

2017 **PSA**

Walton Advanced Engineering, Inc. Corporate Social Responsibility Report



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About This Report

This “2011 Corporate Social Responsibility Report” is our first CSR report.

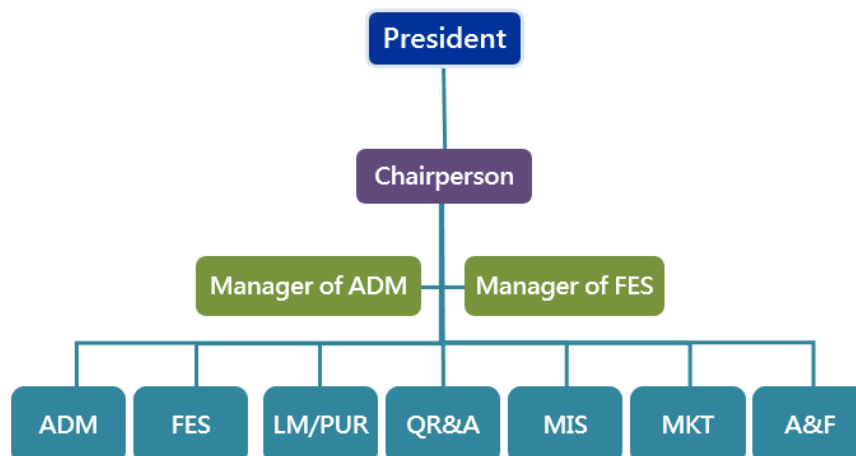
As the concepts of environmental protection, economic and social responsibilities are globally spread, we established the “Corporate Social Responsibility Committee” in 2012 in order to implement and integrate the project.

We would like to share our efforts in sustainable developments along with environmental, economic, and social dimensions in this report with you.

This report contains data from January 1st to December 31st in 2017, including company overview, environmental sustainability and employment, and it is based on Global Reporting Initiative GRI Standard. Although the report has not been externally assured, financial and governance data drawn from our 2017 Annual Report were audited by Deloitte.

We publish this report every year. We continue to build our infrastructure of key performance indicators, refine our measurement and reporting system, as well as develop our processes for sustainability-related goal-setting and deployment.

Last published date was Sep., 2017.



If you have any suggestions or comments regarding to our CSR report, please contact us.

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Message from the President

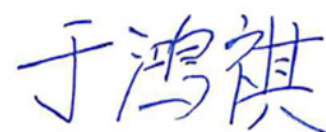


With the modest recovery in the global economic growth rate, the global semiconductor output exceeded US\$ 400 billion for the first time. According to the statistics of Industry Technology Research Institution, the output of Taiwan IC industry reached NT\$ 2,462.3 billion. In 2017, Walton demonstrated brilliant achievement with the efforts of all colleagues. It not only improved the overall operation performance, but implemented the concept of corporation sustainable development. In three key material topics of economy, environment, and society, we created the harmonious symbiosis of nature and society, ensuring Walton to achieve sustainable development.

Due to the coming of era of AI, the application of semiconductor has jumped out of 3C and PC, and into the multiple application, such as Artificial Intelligent, Internet of Things, automotive, mobile devices, smart healthcare, 5G, AR/ VR, etc. Parts of innovation have transformed people's life, working methods and led to a grant breakthrough in the semiconductor market, which is the major power in following decades.

Looking ahead, Walton will hold the spirit of “Lean, mean, agile and responsive toward a common goal” to accelerate the enhancement of overall competitiveness, strengthen the advantage, practice the goal of sustainable development, create the social evolution, and cooperate with the stakeholders such as customers, employees, suppliers, stockholders, communities, and NPO to add the value of economy, environment, and social sustainability.

President John Yu



Material Topics Identification

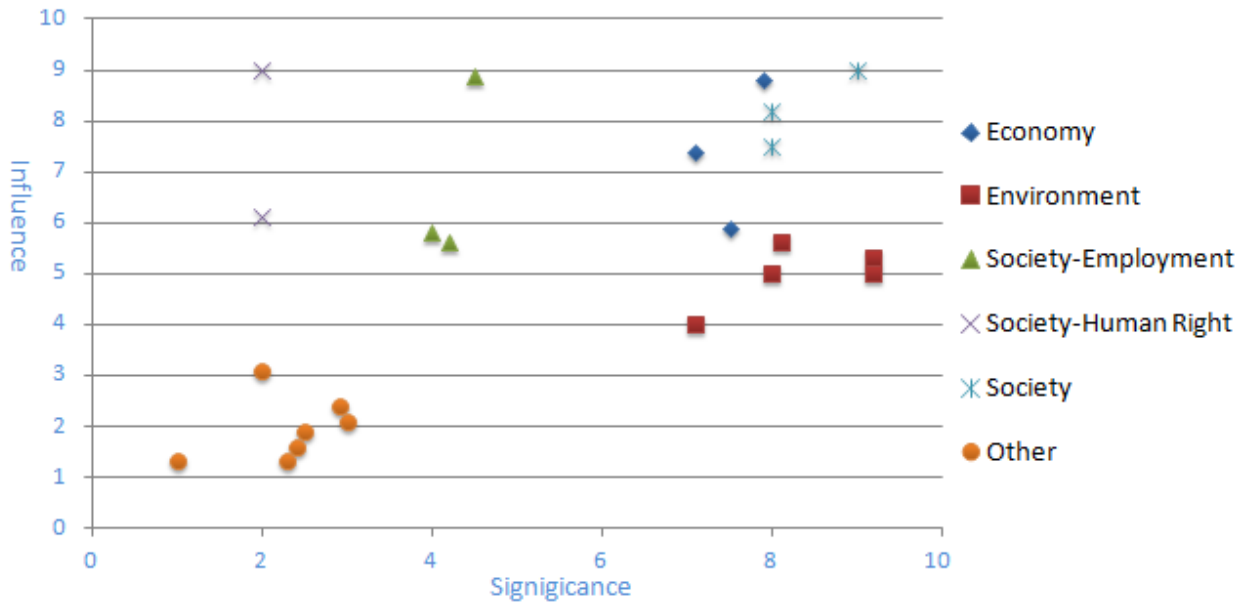
The Process of Identification

As for the topics of concern in 2017, we base on the material topics of GRI Standard, making a list which reflects effect to economy, environment, society by Walton or internal and external topics and affect stakeholder’s strategic decision. Through internal discussion, 16 material topics and boundaries are selected from the list. The importance is determined by the key point of Walton company operation. Then, we collect assessment of “influence on stakeholder assessments and decisions” and “significant of economic, environmental, and social impacts” of each topics by inviting each departments to judge the impact of important topics to Walton’s development and stakeholders. The analysis result is as below.

Topic boundaries:

Category	Aspects	Within of the organization		Outside of the organization		
		Walton Headquarter	Suzhou site	Supplier	Customer	Community
Economic	Economic performance	●	●			
	Market presence	●	●		●	
	Procurement practices	●	●	●		
Environment	Material	●	●	●	●	
	Water	●	●			●
	Sewage and waste management	●	●			●
	Energy	●	●			
	Emission	●	●			●
Society	Employment	●	●			
	Training and Education	●	●	●	●	
	Occupational health and safety	●	●	●		
	Freedom of association and collective bargaining	●	●			●
	Child labor prohibition	●	●		●	
	Anti-corruption	●	●	●		
	Regulation	●	●	●	●	●
	Product responsibility	●	●	●	●	

Analysis of Material Topic



Economy	Environment	Society
<ul style="list-style-type: none"> Economic Performance Market Presence Procurement Practices 	<ul style="list-style-type: none"> Material Water Sewage and Waste Management Energy Emission 	<ul style="list-style-type: none"> Employment Training and Education Occupational Health and Safety Freedom of Association and Collective Bargaining Child Labor Prohibition Anti-Corruption Regulation Product Responsibility

Communication with Stakeholders

Walton collects all comments from stakeholders by several ways as below:

Stakeholders	Topic of Concern	Way of Communication
Customers	Market presence Supplier chain management Training and Education Child labor prohibition Regulation compliance Product responsibility	Customer (end-customer) visit and audit
		Customer (direct customer) visit and audit
		Regular meetings(weekly meeting, monthly meeting, quarterly meeting)
		Supplier assessment from customer
		Develop new product and technology
		Customer satisfaction survey
		Investigation and improvement on industry environment and corporate responsibility
		Employees
Internal website		
Sexual harassment grievance		

Stakeholders	Topic of Concern	Way of Communication
Suppliers	Procurement practices Supplier chain management Training and Education Occupational health and safety Anti-corruption	Supplier audit Review report or meeting
Investors	Economic performance Market presence	Annual stakeholders meeting
		Annual financial report
		Timely investor conference
Local Communities & NGO	Climate change Regulation compliance	Set up a club for public charity's activities
		Sponsor for school lunch
		Sponsor for children in children welfare center
		Donate books to remote schools

*Walton is a subcontractor. We don't provide service to consumers, business customer only..

1. Walton Overview

1.1 Introduction of Walton

Walton Advanced Engineering Inc. was founded in 1995. We provide memory assembly and testing services with more than US\$ 500 million investments, located in Kaohsiung Export Processing Zone (K.E.P.Z), Taiwan. Walton now is rated as top 3 memory backend provider in the world.

Company	Walton Advanced Engineering Inc.
Employee	3139
Capital	NTD 5,263,811,440
Established date	1995/4/6
Product and technique	Semiconductor assembly and testing
Chairman	Anthony Chiao
Director	John Yu
Headquarter	Kaohsiung Export Processing Zone (K.E.P.Z)

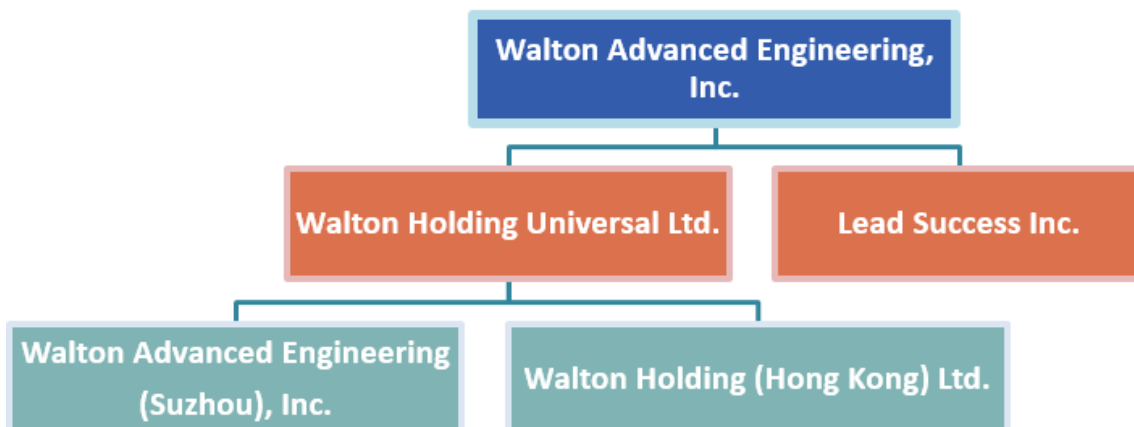
In 2007, we established “Walton Advanced Engineering (Suzhou), Inc.” in China to provide traditional memory assembly and testing service. At the end of 2017, the employees worldwide of Walton have exceeded 3,000.

Walton’s Base



Walton Advanced Engineering (Suzhou) Inc., Walton Holding Universal Ltd., and Lead Success Inc. are the subsidiary companies of Walton. The company profiles are as below.

