QST CORPORATION

2018 Corporate Social Responsibility

CONTENTS

Editing Principles

QST International Corporation (hereinafter referred as QST or the Company) compiles and discloses the Corporate Social Responsibility Report with the internal data from the divisions within the Company. To ensure correct and integral content and to meet the expectations of the stakeholders, the editorial meeting is held upon the completion of the first draft for the review and revision of the content. The Report is finalized and published after approved by division directors, the president and the chairman.

Report Release Schedule and Frequency

This Report released in June 2019 is the very first CSR Report published by QST International Corporation, and the CSR Report is scheduled to be released annually in June.

Scope and Boundary of the Report

Geographical boundary: This Report covers the information of the Head Office, the Bao-An Plant and the Jen-Der Plant of QST International Corporation. The Head Office of QST is at 3F, No.203, Sec. 1, Changrong Rd., East Dist., Tainan City, Taiwan.

Time frame: The reporting time frame of this Report is from Jan. 1st to Dec.31st, 2018.

Scope of the Report: This Report discloses the business activities and results in sustainability of QST, the manufacturer and seller of fasteners and components. The financial performance is presented in consolidated financial statements and calculated in New Taiwan Dollars. All the financial data were audited by Deloitte & Touche.

External Verification

This Report was verified by TÜV Rheinland, Taiwan for the conformity of the Core Option of Global Reporting Initiative Standards (GRI Standards). The appendixes include the GRI Standards Index for the content of every chapter and the AA1000 Assurance Standard of Type I Moderate Level.

Contact Information

Please contact us if you have any interest in or for any question or suggestion about this CSR Report.

QST International Corporation

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Message from the Chairman

This is the very first CSR Report of QST International Corporation over the past three decades since its establishment. We would like to share with all the readers our practices and philosophy in terms of Corporate Social Responsibility.

QST 's core vision is “To Progress in Innovation, Following the Principles Behind All Things to Attain Success” We also adhere to the Confucian benevolent virtues when it comes to corporate governance.

Over the past 30 years, the Company has established the manufacturing brand of automotive fasteners step by step. In nearly the past 15 years, we have established logistics channels globally to provide OEMs, have become the largest supplier of the Volkswagen (VW) system and acquired a 100-year old fastener manufacturing plant in Europe which can directly engage in the co-design of automotive fasteners for the application to new car models. Moreover, this plant is one of the only two factories that can manufacture aluminum alloy fasteners, providing excellent correction resistance function for the automotive aluminum castings to meet the needs and trend of lightweight vehicles, upgrading us from a manufacturer and seller to a distributor with the capabilities to conduct R&D in Taiwan, manufacture in many places while distributing the products globally.

In view of the impacts, risks and opportunities brought by the domestic and overseas environment and markets, the number of electric cars will increase rapidly in the next decade, and the demands for traditional fuel vehicles will gradually decrease. In addition, the increase in the output of automotive fasteners in Southeast Asian countries has brought keen competition. Therefore, the Company is actively seeking cooperation with international and Chinese electric vehicle brands for the development and manufacturing of new fasteners for electric cars while reviewing the optimization of production processes and efficiency to cope with future market needs and competition. Considering the recent China-US trade conflict, the Company will prudently observe the changes in the situation and keep close communication with our customers for the preparation for production.

In terms of social aspect, the Company actively cooperates with the “One Fixed Day Off and One Flexible Day Rest” Policy stipulated in the domestic Labor Standards Act and even provides benefits exceeding the government’s regulation for the improvement of employee satisfaction.

For the environmental, economic and social issues of public concern, the Company adopts approaches of procurement of the latest production equipment, reduction of emissions, adoption of energy saving and carbon reduction measures such as the light guide system on the plant roof to improve the environmental performance, focusing on technical advancement, quality improvement, e-management and knowledge base building to pass on the experience to build core competitiveness. In addition, we also seek the positioning of global division of labor from the international perspective. QST establishes a friendly work environment, continues to foster talents, improve employee welfare and actively participates in public welfare activities to respond to our stakeholders' expectations.

In general, the Company's strategies are to reduce production costs, improve process efficiency, actively develop automotive products for new energy cars, expand new customers, and focus on corporate social responsibility in the face of challenges and changes in the domestic and overseas markets to meet the opportunity in the transformation of the global automotive industry in a more favorable position.

Chairman

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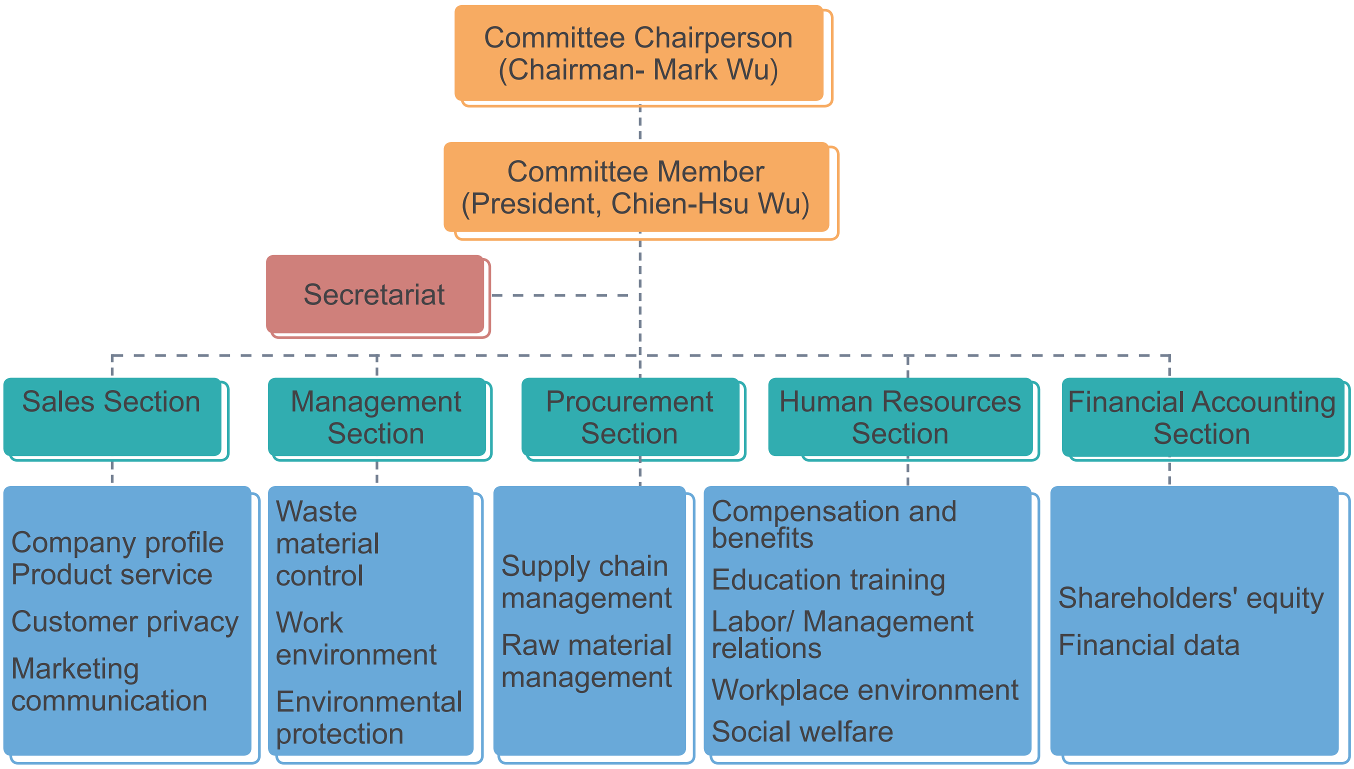
Corporate Social Responsibility Framework

1.1 CSR Committee

The Composition of the CSR Committee

The CSR Committee was officially established in April 2018, serving as the highest-level organization for sustainability management of QST that directly supervises issues related to the sustainable development of the Company. The chair of the committee will directly report the related policies and corresponding efficacy to the Board of Directors. The Secretariat is responsible for the compilation and organization of this Report.



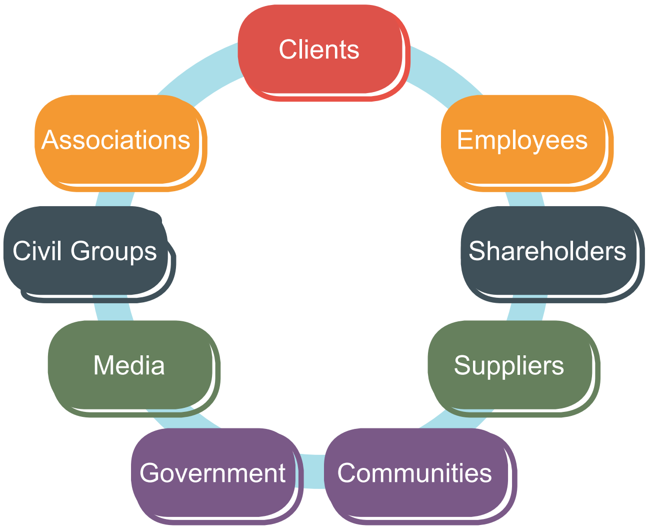
Operation Mode of the CSR Committee

The CSR Committee, headed by the Chairman of the Board, is in charge of CSR affairs, guiding the direction of sustainable development of the Company. The president serves as the committee member while the staff of the Secretariat are assigned by the committee member, responsible for maintaining the operation and coordination of the committee. Under the CSR Committee, there are a Secretariat and five sections, including the Business Section, Management Section, Accounting Section, Human Resources Section and Procurement Section, and section members are composed of relevant units of the Company. Economic, environmental and social issues related to CSR are clearly corresponded in the sections, and at least three formal meetings are convened each year.

1.2 Identification of Stakeholders' Issues of Concern and Communication

Identification of Stakeholders

Our stakeholders are identified through assessment of the global sustainability trends and operational development goals and analysis of major issues in economic, environmental and social aspects among the CSR Committee and the heads of all departments while relevant reports of the same trade are also referred to. QST 's stakeholders can be classified into nine categories, including Clients, Employees, Shareholders, Suppliers, Communities, Government, Media, Civil Groups and Associations.



Stakeholder Communication

The main contact for each stakeholder will be assigned by each unit based on the business contents. Different communication channels based on the nature of the stakeholders are detailed as follows.

Stakeholders	The Unit in Charge	Communication Channels	Frequency	Issues of Concern
Clients	Business Section	1. E-mail 2. Telephone 3. Customer audit 4. Participation in exhibitions 5. Satisfaction survey (annually)	Occasional	1. Customer Privacy 2. Environmental Compliance 3. Occupational Health and Safety 4. Customer Health and Safety 5. Training and Education 6. Forced and Compulsory Labor 7. Child Labor

Stakeholders	The Unit in Charge	Communication Channels	Frequency	Issues of Concern
Employees	Human Resources Section	1. Labor-management meeting 2. Employee Welfare Committee 3. Grievance hotline 4. Email address 5. Communication with unit supervisors 6. Employee satisfaction survey 7. Employee health check 8. Training and education	1. Quarterly 2. Quarterly 3.Occasional 4.Occasional 5.Occasional 6. Annual 7. Annual 8. Occasional	1. Employment and Labor Relations 2. Effluents and Waste 3. Customer Health and Safety 4. Environmental Compliance 5. Occupational Health and Safety 6. Emissions
Shareholders	Financial Accounting Section	1. Regular shareholders' meeting 2. Extraordinary shareholders' meeting	1. Annual 2. Occasional	1. Economic Performance 2. Indirect Economic Impacts 3. Market Presence 4. Procurement Practices 5. Raw Materials
Suppliers	Procurement Section	1. Visit suppliers 2. Supplier audit	1. Occasional 2. Annual Assessment	1. Environmental Compliance 2. Raw Materials 3. Effluents and Waste 4. Training and Education 5. Supplier Environmental Assessment
Communities	Management Section	1. Management Committee Meeting 2. Guard room interview 3. Reporting system	1. Annual 2. Occasional 3. Annual	1. Effluents and Waste 2. Water 3. Occupational Health and Safety 4. Energy 5. Customer Privacy 6. Economic Performance 7. Labor/Management Relations
Government	Management Section	1. Publicity meeting of regulations 2. Exchanges of official documents 3.Factory audit	Occasional	1. Local Communities 2. Environmental Compliance 3. Employment and Labor Relations 4. Diversity and Equal Opportunity
Media	Financial Accounting Section	1. Interview invitation 2. Public information 3. Shareholders' meeting	1. Occasional 2. Occasional 3. Annual	1. Market Presence 2. Economic Performance 3. Indirect Economic Impacts 4. Energy 5. Effluents and Waste 6. Labor/Management Relations 7. Customer Privacy 8. Socioeconomic Compliance

Stakeholders	The Unit in Charge	Communication Channels	Frequency	Issues of Concern
Civil Groups	Management Section	1. Labor and welfare information 2. System certification 3. Reporting system	1. Occasional 2. Annual 3. Twice a week	1. Labor/Management Relations 2. Employment and Labor Relations 3. Environmental Compliance 4. Marketing and Labeling 5. Public Policy 6. Supplier Environmental Assessment 7. Market Presence
Associations	Management Section	1. Policy symposia, forums and public hearings 2. Responding to strategic alliances and initiatives 3. Official documents	Occasional	1. Local Communities 2. Occupational Health and Safety 3. Non-discrimination

1.3 Identification of Material Topics and Communication

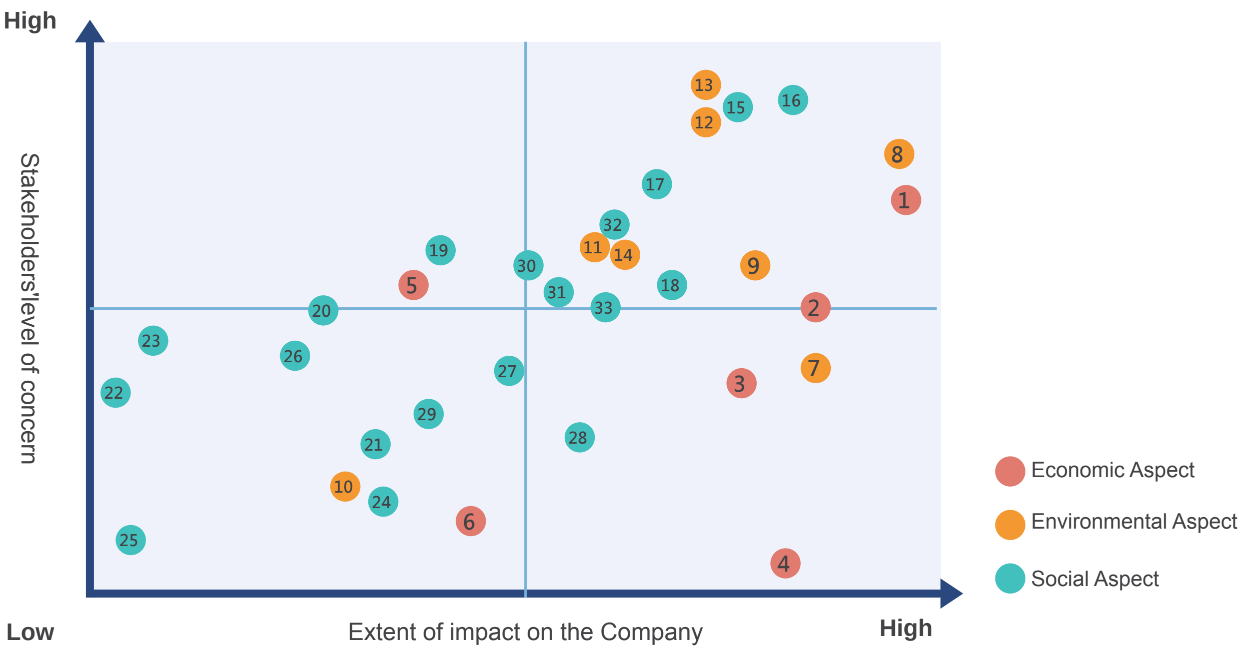
Identification of Major Topics

Stakeholders are identified based on the business contents of all units. Questionnaires were distributed to the nine categories of stakeholders by visits, email or telephone. A total of 75 external questionnaire were recovered. Scores were calculated within the categories for the priorities of the level of concern among the topics

To identify the extent of business impact, internal survey filled out by the supervisors of all departments was also conducted for the assessment of the major topics that are of importance, substance and impacts. A total of 16 internal questionnaire were recovered.

