2010
Qisda
Corporate
Sustainability Report

Planting The Seeds For Sustainability

ALL ROADS LEAD TO GREEN HOPES
content

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About This Report

Qisda has always placed great importance on its corporate social responsibility and hopes to contribute to the society with sustainable values. Information in this report includes themes on sustainability, management strategy, goals, current status of the company, and its future direction of development. To reinforce the response to the issues stakeholders care about the most, Qisda has dedicated an area featured “Corporate Social Responsibility” on the corporate website at http://www.qisda.com.tw. It is where you can acquire the latest annual report on Qisda’s corporate social responsibility efforts and accomplishments and download the previously published Environment Reports and CSR Reports.

Release Date & Reporting Period

This report is published in July 2011. Qisda first started publishing Corporate Social Responsibility Report in 2007, releasing its sustainability performance in all aspects of corporate responsibility every year since then. Last year, the report was renamed as “Qisda Corporate Sustainability Report. The release date for the 2009 report was December 2010.

Third-Party Verification Policy & Standards

Qisda commissioned an independent, third-party certification company – Taiwan Office of Bureau Veritas Certification (BVC) – to ensure and verify the compliance of the content of this report with the guidelines of GRI A+ rating and AccountAbility 1000 Assurance Standard (AA-1000 AS) 2008.

Feedback & Contact Information

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Future mainstream products, such as e-books, mobile Internet devices, multimedia routers, and so on, are hopeful in becoming the new driving force for Qisda’s revenue growth. Niche-type products form high value-added products lines that generate higher margins, ranging from professional displays, high-end LED lamps to remote medical equipment and many more. In 2010, excluding the LCD monitor and projector product lines, the revenue mix demonstrated a 7% growth, showing the newly developed products in the past three years making gradual contribution to revenue. Today, Qisda presents diverse and innovative product lines that are infused with dynamic software elements to enhance the added value in every product.

For each of the past five years, Qisda has invested an average 3% of the company’s revenue toward research and development, accumulating more than 1,500 patents around the world. By 2010, Qisda has won nearly 20 prestigious international product design awards from German’s iF and red dot and Japan’s G-mark, taking the lead in industrial design innovation in the design contract manufacturing industry. The accumulated experience in outstanding product design and research and development capabilities will be the core competency of Qisda in gaining company value and competitiveness.

Over the years, Qisda fulfilled its responsibility as a corporate citizen and gave back to the community through holding caring activities that are culturally innovative and environmentally friendly. In 2010, Qisda demonstrated its passion for lifestyle aesthetics by organizing the “BenQ International Sculpture Camp” and holding the “Hu Shuzhen Art Exhibition.” Qisda granted one-day volunteer leave to encourage its employees to participate in the “Reading for Hope” community care event designed to guide and inspire elementary students in remote areas to enjoy reading and to help these tiny citizens of tomorrow foster the ability to keep learning for a lifetime. 2010 is Qisda’s third year of promoting the “Adopt a Rice Patty” activity. We called on our employees to bring their whole family to experience the good work and give back to the beautiful land through planting and harvesting. There were also special sales of agricultural products. This was all part of Qisda’s enduring efforts in caring for the local community. Also, Qisda has passed the SA 8000 Social Responsibility Management System Certification in 2009 and continued to incorporate and promote human rights awareness in its management system.

In addition, under the implementation of the corporate sustainable development system, Qisda established a platform for carbon management to systematically control the progress and status of each environmental indicator, especially when it comes to the carbon footprint calculation for green products and greenhouse gases, water use, electricity use, waste recycling ratio, and so on for green operation. Meanwhile, in 2010, we also successfully implemented eco-design into Qisda’s product development system procedure and through IEC 623430 certification, shaped green performance through green design. The realization and implementation of such concept was further accredited by the awards received during the “2010 International Green Panel Product Innovation Evaluation” event held by the Industrial Development Bureau of the Ministry of Economic Affairs.

With the successful launch of Qisda’s corporate sustainable development system in 2010 leading to a sustainable and fruitful performance in the environmental, economic, and social aspects, I look forward to next year’s Qisda as it grows speedily with increasing profit and revenue. I hope to see Qisda transform from a hardware supplier into a solution provider offering software and hardware solutions to every client in need and setting benchmarks in product innovation and operation management. I believe, as we implement our corporate sustainable development, Qisda will continue to serve as a good global citizen as it becomes a green corporation with a bigger caring heart for the society and the environment. Let us witness together a more splendid and sustainable future of Qisda!
Qisda Corporation

Qisda Today

- Founded: 1984
- Headquarters: Taoyuan, Taiwan
- Number of Employees: Approx. 10,000
- Market Value: NTD $38.4B (USD $1.26B)

Qisda Core Competencies

Qisda’s capability encompasses the research and development as well as manufacturing of a broad spectrum of products in the display, optical, wireless communication, imaging, entertainment, automotive, LED illumination applications, and so on – which is a rare quality in an ODM/OEM company. In addition to leveraging affiliated upstream and downstream companies’ techniques such as LCD, LED, e-paper, touch module and IC design, Qisda’s in-house vertical integration capabilities include surface-mount technology (SMT), metal stamping, plastic injection and LCD module assembling.

Although positioned as a contract manufacturing company, Qisda possesses internationally recognized design capabilities. Since 2008, Qisda started joining international design competitions and has created winning records among major design awards. For 2010, Qisda has won 10 German iF, 8 red dot and 2 G-Mark design awards. This recognition reinforces Qisda’s unique competitive advantage in product design.

Qisda Corporate Sustainable Development Vision

Qisda’s sustainable development vision is to be an innovator in designing and manufacturing of electronic products, elevate the life quality of our fellow humans and be friendly to Mother Earth.

Since the beginning of Qisda’s systematic implementation of its corporate sustainable development, there has been a relentless drive to produce and promote five major development areas: green products, green supply chain, green operation, social responsibility, and financial management. The result was strikingly successful. Qisda acquired PAS 2050 product carbon footprint certification for many of its major product lines, including LCD monitors, projectors, and e-books. The company also reached the standards for SA 8000 social responsibility management system certification for its headquarter and manufacturing sites. Qisda injected green thinking into the early stages of product design and development, supporting every stage of the product life cycle with Life Cycle Thinking (LCT) to create more environmentally friendly green products. Such implementation once again brought Qisda ahead of its fellow humans and be friendly to Mother Earth.

Qisda aggressively participates in various types of high tech industry associations. Table 1 lists Qisda’s affiliations with these associations. The company’s membership status in these associations can be regarded as one facet of Qisda’s strategy to foster future development and potential business opportunities. At the same time, these affiliations also present Qisda with the opportunity to improve upon its competitive strength within the industry.

As an example, Robotics Association Taiwan provides Qisda with robotics technology exchanges and serves as a platform for inter-industry alliances. Global Certification Forum (GCF) is composed of a group of network system vendors and terminal manufacturers whose aim is to enter international markets as internationally certified organizations. GCF provides Qisda with mobile handset-related product manufacturing capabilities that serve as key drivers in customer approvals. In addition, USB Implementers Forum provides Qisda with excellent opportunities to elevate the company’s competitive advantages within the industry.

Affiliated Associations and Organizations

1. Robotics Association Taiwan
2. Global Certification Forum (GCF)
3. Memory Stick License (Sony Corporation)
4. USB Implementers Forum

Table: List of Affiliated Associations and Organizations

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<th>No.</th>
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<td>Global Certification Forum (GCF)</td>
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<td>3</td>
<td>Memory Stick License (Sony Corporation)</td>
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<td>4</td>
<td>USB Implementers Forum</td>
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</table>

Qisda has continued to modernize its production facilities and has transferred the company’s OEM business. Brand business is transferred to BenQ (originally named BenQ Asia Pacific) to continue its operation. The division application became officially effective on September 1st, 2007.

Temporary manpower not included.

As of the end of December 2010.
Company Organization Structure
Qisda Corporate Sustainable Development

“The goal of a company’s existence is to create value – a type of sustainable value that makes contributions as a positive influence in society.”

Qisda’s Chairman K.Y. Lee believes that the goal of a company’s existence is to create value – a type of sustainable value that makes both tangible and intangible contributions as a positive influence in society. A sustainable operation seeks this kind of long-term value. For an enterprise to withstand the test of time, history and culture must be incorporated into its business operations model, and integrity must be set as its highest ethical principle.

The Core of Qisda’s Corporate Sustainable Development – Our Vision and Mission

Qisda has taken our corporate vision and mission as core foundation to systematize and structuralize our corporate sustainable development in 2010.

Our Vision:
- Be an innovator in designing and manufacturing of electronic products, elevate the life quality of our fellow humans, and be friendly to Mother Earth.

Our Mission:
- Internally named as “Corporate Sustainability Development (CSD),” Qisda’s sustainability development involves the integration of the triple bottom line – economic, social, and environmental – as the groundwork for structural expansion into a five-dimensional architecture designed to implement Qisda’s corporate sustainability objectives, strategies, and plans. “Green products,” “green operation,” and “green supply chain” upholds Qisda’s value for environmental protection, “social responsibility” for social well-being, and “financial performance” for economic prosperity. This five-dimensional architecture supports Qisda’s implementation of corporate sustainability development. We have set long-term goals in every aspect to guide the implementation of each and every task:

1. Economic: Continually improve manageability and profitability to meet the best interest of our stakeholders.
2. Social: Strengthen the commitment to fulfill our social responsibility.
3. Environmental:
   a. Green Products: Enhance product design and innovation.
   b. Green Operation: Continually improve operational efficiency and work safety.
   c. Green Supply Chain: Reinforce corporate social responsibility in the supply chain.

Qisda Corporate Sustainability Development Committee

In order to ensure smooth and seamless implementation of all corporate sustainability development operations and to build effective communication to address the opinions of our stakeholders, Qisda has integrated related departments to form the Corporate Sustainability Development Committee (CSD Committee) and expanded it by adding an IT-supported Management System function to supervise the development of the management e-platform. Each function of the committee takes turn to report its bi-weekly status. The committee organization chart can be seen in Figure 2.
Stakeholder Communication

To ensure timely communication with stakeholders in the planning and decision-making processes of all corporate sustainability development operations and to address topics on issues of major concerns and material issues in the development of corporate sustainability policies through a transparent and unimpeded response mechanism, Qisda has adopted the AccountAbility 1000 Assurance Standard (AA 1000AS) as our guiding principle to identify and respond to sustainability information, as well as to strengthen the credibility and quality of all sustainable development reporting. Figure 3 shows Qisda's adherence to AA 1000AS standards, following three major principles: inclusivity, materiality, and responsiveness.

1. Inclusivity
   Inclusivity refers to the engagement, involvement, and participation of stakeholders in developing and achieving an accountable and strategic response to sustainability. Therefore, Qisda has taken the following measures to abide by and meet the spirit of inclusivity:

1. Defining Stakeholders: Those on whom our business operation has an impact and who have an impact on it.
2. Identifying Stakeholders: Based on the definition of stakeholders, Qisda has identified the key stakeholders and made our commitments during the development of our corporate mission (as well as the corporate sustainability development mission). The five key stakeholder groups identified are: employees, investors, suppliers, customers, and the community. Also, as an outstanding lawful corporate citizen, Qisda is to comply with all related government regulations and standards and fulfill the terms of its obligations. Hence, the government forms the sixth group of our key stakeholders.
3. Establishing the Mechanism to Incorporate Stakeholder Views into Our Corporate Sustainability Development:
   The six groups of key stakeholders listed above hold a certain influence to our corporate sustainability development with regard to the issues and topics they may hold interest in. Therefore, we have established exclusive communication channels tailored to each group and assigned corresponding departments to listen to, collect, and respond to any views they may wish to share.

2. Materiality
   Materiality refers to the engagement, involvement, and participation of stakeholders in developing and achieving an accountable and strategic response to sustainability. Therefore, Qisda has taken the following measures to abide by and meet the spirit of materiality:

1. Major issues, in addition to assigned communication channels, are to be reported and responded to in the annual corporate sustainability report. Secondary issues are to be responded through assigned communication channels.

