

# 2017 Arcadyan Corporation Social Responsibility Report

## I. Letters from President

“Technical innovation, people-oriented, self-transcendence, customer-oriented”. A corporate sustainable commitment that is taken from the society and use to the society.

It is a turbulent year for internet communication industries in 2017. The internet communication industries also face multi-challenges, including: lack of materials and price increases at supply chain level; fluctuations in the euro and dollar exchange rates at the financial level, China's lack of work at the manufacturing level, and main chip manufacturer integration at the industrial ecological level. Fortunately, with the concerted efforts of all colleagues, Arcadyan still has good progress and breakthroughs in business.

The main products of Arcadyan business includes broadband network access products, wireless local area network products, digital home multimedia applications, mobile broadband products and wireless audio and video products, especially the total shipments of integrated access devices (IAD) products ranked the top three in the world. The combine revenue in 2017 also reached NT\$20.11 billion, which ranks the top of Taiwan's internet communication industries, and showing the competitiveness of Arcadyan. In terms of new business development, advanced technology research and innovative investment, Arcadyan has also shown results. In the future, in addition to deepening the business, Arcadyan will continue to explore the development and integration of new technologies such as 5G, Internet of Things, Internet of Vehicles, Artificial Intelligence (AI) and Big Data Cloud Analysis to achieve a strategy of extending the industry and maximizing operating efficiency. It is expected that in 2018, with the maturity of the integration of new technologies and business models, the revenue share of Arcadyan innovative product line will be 5~10%.

In 2017, the Taiwan Stock Exchange published the “Ranking of the average annual employee benefit expenses of Taiwan listed companies in 2016” (media name: Top 50 happy

enterprise of listed companies), and Arcadyan won the 37th honor in the listed companies. At the same time, Arcadyan ranked the top 36%-50% of the previous glory in the ranking of the "Corporate Governance Evaluation". In the part of technological innovation, Arcadyan also won the recognition of the German "iF Product Design Award".

The above results are showing the results and determination of Arcadyan practice of "technical innovation, people-oriented, self-transcendence, customer-oriented". Therefore, in a rapidly changing era, Arcadyan can stand on the ground and move forward steadily.

## **II. Key Performance in 2017**

In 2017, Arcadyan has developed products including Whole Home Wi-Fi (Wi-Fi Mesh Network) smart home solution, integrated optimizing network (SON) 4G/LTE small base station, indoor and outdoor LTE router / Gateway, 802.11ax, 802.11ac (single, dual-band and tri-band) wireless network routers, 802.11ax, 802.11ac VDSL routers, repeaters of extend indoor wireless signal coverage, support High-resolution (4K), high dynamic range imaging (HDR), TV set-top (Android TV OTT/IP STB), GPON OLT/ONT fiber-optic broadband and other products.

Add and enhance the integrated functions of the new generation of IAD, such as ZigBee/Z-wave/ BLE/DECT ULE/ NFC technology integration, software intelligent recovery function, IEEE1905.1 multi-style interface integration management, smart home/physical network gateway intercommunication, Artificial intelligence (AI) calculus / big new technology based on cloud analysis integration.

In addition, the environmental performance that Arcadyan achieve in 2017 is:

- Product 100% compliance with RoHS/REACH(SVHC)directive
- WEEE Product recycling rate reach 96~100%
- Conflict-free mineral CMRT product survey completion rate: 99%

- Promote TUV Green Mark certification, and there are three Router projects for certification.
- Obtain ISO 14006 ECO Product Design & Development and revision ISO 14001 Environment Management System to 2015 version.
- Arcadyan won the silver award for E-Tasc / Ecovadis Self-Assessment.
- Participated in CDP Carbon Disclosure Project Climate Change Questionnaire since 2009, including questionnaires on water and supply chain carbon management, and actively participated in global environmental initiatives and actions.
- Got BT “Better Future Supplier Forum (BSFS)” Sustainability Performance silver award.



### III. Arcadyan's Sustainable Business Vision

Environment is one of the important projects during Arcadyan operations and growth process. Only when the environment, economy, and society coexist, can Arcadyan have sustainable enterprises. In order to avoid negative impact on the environment and damage the earth's ecological environment, in addition to setting environmental sustainability policies, as of 2017, Arcadyan has also introduced many related certifications such as TL9000, ISO9001 quality

certification, ISO14001 environmental certification and OHSAS 18001 safety and health certification. At the same time, Arcadyan team pays special attention to product green design, has successfully introduced lead-free process, and has completed the control regulations for prohibited substances such as lead, cadmium, mercury and hexavalent chromium, and introduced ISO 14006 product ecological design management system to implement product eco-design and effectively track and control environmental performance by establishing these management systems.

Social responsibility is the commitment of Arcadyan to believe that enterprises should take it from society, use it in society, and continue to operate. Only when enterprises undertake social responsibilities and participate in social welfare activities can they create a good society. Arcadyan hold a "Corporate Social Responsibility Committee" and introduces SA8000 Social Responsibility Management System in China CNC Manufacturing Center (Kunshan). It actively responds and actively plans public welfare activities every year. The implementation activities include: caring for countryside students, after-school teaching, donate, shorten the gap between urban and rural areas; care for vulnerable groups, charity sales, fundraising, sponsorship, and support minority groups; cooperate with public welfare funds, participate, care, and feedback to the society. By participating in these charity activities, we deeply understand the efforts of Arcadyan's colleagues and feedback to the execution of the society, and demonstrate the commitment of Arcadyan to fulfill corporate social responsibility.

Employees are the company's greatest asset, and it is the core belief of Arcadyan is people-oriented, and provides a healthy and safe workplace environment, a complete career-training program and a competitive salary and welfare system. Arcadyan has introduced OHSAS18001 Safety and Health Certification, TOSHMS Taiwan Occupational Safety and Health Management System and Health Workplace Self-certification Mark (issued by Taiwan Health Promotion Administration, Ministry of Health and Welfare) to ensure that employees work under safely and healthily environment. In 2017, Arcadyan awarded ranked 37th place in the "average employee

welfare expenses" of Taiwan-listed companies issued by Taiwan Stock Exchange, affirming Arcadyan people-oriented belief. Arcadyan also cares and communicates to understand the needs of employees, and organizes various activities to promote health for employees to develop their strengths, take into consideration for health, and improve the quality of work and life.

In order to respond to UN Sustainable Development Goals (SDGs) and continue Arcadyan commitment of the company to the environment, society and the economy, Arcadyan will focus on the following key objectives and conscientiously facing the upcoming challenges:

(1) Actively respond to the 17 goals of UN SDGs and promote economic, social and environmental related policies and activities.

(2) Pay attention to climate change mitigation and adjustment, continue to promote and implement product eco-design and green design, and use innovative technology to mitigate environmental impacts that caused by climate change and improve product safety.

(3) Promote corporate social responsibility management processes and organizational performance, strengthen internal corporate governance, revise environmental sustainability policies, and work with external customers to promote corporate social responsibility policies that comply with international norms. Carry on the concept of sustainability into Arcadyan corporate culture.

Arcadyan believe that the principle of sustainable business is commitment. Arcadyan promises that we will be a responsible enterprise based on our existing core competence and competitive advantage. Therefore, Arcadyan take the spirit of "Technical innovation, people-oriented, self-transcendence, customer-oriented" to set the policy of Arcadyan corporate social responsibility is:

- Provide customers with the services that include innovative products and technologies, and integrated upstream and downstream supply chain resources.
- Protect human rights and labor rights, establish good labor relations, and provide a healthy and safe working environment for employees.

- Effectively integrate resources and take responsibility for economic, social and environmental impacts.
- Feedback to society with the practical actions of “coexistence, common glory, and common good “to create a better future.

#### IV. Communication with Interested Parties

##### 1. Identification of Important Interested Parties

Enterprises must collect the opinions of interested groups and understand their concerns as an important basis for the sustainable development of enterprises. Arcadyan values the opinions of all interested groups and seeks to correct the direction of sustainable development by collecting feedback suggestions.

CSR team refers to the relevant information that listed in industries and selects the interested groups that be contacted by each department. Then according to the weights to select the interested groups are shareholders, customers, employees, suppliers, government agencies and Non-Governmental Organization. Six categories of intellectual interests, and maintain a smooth communication channel with these interested groups.

##### 2. Interested Parties’ Communication Channels

Interested groups	Communication Channels	Frequency	Purpose of Communication Channels	Issues Response
Shareholders- Investors, shareholders, and banks	Shareholders’ meeting	Yearly	1. Business performance 2. Dividend policy 3. Corporate governance 4. Industry trends 5. Future prospects	Reply according to the annual report and current status
	Investor seminar	Yearly		According to relevant department’s comment to reply
	Company Website - Shareholder Service Area or Speaker's Mailbox and Phone	Monthly or Unscheduled scheduled		
Customer- Foreign and domestic customers	Regular communication and discussion conference	Monthly or Unscheduled	1. Product Information and Services 2. Product delivery and production capacity 3. Confidential Information Protection	Refer 9. Quality Management and Customer Service
	Email discussion			
	Customer satisfaction survey			
	Customer Audits			

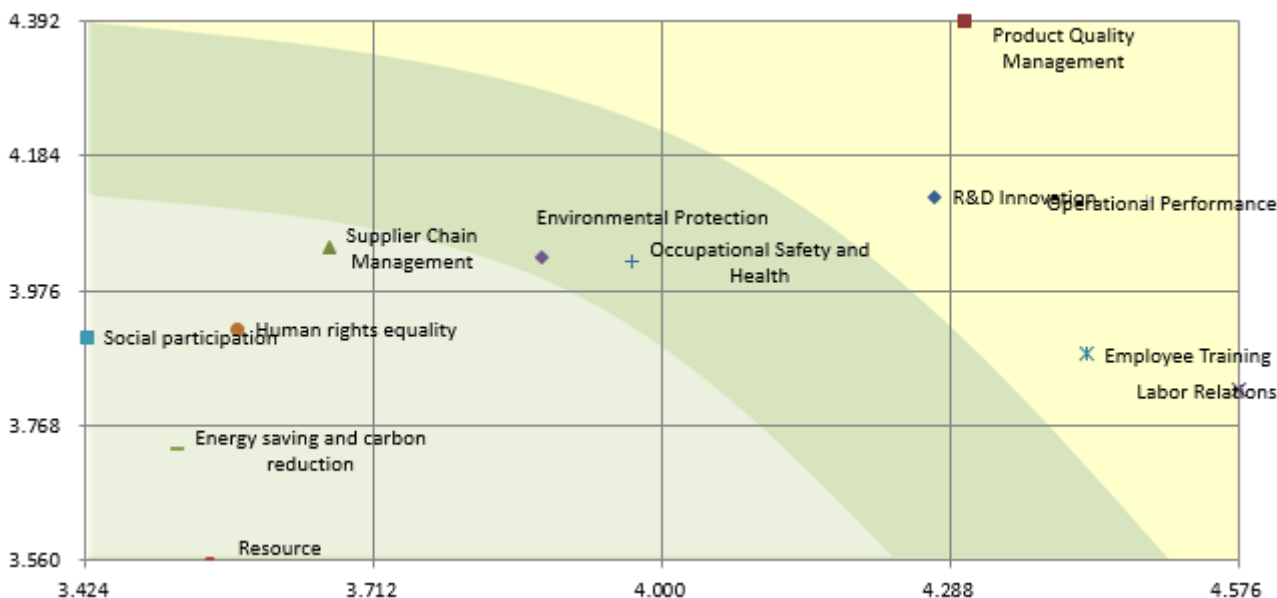
<b>Employees-</b> Employees, foreign employees, and working students	Labor meeting	Quarterly	Promote labor-management cooperation, set employee-related labor conditions, benefits, and work rules	Discussions and resolutions at regular meetings based on opinions or proposals that collected by employee representatives
	Welfare committee		Staff welfare planning, fund allocation, and other relevant employee welfare matters	Discussed and resolved by regular welfare committee meetings
	Arc-HR Employee-website	Unscheduled	Develop communication skills and abilities and to promote two-way communication	Provide training resources based on employee needs
	Performance evaluation	Semiannual	Communicate work KPI through an electronic system to improve work efficiency	The supervisor gives feedback or communication based on employee's reflected matters.
	Internal BBS platform	Unscheduled	Announce important company news, and provide a contact way for employees to feedback their opinions	Improve or respond based on employees' feedback
	Sexual harassment appeal line		Provide a dedicated complaints line	Properly disposed for case by case
<b>Suppliers-</b> Suppliers, contractors, outsourcers, human resources agents and other partners	ACCBUY Supplier electronic platform and communication meeting	Unscheduled	1. Component delivery and quality 2. Component price 3. Supply Chain Management	Refer section 6 Supplier Chain
	Supplier evaluation system	Monthly		
<b>Government -</b> Competent authority, county and city government, fire department, environmental protection bureau, and police station	Participate in regulatory seminars	Unscheduled	1. Occupational safety and health 2. Social responsibility 3. Corporate governance	Compliance with regulations
	Actively participate in social welfare and implement green environmental protection			
	Publish relevant information on the public information observatory and company website			
<b>NGO Group</b>	E-Mail	Quarterly or Unscheduled	Donate or participate in activities	
	Communication software			
	Events or meeting			

### 3. Identification of Major Topics and Concerns

For the main interested groups, Arcadyan will take the questionnaires to understand the concerns of interested groups, in addition to the information collection by various communication channels and feedback mailboxes. The topics are mainly based on the topics of the Global Reporting Initiative (GRI), and send to various interested groups in a questionnaire based on 12 topics that including domestic and international trends and issues of common concern to the electronics industry. The number of valid questionnaires collected was 175, and the CSR group discussed the weight of each stakeholder's importance to the importance of intellectual property, multiplied by the concerns of various stakeholders on major issues, and then calculate the total level of concern for each issue of Arcadyan as the "horizontal coordinate".

And take Arcadyan's operation, we give a score to the overall economic, social and environmental impacts of the major issues, and add the total number as the "ordinate" to draw the XY scatter plot as follows. According to the high-level concerns of interested groups and the high-impact XY cross-section of economic, social and environmental impacts to compare Arcadyan industrial characteristics. According to the highest level of concern and the highest level of impact, we compiled "Operational Performance", " R&D Innovation ", "Product Quality Management", "Labor Relations", "Employee Training", "Occupational Safety and Health" and "Environmental Protection" seven major GRI issues is revealed. The remaining topics have lower priority, but some of them also present their relevant policies and results in this report.





## V. Compilation Instructions

### 1. Scope of CSR Report

In 2017, Arcadyan Corporate Social Responsibility Report covers Taiwan headquarters (Hsinchu) and China CNC manufacturing center (Kunshan). The entity's subsidiaries that disclosed in Financial Report are located in the United States, Germany, China, Korea, Brazil, the United Kingdom, and Australia.

### 2. Major Topic List

In 2018, according to the results of the survey of interested parties and GRI Standards, seven major items were selected according to the characteristics of Arcadyan, the degree of the interested groups and the version of the GRI issue. The major theme results were approved by Arcadyan Corporate Social Responsibility Committee and listed as the major issue in 2017 Corporate Social Responsibility Report.

Major topic disclosure instructions

Major Topic	GRI Index	Index Description	Major Topic Description	Refer
Operational Performance	201	Expose the direct economic value and distributed of Arcadyan to investors / shareholders to know more about Arcadyan's operations.	Economic-related performance is the most concerned issue for all stakeholders. Arcadyan exposes the operational performance and market	19

	Market status	202	A comparison of personnel with local minimum wages to show Arcadyan's salary competitiveness and its impact on local labor market pay.	competitiveness information for 2017 and continues to strengthen the proportion of local procurement.	48~49
<b>R&amp;D Innovation</b>	Arcadyan R&D employee account for about 60% of Arcadyan's total number. Through a strong R&D team, we ensure that Arcadyan maintains a competitive advantage in a rapidly changing environment of technology and specifications.				28~31
<b>Product Quality Management</b>	Marketing and labeling	417	Product and service information and labeling requirements.	Customer satisfaction is the focus of Arcadyan's sustainable operation. To guarantee customer information security and product quality for sustainable cooperation	32~35
	Customer privacy	418	Explain Arcadyan's management mechanism for customer privacy protection and provide a channel for customer complaints.		35~36
<b>Labor Relations</b>	Labor relationship	401	Expose the number of new employees, employees leaving, and parental leave for stakeholders to understand Arcadyan employees' status.	Arcadyan focuses on labor-related, salary, welfare, occupational health and safety, and equal treatment of all employees.	47~48 51
		402	Arcadyan operation of group agreement		46
	No discrimination	406	Explain whether there are incidents of discrimination and what improvements Arcadyan has taken.	Human rights and ethics are the foundation of business development. Arcadyan compliance the principles of fair and anti-corruption and comply with RBA and international human rights organizations and labor policies. It must not discriminate against others for any reason, c no human trafficking, deception, or forced labor; nor employ labor from an agency that forces others to work. Whether the supplier complies with this relevant regulation is also a key project for Arcadyan to select new suppliers and annual audits.	54
	Anti-corruption	205	Communication and training of anti-corruption policies and procedures.		21
<b>Employee Training</b>	Training and education	404	Expose the guidelines for training, improving employee capability, performance and career development.	Arcadyan focuses on staff planning and development, and encourages employees to participate in various training courses and self-learning. Plan annual courses based on Arcadyan trading strategy, capacity structure and training survey result.	51~53

	Employee diversity and equal opportunities	405	Report on the management policy of employee diversity and equal opportunity. Describe the equality opportunities, equal pay for equal work, and basic salary ratios for women and men.	Arcadyan focuses on labor and employment, salary and welfare, occupational health and safety, and equal treatment of all Arcadyan employees.	46~47
<b>Occupational Safety and Health</b>	Occupational safety	403	Explain the occupational injury categories, injuries, occupational diseases, lost working days, absenteeism, etc., and the number of deaths due to work.		55
<b>Environmental Protection</b>	Waste water and waste	306	The amount of water discharged according to the destination and waste disposal method of product.	The environmental issue is the concern of all customers and employees. Energy and emissions are the focus of Arcadyan interested parties. Therefore, Arcadyan phase-in ISO 14006 products eco-design to monitor emissions during the product life cycle.	37~38
	Compliance with environmental protection	307	Describe the related management mechanisms for monitor whether Arcadyan have any violation of environmental regulations.		39
	Supplier Environmental Assessment	308	The environmental standards for Arcadyan to survey new suppliers		58~59

### 3. Report Publication

Arcadyan issued the first Corporate Social Responsibility Report (hereinafter referred to as CSR Report) in 2018, and will publish the Corporate Social Responsibility Report in accordance with the company's business projects every year. The information presented in this report is for the activities performance in 2017. This report is available in Traditional Chinese, Simplified Chinese and English and is available on Arcadyan website (<http://www.arcadyan.com.tw>) for download by interested parties.

### 4. Feedback

If you have any suggestions, please contact us or leave a message on Arcadyan website "Contact US" area, we will reply as soon as possible.

