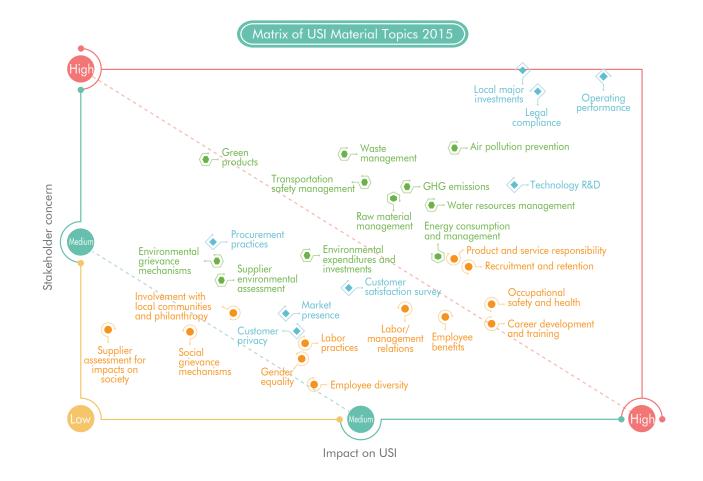
After analyzing the "materiality of stakeholder concerns" and "materiality of impacts on USI" of the topics to produce the matrix of material topics in 2015 based on the results of the above two surveys, we held the CSR Committee meeting for committee members to discuss and identify each topic. After collation, we identified 15 topics of high concern and impact as the focus of priority disclosure and response in the 2015 CSR Report. We also identified 14 secondary topics that are briefly disclosed in this report for the reference of interested stakeholders.



2 Corporate Social Responsibility •••

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Primary	topics
Operating performance	Air pollution prevention
Local major investments	Waste management
Legal compliance	Transportation safety management
Technology R&D	Product and service responsibility
Raw material management	Recruitment and retention
Energy consumption and management	Occupational safety and health
Water resources management	Career development and training
GHG emissions	

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Second		

Customer satisfaction survey	Supplier environmental assessment		
Procurement practices	Employee benefits		
Market presence	Management-labor relations		
Customer privacy	Involvement in local communities and philanthropy		
Green products	Labor practices		
Environmental expenditures and investments	Gender equality		
Environmental grievance mechanisms	Employee diversity		



#### Identification of material topics: GRI G4 aspects

Material Topic	GRI G4 Category and Aspect	Response
Operating performance	EC: Economic Performance	4.1 Financial performance
Local major investments	EC: Indirect Economic Impacts	4.2 Major local investments
Legal compliance	EN: Compliance SO: Compliance PR: Compliance	3.3 Compliance
Technology R&D	PR: Product and Service Labeling	4.3 Technology R&D
Raw material management	EN: Materials	5.2 Source management
Energy consumption and management	EN: Energy	5.4 Promoting energy saving and emission reduction
Water resources management	EN: Water EN: Effluents and Waste	5.5 Green production
GHG Emissions	EN: Emissions	5.4 Promoting energy saving and emission reduction
Air pollution prevention	EN: Emissions	5.5 Green production
Waste management	EN: Effluents and Waste	5.5 Green production
Transportation safety management	EN: Transport	5.3 Safe transportation
Product and service responsibility	EN: Products and Services PR: Product and Service Labeling	<ul><li>4.4 Product responsibility</li><li>4.5 Customer service</li><li>5.6 Green services and products</li></ul>
Recruitment and retention	LA: Labor/Management Relations LA: Diversity and Equal Opportunity LA: Equal Remuneration for Women and Men	<ul><li>6.1 Workforce structure</li><li>6.2 Employee turnover</li><li>6.3 Employee rights and benefits</li></ul>
Occupational safety and health	LA: Occupational Health and Safety	6.5 Occupational safety and health
Career development and training	LA: Training and Education	6.4 Talent cultivation and development

#### Identification of the boundaries of material aspects

- $\star$ : Material aspects disclosed in this report.
- $\doteqdot$  : Material aspects disclosed by entities in individual reports

GRI G4	Within Organization					Outside of Organization					
Category and Aspect	Taipei HQ	Linkou R&D Division	Tainan Office	USI Kaohsiung Complex	Listed Subsidiaries	Shareholders/ investors	Customers	Suppliers/ contractors	Government agencies	Community residents/ local groups	NPOs
EC: Economic Performance	*	*	*	*	$\overleftrightarrow$	*					
EC: Indirect Economic Impacts	*	*		*	Å	*	*	*	*	*	



GRI G4		Within Organization				Outside of Organization					
Category and Aspect	Taipei HQ	Linkou R&D Division	Tainan Office	USI Kaohsiung Complex	Listed Subsidiaries	Shareholders/ investors	Customers	Suppliers/ contractors	Government agencies	Community residents/ local groups	NPOs
EN: Materials				*				*			
EN: Energy				*	☆				*		
EN: Water				*	$\overrightarrow{x}$				*		
EN: Emissions				*	$\overrightarrow{x}$				*	*	*
EN: Effluents and Waste				*					*	*	*
EN: Products and Services	*	*	*	*			*	*			
EN: Compliance				*	☆	*			*	*	
EN: Transport				*	\$			*	*	*	
LA: Labor/ Management Relations	*	*	*	*							
LA: Occupational Health and Safety	*	*	*	*				*			
LA: Training & Education	*	*	*	*							
LA: Diversity and Equal Opportunity	*	*	*	*							
LA: Equal Remuneration for Women and Men	*	*	*	*	${\leftarrow}$						
SO: Compliance	*	*	*	*	\$	*			*		*
PR: Product and Service Labeling	*	*	*	*	\$		*				
PR: Compliance	*	*	*	*	\$	*	*	*	*		

Note: Listed subsidiaries of USI include: Asia Polymer Corporation (APC), China General Plastics Corporation (CGPC), Taita Chemical Company, Limited (TTC), and Acme Electronics Corporation (ACME). These four subsidiaries will publish their own 2015 CSR reports in October 2016. 03 Corporate Governance

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#### 3.1 Corporate governance framework

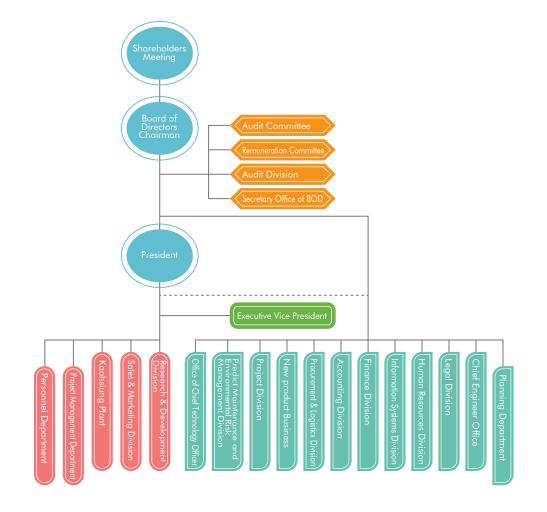
In order to fully enhance the company's governance performance, the Board of Directors (BOD) established the "Corporate Governance Principles for USI" in accordance with the "Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies" and business practice on August 10, 2015 to achieve the following goals:

- (1) Establish an effective governance framework;
- (2) Protect the rights and interests of shareholders;
- (3) Strengthen BOD functions;
- (4) Value the rights and benefits of stakeholders;
- (5) Completely and accurately disclose corporate information.

When participating in the "2nd Public Company Corporate Governance Evaluation" in 2015 organized by the Taiwan Stock Exchange Corporation, we placed in the top 20% amongst all 824 public companies rated. This suggests that our efforts in corporate governance were recognized.

#### Framework USI's management organization

In March 2016, we established the "Predict Maintenance and Environmental Risk Management Division" in response to the need for industrial safety and environmental protection. The organizational structure has thus been re-adjusted as shown in the organization chart below, which is consistent with the one as shown in the Annual Report 2015 published in May 2016 and on the corporate website.





#### **3.2 Board of directors**

#### **Composition of the board of directors**

At USI, the board of directors (BOD) is the highest governance body making all corporate decisions. Its duty includes the establishment of a good BOD governance system; supervision, appointment, and direction of the company's management; strengthening of management functions; and taking charge of the company's overall economic, social, and environmental performances to maximize the rights and benefits of stakeholders.

The structure of the BOD is determined in consideration of the business scale, the shareholdings of major shareholders, and practical operational needs, and its composition is determined with a view to diversity. BOD members are equipped with the knowledge, skills, and experience necessary to perform their duties. All these are aimed at achieving the ultimate goals of corporate governance.

The BOD possesses the following abilities: operational judgment; accounting and financial analysis; business administration; crisis management; industry knowledge; international market perspective; leadership; and decision-making to guide the company's continuous growth and sustainable operations.

Title	Gender	Nationality	Name	Age	
Chairman Male		ROC	Quintin Wu (Representative of Hong Kong Chengli Property Ltd.)		
Director	or Male		King-shiu Yu (Representative of Hong Kong Chengli Property Ltd.)		
Director Male		ROC Sho-song Wu (Representative of Hong Kong Chengli Property Ltd.)			
Director & President Male		ROC	OC Ji-zhong Chang (Representative of Hong Kong Chengli Property Ltd.)		
DirectorMaleDirectorMaleIndependent DirectorMaleIndependent DirectorMaleIndependent DirectorMale		ROC	Xin-hui Zhou (Representative of Hong Kong Chengli Property Ltd.)		
		ROC	ROC Guang-zhe Huang (Representative of Hong Kong Chengli Property Ltd.)		
		ROC	Sean Chen		
		ROC	Rick Tsai		
		ROC	ROC Yancey Hai		

#### Members of the Board of Directors 2015(Current term: June 6, 2014-June 5, 2017)

The background data, education attainment, concurrent positions in other companies, and board meeting attendances of BOD members are disclosed in the company's annual report. The annual report is available from the Market Observation Post System (MOPS) and our corporate website (http:// www.usife.com.tw/).

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#### **BOD** operation

According to the Articles of Incorporation, the board of directors shall meet at least quarterly to supervise and understand the status of implementation of the business plan, the presentation of financial statements, audit reports, and their follow up. In 2015, we held four BOD meetings, with average attendance (excluding proxy) of directors standing at about 88.88%.

#### Important Regulations and SOPs Established by BOD in 2015

BOD Meeting	Establishment of important regulations and SOPs	Summary
18 <sup>th</sup> BOD 6 <sup>th</sup> Meeting (1 <sup>st</sup> meeting of 2015)	Established the "Corporate Social Responsibility Best Practice Principles"	Committed to realizing corporate social responsibility and promoting the balance of economic, social, and environmental development and sustainable development of the company.
18 <sup>th</sup> BOD 8 <sup>th</sup> Meeting (3 <sup>rd</sup> meeting of 2015)	Established the "Corporate Governance Principles"	Establish an effective governance framework to protect the rights and benefits of shareholders, strengthen BOD functions, value the rights and benefits of stakeholders, and improve information transparency in order to improve corporate governance performance.
18 <sup>th</sup> BOD 9 <sup>th</sup> Meeting (4 <sup>th</sup> meeting of	Established the "Procedure of Application for Halts and Resumptions of Trading	To ensure confidentiality and real-time disclosure of material information, this company should voluntarily apply for a trading halt to the TWSE when a material incident occurs or the BOD makes a material decision to ensure there is sufficient time to disclose relevant information for investors to digest such information in order to minimize information asymmetry and protect the rights and benefits of investors.
2015)	Established the "Plan for Improving the Ability of Self-Production of Financial Statements "	Each quarter, include project outcomes as follow-up items of internal control and submit the implementation table to the BOD for control in order to continuously improve the quality and transparency of the information contained in the financial statements.

#### **Audit Committee**

Convener: Independent Director Sean Chen

Members: Independent Director Rick Tsai and Independent Director Yancey Hai

At the directorate election in June 2014, we added independent directors to the BOD and established the Audit Committee at the same time. The nomination system was adopted in the election and three independent directors were elected: Sean Chen, Rick Tsai, and Yancey Hai, with terms from June 6, 2014 to June 5, 2017. These independent directors also formed the Audit Committee to assist the BOD with carrying out its supervisory duties. The functions and duties of the Audit Committee include the duties bestowed by the Company Act, Securities and Exchange Act, and other relevant laws and regulations. The following table presents the relevant information of these three audit committee members.

Committee Member	Education and Experience
Sean Chen (convener)	<ul> <li>Education</li> <li>LLM, Department of Law, National Taiwan University, Taiwan.</li> <li>Visiting Scholar, Johann-Wolfgang-Goethe-Universität Frankfurt-am-Main, Germany</li> <li>Experience</li> <li>Premier of the ROC, Vice Premier of the ROC, Minister of the Financial Supervisory Commission, chairman of SinoPac Holdings, chairman of Taiwan Cooperative Bank, chairman of Taiwan Stock Exchange, Political Deputy Minister of the Ministry of Finance, Administrative Deputy Minister of the Ministry of Finance, Director General of the Bureau of Monetary Affairs (now Banking Bureau), and Director of the Department of Insurance, Ministry of Finance (now Insurance Bureau).</li> <li>Current positions</li> <li>Senior advisor to the president</li> <li>Chair Professor of Law and Business, Soochow University</li> </ul>
Rick Tsai	EducationPhD, Department of Materials Science and Engineering, Cornell University, USA.ExperiencePresident of Vanguard International Semiconductor Corporation; president and CEO of TaiwanSemiconductor Manufacturing Co., Ltd., chairman and CEO of TSMC Solid State Lighting Ltd.; chairmanand CEO of TSMC Solar Ltd.Current positionsChairman, Chunghwa Telecom.
Yancey Hai	Education IMBA, University of Texas at Dallas, USA. Experience Manager of Citibank Taipei; Taiwan regional manager of JPMorgan Chase Bank; president of GE Capital Taiwan. Current positions Chairman, Delta Electronics, Inc.

We have established the "Audit Committee Organization Regulations" in accordance with Article 14-4 of the Securities and Exchange Act and Regulations Governing the Exercise of Powers by Audit Committees of Public Companies These Organization Regulations specify:

- 1. The Audit Committee shall hold at least one committee meeting per quarter.
- 2. The main supervisory functions and duties of the Audit Committee include:
  - (1) The fair presentation of the company's financial statements;
  - (2) The selection (dismissal), independency, and performance of CPAs;
  - (3) Effective implementation of the company's internal control;
  - (4) Legal compliance of the company;
  - (5) Control of the existing and/or potential risks of the company.
- 3. Functions and duties of the Audit Committee:

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ltem	content
1.	Adoption or amendment of an internal control system in accordance with Article 14-1 of the Securities and Exchange Act.
2.	Assessment of the effectiveness of the internal control system.
3.	Adoption or amendment of handling procedures for financial or operational actions of material significance, such as acquisition or disposal of assets, derivatives trading, extension of monetary loans to others, or endorsements or guarantees for others in accordance with Article 36-1 of the Securities and Exchange Act.
4.	Matters bearing on the personal interests of directors.
5.	Transaction of material assets or derivatives.
6.	Material monetary loans, endorsements, or provision of guarantees.
7.	The offering, issuance, or private placement of any equity-type securities.
8.	The hiring or dismissal of CPAs, and their compensation.
9.	The appointment or discharge of financial, accounting, or internal auditing officers
10.	Review of annual and semi-annual financial reports.
11.	Grievances regarding the matters relating to the functions and duties under this article.
12.	Other material matters required by this Company or competent authorities.

Duties and Functions Specified in the "Audit Committee Organization Regulations"

Except for the "audit of the annual and semi-annual financial reports" (Item 10), matters relating to any of the above items shall be approved by the Audit Committee prior to their submission to the BOD for approval. In addition, except for grievances (Item 11) that do not need the committee or BOD resolution, matters not approved by the consent of one-half or more of all audit committee members may be undertaken upon the consent of two-thirds or more of all directors.

Referring to the restrictions of the "Audit Committee Organization Regulations", the Audit Committee should hold at least one committee meeting per quarter. In 2015, the committee held four committee meetings, with member attendances as shown below:

#### Member Attendance of Audit Committee Meetings in 2015

Member	Attendance in person	Attendance by proxy	Actual attendance rate	
Independent Director Sean Chen	4	0	100%	
Independent Director Rick Tsai	4	0	100%	
Independent Director Yancey Hai	4	0	100%	

The Audit Committee held a total of four committee meetings in 2015, and the attendance rate of all independent directors is 100%.



#### **Remuneration Committee**

Convener: Independent Director Yancey Hai

Members: Independent Director Sean Chen and Mr. Edward Way

On December 28, 2011, we established the "Remuneration Committee Organization Regulations" and the Remuneration Committee in accordance with the "Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter." Based on a professional and objective status, the Committee evaluates the compensation policy and scheme of directors and managers and gives advice to the BOD for the reference.

The Remuneration Committee has three members, including one convener, who are appointed by the BOD upon resolution. In 2015, the Remuneration Committee held two committee meetings, and the attendance rate of all members was 100%. With a well-established compensations management system, we encourage managers to exercise due diligence in operating the company; improve management performance, core competitiveness, and short-, medium-, and long-term profitability; and create shareholder value.

#### Ethical corporate management

Based on our ethical management policy based on honesty, transparency, and responsibility, we establish policies upon the principle of good faith and establish good governance and risk control mechanisms in order to create a business environment for sustainable development. We comply with the Company Act, Securities and Exchange Act, Business Entity Accounting Act, Political Donations Act, Anti-Corruption Act, Government Procurement Act, Act on Recusal of Public Servants Due to Conflict of Interest, and other laws and regulations governing public companies and business behaviors as a prerequisite for practicing ethical management. We have also established relevant management mechanisms and disclose the status of ethical management over the corporate website and in the annual report and prospectus.

We periodically organize training and awareness programs for directors, managers, employees, and substantial controllers and invite noted scholars, experts, or legal consultants to give lectures on corporate ethics for them to understand our resolve to implement ethical corporate management, our ethical management policy, prevention programs, and the consequences of committing unethical conduct. We also combine the ethnical management policy with employee performance evaluation and human resources policies and have established an explicit and effective reward and discipline system.

To timely review and amend the Code of Ethical Management Practice, we pay attention to the development of relevant local and international regulations concerning ethical management at all times and encourage directors, managers, and employees to make suggestions, based on which the adopted ethical corporate management policies and measures taken will be reviewed and improved with a view to achieving better implementation of ethical management.

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## 3.3 Compliance

In addition to practicing ethical management, we emphasize legal compliance in all areas. For employees to understand compliance-related topics, we publicize information and trends regarding the latest regulatory and statutory requirements through education/training 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 Department 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.



## Legal Courses Given in 2015

ltem	Course Titles	Length (hr.)
1	Corporate Governance and CSR Trends to Create Win-Win Opportunities	3
2	Risks from Emerging Technologies and Trends in Information Security Development	3
3	Modes of Business Bribery and Control Standards: A Governance and Ethnical Management Perspective	3

ltem	Course Titles	Length (hr.)
4	Awareness Education and Training for the Version Change of ISO 27001 ISMS	2
5	Awareness Education on Occupational Accident Prevention: Education/ Training for the "Use of Personal Protective Equipment"	2
6	Review of Accidents and Awareness Education of Newly Amended Relevant Environmental Control Measures	2
7	Introduction to the Regulations for the Labeling and Hazard Communication of Hazardous Chemicals	3
8	Education of Kaohsiung Plant Underground Pipelines Management	2

## Causes and Amount of Fines for Environmental Offences in 2015

ltem	Authority	Causes of Fine	Amount (NT\$10K)	Improvement
1	Kaohsiung City Environmental Protection Bureau		20	Continuous implementation of various improvement measures, including replacement of sealless pumps, procurement of low-leakage valves, simplification of process pipelines, and reinforcement of the maintenance of process equipment components and tour inspection.
2	Kaohsiung City Environmental Protection Bureau	Incompliance of the M02 process equipment components	10	Continuous implementation of various improvement measures, including replacement of sealless pumps, procurement of low-leakage valves, simplification of process pipelines, and reinforcement of the maintenance of process equipment components and tour inspection.
3	Kaohsiung City Environmental Protection Bureau	Effluent quality exceeded discharge standards	10.5	Checking in-house effluent sources; reinforcement of process management; planning new wastewater treatment facilities; and raise of wastewater treatment capacity.