The priorities of the issues of concern based on the external questionnaire results are shown in the table below, with the Environmental Compliance (4.3) on the top, followed by the Employment and Labor Relations (4.3). Meanwhile, the top material topic having business impacts evaluated by the management was Energy (3.9), followed by Economic Performance (3.9). A total of 13 top material topics of each questionnaire were selected based on the scores, and corresponding management approaches and related measures are also explained in this Report.

Level of Concern TOP10	Extent of Business Impact TOP10
5.Environmental Compliance (4.3)	1.Energy (3.9)
3.Employment and Labor Relations (4.3)	2. Economic Performance (3.9)
4. Labor/Management Relations (4.3)	6. Market Presence (3.6)
8. Effluents and Waste (4.2)	9.Raw Materials (3.6)
10. Occupational Health and Safety (4.1)	Procurement Practices (3.6)
1.Energy (4.1)	3.Employment and Labor Relations (3.6)
7.Water (4.1)	Water (3.5)
13.Customer Privacy (4.1)	11.Indirect Economic Impacts (3.5)
Emissions (4.0)	4.Labor/Management Relations (3.4)
Supplier Environmental Assessment (4.0)	5. Environmental Compliance (3.3)



Economic Aspect		
1. Economic Performance	2. Market Presence	3. Indirect Economic Impacts
4. Procurement Practices	5. Anti-corruption	6. Anti-competitive Behavior

Environmental Aspect		
7. Raw Materials	8. Energy	9. Water
10. Biodiversity	11. Emissions	12. Effluents and Waste
13. Environmental Compliance	14. Supplier Environmental Assessment	

Social Aspect		
15. Employment and labor relations	16. Labor/Management Relations	17. Occupational Health and Safety
18. Training and Education	19. Employee Diversity and Equal Opportunity	20. Non-discrimination
21. Freedom of Association and Collective Bargaining	22. Child Labor	23. Forced and Compulsory Labor
24. Security Practices	25. Indigenous Rights	26. Human Rights Assessment
27. Local Communities	28. Supplier Assessment for Impacts on Society	29. Public Policy
30. Customer Health and Safety	31. Marketing and Labeling	32. Customer Privacy
33. Socioeconomic Compliance		

List of Material Topics

Thirteen major topics were selected based on the average scores. Among them, the Socioeconomic Compliance and Environmental Compliance were merged into one as Compliance. Supplier Environmental Assessment was originally ranked the 13th but was removed because the Supplier Assessment for Impacts on Society was not ranked among the top. In addition, after related assessment, Customer Privacy that are more relevant to our stakeholders was added into the list, and a total of thirteen material topics were finalized and detailed as follows.

Material Topics	Aspect	Disclosures
1. Energy	Environmental Aspect	302-1、302-2、302-3、302-4
2. Economic Performance	Economic Aspect	201-1、201-2、201-3、201-4
3. Employment and Labor Relations	Social Aspect	401-1、401-2、401-3
4. Labor/Management Relations	Social Aspect	402-1
5. Compliance	Environmental & Social Aspects	307-1、419-1

Material Topics	Aspect	Disclosures
6. Market Presence	Economic Aspect	202-1、202-2
7. Water	Environmental Aspect	303-1、303-2、303-3
8. Effluents and Waste	Environmental Aspect	306-1、306-2、306-3、306-4、306-5
9. Raw Materials	Environmental Aspect	301-1、301-2、301-3
10. Occupational Health and Safety	Social Aspect	403-1、403-2
11. Indirect Economic Impacts	Economic Aspect	203-1
12. Training and Education	Social Aspect	404-1、404-2、404-3
13. Customer Privacy	Social Aspect	418-1

Management Approaches

In terms of the four material topics of Energy, Compliance, Water, Effluents and Waste, our environmental policy shows the environmental philosophy of the Company's executives and our commitment to compliance and continuous improvement. This policy is observed within the scope defined by the environmental management system to reduce the environmental impacts of business activities, products and services. The boundary of disclosure includes the EHS management of the Company's factory areas, contractors and the suppliers (in Taiwan only). However, for the GHG management regarding other indirect (Scope 3) GHG emissions (305-3), emissions of ozone-depleting substances (ODS) (305-6), nitrogen oxides (NO_x), sulphur oxides (SO_x), and other significant air emissions (305-7), there is no applicable inventory management for the manufacturing of our products.

Major Topic 1, 5, 7, 8- Energy, Compliance, Water, Effluents and Waste	
Objectives	The environmental policy of the Company should be in line with our business philosophy and have appropriate environmental impacts in terms of the business activities, products and services while complying with environmental regulations and requirements to demonstrate our commitment to continuous improvement and pollution prevention. The environmental policy provides the setting and review of the environmental objectives and the scope of targets, it also shows the relevance between the targets and the Company's major environmental considerations.
Policies	With the spirit to serve, the Company is willing to implement the concept of environmental protection and pollution prevention in the production process and service activities. The environmental management system is used for the setting of the direction of continuous improvement to pursue corporate sustainable management.

Major Topic 1, 5, 7, 8- Energy, Compliance, Water, Effluents and Waste	
Commitments	Continue to conduct effective environmental management within the environmental areas of the plants. We are working on the followings and our employees are also trained to make relevant efforts. We would also like to inform relevant residents and vendors of the following commitments. 1.We uphold the spirit of “continuous improvement and pollution prevention” and pass the system policy on to all relevant staff working for or on behalf of the Company. 2.All the activities, products and services are in line with government regulations, and environmental policy, objectives and targets should be properly revised and relevant announcement should be made based on the internal and external audit results and results of management review. 3.Proper production and pollution prevention technologies and equipment are adopted to effectively reduce industrial waste and prevent pollution. 4.PDCA cycle and other management methods are effectively used to establish relevant rules so as to ensure all the Company’s activities, products and services are designed to reduce environmental impacts to the minimum.
Goals	1.To improve the cooling efficiency of the cooling tower and save motor running power. 2.To reduce pollutant emissions and improve air quality in the plant.
Responsibility	Environmental Engineering Office
Grievance	Tel: +886-6-2081997#11121, 11122
Specific Actions	1.Improvement project for energy saving of the central air conditioning. 2.Replacement of the diesel stacker.
Management Mechanism	ISO 14000: 2015 Environmental Management System
Performance and Adjustment	Conduct annual environmental management review meeting, outsource the review of the environmental management system and certification, and outsource the wastewater test report every six months.

The topics of Economic Performance and Indirect Economic Impacts are relatively important to the Company from the result analysis of the stakeholders’ level of concern and extent of impact. QST is devoted to the expansion of market, improving self-capacity utilization and pursuing lean operation for the maximum benefits of the Company and the shareholders. The scope of impact of this topic includes the Company and its subsidiaries. The data concerning the Company’s Economic Performance and Indirect Economic Impacts disclosed in this Report only covers relevant information of the Company, including the pension plan and donations, and those of subsidiaries are not included.

Major Topic 2,11- Economic Performance, Indirect Economic Impacts	
Objectives	Continue to pursue sustainable development, profits and growth
Policies	Introducing advanced technologies, equipment and processes to enhance product scale, expand supply capacity and optimize customer and market structure to establish long-term competitiveness
Commitments	We abide by the Company Act, Securities and Exchange Act and other relevant laws for the maximum benefits for the company and its shareholders.
Goals	To continue growth in revenues and profitability
Responsibility	Accounting Dept.
Grievance	Tel: 886-6-2081997 E-mail: qstmail@qst.com.tw

In terms of the four material topics of Market Presence, Employment and Labor Relations, Labor/Management Relations, and Training and Education, in addition to the excellent customer services, professional industrial knowledge and product innovation capability, the cultivation of manpower quality is also one of the key factors for QST's industrial competitiveness. In view of this, the Company regards its employees as the most important assets invested and is devoted to the in-depth management of human resources, working on the close integration of the growth of the employees and the development of the Company, enabling the effective operation of the input of manpower, equipment, materials, regulations and environment to continue the maintenance of our future competitiveness. On the other hand, after the analysis of the stakeholders' level of concern and extent of impact, Market Presence, Employment and Labor Relations, Labor/Management Relations, and Training and Education (HR management) are important to the Company. The disclosure boundary is the company's plants in Taiwan only, our subsidiaries and affiliations are not included. Information disclosed concerning the HR management topic only covers that within the Company, including employee benefits, labor/management relations and training & evaluation, excluding those of the Company's suppliers and clients, and the results of the analysis are presented in the Chapter of Employees in the Workplace.

Major Topic 3, 4, 6, 12- Employment and Labor Relations, Labor/Management Relations, Market Presence, Training and Education	
Objectives	The Company's core advantages of competition lie in the Soft Contents of quality system, supporting services, R&D capability and the long-term management. The key factors of competition lie in the excellent customer service, expertise, innovation capability and manpower quality. In terms of the feature of the manpower quality, to enable all the employees to perform their functions, to be competent and to enhance work efficiency and experience while improving the synergy of the organization, the Company continues to carry out a variety of training for appropriate professional functions, quality improvement, knowledge required for business management and ability to combine the employee growth and the Company development.

Major Topic 3, 4, 6, 12- Employment and Labor Relations, Labor/Management Relations, Market Presence, Training and Education	
Policies	To attract and retain talents needed for the development of the company, we continuously promote and improve employee welfare, education and training, pension system and labor relations. The measures include the followings. 1.Employee welfare: Establish the Employee Welfare Committee for various welfare plans. 2.Education and training 3.Pension system 4.Labor agreements and various measures for the protection of labor rights 5.Work environment and personal safety protection measures 6.Employee behavior and ethics
Commitments	The Company is devoted to the protection of employee rights and creating a sound working environment. The legal compliance concerning HR management include the followings. 1.Domestic regulations: Labor Standards Act, Labor Pension Act, Labor Safety and Health Act, Settlement of Labor-Management Dispute Act, Gender Equality in Employment Act, Employees' Welfare Funds Act, Occupational Safety and Health Act, and Occupational Safety and Health Education and Training Rules. 2.International regulation: IATF16949 requirements.
Goals	Short-term goal: The recovery rate of annual employee satisfaction survey reaches 77%. Medium- and long-term goal: Make improvements based on the survey results so as to improve employee satisfaction year by year.
Responsibility	HR Section
Resources	Manpower invested: including the responsible personnel of the HR Section and the heads of all departments Finances invested: Benefits: Total expenditure of NTD 6,546,660 in 2018. Pension reserve fund: By December 20, 2018, the balance of the pension reserve account was NTD 98,256,000.
Grievance	Tel: +886-6-2081997#11121 or #11122 or 11126 Sexual harassment complaint email: 113@qst.com.tw Employee grievance email: 1999@qst.com.tw
Specific Actions	1.To effectively manage human resources, Work Rules and relevant management measures are made in accordance with labor regulations. 2.New employees will start orientation immediately to understand the benefits, system, environment, quality and work regulations so that they can adapt to and fit in the corporate culture and the big family faster. 3.The Company attaches great importance to employee health and conducts annual health checkups. 4.The Company regularly organizes domestic trips to enhance the staff coherence. 5.The Company grants Service Award to employees based on their service years.
Management Mechanism	Every year, the Company conducts the audit on the effectiveness of the human resources management in accordance with the internal management audit procedures of IATF16949.

Major Topic 3, 4, 6, 12- Employment and Labor Relations, Labor/Management Relations, Market Presence, Training and Education	
Performance and Adjustment	The short-term goal for HR resources is set the recovery rate of the annual employee satisfaction survey at 77%. It is scheduled to start the employee satisfaction survey at the end of 2018, and the satisfaction is expected to be maintained at 4 on average. The HR topic will continue to be managed in the future.

In terms of the material topic of Raw Materials, the Company conducts assessment concerning procurement practices, supplier environmental assessments, supplier labor capabilities and social responsibilities to fulfill our corporate social responsibility as a corporation. The scope of impact includes the Company and its main suppliers. For the suppliers' product processing and production, local procurement of raw materials, the negative impacts of the processing environment, labor safety management and labor risks are all carefully investigated, requiring our suppliers to meet the goal of fulfilling their corporate social responsibility.