Subsidiary Company	Established Date	Industry	Operating Item
Walton Holding Universal Ltd.	2003.11	Investment	Professional Investment
Walton Advanced Engineering(Suzhou), Inc.	2003.12	Electronic Manufacturing	Production of semiconductor assembly and testing
Lead Success Inc.	2004.01	Investment	Professional Investment
Walton Holding (Hong Kong) Ltd.	2011.12	Investment	Professional Investment



1.2 History

Date		Event
1995	April	1. Established "Walsin Advanced Electronic, Inc.", and investment is 1 billion NTD.
		2. Began production at assembly site.
1996	October	Began production
1997	July	Public offering
1998	June	1. Began production at testing site. 2. Winbond, Toshiba, and Mitsui have joint venture to establish professional DRAM assembly & testing company – Walton Advanced Electronic Co. Ltd.
	September	Established subsidiary company – "Walton Advanced Electronic Co. Ltd."; the registered was 2.6 billion NTD while the contributed capital was 1.3 billion NTD.
1999	December	"Linktech Semiconductor Co. Ltd." merged into Walton, capital was about 3.08 billion NTD
2000	January	Waljin Building came into operation.
2002	July	1. Invest a subsidiary company in Japan. 2. Changed name to "Walton Advanced Engineering, Inc."
	August	Combined "Walton Advanced Electronic Co. Ltd.", and the contributed capital amount was about 4.48 billion NTD.
2003	May	Being listed on the Emerging Stock.
	December	Invested photography and memory module of manufacturing and sales.
2005	September	Invested "Chaintech Computer Co., Ltd."
2006	August	Being listed on the GreTai Securities Market (GTSM).
2007	July	Started the service of traditional memory assembly and testing in China.
	October	Being listed on the Taiwan Stock Exchange Corporation (TWSE).
2010	April	Bought a new building(B15) in K.E.P.Z.
	August	Began production at B15.
2011	January	Mobile device and memory product mass production
2013	January	LPDDR3 began mass production
2014	October	Bought a new building(A15) in K.E.P.Z.
2015	April	Walton Advanced Engineering, Inc. has been established for 20 years
2015	June	LPDDR4 began mass production
2016	May	Began production at A15.

1.3 Market Overview

When observing the global economic development in the last decade, the forecast for the annual global economic growth rate had been facing the dilemma of repeated downward revisions since 2011, except for the strong rebound benefiting from the financial crisis in 2010. The economic growth is not as expected. In 2016, the slow recovery trend has bottomed out at last. The global economy is rising steadily. The growth of Europe and Asia economy is beyond expectation particularly. Compared with 2016, the global GDP in 2017 increased 3.8%.

In the latest World Economic Outlook (WEO) reported by IMF in January 2018, the tax reduction policy of the United States speeded up the global economic growth. The economic growth is estimated to increase to 3.9 % in 2018 and 2019, which has been the best performance since 2011. The forecast is 0.2% higher than in October 2017, reflecting the fact that global economic growth continues to heat up. In the IMF report, the economic and trade growth of various countries was reflected. In addition to the growth of emerging markets and developing countries from 4.7% last year to 4.9%, the growth of the United States, the country with the highest in developed countries, rose from 2.3% last year to 2.7%. Part of it reflects the improvement in manufacturing and consumer sentiment, and part of it is the positive benefits brought by the US tax reform policy.

The 2016 semiconductor industry performed well. Fortunately, after middle of the year, China's market demand increased, especially for smart phones. According to WSTS' s report, the global market of semiconductor industry grew 1.1% after its decline to minus 0.2% in 2015.

The power was extended to the second half of 2016. The total annual sum reached US\$ 412.2 billion, which increased 13.5% than 2016. ASP in 2017 was 6.9% higher than it in 2016. The dual growths for overall shipment and average price soared to a greater height.

As for Taiwan, a country highly correlated to the global semiconductor industry, the performance is not good as expected. The main factor is that the calculate basis. According to the statistical mode of Industry Technology Research Institute IEK, the output is determined by the countries where headquarters are located. The revenue of Inotera Memories is belongs to Micron Technology. Without the revenue of Inotera Memories, the value output of memory industry and other manufacturers declines in 2017, shrunk 11.8% in 2016, the third year slowdown.

According to the statistics from IEK (Table 1), the only performance of IC foundry was superior in Taiwan' s semiconductor industry in 2017 under the influence of the slowdown in smartphone, with an increase of 5%, which is NT\$ 1,066 billion. The performances of IC assembly and test were stable. The outputs were 333 billion and 144 billion respectively, which indicated growths of 2.8% and 2.9% for each in comparison to 2016. In conclusion, the value of output of Taiwan' s semiconductor industry was NT\$ 2,462.3 billion, which is 0.5 % higher than its performance in 2016 and hit record high.

Output Value of IC Industry in 2017

Unit: NTS (hundred million)

	17Q1	Growth	17Q2	Growth	17Q3	Growth	17Q4	Growth	2017	Growth
IC Industry Output	5,714	5.0%	5,726	-4.8%	6,428	-2.5%	6,755	4.9%	24,623	0.5%
IC Design	1,398	-3.7%	1,506	-11.3%	1,659	-7.0%	1,608	0.6%	6,171	-5.5%
IC Manufacturing	3,208	8.6%	3,060	-3.7%	3,524	-1.8%	3,890	7.9%	13,682	2.7%
Wafer Foundry	2,849	14.4%	2,678	-2.1%	3,104	-0.6%	3,430	9.3%	12,061	5.0%
Memory Manufacturing	359	-22.5%	382	-13.4%	420	-9.7%	460	-1.7%	1,621	-11.8%
IC Assembly	770	5.5%	825	3.1%	865	1.8%	870	1.4%	3,330	2.8%
IC Testing	338	10.8%	335	-1.5%	380	1.3%	387	1.8%	1,440	2.9%
IC Assembly	1,757	-8.3%	1,888	-11.7%	2,079	-7.6%	2,068	0.1%	7,792	-6.9%
Global Semi. Growth Rate	-	-	-	-	-	-	-	-	-	21.6%

Note: (e) for estimation

Source: TSIA; Industrial Technology Research Institute of Taiwan; IEK (2018/ 02)

1.4 The Vision and Challenge in the future

Walton provides the end to end services from IC packaging, final testing, to module manufacturing. The challenge, opportunity, and strategy of Walton in the future are as below.

★ Challenge

In comparison to logic IC and digital IC, the market concentration rate of memory manufacturing is significantly higher. According to the report of DRAMeX change in February 2017, four companies—Samsung, SK Hynix, Micron, and Toshiba—altogether occupy 93% of the global DRAM market and 77% of NAND Flash market in 2016. In such a concentrated market structure, the biggest challenge for IC assembly and test manufacturers is to develop and maintain relationship with customers.

The slowing down of the semiconductor industry and the required great amount of capital for pioneer investment led to mergers and acquisitions since 2015. With the numerous resources from their government, China enterprises express enthusiasm for accessing the market through M&A. There are three projects in public, the NAND Flash Fab of Yangtze Memory Technology Corp. in Wuhan Shi, the DRAM Fab construction of Innotron Memory and Fujian Jinhua Integrated Circuit Co., Ltd. China Government will invest the huge resource into three projects in the second half of 2018. This event is going to bring a tremendous change to the memory market and concerns the global memory manufacturing.

Besides, Toshiba sold the shares of Toshiba Memory in September 2017 to the U.S.-Japan-Korea Alliance, which is dominated by U.S. Company Bain Capital. After that, Western Digital extended the joint venturing mode with Yokkaichi Fab and plans to cooperatively build a new NAND Flash fab. In the beginning of this year, Micron and Intel announced to terminate the cooperation of Cooperative Technology Development after the completing the third generation 96 layers 3D NAND technology. How will the competition relationship develop in the future market? And what is the effect of the overall memory market? They remains to be seen.

Along with the development of IC/memory technology, the increase of the required investment for supporting service and equipments of IC assembly and test reduces manufactures which are willing to invest. Walton has invested 40 billion NT dollars to build a complete and gigantic capacity to offer the best service and guarantees the ability of continual investments through optimal management, which has been the core competency of Walton for twenty years.

★ Opportunity

In the field of memory, the major demand comes from applications of smart phones, tablets, PCs, and servers. Gartner anticipates that, from 2016 to 2019, the growth of the global market of personal electronic equipments, including PCs, laptops, tablets, and cell phones, would decrease and be under 3% due to its high base period. Yet, smart phones would remain to be the main force to activate the market. The expected growth rate would be around 4-4.5%.

The prospect of high-end products is not cheerful, but the transformation regarding quality would be the focus. According to the anticipation of Ericsson Mobility Report in November 2017, the number of users of 4th Generation LTE (Wireless Communication Technology) will grow from 2.62 billion in 2017 to 5.47 billion in 2023, which means they grow more than 100% within six years.

The users of developing 5th Generation Wireless Communication Technology will be 1 billion. Briefly, there will be 6.47 billion connected devices in 2023, including mobile phones, tablets, and computers. They are equal to or better than the mid and high-end products today. It is foreseeable that the huge communication interfaces of devices will be upgraded from 2G, 3G, 4G, to 5G. These devices are equipped with the top specifications demonstrating 4G and 5G high speed internet. It is an important opportunity for semiconductor, hardware, and software manufacturers.

Besides the common application of high-end technology, there is a coming prime in fields of wearable devices, smart automotive, and smart home. It can be observed in the 2017 exhibition of CES and MWC that many products and applications are gradually developed and integrated, and apply to fields besides the individual consumer market, such as intelligent manufacturing or construction of areas and cities (i.e. smart grids, smart cities...etc). Especially for automotive, more functions about advanced driver assistance (ADAS) catch people's eyes besides the popularized infotainment system. It is expected to enhance the road safety and convenience and keep on moving forward to self-driving car.

The two keywords in 2018- Artificial Intelligence and Edge Computing- are redefining the imagination and requirements of network architecture, end products, and data center capability. It is self-evident that more devices and applications are connected to the network and stretch out. Much-anticipated future for global semiconductor and electronics industry is Internet of Thing. These applications not only represent the continuous expansion of DRAM demand sources, but more powerful functions and higher definition drive the DRAM specification and average capacity. Currently, the penetration rate of these applications in the overall market is low and need time. The development potential is prospective.

In summary, applications for common smart phones, tablets, and servers in the short term will be the main demand of DRAM market. In the long-term, wearable devices, smart automotive, smart phones and the internet of things are expected to enable the stable rise of the global memory market. According to the estimation of IC Insights in January 2018, the growth rate of the global memory industry from 2017 to 2022 will be 5.2%, which is above the average of semiconductor industry, 5.1%.

In 2017, all the 3 leading companies of DRAM focus on the improvement of yield for 1x nanometer production as well as the production of LPDDR4 and LPDDR4X. There are no many IC assembly and test manufacturers which are capable of dealing with the challenges above. Facing the trend of high diversity memory, professional technology, production, and management are necessary for manufacturers to offer complete and effective services. Since the amount of suppliers decreased, the fierce price competition is expected to decrease as well, followed by a healthier mode of competition and development of the market.

★ Strategy

Face to the fast changing industry, we focus on three ways: technology research & development, cost control and business development.

1. **Technology Research and Development:** In management of research and development, we concentrate on shorten the planning stage time to earn the higher profit in the early-phases market. In addition, we grasp the newest techniques and well moves between different generations, also to help to reduce the risk of equipment investment.
2. **Cost Control:** We focus on the equipment efficiency management. We minimize the equipment combination to match customer requirements and to reduce the risk and investment of new products to provide the optimal cost for customer. Moreover, the capriciousness of global economy causes the price fluctuations of raw materials increase. We focus on develop and usage of new materials and improve manufacturing process to enhance market competitiveness of ourselves and customer.
3. **Business Development:** In order to avoid the virulent price competition, enhance the value of service is the major point. From the viewpoint of customer, we have strong technique as base to improve product quality, provide professional engineering service, shorten the manufacturing cycle, and increase our market competitiveness to seek for bargaining space. In addition, through management of customers and products, it is possible to reduce the risk of business fluctuations.