Note: M01 refers to the manufacturing process of other basic chemical materials; M02 refers to the chemical manufacturing process of LDPE.

In 2015, we were fined for environmental offences mainly because the concentration of gas emissions exceeded the Air Pollution Control and Emissions Standards for Volatile Organic Compounds due to the leakage of the process equipment. To reduce the impact on the environment and the frequency of offence, the Kaohsiung Plant continuously implemented various improvement measures, including replacement of sealless pumps, procurement of low-leakage valves, simplification of process pipelines, and reinforcement of the maintenance of process equipment components and regularly and irregularly tour inspections. In addition, the plant conducted leakage detection of key process areas with FLIR infrared cameras for gas leak detection and electrical inspections to effectively detect leakage of volatile organic compounds (VOCs) and take action to minimize VOC emissions.





## 3.4 Risk management

Facing the trend of market opening and sustainable development, the impact of stakeholder rights, and the rapid change of the macro environment, we have promoted various risk management measures to cope with short-, medium-, and long-term risks. Currently, all implementation and responsible units assess specific items and major risks corresponding to their work, and the Auditor Department supervises their performance.

To cope with the immediately adjusted and implemented corresponding control measures and to endeavor to effectively manage any potential risk events, we will include risk items for management and screen major risks of the year for relevant responsible units to draw up countermeasures together. The Auditor Department will follow up on the outcomes of relevant programs and report them to the internal control self-risk inspection committee to make timely corrections and improvement in order to implement the PDCA cycle to reinforce risk management. The following tables show the challenges and countermeasures of relevant risks at the present stage.



### **Climate change risks**



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.

- We formed energy saving 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 saving and emission reduction programs and review the effectiveness of implementation every quarter.
- The Kaohsiung Plant built a storm water 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.
- In 2015, we planned process wastewater recycling and rainwater harvesting. After the completion of the recycling and harvesting systems in 2016 tap water consumption is expected to decrease by 59,430 m3 and the water volume per unit product to 3.20m<sup>3</sup>/ton.

## \* Industrial safety risk



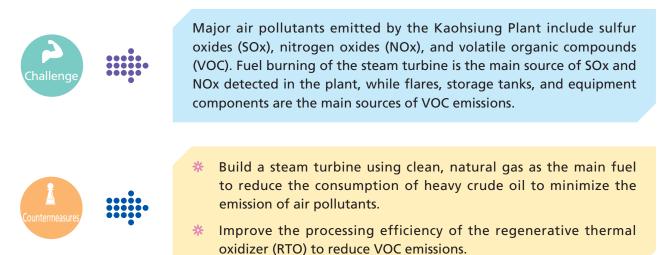
Appropriate measures to minimize environmental pollution and the damage of property and life of people should be adopted to improve the transportation safety of underground pipelines, ensure more effective management of underground pipelines outside of the plant, and establish proper management procedures. 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.



- We have drawn up the "Existing Industrial Pipeline Maintenance and Operation Program." The program covers a pipeline safety management system (PSMS), pipeline information management system, a pipeline integrity management plan, pipeline tour inspections, maintenance, repair, and inspection, 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 Alliance to implement continuous pipeline maintenance.



## **Environmental pollution risks**



## **Risks of major material supply**



In 2015, the cost of petrochemical raw materials was unstable as international oil prices continued to fall. Together with the advance closure of CPC's fifth naphtha cracking plant, ethylene supply declined, bringing far-reaching influences to our operational and strategic planning. We have adopted the following countermeasures to cope with the shortage, interruption of ethylene supply.

- Countermeasures
- We have established a task force to draw up and promote relevant strategies and plans in different directions, in order to minimize the impact caused by the shortage of ethylene supply,
- We have identified and contracted new ethylene sources in different parts of the world to spread our material sources.
- \* We have also signed long-term supply contracts with major suppliers.
- \* We periodically analyze market dynamics and adjust the optimal procurement strategy.

#### **Industrial risks**





Facing the continuously soaring ethylene prices and the sustained slowdown at home and abroad, it is difficult to raise the price of general plastics. We have thus implemented the following countermeasures.

- Invest in products of high added value in Taiwan to continuously create profitability. The capacity expansion of ethylene vinyl acetate (EVA) in progress at Kaohsiung Plant will start mass production by the end of mid-2016.
- Build the world's first commercial cyclic block copolymer (CBC) plant at Kaohsiung Plant to supply materials for touch screens, light guide plates, and optical lens, and connect the CBC plant with our optoelectronic business unit in the future.
- Invest in the Gulei Refining & Chemical Plant Project in Zhangzhou, Fujian, in collaboration with domestic and Chinese petrochemical enterprises.
- \* Financial risks

### **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 risk, we implement the following countermeasures.

- Interest rate volatility: Spread investments of surplus capital in bank deposits, MMF, beneficiary certificates, REITs, and stocks with better yield to maturity to reduce risk from interest rate volatility. For medium- and long-term capital demands, lock on capital cost with fixed interest rate by offering corporate bonds at the rise of interest rate to prevent the risk of interest rate rise in the future.
- Exchange rate volatility: Hedge the net new positions of foreign currencies produced by business operations. Besides closely observing the trend of the international forex market, we timely hedge risk through sight sell-off of US Dollar over the market and undertaking forward exchange agreements.
- Property insurance: Buy commercial fire insurance, business interruption insurance, cargo transport insurance, etc. 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.

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#### **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 operations. To this end, we reinforce our governance, improve employee qualities, and diversifyour operations.



\* Feasibility surveys of new business investments cover industry prospect assessment, market estimation, technological advantage, plant site and production feasibility, finance and return on investment, management team, R&D durability, and other required factors. We also survey all potential risks and develop countermeasures, including risks from relevant laws and regulations, supply chain change, market change and competition analysis, and the macro environment. After repeated review and confirmation, the BOD must approve an investment project before an investment begins.

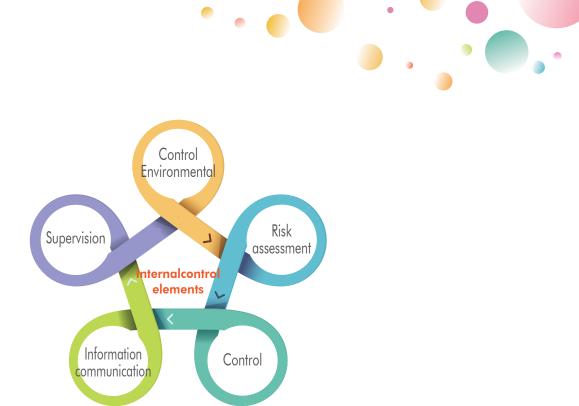
We have also established the "Asset Acquisition and Disposal Procedures" in accordance with the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" and do not engage in high-risk, high-leverage investments.

## 3.5 Internal control and audit

## Internal control system

We have established an effective governance framework and various codes to enforce governance. To achieve the three main objectives of internal control: "effectiveness and efficiency of operations," "reliability, timeliness, transparency, and regulatory compliance of reporting," and "compliance with applicable laws, regulations, and bylaws," we have integrated the five componential elements of internal control into our routine operations to maintain ethical management and a safe work environment. We have also integrated the spirit of internal control into our human resources policies and employee work rules.

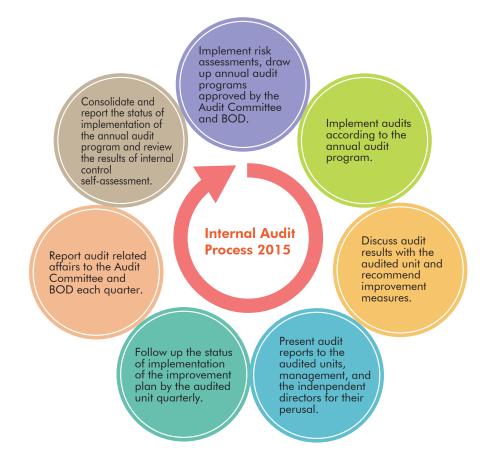
Conducting annual self-assessment of internal control system, the "Internal Control Self-Assessment Committee", convened by the president, assesses all relevant information to determine the effectiveness and efficiency of internal control. Based on the self-assessment results, the Audit Division will issue a statement of compliance when all parts comply with the law and submit the statement to the Audit Committee and BOD for approval before disclosing them to the public.



## **Operation of internal control**

The Audit Division directly under the BOD assists the BOD and managers in inspecting and reviewing the internal control systems as well as measuring operational effectiveness and efficiency.

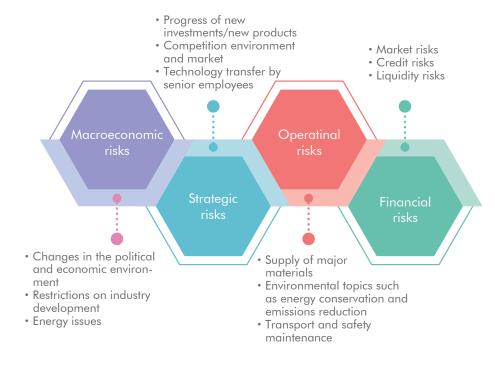
Being impartial, independent, objective, and fair, our internal auditors perform their duties base on the Code of Ethics they submitted. In addition, internal auditors must take audit courses offered by professional training organizations to continuously optimize their expertise.



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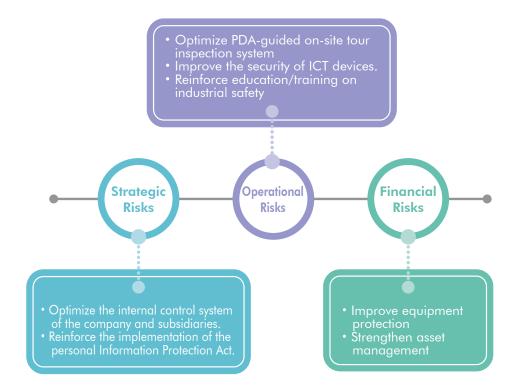


#### Implementing risk assessment and drawing up audit programs



To improve the reference value of the annual audit program and its connection with the annual strategic goals of the company, we have increased the audit frequency of procurement and payment, production cycle, industrial safety management, and information security management. Moreover, all recommendations for improvement have been implemented accordingly.

The corresponding risk categories of recommendations are summarized below:





At USI, all grievances, including the complainant's identity and their content, are kept absolutely confidential. When the content is found true by our investigations, offenders will be punished according to the discipline regulations and grievance system. In addition, we will announce the title and the name of offenders and the content and handling of their offences.

The internal grievance channels are the corporate email accounts of direct supervisors, the human resources head, and the audit head. We respect all complainants and investigate every case under absolute confidentiality. Recommendations or complaints can be made to management through the following channels over the corporate website (http://www.usife.com.tw/):

- (1) "Contact Us" site on the corporate website.
- (2) "Audit Committee Email" in the "Investor Relations" site.

These channels are established according to Article 6 of the "Audit Committee Organization Regulations." After assigning the audit unit to initiate the investigation, independent directors will instruct relevant units to propose improvement plans that will be implemented in operational management. Stakeholders and independent directors have good communication channels.

We uphold the norms of ethical management. All employees have signed the Letter of Commitment and/or Non-Disclosure Agreements depending on their duties and observe the regulations and policies of the company. In 2015, no corruption or unlawful conduct was discovered.



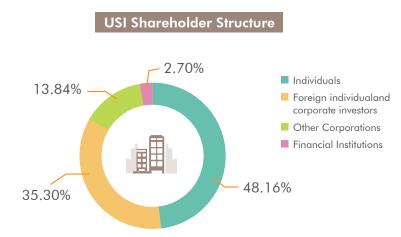






## 4.1. Financial performance

By the April 10, 2016, the stop transfer day of the 2015 annual report, both individual and foreign corporate investors are the major shareholders of the Company. The name and shareholdings of shareholders holding over 5% of the Company's shares and the top ten shareholders of the Company are disclosed in the annual report of this company.



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 Relations" site on the corporate website and the Market Post Observation System (MPOS). Furthermore, shareholders and investors can make enquires and feedback through the hotline of our spokespersons or deputy spokespersons 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 respond to all feedback by special personnel.

The 2015 equity per share (EPS) is NT\$0.85. In regards to 2015 business conditions, after the USA started the mass production of shale oil, the oil supply was higher than the demand, and oil prices dropped from US\$50 per barrel to US\$35 per barrel. Although the ethylene prices also fell together with crude oil and naphtha prices, as many Asian petrochemical plants began their annual maintenance in Q2, the ethylene price rose and the PE/EVA prices were secured accordingly. The ethylene price fell significantly from a high point since the second half of 2015, as there was a general slowdown of the manufacturing industries and export of China and the CNY depreciated significantly. Fortunately, the PE/EVA profit was extended as the fall of the PE and EVA prices was far behind the ethylene price. In EVA, as the supply was higher than the demand following new production capacity arose from China, South Korea, and the Middle East, as we have gradually turned the focus to EVA for PV module packaging and hot melt adhesives and the demand from PV module packaging was fluorishing, the demand for our EVA was higher than the supply. In PE, we continuously expanded domestic sales to boost the sales of the niche products and had successfully cultivated new customers in India and Russia. In the future, we will continue to upgrade and improve old equipment and

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improve production processes. Apart from focusing on high-vaule products, such as EVA for PV module packaging, we will extend our R&D to Cyclic Block Copolymers for topical uses to secure competitive advantages in the industry and to realize sustainable operations.

### Financial Performance 2013-2015<sup>1</sup>

			Unit: NT\$1 million
Item	2013	2014	2015
Total assets	21,481	21,533	22,370
Operating revenue	11,123	12,210	10,798
Operating cost	10,337	11,072	9,402
Net profit before tax	915	749	1,012
Income tax	98	108	132
Dividend	686	457	571
Compensations and benefits for employees	538	540	576
Investments in communities <sup>2</sup>	3.34	3.32	3.71

1 We began producing financial statements in accordance with the International Financial Reporting System (IFRS) approved by the Financial Supervisory Commission as of 2012.

2 Investments in communities included monetary support for local communities and donations for USI Education Foundation.

## **Distribution of profits**

According to the Company's "Articles of Incorporation:" If there is a profit after the annual closing of books, after covering the losses of previous years and appropriating ten percent (10%) to the legal reserve, this Company shall set the surplus, if any, as distributable profits of the year. This Company shall combine this surplus with the unappropriated profits accumulated over the years and the balance from appropriating the special reserve provided for or reverted according to the regulations of competent authorities as the accumulative distributable profits. After drawing up the proposal for profit distribution, the Board of Directors shall submit the proposal to the annual general meeting of shareholders for approval. The annual general meeting of shareholders may determine to retain part of or whole of the profit according to the Company's business condition.

When approving profit distribution, as the industry where this Company operates is in its maturity, in consideration of the need for research and development and business diversification, the dividend for shareholders shall not be lower than ten percent (10%) of the distributable profit in that year, of which no less than ten percent (10%) shall be cash dividends. However, no profit shall be distributed when the equity per share of that year is less than NT\$0.1.



In 2015, the distributable profits amounted to NT\$790 million, with Cash DPS amounted to NT\$0.5. The tables below show the dividend distribution in the past five years.

#### (Unit: NT\$1 million)

Veer	Distributable Profits	Dividend for Holders of Common Shares		
Year		Stock (NT\$/share)	Cash (NT\$/share)	
2014	577	-	0.4	
2015	792	-	0.5	

#### (Unit: NT\$1 million)

Year	EPS (NT\$/share)	Cash DPS (NT\$/share)	DPS (NT\$/share)	Profit after Tax	Dividend Distribution (Cash DPS and DPS)	Total Distribution Rate
2011	3.51	1.0	1.5	3,208	2,484	77%
2012	1.60	1.0	-	1,660	1,143	69%
2013	0.79	0.6	-	817	686	84%
2014	0.62	0.4	-	641	457	71%
2015	0.85	0.5	-	880	571	65%

Note: The proposal for 2015 dividend distribution is pending for the approval by the AGM of shareholders on June 8, 2016.

Year	PER	PDR	Dividend Yield
2011	9.75	34.22	2.92%
2012	16.06	26.17	3.82%
2013	27.35	36.02	2.78%
2014	28.79	44.63	2.24%
2015	16.95	28.82	3.47%

Note: PER: Price-earnings ratio= Annual average closing price per share/equity per share

PDR: Price-dividend ratio= Annual average closing price per share/cash dividend per share Dividend Yield=Cash dividend per share/annual average closing price per share





## **Government financial support**

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

Unit: NT\$1.000

Legal Basis	Item	2013	2014	2015
Article 10, Statute for Industrial Innovation	Tax Credit for Investments in R&D	8,249	2,739	3,445
Regulations Governing the Subsidization and Guidance for Assistance in Innovation Activities of Enterprises	Project to Mend Shortages of Key Chemical Materials	-	61,027	18,030

## 4.2. Major local investments

In response to the government's "volume abroad and value at home" policy, we are committed to investing in the R&D of products of high added value in Taiwan to enhance the value of the overall industry. The mass production of the newly expanded ethylene vinyl acetate (Cyclic Block Copolymers) plant at the Kaohsiung Plant will begin by mid-2016. We have also invested in the world's first commercial cyclic block copolymer (CBC) plant at the Kaohsiung Plant. This new-generation optical material can be used on touch panels, light guide plates, and optical lens. In the future, we will connect it with our optoelectronic business.

## **EVA**

To cope with the market demand for high-value products and in consideration of process equipment safety, we continuously upgrade and improve old equipment and improve production processes. We have also invested about NT\$3 billion on upgrading the EVA equipment to increase capacity to 45,000 tons a year. After the test run is completed in mid-2016, we will supply EVA for domestic PV module packaging and hot melt adhesives.

#### CBC

Cyclic block copolymer (CBC) is a new type of molecular structure with excellent performance for producing new-generation optical materials. CBC features include low specific gravity, zero optical retardation, high weather resistance (UV resistance), high transmittance, chemical solvent resistance, low moisture absorption, and easy processing. In addition, as CBC has high purity by nature and high UV penetrability, supports gamma disinfection, and passes the biocompatibility test, to promote technological advancement toward high value optical materials and the biomedical and healthcare

fields, after internal assessment and analysis of CBC's market potential, technological advantages, production feasibility, and economic benefits, we obtained the patents relating to CBC production in 2011 and began various CBC development projects. The overall marketing strategy is as follows:

- (1) Short-term goal: Seize the following markets: food packaging, milk bottles, light guide plates, and biomedical lab containers to achieve the sales target in coordination with the CBC capacity, improve CBC functions, and develop downstream processing.
- (2) Medium-term goal: Lock on applications with special requirements, such as optical films (including LCD optical films), the base material for other transparent conductive oxide ITO films, flexible materials (emphasizing elasticity and bendability), and medical devices.
- (3) Long-term goal: This is extension of the medium-term goal featuring the development of new applications and new markets targeted at the special properties of CBC. Overall, we can enter the high-value optical material market by promoting the application and development of CBC products, increase revenue, and improve corporate image as well.

