

Corporate Social Responsibility Report



CHANG HORING
RUBBER CO., LTD.

2016 CHR

Corporate Social Responsibility Report



CHANG HORING
RUBBER CO., LTD.

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Use the contour of the curve to represent the extendability of the industry. Symbolically demonstrate CHR's incredible integration capability.

Design of the front and back covers: The vision of growing together with customers has a well established concept in depth. The penetration through the earth communicates our international character and manifests the mission of us as a green enterprise to implement sustainable operation and protect the earth.

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Editorial Policy

To the readers

This report was compiled according to the Global Reporting Initiative (GRI) 2016 standards under the "Core option" Other relevant international guidance, such as UN SDGs (Sustainable Development Goals) and ISO 26000 Social Responsibility Guidance, were also referred to for compilation of the report. It acquired the external assurance certificate of BSI Taiwan and AA1000 AS (2008) Type 1 moderate third-party assurance.

Sustainability topics

This report was made based on the business of the Chang Horing Rubber (CHR) and the implementation of the principles in the report to reply to the issues that stakeholders were concerned about. It presents the efforts that we made for the economy, society, and environment. This is our first openly issued CSR report. In addition to the GRI standards, we collected issues on international trends and other topics that our customers were concerned about. 16 material topics such as economy, society, and environment were identified from the analysis of sustainable impacts and their concerns. Existing management measures were inventoried and action plans were made for the coming years to create a sustainable development blueprint.

Scope and boundary

The report covers the period from January 01, 2016 to December 31, 2016. It discloses the management and performance of sustainable development in our important operating bases, and discusses material topics with reference to the data and information over the past three years. The impact boundary extends to the CHR first and second factories internally and the value chains related to each material topic externally.

CHR's CSR report is first issued this year. It will be issued every two years and the next issued will be expected in August 2019.



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A quick guide to the report

You may operate as instructed below to read the report fast and accurately:

- ▶ Quick Read icons  are set in the Table of Contents and Index for each section. Move the cursor to the section where you want to read and click to skip to that section quickly.
- ▶ Click  in the upper right corner on each page of the report to return to the Table of Contents immediately.
- ▶ Click  to link to the video of related issue.
- ▶ Click  to read detained information.
- ▶  Stands for the management approach of the material topic.





Words from the Chairman



**Words from the
Chairman**



CHANG HORING RUBBER CO., LTD.

Chairman

Hubert Liao

We persist in the philosophy of "Have a Dream and Make it Come True Pragmatically" and have been dedicated to developing and producing green sustainable products of high quality and efficiency since foundation of the CHR. With these in the mind, we have become the leading rubber compound manufacturer in Taiwan in a short time. We underwent customer CSR evaluation in 2016 and, after the evaluation, we were aroused to build a company of sustainable development. For this, we went into details and made use of the CSR reporting mechanism to explicitly defined the unique sustainable development issues of our own in the context of the sustainability, create and commit ourselves to sustainable development strategies and goals, and extend to the supply chain and all of our customers in the hope of working with them to pursue sustainable development of the value chain.

By establishing the "Sustainable Development in 2020", we make action plans, including the short-term, medium-term and long-term KPIs goals, for each material topic such as economy, society, and environment to drive us in the promotion of sustainable development and disclose our performance in the implementation of the 2016 material topics.



In the economy and governance, we established the functional CSR committee and the President Office is collectively in charge of the planning and execution of each material topic. We also build the product history and auto warehouse systems and plan installation of auto packaging equipment to lay a foundation for smart manufacture and Industry 4.0. A complete supplier appraisal system is under planning based on the existing regular supplier evaluation system in the hope to grow together with the suppliers. A human rights assessment system is built and extended to the supplier to upgrade the protection of human rights. We worked together with our customers to develop green sustainable products and create 97.9% customer satisfaction.

In the environment, we persisted in the idea of green sustainable products and excellently achieved REACH SVHC compliance of 98.4% and RoHS compliance of 99.8%. Implementation of the "ISO 50001 Energy Management System" and "ISO 14001 Environmental Management System" showed outstanding performance in the reduction of the energy intensity by 3.3% and GHG emissions intensity by 3.2% as well as in the increase of the waste recycle rate by 38%. We observed relevant environmental regulations from 2014 to 2016, and no violation occurred during this period.

In society, we were dedicated to the training of local talents, introduced the "Talent Quality-management System" (TTQS), and won the silver medal from the Ministry of Labor in the 2016 TTQS appraisal. All of the manager-level personnel were Taiwanese. To build a safe and healthy working environment, we continuously improved the workplace and installed air conditioners for 80% of the production lines. The "OHSAS 18001 Occupational Safety and Health Management System" and "CNS 15506 Taiwan Occupation Safety and Health Management System" will be implemented in 2017. To listen to the employees about their opinions, we conducted employee satisfaction surveys to understand their concerns and give solutions. We also provide scholarships to train talents of the future. A "Charity Club" (for public care) is established to care for local disadvantaged people and implement relevant projects.

We will continuously focus on the rubber mixing process, show our professional capability, and grow together with customers. Employees will be encourage to learn and grow continuously to create high added value, give feedback to the society, and lay a solid foundation for the sustainable development of the Company.

CHAIRMAN'S MESSAGE

PERFORMANCE HIGHLIGHTS IN 2016



Governance

Establishment of **product history** and **auto warehouse**

Establishment of **CSR policies** and **sustainable development strategies**

Customer satisfaction of **97.9%**

The percentage of local suppliers and purchase amounts in equipment procurement **100%**



Environment

Green products compliance REACH SVHC **98.4%**

Compared with 2015 baseline
Energy intensity **↓3.3%**

Green products compliance RoHS **99.8%**

Compared with 2015 baseline
GHG Emissions Intensity **↓3.2%**

Waste recycle rate **38%**

Draw-up of 2014~2016 **GHG inventory reports**

Introduction of the **ISO 14001** Environmental Management System for better protection of the environment

Zero violations of environmental regulations for **five consecutive years**



Society

Acquisition of the **TTQS "Bronze Medal"** from the Ministry of Labor



Installation of **air conditioning systems** to improve working environment

No industrial accidents during **2014~2016**

Establishment of a public care club to **take care of disadvantaged people**

Provision of **scholarships and grants-in-aid** to train talents

Build the OHSAS 18001 Occupational Safety and Health Management System and CNS 15506 Taiwan Occupation Safety and Health Management System to provide working environment of safety and health

Employee satisfaction **3.3** points (full marks: 5 points)



SUSTAINABLE DEVELOPMENT IN 2020



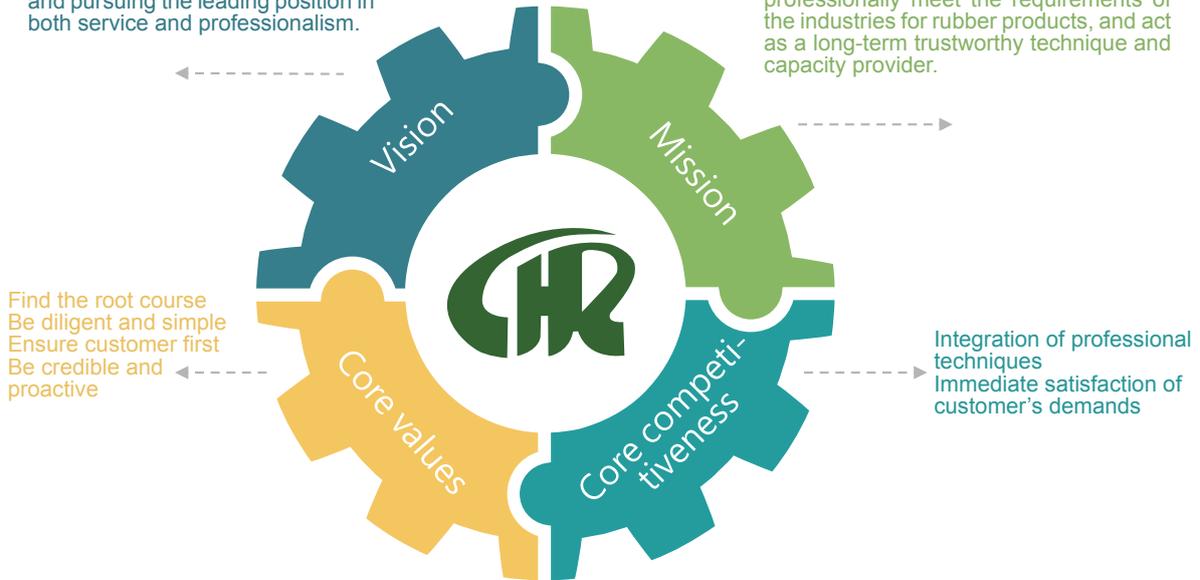
	2020 Sustainable program	2016 Actual performance	2018 Goal (medium term)	2020 Goal (long-term)
Corporate	Increase of capacity to meet customer's demands	Existing 2 factories with 11 production lines	1 additional factory with 3 production lines	3 additional factories with 15 production lines
	CSR report	Completion of the 2016 CSR report	Reissue every two years	Reissue every two years
	CSR website	Completion of CSR website construction	Update every year	Update every year
	Industry 4.0 smart manufacturing	Completion of product history, auto warehouse, and ERP systems	Development of Industry 4.0 Plans	Execution of Industry 4.0 Plans
	Improvement of customer satisfaction	Customer satisfaction of 97.9%	Customer satisfaction of 98%	Customer satisfaction of 98%
	Revenue growing plan	Revenue of 180 million	Revenue of 230 million	Revenue of 260 million
	Procurement practice	Establishment of supply chain evaluation system	Supplier's transport management performance improved by 25%	Improvement project of supplier's transport management performance 30%
Environment	Green, Sustainable and Innovative Products			
	Increase of green products compliance	REACH SVHC 98.4% RoHS 99.8%	REACH SVHC 98.9% RoHS 99.8%	REACH SVHC 99.4% RoHS 99.8%
	Energy Intensity			
	Reduction of energy intensity with 2015 as the baseline	Reduced by 3.3% in 2016 ↓	Reduced by 4% ↓	Reduced by 5% ↓
	GHG Emissions Intensity			
	Reduction of GHG emissions intensity with 2015 as the baseline	Reduced by 3.2% in 2016 ↓	Reduced by 4% ↓	Reduced by 5% ↓
Society	Recycling of Waste			
	Improvement of waste recycling rate	Recycling rate 38%	Recycling rate 40%	Recycling rate 42%
	Social Care			
	Implementation of social care	Planning to establish a public care club	Planning and execution of care projects	Planning and execution of care projects
	Training of Talents			
	Establishment of the TTQS system	TTQS bronze medal prize	TTQS silver medal	TTQS silver medal
	Occupational Health and Safety			
	Implementation of occupational Health and Safety	Planning to establish OHSAS 18001 and CNS 15506	Successful verification to ensure zero industrial accidents in the year	Zero industrial accidents in the year
Human Rights				
Protection of human rights	Human rights assessment/supplier CSR commitment	Human rights assessment and improvement	Human rights assessment and improvement	
Labor-management relations				
Improvement of employee satisfaction	3.3 points (full marks: 5 points)	3.6	3.8	



Mission, vision, core values, and core competitiveness

To be the compound manufacturer in Asia that is most capable of growing together with customers and pursuing the leading position in both service and professionalism.

Aiming at global markets with Asia as the base to provide customized compounds, professionally meet the requirements of the industries for rubber products, and act as a long-term trustworthy technique and capacity provider.



Sustainable development strategies and action plans





1 ■ Sustainability Topic Management

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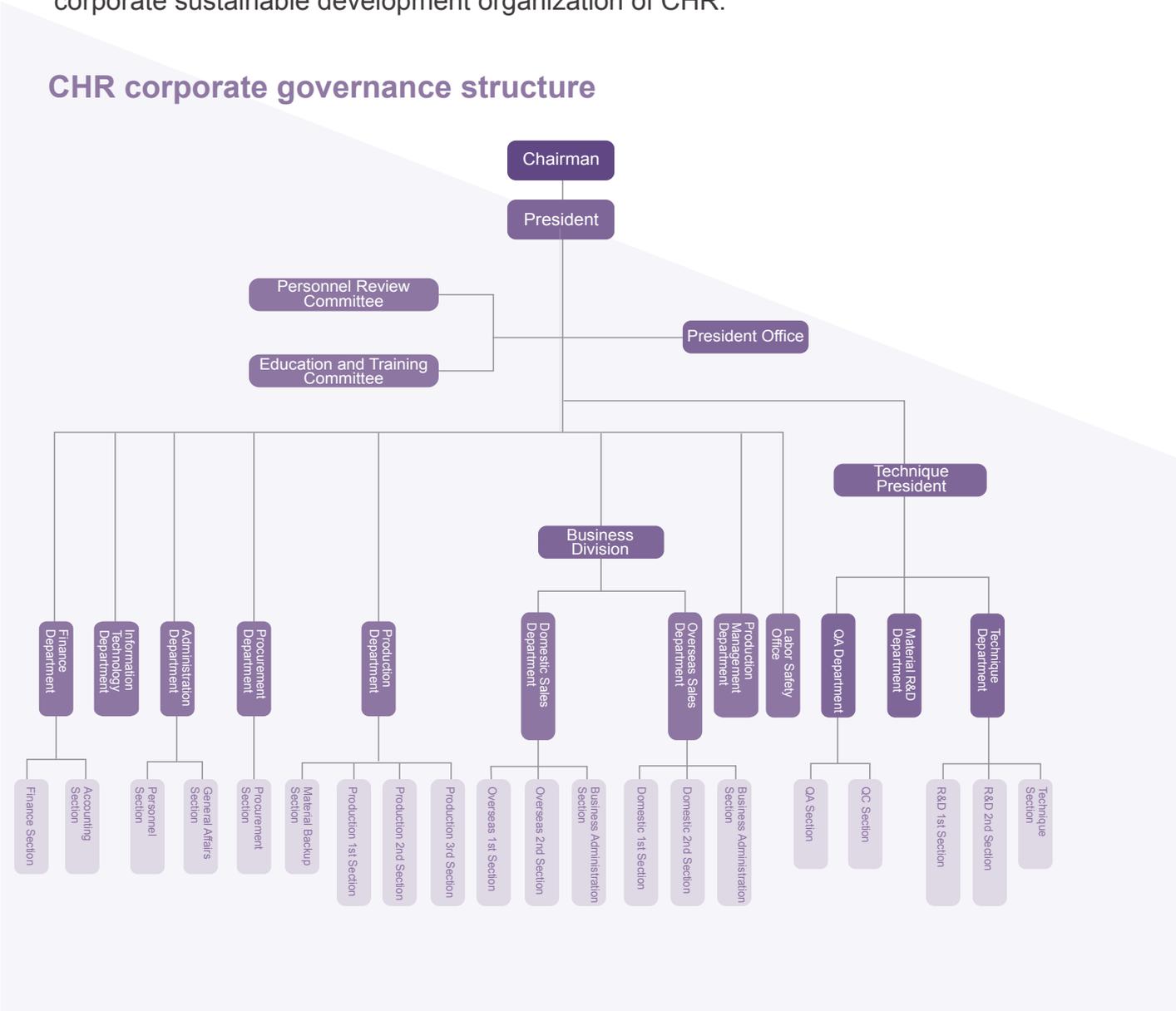


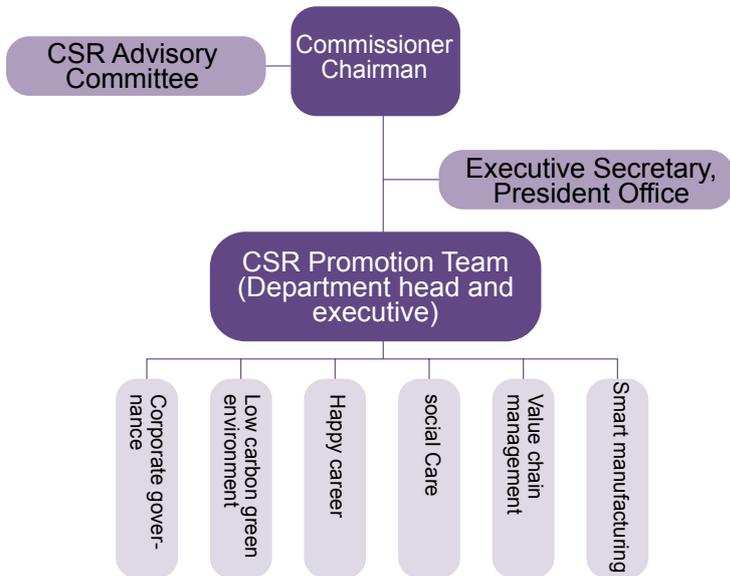

1. Sustainability Topic Management

Corporate sustainable development committee

The organizational structure of the CHR is described below. To ensure implementation of the sustainable development, the Chairman authorizes to establish a functional sustainable development committee (CSR Committee) and acts as the Commissioner of the Committee. The President Office serves as the advisor and implementation unit, and is responsible for the operation of the Committee, project coordination, and collection of information. The CSR Committee is comprised of the heads and executives of the departments. It is the highest corporate sustainable development organization of CHR.

CHR corporate governance structure





CHR CSR Committee





CSR policies and strategies

The Chairman officially announced the CSR policies to ensure implementation of our corporate society responsibilities. They are the highest guidelines for promotion of the CSR and show our commitment to its implementation.



Operation of the corporate sustainable development committee

The CSR Committee identifies stakeholders and collects the issues that they are interested in using the "P-D-C-A" (Plan, Do, Check, Act) management model. It holds quarterly meetings on a regular basis to discuss material topics, understand achievement of the goals, and develop the plans for the future to ensure implementation of important issues and achievement of the goals. The CSR Committee summarizes the results of the implementation and stakeholder engagement. It collects suggestions on the economy, environment and society as well as annual CSR reports, and submit them to the Commissioner for review and approval.





1.1 Stakeholder engagement

Stakeholders were listed by different department and grouped by category. The CSR Committee had discussions to conform the stakeholders in each category. For engagement of stakeholders, we kept interaction with them in any form during execution of daily business or in other ways including communication with them by phone, at a meeting or conducting satisfaction survey and on-site visit. We responded to the issues that stakeholder are interested in through relevant department and this report.



Employees and their family members joyfully participated in the activities of the Company



Parents and their children participated in the activities of the Company



The Company awarded the "More procreation for the Nation" prize to employees

Stakeholder category, concerned issue, communication frequency, and platform

Implementation of concerned issues and the response

Stakeholders
Employee

Concerned issues:

Employee welfare and rights, attraction and retention of talents, training and education of talents, labor-management relations, health and safety at workplaces

Communication frequency, and platform

- Annual supervisor and performance interviews
- Employee training program and irregular educational training
- Electronic billboard
- Satisfaction survey
- Employee complaint mechanism

- [Employee welfare and rights]**
 - Basic rights are ensured according to the Labor Standards Act.
 - Employees are informed during the interview and announcement is made in the internal system.
- [Attraction and retention of talents]**
 - Employees are recruited through job banks and career fairs.
 - Complete employee welfare and training systems are available to support employees for their leaning and growth.
 - Results of the business operation are reciprocated to employees via performance bonus and profit sharing systems.
- [Training and education of talents]**
 - New employees are trained in the fields of professional and management competencies as well as general training.
 - Annual educational training programs are implemented.
- [Labor-management relations]**
 - All the employees are contracted on an irregular basis.
 - Employee handbooks and other regulatory systems are established.
- [Health and safety at workplaces]**
 - The "OHSAS 18001 Occupational Safety and Health Management System" and "CNS 15506 Taiwan Occupation Safety and Health Management System" are built and passed the verification.
 - Health care of employees is implemented.



Shareholders participated in the year-end party to share the joy



Chairman and shareholders



Stakeholders

Shareholder

Concerned issues:

Financial performance, sustainable development strategy, corporate governance, risk management

Communication frequency, and platform

- ⊙ Annual shareholders' meeting
- ⊙ Shareholders' meeting notice
- ⊙ Communication feedback by phone or email



[Financial performance] via shareholders' meeting

1. The meeting notice is sent 20 days before convention of the shareholders' meeting.
2. The shareholders' meeting is held before the end of June every year to confirm the operating report and financial statement of the previous year, approve the profit allocation proposal, and decide what must be resolved according the Company Act.
3. The shareholders' meeting minutes are set within 20 days after the meeting.



Customer / Partner

Concerned issues:

Customer service, product liability, product quality, R&D of technique

Communication frequency, and platform

- ⊙ Annual customer satisfaction survey
- ⊙ Quality certification
- ⊙ Regular/irregular visits to customers, communication feedback by phone or email
- ⊙ Irregular visit of customers to factories
- ⊙ Regular visit of customers to factories
- ⊙ Irregular visit of R&D personnel to customers for exchange of experiences



[Customer]

1. A service satisfaction survey focusing on 5 major categories is conducted every six months.
2. Visit customers regularly / irregularly and communicate feedback by phone or email.
3. Educational training and technique exchange are provided for customers in each business territory.
4. Physical reports of the rubber developed by customers are updated regularly.