3. Responsiveness
   Responsiveness refers to the engagement, involvement, and participation of stakeholders in developing and achieving an accountable and strategic response to sustainability. Therefore, Qisda has taken the following measures to abide by and meet the spirit of responsiveness:

2. Issues greatly concerned by the stakeholders.
3. Issues Qisda holds control over under reasonable circumstances.

Stakeholders Target Audience Communication Channels Communication Topics/Issues

**Employees**
- CEO Mailbox
- HR Mailbox
- Town Meeting
- Company Strategy & Future Course Development
- Compensation & Benefits
- Human Rights Management
- Talent Development & Training
- Performance Management System

**Stakeholders Involved Investors**
- [Spokesperson & Deputy Spokesperson System
- Investor Relations Specialized Unit
- Investor Mailbox: Investor@Qisda.com
- Dedicated Area for Investors on Official Corporate Website (Qisda.com)]

**Investors**
- Supplier Evaluation Surveys & On-Site Inspections
- Quality Audit Conferences
- Discretionary Procurement & R&D Conferences
- QBR (Quarterly Business Review)
- Supplier Conference
- Internal Training Courses
- Corporate Governance
- Financial & Operational Status
- Risk Management

**Suppliers**
- Dedicated Customer Service Line
- Dedicated Product Repair Line
- Taiwan Customer Service Manager Mailbox
- Customer Service and Commitment
- Customer Privacy Protection
- Service Locations
- Product/Warranty Terms of Service & Maintenance Contracts
- Online Maintenance Services
- Product Manuals

**Consumers**
- Dedicated Contact via Telephone or Email
- Fixed & Discretionary Topical Reports
- Dedicated Area for Customers on Official Corporate Website
- Customer Service & Commitment
- Customer Privacy Protection
- Green Product & Environmental Specifications
- Green Operation
- CSR Policy
- Service Locations
- Product/Warranty Terms of Service & Maintenance Contracts
- Online Maintenance Services
- Product Manuals

**Branded Customers**
- Corporate Website
- Corporate Website
- Company Visits
- Company Introduction
- Product Lines & Services
- Care for the Society & Public Welfare Activity
- Management Team
- Company News & Events
- Position Announcements

**The Community Organizations**
- Corporate Website
- Corporate Reports
- Fixed Conferences
- Fixed Press Releases
- Discretionary Press Conferences
- Discretionary Media Interviews
- Discretionary Press Announcements
- Company's Financial & Operational Status
- Product Line Development Information
- Care for the Society & Public Welfare Activity
- Management Team
- Company News & Events
- Position Announcements

**Media**
- [Fixed Audits and Evaluations (ex. Wastewater Treatment Test)
- Discretionary Site Visits
- Environmental Health & Safety Management
- Legal Compliance Status]
2. Materiality

Materiality refers to the thorough evaluation and assessment of the relative importance of the issues raised. This is to help the organization determine the relevancy and significance of each issue and decide whether or not to incorporate it into the sustainability development report. Qisda has established three major principles of priority to enable the selection of issues that meet the thresholds of materiality:

1. Issues of great impact on the current or future business operation.
2. Issues greatly concerned by the stakeholders.
3. Issues Qisda holds control over under reasonable circumstance.

3. Responsiveness

Responsiveness involves the participation of everyone involved in the business operation to manage and respond to issues, challenges, and concerns that are material to the sustainability of Qisda. With classification, major issues, in addition to assigned communication channels, are to be reported and responded in the annual corporate sustainability development report; secondary issues are to be responded through assigned communication channels. In addition to the flexible and smooth exclusive communication channel mechanisms and the annual corporate sustainability development report, Qisda has dedicated an area featured corporate social responsibility on the corporate website to post important announcements and information on corporate sustainability development in an open and transparent manner.

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Table3 Corporate Sustainability Development Material Issues and Responses
Because of our relentless pursuit of green technology, convinced that we must pass on the heritage of every free and graceful breath and every step taken with ease, we are able to restart a new generation of environmental harmony and coexistence.
Green Product

In order to continue implementing Qisda’s CSR vision of becoming an innovator in designing and manufacturing of electronic products, elevating the life quality of our fellow humans and being friendly to Mother Earth, we have set 2010 as the beginning year of green product development. By 2010, every business unit must reach the target goal of “Green Design 555”, saving power, reducing material use, and increasing the recycling rate by 5%. Qisda also injects the concept of “Life Cycle Thinking” at the early stages of product design and development to help us evaluate the possible environmental impacts and risks a product may create throughout the different stages of its life cycle in order to improve the next-generation products.

1. Life Cycle Thinking

The performance of a green product is determined by the origin of its design. Qisda requires its R&D staff members to incorporate “Life Cycle Thinking” at the early stages of product design and development to help us understand the potential environmental impacts of a product throughout its life cycle, from raw material to end of life. Qisda has formulated a ‘Hazardous Material Management Checklist’ in accordance with related international regulations and with customer requirements for the use of chemical substances in products or in the production process that hold influence on the environmental safety. Suppliers are regularly audited for strict control of component materials and end product examination through a systemized management mechanism that ensures products comply with international regulations and customer requirements. In addition, Qisda has drawn up a Hazardous Material Reduction Plan to steadily reduce the used amount of hazardous chemical substances.

Since the beginning of 2008, Qisda’s manufacturing sites in Taiwan, Suzhou, the Czech Republic, and Mexico began to successively receive the IECQ QC080000 Hazardous Substance Process Management System Certification.

In 2010, Qisda obtained the IEC 62430 (Environmentally Conscious Design for Electrical and Electronic Products and Systems) certification for our major product lines, including TFT-LCDs, projectors, smart phones, scanners, e-books and lighting devices.

2. Environmental Labels

From product research and development to the manufacturing phase, the green product concept is a foremost consideration. Extending a product’s lifecycle, energy conservation, recyclability, low-toxicity, and reducing environmental impact are all important considerations. To ensure each product complies with environmental regulations and customer requirements, environmental education and management of green suppliers are implemented. Qisda also assist our customers in obtaining related green product labels and environmental certifications, including:

1. Taiwan Green Mark Certification
2. China CECP Certification
3. TCO Certification
4. Energy Star
5. Electronic Product Environmental Assessment Tool, EPEAT
6. China Efficiency Label, CEL
4. Product Innovation Evaluation

In the “2010 International Green Panel Product Innovation Evaluation” event hosted by the Industrial Development Bureau of the Ministry of Economic Affairs, Qisda was honored to win the favor of the panel of judges competing against several well-known manufacturers, receiving the certification of approval in recognition of our efforts on green product design. The key evaluation criteria were focused on raw material selection (excluding banned and restricted substances and adopting eco-friendly materials or materials that can be renewed and reused), innovative and creative design (such as easy disassembly, recyclability, packaging, and innovation), energy-efficient performance (on product), corporate environmental performance, and so on.

The award-winner this time is our TFT-LCD monitor. The design concepts of this product are as follows:

1. LED Panel: The energy-efficient LED backlighting technology helps reduce carbon mission by 36% in five years and keeps natural resources pure and free of mercury pollution.

2. Eco Material:
   (1) Recycled Plastic Material: 26 to 30% of the monitor frame is made of recycled ABS.
   (2) Recycled paper for Packaging: Recycled paper is used for 80% of the carton and cushions and cardboard-made cushioning materials are used instead of Styrofoam.
   (3) Soybean Ink: Soybean ink is used for all printing, with 70% ink usage saved on black and white printing.
   (4) Minimization of Product Surface Treatment: The monitor is 100% free of post-processing pollution generated by printing, coating, and plating to increase the product’s recyclability.

3. Carbon Thinking

Qisda has been implementing the compliance assessment for Eco-Design of ErP directives and Environmental Product Declaration (EPD). We have been placing more and more attention on the impact of our product design on the environment. Of the environmental impact indicators, Qisda has identified carbon to be one of the most concerning indicators under its watch. Ever since Qisda began carrying out its carbon footprint inventory, it has received PAS 2050 certification for products including TFT-LCDs, projectors and e-books. The figure above shows the life cycle data reported to local environmental protection authorities:
3. Eco Structure:

(1) Built without Thermal Reflow Processing: The monitor is assembled using an engaging structure with screws in lieu of the thermal reflow processing so that it can be easily taken apart for repair and recycle.

(2) Reduced Parts for Product Disassembly: The integration of the OSD keyboard reduces the use of natural resources.

(3) Slim Design: A slimmer and lighter design helps reduce the packaging material, increase the cargo capacity by 56%, and effectively lower carbon emissions.

(4) Eco-Friendly Cup Design: This thoughtful design creates a handy spot for a mini plant pot or small stationary keepsakes.

It is important to place focus on the early stages of a green product's design and development. In order to carry out a design that creates products that are even more eco-friendly, the designer must possess Life Cycle Thinking (LCT) and the ability to embed it into every stage of the product's life cycle. With the established foundation in 2010, Qisda hopes to build a stronger, greater Life Cycle Thinking in 2011.

Customer Commitment

Qisda gives top priority to the satisfaction of our customers and business partners on quality, specification, cost, and due date of delivery to continuously sustain the satisfaction of customer needs. In addition, to timely respond to and fulfill various demands from customers, we integrate resources of customer service and set up Global Customer Service Department (GCS) to fully understand “Voice of Customer”. GCS provides our customers with speedy and powerful supports, assisting our customers to solve complex and professional problems. Moreover, Qisda has started to pay attention to green supply chain. Since 2009, while manufacturing products, we have also carried out calculations of product carbon footprint and measures to manage it; a comprehensive green plan was further launched in 2010. Besides caring for and devoting ourselves to the society, we hope to meet the demands of our customers and the society through our product and technology offering and sincere professional service, building a long-lasting relationship to sustain us all.

Customer Service

For the service to our valued customers, Qisda insists on our innovative spirits to provide various products, information, and technical services to satisfy our different customers’ needs. In order to understand the demands of the customers, we persistently ask our employees to listen attentively to fulfill customers’ priority needs. Besides, GCS also makes every effort to build excellent relationship with our customers.

Customer Satisfaction

Valuable feedbacks and comments from customers are the driving forces that keep Qisda improving and staying ahead. Qisda regularly collects customer responses to review and evaluate customer satisfaction based on four key indicators: due date, quality, service, and technology. We keep up the good work in the meantime, we provide related departments with feedbacks for improvement and for services that should be adjusted to meet customer’s requirements as well as to keep up with the trend.

After GCS explains and clarifies the related items to corresponding departments, corresponding departments propose improvement actions and then execute.

GCS will confirm with related departments for the improvement actions and provide feedback to customers.

GCS sends the customer satisfaction questionnaire to customers and claims back the questionnaire via the PM, Sales or GCS.

GCS takes the data from customer satisfaction questionnaires to carry out the performance evaluation.

Customer Satisfaction Research Procedures:

Qisda conducts an overall customer satisfaction survey in every June and December. GCS is responsible for delivering the questionnaires to our customers who will by request provide evaluations and suggestions about our products and customer service. After collecting the survey from our customers, GCS will convey the information to related departments and, if necessary, illustrate the proper adjustment and improvement on the quality of both products and services. Finally, GCS will keep following up the improvement status and convey those to customers. Figure 1.5 shows the flow chart of the customer satisfaction survey procedure:

Figure 1.5 Customer Satisfaction Survey Flow Chart
Qisda looks forward to strengthening the partnership by providing the best quality of service with more precise management of customer service.

2010 H1
87.91

Average Score

2010 H2
83.50

Bi-annual investigation of customer satisfaction not only reveals the overall performance of Qisda as a company and that of its individual department in the previous year, but also fosters a deeper understanding of the needs of our customers. Customer responses are effectively communicated and action plans are initiated to make improvements and meet customer’s requirements. Such mechanism is to help Qisda establish a more efficient platform for customer service and sustain its advantages while examining thoroughly for possible room for improvement. As “customer first” is always Qisda’s priority, Qisda hopes to provide our customers with exact and timely solutions through a comprehensive communication channel. Figure 1.6 shows the results for 2010 customer satisfaction survey:

Safeguarding Information Security
Qisda has made a commitment to its customers to attach great importance to information security. Customer confidentiality is to be protected during the process of doing business. With trainings received through emails and the e-learning platform, every Qisda employee is equipped with the knowledge and practice of safeguarding information security. Besides promoting the necessity of internal information and communication security, confidential documents are secured by restricted access. Aside from project-related employees, other staff members must acquire the approval of a direct supervisor to gain limited-access authority. When downloading classified documents, the backgrounds are printed with a confidential watermark as well as the name of the employee performing the download. This is to serve as a reminder of the sensitivity and confidentiality to reaffirm customer confidentiality, guard company property, and eradicate inappropriate duplication and distribution of company information. Qisda’s continuous promotion of the importance of informational security is designed to provide customers with secure and professional service. No lost-data claim records were found as of the end of 2010.