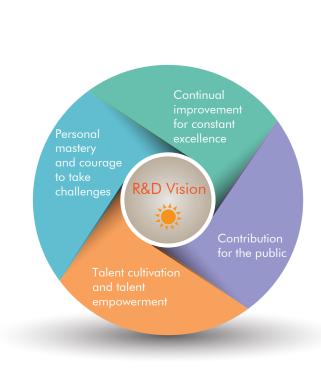
On March 21, 2013, the BOD approved the CBC plant construction project. After the project is completed in the second half of 2017, test run and trial production will follow suit. With capacity at 5,000 tons a year, the output will be used on touch screens, LCD optical films, light guide plates, optical lens, food packaging, biomedical lab containers, and medical devices. At the meeting on September 23, 2014, the BOD approved the construction of a front-end material plant and utility system for the project and increased the budget by NT\$1 billion to ensure product quality and competitiveness. Moreover, we have initiated relevant improvement activities to enhance future operational efficiency. These activities included the feasibility of capacity expansion, process improvement, and R&D of new CBC products.

This CBC project can be considered as one of the blueprint items for high-value petrochemical industry promotion and is the first "Project to Mend Shortages of Key Chemical Materials" approved by the Industrial Development Bureau, Ministry of Economic Affairs. We are fully implementing the CBC and relevant projects in order to lead Taiwan's petrochemical industry to transform toward a high-value petrochemical industry through collaboration amongst the industry, government, academia, and research.

# 4.3. Technology R&D

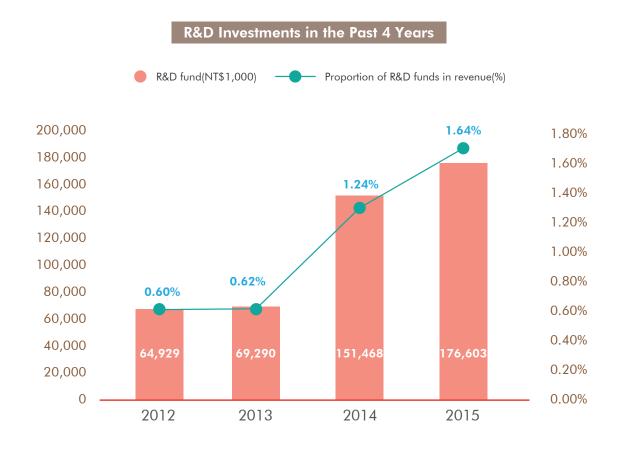
The R&D Division aggressively develops differential, high added value products to cope with the industrial needs in order to create market opportunities for the Company's sustainable operations.





Operational Performance

We have been increasing R&D funds over the past three years, particularly in 2014, the R&D fund increased significantly after the initiation of the CBC investment project.



Through long-time cooperation, the R&D Division has developed a partnership with downstream customers. Apart from steadily supporting one and others in supply and sales, we make technological cooperation and exchange and voluntarily listen to the voice of each customer to understand the needs of the industry. The following table shows the new technologies or products developed in 2015.

ltem	Purpose/Results
Developing of applications for optical grade materials	New design and hydrogenation processes of cyclic block copolymers that can be modified and adjusted according to different applications, such as light guide plates, optical films, and biomedical lab containers.
Performance improvement of high density films for extrusion coating process.	Improvement of HDPE functions: Compared to LDPE, HDPE has better heat resistance, air blocking, and oil blocking properties. It can be used in extrusion coating process of higher quality, such as meal boxes, paper cups, and release films.
Developing of specific bottle cap materials	Develop PE materials for specific bottle caps through collaboration with downstream customers and design materials with good sealing and cost-saving performances through cap development.
Developing hot melt adhesive of high melting index materials	Develop solvent-free hot melt adhesive grade new products that are easier to process, eco-friendly, and hazardous free to meet the demand of customers.
Developing of energy-saving polyolefin (POF) and applications for optical	Developing PV modules of EVA encapsulant film.

To reinforce the cultivation of outstanding R&D personnel, every year we apply for about two to four draftees taking R&D alternative service to the National Conscription Agency, Ministry of the Interior, to attract domestic outstanding postgraduates to join our R&D team. The table below shows the research projects with which we applied for draftees taking R&D alternative service in the past three years.

Project	Objective	
Development and applications of new optical grade materials	Innovative process to develop novel cyclic block copolymers ; expand the scope of applications.	
Developing PV grade materials	Improve material functions to meet customer demands and accelerate th development of alternative energy.	
Developing hot melt grade materials	Improve material functions to bring high added value and global competitiveness to customers	

# 4.4. Product responsibility

All USI products comply with EU's Restriction of Hazardous Substances Directive (RoHS). We examine raw materials, according to the steps specified in the standard operating procedures and closely monitor processes with the computer control system. We also implement in- line process quality



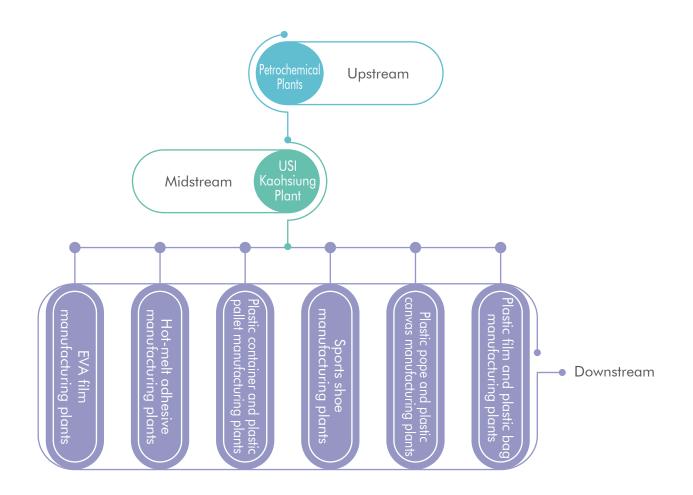


control inspections during the production process and store products in different storage silos by grade. After full batch inspection, we pack products with bulk bags or small bags with the packaging system. Then we perform sampling inspection by bag.

When supplying products to customers, we provide each batch with a lot quality report, according to customer requirements. For special quality requirements or new product development, we commission a third party to analyze products, and implement small quality for customers pilot run. We also provide continuous technical support for customers.

## 4.5. Customer service

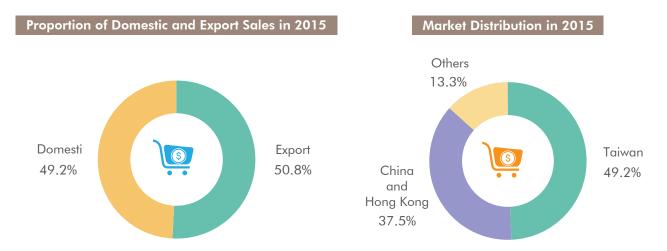
We have an office in Tainan and a R&D Division in Linkou to offer customer service and product research. Apart from developing new products and new product applications, they assist customers on improving processing technologies, and their outstanding performance has won the recognition of manufacturing plants. As products derived from the petrochemical industry are widely used in daily life, it can be considered a foundation of tertiary industries.





#### **Product sales and markets**

We mainly export products to Hong Kong, China, Japan, Singapore, the Philippines, Vietnam, Malaysia, Thailand, Indonesia, the USA, Canada, India, Pakistan, Russia, Macedonia, Turkey, Brazil, Ukraine, New Zealand, Peru, Algeria, United Arab Emirates, Argentina, Australia, Bulgaria, Israel, Cambodia, Sir Lanka, Mauritius, Nepal, Saudi Arabia, and South Africa. From high to low, the exports include EVA, HDPE, LDPE, and LLDPE. The charts below show the proportion of domestic and export sales and market distribution. All sales were calculated based on them.



#### Major Products and Trademarks in 2015

Major Product	Trademark
LDPE	PAXOTHENE
EVA	EVATHENE
HDPE	UNITHENE
LLDPE	LINATHENE

#### **Technical support**

At USI, we care about customer service. To ensure customers enjoy the privilege of using USI products, apart from establishing the "Customer After Sale Technical Service Policy," R&D Division is committed to developing new product applications to assist customers on improving processing technologies and maintaining technical collaboration and exchange with customers.





In the "Product" site 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 for customers to accurately query relevant information of products. We have also set up an enquiry hotline to provide immediate product information for customers. We label all products according to relevant regulations, and no incident of or fine for non-compliance with regulations and voluntary codes concerning product labeling was reported in 2015.

## **Customer privacy**

To ensure 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." Moreover, we strengthen 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.

Protecting information security is one of our commitments for customers. Therefore, we ensure strict respect for customer privacy while conducting any business activities. In addition to publicizing the importance of information security in internal education and training, we impose privilege control over access to classified documents to ensure only authorized personnel can retrieve relevant documents. In 2015, no complaint regarding breaches of customer privacy or losses of customer data was reported. Furthermore, we consistently publicize the importance of information security to ensure the security of data, systems, equipment, and networks.

#### **Customer complaints**

To handle customer complaints regarding product quality, we have established the "Customer Complaint Handling Procedure" and input all customer complaints in the computer system for better management. Customers can file their complaints to the Sales & Marketing Division orally, over the phone, in writing, or electronically. After receiving a customer complaint, the Sales & Marketing Division will immediately report to the management, production unit, and relevant responsible departments. In addition to making explicit response to their complaints, we will send staff to settle customer complaints as early as possible. For complaints that require more time to analyze and settle, we will first explain to the complainants and give them an official reply, after the complaint is settled in order to maintain long-standing and sound relationships with customers. The diagram below shows our customer complaint process.



To optimize the customer complaint handling process, we have combined it with the e-management process to analyze the causes of complaints, follow up the progress of relevant responsible units and corrective and preventive action plans, and discuss each complaint at the monthly meeting to ensure the effectiveness of quality improvement activities. We also assign special staff to trace the effectiveness of relevant corrective and preventive action plans in order to improve product quality.

## **Customer satisfaction**

To listen to the customer's opinion regarding our products and services, apart from the irregular telephone interviews or personal visits by sales employees, we conduct a customer satisfaction survey biannually to ensure customer demands are fully understood and taken care of. Furthermore, we propose improvement programs at the management review meeting and follow up the results of these programs afterwards to ensure continual quality improvement of products and services.

We conduct the customer satisfaction survey on 50 customers from among the top 100 customers by trading volume, including 40 domestic customers and 10 export customers, in the first and second halves of the year, respectively. The questionnaire surveys the customer's satisfaction with our product quality, service quality, transport quality, and overall impression in terms of "comparison with other suppliers" and "comparison with past year performance." In 2015, our performance in all aspects was better than "satisfaction," and responses of "highly satisfied" and "satisfied" are up to 97% amongst all responses in the year, indicating that our 2015 target  $\geq$  90% was reached. The chart below shows the customer satisfaction between 2013 and 2015 (all figures are the average of the first and second halves of the year).





Comparison to Other Suppliers



Note: 5 stands for highly satisfied; 4 for satisfied; 3 for neither satisfied nor unsatisfied; 2 for unsatisfied; and 1 for highly unsatisfied.

## 4.6. Supply chain management

With the rise of the awareness of topics relating to sustainable operations and supply chain management (SCM), apart from aggressively performing social responsibilities and benefitting society, we have gradually realized the need to understand the performance of suppliers in environmental, social, and governance aspects.

As a petrochemical material manufacturer, our major suppliers are raw material suppliers, equipment suppliers, project suppliers, contractors, IT hardware and software suppliers, and office supplies suppliers. In 2015, the amount of bulk material procurement (ethylene and VAM) commanded at 87% of the total amount of procurement in the year. To secure the sustainable supply of material sources and stimulate market circulation, we aggressively cultivate new material sources and increase bulk material suppliers to 11 companies, including 3 domestic suppliers and 8 foreign suppliers.

Locations/ Materials	2015/Ethylene	2015/VAM
Taiwan	94%	63%
Foreign	6%	37%
Source	Domestic: 2, Foreign: 5	Domestic: 1, Foreign: 3

Note: VAM is short for vinyl acetate monomer.

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**

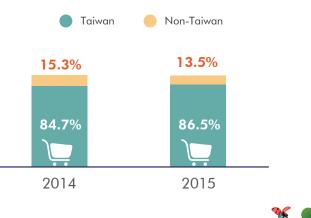
Currently, ethylene and VAM are the major raw materials of USI products. In consideration of the risk of supply shortages, we have adopted the following solutions:

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

## 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 establish long-term, sustainable cooperation, promote local economic development, and minimize carbon footprint from transportation. In 2015, the proportion of spending on local suppliers, including material procurements and contract outsourcing, was 87%, which is similar to that of 2014.

# Proportion of Spending on Local Suppliers in 2014 and 2015



2016 USI Corporation





We also outsource contracts mainly to local contractors. The new EVA plant project of the Kaohsiung Plant has entered the commissioning and mass production stages. The new CBC production line in the same plant will be constructed by CTCI in 2016.

## Continual improvement of the SCM mechanism

With quality, ability, and environmental policy as conditions, we perform corporate social responsibility in collaboration 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, safety, and health of personnel, and optimize risk management with contractors and transporters together.

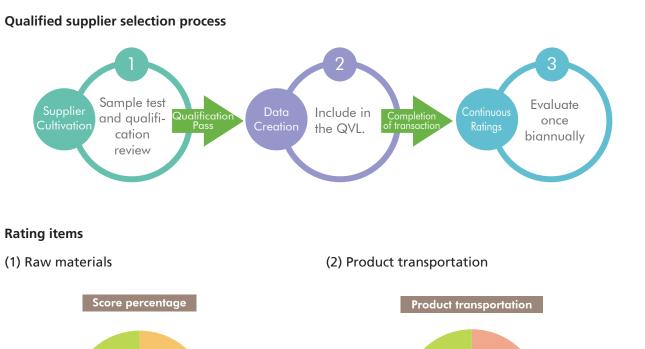
We establish long-term strategic partnership with raw material suppliers and determine the safety stock based on material preparation lead-time to ensure supply chain fluency. To encourage suppliers to make continual improvement, so that we can receive quality raw materials and services at the right time, in the right quantity, and at the right price, we conduct a supplier evaluation biannually. However, we have not included environment, labor practices, human rights, and social impact as the criteria for new supplier selection and supplier evaluation.

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

## Management of raw material suppliers

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







## Results of raw material supplier evaluation in 2015

Plant	Plant I	Plant II	
Suppliers evaluated	30	43	
Pass rate	100%	100%	

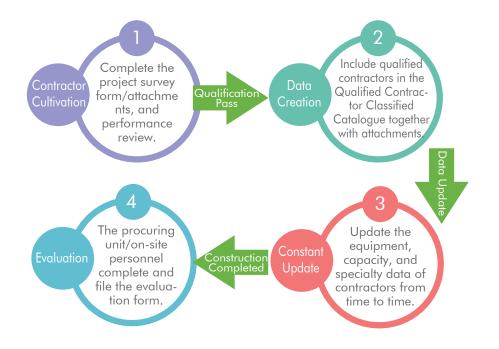
## Management of construction contractors

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 ESH, occupational safety, human rights, and labor practices.





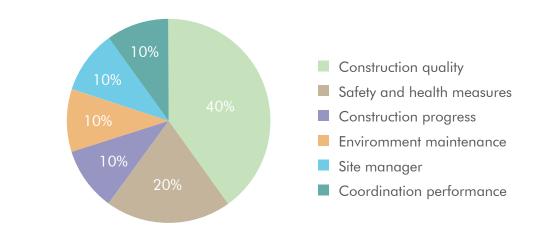
### **Qualified contractor selection process**



### **Contractor qualification items**

Item	Authorized Capital	Total Amount of Two Major Projects in the Last 2 Years	Accumulative Amount of Projects Each over NT\$200,000 in Last Year	Factory Scale	Amount of Equipment Investments	Total Employees
Score percentage	10%	20%	10%	20%	20%	20%

Project construction evaluation items: 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 disqualify contractors with a score below 30 points.

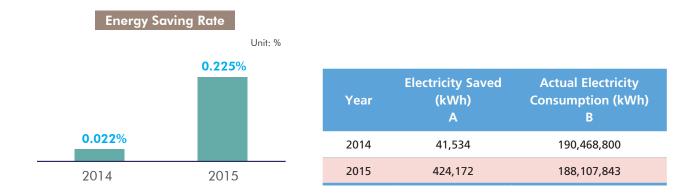




### Results of construction contractor evaluation in 2015

Plant	Plant I	Plant II	
Projects evaluated	11	15	
Pass rate	100%	99.3%	

In addition to continuously promoting environmental and energy saving policies, we have been encouraging all units to use eco-friendly and energy saving materials in recent years. These materials include energy saving devices (e.g., high-performance IE2 motors) and ecolabel products (e.g. LED tubes and energy saving IT equipment). With reference to Article 96 of the Government Procurement Act, we will specify in tender documentation the preference to use ecolabel-accredited products; products or materials that are recoverable, recyclable, reusable, energy saving, or with low pollution; and other products that either increase social benefits or reduce social costs, and have the same or similar functions required in order to establish the USI green procurement mechanism and increase the proportion of green procurement. In 2015, we saved overall electricity consumption by 0.225%, 0.203% up from 2014, by purchasing LED explosion-proof lamps, ventilator timers, and inverter motors; replacing water pump with other water sources; reducing the rotation of cooling fans; and renewing streetlamps at the plant. In 2015, the amount of green procurement commanded at about 0.05% of the total amount of raw material and construction procurements. In 2016, we will continue with green procurement, such as light guide plates, window blinds, LED bulbs, T5 bulbs, and high-efficiency motors to save more electricity.



We believe that supplier exchange and cooperation are the start of CSR topic management for the supply chain. In the future, we will reinforce the self-evaluation of supply chain sustainability to progressively include CSR performance in supplier selection, evaluation, and audit. To influence suppliers to perform CSR together and promote experience sharing and cooperation among suppliers with outstanding CSR performance are the important bases for us to realize sustainable operations. At present, we have suppliers with outstanding CSR performance, including the Taiwan CPC for material supply and our partner CTCI.



**05** Environmental Protection

## 5.1 Environmental management system

Since we established an environmental management system (EMS) in accordance with ISO 14001 in 1998, it has been 18 years now. This 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 the international trend, we have integrated the EMS and the safety and health system to draw up an environment, safety, and health (ESH) policy:



We begin with each stage of the life cycle "Cradle to Gate" to disclose environmental protection performance and management, hoping to achieve environmental sustainability.



## **Environmental objectives and management plan**

#### Environmental Objectives and Management Programs 2015

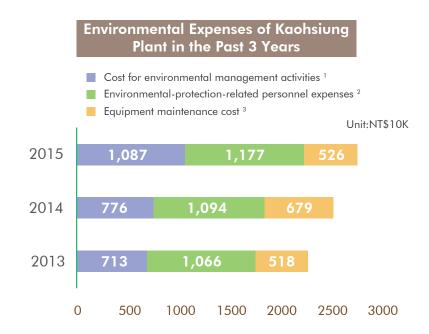
Policy	Objective	Program	Completion rate
Zero emission	Reduce VOCs emissions by 15 tons.	Enhance RTO processing efficiency to reduce VOCs emissions.	70%
	Reduce GHG emissions by 450 tons.	Build a ground flaring system to save steam consumption.	99%
		Plant energy saving program	28.2%
	Reduce wastewater by 700 tons.	Reduce the discharge of wastewater tanks	85%
	Reduce waste by 2 tons.	Reduce waste xylene gel mixture	100%
Zero pollution	Improve effluent quality to 70% of the discharge standard (COD<70 mg/L, SS<21 mg/L, Grease<7 mg/L)	Regulate and manage process wastewater sources	91.7%

Note: Relevant programs are in progress and have not yet been concluded; no explicit effectiveness is observed.



