

**2017 ELAN
CORPORATE SOCIAL RESPONSIBILITY
REPORT**

About this report

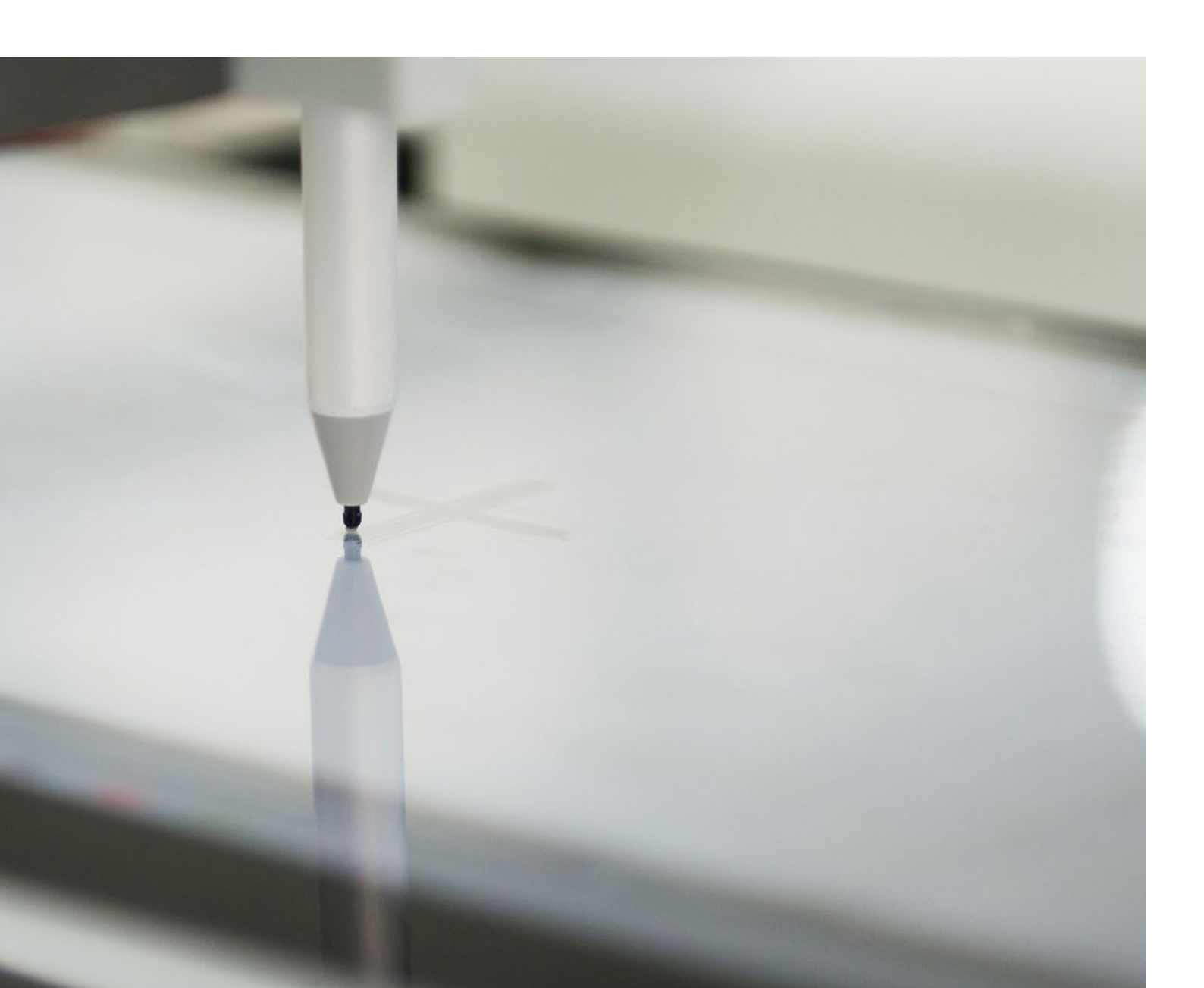
Welcome to ELAN Microelectronics Corporation Corporate Social Responsibility (CSR) Report. This report discloses Company's management policies, environmental protection efforts and social participation performances. By releasing the report, we hope to disclose complete information and provide effective communication with stakeholders. If you have a different perspective on the content presented in this report, we sincerely welcome your feedback.

Reporting period and scope

This report covers Company's sustainable management strategies and business continuity activities between January 1 and December 31, 2017. In this report, ELAN Group (or the Group) refers to ELAN's headquarter and its affiliated companies including Metanoia Communications, Avisonic Technology Corporation, PiXORD Corporation and ELAN (H.K.) Microelectronics Corporation.

Major changes in 2017

ELAN	No major changes.
Metanoia	Increased capital and issued 5 million new shares, accounted for 5.9% of the total capital. No major changes in organization scale, ownership and supply chain.
Avisonic	No major changes.
PiXORD	No major changes.
ELAN (H.K.)	No major changes.



Assurance

The contents of this report follow the Global Reporting Initiative (GRI) guidelines, and according to industry characteristics and regional references, follow guidelines of Responsible Business Alliance (RBA) and Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies. This report is subject to third-party independent assurance by SGS Taiwan Inspection Technology Co., Ltd. based on AA 1000 AS. Refer to Page 100 for the Independent Assurance Statement.

Release of the report

This report is published in English, Traditional and Simplified Chinese. A complete report is also available on the company's website as reference for the general public and stakeholders. In the future, we will continue to issue a CSR Report annually (the last release was in October 2017).

Contact information

If you have any questions or suggestions regarding to the contents of this report, please do not hesitate to contact us through the stakeholder webpage or through the following:

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The stakeholder webpage: [www.emc.com.tw/
tw/Social_Responsibility06.asp](http://www.emc.com.tw/twn/Social_Responsibility06.asp)

Company's website: www.emc.com.tw



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[Message from the Chairman

A leading manufacturer of Intelligent Human Machine Interface (HMI)

ELAN is one of the world's leading Human-Machine Interface IC manufacturers specialized in developing touchscreen, touchpad chip and modular solutions. Our products are mainly used in smartphones, tablets, NBs and all kinds of consumer electronics products. ELAN also holds a leading position in the global NB application market, with touchscreen wafer ranking first worldwide with top market share and touchpad module ranking second.

Founded in 1994, ELAN integrates product technologies in response to the global industry trend; combines Smart Grid, Smart Lighting, security monitoring Human-Machine Interface (HMI) with wired/wireless communications as the core, and provides complete solutions. In the future, we will continue to uphold a strong R&D capability to help customers and cooperation partners achieve their business objectives, as well as cooperate with the upper, middle and lower stream of the semiconductor industry to design high-quality competitive products and achieve the ultimate goal of a three-way win for the company, the customer, and the consumer.

As we work tirelessly toward our goals, we also put great effort in establishing a safe and healthy environment to prevent work-related disasters and diseases. ELAN is committed to respect and protect human rights of the employees in accordance with international standards. Nonetheless, while carrying out business activities, we adhere to the highest standards of business ethics, try to reduce the negative impact on the environment and natural resources, protect health and safety of the general public while fulfilling the social and environmental responsibility of a good corporate citizenship. We believe that promoting economic, environmental and social progress is the key to cooperate sustainable development.

In April 21, 2015, the Editorial Committee for the Corporate Social Responsibility Report is formally established. With the approval of the Board of Directors, General Manager I. H. Yeh was appointed as the President of the CSR Committee and Vice Manager Kuo-Lung Yen as the Vice President. The committee aims to add social responsibility policies as one of the indicators for each department's performance and the effectiveness will be reviewed at the monthly

quality meetings. Through the release of each year's CSR, we hope to disclose more information and maintain an effective communication with the stakeholders.

With ISO 9001 system imported, ELAN has advanced its product quality up to a world-recognized level. By establishing SOPs (Standard Operating Procedure) for each operation, ELAN has also created smooth internal communications between each department therefore effectively avoided miscommunications caused by personnel rearrangement. Furthermore, the implementation of quality control mechanisms reduces the cost by preventing the occurrence of defects. As for customer service, customer satisfaction and complaint mechanisms are met and even exceeded customers' expectations. Finally, goal and policy setting enhances the internal cohesion within the company, motivates employees to put in substantial effort in achieving the ultimate goal – meeting the common objectives while maintaining a good corporate image. Since ELAN's customer base includes well-known companies both at home and abroad, we have achieved basic international product marketing licenses. In view of the increasingly serious global environmental pollution and other major environmental issues threatening human survival and future development such as damage of ecological, formation of ozone layers and the rapid change in the global climate, as global citizens, we have actively engaged in international environmental protection issues. In recent years, we have successively obtained certificates including SONY GP (SONY Green Partners), ISO 14001 Environmental Management System certification, and the OHSAS 18001 Occupational Health and Safety Assessment Series System, etc.

In the past year, in view of the requirements of international brand manufacturers for human rights, labor, and environmental protection, ELAN will launch an evaluation of itself and its related supply chain in line with Responsible Business Alliance (RBA) guideline. The compliance of the Code ensures that we and our suppliers are able to provide a safe working environment, that our employees are respected and dignified, and that they are environmentally responsible and ethical in their business activities.



Future development policy of the company may still be adjusted due to the changes in external competitive environment, government regulations and the overall business environment. However, we will always persist on cultivating core technology, integrating video, voice, and entertainment to constitute powerful, cost-effective superior chips. It is in our belief that implementing business strategies to offer customers world-class, competitive solutions; continuously developing new products to

patent and expand blueprint; and enhancing IC performance and quality to bring out ELAN's core advantages are the foundations to generate an outstanding revenue and profit.

Chairman and General Manager

COMPANY OVERVIEW

- 1.1 Company profile
- 1.2 Organization history
- 1.3 Operational performance
- 1.4 Government financial aid
- 1.5 Risk and opportunity
- 1.6 Supply chain
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- 1.8 Investor relations transparency

	2017	2016	2015
Operating Revenue (NT\$ thousand)	7,503,267	6,558,933	6,605,099
Earnings Per Share (EPS) (dollar)	2.58	1.57	1.98
R&D grant accounted in operating revenue(%)	18%	20%	20%

Honored with the "2017 Innovative Product Awards" by the Hsinchu Science Park Bureau.

Won the "2017 100 Great Innovation Product Award" in the Information Month - Consumer Electronic Commodity category.

1.1 Company profile

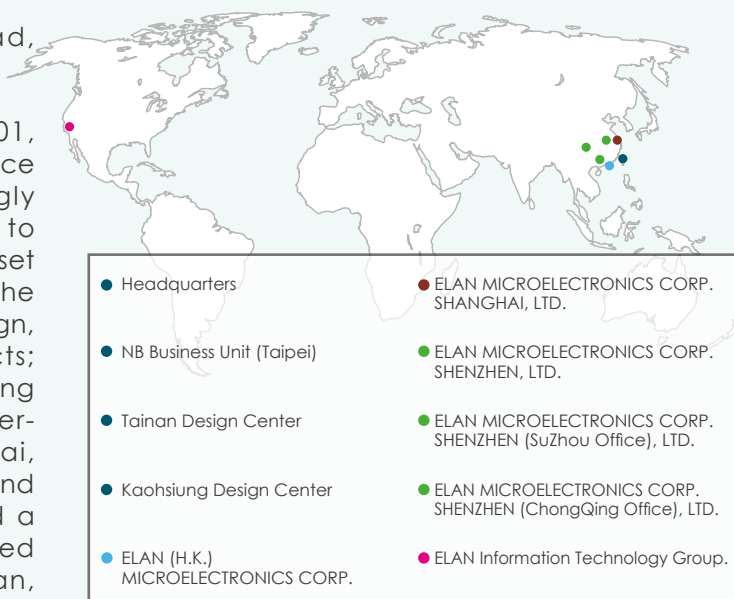
Date founded: May 1994

Capital: NT\$ 4.341 billion (2016/8/16)

Main products: The Group is engaged in the development, production, manufacture and sale of products such as consumer touch control integrated circuits, NB input device modules, network communications integrated circuits, image processing integrated circuits, security monitoring modules, etc.

Company Address: 12 Innovation 1st Road, Hsinchu Science Park.

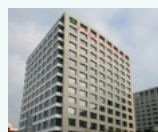
ELAN Microelectronics is listed in March 2001, with its headquarters located in Hsinchu Science Park, Taiwan. To response to an increasingly competitive global electronics industry and to strengthen its global layout, ELAN has currently set up a module manufacturing factory in Zhonghe District, New Taipei City, dedicated in the design, development and production of NB products; research and development bases in Kaohsiung Software Park and Tainan; business and after-sales service centers in Shenzhen, Shanghai, Suzhou, and Chongqing in China; a shipping and customer service center in Hong Kong; and a business strategy planning center in the United States. With a headquarters based in Taiwan, ELAN creates new job opportunities every year and they continue to grow with Company's rapid growth in sales performance. By the end of 2017, the number of full-time employees has reached 1,072. ELAN main sales markets include Taiwan, China, Hong Kong, the United States and Japan.



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1.2 Organization history

2017

- DEC** "Pen-Emulated Finger-Pen-Concurrent Touch Screen Solutions" won the "Innovation Product Award" honored by Hsinchu Science Park.
- JUL** "2016 Corporate Social Responsibility Report" has passed the GRI G4 guidelines and met the AA1000AS Moderate Assurance Standard.
- JUL** For thirteen consecutive years, ELAN was honored again with the "Distinguished Landscape Award" by the Hsinchu Science Park Bureau.
- JUN** Fingerprint Identification Smart Financial Card won the "2017 100 Great Innovation Product Award" in the Information Month - Consumer Electronic Commodity category.

2016

- DEC** Smart-ID Solutions was conferred with the "Innovative Product Awards" by the Hsinchu Science Park Bureau.
- DEC** Honored with the "2016 Science Park R&D Accomplishment Awards" by the Hsinchu Science Park Bureau.
- JUL** Honored with the "Distinguished Landscape Award" by the Hsinchu Science Park Bureau.
- JUL** "2016 Corporate Social Responsibility Report" has passed the GRI G4 guidelines and met the AA1000AS Moderate Assurance Standard.

2015

- DEC** Honored with the "Science Park R&D Accomplishment Awards" by the Hsinchu Science Park Bureau.
- DEC** "Chromebook Smart-Touchscreen and Smart-Touchscreen™ Solutions" was conferred with the "Innovative Product Awards" by the Hsinchu Science Park Bureau.



The 2nd Taiwan Mittelstand Award



Badge of Accredited Healthy Workplace



Distinguished Landscape Award



Innovative Product Awards



Top 100 Innovative Product Awards



Innovative Product Awards

- DEC** Honored by the Health Promotion Administration, Ministry of Health and Welfare with the "Badge of Accredited Healthy Workplace" – A Vitality Health Promotion Award for promoting a dynamic healthy workplace environment.
- JUL** Honored with the "Distinguished Landscape Award" for the eleventh times by the Hsinchu Science Park Bureau.
- JUN** "2015 Corporate Social Responsibility Report" has passed the GRI G4 guidelines and met the AA1000AS Moderate Assurance Standard.

1.3 Operational performance

Although the touch industry has entered a growth phase in 2017, ELAN Microelectronics has been growing its revenue and profit in the touch industry and touch-related applications. ELAN product competitive advantages have enabled the penetration rate of individual customers to increase significantly, leading to a significant increase in the global market share of ELAN electronic touch products, whether it's a touchscreen or a touchpad chip.

At the same time, ELAN actively engaged in product development and application of fingerprint identification. In 2017, the overall shipment volume was several times more, significantly increased compared with last year. This is mainly due to the increase in order from smartphone and notebook vendors. Although the overall market for fingerprints is very competitive, ELAN still seeks to effectively reduce costs, yet in the meantime, adds encryption function to increase the added value in order to and drive the growth of revenue and profit in the future. As for the three major applications of the touch industry, smartphones and tablets are experiencing a year-end decline as the market matures. Touchscreen notebook market is significantly better than last year due to the increase of new and individual customers' penetration rate. Last year, the market grew nearly 60%, a successful year in general.

The growth of the touch industry application has slowed down, but the competition among domestic and foreign manufacturers is still heated,

the market bidding remains fierce, leading the average selling price to decline. On the other hand, with the advantages of its wafer design and engineering technology, ELAN effectively reduced costs and optimize the product set. In 2017, the consolidated revenue reached 7.503 billion NTD, with an annual growth of 14%. Due to the continuous optimization of products and their added values, the consolidated net profit margin was significantly better than last year, maintaining a high level of 45%. The consolidated net income rate reached 19%, and the pre-tax income surplus reached 1.262 billion NTD.

To improve operational performance and allow sustainable development of the enterprises, at the end of each year, the Group will set up operational goals for the upcoming year and review each month's performance in the performance meetings. When performance falls under expectations, salespersons should propose improvement plans to ensure that the operation targets can be reached successfully, and the market share can be effectively secured and increased. These improvement plans will also be put into considerations when amending annual operating plan.

Direct economic value generated and allocated by the organization (consolidated basis)

(In NT\$ thousand)

Item / Year	2017	2016	2015
Operating Revenue	7,503,267	6,558,933	6,605,099
Gross Profit	3,347,820	2,708,170	2,813,686
Net Operating Income	1,349,782	752,415	848,884
Non-operating Income and Expense	(87,521)	(27,525)	62,826
Pre-Tax Income	1,262,261	724,890	911,710
Income Tax Expense	230,151	144,889	172,764
Net Income	1,032,110	580,001	738,946
Total Assets	10,142,805	9,131,230	9,284,645
Total Liabilities	2,819,342	2,235,088	2,193,482
Total Stockholders' Equity	7,323,463	6,896,142	7,091,163
Earnings Per Share	2.58	1.57	1.98

Note 1: The data are based on the consolidated financial statements of ELAN Microelectronics and its subsidiaries, including ELAN Information, ELAN Investment, Profit Technology, Shanghai ELAN and Shenzhen ELAN, etc., which are not included in the scope of this report.

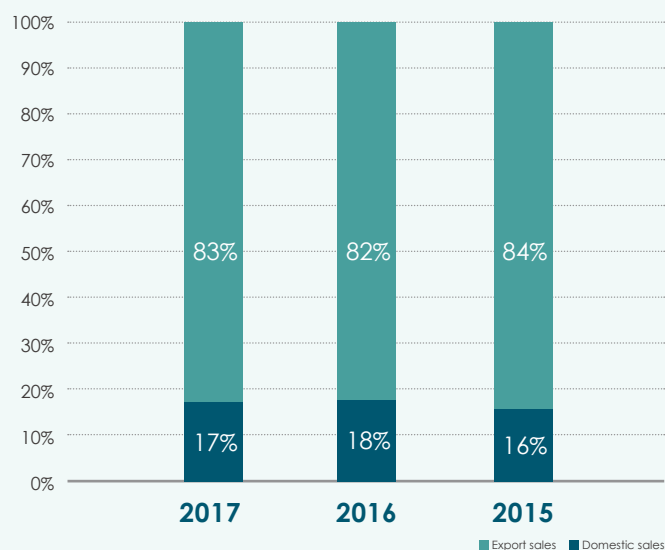
Note 2: The main reasons for the Non-Operating Income and Expense to be negative in 2016 are 1) Loss of financial assets; 2) Loss of foreign currency exchange.

Consolidated Sales Table

Units: Thousand piece (Volume), NT\$ thousand (Value)

Main product/ Year	2017			
	Domestic		Export	
	Sales volume	Sales value	Sales volume	Sales value
Consumer Touch IC	134,831	1,106,305	278,165	1,800,653
NB Input Device Module	502	42,907	66,461	4,384,271
Network Communication IC	192	37,362	46	29,715
Image Processing IC	417	50,578	71	19,421
Safety Monitoring Module	5	29,548	2	2,507
Total	135,947	1,266,700	344,745	6,236,567

Note: The data are based on the consolidated financial statements on Page 61 of ELAN Annual Report 2017 (including subsidiaries not included in the scope of this report, such as ELAN Information, ELAN Investment, Chipper Technology, ELAN Shanghai and ELAN Shenzhen, etc.).



Distribution of economic benefits (individual)

Unit: NT\$ thousand

Company	Revenue	Operating Costs	Employees' Salaries and Benefits	Interest Payments or Dividend Distribution	Account Payable to the Government	Donations
ELAN	7,341,164	4,320,257	1,451,557	681,560	224,855	1,158
Metanoia	68,465	77,657	92,926	2,521	0	0
Avisonic	70,063	54,372	43,579	1,681	0	0
PIXORD	33,812	8,410	27,754	3	0	0
ELAN (H.K.)	773,283	571,537	10,845	0	0	0
Total	8,286,787	5,032,233	1,626,661	685,765	224,855	1,158

Note 1: The data are based on the individual financial reports of ELAN Microelectronics and each entity.

Note 2: Operating Costs: Include operating costs and operating expenses but exclude employees' salaries and benefits, donations, depreciation, and amortization.

Note 3: Employees' Salaries and Benefits: Include salaries, bonuses, insurances, and pensions. Exclude wages for temporary labors, such as consultants, physicians, etc.

Note 4: Interest Payments or Dividend Distribution: Dividends are given out as 2016 cash dividend.

Note 5: Account Payable to the Government: Current income tax expenses.

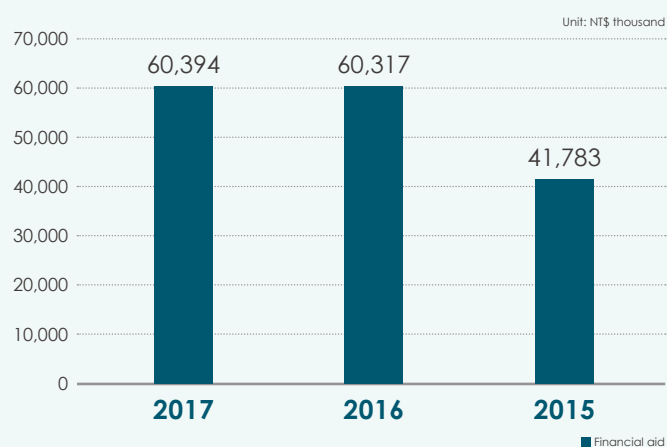
Note 6: Donations: Donations to charities, non-governmental organizations, research institutes (does not include business development or campus recruitment, etc.).

1.4 Government financial aid

Unit: NT\$ thousand

Company Name	Type	Government Organization	Item	Amount	Description
ELAN	Financial rewards	Hsinchu Science Park Bureau	Innovative Product Awards	350	
	R&D grant	Industrial Development Bureau	Grant for innovation and optimization project	6,300	Accountant verified
	Waived	National Taxation Bureau, Ministry of Finance	Tax reduced or waived	53,643	Accountant verified
Metanoia	Financial rewards	Ministry of Labor	Hiring allowance	101	
Total	—	—	—	60,394	

Note: Avisonic, PIXORD and ELAN (H.K.) did not receive financial aids from the government in 2017.



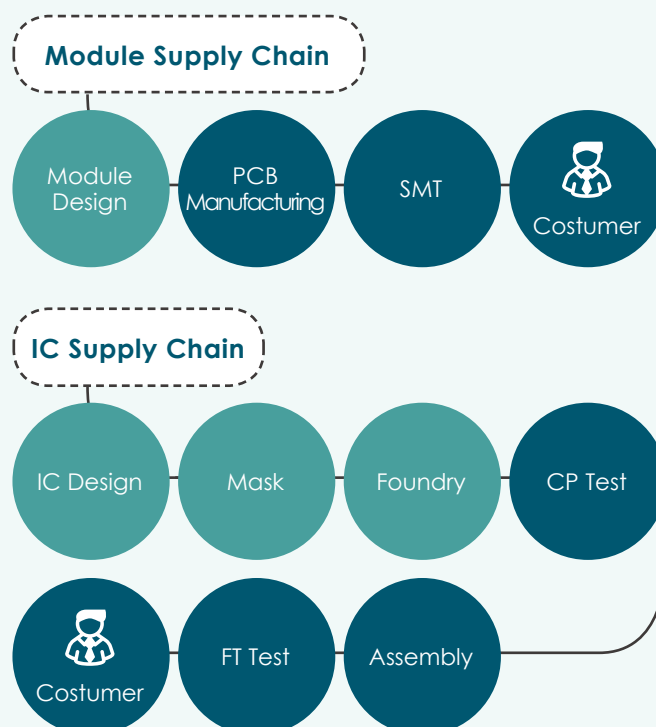
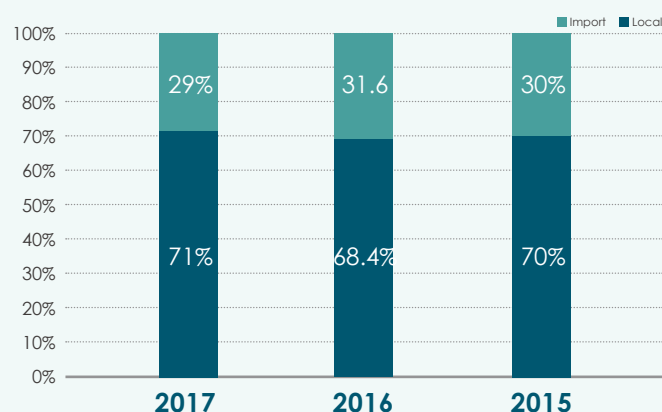
1.5 Risk and opportunity

With regards to the potential financial impacts and other risks and opportunities that may be brought by climate change, ELAN monitors the climate change in Taiwan and overseas, and continuously pays close attention to new issues related to global environment. Areas we especially concern not only include ELAN's plant areas, but gradually extended to locations of our supply chains as well. By doing so, we hope to closely monitor the possible risks of commodity supply shortage. On the other hand, consider the disclosure of related statistics by government agencies in the future, ELAN began implementing greenhouse gas examination in 2014 and has set the average electricity consumption per person to be decreased by 1% as a Key Performance Indicator (KPI). The third-party greenhouse gas inventory evaluation is expected to be completed by the end of 2018.

1.6 Supply chain

Since ELAN is a professional IC and module design company, wafer production and post-production are all outsourced. Therefore, it is crucial to have a smooth cooperation with our supply chains. To do so, we continue to maintain partnerships with domestic and foreign wafer manufacturers, as well as upstream and downstream packaging and testing manufacturers, in order to be competitive in the market. Meanwhile, we closely cooperate with other supply chain vendors such as touch panel, LCD panel, NB assembly factories, etc., to ensure smooth product shipments and long-term partnerships with our customers. The Group's local procurement ratio of 2017 is 71%.

ELAN Microelectronics 2015~2017 Annual IC/Module-commodity Purchase Ratio



Supply Chain

Company name		ELAN		Metanoia		Avisonic		PiXORD		ELAN (H.K.)	
Supplier	Type	Number of suppliers	Transaction Amount (%)	Number of suppliers	Transaction Amount (%)	Number of suppliers	Transaction Amount (%)	Number of suppliers	Transaction Amount (%)	Number of suppliers	Transaction Amount (%)
IC-Commodity	Local	33	61%	9	100%	10	100%	—	—	—	—
	Import	18	39%	0	0	0	0	—	—	—	—
Module-Commodity	Local	100	81%	2	97%	56	99.7%	108	98%	—	—
	Import	18	19%	1	3%	3	0.3%	2	2%	—	—
Other services		—	—	122	—	42	—	104	—	33	—

Note 1: IC-Commodity includes cutting, mask, packaging, wafer and testing suppliers.

Note 2: Module-Commodity includes PCB, SMT and commodity suppliers.

Note 3: Other services: such as transportation, labor costs, development costs, security, insurance, contract maintenance, food expense to the suppliers, etc.

Note 4: Local: Refer to the location of the group. ELAN, Metanoia, Avisonic, PiXORD are established in Taiwan, and ELAN (H.K.) is in Hong Kong.

1.7 Precautionary approach and principle

ELAN Micorelectronics is committed to support any externally enacted economic, environmental and social regulations, principles, or other initiatives. In order for all business activities to meet the latest external initiatives, regulations and principles, Industrial Performance Management (IPM) is assigned to visit the GRI website and Government regulations information website frequently and gather the latest news on initiatives and regulations. CSR committee also take requests and suggestions from customers, government agencies, community groups and stakeholders, review current operational compliance and take relevant measures when necessary. For matters that do not comply with the economic, environmental and social regulations, principles, or other initiatives enacted by the exterior affairs, the company shall make our best effort to improve in the shortest possible time to avoid any negative impacts to the stakeholder groups, the individuals, the socio-economic and the environment.

ELAN Micorelectronics provides customers with professional IC design service and has no direct contact with the end-product consumers. The economic scale of ELAN may not be significant enough to participate in a dominant position, however, in response to customers' request, ELAN has signed to comply with economic, environmental and social regulations, principles and other initiatives, and adopt relevant management standards approved by the third-party certification authorities, such as Responsible Business Alliance (RBA), International Standard Organization enacting environmental management standards (ISO 14001), and United Nations Conference on Sustainable Development Goals, etc.

1.8 Investor relations transparency

ELAN	The Taiwan Stock Exchange announces on March 7, 2017 that starting in 2018, all domestic listed companies shall hold an institutional investors' conference at least once a year (self-hosting or invited), instead of once every three years as in 2015. Besides conducting numbers of investor meetings (including one-on-one or one-to-many, face-to-face communication, and real-time teleconference), ELAN also participates in forums invited by securities companies. Since 2012, we have been holding quarterly conference calls and disclosing relevant news and financial information on the company's website that investors may be interested in. Actions we have taken to disclose information to investors: - Put up an "Investor Relations" section on the company's official website, contents include: - Financial Information: Monthly revenue report, quarterly, semi-annual, and annual reports. - Investment Column: Stock price information, dividend distribution over the years, shareholders' meeting, investor conference, newsletter and contact information. - Published 13 related news. - Issued a total of 11 major announcements on the Taiwan Stock Exchange Market Observation Post System as required. - Released monthly sales reports (including key product development schedule) in both Chinese and English to simultaneously disclose the information to domestic and foreign investors. - Held an annual shareholders' meeting on June 20, 2017. - Held quarterly conference calls on February 22, April 25, July 26 and October 31. Video files of the conferences were uploaded to Stock Exchange Wipro platform and the company's website. - Held 84 investor conferences with domestic/foreign investors and analysts. These include one-to-one or one-to-many, face-to-face communication (securities forums are included) and real-time teleconference.
Metanoia/ Avisonic/PiXORD	- Private entity. - Hold an annual shareholders' meeting on June 12, 2017.
ELAN (H.K.)	Share the official website with the parent company.