In recent ten years, DRAM market has changed dramatically. Main application from computer, server, and various consumer electronic products to smart phones and so on, products lines of DRAM are richer including standard type, drawing, Low Power and a variety of specifications. The major technique of DRAM from SDR, DDR1, DDR3 then develop DDR4 era including the Low Power field. Walton technical team has built up great experiences of engineering service and mass production by cooperating. The two production lines of Low Power DRAM- LPDDR4 and LPDDR4x were mass-produced in Walton in 2015 and 2017 respectively.

Due to the capriciousness of economy, we use technique as base and have customer needs in heart to focus on four phases: quality, cost, shipment and service to achieve sustainable growth.

1.5 Product and Service

Walton provides turnkey services in assembly and testing fields. Assembly service accounts for 72% while testing service accounts for 28%.

★ For Assembly Products

1. Year 1995 to 1996, we focused on researching and developing the low-density volatile memory and non-volatile memory which has large volume, such as DIP, SDIP, SOJ, PLCC, SOP330, 450 Mils, QFP, LQFP, TSOP(II)300.
2. Year 1997 to 1998, we developed products to be lighter and thinner, also increased the product market share. Such as SOP 150/300 Mils, TSOP(I) 300 Mils, TSOP(II) 300, 400 Mils.
3. Year 1999 to 2000, we introduced TF-BGA, MINI-BGA, and QFN. The mass production was successfully made. Then we continuously develop for high-pin, high-density, well-radiating and well-electricity.
4. In 2001, we mass produce FLIP CHIP and BARE CHIP, at same time moving toward to IC system coordination and the development of module products, such as RF IC.
5. In 2009, we mass produce MCP PACKAGE.

Walton will continuously develop high density, well-radiating, high-pin and miniature products in future. We will put effort to turnkey service of wafer-level, such as the products of COF, WLP, and technique development of System in Package (SIP), 8 die stacking of SSD, and SAW Filter.

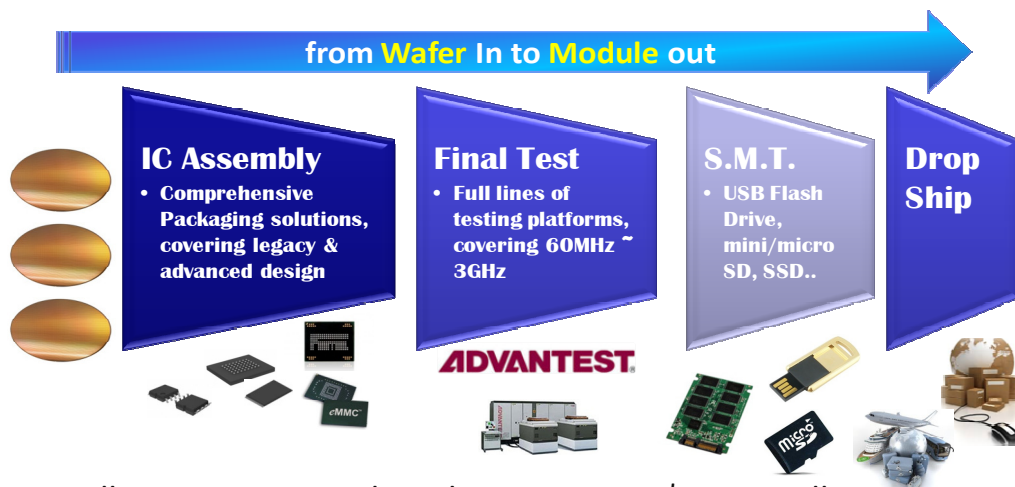
★ For Testing Products

We provide turnkey service from Assembly to Test and have the most accurate, high resolution and high efficiency testing machines to supply most reliable, complete and perfect service. The major service items as follows:

1. Analysis of product performance.
2. Development of test programs.
3. Verify the IC function
4. Improvement of yield.
5. Decrease returned goods to save cost

All products are majoring in application of PC, Laptop, Mobile phone, GPS, LCD, Digital Camera, DVD...etc.

In addition to upgrade the existing technology, we also put effort in researching and developing new technologies.



From 2016 till May 2017, Walton has spent NT\$ 126 million in research and development. We will continue to develop lighter, thinner and smaller product. We also focus on integrating assembly, testing and module service platform and developing SIP and wafer level techniques to match consuming and mobile electronic product.

1.6 Awards and Certification

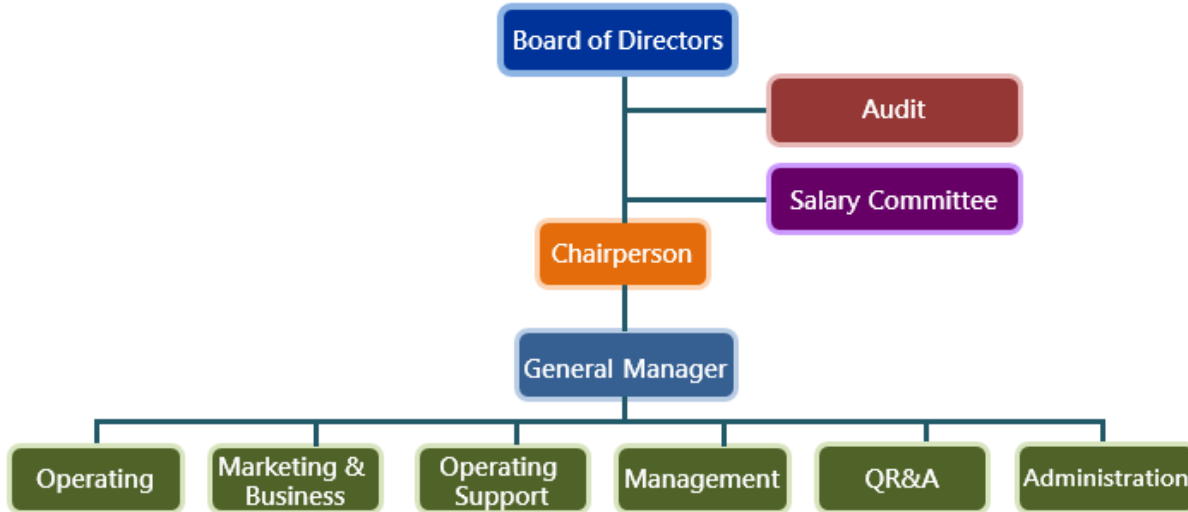
We always enhance technique to reach international requirements and provided best service for our customers. We established an excellent working environment and plan great trainings for employees. Our awards and certifications listed as below.

Year	Awards and Certification
2000	Passed the ISO 14001 Certification
2003	Passed the ISO 9001:2000 Certification
	Received the 「 Award of excellent labor-management relations 」
	Received the 「 Award of manpower training 」
2004	Passed the TS 16969 Certification
	Received the 「 Award of trade & business in K.E.P.Z 」
2005	Passed the OHSAS 18001 Certification
	Received the 「 Award of trade & business in K.E.P.Z 」
	Received the 「 Award of excellent labor-management relations 」
	Received the 「 Award of manpower training 」
2006	Passed the SONY Green Partner Certification
	Received the first place of 「 Award of golden model 」 from the E.P.Z. Administration
	Received 3rd place of "Building Renovation & Maintenance"
2007	Received the 「 Award of excellent labor-management relations 」
	Received the 「 Award of manpower training 」
2008	Received the 「 Award of manpower training 」
	Received the 「 Award of the most friendly working place 」 from Council of Labor Affairs
	Received 6th place of "2008 Excellence in Corporate Social Responsibility"
	Received the certification of excellent exporters/importers
	Passed the QC080000 IECQ HSPM Certification
2009	Received the 「 Award of excellent labor-management relations 」
	Received the 「 Award of manpower training 」

Year	Awards and Certification
2009	Received the 「 Award of excellent labor-management relations 」
	Received the 「 Award of manpower training 」
2010	Received the 「 Award of manpower training 」
	Passed the Canon Green Activity Certification
2011	Received the 「 Award of public-spirited & contribution 」
	Received the 「 Award of manpower training 」
	Received 7th place of "2011 Excellence in Corporate Social Responsibility"
2012	Received EPZA "Human Resource Development Award"
	Received "Labor Relations Award"
	Received Common Wealth Magazine "Top 500 Enterprises"
2013	Received 「 Award of public-spirited & contribution 」
	Received the 「 Award of excellent labor-management relations 」
2014	Received the 「 Award of excellent labor-management relations 」
	Received the 「 First prize of cooperative education assessment 」
2015	Received the 「 Award of public-spirited & contribution 」
	Received the 「 Award of excellent labor-management relations 」
	Passed the ISO27001 ISMS Certification
2017	Received the 「 Award of public-spirited & contribution 」
	Received the 「 Award of excellent labor-management relations 」
	Passed the ISO19649 Certification

2. Corporate Governance

2.1 Organization Structure



The Walton’s Board of Directors is the top executive of the company. We established an independent audit department and directly belong to Board of Directors. Audit department is responsible for internal audit and report result to board of directors and supervisors. There are five departments managed by general manager. The job descriptions of each department are listed as follows:

Department	Job Description
Audit	Responsible for internal audit.
Management	Responsible for financial & accounting, purchase.
Marketing & Business	Responsible for P.O. control market survey, customer relationship maintenance.
Operating	Responsible for production management, research and development of assembly and testing, and DIMM
Operating Support	Responsible for ISMS, production plan, cost, and effectiveness analysis and evaluation of human.
Administration	Responsible for human resource, general affairs, and training.
QR&A	Responsible for total quality management.

2.2 Board of Directors

2.2.1 Operation of Board of Directors

Walton's Board of Directors exercises its authority according to the law, articles of incorporation and the resolutions of shareholders' meeting, and follows the law of government and the "Major resolutions of Board Meetings". Two of the members are independent directors. We held total 7 board meetings in 2017. The Board of Directors members are listed below:

Title	Name	Remark
Chairman	Anthony Chiao	-
Director	Yu-Lon Chiao	Representative of Walsin Lihwa Corporation
Director	John Yu	-
Director	Tung-Yi Chan	Representative of Winbond Electronics Corporation
Director	Chia-Hsing Lin	-
Director	Chao-Chun Lu	Representative of JinZan investment company
Director	Cheng-Han Tao	Representative of PSA Tsai Yi Corporation
Independent Director	Li-Cheng Lu	-
Independent Director	Hai-Yen Hao	-
Supervisor	Hsia-Yin Luo	Representative of Prosperity Dielectrics Co., Ltd
Supervisor	Jui-Tsung Chang	-
Supervisor	Ching-Chih Yen	-

The Board of Directors meeting was convened in 2011, the number of participants all met the regulation of "Company Act". We invited supervisors to attend the meeting to provide their opinions.

The operation of Walton's Board of Directors is according to regulations of "Rules and Procedures of Board of Directors Meeting". A director who has personal interest which may impair the benefit of company shall provide opinions and answer, but must not join the discussion and vote nor exercise the on behalf of another director. Every director shall be highly self-disciplined. If a director has conflicts of interest, he/she shall not exercise the voting right.