#### **Environmental expenditures**

At USI, costs from environmental management include the cost for environmental management activities, environmental-related personnel expenses, and equipment maintenance cost. In 2015, the total amount of environmental expenditures was about NT\$27.90 million.

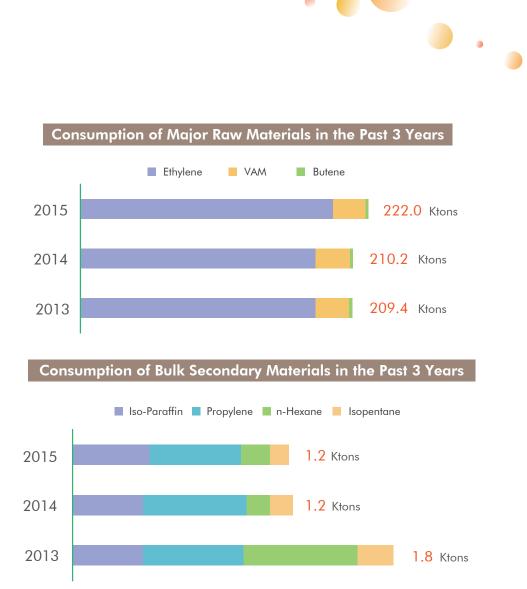


- Note 1: Cost for environmental management activities includes fees for air pollution control, water pollution prevention, waste disposal, noise pollution prevention, depreciation of fixed assets for pollution prevention, and others (e.g., cleaning and mowing).
- Note 2: Environmental-protection-related personnel expenses include personnel expenses and environmentalprotection-related training fees.
- Note 3: Equipment maintenance cost includes the fees of environmental related equipment and the fees for equipment maintenance.

## 5.2 Source management

#### \* Major raw materials

Our company's main products are: LDPE, EVA, HDPE, and LLDPE. Our raw materials include ethylene, vinyl acetate monomer (VAM), and butene.



We are committed to enhance the efficiency of process material reclamation to minimize VOCs emissions, reduce material consumption, and lower manufacturing costs. At the end of 2013, we completed the improvement of a high-pressure gas recovery system at Plant II of the Kaohsiung Plant, with significant effect in recovering butene, n-hexane, and isopentane. The table below shows the consumption of these chemicals reduced significantly in 2014 and 2015 compared to the baseline consumption of 2013.

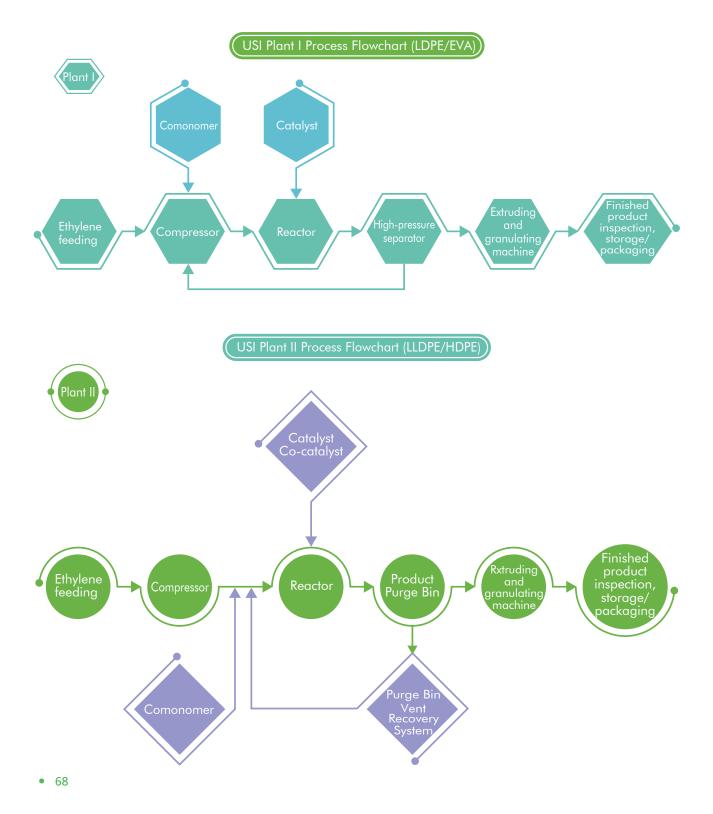
Category of	2014		2015	
Bulk Secondary Material	Saved Quantity (ton)	Saved Percentage	Saved Quantity (ton)	Saved Percentage
Butene	210	8%	540	21%
n-Hexane	505	79%	470	74%
lsopentane	73	37%	97	50%

EVA containing high vinyl acetate (VA) content has gradually become the major product of the Kaohsiung Plant, and therefore the need for VA recovery also increases every year. The current recovery system, modifier recovery treatment (MRT), built in 2001, has been used for over a dozen years, and both the output and purity cannot meet future requirements. The Kaohsiung Plant has thus planned a new MRT. Currently, the equipment body and the installation of relevant pipelines,



equipment, and instrumentation have been completed. After tests are completed by the end of April 2016, the system will run live at the end of June 2016.

In addition, the Kaohsiung Plant produces wax as waste or a by-product from production activities. Even when this wax does not meet the standard quality of general products, it can be used by some downstream manufacturers. Therefore, the Kaohsiung Plant regularly re-sells wax to them to reduce waste output and turn waste into a resource.

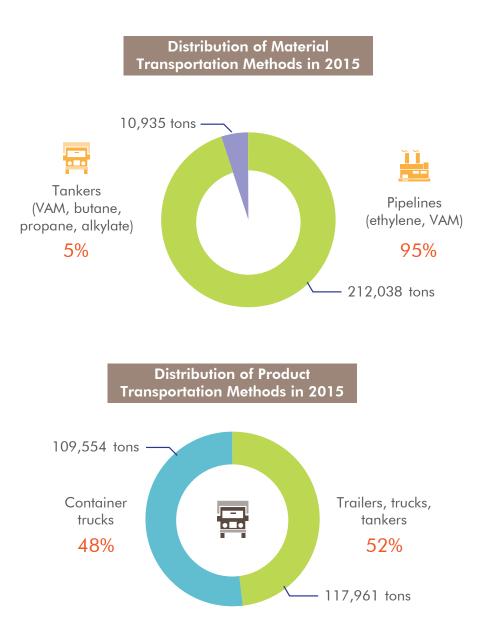




## 5.3 Safe transportation

### **Transportation safety management**

Considering the safety of pipeline transportation and vehicle transportation, the Kaohsiung Plant implemented individual management of material transportation and product transportation, and no transportation-related accident was reported over the past three years. The chart below shows the distribution of transportation methods of materials and products in 2015.





Material Transportation

**Environmental Protection** 

The Kaohsiung Plant transports 95% of its materials via underground pipelines. To prevent corrosion and leakage of pipelines, apart from regular emergency response training and exercises, we take proactive precautions and implement relevant management programs.

- · Double protection including petrolatum tapes and impressed current cathodic protection.
- Outsourcing daily tour inspections and weekly joint tour inspections with nearby enterprises.
- Outsourcing legally registered professional contractors to check the potential of cathode protection quarterly.
- To ensure pipeline safety, at least one pressure holding test is conducted every year and pressure sustaining tests from time to time.
- 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.
  Since 2014, we began implementing the close interval potential survey (CIPS) every five years.

\_\_\_\_\_

Product Transportation

The Kaohsiung Plant transports products through qualified contractors. Contractor requirements are shown below:

- · Legally registered transporter.
- Passed ISO 9001 certification.
- Semi-annual evaluation of performance, efficiency, cooperativeness, and quality and proposition of improvement programs based on customer feedback at the transportation review meeting.
- Regular vehicle examinations according to relevant regulations.
- · Contractors have qualified trained safety and health management personnel and hold safety
- meetings quarterly to ensure contractors can safely transport products to the destination to minimize environmental impacts caused by transportation.

For the "equipment maintenance operation" and "safety and health operation" in internal control, the Kaohsiung Plant has established the "Ethylene/VAM Underground Pipelines Management Regulations" to conduct preventive maintenance, routine tour inspections, and error management of owned underground pipelines within and outside of the plant.

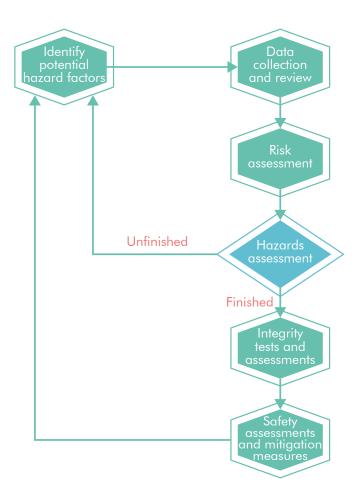
About 5% of raw materials are transported by tankers of legally registered contractors. All tankers are qualified tankers for transporting chemical substances, each contract has good emergency response ability, and well-established emergency response plans. Transportation is implemented according to relevant control regulations and management measures.

#### **Underground pipeline management**

Appropriate measures to minimize environmental pollution and the damage of property and life of people 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 of pipelines due to improper excavation of non-USI units, and provide a dependable reference for personnel to follow. We have thus established the "Existing Industrial

Pipeline Maintenance and Operation Program." The program covers the pipeline safety management system (PSMS), pipeline information management system, the pipeline integrity management plan, pipeline tour inspections, maintenance, repair, and inspection, pipeline operation, and control room management.

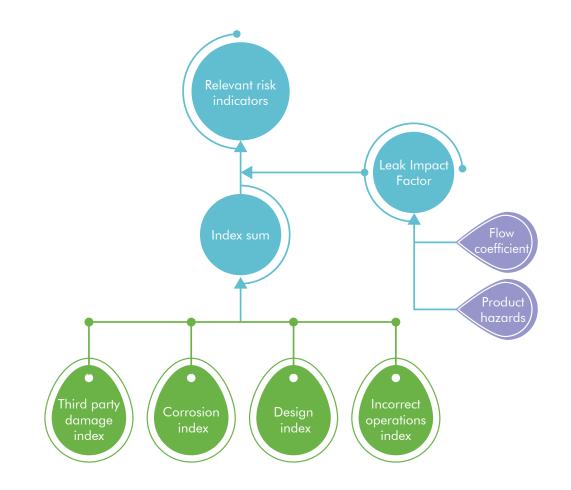
To identify and assess the hazards and potential risks of underground pipelines outside of the plant and thereby implement necessary controls, we implement "pipeline integrity management (PIM)" with reference to international specifications and have established corresponding risk control measures to eliminate or reduce unacceptable hazard risks to ensure the safe use of underground pipelines. We have conducted the overall review and risk analysis of our underground pipelines and have established mitigation measures for high-risk sections. The diagram below shows the process of pipeline management.



The risk assessment of the integrity of underground pipelines is conducted according to the Pipeline Risk Management Manual by W. Kent Muhlbauer. The overall risk assessment and grading of pipelines are implemented in terms of four risk indices: design, corrosion, incorrect operations, and third-party damage. The diagram below shows the process of pipeline integrity assessment.



5 Environmental Protection



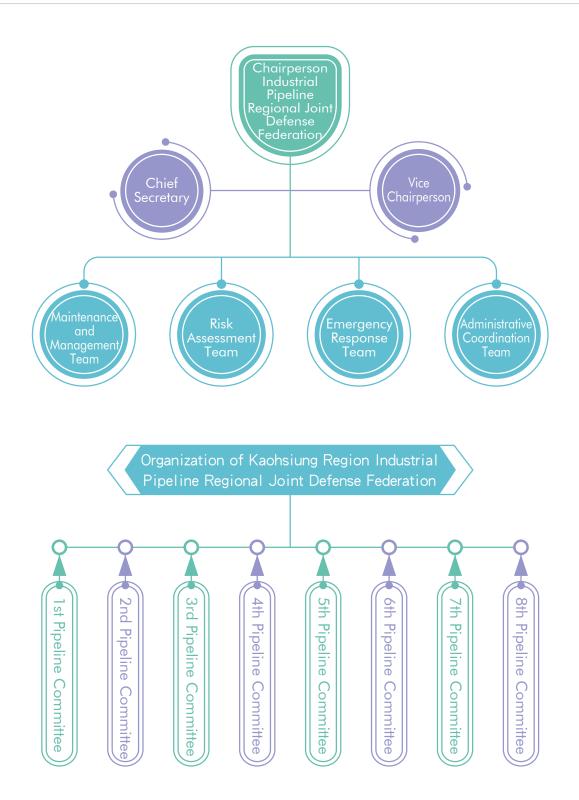
Based on the results of underground pipeline risk assessment, we grade risks at different levels and establish corresponding improvement requirements according to the level of risks. For underground pipelines of lower risk, we implement inspections, tests, and maintenance according to the existing maintenance and inspection schedule. For underground pipelines of medium risk, we shorten the inspection and test cycle or increase the inspection and test frequency to follow up those pipelines. In addition, we plan improvement actions for items that can be prioritized for improvement according to the four risk assessment indices.

According to the risk assessment results, as both pipelines in use run through regions of higher population density, they bring greater impact and higher risk to both the environment and local population in case of leakage. Currently, professional contractors have completed the CIPS of the entire pipeline. Next, we grade them according to the indirect testing results and level indicators with the assistance of the Industrial Technology Research Institute, implement the error location re-examination or direct excavation for verification, and re-assess time interval.

Furthermore, to effectively monitor and manage the transportation safety of regional underground pipelines and implement continuous maintenance, the Kaohsiung Plant and relevant petrochemical companies have formed the Kaohsiung Region Industrial Pipeline Regional Joint Defense Federation. The Kaohsiung Plant also provides the chairperson of the 8th Pipeline Committee to administer the operation and emergency response of pipelines within the committee's jurisdiction.



#### 🗖 Organization Chart of Kaohsiung Region Industrial Pipeline Regional Joint Defense





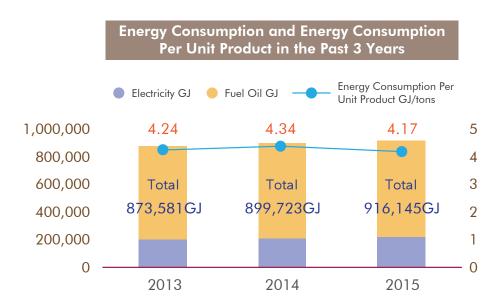


# 5.4 Promoting energy saving and emission reduction

#### **Energy management**

Through steady operation of production, Kaohsiung Plant boosted outputs in 2015, yet managed to reduce the energy consumption per unit product from 4.34 GJ/ton in 2014 to 4.17GJ/ton in 2015.

Apart from following the policies and regulations of the government and competent authorities, in establishing and implementing policies for energy conservation and emission reduction, we present the energy saving and emissions reduction plan for the next year every year, hold quarterly ESH Management Committee meetings to follow up on the progress of different energy conservation and emission reduction programs, and periodically assess the compliance with applicable regulatory requirements of all units at the Kaohsiung Plant. Besides retaining the records and results of periodic assessments, we actively request all units to perform their duty of energy conservation and emission reduction.



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

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

Energy Type	Unit	2013	2014	2015
Fuel Oil	GJ	201,113	212,417	219,337
Diesel	GJ	448	296	723
LNG	GJ	61	104	0

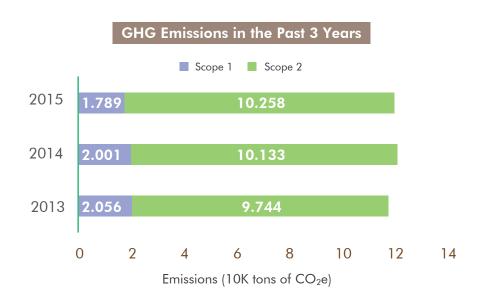
Energy Type	Unit	2013	2014	2015
LPG	GJ	0	1,229	1,923
Electricity	GJ	671,960	685,677	694,162
Total consumption	GJ	873,581	899,723	916,145
Product	Ton	206,187	207,318	219,573
Energy Consumption Per Unit Product	GJ/ton	4.24	4.34	4.17

Note: Referring to the Energy Heating Value Per Unit Product Table announced by the Bureau of Energy (BOE), Ministry of Economic Affairs (MOEA), the conversion factor of energy consumption of fuel oil, electricity, LPG, LNG, and diesel is as follows: 9,600 kcal/L, 860 kcal/kWh, 6,635 kcal/L, 9000kcal/m<sup>3</sup>, and 8,400 kcal/L; where 1 cal = 4.186 J.

# **GHG** management

On December 25, 2012, the Environmental Protection Administration (EPA) of the Executive Yuan announced the "Stationary Sources Required for GHG Reporting in Public and Private Areas." Amongst the first and second groups of stationary resources required for GHG reporting in public and private areas, as the annual emissions of Kaohsiung Plant is less than 25,000,000 tons of CO<sub>2</sub>e according to the trial calculation of stationary burning of fossil fuel, we are not one of the stationary sources required for reporting.

To understand the status of its 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 global warming potential (GWP) of different types of GHGs into carbon dioxide equivalent (CDE,  $CO_2e$ ) as announced by the Intergovernmental Panel on Climate Change (IPCC) in 1996, 2001, and 2006.



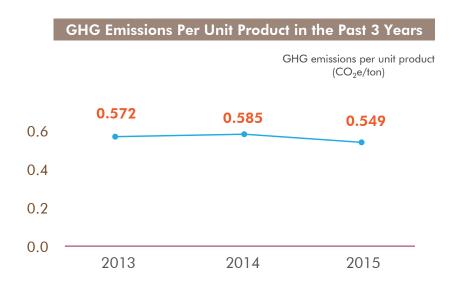
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- Note 1: Scope 1: Direct GHG emissions occurring from production processes or facilities. The data presented in the above chart covers only major emission sources (including emission from stationary burning of fossil fuel and flaring) of fuel and flare stacks.
- Note 2: Scope 2: Indirect GHG emissions occurring from indirect sources, such as purchased electricity.
- Note 3: Scope 3: Indirect emissions that are a consequence of the operations of an organization, but are not directly owned or controlled by the organization, such as other indirect emissions caused by leasing, outsourcing business, and employee commutation. As it is difficult to quantify Scope 3 emissions, we presently exclude this scope.
- Note 4: In the previous data, Scope 1 emissions in 2014 were 28,350 tons of  $CO_2e$ . Due to a typographical error in the activity data, it was mispresented as "m<sup>3</sup>" instead of "1,000 m<sup>3</sup>." After correction, the actual Scope 1 emissions in 2014 should be 20,010 tons of  $CO_2e$ .

Moreover, the GHG emissions per unit product of the Kaohsiung Plant in 2015 reduced significantly compared to that of 2013 and 2014. This is because outputs increased due to the steady operation of production in 2015, and the energy consumption per unit product reduced, thus significantly lowering the GHG emissions per unit product.



