



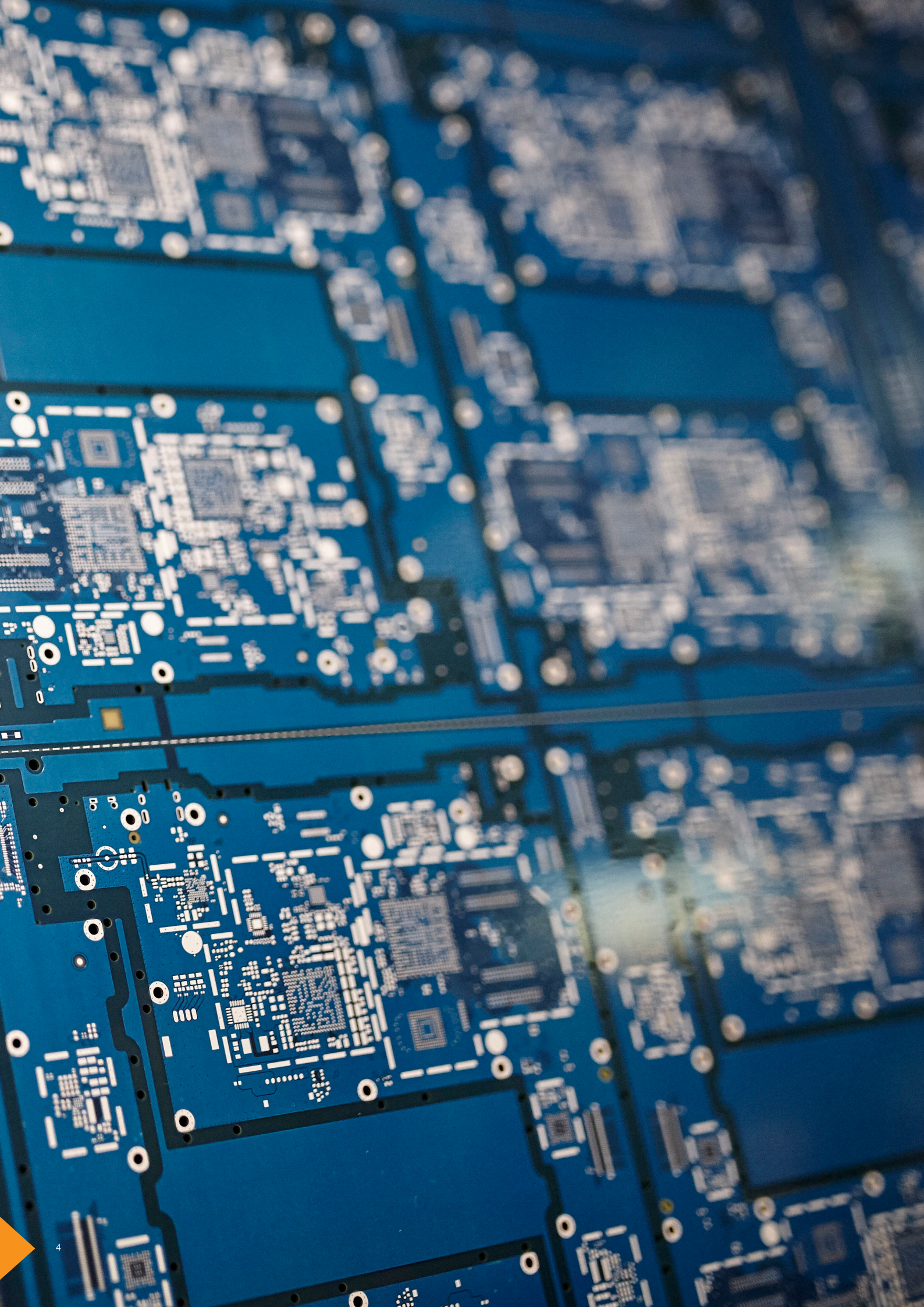

dynamic

2013
Dynamic
Corporate Social
Responsibility Report



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Corporate Vision, Core Value, Corporate Culture and Business Philosophy

- **Corporate Vision** : To realize our business philosophy and become a highly-respected company
- **Core Value** : People are Dynamic's most valuable asset.
We value each and every member of our team and make sure to care for their needs. Our focus is on developing our team members' potential and encouraging them to excel.
- **Corporate Culture** : Integrity Responsibility Learning
- **Business Philosophy** :

Dynamic cares for our team members

We focus on providing a safe work environment for them, along with professional education and training, skill enhancement, personal development, and a profit-sharing plan for all team members.

Dynamic values our partners

We focus on providing the best quality, the fastest delivery, the lowest cost and the best service for our customers and suppliers to ensure that they are competitive in their own markets.

Dynamic respects our shareholders

We utilize all of our competitive strengths to achieve real value and returns for our shareholders. We also place an emphasis on the control and governing of our company to ensure the continuity of its operations.

Dynamic cares for society

We demonstrate our commitment to social responsibility by persistently helping the disadvantaged and those in need based on the principle of providing assistance from close to remote, and from near to far.

Dynamic is concerned about the environment

We are committed to improving our energy conservation efforts and minimizing the release of hazardous by products to create environment-friendly manufacturing processes.



About This Report

This is the first corporate social responsibility report (CSR report) ever published by Dynamic Electronics Co., Ltd. It discloses our operational performance, environmental sustainability and social involvement. In addition to voluntary communication with stakeholder groups, this report aims to share with the public our business strategies and determination to fulfill corporate social responsibility.

At the end of 2012, we announced our corporate vision, core value, corporate culture and business philosophy. We also announced that “people” are the most valuable asset. At Dynamic, we put people first, we care about employees’ needs, and we value talent cultivation. Referring to the “Corporate Social Responsibility Code of Practice” and “Corporate Social Responsibility Promotion Organizational Framework” passed by the board of directors in May 2013, the chairman and president are appointed chairpersons of the “Dynamic Corporate Social Responsibility Committee”. Under the CSR Committee formed with the head of all departments, the CSR Office was established to promote CSR within Dynamic. Later in August the board passed the “Public Welfare Donation Regulation” as a reference for both Dynamic plants to regularly appropriate funds to public welfare to requite society. CSR planning and achievement have since become part of the official board agenda and a major part of decision-making.

To promote CSR development and connect with the sustainability issues across the world, Dynamic has voluntarily responded to the information disclosure request of the Taiwan Stock Exchange and published this CSR report with reference to the 4th Generation of the GRI Sustainability Reporting Guideline (GRI G4). After forming a “synergy system” with four suppliers (Unipus Electronics, C-Sun Manufacturing, DOW Chemical and ITEQ Corporation), we applied to the Industrial Development Bureau (IDB) of the Ministry of Economic Affairs (MOEA) for “Guidance CSR Information Disclosure for Supply Chain Enterprises” under the “Industrial Sustainable Development and Adaptation to International Environmental Standards Guidance Program 2014”. We also formed the CSR promotion team to hold meetings and organize education/training courses with reference to the supply chain enterprise guidance and received guidance from Foundation of Taiwan Industry Service.

Reporting Scope

This report covers Dynamic’s performance in maintaining sustainable development in 2013 (January 1 to December 31) and realization and achievements of sustainability issues of stakeholder concerns. To ensure information integrity, some contents also cover the action plans and their effectiveness before 1 January 2013 and after 31 December 2013. This is the first CSR report ever published by Dynamic, and we will continue to publish CSR reports every year.

The organizational boundary of this report covers Dynamic’s Taoyuan Plant and Kunshan Plant (a wholly-owned second-tier subsidiary of Dynamic). Both enterprises engage in the manufacture and sales of printed circuit boards (PCB). The financial information is consolidated to cover Dynamic and Dynamic subsidiaries.

Policies and Measures for External Assurance

This report has been prepared with reference to G4 Sustainability Reporting Guidelines of Global Reporting Initiative(GRI). Report contents have been discussed and defined in compliance with the AA1000 Accountability Principles Standard 2008. This report has been verified by BSI Taiwan to comply with GRI G4(Core) and the AA1000AS Type 1 Moderate assurance.

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Message from our Chairman and CEO

2013 was a year of bittersweet for Dynamic. Sweet came from the end of deficits for Dynamic Kunshan over the past three years, with a revenue amounting to RMB26 million; while bitter grew from the loss of Dynamic Taoyuan amounting to NT\$450 million, the biggest since it was established in 1988 and the second year of loss.

From a profit amounting to NT\$400 million in 2011 to a loss amounting to NT\$450 million in 2013, such a huge gap of NT\$850 million to Dynamic Taoyuan originated from issues including order structure change, output, efficiency, and yield rate. Theoretically, short-term benefits will be obtained immediately by inputting resources into the profitable Dynamic Kunshan and shutting down Dynamic Taoyuan with increasing deficits. Why did Dynamic choose the other way round to increase investments in Dynamic Taoyuan then? The answer is simple: Taoyuan is where Dynamic started its business. With the concerted effort of countless excellent employees, business flourished over two decades. Although we fell from this pride, instead of giving up on Dynamic Taoyuan, we shall stand up right here again! While various production costs have been rising, we should transform our mode of operation and turn to technology-intensive and more profitable products to create differentiation. With the rapid growth of wearables such as smart watches and health trackers, it is foreseeable that the demand for rigid-flex PCBs will rise accordingly. After choosing the right market, we need to find if we are competitive enough in all areas, reinforcement is needed, and strengths are allocated appropriately. This is the best opportunity and will be our last chance. Every Dynamic member should devote their intelligence and strength. Besides survival, we need to live brilliantly.

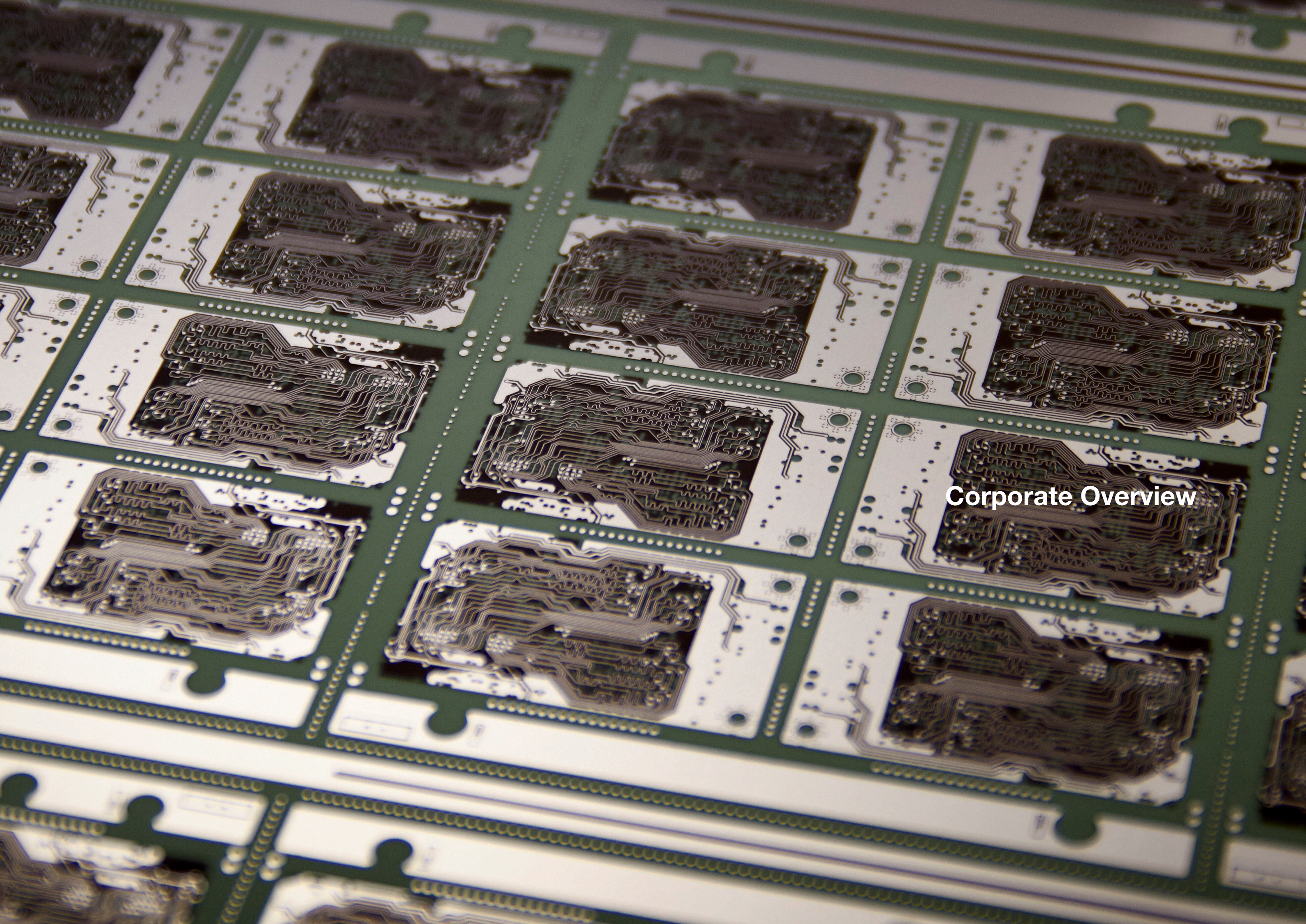
The great performance of Dynamic Kunshan is the result of the concerted effort of employees. While the price of terminal products continues to fall, customers must put their pressure onto us. In the future, it is inevitable for us to face greater challenges from rising wages and labor shortages and greater cost pressure. To reduce the impact of price cuts from customers and raising yields, therefore, it is necessary for us to continuously reduce costs while increasing the output of products with higher added value each month at the same time, so as to surpass the profit made last year.

2013 saw a big leap in corporate culture establishment with the understanding of all employees and partners. Corporate culture has since become a bond putting us together like a big family, enabling us to share the same goal, and pursue the same dream: to be a respected enterprise.

In future, we will continue to maintain production efficiency and quality standards through effective talent cultivation and development programs, a safe and happy work environment, and an excellent corporate culture, so as to stand out from the highly competitive business environment. In terms of environmental stewardship, energy saving and emissions reduction, we will become a green enterprise realizing sustainable development through product, process and management improvements and innovation, so as to fulfill the demand of each and every stakeholder groups. Apart from seeking profits and sustainable operations, we will fulfill our corporate social responsibility by assuming our responsibility for and committing to maintaining a balance among economic development, social development, environmental stewardship, and sustainable development.

In fulfilling corporate social responsibility, we have established a code of practice to provide a dependable standard for employees to follow and realize our commitment. By contributing our efforts, we aim to build a better place for living. The Dynamic management team will continuously implement our business philosophy by upholding our corporate culture featuring integrity, responsibility and learning, so as to make profits and more resources, to fulfill corporate social responsibility, and make true success.

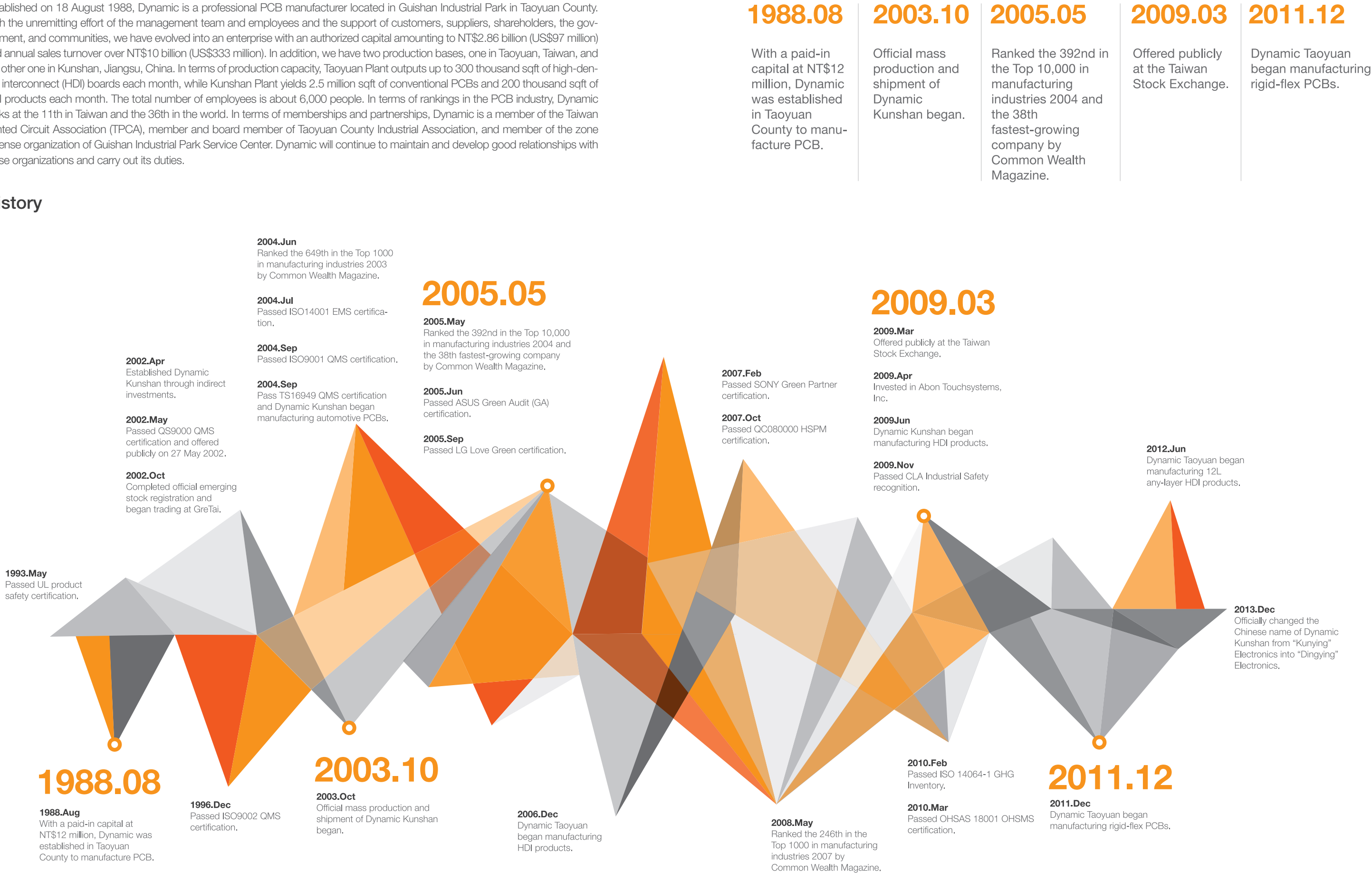
Ken Huang
Chairman & CEO



Corporate Overview

Established on 18 August 1988, Dynamic is a professional PCB manufacturer located in Guishan Industrial Park in Taoyuan County. With the unremitting effort of the management team and employees and the support of customers, suppliers, shareholders, the government, and communities, we have evolved into an enterprise with an authorized capital amounting to NT\$2.86 billion (US\$97 million) and annual sales turnover over NT\$10 billion (US\$333 million). In addition, we have two production bases, one in Taoyuan, Taiwan, and the other one in Kunshan, Jiangsu, China. In terms of production capacity, Taoyuan Plant outputs up to 300 thousand sqft of high-density interconnect (HDI) boards each month, while Kunshan Plant yields 2.5 million sqft of conventional PCBs and 200 thousand sqft of HDI products each month. The total number of employees is about 6,000 people. In terms of rankings in the PCB industry, Dynamic ranks at the 11th in Taiwan and the 36th in the world. In terms of memberships and partnerships, Dynamic is a member of the Taiwan Printed Circuit Association (TPCA), member and board member of Taoyuan County Industrial Association, and member of the zone defense organization of Guishan Industrial Park Service Center. Dynamic will continue to maintain and develop good relationships with these organizations and carry out its duties.

History



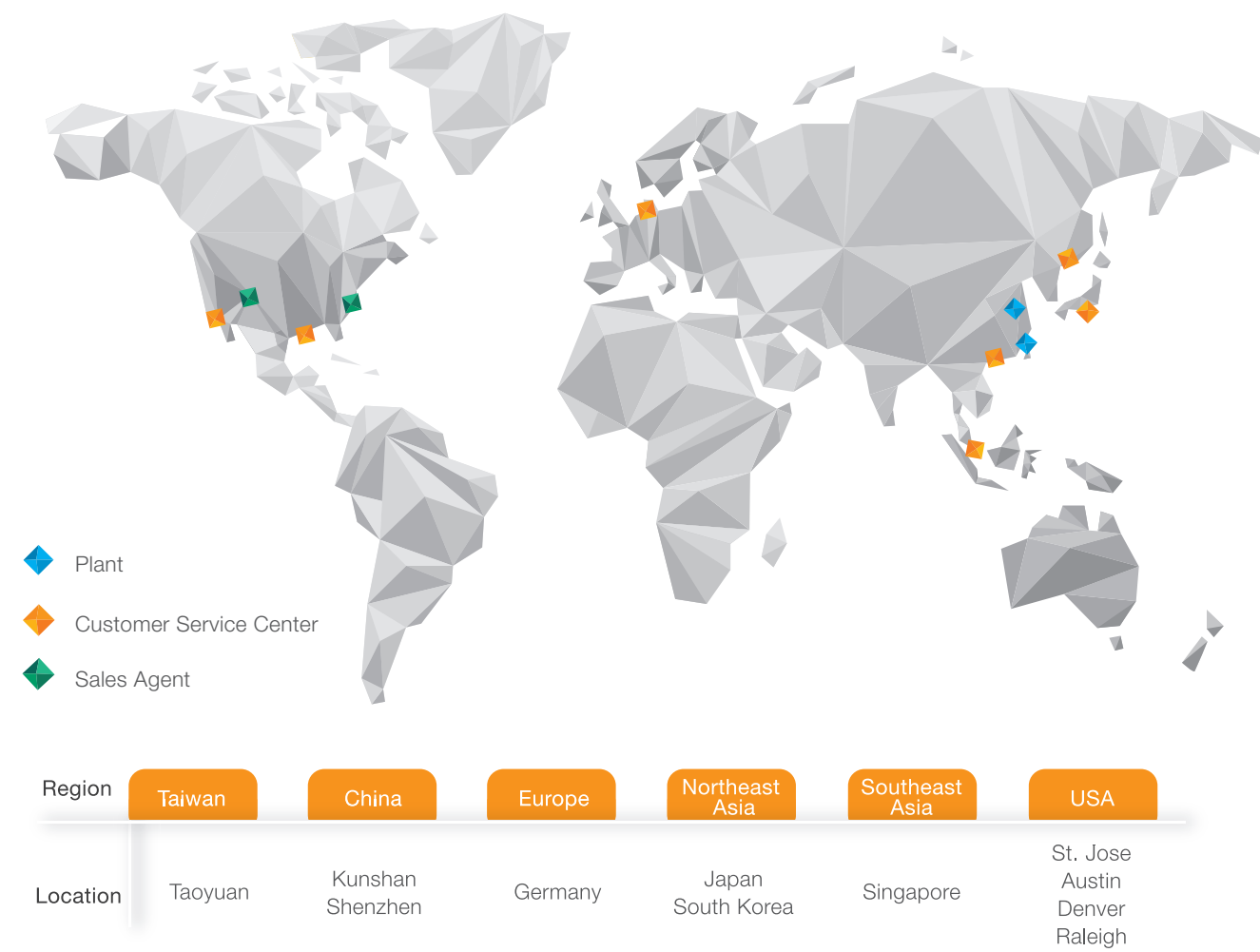
Affiliates Organizational Chart



Note 1: This second-tier subsidiary in China was sold on 5 February 2013.

Global Service Network

Dynamic forms a global service network with subsidiaries or offices in Taiwan, China, the USA, Germany, Japan, South Korea, and Singapore to provide real-time business and product services and technical support for worldwide customers.



Unit: NT\$1,000

Amount and Region of Product Sales			
Year		2013 Consolidated	
Region		Amount	Percentage
Domestic sales		1,498,103	14.77%
Export sales	China	4,590,934	45.27%
	Singapore	674,806	6.65%
	Germany	559,281	5.52%
	SouthKorea	1,168,528	11.52%
	Others	1,648,871	16.26%
Total		10,140,523	100.00%

Note: Revenue is categorized based on the country where customers are located.