2.2.2 Education and Experience of Management Team

Job Title	Name	Education & Experience	Concurrent Job Title
Chairperson	Anthony Chiao	Master of Golden Gate University Vice Chairperson of Walsin Lihwa Corp. Chairperson of Walsin Technology Corporation Chairperson of Prosperity Dielectrics Co., Ltd Chairperson of Hua Ke Cai Yi Chairperson of HannStar Board Corporation Chairperson of Global Brands Manufacture Ltd.	Chairperson of Walsin Technology Corporation, Prosperity Dielectrics Co., Ltd, Hua Ke Cai Yi, HannStar Board Corporation, Info-Tek Corp., Global Brands Manufacture Ltd., and VVG Something. Director of Walsin Lihwa Corp., Walton Holding Universal Ltd, Walton Holding (Hong Kong) Ltd., Yu Yue, HannStar Board Corporation (Jianyin,) GHPW Enterprise Corporation (HK) Limited., GHPW Enterprise Corporation (Chongqing) Limited., Sheng Cheng Enterprise, An Xin Electric Commerce, Walsin Technology Corporation (Singapore)
General Manager	John Yu	Master of Stanford University Bachelor of Princeton University General Manager of Union Electric Corp. Chairperson cum General Manager of Walton Advanced(SuZhou)Engineering,Inc	Chairperson of Walton Advanced(SuZhou) Engineering,Inc Director of Walton Holding Universal Ltd and Walsin Technology Charitable Foundation Independent Director of Advanced Microelectronic Products,Inc Supervisor of Walsin Electronics Corp, Walsin Technology Corporation,and Hua Ke Cai Yi.

2.2.3 Refresher Course for Directors

Directors' advance courses are list as follow.

Title	Name	Date	Organization	Course	Hours	Required
Director	Tung-Yi Chan	2012.12.21	Taiwan Corporate Governance Association	Economic outlook and risk analysis	3	Yes
		2013.12.11	Taiwan Corporate Governance Association	2014 Economic Outlook	3	Yes
		2014.12.02	The Securities & Futures Institute	Legal responsibility and risk control of financial statement fraud of boards-by case study	3	Yes
		2015.12.24	Taiwan Corporate Governance Association	Challenge of Cross-Straits Capital Market: Economic Outlook in 2016	3	Yes
		2016.04.12	Taiwan Corporate Governance Association	Innovation- The Green Industry Development Trend	3	Yes
		2016.06.03	Taiwan Corporate Governance Association	The Sharing of Cross-Strait Economic Trend, Block Chain Technology and Application Case Study	3	Yes
		2017.08.04	Taiwan Corporate Governance Association	Knowledge Management Case Study	3	Yes
Director	Anthony Chiao	2015.07.29	Taiwan Corporate Governance Association	Directors and Supervisors' legal responsibility of Corporate merger and acquisition	3	Yes
		2016.04.08	Taiwan Corporate Governance Association	Board and functional Committee Authority and Operation Practice	3	Yes
		2017.11.30	Taiwan Corporate Governance Association	Current International Political economic Situation, Confucianism's philosophy on management	3	Yes
		2017.11.30	Taiwan Corporate Governance Association	The Pase, Present, and Future of Artificial Intelligence	3	Yes

Title	Name	Date	Organization	Course	Hours	Required
Director	John Yu	2012.12.21	Taiwan Corporate Governance Association	Economic outlook and risk analysis	3	Yes
		2013.12.11	Taiwan Corporate Governance Association	2014 Economic Outlook	3	Yes
		2014.12.02	The Securities & Futures Institute	Legal responsibility and risk control of financial statement fraud of boards-by case study	3	Yes
		2015.12.22	The Securities & Futures Institute	Related Laws which Directors and Supervisors of Public Issue Company shall Notice	3	Yes
		2015.12.22	The Securities & Futures Institute	How do Directors and Supervisors of Listed Company Execute their Duty	3	Yes
		2016.04.21	The Securities & Futures Institute	2016 The Series of Corporate Govern Forum-Insider trade and Corporate Social Responsibility Forum	3	Yes
		2016.08.05	The Securities & Futures Institute	The Law Compliance Propaganda Seminar of Share Transfers by Insiders for Listed Company	3	Yes
		2016.09.30	Taiwan Corporate Governance Association	The leadership under the era of innovation, Internet of Things, Cloud Service, Big Data	3	Yes
		2017.01.05	Taiwan Corporate Governance Association	Greet the age of Internet of Things and Industry 4.0.	1.5	Yes
		2017.01.05	Taiwan Corporate Governance Association	The Sharing of Cross-Strait Economic Trend, 2017 Economic Outlook	1.5	Yes
		2017.01.05	Taiwan Corporate Governance Association	Globalization and Anti-Globalization, Challenge the World Economic Development	1.5	Yes

Title	Name	Date	Organization	Course	Hours	Required
Director	John Yu	2017.07.06	Taiwan Corporate Governance Association	Sharing of Change Leadership Experience- The Power of Taipower Transition	3	Yes
		2017.11.30	Taiwan Corporate Governance Association	Current International Political economic Situation, Confucianism's philosophy on management	3	Yes
		2017.11.30	Taiwan Corporate Governance Association	The Past, Present, and Future of Artificial Intelligence	3	Yes
Director	Yu-Lon Chiao	2013.05.14	Taiwan Corporate Governance Association	How Directors and Supervisors read IFRs Financial Statements	3	Yes
		2013.12.11	Taiwan Corporate Governance Association	2014 Economic Outlook	3	Yes
		2013.12.19	The Securities & Futures Institute	How to apply financial information to make a policy for business operation	3	Yes
		2014.08.13	Taiwan Corporate Governance Association	Function and performance assessment of Board of Directors	3	Yes
		2015.04.29	The Securities & Futures Institute	Current Situation and Future of Corporate Social Responsibility	3	Yes
		2015.07.29	Taiwan Corporate Governance Association	Directors and Supervisors' legal responsibility of Corporate merger and acquisition	3	Yes
		2016.04.08	Taiwan Corporate Governance Association	Board and functional Committee Authority and Operation Practice	3	Yes
		2016.10.28	Taiwan Corporate Governance Association	Plan and Process of Investment Decision-Making	3	Yes
		2017.04.07	Taiwan Corporate Governance Association	The Business Operation Under Industry 4.0.	3	Yes
2017.08.04	Taiwan Corporate Governance Association	Knowledge Management Case Study	3	Yes		

Title	Name	Date	Organization	Course	Hours	Required
Director	Yu-Lon Chiao	2018.04.13	Taiwan Corporate Governance Association	From Global Situation of Anti-Tax Avoidance to Cross-Strait Tax Environmental Change and Tax Revolution Trend	3	Yes
Independent Director	Hai-Yen Hao	2011.11.09	The Securities & Futures Institute	Economic outlook of the U.S.A and China	3	Yes
		2015.08.12	The Securities & Futures Institute	Promotion of Regulation Obedience of Listed Company Insiders' Shareholding Transaction Explanation Session	3	Yes
Independent Director	Li-Cheng Lu	2016.10.07	Taiwan Corporate Governance Association	The 12 th International Corporate Govern Summit	3	Yes
		2016.11.10	Taiwan Corporate Governance Association	The Best Guild of Corporate Govern- Theory/ Practice/ Trend Comprehensive View	3	Yes
		2017.09.11	Taiwan Academy of Banking and Finance	The Corporate Govern Forum- Corporate Sustainability Business	3	Yes
		2017.12.08	Taiwan Corporate Governance Association	Board Focus Strategy, Competitiveness, Risk, and Crisis	3	Yes
Supervisor	Chia-Ning Chang	2015.01.27	Taiwan Corporate Governance Association	Business Judgment vs Securities Fraud, Untrue Information, and Asset Strip of Directors, Supervisors, and Executives	3	Yes
Supervisor	Hsia-Yin Luo	2016.09.06	Taipei Exchange	The Propaganda Seminar of Share Transfers by Insiders for TPEX-listed and Emerging-listed Company	3	Yes
		2016.10.06	Accounting Research and Development Foundation	Professional Development of Principal Accounting Officers of Issuers, Securities Firms, and Securities Exchange	6	Yes

Title	Name	Date	Organization	Course	Hours	Required
Supervisor	Hsia-Yin Luo	2016.10.07	Accounting Research and Development Foundation	Professional Development of Principal Accounting Officers of Issuers, Securities Firms, and Securities Exchange	6	Yes
		2017.01.05	Taiwan Corporate Governance Association	Greet the age of Internet of Things and Industry 4.0.	3	Yes
		2017.01.05	Taiwan Corporate Governance Association	The Sharing of Cross-Strait Economic Trend, 2017 Economic Outlook	1.5	Yes
		2017.08.10	Accounting Research and Development Foundation	Professional Development of Principal Accounting Officers of Issuers, Securities Firms, and Securities Exchange	6	Yes
		2017.08.11	Accounting Research and Development Foundation	Professional Development of Principal Accounting Officers of Issuers, Securities Firms, and Securities Exchange	6	Yes

2.2.4 Compensation Committee

The Walton Compensation Committee is established in accordance with “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” The Board of Directors selected Mrs. Chan, Mr. Lu, and Mr. Hao as committee members on June 23th, 2016.

The information is as below.

Title	Name
Convener	Li-Cheng Lu
commissioner	Hai-Yen Hao
commissioner	Bi-Lan Chan

2.2.5 Internal Audit

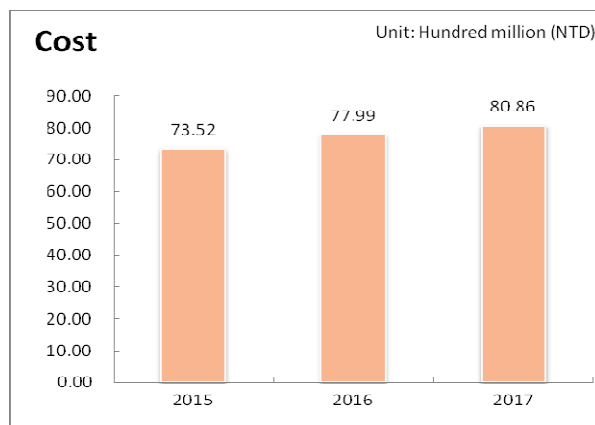
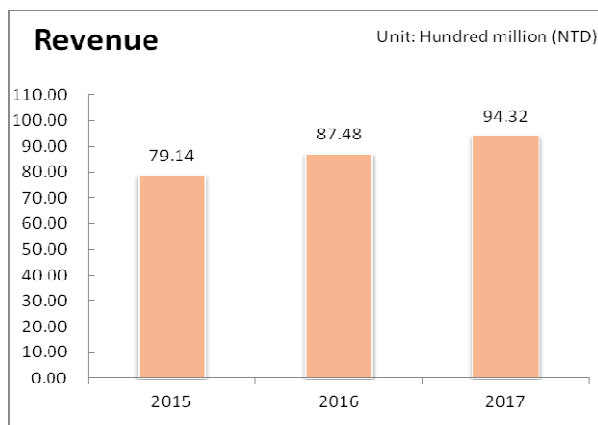
The internal audit department reports directly to Board of Directors. The purpose of this department is to help the Board of Directors to inspect and re-inspect the internal control system, and measure the effect and efficiency of operating result.

Its main duties and responsibilities are as follow:

1. According to result of risk measurement and formulate annual audit plan.
2. According to annual audit plan and execute the audit operation.
3. According to the complaints and execute audit project.
4. According to actual operation and revise the internal control policy.
5. Annual self-check.

2.3 Financial Performance

In comparison with last year, the performance of Walton was outstanding in 2017, whether regarding revenue or profit. The revenue of 2017 is NT\$ 9432 million, the gross profit is 1,346 million, the operating profit is 843 million, and the net profit is 671 million. The earnings per share is NT\$ 1.39.



Item	2015(Consolidated)	2016(Consolidated)	2017(Consolidated)
Revenue(Million NTD)	7914	8748	9432
Gross profit	562	949	1346
Operating profit	112	475	843
Pre-tax income	196	527	810
Net profit	144	440	671
Other comprehensive income	71	118	877
Total comprehensive income	214	558	1547
Earnings per share	0.29	0.93	1.39

2.4 Regulatory Compliance

2.4.1 Risk Management and Evaluation

The operation of Walton's risk assessment:

1. The effect of income due to interest rate, exchange rate and impact of inflation

(1)Interest rate: The interest expense was NT\$ 75,255 thousand in 2017. The ratio was 0.80% in net revenue. Because Walton is a Capital-intensive industry, we invest funding and purchase equipments to improve our competitive strength. We keep good relationship with banks to get favorable cost of capital.