Major Topic 9- Raw Materials	
Objectives	Procurement management is to ensure that the products the Company purchases can meet the requirements and to make sure that the suppliers we placed order to are all qualified suppliers assessed by the Company. The Company has continued to promote the corporate social responsibility project, aiming at co-growth and sustainable management with our suppliers. We have established a supplier appraisal system to ensure the quality and technical capabilities can meet our requirements to enhance our competitiveness. As for the suppliers' public safety, environmental protection and labor and manpower, we strengthen the audits and require suppliers to make continuous improvement to create a win-win in the supply chain.
Policies	Our procurement policy is to ensure that the quality, delivery and services can meet the customers' requirements. Systematic management is adopted to facilitate the outsourcing procurement operations. The operation methods are as follows. 1.Development and evaluation of new suppliers. 2.Systematic management—MIN management, QMF quality system, DCS supply chain management system are all utilized to optimize the management. 3.Supplier appraisal assessment—schedule annual audit plans and conduct audits and evaluate the suppliers on a monthly basis to understand their process capabilities and ability for continuous improvement. 4.Supplier grading: Determine the supplier competency level based on the suppliers' audit results and actual delivery performance to match the quality requirements of our customers' orders. 5.Supplier monitoring: Inspect the suppliers' delivery quality every month and notify them of the quality condition as the basis for continuous improvement.
Commitments	Place more orders to those with high scores in the annual supplier performance evaluation. For those with low performance or unwilling to improve, the senior executives will decide whether to target at them at the annual evaluation.

Major Topic 9- Raw Materials	
Goals	The management goal is to bring us closer to car factories. As a fastener factory, QST enables the auto industry to provide good assembly quality and guarantees quality and safety. We work actively to expand our customer base in auto industry, cooperate with the development of automobile products and continue to focus on the materials used and the process as well as the supply system to meet the requirements of corporate social responsibility.
Responsibility	Procurement Section
Grievance	Tel:886-6-2081997 E-mail: qstmail@qst.com.tw
Management Mechanism	With the spirit of continuous improvement, we conduct discussions on the quality and specific defects of the major suppliers. In addition, a cross-functional team is formed to continuously monitor and solve the problems with the suppliers.
Performance and Adjustment	Supplier evaluation is conducted every year

For the material topic of Occupational Health and Safety, the Company regards the health of the employees as the basis of the company's operation. To enable the employees to work in a safe and healthy manner, we have established Occupational Safety and Health Management Plan and Safety and Health Work Rules in accordance with the Occupational Safety and Health Organization Management, Occupational Safety and Health Act and other relevant legal regulations for a safe working environment. The boundary of this topic includes the employees working in all our pants in Taiwan (including contractors), and the disclosure is limited to those working within the company.

Major Topic 10- Occupational Health and Safety	
Objectives	To implement occupational health and safety management and safeguard the safety and well-being of the employees, clients, suppliers, contractors, and communities as well as the company assets, creating a safe and comfortable work environment. We are dedicated to the elimination of hazards and disasters in the work place under the full control of the work environment and the characteristics of the work activities to further safeguard the employees' physical and mental health to achieve the goal of sustainable management.
Policies	The Company is a professional manufacturer of screw parts ever since our establishment. We have been aware that our employees and suppliers are the most important assets for our sustainable development. Therefore, in the process of product R&D, manufacturing, testing and sales, it is required to meet the safety and health regulations and other relevant requirements. Furthermore, the philosophy of "Continuous Improvement of Safety and Health, Prevention of Occupational Disasters" should be upheld to avoid the occurrence of unsafe behavior, environment and equipment for the fulfillment of the responsibility of safeguarding the safety and health of the employees.

Major Topic 10- Occupational Health and Safety	
Commitments	1. The primary responsibility and obligation of the Company's supervisors at all levels is to safeguard the safety and health of the employees. 2. Prevent the occurrence of work-related injuries, unhealthiness, disease and accidents to protect the safety and health of all employees and suppliers, contractors as well as visitors entering the Company. 3. Abide by relevant national regulations concerning safety and health and follow other requirements and develop relevant SOPs and methods. 4. Continue the improvement in the Safety and Health Management system and the safety and health performance. 5. Encourage employees to provide suggestions concerning safety and health for the establishment and maintenance of the communication channels between the executives and the employees. 6. To pass on this policy and communicate safety and health issues to all employees, suppliers, clients, contractors and related interested groups. 7. Continue to provide necessary training to employees, suppliers and contractors to ensure they are aware of safety and health related knowledge and correct behavior.
Goals	To achieve sustainable management and development, safety and health are continuously improved for the prevention of occupational disasters.
Responsibility	Environmental Engineering Section
Grievance	Tel: ＋ 886-6-2081997#11121, 11122
Specific Actions	1. Annual health examinations for employees 2. Hearing tests for employees in special operations, and customized earplugs programs.
Management Mechanism	Continuous improvement in safety and health and prevention of occupational disasters.
Performance and Adjustment	Currently, there was no industrial incident in the factory, and a safe working environmental is maintained to safeguard the safety of employees.

The material topic of Customer Privacy is a commonly recognized goal in national regulations and organizational policies. If an organization violates relevant regulations, in addition to the direct impact on finances, the company's reputation and customer loyalty and satisfaction will also be affected. The scope of impact includes the customer privacy management of all QST employees, contractors and suppliers (affiliated companies and subsidiaries not included). Hierarchical access to data of the internal system is set to protect customer privacy.

Major Topic 13- Customer Privacy	
Objectives	Protection of customer privacy has been regarded as the common goal of national regulations and organizational policies. If an organization violates relevant regulations, in addition to the direct impact on finances, the company's reputation and customer loyalty and satisfaction will also be affected. The design, specification and relevant technical materials of the customer's official products shall not be disclosed in any form. QST makes every effort to establish strict protection measures to fulfill its responsibility to protect its costumers. In addition, policy and plans of the QST Information Coordination Committee are implemented.
Policies	To strengthen the Company's information security to protect customer privacy.
Commitments	Protect customer privacy properly to avoid leakage of customer information and strengthen information security.
Goals	1. Set hierarchical access to the system data to protect customer privacy. 2. Hold education and training for relevant publicity and communication. 3. Equip all computers with anti-virus software to prevent e-commerce from spreading computer viruses.
Responsibility	Information Section
Grievance	Tel: +886-6-2081997 E-mail: qstmail@qst.com.tw
Specific Actions	1. Personnel from Information Section regularly check whether the web operating environment is safe. 2. Propaganda and lecture on information security. 3. All computer equipment is equipped with anti-virus software. 4. Make real-time update of virus pattern to prevent e-commerce from spreading viruses. 5. Setup firewall to isolate external attacks.
Management Mechanism	Conduct information assets inventory regularly every year and make regular checks of the firewall settings and abnormal records.
Performance and Adjustment	There was no occurrence of information security incidents, so important information security equipment is regularly updated every five years.

QST External Members

The Company enhances relevant professional and technical knowledge and understands our stakeholders' issues of concern by participating in professional associations and through exchanges with them.

Association	Membership
Taiwan Industrial Fasteners Institute	General Member Standing Director – Chairman Mark Wu
Taiwan Small & Medium Wind Turbine Association (TSWA)	Honorary Vice President - Chairman Mark Wu
Taiwan Wind Industry Association (TWIA)	Class A Member Director – Chairman Mark Wu
Taiwan Fastener Trading Association	General Member
Taiwan Association of Machinery Industry (TAMI)	General Member
Tainan County Industrial Association	General Member
Importers and Exporters Association of Taipei (IEAT)	General Member

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Company Management

2.1 Company Profile

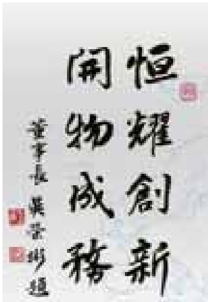
QST is a manufacturer and trader of auto and industrial fasteners with a worldwide customer base and global market layout. To give full play to the greatest value of the internal and external stakeholders, QST was listed on the OTC market in 2006, and currently ranked among the Top 500 Manufacturing Corporations, taking the leading role in the industry.

The Company Name, QST, stands for Quality, Service and Teamwork, which are the three core values the Company has always adhered to.

Company Name	QST INTERNATIONAL CORPORATION
Chairman	Mark Wu
President	Chien-Hsu Wu
Headquarters	3F, No.203, Sec. 1, Changrong Rd., East Dist., Tainan City 701, Taiwan
Date of Establishment	April, 1985
Number of Employees	522 people
Capital	NTD 1,162,363 thousand
Products and Services	Exporting fasteners such as screws and nuts, procurement integration and remote inventory management, manufacturing of OEM-grade industrial fasteners and other C-parts
Business Philosophy	To Progress in Innovation, Following the Principles Behind All Things to Attain Success

Company Name	QST INTERNATIONAL CORPORATION
Core Values	「Quality」 「Service」 「Teamwork」
Website	http://www.qst.com.tw/

Enterprise Spirit



"To Progress in Innovation, Following the Principles Behind All Things to Attain Success" symbolizes the Company's ambition to contribute to all mankind and the shared vision of all our employees. QST started from scratch, and every step is managed as life-long business. We never forget to give back to the society while managing business. From our perspective, manufacturing metal parts has gone beyond the meaning of sales. It is to ensure our customers' safety, comfort and efficiency, which is exactly what we do to make contributions to the society.

Milestones of QST

The milestones of the Company since its establishment in 1985 are detailed in the table below. There were no significant changes in the organization size, structure, ownership or supply chain during the reporting period in 2018.

Year	Milestones
1985	Jun Hui Co. Ltd was established.
1996	Changed the company name to QST International Corp. and established its subsidiary, Q-Lab Inc.
1998	Obtained ISO 9002 Quality Management System certification; re-invested in Suzhou Yeswin Manufacture Industry Co., Ltd. and Xiamen Boltun Metal Co., Ltd
2002	Obtained QS 9000 and ISO 14000 certifications
2005	Obtained certification of TS16949 Quality Management System
2006	Completed Bao-An Plant and obtained the Constructional Improvements Ownership for official operation
2007	Established YESWIN (Shanghai) Co., Ltd in Changhai, China

QST

Xiamen Boltun Metal Co., Ltd

Xiamen Boltec Metal Co., Ltd

Xiamen Bolwir Co., Ltd

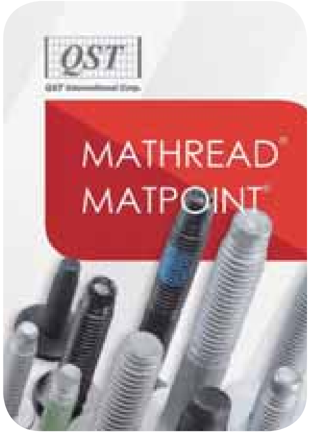
Suzhou Yeswin Manufacture Industry Co., Ltd.

ESKA

Year	Milestones
2009	Established Suzhou Q-Lab Inc.
2010	Indirectly invested in Xiamen Boltun Metal Co., Ltd, Xiamen Boltec Metal Co., Ltd, Xiamen Bolwir Co., Ltd and Xiamen Bolmac Co., Ltd
2012	Obtained FORD Q1 Certification
2014	Officially changed the name into QST International Corporation; held an 85.71% shareholding in the German company, ESKA Automotive
2017	Purchased land and warehouses in Ohio, USA
2018	Revised certification of TS-16949 to IATF-16949

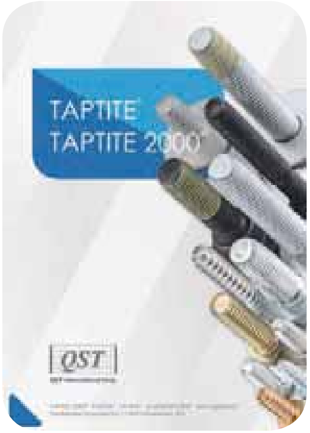
Products

QST is one of the top manufacturers of industrial metal parts in Taiwan. We integrate the manufacturing capabilities of elite manufactures inside and outside the industry to form a broad product range to meet the OEM market demands. The products of the Company are generally referred to as Fasteners, which include internal- and external- threaded fasteners, C-parts for industrial use and so on, and are used in a variety of industries. Among them, automotive fasteners and parts account for approximately 80% of the total revenues, making them the core products of the Company.

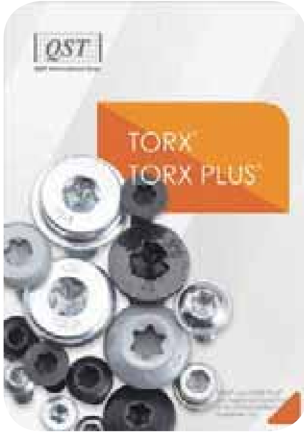


◢ MatpointScrews

◢ Remform Screws

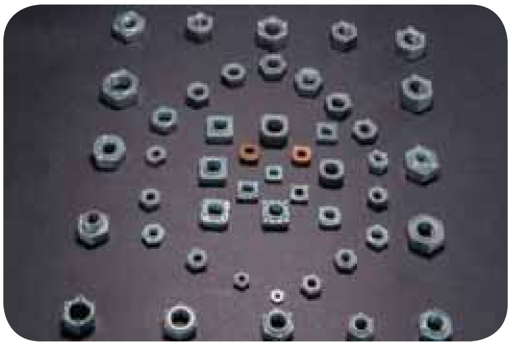


◢ Taptite® Screws



◢ Torx Screws

◢ Nuts

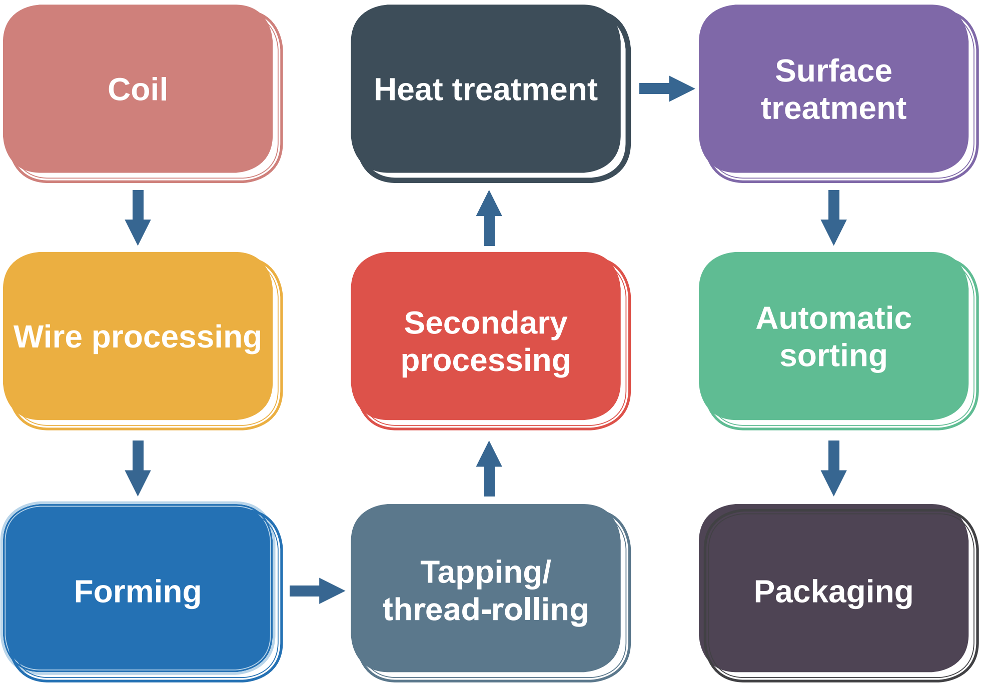


◢ Nuts

Product	Item	Purposes and Functions
External-threaded fasteners	Torx Screws	Widely used in various industries; the specially designed driving sockets can reduce the wear of assembly tools, improve assembly efficiency and reduce costs
	Taptite® Screws	Mainly used in automotive industry; the patented thread-rolling process eliminates the tapping procedure of the joining parts and effectively improve the bonding strength.
	Matpoint Screws	Mainly used in automotive industry; the patented auto guiding function can prevent assembly tilt, reducing failure rate while improving assembly efficiency and reducing costs.
Internal-threaded fasteners	Spring washer nuts	Mainly used in the automotive industry; the combination of spring washer and the nut not only prevents looseness but also effectively reduces the assembly process and costs.
	Prevailing torque nuts	Widely used in various industries; the specially designed pre-torque function makes it possible to achieve the needs for anti-loose and shock-resistance at lower costs.
	Weld nuts & Weld Studs	Mainly used in automotive industry and widely used in sheet metal structural parts, not only providing high-strength and consolidating function but also suitable for automatic feeding.