CORPORATE GOVERNANCE

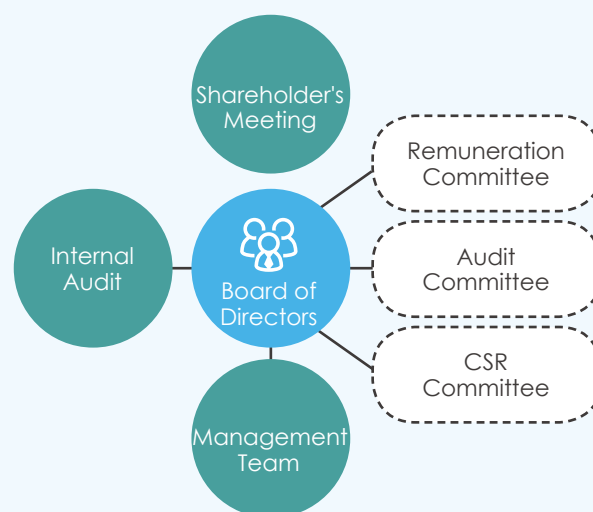


- 2.1 Highest governance body
2.2 Principles of business ethics and integrity

	2017	2016	2015
Combined revenue(NT\$ thousand)	7,503,267	6,558,933	6,605,099
EPS (dollar)	2.58	1.57	1.98
Percentage of independent directors(%)	42.9	42.9	42.9
Listed company information disclosure evaluation level (%)	21-35	36-50	21-35

2.1 Highest governance body

The Board of Directors is the highest governance body of ELAN Microelectronics. The eighth term of the Board of Directors consists of 4 directors and 3 independent directors, whom were appointed by the Broad of Shareholders in June 2015, to hold office from 2015/6/2~2018/6/1. The Board of Directors also authorized Chairman I. H. Yeh and Director Kuo-Lung Yen as the key members of ELAN's management team. The Chairman determines Company's future direction and operating plans according to the decisions made in the board meetings, and announces them to senior managers during staff meetings. The managers then instruct the employees and the plans are carried out.



Composition of ELAN and affiliates' Board of Directors

ELAN			Metanoia		
Name	Title	Sex	Name	Title	Sex
I. H. Yeh (Yu Long Investment Corp.)	Director	Male	I. H. Yeh (ELAN Microelectronics Corp.)	Director	Male
Kuo-Lung Yen	Director	Male	Kuo-Lung Yen (ELAN Microelectronics Corp.)	Director	Male
Chi-Lin Wea (Tsung Long Investment Corp.)	Director	Male	Dennis Liu (ELAN Microelectronics Corp.)	Director	Male
Te-Chen Chiu	Director	Male	Chien-Te Wu	Director	Male
Hou-Ming Chen	Independent Director	Male	Didier M.H. Boivin	Director	Male
Hsien-Ming Lin	Independent Director	Male	ELAN Investment Corp.	Supervisor	NA
Mao-Kuei Lin	Independent Director	Male	—	—	—
Avisonic			PiXORD		
Name	Title	Sex	Name	Title	Sex
I. H. Yeh	Director	Male	I. H. Yeh	Director	Male
Chien-Te Wu	Director	Male	Chien-Te Wu	Director	Male
Kuo-Lung Yen	Director	Male	Chung-Chi Lien	Director	Male
Vincent Tao	Director	Male	Zong-Liang Yang	Director	Male
Meng-Chun Lin	Director	Male	Ben-Xian Zhang	Director	Male
Andy Wu	Supervi-sor	Male	Andy Wu	Supervisor	Male
Wen-Ya Tseng	Supervi-sor	Female	Wen-Ya Tseng	Supervisor	Felamle



Shareholders' Meeting

Metanoia, Avisonic, and PiXORD are unpublished companies, no independent directors have been set up.

ELAN			Metanoia		Avisonic		PiXORD	
Age	Male	Felmale	Male	Felmale	Male	Felmale	Male	Felmale
<30	0	0	0	0	0	0	0	0
30-50	0	0	0	0	5	0	0	0
>50	7	0	5	0	0	1	6	1

Dirctor trainings of ELAN Microelectronics

Title	Name	YY/MM	Organizer	Course Title	Hours
Director	Kuo-Lung Yen	2017/12	Taipei Foundation of Finance	Business secret protection and non-competition 0005	3
Director	Te-Chen Chiu	2017/06	Taiwan Academy of Banking and Finance	Corporate Governance Forum - Family Business Heritage	3
		2017/08	Taiwan Corporate Governance Association	Unreasonable financial responsibility	3
Coporate Director	Chi-Lin Wea	2017/09	Taiwan Academy of Banking and Finance	Corporate Governance Workshop No. 33	3
		2017/11	Dharma Drum Mountain Humanities and Social Improvement Foundation	From ethics to gaining money - talk about insider trading	3
		2017/11	Securities & Futures Institute	From big data to artificial intelligence	3
		2017/12	Taiwan Academy of Banking and Finance	Corporate Governance Workshop No. 35	3
Independent Director	Hsien-Ming Lin	2017/08	The Institute of Internal Auditors-Chinese Taiwan	New thinking on personal tax manage-ment, latest corporate law enforcement trends, group tax management and regula-tion	3
		2017/10	Taiwan Corporate Governance Association	Duties and obligations of company direc-tors and management	3
		2017/10	Taiwan Corporate Governance Association	Legal risks of company directors and management	3
Independent Director	Mao-Kuei Lin	2017/11	Taiwan Corporate Governance Association	Under the global tax chase, new thinking on personal tax management	6
Independent Director	Hou-Ming Chen	2017/09	Taiwan Corporate Governance Association	Corporate governance and board functions	3
		2017/09	Taiwan Corporate Governance Association	The following of company's laws and regulations and supervisory obligations of the directors	3

ELAN's Chairman I. H. Yeh concurrently serves the post as General Manager. Yeh is very familiar with Company's state of operation, and has no difficulty in financing and making business decisions. All directors and independent directors have finance and business-related experiences; among them, 2 coporate directors and 1 director are shareholders, the other 1 director and 3 independent directors are not shareholders.

ELAN	ELAN Board of Directors convenes at least once every quarter, with a total of 6 meetings in 2017 (3/10, 5/4, 7/12, 8/10, 11/7, 12/19). The Board of Directors sets out economic, environmental and social standards in accordance with relevant laws and regulations, and passes dividend distribution and investment cases. The Board also makes important resolutions in conformity with the law (Taiwan Stock Exchange Corporation Procedures for Verification and Disclosure of Material Information of Companies with Listed Securities) from the date of the Board resolution, before the start of the next business day transactions, to declare to the information website management bulletin designated by competent authorities. Except for meetings convened under urgent circumstances, the contents and information of the meeting are to be drafted and provided along with an accompanying notice to each director and supervisor, seven days before the meeting is convened. The proceedings of the board meeting held periodically include the following: (1) Matters to be reported: ① Meeting minutes from the previous meeting and its implementation ② Important financial business reports ③ Internal audit business reports ④ Other important matters (2) Matters to be discussed: ① Matters retained in the previous meeting ② Matters discussed in the current meeting (3) Extempore Motion
Metanoia	1. Convened a total of 5 board meetings in 2017 (3/9, 6/12, 6/22, 8/8, 11/8) . 2. The proceedings include the following: (1) Matters to be reported: ① Meeting minutes from the previous meeting and its implementation (2) Matters to be discussed: ① Matters retained in the previous meeting ② Matters discussed in the current meeting (3) Extempore Motion
Avisonic	1. Convened a board meeting on March 9, 2017. 2. The proceedings of the board meeting held periodically include the following: (1) Matters to be reported: ① Meeting minutes from the previous meeting and its implementation (2) Matters to be discussed: ① Matters retained in the previous meeting ② Matters discussed in the current meeting (3) Extempore Motion
PIXORD	1. Convened a board meeting on March 9, 2017. 2. The proceedings of the board meeting held periodically include the following: (1) Matters to be reported: ① Meeting minutes from the previous meeting and its implementation (2) Matters to be discussed: ① Matters retained in the previous meeting ② Matters discussed in the current (3) Extempore Motion

ELAN Remuneration Committee

To establish a fair remuneration and profit-sharing system in the organization that reflects employees' individual performances on their remuneration, the first term of the Remuneration Committee was set up in December 2010. In June 2015, ELAN reelected the second term of the Remuneration Committee for the period of 2015/6/2~2018/6/1, to assist the Board of Directors in implementing and evaluating the overall remuneration policies and to further improve enterprise business management and promote economic benefits. ELAN's Remuneration Committee is composed of 3 independent directors, Hou-Ming Chen, Hsien-Ming Lin and Mao-Kuei Lin, and Hou-Ming Chen is the convener. None of the three members holds shareholder rights or a position on the management team.

The Remuneration Committee convenes at least twice a year. The members of the committee are independent and qualified professionals as required by the relevant regulations. Salaries of directors and managers are determined based on the current market quotation within the industry (i.e., statistics derived from related industries' annual reports). Meeting agenda are set by the convener and when voting, the majority (more than half) of the attending committee members needs to agree to before a proposal is passed. In another case, the Committee chairman simply consults with the members and if none objects, the proposal is passed. It has the same effect as voting. The results are announced right away and recorded in the meeting minutes. Finally, the Remuneration Committee submits the results to the Board of Directors for further discussion and approval.

The convener of the Remuneration Committee will serve as the Committee Chairman and representative. His/her main responsibilities include:

1. Establish and regularly review the policies, systems, standards, and structure of the performance evaluation for directors and managers.
2. Regularly evaluate and establish salary remunerations for directors and managers.
3. Persuade the directors and managers to implement a competitive and encouraging compensation system that can attract and retain elites and improve business performance.

Note: Metanola, Avisonic and PIXORD are unlisted OTC companies, hence have not established remuneration committees.

ELAN Audit Committee

The purpose of the Audit Committee is to assist the Board of Directors in the fulfilling and monitoring of Company's quality and integrity in the execution of accounting, auditing, financial report processes and financial controls. According to law of the Republic of China, the members of the Audit Committee shall compose entirely of independent directors. The term of office for ELAN Audit Committee's member is 3 years and member may be re-elected for a second term. The Audit Committee should convene meeting at least once a quarter, with no less than 3 members in each meeting (one being the convener and at least one needs to be specializing in accounting or finance).

ELAN Audit Committee was set up in June 2015 for a period of 2015/6/2~2018/6/1. The Audit Committee is composed of 3 committee members, Hou-Ming Chen, Hsien-Ming Lin and Mao-Kuei Lin, and Hou-Ming Chen is the convener. None of the three members holds shareholder rights or a position on the management team.

Items to be discussed are as follows:

1. Under regulations of Article 14-1 of the Securities and Exchange Law, establish or amend the internal control system.
2. Examine the effectiveness of the internal control system.
3. Under regulations of Article 36 of the Securities and Exchange Law, set up or revise the procedures for the handling of major financial business transactions involving acquisition or disposition of assets, engaging in derivative transactions, lending of funds to others, endorsement of others or provision of guarantees.
4. Matters that involve the directors' own interests.
5. Major assets or derivative product transactions.
6. Major capital loans, endorsement or provide guarantees.
7. Raise, issue or private placement of negotiable securities with stock rights.
8. Appointment, dismissal or remuneration of an accountant.

9. Appoint and dismiss finance, accounting or internal audit managers.
10. Annual financial report and semi-annual financial report.
11. Other major decisions made by the management team.

All of the above-mentioned subjects, except for Item 10, should be approved by the majority of all the members of the Committee and before being proposed to the Board of Directors for approval.

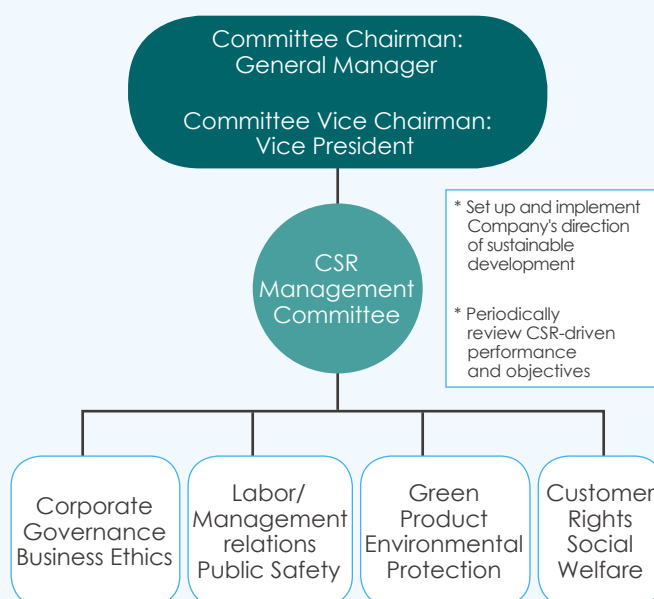
For Item 10, if the majority of the members disapprove the subject, the approval of two-thirds or more of the members of the Board of Directors may still get subject approved.

Note: Metanoia, Avisonic and PIXORD are unlisted OTC companies, hence have not established audit committees.

Corporate Social Responsibility (CSR) Management Committee

Set up in 2015, ELAN Corporate Social Responsibility (CSR) Management Committee is responsible for making strategic decisions that may have positive economic, environmental and social impacts. The CSR Committee Chairman is the General Manager of the company and Committee Vice Chairman is the Vice President. An executive team led by the Industrial Performance Management Office (IPM) is set up by the committee. Four other teams including Labor-Management Relation & Public Safety, Environmental Protection & Social Welfare, Supplier Management & Risk Management, and Product Design & Customer Rights are also set up to promote all matters regarding to corporate social responsibility and ensure all operational activities are in line with the requirements, regulations and requests from the government, customers, society and stakeholders. Corporate Social Responsibility management systems and related initiatives have already been approved by the Board of Directors on April 21, 2015. The committee aims to add social responsibility policies as one of the indicators for each department's performance and will review its effectiveness in monthly quality meetings.

Elan CSR Management Committee (since Nov. 5, 2014)



2.2 Principles of business ethics and integrity

In 2014, ELAN Microelectronics Board of Directors introduced operating systems including the Integrity Management Operational Procedure, Integrity Conduct Guide Specification, Integrity Practices Specification, Ethical Behavior Specification, and Personal Data Protection Management Measures. The Human Performance Management Department was assigned to execute, supervise and confirm of the revision, implementation, explanation, consultation service and the briefing and digitalization of the system guides. In addition, report to the board of directors when any business operation-related adjustments are made.

In the case where ELAN personnel are directly or indirectly offered or promised by someone with money, gifts, services, preferential treatment, hospitality, entertainment or other benefits, such offers or promises must be returned or rejected regardless of the position, duty or relation of the offeror. Such incidents should also be immediately reported to supervisors and Company's relevant department is to be informed as well. Gifts received without recipient's consent should be returned to sender within three days of the date of receipt. If returning the unsolicited offer is not possible, the relevant department should be asked to deal with the situation. After evaluating the nature and value of the gift, the department may take appropriate actions such as donation or disposal after notifying the General Manager.

ELAN has set up Ethical and Credible Management Codes, as well as other relevant integrity codes and standards, and an external communication mailbox. Employee training workshops were also given in 2015 to facilitate implementation of the integrity management policy in order to actively prevent dishonest behaviors. So far, the committee has not detected any corruption case that violates business integrity.

Organization, professional association, union and academic institution the Group communicates and cooperates (2014~2017)

	Organization Name	Member	Remarks
ELAN	Consortium of ESD Protection Technology for Circuits and Systems	●	—
	NTU System-on-Chip Center, SOC	●	—
	The Allied Association for Science Park Industries	●	12 Committees
	Taipei Computer Association	●	—
	Chinese Professional Management Association of Hsinchu (CPMAH)	●	General Manager Yeh as Director
	Friends of the Police Association	●	—
	SINOCON Industrial Standards Foundations	●	—
	Industrial Development Bureau "Knowledge Management to Promote Industry Settlement Plan" Knowledge Exchange	●	—
	Taipei Tech Elite Union	●	—
Metanoia	Industry-Academic Small League-Smart Vision System Technology Design Consultation Technology Design Con	●	—
	The Allied Association for Science Park Industries	●	—
	The Allied Association for Science Park Industries	●	—
PiXORD	The Allied Association for Science Park Industries	●	—
ELAN (H.K.)	N/A	N/A	N/A

STAKEHOLDERS' MANAGEMENT AND ENGAGEMENT

3.1 Important stakeholder and material aspect identification
3.2 Stakeholder engagement

34
Material
aspects

50
Disclosure
items

360
Stakeholder

7
types of
stakeholder

3.1 Important stakeholder and material aspect identification

Identifying Material Aspects and Boundaries

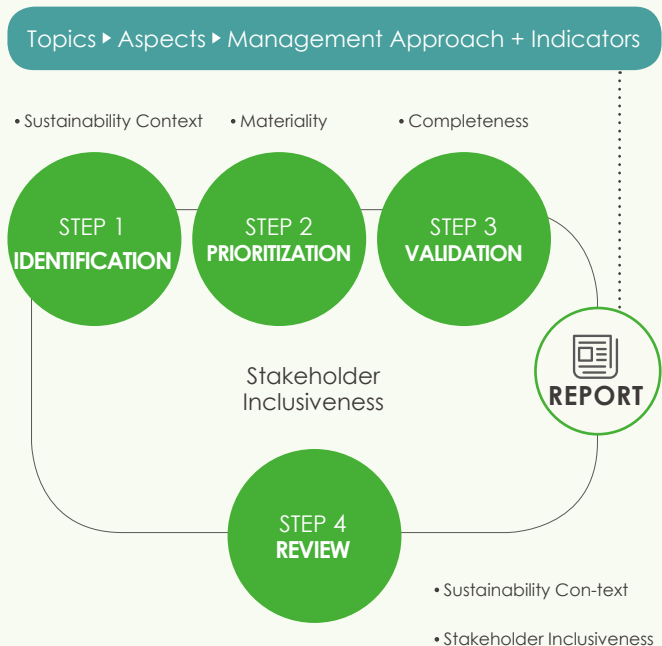
Integrate internal and external topics based on the principle of stakeholder inclusiveness. External topics include local or global sustainable development and development of semiconductor and IC industry status, etc. Internal topics include stakeholders' needs and expectations, Company's sustainable development strategy, objectives and departments' key performance indicators (KPI), etc.

In accordance with the nature of the company, the collected topics will be categorized into the 33 consideration aspects plus 7 "Other" based on GRI Standards. A total of 40 topics. Each department then evaluates whether these 40 topics will impact the entities within or outside the organization. Among them, 33 topics are to be selected and put into a questionnaire to gather stakeholders' opinions on the degree of impact and concern toward these topics.

In accordance with routine business operation, ELAN's CSR Management Committee, along with other affiliates' representatives have listed a total of 65 relevant stakeholders and classified the natures of them into 14 categories based on the basic principles of AA1000 STAKEHOLDER ENGAGEMENT STANDARD 2015. Then, evaluate their responsibility, tension and influence and come up with comprehensive scores that will screen out Company's internal/external stakeholders. A total of 324 degree of concern questionnaires are issued. At the same time, Company's seniors and department managers degree of impact questionnaires are also given out.

After the implement secretary collects the assessment results from each department, she/he will then evaluate each assessment in accordance with "Dependency", "Tension", and "Influence" category. A score of 2.12 or above is considered "highly apprehensive", while a score of 2.13 or higher is considered "highly impactful." The "highly apprehensive" and "highly impactful" can be summed up in 29 consideration aspects.

After accounting managers' expectations and the material aspects defined by internal and external stakeholders, some of the low priority topics and ELAN's 5 special aspects will also be added into consideration. A total of 34 material consideration aspects are then submitted to the Vice President. Note that the corresponding consideration aspect of each indicator is the

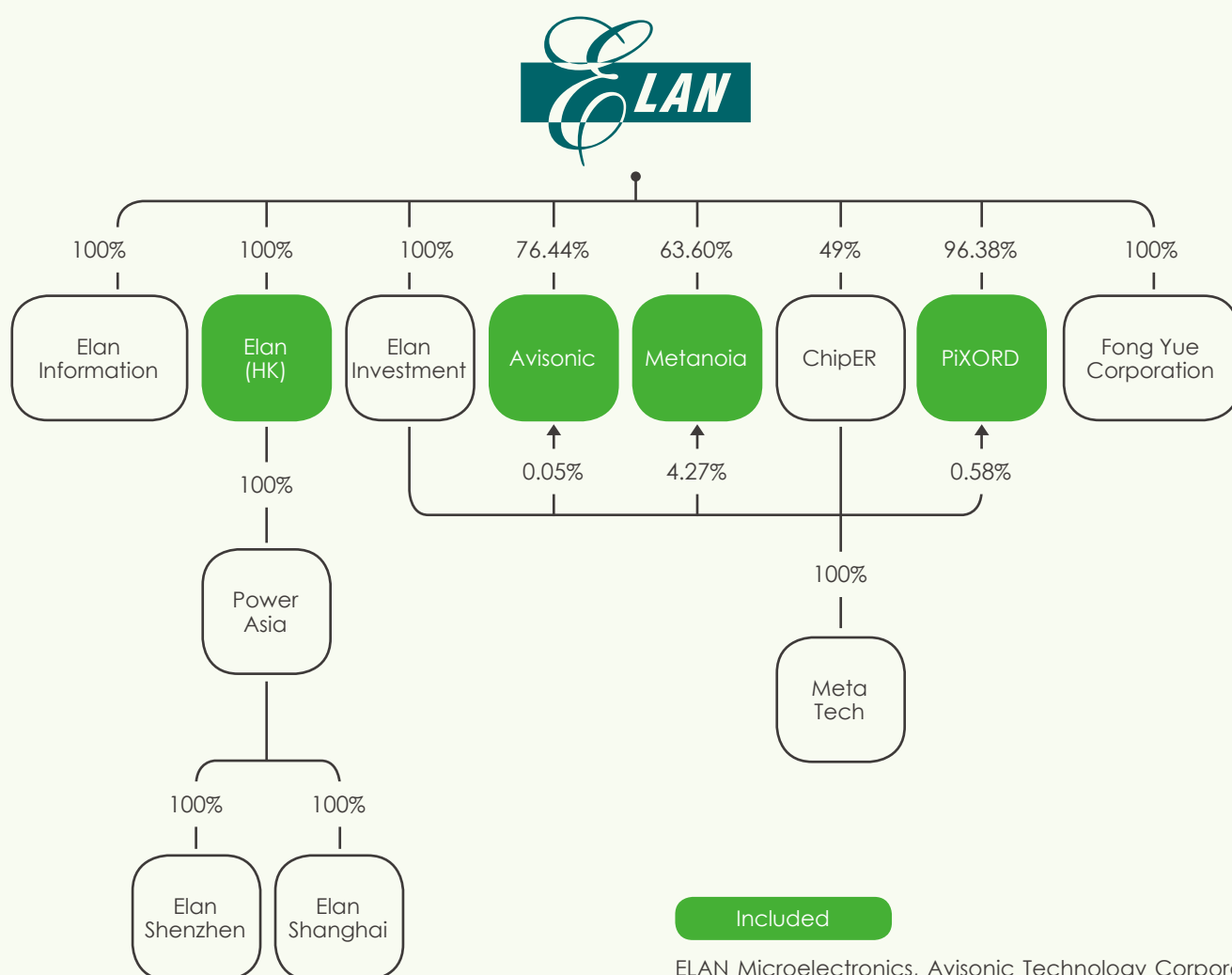


material aspect to be considered. Discussions are taken place in each department on the feasibility of the operations and 7 categories of internal and external stakeholders within the organization are confirmed. This process is to ensure that the report is reasonable and evenly describes Company's impacts on economy, environment, and society. Ultimately, provide a way for stakeholders to evaluate Company's performance.

Due to the fact that this report adheres to core principles in selecting items for disclosure, each material aspect exposes at least one indicator. Hence, except for the other categories and the single-indicator aspect which are excluded from the assessment, indicators all other material aspects are forwarded to a designated unit for further evaluation. The assigned unit reviews whether the material will impact the company's internal and external organization, provides ratings on the degree of the impact (if any) and the degree of concern, then defines 50 major indicators that will be covered within the scope of the CSR report.

Defined entities within the organization

In addition to ELAN's parent company, this report also covers the consolidated financial statements of all listed entities within the corporate organization. The report focuses on disclosing the ones with greater consolidated revenue, larger numbers of employees, company registration certificates and located in Hsinchu headquarters.



Included

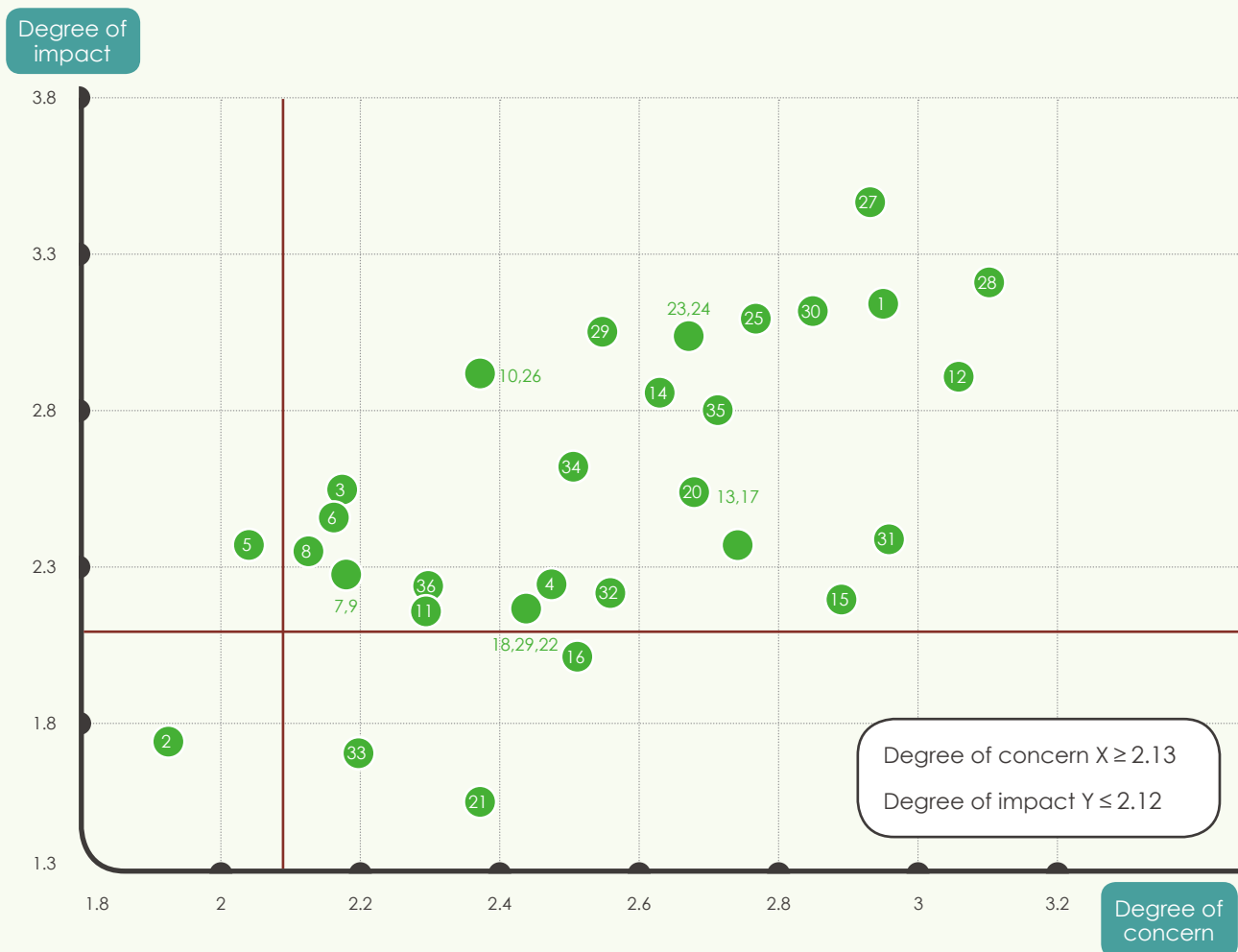
ELAN Microelectronics, Avisonic Technology Corporation, Metanoia Communications Incorporated, PiXORD Corporation and ELAN (H.K.).

Excluded

Elan Information, ELAN Investment, ChipER Technology, Fong Yue Corporation, Power Asia, ELAN Shenzhen, ELAN Shanghai, Meta Tech and Meta Comm.

Note: Meta Comm completed the liquidation in January 2017.

The approval of material consideration aspects



Impact boundaries of material aspects within and outside of the organization

Material Aspect		Entities within the Organization					Entities outside of the Organization			
		ELAN	Affiliates				Customer	Agent	Leading platform manufacturer	Supplier
			Metanoia	Avisonic	PiXORD	ELAN (H.K.)				
Economy	1 Economic performance	✓	✓	✓	✓	✓	●	●		●
	2 Market Presence	✓	✓	✓	✓	✓				●
	3 Procurement practices	✓	✓	✓	✓	✓				●
	4 Anti-corruption	✓	●	●	●					
Environment	5 Materials	✓	✓	✓	✓	✓				
	6 Energy	✓	✓	✓	✓	✓				
	7 Water and Effluents	✓	✓	✓	✓	✓				
	8 Emissions	✓	✓	✓	✓	✓				
	9 Effluents and Waste	✓	✓	✓	✓	✓				
	10 Environmental Compliance	✓	✓	✓	✓	✓				
	11 Supplier Environmental Assessment	✓	●	●	●					●

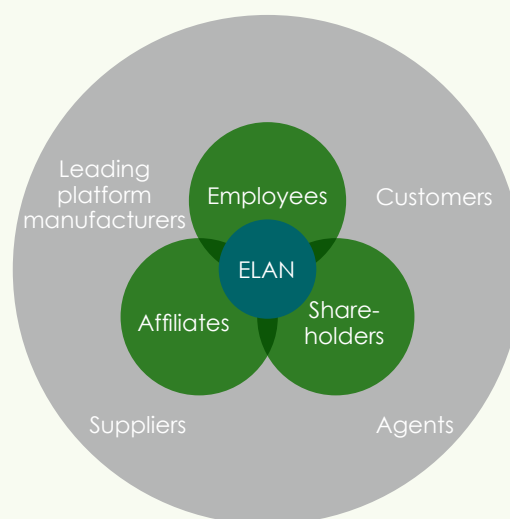
		Material Aspect	Entities within the Organization					Entities outside of the Organization			
			ELAN	Affiliates				Customer	Agent	Leading platform manufacturer	Supplier
				Metanoia	Avisonic	PIXORD	ELAN (H.K.)				
Society	12	Employment	✓	✓	✓	✓	✓				
	13	Labor/Management Relations	✓	✓	✓	✓	✓				
	14	Occupational Health and Safety	✓	✓	✓	✓	✓				●
	15	Training and Education	✓	✓	✓	✓	✓				
	17	Non-Discrimination	✓	✓	✓	✓	✓				●
	18	Freedom of Association and Collective Bargaining	✓	✓	✓	✓	✓				
	19	Child labor	✓	✓	✓	✓	✓				●
	20	Forced or Compulsory Labor	✓	✓	✓	✓	✓				
	22	Supplier Social Assessment	✓	✓	✓	✓	✓				●
	23	Customer Health and Safety	✓	✓	✓	✓	✓				●
	24	Marketing and Labeling	✓	✓	✓	✓	✓				●
	25	Customer Privacy	✓	✓	✓	✓	✓				
	26	Socioeconomic Compliance	✓	✓	✓	✓	✓				
Other	27	Customer engagement	✓	✓	✓	✓					
	28	New product development	✓	✓	✓	✓					
	29	Supplier strategy	✓	●	●	●					●
	30	Operational performance indicator	✓	●	●	●					
	31	Care for employees and their families	✓	●	●	●					
	32	Industry-University Cooperation Program	✓	✓	✓	✓					
	33	Participation in public service	✓	●	●	●					
	34	Risk management	✓	●	●	●					
	35	Product contribution to world trends	✓	●	●	●					
	36	Investor relations transparency	✓	●	●	●					

✓ Information disclosed. ● Information to be disclosed in the future.