Marketing & Promotion
The primary functions of Qisda’s marketing and promotional activities involve:
1. Management and planning of corporate identity system.
2. Corporate image and product marketing strategy and management.
3. Corporate public relations planning & media relations maintenance.

Marketing and promotional activities involve managing external communication channels such as the corporate website, exhibitions & shows, company activities, press conferences, news releases, and other related activities. The activities also cover communications with stakeholders, including customers, shareholders, investors, media, the public, and other organizations by providing relevant company information of corporate operation and governance.

Qisda’s external communication channels are used to legally promote the company and its products and services. Intellectual property rights are fully respected in the creation of promotional content.

Data Protection
- Limited Data Access: non-authorized person must obtain supervisor’s approval.
- Downloaded documents are printed with “Confidential” watermark to warn and remind the users.

System Management
- Customers with account password have limited access to business-related data on the website system.
- Password and account info. are sent to customers via online system. No internal staff has access to such information to ensure the account is operated by one single user.

Marketing & Promotion
- Discrational promulgation on the importance of informational security.

Internal Control
- Discretionary promulgation on the importance of informational security.

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Limited resources must be cherished infinitely to truly practice green living and to deeply resonate Mother Earth’s unlimited riches – the most precious treasure of all.
Chapter 2
Green Operation

Due to the implementation of energy and resource conservation programs to reduce GHG emissions, in 2010, the global per-capita per-hour CO₂ emission was 2.42kg CO₂-e, a 21.9% reduction in comparison with 2009’s 3.1kg CO₂-e.

Environment, Safety & Health Management

Qisda uses a progressive approach to waste disposal management, sustaining the waste reduction activities through constant promotion. To reach its goals in waste reduction, Qisda carries out resource recovery and classification from source management to greatly reduce the generation of waste materials and increase the amount of recycled materials.

Waste generated within Qisda’s production facilities can be classified as normal production waste materials, medical waste materials, and waste materials made up of unstable solvents and non-distinguishable electronics components. Qisda’s operational and production processes do not produce the type of waste defined in the Basel Convention.

The performance of waste management in 2010 is shown in Figure 2.2. The overall manufacturing capacity has increased significantly in comparison to 2009. Therefore, types and amount for recyclable waste have also increased. After promoting waste reduction activities, percentage of recyclable waste remained above 85.6%, which is estimated to reach over 87% by 2011.

Raw Materials Management

Qisda is a dedicated contract manufacturer of electronics products. All raw materials used in production are procured externally. Qisda applies the life cycle inventory concept to the data management of all raw materials, energy resources, waste disposal, and wastewater generation in the manufacturing process to facilitate future environmental impact analysis and related improvements. All sourced raw materials in 2010 as well as the disposal of waste materials used in operational processes are detailed in Figure 2.1.

Green operation plays an essential part of Qisda’s corporate sustainability development strategy — with environment, safety, and health management as its core, consisting of raw material usage, energy, water resource management, ecological management and waste management. We also place great emphasis on managing the operational impact on global warming, performing corporation-wide greenhouse gas inventory every year. We hope by quantifying the greenhouse gas emissions we can discover ways to continuously reduce the amount of greenhouse gas emissions in the process.

In addition, to raise the environmental awareness of our employees, Qisda has implemented ISO 14001 environment management systems since 1997 and provided training for all staff. To ensure that all staff considers possible impacts on the environment during daily work, new employees must receive training for the environment management systems.

Recyclable waste ratio = total recyclable waste (tons) / total waste (tons) × 100.

Figure 2.1 shows the sum of Taiwan and Suzhou data figures.

Recyclable waste ratio = total recyclable waste (tons) / total waste (tons) × 100; Source: Waste data from Taiwan and Suzhou manufacturing sites.
Water Resource Management

In 2010, the company’s worldwide manufacturing sites’ water usage was 453,000 tons, with 2009 total water usage to be around 476,000 tons. Site-specific water usage can be seen in Figure 2.3 and 2.4. In terms of performance in water resource management, total water usage in 2010 decreased by 4.8% in comparison to 2009 due to effective water resource management through strict tap water usage control in the effort to prevent leaking in the manufacturing site in Suzhou, China. In addition, Qisda does not pump underground water for operational use.

Every manufacturing site around the globe is equipped with wastewater recycling and reuse systems. Recycled domestic sewage is reused to irrigate green areas on manufacturing site grounds.

Qisda factors in clean production and environmental protection from the very beginning of product design. The product manufacturing processes at all of Qisda’s manufacturing locations result in only the generation of domestic sewage and no wastewater. In 2010, domestic sewage generated at all Qisda manufacturing facilities worldwide amounted to approximately 360,000 tons, of which 68,000 tons were generated in Taiwan.

For domestic sewage control, specialized personnel operate and maintain installed wastewater treatment equipment. Domestic sewage generated by Qisda all flows into government sewer systems. Water usage and sewage generated does not adversely affect sources of water or land.

In Taiwan, EPA-approved wastewater testing companies sample wastewater to determine water quality on a quarterly basis. Government officials also monitor the quality of the company’s effluent on a monthly basis in addition to random sampling and analysis. The standard outcomes of government inspection and analysis of effluent quality at the company’s manufacturing facilities are detailed in Table 2.1.

Table 2.1 displays Qisda’s notable performance in wastewater prevention and treatment. As demonstrated by the data gathered in the past three years, Qisda significantly surpassed the effluent standards for the facilities in the Kueishan industrial zone; for example, the SS discharge values are lower by over 95% and the COD discharge values are also 90% lower than sewer standards.

Ecological Management

Qisda manufacturing locations in Taiwan, Shanghai, Suzhou, the Czech Republic, and Mexico are all located in industrial parks and manufacturing facilities are mainly engaged in assembly operations. Thus, the manufacturing processes do not use diesel or heavy oil fuels as indirect materials in the process of producing; only the emergency power generators and forklifts in Suzhou manufacturing site are powered by diesel. Trace amount of SOx is generated when burning diesel, which causes slight impacts on the environment. Therefore, Qisda does not measure SOx or NOx.

With all of Qisda’s manufacturing facilities located within industrial parks, the company does not own, lease, or manage any manufacturing facility that is located near or adjacent to ecological conservation areas or water conservation areas. Qisda also does not engage in any kind of activity that creates a negative influence toward biological diversity. In the company’s product manufacturing and service processes, Qisda does not represent a negative influence on the natural environment/ ecology.

Note: This table records the highest test value.
Health & Safety Management

Qisda has sound corporate social responsibility and environmental health and safety management committees and working groups to facilitate the implementation of safety, hygiene, and health requirements. Up until now, Qisda’s manufacturing sites around the world have not experienced a case of occupational illness brought on by work-related factors. In work-related injuries, most are cuts or lacerations that can be attributed to the use of manual tools. In general, these injuries are superficial and do not require time off. However, a small amount of work-related injuries do require time off. Serious work-related injuries that last over one day fall within the calculation scope of Frequency Rate (FR) and Severity Rate (SR).

After calculation, in 2010, Qisda’s average Frequency Rate was 0.89 incidents per 1 million man hours; the rate of occurrence of occupational illness was 0; the rate of occurrence of fire-related hazards was 0; the Severity Rate averaged approximately 14 days per 1 million man hours.

According to Table 2.2, the health and safety management performance comparison chart shows statistical data pointing to a decrease of 31.5% in Frequency Rate, in comparison with 2009. The Severity Rate also decreased by 53.5% comparing to 2009. There were no occurrences of fire hazards or occupational illnesses.

When it comes to managing chemical products, if an incident such as chemical leaks and spills would to occur, it would potentially affect the safety and health of employees and a manufacturing area’s environment. This is why the use of chemical products during the manufacturing process has always been the focus of environment, safety and health management at Qisda. In 2010, none of Qisda’s global manufacturing sites experienced incidents of chemical spills or leaks in the manufacturing areas. Along with the company’s aforementioned record of Frequency Rate and Severity Rate, this data confirms that Qisda safeguards employee safety and health and makes every effort to address environmental-related issues.

Climate Change

Ever since the industrial revolution, the heavy use of fossil fuels, such as coal and petroleum, in industrial activities, has produced a large amount of carbon dioxide, as well as other greenhouse gases, inducing the occurrence of greenhouse effect and causing the global average temperature to rise. An increase in global temperatures then causes sea levels to rise, influencing precipitation patterns and causing climate shifts in some areas, even the entire ecosystems. The issue of climate change has severely threatened the eco system of all living things.

As the problem of global warming increases with each passing day, in playing its role as a global citizen, Qisda established a comprehensive greenhouse gas emission inventory in accordance with the ISO 14064-1 and GHG protocols in 2007 for its global manufacturing sites. Each year, greenhouse gas inventory check is performed and passed to an independent third party for verification. The 2009 and 2010 results of greenhouse gas emission inventory from global manufacturing sites have passed ISO 14064-1 third-party verification. See credentials in Figure 2.5.

In meeting the certification requirements for environmental labels, Qisda did not use Ozone Depleting Substances (ODSs) during the manufacturing and packaging process.

Table 2.2 Health & Safety Management Performance Comparison Chart

<table>
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<th>2009</th>
<th>2010</th>
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<tr>
<td>Frequency Rate (FR): 1.3/million man hours</td>
<td>Frequency Rate (FR): 0.89/million man hours</td>
</tr>
<tr>
<td>Severity Rate (SR): 30days/million man hours</td>
<td>Severity Rate (SR): 14days/million man hours</td>
</tr>
<tr>
<td>Occupational Illness: 0</td>
<td>Occupational Illness: 0</td>
</tr>
<tr>
<td>Fire Hazards: 0</td>
<td>Fire Hazards: 0</td>
</tr>
</tbody>
</table>

Figure 2.5 ISO 14064-1 Certificates
According to 2010 statistics, the primary source of Qisda’s greenhouse gas emissions was carbon dioxide resulted from the external production of electrical power purchased by the company, the natural gas used for in-house operations and the use of petrol. Electrical power purchased by the company accounted for over 90% of Qisda’s total greenhouse gas emissions. The GHG emissions created by direct and indirect (externally purchased electric power) energy resources use in global manufacturing sites, including natural gas, petroleum and diesel, is shown in Figure 2.6. In addition, other indirect GHG emissions resulting from business travel are listed in Figure 2.7.
Qisda has made great progress in the implementation of socially responsible concepts, creating and promoting energy and resource conservation programs to reduce greenhouse gas emissions. In 2010, the global per-capita per-hour CO2 emission was 2.42kg CO2-e. In comparison with 2009’s 3.1kg CO2-e, there has been a 21.9% reduction. Qisda has adapted the following methods to save energy and resources:

1. Use of energy efficient lighting in manufacturing facilities
2. Chiller equipment to improve and increase performance
3. Compressor & chiller equipment operations management
4. Increasing manufacturing process efficiency
5. Use of LEDs in emergency indicator lighting
6. Fixed and controlled exhaust for dormitory & underground parking facilities
7. Independent, area-specific air conditioning management
8. Either managed or equipment-controlled of electric power shutdown
9. “Eco” office events & activities
10. Night-time resource management
11. Concentrated manufacturing to reduce overtime
12. Air conditioning synchronized with production start and end times
13. Installation of solar power system

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**Award History**

- 1995
- 1997
- 1998
- 1999
- 2000
- 2001
- 2003
- 2004
- 2005
- 2006
- 2007
- 2009
- 2010
Green Supply Chain

We hope that our effort would create a ripple effect, working its way across every layer of supply chain to touch the world with green.
Chapter 3
Green Supply Chain

“Qisda has the responsibility to actively involve our suppliers to build a safe, healthy and sustainable supply chain that protects the environment.”