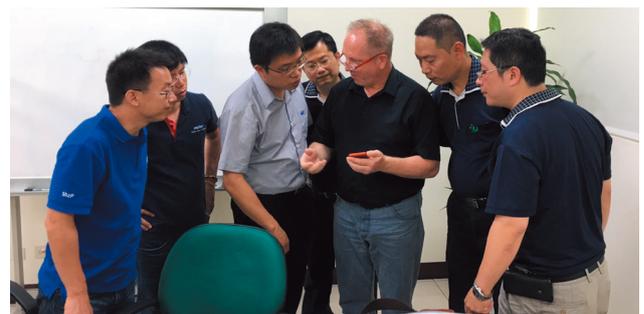


[Partner]

1. Irregular interviews are conducted depending on issues and discuss by phone or communicated by email.



Good interaction with customers



Customer Evaluation



 Community and the public	<p>Concerned issues: Community involvement, social welfare, communication channel, environmental management</p> <hr/> <p>Communication frequency, and platform</p> <ul style="list-style-type: none"> ● Volunteers' service and activities for public welfare ● Promotion of environmental education ● Visits to local associations ● Corporate website ● Irregular participation in the activities of neighbors 	 <ol style="list-style-type: none"> 1. A "Ci Ai Club" (for public care) is established to promote community care topics and projects. 2. Scholarships and grants-in-aid are provided for the Department of Chemical Engineering, Feng Chia University, to train talents for the future.
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 Government agency	<p>Concerned issues: Legal compliance</p> <hr/> <p>Communication frequency, and platform</p> <ul style="list-style-type: none"> ● Corporate website, official documents ● Presentations, workshops, or symposiums of legal regulations. ● Regular / irregular visits 	 <ol style="list-style-type: none"> 1. Communicate with government agencies using official documents including update and construction of laws. 2. Participate in routine presentations or workshops of governmental regulations. 3. Irregularly visit governmental employment service agencies.
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 Supplier-Material	<p>Concerned issues: Supply chain management and procurement behavior</p> <hr/> <p>Communication frequency, and platform</p> <ul style="list-style-type: none"> ● Supplier appraisal list ● (Initial) assessment of suppliers ● Supplier CSR commitment ● Notice for incoming visitors, management regulations, occupational safety and health ● Communication feedback by phone or email 	 <p>[Supplier appraisal system]</p> <ol style="list-style-type: none"> 1. Written appraisal of suppliers is conducted every year and on-site survey is made if necessary. 2. Major suppliers are managed every six months at different levels based on the quality, delivery, green products, and cooperation attitude. 3. Improvement guidance is given to the suppliers that have lower appraisal scores. The suppliers who do not meet the requirements after the guidance will be disqualified. 4. Work together with the supplier to fulfill corporate social responsibility. 5. Education training courses are provided for suppliers on an irregular basis.
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Suppliers are trained in CHR factories

 Supplier-Equipment	<p>Concerned issues: Supply chain management, procurement behavior, synergistic design, replacement of equipment</p> <hr/> <p>Communication frequency, and platform</p> <ul style="list-style-type: none"> ● Irregular visit from or to the suppliers ● Irregular communication feedback by phone or email ● Availability of safety equipment required before quotation and construction 	 <p>[Interaction and management]</p> <ol style="list-style-type: none"> 1. Visit suppliers when CHR has new policies or plans to buy new equipment. 2. Equipment suppliers are requested to take electricity and material saving features, easy maintenance, complete safety protection devices, low noise, and ergonomics into account when designing new products. They must have long-term energy saving and carbon reduction plans and forward-looking environmental protection blueprints. <hr/>  <p>[Synergistic design]</p> <ol style="list-style-type: none"> 1. Communication is made with the supplier to generate a feasible design plan for the machine (performance, energy saving, price, test run, ordering, delivery, acceptance inspection).
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1.2 Identification of material topics

Identification process of material topics

The analysis process of material topics is used in this report to identify the sustainability topics that stakeholders are concerned about. These topics are used as a reference for disclosure of information to ensure effectively achieving the goals of communication.



Identification of stakeholders

Stakeholders were found by gathering the personnel of all the departments and with reference to the operation of the organization and the inclusiveness of the stakeholders. They were then identified based on six principles: Responsibility, Influence, Proximity, Dependency, Representation, Policy and Strategic Intent. The identified stakeholders were classified in 8 categories: Employee, Shareholder, Customer, the Public, Partner, Government Agency, Raw Material Supplier, and Equipment Supplier.

Survey of sustainability topics

The identification process of material topics was determined according to the GRI standards with the reporting principles and defined report contents as the guidance. Since the sustainability topics had a wide coverage, we collected issues on international trends and other topics that our customers were concerned about and confirmed relevant topics by discussing in the committee. 22 topics were discussed in 2016.



Extent of stakeholders' concern

We collected the information about the extent of stakeholders' concern by making questionnaire surveys focusing on the 22 identified topics. The AA 1000 SES principles were used to measure the importance of the stakeholders and the weighted average of the score of concern and degree of relationship was calculated for each topic to understand the extent of stakeholders' concern.

Identification of impacts

The CSR Committee analyzed the sustainable impact of the 22 topics on the economy, society and environment, and referred to the AccountAbility Standards to redefine the significance scoring method and measure the impacts one after another.

(AccountAbility: <https://www.accountability.org/>) 

Identification of material topics

The matrix of material topics was confirmed with reference to the extent of stakeholders' concern and the impact on each sustainability topic. The topics in the first and second quadrants were directly defined as material in order to cover all the material topics. The topics in the third quadrant were general topics and would be disclosed if needed.

A total of 16 material topics were finally identified after assessment, including 2 economic topics, 7 environmental topics and 7 social topics.

Review and approval of the material topics for their completeness

For identified material topics, the CSR committee summarized the information about the process and results of the identification and submitted it to the CSR Commissioner for review and approval to make sure no material topic was missed.

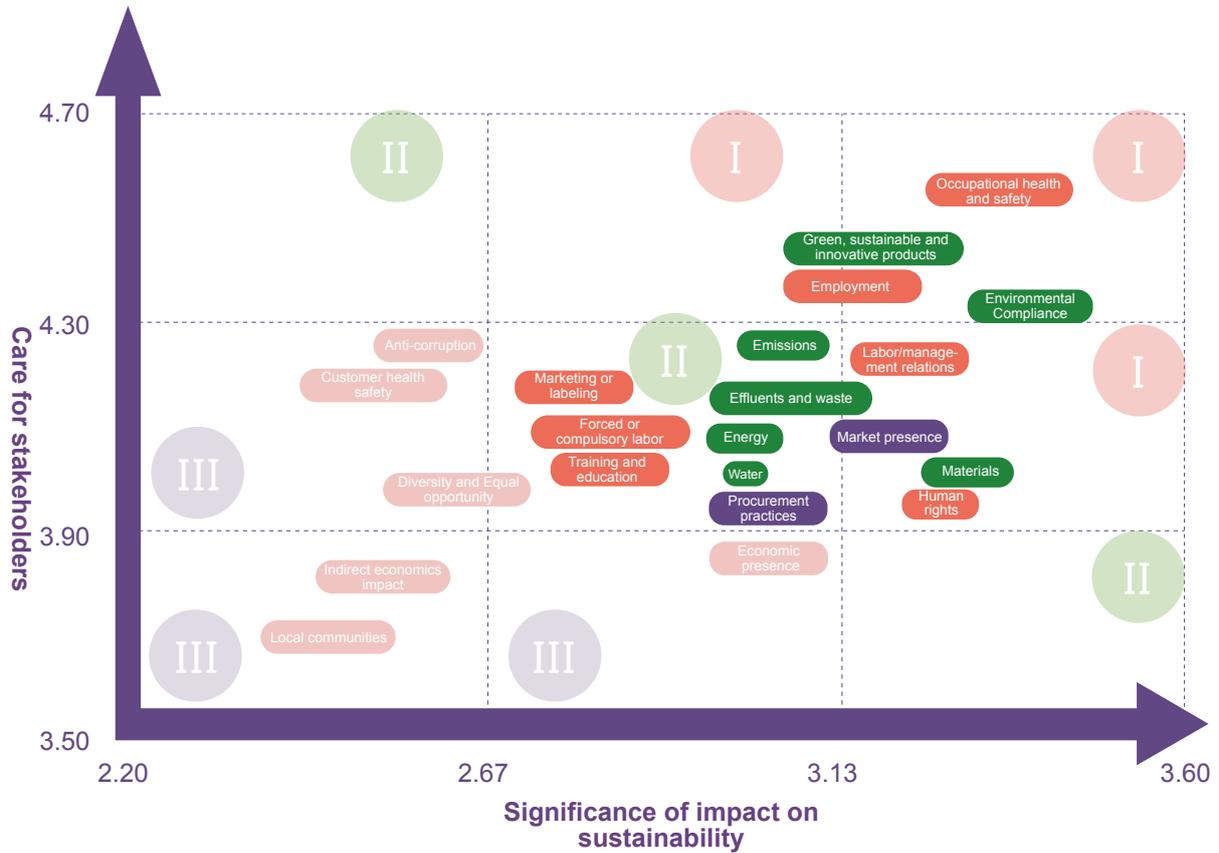
Non-material topics

Non-material topics determined after assessment were economic performance, indirect economic impact, anti-corruption, diversity and equal opportunity, local community, and customer health and safety. Though the topics of economic performance, anti-corruption, and customer health and safety were not material, they were the concerns of some stakeholders and we disclosed their performance in the report. Since the operational boundary was in the industrial zone or the extent of impact or concern was not significant, the indirect economic impact, local community, and diversity and equal opportunity were not disclosed in the report.



Listen to the customers about their opinions at exhibition

CHR's material topics



		
Material topics on economy (2)	Material topics on environment (7)	Material topics on society (7)
<ol style="list-style-type: none"> 1. Market presence 2. Procurement practices 	<ol style="list-style-type: none"> 1. Materials 2. Energy 3. Water 4. Emissions 5. Effluents and waste 6. Environmental compliance 7. Green, sustainable and innovative products 	<ol style="list-style-type: none"> 1. Employment 2. Labor/management relations 3. Customer health and safety 4. Training and education 5. Forced or compulsory labor 6. Human rights 7. Marketing or labeling



1.3 Sustainability topic action plan

We implemented action plans corresponding to CHR's material topics to match with stakeholders' expectations.

	Material topics	CHR's action plan (short term)	Existing actions
Economy	Market presence	Review the performance and adjust the pay every year	The basic salary is much higher than the minimum wage
	Procurement practice	Maintain a 100% local equipment procurement Have suppliers sign the CSR commitment letter	Supplier's visit The percentage of local equipment procurement is 100%
Environment	Materials	Build a packaging recycling system	An ISO 14001 Environmental Management System has been established
	Energy	Take energy action plans every year	An ISO 50001 Energy Management System has been established Activities for selection of energy slogans and action plans have been promoted
	Water	Establish guidelines for calculation of water recycling rate	Process water has been recycled and reused
	Emissions	Conduct GHG inventory and reduction every year	2014~2016 GHG reports have been drawn up
	Effluents and Waste	Improve the recycling centers by district and classification	An ISO 14001 Environmental Management System has been established
	Environmental Regulations	Regularly identify and assess the compliance with laws and regulations	An ISO 14001 Environmental Management System has been established
	Green, Sustainable and Innovative products	Publish image advertisement to promote green, sustainable and innovative products	Green low-carbon products are developed in cooperation with customers
Society	Employment	Institutionalize employee welfare	An annual employee satisfaction survey system has been established
	Labor/Management Relations	Do as required by laws and regulations	Laws and regulations are observe for dealing with the relations
	Training and Education	Improve TTQS continuously	A TTQS system has been established
	Occupational health and Safety	Build the "OHSAS 18001 Occupational Safety and Health Management System" and "CNS 15506 Taiwan Occupation Safety and Health Management System"	Air conditioners are installed to improve working environment Employees are arranged for physical examination every year
	Forced or Compulsory Labor	Do as required by laws and regulations	
	Human rights	Establish a human rights assessment system (incl. suppliers)	Regulations Governing CHR Sexual Harassment Prevention Measures, Complaints, and Disciplines have been established CHR Employee Complaints Handling Regulations
	Marketing and Labeling	Improve continuously	A product history tracing system has been established



Brainstorming in common discussion



Energy-saving slogan and action plan
Sustainability Topic Management 18



1.4 Reply to the customer CSR evaluation and actions

Customer's CSR evaluation was helpful to drive us in the promotion of sustainable development. Customers only gave a score of 51 points in the evaluation of our CSR maturity in 2016. Though this matched up with their expectations, we made improvement of each item in deficiency in the hope of achieving the target value of 75 points that customers preset. Customers' targets: 25 points to meet the initial requirements, 50 points to matched with the expectations, 75 points to achieve the preset target value.

Customer CSR Evaluation Result and Improvement Action Plan

Subject	CHR advantages	CHR disadvantages	Improvement action plan
 <p>CSR governance</p>	<ol style="list-style-type: none"> 1. Top management understanding CSR preliminarily 2. TTQS certification 3. Promotion of quality/energy and environment system 4. Concerned about employee welfare 5. Assessment of suppliers (environment) 	<ol style="list-style-type: none"> 1. Lack of international CSR development trend 2. Lack of an occupation safety system 3. Lack of effective resource plans and goals 4. Lack of a collective improvement organization 5. Lack of CSR issues in the assessment of suppliers 	<ol style="list-style-type: none"> 1. Establish a CSR reporting system according to GRI standards 2. Build the CNS 15506 Taiwan Occupation Safety and Health Management System 3. Build an ERP system 4. Organize a functional CSR committee; the President Office is in charge collectively 5. Establish a supplier evaluation system with incorporated CSR issues
 <p>Labor practices</p>	<ol style="list-style-type: none"> 1. Compliant with Taiwan labor laws and regulations 2. Explicit salary payment statement 3. Complete insurance coverage 4. A complete work hour system and paying by hour 	<ol style="list-style-type: none"> 1. New employees without being trained to drive fork lift trucks 2. Lack of authorities and responsibilities in the employee handbook 	<ol style="list-style-type: none"> 1. Incorporation in the annual educational training plan 2. Amendment of the employee handbook to incorporate the authorities and responsibilities



Customers are making CSR evaluation



Subject	CHR advantages	CHR disadvantages	Improvement action plan
 Occupational health and safety	<ol style="list-style-type: none"> Adequate knowledge of laws and review plans Fire-fighting exercises conducted according to laws Good maintenance of machinery and equipment Employees undergoing safety training Dedicated equipment certification 	<ol style="list-style-type: none"> No dedicated Level-1 management unit Expired fire extinguishers Blocked emergency exits Inadequate fireproof installations in the warehouse Lack of eye washing devices 	<ol style="list-style-type: none"> Build the CNS 15506 Taiwan Occupation Safety and Health Management System Enhancement of fire prevention and fire-fighting training and awareness Additional installation of fire safety equipment
 Environmental protection	<ol style="list-style-type: none"> Permits for wastewater and other emissions Excellent environment monitoring data Energy saving and emission reduction by 1% every year Outstanding waste disposal performance Employee environment awareness 	<ol style="list-style-type: none"> Bad control of some chemicals Control of diesel for emergency generators Bad waste storage space Lack of corrective measures for environmental deficiencies Lack of sorting and management of waste chemicals 	<ol style="list-style-type: none"> Implementation of the ISO 14001 Environmental Management System Enhancement of waste chemical control
 Human rights	Full compliance with laws and regulations	None	None
 Corruption and compliance	Internal budget execution authority	<ol style="list-style-type: none"> Lack of documented compliance regulations Lack of designated responsible personnel Lack of regulations governing acceptance of gifts Lack of internal audit and risk identification 	Establishment and announcement of the "Employee Code of Conduct"



Customers are making CSR evaluation



Employees are discussing action plans



1.5 Internal audit of reports

We established an internal CSR report auditing mechanism to ensure the completeness, reliability and communicability of the CSR report. With implementation of the internal audit, employees can improve their capability of CSR fulfillment. CSR reports are subject to internal audit and improvement before undergoing external audit. The results of the internal audits and corrective actions will be submitted to the Commissioner.

The internal audit of the 2016 CSR report will be conducted on June 27, 2017. In addition to the internal audit, we authorized external experts to score the items of TCSA (Taiwan Corporate Sustainability Awards) and gave improvement suggestions. The internal audit plan and execution method are described in the figure on the right-hand side.



Execution of the internal CSR report audit

35 suggestions were collected during the 2016 CSR internal audit, and measures for correction and improvement were taken immediately. External experts scored the report completeness, effectiveness, and communicability according to the TCSA scoring criteria. Three suggestions were raised and improvement was made accordingly.



2 ■ Robust Corporate Governance

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2. Robust Corporate Governance

Robust corporate governance is the foundation for a company to promote sustainable development. In addition to sound economic performance, corporate governance is involved in the aspects including employees as the assets of the Company, green marketing of products, comprehensive identification of risks and opportunities and their countermeasures, and corporate ethics and the principle of good faith.



Meaning of the robust corporate governance

With the operational philosophy of "Employees are encourage to learn and grow continuously to create high added value", we find labor assets one of the most important elements of the organization. We offer competitive compensation, establish a comprehensive employee welfare system, and share operational results with our partners who struggle together with us. The finished rubber products have a wide range of applications that may be involved in many safety issues and, thus, the features of the material are subject to very strict requirements. This is why we persist in using the labels that show the production history and ensure traceability of the product.

Impact of the robust corporate governance



Good corporate image in the market may attract more talents for the Company and give it higher reputation in the society. Since most of the downstream rubber parts and accessories are used in the key components of transportation or mechanical equipment, requirements of the downstream manufacturers and end customers for the label of the delivered upstream material are crucial to the disclosure of the labeled information.

Management of robust corporate governance

Policy	Goal	Action plan	Complaint mechanism
<ul style="list-style-type: none"> Market presence Provide reasonable basic compensation conditions better than what the law requires; provide bonuses depending on the operating status of the company and the performance of the employee; provide allowances depending on the function of the Marketing and labeling We commit ourselves to explicitly disclosing required information with labels attached to every batch of products for the customer. 	<ul style="list-style-type: none"> Market image Maintain an appropriate turnover rate and train outstanding talents. Marketing and labeling Ensure the traceability of every batch of delivered products. 	<ul style="list-style-type: none"> Market presence Review the performance and adjust the pay every year. Marketing and labeling Establish a product history tracing system and make improvement continuously. 	<ul style="list-style-type: none"> Marketing and labeling Customers can make complaints about labeling issues by phone or in the customer satisfaction survey conducted every six months; improvement measures are planned at the internal review meeting.

Effectiveness assessment of robust corporate governance

Achievement of the goals was followed up continuously via CSR reports.





2.1 Company Profile

Company overview

Established in 1995 and devoted to the R&D and manufacturing of rubber materials for special applications, Chang Horing Rubber Co., Ltd. is the biggest rubber mixing company in Taiwan, supplying comprehensive rubber materials to high-tech electronics, electric machinery, medical care, food and beverage, automobile and traditional industries, as well as domestic and overseas rubber companies for manufacturing various rubber products, such as O-rings, valve seals, gaskets, rubber tubes and the respective sealing parts. We commit ourselves to continue developing high-value-added rubber materials in combination with new technologies.

All these years, Chang Horing has been expanding businesses from manufacturing and recipe design to the R&D of new materials. By cooperating with major chemical manufacturers in the world, including DuPont, The Dow Chemical Company, The Chemours Company of America, Solvay Specialty Polymers of Europe, and ZEON of Japan etc., we have become widely recognized in rubber mixing production in the Asia Pacific Region. Our continuous research and development meet rubber material demands of respective industries; we provide customers with the most sophisticated know-how and prompt services. We aim to expand international developments starting from APAC countries.

Chang Horing established a Rubber Laboratory accredited by the TAF (Taiwan Accreditation Foundation); in addition to carrying out accreditation tasks and professional researches based on different requirements of global customers, as well as specifications of ASTM, MIL, UL, AMS, DIN, JIS, etc., we also provide technical services complying with international standards.

Basic Data of Chang Horing Rubber Co., Ltd.

Data Category	2016 Relevant Data
Company Name	CHANG HORING RUBBER CO., LTD.
Number of Employees	232
Capital	238.1 billion (NTD)
Establishment Date	July 14, 1995
Main products and services	R&D, production and sales of mixed rubber materials.
CEO and General Manager	Hubert Liao
Headquarters Address	No.38, Lugong S. 3rd Rd., Lukang Township, Changhua County 505, Taiwan (R.O.C.)
Location of Operation	No.38 and No.40, Lugong S. 3rd Rd., Lukang Township, Changhua County 505, Taiwan (R.O.C.)
Net Sales	1,806 million (NTD)
Consolidated Financial Report Tangible	CHANG HORING RUBBER CO., LTD.