Note: Impact boundaries of material aspects within and outside of the organization focus on entities, therefore, employees and shareholders are not shown in the table.

3.2 Stakeholder engagement

To pursue a sustainable development of the company, understanding stakeholders' point of view is crucial in achieving transparent communication and building important future references. In addition to the communication during routine business operations, an external contact mailbox is also provided on Company's website as an effort to stay in touch with the stakeholder.



● Within the Organization ● Outside of the Organization

Within or Outside of the Organization	Stakeholder	Concerned topic	Communication channel	Commication frequency	Responsible unit
Within the Organization	Employee		Employee satisfaction survey	Annually	
		Society - Labor/Management Relations	Operational & Labor/management meeting	Monthly	
		Economy - Economic Performance	Employee suggestion box	—	HPM,
		Other - Care for employees and their families	Stakeholder survey	Annually	CSR Report Committee
		Other - New product development	New recruit/on-job traings and education	Monthly/non-scheduled	
		Other - Training and Education	Individual performance interview	Every six months	
			Department meeting	non-scheduled	
	Shareholder	General shareholder	Shareholder's meeting	Annually	
			Annual report	Annually	
			Major announcement	—	
			Company website	—	
			Stakeholder survey	Annually	Investment Relations Office
		Corporate shareholder	Spokeperson	non-scheduled	
			Company visit	—	
			Corporate seminar	Quarterly	
			Spokeperson	—	
			Annual report	Annually	
	Affiliate	Other - New product development			
		Society - Labor/Management Relations	Phone/E-mail	—	Sales Department
		Other - Customer engagement			
		Other - Care for employees and their families	Stakeholder survey	Annually	CSR Report Committee
		Society - Non-discrimination			

Within or Outside of the Organization	Stakeholder	Concerned topic	Communication channel	Commicaition frequency	Responsible unit
Outside of the Organization	Customer	Other - New product development	Compnay website	—	Sales Department,
		Other - Supplier strategy	Phone/E-mail	—	
		Society - Customer Health and Safety	Satisfication survey	Every six months	QA Department,
		Society - Marketing and Labeling	Stakeholder survey	Annually	CSR Report Committee
		Other - Customer engagement	External mailbox	—	
		Economy - Economic Performance	Compnay website	—	
	Agents	Other - Supplier strategy	Compnay website	—	
		Other - New product development	Phone/E-mail	—	Sales Department,
		Society - Customer Privacy	Satisfication survey	Every six months	QA Department,
		Environment - Materials	Stakeholder survey	Annually	CSR Report Committee
		Environment - Supplier Environmental Assessment	External mailbox	—	
		Society - Customer Health and Safety			
		Society - Marketing and Labeling			
		Suppliers	Other - Supplier strategy	Compnay website	—
	Other - New product development		Phone/E-mail	—	Development & Planning Department
	Other - Business performance indicators		Outsourcing meeting	Monthly	
	Other - Business performance indicators		Supplier audit	—	QA Department,
	Society - Customer Privacy		Supplier conference	Every six months	
	Other - Industry-University Cooperation Program		Stakeholder survey	Annually	CSR Report Committee
	Other - Industry-University Cooperation Program		External mailbox	—	
	Leading platform manufacturers	Other - Customer engagement			
		Other - New product development	Project meeting	—	
		Other - Business performance indicators			
		Other - Care for employees and their families	Company visit	—	Market Planning Department
		Society - Labor/ Management Relations			
		Society - Non-discrimination	Phone/E-mail	Non-sceduled	Sales Department
		Society - Forced or Compulsory Labor			
		Society - Child Labor	Compnay website	Non-sceduled	R&D Department
		Society - Freedom of Association and Collective Bargaining			
		Society - Supplier social evaluation	Stakeholder survey	Annually	CSR Report Committee
		Society - Anti-corruption			
		Society - Customer Health and Safety			
		Society - Marketing and Labeling	External mailbox	—	
		Society - Customer Privacy			

PRODUCT DESIGN AND CUSTOMER RIGHTS AND INTERESTS

- 4.1 Customer relationship and involvement with leading platforms
- 4.2 A sound patent system that encourages employee to innovate new products
- 4.3 Knowledge management system that accelerates the efficiency of new product technology integration
- 4.4 Product contribution in relation to world's trend
- 4.5 Product and service labeling
- 4.6 Customer service and rights
- 4.7 Customer privacy
- 4.8 Customer satisfaction survey

Number of Microsoft Windows certificates obtained	1,875 (include 383 Pen Digitizer Certifications)
Number of patents obtained	42
Number of fines imposed for violations of health and safety regulations regarding products and services	0
Number of complaints related to infringement of customer privacy or loss of customer information	0
Number of industry-university cooperation	5
The annual shipment of touch pens is more than 14 million sets, with a market share of over 60%.	World's first
The global market share of touch pad module and chip is over 35%.	World's second

Nowadays, IC design companies in Taiwan have different objectives. In the past, whenever a new product rose up in the US market, companies in Taiwan rushed to catch up with the new technology in order to meet the US market demand. Now that Taiwan's IC design industry has risen, we begin to play a role in creating new markets instead of just being a follower.

Innovators can be divided into two types: there are those that lead specification makers and those that participate in common development. To play an innovator role, a country needs to have a large enough market scale. As for now, manufacturers in Taiwan are able to lead and participate in the writing of specifications in NB, Tablet, Smart Phone, TV peripherals and man-machine interface products. In 2017, ELAN Microelectronics has mass produced 277 sets of new product solutions.



4.1 Customer relationship and involvement with leading platforms

ELAN understands and has been actively involved in the certification process of Microsoft and Google. In addition to serving related information, conferring with Microsoft and Google personnel, visiting MSDN-related websites (Public), and ensuring certifications is up to date, ELAN also assists Microsoft and Google in testing and providing data and suggestions as reference before the specifications of a certification is determined.

Take Microsoft's release of Windows 7, Windows 8, Windows 8.1, Windows 10 certifications for example, before the certifications were issued, ELAN assisted Microsoft in confirming the test specifications and provided technical suggestions. Once the certifications were issued, ELAN quickly helped the customer passes the touch certifications. From 2014 to the end of 2017, ELAN has assisted 50 brands, a total of 1,103 projects, in achieving 1,875 Touch Logo Certifications, 383 of which are Pen Digitizer Certifications.

ELAN Touch Pad Solution can simultaneously support self-sensing and mutual-sensing functions. Unlike other competitors, facing the stringent requirements of Google Chrome OS, some of

ELAN's test items have even exceeded Google Chrome's standards. In addition, though ELAN Touch Pad Solution has been listed on Chrome Authorized Vendor List (AVL), we still pay regularly visits to the Google team in United States and Taipei, to make sure our Track Pad Solution is keeping up with the the evolution of Google Chrome. With strong R&D team, good supply chain management and service, ELAN has gained the trust of our customer. In 2017, 11 million pieces of ELAN Trackpad solution for Chromebook NB have been shipped.

Since ELAN's successful collaboration with Google/ ASUS on NEXUS 7 tablet, ELAN R&D capability has long been affirmed by Google. Hence, when the new generation of Chromebook was designed, ELAN participated in the Google specification discussion, and collaborated with first-tier NB manufacturers. ELAN has made a breakthrough from the past Taiwan IC designer's role, an epigone or a follower of specs, and transformed into a specification joint-maker. With synchronized research and development, and ELAN's practical experiences with mass production, products are able to be synchronously released, grasping market opportunities. This is also why ELAN Chromebook Solution has become a successful Google's strategy partner.

In 2015, Microsoft released a new generation of operating software, Windows 10. Due to the close relationship with Microsoft, not only do ELAN's Smart-Touchscreen and Active Pen Solution support the touch solution of Windows 10 operating system, they were also the world's first to be certified by Windows and Microsoft Pen. The market share of ELAN's Smart-Touchscreen ranks first in the world, making Capacitive Active Pen Solution will become one of the ELAN's main products.

ELAN's Smart-Touchscreen™ & Active Pen Solution is World's 1st with Microsoft Pen

\Friendly reminder\

One of the advantages of ELAN's capacitive active pen is its ability to improve accuracy in features such as floating, pressure sensitivity, and pen buttons, and making it seem like writing with an actual pen on a piece of paper.



4.2 A sound patent system that encourages employee to innovate new products

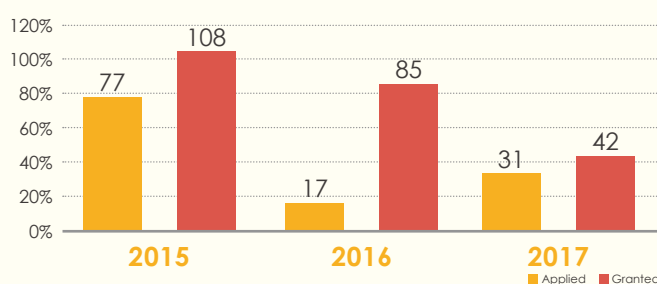
To encourage employees to invent new products, ELAN set up the Intellectual Property Right and Legal Department, a unit dedicated to provide generous bonus system. By putting forth a new innovation that has a market value and meets the eligibility requirements prescribed in the Domestic and International Patent Law, an employee can apply for patent awards according to "Patent Management Regulation", and submit an application for a patent to protect R&D achievement. The Intellectual Property Right and Legal Department currently hold regular meetings to review these patent applications, for applications that pass the review, bonuses will be given. If an application has been approved and a patent is granted, another bonus will be given as an appreciation to the developers. ELAN's sound patent system effectively gives employees sense of achievement, making this energy of creativity flows endlessly.

To protect the company's intellectual property rights internationally, after careful evaluation of ELAN R&D personnel, patent applications are written and professional attorneys are brought in to assist in applying for patents in places such as the United States, Europe, China, etc.

The Group's Numbers of patents applied and granted in 2017

ELAN	30 applied, 37 granted.
Metanoia	1 applied, 4 granted.
Avisonic	0 applied, 1 granted.
PIXORD	N/A
ELAN (H.K.)	N/A

Note 1: ELAN (H.K.) is a delivery and customer service center. It does not have an R&D department so patents are N/A.



4.3 Knowledge management system that accelerates the efficiency of new product technology integration

Effectively re-utilize the accumulated technology capabilities, and accelerate the efficiency of new product technology integration.

Since 2014, the flow has guided the way to standardize development process of new products. Utilizing ELAN's high degree of electronic operation, reference series documentations, consolidation of reference information areas and product development, various systems are combined into a single portal for new product proposals / development / verification process standardization.

Since the launch of the online Knowledge Management System in February 2008, as of December 31st, 2017, up to 312,453 visitors logged in, and the number of uploaded files reached 58,748.



The implementation of the Knowledge Management System is divided into 3 stages, each stage has its own objectives and tasks.



Industry-university cooperative project

ELAN Microelectronics continues to cultivate autonomous technology, and pays close attention to the academia and technology development trends, as well as the dynamics of the industry, ELAN regularly looks for related professors and their research realms. At any time, in response to company future development, maintain a free-flowing communication channel within the industrial and academic circles. Moreover, when entering a new industry or field, we will first conduct an internal inventory of our own technological capacity, then consider the time demands, and look for relevant technological cooperative partners. If there are suitable partners, will reach out to them. After the two parties confirmed their willingness to cooperate, an NDA (Non-Disclosure Agreement) will be signed to protect intellectual property rights, ownership, and contracts. ELAN is committed to the commercialization of the results of industry-university cooperation, creating a win-win situation.

In 2017, ELAN carried out five industry-university cooperative projects with academic professors and industry experts. Metanoia, PiXORD, Avisonic, ELAN (H.K.) have no relevant cooperation plans.

4.4 Product contribution in relation to world's trend

The slowdown of demand in emerging markets has led to weak growth in consumer-end smart products. TrendForce's latest research shows that global smartphone shipments reached 1.46 billion in 2017, an annual growth of 6.5%. Annual shipment for notebook has also increased by 2.1%, with a total of 165 million units. According to IDC, global tablet shipments in 2017 has decreased by 3.5% to 163 million units compared to the previous year.

In order to respond to the rapid changes in the overall economic changes and the all-time competitive industry, ELAN continues to invest a large amount of research and development expenses, as well as engineering human resources in the technical improvement and application of touch and biometrics. Nonetheless, ELAN also invests in artificial intelligence (AI) technology to strengthen product functions and reduce costs. With major orders from global manufacturers of all first-tier brands, ELAN's 2017 shipments on Touch NB chips exceeded 14 million sets, including, ranking world's first in market share with an annual growth rate of 60% and a market share of 60% and more. In addition, more than 5 million smartphone chips, 3.3 million tablet chips, and 7.3 million fingerprint identification chips were shipped. Facing strong competitions from the market, ELAN still made an all-out effort.

At the same time, another main product, Touch Pad Module and Chip which is mainly used in notebook computers, currently has a global market share of over 35%, ranking second in the world and continuing to achieve the goal of becoming the world's first. To enhance the competitiveness of our customers in the international market, we continue to improve chip characteristics such as single chip, high voltage, low noise, and low power consumption to achieve better performance. In 2017, the total shipments exceeded 57 million units, an annual growth of 18%. The addition of touch screen chips and touchpad dies and chips has built up ELAN's major revenue and profit.

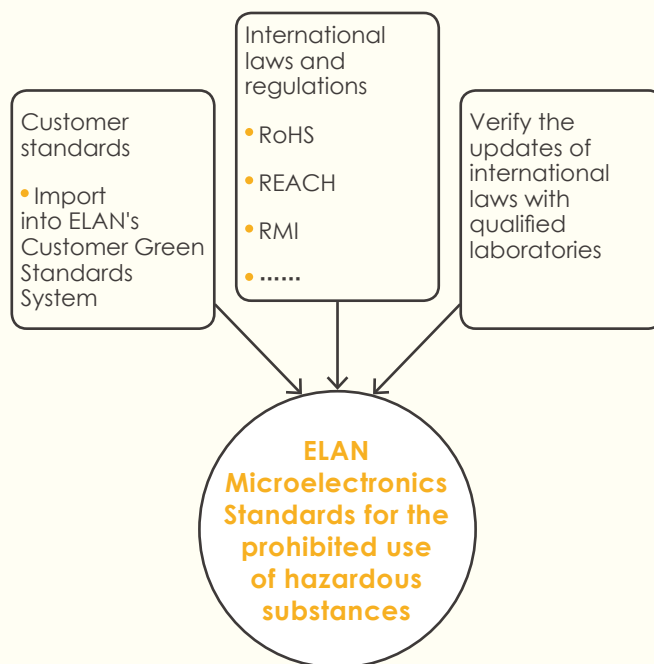
4.5 Product and service labeling

ELAN established the Hazardous Substance Management Program Book based on international, industrial and customer standards for the prohibited/restricted use of hazardous substances. The Book is also used as the standard to manage the prohibited /restricted chemical substances use of our suppliers, in order to strictly control all products, spare parts, materials, and to meet international, industrial and customer standards.

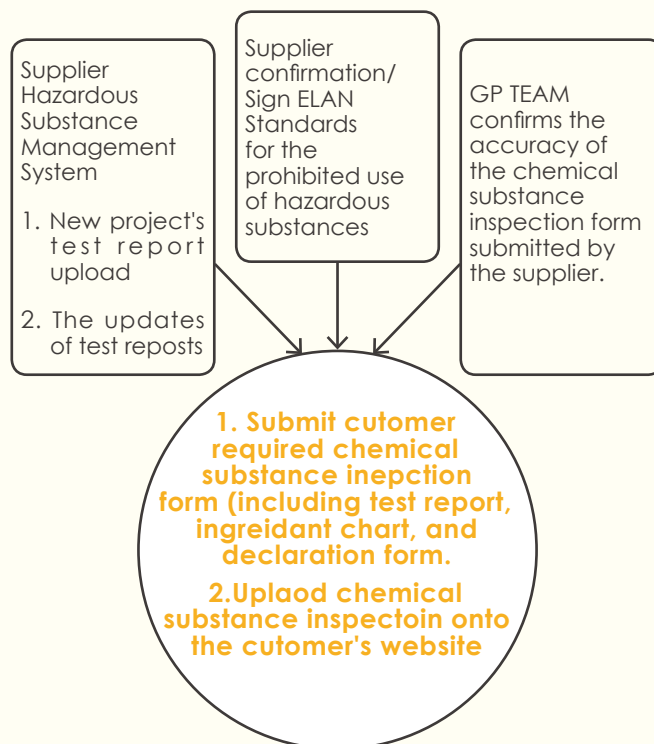
- "Hazardous Substance Management System": The information required by the client is handled by ELAN's external window. On ELAN's Electronic Document System, apply for the "GP Document Request Form". The QA department will then handle the required files and upload them to the company's internal window or the customer's system to fulfill customer's needs.
- When submitting a GP file that meets the customer's requirements, the GP TEAM must also assure that ELAN's electronic products meet the customer's needs. In 2017, the material review of green materials has continued to optimize the material uploading system to facilitate the convenience and efficiency for both suppliers to upload and ELAN to review files.
- Annual educational trainings: Each year, ELAN conducts trainings on harmful substances and communicate with its internal staff and external suppliers.
- Labeling: When shipping, all should be in accordance whether the products are in compliance with affixed relevant Green Logo labels (RoHS, SONY, without any Green logo label) on the carton boxes.
- Safe use of products or services: For TP module specifications, in addition to the basic spec., dimension, and general descriptions, products should have a descriptive interface on applications and connector pin setting instructions to avoid design errors. Operating ranges such as maximum withstand voltage, current, temperature, etc. will also be labeled clearly.

Up until 2017, there are no offences leading to huge fines or related violations of products and services information regulations.

ELAN's Hazardous Substance Standards setup process



Customer product confirmation submission process



Subsequent Disposal of the Products and its Environmental and Social Impact

1. At present, ELAN is scrapping the subsequent disposal of the product. in order to reduce environmental hazards, for the existing products, the Quality Assurance Department has implemented the Hazardous Substance Control System and QPN System to store related files on RoHS, SDS (safety information chart), REACH, Halogen-free, and Conflict Mineral provided by the suppliers.

- Go to ELAN Electronic Document System to fill out a GP document application. QA will then handle the application and return related documents back to the customer.
- Copyright infringement: When cooperating with a new customer, an NDA (Non-disclosure Agreement) needs to be signed. ELAN Legal Department will provide a standard document, or the other party can provide their own document. After reviewing the document, both parties should sign if there are no objections.
- Customer complaints: Agent/customer returns the NG sample and fills out a customer complaint form which can be found on ELAN official website (under Customer Service System). ELAN will then analyze the sample determine responsibility. Finally, a failure analysis report will be submitted.
 - If it is ELAN's responsibility, make preventive measures and improvement plans.
 - If it is Customer's responsibility, assist customer in understanding real causes and improve quality.
- RBA and CSR Investigation: Units in charge should respond to the customers according in answering company related questions.

2. New materials will go through BOM (Bill of Materials) management. BOM has Green Product rating requirements; ELAN purchase orders also have Green Product rating requirements.

Adherence to environmental protection and industrial safety is necessary for sustainable operation.

ELAN insists on using "Green products". All ELAN product series are in accordance to RoHS, Sony GP, REACH, and Halogen-free requirements. Hazardous substance declaration forms are provided.

- Products conformed to EU RoHS (2011/65/EU) are labeled with 



- Products conformed to Sony (SS-00259) are labeled with  HF GP



3. To safeguard personnel's health and environmental safety, ELAN shall comply with customer requirements for chemical substances. Therefore, when designing products, material selected shall all be in accordance with the designated Green Product specifications. Suppliers are also strictly required to limit or ban the use of harmful chemicals, and provide MSDS, SGS Verification Reports etc., for ELAN to recognize and admit these materials. Multiple inspections and verifications also done to once again ensure the safety of all chosen materials.

ELAN Basic Requirements Index

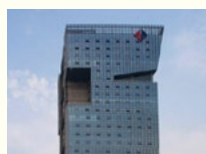
	Substance Name	Limited Value
RoHS	Lead and Lead compounds (Pb)	When using electroless nickel plating or electroless gold plating, the resulting coating has a lead content of more than 800 ppm. 1. The permissible concentration limit of lead in paint is less than 90 ppm; and less than 800 ppm in solder. 2. The permissible concentration limit of lead in plastic (including PCBs), rubber, coatings, and inks is less than 100 ppm. 3. The permissible concentration limit of lead for all other materials is less than 100 ppm.
	Cadmium and Cadmium compounds (Cd)	Applications: Plastic (including PCBs), rubber, coatings, inks, and the permissible concentration limit for all other materials is < 2 ppm.
	Mercury and Mercury compounds (Hg)	None
	Hexavalent Chromium compounds (Cr ⁺⁶)	None
	Polybrominated Biphenyls (PBB)	None
	Polybrominated Diphenyl Ethers (PBDE)	None
	Di-2-ethylhexyl Phthalate (DEHP)	None
	Benzyl Butyl Phthalate (BBP)	None
	Dibutyl phthalate (DBP)	None
	Diisobutyl Phthalate (DIBP)	None
Halogen-free	Cl (Chlorine)	< 700 PPM
	Br (Bromine)	< 700 PPM
	Cl (Chlorine) + Br (Bromine)	< 1000 PPM
Packaging Materials	Cd + Pb + Hg + Cr ⁺⁶	< 100 PPM

4.6 Customer service and customer rights

ELAN has established entity stronghold layout and internet marketing in Shenzhen, Chongqing, Suzhou, Shanghai, Hong Kong and the United States. Aside from the bases, it has separated customer service, strategic planning and management centers. The company's website in both Chinese (Simplified and Traditional Chinese characters) and English also provides latest information on the industry and the company, product catalogs are updated on a regular basis as well. Setting up this website exposes the brand and allows consumers around the world to quickly obtain product information. Nonetheless, the design of the website also gives the brand a personality. Having no borders on the internet, ELAN is able to connect with our consumers all around the world, thus strengthens the brand loyalty.

ELAN provides our customer with a full range of communication channels through the Customer Service website. It enables customers to effectively control the status of the bilateral cooperation, manage and track important projects and application programs, and access relevant market information. Customer satisfaction surveys also help the company in gaining customers' feedbacks and perfecting the quality of our customer service. Such value-added service makes the company an even more ideal cooperation partner with scope and efficiency. Not to mention its asset in strengthening relationships with existing customers and developing new customers.

In addition to prioritizing customer requirements for the perfection of a product, we value the success of our customers as they are, in some ways, our success too. We exert continuous efforts in building long-term partnerships with customers, and are committed to provide the best service, increase customer satisfaction and become a trusted partner. We conduct regular customer satisfaction surveys to ensure that customer needs are understood and properly addressed.



ELAN Microelectronics Corp.
Shenzhen, China



ELAN Microelectronics Corp.
Shenzhen, China



ELAN Microelectronics Corp.
Shenzhen, China



ELAN Microelectronics Corp.
Shanghai, China



ELAN Microelectronics Corp.
Hong Kong



ELAN Information Technology Group
U.S.A.

4.7 Customer privacy protection

All levels of personnel in the company are well-informed and understand the importance of trade secrets. To be trusted by customers with great confidence is essential for a company to achieve an outstanding performance. By implementing Company's existing regulations and having company-wide support from all employees, no complaint on customer privacy violation or loss of customer information is received from 2014 to the present.

*General Manager's declaration: Through Company's internal bulletin, the General Manager exhorts all colleagues to fully implement confidentiality of customer information in order to increase and affirm client's trust.

*Non-Disclosure Agreement: Cooperative development plans between Company and customers are covered by Non-Disclosure Agreement (NDA). By signing an NDA, the spirit of cooperation is respected. The client's requirements must be met and the mechanisms of bilateral cooperation and trade secrets have to be maintained.

*Adhere to integrity management and set the code of conduct: The company has established integrity management operating procedures and execution guidelines with its implementation delegated to the Intellectual Property Right and Legal Department, which committed in dealing with trade secrets. The department manages the development, implementation and monitoring of company in-house trade secrets. It is also responsible for the effective safe-keeping and preservation of the trade secrets to ensure their sustained confidentiality. Meanwhile, all employees are required to strictly follow the relevant trade secret rules that against divulging company confidential information.

*Prototype Management Control System: In order to promote the efficiency of product development during R&D process, the customer's prototype is usually brought back to Company premises. The company has established a Prototype Management Control System where an engineer is assigned to oversee the safety and confidentiality of the customer's prototype.

*Website access control of cooperating manufacturer's: If a company wish to access to ELAN's customer service or outsourcing interactive website, it needs to ask for permission from the relevant units first. Only after the access application is approved and an account number is provided, can such company be allowed to access ELAN customer service website.

With extensive experiences in mass production, ELAN has become one of the leading innovators on the touch controller IC industry supply chain, and is involved in the specifications development with well-known brands on products such as Intel Ultrabook, Microsoft-Win 8 and Google Nexus 7. From IC technology development, product manufacturing (ODM plant) to mass production implementation, ELAN's worldwide supply chains provide products at competitive price in shortest time possible and fast services that meet customers' requirements. Each department works closely together to offer global integrated logistics, shorten delivery lead time and increase the rate of meeting customer order requirements and inventory turnover. At the same time, ELAN will further exert efforts in reducing inventory and transportation costs.

4.8 Customer Satisfaction Survey

ELAN conducts e-Customer Satisfaction Survey twice a year with various product lines' key customers and agents. The survey is categorized into areas such as Delivery and Quantity, IC Quality, Customer Service and Customer Complaint, Technical Services, Marketing Services, etc. The results of the survey are submitted to related departments for further analysis. Since 2014, the Company has included the overall response rate and the score received on the Customer Satisfaction Survey as a part of department's KPI items (this policy is also applicable to ELAN Hong Kong).

ELAN

1. ELAN conducts the Customer Satisfaction Survey in middle and end of each year as an evaluation of ELAN products and services from customers' perceptions. Items included in the statistic are as follows:

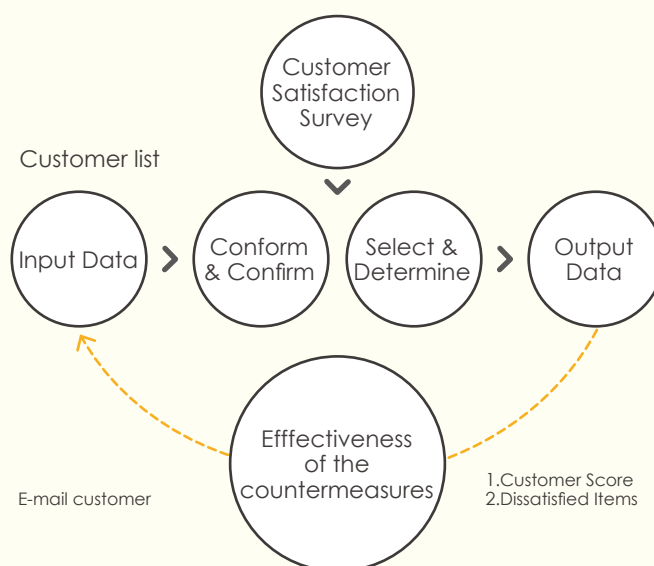
- Survey response rate
- Classified reasons for customer dissatisfaction
- Sales and technical service score
- Tracking of customer satisfaction and improvements

2. Emphasize on the items with low satisfaction and propose corrective and preventive measures. Sales personnel have to understand the reasons for customer dissatisfaction, make improvement actions and confirm the effectiveness of the countermeasures.

3. CSR-related topic was added in the 2016 Customer Satisfaction Survey to evaluate customers' satisfactory on the information ELAN disclosed in the CSR report. The topic is as follows: Does the information disclosed on corporate social responsibility satisfy the customers' needs?

4. 2017 ELAN Microelectronics (Hsinchu) Customer Satisfaction Survey results:

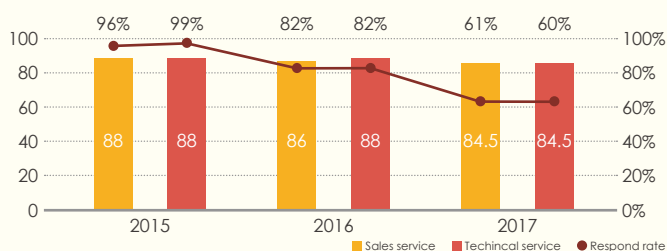
Product Line	Quantity Issued	Numbers of Survey Responses		Response Rate (%)
		Sales Service	Technical Service	
MCU Products	25	25	25	100
Smart human-machine Interface product	46	18	16	37
Fingerprint identification product	12	8	9	71
Total	83	32	30	61
Response rate (%)		61	60	



The response rate of the 2017 satisfaction survey has decreased by 21% compared to 2016. Among all surveyed products, product lines with large decline (37% in smart human interface products and 71% in fingerprint identification products) will be reviewed. Departments in charge should find out the reasons for the low response rate and come up with improvement measures.

Review Item	Score	Department In Charge	Resolutions
Low satisfaction survey response rate	37	SHI SHI-CN	Departments in charge should find out the reasons for the low response rate and come up with improvement measures.
Low satisfaction survey response rate	61	FPN FPC FPS	Departments in charge should find out the reasons for the low response rate and come up with improvement measures.

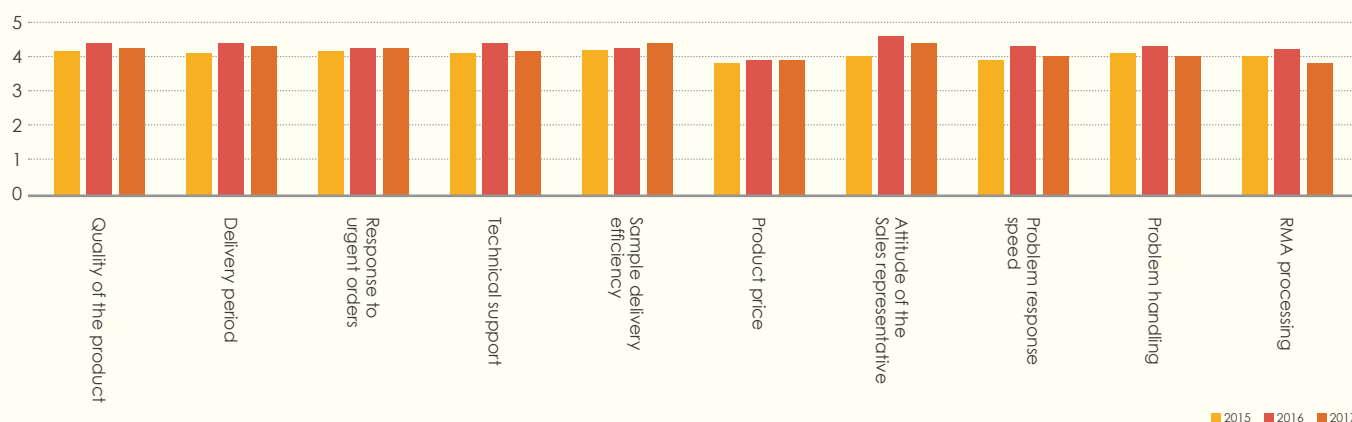
ELAN Microelectronics (Hsinchu) 2015 – 2017 Customer Satisfaction Survey



Note 1: Target: If the semi-annual Customer Satisfaction Survey receives a score below 70 points or a 10% decline from the previous, a meeting will be held to review and propose improvement measures.