Supplier Management
Supplier Selection and Qualification Procedures
Supplier selection is accomplished in accordance with Qisda’s future product trends and purchasing strategies to investigate the capacity, technical innovation, quality and services, and its management system of potential suppliers. When we evaluate a new supplier, an assessment team is created and comprised of members from procurement, quality assurance, design, and component engineering teams. All aspects of supplier capability are surveyed and the final evaluation is made by the supplier assessment team. Only if a supplier passed qualification procedures, it can become a qualified vendor and proceed with our new product verification.

Survey criteria include the supplier’s company and product information, major customers, financial performance, procurement contracts of responsibilities and duties with Qisda, the supplier’s green management procedures, commitment to Qisda Green Product Policies, and inquiries into supplier CSR initiatives and Environment Safety & Health management.

Supplier Assessment
After receiving a favorable evaluation, qualified suppliers continue to be evaluated on a regular basis. The IQSDC evaluation module examines a supplier from five aspects: Innovation/Technology, Quality, Delivery, Cost Leadership, and Speed/Response. The outcome of these evaluations will be considered in procurement strategies and carried out accordingly. Procurement and design teams jointly create and establish a key parts strategic qualified maker list (QML) and update it every half-year. Strategic suppliers are selected for key components, while those not selected are categorized as qualified vendors. Becoming a strategic supplier means a supplier will have priority selection or high volume procurement opportunities with Qisda.

Supplier Risk Management
For qualified suppliers, Qisda also cautiously perform risk assessments periodically or at nonscheduled times to investigate the financial status of suppliers and play close attention to suppliers with high financial risk to prevent from disputes such as discontinuity of product delivery or bankruptcy. Qisda also performs major risk investigations on suppliers during times such as the peak period of the New Influenza season or labor shortage, PIGS bond exposure crisis, and Korea peninsula military tension buildup. Such investigation is also performed on suppliers located in the impact area to check their contingency plan or communicate with them on proper actions, so Qisda can take appropriate precautions to prevent our business from damages.
Supplier Corporate Social Responsibility Management

Corporate Social Responsibility-Related Investigation

When it comes to corporate social responsibility within the supply chain, Qisda has since the beginning of 2008 incorporated various international certification and regulation standards in the supplier evaluation process, including the submission of green product declaration and the acknowledgement of products free of EU prohibited substances. In demanding suppliers to place equal importance of value on corporate social responsibility, Qisda requested suppliers’ cooperation with periodic inquiries into supplier corporate social responsibility and all other related initiatives, including: (1) the continuous improvement of employee rights; (2) compliance with ISO 14001, OHSAS 18001, SA 8000 and EICC; (3) whether or not suppliers comply with above standards, governmental laws for labor health & safety, environmental policy, customer requirements, and related regulations; (4) whether or not a supplier conducts anti-pollution, waste reduction, energy saving and continuous improvement practices. Until 2010, suppliers that completed the investigation took up 81% of the total purchases.

On the aspect of supplier environmental responsibility, we have gathered critical suppliers in 2008 to join EuP directive training on product life cycle inventory of direct and indirect materials, resources usage, generation of waste, and transportation energy consumption to understand products’ possible impacts on ecological environment. From 2009 to 2010, Qisda continually provided several vendors with guidance and assistance on product carbon footprint inventory, to value and prepare for future environmental impacts, carbon emission management, and verification requirements.

Conflict Metals Policy

In 2010, Qisda for the first time required specific material (cantalum and tin) suppliers to sign a conflict-free metal supply agreement, or provide a declaration statement as alternative, to prohibit the purchase of conflict metals from Eastern DRC or Central Africa. Qisda is to announce all related purchasing policies on the corporate social responsibility section of the official website (http://www.qisda.com.tw/) to ensure the metal purchasing procedure meets the social and environmental responsibilities.

Green Supply Chain

To build up Qisda’s green supply chain is a vital and continuous task. We remain ever vigilant of environmental protection issues and updates to regulations. In the past, we followed customer and legal requirements; in the future, we’ll go beyond the launch timeframe to ensure the absolute readiness of the company. In 2006, we hosted supplier-training events to share the RoHS regulations with suppliers. In 2008, we held consecutive supplier training sessions for the upcoming EuP directives. In 2009 and 2010, we held several supplier events on carrying out life cycle inventory for carbon footprint. Future management methods include targeting specific suppliers to receive and testing and to provide data for Qisda’s verification. Besides increasing suppliers’ environmental awareness and corporate social responsibility, Qisda continues to offer promotions and guidance with the suppliers in the hope to jointly stay ahead of the environmental demands in the manufacturing industry. Through the support of first-tier suppliers, an upstream green supply chain can be created. Some of the actual implementations are listed below:

1. Local Procurement

Qisda manages nearly 1,000 direct material suppliers in 2010 due to different product strategies and specialties in each business unit. We are also dedicated to local procurement implementation. Most of our suppliers have built factories within close proximity to Qisda production facilities, including the Suzhou province of China, Taiwan, the Czech Republic and Mexico. Though our clients may make partial arrangements with appointed procurement, we have realized a high percentage of local procurement through negotiating with them to increase local purchase of consigned materials in order to save transportation time and energy and to reduce environmental pollution. Based on the 2010 procurement data, Qisda purchased 83% of its materials from China, 14% from Taiwan and other locations in Asia, while 2% originated from European suppliers, mainly in the Czech Republic.

2. Increasing Materal Commonality, Decreasing Materal Scrap Ratio

In order to reduce unnecessary scrap materials, the procurement department actively works with the R&D department and the product department to select materials and parts that share high commonality in the beginning of product development. The production and manufacturing department then sets targets for the material scrap ratio according to different product types to cut down the costs created by purchasing and replacing different product materials and components.

3. Energy Consumption in Logistics

In logistics, several workable steps can be implemented to reduce the environmental impact. We defined minimum orders with many suppliers to achieve maximum loads for transportation loads. Since 2008, Qisda has kept up expediting the production of in-house mechanical components in our Suzhou assembly plant to effectively avoid and reduce considerable transportation energy consumption and pollution. Packing materials and pallets are recycled according to a minimum recycling ratio defined together with suppliers. By requesting the suppliers to cooperate fully in recycling packaging materials, great results are obtained over the years.

4. Industry-Government-Academia Cooperation Leads to the Mastery of the Latest International Regulatory Requirements

Qisda continuously cooperates with Taiwan’s Environmental Protection Administration of Executive Yuan, the Taiwan Electrical and Electronic Manufacturers Association (TEEMA), and other internationally certified units in a counseling relationship to receive regular updates on developments regarding environmental issues and regulations to ensure Qisda incorporates the latest policies into the foundation of the green supply chain. Participation in green issues and events raises the company’s green competitiveness and brings actual benefits by reviewing and reducing operational costs, allowing Qisda to grow together with our suppliers.
Social Responsibility

Every sincere and humble encounter pulls us closer to the land. Hand in hand, we experience the truest and finest exchanges of feelings and emotions.
Chapter 4
Social Responsibility

Taiwan Headquarter received SA 8000 certification in 2006. Qisda’s global overseas manufacturing locations all obtained SA 8000 certification in 2009.

Employee Profile
As of December 31, 2010, Qisda had 12,650 employees around the world, covering countries of Taiwan, China (Suzhou), the Czech Republic, and Mexico.

Recruiting Principles
Qisda recruits and hires employees in accordance with the needs of the organization, with suitable internal candidates holding priority over external candidates. Candidates are not discriminated against immutable characteristics such as race, religion, color, nationality, and gender. Qisda does not employ child labor.

Workforce
Qisda gives priority to local candidates on recruiting. Over 90% of employees and over 70% of managers in Taiwan, China and America are hired locally. The only exception is the Czech Republic site, which was recently reorganized with 76% employees and 25% managers hired locally (as shown in Figure 4.1).

By the end of 2010, Qisda had 12,650 employees around the world, of which 68.6% of employees were direct labor. The variance in employee headcounts of the Czech Republic site is due to manpower adjustments in accordance with the overall organization and business development. Employee headcounts of each site are listed in Figure 4.3 and Figure 4.4.

Indirect Labor
2008: 3,784
2009: 3,545
2010: 3,972

Direct Labor
2008: 5,728
2009: 6,499
2010: 8,678

By Gender
60% Female
40% Male

Average Age by Gender
24.8

By Age
16-20: 0.3%
21-30: 15.7%
31-40: 44%
41-50: 37.6%
51-65: 0.1%

By Education
Bachelor’s Degree: 17.5%
Master’s Degree: 10%
Doctorate Degree: 0.1%
Associate Degree: 7.6%
Below High School: 68.8%

Percentage of Local Staff
99.7% Taiwan
99% China
98% America
76% Europe
99.5%
72%
70%
25%

Management
99.5%
72%
70%
25%

Figure 4.1 Percentages of Local Staff
Figure 4.2 IDL & DL Employee Headcounts
Figure 4.3 Employee Headcounts for All Sites

1Local employment calculation: total number of local employees/total number of employees at the site.
2Management level localization ratio calculation: total number of local managers/total number of managers at the site.
In 2010, the average yearly turnover rate was 8.23%. In terms of age, the turnover rate of indirect labor force under 30 years old was 60%, and the turnover rate of direct labor force under 30 years old was 97%.

Learning & Development

Qisda values employee training and development. In order to provide a clear and definite career development blueprint to staff, the company devotes a significant amount of resources, including an integrated classroom and online training platform, internal and external training resources, and Qisda Academy to train employees. At the same time, the company communicates the importance of social responsibility through green product-related courses, such as EICC, QC080000, ESH, and other related training programs that all Qisda employees are required to attend.

Average training hours per employee for Headquarter in Taoyuan, Taiwan and Suzhou manufacturing site in China are shown in Figure 4.6.
The School of Innovative Engineering draws related training blueprints and employee skill training targeted at different specializations in the company to advance the professional skills of employees. In 2010, the RD Engineering Program held more than 100 training sessions with more than 950 hours of training and offered lectures and innovative courses covering topics such as industry trends and technological developments.

The School of Leadership and Management Leadership Program offered courses designed targeted at different position levels to help the management team excel with a strong set of leadership self-assessment skills.

In addition, starting in 2007, Qisda began initiating Six Sigma strategies into company operation, developing the CIP Program (Continuous Improvement Program) to provide employees with the basic concepts and necessary tools to realize work improvement. Through an interconnected mechanism, this process helps employees turn what they learn into actual work improvement. As of today, 50 Loop is underway around the world with over 780 CIP projects resulted in remarkable outcomes.

The CIP Program is designed to help achieve personal and departmental improvement and even overall corporate improvement. Through different types of techniques, such as SS, QCC, DMAIC, CMMI, DFSS, and Leans, this program provides employees with the most suitable work improvement means. The CIP techniques are not limited to the R&D Department. They can also be applied to supporting units. For example, in the second half of 2010, the Information Management Department incorporated the DMAIC technique and effectively accelerated the time spent on PC Server backup and restoration.
Qisda regards employees as critical assets. To facilitate simultaneous growth of employees and the company, Qisda provides sustained investment in training programs. In the future, the company will continue to develop Qisda Academy, integrate internal and external resources, increase the number of training channels, and diversify employee capabilities through more effective training and learning solutions.

**Human Rights Management**

**Labor Rights Protection**

Qisda pledges to protect the labor rights and human rights of its employees. All labor conditions must be in compliance with local laws and regulations, international conventions formulated by rights-related organizations, and stakeholder requirements to ensure the protection of labor rights and interests. Besides the pledge in its policy, Qisda has implemented rules and management procedures to ensure the performance of operation:

1. **No Child Labor**
   - The company does not hire child labor under 16 years old. If a case of inadvertent employment of child labor is discovered, the case will be handled according to the child protection procedure of the company regulations.

2. **No Forced Labor**
   - All employees sign employment contracts that state an employee's willingness to work and acknowledgement of work duties, including overtime, agreed upon by both the employee and the company. Employees are not subjected to physical or psychological coercion. The company does not use forced labor.