Credits and Honors in 2013

Patrick Lan, director of Dynamic Sales Division, was awarded the Outstanding Sales Performance Award 2013 from Intel.

After joining Dynamic in 2001, Patrick has been working at the Sales Division and has experienced the golden era of PCs (mainboards and peripherals) and TFT-LCD. Later on he devoted to export sales. His experience has miniaturized the growth and experience of Dynamic in different eras. With over 13 years of professional experience in PCB sales, Lan keeps reminding himself of his role and identity as a Dynamic member and how to improve expertise to help customers solve problems with Dynamic solutions, so as to create win-win value in the rapidly changing market.

Dynamic received the Best Partner of HLDS in 2013 Award from Hitachi LG DS.

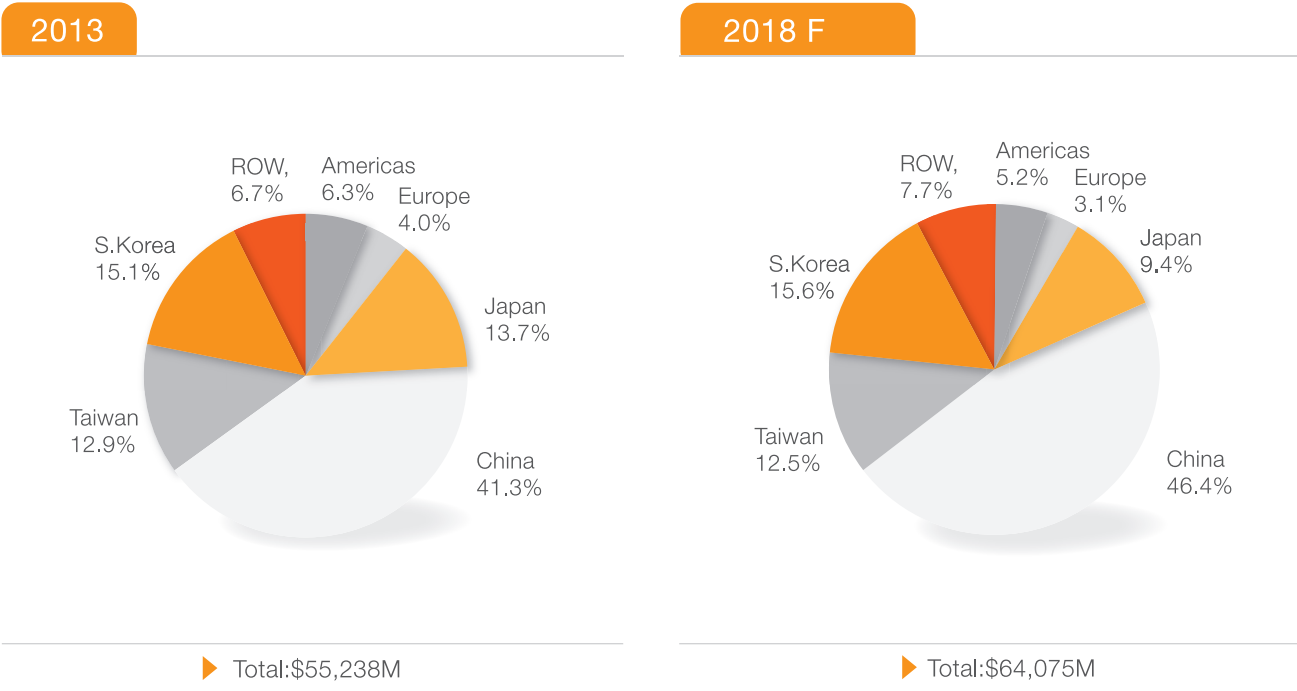
Each year Hitachi LG DS evaluates supplier performance in terms of quality, price, service, on-time delivery, and flexibility to commend outstanding suppliers. With the concerted effort of employees, Dynamic fulfilled the demand of Hitachi LG DS to enable it to make great performance in the optical drive market in 2013. This award was presented to Dynamic to recognize our supplier performance. In return, Hitachi LG DS repays our efforts with a higher order quota.



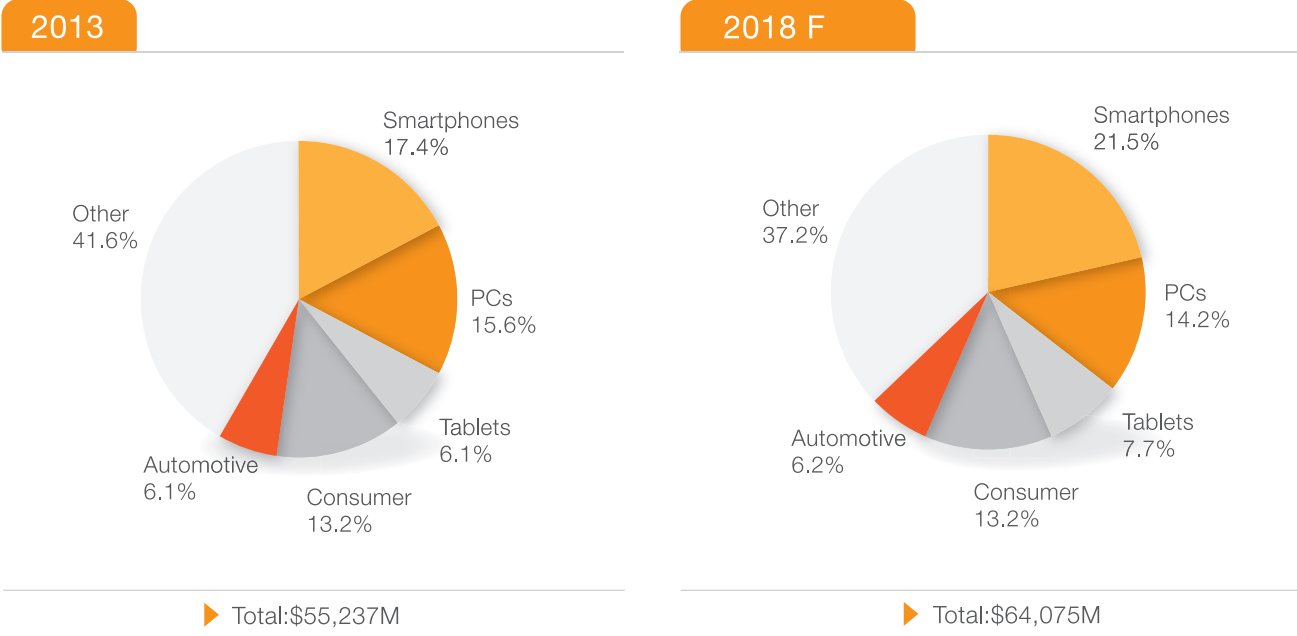
Market Overview

According to PRISMARK PCB forecast (March 2014), the global gross output value of PCB in 2013 was US\$55.2 billion, growth in 2014 is expected at 2.8%, and annual growth during 2015-18 will be 2.8-3.5%, which are similar to global economic growth and reflect a slow growing trend. However, the manufacturing ratio in China will continue to increase. In terms of product application, the demand of smartphones, tablets and automotive PCBs will grow continuously and steadily, while the demand of PCs tends to decline.

Geographic Migration of PCB Production



Change in PCB Product Application



Source: PRISMARK (March 2014)

Product Application and Market Share of Dynamic

Fastest-growing sectors during 2013-2018:



Dynamic products are comprehensively used on LCD panel, computers and peripherals, consumer electronics, automotive PCBs and communication and network products. After careful assessment of product portfolios, our revenue and profit will increase along with market growth.

Product Types, Applications and Percentage in 2013

Product	Application	Percentage
Solar panels	Large and medium sizes	33%
Computers and peripherals	HDDs, SSDs, memory modules, notebooks, servers, industrial PCs, optical drives.	31%
Consumer electronics	Tablets, e-books, STBs, LCD TVs, DSCs.	24%
Automotive PCBs	Infotainment, body control systems, electronic control units	7%
Communication and networks	Smartphones, communication products, routers	5%
Total		100%

Unit: NT\$100mn

Dynamic market share in PCB output value of cross-strait Taiwanese manufacturers:

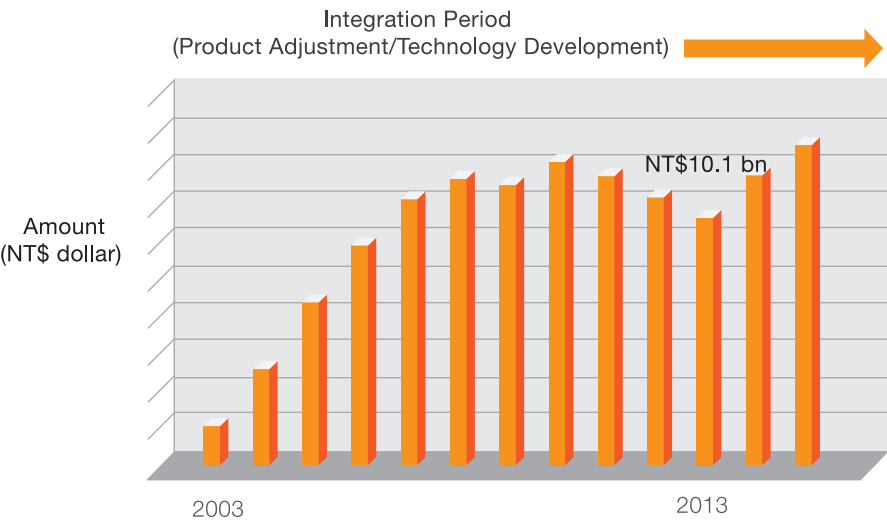
Item	Year	2013	2012
PCB output value of cross-strait Taiwanese manufacturers		5,192	5,154
Dynamic consolidated revenue		101	107
Dynamic consolidated revenue/ PCB output value of cross-strait Taiwanese manufacturers (%)		1.95%	2.08%

Source: IEK, ITRI

Financial Status

Dynamic made profits during 1988-2011. The first loss arose as a result of a fire at Dynamic Kunshan in 2012, with damages up to NT\$732 million. Although the loss continued in 2013, as positive improvement and progress in all indicators during 2012-13 are shown in the consolidated financial statement (please visit the Market Observation Post System or the Dynamic official website for details), an opportunity to turn deficits into profits is seen in 2014.

Market Observation Post System: <http://mops.twse.com.tw>
DE official website: <http://www.dynamicpcb.com.tw>



Revenue and Profit in 2013

Item	2013	2012	Growth Rate
Revenue	10,140,523	10,719,015	(5.40)%
Profit (loss) after tax	(255,383)	(732,090)	65.12%
Profit rate	(2.52)%	(6.83)%	63.10%

Unit: NT\$1,000

Financial Status and Profitability in 2013

Analysis Item			2013	2012
Financial Status	Financial revenue		10,299,878	10,777,352
	Financial expenditure		10,558,018	11,620,875
Profitability	ROA		(1.52)%	(4.87)%
	ROE		(5.72)%	(14.95)%
	Percentage in paid-in capital	Operating income	(10.92)%	(9.01)%
		EBT	(9.02)%	(28.73)%
	Net profit margin		(2.55)%	(7.00)%
	EPS (NT\$1)		(0.90)	(2.51)

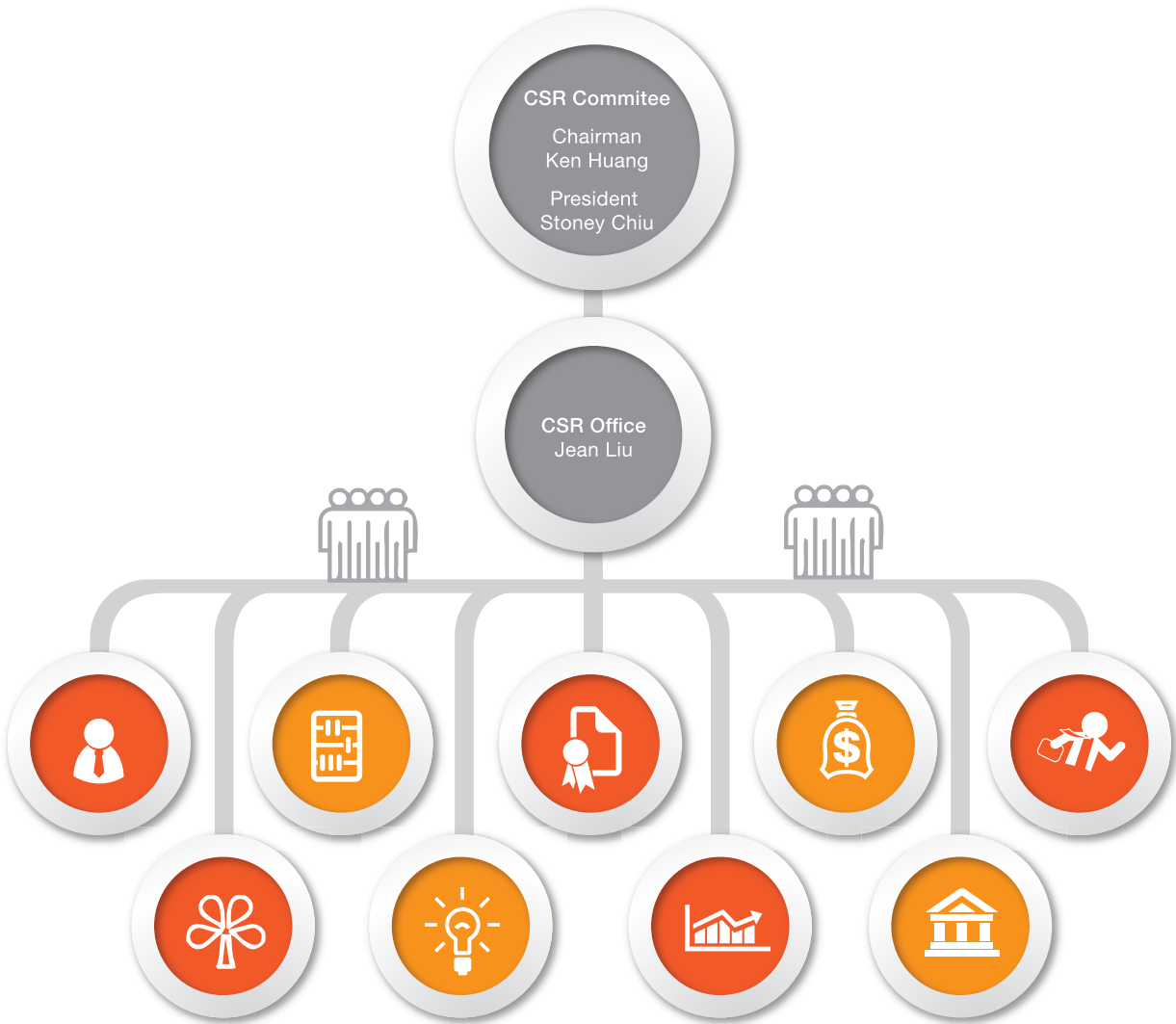
Unit: NT\$1,000



**Stakeholder
Engagement**

At Dynamic, we value the opinion and recommendations of stakeholders. By establishing and developing relationships with stakeholders, we hope to earn trust from them and start the norm of eager communication. We have also established six steps to identify stakeholders and material aspects. In May 2013 we further established the Corporate Social Responsibility Committee (CSR Committee) with the approval of the board and planned responsible departments and staff to understand the demand and fulfill the expectation of stakeholders.

CSR Committee



- HRD**

 - Labor Code of Ethics
 - Employee cultivation and care
 - Employee communication and grievance
 - Community relationship management and communication
 - Social charity
- Procurement Dept**

 - Supply chain management
 - Supply chain safety
- QA Dept**

 - Inspection and reporting of product/process restricted substances
 - Product certifications and ecolabelling
 - Product information disclosures
- Financial Dept**

 - Financial disclosures
 - Shareholder equity
- Sales Dept.**

 - Receiving and reply to customer requirements
- ESH Dept**

 - Plant ESH management
 - GHS inventory and disclosures
- RD Dept**

 - Product/process restricted substances and reduction plan
 - Process energy saving improvement
 - Green product and green production
- Production Dept**

 - Energy and resource uses and control
 - Process water saving
 - Clean production planning
- Legal Dept.**

 - Collection, categorization and interpretation of relevant laws and regulations

Communications with Stakeholders

We always pay attention to the interaction with various stakeholders. We assigned responsible department and staff to respond to their needs as shown in the following table.

Communications with Stakeholders			
Stakeholder	Corresponding Department	Engagement Model	Frequency
Shareholders	Shareholder Services, spokesperson	Over-the-phone communication and information provision Information disclosures on the MOPS and Dynamic official websites Shareholders' meetings.	Irregularly Regularly (monthly/quarterly) Annually
Lenders	Financial	Mutual visits and meetings	Irregularly
Customers	Sales, QA, RD	Phone, email, mutual visits, meetings Customer satisfaction survey	Irregularly At least biannually
Employees	HR	Interviews Announcements Employee meetings Business meetings (section chiefs and higher officers.) Corporate monthly meetings Labor-management meetings Dormitory meetings Employee Welfare Committee meetings Employee satisfaction surveys Cafeteria satisfaction surveys	Irregularly 3-10 times/month 1-2 times/month Monthly Monthly Quarterly Quarterly Quarterly Biannually Annually
Suppliers	Procurement, QA, RD	Phone, email, mutual visits, meetings	Irregularly
Government	Administration, Industrial Safety, Environmental Engineering	Documents Regulation and policy presentations	Irregularly 3-5 times/year
Community	Administration	Plant visits Gatherings	2-3 times/year 1-2 times/year
NGO	Administration, CSR Office	Industrial association general meeting TPCA congress Environmental safety officer gathering Social charitable activities	1-3 times/year 2 times/year 2 times/year 4-6 times/year

Stakeholders and Analysis of Topics of Stakeholder Concerns

We have specifically formed a cross-department CSR report team to prepare information disclosure and write this CSR report. First, personnel from different departments discussed and identified stakeholders encountered in business activities and interaction. Then, they categorized these stakeholders into eight major groups: shareholder, lender, customer, employee, supplier, the government, community, and non-governmental organization (NGO).

Then, according to the five consideration factors with reference to the AA1000 Stakeholder Engagement Standard (AA1000SES) published by AccountAbility, ten Dynamic departments, including Financial, Sales, HR, Administration, Industrial Safety/Environmental Engineering, Procurement, RD, Facility, QA, and Legal departments, adding Chairman and President identified the stakeholders and the weight of relevant topics.

Topic Identification and Analysis of Impacts on Organizational Operation

Based on the 46 aspects specified in GRI G4, a questionnaire was developed to measure topics of stakeholder concerns. Of all questionnaires distributed, a total of 864 valid responses were collected from stakeholders. The same questionnaire was distributed to internal organizational representatives (Board Directors, VPs and assistant VPs) to measure the significance of impact of individual topics on organizational operation in terms of five constructs: “possibilities of impact”, “significance of impacts”, “possibilities of risks or opportunities from a certain aspect”, “significance of impacts on long-term organizational performance”, and “opportunities for the organization to develop or obtain strengths from an impact”, and a total of 19 valid responses were collected.

In addition, according to Principal Wen-zheng Hong of Binmao Junior High School in Taitung County, a school which has received Dynamic donations, the questionnaire was developed primarily upon economic, environmental and social aspects, and social volunteers or charity services can be added to in the future.

Five Consideration Factors

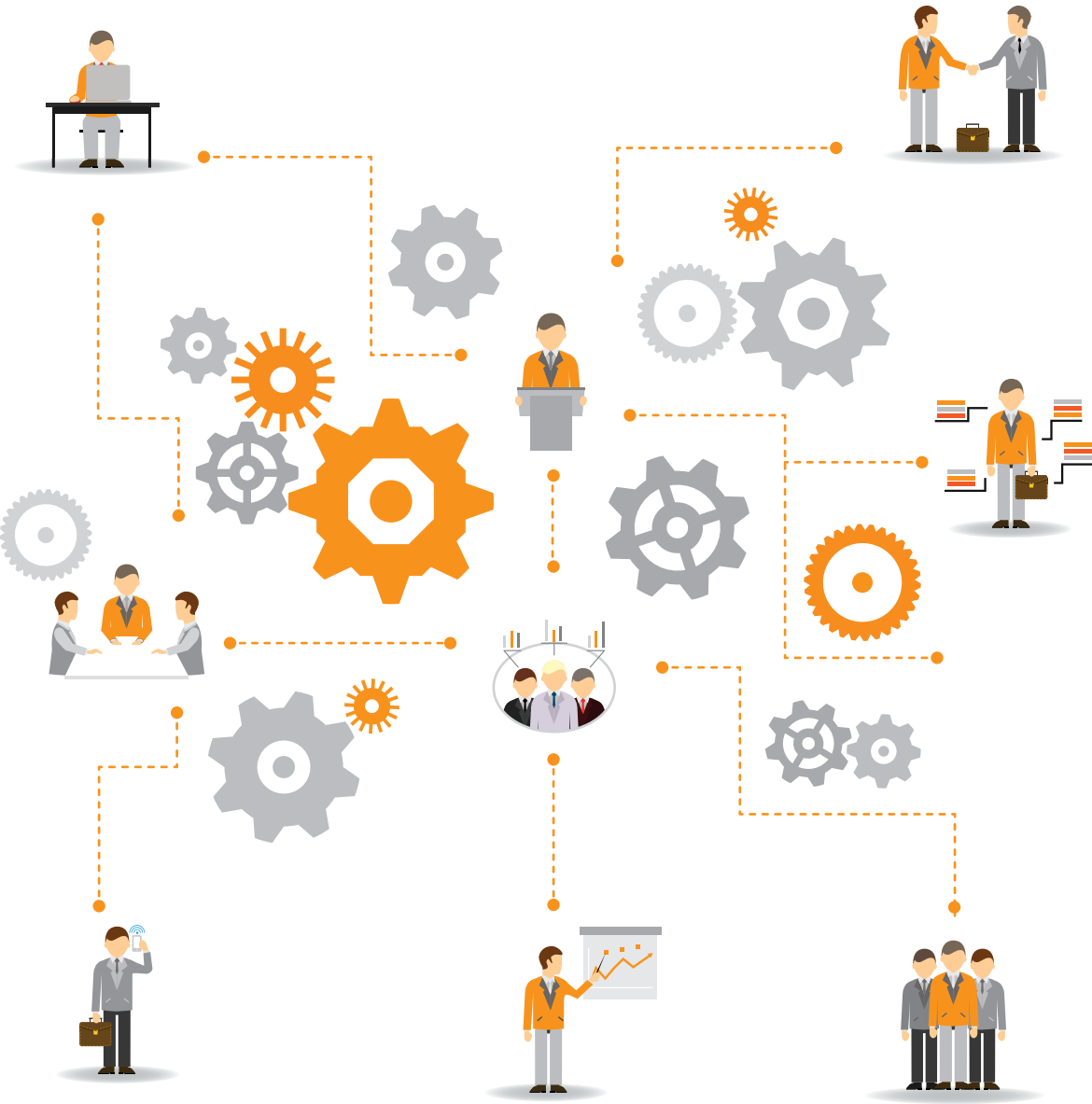


The numbers of questionnaires collected from internal organizational representatives

Internal organizational Representatives	Board Director	VP	Assistant VP	Valid responses
Collected responses	8	5	6	19