Product	Item	Purposes and Functions
Others	Customized spare parts and accessories	Special spare parts and accessories are manufactured based on the customers' specifications and blueprint (non-internal and non-external threaded fasteners), with the usage and functions meeting the needs of the original engineering design.

Processes




Coil / Wire


Forming


Thread-rolling


Secondary processing


Heat treatment

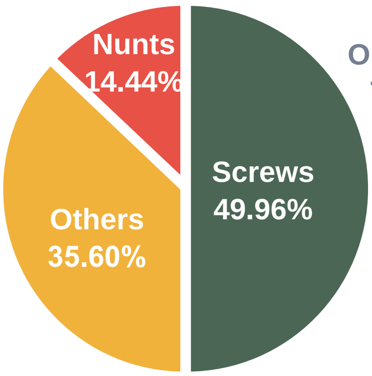

Surface treatment


Automatic sorting + Packaging

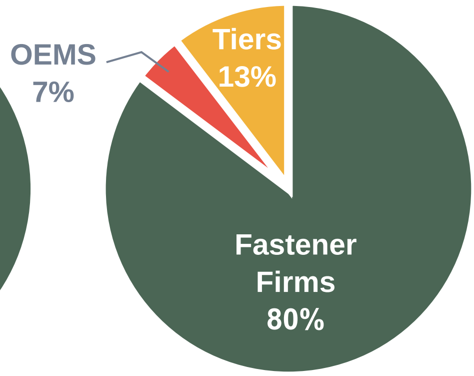
Product Markets

The fasteners we manufacture, including screws, nuts, stamping parts, pipe fitting, and assembly parts are marketed worldwide, among which, 80% are for automotive industry while 20% are for construction, wind power and other industries.

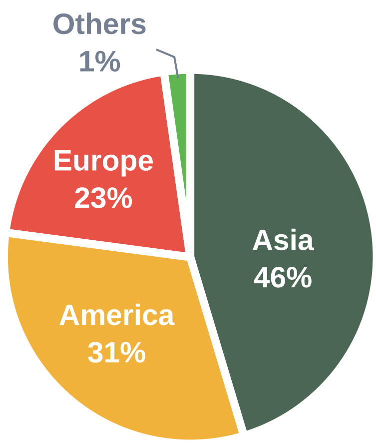
Our customers include importers, distributors, manufacturers, first-and second-tier suppliers of automakers and automakers. Our quality-oriented suppliers are mainly concentrated in central Taiwan, providing us with materials, semi-finished products and finished products. We promote product diversification and products that meet the markets and customer needs in a quality-oriented manner.



◤ Product Category



◤ CUSTOMER base



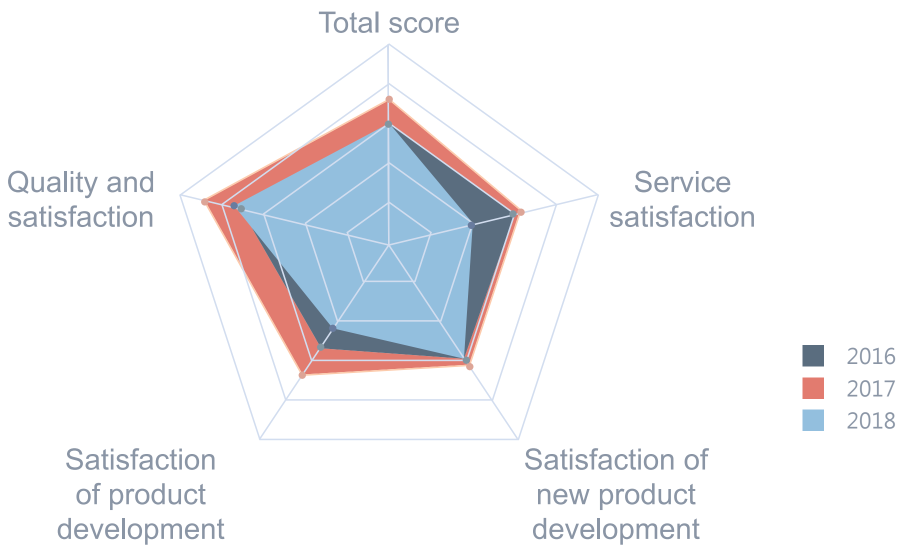
◤ Distribution of customer groups

Customer Service

QST attaches great importance to its customers and would take immediate actions and respond to customers' opinions and problems. In addition, the customer complaint processing procedures are in place for fast complaint handling. We understand our customers' needs and their satisfaction as well as where we need to improve through the annual questionnaire survey.

The questionnaire items are divided into four sections, and under which there are sub-items. The total score of the annual questionnaire is the average score in the four sections. In 2018, a total of 38 questionnaire were retrieved, with the average satisfaction of 81.85 points. When an individual item does not reach 80 points, follow-up improvement will be proposed as required, and quality inspection meeting will also be held for the improvement of related items.

Customer Survey in the past three years



Customer Satisfaction Questionnaire Items

Service satisfaction	Satisfaction of new product development	Satisfaction of product development	Quality and satisfaction
Price competitiveness	Quality of first sample	Price stability	Product quality
RFQ response time	Accuracy of PPAP/ISIR ducument	Rate of timely repeat order	Packaging quality
Range of product search	Rate of timely new sample delivery	Lead time of repeat order	Quality of corrective action report
Salespeople's communication skills	Lead time of new product development	Product quality	Response speed of quality problems
Salespeople's response and efficiency	R&D expertise and communication	Accuracy of documents/ inspection report	Quality management communication and expertise
Overall impression on the service	Overall impression on new product development	Overall impression of product development	Satisfaction of quality management system

QST's Participation in Exhibitions

The Company participates in exhibitions irregularly to increase exposure, allowing customers to have a better understanding of us. In addition, we also pay irregular visits to keep in touch with our customers for a better understanding of their needs and for market expansion.

2.2 Operating Performance

The global automotive fastener market remained stable in 2018. With the collective efforts made by all the employees in the expansion of market and enhancement of self-capacity utilization along with the lean operation model, the 2018 consolidated revenue was NTD 10,840,288 thousand, increased by NTD 495,588 thousand from 2017, with an increase of 4.79 %. In addition, QST did not receive any government subsidies.

Distribution of Economic Value

Unit: NT 1,000 dollars

Item/Year	2018	Note
A. Direct economic value generated	10,840,288	
B. Economic value generated	10,038,348	
a Operating costs	7,229,288	
b Employee compensation and benefits	1,847,297	
c Interest payment or dividend distribution	756,171	Interest expense Dividend amount
d Payment of taxes	205,592	
f Community investments	N/A	
C Economic value retained (A-B)	801,940	

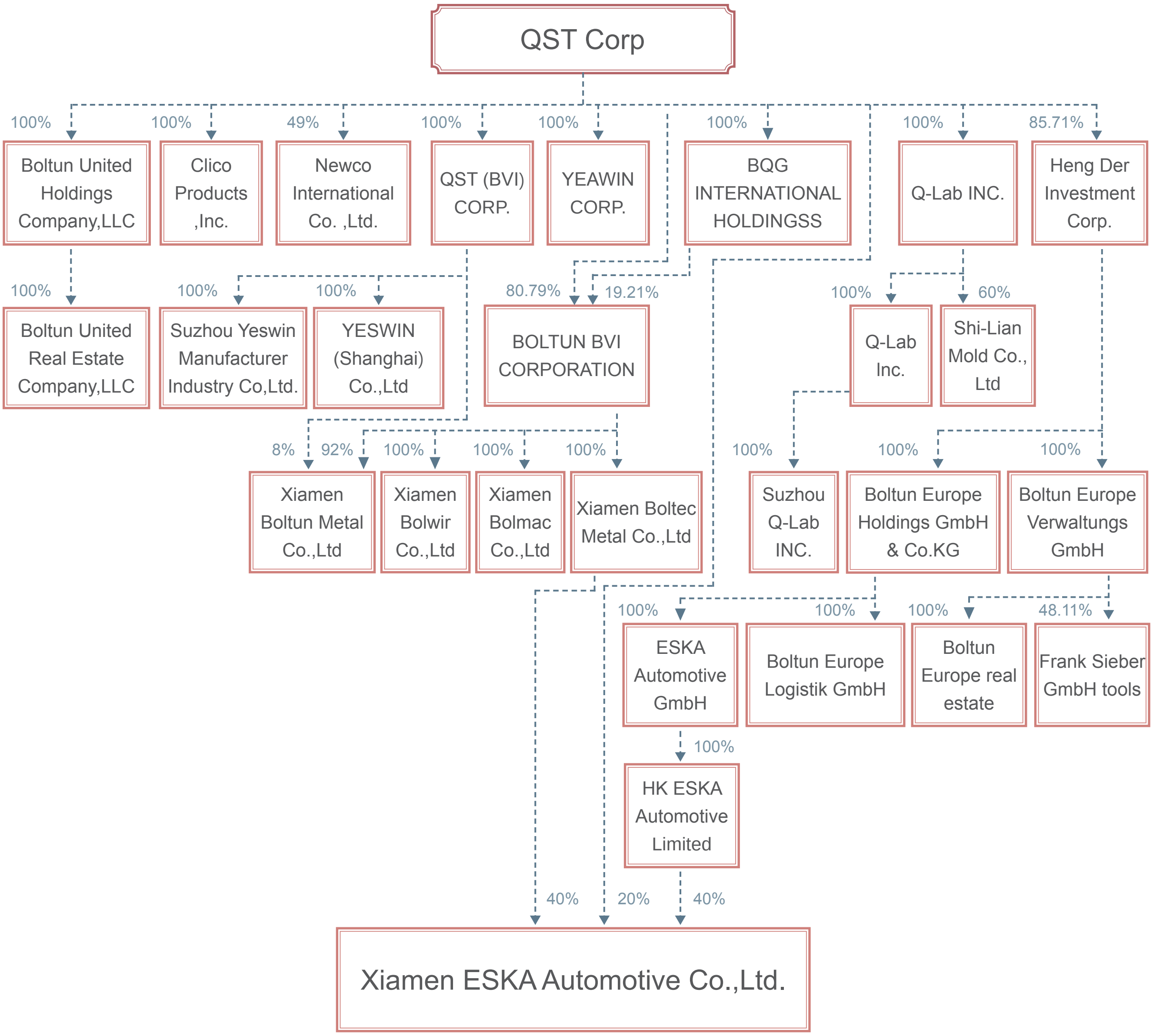
Financial performance over the past three years

Unit: NT 1,000 dollars

Item/Year	2016	2017	2018
Operating income	10,016,414	10,344,700	10,840,288
Gross profit	2,467,007	2,564,882	2,404,193
Net operating income	882,450	1,122,315	820,964
Profit attributable to owners of the parent (net profit)	501,662	688,778	627,295
Earnings per share (NT dollars)	5.51	6.98	5.43

QST' s Affiliated Companies

Information of QST International Corporation and its affiliated companies are shown in the following table.



Co po ate o e nan e

Integrity Management

All the employees shall adhere to the policy of “To Progress in Innovation, Following the Principles Behind All Things to Attain Success” abide by legal regulations and provide customers with quality products and services; never gain results via illegal or unethical means; give fair treatment to trade creditors and debtors. Competitors shall not manipulate, conceal and use information they obtain from their duties, make false statements about important matters, or gain improper benefits from unfair trading. The Company did not engage in anti-competitive, antitrust and monopolistic behavior or corruption incidents in 2018.

Management y tem

Over the past three decades, QST has been providing the best quality and services. Our quality products, customized services and commitments to integrity has won our customers’ trust and support. We abide by the people-oriented principle and do not hire child labor or use conflict minerals.

To speed up the internationalization process and consolidate long-term cooperation with automakers, we continue the important practices of promoting international certification for continuous quality improvement. Through the enhancement of quality concept and implementation of production system, we provide customers with stable and high-quality products. QST has successively obtained certifications of ISO 9001, 14001 (International Organization for Standardization), and IATF 16949 (International Automotive Task Force) and was even granted the Ford Q1 Certification in 2013, successfully promoted to one of Ford’s qualified suppliers.

The Q1 Certification is not the destination, it represents the new continuation of our efforts.

The following table lists the requirement version and the certification cycle. The

◢ ISO 14001

◢ IATF 16949

◢ ISO 9001

◢ FORD Q1

Company has not signed any external initiatives.

Requirement	System	Version	Certification cycle
IATF 16949	Automotive Quality Management System	2016	Every three years
FORD Q1	Qualified Suppliers	2012	Scored ever week after granted the certification
ISO 9001	Quality Management System	2015	Every three years
ISO 14001	Environmental Management System	2015	Every three years

Product Quality Requirements

The Company's products are manufactured in accordance with the following specifications:

- AIAG (Automotive Industry Action Group) Conflict Minerals
- Directive on ELV (End-of-Life Vehicle)
- REACH (Registration, Evaluation and Authorization of Chemicals System)
- RoHS (Restriction of the use of certain hazardous substances)
- IPPC (International Plant Protection Convention)

Notes

AIAG, founded by GM, Ford and Chrysler in 1982, stands for the Automotive Industry Action Group and is a renowned non-profit organization, providing a platform for automobile manufacturers and part & component suppliers to jointly address and solve issues affecting the global automotive supply chain. Currently, AIAG has more than 1,000 member companies, including automobile manufacturers such as Chrysler, Ford, GM, Honda and Toyota and first-tier suppliers such as Delphi, Johnson Controls, Goodyear, Magna, John Deere, Visteon, Lear and BorgWarner.