3. **Equal and Fair Treatment**
   - All employment, evaluation and assessment should be held with fair and equitable treatment. Employees are not discriminated against race, gender, age, nationality, religion, or political ideology. There have been no lawsuits of discrimination of identity.

4. **No Improper Treatment**
   - Qisda has established an "employee complaint and reporting mechanism" for employees to use to report sexual harassment and/or cases of improper treatment. The company guarantees the anonymity of employees who report a violation. Ever since the inception of Qisda, the company has always maintained a harmonious relationship with its employees. So far, there have been no employee disputes or cases of improper treatment.

   Furthermore, Qisda complies with the law in support of protecting the employees’ rights. The minimum days of advance notice to inform lay-off are in conformity with Labor Standards Act: where a worker has worked continuously for more than three months but less than one year, the notice shall be given ten days in advance; where a worker has worked continuously for more than one year, but less than three years, the notice shall be given twenty days in advance; and, where a worker has worked continuously for more than three years, the notice shall be given thirty days in advance.

**Achieving SA 8000 Certification for All Manufacturing Sites**

Taiwan Headquarter received SA 8000 certification in 2006. Qisda’s overseas manufacturing locations, including China Suzhou, the Czech Republic, and Mexico, obtained SA 8000 certification in 2009. Qisda continues to perform SA 8000 evaluation every year, which further proves Qisda to meet international requirements for its labor conditions.

**EICC (Electronic Industry Code of Conduct) Implementation**

EICC standards have been integrated into the company’s ethics management system since 2007. Qisda treats all ethical codes with highest-possible standards, emphasizing on protecting consumer rights, adherence to regulations and company rules, protecting business confidentiality and company property, refraining from conflict of interests, and prohibiting violation of laws and disciplines by exerting privileges. Qisda drew up the Integrity Handbook based on relevant international regulations of ethics for employees. This handbook has been translated into traditional Chinese, simplified Chinese, Czech and Spanish versions to communicate with all employees overseas.

**Human Rights Management for Supplier**

With regard to suppliers’ human rights management, Qisda has progressively required suppliers to sign the social responsibility and commercial ethics agreement and abide by EICC and SA 8000 standards since 2006 for managing the human rights of their workers. Additionally, in 2007, the company began inspection checks on suppliers’ social responsibility management and environment safety & health systems, surveying them through time to make sure they pass the international certification standards. As of the end of 2010, 5% of suppliers had obtained SA 8000 certification. In 2010, Qisda further extended the surveying of EICC and GHG standards to meet customer requirements. Qisda proactively encourages suppliers to apply for certification and the company even offers support and best practice sharing.
Employee Relations

Qisda adheres to the concept of creating a happy and healthy working environment. The company concentrates employee welfare resources into various programs and measures, so staff can enjoy top quality benefits provided by the company while strengthening the working environment with a healthy and happy corporate culture.

Fundamental Employee Guarantees

Qisda currently provides following primary benefits to all employees. Dispatching employees (temporary) are entitled to all benefits provided to full-time employees except performances bonus.

Dispatching employees (temporary)
- primary benefits to all employees.

1. Communicating with Labors

To sustain healthy relations between management and labor, Qisda encourages staff in participating in company operations and sharing suggestions for improvement. The company provides various communication channels for employees to raise questions and respond to issues, including: Town Meeting, employee relations committee, labor-management committee, and so on. These are used to create healthy, two-way communications between the company and employees, maintain unhindered channels to fully understand employee needs and issues, and allow the company to constantly improve by meeting employees’ workplace expectations.

Qisda complies with labor laws and SA 8000 standards for requiring for two-way communications between the organization and labor. 15 and 7 employee representatives were selected from Suzhou, China and Taoyuan, Taiwan respectively to 100% represent all employees of business units to participate in fixed meetings such as employee welfare committee meetings and labor management meetings that cover issues regulated by SA 8000 standards and to facilitate two-way communications between employee-chosen representatives and high-level management. Quarterly labor meetings with representatives are used to raise labor-related issues regarding labor conditions, welfare and benefits, and to communicate with employee representatives responsible for communicating expedient matters with employees or labor.

Strengthening of Organizational Communication and Establishing Relations

1. Communicating with Labors

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Strengthening of Organizational Communication and Establishing Relations

2. Multiple Communication Channels

Offering multiple forms of open communication is one outstanding aspect of Qisda’s corporate culture, as are having the courage to face problems, seeking the root of a problem and finding proper solutions, constant improvement, and making “good” even better. The following channels are designed for employee communication and to be direct conduits for employee sentiment:

1. CEO (Kuma) Mailbox

Employees are encouraged to share their thoughts and suggestions directly with the CEO by using this mailbox to discuss matters ranging from Qisda’s business strategy, business development, corporate culture, and organizational structure to topics on research and innovation, quality management, and other company-related matters.

2. 2HR (Two HR) Mailbox

Employees are encouraged to share their thoughts and suggestions on matters covering HR policy, strategy questions or suggestions, recruiting talent development, compensation & benefits, employee relations, and HR system using this mailbox to communicate directly with the Director of the Human Resources Center.

3. 2B85 Online Response & Follow up

For problems with employee administrative services (public services, dormitories, environmental protection, lighting, drinking water, cafeterias, parking spaces, etc.) issues can be raised via the company’s intranet directly to Human Resources. Human Resources’ response and follow up is public information and verifiable.

Promotion of Employee Health & Happiness

Building a happy, healthy work environment is one of Qisda’s never-ending goals. In addition to providing competitive compensation, the company works hard to constantly improve work environments and implement diverse and innovative measures for the benefit of employees, enabling them live a well-balanced life.

In the process of constructing a happy, healthy work environment, the challenge remains in constantly adapting to current trends to realize this vision of the perfect, healthy workplace. Under the thoughtful management of Qisda’s employee welfare committee, a series of activities and events are created each year to match the trends to provide Qisda’s employees the entertainment options outside work, completing their workplace with happiness and wellness. In 2010, the activities held were innovative, heart touching and interesting, and attended by nearly 10,000 person-time. Qisda’s employees welcomed these events with great enthusiasm and have gained rewarding experiences greatly from the benefits.

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- FIGURE 4.13 2010 EMPLOYEE PARTICIPATION COUNTS (PERSON-TIME) OF WELFARE EVENTS AND ACTIVITIES
<table>
<thead>
<tr>
<th>No.</th>
<th>Event Theme</th>
<th>Event Information</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Positive Force</td>
<td>Lectures: Positive Thinking, Positive Life; You Can Change; Happiness Requires No Lessons; Green Life, Love the Planet.</td>
</tr>
<tr>
<td>2</td>
<td>Physical Activities</td>
<td>WII Sport; basketball &amp; basketball games; river tracing</td>
</tr>
<tr>
<td>3</td>
<td>Exploring the Nature</td>
<td>Qisda Kueishan whale viewing trip; Yilan Mingchih Maple Foliage trip</td>
</tr>
<tr>
<td>4</td>
<td>Innovation &amp; Humanities</td>
<td>Four-Wheel Drive (4WD) race; Segway driving school; Qisda Golden Brain</td>
</tr>
<tr>
<td>5</td>
<td>Art &amp; Culture</td>
<td>Qisda hot movie; theater show</td>
</tr>
<tr>
<td>6</td>
<td>Online Q &amp; A</td>
<td>Spring computer lucky draw; tree-planting online Q &amp; A</td>
</tr>
<tr>
<td>7</td>
<td>Family Day</td>
<td>Family Day</td>
</tr>
<tr>
<td>8</td>
<td>Others</td>
<td>Lantern painting; corporate social events; Qisda star singing competition</td>
</tr>
</tbody>
</table>
Employee Health Care Management

The ultimate objective of the Wellness Center is the good health of all staff. The promotion of related activities is done entirely in accordance with the needs of six major aspects of employee health, such as: the wellness clinic, on-site nursing room program, illness monitoring and care, acute injury treatment, health management monitoring, physical activities, and so on.

Qisda continues to promote personal health management, providing an in-house e-health management system on the company’s intranet portal that integrates existing health information so employees have on-demand access to their health and the latest in-house health-related information that Qisda provides. This further helps realize one person’s health.

Hardware & Software Welfare Facilities

Qisda provides caring services and comprehensive lifestyle facilities so employees are able to enjoy a comfortable living and working environment.

1. Comprehensive selection of dining & refreshments: cafeteria, self-serve coffee bar, convenience store, and juice bar provide a wide variety of dining choices.
2. Exercise facilities: gymnasium, basketball court, table tennis room, billiard room, and aerobic/dance room let employees easily enjoy exercise.
3. Wellness center: medical center, nursing room, and massage service to provide employees with medical care and wellness solutions.
4. Green environment: over 15,000 trees from 50 different species planted all over the grounds, a splendid view to behold.
5. Other facilities: employee dormitory, automobile/motorcycle/bicycle parking areas, parking for expecting mothers and the physically challenged, rest areas for staff, and training rooms.
The Health e-Management Service is divided into the following 6 aspects:

1. Wellness Clinic
   Designed to offer convenient medical treatment and health consultation, the wellness clinic is always there to help Qisda’s employees – distance-free.

2. On-site Nursing Room
   Qisda has started promoting on-site nursing rooms since the beginning of 2007. Until 2010, a total of 51 mothers completed 3-6 month on-site nursing programs, and the on-site nursing room was used for 12,558 times. In order to let working mothers continue to work and feel comfortable nursing, the Wellness Center enhanced the convenience and privacy of the nursing environment with the better hardware facilities, such as the refrigerator, sterilizers, milk storage bags, breast-bumping devices and heaters.

3. Disease Prevention, Cure and Care
   The e-health management system provides information on domestic and international influenza and infectious diseases, in order to convey the correct health prevention concepts and methods to fellow employees. The e-health system also implements a global disease epidemics notification system in order to track emergency supply status of each sites and the health condition of each worker.

4. Emergency Training Station
   The e-health system provides emergency training for common illnesses (such as pulled muscles and nosebleeds) and accidents (lacerations, drowning, shock, etc.) for new employee training, including first-aid certification courses, emergency accident response courses, etc.

5. Health Management Tracking System
   The digitalized system can comprehensively record employee doctor visits, tracking and highlighting abnormal or unusual parts of an employee’s health examination to bring to the individual’s attention and to arrange for him or her to set-up health consultation with in-house physicians who will then help him or her to understand the health condition better.

6. Physical Activities
   By integrating current discussions in social and international health topics, this function provides employees with peace of mind at work and offers fast understanding of timely topics in health care. In 2010, the Wellness Center held a series of spiritual aesthetics classes that 254 employees attended to build together a beautiful mind and a healthier work place.

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14 The total number of mothers and times used calculated does not include the Suzhou area.
Goodwill for the Earth, Love for the Society

Qisda Corporation (originally the BenQ Corporation) established the BenQ Foundation upon the approval of funding by the Board of Directors on August 22, 2002. Therefore, the BenQ Foundation was formed based on the donation of Qisda Corporation. Since its inception, the BenQ Group has always believed that business goals must go beyond profits and earning a spot on the world stage – representing the local area we come from is a kind of steadfast promise to the people here.

In November 2003, the BenQ Group founded the BenQ Foundation in the hope that the Group’s vision of bringing enjoyment “n quality to life” could be extended outward to every member of Taiwan’s society. The BenQ Group has a firmly committed mission to provide all people with a cheerful, happy life.

The BenQ Foundation’s long-term vision is to diligently develop Taiwan’s beauty, which truly represents a tangible practice of an enterprise giving back to society. The BenQ Foundation is built upon four primary objectives of community service: “Reducing the digital divide”, “Fostering smart and honest people”, “Promoting the value of original culture”, and “Caring for the earth”. Through these principles, the foundation promotes activities to ignite people’s attention and compassion toward the society, culture and community.

Besides the periodic events, the BenQ Foundation initiated a disaster relief donation in joint effort with affiliated companies in BenQ Group to provide monetary support for people suffering from the aftermath created by Typhoon Morakot on August 8th, 2009. The foundation has also signed sponsorship agreements with the Ministry of Education to help rebuild Jialan Elementary School in Jinfeng Township, Taitung County and Taiwu Elementary School in Wanruan Township, Pingtung County. A substantial amount of resources has been devoted to launch the construction work for rebuilding these schools in 2010.