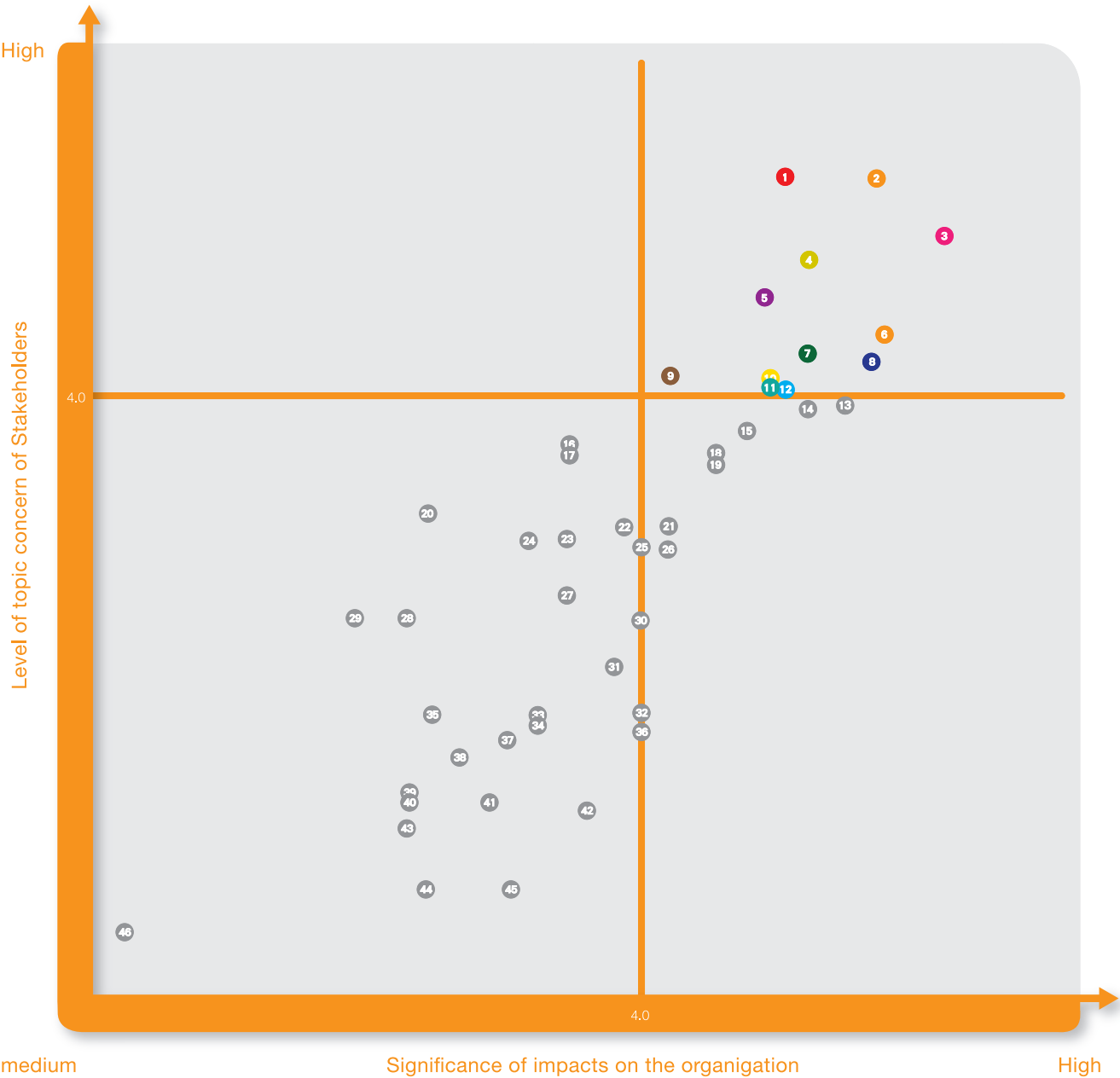
The numbers of questionnaires collected from stakeholders

Stakeholders	Shareholders	Lenders	Customers	Employees	Suppliers	Government	Community	NGOs	Valid Responses
Collected responses	31	16	40	576	136	7	50	8	864



After analyzing the responses in terms of the “level of topic concern of stakeholders” and the “significance of impacts on the organization”, stakeholder weights were added to prioritize these topics and aspects. To focus on material topics and make in-depth responses, we determined that topics with four or higher points in the “level of topic concern of stakeholders” and the “significance of impacts on the organization” were “material aspects”, and the following 12 items were categorized as material aspects. In the following sections, the performance indicators adopted for these material aspects by Dynamic and how these impacts are managed are described, i.e. the Disclosure of Management Approach (DMA).

Results of Materiality Analysis of Concerned Topics of Stakeholders



- 1 Economic Performance

2 Compliance

3 Effluents and Waste

4 Health and safety of customers

5 Labor/Management Relations

6 Compliance

7 Product and service marks

8 Occupational Health and Safety

9 Customer Privacy

10 Emissions

11 Energy

12 Products and Services
- 13 Market Presence

14 Indirect Economic Impacts

15 Procurement Practices

16 Materials

17 Water

18 Biodiversity

19 Transport

20 Overall

21 Supplier Environmental Assessment

22 Environmental Grievance Mechanisms

23 Employment

24 Training and Education
- 25 Diversity and Equal Opportunity

26 Equal Remuneration for Women and Men

27 Supplier Assessment for Labor Practices

28 Labor Practices Grievance Mechanisms

29 Investment

30 Non-discrimination

31 Freedom of Association and Collective Bargaining

32 Child Labor

33 Forced or Compulsory Labor

34 Security Practices

35 Indigenous Rights

36 Assessment
- 37 Supplier Human Rights Assessment

38 Human Rights Grievance Mechanisms

39 Local Communities

40 Anti-corruption

41 Public Policy

42 Anti-competitive Behavior

43 Supplier social impact assessment

44 Social impact of the complaint mechanism

45 Marketing Communication

Defining Topic Boundaries

The internal and external impacts on the organization of these 12 material aspects are considered and the boundary of each aspect was defined to prioritize their disclosures.

Boundary setting of material topics									
Item	Material Aspect	Category	Sub-cat.	Within Organization			Outside Organization	Management Approach	Corre-sponding Indicator
				Dynamic	Subsidiaries and JVs				
1	Compliance	Environmental		V	V			Enforce regulatory audit,regulatory compliance, continuous publicity, and development of a mutual learning enviroment.	G4-EN29
2	Economic performance	Economic		V	V	V		Set and review departmental KPIs based on organizational operation goals, propose improvement measures,ensure information accuracy and transparency, and encourage innovation.	G4-EC1 G4-EC3
3	Effluents and waste	Environmental		V	V			Comply with laws and regulations, continuously reduce effluents discharge and enhance waste recycling rate.	G4-EN22 G4-EN23 G4-EN24 G4-EN25
4	Customer Health and Safety	Social	Product Responsi-bility	V	V		V (supplier)	Provide customers with information regarding possible improvement of health and safety in product design; total compliance with RoHS for materials and processes; save energy and resources as much as possible; continuously comply with international regulations and customer satisfaction.	G4PR2
5	Labor/ Management Relations	Social	Labor Practices and Decent Work	V	V			Uninterrupted communication mechanisms and upholding integrity.	G4-LA4
6	Compliance	Social	Product Responsi-bility	V	V			Avoid violation of regulations from the provision and use of products and services through the audit office, legal office, professionals, and complete work specifications.	G4-PR9
7	Occupational Health and Safety	Social	Labor Practices and Decent Work	V	V		V (con-tractors)	Listen to the ESH suggestions of employees, identify hazards and assess risks, and improve unacceptable risks.	G4-LA5 G4-LA6 G4-LA7 G4-LA8
8	Product and Service Labeling	Social	Product Responsi-bility	V	V			Label products with reference to the nature of products and customer requirements	G4-PR3 G4-PR4 G4-PR5
9	Products and Services (Green Production and Green Product Development)	Environmental		V	V			Implement process improvement, introduce green products, and add environmental impact assessment to new product/pro-cess development.	G4-EN27
10	Emissions	Environmental		V	V			Promote energy management system and develop GHG emission inventory and control.	G4-EN15 G4-EN16 G4-EN18 G4-EN19
11	Energy	Environmental		V	V			Comply with regulations and plan budgets based on short-, medium- and long-term goals to continuously promote energy saving and reduce energy consumption.	G4-EN3 G4-EN5 G4-EN6
12	Customer Privacy	Social	Product Responsi-bility	V	V			Protect customer privacy and information against leakage or missing information by signing an NDA with employees and with data encryption and off-site backup.	G4-PR8



TEAMWORK

Business Corporation

Budget analysis and plan for the coming financial cycle and year. Budgets divided into statistical graphs and tables which will provide future revenue. Market demand and prospective customers and clients.

DATA
JANUARY - DECEMBER
TOTAL RESULTS



Corporate
Governance

Framework of Corporate Governance

At Dynamic, corporate governance comprises instructions and management, enforcement of operator responsibility, improvement of corporate performance, and consideration of stakeholder interests. The corporate governance framework is established upon the principles of “regulatory compliance”, “protection and respect for stakeholder interests”, and “reinforcement of board structure and functions”. Below the Board, the Audit Committee, Remuneration Committee, and Nomination Committee were established to assist the board to perform its duties and carry out its supervision responsibility.

Board of Directors: Referring to the articles of incorporation, 7-9 directors are elected from among shareholders with capacity to make juridical acts. Each has a term of three years and is eligible for a second term. Currently, directors are elected by single signed cumulative voting. At least two of these directors must be independent directors whose seats must not be less than a fifth of the total. Candidates are nominated.

Remuneration Committee: The committee is formed by at least three members, including Dynamic independent directors appointed by the board. An independent director is elected as the convener and committee meeting chair.

Nomination Committee: The committee is formed by at least three board members, including independent directors acting as the convener and chairing committee meetings.

Audit Committee: After the re-election on 18 June 2012, the supervisor system was abolished and the Audit Committee was established. The committee is formed by at least three independent directors, including one as the convener, and at least one of them is specialized in accounting or finance.

Organizational Framework



Board Members List at the end of 2013

Broad Members List at the end of 2013						
Title	Name	Gender	Age	With 5+ years of work experience and following expertise		
				Instructor or faculty member of higher levels in business, law, finance, accounting or related fields of public/private colleges and universities	Judge, prosecutor, lawyer, accountant and other professionals needed to pass relevant national examinations and hold relevant licenses or certificates	Business, legal, financial, accounting or related work experience required by Dynamic.
Director	Ming-hong Huang	Male	30-50			V
Director	Yong-nian Qiu	Male	50+			V
Director	Wen-you Jiang	Male	50+			V
Director	Wenzuan Investment Representative: Ming-yu Ke	Male	50+			V
Director	China Development Financial Representative: Xu-xi Weng	Male	30-50			V
Independent Director	Han-jie Zhang	Male	50+	V		V
Independent Director	Yu-jie Li	Male	30-50	V		V
Independent Director	Jun-hong Lin	Male	30-50		V	V

Duties and Functions of Unit Hierarchy of Dynamic Corporate Governance			
Unit Hierarchy			
Duties and Functions			
Shareholder's Meeting			Top decision-making unit.
	Board of Directors		Exercise authority with reference to resolutions made by the shareholder's meeting and articles of incorporation. Top decision-making unit in ordinary times.
		Chairman	Represent Dynamic externally. Exercise authority with reference to board delegation.
		Nomination Committee	Review board structure, members, and composition regularly and give suggestions to the board. Establish nomination policies and find eligible candidates.
		Audit Committee	Audit Dynamic's accounting system, financial situation and financial reporting procedure. Audit the authenticity, completeness and transparency of Dynamic financial statements.
		Remuneration Committee	Establish and review regularly the annual and long-term performance targets of directors and managerial personnel and the salary/remuneration policies, systems, standards and structures.
		Audit Office	Assist the board and managerial personnel in inspecting and auditing defects in the internal control system and balance the effect and efficiency of operations.
		Legal Office	Establish or review contracts. Consultation of internal legal affairs and contact window for external legal affairs.
			CEO
			Determine Dynamic's future development directions. Establish, promote and review Dynamic's short-, medium- and long-term business policies, strategies, plans, and targets.
			President
			Administer administrative affairs and represent the Dynamic. Design and implement the internal control system. Approve promotions, budgets and sales or production plans.

Regulatory Compliance

DMA

Policy: Comply with the law and eliminate violations.
Commitment: Capture the law and continuous publicity.
Objectives: Enforce regulatory compliance check; comply with the law; develop a mutual learning environment; and avoid violations due to negligence in the provision or use of products and services or environmental issues. Resources:Smart use of internet resources and establishment of the Audit Office, Legal Office, professionals and completion of work standards.
Action:
1) With reference to Article 13 of “Regulations Governing Establishment of Internal Control Systems by Public Companies”, the Audit Office measures operating performance, financial performance, regulatory compliance, and internal management based on relevant risk coefficients to propose the annual audit program. After the program is approved by committee members, it is submitted to the board for approval before implementation.
2) Professionals receive, manage and retain the latest regulatory requirements and directly report to the chairman and president.
3) Identification, approval and publicity of regulations are implemented each month.
4) The Legal Office provides a professional consultation service and communicates with external units where necessary. Validation and measurement: Competent authorities audit relevant records and statistics.
Applicability: ■ General DMA □ Special DMA
Scope: ■ Inside organization □ Outside of organization

Regarding current regulatory requirements, the Audit Office measures operating performance, financial performance, regulatory compliance, and internal management based on relevant risk coefficients with reference to Article 13 of “Regulations Governing Establishment of Internal Control Systems by Public Companies” before proposing and implementing the annual audit program. Audit results are directly reported to the board to ensure normal operations and compliance with regulatory requirements.

To comply with the latest regulatory requirements, Dynamic has professionals to receive, manage and retain relevant regulatory information with reference to a complete set of work standards and reports directly to the chairman and president to enable Dynamic to make immediate responses and avoid fines or punishments. The Legal Office has full-time lawyers and legal personnel to provide professional consultation and instruction. They also represent Dynamic to communicate with external units where necessary.

Over the past two years there has been no record of fines due to violating regulations relating to the provision or use of products and services or environmental issues.

Business Ethics and Philosophy

In addition to regulatory compliance, Dynamic's business philosophy covers its corporate culture: integrity, responsibility and learning demonstrated in the realization of “care for employees, partners, shareholders, the environment, and society.” Dynamic willfully raises business ethics and standards and turns them into the Code of Conduct for Employees.

Business Criterions

- In the “Directors, Supervisors and Managers Code of Conduct”, the ethical standards of relevant personnel are specified, including prevention of conflict of interest, avoidance of seeking personal interests, non-disclosure responsibility, fair trade, protection and appropriate use of corporate assets, regulatory compliance, and encouragement of reporting illegal or unethical acts.
- In the “Employees Code of Conduct”, standards including avoidance of conflict of interest are specified for employees to follow.
- No significant error is allowed in financial statements and disclosures of relevant information. All books, records and other publicly disclosed information shall be complete, appropriate, correct, and adequate to timely reflect all transactions and asset settlement. No individual or person instructed by this individual should influence this company or a certified public accountant by means of compulsion, manipulation, misleading or fraud, either directly or indirectly. Internal auditors should be audited regularly with reference to the specifications in relevant SOPs.
- The CEO mailbox was established in 2013 for employees, suppliers, third parties and customers to file grievances or report any internal corruption, bribery or dishonest act in writing. The CEO handles and replies all grievances and reports personally and in absolute confidentiality to effectively inhibit dishonesty.
- Dynamic signs quality contracts, letters of undertaking, anti-corruption commitments, and guarantees of HSF with all trading parties.

Anti-corruption Policy

At Dynamic, employees are requested to sign the anti-corruption agreement to prevent employees from causing damage to the organization to seek personal benefits. Suppliers and contractors are also requested to sign the “Anti-Corruption Commitment” to ensure that they do not make private contacts with Dynamic employees and stop them from sending presents to Dynamic employees or inviting them to dinner. In addition, suppliers/contractors are requested to voluntarily report violations of the anti-corruption agreement of Dynamic employees, so as to reduce indecent relationships between suppliers/contractors and Dynamic employees and avoid damage caused the Dynamic.In addition, to encourage employees and suppliers/contractors to voluntarily report corruptions, we announced the “Rewards for Corruption Report SOP” and established the CEO mailbox (ceo@dynamicpcb.com.tw) in 2013 to receive reports on the corruption of Dynamic employees or Dynamic suppliers/contractors from all parts of society. The CEO personally reviews each report and refers serious alleged offenses to the Legal Office to review the case. After confirming the offence, the Legal Office will refer the alleged offenders to the prosecution and the police for formal investigation. Informants will also receive a reward. This anti-corruption policy has been thoroughly implemented in both Dynamic Taoyuan and Dynamic Kunshan.In 2013, the CEO mailbox received a number of reports. Six of them were referred to the Legal Office, five were confirmed, and over NT\$1.7 million in damages was recovered. Also, in Dynamic Kunshan, a section chief was investigated, the HR and suppliers of the corresponding department was adjusted and replaced. The results were great.

Anti-competitive Behavior Policy

At Dynamic, a well-formed and professional team reviews and assesses the legal risks of anti-competitive behavior, anti-trust, and monopoly practices and directly report the outcomes to the chairman and president to make immediate responses and avoid litigations. Since Dynamic was established, no litigation regarding anti-competitive behavior, anti-trust, and monopoly practices has been recorded.

Human Rights Protection

In 2013, Dynamic also implemented the Electronic Industry Code of Conduct (EICC). In addition to human rights protection, EICC emphasizes more on business ethics. At Dynamic, we have established the Legal Office to rigorously review all investment agreements and contracts, particularly important investment agreements. We review and stress more on terms and conditions relating to human rights protection to ensure counterparties comply with EICC. In 2013, there was no major investment of this category. Both Taoyuan Plant and Kunshan plants accepted the request from important customers for an on-site audit of human rights protection by international inspection authorities, and both plants passed the audit smoothly.At Dynamic, we strictly follow labor and human rights standards at home and abroad and treat fairly and respect all employees. We also provide jobseekers with equal job opportunities with reference to employment service laws and regulations and ban child labor and forced labor. In addition, grievance channels are arranged for employees to file their complaints against deprivation of legal rights and benefits and unfair treatment without proper solutions. Dynamic keeps all informants absolutely confidential.In 2013, Dynamic established its own “conflict minerals” policy and commitment at the request of customers and requested suppliers and partners to support this policy, so as to avoid using materials of indecent origins, to keep up with international trends and fulfill customer requirements. All 443 commitments distributed were collected.

In 2013, there was no major investment of this category.

Risk Management

At the beginning of each year, each Dynamic department is requested to finish its own internal control self-assessment report and submit to the Audit Office. After receiving the reports, the Audit Office measures the “operating performance”, “financial performance”, “regulatory compliance”, and “internal management” of each department based on relevant risk coefficients with reference to Article 13 of “Regulations Governing Establishment of Internal Control Systems by Public Companies” before proposing the annual audit program. After the program is approved by the Audit Committee, it is submitted to the board for approval before implementation.

Risk management items:

- 1) Interest rate: In 2013 the amount of interest expense was NT\$105 million, 33.5% down from 2012. By capturing the trend of market interest rate, the Financial Division assessed capital sources with reference to the bank lending condition and appropriate capital planning to reduce operational risks.

- 2) Exchange rate volatility: In 2013 the amount of net foreign exchange gains was NT\$19 million, while the amount of net foreign exchange losses in 2012 was NT\$77 million. Dynamic products are mostly for export sales. Except for special raw materials that must be imported from foreign countries and outsourced to China for processing, all other materials are from Taiwan suppliers. Therefore, exchange rate volatility has considerable influence on the revenue and profit of this group. As the proportion of overseas business gradually increases, the influence of foreign exchange losses on revenue and profit also increases accordingly. To prevent exchange rate volatility from reducing the group's profit, we will strengthen controls over currency risk.
- 3) High-risk, high-leverage investments: We concentrate on own business development. In the absence of careful assessment or a board resolution, we will not engage in high-risk or high-leverage investments of any kind.
- 4) Capital lending: We only lent NT\$32 million to Abon Touchsystems where Dynamic holds 51.13% of shares. This is because the profit condition of Abon Touchsystems is unstable and the company will need a longer time for loans from banks.
- 5) Endorsements and guarantee: In 2013 we provided endorsement and guarantee for Abon Touchsystems and Dynamic Kunshan at NT\$370 million and NT\$247.2 million respectively. In addition, we will assist Abon Touchsystems in improving operations and reducing the demand for bank financing, so as to reduce its need for endorsement and guarantee and thereby the operational risk of Dynamic.
- 6) Derivatives transaction: In 2013 the amount of mature pre-sold USD forward exchange was US\$34 million, with realized benefits amounting to US\$0.9 million. At present, forward exchange is the major derivative undertaken at the moment to reduce currency risk. We regularly assess risks and appropriately operate pre-sold forward exchange within the board-approved limit to reduce the risk of long-term holding of US Dollars.
- 7) Influence of major policy and law changes on organizational finance and countermeasures: We implemented the IFRS with reference to letter Tai-Zheng-Zhi-Zi 0980012027 dated 8 June 2009 of Taiwan Stock Exchange and assigned special staff to promote IFRS. We also report the status of implementation to the board every quarterly for control. Please refer to the 2013 consolidated financial statement for the process of IFRS implementation.
- 8) Lawsuits: Ex-president of Dynamic Germany was accused of embezzlement. We already pressed charges on him in Germany on 21 July 2010. The first instance was completed on 24 February 2014. This ex-president of Dynamic Germany was found guilty of embezzlement and sentenced to 2-years imprisonment, with a 3-year parole period. The case is final. As the maximum amount of potential loss has been estimated and recognized in the accounts, there will be no significant impact on shareholder equity or stock price. This case indicates our concerns about the conduct of managers and commitment to honest operations.
- 9) Emergency incidents and response procedures: We have established the emergency incident response procedure. When an emergency occurs, we will immediately notify the response team to report to the fire department, the police, and the hospital for support with reference to the controllability of an accident. Lastly, the response team will take care of the aftermath.
- 10) Other occurrences affecting normal operations, such as labor shortages, production equipment failure, and supplier accidents; we have established corresponding countermeasures as guidelines for responses.

Economic Performance

DMA

Policy: Overall profitability, fulfilling corporate social responsible and becoming a respectful enterprise.
Commitment: Profitability and growth, Constitutional improvement, caring for employees, partners, shareholders, the environment, and society.
Objectives: Achieve the business targets and pursue long-term and balanced development with stakeholders.
Resources: Top down concerted efforts.
Action:
1) Set KPIs for all departments, review business at the monthly business meeting, and propose improvements and countermeasures.
2) Ensure information accuracy and transparency.
3) Encourage innovation.
4) Establish the proposal reward system.
Validation and measurement: Business performance (based on financial statements) and target comparison.
Applicability: ☒ General DMA ☐ Special DMA
Scope: ☒ Within organization ☐ Outside of organization

In addition to the consolidated financial performance data in the previous section prepared with reference to the IFRS (International Financial Reporting Standards), we provided the direct economic value from global operations and economic value allocated upon basic elements under the G4 framework to assess the organizational impact on local economies more efficiently.

Economic value of the organization

	Basic Element	2013	2012	Change (%)
Direct economic value from Dynamic	Revenue (including net sales, income from financial investments, and income from asset sales)	9,766,761	10,485,036	-6.85%
Economic value allocation	Operating cost	8,024,757	9,333,382	-14.02%
	Employee wages and benefits	1,896,570	1,682,627	12.71%
	Amount paid to investors	94,311	148,074	-36.31%
	Amount paid to the government	80	30,246	-99.74%
	Investments in communities	3,541	42	8331.94%
Reserved economic value		(252,499)	(709,335)	-64.40%

Unit: NT\$1,000

Note: These figures do not include that of Abon Touchsystems.

As shown in the above table, although revenue in 2013 reduced by 6.85% after product adjustment, the scale of reduction of operating cost was even higher (-14%). The increase in employee wages and benefits corresponded to the Dynamic core value: “‘People’ is the most important asset of Dynamic.” Also, the amount paid to investors reduced because the amount of borrowings reduced. The amount paid to the government also reduced because there was no profit. Investments in communities increased because our recognition of corporate social responsibility, regardless of profit or loss. We believe that after operations improve and profits increase, we will contribute more to the local government.

The above economic value allocation was implemented with reference to Article 26 of the Articles of Incorporation and Articles 16-17 of the Social Charity Donation SOP.