CHR Audio/Video Files





CHR Headquarters

Association / Trade association

We join associations as a member, including:



Chunghua County Industrial Association

Taiwan Rubber & Elastomer Industries Association

Manufacturers Association in Changhua Coastal Industrial Park, Lukang Township, Changhua County

Features and applications of CHR's products

 Product	 Features (Merits)	 Applicable Range
Poly (methyl acrylate) (ACM)	Featuring heat, oil, weather and ozone resistance - a special rubber material.	 Automobile industry requires that sealant rubber shall have good resistance to oil and thermal aging. This material is also known as "Car Rubber".
Fluorocarbon Rubber (FKM/FPM)	A high-performance rubber exceptional at resisting high temperatures, ozone, weather, oxidation and aromatic compounds.	  Applicable to the automobile industry, chemical process, aerospace and many other industries. FKM GLT Class is applicable to a wide range of temperatures, often used in the aerospace industry. FKM ETP Class is often used in chemical industries.
Nitrile Butadiene Rubber (NBR)	NBR is exceptionally resistant to abrasion; resistant to non-polar oils and solvents; is water resistant and impermeable.	 Widely used for making oil resistant O-rings, gaskets, bushings, tubes, rubber rollers, electrical cables, etc.; a relatively important material in automobile, machinery, petrol, and printing industries.
Ethylene propylene Rubber (EPDM)	Excellent resistance against ozone, sunshine and weather; good flexibility at low temperatures; good resistance to chemicals; very good insulation attributes.	  In systems using phosphate-ester based hydraulic fluid and glycol based brake fluid, gaskets made of Ethylene Propylene Rubber are better choices.
Hydrogenated Nitrile Rubber (HNBR)	In addition to NBR properties, this material also resists high-temperatures, ozone, chemicals and mechanical abrasions.	 Widely used in auto and refinery industries. Regarding future requirements on environment protection, using ozone hazard-free HCFC refrigerant ensures satisfaction to new cooling systems (HFC134a (R134a)) and PAG lubricants.
Silicone	Silicone is exceptional at resisting heat, ozone and sunshine; also resists chemicals and solvents.	  Silicon rubber behaves satisfactorily in extreme environments and temperatures; often used in auto, aerospace and food industries. It also features exceptional electrical insulation attributes, therefore is often used in the electronics industry.
Ethylene-Acrylic Rubber (VAMAC)	Ethylene-Acrylic Elastomer (AEM) rubber features exceptional compression ratios and excellent resistance to heat, mineral oils, fluids and weather.	 AEM can be used as an alternative for HNBR and FKM to reduce costs; mainly applied in the auto industry.
Chloroprene Rubber (CR)	CR is a multi-function elastomer with integrally balanced performances; featuring good resistance to sunshine, ozone and weather.	  CR is applicable to thousands of scenarios including Auto, Wire and Cable industries.
Butyl Rubber (Butyl)	As in EPDM, Butyl Rubber is also exceptional at resisting chemicals and polarized fluids; featuring outstanding electric insulation and ozone resistance.	 Special features are low permeability against gas and moisture and high vibration resistance, allowing wide applications of Butyl Rubber in capsules, wires and cables, waterproof building materials, cushions, corks, wharf crash cushions, bridge bearing pads and conveyer belts.
Carboxylated NBR (XNBR)	In addition to NBR features, XNBR has even better abrasion resistance than NBR.	  XNBR is often used in power assemblies such as seals and rod wipers; also applicable to rubber tubes, O-rings, rubber rollers and various industrial products.
Polyurethane Rubber (Polyurethane, AU/EU)	AU type Polyurethane features exceptional resistance to lubricants, fuel oils and solvents, but is easy to hydrolyze. EU type Polyurethane is less affected by hydrolysis. It features excellent abrasion resistance, high tensile strength and high flexibility.	 Applicable to the machinery industry, especially in materials requiring higher abrasion resistance and tensile strength.
Epichlorohydrin Rubber (ECO)	All ECO rubber is flexible at low temperatures and resistant to lubricant oils, fuel oils, and has excellent weather resistance and dynamic properties.	  ECO rubber is used in vehicle fuel components and industrial realms.



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Applications of CHR's products

We are dedicated to developing and marketing a full series of rubber compounds, provide comprehensive services, and produce the most suitable rubber materials to meet the requirements of the customer. The rubber compounds have a wide range of applications in the semi-conductor, aerospace, electrical machinery, medical, food and drinking water, automobile and traditional industries. We are not only engaged in the professional design and R&D of rubber compounds, but also participate in the discussion of the back-end process and provide advisory services to help customers produce more competitive products.



汽車工業 (Automotive Industry)
符合各類汽車材料規格，如DBL, FORD, GMW, VWZ.8.1等汽車規格。
Our material meets all kinds of automotive specification, such as DBL, FORD, GMW, and VW 2.8.1 standards.

重工業制品 (Heavy-duty Industry)
用於挖土機、堆高機等產業，已較客戶廣泛應用於高壓密封及修理等產品。
Already widely used in equipment for construction, our rubber mainly for Oil Seal, V-ring, and hydraulic rubber parts.

化工產業 (CPI)
提供符合耐化性非常好的橡膠材料，FFKM, AFLAS, ETP, FKM, EPDM
Offers outstanding resistance to aggressive media such as hot organic and inorganic acids, such as FFKM, AFLAS, ETP, and FKM.

食品及飲料 (Food & Beverages)
提供符合美國FDA及各國飲用水WIRAS, KTW, ACS, KIWA, NSF等飲用水認證。
Provides material already certified by FDA, WIRAS, KTW, ACS, KIWA, and NSF for drinking water application.

石油與天然氣 (Oil & Gas)
提供符合RGD H.S 的產品，供鑽油井相關產業使用。
Provides material meets RGD requirement and stands H2S environment, especially for drilling industry.

鐵路系統 (Rail Transportation)
即將成為鐵路產業的全解決方案提供者，例如同步帶及齒輪傳動系統。
Being rail transportation total solution provider, including breaking system and transmission system.

消費性產品 (Consumer Product)
多樣性的產品選擇，如廚房用品、鍵盤、錶帶等消費品。
There are Various materials selection, like Kitchen Ware, Keyboard, and Watch Band.

制藥工業 (Pharma)
每一批的膠材料都有通過USP Class VI。
Our silicone rubber for medical purpose with USP Class VI certified, and done ISO-10993 selected chapter for every batch.

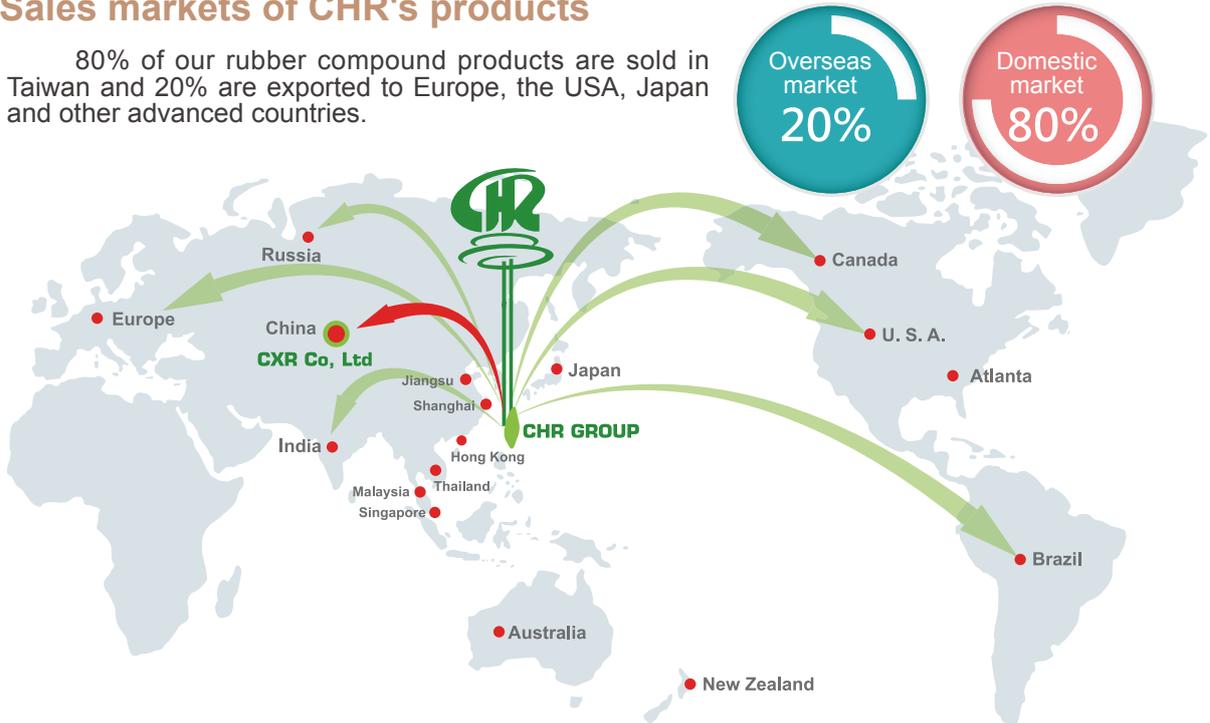
航太工業 (Aerospace)
提供耐高低溫、且耐航空燃油的橡膠材料，如FVMQ, FKM等材料。
Offers High and Low temperature and aerospace fuel resistance rubber product, like FVMQ and FKM.

半導體產業 (Semiconductor)
提供FFKM, FKM, AFLAS, FVMQ橡膠材料生產Bonding Sit Valve Door及O型環應用在半導體產業。
CHR provides such as FFKM, FKM, AFLAS, and FVMQ rubber, widely used in semiconductor manufacturers.

Application markets of CHR's products

Sales markets of CHR's products

80% of our rubber compound products are sold in Taiwan and 20% are exported to Europe, the USA, Japan and other advanced countries.



Distribution of CHR's products in global markets



CHR Logo is a well-known international leading brand of rubber products and CHR is a company representing the quality of rubber compounds. We introduce the material tracing bar code system to meet the quality requirements of the customer. It can trace the movement of the product more quickly and show the production history of the (raw) materials to identify and solve problems immediately.

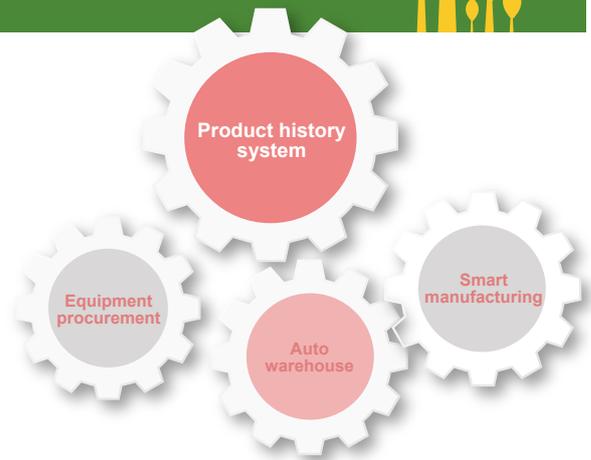
The green CHR indicates our persistence in the production of low-carbon green sustainable products.

CHR Corporate Identity Brand



CHR smart manufacture

To ensure the highest synergistic effect of the supply chain, we integrate the benefits of the customer and supply chain and apply them to our manufacturing process to create the **product history system**, **auto warehouse** and **smart manufacture**. We proactively **purchase the most advanced R&D equipment** to achieve the goals.



Establishment of the ERP system

We establish the **Enterprise Resource Planning (ERP) system** to optimize the application of resources and lay a foundation for the Industry 4.0 in the future. Resources of different departments are integrated via the ERP system. It is very helpful to reduce the operation time and speed up the acquisition of information needed for making decision.

Build an ERP system

- Incoming, sale and storage management system
- Production and manufacturing system
- Finance and cost system
- Human resource management system



System benefits

- Reduction of the voucher processing cost
- Improvement of the data correctness
- Acquisition of real-time decision information



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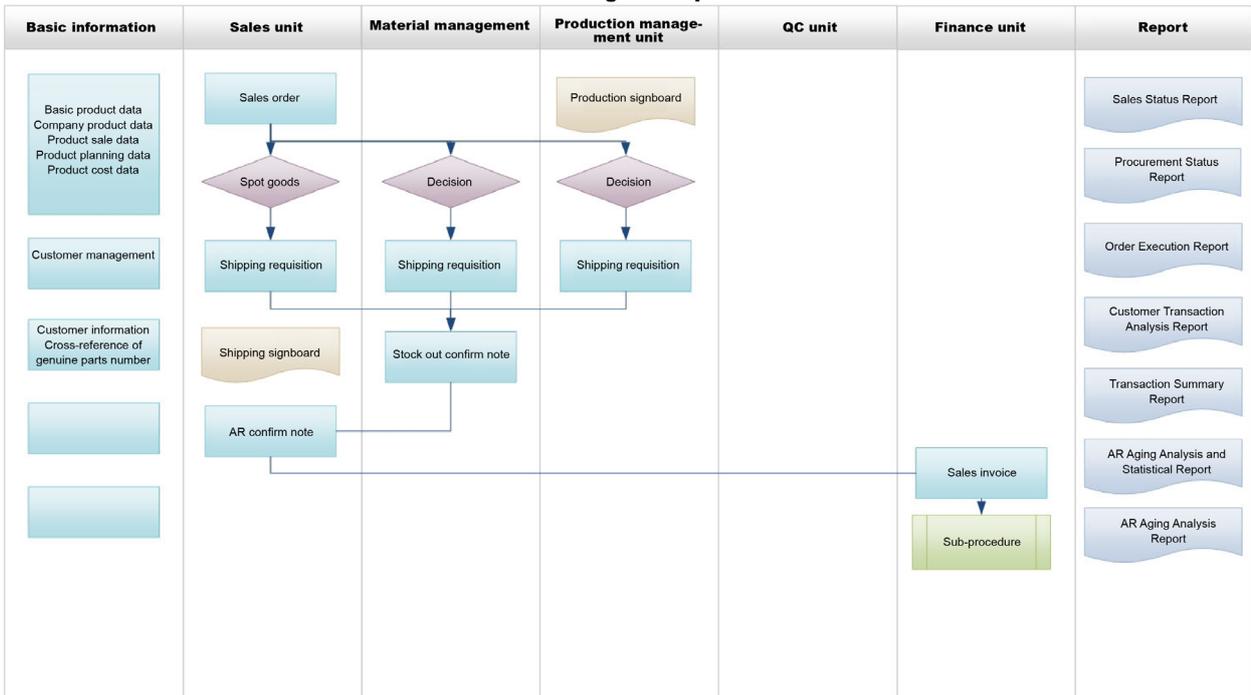
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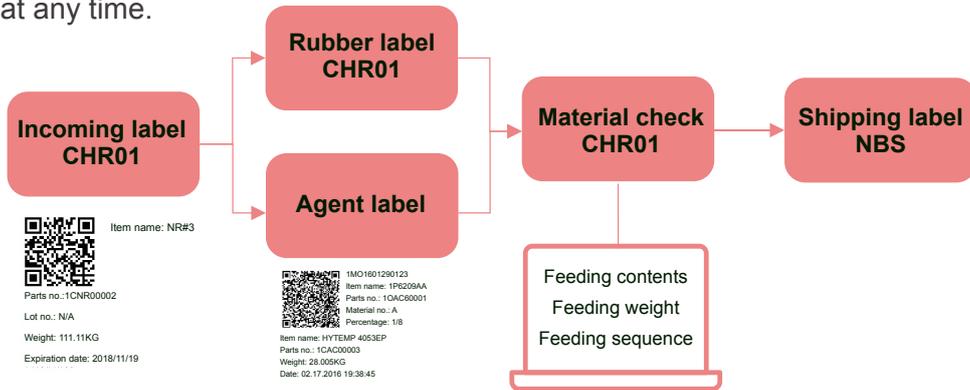
Sales management process



One of the CHR ERP systems: Sales management system

Establishment of the production history system

We combine the production process and establish an electronic labeling control system that comprehensively covers the processes from material incoming to delivery of products. The user only needs to scan the label to check the entire production history, including the expiration date. The system gives an identity to each material and product. It records the information about the employee, work, time, place, object, and quantity for inquiry and tracing at any time.



CHR production history system



Product label



CHR material charging system and equipment

Auto warehouse and smart production

To improve the R&D, production capability, quality, efficiency and meet the requirements of the client, such as the automobile and aerospace industries, for material certification and traceability, we plan automated manufacture engineering for our production field and introduce auto warehousing and measuring systems to significantly improve the production efficiency of the process and the consistency in the quality of the rubber compounds. We also introduce advanced ERP computer and bar code systems to meet the requirements of the demanding rubber compound customers and march toward the goal of intelligence manufacture and Industry 4.0.



The roller stirs up the material



The roller is running for production



CHR introduces smart manufacture and automated production engineering



Packaging lift equipment



Full view of the conveyor



Panoramic view of the packaging area

Advanced R&D equipment put in service

We always place importance on R&D. The R&D team makes every endeavor to develop advanced equipment under the leadership of the Chairman. It is not unusual to hear the discussion between the Chairman and the R&D team about what advanced equipment needs to be purchased. We continuously invest in the development of equipment such as DSC, TMA, TGA, FTIR, GC/MAS, XRF, and SEM-EDS analysis devices. By integrating upstream and downstream materials, the professional R&D team is making efforts to develop more advanced rubber material for every CHR client.



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R&D equipment

FTIR [Fourier Transform Infrared Spectroscopy] Fourier Transform Infrared Spectroscopy

FTIR is used for quick analysis and can be operated in the atmosphere and room temperature. It is suitable for non-destructive material testing and qualitative analysis. Micro contaminant analysis is possible under the microscope. It is also applicable for analysis of unknown objects and development of new materials.



TGA [Thermogravimetric Analysis] Thermogravimetric Analysis

This is used to ascertain the pyrolysis temperature of the material and the proportion of its ingredients, such information about processing oil, glue, filling agent, and so on.



DSC [Differential Scanning Calorimetry] Differential Scanning Calorimetry

This is used to understand the heat capacity change of the material, such as the melting point and Tg point (glass transition temperature).



TMA [Thermomechanical Analysis] Thermomechanical Analysis

This is used to understand the heat capacity change of the material with reference to the expansion and shrinkage of the sample, such as the melting point and Tg point (glass transition temperature) or CTE (Coefficient of Thermal Expansion) data.



XRF [X-ray Analysis] X-ray Analysis

This is a non-destructive testing method and suitable for RoHS (heavy metal), halogen-free analysis. Range of analyzable elements [Mg12~U92]



SEM-EDS [Scanning Electron Microscope-Energy Dispersive X-ray Spectroscopy] Scanning Electron Microscope-Energy Dispersive X-ray Spectroscopy

SEM provides HD and long DOF images along the surface and near surface of the sample. SEM combined with EDS (SEM-EDS) realizes element analysis within a tiny area. Range of elements [Mg12~U92]



Py-GC-MS [Pyrolysis-Gas Chromatography-Mass Spectrometry] Pyrolysis-Gas Chromatography-Mass Spectrometry

Py-GC/MS can analyze the micromolecule (monomer) of the rubber. Pretreatment of the sample is not needed using this method, and it is possible to analyze multiple ingredients in one experiment.



2.2 Market presence

Institutionalization of employee welfare

The Articles of Association provides in Article 19 that the Company must appropriate more than 1% of the surplus, if any, in the annual accounts as the compensation for the employees. The Board of Directors has decided to make the payment in the form of shares or in cash to ensure a stable employee welfare. In short, we share our operational results with the employees.

Market presence

At the operating bases, the compensation of the employees at the basic level is much more than the minimum wage in Taiwan. The ratio of the wage at the basic level to the minimum wage in Taiwan over the past three years was between 1.175 and 1.389.

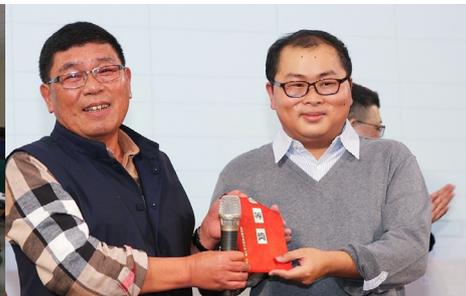
Unit: NT\$ million

Item	2014	2015	2016
Operating income	1,702	1,683	1,806
Income tax +business tax	45	56	57
Employee welfare	186	170	212

Year	Min. male percentage	Min. female percentage
2014	1.208	1.389
2015	1.190	1.341
2016	1.175	1.343



A complete training system



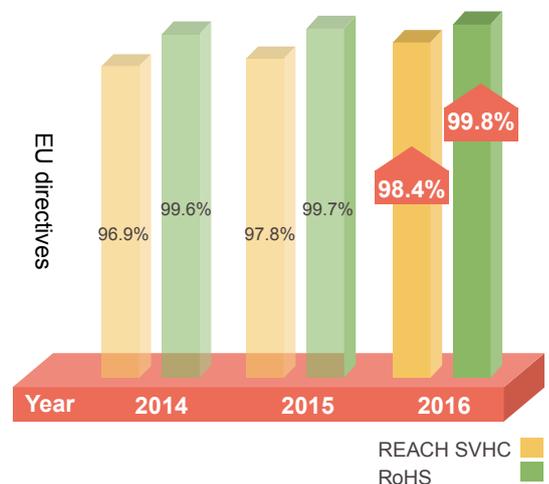
Excellent employee welfare



Product test equipment and operation

Marketing and labeling

Being dedicated to the food safety and environmental protection, we conduct every required assessment and test of the materials using different precise instruments before they are put into production to avoid misusing any restricted material. All of our products meet the requirements of relevant regulations, such as REACH (Registration, Evaluation and Authorization of Chemicals System, RoHS (Restriction of Hazardous Substances Directive), and PAHs (Polycyclic Aromatic Hydrocarbons). All the materials are strictly controlled by the R&D department, and highly precise analysis equipment is used to ensure that all the materials meet the latest EU regulations. Except for the products that have been developed for a long time, all the new products are developed in compliance with green regulations. No violation of marketing or labeling regulations had occurred and no fine had been imposed as of 2016.





2.3 Risks and opportunities

We pay close attention to the risks and opportunities that the Company is facing, and can take actions and grasp the opportunity to improve the operating model thanks to comprehensive risk management and appropriate handling of crisis. The long-term risk management is realized by implementing corporate sustainable development.

Risks and opportunities are assessed according to the probability of the occurrence, severity of the risk, and the benefits generated from the occurrence of the event. These will be identified and scored to determine the highly, moderately, and least concerned risks and opportunities. The risks and opportunities that we identified to be moderately and highly concerned about are described below.