The BenQ Foundation
Reducing the Digital Divide
To let everyone experience technology and enjoy the conveniences of an information-based society, the BenQ Foundation has a long-term commitment to shrinking the digital divide that exists in remote, rural areas and decreasing the imbalanced access to information due to economic background or personal characteristics, especially in homes with poor relationship or broken families.

1. Miaoli County Miaoli Digital Opportunity Center (DOC)
2. Smangus Cultural and Ecological Digital Experience

Fostering Smart and Honest People
The digital age is progressing at a rapid pace. Only those with moral character and knowledge can satisfy the aspirations in their hearts and minds, go even further in life, and bring joy and happiness to people’s lives through trends in the evolution of digital life. Profound and true development of proper values is the key establishing competitive qualities in young people; the world of tomorrow needs “honest and smart people” filled with integrity and unlimited creativity. The BenQ Foundation is devoted to passing on these concepts to a new generation and letting positive ideas take root at a young age.

1. BenQ eKIDs Future Optronics Camp
2. Honest and Smart Experience Camp
3. Honest and Smart Scholarships
4. Hope Reading Group

Promoting the Value of Original Culture
The development of artistic creativity and the ability to enjoy it are indications of an advanced society. The BenQ Foundation provides long-term encouragement of original artistic expression, and through the integration of technology and creativity, helps give creative artistic expression a richer and more advanced appearance. This encourages the creation of platform for creative and artistic commentary that memorializes the genuineness, goodwill, and beauty of Taiwan.

1. BenQ True, Good & Beautify Awards
2. BenQ Movie Newcom Award for the World of Chinese
3. BenQ International Sculpture Camp
4. Wu Shuzhen’s “Like a Fairy” Art Exhibition
5. “Twinkle, Twinkle Little Star” Movie

Caring for the Earth
The people and the land are one. Surrounded by the Pacific, ocean winds blow through these mountains that nurture the world’s most technologically vibrant piece of land and the most industrious and honest people. As corporate citizens being on advocates for nature and going back to this piece of land is our honor and our responsibility. From the preservation of historical remains to the protection and beautification of the natural environment, the BenQ Foundation will continue to demonstrate our appreciation for the earth through tangible action.

1. “Adopt a Rice Paddy” Activity
2. Jialan Elementary Rebuilding Program
3. Taiwu Elementary Rebuilding Program

The BenQ Foundation
Website: http://www.benqfoundation.org
One day…

I must return to the valley and sing in chorus.

Green Light Program

“BB Green Light Campus Reconstruction Program” for Schools in Disaster Areas

Intertwined with the power of the Earth and the sun, the “Green Light Campus Reconstruction Program” was conceived by and created as a joint effort of the group to shed new lights of hope for the people in disaster areas.

The BenQ Foundation gathered BenQ Group resources and assisted two elementary schools located in the flooded areas in eastern and southern Taiwan reconstruct their campus. Built with green architectural design and energy conservation in mind, the two schools were reborn to bring harmony between man and nature, restoring hope and power on a wounded Mother Earth and allowing children to learn and grow on a green campus.

The Qisda staff eagerly participated in the “BB Green Light Campus Reconstruction Program”. They participated in the donation event with great enthusiasm and took charge of structuring and planning volunteer services for the tribes and the schools.
Jialan Elementary School, Jinfong Township, Taitung County

“Multi-Functional Learning Center and Teacher Dormitory” Completed and Launched (2.4 - 9.28, 2010)

Jialan Elementary reconstruction work broke ground on February 4th, 2010 and was completed and launched the same year on September 28th. During which, through numerous traveling between Taipei and Taitung to discuss and negotiate every detail with teachers and principles repeatedly, surveys, design details, ground-break work and beam raising were successively completed. The reconstruction process was speeded up and accomplished wholeheartedly by the joined forces of BenQ Group’s expansion center, solar power technology center, Hsuyuan Kuo Architect & Associates, and Fu Tsu Construction. The multi-functional learning center and teacher dormitory was a gift of blessing from the heart of many for Jialan Township.

“We are not here to build monuments. We are here to build a house. It is to accompany many kids from generation to generation.” Chairman of Qisda, Lee Kun-yao, shared his view on the reconstruction work. With respect to the local culture, the buildings are filled with the soul of the tribe.

Wrapped by Jialan words, the light grey two-story building is designed with tribal totem carvings, symbolic images of the mountain and rivers, as well as natural materials. The base of the building, supported by walls made of flat stream stone, was hand-layered by the Jialan tribe. The stones, just like the big and small Jialan tribal people, are simple yet intriguing. Before the front doors are the newly planted camphor trees, the companion of the Jialan children in learning and growing.

A disaster-proof architecture, the building is built with a whole new solar power tram shelter. During the day, this shelter is free for students and teachers to use for learning. During weekends, it becomes a place of gathering for the community. In the times of serious natural disaster, it offers shelter for the Jialan tribe. This solar power tram shelter comes with a power supply system which can be used to supply day-to-day electricity for the school and emergency electricity supply for the tribe during blackouts. The multi-functional learning center is designed to generate electricity to look after the tribal people even in times of blackout due to the occurrence of typhoon. The multi-functional learning center was the first accomplished construction work scheduled in the Typhoon Morakot 88 Flood corporate sponsor reconstruction plan.
Typhoon Morakot 88 Flood caused severe damages to the ground layers of Taiwu Elementary School and the Taiwu tribe of Pintung County. People were forced to abandon their native land in the northern Da-wu Mountain, 800 meters above sea levels. Over the year, the people relocated 8 different times before finally settling permanently on the Xinchi Farm in the Wanjin Village, Wanrun Township.

On December 23rd, 2010, a beautiful sunny winter day, the groundbreaking ceremony was held for the “Taiwu Permanent Campus Reconstruction Program”. The ceremony was carried out with regard to Paiwan tradition in honoring the Taiwu tribe and paying respect to the aboriginal culture. The reconstruction work is scheduled to be completed by August 8th, 2011.

The Paiwan tribe attaches great importance to the ancestor spirit welcoming ceremony held for building new houses on newly migrated land. The ceremony determines whether or not the people can settle and live happily at the new land. The groundbreaking ceremony begins with the elders’ “calling” (qemalac), the first thing to do when stepping onto a new territory— calling out to the spirits of the ancestors and asking for their blessing. “Gun firing” (kemuwang) shows the highest respect to the tribe leader and the honored guests. The “eulogies” (kipakeljang) identifies themselves as the Taiwu village people. “Paying respect to the spirits of the ancestors” (mapalisi) and “toasting” (ljemagay) show respects to the ancestors. Toasting the guests symbolizes a friendly alliance and that they are no longer strangers. The most important part of the ceremony is “pole fixing” (cemekecek taqacilay). Relocating the stele once belonged in Taiwu Elementary School in the northern Da-wu Mountain to the new location on the permanent campus draws the beginning of the new school territory. The seniors sang, “We build a bridge as high as the sky with glazed beads to uplift you in our heart with honor.” The Taiwu ancient chant carried on the never-ending respect for the gods and the love for the people. The groundbreaking ceremony launched the reconstruction path for Taiwu Elementary School. Blended with Paiwan traditional culture and spirit, the campus design is outlined with the images and symbols of the northern Da-wu Mountain, southern Da-wu Mountain, hundred-pace snakes, and earthenware pots that showed BenQ Group’s dedication to and respect for Taiwu Elementary School and the Paiwan traditional culture.
Adopt a Rice Paddy Program: for a Planting and Harvesting Experience

In 2008, Qisda took the initiative to adopt rice paddies. This was followed by the BenQ Foundation’s “Adopt a Rice Paddy Program” launch. Island-wide, a total of 8 hectares of farming lands were up for adoption in 10 villages and towns in northern, central and southern Taiwan and in the east below the mountains. These lands were planted in August and harvested in December. Qisda’s employees participated enthusiastically with their friends and families, experiencing together “plowing in spring and harvesting in fall” and understanding the hard work of farming from the time when newly sown seeds were planted into the rice paddy to carefully tending to the rice seedlings until they grown into golden ears of rice.

From beginning with a rice seed to harvesting full grown ears of rice and tasting the light fragrance of steamed rice, Qisda’s employees and their families and friends learned to deeply appreciate and care for the people, culture and land. The experience of planting and harvesting, as well as the simple yet delicate hospitable culture in northern, central, southern, and eastern Taiwan, made this a memorable and lovely trip for all.
Financial Performance

With strong wings, we are able to fly freely. Integrity is the wind that helps us spread our wings, carrying us through every challenge until we reach the very top.
Chapter 5
Financial Performance

"As Qisda moves forward into 2011, carrying gathered strength from the past, we must pursue the simultaneous growth of our profit and revenue."

Corporate Governance
Organizational Structure of Corporate Governance

Qisda complies with Company Law, the Securities and Exchange Act, and other relevant laws and regulations of the Republic of China to formulate and implement the company’s corporate governance structure. Qisda’s corporate governance structure model is made up of two units, the board of directors and the audit committee. The audit committee is made up of members independent of the board of directors. Members of the board of directors (including independent directors) are selected based on shareholder votes. In principle, the responsibilities of the board of directors are carried out in accordance with relevant laws, company regulations, and shareholder resolutions. The board of directors is also responsible for supervision of company management and overall operational status. The audit committee’s responsibilities include accurate financial reporting, selection and performance of independent accountants, effective implementation of internal controls in accordance with relevant laws and regulations, and management existing and/or potential risk.

Qisda has always believed that upholding shareholder rights and interests is a primary task. In addition to having a professional management team rich in experience, the board of directors also possesses the necessary executive knowledge, technological know-how, professional accomplishments, and devotion to the maximizing shareholder rights and interests. Members of the board of directors are listed in Table 5.1. The board of directors has 9 members (including 3 independent directors). The chairman is elected by the board. Board members all have 5 or more years of experience in business administration, legal, finance, accounting, or other professional experience required by the company.

Table 5.1 Board of Directors

<table>
<thead>
<tr>
<th>Title</th>
<th>Name</th>
<th>Education &amp; Experience</th>
<th>Current Positions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Independent Director</td>
<td>Kane K. Wang</td>
<td>• Ph.D., The Structure of Technology Demand, and Marker of U.S. Automobile Industry MFT</td>
<td>• Director and Professor, China University of Technology</td>
</tr>
<tr>
<td>Independent Director</td>
<td>Ching-Yang Su</td>
<td>• EMBA, National Cheng Chi University</td>
<td>• Chairman, Joy Technology (Shenzhen) Co., Ltd.</td>
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<tr>
<td>Independent Director</td>
<td>Min-Tsung Lan</td>
<td>• EMBA, National Cheng Chi University</td>
<td>• Consultant, Voisano S.A.</td>
</tr>
<tr>
<td>Chairman</td>
<td>K. Y. Lee</td>
<td>• MBA, Switzerland ITD</td>
<td>• Chairman, BenQ Corp.; Acer Optronics Corp.; Director, Acer Electronics Corp.</td>
</tr>
<tr>
<td>Director</td>
<td>Stan Shih</td>
<td>• M.S., Electrical Engineering, National Chiao-Tung University</td>
<td>• Chief Consultant, ID SoftCapital Inc.; Director, Acer Inc.; Taiwan Semiconductor Manufacturing Company; Wistron Corp.</td>
</tr>
<tr>
<td>Director</td>
<td>Sheaffer Lee</td>
<td>• EMBA, National Cheng Chi University</td>
<td>• Chairman, Derfon Electronics Corp.; Datas technology Corp.; Datas Microelectronics Inc.; Director, BenQ Corp.; Lite-On IT Corp.</td>
</tr>
<tr>
<td>Director</td>
<td>Daily Venture Inc.: Hai Hsiung</td>
<td>• Ph.D., Physics, University of California-Berkeley</td>
<td>• President, Qisda Corp.</td>
</tr>
<tr>
<td>Director</td>
<td>China Development Industrial Bank: Daw-yl Hu</td>
<td>• MBA, The Ohio State University, GPA Wealth Management Group &amp; President, Taiwan Securities, Tatoo Financial Holding Co., Ltd.</td>
<td>• MD, China Development Financial Holding Corporation</td>
</tr>
</tbody>
</table>

Table 5.1 Board of Directors
Corporate Governance Procedures

Qisda’s board of directors considers company and shareholder interests as top priorities in performing operational evaluations and passing significant resolutions. The audit committee fulfills a supervisory role through prudent and careful oversight of the operations of the company and the board of directors. In addition, Qisda’s Corporate Sustainability Development (CSD) activities are promoted through the CSD committee under its chairman, Mr. Hui Hsiung’s supervision.