If after the annual closing of books there is a profit, the Company shall, after having provided for taxes and covered the losses of previous years, appropriate 10% as legal reserve; except for the amount of legal reserve has reached the amount of the company's authorized capital. Such will be recognized as or reverted to special reserve with reference to the law or the regulations of competent authorities. If there is still a balance, it will be allocated as follows:

- 1) 3% as remuneration for directors.
- 2) 10-18% as bonus for employees.
- 3) After allocating the balance as in (1) and (2), the board of directors may submit a balance allocation proposal as in previous years to the shareholder's meeting to apply for approval.

To cope with business cycle changes and optimize the organization's financial structure, we adopt the balanced dividend policy. The future dividend release policy is as follows:

- 1) In terms of dividend policy, as we are at the burgeoning stage, in consideration of the capital need for future investment, financial structure, and profitability, the board draws up the profit allocation proposal each year and implements with the approval of the shareholder's meeting.
- 2) Referring to the balanced divided policy, release of dividends or cash dividends will be determined with reference to the level of dilution of capital need for future investment on EPS, where cash dividends should not be less than 10% of the total amount of dividends in the same year.

This company should regularly appropriate funds for social charity donations in the following two ways:

- 1) Dynamic Taoyuan appropriates NT\$200,000 each month and Dynamic Kunshan appropriates RMB30,000 each month.
- 2) 0.5% of accumulative net profit before tax should be appropriated each year.
- 3) The amount appropriated under (2) must not be used prior to confirmation (CPA certification) in the accounting year.

The amount appropriated by Dynamic Taoyuan should be used in Taiwan and the sum appropriated by Dynamic Kunshan should be used in China. The 0.5% of accumulative net profit before tax is appropriated by Dynamic Taoyuan and should thus be used in Taiwan. In the transaction between the organization and local governments, Dynamic Taoyuan paid taxes amounting to NT\$800,000 in 2013, while Dynamic Kunshan did not need to pay tax after losing for years.



Environmental
Sustainability

Environmental Management Approach

For relevant units of this company to understand the laws and regulations currently in practice and to provide dependable standards for the collection, audit, identification, retention and compliance with laws, we have established the Regulation Identification and Traceability Management Procedure and identify the applicability of laws and regulations and audit regulatory compliance regularly, so as to ensure the company is operated in compliance with the latest regulatory requirements.

At Dynamic, we provide colleagues with transparent channels to understand regulatory requirements that should be complied with. Apart from publishing environmental knowledge from time to time, health promotion articles, and relevant occupational disaster publicity information on the bulletin board, we voluntarily provide employees with the latest information on regulatory requirements with the e-bulletin board and e-mail, particularly information regarding the revision of laws and regulations relating to organizational operations.

Regulatory Compliance

In 2013 no major violation was recorded. In the future, we will continue to maintain this record by enforcing the regulatory compliance and publicity spirit in the organizational policy.

Statistics on the inspections conducted by relevant law-enforcement organizations are as follows:

The statistics and description of the inspections conducted by relevant law-enforcement organizations in 2013				
Regulatory Type	Audit Time	Violation	Fine Amount	Description
Taoyuan Plant (Industrial Safety)	1	0	0	On October 1 we received a letter from the Northern Occupational Safety and Health Center to request improvement of 12 items by the deadline. All items were improved as scheduled and no fine was penalized.
Kunshan Plant (Industrial Safety)	15	0	0	On 8 January 2013, Kunshan Administration of Work Safety inspected the chemical uses and occupational hazards of Dynamic Kunshan. On 19 July 2013 KETD conducted a routine safety inspection on Dynamic Kunshan. On 31 July 2013 the fire department conducted a routine fire inspection on Dynamic Kunshan. Each month the police station conducts routine inspections of acute toxic chemical management.
Taoyuan Plant (Environmental Protection)	18	0	0	Monitored by Guishan Industrial Park Service Center 14 times Audited by the environmental bureau 3 times Audited by Environmental Protection Agency 1 time
Kunshan Plant (Environmental Protection)	36	0	0	Routine inspection by the environmental bureau.

Environmental Protection Expense

Major environmental protection expense of Dynamic Taoyuan and Dynamic Kunshan in the past three years included wastewater, emissions, waste, and garbage disposal. Environmental protection expense of Dynamic Kunshan reduced in 2012 after a fire which reduced production capacity and water consumption. Environmental protection expenditure resumed in 2013.

Environmental protection expenditures of two plants during 2011 to 2013			
	2013	2012	2011
Taoyuan Plant (NTD)	27,071,500	27,473,062	26,473,015
Kunshan Plant (RMB)	10,794,144	7,731,891	14,633,042

Energy Saving

DMA

Policy: Compliance with laws and regulations, Fulfillment of our responsibility,
Green procurement, Advance of energy efficiency
Commitment: Continuous improvement and sustainable operations.
Objectives: Regulatory compliance, energy saving, and reduction of energy consumption.
Resources:Plan budget based on short-, medium- and long-term goals and promote energy saving plans.
Action:
Assign energy conservation administrator to report on energy consumption periodically and establish energy saving targets and implementation plans.
Validation and measurement: Energy declaration and audit every year
Applicability ☒ General DMA ☐ Special DMA
Scope: ☒ Within organization ☐ Outside of organization

List of Applicable Energy Regulations

Dynamic establishes regulation collection sources (international / national regulations, protocols), and makes energy regulation identification and conformity assessment in order to establish a list of applicable energy regulations to ensure compliance with regulations of plant operations.

List of Applicable Energy Regulations		
Category	Regulation	Announcement/ Amendment/ Abolishment Date
Energy laws in Taiwan / Integrated category	1.Energy Administration Act	98/07/08
	2.Enforcement Rules for Energy Administration Act	103/4/30
	3.Energy supply quantity, consumption quantity standard and safety stock specified in the Energy Administration Regulations for Announced Energy Supply Business and Energy Users.	95/10/05
	4.Type, quantity, item and efficiency of energy to be reported by energy users, reporting period, and reporting method.	99/01/08
Energy laws in Taiwan / Energy Saving category	5.Regulations for Certification of Energy Technologists and Energy Administrators	99/06/18
	6.Regulations for Registration of Installation by Energy Users, Energy Technologists, or Qualified Energy Administrators	99/06/18
	7.Central Air-condition System Meter and Circuit Installation Rules.	91/07/17

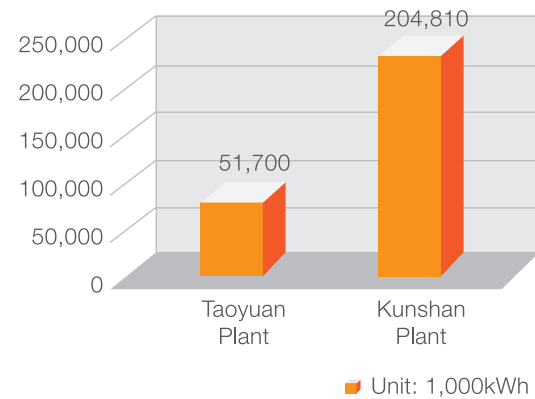
We set the energy administrator with reference to the Energy Administration Act, report the status of energy consumption to the Bureau of Energy periodically, and establish relevant energy saving targets and implementation plans. In 2013, we divided energy saving targets into short-, medium- and long-term targets. The short-term target reducing energy consumption by 2% should be achieved in 1-2 years. The medium-term target reducing energy consumption by 4% should be achieved in 3 years. The long-term target reducing energy consumption by 6% should be achieved in 5 years.

At Dynamic, we consume two types of energy: electricity and fuel oil (including crude oil and diesel). In 2013 total power consumption was 256,510,000 kWh and total fuel oil consumption was diesel 924m3 and crude oil 139m³.

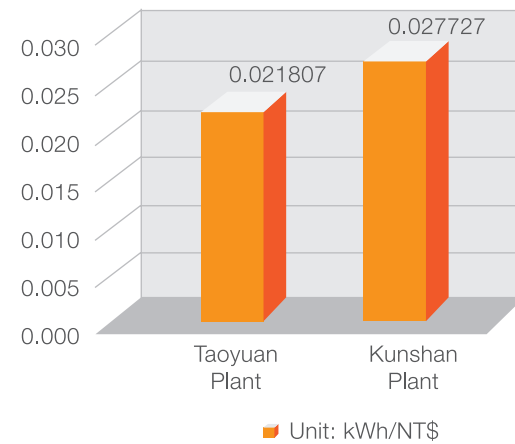
2013 Power Consumption

2013 Power Consumption Statistics		
Item/Region	Taoyuan Plant	Kunshan Plant
Electricity (1,000kWh)	51,700	204,810
Annual Revenue (NT\$1,000)	2,370,790	7,386,770
Consumption/Revenue	0.021807	0.027727

2013 Power Consumption



2013 Power Concentration

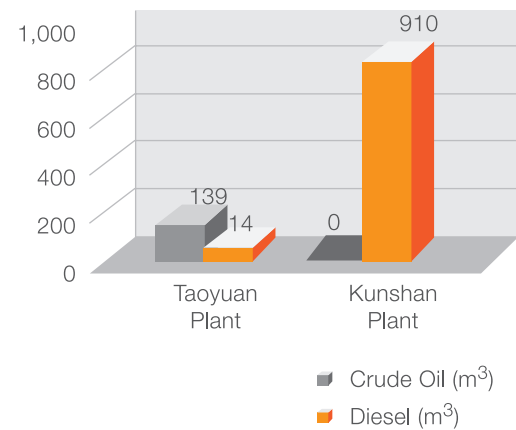


2013 Power Concentration

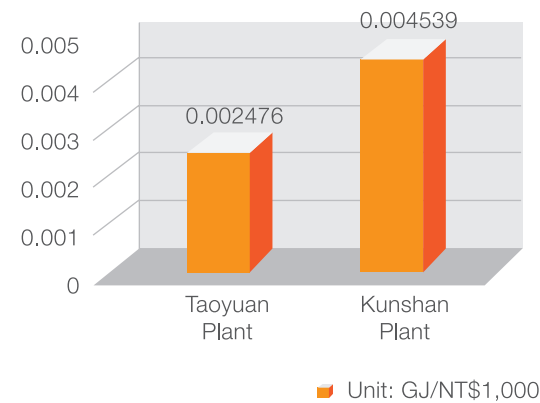
2013 Fuel Consumption Statistics

Item/Region	Taoyuan Plant	Kunshan Plant
Fuel Consumption (GJ)	5,870	33,528
Fuel Consumption (m ³)	153	910
Annual Revenue (NT\$1,000)	2,370,790	7,386,770
Consumption (GJ)/Revenue (NT\$1,000)	0.002476	0.004539

2013 Fuel Consumption Statistics



2013 Fuel Concentration



Electricity is the main type of energy consumed by Dynamic, and equipment energy management is implemented in the following three directions:

Public equipment: System integration is implemented. Based on plant system operation, inverter models will be considered to achieve energy saving automation of equipment.

Production equipment: The standby time and mode of production equipment of individual production lines are adjusted to reduce necessary energy consumption with automatic control programs.

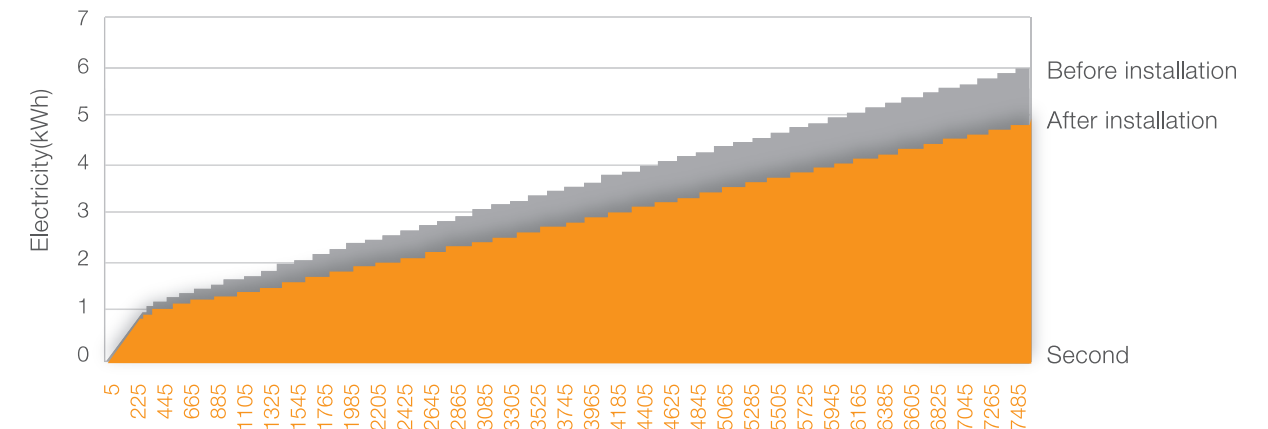
Lighting system: After assessing the lighting demand of the entire plant, T8 lights will gradually be replaced by LED lamps, and illuminance will also be adjusted to reduce energy consumption.

Taoyuan Plant

In 2013, Dynamic Taoyuan completed the following energy saving projects:

- (1) Lighting energy saving: T8 lamps with higher energy consumption and failure rates were used in Dynamic Taoyuan. To reduce energy consumption and failure rate, T8 lamps were replaced annually with LED lamps based on the characteristics of individual zones. A total of NT\$5 million will be invested in lamp replacement cost to save up to 430,000 kWh of electricity each year.
- (2) Equipment energy saving: Long-term use of electric ovens for baking is required in the solder mask process. As continuous ventilation and fresh air exchange also takes place at the same time, the electric heater operates continuously to maintain oven temperature, and energy consumption is high. After installing the energy saving device, hot air ventilated from the oven passes through the energy saving device to heat up fresh air before entering the oven to reduce heater operating time to save energy consumption. A total of NT\$320,000 will be invested in the project to reduce about 100,000 kWh each year.

Energy consumption after temperature rises for two hours



Kunshan Plant

Kunshan Plant formed the energy conservation team in 2013 to implement energy saving and emission reduction. A number of relevant projects were also implemented, such as electrical circuit modification, production line optimization, and installation of energy-saving and water-saving devices. After confirming “waste reduction, resource saving, and continual improvement” as the basic energy-saving policy, the team research and extend energy saving work and supervise work enforcement. By the end of 2013, Kunshan Plant reduced a total of 3,017 mt SCE (24,548,000kWh) and completed the “Energy Saving Target Self-Assessment Report”.

Targeting at “improving energy saving performance, upgrading energy-saving technology, enhancing energy efficiency rate, and reducing unit product energy consumption”, we hope to protect the environment of Kunshan while cutting expenses at the same time through continuous efforts.

Major energy saving technology transformation and status of implementation

- 1) Compressor Waste Heat Recovery Project: The total investment of RMB 2.29 million was recovered in 13 months and the project was completed in December 2012. After project completion, compressor waste heat was used to heat up the entire plant II (air-conditioning), the pure water refill system in plant I, and the domestic water of five employee dormitories. In terms of heat energy, this is equivalent to the heat generated by 20 mt of diesel each month and saved up to RMB 170,000 on heat supply.
- 2) With a total investment of RMB1.8 million, the replacement of T5 fluorescent lamps into LED lamps was completed in March 2013, and the cost will be recovered in 22 months.

Compressor Waste Heat Recovery Statistics

Compressor Location	Equipment total power (kW)	Heat recovery rate	Heat recovery volume ((kWh)
Public Facility Floor in plant I	1,994	70%	1,395.8
Roof of plant II	1,750	70%	1,225.0
Total	3,744		2,620.8

2) With a total investment of RMB1.8 million, the replacement of T5 fluorescent lamps into LED lamps was completed in March 2013, and the cost will be recovered in 22 months. A total of about 13,000 lamps were installed. The average wattage was 30W each. Lamps on hallways are lighted alternately. LED lamps consume about 60% of the energy previously consumed by T5 lamps (30W). The energy saving from the transformation is as the following table:

Energy Saving from the Transformation of Lighting System			
Item	Before	After	Energy Saved
Total consumption (kWh)	390	234	156
Annual consumption (kW)	3,369,600	2,021,760	1,347,840
Annual electricity expense (RMB)	2,426,112	1,455,667.2	970,444.8

Effluents and Waste

DMA

Policy: Continually friendly to the environment
Commitment: Regulatory compliance, technology control, pollution reduction.
Objectives: Regulatory compliance, continuous reduction of effluent discharge, enhancement of waste recycling rate.
Resources: Plant special budget for effluent and waste treatment in the environmental expense.
Action:
1) Establish the effluent treatment site, implement and enforce self-monitoring and self-management, and coordinate with the audit of environmental protection authorities.
2) Plan biological treatment facilities, improve effluent quality, promote energy saving, reduce discharge.
3) Enforce hazardous waste recycling, assign qualified waste disposal contractors, and trace waste disposal flow.
Validation and measurement: Anomaly frequency and pollution volume trend monitoring.
Applicability: ☒ General DMA ☐ Special DMA
Scope: ☒ Within organization ☐ Outside of organization

In 2004, Dynamic implemented the ISO14001 environmental management system to enforce environmental improvement, adopted a better pollution management system and ensured the system is effectively operated and maintained through internal audits and reviews.

In effluent (wastewater) management, both Taoyuan Plant and Kunshan Plant have a wastewater treatment plant. Except for waste liquids containing high concentration of recyclable heavy metals that are assigned for treatment by qualified disposal contractors, process wastewater is treated by these waste treatment plants and only discharged after complying with relevant effluent standards.

In terms of waste disposal and management, we have established the waste, classified waste disposal standards to manage and dispose of waste by characteristics, so as to prevent secondary pollution and recycle reusable materials.

List of Environmental, Safety and Health Objectives and Management Programs in 2013

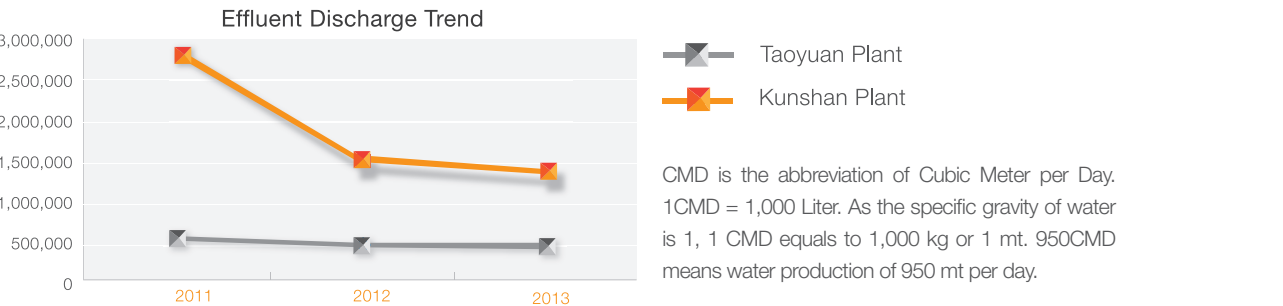
Item	Policy	Objective	Target	Management Program	Program ID	Implemented by	Estimate Date of Completion
1	Regulatory compliance and responsibility fulfillment	100% capture of regulatory amendments.	Comply with government ESH regulations and other requirements.	Execution in accordance with regulation identification process	103-S01	Industrial Safety and Environmental Engineering departments	31 Dec 2013
2	Total participation and communication reinforcement	Safety knowledge improvement project, quarterly.	Total participation, improve the industrial safety knowledge of employees.	Adding industrial safety publicity labels	103-S02	Industrial Safety Department	31 Dec 2013
		Safety and health education/training each month.	Total participation, improve the industrial safety knowledge of employees.	Arranged VGH to provide in-plant service.	103-S03	Industrial Safety Department	31 Dec 2013
3	Hazard management and occupational accident prevention	100% monitoring of remote areas and fire	Shorten fire detection time and reduce fire severity	Fire detector coverage improvement project	103-S04	Industrial Safety Department	28 Feb 2013
4	Technology control and pollution reduction	No gluing of gold finger edge NT\$150,000/mo.	Reduce pollutant production through process improvement	No gluing for gold finger edge	103-S05	RD Div	21 Jul 2013
5	Waste reduction and resource saving	Waste potassium and copper ball recycling rate>20%	Reduce resource wastage	Usable potassium and copper ball reuse	103-S06	Chemical Department	31 Dec 2013
6	Continual improvement and sustainable operations	Continuous reduction of electricity consumption	Energy consumption reduction	Light improvement (replaced T8 to LED lamps)	103-E07	Works Department	31 Dec 2013

*Retention time: 3 years

Effluent (Wastewater) Management

Status of operation of the waste treatment plants				
	Allowable treatment volume	Average discharge	Discharge destination	Effluent quality requirements
Taoyuan Plant	1,950 CMD/day	1,250 CMD/day	Nankan River	PH: 6-9 COD: <120ppm Cu: <3 ppm
Kunshan Plant	2,770.44 thousand mt/year	4,378 CMD/day	Taicang Bay	PH: 6-9 COD: <50ppm Cu: <0.3 ppm Ni: <0.1 ppm NH3-N<5 ppm P<0.5 ppm

Effluent discharge trend in past 3 years:



Wastewater treatment facilities of both Taoyuan Plant and Kunshan Plant are maintained and managed by professional service providers, and no major leakage or overspill was recorded in 2013. To ensure the normal operation of wastewater treatment plants, the Environmental Engineering Department conducts a jar test every day to adjust the optimal chemical proportion. In addition to the daily self-implemented effluent quality test, Taoyuan Plant send samples to the EPA-accredited laboratory to test effluent quality every quarter. Kunshan Plant also sends samples to local environmental authorities every month to test items that cannot be done by itself ensure effluent quality before discharge. To reduce environmental risk, Kunshan Plant built the rainwater and emergency discharge basin to cope with wastewater treatment anomalies or major leakage. Kunshan Plant has installed five on-line monitoring devices with different indicators and the on-line pH monitoring device at the rainwater outlet. Kunshan Plant has also established a specific environmental laboratory to monitor and inspect contractor operations.

Wastewater Operation, Management and Monitoring of Taoyuan Plant

	Monitoring Frequency	Anomaly Frequency	Anomaly Description
Report and test	4	0	NA
Center Monitoring	14	0	NA
EPB Audit	3	0	NA
EPA Audit	1	0	NA

Wastewater Operation, Management and Monitoring of Kunshan Plant

	Monitoring Frequency	Anomaly Frequency	Anomaly Description
Report and test	4	0	NA
EPB Audit	24	0	NA

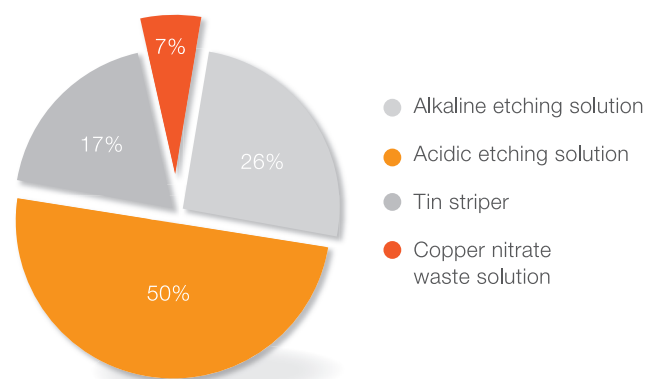
As some high-concentration waste liquids contain strong acid or strong alkali, they are disposed of as waste. As high concentration waste liquids, such as etching liquid and nickel stripper, contain extremely high content of copper worthy of recycling, they are shipped to specialized recycling plants to recycle reusable metals after collection.

As high concentration waste liquids often cause trouble to wastewater treatment and waste resources, Taoyuan Plant has installed the micro-etching solution cooling and crystallization machine to recycle copper sulfate and dilute recycled micro-etching solution for reuse to achieve resource recycling and reuse. Each month Taoyuan Plant recycles nearly 2,200 kg of micro-etching solution. Kunshan Plant recycles copper from etching solutions with electrolysis at 6,800 kg a month on average. In addition, as acidic or alkaline etching solutions contain high concentration of heavy metals or higher concentration of COD pollutants that are worthy of recycling, qualified recycling service providers are hired to recycle these solutions. As for other waste liquids, such as organic waste liquids, they are treated by the in-plant wastewater treatment facility.