#### Actions for energy saving and emissions reduction

The Kaohsiung Plant held the first energy conservation and emissions reduction meeting in 2008 and established energy conservation and emissions reduction programs for each unit and the objectives for energy conservation and emissions reduction of the plant according to the government's GHG reduction policy. These programs and objectives are also key to reducing operating cost. By forming energy conservation and emissions reduction teams at the plants of affiliates and reaching consistent practices through energy and resource integration and experience sharing, we promote practical and effective energy conservation and emission reduction programs, which are review quarterly for effectiveness of implementation.

The table below shows the programs and effectiveness of energy saving and emissions reduction of the Kaohsiung Plant in 2015, with an annual emissions reduction of 220.9 tons of  $CO_2e$ .

Program	Energy Saved kWh/year	Emissions Reduced (tons of CO <sub>2</sub> e/year)
Replacement of LED anti-explosion LED lamps in the factory area of Plant I.	8,489	4.40
Replacement of lamps in the office area of Plant I.	3,694	1.90
Replacement of inverter motor of the FKC (C-Line) of Plant I.	86,599	45.10
Replacement of inverter motor of the FKC (F-Line) of Plant I.	61,146	31.90
Replacement of inverter motor of the FKC (E-Line) of Plant I	64,364	33.50
Addition of timers to the toilet ventilation fan.	1,971	1.00
Shutdown of the city water pump and replacement with other water sources (fire hydrants).	154,176	80.30
Renewal of the Y-7012 vibration motor at Plant II.	9,864	5.20
Replacement of the streetlamps at Plant I.	33,869	17.60
Total	424,172	220.9

Note: According to a BOE announcement, the 2014 electricity coefficient was 0.521 (kg CO<sub>2</sub>e/kWh).

In addition, we presented the "Report on the Annual Energy Saving Audit System of Energy Users" as scheduled and determined the annual energy conservation items, and annual energy conservation rate according to the "Rules Governing the Establishment of Targets and Implementation Plan of Energy Saving by Energy Users" announced by the MOEA. We also allocated budget for implementing corresponding items and follow up the progress quarterly, hoping to achieve the energy saving target at 1%. The 2016 energy conservation program reported to the BOE covers air-conditioning system management, switching cooling water sources for process air compressors during an outage; installation of light guide plates and tinted window film; replacement of inverter motors; and shortening of blower running time. It is estimated that these measures can achieve energy conservation of 2% of the current total.

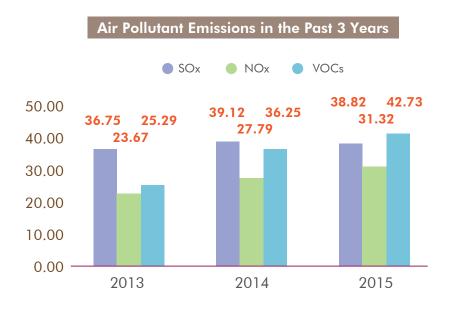
# 5.5 Green production

#### Air pollution prevention

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 turbine is the main source of SOx and NOx detected in the plant, while flare stacks, storage tanks, and equipment components are the main sources of VOCs emissions.







Note: VOCs emissions increased as of 2015 Q1 due to an increase in reported fugitive VOCs from production.

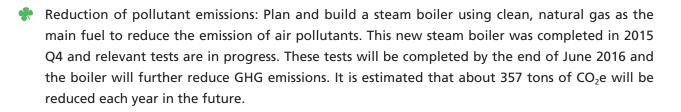
Over the years, emission test results of the Kaohsiung Plant have been consistently well below the EPA emission standards. The table below shows the emission test results of the Kaohsiung Plant in the past three years.

Pollutant	2013	2014	2015	Standard
SOx (ppm)	159	143	141	300
NOx (ppm)	147	144	146	250
TSP (mg/Nm <sup>3</sup> )	39	37	42	225-261

Note: TSP: Total Suspended Particulate

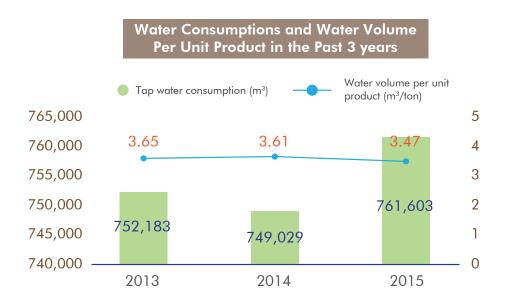
In addition to regularly testing and reporting air pollutants, the Kaohsiung Plant has planned the following reduction programs to effectively reduce air pollutants:

- VOCs reduction: Create files for each equipment component in the plant for management, replace sealless pumps, purchase low-leakage valves, simplify process pipelines, reinforce the maintenance of equipment components, and seal wastewater tanks with a cover.
- Effective VOCs treatment: The Kaohsiung Plant has purchased a new regenerative thermal oxidizer (RTO) to improve the efficiency of VOCs treatment and recover heat to reduce energy consumption. The Kaohsiung Plant began treating waste gases with the RTO in 2015, and the system is operating perfectly. A new steam boiler was completed in 2015 Q4 and relevant tests are in progress. These tests will be completed by the end of June 2016.

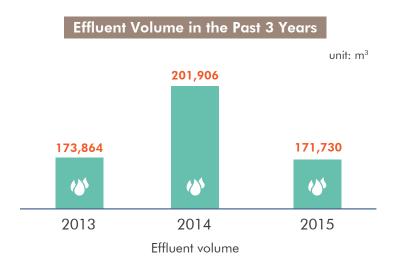


## Water resources management and water pollution prevention

Tap water is our primary water source. The tap water consumption of the Kaohsiung Plant in 2015 was 761,603 m<sup>3</sup>, and the water volume per unit product is 3.47 m<sup>3</sup>/ton.



In wastewater discharge, wastewater is treated and discharged with criteria superior to the regulatory and statutory requirements. In 2015, the Kaohsiung Plant discharged 171,730 m<sup>3</sup> of effluents into the Huojing River in Kaohsiung. The volume of effluents reduced in 2015 because of the steam condensate recovery project of Plant II and the booster compressor area at the Kaohsiung Plant.



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Referring to the "Effluent Standards for the Petrochemical Industry" promulgated on December 1, 2011, there are 24 items for controlling the quality of effluents from the petrochemical industry. Major control items of the Kaohsiung Plant include suspended solids (SS), grease, and chemical oxygen demand (COD). The value of these items is far lower than the regulatory effluent standard or even lower than the method detection limit (MDL).

## **C** Effluent Quality of Kaohsiung Plant in the Past 3 Years

				Unit: mg/L
Test Item	2013	2014	2015	Standard
SS	8.8	20.4	13.7	30
Grease	1.0	5.3	2.9	10
COD	43.5	47.4	54.6	100

Besides testing and reporting effluents at planned intervals, we implement the following water recovery and recycling programs to increase water resources recycling:

- Enhancing the recycling rate of water resources: We improved the steam condensate recovery system. After the completion and operation of the Kaohsiung Plant's new steam boiler, the recovered steam condensate can be used again in the new boiler to achieve 100% in-house steam condensate recovery.
- Reuse of recycled water: Wastewater after treatment will be used to clean process equipment to reduce water consumption.

#### Waste management

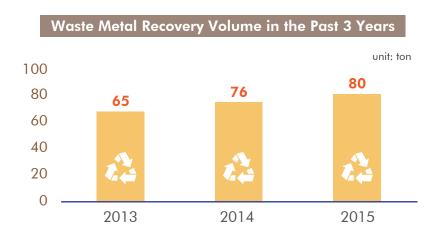
The Kaohsiung Plant produces both hazardous industrial waste and general industrial waste and disposes of such waste by incineration, physical treatment, and cleaning. The Kaohsiung Plant also hires licensed waste disposal contractors to dispose of and treat such waste in accordance with the "Industrial Waste Disposal Act." The table below shows the volume of disposal of different types of waste over the past the years.

#### C Volume of Disposal of Different Types of Waste by the Kaohsiung Plant in the Past 3 Years

				Unit: ton
Waste	Treatment	2013	2014	2015
Waste plastic, mixed	Cleaning	10.1	10.5	12.71
Waste wood, mixed	Incineration	10.0	20.4	22.99

Waste	Treatment	2013	2014	2015
Organic sludge	Incineration	21.6	22.3	10.61
Waste metal	Cleaning	25.1	33.5	30.09
Waste oil, mixed	Physical	8.3	20.2	32.83
Household waste	Incineration	171.5	216.6	128.85
Waste wax	Physical	22.9	10.3	1.92
Other flammable mixtures	Incineration	-	0.2	0.885
Waste wires and cables	Physical	-	-	6.46
Total annual volume of waste		269.4	334.0	247.3

The Kaohsiung Plant is also committed to implement resource separation and recovery and hire licensed contractors to recycle waste metal. In 2015, the Kaohsiung Plant recovered 80 tons of waste metal and hired nearby resource recycling contractors to dispose of the plant's wastepaper.



Apart from reporting the disposal and treatment volume of waste at planned intervals according to statutory and regulatory requirements, the Kaohsiung Plant runs the following 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.





# 5.6 Green services and products

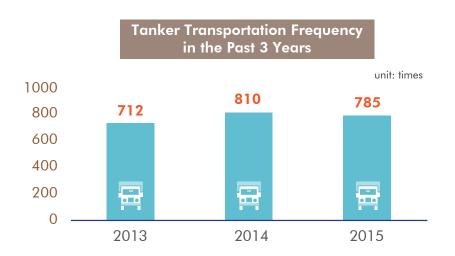
## **Green packaging materials**

At USI, we pack products in bags or transport them by tankers. We pack products with PE bags, bulk bags, and paper bags. To reduce the environmental impact of packaging materials, customers recover PE and paper bags for reuse. These bags are primarily reused to pack reproduced byproducts or as temporary packages of finished products or odds of customers. The Kaohsiung Plant recovers bulk bags for reuse at an average of about four times per bag.

Material	2013		2014		2015	
wateria	Consumption	Recovery	Consumption	Recovery	Consumption	Recovery
PE bag (ton)	663	(Recovered by customers)	658	(Recovered by customers)	716	(Recovered by customers)
Paper bag (ton)	52	(Recovered by customers)	57	(Recovered by customers)	45	(Recovered by customers)
Bulk bag (pcs)	60,764	59.98%	60,617	70.69%	65,272	61.17%

#### Packaging Material Consumption of Kaohsiung Plant in the Past 3 Years

For large purchases and when the customer's warehousing ability allows, we recommend tanker transportation to directly reduce the consumption of packaging materials. Together with environmental considerations, products for large purchases are usually shipped in bulk bags or tankers that significantly reduce paper bag consumption.



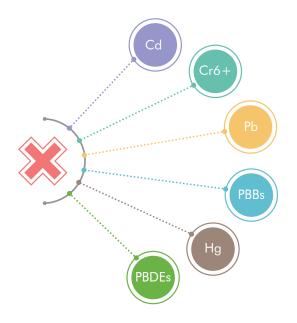


#### **Green products**

"High pollution and high energy consumption" is the common stereotype of petrochemical products held by the public. As technology advances, however, the petrochemical industry has developed a number of green and eco-friendly products for everyday use.

## **Toxin-free energy-saving products**

All USI products comply with the EU's Restriction of Hazardous Substances Directive (RoHS Directive 2002/95/EC). As our products are famous for high quality and easy processability, new applications continue to increase. For example, PEVA (a mixture or PE and EVA) can replace some flexible polyvinyl chloride (PVC) products to reduce environmental impact when eco-friendliness and non-toxicity are concerned. Moreover, as PEVA products are recoverable for recycling, it has become the base material of new products and new services. For example, customers can recycle PEVA products into eco-friendly plastic pallets to replace traditional wooden pallets to promote resource sustainability.



Note 1: PBBs are polybrominated biphenyls. Note 2: PBDEs are polybrominated diphenyl ethers.

In addition to conserving energy in the production process, we have developed the EVA hot melt adhesive resin with exceptionally high fluidity and high VA content (melting index: 800g/10min; VA content: 28%). It is easy to coat, contains no solvent, and complies with environmental requirements. It is suitable for use in packaging, carpentry, and the assembly of other products.





# **Green energy products**

Due to the energy shortage in recent years, we have actively and independently developed differentiated products with high value-added for the optoelectronics industry. These products include EVA materials for PV module packaging. We have also aggressively entered the renewable energy material sector to develop PV packaging related materials to fulfill the strong demand of manufacturers at home and abroad and cultivate markets for high-value petrochemical products.



## Light-guide energy-saving products

#### **Optibend light guide glass**

Optibend light guide glass brings natural and healthy sunlight indoor as natural lighting with the most direct, most efficient, and zero pollution method. While achieving emissions reduction, environmental protection, and energy saving, it provides consumers with a comfortable lighted indoor environment.

#### **Optibend light guide blinds**

Optibend light guide blinds are equipped with both light guide and light shade functions. Apart from blocking dazzling outdoor sunlight, they can guide outdoor sunlight to the dimmer side of indoor over 9m high. By the secondary reflection of ceiling, consumers will not need to turn on any light and can enjoy natural lighting in the indoor to save high electricity bills.

# Toxin-free eco-friendly flameproof products

#### Chitera green fireproof material

Chitera is a new organic-inorganic green material that is halogen-free, formaldehyde-free and toluene-free. Chitera does not contain heavy metals and contains rather low VOCs. Therefore, it will not pollute the environment.

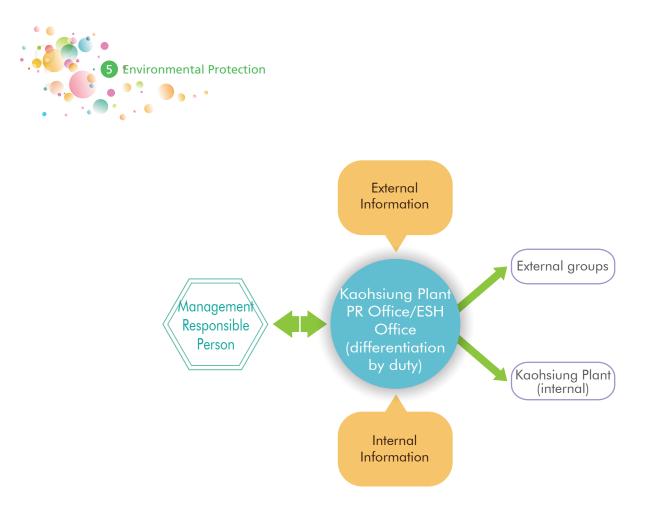
Chitera also has a low heat conductive coefficient to help block fire spread. In addition to the selfextinguishment and self-carbonation features, it has double fire protection layers. After the first layer blocks heat sources, the second layer releases water vapor to lower surface temperature for an optimal insulation effect. These features can retard a fire to which lengthens the golden window timeframe for escape to reduce further disaster. Thanks to these features, Chitera has passed national fireproof material certification, and has been included in aircraft material safety tests of Boeing: BSS7238 Test method for smoke generation by materials on combustion and BSS7239 Test method for toxic gas generation by materials on combustion.



# 5.7 ESH grievance channels

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





Internal ESH grievances are addressed through "management labor conferences," "union board meetings," "safety and health meetings," and other meetings. When awareness education or responses are required, responsible departments will review the case and send a written response to the PR Office. After approving the response, the ESH responsible person will announce it within the organization.

External ESH grievances are ESH complaints received from outside the organization over the phone, orally, or in writing. After receiving a grievance, any unit of Kaohsiung Plant will refer the case to the responsible unit to verify the content of grievance and register it in the "ESH Information Registration List." After a case has been confirmed, a proper response will be made. In addition, data related to the ESH policy of USI is available at the PR Office of the Kaohsiung Plant for public access or retrieval. Such data is also registered in the "ESH Information Registration List" to achieve communication with stakeholders.

Statistics on Estamol FCU Crission and at Kashaisana Dlant in the Dest 2 Verse
Statistics on External ESH Grievances at Kaohsiung Plant in the Past 3 Years

Item	2013	2014	2015
Grievance	9	1	5
Valid case	0	0	0

As none of the grievances received over the past three years were caused by production or operational activities of the Kaohsiung Plant, no valid grievance has been reported during the past three years.



teamwork

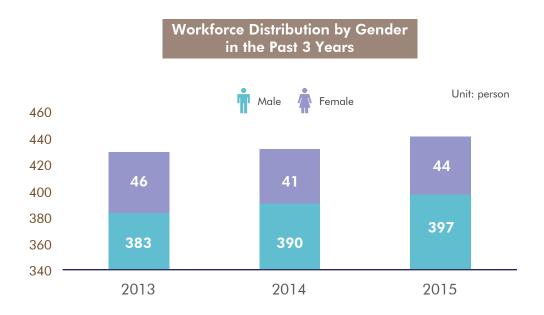


We agree that employees should enjoy the human rights and labor rights and benefits as claimed by the International Labour Organization (ILO). Thus, we treat employees with respect and without discrimination. We have also established regulations to prevent harsh and inhumane treatment, including sexual harassment, sexual abuse, physical coercion, or verbal abuse of employees. We also grant employees the right to freedom of association according to the law.

We value employees and conform to various regulations regarding labor rights and human rights. We don't use child labor or forced or compulsory labor in any stage of manufacturing. We maintain diversity and equal remuneration for employees regardless of age or gender and provide reasonable opportunities for remuneration, promotion, and transfer based on work performance and potential.

# 6.1 Workforce structure

In 2015, we had a total of 441 employees, including 397 males (90%) and 44 females (10%) due to the characteristics of the petrochemical industry where male employees are more than female employees. All employees are hired from Taiwan, chiefly from Taipei and Kaohsiung. All employees are full-time employees with an employment contract. Except for employees of different business attributes, such as advisors (consultants) and experts with whom a fixed term employees. The average age of employees is 46.9 years old, while the average service length is 18 years. Most employees (76%) have a Bachelor's degree or higher. To provide employment opportunities for under-represented or vulnerable groups, we hired eight people with disabilities in 2015, or 1.8% of all employees, which is higher than the 1% requirement prescribed in the People with Disabilities Rights Protection Act.





# Year201320142015TypePersons%Persons%Persons

Employee Distribution by Employment Contract and by Gender in the Past 3 Years

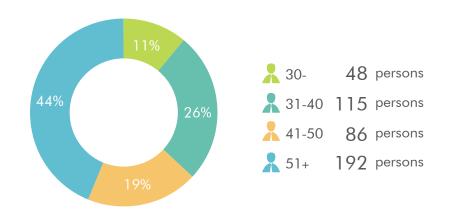
	Туре		Persons	%	Persons	%	Persons	%
	Non-fixed term	Male	380	90%	387	91%	391	90%
contract	Female	43	10%	39	9%	42	10%	
	Fixed term	Male	3	50%	3	60%	6	75%
	contract	Female	3	50%	2	40%	2	25%

## Employee Distribution by Region and by Gender in the Past 3 Years

Year		20	2013		2014		2015	
Туре		Persons	%	Persons	%	Persons	%	
	Male	69	68%	70	70%	70	70%	
Taipei	Female	33	32%	30	30%	30	30%	
	Male	2	100%	0	0%	0	0%	
Taichung	Female	0	0%	0	0%	0	0%	
Talaan	Male	2	50%	2	50%	2	50%	
Tainan	Female	2	50%	2	50%	2	50%	
Kaohsiung	Male	310	97%	318	97%	325	96%	
	Female	11	3%	9	3%	12	4%	

Note: Following the dissolution of Taichung Office on January 1, 2015, both employees of the office resigned at the end of 2014.