1. Board of Directors Operations:

According to the Securities and Exchange Act Article 26, Paragraph 3, Subparagraph 8, regulations, Qisda created the “Regulations Governing Procedure for Board of Directors Meetings”. Official board of director business, operational procedures, records of official business, and announcements on company and other related matters are carried out according to these regulations. Qisda’s board of directors shall convene at least once per quarter. The guiding policy of the board members shall be to maximize shareholder rights and interest through upright management, faithful obligation, the highest degree of personal oversight, and prudent application of the authority of their positions.

2. Audit Committee Operations:

In 2008, the company installed independent directors and an audit committee in accordance with the Securities and Exchange Act and shareholder resolutions. Through the “Audit Committee Charter” as defined by the board of directors, the audit committee preserves and strengthens the organization’s strategic policies and works to increase operational efficiency through practical application of corporate governance. Qisda’s audit committee must convene at least once per quarter and request the attendance of accountants, internal auditors, risk management, legal, and finance department representatives. By providing information on audit committee reports and inquiries into recent financial reporting status, the results of internal audits, significant litigation, and financial operating status, the audit committee can assist investors in ensuring that company governance is transparent and shareholder rights and interests are safeguarded.

Additionally, in accordance with the regulations in Article 208, Item 3 of the Company Act, the chairman of Qisda’s board of directors, Mr. K.Y. Lee, shall not concurrently serve in any position at Qisda. On September 1, 2007, after Qisda separated its branded business unit, Mr. Hui Hsiung announced the board of directors. Mr. K.Y. Lee, shall not concurrently serve in any position at Qisda. On September 1, 2007, after Qisda separated its branded business unit, Mr. Hui Hsiung assumed the role of CEO and President. If during board of director discussions and voting on resolutions, a board member has a potential conflict of interest in a motion that could cause harm to the company’s rights and interests, that board member shall not participate in discussions or voting related to that motion. This action shall be carried out in accordance with the Company Act, Article 206, Item 2 and Article 178. Avoiding Conflicts of Interest. When deemed necessary, the presiding chairman shall appoint someone else to act on the director’s behalf.

According to current Qisda regulations and procedures, director compensation must not surpass 1% of distributable annual earnings, which demonstrates the relationship between operational performance and director compensation. In addition, the company’s board of directors’ devotion and commitment in performing various responsibilities and duties will not decrease due to the company’s loss of profit. Therefore, taken into comprehensive consideration of the company’s industry risk, the responsibilities of the company person in charge, directors and independent directors, operating scale and so on, under the principle of uniformity between authority and responsibility and reasonable determination of basic compensation, the company, in accordance with the regulations, shall issue fixed director compensation upon the approval of the audit committee and the board of director.

The company’s board of directors shall submit for resolution the annual financial statement, business report, profit surplus distribution, and all related documentation and proposals during the shareholder’s meeting. The shareholders’ recognition and approval of such resolution shall determine the evaluation of organizational performance. Information related to the compensation of the board of directors and executives shall also be reasonably revealed in the company’s annual report for the stakeholders to fully understand the relationship between operational performance and top-management compensation.

According to the “TSE-listed or GTSM-listed companies remuneration committee establishment and implementation regulations” set by the Financial Supervisory Commission of Executive Yuan, Qisda is to implement a remuneration committee by September 30, 2011 in the effort to strengthen corporate governance and enhance the company board of directors and top-management team remuneration system.

Financial Performance

Qisda’s 2010 core consolidated revenues reached NT$89.4 billion, while the Taiwan parent company recorded revenues of NT$61.3 billion. After-tax revenues of NT $3.74 billion resulted in an after-tax revenue per share of NT $1.94. Total market value of Qisda was approximately NT $38.37 billions13. Refer to Figure 5.1 and Table 5.2 for Qisda’s business revenue by product line and its operational performances for the past three years. For more detailed information on the company’s operational performances and financial results, please see the company’s 2010 annual report (downloadable from the company’s official website, Qisda.com/Investor Relations/Annual Reports).

In September 2006, the company ended all major lawsuits derived from the BenQ-Siemens mobile-phone business, reaching a satisfactory conclusion at the end of 2010. There was no negative financial impact, allowing the management team to focus on Qisda’s core business in the future.

Qisda’s mainstream business – the LCD display product line – maintained continual shipment growth in 2010. Only that its percentage of total revenue has dropped to 66%. In comparison, the percentage of total revenue generated by businesses other than the LCD display and projectors increased by 7%. This demonstrated positive growth and contribution of newly developed growth-oriented or future-oriented products for the past three years, including portable devices, smartphones, e-readers, and tele-healthcare devices. These products are to become the new driving forces for generating future revenue and profit.

Communicating with Investors

Qisda’s core convictions have always been devoted to creating shareholder profit and giving back to society. Qisda supports fair and transparent delivery of information to shareholders and those with a vested interest in the company through unified channels for immediate communication on company operations and finance-related information. In order to strengthen the quality and veracity of company information for external parties, informational filtering and determinations on disclosure will be made by the relevant units within the company.

Qisda has developed multiple types of communication channels and mechanism for communicating with investors. Also, fixed and discretionary investor reports and interaction provide clear investor communications on the latest operational results, future company strategies and operational forecasts. For a list of investor communication channels and mechanism, see Table 5.2.
As Qisda moves forward into 2011, carrying gathered strength from the past, we must pursue the simultaneous growth of our profit and revenue. The management team will continue to work unceasingly to deliver the greatest benefit to both the company and its shareholders.

Previous instances of capital increases or investments in equipment, R&D, etc. were done in accordance with laws and subject to applicable tax-exemption and/or preferential/reduced tax rates. For detail information, please refer to the appendix of the 2010 Qisda Financial Statement with regards to “income tax” disclosure.

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As of 2010.04.17

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The management team will continue to work unceasingly to deliver the greatest benefit to both the company and its shareholders.
Employee Code of Ethics and Behavior

Integrity

Integrity is the foundation of a business. In line with Qisda’s growth and development, we pursue business growth alongside a resolute and unshakable determination for integrity! Integrity underlies every facet of our corporate operations. Qisda’s core culture dictates work-related behavioral standards to ensure outstanding products and services and also maintain frank and transparent relations with customers and suppliers.

Qisda has created its own Integrity Handbook and employees are provided with a dedicated email (Kuma@Qisda.com) used to report integrity-related issues.

The Qisda Integrity Handbook

1. Individual Employee
   - Safeguard integrity, display a moral personal character, and always act with honesty.
   - Achieve what you set out to do and spare no effort in completing an undertaking.

2. Team
   - Communication, sincere and frank interaction, and full development of team competitiveness.
   - Cooperation, genuineness and honesty, mutual respect, and joint development for optimal results.

3. Suppliers
   - With optimizing the company’s profitability as a priority, select suppliers based on integrity and dependability.
   - Establish honest and dependable relationships with suppliers and carry out transparent and equitable business transactions.

4. Customer & Society
   - Honest delivery of management, product, service and other related corporate information to customers and the public.
   - Do everything possible to uphold and protect ethical and moral principles and enhance the reputation of the company.

CEO’s Mailbox

Qisda’s core value is integrity. If people or situations do not conform to the spirit of integrity or, in the case of violations of the Integrity Handbook’s regulations, employees can use this email to communicate directly with the CEO to preserve the principles of honest and integrity among Qisda employees.

Risk Management

Qisda’s risk management activities provide solutions for the company’s risk management system and risk transfer planning. Additionally, the risk management system defines long-term risk management vision and strategy, effectively manages risk that surpasses the company’s level of tolerance, and optimizes the total cost by applying risk management tools.

To ensure the company’s sustained operations, the Risk Management Committee (RMC) is created to identify, evaluate, resolve, report and supervise risks that could have a negative impact on the company’s business goals annually.

Figure 5.2 Qisda Risk Management

Figure 5.3 The Risk Management Committee (RMC)
Business Continuity Management (BCM)

Qisda has continually established various scenario-based Business Continuity Plans (BCP) since 2004. However, at the time, there were no international standards set up for BCP. It was not until November 2007 that the British Standard Institute (BSI) announced the BS 25999-2:2007 Business Continuity Management System (BCMS) standards, providing the world with a measurable mechanism. Qisda has started establishing its BCM system abiding by the BCM standards in 2010 due to the reorganization of the company and its product lines, as well as the growing customer demands for BCM auditing and increasingly complicated risks management.

Enterprise-wide Risk Management

Business Continuity Management System, BCMs

- Incident Management Plan (IMP)
- Emergency Response Plan
- Crisis Management Roadmap
- Business Continuity Roadmap


On April 4, 2010, a magnitude 7.2 earthquake struck Mexicali, affecting the company’s Mexican manufacturing site production. The BCP solutions for earthquakes were activated shortly to successfully recover productivity within the shortest time possible. In 2010, Qisda re-examined and renewed its BCP plans for original fire disasters in compliance with the BS 25999 requirements, as well as administering BCP fire drills in the Suzhou site. Moreover, in response to the labor shortage in China, Qisda has incorporated the strike scenario impact analysis results in developing plans for maintaining uninterrupted operation in the event of work disruption. It has also proceeded with BCP strike drills in the Suzhou site.

![Figure 5.5 2010 Mexico Earthquake BCM](image-url)
Profile

1.1 Statement from the most senior decision-maker of the organization (see completeness principle for explanation of scope). If boundary and location are not aligned, explain the reason for the omission. Qisda Corporate Sustainability Development

1.2 Description of key impacts, risks, and opportunities Qisda Message

2.1 Name of the organization Qisda Corporation

2.2 Primary products, products, and services Qisda Corporation

2.3 Operational structure of the organization Qisda Corporation

2.4 Location of organization’s headquarters Qisda Corporation

2.5 Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report Qisda Corporation

2.6 Nature of ownership and legal form Qisda Corporation

2.7 Markets served (including geographic breakdowns, sectors served, and types of customers/beneficiaries) Qisda Corporation

2.8 Scale of the reporting organization Financial Performance

2.9 Significant changes during the reporting period regarding size, structure, or ownership Financial Performance

2.10 Awards received during the reporting period Qisda Message, Award History Design Awards

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GRI G3 Applications Level Grid

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- The document includes sections and tables related to the GRI G3 framework, focusing on various aspects such as organizational profile, management profile report, and core content. It references specific pages and notes for information on key aspects like organizational structure, corporate governance, stakeholder engagement, and reporting parameters.
## Economic