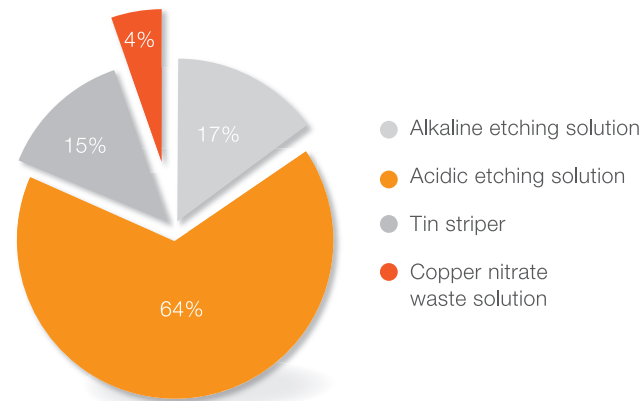
Output of high concentration waste solutions in 2013

	Taoyuan Plant	Kunshan Plant
Alkaline etching solutions (kg)	354,144	1,838,000
Acidic etching solutions (kg)	1,341,600	3,516,000
Tin stripper (kg)	300,690	1,165,000
Copper nitrate waste solution (kg)	90,080	515,000

Proportion of High Concentration Waste Solutions of Taoyuan Plant



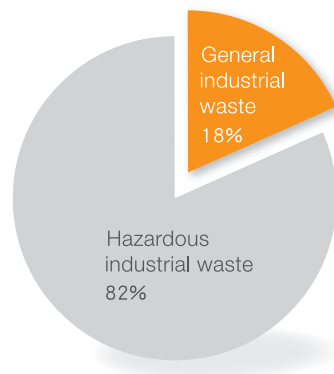
Proportion of High Concentration Waste Solutions of Kunshan Plant



Waste Management

At Dynamic waste produced during production includes both general industrial waste and hazardous industrial waste. In 2013, Taoyuan Plant produced a total of 4,270mt of waste, including 783mt general and 3,487mt hazardous industrial waste; and Kunshan Plant produced a total of 23,722mt of waste, including 5,656mt general and 18,066mt hazardous industrial waste.

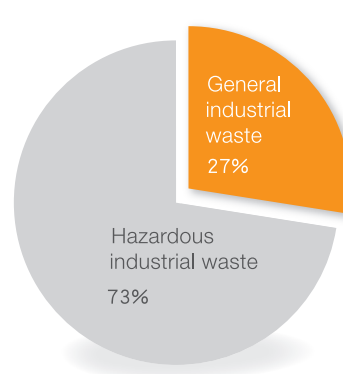
Taoyuan Plant



Kunshan Plant



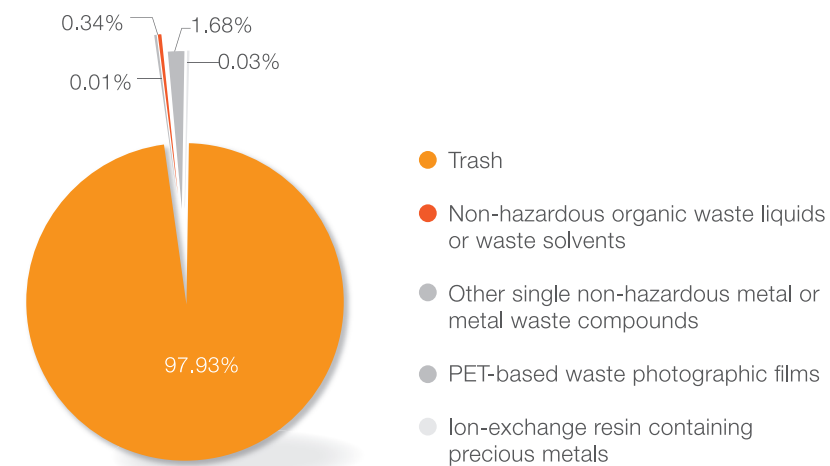
Combined Waste Production



Waste is stored by category and property to facilitate storage and reduction. Waste control was implemented in terms of source and volume and was disposed of by EPA-accredited service providers. Each year we audit contractors from time to time to ensure waste is disposed of in compliance with relevant environmental regulations. Our wastewater treatment facilities remove the heavy metals contained in wastewater. A large amount of sludge is produced from coagulation and sedimentation treatment, which accounts for over 50% of waste.

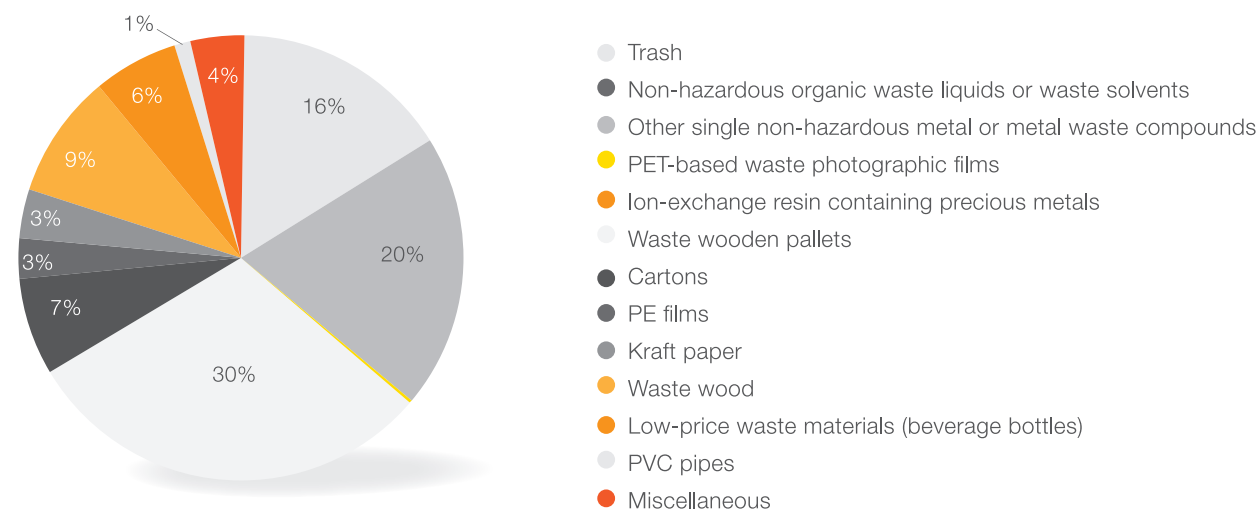
Taoyuan Plant General Industrial Waste

Category	Volume (t)	Onshore/ Offshore	Final Treatment
Trash	766.51	Onshore	Incineration
Non-hazardous organic waste liquids or waste solvents	2.67	Onshore	Incineration as intermediate treatment.
Other single non-hazardous metal or metal waste compounds	0.09	Onshore	Chemical treatment
PET-based waste photographic films	13.16	Onshore	Physical and chemical treatment
Ion-exchange resin containing precious metals	0.27	Onshore	Recycle into raw materials for reuse



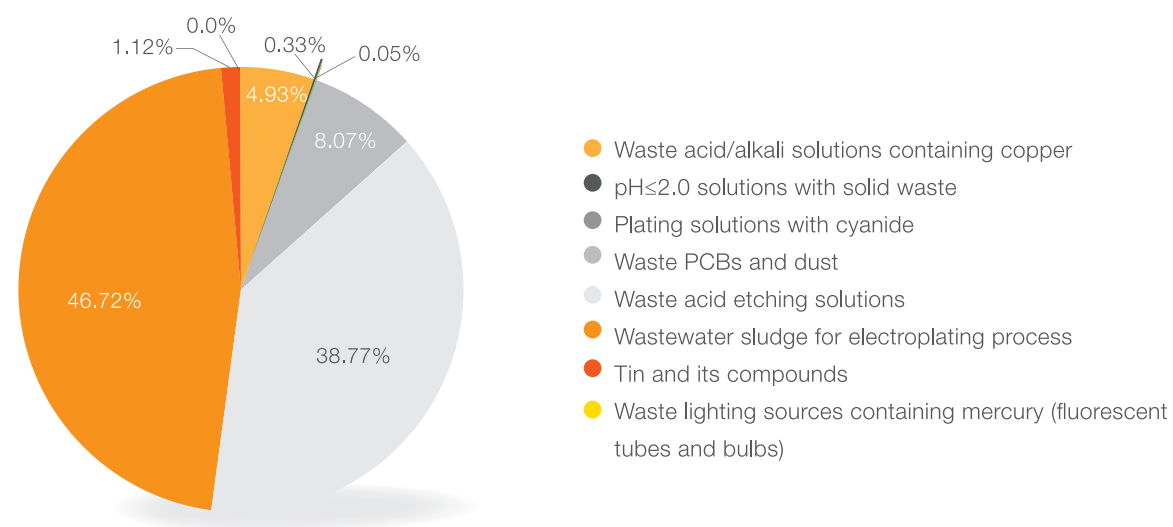
Kunshan Plant General Industrial Waste

Category	Volume (t)	Onshore/ Offshore	Final Treatment
Trash	900	Onshore	Incineration
Non-hazardous organic waste liquids or waste solvents	NA	Onshore	Incineration
Other single non-hazardous metal or metal waste compounds	1,142.14	Onshore	Chemical treatment
PET-based waste photographic films	20.86	Onshore	Physical and chemical treatment
Ion-exchange resin containing precious metals	0.91	Onshore	Recycle into raw materials for reuse
Waste wooden pallets	1,710.56	Onshore	Recycle for reuse
Cartons	415.49	Onshore	Recycle for reuse
PE films	173.27	Onshore	Recycle for reuse
Kraft paper	186.90	Onshore	Recycle for reuse
Waste wood	503.87	Onshore	Recycle for reuse
Low-price waste materials (beverage bottles)	313.93	Onshore	Recycle for reuse
PVC pipes	62.39	Onshore	Recycle for reuse
Miscellaneous (waste mineral wool slab, waste gypsum board, waste empty barrels, waste plastics)	225.42	Onshore	Recycle for reuse



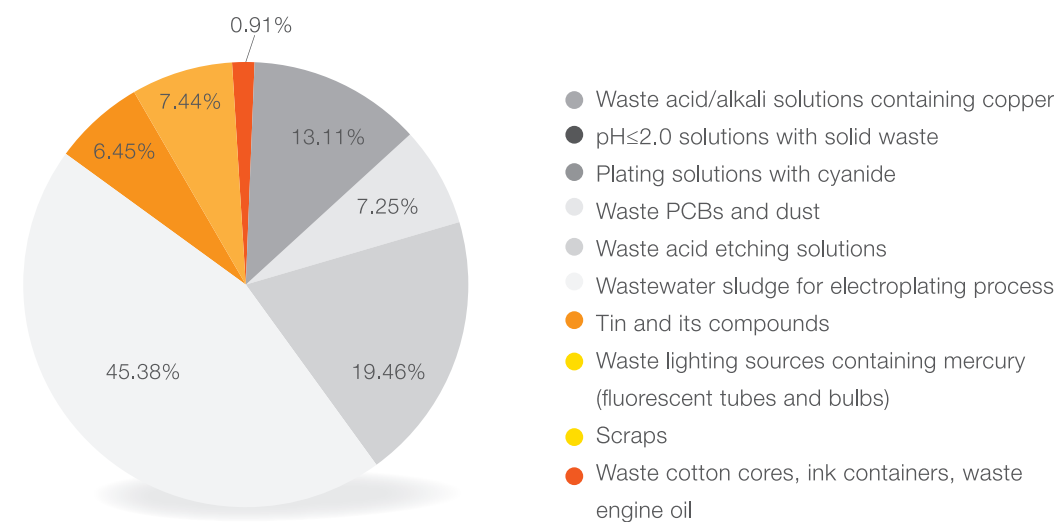
Taoyuan Plant Hazardous Industrial Waste

Category	Volume (t)	Onshore/ Offshore	Final Treatment
Waste acid/alkali solutions containing copper	171.90	Onshore	Ionic membrane electrolytic copper: recycle for reuse
pH≤2.0 solutions with solid waste	11.62	Onshore	Recycle for reuse as materials and additives
Plating solutions with cyanide	1.90	Onshore	Chemical treatment
Waste PCBs and dust	281.43	Onshore	Crushing and separation: reuse, incineration
Waste acid etching solutions	1,351.52	Onshore	Reused as materials for copper sulfate and cooper oxide
Wastewater sludge for electroplating process	1,628.78	Onshore	Recycle by melting for reuse.
Tin and its compounds	39.16	Onshore	Recycle for reuse in producing tin ingots
Waste lighting sources containing mercury (fluorescent tubes and bulbs)	0.09	Offshore	Shipped to Japan for treatment.



Kunshan Plant Hazardous Industrial Waste

Category	Volume (t)	Onshore/ Offshore	Final Treatment
Waste acid/alkali solutions containing copper	2,368.57	Onshore	Ionic membrane electrolytic copper: recycle for reuse
Waste PCBs and dust	1,309.19	Onshore	Crushing and separation: reuse, incineration
Waste acid etching solutions	3,516.10	Onshore	Reused as materials for copper sulfate and cooper oxide
Wastewater sludge for electroplating process	8,198.24	Onshore	Recycle by melting for reuse.
Tin and its compounds	1,165.45	Onshore	Recycle for reuse in producing tin ingots
Scraps	1,343.69	Onshore	Recycle for reuse
Waste cotton cores, ink containers, waste engine oil	164.34	Onshore	Recycle for reuse



Hazardous Waste Management

In 2013, we produced a total of 21,533mt hazardous waste and no such waste was imported. Of all exported and treated hazardous waste, 0.088mt was shipped to Japan for treatment and disposal by professional contractors.

Leakage and Spillover Statistics and Analysis

In 2013 no major leakage or spillover event was recorded.

GHG Emissions

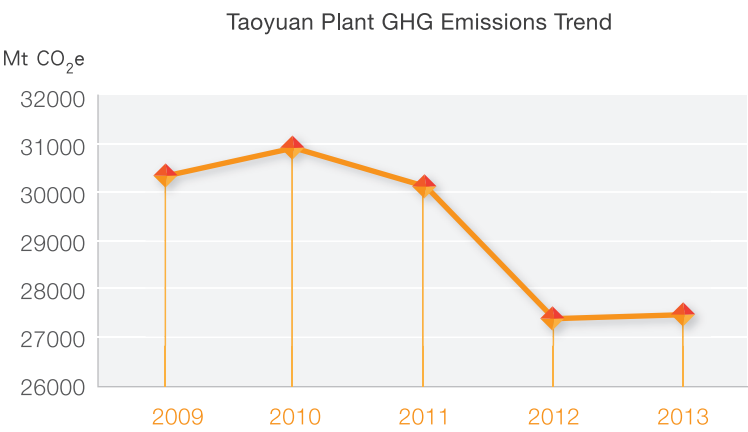
DMA

Policy: Technology control and emission reduction
Commitments: Continual improvement and sustainable operation.
Objective: Sustainable energy development ensuring resource efficiency, energy saving and environmental protection.
Resources: Government subsidization projects assisting emission control.
Action: Promote the energy management and develop GHG emission inventory and control.
Verification and measurement: GMG emission trend
Applicability: ■ General DMA ■ Special DMA
Scope: ■ Within organization □ Outside of organization

Global warming has become a global and major environmental issue and Dynamic realizes the impact of GMG emissions on climate change, the environment, and ecology. The extreme weather events in recent years have marked out the need for immediate mitigation of global warming. To realize sustainable development, Dynamic has been implementing GHG emission inventory and control aggressively, hoping to mitigate global warming and achieve sustainable energy development to ensure resource efficiency, energy saving and environmental protection, so as to turn the PCB industry into a low-carbon industry.

From 2009 onwards, Taoyuan Plant implements GHG emission inventory every year and produce the GHG report to conclude GHG emissions in the last year. In 2013, GHG emissions at Taoyuan Plant was 9.8% less than the emission standard in 2009. The last GHG emission inventory report period was 2013, the total emissions was 27,491.652 CO_{2e}. The report passed ISO14064-1 (GHG Inventory) certification by UL DQS Taiwan with in August 2014. GHG emission inventory will begin in Kunshan Plant in 2015.

GHG Emissions Inventory Outcomes 2013								
Taoyuan Plant GHG Emissions Statistics 2013							Total	
	CO ₂	CH ₄	N ₂ O	HFCs	PFCs	SF ₆	Equivalence	%
Scope 1	480.137	434.080	1.132	6.257	0.000	0.000	921.606	3.35
Scope 2	26,570.046	0.000	0.000	0.000	0.000	0.000	26,570.046	96.65
GHG equivalences (mt CO _{2e} /year)	27,050.183	434.080	1.132	6.257	0.000	0.000	27,491.652	
Percentage in GHGs	98.39%	1.58%	0.00%	0.02%	0.00%	0.00%	100.00%	



Green Production and Green Product Development

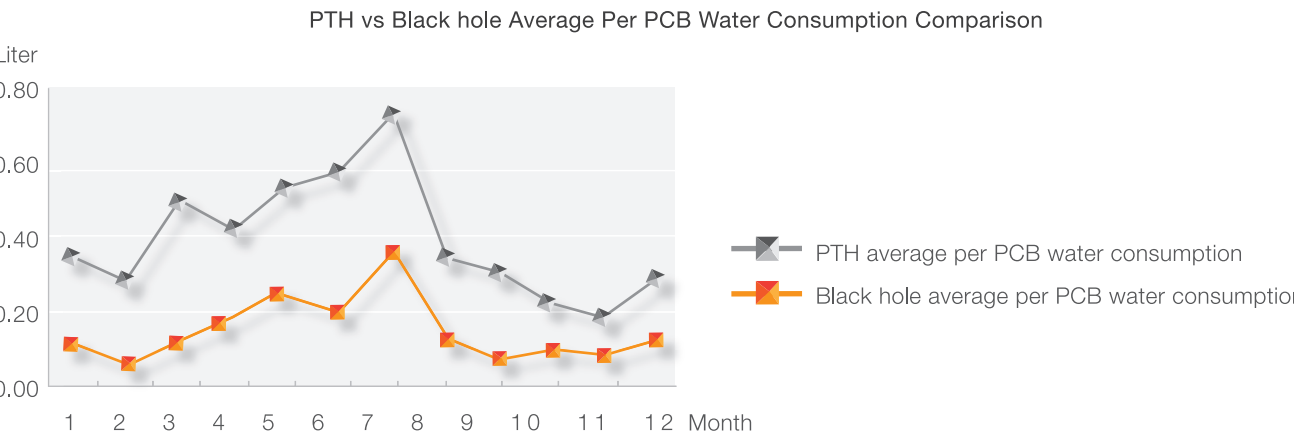
DMA

Policy: Develop of green processes and green products for energy saving and waste reduction
Commitment: Continual process improvement and green product implementation
Objective: Addition of environmental impact assessment to new product/new process development
Resources: Total participation of R&D, procurement, manufacture, and QA personnel.
Action:
1) Submit environmental impact assessment in new product/new process development reports.
2) Submit environmental impact assessment in product/process improvement reports.
Verification and measurement: Complete 2-6 environmental impact improvement cases/year.
Applicability: ■ General DMA □ Special DMA
Scope: ■ Within organization □ Outside of organization

The RD unit of Dynamic values the environmental impact of products and processes and is committed to minimize resource consumption and hazardous substance production in product design and production processes to reduce environmental burdens.

During 2012-13, Dynamic launched the green process improvement program where the “black hole process” to improve the quality of wastewater and waste solutions produced in the “PTH process”. Experimental results show that the quality of wastewater and waste solutions improved significantly after the process change, and product quality is also maintained. After implementing the “black hole process”, the total wastewater volume in 2013 reduced 17.97mt/year, and significant improvement was seen in the three major waste liquids causing environmental impacts: copper ion reduced 8.5 mt/year, formaldehyde reduced 14.87mt/year, and chelation 19.55mt/year. The “black hole process” has earned customer support and will be applied to more products and Dynamic plants in the future.

Comparison Table of Black hole vs PTH Process		
	Black Hole	PTH
Copper ion	No	Yes
Chelation	No	Yes
Formaldehyde	No	Yes
Heavy metals	No	Yes
Hazardous chemicals	No	Yes
Wastewater	Low	High



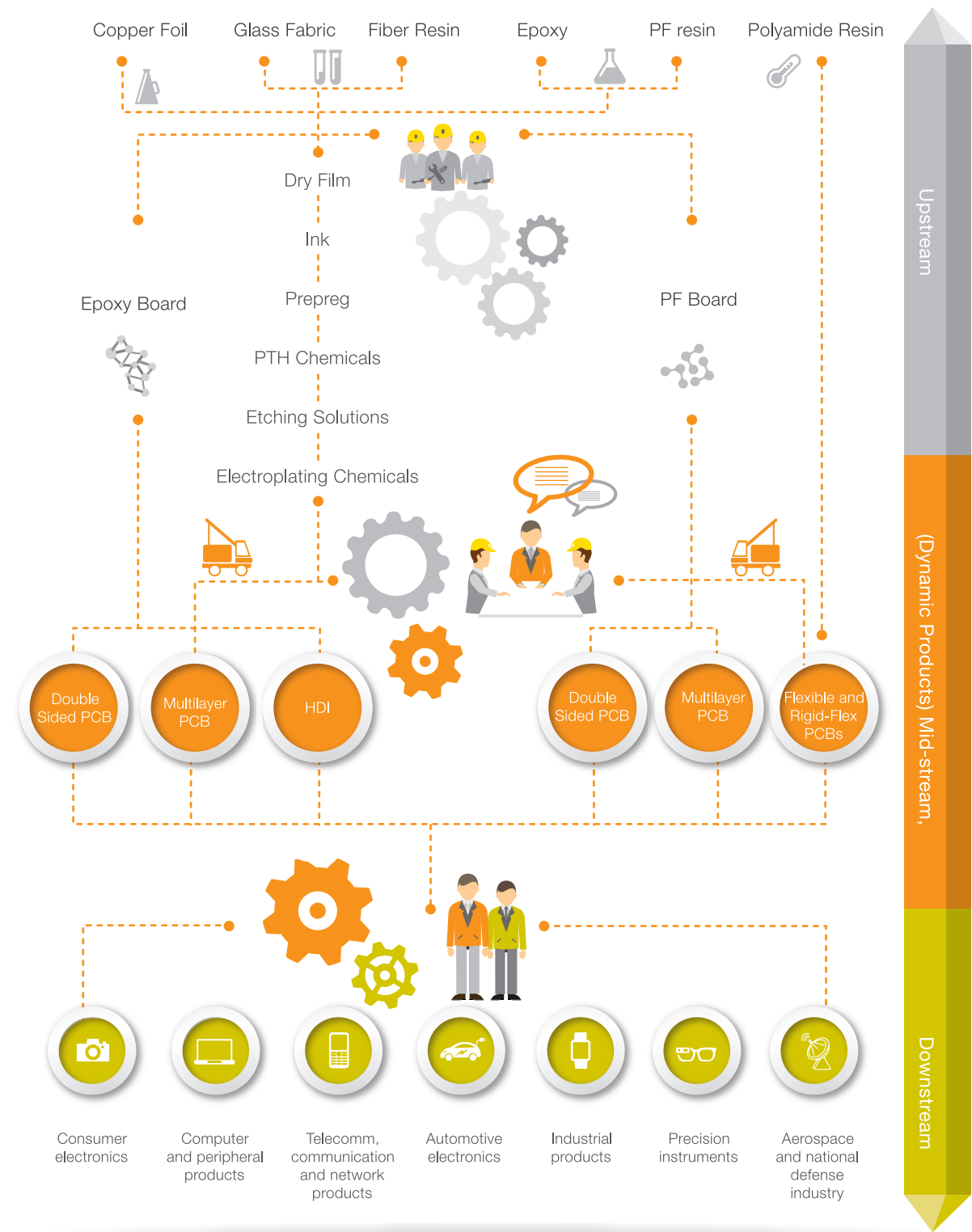


Supply Chain Management

Dynamic believes that the support and effort of suppliers are indispensable from enhancing sustainable competitiveness. Besides complying with the requirements for quality, price, delivery time, and green policy, Dynamic progressively requests suppliers to promote and fulfill corporate social responsibility on the process to pursue sustainable development.