■ Special Column: Q1

Origin

QST originally sold products to Ford Australia through a distributor. However, in view of the termination of the partnership between Fort Australia and the distributor, Ford Australia started to purchase directly from QST.

Milestones

Time	Milestones
2011.3	Received the first inquiry from Ford Australia
2011.5	Ford officially visited QST
2011.7	Ford officially provided the supplier code to QST
2011.7~2012.7	Ford supplier management representatives paid non-scheduled visits to our factory or gave us online counseling (once every week or every other week
2012.7	Ford officially audited QST's manufacturing management system
2012.12	Ford officially awarded QST as Q1 qualified supplier

How to maintain Q1 qualification

Ford scores Q1 qualified suppliers based on the following indicators every week, and at least 80 points should be maintained to keep the Q1 supplier qualification. As of the last week of 2018, QST scored 99 points, Q1 Gold.

Q1 rating category	Score ratio
Capable Systems	30
Quallty Performance	30
Dellvery Performance	20
Warranty Performance	20
Total score	100

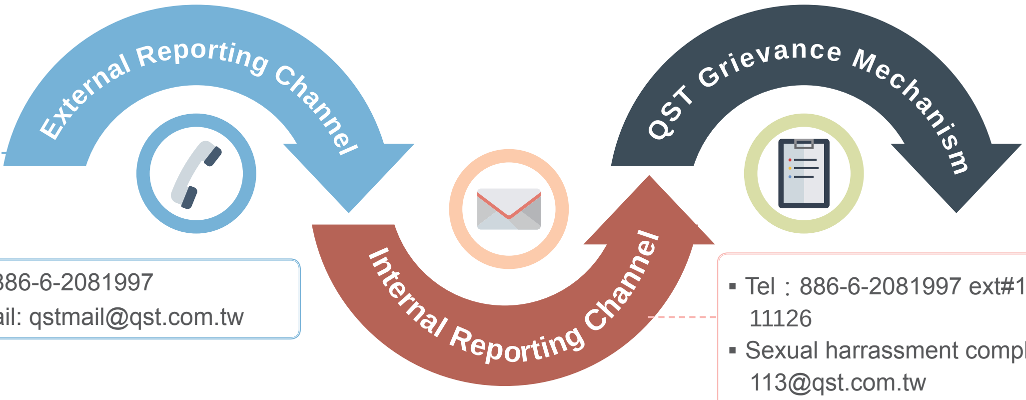
Score	Q1 qualification
more than 95	Q1 Gold
91~95	Q1 Silver
80~90	Q1

Shall be no less than 80 points

Grievance Mechanism

The Company abides by domestic regulations (civil and criminal laws) and client requirements, making timely revision of rules and regulations concerning fair competition, gifts, bribes or improper benefits, confidentiality responsibility, information security, anti-harassment/discrimination and internal audit. Internal regulations concerning related incidents are also in place. There was no occurrence of corruption incident in 2018.

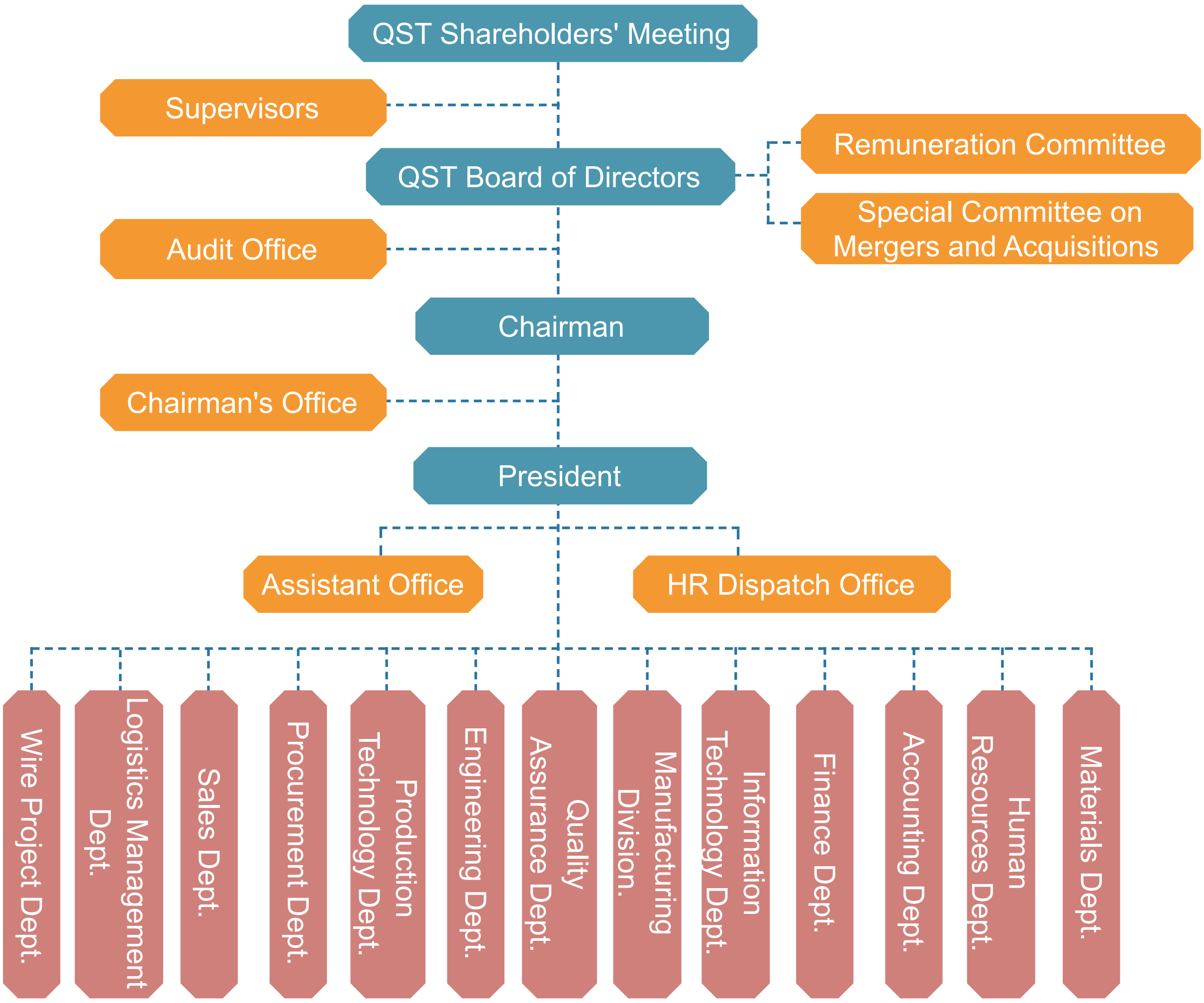
For any violation of Code of Ethics or for any illegal behavior, employees shall actively report to their immediate supervisors, and there are also a hotline and mailbox for reporting. The public and the vendors can make use of the dedicated email to provide relevant information. The reporting channels are as follows.



- Tel: 886-6-2081997
- E-mail: qstmail@qst.com.tw

- Tel：886-6-2081997 ext#11121、11122、11126
- Sexual harrassment complaint email: 113@qst.com.tw
- Employee complaint email: 1999@qst.com.tw

2.4 Organizational Structure



Board of Directors

As stipulated in Article 14 of the Articles of Incorporation, the Company shall have 5~7 directors and 3 supervisors with a term of 3 years elected by shareholders and shall be eligible for re-election. The Board members are elected in the Shareholders General Meeting, and the directors shall elect from among themselves a Chairman to chair the Board internally while representing the Company externally. The board members are all experienced professionals with expertise. With their expertise and management capabilities, they will provide the most appropriate strategic guidance for the future development of the Company.

The Board of Directors is in charge of the resolutions concerning the company's operational plan, the approval of appointment and dismissal of senior executives, capital planning and major decisions with stakeholders. Supervisors are responsible for attending the shareholders' meetings and the board meeting, reviewing the audit reports and the financial statements regularly. In addition, supervisors should also make direct contact with the employees and the shareholders to maintain smooth communication channels.

The Chairman reports to and discusses with the Board and shareholders concerning the relevant resolutions. CSR related issues in terms of economy, society and the environment are also submitted to the BOD for discussion in the same manner as the basis of the promotion of Corporate Social Responsibility. In 2018, a total of 7 board meetings were convened, with the attendance rate of 97.1%.

Title	Name	Gender	Term	Theme-related capability	Major Educational/ Experience Background	Current position (s) in this company and in other companies
Chairman	Mark Wu, representative of QST INTERNATIONAL CORP.	Male	2016/06/28 ~ 2019/6/27	Economic	Mechanical and Electro Mechanical Dept. Tamkang Univ. Director, San Shing Fastech Corp.	Chairman and president of Boltun Corp. Chairman of Boltun BVI Corp. Chairman of Bofood Corp.
Director	Wu Rong-Jin, representative of QST INTERNATIONAL CORP.	Male	2016/06/28 ~ 2019/6/27	Economic	Salesian Technical School Tainan Taiwan	Chief Production Officer of QST Corp. Director, Executive Director and Vice-president of Manufacturing Department of Boltun Corp.
Director	Robert Houg	Male	2016/06/28 ~ 2019/6/27	Economic	Department of Business Administration, Chung Yuan Christian University Manager, San Shing Fastech Corp. Chairman of YHM Springtech Machinery	Chairman of YESWIN CORPORATION(BVI) Chairman of QST Holding (BVI) Chairman of Suzhou Yeswin Manufacture Industry Co. Ltd.
Director	Lin Jin-Neng	Male	2016/06/28 ~ 2019/6/27	Economic	MA in Business Administration, National Taiwan University (MBA) President, Huzhou Iron Force Metal Products co., Ltd. Vice-president, Ruentex Industries Limited	Supervisor of Normtech Corp. Chairman of Aili International Inc. Director of Ji Ge International Investment Ltd

Title	Name	Gender	Term	Theme-related capability	Major Educational/ Experience Background	Current position (s) in this company and in other companies
Director	Kevin Xu	Male	2016/06/28 ~ 2019/6/27	Economic	Department of Management Information Systems, National Chengchi University Graduate Institute of Money and Banking, National Kaohsiung University of Science and Technology Manger, CTBC Bank	Vice-president, QST Corp. Special Assistant to the President's Office of Boltun Corp. Director of Q-Lab Inc.
Independent director	Huang Zheng-an	Male	2016/06/28 ~ 2019/6/27	Economic	College of Law, National Taiwan University Legislator of the Legislative Yuan	Attorney of Taiwan Patent and Trademark Office Director of Man Zai Industrial Co., Ltd. Director of Tayih Landis Hotel
Independent director	Xu Shun-fa	Male	2016/06/28 ~ 2019/6/27	Economic	Department of Public Administration, National Chengchi University MA in Accounting, Memphis State University Commissioner of First Examination Division, National Taxation Bureau of Kaohsiung, Ministry of Finance	Partnership Accountant of Kaohsiung Branch, Pan-China (TW) CPAs Director of Cebit Asia Business Co. Independent Director of MA KUANG HEALTHCARE HOLDING LIMITED Supervisor of FWU KUANG ENTERPRISES CO., LTD.
Supervisor	Henry Wu	Male	2016/06/28 ~ 2019/6/27	Economic	Institute of Computer and Communication Engineering, National Cheng Kung University Senior Software Engineer, Delta Networks, Inc.	Assistant Vice President of Information Technology Department and Special Assistant to the President's Office of Boltun Corp. Supervisor of He Jian International Co. Ltd. Supervisor of Q-Lab Inc.

Title	Name	Gender	Term	Theme-related capability	Major Educational/ Experience Background	Current position (s) in this company and in other companies
Supervisor	Wu Zong-Zheng	Male	2016/06/28 ~ 2019/6/27	Economic	Department of Accountancy, National Cheng Kung University MA of Dept, of Industrial Information Management Institute of Information Management, National Cheng Kung University	Supervisor, Fu Chun Shin Machinery Manufacture Co., Ltd. Associate Professor of Department of Statistics, National Cheng Kung University
Supervisor	Tsai Ginn-Zhong, Representative of Hai Xin Investment Co. Ltd.	Male	2016/06/28 ~ 2019/6/27	Economic	National Hsin Hua Senior High School Director of the Wire Division of San Shing Fastech Corp. QC Section Chief, Nai Li Industrial Co. Ltd	Manager of Procurement Department and Department of Sales II of Boltun Corp.

Mechanism of Conflicts of Interest Avoidance

The board meeting shall be convened at least once a quarter as stipulated, and in 2018, a total of 7 board meetings were convened. When a director himself/herself or when his/her representative legal person is an interested party in relation to an agenda, that director shall explain his/her interest at the board and may not vote on that item. All the important resolutions are disclosed immediately on the Market Observation Post System.

Training of Directors and Supervisors in 2018

Title	Name	Date	Organizer	Name of Course	Hours
Independent director	Huang Zheng-An	08/02	Taipei Exchange (TPEx)	Workshop on Equity Transfer by Insiders of Issuers Emerging or Over-the-Counter Listing	3.0
		09/13	Taiwan Institute of Directors	Brand Innovation, Enterprise Transformation, Regaining the Glory- Looking at Taiwan's Corporate Transformation and Brand Management from Swiss Experience	3.0
		11/5	Taiwan Corporate Governance Association	Analysis of the Latest Amendment of the Company Act	3.0
		12/17	Taiwan Corporate Governance Association	The Influence of Money Laundering Prevention and Control Law and Corresponding Strategies	3.0
Independent director	Xu Shun-Fa	1/10	CPA Associations R.O.C. (Taiwan)	Evaluations of Unlisted Companies under IFRS9	3.0
		1/30	CPA Associations R.O.C. (Taiwan)	Exchange Forum for Money Laundering Prevention Practices among Accountants	3.0
		3/6	CPA Associations R.O.C. (Taiwan)	Discussion on Taxation Practice	2.0
Supervisor	Wu Zong-Zheng	09/13	Taiwan Institute of Directors	Brand Innovation, Enterprise Transformation, Regaining the Glory- Looking at Taiwan's Corporate Transformation and Brand Management from Swiss Experience	3.0

Mergers and Acquisitions Committee

The M&A project shall be deliberated in a fair and reasonable manner, and the result of the review shall be reported to the Board of Directors and the Shareholders' Meeting. However, in accordance with the Enterprises Mergers and Acquisitions Act, when there is no need to convene a shareholders meeting to resolve the merger and acquisition, no submission of the resolution shall be required. This Committee shall be composed of at least 3 independent directors, with one serving as the convener. If the number of independent directors is not sufficient, the member(s) shall be selected among Board members.