(2)Exchange rate: The profit from exchange rate was NT\$161,708 thousand in 2017, the ratio was 1.71% in net revenue. In order to reduce the risk of exchange, we sets-up a well communication bridge with bank to get the variation of exchange rate at first sign as reference.

(3)Impact of inflation: The price of raw materials and products had listed in contract in 2017. The changes of inflation did not cause any effect to Walton.

2. The major reasons and countermeasures of earning or losing profit of Walton implement projects of high risk, high leveraged investment, loaning of funds, endorsements and guarantees, and derivatives trading in recent years.

(1) Walton had defined the policies: "Guidelines for Handling Acquisition and Disposal of Assets", "Regulations Governing Making of Endorsements/Guarantees" and "Regulations Governing Loaning of Funds". These policies were passed by resolution of shareholders' meeting.

(2) We did not take any high-risk investments, high leveraged investments, endorsements and guarantees in this case.

(3) Walton obeys the rule of "Regulations Governing Loaning of Funds" in lending money. We also obey the authorities and Walton policies to execute regular audit and public announcement.

(4) The derivatives trading of Walton will be execute or not, depends on the situation of market.

3. The risk and countermeasure of products purchasing and selling

(1) Incoming Products: The major products of Walton are assembly and testing of IC memory. The raw materials include lead frame, substrate, gold wire, epoxy, tape, and glue have more than two suppliers for each. We do not purchase with single supplier.

(2) Outgoing Products: Due to the higher concentration of wafer manufacture factories, the companies of assembly and testing are rare to select. In order to reduce the risk, we build the strong strategic alliance with original customers. At the same time, we also develop new customers and continuously combine the module business of upstream and downstream to reduce the risk of outgoing products.

2.4.2 Regulatory Compliance

Walton obeys international and domestic policy, and pays full attention on updating rule of trend developing and policy at any time. Recently, the changing of policy and law did not affect Walton's finance and business.

Furthermore, based on the past few years and until the due date of this report, Walton Advanced Engineering Inc. does not have litigation or non-litigation, events, as listed below:

1. Established judgment or on-going important litigation.
2. Non-litigation or administrative litigation events, and the result may have a great effect for stakeholder or stock price.
3. Established judgment or on-going significant litigation for director, supervisor, present, sponsor, shareholder who owns over ten percent stocks.

2.4.3 Anti-corruption

Walton's anti-corruption policy has defined in "Against Corruption clause", employees receive any money, feedback, treatment or benefit from suppliers, customers or other business cooperators are prohibited. The limited amount has been defined. Employee will be punished if against to it.

2.5 Customer Service

Customer First

A stable customer relationship is the most important basis for IC assembly & testing industry. Walton's DRAM customer covers from the United State, Japan and Taiwan. Our customers agree with our effort and become stakeholders. We set up a strong strategic alliance with them to create the power of development and growth. By this, we can develop a clear market position and increase global customers.

We consider ourselves as a virtual factory for customer. We evaluate customer communication and service. Thus, for our strategic customer, we have arranged a particular service to provide coordination, product development, mass production and quality control to achieve both customer and Walton's satisfaction. Additionally, we provide an information platform to receive all the situation of products at any time.

Customer Satisfaction Survey

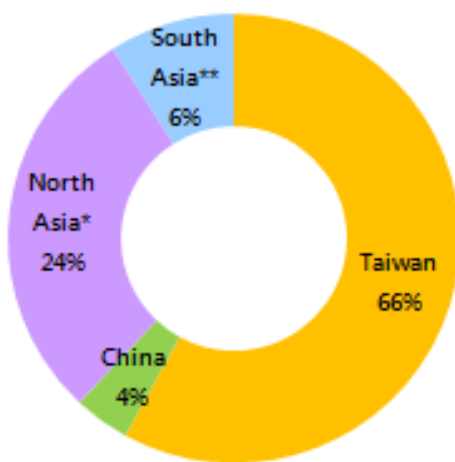
We believe the satisfaction of customers is the most important basis of customers' retention and business promotion. Therefore, to know their needs and evaluation of Walton, beside regular communications such as meetings and visiting, we also pay close attention to the assessment criteria and comments from customers. Through end customer audit, Walton can understand customers' needs reach the expectations. Meanwhile, the growth for both parties is promoted, the business is enhanced, and the coordination is deepened.

Assessment criteria reveal customers' expectancy to the subcons. Walton creates improvement plans based on the way of performing assessments, criteria, and the weighted factors. We get to know the ranking of Walton and the relative performance with customers from result. According to these two analysis data, we find out our insufficient parts and implement the improvement. It is a continuously improvement.

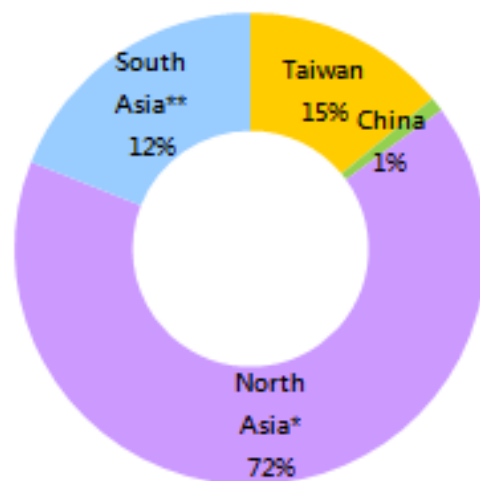
2.6 Supplier Management

Material suppliers are the most important partners of us. With the best quality of materials, we can produce the excellent products. Walton cooperated with suppliers to use green products to protect our environment. The major material suppliers are from Asia.

2017 Material Source Profile



2017 Material Source and Sum of Money Profile



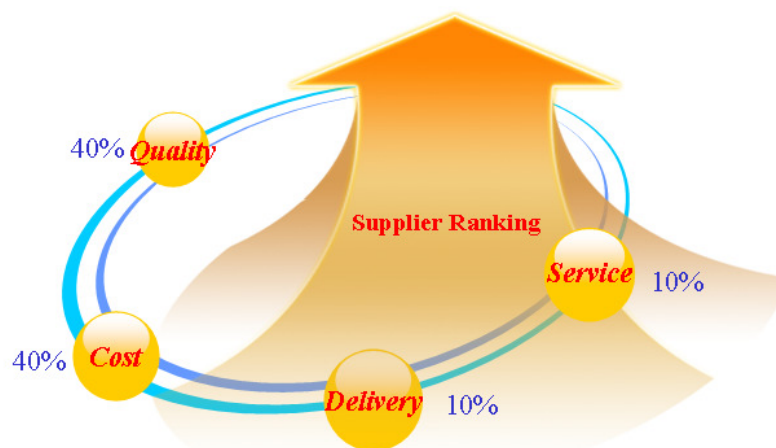
* The countries of North Asia include Japan and Korea.

**The countries of South Asia include Hong Kong, Malaysia, Philippine, and Singapore.

2.6.1 Supplier Assessment

Walton evaluates the new suppliers based on their production of delivered quality, price, delivery date, after-sales service, and restricted hazardous substances (including received certification). For existing suppliers, we conduct annual audits based on suppliers' classification.

Levels of grading are A, B, C, D. If the supplier gets grade C (70%~79%), we will reduce quantity and observed. If the supplier get grade D (lower than 70%), we will stop order and discuss this issue in purchasing meeting. we will also encourage suppliers to participate in CSR. If supplier is against to the policy, we will investigate the reason immediately and ask them to modify it in a specific duration. Once the circumstance is serious, we will stop purchasing materials.



2.7 Organization Participation

Organization	Management rule	Project/Committee	Membership
Taiwan Export Processing Zone Electrical and Electronic Manufactures Association		v	v
Kaohsiung Personnel Representative Association	v	v	v
Taiwan Electrical and Electronic Manufacturers' Association			v

2.8 Ethics and Integrity of Organization

Walton is dedicated to honest and transparent business operation and management that internal and external disclosure shall be aligned. We establish incorruption article in labor contracts and employee regulation to require all employees shall obey the related rules. Moreover, Walton drew up "Ethic Policy" in the RBA policy to declare the requirement of honesty and incorruption. Aside from employees, Walton also declares this concept to all the customers and suppliers and convey the consciousness to the public that we are trustworthy.

In Walton, we provide various communicating channels and claim channels to those who in need. No matter employees, suppliers, shareholders, or the public they are able to give advice or feedback through those communicating ways as following. There is a dedicated person for cases handling and response.

【Walton Advanced Engineering, Inc. Communicating/Claim Channel】

*TEL : (07)811-1330 ext. 1999

*E-mail : EICC1999@walton.com.tw

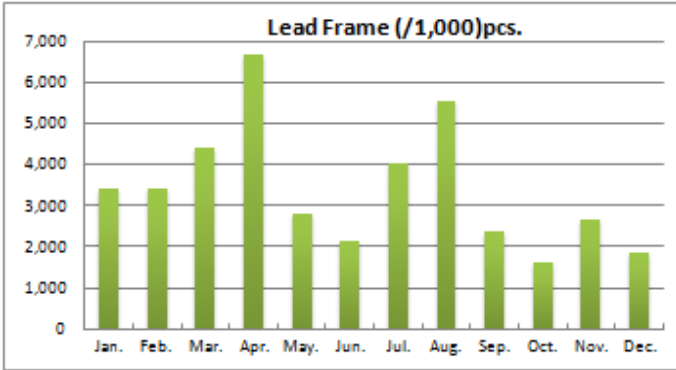
*President's mail box : Mail boxes are set up in each site

*Paper mail address : No.18, North First Road, K.E.P.Z, Kaohsiung 806, Taiwan, ROC
Administration Department Mr. Ken Su

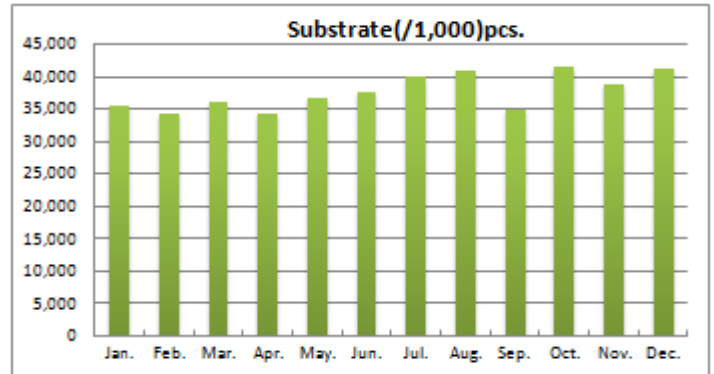
3. Environmental Sustainability

3.1 Raw Material Consumption

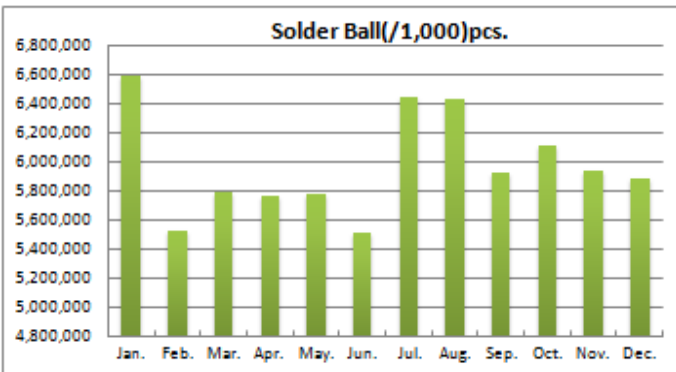
The major materials of Walton’s products are lead frame, substrate, solder ball, and compound. The usage volumes in 2017 are as below.