CHR' Risks and Opportunities and Corresponding Measures



Risks and opportunities	Level	Measures
There is high repetition of development; environmental regulations are becoming stricter; suppliers develop and offer new products continuously.	Moderate	<ul style="list-style-type: none"> Conduct development case study every two weeks and report the monthly ordering rate and the success rate of development to the monthly production and sales meeting. Make regular assessment to ensure compliance with laws and regulations.
It is difficult to check the production history and trace the product, and may affect the interests and rights of the customer.	Moderate	<ul style="list-style-type: none"> Build an integrate LOT production history checking platform. Build and quick inquiry platform depending on required information.
The lead time is too long; competitors increase their capacity and lower their price.	Moderate	<ul style="list-style-type: none"> Build additional factories and increase the capacity. Provide customers with professional products and services; reduce the defect rate.
Young people change their job selection model and it is difficult for the manufacture industry to hire employees.	High	<ul style="list-style-type: none"> Establish a complete of employee welfare system and attract new employees with CSR reports. Establish a personnel transfer training system to ensure smooth coordination of the work.

Risks and opportunities in climate change

As for the risks and opportunities in climate change, we identified the regulatory dimension, substantive dimension, and other dimensions as described in the following table.

Risks and Opportunities in Climate Change and Corresponding Measures

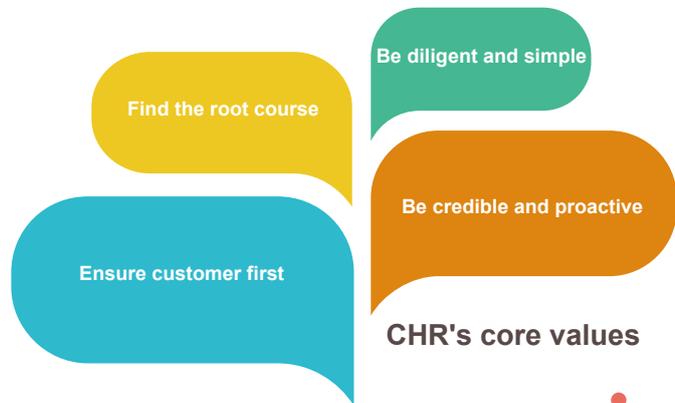


Aspect	Considerations	Risk	Opportunity	Action
Legal aspect	Air quality deterioration alarm	Competent authority requests reduction of the capacity or stop. Moderate	Reduce energy consumption and use of materials with lowest damage to the environment. Moderate	Legal compliance as the first priority; fulfill the corporation responsibility for environmental protection in a self-disciplined manner.
Substantial aspect	Typhoon, flood, high temperature	1. The frequency and severity of natural disaster affects the production or forces stop of the production. 2. High temperature results in cracking of rubber products and reduce their service life. Low	CHR's rubber material features heat resistance, low temperature resistance, and oxidation resistance to meet the requirements of the customers for quality rubber products. High	Develop the products that are adaptable to the change of climate.
	Power failure	On-time delivery is impossible or production volume is reduced. Low	We are located in the industrial park and have stabler power supply than the companies outside the industrial park. The downstream manufacturers may turn to us in case of power failure outside the industrial park. High	Collect information of potential customers and create good relationship.
Other aspects	Social and economic circumstances	High awareness of environmental protection and change of the claimed circumstances affect the capacity. High	We purchase energy-saving equipment first and implement ISO 50001 Energy Management System to prepare for the deficiency of power. The quota of power implemented by the government can keep the capacity steady and is sufficient for additional capacities. High	Old production equipment is eliminated to reduce consumption of energy; establish energy action management plans.



2.4 Ethics and integrity

We respect ethics and integrity. They are one of our corporate cultural values. Relevant regulations and systems are established for the corporate ethics and integrity. They have been approved by the Chairman and announced for implementation to realize our basic values.



Creation of relevant legal systems	Abstract
 <p>Employee Code of Conduct</p>	<p>Article 3 Principle of good faith Employees on duty shall respect the team work, get rid of departmental egoism, observe the principle of good faith be aggressive, and take conscientious and responsible attitude.</p> <p>Article 6 The following behaviors are prohibited to avoid conflict of interests and pursuit of private benefits:</p> <ul style="list-style-type: none"> 6.1 Make use of the position with respect to the business under management or supervision to earn profits directly or indirectly to acquire inappropriate interests or do other corrupt practices; 6.2 Make use of the authority, opportunity, or status to make profits with respect to the business not under management or supervision; 6.3 Fraudulently acquired the properties of others under cover of legal authority; 6.4 Illegally occupy or steal the equipment or asset of the company; 6.5 Transfer the resources or interests to self or any relatives. For example, submission of a proposal that may be beneficial privately and for the company to the Chairman for approval and implementation; 6.6 Report expenses or overtime hours falsely.
 <p>Employee grievance Complaints Handling Regulations</p>	<p>Article 1 Objectives Employee complaint management regulations are established to provide them with a communication channel, and help them solve their problems in loss of personal rights, bad working environment, and unfair treatment.</p> <p>Article 3 Complaint approach The employee who is damaged in his/her rights or has any opinion may fill in the "Employee grievance Complaint Form" for further handling. The contents of the Form must be objective and the supporting documents must be detailed. Application made anonymously or for the purpose of aspersion, or containing any poison-pen letter or insulting words will not be accepted.</p>
 <p>Regulations Governing Sexual Harassment Prevention Measures, Complaints, and Disciplines have been established</p>	<p>Article 3 The Administration Department is responsible for implementation of sexual harassment prevention measures and handling of complaint and discipline matters. The telephone number and e-mail address of the Administration Department will be announced separately and make public on the website of the company to demonstrate the decision of CHR in the prevention of sexual harassment.</p>

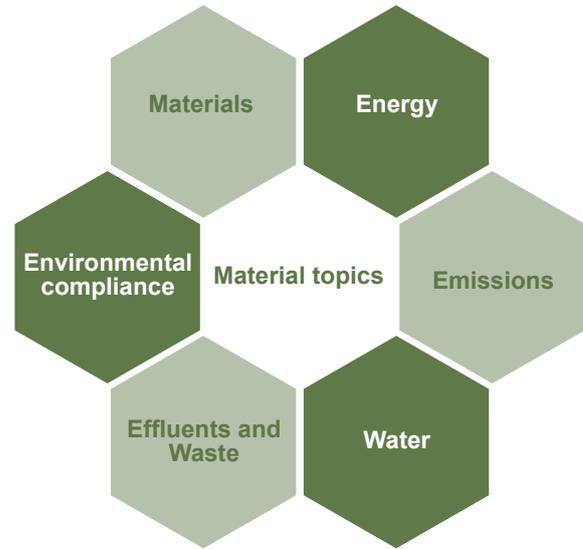


3 ■ Low Carbon Green Environment

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3. Low Carbon Green Environment

Since occurrence of the industrial revolution, the rapid growth of the economy has resulted in damage to the environment. Especially, the global environmental issues on climate change and greenhouse effect, damage to the ozonosphere, acid rain, smog, disappeared tropical rainforests, and desertification make people understand that uncontrolled use of resources to drive the growth of the economy will certainly damage the balance between the natural environment and human beings. We cannot pursue sustainable development without ensuring ongoing stability of the ecological environment.



Meaning of the low carbon green environment

A low carbon green environment is friendly to the Earth and crucial to the survival of human beings. We demonstrate low carbon green environment in different aspects including energy management and carbon reduction, pollution control, water resource management, material management, and environmental compliance.

CHR's Low Carbon Green Environment

Energy management and carbon reduction

Pollution prevention

Water resource management

(Raw) material management

Environmental compliance



Impact of the low carbon green environment

Customers are concerned about us because we are one of the major energy consumers in the industry and must comply with the laws and regulations of the government. Hence, we continuously implement green production, save energy, and reduce carbon. When building new factories or changing the design, we select energy-saving equipment and use environment-friendly materials to meet the requirements of the laws and regulations. Process waste and packaging material must be sorted and recycled. The waste that cannot be recycled must be removed and disposed by a legal vendor to reduce the carrying capacity of the environment. Sewage is drained to the underground channel controlled by the Industrial Development Bureau and treated by the wastewater treatment plant. Use of water resources must be adjusted to avoid restricted use or deficiency of water. Used water must be recycled and inappropriate utilization of the water must be avoided.

We are dedicated to creating a low carbon, green, and friendly environment. The establishment of the "ISO 14001 Environmental Management System" and "ISO 50001 Energy Management System" demonstrates our continuous endeavor to promote the environmental protection, prevention of the pollution, energy management, carbon reduction, and water resource management. We strictly observe the environmental and energy regulations and do our best to protect the Earth.



As for the materials, we are looking for new supplies proactively to increase the sources of the supply. We also establish a safety stock control mechanism, set an adequate quantity of materials in the inventory, make purchase request in time, and understand the supply in the market at all times. Strategic procurements are conducted, if necessary, to stock up with the materials.

Management of the low carbon green environment

Policy		Commitment/System	
Energy management	1. Increase energy efficiency and continuously improve energy performance. 2. Observe requirements of energy regulations and procure energy-saving products, where applicable. 3. Review energy objectives and goals and ensure acquisition of information and resources. 4. Implement energy management systems and reduce GHG emissions.	Energy saving and carbon reduction	Promote the ISO 50001 Energy Management System continuously.
		Environmental management	Promote the ISO 14001 Environmental Management System continuously.
Environmental management	1. Observe requirements of environmental regulations and continuously improve the environment. 2. Implement environmental management systems and improve environmental management performance.	Water resources	Increase water source efficiency and continuously improve water utilization performance.
Materials	Maintain a long-term partnership with suppliers and stride forward for sustainable operation and creation of a double-win situation.	Materials	Continuously reduce procurement of materials from a single source and pay attention to the source of products in the market to minimize the concern about discontinuation of supply.



Action plan	
<p>Energy management</p>	Create the GHG emission reports over the past three years, continuously implement the energy action plan every year, and continuously improvement energy efficiency.
<p>Environmental management</p>	Implement the environmental action measures continuously, identify and assess the compliance with laws and regulations regularly, and improve environmental performance continuously.
<p>Water resources</p>	Establish guidelines for calculation of water recycling rate, implement water-saving requirements, and procure water-saving products, where appropriate.
<p>Materials</p>	Build a packaging recycling system and promote ERP paper minimization projects.

Effectiveness assessment of the low carbon green environment

<p>Energy saving and carbon reduction</p>	Conduct energy management review every year, confirm the achievement of goals, and make adjustment and improvement as countermeasures.
<p>Environmental management</p>	Conduct environmental management review every year, confirm the achievement of goals, and make adjustment and improvement as countermeasures.
<p>Water resources</p>	Check the products that were procured in the previous year and attached with a water-saving mark every year and assess its benefits to provide a basis for elimination or adjustment in the future.
<p>Materials</p>	Conduct performance evaluation every year, confirm the achievement of goals, and make adjustment and improvement as countermeasures.





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1. Sustainability Topic Management

2. Robust Corporate Governance

3. Low Carbon Green Environment

4. Happy LOHAS Career

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7. Appendices

3.1 Energy management and carbon reduction

Energy management

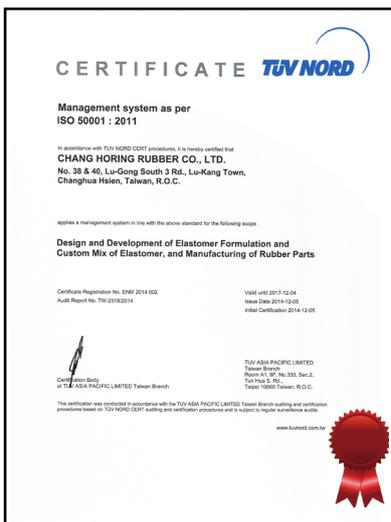


The greenhouse effect leads to aggravation of the extreme weather and more and more people are concerned about the issue of climate change. Hence, implementation of energy saving and carbon reduction is a strategy without regret. It is also the most important part of an enterprise in the promotion of the green environment and sustainable vision. We have implemented the ISO 50001 Energy Management System since 2014 with the importance of the energy saving and carbon reduction in the mind. As a model factory of cluster in the rubber industry, we gathered the upstream and downstream supply chains to take energy management actions and benefited from ongoing improvement of the energy performance by establishing a PDCA (Plan, Do, Check, Action) management model and implementing effective internal energy management.

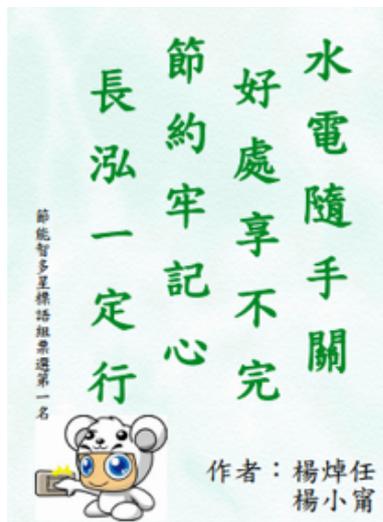
First of all, we set up a cross-department energy management promotion committee with the Chairman acting as the Commissioner. We also made energy policies and executed annual energy goals, objectives, and energy saving plans to improve the air conditioning system, air compressor, process equipment, and other energy consumption facilities in an orderly way. The energy performance was improved systematically in daily energy management to benefit in the decrease of the energy cost and reduction of the GHG emissions.



CHR gathered the upstream and downstream supply chains to take energy management actions



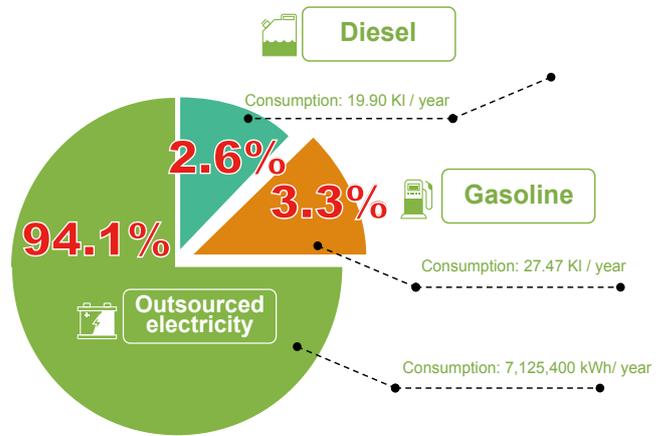
ISO 50001 certificate



Resourceful Energy Saving Slogans - the first and second by voting



Our energy comes from three sources: outsourced electricity, diesel, and gasoline. Outsourced electricity is the main source of our energy. Diesel and gasoline are mainly used for vehicles, machines, and emergency generators, and outsourced electricity is used for other facilities. The energy utilization is very simple in terms of its types. 7,125,400 kWh/year of outsourced electricity (occupying 94.1%), 19.90 KI/year of diesel (occupying 2.6%) and 27.47 KI/year of gasoline (occupying 3.3%) were consumed in 2016. After conversion, the total consumption of energy was 27,248,337 MJ/year.



Energy consumption statistics and energy intensity

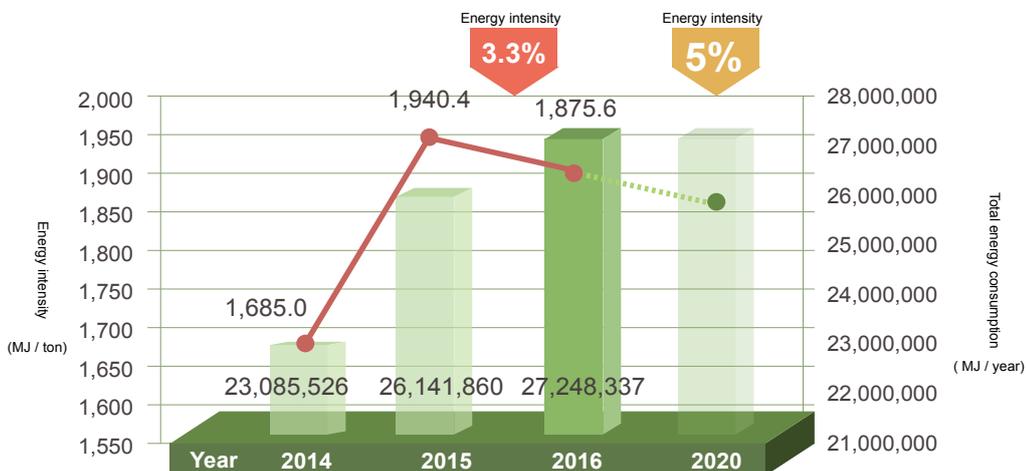
Energy	2014	2015	2016
Purchased power (kWh/year)	5,932,800	6,805,200	7,125,400
Diesel (KI/year)	17.06	20.56	19.90
Gasoline (KI/year)	34.52	28.17	27.47
Total energy consumption (MJ/year)	23,085,526	26,141,860	27,248,337
Finished rubber product volume (ton)	13,700.6	13,472.3	14,528.1
Energy intensity (MJ/ton)	1,685.0	1,940.4	1,875.6

Note 1: 1 kWh = 3.6 × 10⁶ joules (J); 1 KI diesel = 3.517 × 10¹⁰ joules (J); 1 KI gasoline = 3.266 × 10¹⁰ joules (J) (Source: ENERGY STATISTICS HANDBOOK 2015)

Note 2: Energy intensity (MJ/TON) = Total energy consumption / total finished rubber products

Note 3: The table shows the internal energy consumption. CHR does not have external energy consumption.

To reduce the environmental temperature during the process and improvement the cooling speed of the product, we additionally installed air conditioning equipment in about 80% of the plant area in 2015, leading to an increase of the power consumption and energy intensity. However, thanks to the implementation of the energy saving plan, the energy intensity in 2016 dropped by 3.3% in comparison with 2015. In the meantime, we set the goal to reduce the energy intensity in 2020 by 5% in comparison with 2015.



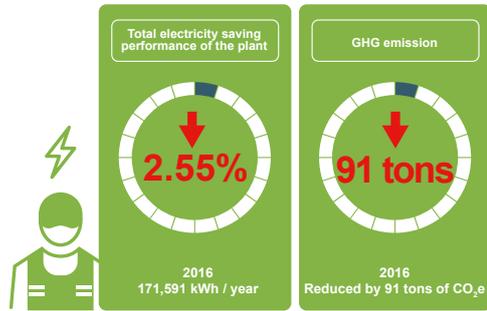
Energy consumption and energy intensity

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We have continuously implemented energy saving plans and 8 cases have been carried out since 2014. The 6 cases completed in the first two years focused on improvement of the process equipment while the 2 cases completed in 2016 focused on the energy saving in office applications. We also organized energy saving competitions and encouraged employees to bring their energy saving creativity into full play. In comparison with the energy



Resourceful Energy Saving Slogans Competition - award presentation ceremony



employees to bring their energy saving creativity into full play. In comparison with the energy baseline acquired from the regression analysis, all the factories saved the electricity to the total amount of 171,591 kWh/year in 2016 with an average saving rate of 2.55%. The GHG emission was reduced by 91 tons of CO₂e in 2016.

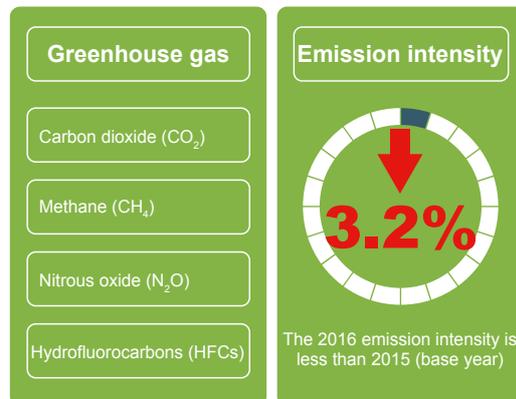
Energy saving plans from 2014 to 2016



- Build additional special production lines for new drinking water products
- Water-cooled central air conditioning temperature control (higher outlet temperature settings)
- Process energy monitoring (installation of additional energy consumption monitoring devices)
- Process water temperature monitoring (control of process water temperate settings)
- Operation management and improvement of air compressor equipment (control of machines to be enabled)
- Change of traditional T8 to T5 energy saving lamp
- Attachment of an additional timer to the water cooler to ensure auto turnover after work
- Promotion of energy saving activities (educational training)

GHG emissions

We use operational control method to summarize GHG emissions data according to the "GHG Inventory and Registration Guidance" of the Environmental Protection Administration. The GHG emission in 2016 was 3,891 ton of CO₂e/year, including carbon dioxide (CO₂), Methane (CH₄), Nitrous oxide (N₂O), and Hydrofluorocarbons (HFCs), without combustion of biofuels. Since the process environment was improved in 2015, This year was selected as the baseline for the GHG emission inventory to ensure consistency of the comparison.



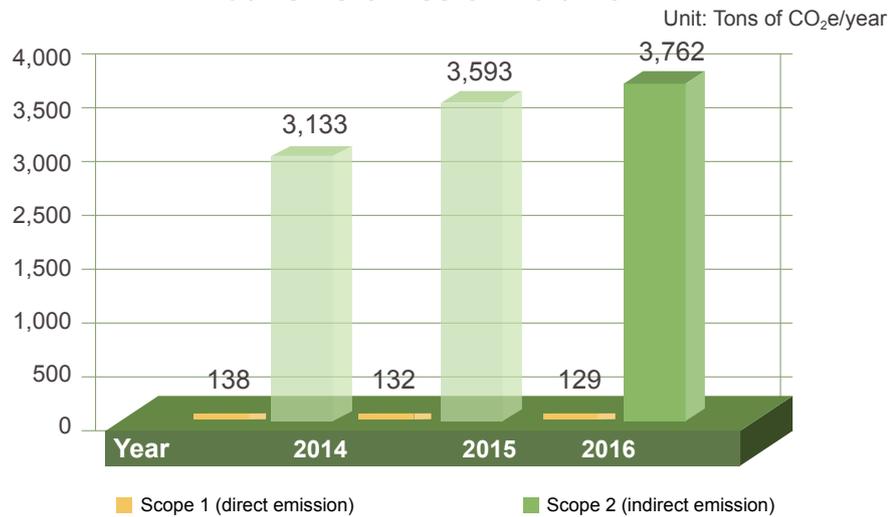
To reduce the environmental temperature during the process and improvement the cooling speed of the product, we additionally installed air conditioning equipment in about 80% of the plant area in 2015, leading to an increase of the power consumption and GHG emissions intensity. However, Thanks to the implementation of the energy saving and carbon reduction measure, the emissions intensity in 2016 dropped by 3.2% in comparison with 2015(base year).