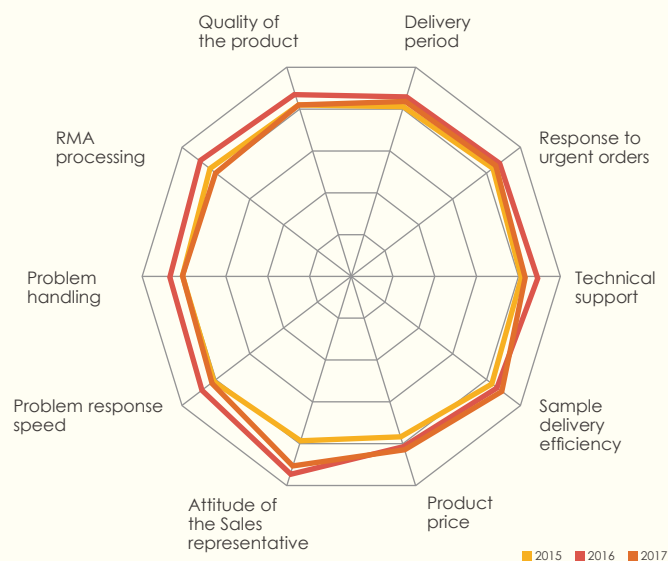
Note 2: Analysis results: The table above is a statistical analysis and comparison of customer satisfaction from 2015 to 2017. So far, the results have all exceeded Company's expectations.

5. ELAN Microelectronics (Zhonghe) Customer Satisfaction Survey. In 2017, a total of 38 surveys were sent, 24 were collected and the response rate was 63%.



For the three items with the lowest score, the Sales Department will send a mail to the relevant department head for improvement measures.

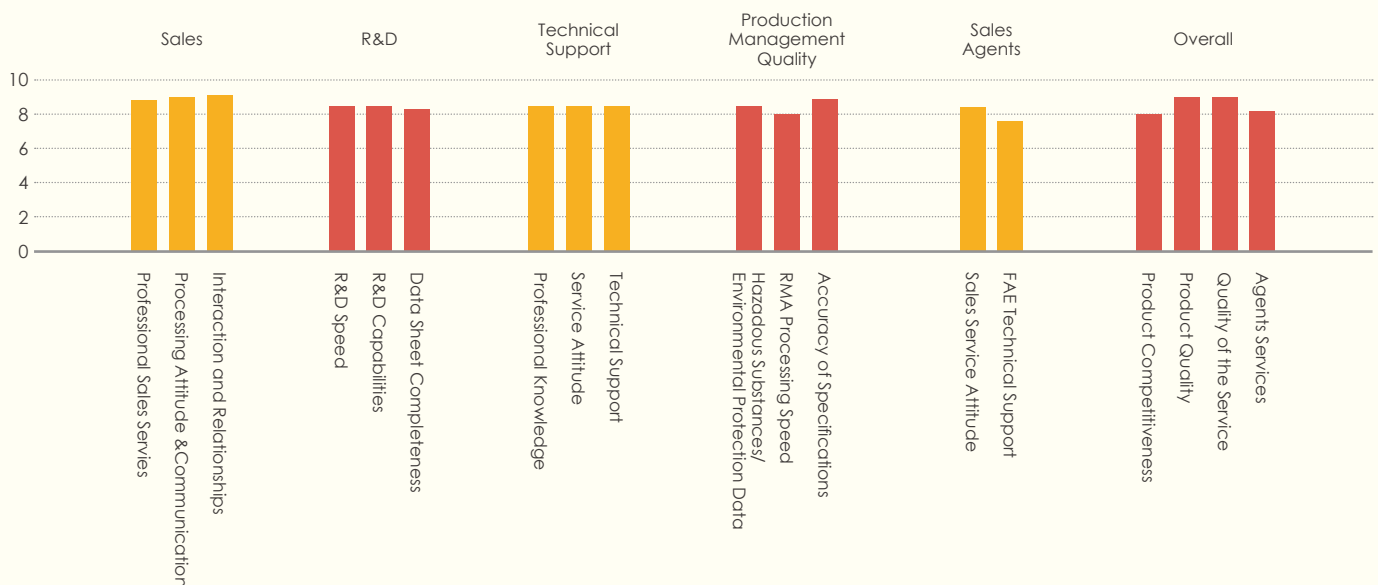
Review item	Score	Department in charge	Solution
RMA processing	92	QA	A new CS representative will be added to China base next month to serve customers in a timely manner. Taiwan base has already recruited a new CS representative to handle problems more quickly.
			- Convergence part specifications, establish major standards and recommend to customers.
		Purchase	- Planned production, minimizing urgent demands to improve quality yield (and indirectly reduce cost).
Product price	94		- Moderately relax specifications. Encourage shared materials.
		Sales	- Volume purchase to cut down prices. - Enhance and product innovation, quality improvement, delivery, etc. to increase customer acceptance.
Problem response speed	96	RD	For the China-end FAE, it is required to contact the customer within 2 days and coordinate the completion of the internal factory analysis. The same applies to plants in Taiwan as well. If the problem is not processed within 2 days, the system will notify the immediate supervisor, and the matter will be handled with more manpower. Furthermore, to improve processing speed for technical problems, work shifts may be extended to reduce the time spent on processing the problem or scheduling unexpected situations.
		Sales	Upon receiving a problem, notify the relevant units to handle at once.
		QA	A new CS representative will be added to China base next month to serve customers in a timely manner. Taiwan base has already recruited a new CS representative to handle problems more quickly.
Problem handling	96	RD	In addition to the immediate dispatch of the staff in the case of issue, review and report to the superiors on the handling process and ways to avoid the same from happening again.
		QA	A new CS representative will be added to China base next month to serve customers in a timely manner. Taiwan base has already recruited a new CS representative to handle problems more quickly.



Metanoia

Conduct an e-Customer Satisfaction Survey on its clients and agents every year. The survey focuses on sales, R&D, Technical Support, Quality of Production Management, supplier, and overall. The results of the survey are submitted to related departments for review.

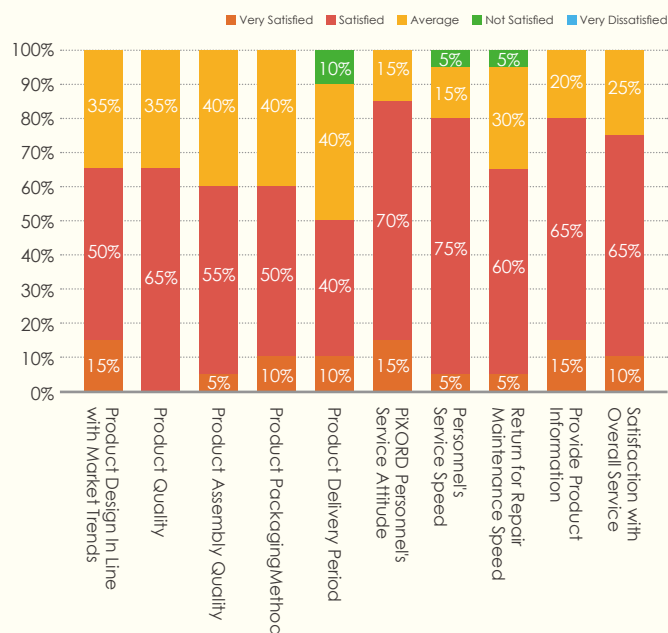
According to this year's Customer Satisfaction Survey results, average scores in "R&D", "Production Management Quality", "Sales Agents" and "Overall" are lower than KPI 8.5 points. Among them, "Sales Agents" has the lowest score, 8 points. Educational training on agent's FAE technical support has been strengthened. As for the RMA processing speed, documents required by the customer and complete have been simplified and the SOP has been set up. However, compared with the average point of 6.7 last year, the overall performance score of Metanoia in 2017 has improved significantly.



PIXORD

Conduct an annual e-Customer Satisfaction Survey with its major customers and agents. The survey covers areas such as Product Design, Order Delivery, Customer Service and Complaint, Technical Service, Sales Service, etc. The results of the survey are later submitted to related departments for review.

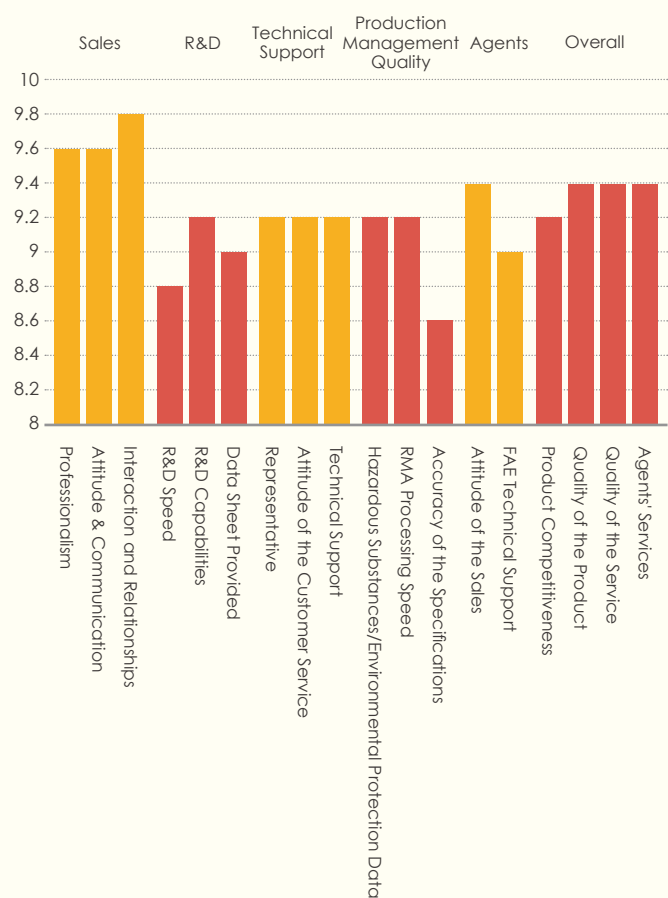
- Compared with the results in 2017, product design, level, and assembly quality are in line with market trends and the overall service satisfaction has slightly improved, but product delivery time is slightly lower.
- Personnel service attitude and repair quality of repair products have improved, and the overall service satisfaction has reached a satisfactory level.
- Achieved expectations: Enhance product design and service and to synchronize with market trends.
- How to achieve future expectations: Continue to maintain existing service levels and review and improve the overall services. The delivery period needs to be coordinated with the customer to create a win-win situation.



Avisonic

Conduct an annual e-Customer Satisfaction Survey on its major customers and agents. The survey focuses on areas including Sales, R&D, Technical Support, Production Management Quality, Agent, and the Overall Performance. The results of the survey are submitted to related departments for review.

According to the results of the customer satisfaction survey, the survey results in 2017 averaged 9.24 points, which was slightly higher than the average of 9.03 points in 2016, indicating that the overall performance of Avisonic in 2017 was slightly improved. After reviewing by relevant internal departments, ELAN will work harder to master the product demands in the target market, in order to strengthen product specification accuracy, shorten product specification evaluation and R&D time to meet customer needs and create a win-win situation.



SUPPLIER MANAGEMENT AND RISK MANAGEMENT



- 5.1 Supplier strategy
- 5.2 Key Performance Indicator, Management process optimization and electronization
- 5.3 Risk management

Critical Supplier Evaluation 100% Confirmation of CSR Report/ISO 9001/ISO 14001/OHSAS 18001.

71% of ELAN's suppliers are from Taiwan.

85% achievement rate of KPI throughout the company.

A total of 80 quality system risk items.

Environmental/safety and health risk management has been proposed and implemented.

5.1 Supplier strategy

ELAN's supplier strategy focuses on ensuring the quality, price and delivery our suppliers provided are meeting Company's needs. The operation of the suppliers should coordinate with ELAN's planning and development to stay competitive in the industry. In addition to put customer needs as the first priority and perfect our products, we also value customers' success as it is also ELAN's success. With sustained efforts to establish a far-reaching partnership with customers, ELAN is committed to providing customers with the best service, increasing customer satisfaction, and becoming customers' long-term trusted partner. Customer Satisfaction Surveys are conducted regularly to ensure that customer needs are understood and properly addressed.

In response to customer demands, we encourage suppliers to match up to Company's policies and continuously require suppliers to comply with environmental regulatory, provision of green products and ban the use of hazardous substances. For the processing of raw materials, suppliers have to guarantee that their products are free of internationally prohibited substances harmful to the environment and ensure compliance with the GP Spec requirements of the customer, RoHS, REACH of the EU, and other government requirements (e.g., Conflict Minerals Survey). For supplier quality, cost, delivery, service, and goal setting standards, questionnaires, performance evaluation or on-site audit will be used in order to increase localization of suppliers, strengthen the supply chain, and diverse risks.

In the 2017 Supplier Conference, we advocated ELAN's latest Green Product Policy and gave updates on ELAN CSR promotion progress. 14 suppliers who participated in the conference were also asked to fill out the Stakeholders Questionnaire. By holding annual supplier conferences, we are able to further discuss the advocated topics and achieve common goals through Green participation and CSR promotion.

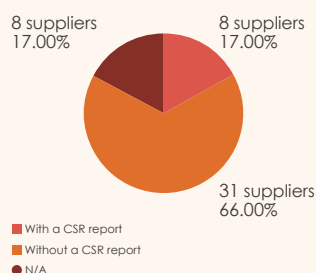
In 2017, a total of 47 important suppliers in Taiwan and the mainland have been surveyed:

- (1) Whether the supplier provide a CSR report.
- (2) Whether the supplier hold a 2015 ISO 9001 certificate.
- (3) Whether the supplier hold a 2015 ISO 14001 certificate.
- (4) Whether the supplier hold an OHSAS 18001 certificate.

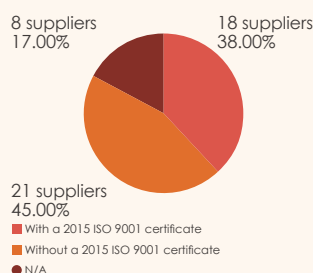
And the results are as follows:

Note: An important supplier refers to a manufacturer that accounts for 80% of the company's supplier transaction amount.

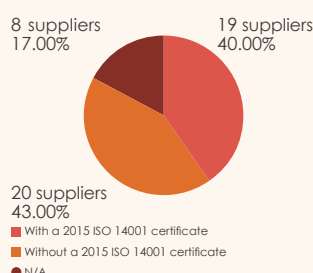
Whether the supplier provide a CSR report.



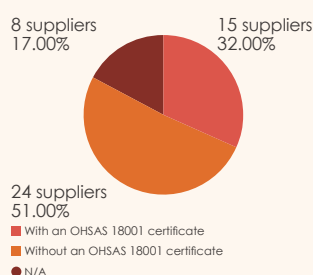
Whether the supplier hold a 2015 ISO 9001 certificate.



Whether the supplier hold a 2015 ISO 14001 certificate.



Whether the supplier hold an OHSAS 18001 certificate.

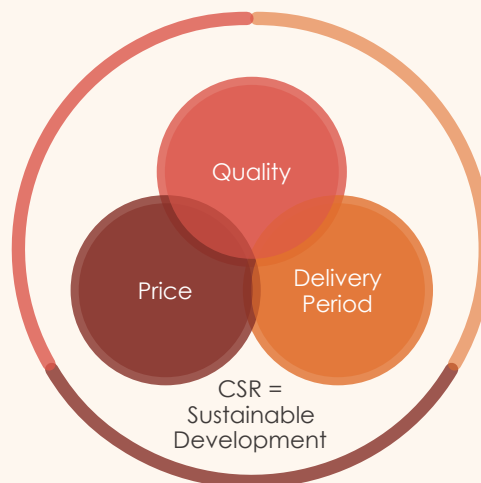


In the new 2017 supplier evaluation, the following factors will be added to the existing supplier evaluation: (1) Whether the supplier hold an ISO 14001 certificate, or an ISO 9001 certificate (2) Whether the supplier look into the OHSAS18001 certificate (3) Confirm the implementation of 2015 ISO 14001

In 2018, "Code of Conduct Compliance Declaration" is expected to be added to the evaluation. Confirm that suppliers follow the RBA Code of Conduct such as respect workers' freedom of association, group consultation, non-discrimination, no forced or child labor, etc.

Mechanism integrated into the organization's supply chain

Supplier management and evaluation methods are defined in the Supplier Management Procedure and Module Supplier Management Procedure. The Quality Assurance Department must carry out monthly supplier evaluations, communications, and meetings; conduct annual supplier audits on items include: quality system and management of the hazardous substances; and perform unscheduled inspections on suppliers, monitor package reliability, control FT product yield, and manage abnormality (production abnormality management/ incoming material abnormality management/major abnormality management).



ELAN supplier selection procedure flow chart

Operating Unit(s)	Operational procedure	Description	Operating form(s)
Production Planning Control Division	<pre> graph TD A[Requirement Application/Supplier Provide Related Information] --> B[Find Related Suppliers] B -- NG --> C((Data Review)) C -- YES --> D[Supplier Evaluation] C -- NG --> B D --> E((Supplier Approval)) E --> F[Qualified Supplier Log in] F -- YES --> G[Data Archive] G --> H[Notify and related units] H --> I[Suppliers are required to renew the ICP inspection report annually.] </pre>	Depending on the cost or supplier delivery capability, consider looking for a 2nd source mechanism to facilitate the allocation of purchasing operation and price negotiation. Confirm suppliers' backgrounds (Company Profile). The supplier's internal controlled chemical substances must comply with RoHS or Sony GP SS-00259/ SRE-06-010 Specification requirements.	Requirement Application Form: Obtain basic information of the manufacturer as follows. A. Supplier's basic information B. Quality System Certification C. Restriction of Hazardous Substance Guarantee D. SGS Analysis Report E. MSDS (Material Safety Data Sheet) Material Composition Table F. Green Partner Certification (Production ALL GREEN Products) –Packaging factory G. Outsourcing product check-list – Buy & Sell items
Production Planning Control Division	YES		
QRA/QA Dep't Product Dep't Testing Dep't	Supplier Evaluation	Main raw material suppliers must be ISO certified.	Review supplier (information of c., d., and e. listed above must be provided to become a qualified supplier of ELAN)
Production Planning Control Division QRA/QA Dep't Intellectual Property Right and Legal Dep't	Supplier Approval	Production Planning Control Division and QA/QRA Dep't form the assessment team. Intellectual Property Right and Legal Dept. is responsible for the signings of NDA (Nondisclosure Agreement) and contract.	1. FAB /Packaging/Cutting/ Testing/ Buy & Sell: outsourcing vendor onsite confirmation form 2. Packaging: pilot evaluation report x 3 Batches Cutting: pilot evaluation report x 3 Batches Testing: pilot evaluation report x 3 Batches 3. Packaging: Reliability Report x 1
Assessment Team	Data Archive	Decided by the assessment team.	Qualified supplier notification form
Production Planning Control Division		Notify and related units.	Qualified Supplier List
Production Planning Control Division QRA/QA Dep't		Suppliers are required to renew the ICP inspection report annually.	1. Quality Record 2. Qualified Supplier List 3. New Supplier Audit Table 4. Suppliers review relevant data

Note: The operation flow chart above applies to ELAN, Metanoia, PIXORD and Avisonic. However, the operating units, job description, table may vary depending on the actual operation of each enterprise.

2017 supplier audit results

***ELAN Hsinchu headquarters integrated supplier audit scores are as follows.**

Year	a. Quality System				
	< 84	85 - 89	90 - 94	95 - 99	100
2017	0	0	4	11	5

Year	b. Hazardous Substance Management System				
	< 84	85 - 89	90 - 94	95 - 99	100
2017	1	4	0	7	8

Year	c2. Operating Environment (ESD Electrostatic Protection Capability)			
	0 - 2	3 - 4	5 - 6	7 - 8
2017	0	0	1	19

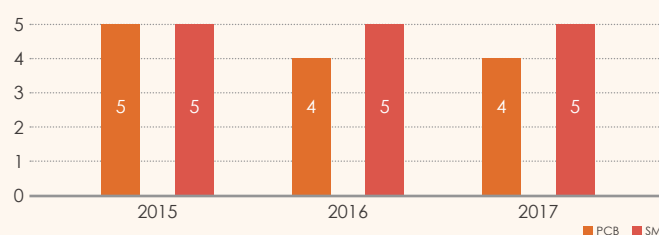
In 2017, a total of 20 suppliers have been audited on-site, and all reached the qualified supplier evaluation criteria of 80 or more. Looking at the audit results, audit, most suppliers lost points in operating environment, educational training, and production management. In the short-term, the suppliers will provide corrective measures within a time limit. In the medium and long-term, ELAN will continue to keep track of the preventive measures provided by the suppliers, and their effectiveness.

*ELAN Microelectronics Zhonghe

ELAN Zhonghe factory follows the Supplier Quality Management Procedure. To import new suppliers, the R&D Department or the Purchasing Department will first search for suppliers that best fit our needs. Then, the Purchasing Department will convene the QC and the R&D to conduct on-spot evaluations using a "Trading Manufacturer Quality Checklist" and record the results onto a "Material Purchase Request Form". Finally, the Purchasing Department will write down the qualified suppliers up onto the "Qualified Suppliers List".

ELAN Zhonghe factory employs the key supplier evaluation audit operations to inspect raw materials, with main focuses on PCB and SMT. In 2017, a total of 9 PCB and SMT supplier audits were conducted. Among them, 4 were rated as Grade B, 4 were rated as Grade C, and 1 was rated as Grade D. The D-grade supplier has been trained but still failed to meet our requirements, so the transaction has been stopped in May 2017. For C-grade suppliers/foundries, we continue to

Number of suppliers ELAN Zhonghe audited in the past three years:



Note 1: The scores are divided into four grades, Grade A: 91-100%, Grade B: 80-89%, Grade C: 65-79%, Grade D: 64% or less.

Note 2: The evaluation method is divided into four parts: 20% technology, 40% quality, 15-25% delivery period, and 15-20% cost.

Note 3: Use the Supplier Evaluation Procedure to audit.

provide guidance to suppliers, monthly audits and improvement meetings, and continue to require suppliers to improve in order to meet our requirements. The audit results for 2015~2016 are all Grade B.

***Metanoia**

According to the supplier management procedure, a new supplier is first introduced by the R&D department or the purchasing department. The manpower, facilities, equipment, and methods of the supplier will then be examined through a formal evaluation. Suppliers that meet the quality requirements pass the first evaluation, and engineering, quality assurance, biological units will conduct an on-site evaluation.

Number of supplier audits - quality system scores are integrated as follows:

Year	< 80	80 - 84	85 - 89	90 - 94	95 - 99	100
2017	0	4	1	0	0	0

Note: Suppliers with 80 points or higher are listed as qualified manufacturers.

Follow-up assessment and inspection methods for qualified manufacturers:

Based on the qualified manufacturer return records, suppliers with a monthly return of three batches or less are continue to be listed as qualified manufacturers. In contrast, suppliers with more than three returns are inspected and given a limited time to improve. If a supplier has had no return history for three consecutive months, upon QA supervisor's approval, it can be exempt from the inspection, and its products can be delivered directly to the warehouse. However, one batch of return will send the supplier back to normal inspection procedures.

* PiXORD

According to the procurement management procedures, types of suppliers to be evaluated include: Goods processing, parts, and institutions suppliers. They are evaluated annually on their delivery and quality using a "Supplier Periodic Evaluation Form" on ELAN's electronic official document system.

Evaluation method:

Total score = (delivery score * x%) + (quality score * y%)

x + y = 100, and the ratio of x and y can be adjusted accordingly.

Delivery score = {(number of purchases - number of overdue) / number of purchases} * x%

Quality score = {(number of incoming goods - unqualified ratio) / number of purchases} * y%

The number of purchases is based on the number of items on the purchase order, not the number of purchase orders.

Evaluation results:

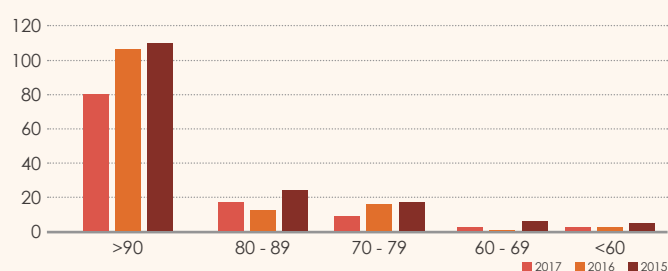
- A. A score of 80% or higher is considered qualified. Increase purchases from high-scored suppliers, and reduce purchases from low-scored.
- B. A score of 70% is put under evaluation.
- C. A score below 60% is considered qualified. Report to the general manager to determine whether the supplier is to be removed from the list. A removed supplier cannot be reaccepted within two years.

Supplier delivery/quality evaluation are integrated as follows:

Year/Score	> 90	80-89	70-79	60-69	< 60
2017	80	17	9	2	2
2016	106	12	16	0	2
2015	110	24	17	6	5

Number of suppliers being evaluated

序号	名称	品牌	规格	数量	单位	备注	评价	得分	评价人	评价日期
1	...	...	...	...	...	...	...	...	...	...
2	...	...	...	...	...	...	...	...	...	...
3	...	...	...	...	...	...	...	...	...	...
4	...	...	...	...	...	...	...	...	...	...
5	...	...	...	...	...	...	...	...	...	...
6	...	...	...	...	...	...	...	...	...	...
7	...	...	...	...	...	...	...	...	...	...
8	...	...	...	...	...	...	...	...	...	...
9	...	...	...	...	...	...	...	...	...	...
10	...	...	...	...	...	...	...	...	...	...



Evaluation results:

- **2017: 108 qualified suppliers and 2 unqualified suppliers.**

The unqualified manufacturers were confirmed to have the batch package that does not conform to the acknowledgment. Since this doesn't affect the function, their products are accepted.

- **2016: 134 qualified suppliers and 2 unqualified suppliers.**

The unqualified manufacturers were confirmed to have the batch package that does not conform to the acknowledgment. Since this doesn't affect the function, their products are accepted.

- **2015: 157 qualified suppliers and 5 unqualified suppliers.**

Three unqualified suppliers were confirmed to have abnormal feed quality in batches and returned. Two had older DC but not affected, hence accepted. The two suppliers with abnormal quality are requested to have a full inspection. Should any abnormality occurs, they will be removed from the supplier list.

***Avisonic**

Ensure suppliers' production quality and delivery capability are meeting the company's requirements and develop qualified supplier on-site assessments regularly. After subsequent investigation and evaluation of the qualified suppliers, related departments have to review and make any necessary adjustments to make sure the suppliers to operate in line with the company's production planning and development, in order to remain competitive within the industry. Based on the qualified manufacturer return records, suppliers with a monthly return of three batches or less are continue to be listed as qualified manufacturers. In contrast, suppliers with more than three returns are inspected and given a limited time to improve. At present, all suppliers are ISO certified companies. In 2017, no suppliers have had return records, which are in line with supplier standards.

ELAN Hong Kong is an invoice and customer service center. Therefore, no supplier-related evaluations have been conducted.

5.2 Key Performance Indicator, Management process optimization and electronization

In 2017, ELAN has a total of 43 departments needed to set their Key Performance Indicators (KPI) and a total of 542 KPIs were generated. Every year, heads of each department are in charge of setting department objectives for next year by the end of December. After gaining approval from the general manager, projects are imported into the department's KPI system early in the year. Department objectives should be annual goals that are feasible and measurable. Monthly quality meetings will be held by the Industrial Performance Management (IPM) for the general manager or quality management representatives to review KPI achievements of each department. For departments that are not achieving their goals for the month/quarter/half-year, explanations and improvement plans are to be heard.

The KPI rate of the production unit was significantly increased mainly because the production department changed the PST product from the original gold processing to the electroplating gold processing, which has greatly improved the process yield. Therefore, the KPI increased from 82.67% to 88.7%. the KPI rate of the management unit was lower compared to 2016. The decrease was mainly due to the fact that the financial department could not achieve two KPIs due to exchange losses; the business department failed to introduce key customers, leading to a sales performance lower than the standard. In addition to the improvement measures, it was included in the 2018 KPI for follow-ups.