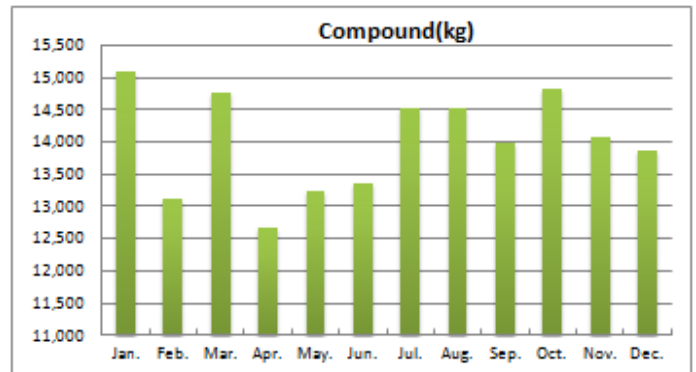
Used volumes of Leadframe



Used volumes of Substrate



Used volumes of Solder Ball



Used volume of Compound

3.2 Energy Consumption

3.2.1 Consumption of direct and indirect energy

The major direct energy of Walton is electricity. The total usage of electricity from 2015 to 2017 is as below. There is no indirect energy in Walton.

Unit : Ton

Site	2015Y	2016Y	2017Y
A1	29,082,000	23,855,600	10,228,400
B10	97,457,433	102,678,999	103,624,000
B15	57,965,648	72,612,336	81,475,798
A15	-	-	20,594,400
Total	184,505,081	199,146,935	215,922,598

3.2.2 Water Consumption

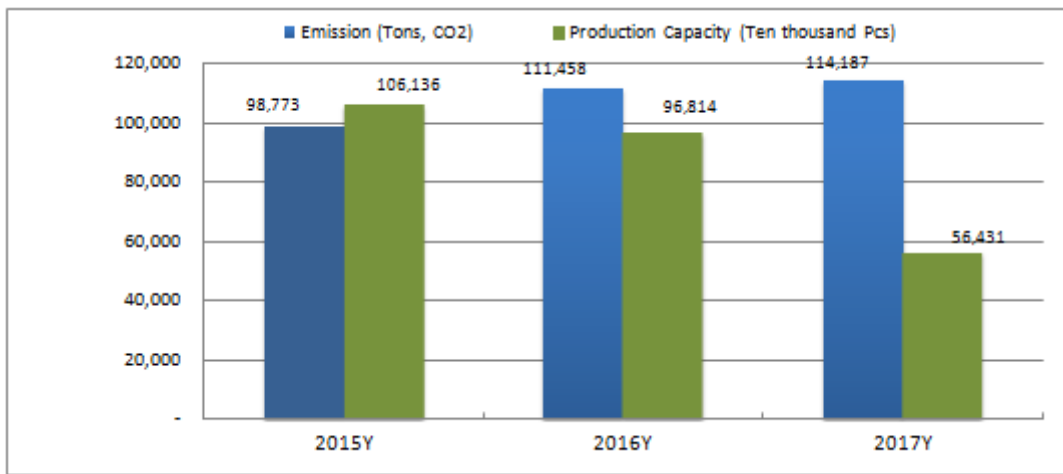
Water usage is an important topic in Walton. Companies are implementing the water-saving programs, due to the limited water resource in Taiwan. We eliminate water usage by daily control and employee training. The total volume of water used from 2015 to 2017 is as below.

Unit : Ton

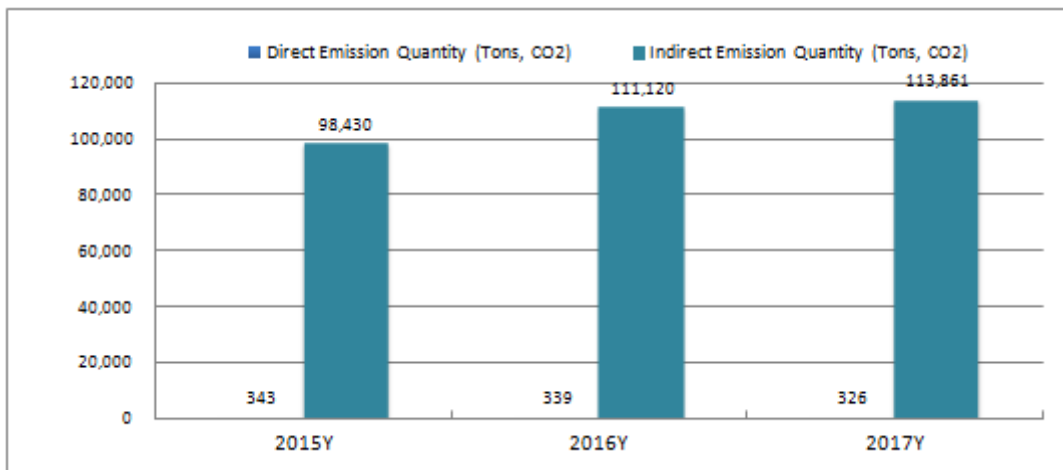
Site	2015Y	2016Y	2017Y
A1	355,872	268,216	116,887
B10	522,592	581,992	666,208
B15	480,499	648,743	882,088
A15	-	-	36,503
Total	1,358,963	1,498,951	1,701,686

3.3 Greenhouse Gas Emissions

Within the weather and greenhouse gas get worse, the natural disaster impact the human's life and business operation. Walton understands and takes the responsibility to eliminate the greenhouse gas in production activities. The Greenhouse Gas Emissions from 2015 to 2017 (of assembly) is as below.



Statistic of Greenhouse Gas Emissions (Total Volume)

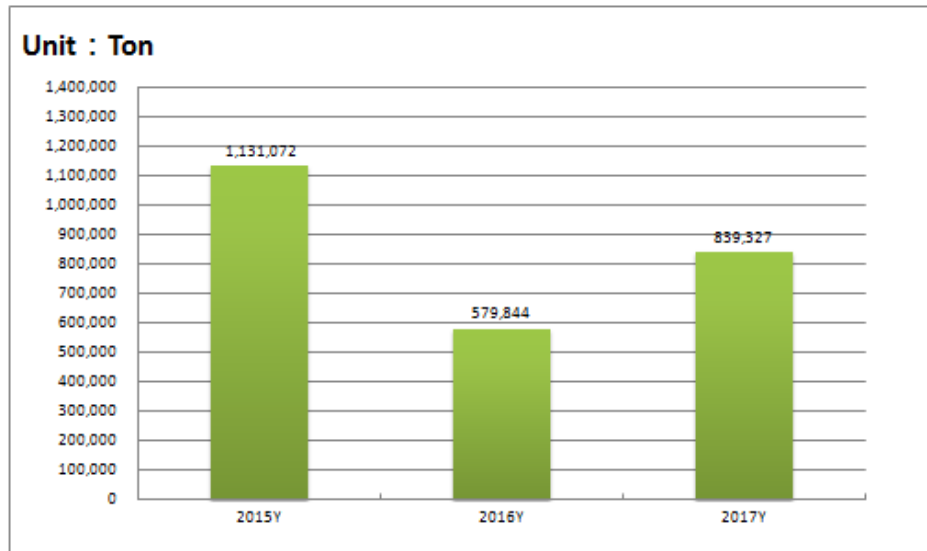


Statistic of Greenhouse Gas Emissions (Direct/Indirect)

3.4 Sewage Effluent Emissions

3.4.1 Volume of sewage effluent emissions

The total volume of sewage effluent emissions from year 2015 to 2017 is listed as below. All sewage effluents from Walton were released into K.E.P.Z. sewer systems.



3.4.2 Wastewaters Test

Walton tests wastewaters from every site. The test results are as below.

A1 site

Item	Unit	Spec.	Result (Min.)	Result (Ave.)	Result (Max.)	Within spec. or not
Hydrogen ion concentration	-	6~9	8	8.15	8.3	Yes
Temp.	(°C)	<38	27.3	29.3	31.3	Yes
COD(1)	(mg/L)	<800	N.D	2.4	4.8	Yes
SS(2)	(mg/L)	<600	2.5	15	27.5	Yes
Other : Cu	(mg/L)	<3	N.D	0.07	0.14	Yes
Other : Ni	(mg/L)	<1	N.D	N.D	N.D	Yes
Other : Zn	(mg/L)	<5	N.D	0.015	0.03	Yes
Other : Pb	(mg/L)	<1	N.D	0.0035	0.007	Yes
Other : Fe	(mg/L)	<10	N.D	N.D	N.D	Yes

(1) : COD, Chemical Oxygen Demand

(2) : SS, Suspended Solid

B10 site

Item	Unit	Spec.	Result (Min.)	Result (Ave.)	Result (Max.)	Within spec. or not
Hydrogen ion concentration	-	6~9	7.7	8	8.3	Yes
Temp.	(°C)	<38	27.2	27.9	28.6	Yes
COD(1)	(mg/L)	<800	5.1	2.65	5.3	Yes
SS(2)	(mg/L)	<600	25	36	47	Yes
Other : Cu	(mg/L)	<3	0.05	0.305	0.56	Yes
Other : Ni	(mg/L)	<1	N.D	0.001	0.002	Yes
Other : Zn	(mg/L)	<5	N.D	0.01	0.02	Yes
Other : Pb	(mg/L)	<1	N.D	0.0035	0.007	Yes
Other : Fe	(mg/L)	<10	N.D	N.D	N.D	Yes

(1) : COD, Chemical Oxygen Demand

(2) : SS, Suspended Solid

B15 site

Item	Unit	Spec.	Result (Min.)	Result (Ave.)	Result (Max.)	Within spec. or not
Hydrogen ion concentration	-	6~9	7	7.35	7.7	Yes
Temp.	(°C)	<38	28.7	29.3	29.9	Yes
COD(1)	(mg/L)	<800	N.D	27.9	55.8	Yes
SS(2)	(mg/L)	<600	28.4	109.2	190	Yes
Other : Cu	(mg/L)	<3	0.023	0.0265	0.03	Yes
Other : Ni	(mg/L)	<1	N.D	N.D	N.D	Yes
Other : Zn	(mg/L)	<5	N.D	N.D	N.D	Yes
Other : Pb	(mg/L)	<1	N.D	0.004	0.008	Yes
Other : Fe	(mg/L)	<10	N.D	0.03	0.009	Yes

(1) : COD, Chemical Oxygen Demand

(2) : SS, Suspended Solid

A15 site

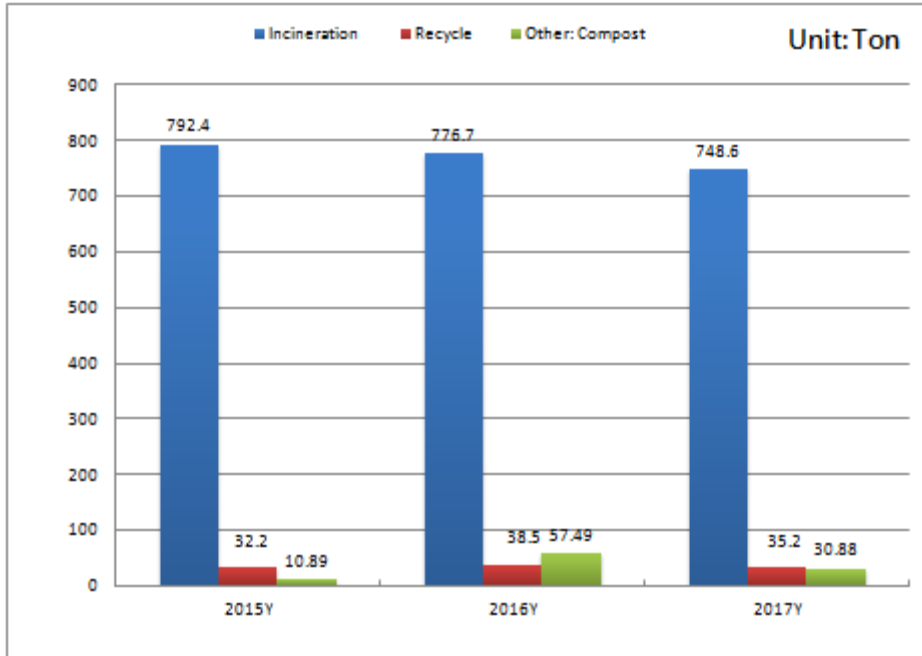
Item	Unit	Spec.	Result (Min.)	Result (Ave.)	Result (Max.)	Within spec. or not
Hydrogen ion concentration	-	6~9	8.2	8.25	8.3	Yes
Temp.	(°C)	<38	28.3	30.25	32.2	Yes
COD(1)	(mg/L)	<800	N.D	35.8	71.6	Yes
SS(2)	(mg/L)	<600	20.1	23.8	27.5	Yes
Other : Cu	(mg/L)	<3	N.D	N.D	N.D	Yes
Other : Ni	(mg/L)	<1	N.D	N.D	N.D	Yes
Other : Zn	(mg/L)	<5	N.D	N.D	N.D	Yes
Other : Pb	(mg/L)	<1	N.D	N.D	N.D	Yes
Other : Fe	(mg/L)	<10	N.D	N.D	N.D	Yes