Remuneration Committee

Pursuant to the Item 1 of Article 14-6 of the Securities and Exchange Act and the Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter, the Remuneration Committee was established on November 28, 2011, and its organizational rules were also set up for compliance.

The Remuneration Committee is in charge of setting and regularly reviewing the performance evaluation and the policy, system, standard and structure of the remuneration of the directors, supervisors and managers of the Company as well as other matters considered by the board. A total of 3 meetings were convened, with the attendance rate reaching 100%.

Title	Name
Convener	Xu Shun-Fa
Member	Lin Jin-Neng
Member	Keng, I

Remuneration Policy of the Board of Directors and Senior Executives

The highest governance unit and high-level management of the Company refers to the management holding a position of vice president and higher. Such personnel’s remuneration follows the same way the salary is paid to the employees in accordance with the Salary Management Practices on a monthly basis.

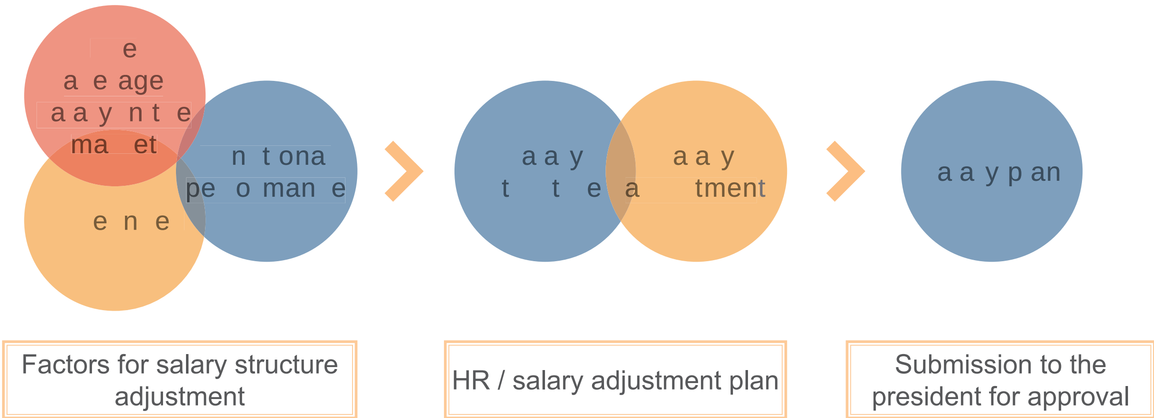
The bonuses of the highest and high-level management will be appropriately adjusted based on the business performance.

Currently, the Company does not provide share-based payment, signing bonus, resignation pay, claw-back except for the monthly fixed salary, bonuses and special expenses as well as surplus distributed to employees. The design of the retirement benefits mechanism is different from general employees.

The Determining Process of Compensation

The Company’s compensations are mainly considered from the average salary in the market, price index and functional performance, and the employees’ compensation is determined by the Compensation Management Practices. The salary changes and structural adjustment are reviewed by the unit chief of the HR Department and approved by the president.

The design of the salary structure of internal staff is based on the job categories and capability development plans. The existing structure includes the following items and each



corresponds to a management control idea.

Responsibilities of All Departments

Department	Responsibilities
Assistant Office	In charge of collection of market information and analysis of business performance; developing and promoting relevant business plans and regulations and rules; organizing and coordinating collaboration related affairs among departments
HR Dispatch Office	In charge of supporting overseas subsidiaries or handing related affairs of affiliations concerning business needs, professional techniques or management
Audit Office	In charge of the survey and evaluation of the internal control system and provides timely suggestions for improvement to promote the effective operation of the company
Materials Department	In charge of the coordination and allocation of equipment, materials and parts procurement within the Group
Wire Project Department	In charge of the coordination and allocation of raw materials, procurement, sales and shipping related affairs within the Group
Logistics Management Department	In charge of the storage and packaging operations, and coordinating export shipment related affairs
Sales Department	In charge of product orders, sales, procurement and follow-up customer service within the dedicated market area; focusing on the development of the OEM market to gradually improve the company's revenue structure; coordinating export and shipping related affairs
Procurement Department	In charge of the development and maintenance of supply resources as well as the cultivation of long-term cooperation

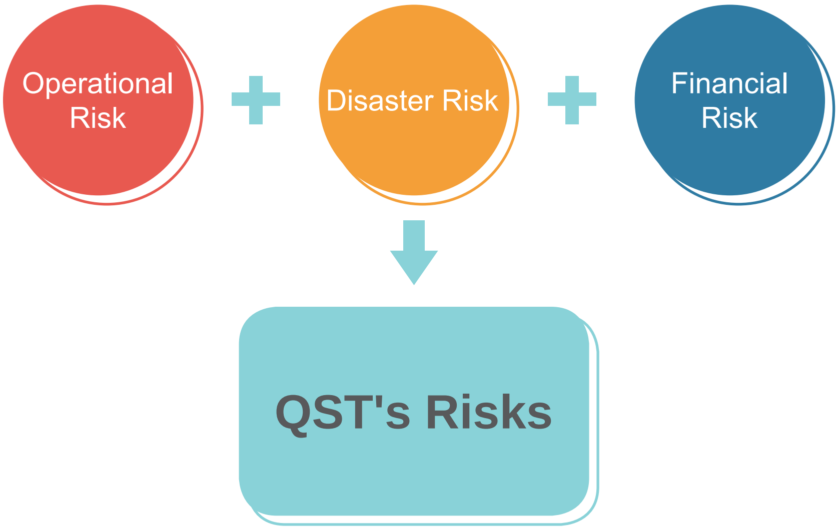
Department	Responsibilities
Production Technology Department	In charge of the design, drawing and making a standard drawing of the product mold for product production, providing a mold needed for manufacturing and warehouse management as well as cooperating with the trial run and test mode for the development of new products
Engineering Department	In charge of product development, technology R&D and industrial research and the development and maintenance of supply resources as well as the cultivation of long-term cooperation, continuing the expansion of the range and technical depth of our products
Quality Assurance Department	In charge of maintenance and continuous improvement of the quality system, evaluation and assistance of the supplier quality system and continuous improvement of customer satisfaction
Manufacturing Division	In charge of professional production and key value-added process of licensed products and developing production technologies such as Agile Manufacturing and Pilot Assembly
Information Technology Department	Responsible for the planning, operating, maintaining and training of e-operations and providing strategic information to assist in the Company's decision-making and operations.
Finance Department	In charge of formulating fund scheduling strategies and fund formation plans, strengthening financial management and improving financial structure
Accounting Department	In charge of planning accounting system and performing the establishment and analysis of financial statement and tax declaration, providing decision-making basis and accounting related services
Human Resources Department	In charge of recruitment and selection of human resources; planning and arranging internal and external training and education and professional training as well as providing general affairs related services

2.5 Risk Assessment

The business operation related risks are managed through existing administrative organizational structure and internal control mechanism. The identification of risks in every aspect is conducted by means of the division of labor among all departments, and management policies and related measures are established to prevent, reduce or transfer risks.

The management of every unit jointly promote the risk control measures to strengthen the internal risk control mechanism and reinforce the emergency response and resilience capabilities. It is hoped that by working and learning together with our suppliers, the resilience of various risks can be strengthened to cope with the rapidly changed external environment.

The Company has divided the risks into operational risk, disaster risk and financial risk.



Operational Risk

To reduce operational risk, QST continues to expand the development of automotive bolts, screws, nuts, components and combination of multiple workpieces while at the same time stepping into the field of wind power fastener for high value-added items. In addition, we cooperate with automakers and provide the one-stop service from product design to mass production, inventory management for customers and distribution.

Risk Category	Reason	Solution	Prevention Mechanism
Human resource risk	Serious shortage of labor or suspension order from the government.	Notify affiliated companies for support upon customers' consent.	For labor shortage-development of production line automation, and functional analysis mechanism (maneuver regulation).
Material shortage risk	Occurrence of raw material and material supply (production line or quality problem).	Seek qualified alternative suppliers.	Production Management Department-establishment of a database of qualified suppliers.
Manufacturing equipment risk	Serious equipment failure that cannot be repaired in a short time.	Start peer-to-peer equipment support for production upon customers' consent.	Implement maintenance certainly and prepare stocks of spare parts of fault-prone components.

Risk Category	Reason	Solution	Prevention Mechanism
Supplier risk	Failure to return to work or deliver goods for external processing suppliers due to production line interruption or quality problems.	Seek qualified alternative suppliers.	Production Management Department- establishment of a database of qualified suppliers.
Shipping risk	Serious transport delay caused by force majeure factors (transport disruption, customs detention, disaster) or risks generated from major quality problems.	Transportation disruption: seek support from back-up transport companies, transfer goods from front-end warehouse and initiate handy service of front-end engineering personnel.	If the customs detention occurs due to the seed problem, the exported American timber pallets or dunnage will be changed to pinewood material to reduce the risk of detention due to discovery of seeds.

Disaster Risk

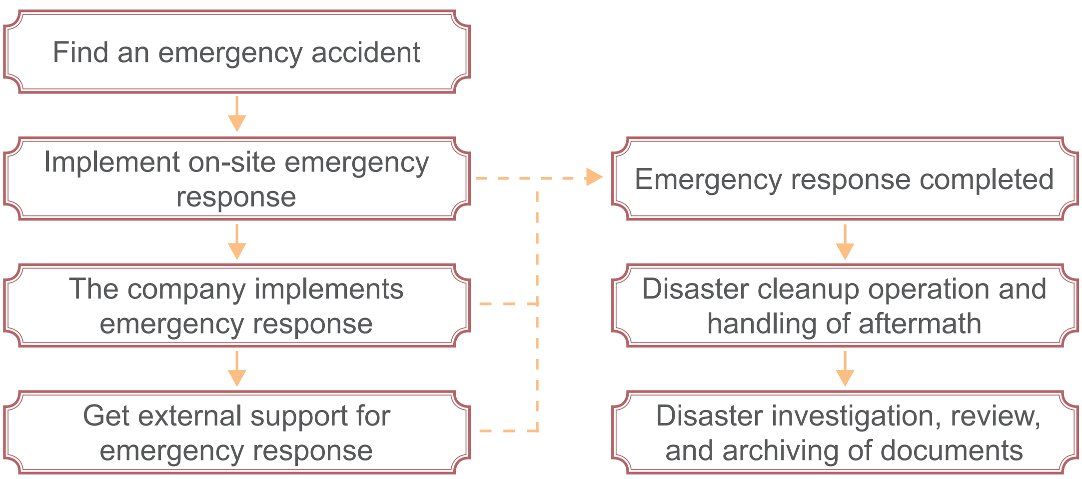
The Company has established the Emergency Response Plan to take precautions against natural disasters (such as windstorm, flood, fire and earthquake) and industrial emergencies and to make emergency response and rapid recovery to effectively reduce environmental impacts and ensure the safety and properties of people in the event of a disaster. The Company has established the "Emergency Response Plan" and divides the risks into alertable and unalertable ones.

Alertable risks	• Unplanned blackouts in typhoons, extremely heavy rain and earthquakes. • Approval for shift changes and other related matters according to the news released by the local government and make advance preparations, such as closing the doors and windows and strengthening the fixation of objects in higher places while making relevant record for future review.
Unalertable risks	• Fires, explosion, chemical spills, abnormality in waste and effluent and so on. • Regular and irregular inspections of the structure and beam columns of all the plant buildings, the stacks of various items and the inspection as well as the placement of various discharge equipment (immediate improvement is made when there is a problem), and the location of fire extinguishers, fire water sources, hydrants and water hoses.

Risk Category	Primary Risk	Solution	Prevention Mechanism
Meteorological disaster	Typhoon	Inspection of the structural conditions for repair and reinforcement	Pay attention to typhoon trends and implement relevant typhoon prevention measures
Meteorological disaster	Extremely heavy rain	Implementation of education and training and inspection of the structures after disasters for repair and reinforcement	Install the waterproof gate and implement relevant education and training
Meteorological disaster	Earthquake	Implementation of education and training and inspection of the structures after disasters for repair and reinforcement	Implement education and training related to earthquakes
Accident	Unplanned blackout	Continue to maintain the maintenance status with Taipower	Purchase emergency generators
Accident	Fire	Maintain the status of fire equipment and manual operation of equipment	Fire control and fire training
Accident	Chemical spill	Implementation of the emergency response plan	Area control, and use anti-leakage pallet for the placement of liquid chemicals
Accident	Abnormality in waste and effluent	Entrust qualified treatment plants for follow-up treatment	Self-inspection and capacity control, and provide dedicated waste storage area

Emergency Response Measures

The highest competent personnel on-site shall initiate the handling of emergency response in the event of an emergency or accident and shall notify relevant competent personnel as prescribed. The relevant procedures are as follows.



Flood Prevention -Flood prevention drill

Disaster Prevention Drill

The Company makes regular checks and reports of the fire equipment based on the

protection plan, and the disaster prevention drill is conducted every six months.

Financial Risk

The Company continues to stay close attention to the changes in the international exchange rates and the bank interest rates. Close attention will be paid to any changes that may affect the company's financial performance and active improvement will be made to reduce risks.

2.6 Compliance

There was no violation against any economic and social regulations in 2018. In addition, in terms of customers, QST has been adhering to the best services to our customers and attaching great importance to customer privacy. We sign confidentiality agreement with customers to protect their confidential information. Information Coordination Meetings are held on a monthly basis to make timely review and improvement of the existing system. In addition, data protection is also conducted through the information system and the control of information access.

In terms of environmental aspect, we were fined once for NTD 6,000 in 2018 for unqualified wastewater discharge. Regular test reporting will be added into operational control for follow-ups.

ISO 14001 Environmental Management System Verification is carried out every year to ensure the compliance with relevant environmental regulations.