Supply Chain and Major Suppliers

Vertical Structure of Taiwan PCB Industry



Supplier Evaluation

Letter of Undertaking of Procurement

At Dynamic, suppliers are requested to sign a “letter of undertaking” to follow laws and regulations related to labor rights and benefits. Suppliers must comply with environmental, industrial safety and human rights regulations, such as the Electronic Industry Code of Conduct announced by the Electronic Industry Citizenship Coalition, to ensure child labor is not used, working hours, freely chosen employment, non-discrimination and compulsion, open policy for wages and benefits, promotion of health and safety, devotion to environmental protection, provision of uninterrupted communication, upholding integrity, and fulfillment of CSR and business ethics. In 2013, Taoyuan Plant collected 101 copies of letter of undertaking form suppliers, with a response rate of 35.3%; and Kunshan Plant collected 358 copies of letter of undertaking form suppliers, with a response rate of 71.7%.

Letter of Undertaking of Integrity

At Dynamic, the supply chain and global suppliers are requested to follow the CSR and EICC code of conduct, so as to prohibit any and all forms of bribery, corruption, extortion and embezzlement. After receiving a report or complaint or detecting an alleged offence of the “letter of undertaking of integrity”, the Audit Office will start an investigation immediately. After confirming an offence of the “letter of undertaking of integrity”, suppliers will be requested to make improvement within a given period of time and punished with reference to the penalties specified in the “letter of undertaking of integrity”. If it is a serious offence, relevant suppliers will be removed from the qualified supplier list and their materials will be rejected. In 2013, Taoyuan Plant collected 272 copies of letters of undertaking of integrity from suppliers, with a response rate of 95.1%; and Kunshan Plant collected 358 copies of letters of undertaking of integrity form suppliers, with a response rate of 71.7%.

Declaration of Conflict-free Minerals

Suppliers are requested to establish appropriate policies and standards and due-diligence investigation procedures to ensure that metal(s) used in the process do not contain the “conflict minerals” from the DRC or adjoining countries and areas under military armed control. “Conflict minerals” include, but are not limited to, cassiterite, wolframite, coltan, gold and their derivative rare metals, particularly gold (Au), cobalt (Co), tantalum (Ta), tin (Sn) and tungsten (W). In addition, suppliers are requested to ask their upstream suppliers to follow such protocols. In 2013, Dynamic Taoyuan collected 3 copies of declaration of conflict-free minerals form suppliers, with a response rate of 100%; and Dynamic Kunshan collected 5 copies of declaration of conflict-free minerals form suppliers, with a response rate of 100%.

Green Procurement

At Dynamic, we promote “green procurement” and request suppliers to submit an impartial third-party inspection report and material safety data sheet (MSDS) and sign the “Declaration of Environmental HSF” for process materials while they are assessed by the RD unit to ensure their products do not contain environmentally hazardous and restricted substances in product design and manufacture; they comply with relevant domestic and international regulatory requirements and standards, such as the RoHS and REACH; raw materials and process under effective control; and the products provided do not contain hazardous or restricted substances.

In addition, after a change of the place of manufacture, process, raw materials, parts and components, or assembly methods of products, suppliers are requested to immediately notify Dynamic and update their declarations and testing reports. Where necessary Dynamic may conduct an investigation to ensure the effectiveness of the green product management system.

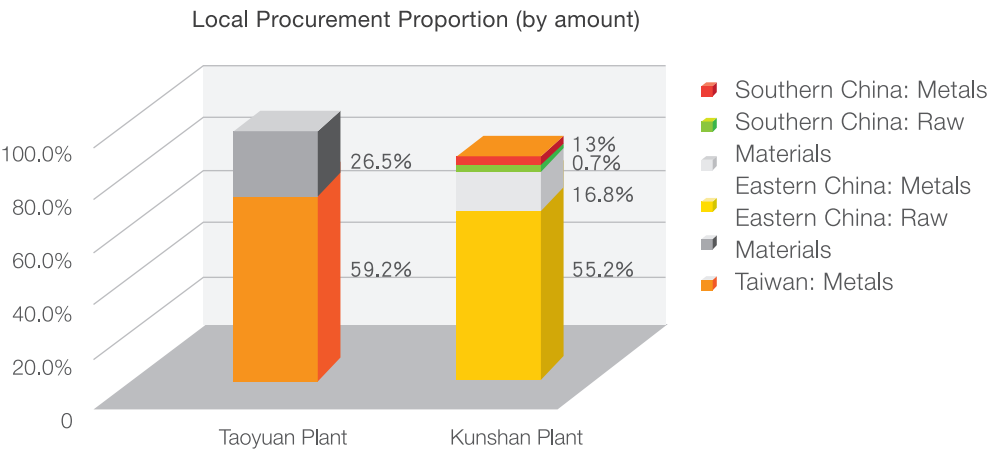
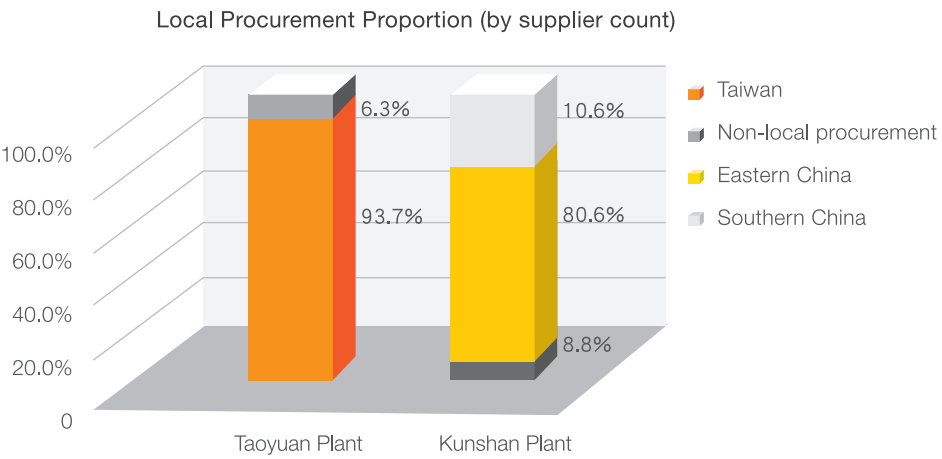
For supplies unable to submit an impartial third-party inspection report or guarantee of no environmentally hazardous and internationally restricted substances and fail to sign the “Declaration of Environmental HSF”, we will re-consider procurement from them, such as terminating cooperation with them and search for a qualified second source. If the material supplied is irreplaceable, we will help and guide this supplier to prevent and mitigate the potential negative environmental impacts to maintain the effective operation of the supply chain. In 2013, Taoyuan Plant collected 114 copies of declaration of conflict-free minerals form suppliers, with a response rate of 39.9%; and Kunshan Plant collected 314 copies of Declaration of Environmental HSF form suppliers, with a response rate of 62.9%.

Statistics of System Certification of Raw Material Suppliers				
Certification System	Taoyuan Plant		Kunshan Plant	
ISO9001	47	97.9%	78	100.0%
QC080000	4	8.3%	8	10.3%
ISO14001	22	45.8%	47	60.3%
OHSAS18001	11	22.9%	18	23.1%
ISO/TS16949	5	10.4%	9	11.5%
TOSHMS	2	4.2%	4	5.1%
Number of raw material suppliers	48		78	

Supplier Social Impact Assessment

Suppliers and Dynamic achieve customer satisfaction through close cooperation and put the pursuit of sustainable operation and growth the ultimate goal. Besides considering the on-time delivery (OTD) rate, local supplier procurement is a Dynamic policy to support stable local economic development, which is part of corporate social responsibility. In addition to creating job opportunities, releasing wages and paying taxes, the economic scale and development of enterprises can indirectly attract more investment to favor local economic development by connecting with the local supply chain. Through local cooperation and to ensure win-win for all parties, Dynamic and local suppliers reduce production costs and supply chain risk and enhance competitiveness at the same time. In 2013, Dynamic successfully maintained stable cooperation with 785 local suppliers based in Taiwan and eastern China.

Supplier Region		
Region	Taoyuan Plant	Kunshan Plant
Taiwan	268	44
Non-local procurement	18	
Eastern China	0	402
Southern China	0	53
Total number of suppliers	286	499





**Employee Care and
Development**

Labor-Management Relations

DMA

Policy: Comply with regulatory requirements and open the wage policy.
Commitment: Uninterrupted communication mechanisms and upholding integrity.
Objective: Comply with international and government labor laws and regulations; to be open and explain management policies to employees.
Resources: Various communication mechanisms and meetings within the organization.
Action: Hold routine labor-management meetings and organize labor-management relationship promotion activities.
Verification and measurement: Number of meetings held in 2013
Applicability: ☒ General DMA ☐ Special DMA
Scope: ☒ Within organization ☐ Outside of organization

At Dynamic all operational information is transparent, except for trade secrets. Each month we hold a business meeting with all management officers. Besides the monthly financial report, meeting contents include manpower and production planning, organizational development strategies, etc. For employees, we hold the monthly organizational meeting, employee conference, labor-management meeting, and organizational events (e.g. carnival, sports meet, etc.) and use the electronic signboard for employees to understand organizational status in real time. When it comes to an emergent crucial decision-making, the CEO would make an elaboration for all employees via e-mail and large posters. All employees of Dynamic are guaranteed with freedom of association and collective bargaining. Protection proportion is 100%.

Meetings held in 2013

	Target	Taoyuan Plant	Kunshan Plant
Business meeting	Management officers	12	12
Labor-management meeting	Employee representatives	4	0
Employee conference	All employees	5	20
Monthly organizational meeting	All employees	2	12
Large events	All employees	2	7
CEO dialogue	All employees	2	2
Organizational announcements	All employees	30	100 ⁺

The distribution of Dynamic employees is as follows:

Employee Structure

Year		2013	2012
Average age		27.46	26.71
Average service length (year)		2.01	1.89
By employment contract	Official employees	1,496	1790
	Unofficial employees	4,426	4106
	Total	5,922	5,896
By gender	Male employees	3,511	3444
	Female employees	2,411	2452
	Total	5,922	5,896
By region	Dynamic Taoyuan employees	901	1074
	Dynamic Kunshan employees	5,021	4822
	Total	5,922	5,896
By job nature	Direct employees	4,547	4675
	Indirect employees	1,375	1221
	Total	5,922	5,896
By education	PhD	1	1
	Master's degree	16	9
	College and university	749	702
	Senior high school	3,279	2912
	Under senior high school	1,877	2272
	Total	5,922	5,896

Employment

The number, age, gender, and region of new employee hires of the organization can indicate the organization's strategy and ability to attract diverse qualified employees; while, the employee turnover may signal a change of the human and intellectual capital of the organization and can impact productivity and cost. Dynamic reports the relevant information of the new employee, employee turnover, fill-up rate and attrition rate, benefit plan, and return to work and retention rates after parental leave by significant location of operation as follows:

Taoyuan Plant

New Employees of Taoyuan Plant in 2013

	Group	Male		Female		Group Subtotal and Proportion	
		Employees	Percentage in Group	Employees	Percentage in Group	Employees	Percentage in Total
Duty	Direct personnel	55	62.5%	33	37.5%	88	35.8%
	Indirect personnel	73	46.2%	85	53.8%	158	64.2%
Age	18-30	75	52.1%	69	47.9%	144	58.5%
	30-50	50	50.5%	49	49.5%	99	40.2%
	50+	3	100.0%	0	0.0%	3	1.2%
Total		246					

Employee Turnover of Taoyuan Plant in 2013

	Group	Male		Female		Group Subtotal and Proportion	
		Employees	Percentage in Group	Employees	Percentage in Group	Employees	Percentage in Total
Duty	Direct personnel	56	47.9%	61	52.1%	117	37.9%
	Indirect personnel	93	48.4%	99	51.6%	192	62.1%
Age	18-30	54	56.3%	42	43.8%	96	31.1%
	30-50	92	45.3%	111	54.7%	203	65.7%
	50+	3	30.0%	7	70.0%	10	3.2%
Total		309					

The monthly average of employee turnover is 2.86% (=309/901/12) based on the above data, similar to the industry average level.

Employee Fill-up Rate and Attrition Rate of Taoyuan Plant in 2013

	Male	Proportion	Female	Proportion	Total
New employees	128	52.0%	118	48.0%	246
Fill-up rate	22.0%		20.8%		21.4%
Resigned employees	149	48.2%	160	51.8%	309
Attrition rate	24.8%		26.3%		25.5%
In-service employees	453	50.3%	448	49.7%	901

Fill-up rate=New Employees/(New Employees + In-service Employees)
Attrition rate=Resigned Employees/(Resigned Employees + In-service Employees)

Employee Pension Plan of Taoyuan Plant in 2013

Structure	Percentage of Contribution in Salary	Involvement
Defined contribution plan	6%	100% Compulsory

After the new labor pension system was implemented on 1 July 2005, Dynamic contributes 6% of the pension every month by the law. As the 200 employees who have been employed before the new pension system still have the right to request their pensions according to the previous pension system at the retiring age, Dynamic contributes 2% of their total salary to the Dynamic Pension Reserve account by the law. By the end of December 2013, the balance of this account was NT\$74 million, and it will all be used to support a pension paid under the previous system.

Unpaid Parental Leave Status of Taoyuan Plant in 2013

	Male		Female		Total
	Employee	Proportion	Employees	Proportion	
Application for unpaid parental leave	1	8.3%	11	91.7%	12
(1)Employees requesting reinstatement in	2				
(2)Employees actually reinstated in 2013	2				
Reinstatement rate=(2)/(1)	100%				
(3)Employees restated for one full year at the end of 2013					1
Retention rate =(3)/(2)					50%

Kunshan Plant

New Employees of Kunshan Plant in 2013

	Group	Male		Female		Group Subtotal and Proportion	
		Employees	Percentage in Group	Employees	Percentage in Group	Employees	Percentage in Total
Duty	Direct personnel	480	53.9%	411	46.1%	891	10.8%
	Indirect personnel	4,783	64.7%	2,604	35.3%	7,387	89.2%
Age	16-under 18	322	58.3%	230	41.7%	552	6.7%
	18-30	4,854	63.7%	2,764	36.3%	7,618	92.0%
	30-50	399	62.7%	237	37.3%	636	7.7%
	50+	10	41.7%	14	58.3%	24	0.3%
Total		8,278					

Employee Turnover of Kunshan Plant in 2013

	Group	Male		Female		Group Subtotal and Proportion	
		Employees	Percentage in Group	Employees	Percentage in Group	Employees	Percentage in Total
Duty	Direct personnel	200	47.5%	221	52.5%	421	10.2%
	Indirect personnel	2,231	60.4%	1,462	39.6%	3,693	89.8%
Age	16-under 18	19	44.2%	24	55.8%	43	1.0%
	18-30	2,126	59.1%	1,469	40.9%	3,595	87.4%
	30-50	279	59.5%	190	40.5%	469	11.4%
	50+	5	71.4%	2	28.6%	7	0.2%
Total		4,114					

The monthly average of employee turnover is 6.83% (=4,114/5,021/12) based on the above data, much lower than that of the industry average level.

Employee Fill-up Rate and Attrition Rate of Kunshan Plant in 2013

	Male	Proportion	Female	Proportion	Total
New employees	5,263	63.6%	3,015	36.4%	8,278
Fill-up rate	63.2%		60.6%		62.2%
Resigned employees	2,429	59.0%	1,685	41.0%	4,114
Attrition rate	44.3%		46.2%		45.0%
In-service employees	3,058	60.9%	1,963	39.1%	5,021

Fill-up rate=New Employees/(New Employees + In-service Employees)

Attrition rate=Resigned Employees/(Resigned Employees + In-service Employees)

Occupational Health and Safety

DMA

Policy: Risk management and occupational disaster prevention.

Commitment: Listen to the ESH suggestions of employees, identify hazards and assess risks, and make immediate improvement of unacceptable risks.

Objective: Protect employee health, improve work environments, and provide a zero-hazard environment.

Resources: Internal training/education to improve the occupational safety awareness of employees.

Action: Compulsory training for new employees, re-training for in-service employees, and potential risk assessment.

Verification and measurements: Labor safety meetings, training/education and communication frequencies, potential risk consideration frequency, industrial safety event frequency.

Applicability: ■ General DMA ■ Special DMA

Scope: ■ Within organization □ Outside of organization

At Dynamic we are committed to providing employees with a safe and healthy work environment. In 2010 Dynamic Taoyuan implemented the OHSAS 18001 occupational health and safety management system to include safety management as part of production management. In 2011, Dynamic Kunshan passed OHSAS 18001 certification and all industrial safety KPIs rose significantly.

We also established the Occupational Safety and Health Management Committee (OSH Management Committee) with reference to the Occupational Safety and Health Organization Management and Self-inspection Regulations. The committee holds the committee meeting every quarter and enforces organizational occupational safety and health policies to ensure all departments are operated safely and prevent accidents and disasters. An accident and anomaly investigation and management system is also established to investigate work-related accidents and injuries (including environmental accidents) to identify the causes of accidents and take effective corrective and preventive actions to prevent recurrence.

Referring to the health examination and management standards, active Dynamic employees receive a periodic health examination every year. Employees with abnormal results will be followed up by nursing personnel to care about their health condition. These employees will also be transferred with the approval of the responsible officer as necessary.

1) OSH Management Committee

The committee is formed by 15 members, including nine employee representatives as specified in the labor safety regulations that at least a third of members shall be employee representatives. The committee holds a committee meeting every quarter.

The type and frequency of occupational injuries, the number of hours lost and absence rate by region are as below:

Type and Frequency of Occupational Injuries		
Types of occupational injuries	Taoyuan Plant	Kunshan Plant
Drop, tumble and fall.	1	1
Impact and knock-down	0	7
Collapse, crumble, flying object	0	0
Trapping and winding	0	6
Cut, laceration, scratch	0	8
Drowning	0	0
Electric shock	0	0
Fire and explosion	0	0
Splashing chemicals and contacts with hazardous substances	1	1
Traffic accidents	2	1
False alarm	0	0
Others	0	1

Number of Hours Lost and Absence Rate		
	Taoyuan Plant	Kunshan Plant
Sick-leave hours	12,016	16,569
Occupational sick leave hours	208	4,632
Total	12,224	21,201
Annual standard working hours	2,020,344	9,293,644
Absence rate	0.61%	0.23%

2) Occupational accident statistics and comparison with industry

Occupational Accident Statistics in 2013 (one million hours)			
	Taoyuan Plant	Kunshan Plant	PCB Industry
Disabling Frequency Rate (FR)	1.65	2.69	1.73
Disabling Severity Rate (SR)	10.76	20.70	23.00
Frequency Severity Indicator (FSI)	0.13	0.23	0.20
Fatalities	None	None	

3) Workers involved in work with special health hazards

Special Health Examination in 2013 of Taoyuan Plant			
Special health examination item	Number of employees examined	Number of abnormal employees	Description of anomaly
Dust process	72	32	Grade 2
Noise process	1	0	
Ionizing radiation	64	32	Grade 2
Manganese	47	1	Grade 2
Chromic acid and chromates	4	0	
Total	188	65	

Grade 2 anomaly: Determined as abnormal by physicians, related to personal healthy issue and unrelated to work.

Special Health Examination in 2013 of Kunshan Plant			
Special health examination item	Number of employees examined	Number of abnormal employees	Description of anomaly
Acid mist	317	65	Determined as unrelated to work.
Noise, dust	210	54	
BTEX	312	83	
Cyanide	35	5	
Total	874	207	

Concerning personal health situation, Dynamic help colleagues to improve health issues by encouraging colleagues to take part in outdoor activities, road race, sports meet, health seminars etc. offered by the company.

4) Issues relating to health and safety

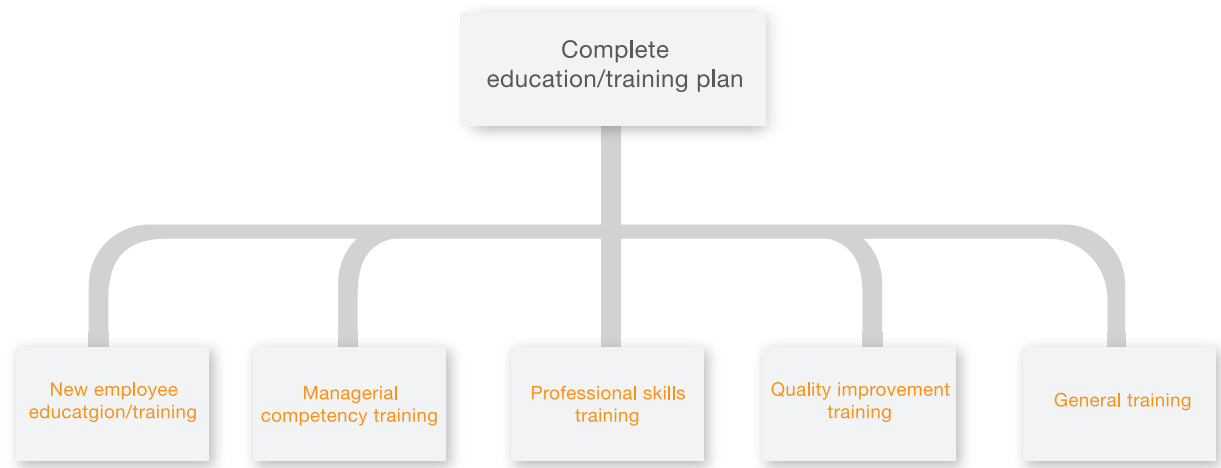
Communication Frequency at Taoyuan Plant in 2013		
Channel	Frequency	Content
OSH Committee Meeting	4	Work environment test, communicable disease prevention, plant site management, health examination planning, self-inspection implementation, industrial safety training plan, safety education, etc.
Industrial Safety Bulletin Board	3	Work environment testing results, health knowledge, occupational accident case-study, workplace emotion management, worker grievance announcement, understanding GHS, industrial safety news, etc.
E-mail	3	Health education information and new regulations

Communication Frequency at Kunshan Plant in 2013		
Channel	Frequency	Content
Safety and Health Meeting	2	Work environment testing results, industrial injury case review, safety rating and review, etc.
Daily Morning Meeting	Working day	Production Safety Law, Law of the People's Republic of China on Prevention and Control of Occupational Diseases, work environment test, fire emergency contingency plan.
Safety Bulletin	Irregular	Production Safety Law, Law of the People's Republic of China on Prevention and Control of Occupational Diseases, work environment test, fire emergency contingency plan.
E-mail	Irregular	Regulation up-to-date, safety items notice, etc.

Training and Education

Based on the “Training and Education Implementation Procedure”, we identify the necessary competencies of personnel performing work affecting conformity to product/environmental requirements and arrange appropriate education/training for them. We also evaluate the effectiveness training and their emergency response ability periodically to ensure that personnel are aware of the relevance and importance of their activities and how they contribute to the achievement of the quality/environmental objectives. In addition, records of education, training, skills and qualification determination are maintained with reference to the “Records Control Operating Procedure”. Employees are informed of the Dynamic human rights policy when they are hired

At Dynamic internal and external training is arranged to sharpen the professional competencies and knowledge of active employees. Referring to the job nature and required competencies, competency training or probation are arranged for new employees or transferred personnel to ensure they are familiar with their work. A competency-oriented learning and development system is established and implemented to ensure personnel of all levels receive appropriate training, so as to improve their skills and literacy and thereby achieve organizational objectiveness and effectiveness.



In 2013 we established a library and began aiding in-service training to help employees to accumulate expertise, learn management skills, thereby enhance staff skills and literacy, as well as to achieve the company's development goals.