CHR's annual GHG emission statistics

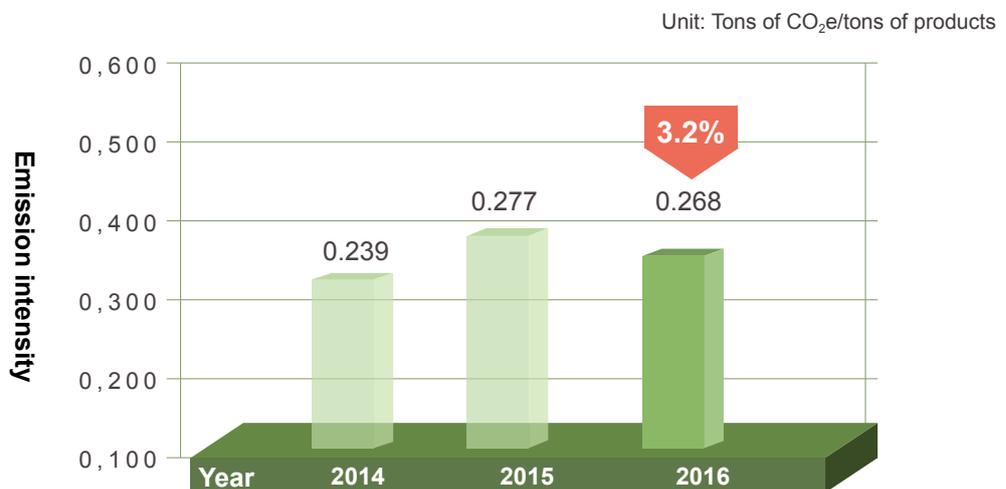
	Year	Scope 1 (Direct emission)	Percentage	Scope 2 (Indirect emission)	Percentage	Total emission (Tons of CO ₂ e/year)	Finished rubber product volume (ton)	Emission intensity (Tons of CO ₂ e/ton)
	2014	138	4%	3,133	96%	3,270	13,701	0.239
Base year	2015	132	4%	3,593	96%	3,725	13,472	0.277
	2016	129	3%	3,762	97%	3,891	14,528	0.268

Note 1: All the GHG inventories were checked according to the ISO 14064-1 Standard. Scope III (Other Indirect Emissions) was not quantified.
 Note 2: The inventory checking principles, calculation methods and emission factors provided by the Environmental Protection Administration in its "GHG Inventory and Registration Guidance" and "GHG Emission Coefficients Management Table, ver. 6.0.3" were used as reference.
 Coefficient of power: 0.528 tons of CO₂e / kWh.
 Note 3: The Global warming potential (GWP) value provided by IPCC in the 4th assessment report in 2007 was used.

Annual GHG emission volume



GHG annual emissions intensity





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3.2 Environmental management system

Thanks to the enhanced awareness of environmental protection among the public and the increasingly strict regulations, the concept of clean production and the pollution prevention and control techniques must be improved to catch up with the international development and ensure compliance with relevant environmental laws and regulations.

In consideration of the corporate society responsibility and the goals of the sustainable development, we introduced the ISO 14001 Environmental Protection System in 2016 and dedicated ourselves to the environmental management and environmental performance enhancement. Air, water, waste, poison, noise other factors that may be harmful to the environment were controlled and managed effectively. To provide the Company with common implementation guidelines, we established the environmental policies in the hope of practicably using them in the environment-related business of the Company.

The department set environmental goals and action plans every year with reference to the environmental policies. All the proposals for improvement or increase of our environmental performance, production efficiency, and management mechanism are incorporated. The achievements of the environmental goals were reviewed on a regular basis.



2016 environmental action measures



Improve the recycling centers by district and classification

Purchase uniform package material and use remaining fabrics for package



Sorting and recycle of resources

Air pollution and emission

VOCs (Volatile Organic Compound), a kind of air pollutant, are produced during production of the rubber. The source of the emission is the raw rubber. We declare the air pollution control fee according to the law every quarter and calculate the VOCs emission volume according to the SCC CODE approved by the Environmental Protection Administration of the Executive Yuan. The VOCs emission volume in 2016 was 9,501.2 Kg/year. It was more than the emission volume in 2015 due to setup of additional production lines and increase of the production volume. Since the second factory needed additional production lines for more production capacity, we have applied to the Environmental Protection Bureau Changhua County for a special account to declare the air pollution fee of the second factory.

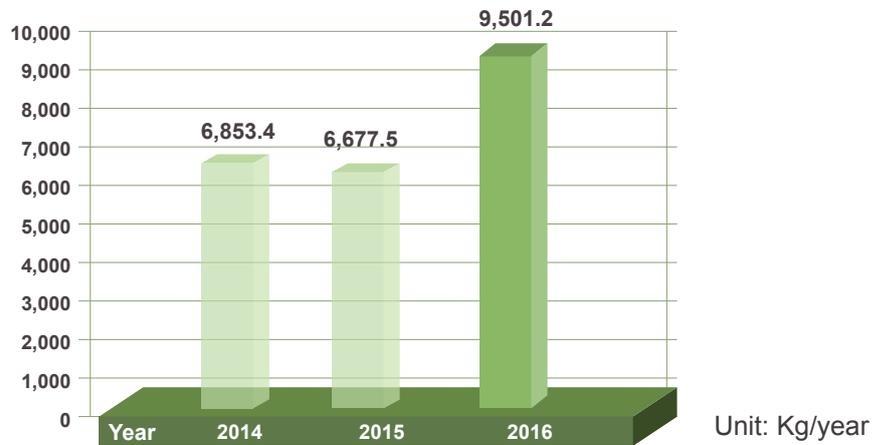
Air pollution and emission statistics

Unit: Kg/year

	2014	2015	2016
Volatile Organic Compound (VOCs)	6,853.4	6,677.5	9,501.2

Note: The emission of the factory (Kg VOCs) = Total volume of synthetic rubber * emission factor (2.036 Kg VOCs/ Kg synthetic rubber)
 Source: Air Pollution Control Fee Declaration Data

VOCs emission



Emission of ODS (Ozone Depleting Substance)

R-22 is the refrigerant that we use in the air conditioning system. It is an ozone depleting substance recorded in the Montreal Protocol and has an Ozone Depletion Potential (ODP) of 0.055. The total R-22 capacity (total filling capacity) of our air conditioning system is 271.5 kg. This is calculated according to the refrigerant leakage and emission factor (annual leakage rate) of 8.5% as provided in the "GHG Emission Coefficients Management Table, ver. 6.0.3" of the Environmental Protection Administration. The average R-22 emission per year is 23.08 kg equivalent to 1.27 kg of R-11.



Effluents discharge management

The effluents produced during the process may impact the environment far and deeply, and is harmful to the habitat of creatures, environment and food chain. The best way to protect the environment is to reduce the pollutant and emission at the source to avoid pollution of the environment.

We are located in the Changhua Coastal Industrial Park, Changhua County, and only produce domestic effluents. Since no process wastewater is produced, there is no need to set up wastewater treatment facilities; all the wastewater is collected to the wastewater treatment plant of the industrial park through enclosed pipes. The collected wastewater undergoes physical and aerobic treatment and then discharged through the Lunwei Channel to ensure that the quality of the discharged water meets the requirements of the effluent standard.

According to the data provided by the wastewater treatment plant of Changhua Coastal Industrial Park, Changhua County, our COD (Chemical Oxygen Demand) and the average discharge value of SS (Suspended Solid) in 2016 were 179 mg/L and 49 mg/L, respectively. Since the wastewater treatment plant of the industrial park does not incorporate BOD (Biochemical Oxygen Demand) in the test, it is not indicated in the table. The COD and SS values of the first factory increased annually because carbon black was added in the process and, thus, the hands of the employees became dirty easily. When the production increased and employees washed hands more frequently, the COD and SS condensation increased.

As for the quality of the water discharged from the wastewater treatment plant of Changhua Coastal Industrial Park, Changhua County, COD was between 25~45mg/L, SS between 5~10mg/L and BOD between 4~12mg/L. All of these values met the requirements of the effluent standard. The wastewater discharged from our factories was currently not reused by other organizations.

Effluents discharge volume

Unit: Ton/year

Plant	2014	2015	2016
Total Effluents discharge	7,612	6,984	7,809
Monthly average discharge (ton/mon.)	634	582	651

Source: The effluents treatment plant of Changhua Coastal Industrial Park, Changhua County

Quality of the effluents to be collected to the wastewater treatment plant of Changhua Coastal Industrial Park

Unit: mg/L

Quality of the effluents to be collected to the wastewater treatment plant of Changhua Coastal Industrial Park (before treatment)		2014	2015	2016
Average COD	1st plant	161	216	290
	2nd plant	47	115	68
	2rd plant av.	104	166	179
Average SS	1st plant	28	39	84
	2nd plant	15	30	14
	2rd plant av.	22	35	49

Source: The effluents treatment plant of Changhua Coastal Industrial Park, Changhua County

Waste management

Only unrecyclable general industrial waste such as waste rubber mixtures, waste plastic mixtures, waste wood pallets, and household garbage that are not recyclable and recyclable waste paper, waste iron, waste plastics, and waste copper are produced during production of the rubber products. No hazardous industrial waste is produced. The waste is simple in terms of type and nature, and only a small quantity is produced. The waste occupying the largest percentage is the household garbage.



In addition to reducing the defect rate of the rubber products, we are dedicated to minimizing the production of rubber mixtures at the source and optimizing the waste management work. The recycle rate of waste in 2016 was increased to 38%. A waste storage area is set up in the factory and a qualified waste treatment vendor is authorized to remove and dispose the waste and carry out the online waste reporting procedure.

Waste is disposed according to the information and professional proposal provided by the contractor. Currently, no violation of the contract occurs to the contractor.



Waste disposal statistics

Unit: Ton/year



Category and treatment		2014	2015	2016
Recycling	Subtotal	31.0	31.1	58.1
Incineration	Waste rubber compounds	1.2	1.1	0.9
	Waste plastic compounds	1.2	1.1	1
	Waste wood pallets	1.2	0.9	0.4
	Household garbage	91.9	102.2	92.5
Total volume of general industrial waste		95.5	105.3	94.8
Total volume of Hazardous industrial waste		0	0	0
Waste recycle rate		24.5%	22.8%	38.0%

3.3 Water resource management

Taiwan is a country lacking water resources due to natural conditions. Especially, the river monitoring data of the Environmental Protection Administration shows increasingly worse river pollution that makes many rivers unusable due to bad water quality, and thus the more deficient water resources. Consequently, groundwater is over-pumped everywhere for a long time and this overdraft brings about a serious problem of land subsidence.

We are much concerned about the environmental problem of groundwater overdraft and, thus, only use the tap water that Taiwan Water Corporation provides. The source of the tap water is the Liyutan Reservoir in Miaoli. CHR is located in Changhua Coastal Industrial Park, Changhua County. As the official website of the industrial park shows, The Liyutan Reservoir supplies about 700,000 tons of water every day and 15,000 tons is supplied to Changhua Coastal Industrial Park. The average daily water consumption of the industrial park occupies 2% of the daily water supply of the reservoir. Our average daily water consumption occupied 0.48% of the daily water supply of the industrial park over the past three years, indicating an average daily water consumption equal to 0.01% of the daily water supply of the reservoir. Neither the water intake method nor the water withdrawal had significant negative influence on the Liyutan Reservoir and nearby residents.



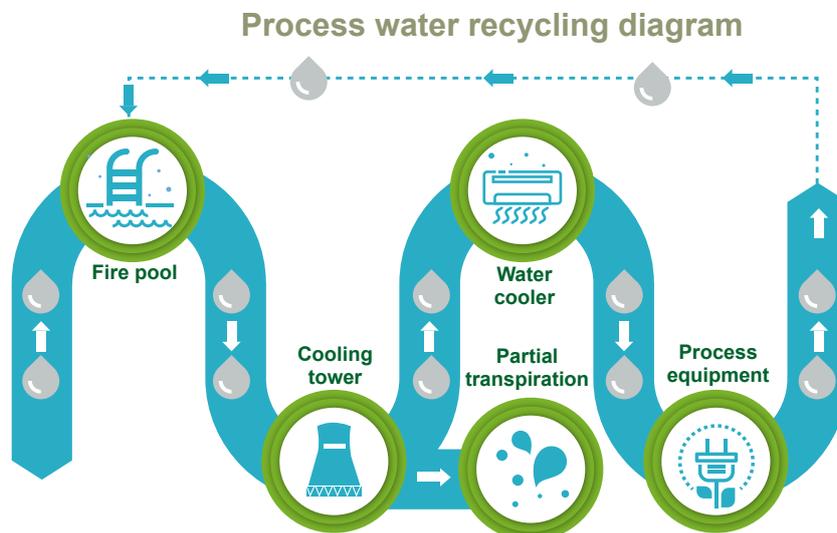
Water resource consumption volume

Unit: Ton/year

Plant	2014	2015	2016
1st plant	14,518	14,852	16,212
2nd plant	3,815	4,010	4,078
Total water withdrawal (1st plant + 2nd plant)	18,333	18,862	20,290
Monthly average water withdrawal (ton/mon.)	1,528	1,572	1,691

Source: Taiwan Water Corporation

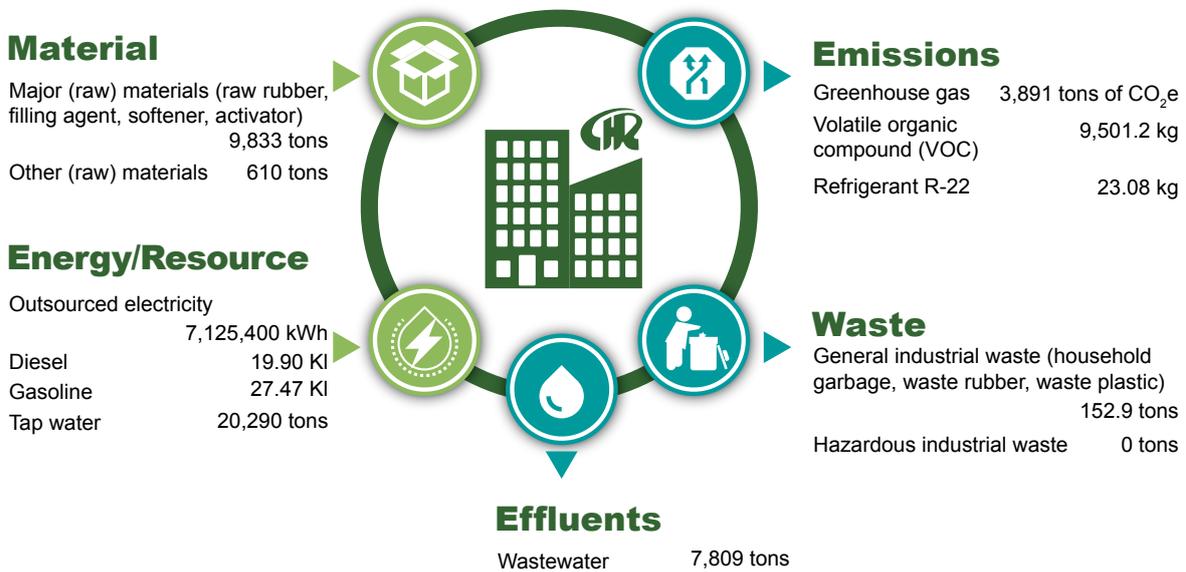
We are always frugal in water resources and limit the use of water to the daily life of the employees and cooling of the process equipment. The total water withdrawal in 2016 was 20,290 tons/year. In addition to the process water, we recycle most of the condensed water used during the process, save that partial transpiration is detected in the cooling tower, to make use of the water resources.



3.4 Materials

The 2016 Incoming Materials Statistics showed that the first two major materials for the production were raw rubber and filling agent. Since our products are usually used in the semi-conductor, aerospace, electrical machinery, medical, food and drinking water, and automobile industries, only non-recycled materials are used in consideration of the quality of the products and the safety of the food. We will give first priority to the RoHS and EU REACH regulations when we select new materials. The consumption of the major materials (raw rubber, filling agent, softener, activator) and other materials in 2016 was 9,833 tons and 610 tons, respectively. The pallets used for transport and storage of the material in the factories will be reused for shipment of the products in Taiwan.

Input and Output of Materials in 2016

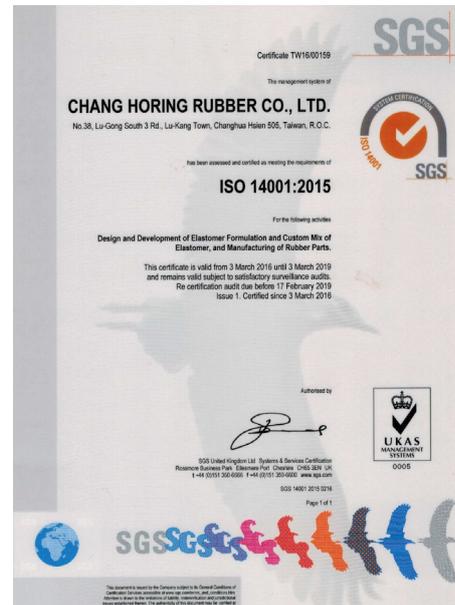


Note: All the "materials" as non-recycled materials.

3.5 Environmental compliance

Environmental protection is always our first priority and we carry out all the tasks related to the environmental protection according to laws and regulations. In addition to introducing the ISO 14001 Environmental Protection System in 2016, we establish environmental policies, execute the environmental goals, objectives and action measures every year, and continuously improve the environmental performance. We were not fined by the competent authority over the past five years. We will do our best to do the environmental management by implementation and operation of the environmental management system, observe environmental laws and regulations, and achieve the goal of continuous improvement of the environmental performance.

CHR ISO 14001 certificate





4 ■ Happy LOHAS Career

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4. Happy LOHAS Career

Only sound labor-management relations can build good working environment, have employees be dedicated to the production activities, and create more productivity. Only fair treatment of the employees and respect for them, elimination of discrimination, observance of labor laws and regulation can give them a comfortable working environment and help them produce the best possible benefits for the Company.



Meaning of the happy LOHAS career

In society nowadays, unsound labor-management relations are usually the cause of the disputes between. Hence, the labor-management relations are one of the issues that stakeholders are most concerned about, especially the employees and their family members. In the highly competitive global environment, it is necessary to turn the concept that training is a cost outlay item to a new awareness that training is an investment in talents.

Impact of the happy LOHAS career

Employees are the most important assets of CHR. To retain talents and avoid overwork, management must take care of the employees and have them feel the care and help them involved in the work to create the highest value. Employees are irreplaceable treasures of the Company. Only healthy employees can make the products that are safe and reliable to the customer in an absolutely safe working environment.

Human rights are one of the focuses at the working place nowadays. We observe the Labor Standards Act and plan to establish a prevention and control mechanism with reference to the human rights in the future to protect the rights and interests of the employees more soundly.





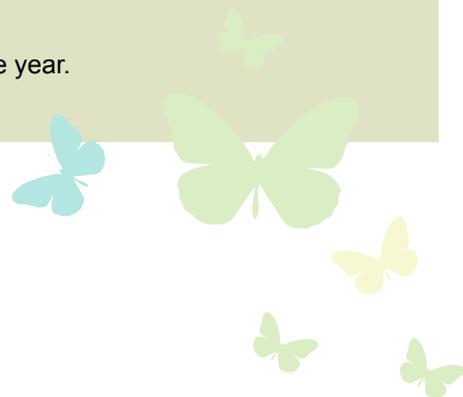
Management of the happy LOHAS career

Policy	
Employment	Treat every employee fairly, openly, and impartially to improve harmonious labor-management relations.
Training and education	Train employees with required knowledge, skills and attitude for their work in consideration of the policy and objective of the company. Build learning-oriented organizations, arouse employee's potential versatilely, improve the quality of manpower, and enhance the competitiveness.
Forced labor	The Labor Standards Act requires that employer is not allowed to force employees to work through violence, coercion, restraint, or in any other ways, and the labor-management relations shall be established on a mutual-respect and fair basis.
Human rights	<ol style="list-style-type: none"> 1. Employees are recruited, appointed, evaluated, and promoted based on their competency the requirements of the laws without consideration of their gender. 2. Measures to prevent sexual harassment at workplaces and relevant complaint and discipline regulations are established based on gender equality in employment and maintenance of dignity. 3. Employee complaint management regulations are established to help them solve their problems in loss of personal rights, bad working environment, and unfair treatment. 4. Employment of child labor is prohibited. 5. Forced labor is prohibited. 6. Safe and healthy working environment is provided.
Occupational health and safety policy	<ol style="list-style-type: none"> 1. Observe laws and regulation, conduct hazard control, and build optimal working environment. 2. Make educational training and result assessment and improve the management performance. 3. Conduct risk management, promote health, and achieve the goal of full participation. 4. Ensure continuous improvement and thorough checking to achieve the goal of sustainable operation.



Commitment / System	
 Employment and labor / management relations	Establish employee handbooks and build an employee satisfaction survey system.
 Training and education	TTQS Talent Quality-management System.
 Occupational health and safety	Execute planned management and improvement measures, implement result assessment and improvement, and promote the CNS 15506 Taiwan Occupation Safety and Health Management System. Build a zero-accident working environment and protect the safety and health of the employees.