(1) : COD, Chemical Oxygen Demand

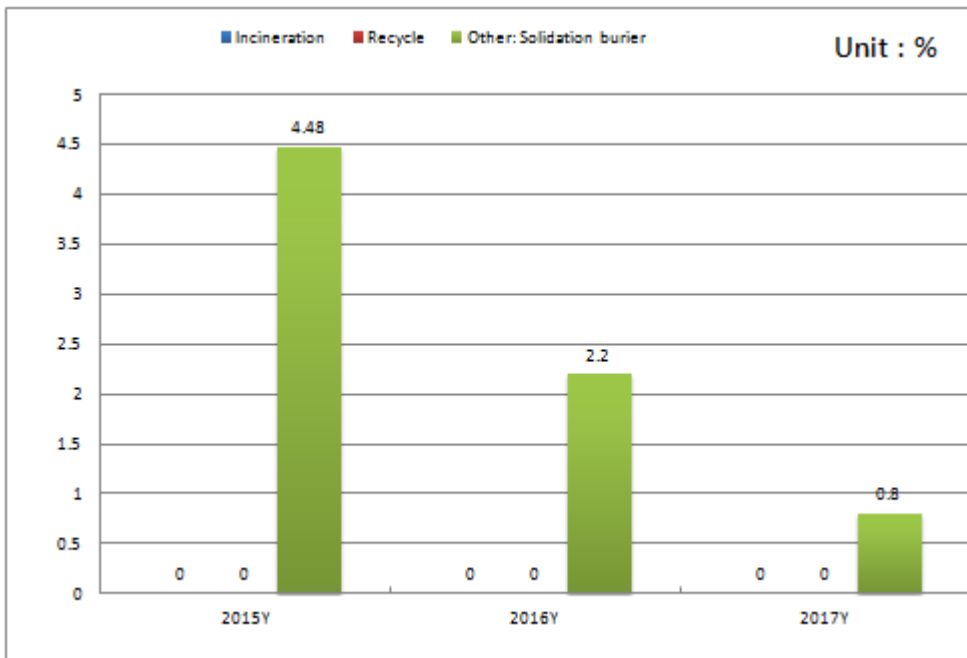
(2) : SS, Suspended Solid

3.5 Waste Management

For the waste management, Walton considers the recycle benefits before incinerate. The total volume of incineration from year 2015 to 2017 is as below.



Rate of waste disposal



Ratio of Disposal

3.6 Energy-Saving Activities

Walton carries out energy-saving and water-saving activities in every site. The activities include air conditioner; production process flow and the saving result from 2015 to 2017 are as below.

Item	2015Y	2016Y	2017Y
Before energy-saving activities(kWh)	191202615.9	206375968.3	223760588.3
After energy-saving activities(kWh)	184505081.5	199146934.6	215922598
Total saving degrees/annual(kWh)	6697534.458	7229033.727	783799030.7
Percentage of Saving	3.63	3.63	3.63
After executing the energy-saving program			Unit : Thousand dollars
Air Conditioner	14403	15431	14739
Electricity	684	609	672.1923
Electricity of Production Process	2045	81.75	1389

Item	2015Y	2016Y	2017Y
Before water-saving activities(KL)	1480508	1620496	1894457
After water-saving activities(KL)	1358963	1498951	1701686
Total saving degrees/annual(KL)	121491.2922	134006.2194	192771
Percentage of Saving	8.94	8.94	11.32824854
Cost saving (thousand dollars)	2632665	2902574.712	3538

Water-saving project

Recycle RO waste water in cooling tower for the reuse of air conditioner at B15 site

Recycle process cooling water with motor at B10 site

Improve the chiller water system at A15 site.

Add coolant pumps in the B15 production equipment to increase the recycled water.

Electricity-saving project

Energy-saving action taken for air conditioner system

Replace traditional lighting equipment with LED at sites

Install a frequency converter on the cooling water system

Turn off the A/H14 and A/H15 air handler units at A1 site

Air compressor of A1 site is off $6.8\text{kg}/\text{cm}^2 \downarrow 6.6\text{kg}/\text{cm}^2$

Turn off partial air handlers and reduce the temperature to 25°C

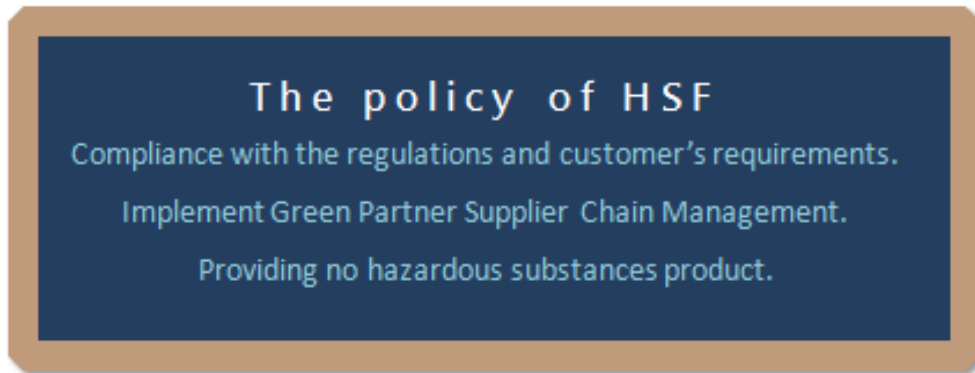
After selling the A2 site, separate the power.

Reduce the lighting in partial areas and install the switches.

Energy-saving action taken for water loop in HVAC system

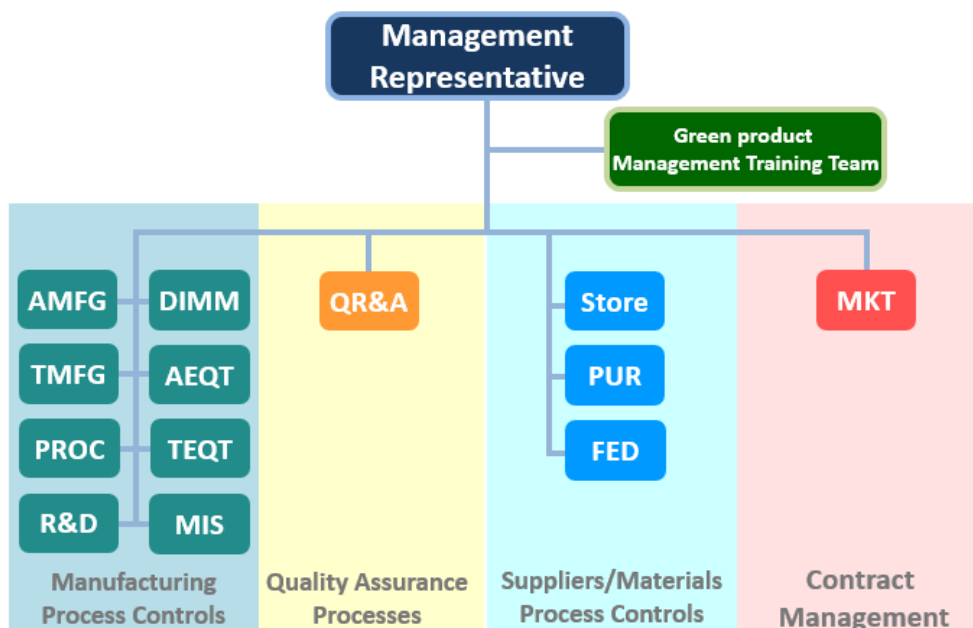
3.7 Hazardous Substances Process Management (HSPM)

Walton defined the policy of HSF to control material environment management. The resource of raw materials and related materials are internally controlled to meet the requirements of RoHS_2.0, REACH, China RoHS, and achieve the specification of green products. The policy of HSF is as below.



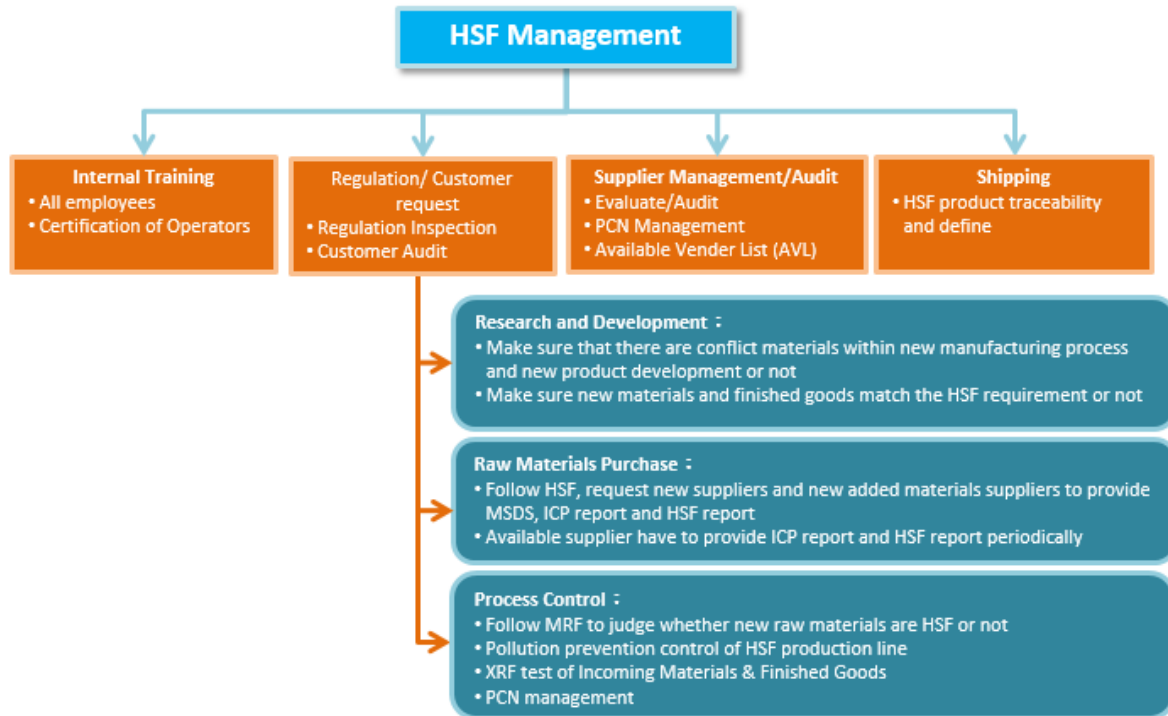
In order to improve the management efficiency, Walton established a HSPM Committee Team. The members are from all departments. Every department has its management items and established their KPI indicators every year.

HSPM Committee Team



3.7.1 HSF Management Process

HSF management process flow is as below.