Time	Incident	Correction action	Preventative measures
2018.08	The water quality testing report was delayed in 2018H1, violating the stipulation of Item 1 of the Article 93 of the Water Pollution Treatment and Testing Report Management Measures, with the fine of NTD 6,000.	Personnel in charge received relevant training for testing report.	Set the reporting time and control the schedule

Categories and Expenditures on Environmental Management

Unit: NT 1,000 dollars

Item	Description	2016	2017	2018
Air pollution prevention	Equipment operation / maintenance/ inspection	550	650	650
Water pollution prevention	Equipment operation / maintenance/ inspection	550	710	760
Waste treatment fee	General business waste	700	750	1,180
ISO14001 Environmental Management System	Annual verification fee	80	130	80
Environmental protection related education and training	Internal courses/ external exclusive personnel	120	200	200
Salary of environmental protection staff	Direct/ indirect environmental protection personnel	400	600	650
Expenditure on environmental related hardware	Adding new equipment	2,100	100	150
Total		4,500	3,140	3,670

2.7 Supplier Management and Evaluation

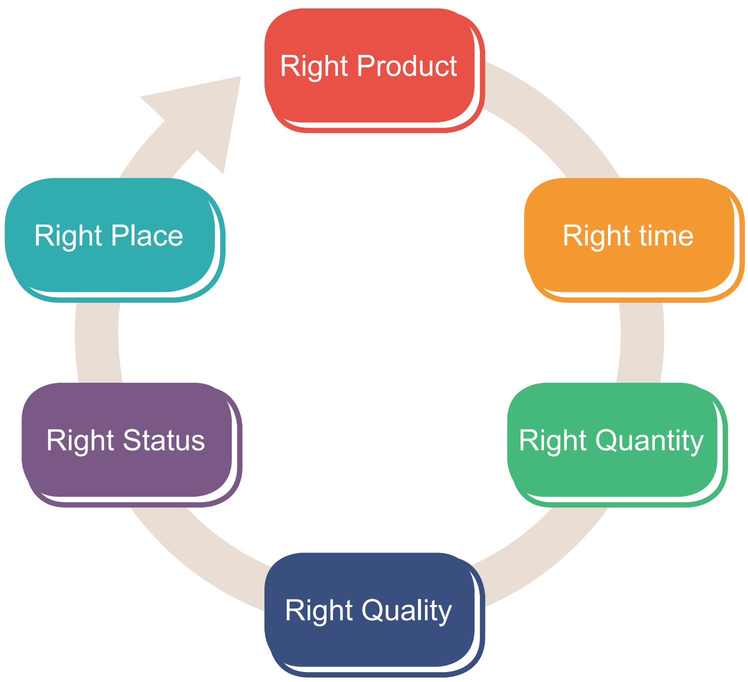
In the supply chain management, QST operates based on the customer-centered philosophy. Nowadays, most users require the shortest lead time possible for the products and services. To meet this end, the supply chain management shortens the product circulation cycle and speeds up the logistics distribution through the coordination with the production companies internally and the distribution service providers externally, meeting the personalized needs of customers in the shortest period of time.

Objectives of Supply Chain Management

The objectives of supply chain management are to make comprehensive management of the entire supply chain (from suppliers, manufacturers, distributors to users), and the management of the goods flow, information flow and capital flow of the overall supply chain, from procurement, material management, production and delivery to the sales to the users, can not only support the increase of core business but also reduce the logistics and inventory costs to the minimum, reaching the goal of meeting customers' needs.

Supply chain management refers to the activities and processes for the planning, coordination, operation, control and optimization of the entire supply chain system. The goal is to get the Right Product in the Right Quantity and Right Quality to be delivered to the Right Place in the Right Status at the Right time, and to optimize the total costs.

Global Supply Chain Management: To coordinate and rationalize the operational management functions of many different countries involved in transnational corporations in the global market. Through effective global supply chain management, transnational corporations can save costs and time while increasing the reliability of material management and physical delivery.



Supplier Management

Our suppliers include wire, machining, mold and surface treatment suppliers, and all adopt the systematic management mode. In addition, there is also a set of management model of the suppliers in terms of environment, society and quality capability. In addition, the use of relevant raw materials should be compliant to ELV, RoHS and REACH, and conflict minerals from conflict zones (such as Congo), including columbium, niobium, tantalum, tin, gold, tungsten and their derivatives shall not be used. Suppliers are required to manage chemical materials in accordance with the Material Safety Data Sheet (MSDS).

QST conducts evaluation in quality, delivery and services on a monthly basis, and our suppliers will be informed of relevant results.

An annual audit is also conducted based on the auditing requirements (IATF, VDA, CQI) required by the automakers. Qualified auditors will conduct on-site audits at the suppliers’ premises in accordance with the annual audit schedule

The auditing items include corporate governance, order management, environmental protection, safety, health and labor practices to understand the suppliers’ management performance and risks and continuous improvement is also required. Suppliers’ capacity levels are classified into Level A, B, C and D to understand the suppliers’ performance of sustainable management.

Supplier Management Model

Screen suppliers first:
Classify suppliers based on the products they provide and distinguish their main characteristics.

↓

Select suppliers:
Establish a supply chain platform to select the supplier(s) that best meet customer requirements

↓

Audit suppliers:
Condut audits annually, examine the monthly delivery performance, and closely control the suppliers' quality capability

QST Supply Chain

Type of Contract	Purchasing Area	2016		2017		2018	
		Number	The proportion of the purchase to the total purchase amount (%)	Number	The proportion of the purchase to the total purchase amount (%)	Number	The proportion of the purchase to the total purchase amount (%)
Fasteners	Domestic	91	87.1	94	81.9	86	80.9
Raw material (Coil)	Domestic	2	10.3	2	15.0	2	15.1
Mold	Domestic	25	2.1	24	2.5	23	3.0
Packing materials, oil products	Domestic	11	0.5	8	0.6	8	1.0
Total		129	100	128	100	119	100

Note: Domestic area refers to Taiwan; overseas area refers to areas outside Taiwan (such as China, the United States, Vietnam, etc.).

3

Environmental Performance

3.1 Raw Material Management

Coils account for most of the raw materials of the Company and are mainly from China Steel Corp. and Nippon Steel & Sumitomo Metal (now Nippon Steel Corporation). Most of the products are made of steel, but there is no iron-melting furnace for re-smelting in the factory, so the waste, scraps and offcuts are recycled by the cooperative contractor, and therefore, belong to non-recyclable materials.

The finished products are placed into plastics bags before packed into a carton, and the cartons are stacked into a pallet and packaged in the packaging straps.

The packaging materials of pallets and cartons belong to renewable materials. Since our main customer base is overseas, there is no special recycling mechanism for the packaging materials, and therefore are handled by the customers.

Raw Material Category	Material Category	Volume (unit)	2016	2017	2018
Pallets	Renewable	PCS	23,808	25,259	28,847
Cartons	Renewable	PCS	465,166	487,794	589,653
Plastic bags	Non-recyclable	kg	19,970	22,570	26,249
Oil products	Non-recyclable	kg	10,200	204,519	231,395
Wire rods	Non-recyclable	TON	12,030	14,678	13,193
Molds	Non-recyclable	PCS	53,654	75,107	58,511

Note: 1. Raw materials include main raw materials, auxiliary raw materials and packaging materials.

Product Packaging

The finished products are placed into plastics bags before packed into a carton, and the cartons are stacked into a pallet and packaged in the packaging straps. The above are the main packaging materials of the Company. Since our main customer base is overseas, there is no special recycling mechanism for the packaging materials, and therefore are handled by the customers.

The environmental management system is introduced to continuously improve the environmental performance, and the package weight complies with European and American requirements to avoid occupational injuries during moving. At the same time, we ask the pallets suppliers to provide pallets for products exporting to the USA to be heat-treated and fumigated with the IPCC mark or stamp showing that the wood pallets are compliant to ISPM15 to prevent the spreading of negative impacts on plants and the eco-system, such as insects or diseases through international transport.

Time	Incident	Handling method	Precautions
2017.12	Plant seeds were found in the container of products exported to America during customs inspection and the wood pallets (packaging) used were not compliant with the International Plant Protect Convention (IPPC) that would affect the local ecosystem through international transportation. No penalties were imposed.	The wood pallets were handled by local cleaning service provider, and the handling charge was US$ 5,456.	(1) Conduct the cleaning thoroughly during loading. (2) When loading the containers at the dock, the freight vehicles and gull-wing door are all closed.

3.2 Water Resources Management

The Company's water source is from the Sixth Branch of Taiwan Water Corporation, and the main source is from the treated water of the Shan-Shang Water Treatment Plant and the raw water from Zengwen Reservoir and Weshantou Reservoir transported through the flumes of south major line of the Jianan Irrigation System to Tan-Ding Village in Xinshi District and then to Rende District. No water harvest or water recycling equipment was installed.

Over the years, we have installed water-saving faucets and flushing devices as well as adjusted the amount of flushing water for water conservation.

Annual water consumption over the past three years

Item	2016	2017	2018
Total water consumption (tons)	26,494	28,451	30,946
Value of Production (million dollars)	3,022.18	3,118.43	3,434.00
Water intensity (tons / million dollars)	8.84	8.75	9.01

3.3 Energy Management

Internal Consumption

As a manufacturer of steel and metal fasteners, the energy we use is mainly purchased power, gasoline and diesel. Purchased power is from Taiwan Power Company. Purchased gasoline and diesel are used in transport vehicles, stackers and so on while purchased LPG (gas) is used in the heat treatment process of the steel and metal fasteners. There is no energy consumption for heating, cooling, steaming and so on in the process.

Annual Energy Consumption over the past three years

Quantitative indicator	Unit	2016	2017	2018
Total consumption of electricity	kWh/ year	15,619,520	18,123,880	20,794,640
Total consumption of gasoline	liter / year	15,094	13,660	13,003
Total consumption of diesel fuel	liter / year	20,195	14,253	17,393
Total consumption of LPG (gas)	kg/year	13,710	12,920	23,220
Total consumption	million joules	13,366	15,838	18,167
Specific organizational metric	Value of production (million dollars)	3,022	3,118	3,434
Energy intensity	Total consumption / Value of production	4.42	5.08	5.29

Note: The energy conversion value is obtained from Bureau of Energy.
(https://www.moeaboe.gov.tw/ECW/populace/home/Home.aspx)

Item	Unit (kcal)
Electricity (1 kWh)	860
Gasoline (1 liter)	7,800
Diesel (1 liter)	8,400
LPG (1 liter)	6,635
4,186 joules	1.00

Energy Conservation at QST

QST has carried out various energy-saving measures since 2015, with the target of saving at least 1% of energy averagely between 2015 and 2019. The energy-saving measures in 2018 are as follows.

2018 Energy Saving Measures and Estimated Energy Saved		
Energy Conservation Measure	Specific Action	Estimated Energy Saved
Improvement of energy efficiency of the central air conditioning	Replaced the new heat sink fins of the two 150T cooling towers of the central air conditioning and installed cooling fan with automatic start of motor temperature control. After the improvement measures: 1. The cooling effect of the cooling tower is improved to avoid the splash of water and waste of water resources. 2. To save ineffective operation of the cooling motor, the operation starts only when the water temperature reaches 30oC. More than 30% of electricity is expected to be saved in winter and on cloudy and rainy days. The estimated power saved annually is 15HP * 2 units * 0.746kw * 3696hr/year* 30% = 24,815 kwh.	Saving 24,815 kWh/year

3.4 Greenhouse Gas Management

As the leading manufacturer of steel and metal fasteners, we hope to improve and reduce the GHG emission with the GHG emission inventory results. Energy used mainly include electricity, gasoline, diesel and LPG (gas). The GHG emission inventory operation refers to the GHG Protocol such as the ISO/CNS14064-1 (Chinese National Standards) for the calculations of CO_2e in Scope 1 and Scope 2. The scope of data does not include refrigerant leakage, methane emission from septic tanks and emission from combustion of emergency generators. Scope 3 emission inventory was not conducted.

The total GHG emission in 2018 (Scope 1+ Scope2) is 11,648 metric tons of CO_2e, an increase of 0.7% compared with the 10,514 metric tons of CO_2e in 2017, mainly due to the power consumption from increased production capability.

Scope of GHG Emissions

Item	Content
Scope 1	Gasoline, diesel, liquefied petroleum (gas)
Scope 2	Electricity

Note: Methanol belongs to biomass carbon emission and therefore are excluded from Scope 1.

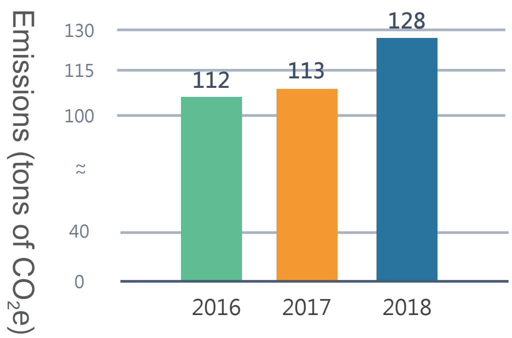
Annual Statistics of GHG Emissions

Unit: CO2e/ tons

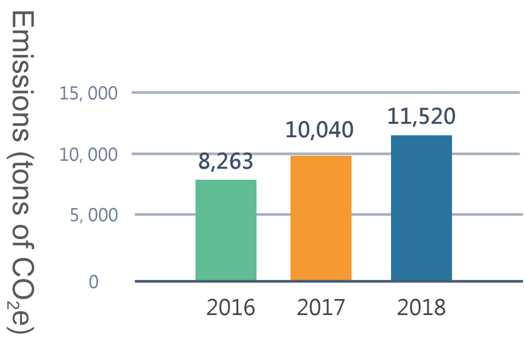
Item	2016	2017	2018
Scope 1	112	113	128
Scope 2	8,263	10,040	11,520
Total emissions = Scope 1 + Scope 2	8,376	10,514	11,648
Output value (NTD million)	3,022	3,118	3,434
Emission intensity (tons / million dollars)	2.77	3.37	3.39

Note: (1) According to carbon emissions from electricity announced by the Energy Bureau of MOEA, the electricity emission factor for 2016 was 0.529 kg CO_2e/kWh and that for 2017 was 0.554 kg CO_2e/kWh. Since the Energy Bureau had not announced the electricity emission factor for 2018 at the time for data disclosure in the Company's 2018 CSR Report, the factor for 2017, namely 0.554 kg CO_2e/kWh was used for calculation.
(2) The oil product emission factor referred to the website of the Greenhouse Gas Information Center for Energy Industries of the Energy Bureau.
(3) The data of output value only referred to the Company's separate statement.
(4) Emission intensity = Total emissions/ output value.

Comparison of Scope 1 emissions over the past three years



Comparison of Scope 2 emissions over the past three years



Item	Weight of CO_2e (kg)
Gasoline (1 liter)	2.26
Diesel (1 liter)	2.60
LPG (gas) (1 liter)	1.75

3.5 Pollution Prevention

Air Pollution

The Company applied for the inspection of the stationary air pollution source operating permit on December 14, 2016, and the test results showed that the emissions all met the standards. QST continuously met the standards of the test in the following years, so there were no gas emission pollution problems whatsoever in 2017 and 2018. So far, no complaints from the surrounding residents have been reported. In addition, environmentally friendly refrigerants are used for all air conditioners in the Company, and Halon is not used as the filling agent of the fire extinguishers.