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Tel: (03) 572-7000 CSRT Team

Website: <http://www.arcadyan.com.tw>

## **5. Report Drafting Principles**

Arcadyan Corporate Social Responsibility Report is based on the sustainability reporting guidelines (hereinafter referred to as GRI Standards) that published by Global Reporting Initiative (GRI) in 2016. The content includes four major contents of the reporting principle: Inclusive of interested parties, sustainable, significant, and complete; and six qualities included accuracy, balance, clarity, comparability, reliability, and timeliness. This report follows the core options and combine Arcadyan annual sustainable goals and concerns of interested parties.

## **6. Data Management**

- Financial data: Refer financial reports from accountants' verification
- Product carbon footprint verification (Green Mark): TUV Rheinland
- Quality Management System (ISO 9001:2015 / TL 9000:2016): AFNOR Asia Ltd.
- Environment Management System (ISO 14001:2015): AFNOR Asia Ltd.
- Occupational Health and Safety Management Systems (OHSAS 18001:2007): AFNOR Asia Ltd.
- Business Continuity Management System (ISO 22301:2012): AFNOR Asia Ltd.
- Financial data: quotes financial reports from accountants' visas.

## **VI. Operation Overview**

### **1. Organization Products and Services**

Arcadyan founded in 2003, is the first professional, intelligent network terminal equipment company that integrates broadband, multimedia, wireless and Internet communication protocols in Taiwan. At present, Arcadyan focuses on the development of access/routing products for customer premises equipment, and combines technologies such as voice and multimedia to provide integrated digital home, mobile broadband, wireless audio and video products and multimedia gateways. Arcadyan's product development concept is based on user's point of view.

Therefore, the product development is based on leading technology, providing a user-friendly operation interface to ensure user satisfaction. Arcadyan’s professional R&D team combines internal R&D talents and industry experts to develop advanced platforms and fully functional products to provide complete services to customers.

Arcadyan takes the development of xDSL IAD as its core advantage, mainly combining VoIP and multimedia application services. The new products (services) of Arcadyan's current project development are:

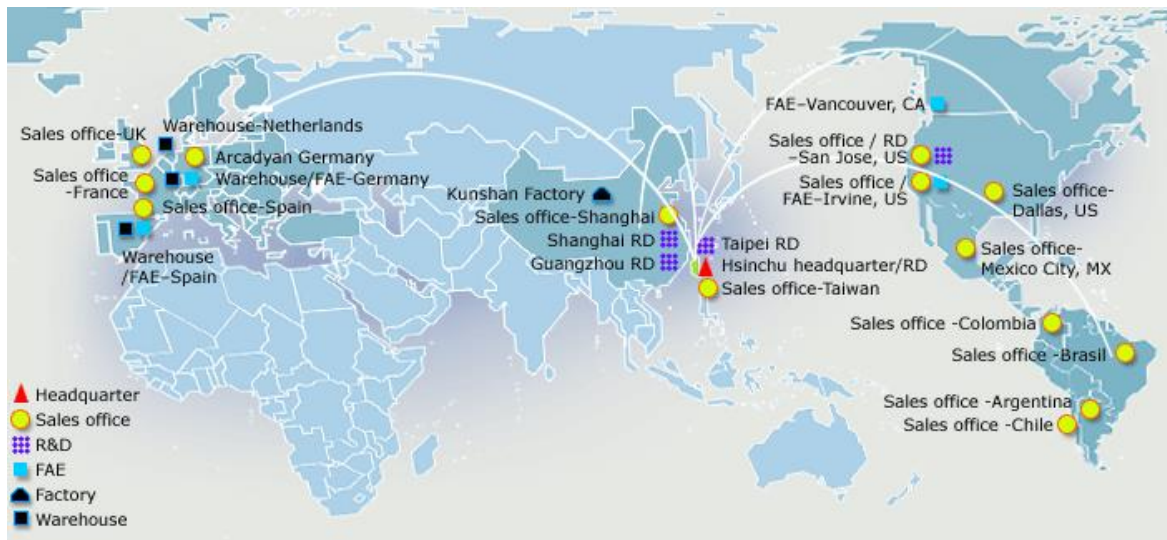
Product Category	Content
Broadband gateway products	Based on xDSL products and multi-functional integrated access device (IAD) product development, it combines IoT, VoIP and multimedia application services.
Wireless network products	Based on 802.11ax technology to develop various modules and router products.
Digital home multimedia application products	Based on the development of Android STB to provide telecom companies or video service providers with on-board products and services.

## 2. Operating Bases and Markets for Providing Services

Arcadyan’s products are sold worldwide and in a globalized manner, providing complete and rapid service. Arcadyan is headquartered in Hsinchu Science Park with R&D centers and technical support centers in regions such as Taiwan, China and the US to keep up with new technological developments. We also have sales offices in Europe and the Americas to monitor market demand as well as provide customers with more rapid technical consultations and after-sales service.

Arcadyan's business includes smart network terminal equipment that integrates broadband, multimedia, wireless, and Internet communication protocols, and provides access to the wireless network of the client. At present, Arcadyan focus on the access and routing products of R&D client devices, and focus on R&D, IAD, xDSL, routers and wireless network cards for VoIP, data transmission and multimedia integration applications.

Headquarters:	Hsinchu Science Park, Taiwan
Manufacturing Center:	Kunshan, China
Sales Offices:	Germany, US, China, Taiwan
R&D Centers:	Taipei, Hsinchu, Shanghai, Guangdong, California
Technical Support:	Taiwan, Spain, Germany, US, Canada



### 3. Governance Structure

Arcadyan concern operational transparency and corporate governance, and in accordance with "Procedures of the Board of Directors of the Public Offering Company", Arcadyan has set a standard for the Board of Directors and expose the attend status at the public information observatory and disclosed the major resolutions of the board of directors on Arcadyan website. Arcadyan set the "Code of Practice for Corporate Governance" in accordance with the "Code of Practice for Corporate Governance on the Listed Companies" and publish relevant content on Arcadyan website and public information observatory. In order to establish an effective corporate governance structure, strengthen the supervision of the board of directors, protect the interests of shareholders, and implement the principle of good faith management, Arcadyan develop various systems and methods, implement the spirit of corporate governance, to improve operational performance and practice Arcadyan sustainable operation of enterprises.

The board of directors is Arcadyan's highest governance center and the major business decision-making. Its responsibilities include appointing and supervising Arcadyan's management, supervising business performance, preventing conflicts of interest, ensuring that Arcadyan follows various laws and regulations, and protect shareholders' rights and interests.

Arcadyan selects three independent directors at the shareholders' meeting and these three independent directors form a compensation committee to assist in the assessment and approval

of directors and managers' remuneration. To combine the distribution of remuneration with the performance of individuals and company operations to achieve the rationality of remuneration and attract outstanding talents.

Arcadyan independent audit committee is composed of three independent directors. They meet at least once per quarter, with the main purpose of supervision of the following matters: Appropriate opinions on Arcadyan's financial statements, selection and dismissal of accountants, effective implementation of internal control, compliance with relevant laws and regulations, control of Arcadyan existence or potential risks, etc.

a. Director and Supervisor Information

<b>Title</b>	<b>Representative</b>	<b>Main Qualifications and Experience</b>
Direct	Compal Communications, Inc.	
Chairman	Compal Communications, Inc. Jui-Tsung Chen	Department of Electrical Engineering, National Cheng Kung University Chairman of Compal Communications, Inc.
Director	Compal Communications, Inc. Zong-Bin Weng	Institute of Management Science, National Chiao Tung University Director, Executive Vice President of Compal Communications, Inc.
Director	Compal Communications, Inc. Zhao-Chen Chen	Graduate Institute of Electrical Engineering, National Taiwan University Director, Executive Vice President of Compal Communications, Inc.
Director	Compal Communications, Inc. Zhao-Peng Tseng	Master of Oklahoma State University General Manager of Arcadyan Technology Corporation
Independent Director	Ying-Zhen Li	Doctor of Institute of Electrical Engineering National Taiwan University Chairman of Litemax Electronics Inc.
Independent Director	Qing-Zhang Wen	Doctor of Institute of Electrical Engineering, Pennsylvania State University Chairman of New E Materials Co., Ltd
Independent Director	Wen-An Yang	Master of Business National Taiwan University Chairman of Deben Consulting Co., Ltd.
Director	Zhe-He Wei	Doctor of Institute of Electrical Engineering, University of Washington Honorary Professor of National Chiao Tung University

b. Organization Structure:



c. Operation for Main Departments

Department	Main Job	Implementation
Salary Remuneration Committee	Establish and regularly review policies, systems, standards and structures for performance evaluation and compensation for directors and managers.	The Salary Remuneration Committee meets at least twice a year to assist in assessing and verifying the remuneration levels of directors and managers. The salary payment considers the performance of individuals and companies, to achieve the rationality of salary distribution and attracts outstanding talents. to achieve the rationality of salary distribution and attract outstanding talents.
Audit Committee	The main purpose of supervision of the following matters: <ol style="list-style-type: none"> <li>Appropriate expression of Arcadyan's financial statements °</li> <li>Accountant selection, dismissal and performance</li> </ol>	Arcadyan shareholders' meeting select three independent directors and the three independent directors will form an audit committee, which meet at least once a quarter. The main functions and responsibilities are as follows: <ol style="list-style-type: none"> <li>Establish or modify internal control systems in accordance with Article 14-1 of the Securities Exchange Act.</li> <li>Assessment of the effectiveness of the internal control system.</li> <li>Establish or modify the handling procedures for obtaining or disposing of assets, engaging in derivative commodity</li> </ol>



	<p>evaluation.</p> <p>3. Effective implementation of Arcadyan internal control.</p> <p>4. Arcadyan follows relevant laws and regulations °</p> <p>5. Control the existence or potential risks of Arcadyan.</p>	<p>trading, lending funds to others, endorsing others or providing guarantees in accordance with Article 36-1 of the Securities Exchange Act.</p> <p>4. The matters relating to the director’s own interests.</p> <p>5. Significant assets or derivatives transactions.</p> <p>6. Significant loan, endorsement or guarantee.</p> <p>7. Raising, issuing or privately securing equity securities.</p> <p>8. Appointment, dismissal or remuneration of accountant.</p> <p>9. Dismissal of finance, accounting or internal audit manager.</p> <p>10. Annual financial report and semi-annual financial report.</p> <p>11. Other major matters as stipulated by Arcadyan or government agencies.</p>
Audit Office	Responsible for the planning, execution and improvement of Arcadyan's internal audit business.	
General Manager's Office	Set up Arcadyan's operational objectives, direct and supervise Arcadyan's overall business execution.	
R & D Center	Responsible for Arcadyan's new technology and new product development, including feasibility assessment of new product development, test program development, technology integration and other services.	
Sales & Marketing Center	<ol style="list-style-type: none"> <li>1. Promotion and development of sales business.</li> <li>2. Customer service communication window.</li> <li>3. Marketing strategy and business management.</li> <li>4. Design, planning and execution of marketing projects.</li> </ol>	
Operation Management Center	<ol style="list-style-type: none"> <li>1. Production management and control project progress.</li> <li>2. Coordinate R&amp;D and production center, arrange trial production to mass production.</li> <li>3. Operation managements such as procurement, import and export, production management, and material management.</li> <li>4. Product engineering and process design management, product quality management and verification.</li> <li>5. Network environment construction and management, and set up and maintenance of computer mainframes and supporting equipment.</li> <li>6. ERP/MES and other online system planning and integration maintenance, process function development and feasibility study.</li> <li>7. Planning, design and implementation of legal intelligence.</li> <li>8. Assist in the cost control of products and procurement to improve overall profitability.</li> </ol>	
China CNC Production Center	Product production	
Financial Center	<ol style="list-style-type: none"> <li>1. Handling accounting and tax, auditing and preparation of financial statements.</li> <li>2. Budgeting, variance analysis and control.</li> </ol>	

	<p>3. Financial management, preparation of short, medium and long-term capital acquisition, scheduling and other plans.</p> <p>4. Cost settlement and analysis, inventory planning.</p>
Human Resources Administration	<p>1. Set up, revision and implement Arcadyan's management system.</p> <p>2. Set up employee performance assessment, promotion and retirement.</p> <p>3. Education and training planning and implementation.</p> <p>4. Salary accounting, labor and health insurance, etc.</p> <p>5. Administrative General Affairs Management.</p>

**4. Organization**

Arcadyan Headquarters is located nearby to Hsinchu Science Park and has sales and service locations in major countries around the world to provide fast and flexible support and services. There are about 2,500 employees (about 500 people in Taiwan headquarters (Hsinchu); about 2,000 people in the China CNC manufacturing center (Kunshan), with the annual volume of business more than NT\$23.9 billion. Arcadyan’s management team is elite in the industry. They have not only held leadership roles in various fields of expertise in the Internet communications industry, but also have more than 15 years of experience.

**[R & D capabilities]:** Exceptional R&D capacity is the key to Arcadyan's continued competitive edge. To keep up with technological innovations and bring products to the markets as soon as possible, we have set up R&D centers in Taipei, Hsinchu, Shanghai, Guangdong and California. We also have technical support centers in Taiwan, Spain, Germany, US and Canada to provide speedy technical consultation and after-sales service.

Software development is Arcadyan's core strength. Through the development software platform, it can quickly convert complex product content into simple models to quickly respond to market demands. Our own proprietary application software supports Triple play, firewall functions, DLNA devices, remote management, Auto Provision and IPv6. With over 50 million devices shipped, we have established a strong sales record in the telecom market.

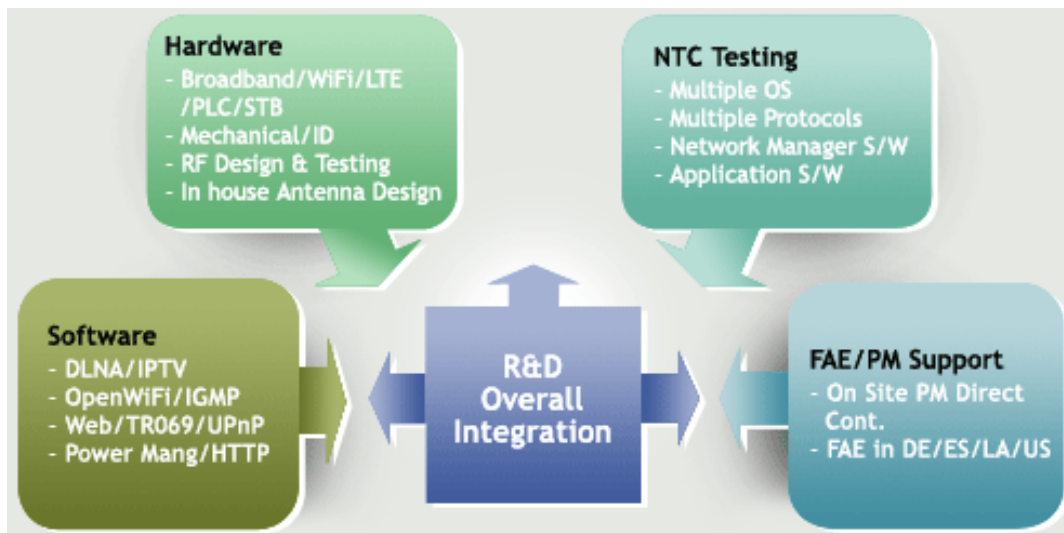
The antenna is a key component used for transmitting and receiving electromagnetic energy in wireless transmission systems. As a leader in wireless networking products, Arcadyan places a strong emphasis on antenna design and development. We have established a dedicated

department for developing products that offer high quality and transmission performance. Arcadyan has now secured over 30 local and overseas patents on antenna design, including different antenna designs, radio frequency output control methods, testing systems for wireless devices and test methodology

To ensure the quality and functionality of our products, all Arcadyan products must undergo a strict testing procedure before mass production. These include:

Engineering Verification Test	Design Verification Test
✓ Thermal and 4corner test	✓ Regulatory test
✓ Functional test	✓ Reliability test
✓ Power measurement	✓ 3 <sup>rd</sup> party certification
✓ Signal quality test	
✓ Conformance test	
✓ Interoperability test	

R&D personnel account for 60% of all employees. The skilled R&D teams ensure that Arcadyan maintains its competitive edge in an environment with rapidly evolving technologies and standards.



**[Manufacturing Center]:** Arcadyan's manufacturing center is located in the Kunshan Economic Development Zone of Jiangsu, China. The CNC manufacturing center (Kunshan) has 15 production lines with a monthly capacity of 3 million units. In order to continuously improve production and quality, Kunshan plant equipment is not only fully automated but also introduces

the most advanced machinery and equipment to ensure that Arcadyan's production quality and efficiency meet and even exceed customer expectations. The Kunshan Plant also adopts the management thinking of “6-Sigma Scheme” to implement the concept of comprehensive quality control and continuous improvement.

**[Quality Management]:** For quality management, Arcadyan focuses on the design review of the new product development phase (NPI) in order to identify potential quality issues as early as possible. Our philosophy - Prevention is much better than correction:

Quality Management	Implementation	
Design Review	Independent Design Review Committee to conduct design reviews	
Quality testing at each stage	Including NTC (Network Testing Center) / EIT (Engineering Integration Testing) /QE Reliability Testing / MFG ongoing reliability testing / Quality Gate Testing to identify potential quality issues during DVT / EVT / PVT / MP stages.	
	DVT- Design verification phase	Design review, manufacturability review, EIT/NTC
	EVT- Engineering verification phase	R&D stage function, performance test and product functions, certification test for NTC/EIT/QE reliability.
	PVT - Productive verification phase	Quality Gate Test
	Mass Production	Ongoing Reliability Testing
Production Monitoring System	Comprehensive Shop Floor Information System for quality data collection.	
8D Systematic process	8-D approach for root cause identification and issue prevention.	
6 - Sigma	6- $\delta$ (DFSS / DMAIC) schemes to enhance overall process excellence (from Design to Manufacturing).	

## 5. Distribution of Arcadyan Direct Economic Value

Item	2015	2016	2017
<b>Capital amount</b>	1,891,438	1,891,190	1,891,190
<b>Revenue</b>	19,975,001	23,910,479	20,110,209
<b>Operating cost</b>	17,598,514	20,044,635	17,308,220
<b>Profit</b>	579,190	1,373,002	650,310
<b>Earnings per share (EPS)</b>	3.06	7.19	3.21
<b>Assets</b>	13,218,393	15,217,137	15,581,848
<b>Liabilities</b>	5,111,400	6,121,974	6,657,441
<b>Shareholders' rights</b>	8,106,993	9,095,163	8,924,407
<b>Dividend</b>	1.6	3.9	2.0
<b>Total salary (individual)</b>	752,985	855,747	815,660
<b>Income tax</b>	145,982	324,943	137,018

<b>The amount of tax deducted from development Research development and investment</b>	72,274	60,561	77,485
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<b>Item</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
<b>EU</b>	61%	50%	62%
<b>AP &amp; Others</b>	21%	19%	22%
<b>US</b>	18%	31%	16%



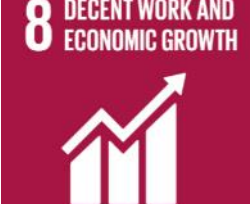


## 6. External Initiatives

As an important member of the global environmental citizenship, Arcadyan actively involved in global environmental initiatives and actions. Since 2009, Arcadyan has participated in CDP (formerly Carbon Disclosure Project) to disclose carbon management questionnaires, carbon reduction results, identification regulations and physical risks, and other carbon management questionnaires to strengthen the policy tools for climate change in response to climate change. Including resource depletion, resource shortages, climate change, sea level rise, etc., to reduce operational risks and costs, and further transform various risks into green recycling economy opportunities to improve the sustainability of business operations.