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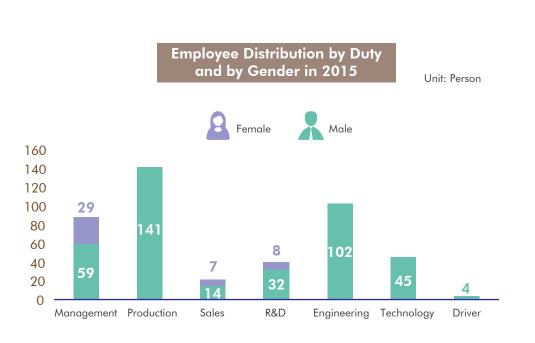


Yea	Year		2014	2015
Age G	Age Group		Persons	Persons
	Male	33	43	41
30-	Female	3	4	7
	Total	36	47	48
	Male	83	89	107
31-40	Female	8	7	8
	Total	91	96	115
	Male	79	79	75
41-50	Female	11	11	11
	Total	90	90	86
	Male	188	179	174
51+	Female	24	19	18
	Total	212	198	192
Total em	Total employees		431	441

# Employee Distribution by Education in the Past 3 Years







# 6.2 Employee turnover

## **Recruitment and hiring**

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 opportunity, 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 resignation, the workforce-requesting unit must complete the "Personnel Replenishment Request Form." After the request is approved, we will first recruit personnel 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 resume 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 outside of the organization through newspapers, human resources websites, human resources consultation agents, schools, and employment service stations. For job openings of the Kaohsiung Plant, we give priority to local citizens as a way of giving back to local communities.

In 2015, we hired a total of 42 new employees. The table below shows their distributions by gender, age, and region.

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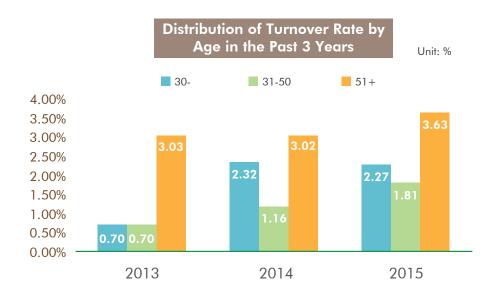
ltem	2015			
Age Group	Male	Female	Total	
30-	19	4	23	
31-40	16	1	17	
41-50	0	0	0	
51+	2	0	2	
Region	Male	Female	Total	
Northern	5	2	7	
Central	0	0	0	
Southern	32	3	35	

## New Employee Distributions by Gender, Age, and Region in 2015

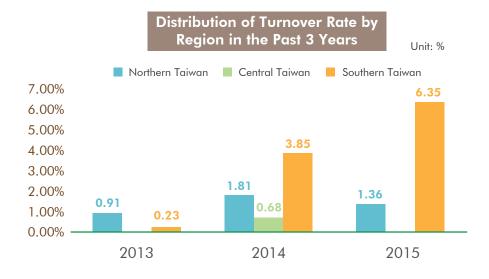
#### **Turnover rate**

All employees are free and have the right to leave work at any time or terminate their employment by the law. Their labor conditions are subject to local laws and regulations, including minimal 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 2015, a total of 34 employees resigned (including 17 retired), including two female employees. The main reason is that the number of employees of the Kaohsiung Plant meeting the retirement requirements increased in 2015, so the turnover rate of employees in southern Taiwan and of those over 51 years old soared. This also reflects one important thing: the vast majorityi of employees has high organizational commitment and organizational identification and are willing to stay until they retire. This also shows our care for employees has yielded the recognition of the vast majority of employees. Therefore, they love the company and are eager to work hard in their post. Together we create better operational performance and a more harmonious work environment.







# 6.3 Employee rights and benefits

We value employee benefits, and USI employees can enjoy the following benefits:

ltem	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 insurane, 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 education attainment of employees. The year-end bonus is distributed according to 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. However, referring to the information revealed in the CSR report of other petrochemical companies, we have structured a more balanced compensation plan for female and male employees.

Position	2015		
Position	Female	Male	
Medium and higher level executives	1	1.2	
General employees	1	1	

Note: The base for female employees is "1," including wage, bonuses, and benefits. The calculation does not include employees with a service length less than one year.

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 employees every year, we participate in the compensation survey of the petrochemical industry to estimate pay standards ion the market to make appropriate adjustments and planning. We also give a special raise to employees with outstanding performance to ensure our pay is competitive on the market.

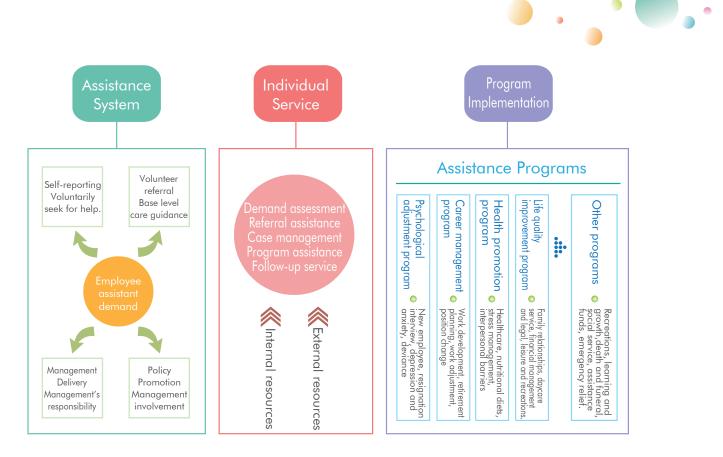
# Health care benefit

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

To fulfill the need for parental leave of employees, we have established leave application rules according to the law. Employees with children under three can apply for parental leave. As no employee has applied for the leave over the past three years, there is no data for reinstatement after leave of absence (LOA). We have made perfect reinstatement planning for employees. When an employee reinstates after an LOA, we will arrange reinstatement training and education for her or him to protect their right to work and ensure she/he can smoothly return to work.

# **Employee Assistance Program**

We have established the Employee Assistance Program Service Center (EAPSC), aiming to improve the life quality, health, and happiness of employees. We persistently promote EAP services by organizing various social activities and providing employee consultation and counseling services to provide comprehensive care and assistance for employees in psychological adjustment, career management, health promotion, and life quality improvement.



# Christmas party





Coastal cleanup activity

Spring trip to Junjianyan





Field Trip Day: Yingge Ceramics Museum

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# **Pension contributions**

We have established a set of retirement regulations for all full-time employees and contribute every month the employee pension reserves to the personal pension account at the Labor Insurance Bureau for each employee in accordance with the Labor Standards Act.

ltem	Proportion of Contribution	Employee Participation in the Retirement Plan
Pension under the Labor Standards Act (old system)	Employer contribution: 15% 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%

# Trade union

We have a trade union and protect the right to collective bargaining and freedom of association of employees. This fully demonstrates our determination to uphold labor rights and benefits. Every year, representatives elected by employees attend the "management-labor meeting" held periodically by the management to negotiate and discuss matters relating to labor conditions and employee welfare. In addition, relevant officers of the management attend the "board meeting" and "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 member representatives in order to cohere into a consensus, promote management-labor cooperation, and create a win-win situation for both parties through this process.

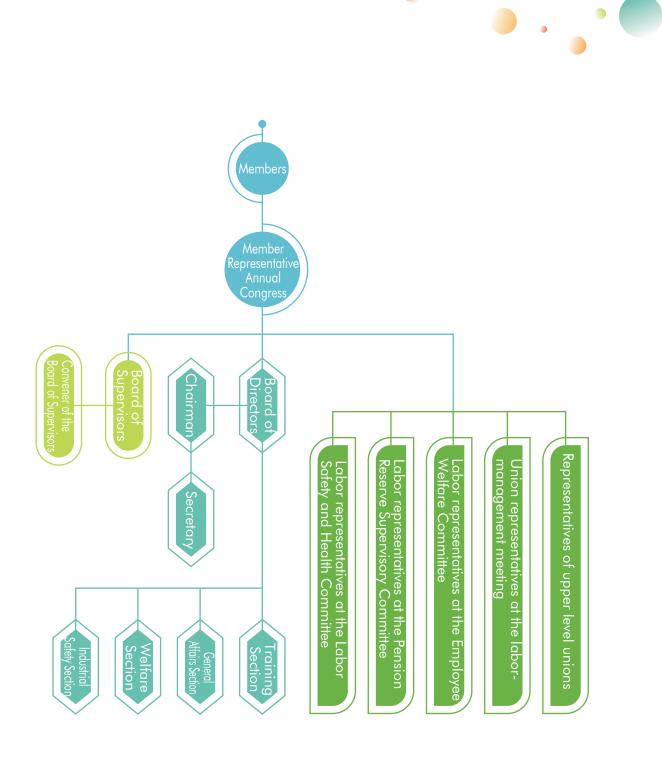
By the end of 2015, the union had a total of 308 members, including 298 males and 10 females, with union participation rate standing at 70%. In addition, representatives of labor and management have formed the "Pension Reserve Supervisory Committee" and the "Employee Welfare Committee." Both committees hold meetings at planned intervals to provide a channel for both parties to communicate and thereby maintain labor rights and benefits.

2015 Member Representatives Annual Congress





2015 Labor education and training



# **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 10 employee clubs so far, including a hiking club, cycling club, and various ballgame clubs. The company and the Employee Welfare Committee guide and sponsor them. Employees can relieve their work stress, promote health with club activities, and thereby improve their organizational commitment.









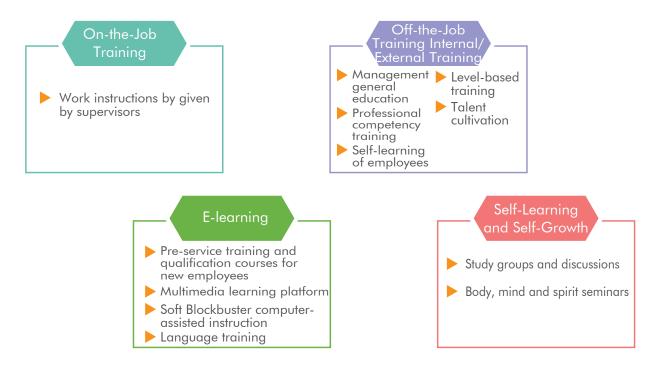


# 6.4 Talent cultivation and development

To offer training programs required by all-round talents, we have established a holistic education and training system based on the macro environment, business policy, departmental performance targets (KPIs), and the career development of employees.

To find out the further education and training needs of employees, we survey employee-training needs in the final quarter of each year, draw up education and training plans, and allocate relevant budgets. We have also established an e-learning platform to provide employees with a self-learning channel. By organizing employee competency training, management training, topic seminars, health talks, and seminars on different topics, we aim to improve the professional or managerial skills of employees and balance their body, mind, and soul.

To improve the quality and overall competitiveness of employees, courses are given in different ways. In addition to lectures, we design different activities according to the attributes of courses, such as case studies or group discussions, to make learning more lively, more vivid, and more effective. E-learning courses even enable employees to learn anywhere, anytime, and more effectively. All these can encourage career development and improve overall work performance at the same time. Our training framework is composed of four main pillars: "on-the-job training," "competency training," "e-learning," and "self-learning and self-growth." Together they provide employees with complete and systematic training courses required for career development and extend to an education system for lifelong learning.



# **On-the-job training**

With the instruction of supervisors and senior employees, through group discussions, and combing with education/training courses, employees achieve the learning goal through brainstorming. In addition, to broaden the mind and improve the competency of employees, besides doing their job, employees participate in other project research. If it is necessary, we also arrange them to visit customers with technical service personnel to develop their interpersonal and problem-solving skills and handle customer complaints.

# **Off-the-job training**

#### (1) Internal training

The USI Group Training and Organizational Development Division periodically organizes education and training courses at the Taipei headquarters. These courses providing opportunities for all-round training include: topic seminars, humanities and intellectual seminars, health talks, information training, study groups, levelbased training, and fieldtrips.







To support e-training management, we have established the "Training Management Platform." Apart from providing training information, teaching material download, online registration, learning record, and training episode services, the platform assesses the training efficacy of employees through an on-line feedback mechanism to provide a reference for optimizing and improving course quality.



Topical seminar





Level-based training



Fieldtrip: Yingge Ceramics Museum

Health talk

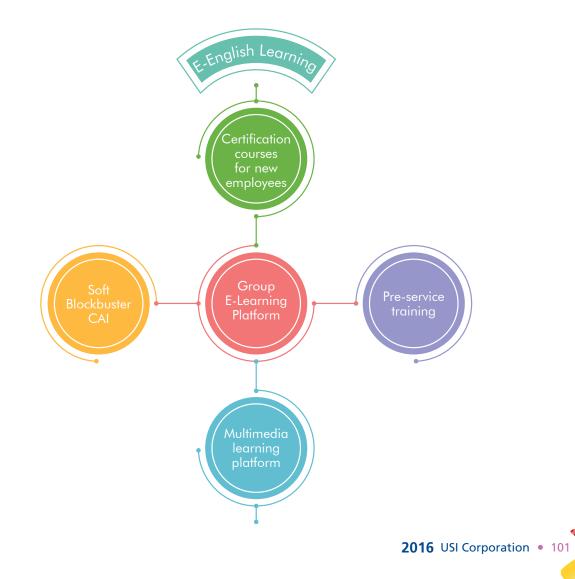


## (2) External training

Based on business needs, supervisors encourage team members to participate in seminars and/or relevant professional training courses and programs organized outside of the company to lean the newest professional technologies and management knowledge. Through the "Training Management Platform," we can gather the opinions of employees receiving external training, assess the efficacy of external training, strengthen external training materials, and manage training completion reports. More importantly, we can share the results of external training to other employees.

# **E-learning**

To improve the quality and overcome the limitation on people, time, and place of physical courses, we introduce e-learning to our education and training system by establishing the "Group E-Learning Platform" for all employees to take e-learning courses. In addition, to promote English learning within the group and motivate employees to learn English, the USI Group Training and Organizational Development Division introduces an e-English learning course in collaboration with external training organization and launches the English learning subsidization program to provide employees with a better learning environment.



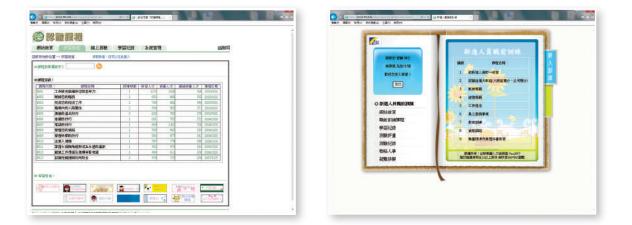


## (1) Qualification courses for new employees

We equip new employees with the knowledge, attitude, and skills required by the workplace through general education courses. Currently, there are 13 general education courses. The "Qualification Courses for New Employees" platform integrates different kinds of courses, on-line tests, surveys, and progress management, aiming to provide employees with an environment to improve work competencies.

(2) Pre-service training

In addition to the qualification courses for new employees, we have designed a complete set of "preservice training" courses for new employees to introduce the organizational culture, the profile of USI and the USI Group, the organization and ethics of the company for new employees to quickly to adapt to the work environment and demonstrate their talent, to improve their organizational commitment and identification, and validate their learning efficacy by means of qualification.







#### (3) Multimedia learning platform

Currently, the multimedia learning platform offers 62 lessons, covering level-based general education courses, business management courses, life and wisdom courses, and spiritual growth courses. Each course is broken down into several units and presented by PowerPoint. It is convenient because employees can select any part of a course on demand. Besides a well-established learning mechanism, we have built functions including learning record, teaching material downloads, and on-line tests to make learning more complete. Furthermore, we have purchased six e-learning courses from



POSPO Digital Human Resources Inc., including "Application of Email in Work," "Improving Work Performance I," "Improving Work Performance II," "Experts with Excellent EQ," "Problem Analysis and Countermeasures," and "Responsibility and Accountability." Through interactive digital content, these courses motivate learning to achieve better learning efficacy.



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## (4) Software Blockbuster

To improve the computer skills of employees through self-learning courses, we have purchased a number of relevant CAI programs licensed by Software Blockbuster. These programs include computer production, MS Office, webpage production, video processing, utilities, animation production, graphics software, and project production for employees to improve computer skills through self-learning.

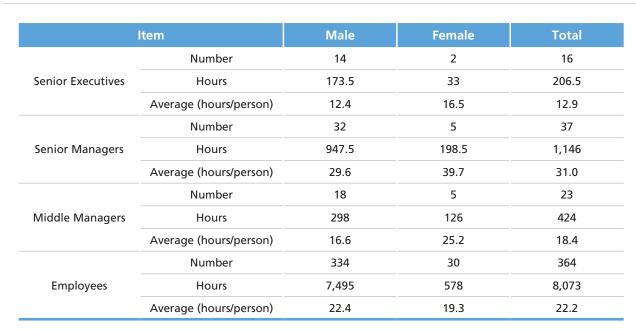
#### (5) Language training

To promote English leaning to all affiliates, improve daily English and business English, and motivate more employees to learn English, the USI Group Training and Organizational Development Division has continuous cooperation with Hebron Soft Limited to subsidize employees to take on-line English courses.



# **Education and training**

In 2015, we offered a total of 9,850 hours (including training courses participated by employees and organized by the group) of training, with a total expense of about NT\$ 800,000 (excluding training fees provided by the group for affiliates). To cope with the need for the CBC plant construction project in the future, we organized a five-month pilot plant professional training course with 20 lessons in 2015. In addition, we sponsor employees with higher learning motivation and greater development potential to receive further education at universities at home and abroad and arrange duty adjustment to give them complete training and cultivate talents for the company. We also arrange leadership related courses for medium- and higher-level executives, such as courses organized by Dale Carnegie Training Taiwan.



#### The table below shows the average education and training hours for employees in 2015.

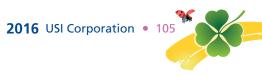
Note: One cook was excluded from the calculation of education/training hours.

## **R&D** personnel training and planning

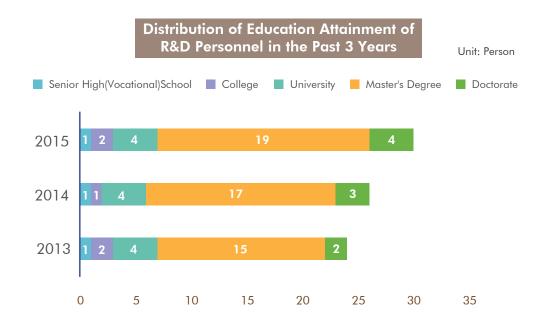
To cultivate important R&D talents, we assess the performance of R&D personnel every year and adjust their pay and grade according to the assessment results. We also promote those with organizational management ability to managerial posts. Those who are fond of R&D can develop specialties in their R&D work.

The R&D Division has a well-established job rotation system. After R&D personnel has 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. In addition, draftees taking R&D alternative service can enjoy equal opportunities for promotion as full-time employees. 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.

Excellent R&D talents are the true drives behind innovation and R&D. In 2015, we hired 30 R&D staff members, which together make up 7% of all employees. All R&D personnel hold a master's degree or higher.







# **Performance assessment**

We assess employee performance every June, to help employees develop and to optimize human resources and skill management of the company. We assess only full-time employees who have been working at USI for at least three months and have designed different assessment schemes for fixed-term contract employees and general employees. Therefore, the chart below does not include new employees who entered service after March 2015 nor fixed-term contract employees.