Goal	
 Employment	Reduce employee complaint cases every year, provide good working environment, protect the rights and interests of the employees, and help them work in happy working atmosphere.
 Labor/management relations	Improvement of employee satisfaction to 3.6 points in 2018.
 Forced labor	Compliance
 Human rights	Handle employee complaint cases as soon as possible to reduce the cases.
 Training and education	Win TTQS silver medal in 2018.
 Occupational health and safety	Zero industrial accidents in the year.





Action plan	
Employment	Take actions according to the law and institutionalize employee welfare.
Labor/management relations	Review laws and regulations and act accordingly. Understand the items that have lower scores in the employee satisfaction questionnaire and make improvement.
Forced labor	Extend factory buildings, hire more employees, establish more production lines, arrange more shifts, and reduce overwork hours.
Human rights	Establish the Regulations Governing CHR Sexual Harassment Prevention Measures, Complaints, and Disciplines, Employee Complaints Handling Regulations, and the human rights assessment system (incl. suppliers).
Training and education	Establish the TTQS system.
Occupational health and safety	Install air conditioners to improve working environment; build the "OHSAS 18001 Occupational Safety and Health Management System" and "CNS 15506 Taiwan Occupation Safety and Health Management System".

Effectiveness assessment of the happy LOHAS career

Employment and labor / management relations	Review employee complaint cases every year and convene the labor-management relations coordination meeting.
Training and education	The Workforce Development Agency of the Ministry of Labor evaluates the Talent Quality-management System (TTQS) once every 2 years.
Forced labor	Confirm the reduction performance of forced labor through the annual CSR report.
Human rights	Review and assess relevant systems and implementations every year.
Occupational health and safety	Conduct occupational safety and health management review every year, confirm the achievement of goals, and make adjustment and improvement as countermeasures.



4.1 Human resource management

Employee recruitment status

We hire employees according to national labor-related regulations and in compliance with the basic labor rights specified in international conventions. Employment and promotion are executed based on the principles of no child labor, no discrimination, and only ability and competence. To select and retain local outstanding talents, we establish the "Employee Handbook" and specify the employment relationship, wage, performance evaluation, employee welfare, leave, retirement, reward and punishment. Promotion of the employee is subject to review at the Personnel Review Committee meeting to ensure fair, open and impartial treatment of the employee and improve harmonious relationship between the labor and management.

To protect the personal information and privacy, we sign a personal information statement with the interviewer who will have an interview to keep the personal information confidential. After entering the Company, new employees undergo educational training, including the Company profile and overview of the functions, provided by the Company to help them have basic understanding of the history, culture, organizational structure, personnel and welfare systems of the Company as well as the nature of the work and their roles.

As for employment, we hired a total of 232 employees, increasing by 11 employees compared with 2015, as of the end of 2016 and all of them were full-time employees. Most of the employees were aged between 31 ~ 49 (61.7%). As for the gender, since we are a rubber manufacturer and belong to the traditional manufacturing industry, most of the employees are male (82.8%). Employees are promoted according to the laws and regulations without discrimination due to gender, age, nationality, or religion.

Employees in 2016 analyzed by gender, age, and nationality

Category	Group	Female		Male		Subtotal (person)	Percentage (%)
		Number (person)	Percentage (%)	Number (person)	Percentage (%)		
Age	Under 30	15	38	70	36	85	37
	31-49	25	62	118	61	143	62
	Over 50	0	0	4	3	4	1
Nationality	Foreign country	0	0	55	29	55	24
	Taiwan	40	100	137	71	177	73

Note 1: The total number of employees is acquired based on the average number of employees calculated at the end of the current month.

Note 2: All the employees in 2016 were full-time employees. There were no temporary or part-time workers. All the important personnel (managers, professional personnel, and employees at the basic level) are directly hired by CHR. All of the manager-level personnel were Taiwanese.



Sound turnover of employees

Sound turnover of employees brings the Company vigor and ability to innovate. We hired a total of 47 new employees in 2016 to fill the vacancies and increase the production power. Most were aged below 30 (61.7%) followed by 31~49 (38.3%).

New employees in 2016 analyzed by gender, age, and nationality

Category	Group	Female		Male		Subtotal (person)	Percentage (%)
		Number (person)	Percentage (%)	Number (person)	Percentage (%)		
Age	Under 30	3	50	26	63	29	62
	31-49	3	50	15	37	18	38
	Over 50	0	0	0	0	0	
Nationality	Foreign country	0	0	17	41	17	36
	Taiwan	6	100	24	59	30	64
Total new employees in 2016				47 People			
Total employees in 2016				232 People			

Note 1: The total number of employees is acquired based on the average number of employees calculated at the end of the current month.

A total of 36 employees quit in 2016 and the average monthly turnover rate was 1.7%. Most of the employees leaving the Company were the operators on the production line and the major reason for leaving the post was not adaptable to the production line environment. We have started improving the factories since 2015 to upgrade the production line environment. Air conditioning equipment has been installed in most of the plant areas (80%) to improve the workplace and provide employees with a comfortable and excellent working environment.

Employees quitting in 2016 analyzed by gender, age, and nationality

Category	Group	Female		Male		Subtotal (person)	Percentage (%)
		Number (person)	Percentage (%)	Number (person)	Percentage (%)		
Age	Under 30	0	0	15	48	15	42
	31-49	5	100	15	48	20	56
	Over 50	0	0	1	2	1	2
Nationality	Foreign country	0	0	10	32	10	28
	Taiwan	5	100	21	68	26	72
Total employees who quit in 2016				36 People			
Total employees in 2016				232 People			
2016 turnover rate				1.7%			

Note 1: The total number of employees is acquired based on the average number of employees calculated at the end of the current month.

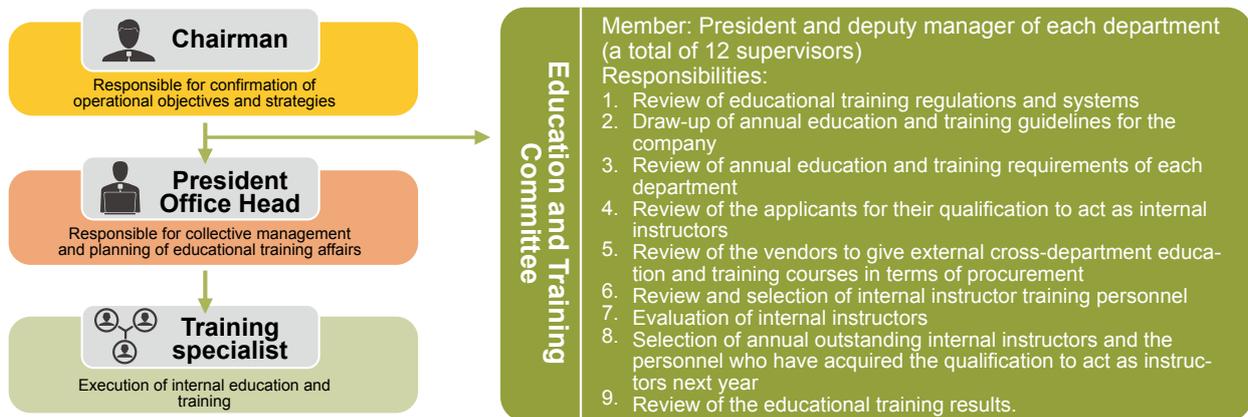
Note 2: Turnover rate = Quit employees in the current month / (employees at the beginning of the month + employees at the end of the month) / 2



Continuous educational training

We know that human capital is one of the most important production elements in the knowledge-based economy. So, we continuously implement talent training programs and help employees improve their competitiveness and professional competency in their career effectively.

Knowing that human capital is important to the Company, the Chairman authorized the President Office to implement talent development in 2013 and the Education and Training Committee was established in the same year. An instructors team was established in 2014 and all the top managers joined the team to improve the quality of the training and manpower. Training policies were drawn up in the same year. The Chairman gave an instruction to promote all-round development of employees in 2016. The Education and Training Committee modified the "Training Quality Management Manual" in line with the talent development policy of the Company to achieve the goals of improving the performance and competitiveness of the employees. The training policies were recorded in the "Training Quality Management Manual" and disclosed on the official website and billboard of the Company for promotion purpose. To train the talents, we provide a 4-core training system including the "new employee orientation", "professional competency training", "management competency training", and "general training".



CHR talent development milestones





We provided educational training courses to a total of 3,746 hours in 2016. 890 employees took the courses and each employee was trained for 16.15 hours/year on average.

Total educational training hours per employee in 2016 analyzed by gender and employee category

Male				Female			
Category	Total hours	Average	Average / person	Category	Total hours	Average	Average / person
Supervisor	1,649	36	46	Supervisor	387	10	39
Professional	964	64	15	Professional	340	13	26
Primary-level staff	247	92	3	Primary-level staff	159	17	9

Analysis of Employee Training Hours from 2014 to 2016

Item	2014	2015	2016
Total training hours (hour)	5,063	5,590	3,746
Total participants (person)	1,095	1,618	890
Average number of employees (person)	210	221	232
Average annual training hours / person (hour/year)	24.11	25.29	16.15



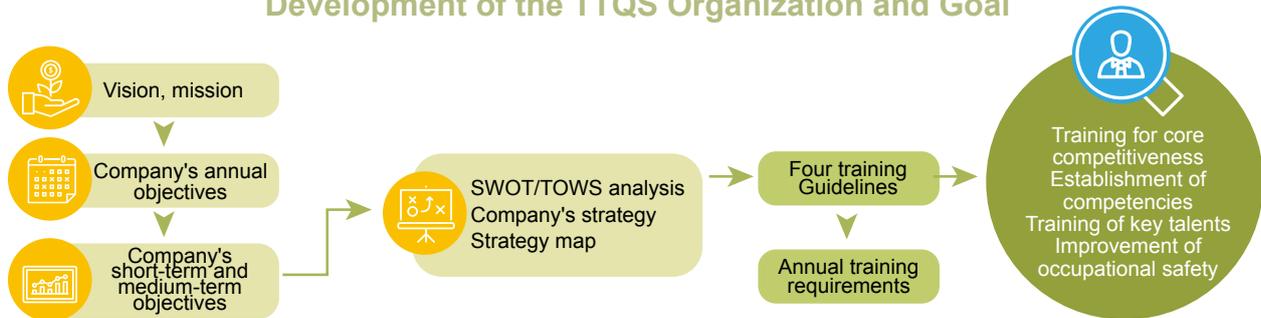
Implementation of talent training course

Promotion of the Talent Quality-management System (TTQS)

Educational training and development of employees are always the first priority of the Company. We have promoted the Talent Quality-management System (TTQS) of the Workforce Development Agency, Ministry of Labor, since 2014 and won the "bronze medal" in the corporate evaluation of the Talent Quality-management System in November 2016. We are committed to winning the "silver medal" in 2018.

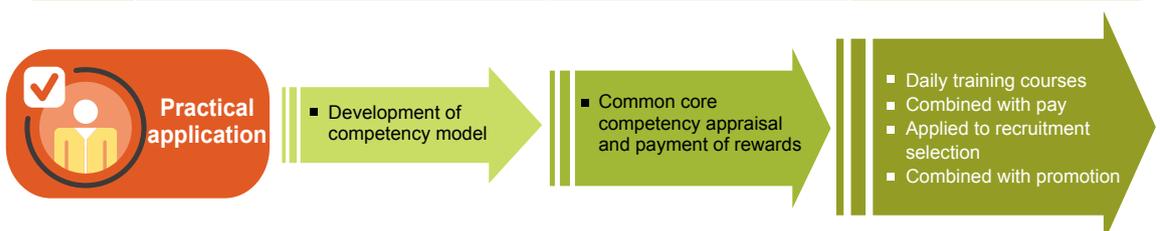
We develop the 4 training guidelines of "training of core competitiveness, establishment of competencies, training of key talents, improvement of safety at workplaces" according to the talent development strategy map. Then we define each facet and goal according to the strategy map and implement the strategic action plan. We have established the core, professional, and management competencies since 2015 and set up competency learning maps as a basis for development of talents. They are currently applied to the evaluation of the core competency and payment of the reward, and will be combined with the compensation, recruitment, and promotion of employees.

Development of the TTQS Organization and Goal



Competency Setup Patch

	2015	2016	2017~2018
Core competency	<ul style="list-style-type: none"> Organize vision, mission, core values, and core competitiveness consensus camps Establish common core value 	<ul style="list-style-type: none"> Establish common core competencies Establish core competency appraisal form Implement common core 	<ul style="list-style-type: none"> Develop core competency learning map
Management competency	<ul style="list-style-type: none"> Planning and establishment 	<ul style="list-style-type: none"> Establish management competencies for high, medium, and primary supervisors Establish management 	<ul style="list-style-type: none"> Management competency inventory Complete management competency training blueprint
Professional competency	<ul style="list-style-type: none"> Implement category inventory Work analysis 	<ul style="list-style-type: none"> Establish professional competencies for categories Develop competency learning maps 	<ul style="list-style-type: none"> Professional competency inventory Competency gap analysis





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The honor of the "bronze medal" in the corporate evaluation of the TTQS in 2016

2015	LOGO	Description
Talent Quality-management System (TTQS)		<p>To develop in line with the trend of international human resources, activate the human resource investment, and promote the development of human capital, The Workforce Development Agency of the Ministry of Labor has referred to the features of the training and development industries in Taiwan and applied the Training Quality System (TTQS) to the planning, design, execution, checking, and result analysis of training since 2007 in order to establish a strict, fair, and objective standardized appraisal system. Appointed appraisal committee members came to the site to provide appraisal service for the applicant according to the appraisal criteria on the rating card approved by the Workforce Development Agency.</p> <p>The name of the Training Quality System was changed to Talent Quality-management System (TTQS) in 2014 to deepen the meaning of the system, promote human resource development and investment, and be geared to the international standards. The training forms, incomplete procedures or training processes spread in different department of the organization are managed systematically within the TTQS loop to establish a complete and structured human resource development system.</p>



4.2 Employee welfare and labor conditions

Outstanding welfare system

As for the welfare system, we provide employees with group insurance, physical examination, free meals, scholarships and grants-in-aid for employee's children, performance bonus, subscription of shares and dividends in addition to the benefits specified in the Labor Standards Act to promote the physical and mental health of the employees, ensure a balanced life for them, and retain talents. We also establish an employee welfare committee, subsidize employee club activities, and organize domestic and overseas company trip.

Benefits for the employees:

- ① **Insurance benefits** better than what the law requires to provide work and living safety for employees:
Group insurance, life insurance, injury and disability insurance, full reimbursement of injury and disability medical expenses, daily hospitalization indemnity
- ② **Scholarship for children of employees**
- ③ Domestic and overseas **travel, travel cash subsidies for employees**
- ④ **Mutual aid money** (e.g., allowance for marriage, funeral, festivity, new house celebration, hospitalization) provided by the company or employee welfare committee
- ⑤ **Bonuses for three festivals** (Labor Day, Moon Festival, Year-end Bonus), birthday coupon, birthday cake
- ⑥ **Free meals and uniforms**
- ⑦ **Regular physical examination**
- ⑧ **Subscriptions and dividends for employees**
- ⑨ **Monthly performance bonus for employees**
- ⑩ **Selection of model labors and rewards**



Nursing room



Free meal and employee canteen



Organization of company trip



Scholarships and grants-in-aid for children of the employees

Comprehensive and good education for backbone in the future is the cornerstone of our nation. To encourage the employees to respect the education of their children, we provide scholarships and grants-in-aid for their children and encourage them to be dedicated to their study, be motivated, and face the future with love and hope.

Payment of scholarships and grants-in-aid for children of the employees

Year	Number of employees' rewarded children (person)		Total amount (dollar)
2014	Grant-in-aid	141	165,000
	Scholarship	15	21,500
2015	Grant-in-aid	147	180,000
	Scholarship	23	35,500
2016	Grant-in-aid	74	89,500
	Scholarship	10	15,500

- Note: 1. Scholarship: The students from junior high school to college/university with 80 marks or more in academic subjects and conduct performance are qualified for application.
 2. Grant-in-aid: The students after the compulsory education are qualified for application.

Selection of model labors and rewards

We establish the "Model Labors Selection Regulations" to celebrate the "May 1" Labor Day and encourage employees to hold fast to their position and be dedicated to their duties. The model employees to be praised are selected by each department and 1~2 employees are selected for the praise. The model employees will receive an incentive bonus to the amount depending on their ranks in the selection. They will be praised and announced openly at the major production and sales meeting of the Company. The model employee who wins the first place is qualified to participate in the selection of model employees organized by the Changhua Coastal Park Service Center and Changhua County Government, respectively.



Payment of the bonus to model employees.



Smooth promotion channel and performance evaluation system

Performance management is one of the important management behaviors and tools. We always take employee promotion opportunities seriously and establish the "Performance Management Regulations" to build a consistent, open and transparent system for measurement of the cross-department career level and talent. The performance of the employee is evaluated regularly based on the goal of the work and the personal result. The performance is used as a reference for adjustment of the compensation. Special adjustment of the compensation and smooth promotion opportunities will be granted to the employee who performs exceptionally. Ability and competency as well as reasonableness are the only criteria for the promotion. By doing so, we encourage mutual trust, love, and aid among the employees to drive the development of the business.

12 employees (equal to a promotion rate of 5.2%) were promoted in 2016.

Employee Promotion Statistics in 2016

Number of promoted employees	Total employees in 2016	Promotion rate
12 People	232 People	5.2%

Note: The total number of employees is acquired based on the average number of employees calculated at the end of the current month.

Good employment and labor-management relations

We provide grievance opportunities for employees to protect their rights and ensure that any damage to their rights and interests can be dealt with immediately through multiple communication channels. We help the employees understand relevant laws and regulations, create friendly fiduciary relationship, prevent violation of laws and occurrence of disputes, and create a friendly and robust employment relations.

We definitely specify the severance-related regulations in the Employee Handbook according to the Labor Standards Act. The employees who select the old system have the right to a pension. We appropriate 6% of the monthly insurance amount for the pension according to the "Labor Pension Act" every month in favor of the employees who select the new system.

Labor conditions

In 2015, we violated Article 36 of the Labor Standards Act stating "a worker must have one regular days off every seven days as a rest day" because the capacity could not meet the requirements of the orders and the employees must work overtime on holidays. To meet the requirements of the Labor Standards Act and avoid overwork, we propose improvement measures and coordinate with the employees to have holidays by turn to meet the requirements of the orders and ensure that every employee has one rest day every seven days. We acted according to the Labor Standards Act and no violation of labor-related laws or regulations occurred in 2016.

Compliance to the Labor Standards Act

	2014	2015	2016
Violation cases	0	1	0



4.3 Maintenance of human rights

To protect the basic human rights of the employees, we are committed to protect human rights continuously in terms of working conditions and gender equality. All of our operating bases are subject to review and assessment of human rights.

- 1 Employees are recruited, appointed, evaluated, and promoted based on their competency the requirements of the laws without consideration of their gender.
- 2 Measures to prevent sexual harassment at workplaces and relevant complaint and discipline regulations are established based on gender equality in employment and maintenance of dignity.
- 3 Employee complaint management regulations are established to help them solve their problems in loss of personal rights, bad working environment, and unfair treatment.
- 4 Employment of child labors is prohibited.
- 5 Forced labor is prohibited.
- 6 Safe and healthy working environment is provided.

Smooth communication channels

We establish the "Employee Complaints Handling Regulations" to provide employees with smooth communication channels, help them solve their problems in loss of personal rights, bad working environment, and unfair treatment. Any employee who suffers damage to his/her rights or has any opinions may submit a complaint application form to the President Office. The complaint must be dealt with, a reply must be given, and the case must be closed within 1 month after acceptance of the application. The unit dealing with the complaint is obligated to keep it confidential.

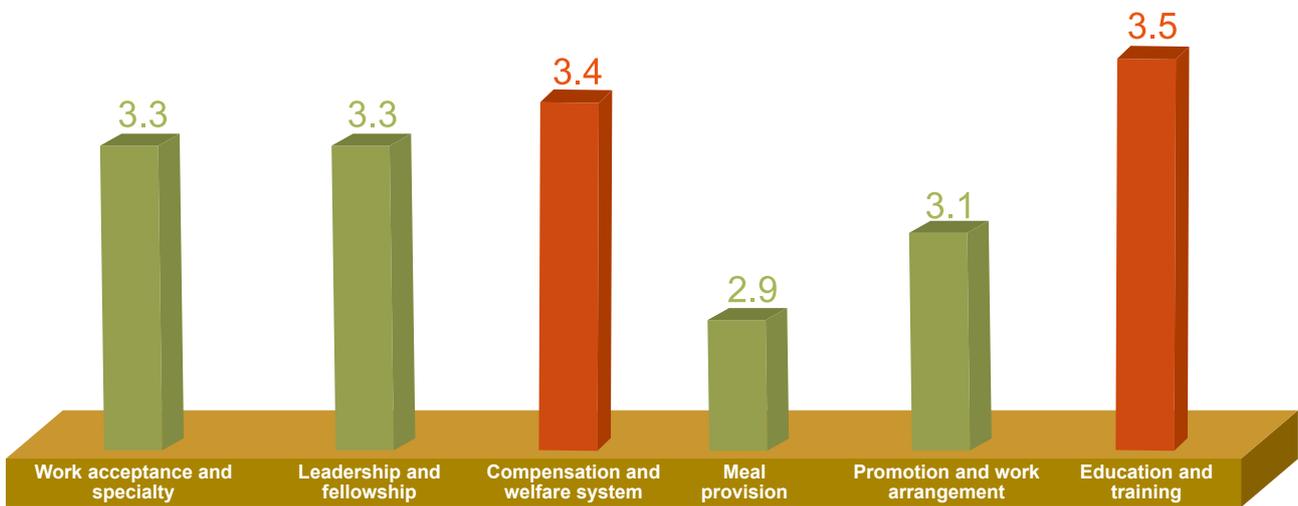
We establish the "Regulations Governing CHR Sexual Harassment Prevention Measures, Complaints, and Disciplines" to protect employees from suffering sexual harassment and ensure gender equality. The employee who suffers sexual harassment may submit the complaint application form as soon as possible. The administration department is the unit responsible for acceptance of the complaint and obligated to keep it confidential. The complaint must be dealt with, a reply must be given, and the case must be closed within 1 month after acceptance of the application. Education and dissemination for prevention of sexual harassment are the responsibility of the training department.