Since 2013, Arcadyan has obtained SA8000 (Social Accountability) certification at CNC Manufacturing Center to show to stakeholders Arcadyan's commitment to social responsibility. Provide employees with continuous improvement of working conditions; establish a healthy workplace, and effective employment communication. For suppliers, strengthen competitiveness, obtain brand orders, improve management capabilities, reduce additional costs, and establish a reliable supply chain and sustainable operation.

Arcadyan follows the Code of Conduct - Responsible Business Alliance (RBA) to implement self-assessment for labor, health & safety, environmental, ethics, management system, etc. and actively obtains international certification. In addition to increasing the trust of customers, employees and suppliers, Arcadyan also fulfill corporate responsibility for the environment, economy and society. Arcadyan deeply understand the responsibility and obligation to actively participate in the tasks of SDGs, and selects the following five goals related to Arcadyan's operations from the 17 Sustainable Development Goals (SDGs) proposed by the United Nations

as a sustainable project. Arcadyan looking forward to the future society, can help more people and the environment, create less earth burden, and leave a better living environment for future generations.

SDGs	Summary	Chapter Index
	<ul style="list-style-type: none"> <li>✚ Handling various health promotion activities</li> <li>✚ Regularly hold physical examinations for all employees</li> <li>✚ Disabling Frequency Rate (FR) and Disabling Severity Rate (SR) maintained at 0.00.</li> <li>✚ Continue to promote the "Motherhood Care" project and set up a nursing room.</li> <li>✚ Parental leave retention rate 100%</li> </ul>	68 ~ 71
	<ul style="list-style-type: none"> <li>✚ The average hours of staff training is 5.15 hours</li> <li>✚ Internal lecturer training program</li> <li>✚ Promote the Knowledge Sharing System (Content Sharing System, CSS)</li> </ul>	65 ~ 67
	<ul style="list-style-type: none"> <li>✚ Establish a complete and fair recruitment system</li> <li>✚ Follow RBA, prohibit the recruitment of child labor and ensure that no forced labor issues.</li> </ul>	59 ~ 61
	<ul style="list-style-type: none"> <li>✚ China CNC manufacturing center conducts product life cycle inspection according to ISO14067</li> <li>✚ Conducts ISO14006 product eco-design</li> <li>✚ Carbon reduction reached 14,960 tons in 2017</li> </ul>	44 ~ 58
	<ul style="list-style-type: none"> <li>✚ Supplier meeting was held with a total of 85 suppliers and 120 participants.</li> <li>✚ Work with suppliers to promote corporate social responsibility and green materials issues.</li> <li>✚ Co-organize social participation and public welfare activities with local communities, NGOs, and governments</li> </ul>	23 ~ 29 71 ~ 74

## 7. Code of Conduct

Arcadyan sets the "Staff Code of Conduct". When employees are engaged in daily work and business, they should comply with Arcadyan's business ethics policy, maintain Arcadyan's reputation, and gain the respect and trust from customers, suppliers and other industry people.

The main contents are:

- a. Employees should avoid any conflicts or possible effects between personal and company interests.
- b. For the suppliers, customers, and other personnel related to Arcadyan's business, must keep the highest standards of business ethics, and must not accept or give any gifts that affect business relationships and judgments. Any form of bribery is prohibited.
- c. Employees shall not disclose any Arcadyan confidential business information or intellectual property to any other person, manufacturer or company without authorization during employment and resignation term.

All employees are responsible for complying with this policy and related procedures, and managers are fully committed to ensuring that employees understand, accept and comply with relevant regulations.

#### **8. Membership of Association**

To meet the expectations of the society, Arcadyan actively participated in organizations such as the Taiwan Science Park Science and Industry Association, the High-tech Industry Salary Management Association and the Hsinchu Enterprise Managers Association, and attended the meeting to express the opinions, hoping to unite the strength of the industry and promote industrial exchange.

#### **9. Supply Chain**

Arcadyan continue to support business development and market competitiveness, and effectively manage and promote suppliers' quality, price, delivery, service, environmental and social responsibility performance, to develop the appropriate procurement policy, suppliers and co-operate responsible supply chain. Arcadyan also quarterly review the supplier performance, conduct supplier risk assessments, and conduct regular visits to suppliers. Arcadyan regards supplier management as one of the key actions to implement social responsibility. In addition to continuously requiring suppliers to improve the overall performance of quality, delivery, service

and price, it also inducts customers required green product directives into suppliers’ material inspection procedures and audit operations, and then implement the source management and the continuous improvement cycle.

Arcadyan continues to promote corporate social responsibility programs, and guides suppliers to participate and follow. To encourage suppliers to meet delivery requirements, improve quality, and increase competitive advantage, Arcadyan also help suppliers to improve and strengthen their management of employee care, environmental protection, public safety environmental sanitation, and work closely together to create superior and competitive products to create a win-win supply chain management. To lead suppliers to grow together, Arcadyan also develops supply chain management practices and management measures, including new supplier evaluation, supplier management, supplier audit and supplier counseling to guide suppliers to become green supply chains and reduce supply chain risk.

New Supplier Evaluation	Supplier Management
In addition to the quality delivery and price of the product, it is also required to meet the requirements of the quality, environmental and safety and health laws as a qualified supplier.	Regular meetings to review and analyze various quality issues and propose effective improvement programs.
Supplier Assistance	Supplier Audit
Besides existing quality, environmental and management counseling, provide interactive management of information transfer with customers to get the latest and correct information.	<ul style="list-style-type: none"> <li>- To assess supplier's service, quality and delivery, for the supplier who fail to meet the standards are required to submit improvement report.</li> <li>- Regular audits for key suppliers, provide the non-compliance items for supplier improvement, to improve product quality; and re-audit the suppliers that with high quality abnormal frequencies, the supplier will be disqualified if the improvement actions still cannot reach the qualify score (less than 60 points).</li> </ul>

a. New Supplier Evaluation

Arcadyan Purchasing department requires suppliers to fill out “Supplier Evaluation Form” and provide relevant ISO certification documents. The assessment content includes quality, environment, engineering technology, green aspects, and conduct Supplier Corporate Social



Responsibility (CSR) survey program that requires suppliers to meet "Arcadyan Supplier Code of Conduct". When the average score of assessment results over 60% and green manufacturer's score over 80%, the supplier will be classified as Approved Vendor List (AVL).

Arcadyan strives to fulfill corporate society responsibility and requires suppliers to pay attention to conflict minerals issues. Since 2010, the supplier chain and agents related to electronic and mechanical materials have been investigated and must promise not to use the metals mined and sold by mining areas controlled by armed groups, and expect to have a positive impact on conflict mineral issues through the self-requirements and constraints of industrial supply chain. In 2015, Arcadyan officially formulated a conflict minerals policy, requiring suppliers to sign "EICC Conflict Minerals Announcement", or suppliers to provide their conflict minerals policy for conflict minerals investigations; and continue to track RMI (Responsible Minerals Initiative) qualified smelters list after the investigation. To promote important updates on Arcadyan procurement system to ensure mineral safety in the supply chain. Arcadyan expects that all manufacturers in the electronic supply chain will control the use of any conflict minerals to sever any inhumane and exploitative events and fulfill social responsibilities for society, environment and human rights. If the supplier's products are found to contain with conflict minerals, Arcadyan will take necessary measures and stop using the conflict minerals.

Arcadyan Conflict Minerals Policy
Operate with social and environmental responsibility considerations; advocates not buying conflict minerals from conflict zones.
Conflict minerals originating from the Democratic Republic of the Congo (DRC) and its neighboring countries are not used; formulating conflict minerals policy and conflict minerals are not required to be used indirectly or directly in the raw materials supplied by suppliers, and must follow the requirements for conflict-free minerals.
Check the source of the metal used and fill the questionnaire or sign the statement; expect the supplier to fully use the approved qualified smelter or request an existing smelter for verification.

Arcadyan also requires all new suppliers to sign "Supplier Corporate Social Responsibility Commitment" to declare that they are fulfilling social responsibility commitments, guarantee and promise to prohibit child labor, prohibit forced labor, implement occupational safety and health management, anti-bribery and anti-corruption, Corruption, fair trade, support for labor freedom of association, labor agreement rights and other matters. In 2017, launched supplier CSR audit

program and different types of major suppliers were selected based on transaction volume and transaction amount to implement CSR audit that including the labor, ethics, health and safety, environment and management systems issues.

**b. Supplier Management**

Arcadyan regularly evaluate suppliers based on supplier's delivery status, and report to "Supplier Score Summary" for supplier management. The supplier's monthly quality rating that is evaluated as of C or D, Arcadyan will issue Warning Notice requires the supplier to provide improvement plan and requires to reach rating of B or above in next month. If the supplier still fails to meet the target, Arcadyan will assign personnel for on-site audit.

Quality				Service
70%				30%
<b>Incoming Material Quality-</b> According to supplier's incoming inspection status	<b>SCAR-</b> According to supplier SCAR report respond time and validity	<b>In-process Quality-</b> According to supplier's materials quality status in process	<b>Customer Complain-</b> Calculate the number of customer complaints on the client side based on supplier's materials	Evaluate the status of complaint handling, exchange of goods, transfer of goods, sample request, delivery status, etc.
40%	30%	20%	10%	
Grade		Score		Grade
A		95 ≤ Score		B
C		65 ≤ Score < 80		D
				80 ≤ Score < 95
				Score < 65

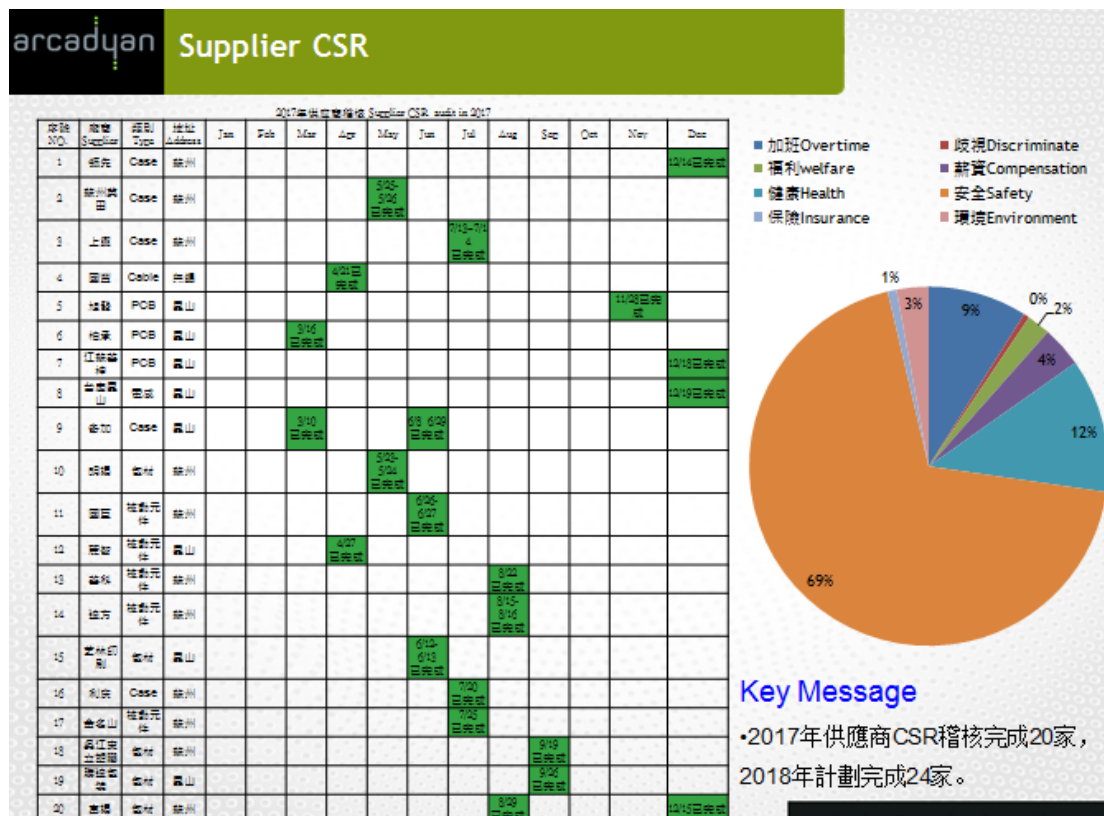
**c. Supplier Audit**

To co-work with supplier to provide better products, Arcadyan plan annual audit schedule and implement on-site audit for key suppliers. The audit contents guarantee for shipment quality, handling of environmental substances, detection methods and specifications of environmentally-hazardous substance, environment internal audit plans, communication and promotion of environmental substances information, testing equipment, and ISO9001 / ISO14001 / OHSAS18001 system certification. For suppliers whose audit results are not meet the target, besides to provide clear improvement goals and timelines, Arcadyan also review and set up improvement plans with suppliers to provide appropriate assistance and education. From 2015 to 2017, CNC Manufacturing Center (Kunshan) implement total 58 on-site audits and consult for suppliers.

Besides supplier annual quality audits, Arcadyan requires supplier partners to assume

responsibility for environmental, labor, management systems, ethics, and safety and health practices, and requires suppliers to sign compliance with corporate social responsibility commitments to understand Arcadyan’s corporate social responsibility concept. Arcadyan also conduct on site CSR audit according to suppliers’ delivery volume and delivery amount. The CSR audit of 21 suppliers have been completed in 2017.

Code	Audit Project	Weight %
EN	Environment	25
HS	Health and Safety	25
CL	Child Labor & Juvenile Worker	5
FL	Forced Labor & Prison Labor	5
FA	Freedom of association	5
DI	Discrimination	5
AP	Appeal	5
DP	Disciplinary Practice	5
WH	Working Hours	5
WC	Wages and Compensation	5
BE	Business Ethics	5
SC	CSR Suppliers CSR	5
SU	Summary	100



d. Supplier counseling

Arcadyan established a professional counseling platform and held supplier conference to help supplier partners solve problems and grow together.

- This platform provides a new version of green environmental protection procedures and announcement notices to prevent suppliers from following the wrong regulatory or referring the wrong specification. Arcadyan also provide procurement, engineering department to query supplier's green lead-free file upload and updated status.

- Supplier Conference: To hold supplier conference to explain to suppliers the green product management system platform, future related cooperation matters, and communicate the new environmental issues.



**10. Major Change of Supply Chain**

The key components related to the products developed by Arcadyan include power supply, electronic components, electromechanical components (printed circuit boards, etc.) and machine components. The suppliers are from Taiwan and China. As the product application and related needs continue to rise, most suppliers continue to expand production capacity to other China

regions. In order to reduce energy consumption and environmental pollution caused by the transportation of raw materials and products, besides to improve the packaging materials (or recyclable material) and space, also supports local procurement, reducing unnecessary transportation costs and carbon emissions. Arcadyan committee the spirit of local procurement and continues to develop new local suppliers through procurement management procedures.

## **VII. Operation Risk Management**

Arcadyan faces variety risks, such as laws and regulations, operational competition, natural disasters, etc. That is Arcadyan's responsibility to transform the challenges to sustain operations. The purpose of risk management is to identify risk factors that adversely affect operations in advance, and then properly assess and treat risks, to convert, reduce, and prevent the losses. Arcadyan also responds to changes in internal and external environments, detects and warns risks in time, enabling all colleagues to implement risk management within the scope of business.

In 2012, Arcadyan obtained ISO 22301 Business Continuing Management System, developed an analysis and risk assessment process, and assessed risk based on PPTISSFT (personnel, location, technology, information, stakeholder groups, suppliers, finance and transportation) of key activities. To assess the frequency and likelihood of risk, and set recovery priorities, IMP (accident management plan), BCP (business continuity plan), and BCP (business continuity plan) to effectively manage any unexpected events that may cause the interruption of Arcadyan's operation of. Arcadyan also obtained ISO 27001 Information Security Management System audit to ensure the confidentiality of Arcadyan related business information and prevent the leakage and loss of sensitive information and personal dat.

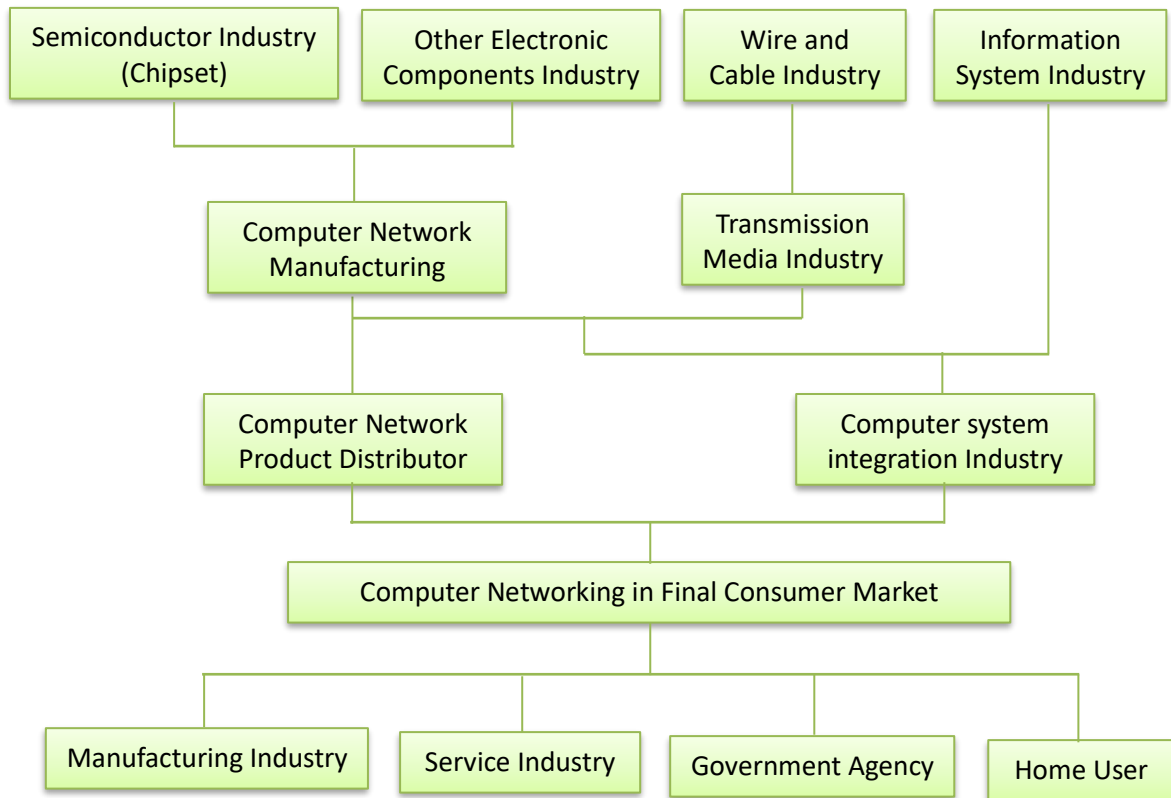
## **VIII. Marketing Development**

### **1. Industry Status and Development**

With the diversification of internet services and the development of multimedia applications such as video on demand, the demand of bandwidth from global consumer continues to increase,

and global broadband users are also growing rapidly. Broadband communication is becoming more and more popular, and the world is committed to the widespread 4G environment, and even actively investing in 5G research and development. More and more network communication equipment and EMS manufacturers have invested in products development, manufacture and sales, and caused the overall market and price competition has increased rapidly. In addition, the rapid growth of the China market has also driven the growth and competitive advantage of China network equipment manufacturers. These manufacturers are actively deploying, low-cost into the existing market, upgrading research and development technology, and the key raw materials of the products are still rising, so the challenge of the competition will become more and more severe. However, Arcadyan will continue to enhance self-technical capabilities, improve cost competitiveness, enhance the advantages of time to market, and actively maintain cooperation with telecom customers to continue to increase market share. In set-top box industry, the popularity of 4K TVs has increased, and the demand for 4K on-board boxes has increased year by year. In order to meet the needs of various types of smart home digital audio and video devices, the new generation of on-board boxes still takes Android system as the main development, and Hybrid STB, OTT STB also continues to be the mainstream trend in the market.