Education/Training Courses in 2013		
Plant	Taoyuan Plant	Kunshan Plant
New employee training/education	12	180
In-service training-internal	165	1,473
Business English conversation-internal	24	96
Professional training/education- external	129	38

All employees are informed of the Dynamic human rights policy when they are hired.

To encourage employees to learn a second language, we hired qualified foreign language teachers to give language classes at the plant to sharpen the foreign language command of employees. By collaborating with professional film directors, we built an e-learning platform for new employees to quickly acquire their work contents and skills through vivid educational films.

In addition, to raise the technical level of products and optimize the quality management system, the QA Department sent outstanding personnel to participate in the 6ᵀᵀ external training course in 2013. To further establish a “learning” corporate culture in 2013, we planned a total of at least 12 hours of annual training objective for grades 21-43 employees, up to 639 people. This project is to be completed in 2014 to upgrade the company's overall operating performance.

Diversity and Equal Opportunity

Workplace Employment Guidance for New Immigrants

Taiwan has become a multicultural society with a rise in female new immigrants (Chinese and foreign spouses). Due to language and cultural differences, however, they have less job opportunities than local laborers. By means of tutoring, Dynamic helps new immigrants to develop skills and build workplace confidence, so as to enable them to walk out of the family into the workplace to enjoy equal opportunity in work. In 2013, there were 69 female new immigrants working at Dynamic.

Staffing

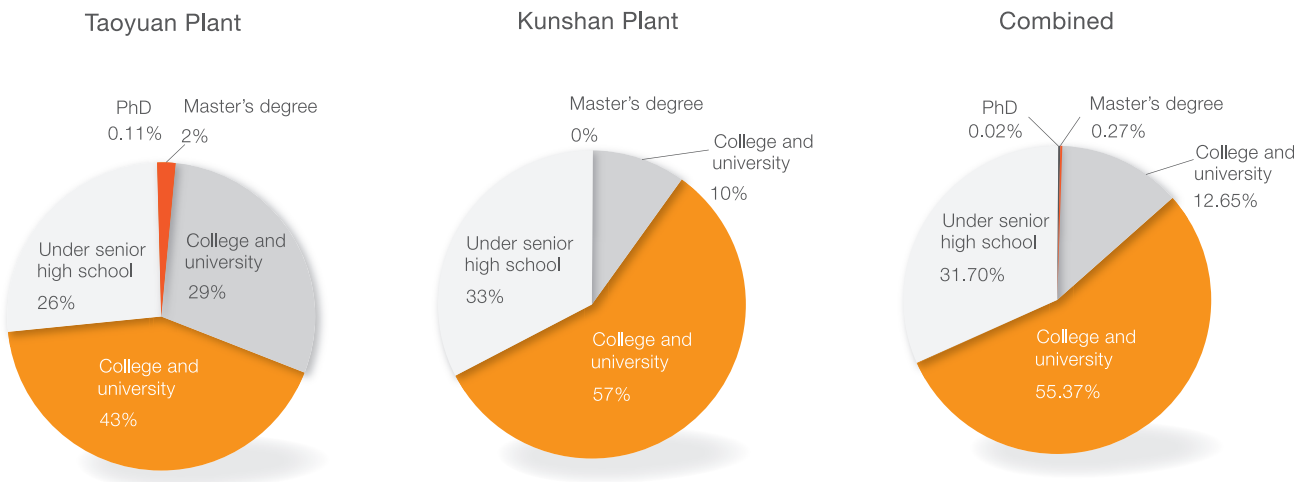
In terms of gender, we make no specific gender requirements in recruitment, and the proportion of male and female employees are natural. At present, the ratio of male to female employees is 1:1 in Dynamic Taoyuan (Taiwan) and 1.5:1.0 in Dynamic Kunshan (China). Most employees of Dynamic Kunshan left their hometown and work here, there are more female employees due to family factor.

In age distribution, to encourage graduates to work after leaving school, we welcome inexperience candidates. Therefore, the average age of employees is younger at Dynamic, and up to 72% of employees are under 30 years old. For this reason, we have a young and energetic workforce.

Composition of Staff							
Category	Category	Male		Female		Group Subtotal and Proportion	
		Employees	Percentage in Group	Employees	Percentage in Group	Employees	Percentage in Total
Workplace	Taoyuan Plant	453	50.3%	448	49.7%	901	15.2%
	Kunshan Plant	3,058	60.9%	1,963	39.1%	5,021	84.8%
Age	16-30	2,616	61.1%	1,664	38.9%	4,280	72.3%
	30-50	860	54.8%	708	45.2%	1,568	26.5%
	50+	35	47.3%	39	52.7%	74	1.2%
Gender subtotal		3,511	59.3%	2,411	40.7%	5,922	
Grand total		5,922					

1) Distribution of Employee Education

Employee Education Distribution					
Education	PhD	Master's	College/ University	Senior High School	Under Senior High School
Dynamic Taoyuan	1	16	259	387	238
Dynamic Kunshan	0	0	490	2,892	1,639
Combined	1	16	749	3,279	1,877
Total 5,922					



2) Distribution of Duty

Composition of Staff

Category	Category	Male		Female		Group Subtotal and Proportion	
		Employees	Percentage in Group	Employees	Percentage in Group	Employees	Percentage in Total
Workplace	Taoyuan Plant	453	50.3%	448	49.7%	901	15.2%
	Kunshan Plant	3,058	60.9%	1,963	39.1%	5,021	84.8%
Age	16-30	2,616	61.1%	1,664	38.9%	4,280	72.3%
	30-50	860	54.8%	708	45.2%	1,568	26.5%
	50+	35	47.3%	39	52.7%	74	1.2%
Gender subtotal		3,511	59.3%	2,411	40.7%	5,922	
Total		5,922					

Equal Remuneration

The Position and Grade Management SOP is was setup in order to establish a remuneration system with reasonable position and grade correspondence and provide a reference for the Wage Management SOP. In the Wage Management SOP, wage structure, wage approval, and salary calculation are determined with reference to the position and grade of employees to ensure salary is approved, calculated and released upon a dependable standard. According to this SOP, inexperienced employees receive “equal pay for equal work” with reference to the Act of Gender Equality in Employment.

At Taoyuan Plant, sex discrimination is banned and base-level female employees are salaried based on the “equal pay for equal work” principle and enjoy same benefits and rights to promotion with reference to the Act of Gender Equality in Employment. At Kunshan Plant, employees enjoy equal opportunity for employment, the right of freely chosen employment, and the right to obtain remuneration for work with reference to the Labor Law. In wage and benefits, employees are paid at the minimum wage for both male and female employees specified by the local government,

Proportion of Wages of Male and Female Workers

2013	Proportion of male worker start pay at minimum wage	Proportion of female worker start pay at minimum wage
Taoyuan Plant	110%	110%
Kunshan Plant	100%	100%

Grievance Mechanisms

Harmonious labor-management relations are maintained through communication and coordination at Dynamic to effectively enhance organizational commitment. In 2013, the unfair treatment complaint box is established to help employees to settle issues relating to personal interest, sexual harassment and unfair treatment, so as to create a fair and friendly work environment. All grievances are personally read and handle by the HRD head and all complainants are kept absolutely confidential.

In 2013, Taoyuan Plant received a total of eight grievances on labor practices. The complaint on poor work environment has been improved and the other seven were related to overtime work, including fairness in employee shift scheduling, loss OT orders, doubts in OT pay calculation, and long OT hours. All complains were settled through coordination with relevant department heads.

Summary Table of Grievances on Labor Practices in 2013

Grievances on Labor Practices	Frequency	Solution
Long working hours	1	Overtime is open for those who want overtime to apply.
Improper management	2	Took improvement action according to the verified results.
Personal interest	4	Made up the personal loss after verification.
Poor work environment	1	Took improvement action according to the writer's suggestion.

Labor Conditions

Non-discrimination

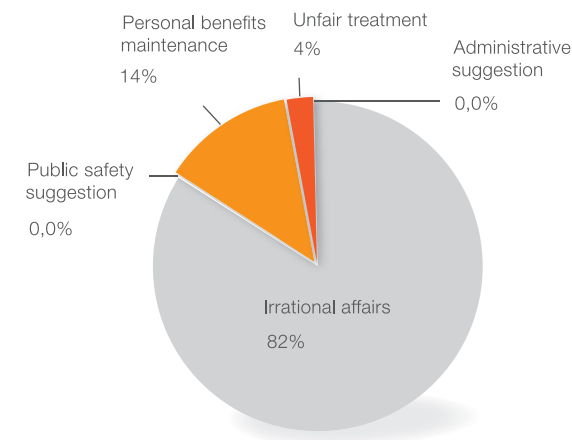
All applicants and employees are treated fairly at Dynamic. In addition, gender, blood type, age, marital status, and height items in the “Employee Data Sheet” are changed to optional items to respect equal opportunity for applicants.

In 2013 a total of 28 grievances were received. Except for one grievance which required a longer time to confirm, all other grievances were replied within seven workdays and no repeat grievance was received. Among all 28 grievances, only one involved unfair treatment, and all other 27 grievances involve benefits and irrational affairs.

Number of Grievance Cases and Replied As Scheduled Rate in 2013

	Signed grievances	Replied as scheduled cases	Replied as scheduled rate
Accumulated	28	27	96.40%

Among all 28 grievances, only one involved unfair treatment caused by oversight. We complemented the procedure and made up the loss to the case owner. All other 27 grievances involved benefits and irrational affairs and have been handled properly. The distribution of grievance type is as below. There was no discrimination grievance case in 2013.



Prohibiting Child Labor

The Child Labor Banning SOP has been established to effective control personnel recruitment. Under this SOP, children aged under 15 will not be hired and only children aged 16 will be considered. Before hiring the HRD must check the identity card of applicants to ensure they are aged 16. Minor applicants aged 16-18 must be consented by their statutory representative before hiring and work that will affect their physical development and with occupational safety and health risks will not be arranged for them. At Dynamic, no child labor is hired.

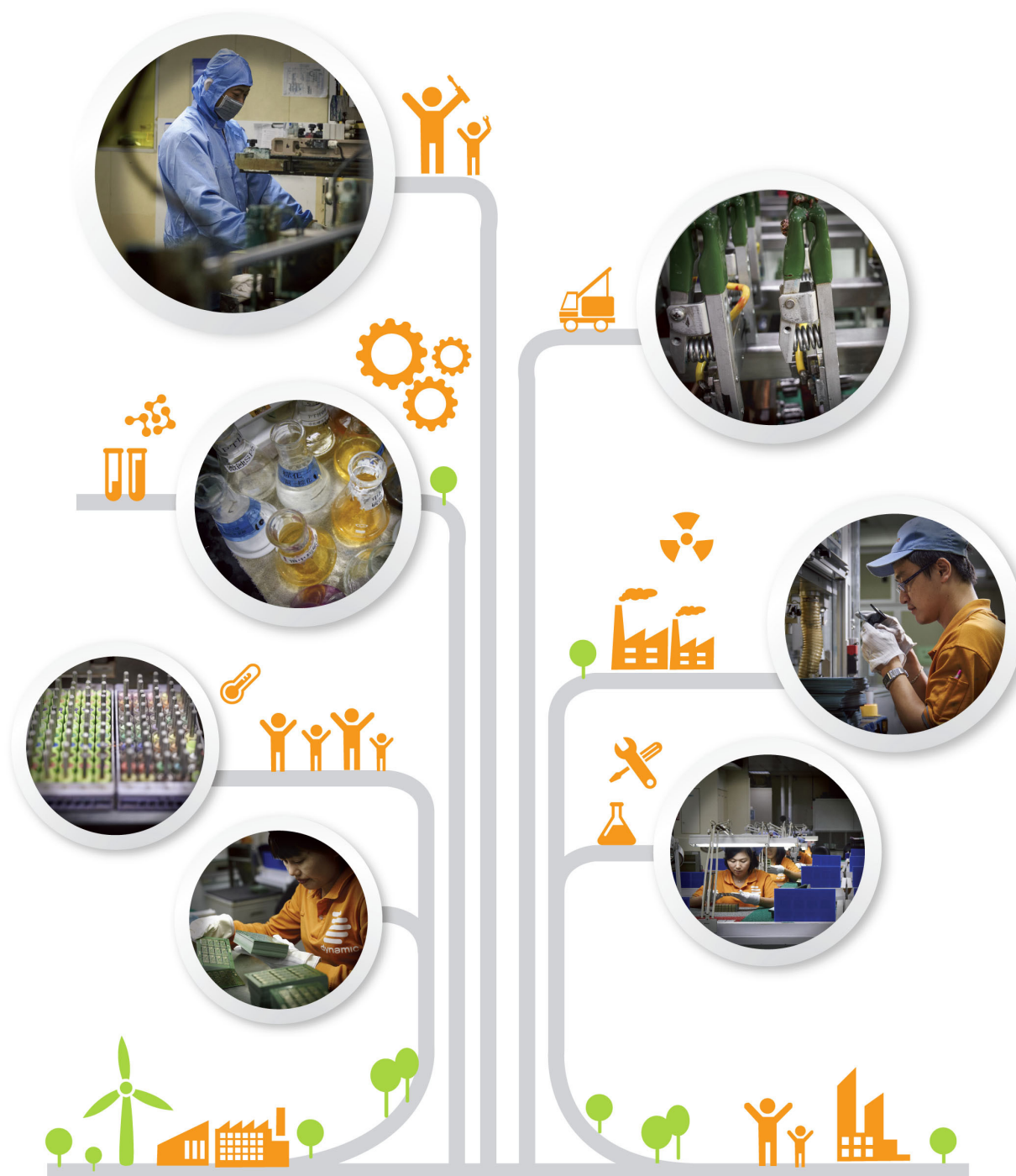
Age Distribution of Dynamic Employees

2013/Age	Taoyuan Plant	Kunshan Plant	Total	Proportion
<16	0	0	0	0
16-under 18	0	141	141	2.4%
18-30	179	3,960	4,139	69.9%
30-50	676	892	1,568	26.5%
50+	46	28	74	1.2%
Total	901	5,021	5,922	100.0%

Prohibition of Forced or Compulsory Labor

At Dynamic, all employees are employed at their own will. No forced or compulsory labor of any kind is allowed. No deception has been or will be employed to cheat employees to work for us. No employee is allowed to request a recommendation fee of any kind from new employees and no deposit or bond of any kind will be charged in any manner or documents or other identity certifications will be held by Dynamic.

Administrative personnel are not allowed abuse their authority to force other employees to work. Employees must be given adequate time to rest and overtime work must be implemented at the employee's own will. When overtime work is necessary for production needs, management must obtain employees' approval and overtime pay must be given. When there is forced/compulsory labor, employees may report to management through the suggestion box. Employees may also express their opinion for the production process, work environment and benefits through the suggestion box. In 2013 no forced or compulsory labor was reported.



Feature Report: Happy Workplace

Employees are important resource to Dynamic. To take good care of employees, improve employee satisfaction and reduce attrition rate, apart from complying with labor-related laws and regulations, a series of employee care projects were implemented at both Dynamic Taoyuan and Dynamic Kunshan at the same time at the end of 2012. Under these projects, comprehensive benefits were provided with reference to the need of local employees, so as to ensure employees are cared and concerned for, both physically and mentally.

Taoyuan Plant

- Employee Suggestion Box: Employees can make suggestions for anything they think irrational or unreasonable in the company (care/management/environment). Responsible officers will reply to their suggestions and the president and chairman will review them.
- Free meals.
- Office kitchen with free coffee supply.
- Free uniform.
- Quality dormitory for foreign workers, with satellite TV, native language newspapers, 24-hour hot water supply, entertainment facilities, and fitness equipment.
- Free parking.
- Employees are encouraged to participate in road running and related health promoting activities, Dynamic sponsors the fund.
- Periodic family day and sports meet.
- Employee group insurance.
- Annual bonus, festival bonus and gifts, performance bonus, and dividend system.
- Wedding, childbirth, death and disability allowances or relief payment.
- Commendation for retired employees.
- Annual health examination.
- Medical grade blood pressure meters for employee health management.
- A library for employees to borrow books free.
- Promote the happy enterprise project.
- Foreign language courses for employees.
- Allowances for EMBA as continuing education of employees.
- Allowances for employee tours and dinner parties.

Taipei Fubon Marathon (15 Dec 2013) Zhu-shi Gong

When I began practicing running on 26 August 2013, I could never imagine any event I would try or how far I would run. I just wanted to run for health and keep myself fit, so that I can take care of my family.

I kept practicing until October. To encourage employees to engage in proper entertainments and promote health and happiness through exercise, the company supported employees to participate in the Taipei Fubon Marathon. Already a running fan, I would not miss this opportunity: no need to spend any money and I could receive a souvenir in return. Many employees signed up to the event and many colleagues devoted their first half-marathon to this event.

After the first 10km, the challenge of the practicing result began! I became slower without knowing it, many good runners gradually got ahead of me, and many of them were women. The last challenge came—subway. Entering the subway, I could only hear the crew shouting: Go, Go, Go... to remind contestants that the finish point was near. As it was rather stuffy in the subway, I could not run anymore, and I simply walked through the subway. After getting out of the subway and taking a turn, I saw the finish point was ahead and was touched. After I passed the finish line, the crew gave me a medal and a towel, and I began to walk in the rain, enjoying the joy of finishing the event.

Thanks to the company to give me this opportunity. After the marathon, I found myself falling in love with running. I think I will keep running, until I can't run anymore!!

Home in Taiwan for foreign workers:

- We provide humanized guidance for foreign workers and take care of their daily life with love and patience to resolve the misunderstanding of control. We also separate the dormitory from the factory building for foreign workers to live free from stress and healthily. Professional dormitory managers are hired to take care and manage the daily life and everyday entertainments of foreign workers, so that they can ease their worries and focus on work.
- Dormitory surveillance center: 24-hour manned monitoring.
- Hardware facilities: Approx. 5-8m2 of personal privacy space, entertainment and leisure facilities are separated from bedrooms to prevent disturbance and ensure privacy.
Each bedroom is equipped with brand new bed sets and closets, charging equipment and shoe cabinet. Air-conditioners are operated with prepaid cards.
Each floor has independent toilets and bathrooms.
The audiovisual room is equipped with tables, chairs, satellite TV, books and magazines of different countries for foreign workers to use. It is also a meeting room for their friends.
- Entertainment space: There are the computer room and pool ball room for foreign workers to pass their time after work. There is also a Thai Buddha temple for foreign workers to worship.
- Mid-autumn Festival Gala 2013: To show solicitude for the hard work of foreign workers in Taiwan, we organized the Mid-autumn Festival Gala where barbecue, game competition and commendation of enthusiastic foreign workers were arranged for foreign workers to relax and promote friendship through games and competitions. We also hoped that they could feel the dormitory like their own home and our warmth and arrangements for them.

Kunshan Plant

- Employee Suggestion Box: Employees can make suggestions to the HRD for anything they think irrational or unreasonable in the company (care/management/environment). Responsible officers will reply to their suggestions and the president and chairman will review them.
- Maternity Fund: Each month Dynamic Kunshan sends a blessing card and a sum of money to the mother of the employee born in that month.
- English course: To promote a corporate culture of learning, excellent foreign instructors are hired to give English courses at the plant to sharpen the English command of employees.
- Dreams Come True overseas tour luck draw: In 2013 a total of 997 employees won the opportunity of an overseas tour and 441 of them already fulfilled their dream.
- Cheer Team Competition: To arouse self-motivation in employees, make them feel happy and promote unit cohesion, each unit forms a cheer team to join the competition each month.
- Mother's Day Special "Maternity Fund for Beloved Mother": This was a three-part event, 1) write down words of blessing in the blessing card for mothers; 2) sign on the KT board bless mothers; and 3) play back the Mother's Day video.
- Culture park construction and unveiling: To shorten the gap between employees and the company and corporate culture, a living culture park was established to provide employees with a comfortable relaxing environment where employees are exposed and get closer to corporate culture.
- Sports meet: The organizational sports meet was held in June 2013 to encourage employees to exercise, pay more attention to physical and mental health, promote employee cohesion and organizational commitment, demonstrate the energy and action power of employees, and become the most competitive and productive service team.
- Office re-planning for employee interaction improvement: Seats of employees were re-arranged to promote employee interaction. An office kitchen was established for employees to take a break and discuss relaxingly, so as to create a joyous work atmosphere.
- Continuing education allowances for employees: To develop human resources, cultivate talents, expand international business, and enrich employee's knowledge, we amended the Employee In-service Continuing Education SOP to encourage more employees to receive continuing education.
- Employee conferences: Each month a department holds the employee conference with the attendance of the plant manager, department manager, and HRD head.
- Questionnaire survey: The survey is conducted every month in three constructs: living care, working care, and labor-management relations. Each time about 6-7% of active employees are surveyed.
- Cafeteria food improvement: The cafeteria in phase III was re-opened in July. Most employees reported that the food was great and the price was cheap, and their satisfaction with the cafeteria was enhanced.
- Mid-autumn Festival 2013 "My Dream@Dynamic" event: To shorten the gap between employees and the company and to establish harmonious labor-management relations, Dynamic Kunshan organized the growing the bean of dreams activity on Mid-autumn Festival. The bean of dream was released in the culture park on September 17. On one side of the bean's husk the company name DYnamic was carved, while the other side was blank for employees to write down their dreams on the release day. After the release, the HRD grew some of the beans of dreams in the pot, while the other part of beans were stored in a specific location on the flower bed where the culture tree was planted by the officer representative at the monthly meeting. The chairman and president were invited to cover them. Then, the HRD produced a horticultural label to indicate the storage of beans to leave hopes for employees: we have grown "My Dream@Dynamic".

- Dynamic Kunshan 1st Autumn Gala 2013: To enrich the cultural life of employees and timely relieve their work stress, the Dynamic Kunshan 1st Autumn Gala was held on October 16 with singing, dancing, sketch comedy, crosstalk and magic performances. To encourage thanksgiving and create a harmonious labor-management environment, each unit recommended the "Dynamic Star" before the program began. Parents of the Dynamic stars were invited to travel Kunshan. On the same day, the "washing feet for parents" event was also held to express thanksgiving.
- Improvement of the living environment for employees living in dormitory: Blocks 1 and 2 were changed from 8 to 6 persons each room; and blocks 3-5 from 20 to 12 persons each room.
- Participation in Shanghai International Marathon: To remind employees to pay attention to physical health encourage them to participate in sports events, a total of 27 staff participated in the Shanghai International Marathon on December 1. The route was from Chenyi Square to Fuxing Park, totally 10 km.
- Opened the "Effective Communication Skills for Administrators" professional course: In December 2013 external instructors were invited to the plant to improve the communication skills of section chiefs and officers of higher levels. More 100 staff took the course.
- Christmas activity: Included 1) decorating the cafeteria with small Christmas presents; 2) distributing happy card to employees to write down their happy events and beautiful blessings; 3) Santa Claus presented paperless sweets to employees; and 4) Santa Claus presented smile balloons to employees at the plant entrance when they went home.
- Charity Fair: In January 2014 the charity fair was held at the same time at Dynamic Taoyuan and Dynamic Kunshan to express care for the underprivileged groups and provide them with substantial assistance. With the charity fair, we hope to arouse the sense of social responsibility in employees. Therefore, in addition to the enthusiastic support of employees, employee dependents and Dynamic partners were invited. Through comprehensive activities and interaction, all participants were well amused and happy to meet one another, and they were pleased to contribute to charity. Dynamic Kunshan received over 450 items and raised nearly NT \$1 million. All will be donated to Kunshan Charity Federation.



A letter of appreciation from a mother (26 October 2013)

Dear Directors,

I am the mother of Fuhou Tian. In this beautiful autumn, I cannot help pick up my pen to express my gratitude to all officers of Dynamic. Thank you so much for your patience and love for my son. It was you who have taught him tolerance and appreciation. I know I can put my son in your hands. Please accept my wholehearted gratitude.

After arriving in Kunshan on October 15, we immediately felt the hospitality and thoughtful concerns of Dynamic officers. How thoughtful and nice you were to have booked hotel rooms for us in advance! We travelled a long way to Kunshan. At Dynamic Kunshan you made us feel the warmth of home and realize how Dynamic treats people with sincerity.