Management process optimization and electronization

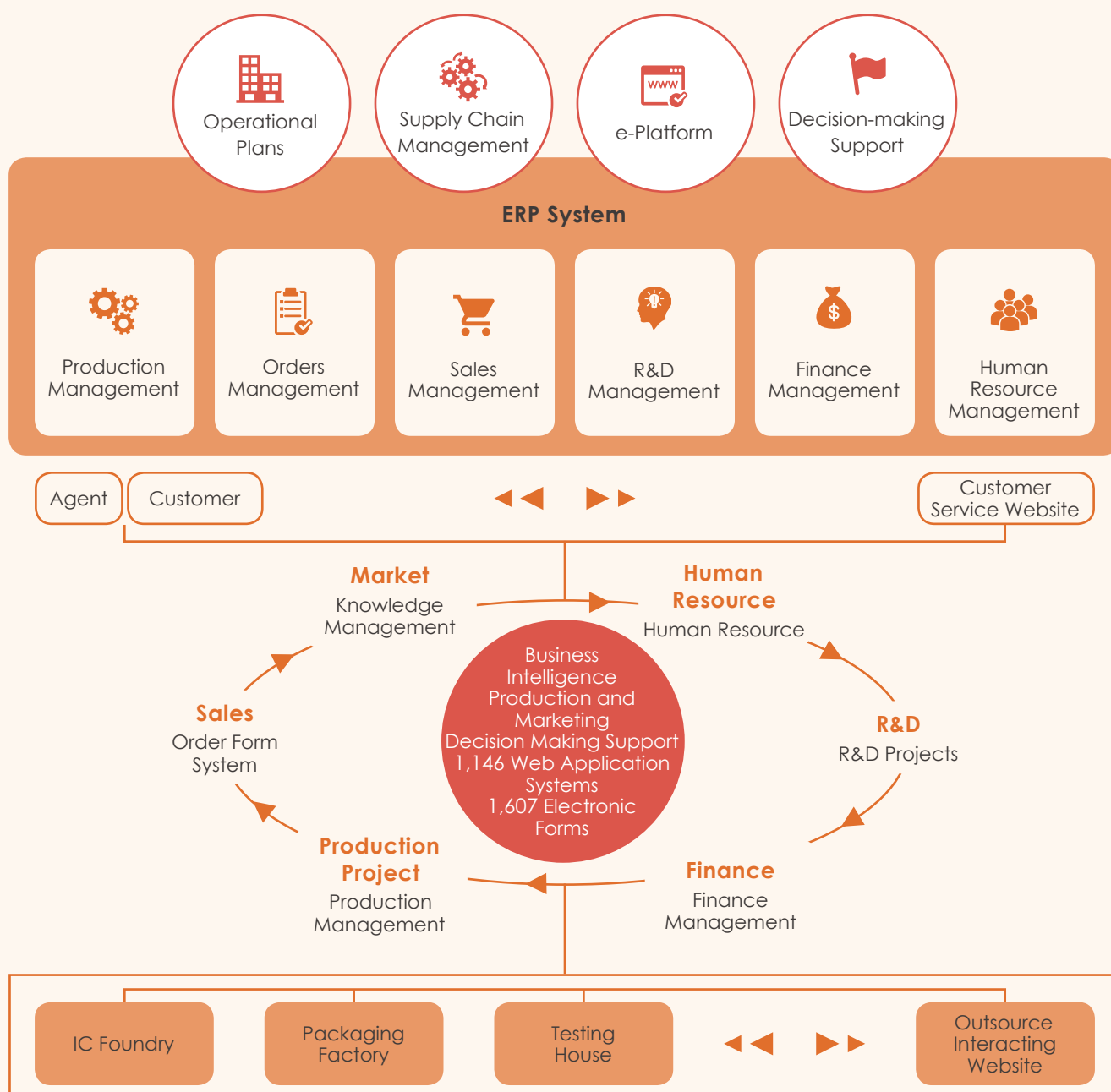
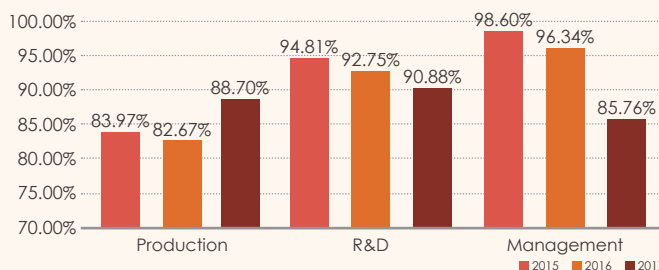
To ensure human difference and negligence are excluded during the execution of an operating procedure, all the standard operating procedures have been electronicized. Management, processes and procedures of the information system are all strictly defined. From ELAN self-constructed ERP system, R&D knowledge management, information/data analysis and feedback to decision-making management, the promotion of this highly electronic management reflects ELAN's emphasis on the process-oriented management. Consistent with the Company's entrepreneurial spirit, ELAN makes every effort to promote standardization.

A full range of information system and e-platform that not only cover internal systems, but also

combine external customers and outsourcing manufacturers. As of December 31, 2017, there were a total of 1,165 web applications and 1,657 electronic forms.

In order to make more informed decisions through data analysis, the company's information system is also being planned according to the data analysis framework of big data. The analysis made by the system is sufficient to provide information required for major decision-making, as well as the control of related costs, including production plan, sales management, and related expenses.

KPI average achievement rates for the past three years are as follows:



5.3 Risk Management

With global business risks continue to rise, ELAN employed relevant risk management assessments to help reduce operational risks. The evaluation items are as follows:

1. Quality System Risk Management Assessment
2. Research & Development Risk Management - DFMEA
3. Financial risk management
4. Design implementation control and crisis management procedure

Quality System Risk Management Assessment

In 2016, ELAN implemented ISO 9001, ISO 14001, and OHSAS 18001 risk assessments which all take the form of scale, calculations are as follows.

The scale is described as follows:

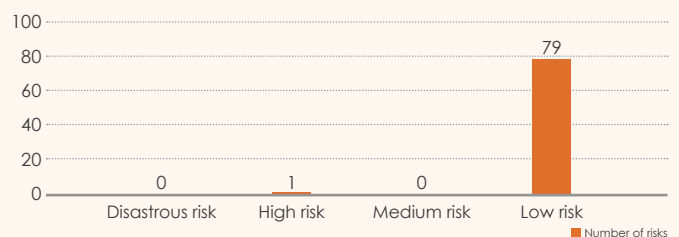
1. ISO 9001 Risk Assessment: Severity (0~4), Probability (0~4)
 $\text{Risk Level} = \text{Severity} \times \text{Probability}$
 - Risk is categorized into 3 levels: High Risk (H), Medium Risk (M), and Low Risk (L)
 - High Risk (H): Necessary actions must be taken to reduce risk.
 - Medium Risk (M) and Low Risk (L): Whether or not an improvement is to be made depends on the effectiveness or likelihood of the improvement.

Risk items listed throughout the company in 2017 are as follows.

For high-risk projects, QRA's improvement measures are as follows.

- 1: Test program releases to send TECN update notification to the system.
- 2: The abnormal notification will always be imported into the FT test abnormal form for processing.
- 3: Hold monthly meetings with the test factory to discuss quality and production anomalies.

ISO 9001 Risk Chart



After that, the effectiveness is confirmed by the monthly abnormal production rate and the customer complaint rate of the CAR.

1. ISO 14001 Risk Assessment: Every year, the company conducts environmental inspections and risk assessments for projects with environmental concerns. Then, develop management policies according to the level of risks, conduct improvement operations, and review them at management review meetings. In 2017, a total of 5 environmental improvements for ISO 14001 were proposed and implemented.

In this formula, $R = F \times C = (O + D) \times \{I + S + L\}$

R (Risk Assessment)

F (Frequency): The frequency of an incident (1~10)

In this formula, $F = O + D$

O(Occurrence): The probability of an incident(1~ 5)

D (Detection): The detectability of an incident(1~5)

C(Consequence): The severity of an incident(1~ 10)

In this formula, $C = I + S + L$

I(Impact) : The scope of impact on the environment(1~4)

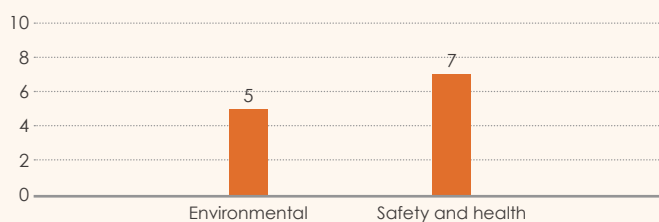
L(Laws):Potential risks in laws and regulations(1~ 3)

S : The degree of impact on people, things and environment (1~ 3)

2. OHSAS 18001 Risk Assessment : Every year, all departments except administrative departments will carry out risk assessments for each operation step. Then, submit the results to the Industrial Safety Office for integration and confirmation. After that, formulate management policies and improvement measures according to the level of risk, and review them in quarterly Industrial Safety and Health meetings. In 2017, a total of 7 safety and health improvements for OHSAS 18001 were proposed and implemented.

Formula: Risk Probability = Severity x Frequency

Number of proposals in 2017



Relevant risk assessment is conducted once a year for those at high risk or needed to improve, and an annual improvement plan is established. The effectiveness of the improvement plans will be reviewed in the annual management review meetings.

Research & Development Risk Management (DFMEA)

New product development is the driving force of ELAN sustainable development and the key factor in maintaining competitiveness. Figure out ways to reduce costs and shorten production time of new products is extremely important in the development stage. Therefore, ELAN implemented risk assessment tools and the Design Failure Mode and Effects Analysis (DFMEA), hoping that potential defects and problems in the products or the manufacturing process can be found at the early design stage. Also, establish specific measures to prevent and reduce the occurrence of these potential failures and decrease the frequency of abnormality and product development uncertainties.

Steps to implementing Design Failure Mode and Effects Analysis (DFMEA) :

1. Set up cross-functional teams. Strip out quality characteristics, potential drawbacks items, or possible failure modes of the product or during production process.
2. With the Severity (S), Occurrence (O), and Detectability (D) of a failure problem, analyze the Risk Priority Number (RPN).
3. Finally, based on the severity and the Risk Priority Number, set improvement priorities and propose improvement measures. Responsible units and personnel are to perform improvement measures and later evaluate whether the Risk Priority Number and the severity of the risk is reduced.

Through implementing the DFMEA, learning from past mistakes and experiences, and having standardized design and verification, ELAN has built up a solid risk prevention and detection mechanism. In 2016, each item's RPN has gone below the standard value. Items with higher severity have been reviewed regularly and monitored at all time. Preventive actions could be taken immediately when necessary.

Financial risk management

To strengthen the management of accounts receivable, a set of Customer Credit Line Appraisal system was set up and put into used in November 2014.

Accounts receivable risk control procedure:

1. Distinguish customer credit risk level: Evaluate ordinarily financial indicators; double check the customer's credit status when applying for a credit line; submit a notification on the order when abnormality occurs in the credit assessment index; obtain approval and signature of a manager when a shipment exceeded the quota.
2. Customer Credit Rating System is used. Meanwhile, customer information is maintained on a quarterly basis to reduce the risk on accounts receivable.

Design implementation control and crisis management procedure

1. In the Design in phase: Sales personnel, Project Management personnel or Customer Service engineers need to sign the products specifications and services with the customer, provide project bug lists, examine project-related problems with the customer on a regular basis, and preserve the meeting minutes.
2. In the Mass Production phase: Project Management personnel, Customer Service engineers and the Quality Assurance Department jointly collect Customer Complaint Analysis reports, provide production test card control value adjustment AP pilot production reports, and preserve the meeting minutes.

INDUSTRIAL RELATIONS AND PUBLIC SAFETY



- 6.1 Commitment to Corporate Social Responsibility
- 6.2 Workforce practices and dignity of labor
- 6.3 Employee benefits and salary
- 6.4 ELAN occupational safety and health policy
- 6.5 Emphasis on workplace safety, zero occupational hazards in 23 years
- 6.6 Employee training and development
- 6.7 Zero-distance communication with the employee and full-range complaint channels

	2017	2016	2015
Female employee ratio (%)	37	34	32
Education training per capita hours (hours / years)	3	7.9	5.8
Employee health check participation (person)	845	735	698
Zero occupational hazards in 23 years			

6.1 Commitment to Corporate Social Responsibility

In accordance with international recognized standards, ELAN is committed in upholding human rights for all employees and staff including our suppliers, outsource subcontractors, and agents. We are dedicated in eradicating child labor, forced and compulsory labor as well as in monitoring forced/compulsory labor grievances and child labor hiring.

ELAN is aware that:

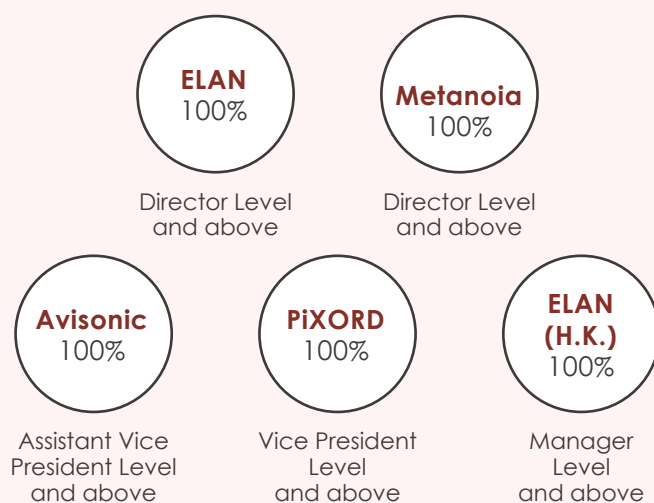
1. Continuously put in human recourse and educate employees are essential in distinguishing and solving issues involving workplace safety and hygiene.
2. Environmental responsibility is an integral part in the production of world-class products. We need to minimize the adverse impact on the environment and natural resources while protecting public's health and safety at the same time.
3. To comply with the social responsibility requirements and achieve a continued increase in market share, we and our suppliers, outsource manufacturers, and agents must adhere to the highest standards of ethical requirements.

Being a good corporate citizen, ELAN fully supports the Electronic Industry Code of Conduct (EICC). We are complying proactively to its recommended guidelines on management system in conformity with its standard requirements.

6.2 Workforce practices and dignity of labor

The company's greatest asset and competitiveness always comes from high-quality personnel. ELAN's employees were graduated from well-known domestic and foreign educational institutions and are elite people with years of practical experiences. Every year, the company recruits dozens of new personnel with professional competence and wiliness for new challenges. With this said, ELAN nurtures a large number of elite R&D personnel. It is thus clear that the company R&D staff, being the most valuable asset to ELAN, are continuously being infused with new blood to fuel more kinetic energy into the company R&D group.

Among ELAN's subsidiaries; Metanoia Communications Incorporated, Avisonic Technology Corporation, and PiXORD Corporation are all IC design companies with major operations based at Hsinchu headquarters, where the core R&D personnel is located. Another subsidiary, ELAN (H.K.) Microelectronics Corporation, is an import and export trading company. Hence, its main operation is based in Hong Kong. The proportions of high-level management personnel in 2015~2017 are the same.



The percentage of high-level management personnel being local residents

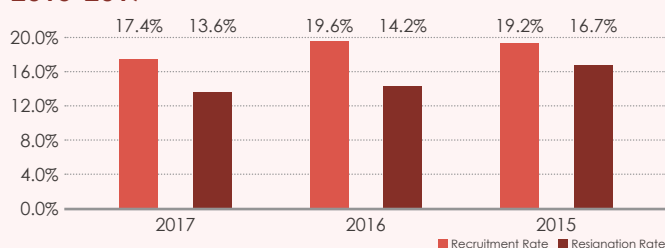
\ Friendly reminder \

Local Resident here refers to people who reside in the Group's setup location, ELAN, Metanoia, Avisonic, PiXORD are in Taiwan; ELAN (H.K.) is in Hong Kong.

2017 New and formal employee structure

	Sex	Age	Taiwan				Hong Kong	Total
			ELAN	Metanoia	Avisonic	PIXORD	ELAN (H.K.)	
2017	New	~ 30	53	2	0	0	0	55
		♂ 30 ~ 50	32	3	1	0	0	36
		50 ~	3	0	0	0	0	3
		~ 30	69	2	1	0	0	72
		♀ 30 ~ 50	19	0	0	2	0	21
		50 ~	0	0	0	0	0	0
	Resigned	~ 30	18	4	0	1	0	23
		♂ 30 ~ 50	13	30	1	4	0	48
		50 ~	1	0	0	1	0	2
		~ 30	22	4	3	0	0	29
		♀ 30 ~ 50	32	2	0	5	0	39
		50 ~	5	0	0	0	0	5
Recruitment Rate			18.7%	11.9%	5.9%	5.7%	0.0%	17.4%
Resignation Rate			9.7%	67.8%	11.8%	31.4%	0.0%	13.6%

Recruitment and resignation rate of the Group 2015-2017



2017 Full-time and temporarily employee

Company Name	Sex/Number of people	Labor Contract			Employee Status		Region		
		Regular	Not Regular	Worker	Full-time	Temporary	Taiwan	Hong Kong	
2017	ELAN	♂	571	15	6	586	6	592	0
		♀	352	1	4	353	4	357	0
	Metanoia	♂	44	0	2	44	2	46	0
		♀	15	0	1	15	1	16	0
	Avisonic	♂	27	0	18	27	18	45	0
		♀	7	0	9	7	9	16	0
	PiXORD	♂	22	0	0	22	0	22	0
		♀	12	1	0	13	0	13	0
	ELAN (H.K.)	♂	3	0	0	3	0	0	3
		♀	2	0	0	2	0	0	2
Total		1055	17	40	1072	40	1107	5	

Note 1: ELAN – Part-time staff do not sign employment contracts with the company, and their health insurance was not covered by the company.

Note 2: ELAN – Temporary staff includes (summer) part-time workers, interns, contract employees, temp workers, and advisors.

Non-scheduled/temporary contract – Sign a scheduled contract.

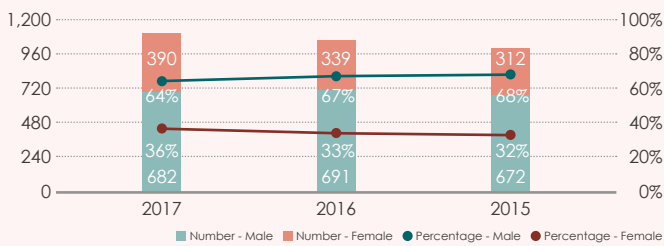
Full-time - Labor and health insurance insured in the company.

Part-time - Labor and health insurance is not insured in the company.

Part-time workers of Metanoia and Avisonic do not sign contracts with the company.

ELAN Microelectronics

Number of full-time male and female employees



The R&D personnel, recruit by individual company, made up 50%-80% of the total labor force in the group. As R&D projects increase, additional employees may be hired at ELAN Microelectronics Corporation, Metanoia Communications Incorporated, and Avisonic Technology Corporation for to assist in testing, soldering work, experimental simulation, product functional testing, etc. The contract/ temporarily worker accounts about 3% of the total employment each year. As for PiXORD Corporation and ELAN (H.K.) Microelectronics Corporation, there is no changes in R&D personnel throughout the year.

The proportion of the total number of employees covered by the Collective Bargaining Agreements (CBA)

The group fully complies with the Labor Laws of Taiwan and Hong Kong. The freedom of assembly and association is always given to the staff even though none were formed at the present. Since there are no labor unions, no collective bargaining agreements have yet been discussed with the employee. However, in order to maintain harmony between labor and capital, ELAN Microelectronics convenes a labor and capital operational meeting every month. With the consent of all employees, executives from each department are currently serve as representatives in the meetings, in which company operational and labor problems brought up by employees will be addressed. Metanoia Communications, on the other hand, holds staff meetings irregularly which all employees are called to participate. Avisonic Technology arranges regular monthly staff meetings with executives from all departments to discuss labor welfare and employee benefit-related matters. PiXORD holds quarterly staff meetings which all employees are required to attend.

ELAN
100% of the company's R&D personnel are employed by the company itself, accounted for 50% of the total employment.

Metanoia
100% of the company's R&D personnel are employed by the company itself, accounted for 71% of the total employment.



Company consists mainly of R&D personnel

Avisonic
100% of the company's R&D personnel are employed by the company itself, accounted for 65% of the total employment.

PiXORD
100% of the company's R&D personnel are employed by the company itself, accounted for 45% of the total employment.



Staff meeting

6.3 Employee benefits and salary

Upon achieving company's annual operational objectives at the end of the year, each department may submit requests for additional human recourses. With General Manager's approval, it is listed as human recourse objectives for the upcoming year. Each department will then forward a human recourse request to the HR Department based on its needs. The HR department will put up job openings through various recruitment channels and run through the interview process. ELAN's recruitment procedure is in compliance with Taiwan Labor Standards Law (LSL). Hence, it is fair and open.

Understanding that employees are the group's greatest assets, the company attaches great importance to employee benefits and salary. Each employee's standard salary is decided by the Hiring department and the HR department, based on his/her academic background, experience, professional knowledge/skills and length of service in the specialized profession. It has nothing to do with gender, race, religion, political affiliation, or marital status. Currently, the group's headquarters is set in Hsinchu, Taiwan. According to Taiwan Labor Standards Law, the current minimum monthly wage is NT\$ 21,009.

Items included in ELAN's salary and benefits

- Year-end bonus, performance bonus, incentive bonus (N/A to contract/temporarily employees).
- Labor insurance, health insurance, group insurance.
- Annual bonus and employee stock option (N/A to contract/ temporarily employees).
- Flexible leaves, special leaves, and credit leaves are given under provisions of the Labor Standards Act.
- Subsidy for internal/external trainings (N/A to contract/temporarily employees).
- Flexible working hours.
- R&D Patent bonus (N/A to contract/temporarily employees).
- Discounts in gift certificate, clubs, etc.
- Cash gifts for marriage and funeral grieving money (N/A to contract/temporarily employees).
- Emergency or disaster relief program for employees and their family members (N/A to contract/temporarily employees).



Note 1: Standard salary = base salary + meal allowance + work allowance

Note 2: Local here refers to the important operating base of the Group, i.e. Taiwan.

- Domestic/international travel subsidy (N/A to temporarily employees, but could be available for contract employees. Refer to Welfare Committee rules).
- Hold annual Company Day, Christmas party, distinguished speaker workshops and many other events.

Parental leave without pay

Full-time employees of the group are entitled to parental leave without pay when having newborn babies after obtaining approval from the President. To apply for a parental leave, an employee first needs to fill out a "Personnel Change Request" form and a "Resignation/Job Retention without Pay" form with relevant medical documentations attached. After all signature approval proceedings are completed, the leave will be granted. The number of reinstated employees after parental leaves is as follows:

Items	Year	ELAN		Metanoia		Avisonic		PIXORD	
		Male	Female	Male	Female	Male	Female	Male	Female
Total number of employees entitled to parental leave ^{Note 2}	2017	94	29	5	5	6	1	2	3
	2016	93	26	17	5	6	0	2	3
	2015	110	34	9	4	6	0	1	2
Total number of employees actually reinstated after parental leave	2017	0	5	0	4	0	1	0	1
	2016	1	1	0	1	1	0	0	0
	2015	0	2	1	0	1	0	0	0
Total number of employees who should be reinstated after parental leave	2017	0	6	0	4	0	1	0	0
	2016	1	1	0	1	1	0	0	0
	2015	0	1	1	0	1	0	0	0
Total number of reinstated employees remain employed after 12 months	2017	1	1	0	0	0	1	0	0
	2016	0	1	1	0	1	0	0	0
	2015	0	0	0	0	N/A	N/A	N/A	N/A
Total number of employees reinstated after parental leave during the last reporting period	2017	1	1	0	1	1	1	0	0
	2016	0	1	1	0	1	0	0	0
	2015	0	0	0	0	N/A	N/A	N/A	N/A
Reinstatement rate	2017	—	83%	—	100%	100%	100%	—	33.3%
	2016	100%	100%	—	100%	100%	—	—	—
	2015	—	50%	100%	—	100%	—	—	—
Retention rate	2017	100%	100%	—	0%	100%	100%	—	33.3%
	2016	—	100%	100%	—	100%	—	—	—
	2015	100%	100%	—	—	N/A	N/A	N/A	N/A

Note 1: Total number of employees entitled to parental leave: Based on the roster of employee group insurance, if an employee's family has a dependent child 3 years old or younger, such employee is entitled to parental leave.

Note 2: There is no relevant information on ELAN (H.K.) due to the absence of local laws or regulations regarding to parental leave.

A full range of insurance

According to the provisions of the Labor Standards Act, employers have to cover employees with labor insurance, health care insurance, and retirement pension. On the first day of reporting to work, the employee group insurance (include employees' dependents and children) will take immediate effect. Moreover, ELAN provides a higher-level travel safety insurance to its expatriated colleagues to ensure their safety while stationing overseas.

Other premium benefits offered by ELAN

The Employee Welfare Committee of ELAN in Taiwan is legally established to set up employee welfare measures, organize various relaxing activities, promote club activities, etc. These activities all aim to give employees a healthy balance between personal life and work. An Employee Welfare Committee website is also set up where employees can get information on upcoming activities, special promotions from patronized shops/stores, employee organized tours, etc. ELAN is a big family which the company cares about the working environment and health of its employees and take good care of them as a group in every possible way.

1. Provide a pleasant working environment. For 13 consecutive years, ELAN has been honored with the "Distinguished Landscape Award" by the Hsinchu Science Park Bureau. Various amenities are offered such as a coffee bar, breakfast bar, sports equipment, cafeteria, dormitories, training classrooms and karaoke hall to help employees relieve stress from work.
2. Set up the Employee Welfare Committee to look after employee benefits and related welfare measures. It provides comprehensive benefits to fellow employees during special occasions, such as sending gift certificates on birthday, cash gifts for wedding, maternity subsidies for newborn baby, consolation subsidies during hospitalization, festival cash gifts during each of the three Chinese major festivals, grieving money during funerals, etc.

3. Organize all types of clubs. Currently, there are 6 existing sporting clubs including table tennis, badminton, basketball, online games, swimming, and yoga. In addition to regular meet-ups of the club members, clubs often participate in external competitions, representing the company. Not only have they successfully won several awards, these extracurricular activities have also helped building up employees' confidence. Each year, the Employee Welfare Committee conducts a club evaluation and the excellent clubs are awarded with encouragement bonuses.

4. Care for employee's health. Every year, a medical check-up is carried out in the company on all employees. For employees whose medical reports show abnormal results, doctors will be arranged to the company for follow-up examinations. Additionally, doctors will come in each month for consultation.

5. Provide free snacks and drinks to the employees every day after 9 p.m., as a company's compassion towards hardworking staff.

6. Care for the physical health as well as the mental health of the employees. Therefore, various cultural and artistic events (e.g., Distinguished Speaker Seminar – Yu-Shu Wu and Che-Ching Hsieh) are organized occasionally hoping to mold temperament and enhance cultural literacy.

7. Hold annual company-wide excursion, sports day and family day to enhance employee team-work and coherence. Additionally, the company encourages and sponsors domestic/overseas tours to promote relaxation outside work.

- To promote interactions and enhance coherence and relationships among employees, the company also offers subsidies for employee self-organized domestic/overseas tours. A total of 47 trips were took in 2017, to places include mainland China, Japan, and Taiwan.

8. Provide comprehensive care for employees at Hsinchu headquarters by offering employees with diverse meal choices. The company cafeteria offers breakfast, lunch (vegetarian, none-vegetarian, noodles), organic food, fruit, salad meals, etc. Specials are offered on Fridays to provide more choices.



Club activities



Annual health check



Distinguished Speaker Seminar



company trip

Care for the employee and their families

	Item	2017	2016	2015
Health Examination	Annual health check	845 people	735 people	698 people
Health Management	Health re-examination	Total number of employees: 26	Total number of employees: 21	Total number of employees: 27
		Number of participants: 13	Number of participants: 21	Number of participants: 20
	Provide personal and exclusive log-in password to check re-examination results on the hospital network.			
Health Consultation	On-site doctor consulting service	66 people	79 people	60 people
Health Education	Mental health, weight management seminars, setup of a health station	4 sessions	3 sessions	4 sessions
Health Promotion	Blood drive events	127 people, donated 183 bags in total	143 people, donated 222 bags in total	82 people, donated 123 bags in total
		13 people (Pap smear)		
	Gynecologic cancer screening	14 people (Colorectal cancer)	20 people (Pap smear)	
		4 people (Oral Mucosal Screening)	5 people (Colorectal cancer)	30 people (Pap smear)
	Aerobic exercise	—	—	1 session
		Sign-up: 255 people	Sign-up: 162 people	Sign-up: 200 people
	Weight loss competition	Participants: 217 people	Participants: 143	Participants: 162
		Total weight loss (Kg): 463	Total weight loss (Kg): 308.1	Total weight loss (Kg): 386.1
Good Pregnancy Thoughtful Project	Parking space reserved for pregnant women	2 people	2 people	4 people
	High back chair service	1 people	1 people	2 people
Group insurance extended to employees' dependents and children		Spouse: 437 people	Spouse: 411 people	Spouse: 389 people
		Children: 648 people	Children: 617 people	Children: 577 people
		Total of family dependents: 1,085 people	Total of family dependents: 1,028 people	Total of family dependents: 966 people

- Checking of food ingredients: The chef is responsible for the safety checks of all food ingredients, make market purchases personally, purchase fresh fruit and vegetables daily, and make delicious buffet meal for the employees.
- In order for employees to eat safe, all melamine dishes were changed to corning glass dishes. To be environmentally friendly, plastic bags are no longer provided. Employees are also encouraged not to use disposable utensils for health reasons and as an effort to protect environment.

- Professional nurse: The company hires a professional nurse to provide on-site health counseling and medical assistance to employees. In the event of reported occurrence of epidemic infection incidents, e.g., Avian Flu, Ebola, Influenza, MERS-CoV, Viruses, Stomach Flu, etc., the nurse will immediately announce preventive measures to all employees and provide proper response actions in the case of infection. Vaccinations information is also sent out whenever available. In response to the recent outbreak of food products processed with contaminated cooking oil, the Public Resources Department immediately performed a thoroughly check on the oil used in the company's cafeteria and coffee bar to eliminate employees' concerns.
- Meal Satisfaction Survey: To take employees' accounts on meal quality from the cafeteria, the Public Resources Department conducts a Meal Satisfaction Survey each year. The survey results are then used as reference to discuss improvement plans with the contracted meal provider.
- Emergency relief provision for employees and immediate family members is set up to take care of an employee, his/her spouse, children, or parents that is caught in distress due to major accidents or natural disasters and is in urgent need of emergency assistance.
- An extended group insurance that also covers employees' spouses and children at the expense of the company.
- Every year, the company hires medical staff from large domestic medical institutions to the company to carry out a free health check on all employees. The health check is also opened to employees' spouses and children at a very generous expense.
- A comfortable nursing room is provided for employed mothers to pump milk. Expecting female employees are also allocated with exclusive parking spaces to protect and foster the safety of pregnant women. Additionally, male employees are also entitled to paternity leaves.
- In addition to the leaves guaranteed by the Labor Standards Law, more leaves are given to the employees. Furthermore, the company grants credit leave when an employee has used up all of his/her leaves.
- Collaborate with the Hsinchu City Lifeline Association to establish a comprehensive Employee Assistance Program (EAP).



ELAN Health station webpage

All major changes notices of the group are handled in accordance with local laws and regulations

Avisonic PIXORD	Under the Labor Standards Law of Taiwan, when a company terminates an employment relationship, an advance notice shall be given for a period of time. 1. When a worker has continuously worked for more than 3 months but less than 1 year, the notice shall be given 10 days in advance. 2. When a worker has continuously worked for more than 1 year but less than 3 years, the notice shall be given 20 days in advance. 3. When a worker has continuously worked for more than 3 years, the notice shall be given 30 days in advance.
ELAN (H.K.)	Under the Labor Standards Law of Hong Kong, when a company terminates an employment relationship, an advance notice shall be given for a period of time according to the following regulations: 1. Within the first month of the probationary period, no notice needs to be given, however, a payment shall be given. 2. Within the second and third month of the probationary period, the notice shall be given 7 days in advance or a 7-day wage shall be given as a compensation. 3. When a worker has worked continuously for 3 months, the notice shall be given 30 days in advance or a 30-day wage shall be given as a compensation.

9. **Dispute between labor and capital**
No labor dispute has occurred in the Group in 2017.

6.4 ELAN occupational safety and health policy

Comply with laws and regulations | Reduce risk | Continue to improve | Implement management

According to ELAN OHSAS 18001 Occupational Safety and Health Management Handbook, the relevant regulations on occupational safety and health should be regularly inspected and managed. In order to ensure the quality of employees' works, employees' physical and mental health, and to effectively implement the four major policies, we regularly update regulations and information regarding safety and health. Risk assessments are conducted for each operational environment, and safety and health objectives and targets are set up for gradual and continuous improvements.