In addition, Arcadyan integration the upstream (wireless dual-band multimedia gateway control chip and wireless dual-band multimedia chip and other key components) and downstream (development platform) R & D system to provide network system architecture, drive the development of communication-related industries.



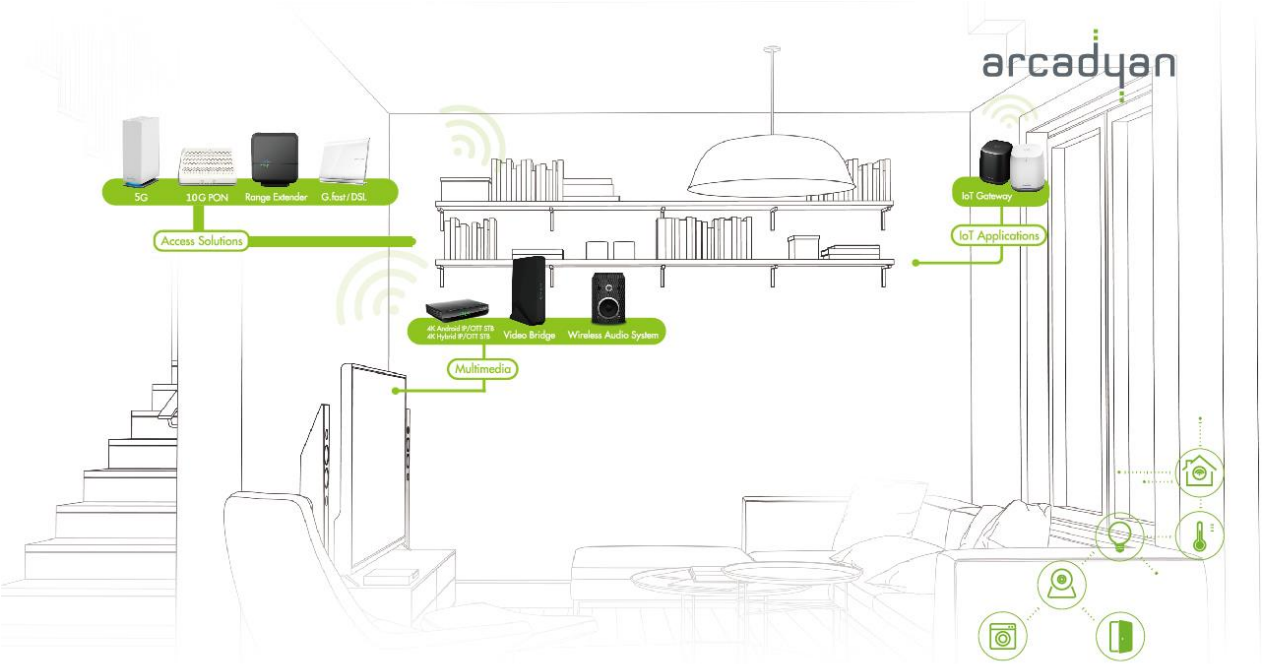
## 2. Technology and R&D Overview

Based on IAD-Integrated Access Device technology, Arcadyan has established a deep rooted foundation and continues to face the advanced Wi-Fi Local Area Network technology and next generation of high-frequency wide wired network (Broadband Fixed) Network) technology development. Under the technology development, Arcadyan became the first domestic company to assist telecom operators to develop Wireless Mesh Network products. In recent years, multimedia application services and technologies have continued to develop. Under the continuous expansion of the global economy, Arcadyan has developed streaming multimedia technologies and products in response to this trend, and strengthened the breadth and depth of technology.

In the future, Arcadyan will continue to focus on the development of the telecom market, and develop software on its own to establish a complete and reliable Triple Play software platform. However, the product line deployment and market development for Android TV OTT and IP STB has become another new development spindle of Arcadyan, and will develop in software/hardware/system integration technology. In the future, Arcadyan will continue to



understanding of market demand, lead the development trend of Triple play and integrate into the application of smart handheld devices, aiming at the development direction of smart home, material network, network, artificial intelligence (AI) calculus, cloud analysis, etc. Focus prospective development on 5G/4G, IAD, IP STB, GPON, logistics network application to provide a complete solution to customers.



**3. Long-term and Short-term Business Development Plans**

	Short-term business development plan	Long-term business development plan
Research and development strategy	A. Through market integration and provision of customized products to grasp the market trends and customer needs to increase market share. B. Besides cost reduction, apply Arcadyan's technical knowledge to develop new product lines, introduce the market and improve product quality and visibility.	A. To combine market application requirements, Arcadyan provide customers with a complete product series, apply network communication design experience and integrate technical capabilities to develop product lines, and develop other high-end products to meet customer and market needs. B. Continuously improve R&D processes and efficiencies, and build R&D capabilities and core technologies.
Marketing strategy	Maintain existing customers and actively explore the market, expand sales bases to establish a complete marketing channel, provide professional consulting, maintenance and technical support for various products.	A. Cultivate professional marketing talents, deepen customer relationships, and instantly grasp the changes in the network communication market and product development trends. B. Actively cooperate with international manufacturers to develop or strategic alliances to expand the international market.
Production strategy	A. Obtain a production base with cost advantages and improve product competitiveness. B. Improve production efficiency and really control budget and cost.	Maintain long-term relationships with upstream suppliers and cooperative development to reduce costs and develop high quality and competitive products.



Operational and financial strategy	<p>A. Actively expand business, increase-operating income to accumulate operation capital, and expand operations.</p> <p>B. Improve management performance, motivate employees' work potential, and strengthen internal organization.</p>	<p>A. In the domestic and foreign capital markets, flexible use financial market instruments to diversify financial risks.</p> <p>B. Adhere international business thinking and management capabilities, actively cultivate international talents, and move towards the goal of internationalized enterprises.</p>
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#### 4. **Competition Basis**

- a. Excellent R&D team: Due to the outstanding strength of Arcadyan R&D team and the rich experience of R&D personnel in network communication, the international chip manufacturer designated Arcadyan as one of the Early Access Partners to participate in the wafer development process. Therefore, Arcadyan leads the industry to obtain the latest information on future products, and early to product development to get the opportunity to launch new products.
- b. Customized products: Base on the experience and capabilities of R&D team, Arcadyan has mature R&D capabilities in Access Technology and can develop software on its own to provide customers with high-speed, functional and customized product designs. The benefits of customized software to customers includes:
  - i. Effectively assist customers' products to make market segmentation
  - ii. Quickly provide customers with customized products.
  - iii. Successfully help customers to design and develop competitive products
  - iv. Cooperate and develop with chip manufacturers to ensure the leading technology and function of Arcadyan products
  - v. User-friendly operation interface to reduce customer investment in customer service.
- c. Work hard to the industry : Product technology development is determined by user's demand for functions, such as Carrier Wi-Fi, VDSL products, PON, interactive Internet TV (IPTV), 802.11x solutions and other application technologies and specifications. Arcadyan is optimistic about the future development of the ISP market. In order to establish a direct cooperation model with ISP in the future, although market development takes a long time, Arcadyan still insists on investing in R&D resources and accumulating product development experience to strengthen the R&D capability of product technology integration.

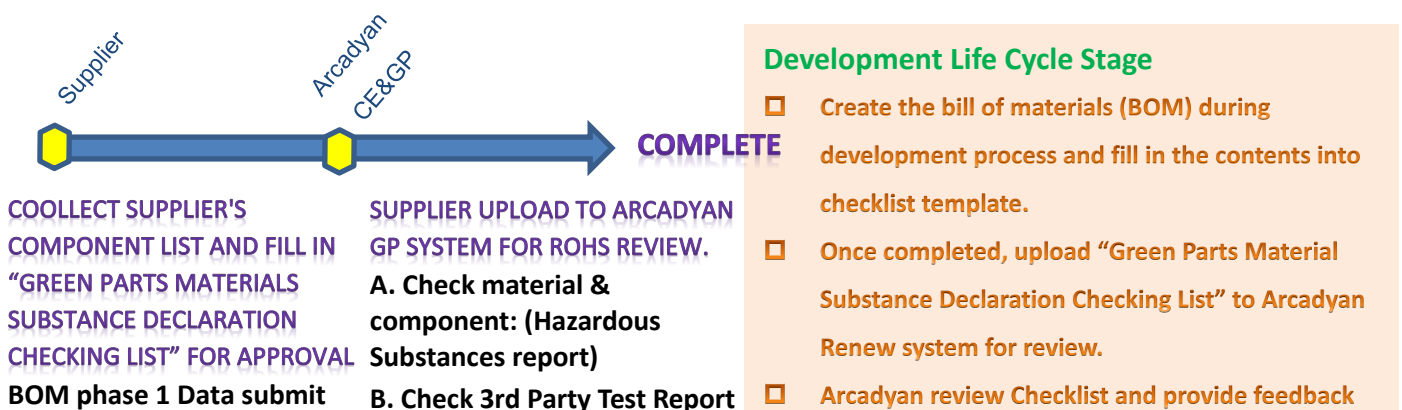
## 5. Advantages, Disadvantages and Countermeasures for Future Development

Development Assessment		Content
<b>Advantages Factors</b>	Professional R&D team	Besides its technical advantages, R&D team makes good use of the accumulated technical knowledge, so that the international chip manufacturer designated Arcadyan as one of the Early Access Partners to participate in chip development to lead the industry to invest in research and development resources, launching new products in the market at the first time.
	Develop Market	Arcadyan take niche market as the operational target, and sales strategy is mainly to provide differentiated products and services. Compared with the general network operators to supply standardized, low-priced products and win by volume, Arcadyan products still have higher profit, so there are more resources to continue to invest in product research and development, and lead a benign business cycle.
	Customized product design	In addition to the need for customized technical capabilities, the R&D team also needs to consider the flexibility of functional design in product design. In order to meet customer's timeliness requirements, the flexibility of product design is very influential. Arcadyan develops its own software TRIPOLIS, which provides customer functions including: Management, Firewall/Security, Quality of Service (QoS), High Voice quality on VoIP and Triple Play. Through a simple menu, select product features, and can complete product planning for different functions in a short period, to not only meet the needs of customer differentiation requirement, but also efficiently complete product design and production to launch products into the market immediately.
<b>Disadvantages Factors</b>	Internet communication technology continues to evolve and attract new competitors to join. In order to win customers and increase market share, many manufacturers simplify product functions, achieve cost reduction purposes, or adopt low-cost sales strategies for key products, resulting in price competition. Only Arcadyan is operating with customized products and providing comprehensive technical support, but the cost is relatively high and it is impossible to compete with the general manufacturers for price.	
<b>Countermeasures</b>	Create a single software platform	Quickly convert complex product content into simple models through a single software platform, gaining orders first and winning market opportunities.
	R&D technology integration	Integrate different technologies to grasp core technologies, reduce costs and increase market share; from early Wired routers plus wireless capabilities, ADSL, to VoIP, 802.11x, ultra-fast user digital loop (VDSL), integrated services digital networks (ISDN), Wide-band DECT, IPv6, 3G, 4G, Carrier Wi-Fi and other function. To continue to integrate and develop key components and software technologies.
	Grasp the timing of R&D	Properly analyze market trends and needs to invest in forward-looking product development.
	Create demand with customers	Developed with customers to provide better consulting and services, and build long-term partnerships, not just the role of production and foundry.

## IX. Quality Management and Customer Service

### 1. Assess the Impact of Product and Service on Health and Safety

If the product is harmful to the health and safety of end user, it will seriously affect the image of Arcadyan and customer and may lead to huge claims from consumers. Arcadyan is committed to avoiding the products that are harmful to the health and safety of customers. In order to provide health, safety and high quality products, Arcadyan require purchasing raw materials in accordance with “Control Standards for Arcadyan Environment Hazardous Chemical Substances” guidelines and follow international directives. For REACH, RoHS and other international directives, China CNC manufacturing center (Kunshan) introduces QC080000 hazardous substance management process, which requires all kinds of safety regulations from mass customer demand (RFQ) to design stage and mass production. The mass-produced products should 100% compliant with IEC 60950 & IEC 60065 and RoHS compliant, and Arcadyan have never violated product health and safety regulations and voluntary regulations. Arcadyan has never violated the product's health and safety regulations. Arcadyan's goal of customer health and safety not only meets customer needs, maintains customers' health and safety, but also actively develops low-halogen products and builds healthier product production capacity. At present, all products of Arcadyan comply with relevant chemical requirements and safety regulations. To refer following instructions for the management policies:



### 2. Product Safety Specifications

To ensure the safety of Arcadyan products under normal use and to prevent materials and parts from violating safety regulations, Arcadyan take IEC 60950 & IEC 60065 certification

standards to conduct tests before design phase. After internal safety test, the verification department verify the test to ensure that 100% mass production products have passed safety certification. RMA center regularly collect product repair data, which records the product problem, root cause, the impact and the solution, as a reference for product design or following repair operation. Since the establishment of Arcadyan, Arcadyan has not violated any health and safety regulations regarding products and services.

### 3. **Product Information and Labeling Requirements**

#### a. EU Waste Electrical and Electronic Equipment Directive WEEE

In the design stage, Arcadyan considers the customer need, waste reduction, and reuse of resources to introduce environmentally friendly materials and low-pollution alternative materials, and the design patterns that reduce the use of natural resources and increase recycling. The following is a list of the design base on EU Waste Electrical and Electronic Equipment Directive (WEEE) concept:

EU Waste Electrical and Electronic Equipment (WEEE) Directive
RoHS compliant, prohibit or reduce the use of hazardous chemicals
Try to use a single plastic material type
Active in electronic products development to introduce recycled plastics and biodegradable plastics
Product plastics need to be compatible with chemical surface materials for recycling
The product is designed for easy disassembly and recycling
Product modular design lead parts to be easily replaced and upgraded for extended product life

#### b. EU chemicals policy (REACH)

REACH (Registration, Evaluation, and Authorization of Chemicals) is a European Community Safety Regulation covering the registration, evaluation, authorization and restriction of chemicals. As of June 1, 2007, if any of the substances of higher concern (SVHC) exceeds 0.1% and the annual import of the substance exceeds 1 ton, the EU manufacturer or importer must notify European Chemicals Agency (ECHA). Arcadyan requires suppliers to disclose the information of all published 191 SVHC and encourage suppliers to reduce and eliminate the use of such chemicals at early stage. Arcadyan has included the 72 hazardous chemical substances that listed in REACH Appendix XIV of the

EU Chemical Policy in “Control Standards for Arcadyan Environment Hazardous Chemical Substances”, and irregularly revised the relevant environment substances management regulations according to the requirements of international hazardous substances.

c. EU Restriction of Hazardous Substances Directive (RoHS)

European Union officially issued four directives (EU) 2015/863 to include four phthalates (DEHP, BBP, DBP, DiBP) in the control project. The environmental impact of waste electrical and electronic products is increasing, and all Arcadyan products are 100% compliant with RoHS (2011/65/EU) Directive, so there are no returns due to RoHS violations. Arcadyan also asked suppliers to limit the use of plasticizers such as DEHP, BBP, DBP and DIBP, which will take effect from July 2019. Suppliers should include in the risk assessment of homogeneous components for the electronic products that have above substances.



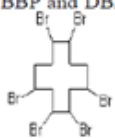
**Restricted substances referred to in Article 4(1) and maximum concentration values tolerated by weight in homogeneous materials**

- Lead (0,1 %)
- Mercury (0,1 %)
- Cadmium (0,01 %)
- Hexavalent chromium (0,1 %)
- Polybrominated biphenyls (PBB) (0,1 %)
- Polybrominated diphenyl ethers (PBDE) (0,1 %)
- Bis (2-ethylhexyl) phthalate (DEHP) (0,1 %)
- Butyl benzyl phthalate (BBP) (0,1 %)
- Dibutyl phthalate (DBP) (0,1 %)
- Diisobutyl phthalate (DIBP) (0,1 %)

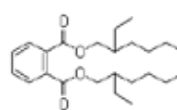
The restriction of DEHP, BBP, DBP and DIBP shall apply to medical devices, including in vitro medical devices, and monitoring and control instruments, including industrial monitoring and control instruments, from 22 July 2021.

The restriction of DEHP, BBP and DBP shall not apply to toys which are already subject to the restriction of DEHP, BBP and DBP through entry 51 of Annex XVII to Regulation (EC) No 1907/2006.'