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<td>EN5</td>
<td>NOx, SOx and other significant nitrogen, sulfur, and other air emissions by type and weight</td>
<td>Health &amp; Safety Management</td>
<td>036</td>
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<td></td>
<td>EN6</td>
<td>Total water discharge by quality and destination</td>
<td>Water Resource Management</td>
<td>034</td>
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<td>EN7</td>
<td>Total water discharge by type and disposal method</td>
<td>Waste Disposal Management</td>
<td>033</td>
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<td>EN8</td>
<td>Total number and volume of significant spills</td>
<td>Waste Disposal Management</td>
<td>033</td>
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<tr>
<td></td>
<td>EN9</td>
<td>Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, and VIII, and percentage of transported waste shipped internationally</td>
<td>Waste Disposal Management</td>
<td>033</td>
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<tr>
<td></td>
<td>EN10</td>
<td>Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff</td>
<td>Water Resource Management</td>
<td>034</td>
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<tr>
<td></td>
<td>EN11</td>
<td>Percentage of products sold and their packaging materials that are recycled or downcycled</td>
<td>Reused Product</td>
<td>032</td>
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<tr>
<td></td>
<td>EN12</td>
<td>Initiatives to mitigate environmental impacts of products and services, and measures of impact mitigation</td>
<td>Green Product</td>
<td>022</td>
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<td></td>
<td>EN13</td>
<td>Initiatives to reduce greenhouse gas emissions and reductions achieved</td>
<td>Climate Change</td>
<td>037</td>
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<tr>
<td></td>
<td>EN14</td>
<td>Other relevant indirect greenhouse gas emissions by weight</td>
<td>Climate Change</td>
<td>037</td>
</tr>
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<td></td>
<td>EN15</td>
<td>Emissions of climate-forcing substances by weight</td>
<td>Climate Change</td>
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<td>EN16</td>
<td>Tonnage and volume of significant spills</td>
<td>Health &amp; Safety Management</td>
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<td>EN17</td>
<td>Initiatives to reduce indirect energy consumption and reductions achieved</td>
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<tr>
<td></td>
<td>EN18</td>
<td>Strategies, current actions, and future plans for managing impacts on biodiversity</td>
<td>Environmental Management</td>
<td>035</td>
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<tr>
<td>Environmental Performance Indicators</td>
<td>EN19</td>
<td>Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations</td>
<td>N/A</td>
<td>N/A</td>
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<tr>
<td></td>
<td>EN20</td>
<td>Significant environmental impacts of transporting products and other goods and materials used for the organization’s operations, and transporting members of the workforce</td>
<td>Green Product</td>
<td>022</td>
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<td></td>
<td>EN21</td>
<td>Environmental Indicators</td>
<td>Overall</td>
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## Environmental

<table>
<thead>
<tr>
<th>Aspect Category Item</th>
<th>GRI Index</th>
<th>Description</th>
<th>Report Section</th>
<th>Page(P.)</th>
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<tbody>
<tr>
<td>Environmental Performance Indicators</td>
<td>EN1</td>
<td>Materials used by weight or volume</td>
<td>Raw Materials Management</td>
<td>032</td>
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<td>EN2</td>
<td>Percentage of materials used that are recycled input materials</td>
<td>Green Product</td>
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<td>EN3</td>
<td>Direct energy consumption by primary energy source</td>
<td>Climate Change</td>
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<td>EN4</td>
<td>Indirect energy consumption by primary source</td>
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<td>EN5</td>
<td>Initiatives to provide energy-efficient or renewable energy-based products and services, and reductions in energy requirements as a result of these initiatives</td>
<td>Green Product</td>
<td>032</td>
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<td>EN6</td>
<td>Initiatives to reduce indirect energy consumption and reductions achieved</td>
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<td></td>
<td>EN7</td>
<td>Total water withdrawal by source</td>
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<td>EN8</td>
<td>Water sources significantly affected by withdrawal of water</td>
<td>Water Resource Management</td>
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</table>

## Notes
- N/A: Not available.
- N/A: Not applicable since Qinta is a commercial entity, not a manufacturing company.
- N/A: No record of fines or violations of laws or regulations.
Performance Indicators

Social

<table>
<thead>
<tr>
<th>Aspect</th>
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<tr>
<td>Social Performance Indicators</td>
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<tr>
<td>Employment</td>
<td></td>
<td></td>
<td>LA1</td>
<td>Total workforce by employment type, employment contract, and region</td>
<td>Employee Profile</td>
<td>G00</td>
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<td></td>
<td></td>
<td></td>
<td>LA2</td>
<td>Total number and rate of employees turnover by age, gender, and region</td>
<td>Employee Profile</td>
<td>G00</td>
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<td></td>
<td></td>
<td></td>
<td>LA3</td>
<td>Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operation</td>
<td>Fundamental Guarantees</td>
<td>G08</td>
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<td></td>
<td></td>
<td></td>
<td>LA4</td>
<td>Percentage of employees covered by collective bargaining agreements</td>
<td>Strengthening of Organizational Commitment and Establishing Relations</td>
<td>G08</td>
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<td></td>
<td></td>
<td></td>
<td>LA5</td>
<td>Minimum notice period regarding occupational changes, including whether it is specified in collective agreements</td>
<td>Labor Rights Protection</td>
<td>G06</td>
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<td></td>
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<td></td>
<td>LA6</td>
<td>Percentage of total workforce represented in formal joint health and safety committees that help monitor and advise on occupational health and safety programs</td>
<td>Strengthening of Organizational Commitment and Establishing Relations</td>
<td>G08</td>
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<td></td>
<td></td>
<td></td>
<td>LA7</td>
<td>Rates of injury, occupational diseases, lost days, and absenteeism and number of work-related injuries by region</td>
<td>Health &amp; Safety Management</td>
<td>G36</td>
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<td>LA8</td>
<td>Education, training, counseling, prevention, and risk-control programs in place to assist workers, members, their families, or community members regarding specific diseases</td>
<td>Employee Health Care Management</td>
<td>G03</td>
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<td>LA9</td>
<td>Health and safety topics covered in formal agreements with trade unions</td>
<td>Employee Health Care Management</td>
<td>G03</td>
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<td></td>
<td></td>
<td></td>
<td>LA10</td>
<td>Average hours of training per year per employee by employee category</td>
<td>Learning &amp; Development</td>
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<td></td>
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<td>LA11</td>
<td>Progress for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings</td>
<td>Learning &amp; Development</td>
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<td>LA12</td>
<td>Percentage of employees receiving regular performance and career development reviews</td>
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<td>Training and Education</td>
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Human Rights

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<td>Investment and Economic Practices</td>
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<td>Non-Corruption</td>
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Social

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<td>Product Responsibility</td>
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INDEPENDENT ASSURANCE STATEMENT

Introduction and objectives of work
BUREAU VERITAS Certification Taiwan has been engaged by Qiida Corporation to conduct an independent assurance of its “2010 Corporate Sustainability Report”. This Assurance Statement applies to the related information included within the scope of work described below.

This information and its presentation in the “2010 Corporate Sustainability Report” are the sole responsibility of the management of Qiida Corporation. Bureau Veritas Certification Taiwan was not involved in the drafting of the Report. Our sole responsibility was to provide independent assurance on the accuracy and reliability of information included, and on the underlying systems and processes used to collect, analyse and review it.

Scope of work
Qiida Corporation requested Bureau Veritas Certification Taiwan to verify the accuracy of the following:
- Data and information included in the Qiida 2010 Corporate Sustainability Report with reference to sites in Taoyuan-Taiwan and Suzhou-Jiangsu-China;
- GRI G3 Sustainability Reporting Guidelines G3 at an application level of A+;
- Evaluation of the Report against the following main principles of the AA1000 Assurance Standard, Type II assurance approach in high assurance level:
  o Completeness (principle of inclusivity),
  o Materiality,
  o Responsiveness;
- Evaluation of the Report against the principles of Accuracy, Accessibility, Balance, Clarity, Comparability, Reliability, Timeliness and Stakeholder Inclusiveness

Excluded from the scope of our work is any verification of information relating to:
- Activities outside the defined verification period;
- Positional statements (expressions of opinion, belief, aim or future intention by Qiida Corporation) and statements of future commitment;
- Information that came from locations other than Taiwan and China sites cited.

Our findings
On the basis of our methodology and the activities described above, it is our opinion that:
1. The information and data included in the scope of our assurance are accurate, reliable and free from material mistake or misstatement;
2. The information is presented in a clear, understandable and accessible manner;
3. The 2010 Corporate Sustainability Report provides a fair and balanced representation of activities during the year 2010;
4. The information in the “2010 Corporate Sustainability Report” allows readers to form a balanced opinion of Qiida Corporation activities and performance during the year 2010;
5. The information disclosed by the report meet GRI grade A+ criteria and BV certification Taiwan’s assurance is in type II approach high assurance level. The Report properly reflects the organization’s alignment to and implementation of the AA1000 Assurance Standard principles of Inclusivity, Materiality and Responsiveness in its operations. Further details are provided below.

Methodology
As part of its independent verification, Bureau Veritas Certification Taiwan undertook the following activities:
1. Interviews with relevant personnel of Qiida Corporation – 48 employees interviewed
2. Review of documentary evidence produced by Qiida Corporation;
3. Sites visit to Taoyuan County in Taiwan and Suzhou in China to assure the information correctness.
4. Review of performance data by sample-based checks of the procedures that Qiida described in the report.
5. Review of Qiida Corporation systems for quantitative data and qualitative analysis by sample-based checks of the processes for gathering and managing the data included in the report.
6. Review of the stakeholder participation process, without practically taking part in the stakeholder engagement activity.
7. Realizing the corporation policies via interviews and establishing the relationship between the opinions from the stakeholder and the policies.
8. Applying the AA1000 APS, and making sure that the scope of work is in compliance with the AA1000 APS provisions.

Our work was conducted against Bureau Veritas’ standard procedures and guidelines for external Assurance of Sustainability Reports, based on current best practice in independent assurance. For this assignment, we have used the International Standard on the GRI Reporting Framework and AA1000 Type II.

The work was planned and carried out to provide reasonable, rather than absolute assurance and we believe it provides a reasonable basis for our conclusions.
Alignment with the principles of AA1000AS

Materiality
The Report addresses the range of environmental, social and economic issues of concern that Qiada Corporation has identified as being of material importance. The identification of material issues has considered both internal assessments of risks and opportunities to the business, as well as stakeholders’ views and concerns. The performance is the result form their system management result.

The Materiality issue is concerning about the focus on clients and neighbour and employee.

Completeness
The Report accurately reflects the Qiada Corporation’s understanding and management of the material issues Qiada Corporation has identified. All areas and activities over which the organisation exercises influence or control have been considered for inclusion, without undue omission. Completeness of information has been pursued via established governance, customer focus and risk management processes.

Responsiveness
Qiada Corporation is responding to those issues it has identified as material and demonstrates this in its policies, objectives, indicators and performance targets. The reported information can be used by the organisation and its stakeholders as a reasonable basis for their opinions and decision-making.

GRI report Structure
Qiada Corporation fully provided the information to attain the GRI application level of A++

Key areas for ongoing development
Based on the work conducted, we recommend Qiada Corporation to consider the following:

- Continue to conduct the risk analysis process leading by top management to manage the important corporate sustainability issue.
- Extend the stakeholder engagement process to formally capture stakeholders’ concerns and views in a structured manner across the organisation (MATERIALITY);
- A consistent approach to consultation with key stakeholders should continue to be a focus for improvement, to further reduce the possibility of unintentional exclusions to the scope of reporting (MATERIALITY);
- The organisation should consider implementing Corporate Responsibility awareness raising through workshops and leadership programmes through all enterprise Develop Key Performance Indicators for areas where they do not have indexes to manage sustainability performance, and incorporate or refine existing performance measures through the use of reporting guidelines such as the GRI C3 Sustainability Reporting Guidelines (RESPONSIVENESS);
- Enhance the information system on the process of collecting and verifying the information correctness across all sites.
- Improve the fact-based approach to the disclosure of performance indicators in the report in the future.

Limitations and exclusions
Excluded from the scope of our work is information relating to:

- activities outside the defined reporting period and scope;
- statements of commitment to, or intention to, undertake action in the future;
- statements of position, opinion, belief and / or aspiration;

Much of the operating financial data in this Report is taken from Qiada Corporation, Annual Reporting and accounts, which is separately audited by an external auditor and therefore excluded from the scope of the Bureau Veritas assurance.

This independent statement should not be relied upon to detect all errors, omissions or misstatements that may exist within the Report.

Statement of independence, impartiality and competence
Bureau Veritas is an independent professional services company that specialises in Quality, Health, Safety, Social and Environmental management with almost 182 years history in providing independent assurance services, and an annual turnover in 2010 of 2.9 billion EURO.

No member of the assurance team has a business relationship with Qiada Corporation, its Directors or Managers beyond that required of this assignment. We have conducted this verification independently, and there has been no conflict of interest.

Bureau Veritas has implemented a Code of Ethics across the business to maintain high ethical standards among staff in their day to day business activities.

Bureau Veritas Certification Taiwan
3F-B, No. 16, Nanking E. Rd., Sec. 4, Songshan District, Taipei 10553 , Taiwan R.O.C

AA1000
Licensed Assurance Provider:
Date: 24 / June / 2011

Technical Reviewer: Chie-Fan Chang
Date: 12 / April / 2011

Assurer:
Planting The Seeds For Sustainability