Even though ELAN has been categorized in the electronic component manufacturing industry, it is more of an IC design house, with various laboratories used as product testing. In June 2016, the company passed the Type II business review, and was deemed as a business with lower hazards. Product design and production lines are set up at ELAN Zhonghe. The production equipment is provided with all kinds of safety measures and emergency stop buttons. Regular patrols, inspections, and testings are carried out to ensure the functionalities of all equipment are normal.

Nowadays, as people are paying more attention on occupational safety and health in relation to the employee, ELAN performs random inspections on its working environment. Through having legal testing agencies perform chemical inspections, arranging frequent health examinations, holding health promoting seminars, and setting up a leisure center, provide our employees with a safe working environment that not only protects their physical health but also monitors their mental health.

Operating environment at ELAN Microelectronics with high occupational risk, harm and their prevention

To effectively maintain employee physical health and safety, besides the existing health check, additional risk assessments on operational environment, maternal health protection, workplace infringement and overwork are conducted. This way, employees will be able to notice physical signals sent out by their bodies. Then, on-spot doctors, hired by the company, are there to assist and guide them in making necessary physical and mental adjustments.

Operational environment	Sickness	Prevention
Office	Overwork	1. Annual health check 2. Working hours limit 3. Keep eyes on employees with three "high" (hypertension, high blood sugar level, high cholesterol level) 4. Provide sports and fitness equipment for stress relieving.
	Eyestrain, neck and shoulder pain	1. Stretch, take rest 2. Proper sitting posture
Factory facility	Electric shock, fall off	1. Take professional trainings 2. Wear protective equipment
Warehouse, manufacturing department	Physical hazards (handling operation)	1. Operate accurately
	Repetitive tasks (testing operation)	2. Shorter working hours
Laboratory	Inhalation hazards (lead-free soldering)	1. Regular operating environment evaluation 2. Wear masks 3. Set up partial exhaust equipment
	Chemistry	1. Time to time education and trainings 2. Wear laboratory coats 3. Regular operating environment testing

6.5 Emphasis on workplace safety, zero occupational hazards in 23 years

Statistical analysis data on occupational hazard – the occupational accident statistics issued by the Ministry of Labor, takes the frequency of disability injuries (number of disability injuries at workplace per million work-hour) and the severity rate of its effect to workplace (loss of working days at workplace per million work-hour) as its main basis (data does not include off-site traffic incidents). Since its founding 23 years ago, the company has never been involved in any occupational safety related accidents (including contract/temporarily employees). From May 2009 till the end of 2016, the accumulated disaster-free working hour is 8,317,311 hours. At the same time, no occupational disease has been detected. Therefore, ELAN has successfully accomplished the "zero disaster" target so far.

The Group's occupational disaster statistics

Company name	Year	ELAN Microelectronics	Metanoia Communications	Avisonic Technology	PIXORD Corporation	ELAN (H.K.)
The occurrence of occupational accidents	2017	None	None	N/A	None	N/A
	2016	None	None	N/A	None	N/A
	2015	None	None	N/A	None	N/A

Note 1: Sourced from the Workplace Disaster Statistical Network.

Note 2: ELAN Tainan and Kaohsiung, as well as Avisonic Technology Corporation, employ less than 50 people hence are not required to report to the Workplace Disaster Statistical Network. No occupational accidents have occurred in any of them anyways.

Note 3: ELAN (H.K.) is located in Kong Kong, hence not applicable for the network. However, no occupational accidents have occurred.

Note 4: Off-site traffic incidents are not included in the Workplace Disaster Statistics.

The group's employee absenteeism rate

Year	ELAN		Metanoia		Avisonic		PIXORD		ELAN (H.K.)	
	♂	♀	♂	♀	♂	♀	♂	♀	♂	♀
2017	0.27%	0.71%	0.12%	0.12%	0.18%	4.16%	0.18%	0.54%	0.54%	0.4%
2016	0.2%	0.5%	0.27%	0.09%	0.13%	0%	0.19%	0.40%	0.23%	1.51%
2015	0.3%	0.56%	0.67%	0.64%	0.91%	0%	0.2%	0.46%	0%	0.7%

Absenteeism rate calculation:

Employee absenteeism rate = Total number of days each employee is absent from work in a year (personal leave + sick leave + occupational sickness leave) / Total number of days each employee should work in a year

Company	Year	Injury Rate (IR)	Occupational Disease Rate (ODR)	Lost Day Rate (LDR)	Occupational Death
ELAN - Hsinchu	2017	0.18	NA	0.18	NA
	2016	0	NA	0	NA
	2015	0	NA	0	NA
ELAN - Zhonghe	2017	0	NA	0	NA
	2016	0	NA	0	NA
	2015	0.44	NA	2.85	NA
Metanoia	2017	0	0	0	0
	2016	0	0	0	0
	2015	0	0	0	0
Avisonic	2017	0	0	0	0
	2016	0	0	0	0
	2015	0	0	0	0
PiXORD	2017	0	0	0	0
	2016	0	0	0	0
	2015	0	0	0	0

Notes:

1. This statistic does not include commuting accidents, mainly occupational injuries.
2. Operations in Hong Kong are general administrative matters and in a low-risk environment. So far, no occupational injuries have occurred hence not included in this statistic.
3. Injury rate (IR) = Number of work accidents / total working hours *200,000
4. Occupational disease rate (ODR) = Total number of occupational injury events / total number of jobs *200,000
5. Lost day rate (LDR) = Working days lost during work injury / total working hours *200,000
 - 5.1. If an injury has caused permanent total disability, use 6,000 days to calculate.
6. Occupational death = the total number of deaths that occurs while a person is at work or performing work related tasks

Workplace environment safety management

ELAN views its employees as the company's most valuable asset. We attach importance to the employee health and safety, and propose to establish a systematic and standardized health and safety management system and mechanism that can create a people oriented sustainable operating model. The Industrial Safety Office is set up as the main responsible unit. Occupational safety and health conferences are held on a quarterly basis. According to the Occupational Safety and Health Law, the 37.5% of the conference attendees shall be labor representatives (nominated during the labor and capital management meetings). During the conference, the implementation of each objective is to be reviewed and the development of the past and the next quarter will be discussed. The company, in addition to complying with the Occupational Safety and Health Act and related specification requirements, has formulated programs regarding to Health and Safety Education, Exercise, Counseling, Prevention and Risk Monitoring and Control.

A summary of the promotion is listed below:

Public area management

1. Personnel access control and regular security patrol to keep internal and external situations under control.

2. Every six months, a carbon dioxide concentration testing is carried out in the office to ensure CO₂ concentration does not exceed 5,000ppm.
3. Carry out a random check on each office floor every month to ensure public equipment are not damaged.
4. Carry out vector control methods in the pantry every month to prevent vector breeding.
5. Carry out a random check on drinking water every quarter to ensure that *Escherichia coli* in the water do not exceed the statutory standards.
6. Every year, professionals are brought in to perform regular inspections on domestic sewage emission to ensure that the whole process complies with environmental protection laws and regulations.
7. Staircases (freight elevator side) on each floor were installed with safety net in case people fall.

Laboratory management

1. Every day, laboratory administrators are to patrol each laboratory, making sure all soldering irons and instruments are turned off.
2. Implement operating environment tests every half year to examine the condition of employee working environment (organic solvent, noise, wind speed of the partial air exhaust equipment, etc.) and ensure employee health and safety.
3. Random laboratory inspections on the Industrial Safety Office.
4. Provide appropriate safety protective gears according to practical needs.
5. Distribute chemicals into multiple packages to prevent a spillover.
6. Chemical usage management (Zhonghe).
7. Education, trainings and tests for new employees before to help understand equipment and follow operating precautions.
8. Continue to improve the safety of workplace environment and equipment, and standardize machine operating procedure.

Staff management

1. Labor safety and health education and training for new employees.
2. Hold fire drill regularly and educate employees on the exist routes in case of an emergency.

Health management

1. Carry out a periodic health check on all employees, as well as health examination on particular items.
2. Every month, doctors are brought in to provide one-on-one on-site consultation services. A health center is also available to provide medical treatment services as well as a consulting special line.
3. Organize and encourage employees to participate in various health-related training workshops and events such as rescue trainings, blood drives, quit smoking activities, weight loss competitions, sports competitions, etc.
4. Set up a health care station to provide the latest health information on a regular basis.
5. Arrange Pap smear and Escherichia coli, and oral screening.
6. Carry out employee risk assessments on overload and human factors, and arrange consultations with doctors.

In addition to the above management, we carry out annual corporate environmental safety and health hazards identifications to implement risk management, continuously improve the safety of the working environment, and prevent endangering the safety and health of the employee. The company aims to protect not only its employees, but also its contractors and related third party.

Starting at the end of 2016, the company has been planning to establish a maternal health protection system so that the health of female employee will not be affected by the working environment in any way. In the near future, doctors will be dropping in regularly for on-site checkups on the pregnant employees. Benefits and protection will also be provided such as reserved parking spaces, more comfortable chairs, child-rearing related books, and information on postpartum diet.



Evacuation Plan



Weight loss competition



Weight loss competition



Weight loss competition



Weight loss competition

Apart from minimizing occupational accidents and illnesses, a safe and healthy working environment can significantly increase product and service quality, enhance employees' willingness to stay, and boost up employee energy level and passion. Some safety and health related performances we achieved are described below.

- Participate in the "Disaster-free working hour" cumulative certification event promoted by the Ministry of Labor.
- Promote the No Smoking campaign, given that smoking not only does harms to the smokers, but also affects the physical health of the people nearby, the indoor areas of the entire company is completely smoke-free.
- Nursing room is provided for female employees to pump milk after giving birth.
- Provide fitness center with sports equipment as employees' leisure activities after work. Encourage employees to engage in club activities and participate in external competitions.
- The Department of Health has adopted the "Self-Certification of Healthy Workplace" campaign to create a healthy working environment for employees.
- Talents are the company's greatest resource. Therefore, the company invites large-scale medical institutions to hold free health checks for all employees on a regular basis. Also, by cooperating with the Hsinchu City Lifeline Association, an excellent Employee Assistance Program (EAP) is established.
- In compliance with the Labor Standards Act, every employee is covered by labor insurance and health insurance. In addition, the employee, his/her spouse and children are free to join the group insurance, and enjoy term life insurance, accident insurance, hospitalization medical insurance, surgery and cancer medical insurance, and many other comprehensive protections.

6.6 Employee training and development

Employee education and training

ELAN

At the end of each year, the Human Resources Department will provide a list of courses to all supervisors as a reference, after gathering supervisors' needs, present the annual training plans to the General Manager for approval (also applicable to ELAN (H.K.)). At the end of each course, trainees would be given written, oral or on-the-spot operation test, as well as a Satisfaction Survey to fill out in order to understand the trainees' learning conditions and ensure the effectiveness of the training.

2017 Education and Training Course Schedule (ELAN's Headquarters in Hsinchu)

Category	No.	Course title	Total number of People/ Number of Classes	Hour(s)	Director	Manager	Asst. Manager	Director	Assigned by a manager	Optional participation	Month Carried Out											
											Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Basic level	1	Recuiting Skills	30	6				▲						●								
Basic level	2	Hazardous Substance Educational Training	100/1	1					▲												●	
Specialized	3	Chip Anti-Noise Design Concept	60/1	6					▲	▲					●							
Specialized	4	Hold upon request of each department (refer to the Specialized Course Request Form) or forsudden needs		40	▲	▲	▲	▲	▲	▲	●	●	●	●	●	●	●	●	●	●	●	●

Education and training for new employee

To help new employees quickly adapt into ELAN, on the first day an employee report for duty, a staff member from the Human Resources department will introduce the company and explain rules and regulations. The newcomer when then watch online courses on occupational safety and health totaling of 12 hours on the E-learning system. In 2017, a total of 182 new employees were hired, with a total of 2,184 training hours. After report for duty, information of the new employee is handed over to the unit in charge and a senior staff will be assigned to guide him/her to the job. After gaining some experiences, he/she will then begin to undertake new tasks, yet continue to learn through internal

and external training resources. After a three-month probationary period, the new employee will be evaluated by his/her performance. The results of a new employee's three-month and semi-annual performance assessment can also be used to check the effectiveness of those trainings.

Metanoia

At the end of each year, the Human Resources Department will provide a list of courses to all supervisors as a reference, after gathering supervisors' needs, present the annual training plans to the General Manager for approval.

Avisonic PiXORD

According to the needs of each department, present the annual training plans from time to time to the General Manager for approval.

The summary of the group's employee training in 2017 is shown below.

The average training hour per employee is 3 hrs.

Rank	Item	ELAN		Metanoia		Avisonic		PiXORD		ELAN (H.K.)		Total		Average training hour
		♂	♀	♂	♀	♂	♀	♂	♀	♂	♀	♂	♀	
Top Executive	Number of trainees	26	4	3	0	4	0	0	0	0	0	33	4	2.78
	Training hour	48	30	7	0	18	0	0	0	0	0	73	30	
	Average training hour	1.9	7.5	2.3	0	4.5	0	0	0	0	0	2.21	7.50	
Indirect Staff	Number of trainees	538	181	37	50	13	7	21	14	0	1	609	253	3.28
	Training hour	1,721	691	76	139	111.5	18	37	34.5	0	1	1945.5	883.5	
	Average training hour	3.2	3.8	2.1	2.8	8.57	2.57	1.76	2.46	N/A	2	3.19	3.49	
Direct Staff	Number of trainees	7	167	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	7	167	1.7
	Training hour	17	279	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	17	279	
	Average training hour	2.4	1.7	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	2.43	1.67	

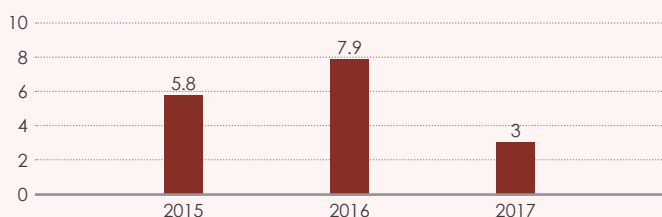
Note 1: Top executive: Director and above.

Note 2: Indirect staff: Below director level, including mid-level supervisors and other personnel who indirectly participate in product production. (e.g., purchasing, finance, QC, R&D, production management, etc.)

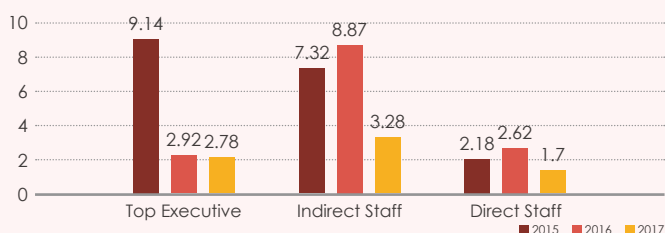
Note 3: Direct staff: Staff who are directly involved in product production, machinery and equipment operation, products assembly, etc. (e.g., technicians)

Note 4: Metanoia, Avisonic, PiXORD and ELAN (H.K.) have no direct staff, hence trainings are N/A.

The group's average employee training hour



The group's average employee training hour among different ranks



Regardless of gender, all employees in the group have accepted individual performance evaluations. This assessment is applicable to the new employee after a three-month probationary period. For new employees, the new employee examination will be used. Usually, performance evaluations are conducted 1~2 times throughout the year.

	ELAN		PiXORD		Metanoia		Avisonic		ELAN (H.K.)	
	♂	♀	♂	♀	♂	♀	♂	♀	♂	♀
Top Executive	100%	100%	100%	100%	100%	0%	100%	0%	100%	100%
Indirect Staff	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Direct Staff	100%	100%	0%	0%	0%	0%	0%	0%	NA	NA
Operation method	* Ability and individual KPI assessment * Performance Assessment		* Performance Assessment		* Refer to Metanoia Working Rules - Chapter VI Attendance, Assessment, Reward and Promotion		* Ability assessment * Performance Assessment		* Ability and individual KPI assessment * Performance Assessment	
Performance evaluation	Every half year		Every half year		Every year		Every half year		Every half year	

6.7 Zero-distance communication with the employee and full-range complaint channels

ELAN sets up several channels for employees to communicate with management. It convenes a labor and capital meeting each month where attendees are representatives from the Employees Welfare Committees, labor/employee representatives and company/employer representatives consisting of top management staff. They all gather face to face in open communications. Other avenues of communications are also provided for employees to express their opinions. These include employee suggestion box, performance interviews during personnel review, departmental staff meetings, etc. Through these

communication channels, employee complaints are immediately taken into account and provided with effective solutions thereby reduces any adverse impact on employees' life and work, and hence enhances work performance efficiency. From 2015~2017, no serious case of employee complaint has occurred.

At the same time, in order to safeguard the legitimate rights and interests of the employees while assisting them in solving their problems individually without being treated unfairly, the company has introduced the "Grievance Handling Approach" system. The HR department is assigned to handle and help solve problems the staff has encountered at work as well as in their daily life. The approach not only promotes industrial harmony, it eliminates discrimination as well. Furthermore, to maintain gender equality and human dignity at work, the company has developed preventive measures on evolving sexual harassment cases, so as to effectively address and prevent sexual harassment from happening. In handling employees' grievances, the company always processes the complaint cautiously and with strict confidentiality including the information provided therein. No matter which actions are taken, the company make sure that employees' human rights are fully respected and protected at all time. From 2015~2017, no violation of the human rights has been filed in ELAN subsidiaries in Taiwan and Hong Kong. There is no record whatsoever under any formal complaint mechanism that would produce information on ELAN's involvement in any human rights complaints by members of the human rights groups.

Similar to ELAN, Metanoia also provided several communication channels between labor and capital, including employee suggestion box, performance interviews, departmental staff meetings, and many different channels to enable employees to respond to problems. By doing so, the problems can be solved immediately and effectively, reducing the impact of problems on the life and work of employees, thereby enhancing work efficiency. In addition, in order to safeguard gender equality and human dignity, special measures have been formulated to prevent and deal with sexual harassment. In response to the appeals, the company takes all its staff members' personal information cautiously with strict confidentiality to ensure that human rights of colleagues were fully respected at all time.

Avionic holds labor-management meetings every quarter, with employee suggestion boxes, performance interviews, weekly department meetings and other multi-channels to allow employees to respond to problems, so that problems can be solved immediately and effectively, reducing the impact of problems on employees' lives and work, and thus improving work efficiency. At the same time, in order to protect the legitimate rights and interests of the company's colleagues, avoid forced labor, assist individuals to solve difficulties, and avoid unfair treatment, Grievance Handling Approach is implemented by the management office to solve problems in employees' work and life. The problems encountered in the past are expected to promote the harmony between labor and capital and avoid discrimination. In addition, in order to maintain gender equality and personal dignity, the "Sexual Harassment Prevention and Control Measures" has been formulated to effectively prevent and deal with sexual harassment. In response to the appeal, the company has adopted a prudent and confidential approach to ensure that the human rights of the colleagues are fully respected. Since the establishment of the company, there have been no cases of any labor complaints or violations of local human rights.

Last but not least, PiXORD holds labor-management meetings quarterly to let employees respond to problems, so that problems can be resolved in a timely and effective manner, reducing the impact of problems in employees' lives and work, and thus improving work efficiency. In addition, in order to maintain gender equality and personal dignity, special measures for sexual harassment prevention and control have been formulated to effectively prevent and deal with sexual harassment. In response to the appeal, the company has adopted a prudent and confidential approach to ensure that the human rights of the colleagues are fully respected.

2017 ELAN Microelectronics violations of the Labour Law

Penalty item	Penalty reason	Respond
Labor insurance \$28,876	The labor inspector informed that the direct personnel production and performance bonus should be included in the insurance grade. The company originally attributed such bonuses to non-salary, and did not immediately declare the diameter of the inspection-level distance, so the penalty was imposed.	At least two rounds of adjustment per year (February, August) will depend on the overtime and output status of the production line. In the off-season season, according to the regulations, the insurance garde adjustment operation is regularly reported.
Employee retirement plan \$5,000	The labor inspector informed that the direct personnel production and performance bonus should be included in the insurance grade. The company originally attributed such bonuses to non-salary, and did not immediately declare the diameter of the inspection-level distance, so the penalty was imposed.	At least two rounds of adjustment per year (February, August) will depend on the overtime and output status of the production line. In the off-season season, according to the regulations, the insurance garde adjustment operation is regularly reported.

Note: Avionic, PiXORD and ELAN (H.K.) have no incidence of violation of laws and regulations

ENVIRONMENTAL PROTECTION AND SOCIAL WELFARE

Electricity consumption per capita was 2.73 kWh.

Water consumption per capita was 2.73 kWh.

Participated in 29 social welfare events.

For thirteen consecutive years, ELAN was honored again with the "Distinguished Landscape Award" by the Hsinchu Science Park Bureau.

Monitored greenhouse gas emissions for 4 consecutive years. The target value for 2017 is to reduce 20 metric tons, and the actual reduction is 83 metric tons.

7.1 ELAN environmental policy

7.2 Product and service-related environmental protection

7.3 Participation in social and charitable events

7.1 ELAN environmental policy

Pollution prevention | Company-wide participation | Environmental protection commitment | Continuous improvement

ELAN carries out pollution prevention procedures, monitors and controls pollution regularly based on the ISO14001 Environmental Management System Manual. All employees and contractors of the organization are required to fully participate in the implementation of the environmental policies. This includes complying with existing environmental regulations and requirements enacted by the government and various international environmental organizations. Performance needs to continually endeavor to achieve objectives and targets.

To solve resource shortage and environmental pollution problems, we should start with energy and recourse. The environment must be protected while maintaining the natural ecology. The two should complement each other, i.e., sustainable economic development has to integrate environmental protection. Rational use and conservation of resources would effectively help in promoting efficient ecological benefits such as water, electricity, and resource savings and provide protection to environment that mankind survived in. ELAN has always been in compliance with the environmental laws and regulations. Since its establishment, the relevant environmental authorities have made regular or irregular inspections on the company facilities. To this date, the company has had no violations or been fined in any way.

The company has always been committed to sustainable development and protection of the environment. Green environment and green design are green business ideas we have been focusing on. Its products, from concept, design, mass production, to waste conservation, recycling and re-use, this Cradle-to-Cradle production approach gives full play to the modern method of resource recycling and indirectly protects our environment and resources, achieving energy efficiency effects. Meanwhile, we continue to promote pollution prevention and energy-saving carbon-related activities, fulfill social responsibility of a good corporate.

Under the company's Environmental, Health, and Safety (EHS) policy, we uphold energy saving and gradually reduce energy consumption every year in order to love Earth - conserve energy and reduce carbon footprint. The main functions of ELAN's factory in Zhonghe include marketing, R&D, production, operation management, etc.

2017 ELAN Microelectronics main power consumption

Company/Location	Electricity consumption (MJ) ^{Note 6}	Water consumption (m ³)	Gas consumption /Kg
ELAN – Hsinchu	14,358,240	23,833	50,560
ELAN - Zhonghe	4,060,548		
ELAN – Tainan	443,679		
ELAN – Kaohsiung	83,280	NA	NA
ELAN – Hong Kong	87,404		
Total	19,033,151	23,833	50,560

Note 1: 100% of the water used by ELAN Group is tap water supplied by Taiwan Water Corporation. As the Group has no production line, its water consumption is no more than that of household level. Hence water consumption is quite low, 303-1 PR

Note 2: ELAN Hong Kong, Tainan and Kaohsiung have their water consumption integrated into their respective monthly administrative fees. Hence detailed water bill figures are not available.

Note 3: ELAN Zhonghe water consumption and water bill accounted for less than 1% of the administration fee in the whole area. Therefore, the cost is calculated based on the number of factories in proportion to the area.

Note 4: Among affiliated companies, Metanoia, Avionics and PIXORD are renting factories owned by ELAN Hsinchu headquarter. Due to leasing relationship, their public water and electricity bills are combined into ELAN Hsinchu.

Note 5: As for gas costs, only Hsinchu headquarter is charged with gas bill due to the presence of a kitchen in the building, and as the staff increases, the usage amount also increases.

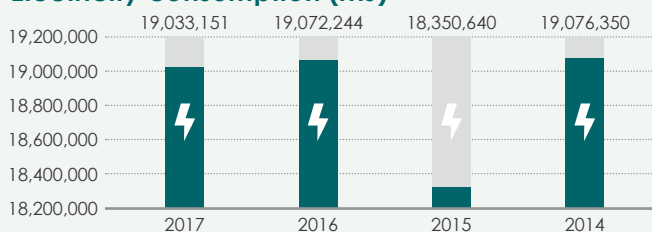
Note 6: 1Kg of gas = 10,270Kcal

Note 7: 1 Kilowatt-hour (kWh) = 8,900Kcal

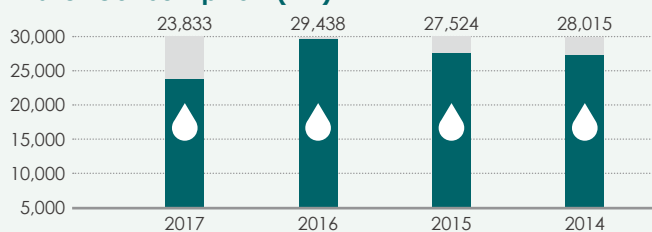
Note 8: 1 Kilowatt-hour (kWh) = 3.6 MJ

The Group's main power consumption

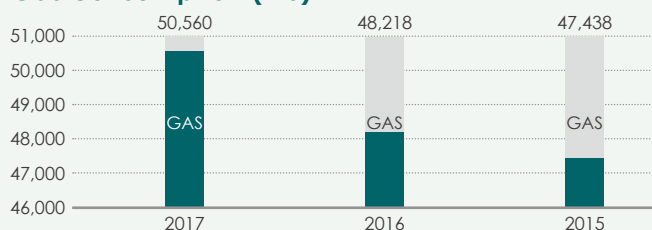
Electricity consumption (MJ)



Water consumption (m³)



Gas consumption (MJ)



Due to its distinct characteristics of process and operation, the manufacturing processes do not involve the use of highly polluted sewage or wastewater, oil (fuel) and such energy.

In response to the international attention on greenhouse gas reduction, since 2014, the Group sets a target of reducing 1% of electricity usage per person. ELAN headquarter in Hsinchu has also replaced all office lightings from halogen tubes to LED tubes. To effectively control and save electricity, we adjust the temperature of air conditionings daily according to the weather, set usage restrictions on weekends and perform monthly inspections.

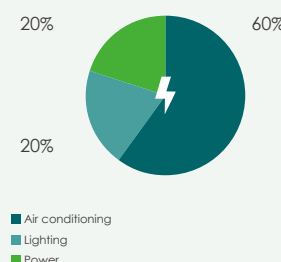
ELAN's electricity usage is mainly in Hsinchu and Zhonghe. In Hsinchu, electricity is mainly used for air conditioners, lighting, and power. From 2014 to 2017, old tubes have been replaced by energy-saving LED tubes. As for statistical results, the average annual electricity consumption of 490.46 kWh/person in 2014 has lowered to 456.13 kWh /person in 2017, indicating the replacement to be helpful.

On the other hand, in Zhonghe, electricity is mainly used in offices, production and other (calculated by MCA based on air-conditioning usage rate). Due to the annual control of air compressors, the utilization rate per person from 2014 to 2015 shows a downward trend. The rate has slightly increased to 343.10 kWh/person though, due to the addition of new machinery and an increase in Company's production capacity.

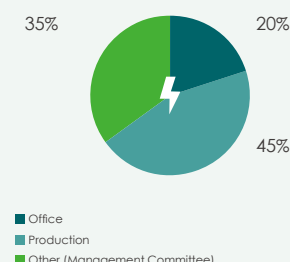
As global climate rapidly changes, water scarcity is worsening. Since ELAN is an IC design company, it uses people's livelihood water. The target rate for the annual water consumption per person is set and actions are taken to help obtain the goal. For example, toilets with higher water consumption have been replaced by toilets, in order to adjust the amount of water used. Also, when creating a green environment, plants with fewer water demands are used. Last but not least, in order to reduce water usage, monthly inspections are carried out to make sure we have effective control our water usage.

The Group uses tap water throughout the company, with consumption mainly from Hsinchu. The same applies to ELAN Zhonghe, however, since the amount used and cost are less than 1% of the administration fee, the costs are calculated based on the number of the factories in the park in proportion to its areas. No actual use of actual information on usage rates is enclosed.

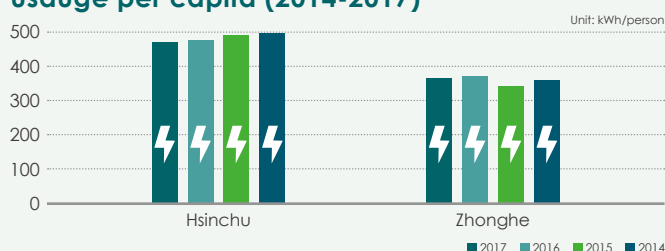
ELAN Microelectronics (Hsinchu)



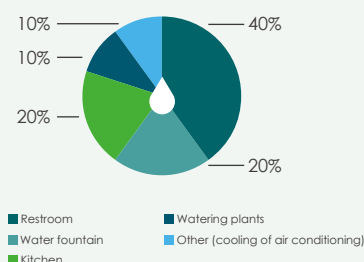
ELAN Microelectronics (Zhonghe)



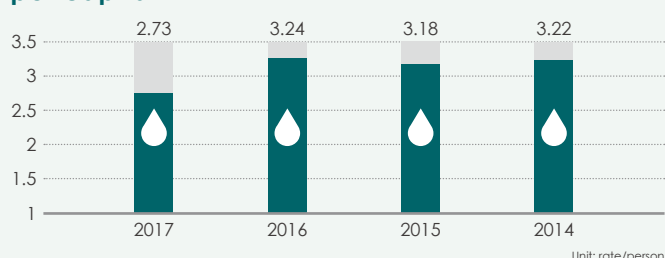
ELAN Microelectronics Average electricity usage per capita (2014-2017)



Water consumption in ELAN Hsinchu



ELAN (Hsinchu) Average water consumption per capita



In Hsinchu, water is used mainly for restrooms, water fountains, kitchens, watering flowers and others. The annual rate of water use per person does not fluctuate significantly. However, the average rate of 2017 is slightly higher due to the fact that we brought in experts to thoroughly clean the water tower.

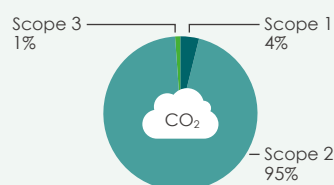
Emergency generator fuel consumption

Emergency generators in Hsinchu use diesel fuel, with a capacity of about 1,600 liters, a 20~30 minutes test run is performed every month. The total annual consumption for testing purpose is about 320 liters.

Greenhouse gas emissions

To reduce greenhouse gas emissions as a contribution to the global environment, we aim to control direct, indirect and other indirect greenhouse gas emissions by performing a monthly inventory of greenhouse gas usage. In 2017, the Group's total greenhouse gas emissions have reached 3,061.972ton CO₂-e, of which 95% of the emissions were from electricity (Scope 2).