On October 16 afternoon, Dynamic Kunshan picked us up with a company car. At the company we were warmly received by Special Assistant Zheng, Manager Wang and other employees. In the conference room we watched the documentary on Dynamic events. We were surprised to see that activities such as dancing competition, sports meet and galas that are only seen at schools were found at Dynamic Kunshan! Although we could not believe it, our son told us they were all true! He added that a cheerleading team competition is held every month. How wonderful the after-work life is at Dynamic Kunshan! After the documentary, Manager Wang took us to the workshop, explained to us every process in detail, and answered our questions patiently. We also visited the living area where we understand how thoughtful Dynamic is in taking care of all aspects of employee life. In fact, we were surprised to see that there are tuck shops, an internet café, leisure hall, audiovisual room, library, basketball court, etc. in the area.

After dinner, we were invited to the gala. In fact, we were seated in the best position of venue, and all Dynamic officers were sitting behind us. We knew that it was a sign of respect and made us feel like VIPs. Then, we were given the opportunity to meet Dynamic's top management: chairman, President Qiu and VP Zhou. They were so friendly to us that we were deeply touched.

The Gala was wonderful. We used to watch similar events on TV, now we were part of it and we were so excited. At about 7:00 p.m., I was invited to the stage to receive the worship on bended knees from our son. I was moved and became kind of emotional, and tears were about to fall from my eyes. Something unbelievable happened next: they put the wooden bucket and vacuum bottle in front of me. When my son poured water in the bucket and took off my shoes, tears burst from my eyes. I was extremely touched because I could feel filial piety from by son and the effort of Dynamic. I was touched. When two employees took us back to the hotel after the gala, the trip ended smoothly.

This trip to Kunshan has become a treasure I value most at home and our eternal memory. In fact, we are proud of our son to work for such a great company. Lastly, we wish Dynamic Electronics all the best, prosperity, and big success.

Best Regards,

26 October 2013



Customer Relationships



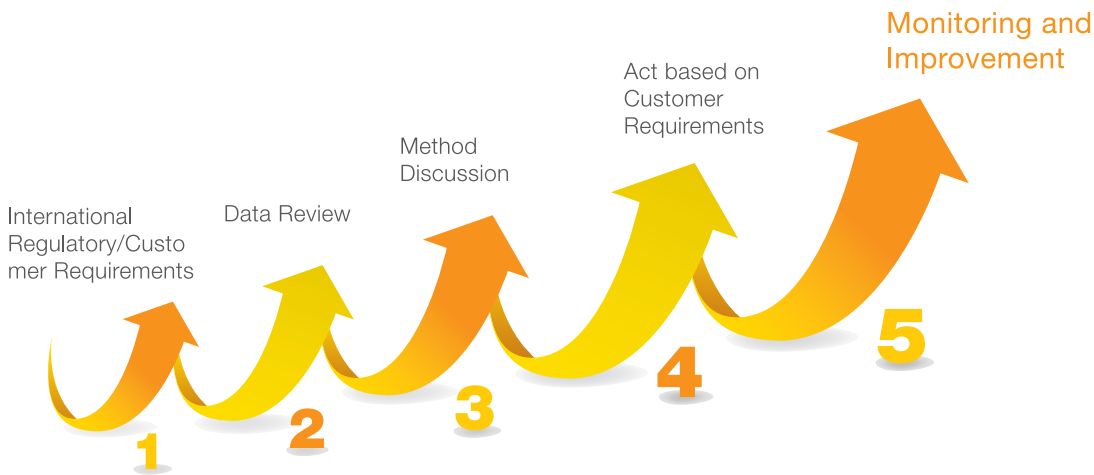
Customer Health and Safety

DMA

Policy: Continual technical innovation and quality optimization
Commitment: We are committed to giving customers advice regarding possibility and opportunity to improve health and safety after receiving their product designs; ensuring total compliance with RoHS in our processes and products; and minimizing energy and resource consumption.
Objective: To continuously supply products complying with international regulatory requirements and fulfill customer satisfaction.
Resources: Responsible units will investigate and handle international regulatory and customer requirements and give advice.
Action:
1) Check international regulatory requirements biannually or from time to time.
2) Relevant units validate customer requirements after receiving them.
Verification and measurement: From customer product design to delivery to customers for subsequent manufacturing activities, the proportion of product impact assessment we make within our capability to assist our customers to improve health and safety.
Applicability: ■ General DMA ■ Special DMA
Scope: ■ Within organization ■ Outside of organization

Following the international trend for prohibition or restriction on hazardous substances, we began prohibiting the use of RoHS substances in 2009 and recommended customers not to design products against RoHS. In 2010 all Dynamic products complied with RoHS and we passed QC 080000 HSPM certification. In addition, both our material and stacking selections passed UL certification.

Implementation flowchart



In other practices regarding product impact assessment to improve the health and safety of customers, although we are a professional PCB manufacturer we are unable to voluntarily assess product impact as we do not have product design or are not involved in customer's design. We review each product designed by customers with reference to applicable regulatory requirements and recommend customers to modify their design or remind them of the product design focus, points for attention, and assessment of the risk of health and safety impacts outside of our reach. From customer product design to delivery to customers for subsequent manufacturing activities, the proportion of product impact assessment we make within our capability to assist our customers to improve health and safety is 100%.

In 2013, no violation of the health and safety impacts regulations of products or service on their life-cycle and voluntary codes was reported.

Product and Service Labeling

DMA

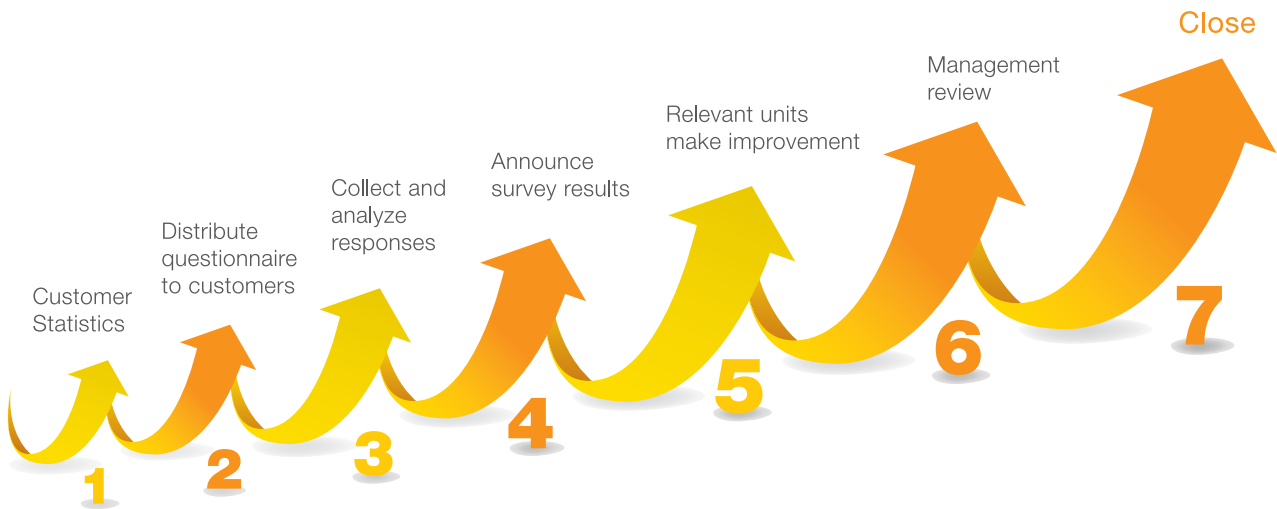
Policy: Continual technical innovation, quality optimization, on-time delivery, professional and integral service.
Commitment: We are committed to labeling products based on their physical properties and customer requirements and provided customers with excellent and satisfactory products and services.
Objective: Continuously provide customers with satisfactory products.
Resources: Responsible units shall label products with reference to the information provided by customers and survey customer satisfaction.
Action:
1) Validate customer requirements after receiving.
2) Label products by product property before shipping.
3) Survey and analyze customer satisfaction biannually to provide reference for improvement.
Verification and measurements:
1) The proportion of products to be labeled with reference to the finished product quality control process or customer requirements before shipping.
2) Continuously rising customer satisfaction with Dynamic products and services.
Applicability: ■ General DMA ■ Special DMA
Scope: ■ Within organization □ Outside of organization

Product Labeling

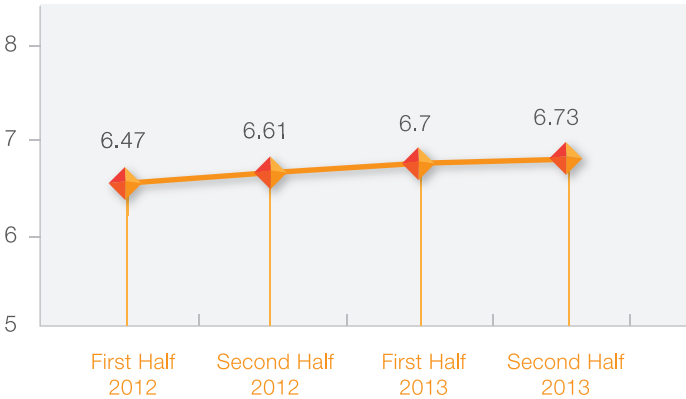
After realizing customer design into physical PCBs, we will voluntarily provide customers with information regarding the original part model number, content (may produce substances causing environmental or social impacts), safety regulation references, PCB subsequent treatment and their environmental/social impacts with reference to the finished product quality control process before shipping. In addition, we will attach relevant labels on the carton for customer identification. If customers have special requirements, we will follow their requirements. In 2013 no violation of product and service labeling regulations or voluntary codes was reported. The company name, UL logo and Date Code are labeled on the PCB.

Customer Satisfaction Survey

At Dynamic, we maintain self-discipline and self-growth and provide professional, integral, and quick service to fulfill customer requirements, so as to enhance customer satisfaction. To obtain information regarding customers and their satisfaction with Dynamic and competitors, we conduct a customer satisfaction survey on the top 20 customers by the sales turnover of each plant biannually.



Customer Satisfaction Trend



Items of the customer satisfaction survey include quality, delivery time, price, cooperativeness, freight, and hazardous substances. Each item is rated by five points: Very satisfied (10 points), Satisfied (8 points), Up to standard (3 points), Acceptable (3 points), and Unsatisfied (1 point). The standard score is 5+ points.

After analyzing the trend of each item based on the responses with statistical techniques, “acceptable” or “unsatisfied” items are discussed at the review meeting to find solutions. Countermeasures are also implemented and included in the PKI of relevant units. In addition to continuously raising customer satisfaction, we compare customer satisfaction with benchmarking enterprises for the reference of the short-, medium-, and long-term business strategies and development directions of the company. In 2013 the integrated customer satisfaction was higher than that of the 2012, suggesting that our efforts in improving various KPI have earned customer recognition.

Marketing Communications

We have established a complete, systematic customer complaint handling process to listen to the voice of customers and respond their expectations. We are also devoted to establishing a customer-focus, self-motivated and efficient response mechanism. At Dynamic, we treat every customer complaint and suggestion as an opportunity to make future communication with customers and raise the quality awareness of employees. We have well-planned communication and feedback channels to ensure customer information is effectively communicated to relevant units and higher-level management. Internally, a well-planned handling process and response mechanism have been established to quickly respond to customer requirements to ensure their rights and benefits.

In 2013, no products were banned in certain markets. However, there were doubts from customers. After receiving a customer complaint, we immediately activated the handling process of product in dispute and invested all resources to ease the doubt of customers. In 2013, the customer complaint handling rate was 100% each month and no violation of regulations and voluntary codes concerning marketing communications (including advertising, promotion and sponsorship) was reported.

Communication flowchart



Handling and Communication Process of Customer Complaint

Handling Process	Source	SOP	Response Method
Customer complaint receiving and information integration	• Phone • E-mail • Face-to-face report	Customer Complaint Handling Procedure	• Send personnel to confirm problems with customers if they are controversial or unclear. • When a meeting is requested by customers, be there on time or coordinate time with customers. • When customers have doubts about the HSF, submit a report issued by an impartial third party within 10 days to clear the doubt.
Emergency handling	Customer notice	• Customer Complaint Handling Procedure • Anomaly Handling Procedure • RMA Handling	Emergency handling and risk lot investigation include customer's stock, on-route, our stock, and WIP. Other part number or supplier's material should be included as necessary.
Notify relevant units	Customer notice	Customer Complaint Handling Procedure	• Issue the "Customer Complaint Notice" to the responsible units, QC stations and QC department within 24 hours. If the customer complaint is "Critical", countersign to the president. • For customer complaints relating to hazardous substances, set complaint class "Critical" and notify the division head and president.
Cause analysis and improvement	8D report	• Customer Complaint Handling Procedure • Anomaly Analysis SOP • Corrective and Preventive Actions Control Procedure	• Request responsible units to analyze the causes and propose corrective and preventive actions to prevent recurrence. • When there is a serious customer complaint ("Critical" class or with estimated damages over NT\$100,000) or undetermined causes, hold a cross-department meeting to review the causes and find countermeasures and make proper management to provide a reference for future product planning and manufacture.
Reply to anomaly correction reports	8D report	• Customer Complaint Handling Procedure • Corrective and Preventive Actions Control Procedure	• The improvement report should be formatted according to customer requirements. If not format is defined, follow the "8D Report" principles or reply customers with illustration. • Special reports must be approved by a division head before issuing to customers.
Improvement effectiveness follow-up and data management	8D report	• Customer Complaint Handling Procedure • Corrective and Preventive Actions Control Procedure • Continual Improvement Procedure	• Follow up the effectiveness of corrective action, recurrence rate, etc. • Collate customer complaint related information each month and measure the nonconformance trend to produce the monthly report for review. • Consider if the corrective and preventive actions must be initiated in all plants at the same time.

Customer Privacy

DMA

Policy: Protect customer privacy and data.
Commitment: Prevent customer privacy from leaks or data from losses.
Objective: Protect customer privacy and data.
Resources:
1) Sign the non-disclosure agreement with employees and request them to follow it.
2) Off-site backup.
3) Built IT infrastructure to encrypt customer data for security protection.
Action:
1) Sign the non-disclosure agreement with all employees and inform them of the penalties: including compensations and criminal liabilities.
2) Customer data is stored by different departments in the product folder and make off-site backup periodically.
3) Build IT infrastructure.
Verification and measurement: Number of cases about infringement of customer privacy or loss of customer data reported by customers.
Applicability: ■ General DMA □ Special DMA
Scope: ■ Within organization □ Outside of organization

We have established a complete and systematic customer data processing process and assigned responsible units to receive management and store customer data. All relevant personnel are requested to sign the non-disclosure agreement. After the Sales Division creates a file with reference to the contract and product priority of customers for management, the RD Division reviews engineering data (Gerber, mechanical drawings, design protocols, etc.), and the QA Division reviews non-engineering data. After confirming that the company is capable of accepting the order, customer-related data is managed and stored. Dynamic creates folders by customer, and technical data folders by product, and makes off-site backups of data regularly.

Besides signing the non-disclosure agreement with employees, employees are notified that no contracts, quality documents, specifications, drawings, samples, and trade secrets of customers are allowed to photocopy or disclose to irrelevant units or non-Dynamic personnel without prior permission. Employees are also warned that the company will take legal action with reference to the Trade Secret Act for violating them. In addition, we have planned and implemented IT infrastructures to encrypt customer data for better security protection. In 2013 no infringement of customer privacy or loss of customer data was reported.



Social Care and Contribution

Community involvement and social care are the focus of our CSR fulfillment, as they are closely correlated with “people”, the core value of Dynamic. The CSR Office directly under the chairman’s office implements social care with reference to the “CSR Code of Conduct” and “Dynamic Social Charity Donation SOP” passed by the board and reports to the board.

Taoyuan Plant (Nankan and Sharying) and Kunshan Plant have three production locations with a total of 5,922 employees. As the scale of these locations is large, their interaction with local communities has caught the public's attention. We investigate issues of concern by local communities and implement engagement, impact assessment, and development plans with local communities. In 2013, all problems reflected by local communities were responded to and solved. In that year a total of 18 problems were reported by local citizens, all 18 problems were resolved, and a about NT\$16 million of resources were invested.

Community Communication Platform and Impact Assessment

Community Response Handling in 2013

	Issue type	Communication frequency	Resolution frequency	Investments	Remarks
Taoyuan Plant (Nankan)	Air pollution	1	1	82,950	
	Noise problem	1	1	50,000	
	Building appearance	1	1	15,480,000	Relocation
	Parking	2	2	165,559	
Taoyuan Plant (Shanying)	Effluent	2	2	0	Elimination of failed equipment
	Air pollution	1	1	0	In-plant education
	Parking	10	10	336,000/year	Rent parking



Social Care

In 2013, the following activities were organized with reference to the Dynamic Social Charity Donation SOP.

Dynamic Social Charity Activities in 2013	
Activity	Content
Cleaning streets near Dynamic Kunshan	On 29 December 2012 a total of 512 employees voluntarily cleaned the roads and streets within 1000m radius from Dynamic Kunshan and a total of 3700kg of garbage was cleaned.
Mountain Cleanup Walk	On 26 January 2013 a total of 920 employees and their family participated in the cleanup and walk of Fuyuan Footpath to clean a total of 26kg of garbage. In the afternoon, pastries made by children with learning disabilities were distributed to participants.
Furniture donation to charity groups	On 20 May 2013 unused furniture was donated to charity groups, including Taoyuan County Psychiatric Rehabilitation Association, Foundation for the Homeless, Taiwan Fund for Children and Families Taoyuan, Guishan Township Xingfu Elementary School, and Taoyuan County Autism Association.
Moon cake from underprivileged groups	On 19 September 2013 we purchased moon cakes for employees and partners on Mid-autumn Festival from underprivileged groups to combine with social charity.
Life education for elementary schools in Taoyuan County	Identifying with the core value “Understanding, Raising and Loving Dogs” of the Precious Dog Association, we respect life with enthusiasm and expertise. On 1 November 2013 we signed a cooperation agreement with the association to arrange life education for elementary school students in Taoyuan County every month. By the end of May 2014 a total of 20 courses were given.
Rehabilitation bus donation	Seeing the desperate need for a “rehabilitation bus” of people with disabilities in daily life, we donated one rehabilitation bus to Taoyuan Social Welfare Bureau on 20 November 2013 to help people with disabilities to receive healthcare treatment, to go to work, to go to school, and to have leisure. During December 2013 to February 2014, the bus provided service 527 times and travelled 5,750km.
Charity Fair across strait	In 2013, we combined the year-end party with employee care and social charity. On the same day we organized a fair and charity sales. Incomes were all donated to charity groups participating in the fair. The aim of the event is to care for underprivileged groups and provide them with substantial assistance. In addition, we enhanced the sense of social responsibility in employees through the fair. In the end Dynamic Taoyuan donated a total of NT\$850,000 to six charity groups participating in the fair, and Dynamic Kunshan donated over 450 items from employees and a sum of nearly NT \$1 million to the Kunshan Charity Federation.





**BSI Independent Assurance
Opinion Statement**

INDEPENDENT ASSURANCE OPINION STATEMENT

2013 Dynamic Electronics Co., Ltd. Corporate Social Responsibility Report

The British Standards Institution is independent to Dynamic Electronics Co., Ltd. (hereafter referred to as DYNAMIC in this statement) and has no financial interest in the operation of DYNAMIC other than for the assessment and assurance of this report.

This independent assurance opinion statement has been prepared for DYNAMIC 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 DYNAMIC. 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 DYNAMIC only.

Scope

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

1. The assurance covers the whole report and focus on systems and activities during the 2013 calendar year on the DYNAMIC headquarter and relevant operations including KunShan Plant.
2. The evaluation of the nature and extent of the DYNAMIC's CSR adherence to all three AA1000 AccountAbility Principles in this report as conducted in accordance with type 1 of AA1000AS (2008) assurance engagement.

This statement was prepared in English and translated into Chinese for reference only.

Opinion Statement

We conclude that the 2013 DYNAMIC Corporate Social Responsibility Report Review provides a fair view of the DYNAMIC CSR programmes and performances during 2013. We believe that the 2013 economic, social and environmental performance indicators are fairly represented. The CSR performance indicators disclosed in the report demonstrate DYNAMIC's efforts recognized by its stakeholders.

Our work was carried out by a team of CSR report assurers 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 DYNAMIC's description of their approach to AA1000 Assurance Standard and their self-declaration of compliance with the GRI guidelines were fairly stated.

Methodology

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

- review of issues raised by external parties that could be relevant to DYNAMIC's policies to provide a check on the appropriateness of statements made in the report
- discussion with managers and staffs on DYNAMIC's approach to stakeholder engagement. However, we had no direct contact with external stakeholders
- interview with 20 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 organization'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 as well as the GRI G4.0 guidelines is set out below:

Inclusivity

In this report, it reflects that DYNAMIC is seeking the engagement of its stakeholders, as the participation of stakeholders has been conducted in developing and achieving an accountable and strategic response to sustainability. 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 DYNAMIC's inclusivity issues;

however, the future report should be further enhanced by the following areas:

- Linking of the organization's core sustainable target with the relative development of technology sectors continuously in order to reflect the need of international society

Materiality

The DYNAMIC has established relative procedure in organization level, as the issues which were identified by all departments have been prioritized according to the extent of impact and applicable criterion for sustainable development of organization. Therefore, material issues were completely analyzed and the relative information of sustainable development was disclosed to enable its stakeholders to make informed judgments about the organization's management and performance. In our professional opinion the report covers the DYNAMIC's material issues; however, the future report should be further enhanced by the following areas:

- Encouraging to improving the materiality identification process which more broadly consider the significant risks and opportunities in the value chain

Responsiveness

DYNAMIC has implemented the practice to respond to the expectations and perceptions of its stakeholders. An Ethical Policy for the DYNAMIC is developed and provides the opportunity to further enhance the DYNAMIC's responsiveness to stakeholder concerns. DYNAMIC can timely respond to the stakeholder if the crisis events happened. In our professional opinion the report covers the DYNAMIC's responsiveness issues; however, the future report should be further enhanced by the following areas:

- Continually develop and update the responsive strategy for stakeholders as a leading role for others, such as corporate website with friendly interaction

GRI-reporting

DYNAMIC provided us with their self declaration of 'in accordance' with the 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 core performance indicators with reference to the GRI Index are reported, partially reported or omitted. In our professional opinion the self declaration covers the DYNAMIC's social and sustainability issues; however, the future report will be improved by the following areas:

- Continuously focus on the implementation of sustainability procedures and programs along with the newly developed standards and peer practices

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 DYNAMIC'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, ISO14001, OHSAS18001, ISO14064 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 November, 2014



AA1000
Licensed Assurance Provider
000-4



**GRI Content Index for 'In
accordance' – Core**

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1 Compliance				
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2 Economic Performance				
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5 Labor/Management Relations				
G4-LA4	MINIMUM NOTICE PERIODS REGARDING OPERATIONAL CHANGES, INCLUDING WHETHER THESE ARE SPECIFIED IN COLLECTIVE AGREEMENTS	58		▲
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SPECIFIC STANDARD DISCLOSURES				
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8 Product and Service Labeling				
G4-PR3	TYPE OF PRODUCT AND SERVICE INFORMATION REQUIRED BY THE ORGANIZATION'S PROCEDURES FOR PRODUCT AND SERVICE INFORMATION AND LABELING, AND PERCENTAGE OF SIGNIFICANT PRODUCT AND SERVICE CATEGORIES SUBJECT TO SUCH INFORMATION REQUIREMENTS	77		●
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	77		●
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SPECIFIC STANDARD DISCLOSURES				
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G4-LA9	AVERAGE HOURS OF TRAINING PER YEAR PER EMPLOYEE BY GENDER, AND BY EMPLOYEE CATEGORY	64		▲
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SPECIFIC STANDARD DISCLOSURES				
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SPECIFIC STANDARD DISCLOSURES				
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dynamic