3.7.2 IECQ QC 080000 Certification

Walton has integrated Hazardous Substances Process Management (HSPM) in all factories. We qualify for the certification of IECQ QC 080000 and provide orientation and on-job training to knowledge our employees about hazardous, protection and emergency process.

3.7.3 SONY Green Partner

Walton has been cooperated with SONY Co. Ltd. since 2003, and become SONY Green Partner till now.



FC02041	Walton Advanced Engineering (Shibuya) Inc.	No. Factory Name	20160719
FC02038	Walton Advanced Engineering Inc.	No. Factory Name	20160719
FC02124	Walton Electronics Corp.	CTSP (Walton)	20160719

3.7.4 Conflict-free minerals policy

The eastern of Democratic Republic of the Congo (DRC) has been one of the most serious human crisis all over the world for decades. The illegal trades on those conflict minerals become the major funds for the local armed groups and rebel army. In 2010, Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Dodd-Frank Act”) address to publicly traded companies to report their conflict minerals sourcing from DRC and adjacent areas, including tin, tungsten, tantalum and gold (called the 3TG’s), to the United States Securities and Exchange Commission (SEC). It’s essential that these conflict minerals are easily adopted in consumer electronics through global supply chain.

Walton has been committed to RBA code of conduct. We also expect our suppliers to comply with RBA policy, as well as make efforts with Walton on supporting human rights. By no means will we tolerate, take advantage of, invest, facilitate, or aid the violation or abuse of human rights in any forms if any our procurement from DRC and its adjacent areas. Besides, from OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas,

we carry out Due Diligence survey and periodically provide CSFI reports on conflict minerals' adoption and procurement in order to enhance the transparency of Walton's supply chain. Walton, the social-caring enterprise, is obligated for pursuing sustainability, fair trade, diversified and stable economy, and human rights through transparent due diligence on conflict mineral free.

3.8 RBA

Since 2014, Walton has complied with related rules of RBA and integrated the concept of labor protection into international community. Based on the aim of RBA, Walton established four policies and promoted the programs of RBA. Our policies are categorized into labor policy, ethic policy, conflict-free minerals policy, and EHS policy. We held a series of internal management review meetings, employees training, suppliers (vendor) training, suppliers (vendor) questionnaire audit, on-site audit, Walton RBA self-audit, and third-party audit validation to ensure Walton meets with the RBA policy. At the same time, we review and update our internal regulations to correspond to all the requirements and standards of RBA.



4. Caring For Employees

4.1 Employment Profile

Walton follows the law of “Labor Standards Act” and other related labor acts. We made the policy to protect female employees and child workers who is over fifteen and under eighteen years old to assure a friendly working environment. By the end of 2017, Walton had 2,727 employees in Taiwan.

Unit : Person

Item	2015		2016		2017	
Direct Labors	Male	504	Male	513	Male	505
	Female	1,386	Female	1,481	Female	1,460
Indirect Labors	Male	492	Male	520	Male	575
	Female	159	Female	168	Female	187
Total	2,541		2,683		2,727	
Average Age	34		35		36	
Average seniority	6		7		8	

New comer and Demission profile

Unit : Person

Item	2015		2016		2017	
New comer	Male	320	Male	361	Male	344
	Female	303	Female	444	Female	315
Demission	Male	172	Male	131	Male	146
	Female	190	Female	214	Female	71
Demission Rate (%)	Male	0.57%	Male	0.52%	Male	0.42%
	Female	0.62%	Female	0.84%	Female	0.23%

The composition of employees' education is as below.

Item	2015	2016	2017
Academic degree	0	0	0
Master's degree	83	80	86
Bachelor degree	1,186	1,379	1,440
Junior college	282	275	263
High School Degree	910	875	802
Below High School Degree	80	74	136

All employees have to sign the “Non-fixed Term Contracts”. We have hired employees with “Non-fixed Term Contracts” since 2007 to protect fair remuneration and promotion of each employee.

4.2 Employee Welfare

4.2.1 Welfare program

Walton provides various types of benefits to all employees every year, including incentive tour, three major festivals bonus, autumn activities, free parking lots, wedding and funeral pension, staff restaurant, employee group insurance, regular health checks for employees... etc.

4.2.2 Retirement Plan

Walton’s employee pension plan is set according to the Taiwan Labor Standards Act and Labor Pension Act. The contribution rate by Walton to the labor pension per month was 2 and 6 percent of employee's monthly wage. Walton will save the reserve fund into employee’s individual retirement account. If employee chooses to follow the previous policy, Walton will save to a personal account in Taiwan Bank. If employee chooses the new policy, Walton will save to a personal account in Bureau of Labor Insurance.

4.3 Remuneration Management

Walton established a Compensation Committee to control the internal policy of wage. We follow the law of “Basic Wage” which is developed by Council of Labor Affairs. We consider wage grades with other companies at the same time to ensure our wage grade is competitive. We execute the concept of “Same job, same salary” and the w standard has no difference in gender.

4.4 Education & Training

Walton emphasizes on employees’ training. We have orientation training, internal training, on-job training, off-the-job training, and group internal training.

Unit : Person

Item	2015	2016	2017
Basic Training Course	150	143	156
Training for Internal Lecture	2	2	6
Team Leader Management Training	14	23	12
E-Learning System Training	6	4	-
Reserved Engineer Training Course	-	200	200
KW obligatory course	20	22	29
RBA (EICC) Training	6	6	6

4.4.1 Orientation training

Walton has independent training system for every new comer. Beside the introduction of Walton’s company culture, for different department or position, Walton provides different job training to ensure all new comer adapt to environment and expectance of department.

4.4.2 On-job Training

Walton establishes “Annual Training Plan” for different departments every year. For different training courses, we select internal instructor, major learners. We also welcome other employees to join the course. Except for the annual training plan, every department has its own training courses. We provide training roadmaps for different targeted employees.



Walton cooperates with Industrial Development Bureau to offer semi-conductor training courses at Cheng Shiu University since 2011. The project is called” hiring before training”, there were 20 students completed these training courses in 2017.

4.4.3 Training of ESH (Environment, Safety, Health)

In 2017, the trainings for Environmental Safety and Health focus on common health issues, fire drills, health improvement lectures, and regional joint disaster drills. The training course photos are as follow.

2017 Health Promotion Course

- The prevention of muscles and bones injury
- Improvement on bad vision
- The common disease in health evaluation
- Working pressure
- Prevention on communicable disease
- Cure and prevention on influenza
- Prevention on high blood pressure
- Prevention on noise and ionizing radiation
- Maternity protection
- Metabolic Syndrome



Healthcare course



Evacuation Drill



Health education



Regional joint Disaster drill



Fire Drill



Doctor inquiry

4.4.4 Training Hours

The total training hours from 2015 to 2017 training courses are as below. We arrange different training course for employees.

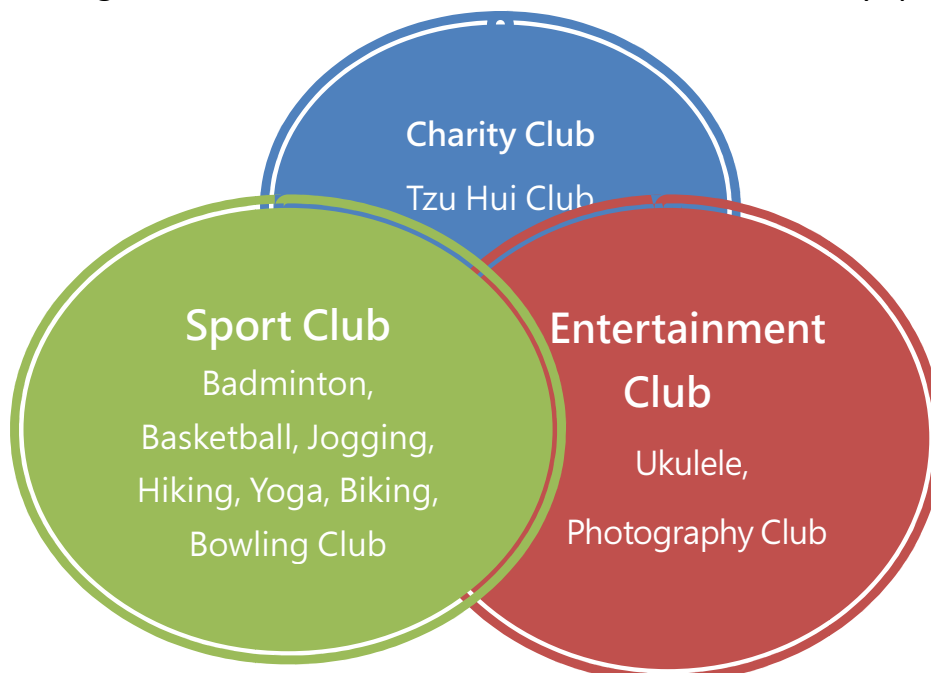
Unit: Hour

Item	2015	2016	2017
Basic Training Course	150	143	156
Training for Internal Lecture	2	2	6
Team Leader Management Training	14	23	12
E-Learning System Training	6	4	-
Reserved Engineer Training Course	-	200	200
KW obligatory course	20	22	29
RBA (EICC) Training	6	6	6

4.5 Caring for Employees

4.5.1 Club Activity

Based on the purpose of maintaining health physically and mentally and improve employee-relationships in good terms, Walton encourage employees to establish various clubs on the basis of personal interest and hobby. The clubs are allocated into three categories as below in accordance with its activity patterns and purpose.



4.5.2 Emergency Assistance Program

We have cooperated with PSA Charitable Foundation, and set up the “Emergency Assistance Program” to offer helps for employees with emergency accidents. (The method and amount have to be evaluated by the charitable foundation of PSA Group).

4.5.3 Occupational Injury Statistics

Walton uses the Disabling Injury Frequency Rate (FR, cases of disabling injuries and illness per million labor-hours) and Severity Rate (SR, lost workdays caused by disabling injuries and illness per million labor-hours) to evaluate the effectiveness of Company’s occupational health and safety programs. The causes of all occupational injuries are analyzed and make prevention programs. The information from 2015 to 2017 is as below.

Item	2015	2016	2017
Disabling Injury Frequency Rate	1.96	1.32	0.36
Disabling Injury Severity Rate	34	2	4
Frequency- Severity Indicator (FSI)	0.25	0.05	0.03
Critical Vocational Injury (Times)	0	0	0
Disabling Injury (exclude critical injury) (Times)	11	7	2

4.6 Child Labor Prohibition

Walton follows the law of “Labor Standards Act”. We do not hire child workers (the child under fifteen years old). The employees who are over fifteen years old, but less than eighteen shall not be permitted to do heavy and hazardous work.

Walton’s employment policy states that the employees who are over fifteen years old, but less than sixteen, would meet with industry-academic cooperative project. Before hiring an apprentice, we must get the consent from the legal guardian in advance. Apprentices have to obey the requests of Walton and school. Walton also provides shuttle bus. The working hours and training methods must follow the law of “Labor Standards Act” and the related policy of Ministry of Education.

4.7 Security Policy

4.7.1 Security Management for employees

For management of physical safety, we have set up security control system in area, employee must have a staff ID card for entrance. Employees in different departments and position may have different accessibility. Customers or vendors must apply for entrance accessibility in order to enter Walton factory. Moreover, the management and training for security guards, the execution methods are as below.

1. Before security guards starting their work, they have to attend the 40 hours pre-training course.
2. Each on-duty security guards have to attend 4 hours in-duty training course every month.
3. The supervisor and occupational safety related staffs must attend the weekly duty meeting.

Appendix

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	102-2 Activities, brands, products, and service	22	1.5 Product and Service	
	102-3 Location of headquarters	10	1.1 Introduction of Walton	
	102-4 Location of operations	10	1.1 Introduction of Walton	
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	102-12 External initiatives	52	3.7 HSPM	
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	102-48 Restatements of information	3	About This Report	
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