

Conflict Minerals and Supply Chain Management

As a member of EICC, Wistron roots for EICC's vision and objectives. We promise that all global operation sites will coordinate and comply with EICC's codes of conduct. Furthermore, we will support and encourage the affiliated first level suppliers to adhere to the same codes. In conformation to the common goal, we will pertinently utilize EICC's methods and tools as much as possible.

Wistron provides electronic product R&D and manufacturing services. The major supply chain involves suppliers that provide product materials and components, including electronic and mechanical materials and parts. More than approximately 850 raw material suppliers come from the Philippines, Indonesia, Thailand, Taiwan, U.S., Japan, Korea, China and Europe. The types of suppliers include manufacturers, agents and distributors. The industrial characteristics of the supply chain are technology intensive, capital intensive and labor intensive. For the manufacturing sites in China, the budget ratio of purchasing from local suppliers is 30%.

We place high regards on our suppliers as our crucial partners, hoping to establish a long-term stable supply chain through cooperation with them. In addition to considering the technical skills, quality, delivery dates, and price competitiveness of our suppliers, we also require our suppliers to endeavor to protect the environment, ensure the safety and health of the environment, emphasize the importance of human rights, and work with us to fulfill corporate social responsibilities (CSRs). To achieve this goal, we have established a supply chain management process, in which a supplier quality management office is set up to formulate a Standard Inspection Procedure (SIP) according to the RD-ratified specifications, manage and supervise our suppliers, and evaluate items such as quality, costs, delivery dates, human rights, forced labor, and services. Furthermore, to protect the environment, ensure the health, safety, and human rights of our

employees, and secure the rights and interests of our stakeholders, we adopted a CS²R management system that manages five major aspects of product quality, green products, environmental protection, occupational safety and health, and social responsibility. In addition to incorporating this system into daily business operations, we also request our suppliers to work with us in implementing various requirements. Currently, we are using different management systems and mechanisms to execute supply chain management, the details of which are described as follows:

- Supplier investigation: We manage and evaluate new suppliers in accordance with the Supplier Evaluation Operating Procedure, focusing on the following assessment items: quality, environmental protection, employee health and safety, and human rights.
- CS²R management system: In accordance with the Supplier Corporate Sustainability and CS²R Audit Operating Procedure, Supply Quality Management (SQM) visits the production base of our suppliers to audit and determine their corporate sustainability and social responsibilities.
- Quality System Audit (QSA): In accordance with the Supplier Quality System Audit Operating Procedure, we visit the production base of our suppliers to audit and determine their quality systems.
- Quality Process Audit (QPA): In accordance with the Supplier Quality Process Audit Operating Procedure, we visit the production base of our suppliers to audit and determine their process quality.
- Supplier Performance Management (SPM): In accordance with the Supplier Performance Evaluation Regulations, we evaluate the suppliers' product quality, costs, delivery date, and service items.

■ Summary of supply chain management mechanisms

Item	2013	2014	2015	2015 Hit Rate	Time / Frequency
Supplier Assessment	89 Suppliers	92 Suppliers	37 Suppliers	100%	None AVL New suppliers Disqualified suppliers
CS ² R Management System	180 Suppliers	160 Suppliers	140 Suppliers	100%	Annual
Quality System Audit, QSA	180 Suppliers	150 Suppliers	140 Suppliers	100%	Annual
Quality Process Audit, QPA	170 Suppliers	150 Suppliers	140 Suppliers	100%	Launch new project
Supplier Performance Management, SPM	373 Suppliers	330 Suppliers	386 Suppliers	100%	Monthly

Supplier's Social Responsibility Management

Annually, Wistron prepares audit plans on sustainable operations and social responsibility for risky suppliers, which are listed under the Department KPI for supplier audit and assessment. The following items are listed under the assessment criteria for new suppliers; namely, respect for human rights, care for labor, environmental protection and fulfillment of social responsibilities. The 2015 achievements are described below:

- Wistron prepared the 2015 audit plans for sustainable operations and social responsibility for 140 suppliers, which were divided into two stages: (1) the first half of the year, and (2) the second half of the year. A site audit

and confirmation were also made at the suppliers' premises. Finally, the audit results were approved [Note].

[Note] The audit result with lower than 60 points is Not Approved. In this case, the supplier is required to take corrective action for the unfavorable audit. It also needs to provide feedback on its improvements within one month and apply for re-audit. If the re-audit result is still Not Approved, it cannot submit an application again within 6 months. If there is a problem in the quality of the supplied material, an alternative material/supplier would be considered as replacement.

- In the annual Vendor Conference, we commend vendors, who were reported in the Corporate Sustainable Management and Social Responsibility and Greenhouse Gas Inventory Report as having showed outstanding performance. We invited third-party GHG auditors, third-party RoHS inspectors, and GHG guidance companies to the 2015 CS²R/GHG Supplier Conference to conduct educational training. We also communicated corporate sustainable management and social responsibility management policies, and provided a channel for employee complaints.
- Until 2015, approximately 77 suppliers have been registered as Wistron's supplier in EICC-ON website.

■ Summary of Supplier Requirements and Management Practices

Requirement	Management Practice
Human Rights	<ul style="list-style-type: none"> • In accordance with the EICC regarding the suppliers' management of human rights, 140 suppliers were evaluated for annual CS²R. All suppliers met the requirements. • In accordance with the EICC, suppliers are encouraged to guarantee employees freedom of association and collective negotiation rights to avoid ill-communication or adverse suppression. No violation incidents occurred in 2015. • Suppliers are required to clearly define and support the humane treatment provision specified in the EICC and convey it to laborers, and sign the Declaration of Non-use of Conflict Minerals. A total of 998 companies have signed the declaration and abide by it. Those who violate it will have their Wistron supplier qualification cancelled. No suppliers violated it in 2015.

Requirement	Management Practice
Labor Care	<ul style="list-style-type: none"> • In accordance with the EICC, no child laborers are allowed to be employed. Juveniles under 18 years old are not supposed to engage in any works that may harm their health and safety. If such things have been discovered, the suppliers will be cancelled of their Wistron supplier qualification. No such violation by suppliers was detected in 2015. • The company hosts supplier exchange meetings and demands suppliers never to employ child labor as a settlement for manpower shortage or wage issues.
Environmental Protection	<ul style="list-style-type: none"> • Instructs suppliers to make appropriate GHG emission reduction suggestions and proposals, and provide inventory report and requirements. 160 companies provided the above in 2015. • Follow "Wistron's Supplier Green Procurement Requirement" to supervise and remind supply chains as well as the supplier companies to shoulder the responsibility of environmental protection. For those who didn't reach the standards, improvement suggestions are put forward. • New suppliers are required to sign the EICC. They must monitor and sort wastes before disposal so as to minimize environmental pollution. • Suppliers are requested to continue to avoid negative incidents and provide essential assistance at any time. • The company encourages excellent suppliers and set up the annual best environmental protection award. • 2016 Target: 170 suppliers
Social Responsibility	<ul style="list-style-type: none"> • The company chooses suppliers that adhere to the concept of social responsibility, CS²R certification and have signed the EICC agreement. • The EICC regulations regarding corporate codes of conduct towards society are used as the prerequisite for choosing suppliers. • Approximately 77 suppliers authorized Wistron to access their performance through EICC-ON website. • Suppliers are required to strictly follow EICC requirements in their daily operations