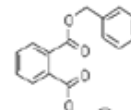
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31<sup>st</sup> ,Dec 2016**



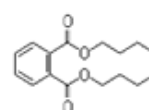
HBCDD



DEHP

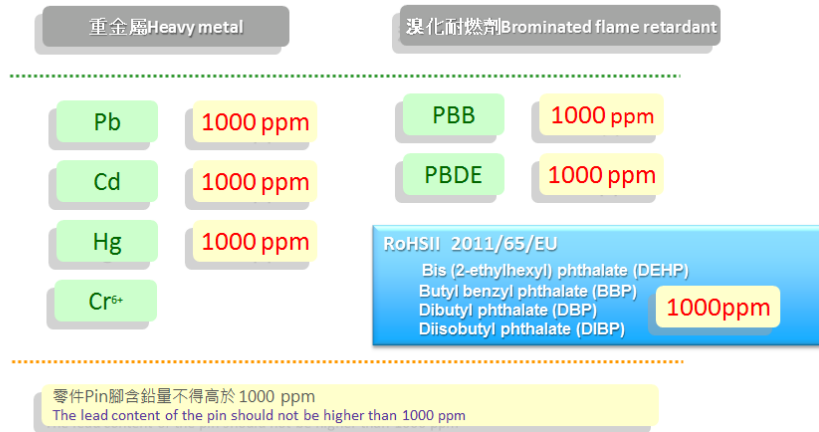


BBP



DBP

Regulations -RoHS



d. China Ministry of Industry and Information Technology released China RoHS 2

China's "Administrative Measures for the Restriction of Hazardous Substances in Electrical and Electronic Products" (referred to as China RoHS), was promulgated on January 6, 2016 to expand "Electronic Information Products" into "Electrical and Electronic Products", which means working or generating or transmitting by current or electromagnetic fields. For the purpose of measuring current and electromagnetic field, the rated working voltage is  $DC \leq 1500V$ ,  $AC \leq 1000V$  equipment and related products. The products provided by Arcadyan are classified as regulated product. For the products that shipped to China, should 100% comply with SJ/T 11364-2014 labeling requirements:

有毒有害物质名称及含量

Name and concentration of hazardous substances

部件名称 Component name	有毒有害物质或元素 Name of hazardous substances					
	铅 (Pb)	汞 (Hg)	镉 (Cd)	六价铬 (Cr)	多溴联苯 (PBB)	多溴二苯醚 (PBDE)
印刷电路板组件和元件 (PCBA)	×	○	○	○	○	○
焊料 (Solder)	×	○	○	○	○	○
外壳 (Housing)	○	○	○	○	○	○
天线 (Antennas)	○	○	○	○	○	○
电源适配器 (Power Adapter)	×	○	○	○	○	○
电源线 (Power cord)	○	○	○	○	○	○
以太网网线 (Ethernet cable)	○	○	○	○	○	○
除印刷电路板外的其他电子组件 (Miscellaneous Components)	×	○	○	○	○	○

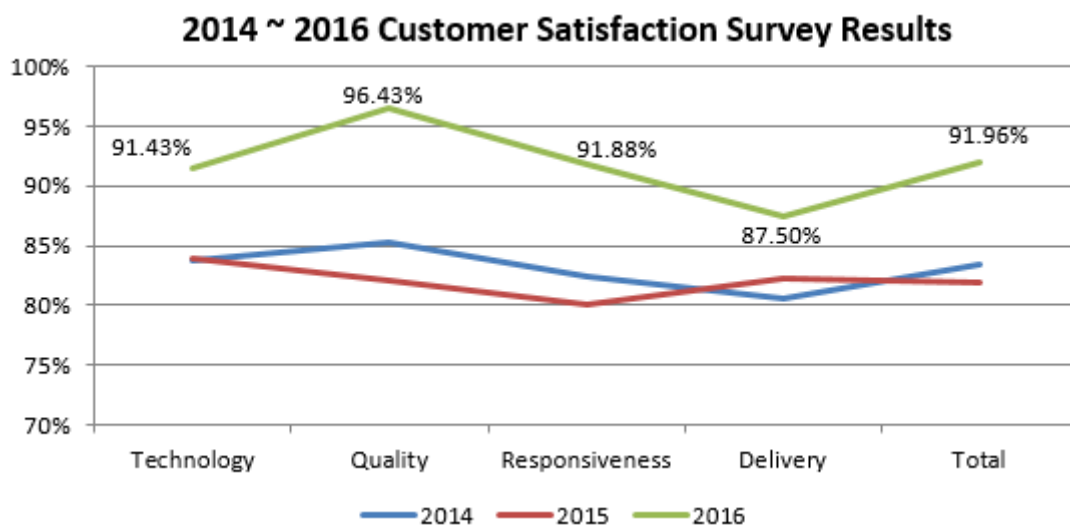
○: 表示该有毒有害物质在该部件所有均质材料中的含量均在 GB/T 26572-2011 规定的限量以下。  
 ×: 表示该有毒有害物质至少在该部件的某一均质材料中的含量超出 GB/T 26572-2011 规定的限量要求。

○: Indicates that said hazardous substance contained in all of the homogeneous materials for this part that is below the limit requirement of GB/T 26572-2011.  
 ×: Represents the hazardous substance contained in at least one of the homogeneous materials for this part of the limit is GB/T 26572-2011 provisions volume requirements.

Arcadyan implement regulations verification and labeling according to the needs of customers to meet the different certification standards of different countries, so that consumers can choose and purchase qualified and suitable products. In 2017, Arcadyan did not have any complaints or voluntary violations that did not follow the information signs of products and services.

**4. Customer Satisfaction**

Arcadyan always pays attention to commitment with customers, besides communicate with customers via email or telephone, Arcadyan continues to track customer satisfaction not only provide comprehensive product quality, also offer solutions to meet the highest standards of customers. Therefore, Arcadyan conducts customer satisfaction surveys every year, and the satisfaction survey results in the past three years are:



**X. Environmental Protection**

**1. Environmental Management Policy**

Arcadyan deeply recognizes the limited of earth's resources and the importance of sustainable development, and declares and integrates environmental safety and health implementation into Arcadyan management system. In our business activities, Arcadyan understand the interrelationships between processes, products and the environment, and the risks

of safety and health. To prevent accidents and establish emergency response systems, we are committed to environmental safety and health, and continue to improve and establish a safe and healthy environment to achieve the goal of sustainable development. Therefore, in order to effectively promote and manage, Arcadyan has formulated the safety, health and environmental policy as follows. Arcadyan will follow the highest standards to safely operate equipment and protect the environment, employees, customers and the community. Safety, health and environmental protection are an inseparable part of the development of Arcadyan, we will continue to do our best to meet the expectations and strengthen our business.

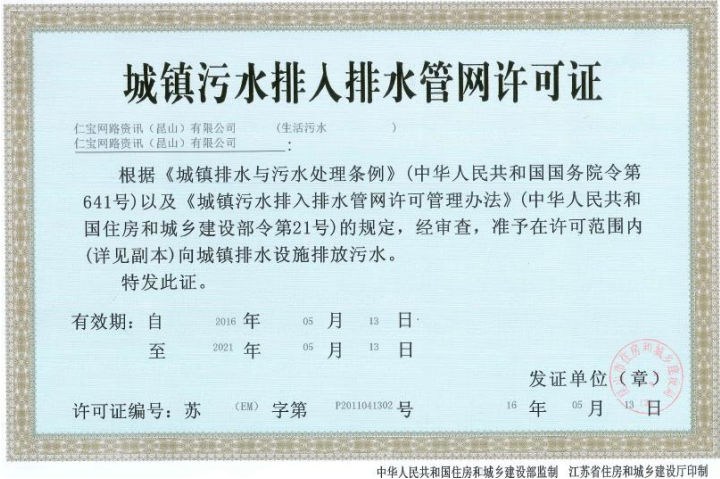
- a. Compliance with domestic environment, safety and health regulations, effective implementation of environment, safety and health management system.
- b. Full participation in Eco-design, pollution prevention to establish safety and health risk-free environment, and committed to continuous improvement of sustainability.
- c. Continue to promote resource recycling and industrial waste reduction, and reduce the impact of supply chain carbon emissions.
- d. To strengthen environment, safety and health training and education for employees and subcontractors
- e. To implement self-inspections to actively prevent occupation disease and avoid unsafe environment
- f. To have health control to maintain employees' health and to achieve zero accident.

## **2. The Amount of Water Discharged by Water Quality and Destination**

Water resources are the necessary resources for society and the most precious life elements on the planet. In response to climate change, Arcadyan implements comprehensive management to achieve water conservation goals in the use of water resources. In the wastewater discharge management, the treatment facilities are planned according to the type of wastewater, such as to separate grease from kitchen wastewater to reduce environmental impacts makes the wastewater discharge better than discharge standards. China CNC manufacturing center is an assembly type



manufacturing plant. The process discharges only domestic water, and no factory wastewater. The domestic wastewater is discharged into Kunshan town drainage facility, and has domestic wastewater drainage permit and third party qualified. In 2017, the total water consumption was 63,659 tons, with an average of 2.65 tons of water per person per month.



a. Arcadyan headquarters is R&D center, all the wastewater drainage is domestic water and without factory water. Therefore, most of the water conservation planning is based on infrastructure improvement, such as use water-saving equipment and other reduction measures. In 2017, the total water consumption was 17,962 tons, with an average of 2.72 tons of water per person per month.

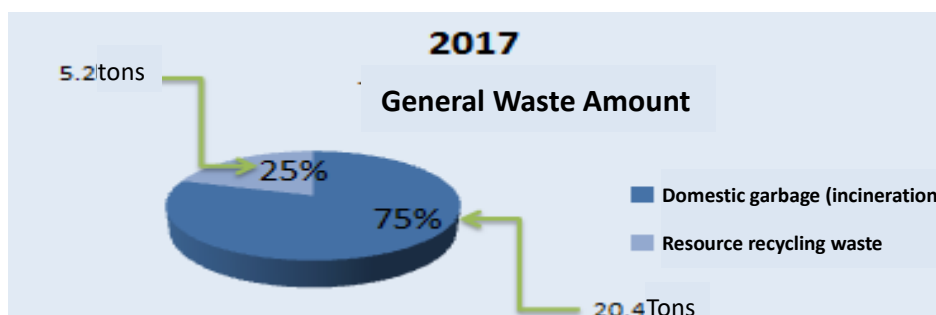
Category	Project	Estimated water saving (ton/year)
<b>Equipment</b>	Rainwater recovery system	200
	Planting automatic watering system	250
	Water saving stamp toilet	150
	Automatic inductive water saving faucet	50
	Automatic sensor urinal	150
<b>Behavior</b>	Adjust the amount of water from appliance	—
	Adjust the water consumption of planting according to the season	—
	Adjust the inverter motor pressure	—
	Kitchen wastewater grease separation and discharge	—
	Air conditioning condensate recovery and reuse	—
<b>Amount</b>		<b>800 (ton/year)</b>

### 3. Waste by Category and Disposal Method

a. China CNC Manufacturing Center (Kunshan):

Category		Recovered Amount	Disposal Method
Hazardous waste	PCB board edge	28,000 Kgs	Reuse
	Waste carton	205,383 Kgs	Recycle
Non- Hazardous waste	Plastic	19,559 Kgs	
	Waste foam	804 Kgs	
	Waste wood pallet	5,280 piece	
	Drinking bottle (aluminum)	13,700 piece	
	Drinking bottle (iron)	4,000 piece	
	Water bottle (plastic)	12,500 piece	

b. The waste generated by Arcadyan headquarters is mostly general waste, which are domestic waste and resource recycling waste. Concentrated garbage for incineration, sorting, waste reduction, recycling and reuse, etc. It also meets the requirements of the laws and regulations, and selects qualified waste removal and transportation vendor for proper handling via the legal agencies. Arcadyan also establishes independent audit management operations for wastes. In 2017, produced a total of 25.6 tons of general waste, of which 5.2 tons were recycled resources.



As of 2017, Arcadyan did not have any oil, fuel leakage, waste, chemical substances and other leakage affecting the soil or water. There are also no import and export of hazardous waste and any violation of environmental regulations.

### 4. Arcadyan Environmental Protection Projects and Activities

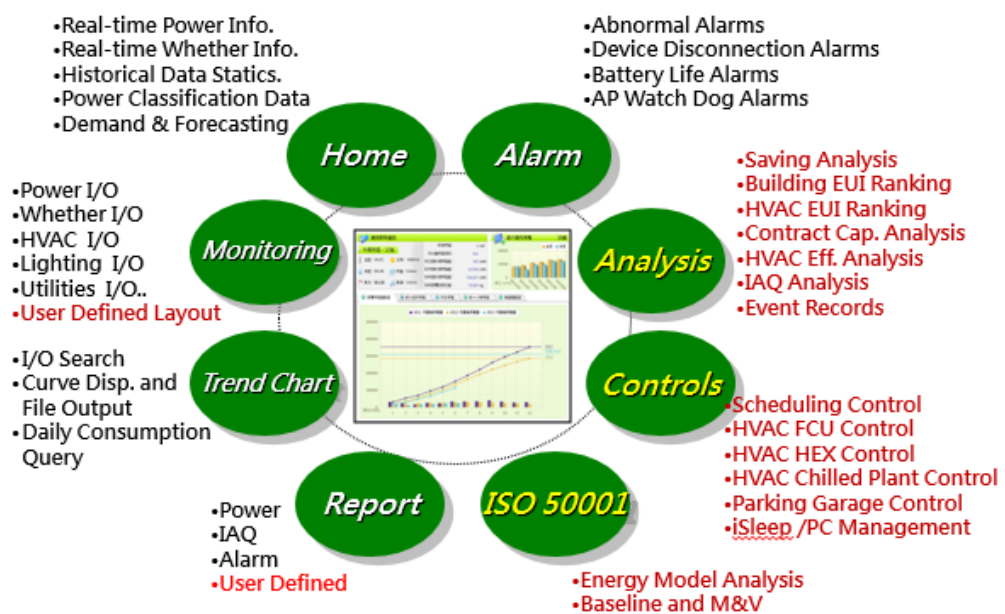
a. Arcadyan Headquarters:

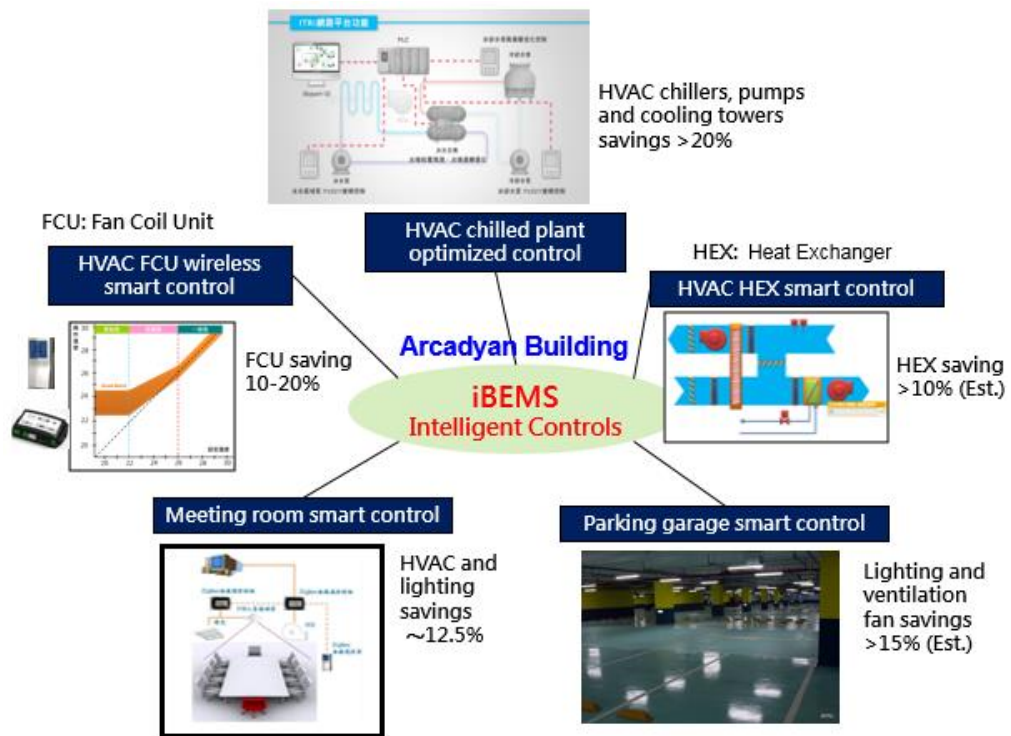
✚ [Landscaping] Arcadyan Headquarters Building is located in the important transportation hub and landmark of Hsinchu City. Arcadyan actively sponsor green landscape planting, landscape

design, art landscaping, and lighting around the expressway interchange to bring high-quality cityscape and environment to the local communities. In 2017, the total amount of green land sponsor project and maintenance expenses was NTD 4,571,000.



✚ [iBEMS System] Introduced “Intelligent Building Energy Management System (IEBEMS)” which developed by ITRI to establish a cloud-based energy management service platform, and connect the sensors and controllers through Zigbee wireless communication by IoT (Internet of Things) concept to reach construction energy management and intelligent energy conservation control. Take capacity analysis to find out the optimal settings, reduce the use of electricity bills, and establish a baseline of energy consumption, which can achieve rolling energy management through PDCA and optimize control through smart energy saving to reduce air conditioning, lighting, personal computers, etc. Since the introduction, the power saving rate reached 8.19% in 2017, and will continuously monitor the power saving status.





b. China CNC Manufacturing Center (Kunshan):

✚ [Factory environment sustainability management] Global environmental awareness has gradually risen. At the end of 2017, Kunshan Municipal Government of China issued a pollution control order. China CNC manufacturing center (Kunshan) was not listed on the first batch of shutdowns due to non-high pollution industries, but continues to abide by its excellent green production methods. The exhaust gas from the process mainly comes from the soldering process; and the exhaust gas is discharged from the exhaust pipe by the adsorption of the activated carbon filter. The air pollutants are monitored twice a year periodically, and maintenance department performs monthly inspection and maintenance on the exhaust equipment to ensure that the air pollution monitoring data meets the local government environmental protection requirements, and improve the operation mode of saving electricity, water saving and waste reduction. In response to global climate change, the energy saving and water saving are based on electricity and water consumption. The short-term goal is to reduce electricity and water consumption by 5% per year, and continuous management of energy use and efficiency improvement, it is expected to achieve the following objectives:

Environmental management		2017	2018 Goal	Remark
Resource efficiency	Packaging material recovery rate	99.50%	99.70%	
	Articles for daily use recycling rate	99.30%	99.50%	Review for the top 20 material suppliers
Carbon footprint and ozone depletion (CO <sub>2</sub> emissions compared to 2012 base year)		Reduce 12.4%	Reduce 20%	
Promote	Energy conservation and water use reduction.			

✚ **[Waste Disposal]** The waste in China CNC manufacturing center (Kunshan) is centralized and classified, and commissioned by professional and qualified environmental protection companies to recycling or incineration, then continuous tracking and control at every stage of the product life cycle. Harmful waste mainly from the detergent used in washing stencil and reflow ovens, the waste alcohol for cleaning, the waste liquid for cleaning fixture equipment, waste lamp and PCB board edge, etc. China CNC manufacturing center (Kunshan) outsource local qualified recycling processors for legal disposal. For general waste, continue to sort and recycle waste, reduce resource consumption, save energy and protect the environment.

Environmental Management	2017 Target	2017 Performance	Implementation Project
Waste recycling	99.50%	99.60%	1. Recycle the packaging materials, and reduce procurement costs 2. PET bottles are classified and recycled ° 3. Increased the number of waste collection area from 8 to 18, which enhances employees' willingness to recycle.
Drinking bottle recycling	99.30%	99.40%	
Material Supplier - Carton Recycling Rate	96.00%	96.10%	
Material Supplier - Plastic Frame Recovery Rate	96.00%	96.13%	

✚ **[Energy Saving]** Actively implement various energy resource management and tracking, and gradually achieve energy conservation goals.