There was 1 complaint case in 2016. It stated that part of the PU floors in the factory was damaged. It was difficult to clean it and safety was a concern. We took the improvement measure to change the PU floors completely to terrazzo floors one area after another. The entire work will be expectedly completed at the end of 2017.

Employee satisfaction survey

To improve the recognition of the employees and their adherence to the Company, we designed an employee satisfaction survey with 6 major categories and 38 issues that the employees are concerned about. All the employees could complete the survey online from October 27, 2016 to November 07, 2016. A total of 161 questionnaires were distributed and 99 effective replies were received. The average score of the employee satisfaction was 3.3 points. The most satisfied category was educational training (3.5 points) and the most unsatisfied category was meal (2.9 points).

Employee Satisfaction Survey Results by Category



The most satisfied categories in the survey were the compensation/welfare system and education training. In particular, the welfare system was scored with the highest point of 3.8, indicating that our endeavor in this aspect was recognized by the employees. The meal, which was scored with the lowest point, was supplied free of charge. We made improvement in details including the freshness of the meat and vegetables and the quality of the soup. The supplier was changed to meet the requirements of the employees.



4.4 Occupational safety and health

Establishment of the Occupational Safety and Health Committee

The CHR established the occupational health and safety committee according to Article 23 of the Occupational Safety and Health Act. There are quarterly meetings on occupational health and safety issues. We provide the employees and the employers a way to discuss occupational health and safety issues face to face. It is the highest review organization on safety and health management. There are 12 people in our committee, our chairman as the Commissioner, an assigned secretary, one occupational health and safety personnel, and other committee members representing employees. Committee members include occupational health and safety personnel, department supervisors, R&D personnel and production unit personnel. According to the laws and regulations, labor representatives should be no less than 1/3 of the committee. Our committee has 5 labor representatives chosen by employees and take up 42% of the committee. Therefore, all committee decisions will be made with a high priority on employees.

Percentage of labor representatives in occupational safety and health committee in 2016

Labor representatives	Total committee members	Labor representative percentage (%)
5 People	12 People	42%

Note: Percentage of labor representatives = number of labor representatives/ number of committee members*100%

Occupational health and safety as priority

The CHR takes occupational health and safety issues seriously. We provide employees with all sorts of occupational safety and health management measures including:

- ✔ Establish Occupational safety and health committee
- ✔ Provide personal protection equipments
- ✔ Regular physical examination
- ✔ Provide occupational safety and health educational training
- ✔ Employee complaint mechanism
- ✔ Regular disaster prevention drill

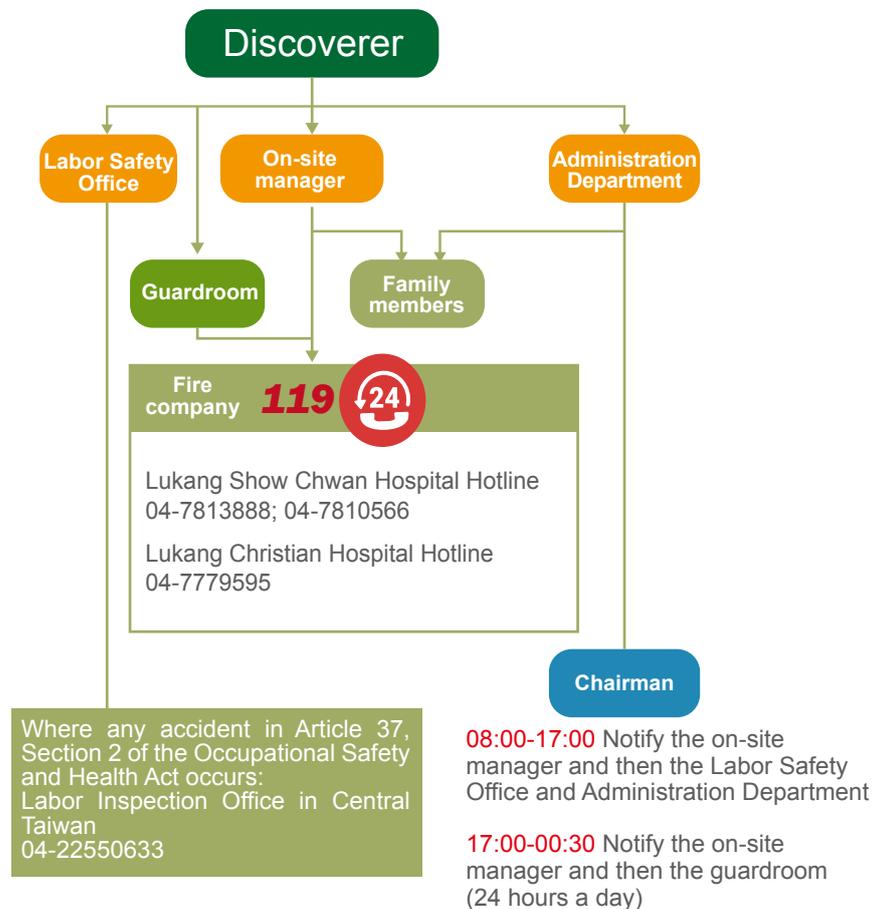
We conduct occupational safety and health educational training annually. All new employees must go through training and currently employed personnel have annual one point lesson training. We arrange external trainings on operating dangerous equipments, occupational safety and health management- Class B, and for dust environment managers and occupational safety and health affair managers- Class A.

From 2014 to 2016, the CHR declared all reports in time. According Occupational Safety and Health Act of our country, the the Disabling Frequency Rate, FR and Disabling Severity Rate, SR are both 0. There was no work-related causality. Our contractors reported no work-related disease, injury, disability, or death. Also, reports by the Labor Inspection Office on occupational safety and health showed that there were no violation in the past 3 years. We established occupational safety and health incident reporting process. Any incident will be reported by the rules. The absenteeism rate in 2016 is 0.55% for male and 0.07% for female.

Occupational Safety and Health Act compliance

	2014	2015	2016
Violation cases	0	0	0

Occupational safety and health reporting process





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Occupational safety and health are one of the most concerned issues of the stakeholders, including the employees and their family members. To create a safe and healthy work environment, in 2017, we built the CNS 15506 Taiwan Occupation Safety and Health Management System to fully achieve occupational health and safety management. We form a safe, healthy, and happy corporate to make our employees feel safe and that it is a blessing to be working here in the CHR.



Occupational safety and health educational training



Personal protection equipments are provided



Fire drill



Fire drill



Regular disaster prevention drill



Employee health management

According to the Occupational Safety and Health Act of our country, the CHR has a high-risk work environment of dust environment and ethanol environment. We have conducted solutions according to the law by providing employees with regular physical examination and personal protection equipments. We do everything we can for the health of our employees to prevent any employee from being physically harmed at work and any infringement of worker rights.

In 2016, we authorized an environmental testing institution to monitor dust, noise, and ethanol in our work environment. The result showed that the dust and ethanol meet the requirements of the law. Testing result is described as below:

 Dust environment	 Organic solvent (ethanol) environment
<p>Problems with work in dust environment have been solved effectively by providing gas hoods. The working environment monitoring result showed that the content of the inhalable dust in the air is 0.049mg/m³ and met the requirement of average 5mg/m³ PEL-TWA. The measured value was much less than what the law requires. On-site employees were requested to wear personal protection equipment to minimize the exposure.</p>	<p>Problems of ethanol volatilization in organic solvent environment have been solved by providing gas hoods. The working environment monitoring result showed that the concentration of ethanol in the air was 58.6ppm and met the requirement of average 1000ppm PEL-TWA. Though the measured value was much less than what the law requires, we set up explosion-resistant devices in the working area. On-site employees were requested to wear personal protection equipment to minimize the exposure.</p>



4.5 Volunteer program

To encourage the spirit that helping others is the foundation of happiness and do its part of the charity work, the CHR plans to establish "CHR Charity Club Organization Articles" in 2017. All employees can participate voluntarily. Charity Club aims at senior care and local emergency aid. All event funds will be provided by the CHR.



Charity Club serve a meal event photo



Discussion with Huashan Social Welfare foundation



Club meeting





Thank you cards from scholarship and receivers

Since 2012, we have been providing scholarships grants-in-aid to students of Department of Chemical Engineering in Feng Chia University. With our "Feng Chia University Department of Chemical Engineering CHR scholarship notice", we provide scholarships to students in low-income households. We hope that with our kindness, the students can finish their degrees, become excellent chemical engineers. We hope to cultivate talents and make a contribution to society.

Exchange with alumni of Department of Chemical Engineering in Feng Chia University





5. Value Chain Management

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5. Value Chain Management

Meaning of the value chain management

The CHR value chain is built upon suppliers, customers, and the CHR itself. Through vertical integration and green sustainable value management, we make the best of 1+2>3 to reach the goal of sustainable development.

Material topics

Procurement practices

Green, sustainable innovative products

Impact of the value chain management

A corporation cannot survive without its customers and suppliers. Therefore, we join our customers and suppliers in achieving CSR and sustainable development to create prosperity for both our customers and the supply chain.

Impact boundary

CHR

Supply chain vendor

Client

Value chain management approach



- Corporate customer-first culture



- Customer satisfaction of more than 95%



- Supply chain evaluation and management system



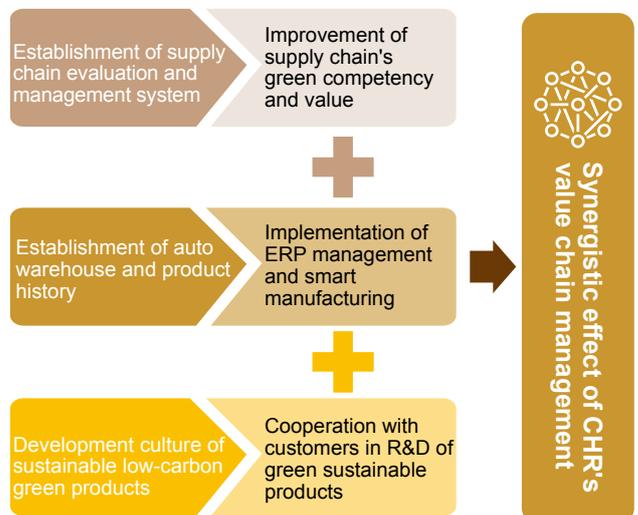
- Implementation of supply chain evaluation and management system
- Cooperation with customers to develop green sustainable products

Effectiveness assessment of value chain management

We keep track of action plans and achievement of goals via CSR reports, then make adjustment and improvement as countermeasures.

5.1 CHR's value chain

The CHR's value chain mainly manages its customers and the supply chain. To create the highest synergistic effect, we establish the supply chain evaluation and management system to assist our suppliers on improving CSR and the green competency of the supply chain and establish green corporate culture to help develop green sustainable products. We integrate the supply chain and customers to ensure smart manufacture and synergistic effect of the value chain.





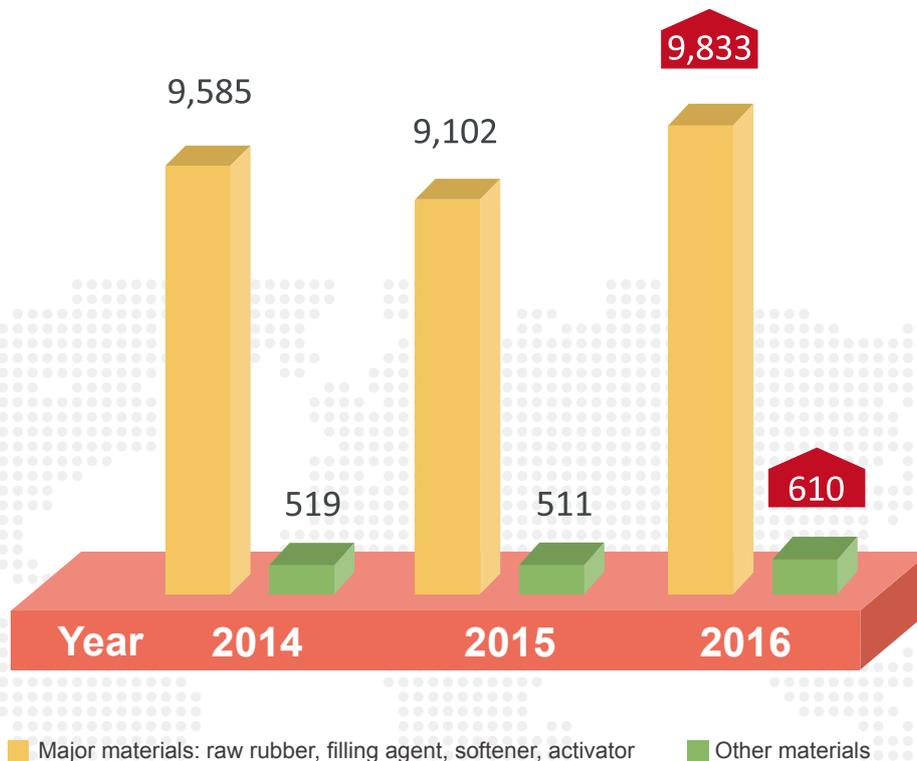
5.2 Supply chain management

Supply chain management is the CHR's important topic. We set goals for local procurement. And to improve CSR of the supply chain and green competency, the CHR establishes supplier appraisal system to ensure supply chain management and improve the quality and capability of the supply chain. The CHR supply chain consists of material procurement and equipment procurement.

Material procurement

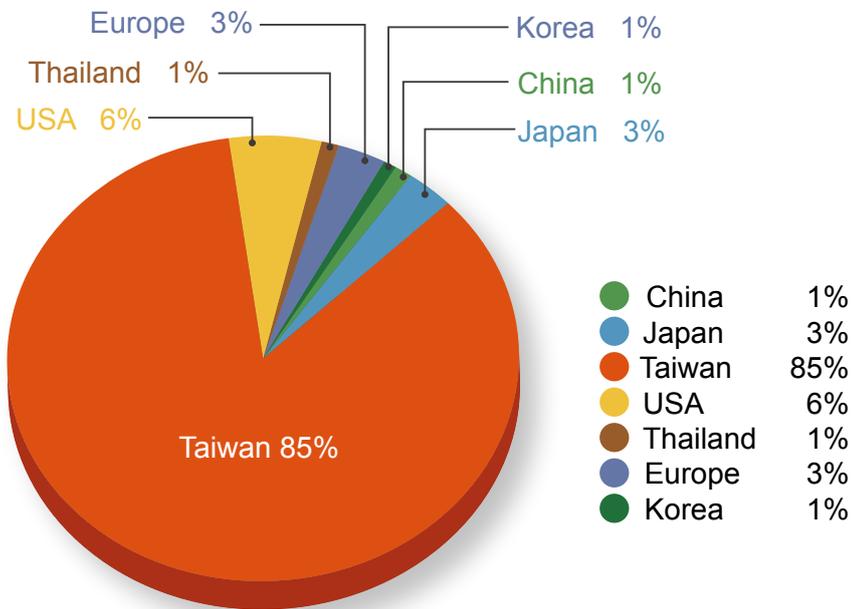
The materials we procure are mainly raw rubber, filling agents, softeners, activators etc. These take up 94-95% of all purchases. Other materials include auxiliaries and pigments that take up 5-6%. Most raw rubber is produced overseas thus procured mainly overseas. Procurements of other materials are mainly in Taiwan. 85% of our suppliers come from Taiwan.

CHR annual material purchase amount (ton)





CHR material supplier distribution by percentage

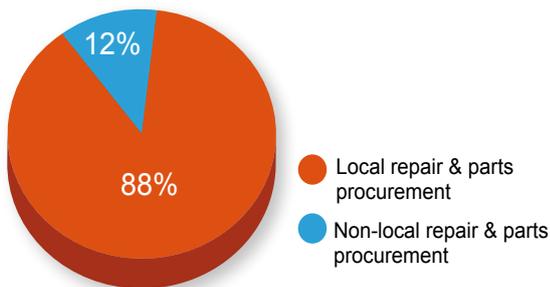


Local equipment procurement

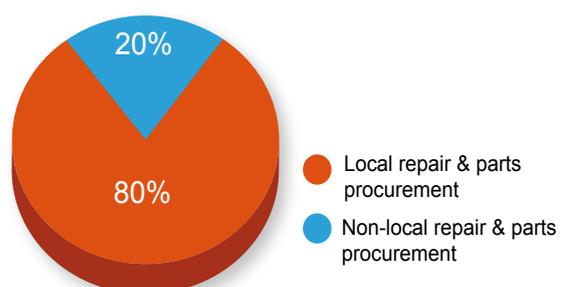
Procurements of equipment are mainly domestic. In 2016, the percentage of local suppliers and purchase amounts is 100%. As for equipment repair, to support local procurement and control repair process, we target at suppliers in Taichung, Changhua, and Nantou, and set the goal.

In 2016, the percentage of suppliers and purchase amounts in Taichung, Changhua, and Nantou are 88% and 80%.

2016 repair & parts Procurement Local supplier (%)



2016 local and non-local repair & parts Procurement (%)





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Regular material supplier evaluation system

To manage suppliers, we promote regular supplier evaluation system, evaluating suppliers every 6 months and managing them by rank. The system is described as below:



Supplier appraisal system

Regular supplier evaluation has been put into practice for years. To improve our suppliers, we plan our supplier appraisal system with the goal of providing guidance. We request self-evaluation reports from major suppliers and on important products and conduct on-site evaluation if necessary. Any supplier who delays the delivery, has quality problems, or violates safety policies will be directly subjected to the evaluation.

Our evaluation team plays the roles of consultants. During the evaluation process, we provide new information and knowledge, helping the growth of our suppliers through such exchanges. We provide guidance and demonstration to 3 suppliers each year.

Supplier CSR commitment

Suppliers are requested by the CHR to sign the "Supplier CSR Commitment" which regulates labor and human rights, environmental protection, and corporate ethics and integrity to ensure the implantation of CSR. It is listed as one of the necessary requirements in the supplier appraisal system. In 2016, we evaluated 115 suppliers and renewed contracts with 97 of them.





5.3 Cooperation with client to develop green sustainable products

It is our goal to meet the need of our customers and to achieve the strategy of green sustainable products. We assist customers in developing and meeting regulations. By providing customized rubber compounds, we satisfy our customers' need for rubber compounds to achieve sustainable development. Together with our customers, we develop products that meet different international regulations and certifications including drinking water certifications, vehicle certifications, seals certifications, and food-level certifications.



Cooperation with customers in sustainable growth

The CHR owns professional R&D teams and sales teams. With decades of experience and technology of rubber, we solve our customers' problems within the shortest possible time. We make frequent visit to our customers for technology exchange and troubleshooting to assist the growth of our customers. We believe that customer first. We understand their needs and meet their expectations. By continuously improving our products, services, and technology, we assist our customers in running a sustainable business.



Discussing the needs of the client



Quality Check with the client



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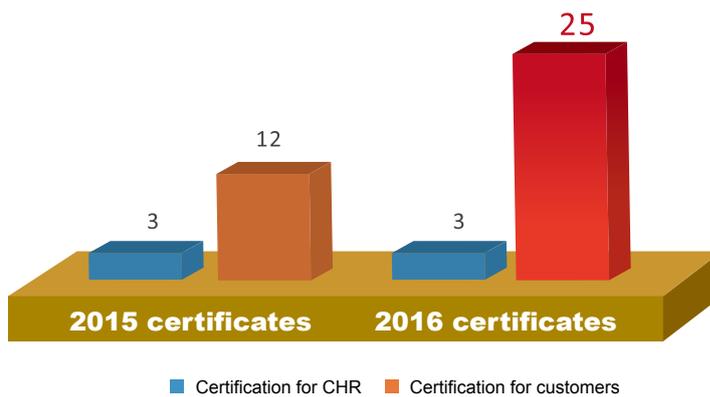
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Clean drinking water certification

For the health of people, it is a must to make sure that drinking water is clean. In most developed countries, there are regulations on all drinking water equipment, water supply pipelines, and other parts issued by facilities such as NSF(USA), WRAS(UK), KTW(Germany), and ACS(France).

The CHR has the professional skills of developing and producing rubber compounds and is able to provide its customers with all materials needed for drinking water certifications. The number of annual certifications for the CHR and its customers are described as below:

CHR's international drinking water certificates



Special production lines for drinking water products

Major sulfur system rubber such as EPDM, NBR, CR, NR, and SBR requires accelerators containing nitrosamine. And drinking water certifications such as NSF(USA) and KTW(Germany) all have regulations regarding nitrosamine. Though nitrosamine has been excluded when designing the drinking water formula, to avoid complaint about pollution caused by sharing production lines, we build separate drinking water production lines to provide our customers with better quality rubber materials.