Year	Unit	Scope 1	Scope 2	Scope 3	Total
2017	ton (CO ₂ -e)	111.902	2,927.922	22.148	3,061.972



Direct gas emissions (Scope 1)

Since the main source of direct greenhouse gas emissions is for company's operation, all we can do to reduce greenhouse gas is to purchase fuel-based company vehicles models and carry out regular maintenance when mileages are met.

The Group's direct greenhouse gas emission types are gasoline used for company vehicles, diesel fuel used for emergency generators, liquefied petroleum gas used in the kitchen, and personnel septic tank emissions. Only ELAN headquarter in Hsinchu is equipped with company vehicles, emergency generators, and cafeteria, using a total of 18.228 tons of energy and producing 36.048 tons of CO₂-e greenhouse gas emissions. As for septic tanks, the total working hours refer to the data listed on the declaration of occupational hazards. Hours in ELAN Tainan, Kaohsiung, Hong Kong and Avisonic are taken from each company's internal record for none of them is required to report online. Overall, the total amount of greenhouse gas emissions is 75.854 ton CO₂-e (refer to the table below). The Group's total amount of direct GHG emissions is 111.902 ton CO₂-e, representing an decrease of 1.43%

Fuel Classification	Year	CO ₂ emission factor	CH ₄ emission factor	N ₂ O emission factor
Gasoline used for company vehicles	2017	2.2631	0.000816	0.000261
	2016	2.2631	0.000816	0.000261
	2015	2.2631	0.000816	0.000261
	2014	2.2631	0.0008164	0.0002613
Diesel fuel used for emergency generators	2017	2.6060	0.000107	0.000021
	2016	2.6060	0.000107	0.000021
	2015	2.6060	0.000107	0.000021
	2014	2.6060	0.0001055	0.0000211
Liquefied petroleum gas used in the kitchen	2017	1.7529	0.000028	0.000003
	2016	1.7529	0.000028	0.000003
	2015	1.7529	0.000028	0.000003
	2014	1.7529	0.0000278	0.0000028

2017 ELAN Hsinchu CO₂ emission

	Gasoline used for company vehicles	Diesel fuel used for emergency generators	Liquefied petroleum gas used in the kitchen	Septic tank	Total
Energy usage (Kiloliter)	6.248	0.32	11.66	NA	18.228
CO ₂ Emission (ton CO ₂ -e)	14.754	0.837	20.457	75.854	111.902

CH₄ GWP=25, CO₂ GWP=1, N₂O GWP=298 References: The fourth IPCC Assessment Report (2007)

as compared with 2016. The decrease is mainly due to the reduction of total employees from all affiliated companies.

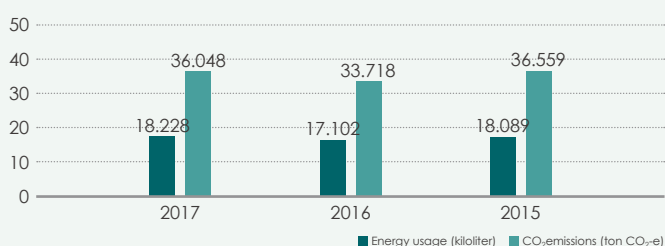
ELAN Hsinchu gas emission factors (EPA's Greenhouse Gas Emission Factor Management Table 6.0.3)

Indirect greenhouse gas emissions (Scope 2)

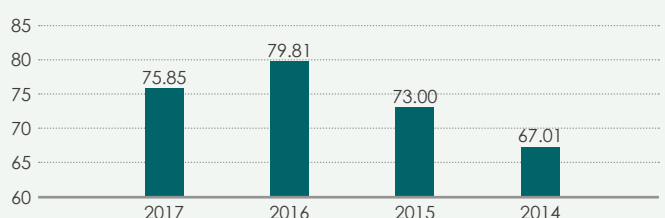
To reduce greenhouse gas emissions as an effort in environmental protection, the Company aims to control indirect greenhouse gas (GHG) emissions by controlling the amount of electricity used. All kinds of actions are taken such as adjusting temperatures of the air conditioning daily according to the weather, performing regular maintenances on mechanical equipment, monitoring electricity rate each month, etc., to reduce greenhouse gas output.

Indirect greenhouse gas emissions come mainly from the Group's electricity usage. Among them, Hsinchu area covers ELAN headquarter and its affiliates including Metanoia, Avisonic and PiXORD. The Group's total power consumption rate is 5,286,986. (refer to the following table). ELAN Group's electricity usage and CO₂ emissions in 2016 is 2,927.922 ton CO₂-e, 4.62% more compared to last year due to the addition of new employees and an increase of production capacity in ELAN Zhonghe.

Energy usage

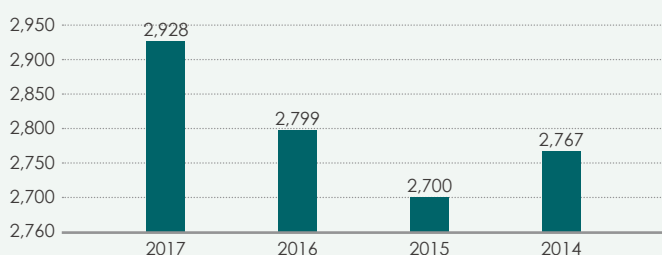


Greenhouse gas emissions (ton CO₂-e)

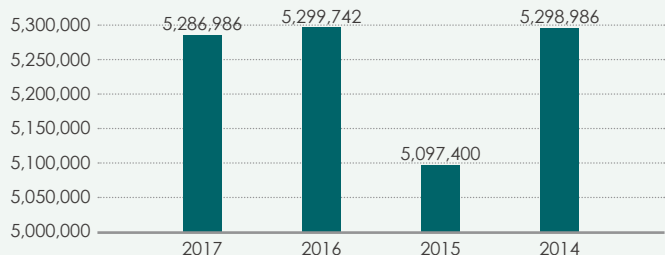


	ELAN - Hsinchu	ELAN - Zhonghe	ELAN - Tainan	ELAN - Kaohsiung	ELAN - Hong Kong	Total
Electricity consumption (kWh)	3,988,400	1,127,930	123,244	23,133	24,279	5,286,986
CO ₂ emission factor (Kg CO ₂ -e/ kWh)	0.554	0.554	0.554	0.554	0.51	-
CO ₂ emission (ton CO ₂ -e)	2,209,574	624,873	68,277	12,816	12,382	2,927.922

Indirect gas emissions (ton CO₂-e)



Electricity usage (1kWh)



References: 2017 Coefficient of Emissions in Taiwan, Bureau of Energy, Coefficient of Emissions in Hong Kong, China Light & Power Company Syndicate Sustainability Report 2017.

Other indirect greenhouse gas emissions (Scope 3)

The control of other indirect greenhouse gas emissions focuses on the removal of waste and the transportation of company vehicles. For waste removal, we choose to take the route with the shortest distance between the company and the incineration plant. As for the company vehicles, fuel-efficient models are used and maintenance is carried out according to mileage. We also replace vehicles once in a while to reduce greenhouse gas emissions. The total amount of other indirect greenhouse gas emissions is 22.148 ton CO₂-e, the relevant data are as follows:

	ELAN - Hsinchu	ELAN - Zhonghe	Total
Waste removal	397.15 tkm	5,185.8 tkm	-
CO ₂ emission (ton CO ₂ -e)	0.093	1.219	1.312
Waste produced	23.5 ton	24.36 ton	-
CO ₂ emission (ton CO ₂ -e)	14.241	6.595	20.836
Total		-	22.148 ton CO ₂ -e

Note: Company vehicles are only available at the headquarter in Hsinchu.

Measures to reduce greenhouse gas emissions :

1. Since 2014, ELAN headquarter in Hsinchu has begun to replace all office lightings from 27W PL lighting tubes to 9.8W LED energy-saving tubes. In 2017, we finished replacing lighting fixtures in all meeting rooms.
2. Office area on each floor is installed with temperature monitors to display actual indoor temperatures. The numbers are then used as standards for appropriate temperature adjustment. By doing so, air conditioning usage will not be wasted on individual preferences.
3. Announcements reminding all staff to turn off the lights to conserve electricity.
4. Computer not turn-off message reminder: Set up automatic monitoring system. If an employee did not shut down the computer after work, the MIS system will send an e-mail the next day to remind the employee and his/her supervisor to always shut down the computer before leaving.

5. Guard patrolling: During nighttime hours, a guard will patrol offices on each floor every hour and turn off the lights if no one is seen in the areas.
6. In compliance with the law, ELAN performs initial filtration processes on each types of gas used in the laboratories.
7. Since the end of 2012, ELAN Zhonghe started an independent power consumption analysis. For items with higher electricity usage, improvement measures on system and usage management aspect are carried out such as replacing all lighting fixtures to T5, control air pressure according to needs, and control air-conditioning temperature and time, etc. By saving electricity within the company, continue to reach the maximum production capacity with minimum electricity usage.
8. Elevator and public electricity usage at ELAN Zhonghe is in coordination with the energy-saving concept of the Far Eastern New Century Industrial Park. With reduced expenses, continue to improve main energy consumption in the park, and gradually promote the upgrading of the operational efficiency of Company's facilities and equipment, such as chiller energy efficiency improvement, cargo lift and freight elevator deactivation on holidays, and hierarchical regional control on holidays and during night hours.
9. For thirteen consecutive years, ELAN was honored again with the highest award, "Distinguished Landscape Award" by the Hsinchu Science Park Bureau.

Effluent and waste are classified as follows:

Effluent

ELAN is a professional IC and module designer. Its wafer and downstream production are entirely outsourced. Hence, aside from household type of sewage, ELAN does not create polluting wastewater or oil (fuel) and other high polluting waste. In Hsinchu Science Park, after initial handling of sewage that flow from each of the park's tenants, all effluent is drained for integrated treatment into the sewage handling plant located inside the park. An effluent handling fee is collected in reference to water consumption indicated in the water bills. The handling capacity is the rate of water used shown on the bill. In 2017, the total water consumption in Hsinchu was 23,932m³, a decrease of 19.66% compared to 2016. Monthly water bills for ELAN Hong Kong, Tainan and Kaohsiung are included in the management fee. Therefore, there is no detailed figures on water consumption. In addition, ELAN Zhonghe water consumption and water bill accounted for less than 1% of the administrative fee in the whole area. Therefore, the cost is calculated based on the numbers of factory households in proportion to the factory area.

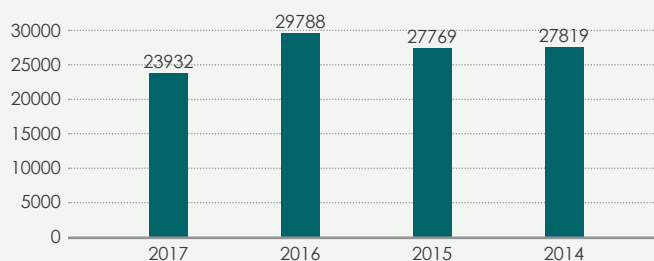
Waste

The company's general waste mainly consisted of household waste. Moreover, waste that may pose as hazardous is categorized as the electronic components stored in the warehouse and the laboratory liquid substances. In 2017, ELAN Group's general industrial waste total output volume was 46.84 tons. Of the total, the recycled volume was 9.043 tons and waste considered as hazardous was 4.961 tons. The preceding figure indicates that the volume of hazardous industrial waste is less than 10% of the total, this shows that the harmful effect is extremely low in the industrial chain.

ELAN Group, in addition to reporting by the EPD's environmental regulations and implementing industrial waste recycling, asks its contractors to comply with the requirements set under Environmental Protection Law, Occupational Safety and Health Law, and Fire Control Law. Continue to educate and promote recycling, sort general business wastes by types such as non-process, recyclable/non-recyclable, etc. and hand them over to qualified handling vendors.

The company's wastes are classified as general waste (Class D), recycle (Class R) and hazardous

ELAN (Hsinchu) Effluent usage



Note 1: ELAN Hong Kong, Tainan and Kaohsiung have their water consumption integrated into their respective monthly administrative fees. Hence no detailed water bill figures are available.

Note 2: ELAN Zhonghe water consumption and water bill accounted for less than 1% of the administrative fee in the whole area. Therefore, the cost is calculated based on the numbers of factory households in proportion to the factory area.

waste (Codes: C-0301, C-0202, E-222, E-0217). For confidential files, we will arrange special destruction each year to dispose them all at once.

Disposal of waste: General waste, confidential documents and hazardous waste of code C-0301 are to be incinerated. Electronic components (Codes E-0222, E-0217) are to be physically shattered and code C-0202 waste acid is to go through chemical neutralization.

Aside from actively promote waste recycling, ELAN has been working to implement the best management of general waste disposal by taking relevant actions include the following:

1. Wastes are classified and stored according to types and characteristics.
2. On-site management and proper labeling.
3. Perform waste storage site management audits aperiodically.
4. Arrange waste-removal vendors to perform tailgate audits.
5. Regularly audit the documents on waste removal.

2017 ELAN Waste Output

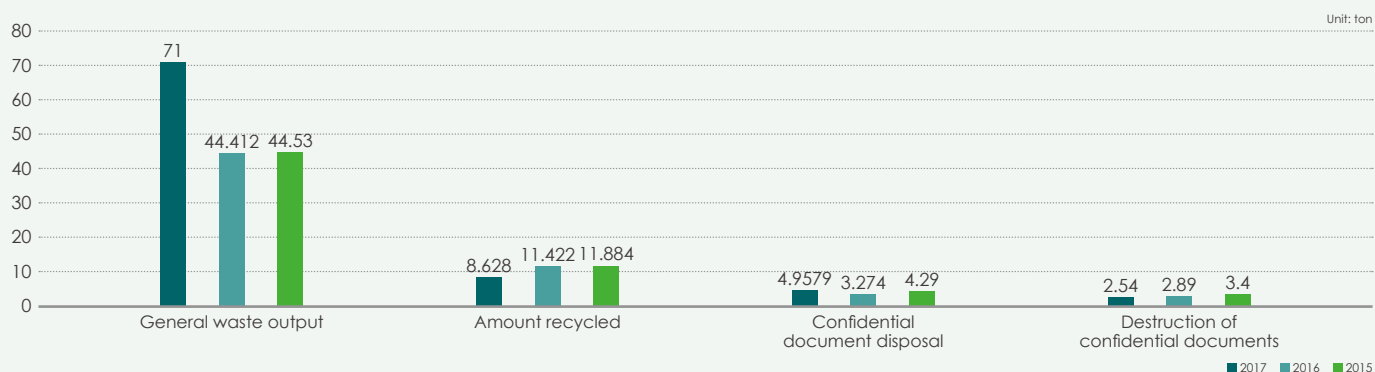
Company/ Region	Amount of general industrial waste produced (ton)	Recycled resource (ton)	Amount of hazardous industrial waste produced (ton)				Total	Destruction of confidential documents (ton)
			E-0222 PCB with components attached	E-0217 Waste components	C-0202 Waste components with pH ≤ 2	C-0301 Distillation residue containing aniline		
ELAN - Hsinchu	23.5	8.628	-	0.398	-	-	0.398	1.54
ELAN - Zhonghe	19.8	0.415	1.092	3.468	-	-	4.56	1
Metanoia	3.54	-	-	0.003	-	-	0.003	-
Avionic	-	-	-	-	-	-	-	-
PIXORD	-	-	-	-	-	-	-	-
Total	46.84	9.043					4.961	2.54
Company/ Region	Amount of general industrial waste produced (ton)	Recycled resource (ton)	Amount of hazardous industrial waste produced (ton)				Total	Destruction of confidential documents (ton)
			E-0222 PCB with components attached	E-0217 Waste components	C-0202 Waste components with pH ≤ 2	C-0301 Distillation residue containing aniline		
2017	46.84	9.043	1.092	3.869	-	-	4.961	2.54
2016	44.412	11.422	0.3	2.866	0.1	0.008	3.274	2.89
2015	44.53	11.884	1.07	3.218	-	0.002	4.29	3.4
2014	59.63	13.87	0.969	4.473	0.046	0.019	5.507	2.02

Note 1: Since ELAN Tainan, Kaohsiung and Hong Kong rented their offices and industrial waste is handled by the Management Committee, there's no actual data.

Note 2: Metanoia, Avionic and PIXORD are renting some of the facilities in ELAN headquarter in Hsinchu, hence all general industrial waste and recycling outputs are integrated and calculated altogether.

Note 3: General waste refers to domestic waste. Recycling does not include Styrofoam recycling. According to the law, Styrofoam, regardless of the weight, is to be picked up by a qualified transporter.

ELAN Microelectronics Waste output



7.2 Product and service-related environmental protection

"Green Products" has always been a fundamental requirement of ELAN. All series of ELAN's products comply with RoHS, Sony GP, REACH, and Halogen-free requirements. ELAN provides customers with a Warranty on Non-Inclusion of Hazardous Substances. From design, production materials to product output, ELAN has consistently called for "Green Design", "Manufacturing and Purchasing Processes", "Conservation of Resources and Recycling" and "Waste Management", continuously pursues improvement and innovation. Starting with design aspects, management control and actual implementation, to reduce unnecessary industrial wastes.

To achieve "Green Design", while designing the perfect products to satisfy our customers, we also insist on following the basic principles of eco-design at all time. Playing a role in environment protection, the use of hazardous substances declared by RoHS, Sony GP, REACH and Halogen-free requirements are strictly prohibited in the Group. ELAN hopes and will continue to exert sustainable environmental protection efforts in ELAN's products and for the next generation.

Conservation and high efficiency are ELAN's R&D objectives that will help reduce the demand for energy or components of products and services.

1. "High-transparent Touch Optics Module" uses low power DSP to achieve handwriting recognition features. With simple design and peripheral components, ELAN capacitive touch sensors can efficiently save space on circuit boards and reduce cost. ELAN received the "Best Choice of the Year" award and the grand awards in peripherals and accessories category with this module in the COMPUTEX TAIPEI 2009.
2. "Smart Touch Multifunctional Remote Control" is an all-in-one design that combines audio remote, TV remote, virtual PC keyboard, handwriting, presentation remote, gaming/joystick and other modes into one single remote, saving lots of materials, battery consumption and pollution. As environmental protection awareness rises, this product provides a better green living option. This product was rewarded the "Best Choice for Digital Entertainment Products" in the COMPUTEX TAIPEI 2009.
3. "Windows 8 Smart-Touchscreen™ Single Chip Solution" contains built-in high-efficient sensor circuits, high-voltage driver circuits and dual DSP core frameworks that can reduce chip working frequency and power consumption to conform to Windows 8 specifications. Windows 8 Smart-Touchscreen™ single chip integrated with excellent hardware and software technology, reducing the use of wafers, external components and PCB material cost. Moreover, it supports 11.6" ~18" touchscreens. This single chip uses small packaging and simple external components, and it is the world's smallest circuit board with a width as less as 6mm. Not to mention its world's lowest power consumption. By efficiently reduce component usage and metallic (battery) and other material pollution, goals of higher stability and lower power consumption can be obtained.
4. The development of "Low-Power-Consumption Ultra Energy-Efficient Solar-Powered Calculator Chip" has overcome the technical challenges of the overcritical low power consumption of a calculator. Satisfying 1.5V MCU, the chip uses solar panel as the power supply, conforms to the application trend of the international top manufacturer brands. With this chip, ELAN is expected to be the first provider of solar-powered calculator chips in Taiwan.

5. "Single-Layer Touch Module Sensor" has a vertical triangular stack structure design, wafer pins can be laid on a single side. With shorter routing, the sensor requires only a single-layer ITO mask to complete. Not only does the sensor provide advantage in cost control, it also has good efficiency, supports 5-finger touch screen solutions, significantly reduces the use and pollution of masks and other materials which can all enhance product competitiveness.
6. "Pointing Stick Module" has power saving and low-cost features. Touch sensor senses finger movement through the integration of analog sensing. The advantage of this technology development is its low power consumption. When in operating mode, depleting an average of only 900 μ A and can totally be used for PS2/I2C mode. In addition to achieve low noise, simple external application circuits in our modules, fast yet low power consumption and green design are the biggest technological advantages and requirement of ELAN.
7. The second generation of "Smart-Touchscreen single chip" is currently the market's first single touch IC solution that meets the Windows 8 LPML1 (Link Power Management, L1) specification requirements.
8. The BLDC (Brushless DC) motor equips with 16-bit MCU and DSP total solution to provide a complete solution that achieves great efficiency, high rotational speed and low power consumption. It can be used in industrial grade products such as hair dryers, ceiling fans, etc. In 2014, ELAN has shipped 4,000 units, 19,170 units in 2015, 24,690 units in 2016, and 43,700 units in 2017. Compared to traditional induction motors, it has already saved about 15,382,080 kWh of electricity.
Formula: kWh saved = amount of shipments * kWh saved per IC * hours used per day (3 hours) * days used per year (140 days) * lifetime (5 years)
9. Fingerprint identification wafers do not require external metal rings nor additional ICs to apply drive signals. This minimizes module design size, save materials and lower cost. With a single IC, high sensitivity performance can be achieved. Meanwhile, passive components can be enclosed into the sensor package, simplifying application circuits. Also, users can even use single-layer EPC to effectively reduce module cost. With the patented adaptive parasitic capacitance cancellation technology, higher level of sensitivity and lower energy

consumption are achieved. Other competitive advantages include its fast unlock operational efficacy, simple hardware structure, high production efficiency, high yield, and no advanced semiconductor process is required for manufacturing fingerprint sensor chips.

10. The development of the Master IC Built-in Hardware Clock Circuit uses environment-friendly lithium batteries as the clock's backup power supply, and it does not need to be replaced within the clock's lifetime. If the main power supply is cut off, it can supply power to the clock, maintain precise internal operations for at least 5 years. When the battery voltage is low, the meter will give an alarm. The date and time settings must contain safety measures that prevent non-authorized operations.
11. The development of the Electric Energy Measurement and Smart Meter with Smart Monitoring ICs uses systems In-Snergy, smart meters (smart home appliance control), and smart monitoring/smart home appliances. Provide intelligent, energy saving, security and other features, so that users can easily connect portable devices such as mobile devices to Smart devices for energy saving and safety monitoring purposes.
12. The development of the Glass-cover Capacitive Fingerprint Sensor Module has a built-in drive signal booster, with no additional IC required in order to minimize module design size and save parts cost. Its higher sensitivity lower power consumption also increases performance and cost competitiveness.
13. The development of the 2-in-1 Touch and Display Chip for smartphones has a built-in 60Hz/120Hz auto-switching function. Enter low power mode during low operation to achieve low power consumption. In addition, not only can the IPD (In-Phase Driving) function effectively reduces the external capacitance, it can also support larger panel loading (panel load). By combining touch and display driver chips, the production cost can be significantly reduced while performance improves and the use of peripheral components reduces.

14. The development of the Half Bridge Induction Heater with Capacitive Touch IC aims to achieve high anti-noise, waterproof, anti-accidental touch, gloves touch control, power (fire) control, timing control, etc. ELAN strives to provide the best cost-effective control chip that coordinates with green energy-saving factors.
15. The development of a new type of VCM Driver Chip with built-in Flash Program memory users can instantly modify the control program to enhance the performance of the controller. The constant current drive is employed to achieve high-quality anti-shake and high accuracy. The 3 built-in channel halls amplify small signals during circuit processing to save the needs for external OP amplifier circuit. Improve the production process by writing the best parameters into the controller memory will also substantially stabilize product quality.

Production and purchasing

In response to the rising cost of major raw materials, upon the completion of a product design, planning, purchasing, production, and product output processes are all to be strictly controlled. Submit item purchase requisitions, reduce inventory stacking cycle, and decrease raw materials used in the manufacturing process by improving production techniques, etc. are all actions ELAN has taken in hope to produce the maximum output value with the minimum materials.

Resource conservation and recycling

Establish Standard Operating Procedures (SOPs), from offices to the production sites, foster good organize and clean habits and achieve PDCA (Plan-Do-Check-Action) management cycle. Through continuous improvement in the control and management of materials, resources and waste recycling, reducing the purchasing and waste of materials.

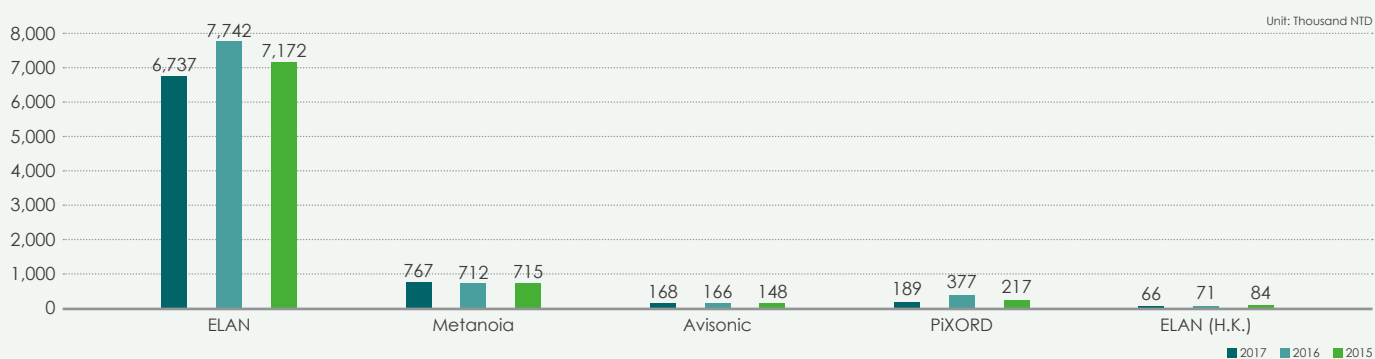
1. Promote paperless operations, a fully electronic management system: For 13 years, ELAN has been committed to "paperless" operations and has self-developed an electronic document system. Official documents, confidential documents, meeting information, quality system procedures/specifications, operational forms, etc. have all been electronicalized. By doing so, it greatly reduces the necessity and the amount of paper used.

2. Packaging material recycling: Materials such as trays, tubes, wafer cassette, cartons, buffer, etc. are all recycled in one way or another. For example, during the quarterly destruction of waste, scrapped trays will be retained and recycled aperiodically. In 2017, tray accounted for 5.33% of the total recycled materials being re-used. The rest such as tubes, wafer cassette, cartons, buffer, etc. are kept in the warehouse area for recycling and re-use.

The calculation formula is as follows: Number of scrapped trays recycled by a vendor * Average capacity per tray / Amount of PKG sales during the reporting period.

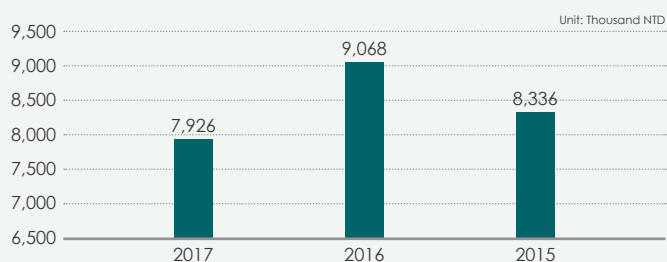
3. Recycling scrapped products: Defective semi-finished and finished products are categorized according to types such as Wafer, Dice, Package, and PCBA. During the quarterly destruction of waste, scrapped products are handed to recycling vendor. Metals such as gold thread and copper will be refined and re-used.

ELAN Microelectronics 2015-2017 Environmental expenses and investment



Note: The environmental protection expenditures include cleaning fee, labor fee (e.g., verification fee), education and training fee, maintenance - housing equipment and consumables (e.g., lighting tubes repair).

Total amount of environmental expenses and investment



	2017	2016	2015
ELAN	6,737	7,742	7,172
Metanoia	767	712	715
Avisonic	168	166	148
PiXORD	189	377	217
ELAN (H.K.)	66	71	84
Total	7,924	9,068	8,336

7.3 Participation in social and charitable events

In the past few years, ELAN has begun to participate in social and charitable events. The elderly and children are the disadvantaged minorities we pay most attention to. By taking practical actions to host and sponsor events, donate money and supplies, we hope to contribute our efforts as part and fulfill social and civic responsibility. Each year, ELAN lists an annual charity budget and searches for suitable non-profit organizations (currently focused on the elderly, children and other vulnerable groups). In addition, Company-wide charity events are often held which employees are encouraged to engage in these meaningful activities such as volunteering, supporting sales, making posters, etc. Not only do Company's executives participate in each activity, volunteered employees also actively support the campaign and contribute whatever they could --- those with money donate money and those with time/effort donate time/effort. The company also granted compensatory days off to whoever volunteers in such events. Employees' partners and families are encouraged to participate as well. In the future, ELAN hopes to gather more organizations and offer more care and assistance to disadvantaged groups in different parts of the society. By 2017, ELAN has already participated in 29 charity events.

Organizer	Event	Group	2017	2016	2015	2014	Hosting/ co-hosting	Sponsoring	Employee donation	Executive engagement	Corporate volunteer participation
Jesuit Catholic Social Service Center in Hsinchu	"Hold onto the Years. Hold onto Love." Cherish the elderly propaganda, love carnival	The elderly	✓	✓	✓	✓	✓	✓	✓	✓	✓
Huashan Social Welfare Foundation	"Love the elderly. Love the gathering." Chinese New Year fortune food sending	The elderly	✓	✓	✓	✓	✓	✓	✓	✓	✓
Huashan Social Welfare Foundation	Second-hand goods donation	The elderly	✓	✓	✓		✓			✓	✓
Children Are Us Foundation	Painted heart smiles. Sending love to the tribes --- Aesthetic life exhibition tour	Children		✓	✓		✓	✓	✓	✓	
Taiwan Abundant Life Association	Summer English camp for tribal kids	Children	✓	✓	✓	✓		✓			
Accton Technology Corporation	Christmas dream-come-true project	Children	✓	✓	✓	✓			✓		
National Taipei University of Technology	Cultivation of technology talents	Children			✓		✓	✓		✓	
National Sun Yat-sen University	Cultivation of technology talents in Southern Taiwan	College students		✓			✓	✓		✓	
Private Hui Ming School for the Blind	Thanksgiving charity event	Children		✓	✓	✓	✓		✓	✓	
Ta Hwa University of Science and Technology	Cultivate scientific and technological elites	College students	✓								
Environmental Protection Bureau of Hsinchu City	Earth Day Beach cleaning	Environment	✓				✓			✓	✓
Puzzle Cat Taiwan	Cat lunchbox fundraising event	Stray animals	✓				✓		✓		

Care for vulnerable groups – the elderly with three lost

As 2017 approaches, ELAN and Huashan Foundation co-sponsored the "Love the elderly. Love the gathering." charity event, sending fortune food, red envelopes and rice dumplings to the elderly with three lost --- loss of intelligence (disabled), loss of normal functioning (Dementia) and loss of reliable family member (abandoned). In hope to help putting up a warm New Year Eve's dinner for those elderly. In addition, ELAN hosted company-wide second-hand goods donation events, encouraged employees to donate first or second-hand items they no longer need (yet still usable). All the items are then collected and denoted to Huashan Social Welfare Foundation to sell in their charity events. Profits gained from the charity sales are to be used as foundation's operating fund and fund to support the disadvantaged elderly. By doing so, not only can we save resources, but also provide direct help toward the disadvantaged elderly groups.