Main Project	Improvement Program
Announcement	Mail the announcement and post energy-saving slogan
illumination	1. Replace energy-saving lamps such as LEDs 2. Installation time and sensing controller 3. Post a power saving reminder nearby the switch facility
Air conditioning electricity	Temperature setting is not lower than 26 °C in summer and not higher than 22 °C in winter
Frequency conversion system	Replace old equipment to change equipment with high efficiency
Elevator	Adopt smart automatic dispatching car, announce more walking stairs and take less elevator



**Power equipment / hydropower inspection / temperature and humidity control :**

- Electrical equipment inspection
- Gas supply equipment inspection
- Water supply facility inspection
- Air conditioning temperature regulation
- Workshop temperature and humidity monitoring
- Air conditioning equipment inspection

**Energy saving measures:**

- LED lamp renovation
- Air conditioning filter cleaning and replacement
- Water saving measures
- Transformation of energy-saving air compressor

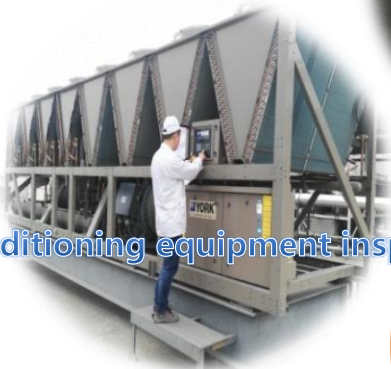
**Regular maintenance of public facilities/equipment:**

- Distribution Cabinet maintenance
- Air compressor maintenance
- Power capacitor cabinet inspection and maintenance
- DIP production line cable pipe cleaning

Electrical equipment inspection



Air conditioning equipment inspection

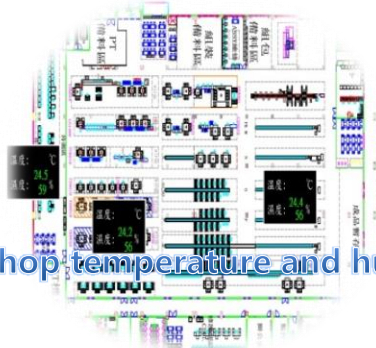


Gas supply equipment inspection



**Power equipment / hydropower inspection / temperature and humidity control**

Workshop temperature and humidity monitoring



Water supply facility inspection



✚ **[Greenhouse Gas Inventory]** Since 2012, Arcadyan has continued to conduct Greenhouse gas inventory at China CNC manufacturing center (Kunshan) every year. Arcadyan is more active in

energy management and has set up action plans to gradually achieve carbon reduction targets.

Scope 1 and Scope 2 Greenhouse Gas Emission Trends (2012~2017) as below table:

<b>China CNC manufacturing center (Kunshan) greenhouse gas inventory operation</b>	
<b>Scope1: Direct emission reduction - CNC</b>	<b>Scope2: Indirect emission reduction - CNC</b>
Diesel combustion / generator	
Gasoline combustion / commercial vehicle	
Diesel combustion / truck	
CH <sub>4</sub> / Dormitory septic tank staff	Energy indirect greenhouse gas emissions:
CH <sub>4</sub> / Septic Plant employees	China purchases electricity
Filled with CO <sub>2</sub> / CO <sub>2</sub> fire extinguisher	
Refrigerant (exempt)	

c. Common project

✚ [CSR Committee] China CNC manufacturing center (Kunshan) established "CNC CSR Committee" in 2012. In 2014, Arcadyan headquarters also established CSR Committee that was led by Arcadyan's vice president level or above to set the strategy goals and supervise the promotion effectiveness. CSR committee is Arcadyan's dedicated organization to promote energy conservation and environmental protection, and must report to the senior executives and clients regularly. []

✚ [Water Resources] Human behavior affects global warming and water resources. Although Arcadyan and China CNC manufacturing center (Kunshan) water use is only used for general domestic water, no process water, we still fully implement water resources management and gradually use water conservation to expect to achieve the goal of saving water.

Arcadyan has been continuously quantitatively analyzing the use of water since 2012. For the control of domestic sewage, the sewage generated by Arcadyan Taiwan headquarters flows into the sewage management system set up by government; the sewage discharged from China CNC manufacturing center (Kunshan) discharged sewage is directly discharged to the sewer management system without directly affecting water quality and land, and keep regularly monitor. Due to Arcadyan is not a large water-consuming industry, most of them are employees' daily water use. Therefore, when planning water resources reduction, it will focus on infrastructure maintenance improvement and employee living habits.

## Equipment improve for water saving

The toilet urinal is equipped with a time controller to control the flow time

Water-saving faucet and water-saving device

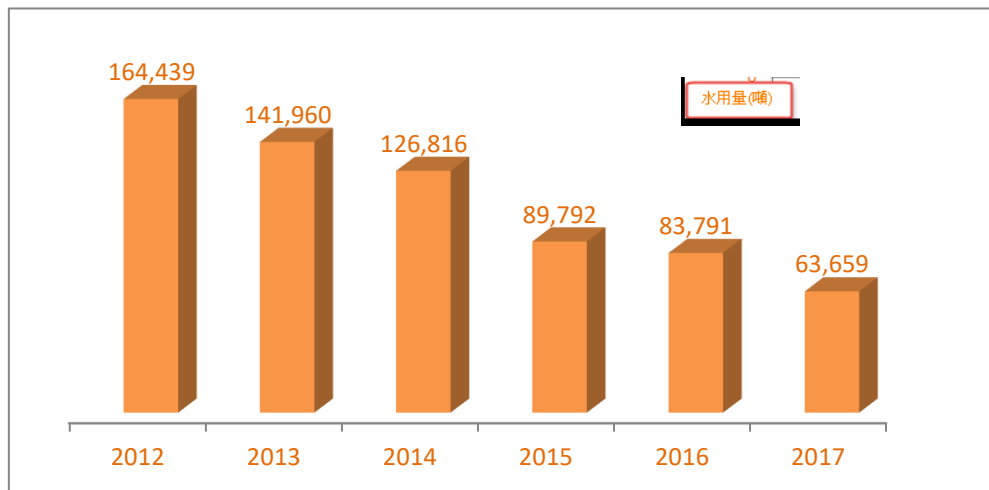
Promote the concept of water conservation for employee

Adjust the size of sink water flow

Adjust the air conditioning cooling tower to avoid overflow and waste

Regular inspection of toilets and daily cleaning and repair

## 2012-2017 Water Consumption



- Actual total water consumption in 2015 decreased by 45.4% compared with 2012
- 2016 water consumption decreased by 49% compared with 2012 and decreased by 5.8% compared with 2015
  - 2017 is 61% less water use than in 2012, 24% less than 2016

✚ [Waste Management] In order to eliminate pollution incidents and create a clean and comfortable environment, Arcadyan start from the source management, properly manage and dispose of wastes, and achieve the goal of reducing waste, and bear enterprise society responsibility in the waste management. Arcadyan proposed the source reduction plan: Arcadyan Taiwan headquarters and China CNC manufacturing center (Kunshan) staff restaurant prohibit using disposable tableware, developing online sign-off system to reduce paper use, develop automation to improve yield rate to reduce the risk of artificial waste, etc.

✚ [Greenhouse Gas Management] The climate change caused by global warming has become more and more frequent in recent years. It has become one of the most urgent issues in the world. Arcadyan understands its environmental performance and green



strength, and hopes to continue to improve and create sustainable value for the company.

Arcadyan spontaneously conducts carbon inventory surveys to assess the effectiveness of greenhouse gas management. China CNC manufacturing center (Kunshan) has been leading the industry in conducting organic (Scope 1 and Category 2) greenhouse gas inventory since 2012. Take 2012 data as baseline to reduce energy use and improve energy efficiency. Cooperate with Compal parent company and customers' expectations; the total emission reduction in 2013-2017 has reached 45%. Arcadyan has set a medium-range target of 2030 for greenhouse gas management to reduce the emissions in supply chain by 29%. Arcadyan expects to add renewable energy measures to achieve the long-term goal of greenhouse gas emissions set by the Science based target (SBT) in 2050, and to prevent the earth from heating up to +2 °C.

**Committed to implementing carbon reduction results: Take 2012 as baseline, and from 2013 to 2017, the energy saving 15%, carbon emission reduction 30%**

2012 Baseline	2013~2017 performance of measures taken	2013-2017 total emission reduction
Power consumption	Compared with the original equipment power saving rate 15.9%; Total electricity saving 3,461,021(kwh)/year	42.60%
Carbon emission	Carbon emission: 2717 tons	

## 5. The Negative Impact of Supply Chain on Environment and the Actions Taken

In order to build a green supply chain, Arcadyan strictly requires suppliers to follow “Control Standards for Arcadyan Environment Hazardous Chemical Substances” formulated by Arcadyan, and must submit third party test report if necessary. Implement fundamental source management for supplier processes, green product design and hazardous substances, and list green management principles in the supplier management mechanism to ensure that the products designed and manufactured can meet the requirements of the prohibited substances and related international regulations to achieve the goal of green supply chain.

Follow customer's “BFSF- Better Future Supplier Forum Sustainability” project requirements to continue to improve ten facets including “Eco design”, “End to end delivery”, “Circular economy lifecycle”, “Resource efficiency”, “Environmental management”, “Carbon footprint & ozone

depletion”, “Corporate Social Responsibility”, “Stakeholder engagement”, “Supply chain management”, and “Organizational engagement & capabilities”, and won the "Better Future Supplier Forum Sustainability Performance" silver medal for BT customers.



The current green project implemented by Arcadyan includes the following contents:

a. Eco design

The product green design thinking is based on "Product Life Cycle". Arcadyan apply for "Industrial Sustainable Development of the Ministry of Economic Affairs and the Program for International Environmental Standards" project in 2016, and entrusted "Foundation of Taiwan


Industry Service" for ISO 14006 eco-management system construction and coaching. Considering the environmental impacts of raw material procurement, manufacturing, transportation and distribution, consumer use and disposal, etc., at the beginning of product design, besides to focus on customer needs, functionality, energy saving and low-carbon design, it is necessary to comply with countries regulations, such as Eco-Design Requirements for Energy-related Products. Arcadyan believes that the main directions for product design conform to green concept including "material selection for low toxicity", "energy saving design" and "easy to disassemble and recycle less packaging". At the same time, cooperate with international trends, stakeholder and customer needs, and Arcadyan performed environmentally friendly design to achieve the best ecological benefits (Eco-effectiveness).

Arcadyan performed LCA (Life Cycle Assessment) and SimaPro training in 2016 to implement the carbon inventory and ISO 14006 system schedule, and implemented an internal audit in October 2017, and plan with a third-party audit in the first quarter of 2018. China CNC manufacturing center (Kunshan) implemented product life cycle data collection training in February 2017 and completed internal audits.

Arcadyan follows ISO14006 for green products design, and take British Telecom HH6 as project to conduct environmental impact quantification and declaration. Arcadyan defines the purpose and scope of the project, life cycle inventory analysis, life cycle impact assessment and life cycle interpretation based on ISO 14040:2006 (Life Cycle Assessment Principles and Architecture) and ISO 14044:2006 (Life Cycle Assessment Requirements and Guidelines) standards. Besides to complete understand the implementation of product environmental impact assessment, the environmental information disclosure report can be used as a necessary reference for external verification.

 Project execution content

Module selection	PCB design	SW control	Mechanical and packaging design
Choose the components from sustainable suppliers	Reduce size and thickness °	Monitor system workloads, detect consumer use behavior and switch power circuits into sleep mode to conserve power.	Wireless Shielding coverage standardization, reaching the sharing rate °
<ul style="list-style-type: none"> <li>- Design products according to the energy-saving requirements of customer's product specifications to comply with energy-saving regulations, such as Power Consumption Reduction</li> <li>- Select the power adapter to comply with CoC standard and WEEE Directive for Electrical and Electronic Equipment, 2012/19/EU and EU RoHS Directive 2011/65 / EU.</li> </ul>	Improve PCB utilization, avoid waste materials, and improve PCBs into miniaturized designs.	Set ECO mode to control LED supply current and reduce waste.	<ul style="list-style-type: none"> <li>* Radiator, using common design and recycled materials.</li> <li>* For the plastic parts over 25g, the material composition is marked to facilitate the recycling and improve the recycling efficiency.</li> </ul>
Select the chipset with power-saving control functions, such as CPU, MAC controller, etc.	PCB board edge recycling	Automatic control of working rate to achieve energy savings	<p><b>Reduce screws:</b> to reduce screw design when consider the structural strength to avoid the difficulty of recycling the material at the end of the product.</p> <p><b>Reduce the post-processing design:</b> reduce the design of painting or electroplating parts, try to use the one-time shot of the mold biting to maximize the product-recycling ratio.</p> <p><b>Reduce printing design:</b> to design with mold lettering instead of printing to increase product-recycling ratio.</p> <p><b>Reduce the label design:</b> to use plastic parts hot-melt or snap-fit structure, avoid the difficulty of recycling and remove glue, and increase the product-recycling ratio.</p> <p><b>Secondary Recycling Materials:</b> consider material properties, adding secondary reclaimed materials to some of the mechanical components and packaging structures to reduce the dependence on new materials.</p>
Choose efficient part controllers to reduce material and part count.		Control power consumption with timing	<p><b>Reduce packaging materials:</b> Enhance the volume ratio of packaging material to reduce packaging materials.</p> <p><b>Automation equipment:</b> In 2017, CNC applied the automation equipment to materials pickup, sealing, labeling and cosmetic inspection station, to reduce the extra energy resources and workmanship issue.</p> <p><b>Packing mark:</b> Recyclable mark is marked on the packaging material to remind consumers to recycle when discarded.</p>

 Project execution effectiveness

Item	Design content	Reduce carbon emissions (Estimated by the amount of customer forecast)
HW	Reduce power consumption	14,917,417.43Kg CO <sub>2</sub>
Package Design	Reduce packaging materials	25537.54 Kg CO <sub>2</sub>
	Reduced packaging materials weight to reduce carbon emissions during transportation and increasing loading rate	17337.11Kg CO <sub>2</sub>
<b>Total</b>		<b>14,960,292.08Kg CO<sub>2</sub></b>

Note: Arcadyan adopt Eco invent database to analyze LCI datasets in SimaPro. Eco invent LCI data can be applied to life cycle assessment, life cycle management, carbon footprint assessment, water footprint assessment, environmental performance monitoring, product design, green design (Design for Environment, DfE) and Environmental Product Declaration (EPD).

b. End to end delivery

End-to-end delivery requires an understanding of the impact of sustainable development on the end customer, and the cost and carbon reduction in the supply chain, and is a measure of sustainable development. In the logistics management and distribution, Arcadyan chose Maersk Line to carry goods in EU countries. Maersk has the best "low-sulfur offshore oil and energy-saving equipment", directly unloading in UK, not through the Netherlands to reduce tariffs, improve energy efficiency, and reduce carbon emissions from road transport.

Implementation project and improvement plan
Use low sulfur fuel containers to reduce environmental pollution.
Take rail transport instead of trucking for road transport to increase transport efficiency and reduce engine idle speed (choose low-emission transport)
Replace old equipment (treatment equipment has a sulfur content below 10ppm)
Supply Chain - Logistics and transportation impact on the environment
Minimize packaging/recycling (product and shipping packaging)
Optimized packaging at sale
Service optimization for consumers

c. Circular economy lifecycle

With the rapid development of human technology, the life cycle of consumer electronics is becoming shorter and shorter, and the increasing waste electronic products are gradually becoming the impact of the environment. In order to reduce the threat to earth's resources, reduce the spread of harmful substances to the environment, and reduce the pressure on electronic waste recycling, it is an important topic in the design and development of future

electronic products to how to assist the back-end pollution prevention and practicing the circular economy. Arcadyan is committed to reducing its life cycle products from the cradle to the grave and harming the environment, and focusing on improving energy efficiency, reducing waste of natural resources, reducing emissions of wastewater, waste gas and waste, and making the environment sustainable.

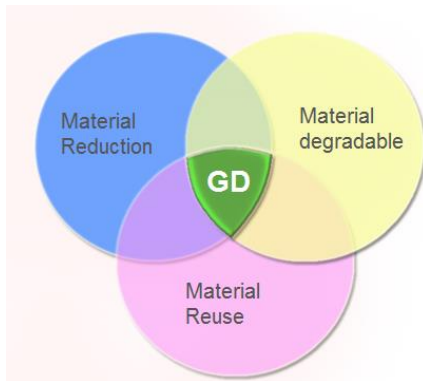
ISO 14006 is the result and practice of product environmental impact assessment, and it is one of the important management tools for Arcadyan's internal product development strategy; and can transparently expose product environmental information to customers. In addition, Arcadyan take this result as the basis for setting the medium and long-term goals in the future, and effectively achieve the business profit and ecological environmental protection by improving environmental / economic performance and continuous monitoring.

Arcadyan take LCA and SimaPro tools to develop strategies with goals and key performance indicators, considering cooperate with suppliers for sustainable design and integration with a circular economy. Recycling economy life cycle is promoting eco-design with practical and innovative ideas, material integration based on existing contracts, reducing waste, and its sustainability management is:

Product design strategy and plan	Recycling and reuse planning
The product development process includes sustainability requirements and assessing economic value	Internal operations - reuse of products, module, components and raw materials
Identify and use sustainable materials for product development	Cooperate with supply chains to reuse products, components and raw materials
Replace materials that are dangerous or not suitable for existing products	Cooperate with customers to collect and reuse products at the end of the product lifecycle
Material reduction, simplification, easy disassembly, recycling, and zero waste	Save carbon emissions and waste of resources, use carbon analysis product design tools for life cycle analysis
Product energy / resource consumption	
Product packaging minimization / recycling considerations	
Set key performance indicators, goals and performance	
Use key tools and technologies in the product design process to deliver sustainable product design °	
Product design and development optimization, such as sustainability throughout the product lifecycle – including purchasing, manufacturing, packaging and scrapping.	

d. Resource efficiency

Arcadyan introduces greenhouse gas emission reduction policies and plans: Design products that comply with CE regulations and WEEE (Waste Electrical and Electronic Equipment Directive) and energy-saving design; replace harmful or unsuitable materials in existing products, and use sustainable materials; use non-hazardous materials that can be recycled, reused, reduced, and biodegradable materials to reduce direct and indirect emissions of carbon footprint.



Design	Manufacture management
Material reduction, simplification, easy disassembly, recycling, zero waste	Maximize the use of recycled materials
Products reduce energy/resource consumption and reuse	Raw material reduction
Minimize product packaging and recycle	Reusing materials
	Reduce re-work
	Minimize waste and manufacturing by-products
	Energy and water efficiency
	Set KPI goals and performance

e. Environmental management

In order to master the operational challenges that may be encountered by climate change, Arcadyan gradually establishes, manages and implements environmental management systems, including obtaining ISO 14001, ISO 14006 environment certifications, effectively tracking and controlling various environmental performances, and formulating environmental safety and health management policy to implement the program.

f. Carbon footprint and ozone depletion

✚ Threats and opportunities for climate change risks

Problems such as sea level rise, desertification, extreme weather, water resources problems, food security, and ecological imbalances caused by global warming and climate change threaten the global environment. Arcadyan follows climate change and EU, Lisbon Treaty, Copenhagen and other countries agreements, such as the Kyoto Protocol, UNFCCC, Paris Agreement, and UN Treaty Collection, etc. regulatory related to product energy requirements. Also ensures to minimize the operational risks associated with various climatic conditions, and conducts risk assessments and



turns risk threats into opportunities.