Drinking water certification facts

Int'l certification	LOGO	Description
NSF, USA		National Sanitation Foundation (NSF) is an independent nonprofit organization that aims at the effect of water, food, air, and environment on public health and dedicates itself to the development and establishment of standards as well as assessment of testing methods.
WRAS, UK		Water Regulations Advisory Scheme (WRAS) is a drinking water safety certificate managed and issued by WRC-NSF, UK. It is a required certificate to enter the UK market. In foreign countries, one of the procedures to be carried out before the products that may contact food or water can be offered is to make sure that is a certificate compliant with relevant standardized requirements. WRAS is the most persuasive certificate and no product will be accepted without it.
KTW, Germany		KTW is a lab test certificate for nonmetal parts in the drinking water industry and authoritatively provides German federal departments with material selection and health assessment service for their drinking water systems. It is the lab of German DVGW (Deutscher Verein des Gas- und Wasserfaches). All the drinking water systems and auxiliary materials exported to Europe must be attached with a KTW certificate. The purpose of the W270 Rule "The Transmission Standard of Microorganisms on Nonmetal Material" is to protect drinking water from the contaminated by biological impurities.
ACS, France		ACS is a standard issued by a French health certification institution. The purpose of the ACS test is to make sure no heavy metals, softener, stabilizer, or other materials are isolated from the material or product in the water. The organism test is used to find out the elements that may affect the feature of the material, including the taste, smell, and color indicators of the water quality after contact with the drinking water. Performance and mechanical performance tests of material are also the items of the ACS certification.

Portable water materials

The CHR Portable Water Compounds is a peroxide curable compound specifically designed for transfer and compression molding technology. It offers a proven heat resistance and low compression set, also suitable for Chloramine treated drinking water and beverages applications.

- EPDM and NBR compound
- Excellent compression set
- Compression molding and transfer molding of: O-ring, Packing and gaskets
- Broad Temperature Resistance EPDM -40° to +150°C
- Certificated DVGW-W270 DVGW-KTW NSF 61 ACS WRAS for cold and hot water up to 85°C
- Compliant to : ADI free FDA 21 CFR 177.2600



CHR assists customers in development of certificated clean drinking water products



Vehicle certification

Vehicle technology changes rapidly. Producing products that are safe to use, environmental-friendly and sustainable, and comply with the laws is the common goal of the world. Regulations such as REACH(EU), RoHS, PAHs, and UL encourage eco-friendly and safe products to protect the nature and make efforts to ensure human sustainable development.

Vehicle certifications of the CHR has acquired: DBL6038, VW 2.8.1, FORD STANDARDS, VOLVO STANDARDS, UL 94V0 for Flammability materials, FMVSS 302, Federal Motor Vehicle Safety Standard, and UL 157 Gaskets and Seals, etc.

Vehicle certification facts

Int'l certification	LOGO	Description
REACH, EU		EU REACH is involved in registration, evaluation, authorization and restriction (control) of Chemicals.
Reach SVHC, EU	SVHC	The European Chemical Agency (ECHA) selects the most hazardous substances (SVHC) from the Substance of Carcinogenic, Mutagenic, or Toxic for Reproduction (CMR substances), Persistent Bioaccumulative and Toxic Substances (PBT Substances), and very Persistent and very Bioaccumulative Substances (vPvB Substances) after review and assessment. 
RoHS, EU		EU RoHS (Restriction of the use of Hazardous Substance): The purpose of the EU RoHS Directive is to prohibit use of hazardous substances in the electric and electronic products for protection of the health and environment.
PAH, Germany		PAH (Polycyclic Aromatic Hydrocarbon): PAH mostly exists in petrochemical products, rubber, plastics, lubrication, anti-rust oil, and incompletely burned organic compounds. Relevant regulations are currently incorporated in the US EPA regulations, 2005/69/EC Directive (REACH Appendix 17), German LFGB Section 30, German GS Mark, and GADSL.
UL, USA		UL (Underwriter Laboratories Inc.) is an institution engaged in safety tests and appraisal. It does research to make sure no material, device, product, equipment, or building is dangerous to the life and property, and makes contributions to the health and property of people via safety certification of products.



Seals certification

Rubber seals are crucial to many mechanical and vehicle devices. They play the important role of preventing lubricant and other matters from leaking. Through developing new rubber seal technology and passing DVGW(Deutscher Verein des Gas - und Wasserfaches) EN 549 material specification, we improve on leaking problems and expand product life cycle. It is a important measure to reduce pollution and improve safety.

EN549, Germany, is a certification on rubber materials for seals and diaphragms for gas appliances and gas equipment. Since 2009, more and more rubber products made by our customers in Taiwan are exported to Europe. To help customers get more orders, the CHR technology department has acquired EN549 certification and assisted more customers to gain opportunities to export products to Europe.



EN549 gas certification

DVGW facts

Int'l certification	LOGO	Description
DVGW, Germany		DVGW (Deutscher Verein des Gas - und Wasserfaches) establishes the standards for the gas and water industry in Germany. It is the biggest gas and water industry certification institution in Europe. Established over 150 years, DVGW has all the certification procedures to be carried out for certification in the gas and water industry. The product attached with the DVGW mark means that it is a highly reliable quality product to the consumer.
DVGW features		The DVGW Mark indicates durability and reliability, good installation and maintenance, advanced control and appropriate comfort to the user, supply of spare parts for at least 10 years, good operability, reasonable use of energy during operation, and compliance with environmental protection characteristics.



Contents

Editorial Policy

Words from the Chairman

1. Sustainability Topic Management

2. Robust Corporate Governance

3. Low Carbon Green Environment

4. Happy LOHAS Career

5. Value Chain Management

6. Sustainable Action Initiatives

7. Appendices

Food-level certification

Food is essential to humans. Food and drink are crucial to everyday life. The quality of products that have direct contact with food is what concerns customers nowadays. Therefore, materials that have direct contact with food must be checked and make sure no hazardous substance is passed onto the food. By developing materials that meet the FDA(Food and Drug Administration) regulation, we make sure the quality and safety of the materials that have direct contact with food to guarantee the safety of the public.

The rubber formulas of the CHR meet the requirements of FDA(USA) rubber products FDA standards CFR 21 LIST regulation. We are capable of helping our customers receive a NSF51(USA) certification. The CHR builds independent production lines that are separated from industrial production lines. We also satisfy our customers with FDA materials that are timely delivered and of stable quality.

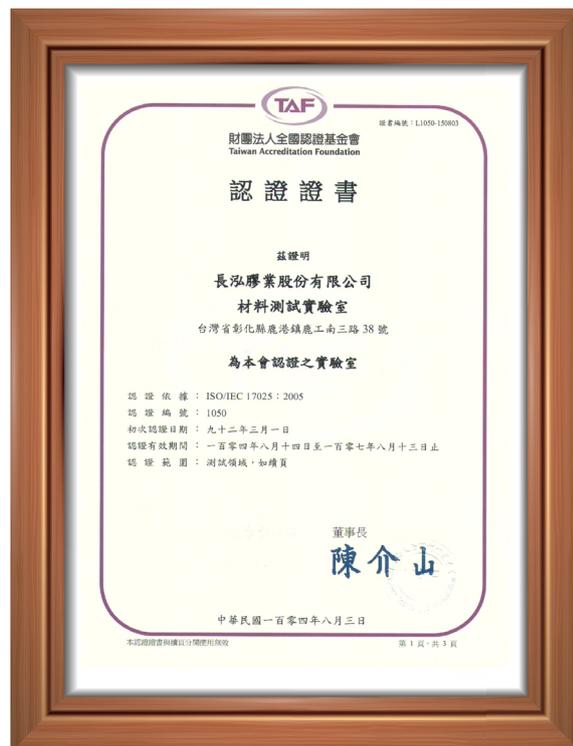
FDA facts

Int'l certification	LOGO	Description
FDA, USA		FDA (Food and Drug Administration) is subordinated to the Department of Health, Education and Welfare (USA) and responsible for review and approval of drugs, food, biological products, cosmetics, and medical devices to ensure the safety of products.

TAF accredited laboratory

The CHR owns a professional lab that is TAF(ISO 17025) certificated. We have excellent testing equipments that meet the rubber standards of ASTM(USA), ISO(EU), JIS(Japan), and DIN(Germany). With credible data, we assist our customers to meet the strict demands of their international customers in shorter time. We provide our customers with most trusted technical information of all sorts.

TAF accredited laboratory certification





Client satisfaction survey

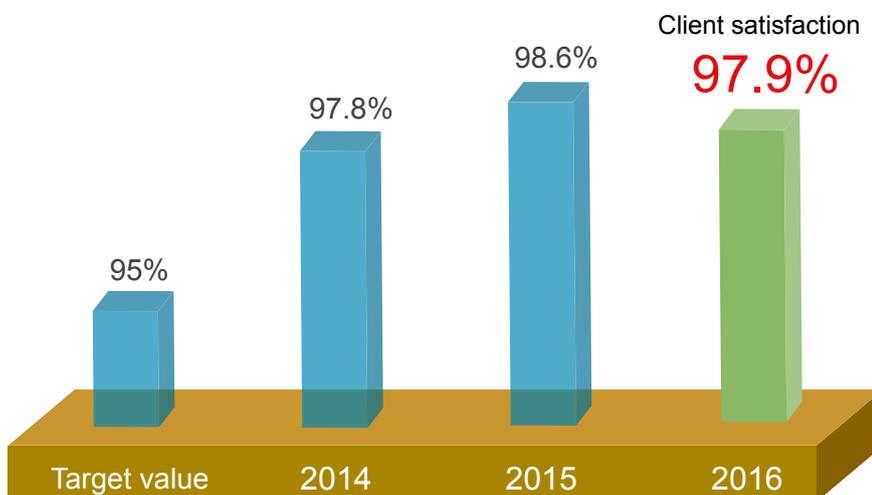
We conduct the client satisfaction survey every 6 months. The survey includes 13 aspects such as product delivery, stability, technical ability, responsiveness, client complaint treatment, and more. The goal of the client satisfaction survey is 95% of Very Satisfied and Satisfied items on average. We review on items that are lower than 95% then analyze and respond to them one by one.

Client satisfaction score in 2016 is 97.9%. We had reached our goal of remaining highly satisfactory.

Client satisfaction survey items

<ul style="list-style-type: none"> A1 On-time delivery A2 Lead time 	<ul style="list-style-type: none"> C1 Technical consultation service provided by C2 New product (sample) development technique and C3 Lead time for development of new product (sample)
<ul style="list-style-type: none"> B1 Use of products (workability) B2 Stability of products B3 Packaging of products 	<ul style="list-style-type: none"> D1 Speed of reply to orders D2 Provision of product information
	<ul style="list-style-type: none"> E1 Quotation speed of salesperson E2 Complaint and non-conformance treatment capability of salesperson E3 Service attitude of salesperson and assistant

Past CHR client satisfaction survey





6 ■ Sustainable Action Initiatives

6.1 UN sustainable development goals SDGs	83
6.2 ISO 26000 Guidance on Social Responsibility	83



6.1 UN sustainable development goals SDGs index

SDGs	SDGs description	CHR's corresponding sustainability topics	Link to sections of CSR report
SDG6	Ensure availability and sustainable management of water and sanitation for all	Develop green sustainable products: Assist customers in the development and certification of clean drinking water products	5.3 Cooperation with customers to develop green sustainable products
SDG7	Ensure access to affordable, reliable, sustainable and modern energy for all	Energy management: Build ISO 50001 Energy Management System and improve energy performance continuously	3.1 Energy management and carbon reduction
SDG8	Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all	Training talent progressively, build a complete employee welfare system, and ensure occupational safety and health	4. Happy LOHAS Career
SDG13	Take urgent action to combat climate change and its impact	Risks and opportunities in climate change	2.3 Risks and opportunities

6.2 ISO 26000 Guidance on Social Responsibility

Section	Structure of contents	Corresponding section
6.2 Organizational governance	Build governing mechanisms and functions Implement social responsibility principles	2. Robust corporate governance
6.3 Human rights	Protect basic and advanced human rights Respect the principle of human rights	4. Happy LOHAS Career
6.4 Labour practices	Create jobs and contribute to the society Maintain labor rights and fair responsibility	4. Happy LOHAS Career
6.5 The environment	Fulfill environmental responsibilities Respect environmental issues	3. Low Carbon Green Environment
6.6 Fair Operating Practices	Fair operating practices Standards of ethical conduct	2.4 Ethics and integrity



7 ■ Appendixes

7.1 GRI Standards: General Disclosures Index	85
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**7 Appendixes****7.1 GRI Standards: General Disclosures Index**

General Disclosures GRI 102:2016			Page	Externally verified
Organizational profile	102-1	Name of the organization	24	✓
	102-2	Activities, brands, products, and services	26-27	✓
	102-3	Location of headquarters	24	✓
	102-4	Location of operations	24	✓
	102-5	Ownership and legal form	24	✓
	102-6	Markets served	26	✓
	102-7	Scale of the organization	24	✓
	102-8	Information on employees and other workers	53	✓
	102-9	Supply chain	72-73	✓
	102-10	Significant changes to the organization and its supply chain	1st annual report	✓
	102-11	Precautionary Principle or approach	32	✓
	102-12	External initiatives	None	✓
	102-13	Membership of associations	25	✓
Strategy	102-14	Statement from senior decision-maker	3、6、7	✓
Ethics and integrity	102-16	Values, principles, standards, and norms of behavior	33	✓
Governance	102-18	Governance structure	9	✓
Stakeholder engagement	102-40	List of stakeholder groups	15	✓
	102-41	Collective bargaining agreements	Without labor union	✓
	102-42	Identifying and selecting stakeholders	15	✓
	102-43	Approach to stakeholder engagement	12-14	✓
	102-44	Key topics and concerns raised	12-14	✓
Reporting practice	102-45	Entities included in the consolidated financial statements	24	✓
	102-46	Defining report content and topic Boundaries	1	✓
	102-47	List of material topics	17	✓
	102-48	Restatements of information	1st annual report	✓
	102-49	Changes in reporting	1st annual report	✓
	102-50	Reporting period	1	✓
	102-51	Date of most recent report	1	✓
	102-52	Reporting cycle	1	✓
	102-53	Contact point for questions regarding the report	1	✓
	102-54	Claims of reporting in accordance with GRI standards	1	✓
	102-55	GRI content index	85-87	✓
	102-56	External assurance	88-89	✓



7.2 GRI Standards: Topic-Specific Standards Index

Material topic	Management approach disclosures	Page	Externally verified	
Economy				
Market presence GRI 202 : 2016	GRI 202 Management Approach 2016		23	✓
	202-1	Ratios of standard entry level wage by gender compared to local minimum wage	31	✓
	202-2	Proportion of senior management hired from the local community	4	✓
Procurement practice GRI 204 : 2016	GRI 204 Management Approach 2016		71	✓
	204-1	Proportion of spending on local suppliers	73	✓
Environment				
Materials GRI 301 : 2016	GRI 301 Management Approach 2016		35-37	✓
	301-1	Materials used by weight or volume	47	✓
Energy GRI 302 : 2016	GRI 302 Management Approach 2016		35-37	✓
	302-1	Energy consumption within the organization	39	✓
	302-3	Energy intensity	39	✓
	302-4	Reduction of energy consumption	39	✓
Water GRI 303 : 2016	GRI 303 Management Approach 2016		35-37	✓
	303-1	Water withdrawal by source	46	✓
	303-2	Water sources significantly affected by withdrawal of water	46	✓
Emissions GRI 305 : 2016	GRI 305 Management Approach 2016		35-37	✓
	305-1	Direct (Scope 1) GHG emissions	41	✓
	305-2	Energy indirect (Scope 2) GHG emissions	41	✓
	305-4	GHG emissions intensity	41	✓
	305-5	Reduction of GHG emissions	40	✓
	305-6	Emissions of ozone-depleting substances (ODS)	43	✓
	305-7	Nitrogen oxides (NOX), sulfur oxides (SOX), and other significant air emissions	43	✓
Effluents and Waste GRI 306 : 2016	GRI 306 Management Approach 2016		35-37	✓
	306-1	Water discharge by quality and destination	46	✓
	306-2	Waste by type and disposal method	46	✓
	306-3	Significant spills	No spill	✓
	306-4	Transport of hazardous waste	No transport-out	✓
	306-5	Water bodies affected by water discharges and/or runoff	None	✓
Environmental Compliance GRI 307 : 2016	GRI 307 Management Approach 2016		35-37	✓
	307-1	Non-compliance with environmental laws and regulations	47	✓



Material topic	Management approach disclosures		Page	Externally verified
Society				
Employment GRI 401 : 2016	GRI 401 Management Approach 2016		49-51	✓
	401-1	New employee hires and employee turnover	54	✓
	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	61	✓
Labor/Management Relations GRI 402 : 2016	GRI 402 Management Approach 2016		49-51	✓
	402-1	Minimum notice periods regarding operational changes	Laws and regulations	✓
Occupational Health and Safety GRI 403 : 2016	GRI 403 Management Approach 2016		49-51	✓
	403-1	Workers representation in formal joint management-worker health and safety committees	64	✓
	403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	65	✓
	403-3	Workers with high incidence or high risk of diseases related to their occupation	67	✓
Training and Education GRI 404 : 2016	GRI 404 Management Approach 2016		49-51	✓
	404-1	Average hours of training per year per employee	56	✓
	404-2	Programs for upgrading employee skills and transition assistance programs	57	✓
	404-3	Percentage of employees receiving regular performance and career development reviews	61	✓
Forced or Compulsory Labor GRI 409 : 2016	GRI 409 Management Approach 2016		49-51	✓
	409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	None	✓
Human Rights Assessment GRI 412 : 2016	GRI 412 Management Approach 2016		49-51	✓
	412-1	Operations that have been subject to human rights reviews or impact assessments	62	✓
Marketing and Labeling GRI 417 : 2016	GRI 417 Management Approach 2016		23	✓
	417-1	Requirements for product and service information and labeling	31	✓
	417-2	Incidents of non-compliance concerning product and service information and labeling	No violation	✓
	417-3	Incidents of non-compliance concerning marketing communications	No violation	✓



7.3 AA1000 External Assurance Statement

INDEPENDENT ASSURANCE OPINION STATEMENT

2016 Chang Horing Rubber Co., Ltd. Corporate Social Responsibility Report

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

This independent assurance opinion statement has been prepared for CHR only for the purposes of assuring its statements relating to its corporate social responsibility (CSR), more particularly described in the Scope below. It was not prepared for any other purpose. The British Standards Institution will not, in providing this independent assurance opinion statement, accept or assume responsibility (legal or otherwise) or accept liability for or in connection with any other purpose for which it may be used, or to any person by whom the independent assurance opinion statement may be read.

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

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

Scope

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

1. The assurance scope is consistent with the description of 2016 Chang Horing Rubber Co., Ltd. Corporate Social Responsibility Report.
2. The evaluation of the nature and extent of the CHR's adherence to all three AA1000 AccountAbility Principles in this report as conducted in accordance with type 1 of AA1000AS (2008) assurance engagement and therefore, the information/data disclosed in the report is not verified through the verification process.

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

Opinion Statement

We conclude that the 2016 CHR Corporate Social Responsibility Report provides a fair view of the CHR CSR programmes and performances during 2016. The CSR report subject to assurance is free from material misstatement based upon testing within the limitations of the scope of the assurance, the information and data provided by the CHR and the sample taken. We believe that the 2016 economic, social and environmental performance indicators are fairly represented. The CSR performance indicators disclosed in the report demonstrate CHR's efforts recognized by its stakeholders.

Our work was carried out by a team of CSR report assurers in accordance with the AA1000 Assurance Standard (2008). We planned and performed this part of our work to obtain the necessary information and explanations we considered to provide sufficient evidence that CHR's description of their approach to AA1000 Assurance Standard and their self-declaration of 'in accordance' with the GRI Standards (2016): the Core option were fairly stated.

Methodology

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

- review of topics raised by external parties that could be relevant to CHR's policies to provide a check on the appropriateness of statements made in the report.
- discussion with managers and staffs on approach to stakeholder engagement. However, we had no direct contact with external stakeholders.
- 10 interviews with staffs involved in sustainability management, report preparation and provision of report information were carried out.
- review of key organizational developments.
- review of the findings of internal audits.
- review of supporting evidence for claims made in the reports.
- an assessment of the organization's reporting and management processes concerning this reporting against the principles of Inclusivity, materiality and responsiveness as described in the AA1000 AccountAbility Principles Standard (2008).



Conclusions

A detailed review against the AA1000 AccountAbility Principles of Inclusivity, Materiality and Responsiveness and the GRI Sustainability Reporting Standards (GRI Standards) is set out below:

Inclusivity

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

Materiality

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

Responsiveness

CHR implements the practice to respond to the expectations and perceptions of its stakeholders. An Ethical Policy for CHR is developed and provides the opportunity to further enhance CHR's responsiveness to stakeholder concerns. In our professional opinion the report covers the CHR's responsiveness topics.

GRI Sustainability Reporting Standards (GRI Standards)

CHR provided us with their self-declaration of 'in accordance' with the GRI Standards: the Core option (For each material topic covered by a topic-specific GRI Standard, comply with all reporting requirements for at least one topic-specific disclosure). Based on our review, we confirm that social responsibility and sustainable development disclosures with reference to the GRI Standards' disclosures are reported, partially reported or omitted. In our professional opinion the self-declaration covers the CHR's social responsibility and sustainability topics.

Assurance level

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

Responsibility

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

Competency and Independence

The assurance team was composed of Lead Auditors and Carbon Footprint Verifiers experienced in industrial sector, and trained in a range of sustainability, environmental and social standards including AA1000 AS, ISO14001, OHSAS18001, ISO14064 and ISO 9001. BSI is a leading global standards and assessment body founded in 1901. The assurance is carried out in line with the BSI Fair Trading Code of Practice.

For and on behalf of BSI:

Peter Pu
Managing Director BSI Taiwan
2017-07-26



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