Care for vulnerable groups – solitary elderly

For the seventh consecutive year, ELAN has co-hosted a "love carnival" event each year with the Jesuit Catholic Social Service Center in Hsinchu, setting up charity sales in the company, subscribing carnival tickets, and having employees to volunteer on the day of the carnival. The sale proceeds were donated in full to the Social Service Center to serve vulnerable elderly and purchase transport vehicles. We hope to give a hand to poor, disabled solitary elderly through these charity events and help them celebrate the Mid-Autumn Festival with love and blessings.

Care for vulnerable groups – disadvantaged children

On Christmas Eve, companies in Hsinchu Science Park will all engage in the Christmas Dream-Come-True Project, fundraising Christmas gifts for the disadvantaged children in Hsinchu. ELAN has always been a major participant. With a pure intention of giving back to the society, employees gather their own abilities to make disadvantaged children's Christmas wishes come true. This Christmas Dream-Come-True Project has been going on for 15 years, helped thousands of disadvantaged children and took practical actions to practice the concept of social citizenship. Moreover, we hope to plant a seed of love in each kid's heart, as the love takes roots and grows, it may find a way to spread it to more people who need help.



Love carnival



Christmas Dream-Come-True Project



English summer camp



Industrial-university cooperation

Care for vulnerable groups – tribal children in remote areas

ELAN has comported with Taiwan Abundant Life Association for three consecutive years to recruit foreign and international students and host summer English camps for tribal children in remote areas. By giving tribal children an opportunity to learn in English environment, it enhances their interest in English, creates self-confidence, increases competitiveness, and expands their international perspectives.

Cultivation of technology talents through Industry-University Cooperation Program – College students

As an IC design company, the cultivation of technology talents begins at schools and the promotion of Industry-University cooperation is the most direct and efficient way for ELAN to contribute to the society. Rooted from the campus, provide internship opportunities to the school to create a win-win situation between ELAN and the school. Without a doubt, providing internship is one of the most effective and easiest ways to develop talents in an early stage. Through the provision of workplace internship opportunities for students, the interns' learning and work content are arranged in a planned manner. Under the leadership and subtle influence of the seniors, the interns are able to experience the practical skills in the workplace and cultivate correct working attitudes. This industrial-university cooperation will nevertheless foster students' potentials and cultivate young talents for the society.

Such internship program is planned in advance by ELAN and the school, lasts for "a semester" or "all-year". The specific work content and achievable task system are designed to allow students to enter the workplace early. Extensive knowledge and practice have also injected new vitality and creativity into the company. Also, the company can explore suitable talents and retain excellent internships to create a new force for the company. For students, it is possible to recognize the workplace and the employment environment early, strengthen self-function, and then make the right career choices. By 2017, ELAN has provided a total of 35 job openings for undergraduate and graduate students as internships or Industry-University cooperation projects.

Corporate college	2017	2016	2015
National Taipei University of Technology			9
National Sun Yat-sen University		12	
China University of Science and Technology	14		



Beach cleaning



Cat lunchbox fundraising event

Environmental protection – Earth Day beach cleaning

For the first time in 2017, we participated in the Earth Day beach cleaning event hosted by the Environmental Protection Bureau of Hsinchu City. More than 40 employees and their family joined, despite the awful weather. Together, we removed about 3.5 metric tons of waste and 1 metric ton of recycles on Happiness Bay. In the future, we will continue to respond to beach cleaning activities and encourage employees to participate. This profound experience can not only educate employees on garbage pollution, but it is also the best starting point for everyone to be close to the sea, love the sea and protect the ocean. It inspires environmental awareness and life attitude. Let's continue to be friendly to our environment, and show our effort for environmental sustainability.

Care for stray animals around us

In 2017, ELAN participated in the cat lunchbox fundraising event hosted by Puzzle Cat Taiwan. Puzzle Cat Taiwan turns the cat fertilizer that is cleared every day into a non-toxic organic fertilizer through the enzyme and machine operation, and then invites the small farmers in Yilan to plant the crops, harvests the proceeds after the crops are sold, and finally, comes back to take care of the cats. Through this fundraising, the cat feces will be exchanged for gold to feed cats with AIDS and severe diseases will be exchanged. The "AIDS cat" will be given a chance, and a sustainable, friendly, safe and entertaining society will be established. Stray animal problem handling system. ELAN Microelectronics has a sense of this. Most of the groups that care for stray animals rely on donations from the communities. We raised a total of 21,000 NTD.



ASSURANCE STATEMENT

SGS TAIWAN LTD.'S REPORT ON SUSTAINABILITY ACTIVITIES IN THE ELAN MICROELECTRONICS CORPORATION'S CORPORATE SOCIAL RESPONSIBILITY REPORT FOR 2017

NATURE AND SCOPE OF THE ASSURANCE/VERIFICATION

SGS Taiwan Ltd. (hereinafter referred to as SGS) was commissioned by ELAN MICROELECTRONICS CORPORATION (hereinafter referred to as ELAN) to conduct an independent assurance of the Corporate Social Responsibility Report for 2017 (hereinafter referred to as CSR Report). The scope of the assurance, based on the SGS Sustainability Report Assurance methodology, included the text, and data in accompanying tables, contained in this report.

The information in the ELAN's CSR Report of 2017 and its presentation are the responsibility of the management of ELAN. SGS has not been involved in the preparation of any of the material included in ELAN's CSR Report of 2017.

Our responsibility is to express an opinion on the text, data, graphs and statements within the scope of verification with the intention to inform all ELAN's stakeholders.

The SGS protocols are based upon internationally recognized guidance, including the Principles contained within the Global Reporting Initiative Sustainability Reporting Standards (GRI Standards) 101: Foundation 2016 for accuracy and reliability and the guidance on levels of assurance contained within the AA1000 series of standards and guidance for Assurance Providers.

This report has been assured using our protocols for:

- evaluation of content veracity at a moderate level of scrutiny for ELAN and moderate level of scrutiny for subsidiaries, joint ventures, and applicable aspect boundaries outside of the organization covered by this report;
- AA1000 Assurance Standard (2008) Type 2 evaluation of the report content and supporting management systems against the AA1000 Accountability Principles (2008); and
- evaluation of the report against the Global Reporting Initiative Sustainability Reporting Standards (2016)

The assurance comprised a combination of pre-assurance research, interviews with relevant employees, superintendents, CSR committee members and the senior management in Taiwan; documentation and record review and validation with external bodies and/or stakeholders where relevant. Financial data drawn directly from independently audited financial accounts has not been checked back to source as part of this assurance process.

STATEMENT OF INDEPENDENCE AND COMPETENCE

The SGS Group of companies is the world leader in inspection, testing and verification, operating in more than 140 countries and providing services including management systems and service certification; quality, environmental, social and ethical auditing and training; environmental, social and sustainability report assurance. SGS affirm our independence from ELAN, being free from bias and conflicts of interest with the organisation, its subsidiaries and stakeholders.

The assurance team was assembled based on their knowledge, experience and qualifications for this assignment, and comprised auditors registered with ISO 26000, ISO 20121, ISO 50001, SA8000, EICC, QMS, EMS, SMS, GPMS, CFP, WFP, GHG Verification and GHG Validation Lead Auditors and experience on the SRA Assurance service provisions.

VERIFICATION/ ASSURANCE OPINION

On the basis of the methodology described and the verification work performed, we are satisfied that the information and data contained within ELAN's CSR Report of 2017 verified is accurate, reliable and provides a fair and balanced representation of ELAN sustainability activities in 01/01/2017 to 12/31/2017.

The assurance team is of the opinion that the Report can be used by the Reporting Organisation's Stakeholders. We believe that the organisation has chosen an appropriate level of assurance for this stage in their reporting. In our opinion, the contents of the report meet the requirements of GRI Standards in accordance with Core Option and AA1000 Assurance Standard (2008) Type 2, Moderate level assurance.

AA1000 ACCOUNTABILITY PRINCIPLES (2008) CONCLUSIONS, FINDINGS AND RECOMMENDATIONS

Inclusivity

ELAN has demonstrated a good commitment to stakeholder inclusivity and stakeholder engagement. A variety of engagement efforts such as survey and communication to employees, customers, investors, suppliers, CSR experts, and other stakeholders are implemented to underpin the organization's understanding of stakeholder concerns. For future reporting, ELAN may proactively consider having more direct two-ways involvement of stakeholders during future engagement.

Materiality

ELAN has established effective processes for determining issues that are material to the business. Formal review has identified stakeholders and those issues that are material to each group and for future reporting it is to be enhanced to addresses these at an appropriate level to reflect their importance and priority to these stakeholders at different level within the subsidiary companies.

Responsiveness

The report includes coverage given to stakeholder engagement and channels for stakeholder feedback.

GLOBAL REPORTING INITIATIVE REPORTING STANDARDS (2016) CONCLUSIONS, FINDINGS AND RECOMMENDATIONS

The report, ELAN's CSR Report of 2017, is adequately in line with the GRI Standards in accordance with Core Option. The material topics and their boundaries within and outside of the organization are properly defined in accordance with GRI's Reporting Principles for Defining Report Content. Disclosures of identified material topics and boundaries, and stakeholder engagement, GRI 102-40 to GRI 102-47, are correctly located in content index and report. For future reporting, it is recommended to have more descriptions of ELAN's involvement with the impacts for each material topic (103-1), and how efforts were given to mitigate the impacts. When reporting on goals and targets for each material topic, the expected results are suggested to be set, if applicable, with quantitative objectives.

Signed:

For and on behalf of SGS Taiwan Ltd.



David Huang, Director
Taipei, Taiwan
18 October, 2018
WWW.SGS.COM



AA1000
Licensed Assurance Provider
000-8

Major management approach

no	Major management approach	GRI Standard	Disclosure aspect	Importance	Impact range	Management strategy	Medium- and long-term development	Performance in 2017	Highlights in 2018
1	Economic performance			The semiconductor industry is an important strategic industry of the country. Taiwan's IC design industry is the source of semiconductors, and its output value ranks second in the world. It drives the growth of national GDP and provides employment opportunities for hundreds of thousands of people, affecting the expansion of shareholders, customers, employees and the country's economic growth.	Within the organization - employee/shareholder/relationship	The Group sets the operational targets for the next year at the end of each year and reviews the actual results through monthly performance meetings. When there is a drop, the business is required to provide relevant improvement practices and implement them to ensure that the operational objectives can be successfully achieved. The market share was effectively consolidated and upgraded and served as the basis for revising the annual business plan.	1. Focus on competitive products, expand their application range, and emphasize differentiated competitive strategies. 2. Cooperate with the relevant upstream and downstream industry strategic alliances to establish the common cooperation and coexistence and common prosperity.	1. In 2017, profit grew in both touch industry and its related products. 2. The shipment of fingerprint identification products in 2017 has increased several times compared to the previous year.	1. Improved the penetration rate of the existing customer for touch screen products/touch panel modules. 2. Cooperated with number-one active pen supplier and launched a new scheme of touch-sensitive capacitive stylus for smart phones.
	201		Purchasing practice						
	202		Market image						
	204		Customer relationship participation						
	Other-1								
	Other -4		Number of key performance indicators, Management process optimization and electronic						
	Other -6								
	Other -7		Industry-University Cooperation Program						
	Other -9		Social/public interest participation						
	Other -10		Product contribution to world trends						
2	Investor relationship optimization								
	Customer satisfaction and customer satisfaction are an important part of ELAN's sustainable operation. Through the satisfaction survey twice a year, we can understand the customer's needs and improve the service quality of the products, thus strengthening the competitiveness of the company.			Customer satisfaction and customer satisfaction are an important part of ELAN's sustainable operation. Through the satisfaction survey twice a year, we can understand the customer's needs and improve the service quality of the products, thus strengthening the competitiveness of the company.	Within the organization -Affiliated company	ELAN Microelectronics conducts customer satisfaction surveys every six months on important customers or agents of each product line. From the delivery and quantity, IC quality, customer service and customer complaints, technical services, sales services and other projects, the results of the survey are submitted to the relevant departments for review. Since 2014, the business unit has listed the customer satisfaction score and customer satisfaction survey recovery rate as departmental KPI items.	Continuously improve customer satisfaction and create win-win situations between ELAN and the leading brands/manufacturers/customers / suppliers/agents	Customer satisfaction response rate 61.5%	1. Planned on ways to improve customer satisfaction response rates and improvement measures. 2. Improved customer satisfaction and competitiveness by setting annual key performance indicators.
	201		Economic performance						
	416		Customer health and safety						
	418		Customer privacy						
Product quality and customer satisfaction	Other -8		Risk Management						

no	Major management approach	GRI standard	Disclosure aspect	Importance	Impact range	Management strategy	Medium- and long-term development	Performance in 2017	Highlights in 2018
3	Greenhouse gas emission	305 306 Other -8	Emission Water Risk management	In response to international trends, ELAN Group, despite its non-greenhouse gas reduction targets, is still pursuing its own carbon reduction activities, in order to contribute to the environment and reduce operating costs.	Within the organization - Employee/affiliated company Outside the organization - Supplier, customer and agent	Following the national greenhouse gas reduction policy, we have standardized the greenhouse gas inventory process, effectively improved the performance of energy conservation, and reduced greenhouse gas emissions, with a view to implementing the goal of promoting greenhouse gas reduction.	Energy saving and carbon reduction, moving towards green low-carbon enterprises	Self-monitored and controlled indirect greenhouse gas emissions. Relevant information has been disclosed in the CSR report. The target for 2017 is to reduce 20 metric tons, and the actual reduction is 83 metric tons.	1. The target for 2018 is to reduce 20 metric tons of indirect gas emissions. 2. Bring in third-party verification during greenhouse gas evaluation.
4	Hazardous substance control	302 Other -8	Energy Risk Management	In view of the needs for economic and environmental protection, the increasing number of international environmental protection conventions, agreements and standards, reduce the damage during the production process, in order to conserve the ecological balance and enhance the competitiveness of their products.	Within the organization - Employee/affiliated company Outside the organization - Customer/agent/supplier	Established a "Hazardous Substance Management Procedure" based on the international/industry and customer specifications for the prohibition/restriction of hazardous substances, and as a supplier's standard for the prohibition/restriction of chemical substances management, strictly control all products and parts. And materials to meet electronic international / industrial specifications and customer specifications.	Promote Green industrial chain and establish a low-carbon supply chain.	Optimized the "Hazardous Substance System" to improve the efficiency of supplier uploading documents, in order to fully control the customer's green product technology requirements document.	1. Imported a homogeneous material test report management system to reduce the supplier's upload system by 50% of the time. 2. The Hazardous Substance Management System imports the associated ELAN electronic item number to avoid repeated uploading of the same material in different forms to reduce duplicate forms and data unity.

no	Major management approach	GRI Standard	Disclosure aspect	Importance	Impact range	Management strategy	Medium- and long-term development	Performance in 2017	Highlights in 2018
5	Energy management	301 416	Raw material Customer health and safety	In view of the growing scarcity of the earth's resources, enterprises are facing the impact of the low-carbon era, cooperating with the national energy law and the trend of international energy conservation and carbon reduction, improving the company's energy efficiency, creating a win-win situation for operating costs and environmental protection.	Within the organization - Employee Outside the organization - Employee/affiliated company	In response to the international emphasis on greenhouse gas reduction, the target for the reduction of 1% per capita electricity consumption in 2014 was implemented. In 2013, Hsinchu District implemented a comprehensive policy to change the halogen lamp to the LED lamp, and adjusted the air conditioner according to the daily temperature. The usage is limited with the use of holiday air conditioners, and the inspection operations are carried out monthly to achieve the purpose of effective power control and power saving.	Replace office equipment to improve energy efficiency: 1. The traditional air conditioners have been replaced by inverter air conditioners. 2. The cooling tower fan motor is replaced by the fan inverter motors. 3. The office downlights are replaced by LED lights.	Set up a target to reduce the average electricity consumption per person by 1% and it actually decreased by 3.7%.	The goal is to reduce 1% of the average electricity consumption per person.
6	Employee development	404 Other -8	Training and education Risk Management	The company's largest assets and competitiveness have always come from high-quality, actively recruiting, and retaining talents. By them, research and development can be strengthened, and competitiveness can be maintained in global competition.	Within the organization -Employee Outside the organization - Employee/affiliated company	Department provides relevant courses as references for the supervisors of all levels. After the needs of the supervisors are collected, the general manager will approve the annual training plan (Applicable to Elan Hong Kong). After the education and training courses are completed, the trainees will be tested. Written, oral or field operation tests and fill in satisfaction questionnaires will be used to understand the training status of trainees and ensure the effectiveness of training.	Create a good environment for the development of employees' careers, and establish an effective career development training program.	The target satisfaction value of the course is 88%, and the actual value was 90%.	Course satisfaction target value is 90%

no	Major management approach	GRI Standard	Disclosure aspect	Importance	Impact range	Management strategy	Medium- and long-term development	Performance in 2017	Highlights in 2018
				Based on the business philosophy of integrity, transparency and responsibility, ELAN set a policy based on integrity and established a good corporate governance and risk management mechanism to create a sustainable business environment.	Within the organization - Employee/affiliated company Outside the organization - Customer/agent/supplier	Follow the Code of Practice for Corporate Governance on the Listed Companies, the Code of Good Faith and the Code of Ethical Conduct, and establish an effective governance structure and relevant ethical standards to improve corporate governance. The company's website has a "Reporting Mailbox" for employees and outsiders to report anonymously.	Promote the concept of integrity management as an international trend, strengthen the anti-corruption concept of employees, customers and suppliers, implement the anti-corruption policy, completely eliminate the occurrence of illegal business practices, and make ELAN an ethical and social responsible enterprise.	Held education trainings related to integrity management.	Anti-corruption courses are added for the newcomers.
7	Integrity management	205 419 Other -8	Anti-corruption Compliance to the laws Risk Management						

no	Major management approach	GRI Standard	Disclosure aspect	Importance	Impact range	Management strategy	Medium- and long-term development	Performance in 2017	Highlights in 2018
8	Sustainable supply chain	414	Supplier social assessment	Suppliers are important operational partners of ELAN. In the promotion of corporate social responsibility, the overall supply chain will consider its quality and delivery, and will urge the supply chain to attach importance to human rights, environmental protection, health and safety, and strengthen the supplier ESG (Environmental, social and governance) management. Together, develop a sustainable supply chain.	Within the organization - Affiliated company	Annual supplier audit Supplier conference Monthly outsourcing meeting Supplier CSR Questionnaire	ELAN hopes to coexist and stay in long-term cooperation with our suppliers. Therefore, in addition to taking into account the quality, delivery and price of suppliers' products, the company manages the "Supplier Corporate Social Responsibility Management Practices" based on the Code of Conduct for Responsible Business Alliances (RBA, formerly known as EICC), expecting suppliers to emphasize on ethics and labor, human rights, environment, health, safety, and management systems. Together, fulfill corporate social responsibility, have risk management, and set up operational plans.	Through the annual supplier conference, promote ELAN's latest green product policy. CSR reports promote the status quo and needs for related cooperating requirements for the suppliers.	In 2018, the company introduced RBA training, and it is expected to complete the RBA audit of brand customers by the end of the year.
		Other-3	Supplier strategy		Outside the organization - Supplier				
		308	Supplier Environmental Assessment						
		204	Purchasing practice						
		Other -8	Risk Management						

no	Major management approach	GRI Standard	Disclosure aspect	Importance	Impact range	Management strategy	Medium- and long-term development	Performance in 2017	Highlights in 2018
9	Friendly working environment			Respond to the requirements of international brand - Employee/manufacturers that affiliated human rights, labor company and environmental protection policies need to be extended to ourselves and our suppliers, ELAN provided a safe and healthy working environment for employees, including necessary health and first aid facilities, and has been working to reduce hazards to employees' safety and health, prevent occupational disasters, and implement safety education and trainings for employees.	Within the organization - Employee/ affiliated company	RBA was implemented into the evaluation, the internal audit mechanism of the ELAN Responsible Business Alliance was established, and an audit team was formed all to ensure that ELAN continues to follow the code.	Started from itself, ELAN obeyed the Code of Conduct for Responsible Business Alliance (RBA, formerly known as EICC), and all related requirements for ethics, labor human rights, environment, health and safety, and management systems, and jointly fulfill corporate social responsibility, and do a good job in risk management and operational continuity planning.	Zero job disaster	Zero job disaster - In 2018, the company implemented RBA training, and the RBA audit mechanism is expected to be complete by the end of the year.
		403	Occupational health and safety					Employee - satisfaction survey results have been announced in the CSR 2017.	
		Other -5	Care for employees and their family						
		406	No discrimination						
		407	Freedom of association and collective bargaining						
		408	Child labor						
		409	Forced and involuntary labor						
		402	Employer-employee relations						
		Other -8	Labour-management relations						
			Risk management						

SDGs correspondence



3 Sound and quality life

- * Conduct annual employee health checkups (expand to family members),
- * With on-site nurse/monthly resident physicians for follow-ups
- * Regularly organize weight loss competitions to promote employee health

4 Quality education

- * Annual donation to the summer camp for the tribes in remote areas

5 Gender equality

- * Set up sexual harassment prevention notification mechanism
- * Provide a nursing room

8 Employment and economic growth

- * Corporate governance assessment ranked first 21%-35%
- * For three consecutive years, ELAN has provided internship opportunities for senior students in colleges and universities to experience the workplace in advance

10 Reduce inequality

- * Investigate and implement labor human rights management in accordance with local labor regulations and relevant RBA international regulations

13 Climate action

- * Start self-monitoring of greenhouse gas and will conduct third-party verification in the future
- * Set 1% drop of electricity consumption per capita as a KPI

15 Terrestrial ecology

- * each cleaning event as an effort for environment sustainability
- * Participate in cat lunchbox fundraising, be friendly to stray animals
- * Utensils in employee cafeteria are changed from melamine to Corning glass. Plastic bags are no longer provided. Employees are encouraged to bring their own bags and use reusable tableware.

16 Fairness, justice and peace

- * New recruits are all trained in integrity management
- * Special line/mailbox/employee suggestion box and other channels are opened for suggestions
- * External website has a mailbox and related business contact window for external stakeholders to give feedback
- * Develop a code of good faith and a code of ethical conduct that require all employees of the company to follow

17 Global partner

- * Harmful Substance
- * Proposed corporate responsibility commitment, in addition to request ourself, the requirements also extended to our suppliers/outsourcers/agents

General disclosures

Disclosure item		Chapter/remarks	Page	Omission	
				Type	Description
102-1	Name of the Organization	Editorial policy	1-2		
102-2	Activities, brands, products, and services	1.1 Company profile	8		
102-3	Location of headquarters	1.1 Company profile	8		
102-4	Location of operations	1.1 Company profile	8		
102-5	Ownership and legal form	1.1 Company profile	8		
102-6	Markets served	1.1 Company profile	8		
102-7	Scale of the organization	1.1 Company profile 1.3 Operational performance	8 10-12		
102-8	Information about employees and other workers	6.2 Labor Practice and Dignity Labor	68-69		
102-9	Supply chain	1.6 Supply chain	14		
102-10	Significant changes to the organization and its supply chain	Editorial policy	1		
102-11	Precautionary Principle or approach	1.7 Precautionary approach and principle	15		
102-12	External initiative	1.7 Precautionary approach and principle	15		
102-13	Membership of associations	2.2 Principles of business ethics and integrity	22		
102-14	Statement from senior decision-maker	Message from the Chairman	5-6		
102-16	Value, principles, standards and norms of behavior	2.2 Principles of business ethics and integrity	24		
102-18	Governance structure	2.1 Highest governance body	17-23		
102-40	List of stakeholder groups	3.2 Stakeholder engagement	31		
102-41	Collective bargaining agreements	ELAN Group did not form a trade union, hence no collective agreements are available.	-		
102-42	Identify and selecting stakeholders	3.1 Important stakeholder and material aspect identification	26		
102-43	Approach to stakeholder engagement	3.2 Stakeholder engagement	31-32		
102-44	Key topics and concerns raised	3.2 Stakeholder engagement	31-32		
102-45	Key topics and concerns raised	3.1 Important stakeholder and material aspect identification	28		
102-46	Entities included in the consolidated financial statements	3.1 Important stakeholder and material aspect identification	29-30		
102-47	List of material topics	3.1 Important stakeholder and material aspect identification	29-30		
		Partial data re-editing to follow GRI G4/ Standards			
102-48	Restatements of information	6.2 Workforce practices and dignity of labor	68		
		6.5 Emphasis on workplace safety, zero occupational hazards in 23 years	79		
102-49	Changes in reporting	No major changes in the scope of disclosure	-		
102-50	Reporting period	Editorial policy	1		
102-51	Date of most recent report	Editorial policy	2		
102-52	Reporting cycle	Editorial policy	2		
102-53	Contact point for questions regarding the report	Editorial policy	2		
102-54	Claims of reporting in accordance with the GRI Standards	Editorial policy	2		
102-55	GRI content index	GRI Index	118-121		
102-56	External assurance	Independent Assurance Statement	109-110		

Specific disclosures

Disclosure item		Chapter/remarks	Page	Omission	Disclosure item	
					Type	Description
Economic performance	201-1	Direct economic value generated and distributed	1.3 Operational performance	11-12		
	201-4	Financial assistance received from government	1.4 Government financial aid	13		
Market Presence	202-1	Ratios of standard entry level wage by gender compared to local minimum wage	6.3 Employee benefits and salary	72		
	202-2	Proportion of senior management hired from the local community	6.2 Labor practice and dignity labor	71		
Procurement practices	204-1	Proportion of spending on local suppliers	1.6 Supply chain	14		
Anti-corruption	205-1	Operations assessed for risks related to corruption	2.2 Principles of business ethics and integrity	24		Nothing happened in 2017, so no data could be obtained
	205-2	Communication and training about anti-corruption policies and procedures	2.2 Principles of business ethics and integrity	24		
	205-3	Confirmed incidents of corruption and actions taken	2.2 Principles of business ethics and integrity	24		
Materials	301-3	Reclaimed products and their packaging materials	7.2 Product and service-related environmental protection	104		
Energy	302-1	Energy consumption within the organization	7.1 ELAN Environmental Policy	90-91		
	302-4	Reduction of energy consumption	7.1 ELAN Environmental Policy	92		
	302-5	Reduction in energy requirements of products and services	7.2 Product and service-related environmental protection	99-105		
Water and Effluents	303-1	Interactions with water as a shared resource	7.1 ELAN Environmental Policy	90		
Emissions	305-1	Direct (Scope 1) GHG emissions	7.2 Product and service-related environmental protection	92-93		
	305-2	Energy indirect (Scope 2) GHG emissions	7.2 Product and service-related environmental protection	93		
	305-3	Other indirect (Scope 3) GHG emissions	7.2 Product and service-related environmental protection	94		
	305-5	Reduction of GHG emissions	7.2 Product and service-related environmental protection	94		
Effluents and waste	306-1	Water discharge by quality and destination	7.2 Product and service-related environmental protection	96		
	306-2	Waste by type and disposal method	7.2 Product and service-related environmental protection	97-98		
Environmental Compliance	307-1	Non-compliance with environmental laws and regulations	7.1 ELAN Environmental Policy	90		
Supplier Environmental Assessment	308-1	New suppliers that were screened using environmental criteria	6.1 Commitment to Corporate Social Responsibility	66		
			5.1 Supplier strategy	52-53		

Disclosure item		Chapter/remarks	Page	Omission	Disclosure item	
					Type	Description
Employment	401-1	New employee hires and employee turnover	6.2 Labor practice and dignity labor	67		
	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	6.3 Employee benefits and salary	72-73		
	401-3	Parental leave	6.3 Employee benefits and salary	74		
Labor/Management Relations	402-1	Minimum notice periods regarding operational changes	6.3 Employee benefits and salary	76		
Occupational Health and Safety	403-1	Occupational health and safety management system	6.5 Emphasis on workplace safety, zero occupational hazards in 23 years	80		
	403-2	Hazard identification, risk assessment, and incident investigation	6.5 Emphasis on workplace safety, zero occupational hazards in 23 years	79-80		
	403-3	Occupational health services	6.5 Emphasis on workplace safety, zero occupational hazards in 23 years	81-82		
Training and Education	404-1	Average hours of training per year per employee	6.6 Employee training and development	84-85		
	404-3	Percentage of employees receiving regular performance and career development reviews	6.6 Employee training and development	86		
Non-Discrimination	406-1	Incidents of discrimination and corrective actions taken	6.7 Zero-distance communication with the employee and full-range complaint channels	87-86		
Freedom of Association and Collective Bargaining	407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	6.2 Labor practice and dignity labor	71		
			6.1 Commitment to Corporate Social Responsibility	66		
Child labor	408-1	Operations and suppliers at significant risk for incidents of child labor	6.1 Commitment to Corporate Social Responsibility	66		
Forced or compulsory labor	409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	6.1 Commitment to Corporate Social Responsibility	66		
Supplier social assessment	414-1	New suppliers that were screened using social criteria	6.1 Commitment to Corporate Social Responsibility	66		
Customer health and safety			4.5 Product and service labeling			
	416-1	Assessment of the health and safety impacts of product and service categories	The products sold by Elan are not end products, but they are still required by the international industry and customer requirements.	40-42		
	416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	The products sold by ELAN are not end products, so the health and safety regulations for products and services are not applicable.	-		

Disclosure item		Chapter/remarks	Page	Omission	Disclosure item	
					Type	Description
Marketing and labeling	417-3	Incidents of non-compliance concerning marketing communications	The products sold by ELAN are not end products, so it is not applicable to marketing communication regulations.	—		
Customer privacy	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	4.7 Customer privacy	44-45		
Socioeconomic Compliance	419-1	Non-compliance with laws and regulations in the social and economic area	6.3 Employee benefits and salary	71		
			6.7 Zero-distance communication with the employee and full-range complaint channels	78		
			7.1 Elan Environmental Policy	82		
	Other-1	Customer relationship participation	4.1 Customer relationship and involvement with leading platforms	34-35		
	Other -2	New product development	4.2 A sound patent system that encourages employees to innovate new products	30		
			4.3 Knowledge management system that accelerates the efficiency of new product technology integration	37-38		
	Other -3	Supplier strategy	5.1 Supplier strategy	52-53		
	Other -4	Operational performance indicator	5.2 Key Performance Indicators, Management process optimization and electronization	59-60		
	Other -5	Care for employees and their family	6.3 Employee benefits and salary	71-72		
	Other -6	Industry-University Cooperation Program	4.3 Knowledge management system that accelerates the efficiency of new product technology integration	31		
	Other -7	Participation in public service	7.3 Participation in social and charitable events	104-108		
	Other -8	Risk Management	5.3 Risk Management	61-64		
	Other -9	Product contribution to world trends	4.4 Product contribution in relation to World's trend world trends	39		
	Other -10	Investor relations transparency	1.8 Investor relations transparency	15		



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