Risk	Risk and impact	Adjustment and opportunity
Short term	Climate change may lead to changes in rainfall patterns, resulting in heavy rains, droughts, and increased typhoon frequency, resulting in road traffic blocked, increased air conditioning equipment load, affecting employees' health and attendance problems, or flooding leading to damage to plants and machinery.	Pay attention to natural disasters and implement emergency plan to reduce the risk of natural disasters. The health care department provides good health consultation for employees.
Long term	Problems such as sea level rise, desertification, extreme weather, water resources problems, food security, and ecological imbalances caused by global warming. Climate change may threaten air degradation, water quality changes and employee health impacts.	<ul style="list-style-type: none"> <li>- Set water consumption plans to effectively monitor and utilize water resources, reduce water risks, and reduce water bills.</li> <li>- Strengthen the publicity and drills of climate change common sense, strengthen disease control and employee education training, and conduct emergency medical resource preparation and epidemic prevention exercises to increase employees' awareness of health and safety.</li> </ul>
Policy and law	The environmental regulations of each country are becoming more and more stringent. The risk of fines caused by more environmental requirements may cause suppliers to shut down and reduce production due to environmental problems, resulting in unstable delivery and affecting Arcadyan's production line efficiency.	<ul style="list-style-type: none"> <li>- The strict regulatory requirements help identify good green suppliers and structure a complete green supply chain.</li> <li>- Proactively review Arcadyan's internal environmental weaknesses, improve personnel's behavior and equipment, and enhance Arcadyan's green production competitiveness.</li> </ul>
Skill	Faced with the increasingly strict innovation of technology and various directives and standards, it may affect new materials reliability and customer's requirement.	Handling customer needs and international / market standards and specifications, early response, and develop green product development and production capacity to enhance Arcadyan's competitiveness.
Market	Consumers will choose more environmentally friendly, energy-efficient, and non-toxic products.	Developed the mass production capacity of Eco design products, and continued to develop new energy-saving products to create green product opportunities.
Goodwill	If do not respond to various environmental requirements early, may result in lost customer orders.	Actively participate in internal and external initiatives, understand international trends, and conduct educational training or external counseling and verification mechanisms to construct a complete assessment and response strategy for climate change risks.

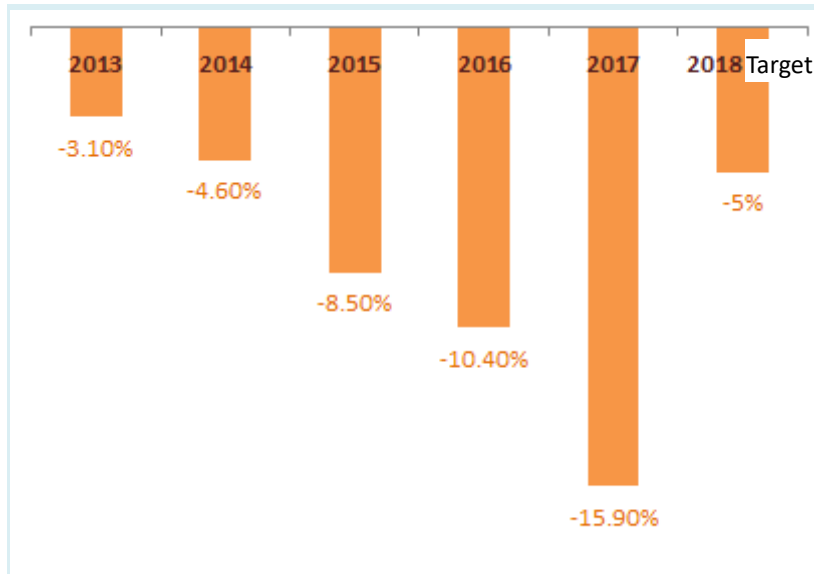
#### Energy-saving production

Reducing energy use and reducing the burden on the environment must start with energy conservation. Create new energy-saving methods, including selecting energy-saving frequency conversion products, providing employees with promotion on energy saving, and actively introducing external consultant. China CNC manufacturing center (Kunshan) implement equipment improvement planning, daily energy saving behavior measures, and



estimated energy savings. The performance and promotion guidelines for 2017 energy-saving project are as follows:

**Annual carbon reduction downward trend chart compare with 2012 (base year)**



Note: For the calculation of carbon reduction, the electricity emission factors of each country are 0.529 kgCO<sub>2</sub>e/kwh in Taiwan, the factory power factor in Kunshan, China is 0.785 kgCO<sub>2</sub>e/kwh.

2015-2017 Energy Saving Renovation Program	
Implementation project	Improvement Program
A8 PT manual production line	Added 10 automated assembly lines
Upgrade old air conditioning	Replace the original 2F, 3F high-energy mainframe with a new low-energy module
Lighting renovation	Replace 28W lamp tube with 12WLED energy-saving lamp
Upgrade air compressor	Replace the high-energy-consuming air compressor*5 to compression frequency conversion energy-saving units*2
Upgrade humidifier	Replace high-energy energy electrode humidifier to low-energy energy-saving humidifier

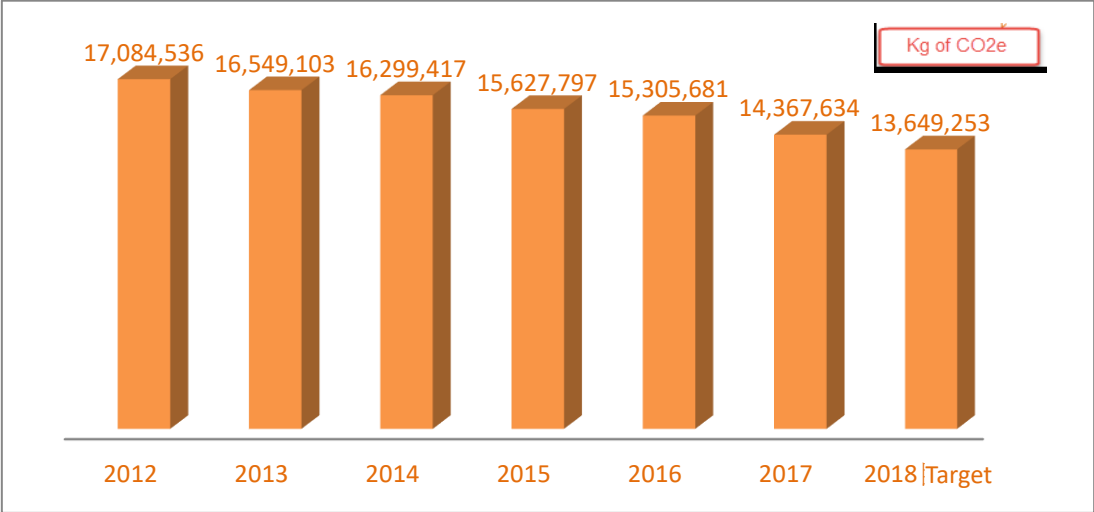
**Energy management**

Energy use is tracked by China CNC manufacturing center (Kunshan) for monthly KPI management to review the achieve status and then propose improvement measures and plans. The total energy consumption for 2017 was 18,302,719 KWH. The main carbon emission source of China CNC manufacturing center (Kunshan) is purchased electricity, and generate such as CO<sub>2</sub>, CH<sub>4</sub> and N<sub>2</sub>O greenhouse gases. The greenhouse gas emissions are mostly CO<sub>2</sub>. The factory department actively promote energy-saving projects and continue to carry out various energy-saving projects for resource management tracking, and setting effective management objectives / measures to reduce greenhouse gas emissions.

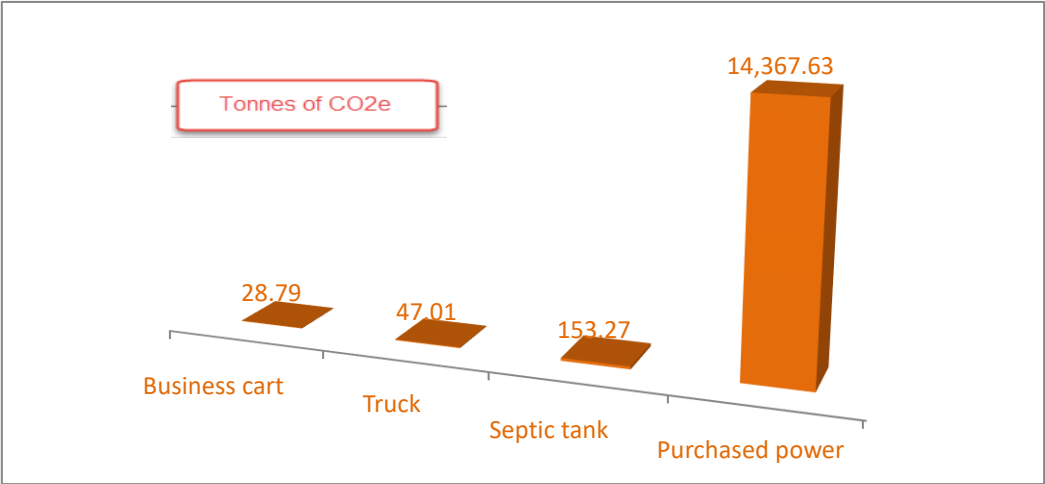
- Electricity consumption in 2015 decreased by 8.5% compared with 2012

- Electricity consumption in 2016 decreased by 10.4% compared with 2012, and decreased by 2.1% compared with 2015
- Electricity consumption in 2017 decreased by 6.1% compared with 2016, and decreased by 15.9% compared with 2012

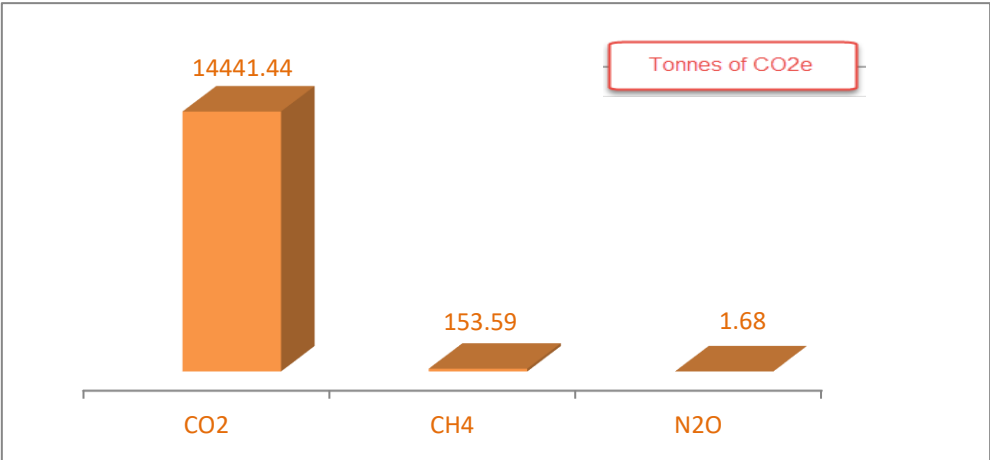
• **Energy-saving emission in 2012-2017 and target KPI for 2018**



• **Comparison of carbon dioxide emissions at each stage**



• **Greenhouse gas emission comparison chart**



## XI. Arcadyan’s Employees

### 1. Agreement

Through a diversified and smooth negotiation mechanism, Arcadyan creates a positive employment relationship to adopt employee's suggestions and actively treatment. Besides complying with the regulations and various policies, Arcadyan also considers employees' rights and interests. Arcadyan employees can maintain good labor relations through multiple channels negotiation mechanism as below:

Labor conference	Provide opinions and communication channels between labor and management
BBS electronic bulletin board	As a platform for internal announcements, employees can also express their opinions through internal BBS
HR mailbox	Provide external contacts and employee questions and comments

### 2. Corporate Governance and Employee Diversity

Arcadyan has a dedicated staff responsible for corporate governance related matters, including providing directors and independent directors with the information required to conduct business, handling matters related to the board of directors and shareholders’ meetings, handling company registration, and producing board and shareholder meetings. Arcadyan regularly or irregularly collects company information to disclose in public information observatory and Arcadyan website ([www.arcadyan.com](http://www.arcadyan.com)). Arcadyan Chinese and English websites also have an investor relations zone, which fully exposes the financial business and corporate governance related information for shareholders and the public.

Expose project	Expose content
<b>Employee rights</b>	In addition to setting up employee welfare committees, planning employee insurance, arranging regular health examination, and implementing pension system, Arcadyan also provides multi-disciplinary approach, attach importance to the relationship between labor and management, and create equal employment opportunities.
<b>Employee care</b>	Through the stability of the employee's living welfare system, good education and training system, Arcadyan establish good and trust relationship with employees. Such as: subsidizing employee association activities, providing entertainment activities, provide staff quarters, accommodation staff's life care, etc.
<b>Employee code of conduct or the code of ethics</b>	In order to implement Arcadyan integrity management concept, make all Arcadyan employees follow the rules, comply with legal and ethical principles, maintain the assets, rights and image of Arcadyan and stakeholders, and set the business ethics policy as follows:

	<ul style="list-style-type: none"> <li>- Compliance with government relevant laws and regulations</li> <li>- Protect the rights of employees, customers, shareholders, suppliers, communities and the environment</li> <li>- Adhere to business ethics, fair trade, clean management, open information, emphasis on intellectual property and protection of personal safety and trade secrets</li> </ul>
<b>Investor relations</b>	Arcadyan has a dedicated investor relations department as a communication bridge between Arcadyan and its investors. In addition to regular and irregular meetings, Arcadyan also set up an investor area on Arcadyan website to enable investors fully understand the business results and long-term business strategy of Arcadyan.
<b>Supplier relationship</b>	Arcadyan signed a contract with suppliers to protect the rights and interests of both parties and maintain good relations.
<b>Stakeholder rights</b>	Interested parties communicate and make suggestions with Arcadyan to maintain legal rights and interests.

### 3. Information about Arcadyan's Employees

Arcadyan Taiwan headquarters and China CNC manufacturing center (Kunshan) decide whether to hire or not the employees according to personal traits, ability and position, there are no different treatments depending on race, national or social origin, social class, descent, religion, physical disability, gender, sexual orientation, family responsibilities, marital status, political opinion, age or other discrimination.

Arcadyan Taiwan headquarters and China CNC manufacturing center (Kunshan) protects employees from any retaliation or threat during working or as a solvency work. Employees have the right to freely choose to leave, and can leave the company after completing all the separation procedures which following local laws and regulations. Any threat, abuse, exploitation or compulsive behavior in the workplace, employees can report anonymously through the complaint mailbox. If any sexually harassed, including posture, language, and physical contact, Arcadyan set up a sexual harassment complaint mailbox and a dedicated line on the internal website for employees to appeal and ensure proper handling of all appeals.

### 4. New and Leaved Employees

Arcadyan is the first professional and intelligent network terminal equipment company in China to integrate broadband, multimedia, wireless and internet communication protocols. The excellent research and development capability is the key factor for Arcadyan to maintain its

competitive advantage. To ensure that Arcadyan maintains a competitive advantage in the rapid changes environment for technology and specifications, Arcadyan will formulate a business policy and development strategy for the coming year at the end of each year, and formulate an annual employment plan based on its strategy. HR department publicly publishes job information through the recruitment platform for recruiting. The recruitment process follows local government regulations and select the suitable employee by a fair and equitable way. By the end of 2017, the total number of Arcadyan Taiwan headquarter employees, Taipei Office and overseas employees was 581 employees. Arcadyan's R&D employees is more than 50% of total employees, and employees' male-female ratio is 70.22% for men and 29.78% for women; Management positions accounted for 77.42% of men and 22.58% of women. The main reason for the proportion disparity is due to job type and departmental background factors, and is not due to gender influence on employment or promotion opportunities. As long as they are due to job type and departmental background factors, the proportion difference is not due to gender influence on employment or promotion opportunities. The total number of China CNC manufacturing center (Kunshan) is 1,976 employees, and the appointment ratio is 57.87% for men and 42.13% for women.

Overall number of employees (ARC)

Male	Female	Total
408	173	581
70.22%	29.78%	100.00%

Overall number of employees(CNC)

Male	Female	Total
1143	832	1975
57.87%	42.13%	100.00%

The number of male and female by job type (ARC)

Age	Under 30 years old		31~50 years old		Over 51 years old		Total
	Male	Female	Male	Female	Male	Female	
Management			46	18	25	3	92
			7.92%	3.10%	4.30%	0.52%	15.83%
RD	72	10	182	32	13	2	311
	12.39%	1.72%	31.33%	5.51%	2.24%	0.34%	53.53%
Non-RD	7	14	51	88	12	6	178
	1.20%	2.41%	8.78%	15.15%	2.07%	1.03%	30.64%
Total	79	24	279	138	50	11	581
	13.60%	4.13%	48.02%	23.75%	8.61%	1.89%	100.00%

Newcomers / Gender and Age (ARC)

	Male	Female	Total
Under 30 years old	28	9	37
	35.00%	11.25%	46.25%
31~50 years old	31	11	42
	38.75%	13.75%	52.50%
Over 51 years old	1	0	1
	1.25%	0.00%	1.25%
Total	60	20	80
	75.00%	25.00%	100.00%

Leave staff / gender and age (ARC)

	Male	Female	Total
Under 30 years old	11	2	13
	26.83%	4.88%	31.71%
31~50 years old	18	8	26
	43.90%	19.51%	63.41%
Over 51 years old	2	0	2
	4.88%	0.00%	4.88%
Total	31	10	41
	75.61%	24.39%	100.00%

## **XII. Happy Workplace**

### **1. Basic Salary for Personnel to Local Minimum Wage**

Arcadyan establishes reasonable salary compensation and related management systems to ensure that Arcadyan's salary remuneration complies with relevant regulations and maintains market standards. In 2016, Arcadyan received the top 50 companies in the average salary and benefits of employees from the stock exchange. Besides fixed monthly salary, Arcadyan also set various bonuses, such as year-end bonuses, patent bonuses, project bonuses, etc., and annual salary adjustment plan based on company operation profit and individual employee performance. The salary of all grassroots personnel in China CNC manufacturing center (Kunshan) is higher than the minimum wage required by local regulations.

Arcadyan strictly prohibits forced labor, protects employees' personal freedom and respects employees' freedom of rights, including freedom of employment, freedom of separation, freedom of overtime and freedom of movement. It is forbidden to use any form of forced labor, including contract labor and bonded labor, and to protect employees from any work under reprisals or threats, or as a solvent job; employees have the right to freely choose to leave after completing the resignation procedures in accordance with the requirements of law.

### **2. Employee Benefits**

Arcadyan employs employees based on their personal traits, abilities and positions, and will not be different treatment because of race, ethnicity, social origin / class, descent, religion, gender, sexual orientation, marital status, political orientation, age or physical disability. Besides to hiring disabled people, Arcadyan also cooperate with government agencies to provide employment opportunities for visually impaired masseurs to meet the total number of employees in company is 67 or more, the number of employee with physical and mental disabilities is required to be no less than one percent of the total number of employees. (Current employment with physical and mental disabilities, employees: three moderate physical and mental disorder; visually impaired

masseur: One severe physical and mental disorder and one moderate physical and mental disorder).

For Arcadyan employee welfare measures, besides to compliance with the labor law and government regulations, and establish the employee welfare committee, not only for employees' marriage, funeral, sickness and childcare allowance, but also regularly handle various clubs and tourism activities, birthday celebrations, evening parties, etc., to relax employees and interact with employees. All the above welfare measures have been well feedback by employees since their implementation.