# Proportion of Female and Male Employees Assessed in 2015

Gender	Male		Female	
Region	Persons	Proportion	Persons	Proportion
Headquarters	68	92%	30	97%
Plant	317	98%	9	82%

Note: Headquarters includes Taipei Headquarters, Linkou R&D Division, and Tainan Office; and Plant refers to Kaohsiung Plant.

# 6.5 Occupational safety and health

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



# **Objectives and management programs for occupational safety**

Policy	Objective	Program
Zero industrial accident	Incident rate (IR)<0.32	Pipeline corrosion surveillance
		Prevention of pipeline corrosion hazards and steam injection point inspection.
		Prevention of fire in the TEAL zone due to pipeline leakage from causing fire or explosion.
		Preparation of test and operation of B-lines
		Prevention of buffer tank corrosion
		Maintenance and management of underground pipelines outside of the plant
Zero occupational accident	Frequency-Severity Indicator (FSI) <0.04	Risk of fall of personnel when operating the 10-inch manual isolation value that is quite far away from the operating platform.
		Prevention of slab support corrosion from causing the risk of fall.
		Prevention of injuries from miss footing when taking stairs.

#### C Objectives and Management Programs for Occupational Safety in 2015

In addition to following the zero industrial accident and zero occupational accident policies, the Kaohsiung Plant has established additional occupational safety targets for 2016. The plant originally estimated these targets based on zero injury for eight consecutive years. As the total working hours are higher, the estimated value is relatively lower and has a bigger difference from reality. To match the actual situation, we have standardized the calculation period from 2011 to the end of the year. As facial scalds occurred to employees of Kaohsiung Plant in 2015, the plant has re-adjusted the targets for 2016 to: IR<0.52 and FSI<0.08.





### **OHS organization**

In addition to the "USI Kaohsiung Plant Union," the Kaohsiung Plant has an "Occupational Safety and Health Committee (OSHC)" in accordance with the "Regulations for Occupational Safety and Health Management," with labor representatives elected or appointed by the union and holding 35% of the seats. The committee meets with management every quarter to discuss ESH topics on behalf of employees.

## OSHC Member Structure in 2015

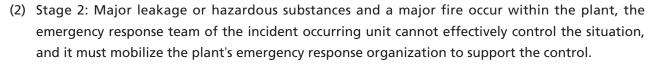
OSHC	Seats	Proportion
Labor representatives	7	35%
Management representatives	13	65%
Total	20	100%

## Workplace safety and health

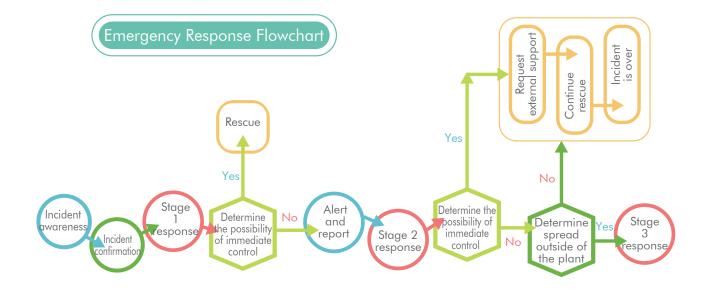
We team up with the Taiwan Responsible Care Association (TRCA) and the Renda Industrial Park Safety and Health Promotion Association to promote industrial safety, health, and environmental protection together and learn from one another in order to improve the protection of employee safety and health. In addition, we organize fire exercises and industrial safety education and training biannually to develop emergency response skills and self-safety management of employees. In 2015, the two fire emergency response exercises included fire due to ethylene pipeline leakage and storage tank pipeline leakage due to the earthquake respectively. In the exercise, the self-defense firefighting taskforce was activated to handle the situations according to relevant emergency response procedures.

Based on the production activities of the Kaohsiung Plant, we have established emergency response procedures for raw material (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:

- (1) Stage 1: Minor leakage or hazardous substances and a minor fire occur within the plant.
  - The on-duty officer will be the site commander to instruct personnel within the unit to stop the leakage or fire.



- The on-duty officer mobilizes the emergency response organization according to the alert and reporting procedure based on the request for support of the incident occurring unit.
- Based on the emergency situation, request for support outside of the plant and notify relevant agencies as necessary.
- Determine the need to immediately shut down plant operations and isolate the incident affected area.
- T[U1]he site commander can be the head of the incident occurring unit or department, until the general plant manager or his/her agent takes over the command.
- Set up the response command center to gather information regarding the latest situation for the chief commander to make decisions and notify the response organization.
- (3) Stage 3: The incident may spread outside of the plant and its impact reaches outside of the plant.
  - The general plant manager or his/her agent becomes the chief commander to command the emergency plan within the plant and report the situation to the Fire Bureau of Kaohsiung City.
  - If the situation runs out of control and may threaten the life of employees, the plant is evacuated.



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Emergency response exercise and training







## Disability injury and absenteeism of employees

Given that "zero industrial accident" is our objective of occupational accident management, to eliminate the occurrence of work-related injury is the prime target. In 2015, the facial scald incident at Kaohsiung Plant caused a lost-time injury rate of 22 days and set the FSI at 0.08. After an immediate accident investigation, Kaohsiung Plant immediately took corrective and preventive action to prevent the recurrence of similar incidents.

Between January 23 and December 31, 2015, the accumulative working hours without lost time injury was 672,737 hours. In 2015, no occupational accident was reported from Taipei Headquarters, Linkou R&D Division, and Tainan Office.

Gender	20	13	20	14	20	15
Region	Male	Female	Male	Female	Male	Female
F.R.	0	0	0.39	0	0.61	0
S.R.	0	0	7	0	12	0
F.S.I.	0	0	0.05	0	0.08	0

- Note 1: Disabling injury frequency rate (F.R.) = Injury frequency  $\times$  1,000,000 hours worked /total hours worked.
- Note 2: Disabling injury severity rate (S.R.) = Injury days lost x 1,000,000 hours worked /total hours worked.
- Note 3: Frequency severity index (F.S.I.) =  $\sqrt{[(F.R \times S.R.)/1000]}$

Note 4: Data period from 2011 to the reporting year.

In addition, as absenteeism is another key indicator for evaluating occupational safety and health within an organization, the table below shows the absenteeism rate (AR) of employees in 2015.

Year	2015		
Gender	Male Female		
AR (%)	0.52%	0.09%	

Note 1: Absenteeism rate (AR) = Total days lost due to absenteeism in the period/Working days available in the period  $\times$  100%

Note 3: Working days available in the period: The actual number of days worked in 2015.

#### Care for employee health

Every year we commission major hospitals to give health examinations to employees to protect their physical health and report the examination results to competent authorities for reference as necessary. In 2015, a total of 409 employees were examined, with an examination rate of 99.3%. We also arrange special health examinations for employees of the Kaohsiung Plant engaging in dusty, ionizing radiation, and n-hexane work. After examination by physicians, they only need level one or two management. Level one management is for employees who are found normal by physicians based on the results of a special health examination or follow-up health examinations. Level two management is for employees who are found abnormal by physicians based on the results of a special health examinations, but the problem(s) does (do) not relate to work.

Item	General Health Examination	General Health Examination + Special Health Examination (dusty work)	General Health Examination + Special Health Examination (ionizing radiation work)	General Health Examination + Special Health Examination (n-hexane work)
Person	406	26	17	17
Rate	99%	6%	4%	4%

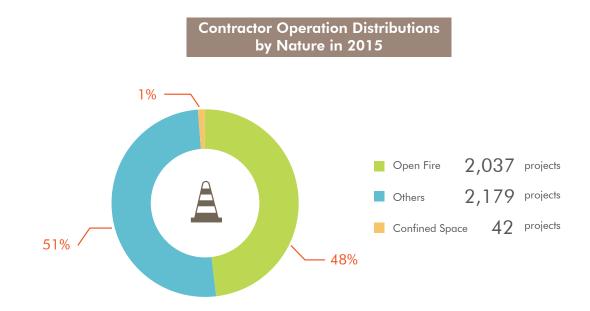


Note 2: Total days lost due to absenteeism in the period: Calculation was done according to the actual number of days lost due to absenteeism in 2015.



#### **Contractor safety management**

At USI, the safety management of contractors and suppliers is equally important. Therefore, we have established the "Contractor Management Regulations" and the "Contractor Entry Management Manual." Both documents include industrial safety education and training for contractors, and they must pass safety certification before they can perform their contracts at USI. To strengthen safety supervision during construction, we have established the "Labor Safety and Health Tour Inspection Regulations" to implement ESH 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 2015, the accident rate per one thousand persons at the Kaohsiung Plant was zero.



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

#### **ESH education**

Education, training, and publicity are the foundation to promote ESH awareness to employees and contractors. By establishing the "Labor Safety and Health Education and Training Regulations," we provide knowledge and skill training for different categories of employees and contractor personnel based on actual need. In 2015, we provided 403 sessions of ESH education and training for 3,079 persons, totaling 4,810 hours.



#### **Statistics on ESH Education and Training 2015**

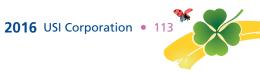
Туре	Hours/ person	Sessions	Person	Total hours
New employee training	6	13	35	210
On-the-job training	3	46	1,231	3,693
Contractor training	0.5	344	1,813	906.5

#### Health education talks



ESH education/training for new employees

We conduct on-site tour inspection 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 2015.



**07** Care for Society



## 7.1 Community involvement

#### **Community care**

In addition to caring for the education of the disadvantaged, education in remote areas, and environmental education, upholding the spirit of "Giving Back," we spare no effort in expressing 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 Investment in Communities around the Kaohsiung Plant 2013-2015

			(unit: NT\$)
Year	2013	2014	2015
Religion & culture	20,000	40,000	36,000
Communities & social groups	55,000	78,000	57,000
Volunteer police & volunteer firefighters	45,000	20,000	29,000
Schools & education	39,800	15,000	31,180
Community development associations	178,599	167,999	209,236
Total	338,399	320,999	362,416





#### Industry-academia collaboration

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-academia collaboration 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.

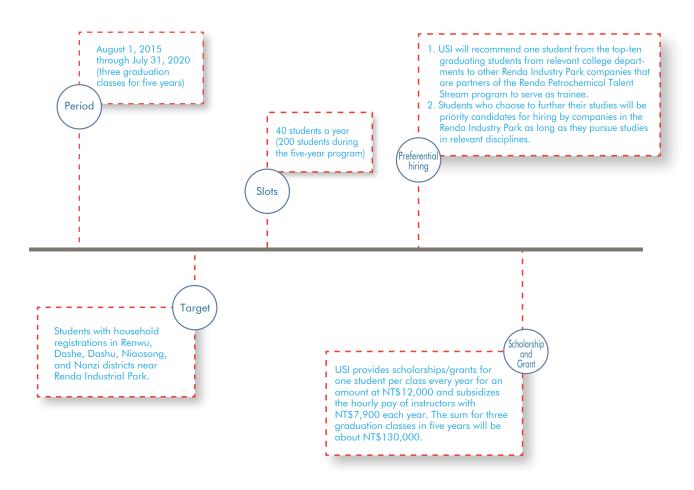
The "Kaohsiung Renda Petrochemical Talent Stream" industry-academia cooperation program was initiated in 2015. It is a special program within the Kaohsiung Municipal Renwu Senior High School with the emphasis on the petrochemical industry. The program recruits 40 students every year. Apart from to the general high school curriculum, the program offers petrochemical-related fundamental electives to equip students with basic vocational skills for the petrochemical industry. In addition, field trips to petrochemical partner companies on Saturdays or during the summer break enable students to familiarize with the work environment, organizational culture, and product characteristics of these companies.

After graduation, at least 10 of these 40 students will be recruited as entry-level employees by companies in the Renda Industrial Park depending on the vacancies each year. The benefits, promotion, and prospects of these students will be subject to the existing system of their employers. For students who wish to continue their studies first, they will be prioritized for future acceptance or given additional scores, as long as they choose relevant disciplines approved by companies in the Renda Industry Park. During the program period, participating companies will sponsor ten students of Renwu Senior High School with scholarships or grants. Each of these ten students will receive NT\$12,000. The tenant companies will sponsor a sum of NT\$1.08 million for students from three graduation classes over five years and subsidize the hourly pay of instructors up to NT\$237,600 for three years.

The first Renda Petrochemical Talent Stream officially kicked off in August 2015. This cooperation model among industry, government, and academia 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



Seminar for tenth-graders of Renwu High School in the Renda Petrochemical Talent Stream







In addition, to implement the government's high-value petrochemical industry policy, we have been aggressively developing relevant high-value products in recent years through industry-academia (also research institutions) collaboration. These academic or research institutions included the Industrial Technology Research Institute (ITRI), the Plastics Industry Development Center (PIDC), and 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 provide traineeship opportunities for graduate students of the Department of Chemical Engineering of National Chung Cheng University and under the preferential hiring policy we have hired a number of students from that department.

## 7.2 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.

In 2015, the USI Education Foundation sponsored various activities with a total amount of NT\$4.476 million, which included NT\$1.25 million for scholarships and grants; NT\$1 million for the Alliance Cultural Foundation and Junyi Experimental High School; NT\$0.741 million for charitable educational groups such as Boyo Social Welfare Foundation, the "Teach for Taiwan Association, and the "Exclamation Mark Strategic Alliance; and NT\$0.485 million for service activities of colleges and universities. Since the foundation was established four years ago, it has sponsored various activities and organizations with an amount accumulated to NT\$16.246 million.



#### Expenditure on Sponsoring of USI Education Foundation in 2015

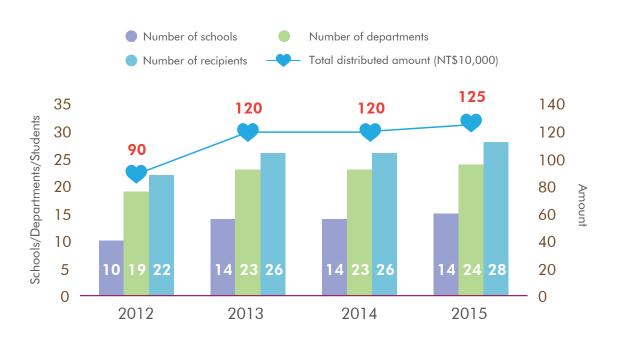


#### **Scholarships and grants**

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

In 2015, we offered scholarships and grants totaling NT\$1.25 million to 28 students from 24 departments of 15 public and private universities, including four from doctoral programs, 16 from master's programs, and eight undergraduates; 19 of them were from low-income families.

Since the establishment of our scholarships and grants, we have offered a sum of NT\$4.55 million, and the number of disciplines has been expanded from 19 to 24. In 2016, we will offer scholarships and grants to more students and more disciplines to benefit more outstanding students from low-income families.



## Distribution of Scholarships and Grants over the Years

## Sponsoring service activities of colleges and universities

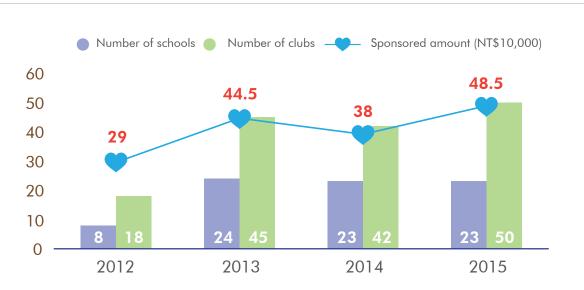
To encourage college and university clubs to provide educational services for the disadvantaged, in remote areas, and about environmental protection, the USI Education Foundation sponsors clubs officially registered under colleges and universities.





The foundation sponsors a wide variety of education services, covering language, mathematics, naturel 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 remote areas through high-quality club activities and human resources of colleges and universities.

In 2015, the foundation sponsored 50 activities from 23 schools (out of 131 applications from 39 schools) for a total sum of NT\$485,000. Over the past four years, the foundation has sponsored activities for a cumulative amount of NT\$1.6 million, benefitting about 3,827 volunteers and 9,101 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 2016 to encourage students to participate in social service activities.



#### Sponsorship of School Service Activities over the Years

#### **The Alliance Cultural Foundation**

When Chairman Stanley Yen of the Alliance Cultural Foundation chaired 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. The Alliance Cultural Foundation gradually allocates all human, time, and other resources for education.

Concurring with the care for education in remote areas of Taiwan and the sustainable development concept advocated by Chairman Stanley Yen, USI Education Foundation sponsors the Alliance Cultural Foundation and Junyi Experimental High School to support his plans for promoting and developing education in remote areas.

Receiving resources and compassion from different parts of society, Junyi Experimental High School is committed to reforming Taiwan's education. After introducing Waldorf Education (Steiner Education)



to the elementary school department in 2013, the school decided to extend Steiner's educational spirit to junior and senior high schools in 2015, with equal emphasis on the development of character education for international campus and dormitory life, hoping to inspire children's talent, help each child fulfill his/her dreams, and provide a reference for future mainstream education with each school's education al philosophy.





To nurture children in remote indigenous communities, the Alliance Cultural Foundation established scholarships and grants in 2012 for the "Program for Cultivating Seeds in Remote Areas." Every year, it reserves one-third of the vacancies for new students for children in remote areas, hoping that they can have the opportunity to develop positive character and bilingual ability in a good learning environment to become a person of positive value and choose a path whereby they can find their talent. Over the past four years, the Alliance Cultural Foundation and teachers from Junyi Experimental High School have visited 162 elementary schools in remote areas in Hualien and Taitung to spread the information of scholarships and grants to indigenous communities. In 2015, they visited 41 elementary schools in remote areas. After three months of hard work, they decided to support 22 out of 110 applicants with scholarships and grants. Currently, the program supports 88 students, and 95% of them are indigenous children. We hope that their efforts to find pearls in remote areas can bring greater hope to the future of indigenous communities in Hualien and Taitung.

In cultivating indigenous youth to become international talents, the Alliance Cultural Foundation provides opportunities for high-potential indigenous youth to study overseas to broaden their minds through the training programs of Brigham Young University and the Polynesian Cultural Center in Hawaii, so that they can become the seeds of hope to change their indigenous communities by applying what they will learn overseas to run their communities and lead their kinsmen. The first youth receiving overseas training has returned to his native Bulau community in Yilan and established the Root Vocational Study to establish the industry-academia cooperation mechanism for community youth. At the beginning of 2015, the second youth, an Amis young person who graduated from National Taitung University, has gone to Brigham Young University and Polynesian Cultural Center to receive training. The third candidate went in November 2015.

With the "Flipped Classroom" pedagogical model as the core, the Alliance Cultural Foundation established its training base at Junyi Experimental High School in 2015 and planned and launched a number of activities: "Taitung Flipped Classroom Workshop," "Flipped Education Training Program," "Moderator Training Workshop," "Character Education Teachers' Training Program," and "Emotion Education Teachers' Training Program." With the seminar and workshop models, these programs provide opportunities for teachers of different teaching backgrounds to exchange experience in order to cultivate their competency in different fields, to receive further education and become seed teachers. This way, teachers can influence their school administration and the overall change of instruction, students can take back ownership of their learning, teachers can individualize teaching per student, and students can learn voluntarily.

#### \* Junyi Academy Promotion Program in Linyuan District, Kaohsiung

After the Alliance Cultural Foundation and Chengzhi Education Foundation co-promoted the Junyi Academy and Flipped Education in 2014, apart from organizing workshops in Hualien and Taitung to encourage teachers from over 20 schools to adopt and exchange the Junyi Academy teaching method, they hope that more partner foundations can promote the successful experience of Taitung to promote local root cultivation programs in different parts of Taiwan.