Arcadyan established "Employee Welfare Committee" to provide welfare benefits according to law, regularly hold welfare committee meetings and handle employee welfare activities to support the diversified development of community activities. The welfare plan includes birthday vouchers, annual vouchers, and employee health promotion and leisure activities, family day, domestic and foreign tourism, marriage and funeral subsidies, employee and family hospitalizations, end-of-life evening lottery, health check, etc. In addition to insuring labor insurance for employees, welfare committee also plans to provide employee group insurance (including life insurance, accident insurance, cancer insurance, medical insurance) to provide perfect personal protection.

Arcadyan Club Activities	
<b>Ball sports</b>	Billiard club, badminton club, basketball club, softball club
<b>Fitness class</b>	Yoga club, dance club, qigong club
<b>Art and literature</b>	Painting club, hand football club, patchwork club, movements club, and board games

Arcadyan also provides the following welfare measures:

- a. Take special leave (better than Labor law) from the date of employment, and give 5 days sick leave with paid each year.
- b. Set up staff restaurant and coffee bar to take care employees' dietary needs.
- c. Provide free parking spaces for employee.
- d. Set up a dedicated space for female employees to breast-feeding.
- e. Set up comfortable activity center and equipment for employees to relax and exercise.

- f. Create a comfortable public space as rest environment for employees to relax during breaks.
- g. Cooperate with public welfare groups to hold regular massage activities.
- h. Book various coupons
- i. Hosting a year-end party with employees and family members.
- j. Organize domestic and foreign tourism activities, and provide tourism subsidies to encourage employees to participate.
- k. Giving company uniforms (summer: Polo shirt, winter: coat).
- l. In order to support government's encouragement of childbirth and respond Compal group's policy, Arcadyan issue a bonus to the employee fertility. So far, it has issued the donation more than NT 12 million.

### **3. Minimum Notice Period for Operational Changes**

Arcadyan maintains a smooth communication channel and harmonious labor relations. To reviews the process of resignation, retirement and organizational change through the labor conference and promises to inform employees at least four weeks before major changes in operations.

### **4. Welfare Program and other Retirement Plans**

Arcadyan handles retirement matters in accordance with relevant laws and regulations and Arcadyan set up a special account of the Pension Supervisory Committee to ensure that the old pension is fully paid. Employees who were on board since July 1, 2005 are all retired under the "Labor Pensions Ordinance". Prior to June 30, 2005 (inclusive), the incumbent had chosen to follow the new or old retirement system.

### **5. Parental Leave**

Employees that regardless of gender, who are compliance with Gender equality law, can apply for baby stay and leave without pay and reinstatement after the expiration. During the period from 2016 to 2017, the reinstatement rate of Arcadyan employees that applying for baby staying was 100%.



Since 2011, in response to government and the Compal's encouragement of birth policy, employees have child allowance of NT 66,000 per child. By 2017, Arcadyan has welcomed nearly 200 newborn babies, and issued a total of more than NT 12 million in birth bonus.

Gender	Number of qualification for parental leave	Number of applicants for parental leave	Application rate	Reinstatement	Reinstatement rate
<b>Taiwan Arcadyan headquarter</b>					
Female	7	0	0	0	0.00%
Male	16	1	6.25%	0	0.00%
<b>Total</b>	23	1	4.35%	0	0.00%
<b>China CNC manufacturing center (Kunshan)</b>					
	20	20	100%	10	50%

## 6. Employee Education Training and Promotion of Employee Professional Ability Program

Arcadyan focus on employee development and talent cultivation. Arcadyan actively encourages employees to participate in various training courses and self-learning. In addition to setting the annual training budget, Arcadyan also cooperate with train institutions to handles professional courses according to company's operational strategy, functional structure and training needs. The annual course focus on technology and knowledge, and innovative thinking to help the team to keep technology ahead.

Course category	Course content
<b>Professional technical courses</b>	Cooperate with schools and professional institutions to handle professional courses, continue to study R&D knowledge, innovate thinking, and help R&D teams to maintain technological leadership. Invite expert speakers to enhance the ability to develop, apply new technologies and solve problems.
<b>Leadership management course</b>	Conduct leadership management courses, develop leadership and expand vision. Introduce new and old generation exchange sharing courses to take care of new employees.
<b>Co-communication course</b>	Through project management or team communication courses to help R&D and project managers to communicate and cooperate with each other, and enhance daily project operations and improve problem-solving effectiveness.

- a. Training Course: Based on the concept of talent cultivation, follow Arcadyan's core values of “innovation, harmony, transcendence, service” to conduct various courses, encourage employees to actively participate, continue to research and develop knowledge, innovative thinking, and assist Arcadyan to maintain technological leadership. In the past three years, more than 150 professional-type courses have been held and more than 230 courses in all courses. Arcadyan is committed to the continuous cultivation of all kinds of talents and their competitiveness. In addition to R&D

professional category, the professional courses also include information skills, engineering majors, regulatory patents, and financial accounting. The total number of courses for each type is as follows:

Year	Professional	Management	Common	Total
2015	67	10	14	91
2016	45	8	22	75
2017	48	2	17	67
<b>Total</b>	160	20	53	233

b. Training Hours: Since 2015, more than 1,800 participants in the course. Through internal training and external training, the total number of training sessions has exceeded 8,236 hours. Moreover, through the introduction of IT new technology and the sharing of professional experience of internal lecturers, Arcadyan successfully built the knowledge-sharing platform “Arcadyan Content Sharing System (CSS)”. Employees can view teaching materials, course audio and video files in the Arcadyan's domain, and share departmental professional information. By using CSS to integrate the Arcadyan's resources, employees cannot only get the information they need quickly, but also encourage the department to establish a knowledge management mechanism and encourage employees to learn.

i. Number of hours of training in the past three years

Year	Total hours	Average hours	Male		Female	
			Number of participants	Average hours	Number of participants	Average hours
2015	3,540	4.13	688	3.31	170	0.82
2016	2,663	4.8	445	3.06	177	1.22
2017	2,033	5.15	309	4.03	86	1.12

ii. Average number of participation hours of supervisor in the past three years

Year	Basic level supervisor		Intermediate supervisor		Senior executive	
	Number of participants	Average hours	Number of participants	Average hours	Number of participants	Average hours
2015	61	3.95	101	3.79	94	3.47
2016	83	3.86	50	5.34	41	4.95
2017	33	6.06	54	5.83	25	5.92

iii. Average number of participation hours of supervisor and general colleagues in the past three years

Year	Non supervisor		Supervisor	
	Number of participants	Average hours	Number of participants	Average hours
2015	465	2.24	393	1.89
2016	431	2.97	191	1.31
2017	211	2.75	184	2.4

iv. Number of hours of participation in all ages in the past three years

Year	Under 30 years old		31-50 years old		Over 51 years old	
	Number of participants	Average hours	Number of participants	Average hours	Number of participants	Average hours
2015	673	0.79	2363	2.76	504	0.59
2016	559	0.9	1880	3.02	224	0.36
2017	576	1.46	1230	3.12	227	0.58

7. **Employees Regularly Performance and Career Development Assessment**

Arcadyan provides electronic performance appraisal system for supervisor to evaluate the past half-year work distribution and effectiveness of the colleagues, and to set work or project goals for the next half year to ensure the goals of individuals, departments and companies are consistent. The proportion of participation in regular performance appraisal is over 90% (Except the supervisor at or above vice president and the newcomer who has on board for less than 3 months on the date of assessment). In view of the promotion and development of high-performance employees in the performance appraisal results, according to the functions (jobs) needs to provide leadership management courses, develop cross-team communication and cooperation; improve problem-solving performance and other capabilities for the preparation for job promotion or professional development.

Evaluation period	Gender	Job category	Number of employee to be assessed	Number of people not involved in the assessment	Actual number of people involved in the assessment	Participation ratio
First half year in 2017	Female	R&D engineering	46	5	41	89.1%
		Technical engineering	25	2	23	92.0%
		Administration	51	2	49	96.1%
		Marketing	44	3	41	93.2%
	Male	R&D engineering	297	26	271	91.2%
		Technical engineering	54	2	52	96.3%
		Administration	14	4	10	71.4%
		Marketing	28	4	24	85.7%
			559	48	511	91.4%

Evaluation period	Gender	Job category	Number of employee to be assessed	Number of people not involved in the assessment	Actual number of people involved in the assessment	Participation ratio
Second half in 2017	Female	R&D engineering	46	2	44	95.7%
		Technical engineering	28	2	26	92.9%
		Administration	52	3	49	94.2%
		Marketing	48	0	48	100.0%
	Male	R&D engineering	308	30	278	90.3%

	Technical engineering	65	3	62	95.4%
	Administration	12	4	8	66.7%
	Marketing	27	3	24	88.9%
		586	47	539	92.0%

**8. Discrimination Incidents and Improvement Actions Taken**

Arcadyan prohibits all forms of discrimination and adopts the principles of fairness and equality in matters such as recruitment, remuneration, welfare, training, promotion, dismissal or retirement. Moreover, do not discriminate on the differences of employees' race, social class, nationality, religion, disability, or gender. It also prohibits any form of sexual harassment, including posture, language and physical contact, and establishes a complaint mechanism. If any discriminatory behavior, it can directly appeal to human resources department, and will arrange for personnel without conflict of interest to find out the facts and take corrective actions.

**9. Representatives of Worker in Safety and Health Committee**

Arcadyan always pays attention to the welfare and care of employees, and establish labor-management committee. The staff will elect five employee representatives for a term of four years, and hold a labor conference every three months to collect employee opinions to communicate and improve the problems of both employers and employees. In addition, employers and employees can also maintain good relationships through system platforms and e-mail communication. Arcadyan's labor relations have always been harmonious, and there are no losses due to labor disputes. The labor representatives of Arcadyan labor committee accounted for 50% according to regulations.

**10. Injury, Occupational Disease, Number of Days Lost, and the Number of Work-related Deaths**

A healthy mind and body is the most important asset, Arcadyan hopes that employees can work in a safe environment. Arcadyan complies with environmental, safety and health regulations and management systems, and implements in all workplaces. To establish a security system, regularly conducts disaster prevention and fire drills, advocates environmental safety training, and provides comfortable facilities for employees to relax work to improve employees' satisfaction, reduce accidents such as work-related accidents and absenteeism.

Disability injury statistics	Male	Female	Total	Remark
Disabling Frequency Rate (FR) <sup>1</sup>	0	0	0	1. FR (Disabling Frequency Rate) = Number of work injuries *1,000,000/ Total working hours 2. SR (Disabling Severity Rate) = Total days of work injury *1,000,000/ Total working hours 3. FSI (Frequency-Severity Indicator) = Disabling Frequency Rate * Disabling Severity Rate /1,000 4. ODR (Occupational Disease Rate)= (Number of occupational diseases / Total working hours)*200,000 5. LDR (Lost Day Rate)= (Working injury loss days / Total working hours)*200,000 6. AR (Absentee Rate)= (Work injury leave + sick leave + physiological leave + leave)/ Total working days *100% 7. The number of work-related injuries and the day of work-related injuries did not include traffic accident on the way to and from work.
Disabling Severity Rate (SR) <sup>2</sup>	0	0	0	
Frequency-Severity Indicator (FSI) <sup>3</sup>	0	0	0	
Occupational Disease Rate (ODR) <sup>4</sup>	0	0	0	
Lost Day Rate (LDR) <sup>5</sup>	0	0	0	
Absentee Rate (AR) <sup>6</sup>	0.97%	1.29%	1.07%	
Total deaths due to work-related injuries	0	0	0	

## 11. Occupation-related Diseases with High Incidence and High Risk of Workers

Taiwan headquarters (Hsinchu) is R&D-based office operations; China CNC manufacturing center (Kunshan) is an assembly plant for network communication products, so there is no high-incidence and high-risk work related to occupation.

## 12. Health and Safety Related Issues in Labor Agreements

Healthy employees can improve the work quality and efficiency; promote the company's sustainable development. It is the Arcadyan's responsibility to provide a healthy environment, create a healthy workplace and promote health management. We hope to create a healthy workplace and prevent potential occupational injuries and risks through the attitudes and actions of employees' self-management, and show company care and the concept of employee health.

Employees are the most valuable assets of Arcadyan. The health of employees is the key to success and sustainable development. It is Arcadyan's goal to provide a healthy and comfortable working environment for all employees. Arcadyan also sets up health center and employs professional nursing staff and doctors. Specifically, Arcadyan will work hard in the three major directions of "health education", "health promotion" and "health management" to ensure the health of each employee.

### a. Arcadyan health Center Planning

Category	Activities		
Health education	✓ New recruit health education training	✓ First aid training	✓ Health and epidemic prevention
Health promotion	✓ Comfortable nursing room ✓ Pap smear ✓ Special health lecture	✓ Visually impaired massage ✓ Breast ultrasound examination	✓ Colorectal cancer screening ✓ Weight loss activity ✓ Aerobic exercise
Health management	✓ New personnel health examination ✓ Health examination abnormality management / tracking	✓ On job employee health examination	✓ Serving meal staff health examination

## b. Health examination

Arcadyan holds on-site health examination every year, and health check items and frequency are better than regulatory requirements. According to health examination result and “Health Grading Management” to select the employees who need to follow up. Class A: no abnormality, regular participation in health examination every year. Class B: health examination results are obviously abnormal, it is necessary to complete the re-examination tracking within 6 months, and the doctor or the nurse will evaluate the recommendations to reduce the risk of disease. Class C: health examination results are severely abnormal, need to go to hospital for re-examination tracking. Arcadyan will arrange one-on-one health consultation for Class C employees to have the best health. The participation rate of health examination in 2017 was 94%.

Area	Gender	Number of people who should take health examination	Number of people who did not take health examination	Actual number of people who taking health examination	Participation Rate
Hsinchu	Male	317	22	295	93.1%
	Female	148	5	143	96.6%
Taipei	Male	45	3	42	93.3%
	Female	7	1	6	85.7%
		517	31	486	94.0%



## c. Maternity protection

Arcadyan set up dedicated nursing room and provide related equipment and consumables,

such as bottle sterilizer, refrigerator, locker and comfortable breastfeeding chair, so that has a safe and comfortable nursing environment.



#### d. First aid training

Since 2015, Arcadyan has set up AEDs (six units) on each floors. In order to promote AED and first aid skills, Arcadyan holds first aid training courses every two years. To invite professional lecturers and divided the courses into written teaching and practical operation to makes the staff more skilled.



### XIII. Social Participation

Arcadyan established the "Corporate Social Responsibility Committee" to cooperate with Compal group or social welfare groups to promote various social welfare activities. The committee develops relevant plans every year, organizes various lectures, experience activities, and assists colleagues in implementing corporate social responsibility in daily life. In the



community, Arcadyan actively responds to social contribution, social services, social welfare, consumer rights, human rights and other public welfare activities every year. Arcadyan plans and implements through the Corporate Social Responsibility Committee and does its best to fulfill corporate social responsibility by giving and rewarding social activities.

Activity project	Activity details	
<b>Long-term concern</b>	Through long-term attention and input, Arcadyan hopes to provide stable support to public welfare organizations and to exert greater effects on the promotion of social welfare. Since 2010, Arcadyan has been a long-term donation of social welfare organizations including Huashan Social Welfare Foundation, Taiwan Fund for Children and Families, Ai-Heng Training Center for Mental Retardation, Eden Social Welfare Foundation, Spinal Cord Injury Foundation, World Peace Council, Huaguang Intelligent Development Center and other groups.	
<b>A loving, double charity</b>	In order to make Arcadyan and employees' donations make greater benefits, Arcadyan promotes a loving, dual charity that both public welfare groups can get help.	<ul style="list-style-type: none"> <li>- Purchase the Children Are Us Foundation cake gift box and transfer it to the disadvantaged children in the hometown.</li> <li>- Sponsored World Peace Council drama public performance, and transfer tickets to vulnerable children.</li> <li>- Donate charity clubs to flea market activities, and transfer income to charity groups.</li> <li>- Purchase rice from remote tribes and transfer it to Huaguang Intelligent Development Center.</li> </ul>
<b>Move your fingers to do charity</b>	E-commerce is not only a business act, but also the spirit and effect of public welfare. Arcadyan often achieves the goal of social care and public welfare through group purchases of employees.	<ul style="list-style-type: none"> <li>- Buying a local kimchi made by a child from a remote country (63 persons)</li> <li>- Buying a local kimchi made by a child from a remote country (132 people)</li> <li>- Participate in online donation of charity group Christmas gift (134 persons)</li> </ul>
<b>From zero to charity</b>	Since the promotion of the "from zero to charity" public welfare donation program in 2015, colleagues can easily do public welfare by keeping a small amount of money to increase the willingness to participate in charitable donations.	<ul style="list-style-type: none"> <li>- From zero to one, the accumulation of less becomes more, and integration projects: it is easier for colleagues to participate in charitable donations.</li> <li>- At the beginning of the year, Arcadyan conducted a donation survey on employees, established a database for charity donations, and select charity or activities to implement donations during the middle and end of the year.</li> </ul>

1. Annual results

- Arcadyan donation amount was NT. 704,626; employee donation was NT. 638,580, totaling NT. 1,343,206 in 2017.
- 920 persons participated in public welfare activities
- 1,420 persons receive the donation or help



## 2. Other donations

Donation of charity groups	Charity activities, donations and sponsorships
Taiping Elementary School	Subsidy fee includes: after-school care plan, dream project, new year's stolen goods and graduation stolen goods
Huashan Social Welfare Foundation	Chinese New Year dishes donation and Dragon Boat Festival gifts
Visually impaired institution	Hold a visually impaired massage
Children Are Us Foundation	<ul style="list-style-type: none"> <li>- Subscribed Mother's Day and Mid-Autumn Festival cakes and transferred to vulnerable children.</li> <li>- Family service plan for the elderly with mental retardation and multiple workplace observation plan for mentally handicapped</li> </ul>
World Peace Council	Purchase tickets for charity dramas and transfer to vulnerable children, sponsor charity drama performances, breakfast expenses for poor children, meals for vulnerable children during winter vacation.
Eden Social Welfare Foundation	Vulnerable Children's Fund and Childhood pre-treatment fundraising plan
World Vision Foundation	Sponsoring children's baseball activities in remote areas
Xu Chaoying Foundation	Sponsoring social welfare activities
Ai-Heng Training Center for Mental Retardation	Green public welfare flea market
Hsinchu Fund for Children and Families	Sponsored garden tours and donated summer camps
Spinal Cord Injury Foundation	Sponsored care lecture and support program
Accton Cultural & Educational Foundation	Sponsoring social welfare activities
Huaguang Intelligent Development Center	Purchase rice from remote tribes and transfer it to Huaguang Intelligent Development Center
Kuen Tai Cultural and Educational Foundation	Provide pads to the remote primary school as a graduation gift
Hsinchu Social Welfare Group	<ul style="list-style-type: none"> <li>- Sponsoring the expenses for summer care attendants and after-school care</li> <li>- Sponsored music conference</li> <li>- Sponsoring the High School interconnection plan</li> <li>- Sponsored the youngster midway house bedroom renovation plan</li> <li>- Donate charity clubs to flea market activities, and transfer income to charity groups</li> </ul>

3. Activities photo

Taiping Elementary School- dream project



Buy farmers' surplus bananas



Kuen Tai Cultural and Educational Foundation- Donate bicycle



Buying a local kimchi made by a child from a remote country

Hsinchu Fund for Children and Families- Christmas gifts



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