After assessment of schools' commitment to collaboration and teacher training, we prioritized the Junyi Academy at Wang-gong Elementary School and Gangpu Elementary School, helping teachers to implement flipped education for mathematics, develop teaching models required by remedial teaching, and accumulate teaching experiences. Apart from offering these two schools 15 iPads for computer-assisted instruction (CAI), we have been organizing teacher training, demonstration, and exchange relating to Flipped Education. In Teachers attend a demonstration at Xinshang Elementary School in Zuoying District, Kaohsiung.



the future, we hope to help more teachers to make change by continuously supporting local teachers to exchange and learn through the USI Education Foundation and the Alliance Cultural Foundation.

Flipped Education emphasizes preparation at home and writing exercises and discussions at school. The advantage of this model enables students to understand "the real problem." Besides preventing students from copying each other's homework, the classroom atmosphere has become enthusiastic and students are eager to participate. As a result, no more students doze off in class. In addition, students can progressively develop "self-motivation" and care more about the learning process and the films they need to see. A bigger progress is that this allows teachers to give separate attention to "weak" and "excellent" students. For students who are lagging behind, we can arrange remedial teaching to develop their self-confidence. For students who are ahead of the curriculum, we can encourage them to explore and learn independently.

A fifth grade teacher from Wang-gong Elementary School shares their experience

"Mobile Learning" teacher training at Wong-gong Elementary School.





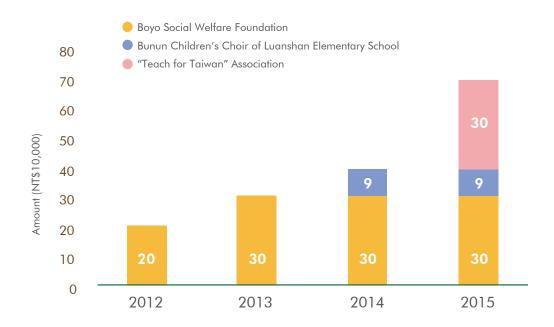
Learning with iPads at Wong-gong Elementary School.



## Sponsoring other educational and philanthropic activities

In 2015, we sponsored other educational and philanthropic activities with a total amount of NT\$741,000. Recipients included the Boyo Social Welfare Foundation, the Teach for Taiwan Association, and the Bunun Children's Choir of Indigenous Folk Songs of Luanshan Elementary School sponsored by the TECO Exclamation Mark Strategic Alliance. To provide steady support for these units highly recognized by society and to continuously help more students, USI Education Foundation will continue to support them in 2016.

## Sponsorship of Other Educational and Philanthropic Activities over the Years

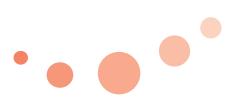


- (1) The Boyo Social Welfare Foundation was founded in 2002 to provide free after-school club services to junior high school and elementary school students from low-income families. The programs have been running for over 13 years. In pursuit of its mission of "Education beats poverty" the foundation has invested a large amount of human and other resources in curriculum design and established locations in indigenous communities. At present, there are over 50 locations to provide after-school club service for over 1,000 students.
- (2) The Teach for Taiwan Association was founded in 2013 inspired by the concept and model of Teach for America. By training outstanding young teachers to teach at low-income communities in remote areas, the association hopes to change the situation of uneven teaching resources between urban and rural areas. To ensure students in remote areas to receive quality and equal education resources, the association recruits and train outstanding teachers to provide full-time teaching for two years to solve the long-time problem of teacher resources inadequacy and high teacher turnover rate of schools in remote areas.

(3) The "Exclamation Mark" Strategic Alliance was convened by the TECO Technology Foundation under the supervision of the Ministry of Education. It is a cooperation model combining civilian resources and public sector support by means of strategic alliance. In 2015, the alliance successfully adopted and supported over 40 educational teams in indigenous communities and raised funds and planned resources and services for the continuation of indigenous culture and arts. The USI Education Foundation began supporting the alliance in 2013. In 2014, the foundation began sponsoring the Bunun Children's Choir of Indigenous Folk Song of Luanshan Elementary School to support the training and continuation of indigenous folk songs and culture of the school.

Practice of the Bunun Children's Choir of Indigenous Folk Songs of Luanshan Elementary School







Bunun Children's Choir performing at the Malahodaigian (Deer's Ear Shooting) festival.





08 Appendices

## 8.1 GRI G4 Content Index

	Gene	ral Standard Disclosures	Page	Remark
Strategy and Analysis	G4-1	Provide a statement from the most senior decision-maker of the organization (such as CEO, chair, or equivalent senior position) about the relevance of sustainability to the organization and the organization's strategy for addressing sustainability.	3	
	G4-3	Name of the organization.	12	
	G4-4	Primary brands, products, and services.	12, 54	
	G4-5	Location of the organization's headquarters.	12	
	G4-6	The number of countries where the organization operates, and names of countries where either the organization has significant operations or that are specifically relevant to the sustainability topics covered in the report.	12	
	G4-7	The nature of ownership and legal form.	12	
	G4-8	The markets served.	54	
	G4-9	The scale of the organization.	12	
	G4-10	Total number of employees by employment contract and gender.	88	
Organizational profile	G4-11	The percentage of total employees covered by collective bargaining agreements.	96	
-	G4-12	Description of the organization's supply chain.	58	
	G4-13	Significant changes during the reporting period regarding the organization's size, structure, ownership, or its supply chain.	10	No significant change.
	G4-14	Whether and how the precautionary approach or principle is addressed by the organization.	38	
	G4-15	List externally developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes or which it endorses.	-	No relevant initiative has been subscribed or endorsed.
	G4-16	Memberships of associations (such as industry associations) and national or international advocacy organizations in which the organization.	14	
Identified Material Aspects and Boundaries	G4-17	List all entities included in the organization's consolidated financial statements or equivalent documents and report whether any entity included in the organization's consolidated financial statements or equivalent documents is not covered by the report.	15	
	G4-18	Explain the process for defining the report content and the Aspect Boundaries.	24	

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	Gene	eral Standard Disclosures	Page	Remark
	G4-19	List all the material Aspects identified in the process for defining report content.	27	
Identified Material	G4-20	For each material Aspect, report the Aspect Boundary within the organization.	27	
	G4-21	For each material Aspect, report the Aspect Boundary outside the organization.	27	
Aspects and Boundaries	G4-22	Report the effect of any restatements of information provided in previous reports, and the reasons for such restatements.	-	No information has been restated.
	G4-23	Report significant changes from previous reporting periods in the Scope and Aspect Boundaries.	-	No significant change
	G4-24	List the stakeholder groups engaged by the organization.	22	
	G4-25	Report the basis for identification and selection of stakeholders with whom to engage.	22	
Stakeholder engagement	G4-26	The organization's approach to stakeholder engagement.	22	
	G4-27	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns.	22	
	G4-28	Reporting period for information provided.	10	
	G4-29	Date of most recent previous report.	10	
	G4-30	Reporting cycle.	10	
	G4-31	Provide the contact point for questions regarding the report or its contents.	10	
Report profile	G4-32	Report the 'in accordance' option the organization has chosen; GRI Content Index for the chosen option; and he reference to the External Assurance Report.	10, 127, 134	
	G4-33	The organization's policy and current practice with regard to seeking external assurance for the report.	10, 127	
Governance	G4-34	The governance structure of the organization.	30	
	G4-56	The organization's values, principles, standards, and norms of behavior such as codes of conduct and codes of ethics.	17, 35, 42	
Ethics and Integrity	G4-58	The internal and external mechanisms for reporting concerns about unethical or unlawful behavior, and matters related to organizational integrity.	45	

Material		Specific Standard Disclosures		
Aspects		DMA and Indicators	Page	Remark
		Category: Economic		
	DMA		47	
	G4-EC1	Direct economic value generated and distributed within the organization.	47	
Economic Performance	G4-EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change.	39, 74	
	G4-EC3	Coverage of the organization's defined benefit plan obligations.	93	
	G4-EC4	Financial assistance received from government.	50	
Indirect	DMA		50	
Economic Impacts	G4-EC8	Significant indirect economic impacts, including extend of impacts.	50	
		Category: Environmental		
	DMA		66	
Materials	G4-EN1	Materials used by weight or volume.	66	
Energy	DMA		74	
	G4-EN3	Energy consumption within the organization.	74	
	G4-EN5	Energy intensity.	74	
	G4-EN6	Reduction of energy consumption.	74	
	DMA		79	
Water	G4-EN8	Total water withdrawal by source.	79	
	DMA		75	
	G4-EN15	Direct greenhouse gas (GHG) emissions (Scope 1).	75	
	G4-EN16	Energy indirect greenhouse gas (GHG) emissions (Scope 2).	75	
Emissions	G4-EN17	Other indirect greenhouse gas (GHG) emissions (Scope 3).	-	Currently set at qualitative description.
	G4-EN18	Greenhouse gas (GHG) emissions intensity.	76	
	G4-EN19	Reduction of greenhouse gas (GHG) emissions.	77	
	G4-EN21	$NO_x$ , $SO_x$ , and other significant air emissions.	78	
	DMA		79 - 81	
	G4-EN22	Total water discharge by quality and destination.	79	
Effluents and Waste	G4-EN23	Total weight of waste by type and disposal method.	80	
	G4-EN24	Total number and volume of significant spills.	-	No spill was reported during the reporting period.

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		Specific Standard Disclosures		
Material Aspects		DMA and Indicators	Page	Remark
	DMA		82	
Products and	G4-EN27	Extent of impact mitigation of environmental impacts of products and services.	82	
Services	G4-EN28	Percentage of products sold and their packaging materials that are reclaimed by category.	82	
	DMA		36	
Compliance	G4-EN29	Monetary value of significant fines and total number of non-monetary sanctions from non- compliance with environmental laws and regulations.	36	
	DMA		69	
Transport	G4-EN30	Significant environmental impacts of transporting products and other goods and materials for the organization's operations, and transporting members of the workforce.	69	
		Category: Social		
		Sub-Category: Labor Practices and Decent	Work	
	DMA		91 - 92	
Employment	G4-LA1	Total number and rates of new employee hires and employee turnover by age group, gender, and region.	91	
Employment	G4-LA2	Benefits provided to full-time employees that are not provided to temporary or part- time employees, by significant locations of operation.	92	
	DMA		107	
Occupational Health and Safety	G4-LA5	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advice on occupational health and safety programs.	108	
	G4-LA6	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related facilities, by region and by gender.	110	
	G4-LA7	Workers with high incidence or high risk of diseases related to their occupation.	111	
	G4-LA8	Health and safety topics covered in formal agreements with trade unions.	107	

Material Aspects		DMA and Indicators	Page	Remark
	DMA		98	
	G4-LA9	Average hours of training per year per employee by gender, and by employee category.	105	
Training and Education	G4-LA10	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	98	
	G4-LA11	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category.	106	
	DMA		88	
Diversity and Equal Opportunity	G4-LA12	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity.	88	
Equal Remuneration for Women and Men	DMA		94	
	G4-LA13	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operations.	94	
	DMA		36	
Compliance	G4-SO8	Monetary value of significant fines and total number of non-monetary sanctions from non- compliance with laws and regulations.	36	No violation of any laws and regulations was reported during the reporting period.
		Sub-Category: Products Responsibility		
	DMA		51 - 54	
Product and Service Labeling	G4-PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes.	5Зу	No violation of regulations concerning product and service labeling during the reporting period.
	G4-PR5	Results of surveys measuring customer satisfaction.	54	
	DMA		36	
Compliance	G4-PR9	Monetary value or significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.	36	No violation of laws and regulations concerning products and services was reported during the reporting period.



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# 8.2 ISO 26000 Correspondence

	Core Subjects and Issues	Page	Remark
Organizational governance	Decision-making processes and structures.	30	
	Due diligence.	45	
	Human rights risk situations.	45	
Human rights	Avoidance of complicity.	88	
	Resolving grievances.	45	
	Discrimination and vulnerable groups.	88	
	Civil and political rights.	88	
	Economic, social, and cultural rights.	88	
	Fundamental principles and rights at work.	88	
	Employment and employment relationships.	88 - 90	
	Conditions of work and social protection.	93 - 97	
Labor practices	Social dialogue.	-	
practices	Health and safety at work.	107 - 113	
	Human development and training in the workplace.	98 - 106	
	Prevention of pollution.	77 - 82	
	Sustainable resource use.	82 - 84	
The environment	Climate change mitigation and adaptation.	39	
	Protection of the environment, biodiversity and restoration of natural habitats.	-	
	Anti-corruption.	35	
	Responsible political involvement.	35	
Fair operating practices	Fair competition.	54	
practices	Promoting social responsibility in the value chain.	58 - 63	
	Respect for property rights.	53	
	Fair marketing, factual and unbiased information and fair contractual practices.	55	
Consumer issues	Protecting consumers' health and safety.	53	
	Sustainable consumption.	53	
	Consumer service, support, and complaint and dispute resolution.	56 - 57	
	Consumer data protection and privacy.	56	
	Access to essential services.	56 - 57	
	Education and awareness.	56 - 57	

	Core Subjects and Issues	Page	Remark
Community involvement and development	Community involvement.	115	
	Education and culture.	118	
	Employment creation and skills development.	50	
	Technology development and access.	51	
	Wealth and income creation.	51	
	Health.	111	
	Social investment.	118	

# 8.3 United Nations Global Compact Correspondence

Category	10 Principles	Page	Remark
Human Rights	Businesses should support and respect the protection of internationally proclaimed human rights.	88	USI complies with the law and respects each employee's human rights.
	Make sure that they are not complicit in human rights abuses.	35	
Labor	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.	88	
	The elimination of all forms of forced and compulsory labor.	88	
	The effective abolition of child labor.	88	
	The elimination of discrimination in respect of employment and occupation.	88	
Environment	Businesses should support a precautionary approach to environmental challenges.	41	
	Undertake initiatives to promote greater environmental responsibility.	65	
	Encourage the development and diffusion of environmentally friendly technologies.	83 - 85	
Anti- Corruption	Businesses should work against corruption in all its forms, including extortion, and bribery.	35	





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8 Appendices

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## INDEPENDENT ASSURANCE OPINION STATEMENT

#### USI Corporation 2015 Corporate Social Responsibility Report

The British Standards Institution is independent to USI Corporation (hereafter referred to as USI in this statement) and has no financial interest in the operation of USI other than for the assessment and assurance of this report. This independent assurance opinion statement has been prepared for USI only for the purposes of assuring its statements relating to its corporate social responsibility (CSR), more particularly described in the Scope below. It was not prepared for any other purpose. The British Standards Institution will not, in providing this independent assurance opinion statement, accept or assume responsibility (legal or otherwise) or accept liability for or in connection with any other purpose for which it may be used, or to any person by whom the independent assurance opinion statement may be read.

This independent assurance opinion statement is prepared on the basis of review by the British Standards Institution of information presented to it by USI. The review does not extend beyond such information and is solely based on it. In performing such review, the British Standards Institution has assumed that all such information is complete and accurate.

Any queries that may arise by virtue of this independent assurance opinion statement or matters relating to it should be addressed to USI only.

#### Scope

The scope of engagement agreed upon with USI includes the followings:

- 1. The assurance covers the whole report focused on systems and activities during the 2015 calendar year on the USI Corporation's headquarter and relevant operations in Taiwan.
- 2. The evaluation of the nature and extent of the USI's adherence to all three AA1000 AccountAbility Principles in this report as conducted in accordance with type 1 of AA1000AS (2008) assurance engagement and therefore, the information/data disclosed in the report is not verified through the verification process.
- This statement was prepared in English and translated into Chinese for reference only.

#### **Opinion Statement**

We conclude that the USI 2015 Corporate Social Responsibility Report provides a fair view of the USI CSR programmes and performances during 2015. The CSR report subject to assurance is free from material misstatement based upon testing within the limitations of the scope of the assurance, the information and data provided by the USI and the sample taken. We believe that the 2015 economic, social and environmental performance indicators are fairly represented. The CSR performance indicators disclosed in the report demonstrate USI's efforts recognized by its stakeholders.

Our work was carried out by a team of CSR report assurors in accordance with the AA1000 Assurance Standard (2008). We planned and performed this part of our work to obtain the necessary information and explanations we considered to provide sufficient evidence that USI's description of their approach to AA1000 Assurance Standard and their self-declaration in accordance with the core option of GRI G4 guidelines were fairly stated.

#### Methodology

Our work was designed to gather evidence on which to base our conclusion. We undertook the following activities:

 a top level review of issues raised by external parties that could be relevant to USI's policies to provide a check on the appropriateness of statements made in the report.

- discussion with managers on approach to stakeholder engagement. However, we had no direct contact with external stakeholders.
- 18 interviews with staffs involved in sustainability management, report preparation and provision of report information were carried out.
- review of key organizational developments.
- review of the findings of internal audits.
- review of supporting evidence for claims made in the reports.
- an assessment of the company's reporting and management processes concerning this reporting against the principles of Inclusivity, Materiality and Responsiveness as described in the AA1000 AccountAbility Principles Standard (2008).

#### Conclusions

A detailed review against the AA1000 AccountAbility Principles of Inclusivity, Materiality and Responsiveness and the GRI G4 sustainability reporting guidelines is set out below:

#### Inclusivity

This report has reflected a fact that USI has sought the engagement of its stakeholders. The participation of stakeholders has been initiated in developing and achieving an accountable and strategic response to sustainability. The reporting systems are being developed to deliver the required information. There are fair reporting and disclosures for economic, social and environmental information in this report, so that appropriate planning and target-setting can be supported. In our professional opinion the report covers the USI's inclusivity issues.

#### Materiality

USI publishes sustainability information that enables its stakeholders to make informed judgements about the company's management and performance. In our professional opinion the report covers the USI's material issues.

#### Responsiveness

USI has implemented the practice to respond to the expectations and perceptions of its stakeholders. An Ethical Policy for USI is developed and provides the opportunity to further enhance USI's responsiveness to stakeholder concerns. Issues that stakeholder concern about have been responded timely. In our professional opinion the report covers the USI's responsiveness issues.

#### **GRI-reporting**

USI provided us with their self declaration of 'in accordance' with the G4 sustainability reporting guidelines: the Core option (at least one Indicator related to each identified material Aspect). Based on our review, we confirm that social responsibility and sustainable development indicators with reference to the GRI Index are reported, partially reported or omitted. In our professional opinion the self-declaration covers the USI's social responsibility and sustainability issues.

#### Assurance level

The moderate level assurance provided is in accordance with AA1000 Assurance Standard (2008) in our review, as defined by the scope and methodology described in this statement.

#### Responsibility

This CSR report is the responsibility of the USI's chairman as declared in his responsibility letter. Our responsibility is to provide an independent assurance opinion statement to stakeholders giving our professional opinion based on the scope and methodology described.

#### Competency and Independence

The assurance team was composed of Lead Auditors and Carbon Footprint Verifiers experienced in industrial sector, and trained in a range of sustainability, environmental and social standards including AA1000 AS, ISO 14001, OHSAS 18001, ISO 14064 and ISO 9001. BSI is a leading global standards and assessment body founded in 1901. The assurance is carried out in line with the BSI Fair Trading Code of Practice.

For and on behalf of BSI:

Peter Pu Managing Director BSI Taiwan 21 June, 2016



AA1000 Licensed Assurance Provider

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