Wastewater Treatment

Water quality of wastewater generated in the manufacturing process must be treated first, and it can be discharged outside the factory only after reaching the discharge standards upon self-testing. Discharged wastewater flows to Erren River and to the sea. The Environmental Protection Bureau dispatches personnel regularly and irregularly to the site at the discharge flow mouth to sample and test the discharge water quality.

Wastewater Discharge

Year	Total Wastewater Discharge (m^3)	Chemical Oxygen Demand (COD) (mg/L)		Suspended Solid (SS) (mg/L)	
		Discharge standard (ppm)	6-month monitoring value (ppm)	Discharge standard (ppm)	6-month monitoring value (ppm)
2016	3,846	100	65.1	30	7.6
			80.0		9.1
2017	4,569	100	96.0	30	10.4
			24.8		15.2
2018	5,055	100	26.0	30	26.5
			13.8		1.6

Waste Disposal

To ensure the business waste can be properly disposed, the Company abides by the Waste Disposal Act and entrusts waste management vendors approved by EPA for waste resource management of the waste generated during the manufacturing process (such as inorganic sludge, non-hazardous oil sludge, used oil mixture, mixture of general chemical waste). Oil products are recycled and reused by using the concentrated tank for sedimentation to reduce the impact on environmental pollution.

The iron granules and iron filings generated during the process are centrally managed in the factory. They are sold as scraps for reuse in the market after accumulated to a certain amount.

In addition, general domestic waste generated from the Company's operations is also handed over to the treatment plant approved by EPA for the management of waste resources. Toxic compounds are not used in the factory at present, and we also cooperate with recycling plants to increase the types of recycled materials to reduce the waste of resources.

Items of Waste over the past three years

Unit: ton (s)

Category of Waste	Item	Name of Waste	Method of Treatment	2016	2017	2018
General business waste not declared as recyclable or reusable	Inorganic sludge	Inorganic sludge	Heat treatment	11.24	27.77	27.74
	Domestic waste	Domestic waste	Incineration	16.93	22.47	15.00
	Waste oil	Waste oil mixture	Physical treatment	25.55	27.94	50.94
Annual waste weight (total)				53.72	78.18	93.68

4

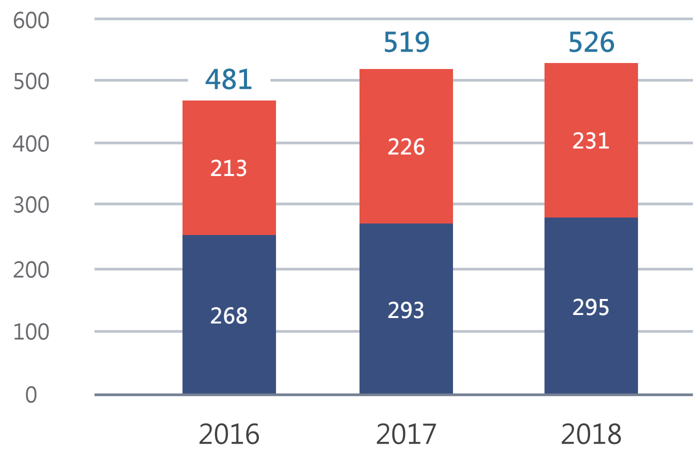
Our Employees

4.1 Labor Structure

QST upholds the principles of "respecting human rights" and "hiring people only based on their talents", adhering to such regulations as "Labor Standards Act" and the "The Gender Equality in Employment Act" and regarding individual professional competence as the main selection requirement. There is no discrimination against employees on the grounds of race, class, language, belief, religion, political party, place of origin, place of birth, gender, sexual orientation, age, marriage status, appearance, facial features, physical or mental disabilities, zodiac signs, blood type or union member. All personnel have a fair job opportunity through public channels like online job banks and job fairs in the recruitment process.

As of the end of December 2018, the total number of employees of the Company was 526, all formal employees. There is no temporary labor and no significant change in the number of employees between high and low seasons.

Total number of employees over the past three years



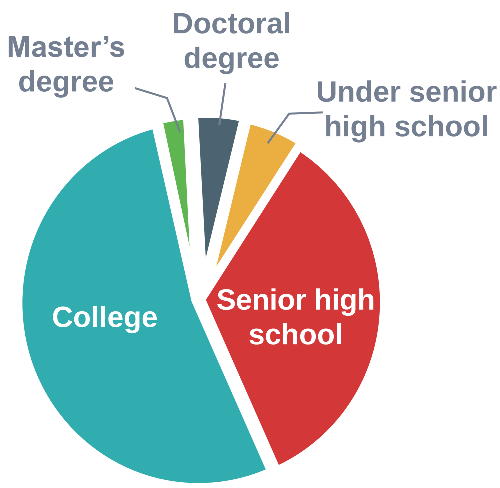
	2016	2017	2018
Female	213	226	231
Male	268	293	295

Distribution of types of employees over the past three years

Contract type	Female						Male				
	Full-time (open-ended)				Temporary (fixed-term)		Full-time (open-ended)				Temporary (fixed-term)
Age	Under 29 years old	30-39 years old	40-49 years old	50 years old and above	Under 29 years old	30-39 years old	Under 29 years old	30-39 years old	40-49 years old	50 years old and above	Under 29 years old
2016	59	72	67	15	0	0	77	101	55	34	1
2017	64	77	66	16	2	1	88	114	56	35	0
2018	61	83	63	24	0	0	88	109	61	37	0

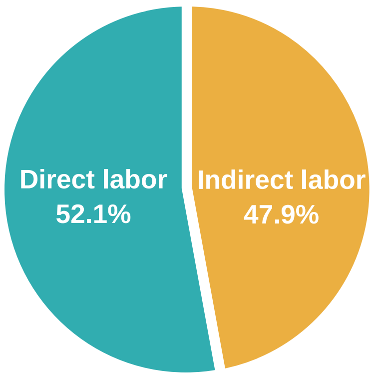
2018 Employees' Level of Education

Level of Education	No.	Percentage (%)
Under senior high school	29	5.5
Senior high school	202	38.4
College	275	52.3
Master's degree	19	3.6
Doctoral degree	1	0.2
Total	526	100



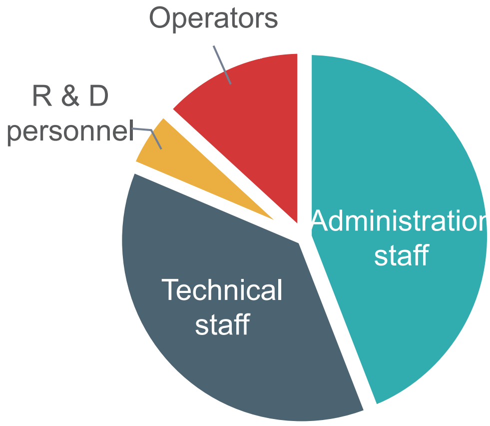
Distribution of indirect and direct labor in 2018

Indirect and direct labor	No.	Percentage (%)
Direct labor	252	47.9
Indirect labor	274	52.1
Total	526	100



Job categories in 2018

Job category	No.	Percentage (%)
Administration staff	246	46.8
Technical staff	159	30.2
R & D personnel	21	4.0
Operators	100	19.0
Total	526	100



Diverse Employees

According to the second paragraph of Article 38 of Person with Disabilities Rights Protection Act, any given private business agency/organization/institution whose total number of employees is no less than 67 shall employ people with disabilities capable of working and the number of such employees shall be no less than 1 percent of the total number of the employees, and no less than 1 person. QST hires 5 people with disabilities.

Distribution of Employee Identity over the past three years

2016						
Gender	Age	Identity			Total
		Foreigners	Physically or mentally disabled	General	
Male	Under 29 years old	7	1	70	78
	30-39 years old	8	1	92	101
	40-49 years old	4	1	50	55
	50 years old and above	0	2	32	34
Subtotal		19	5	244	268
Female	Under 29 years old	0	0	59	59
	30-39 years old	0	0	72	72
	40-49 years old	0	0	67	67
	50 years old and above	0	0	15	15
Subtotal		0	0	213	213
Total		19	5	457	481
Percentage (%)		3.95	1.04	95.01	100

2017					
Gender	Age	Identity			Total
		Foreigners	Physically or mentally disabled	General	
Male	Under 29 years old	9	0	79	88
	30-39 years old	10	2	102	114
	40-49 years old	5	1	50	56
	50 years old and above	0	2	33	35
Subtotal		24	5	264	293
Female	Under 29 years old	0	0	66	66
	30-39 years old	0	0	78	78
	40-49 years old	0	0	66	66
	50 years old and above	0	0	16	16
Subtotal		0	0	226	226
Total		24	5	490	519
Percentage (%)		4.62	0.96	94.42	100

2018					
Gender	Age	Identity			Total
		Foreigners	Physically or mentally disabled	General	
Male	Under 29 years old	12	0	76	88
	30-39 years old	8	2	99	109
	40-49 years old	4	1	56	61
	50 years old and above	0	2	35	37
Subtotal		24	5	266	295
Female	Under 29 years old	0	0	61	61
	30-39 years old	0	0	83	83
	40-49 years old	0	0	63	63
	50 years old and above	0	0	24	24
Subtotal		0	0	231	231
Total		24	5	497	526
Percentage (%)		4.56	0.95	94.49	100

Local Hire

The Company actively fosters talents in management, and the senior executives in Taiwan are all local employees.

Age Distribution of Employee Positions over the past three years

Year			2016	2017	2018
Item/gender		Age	No.	No.	Item/gender
Managers	Male	Under 29 years old	0	0	0
		30-39 years old	3	2	2
		40-49 years old	7	6	6
		50 years old and above	16	16	16
	No. of male executives ÷ total No. of executives of the company at the end of the current year		61.9%	60%	60%
	Female	Under 29 years old	0	0	0
		30-39 years old	1	1	1
		40-49 years old	11	10	7
		50 years old and above	4	5	8
	No. of female executives ÷ total No. of executives of the company at the end of the current year		38.1%	40%	40%
No. of executives ÷ total No. of employees of the company at the end of the current year			8.7%	7.7%	7.6%
Non-managers	Male	Under 29 years old	78	88	88
		30-39 years old	98	112	107
		40-49 years old	48	50	55
		50 years old and above	18	19	21
	Female	Under 29 years old	59	66	61
		30-39 years old	71	77	82
		40-49 years old	56	56	56
		50 years old and above	11	11	16
No. of non- executives ÷ total No. of employees of the company at the end of the current year			91.3%	92.3%	92.4%
Total			481	519	526

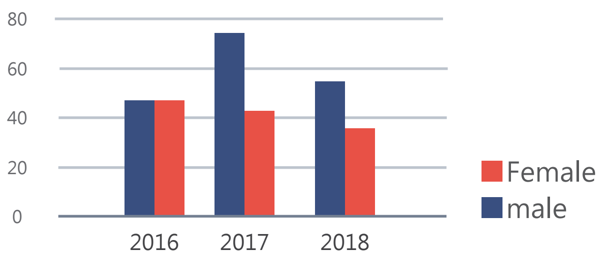
Note:
1. Description of the formula for the calculation of executives
   (No. of male executives ÷ total No. of executives of the company at the end of the current year)
   (No. of executives ÷ total No. of employees of the company at the end of the current year)
2.Local area refers to Taiwan
3. Executives refers to those holding manager position or higher

Age Distribution of Retired/Resigned Employees over the past three years

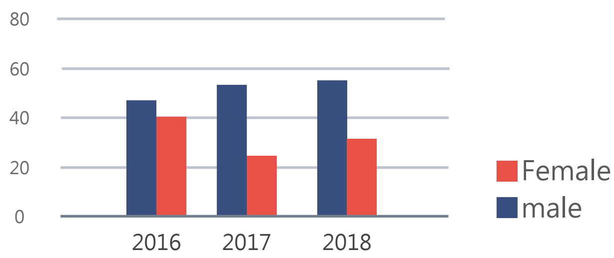
Year	2016				2017				2018			
Age\gender	No. of male	Male turnover rate (%)	No. of female	Female turnover rate (%)	No. of male	Male turnover rate (%)	No. of female	Female turnover rate (%)	No. of male	Male turnover rate (%)	No. of female	Female turnover rate (%)
Under 29 years old	18	23.1	24	40.7	23	26.1	15	22.7	30	34.1	20	32.8
30-39 years old	15	14.9	9	12.5	21	18.4	12	15.4	18	16.5	9	10.8
40-49 years old	6	10.9	3	4.5	4	7.1	2	3.0	4	6.6	0	0.0
50 years old and above	5	14.7	0	0.0	3	8.6	0	0.0	0	0.0	0	0.0
Total number of those retired/ resigned	80				80				81			
Total number of employees	481				519				526			
Total turnover rate (%)	17.67				14.26				15.40			

Note:
1. Turnover rate (%) = the number of retired/resigned employees in that category for the current year/the total number of employees in that category at the end of the year.
2. The number of retired/resigned employees includes employees who volunteer to resign or are fired, retired, or who die while on duty.

Number of new employees over the three years



Number of retired/resigned employees over the three years



Age Distribution of New Employees over the past three years

Year	2016				2017				2018			
Age\gender	No. of male	Male employment rate (%)	No. of female	Female employment rate (%)	No. of male	Male employment rate (%)	No. of female	Female employment rate (%)	No. of male	Male employment rate (%)	No. of female	Female employment rate (%)
Under 29 years old	24	30.8	31	52.5	44	50.0	24	36.4	38	43.2	22	36.1
30-39 years old	18	17.8	12	16.7	29	25.4	17	21.8	16	14.7	12	14.5

Year	2016				2017				2018			
Age\gender	No. of male	Male employment rate (%)	No. of female	Female employment rate (%)	No. of male	Male employment rate (%)	No. of female	Female employment rate (%)	No. of male	Male employment rate (%)	No. of female	Female employment rate (%)
40-49 years old	6	10.9	5	7.5	3	5.4	1	1.5	0	0.0	0	0.0
50 years old and above	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0
Total number of new employees	96				118				88			
Total number of employees	481				519				526			
Total employment rate (%)	19.96				22.74				16.73			

Note:
1. Employment rate (%): Number of new employees in the category for the current year/ Total number of employees in the category at the end of the year.
2. New employees include retired/resigned ones.

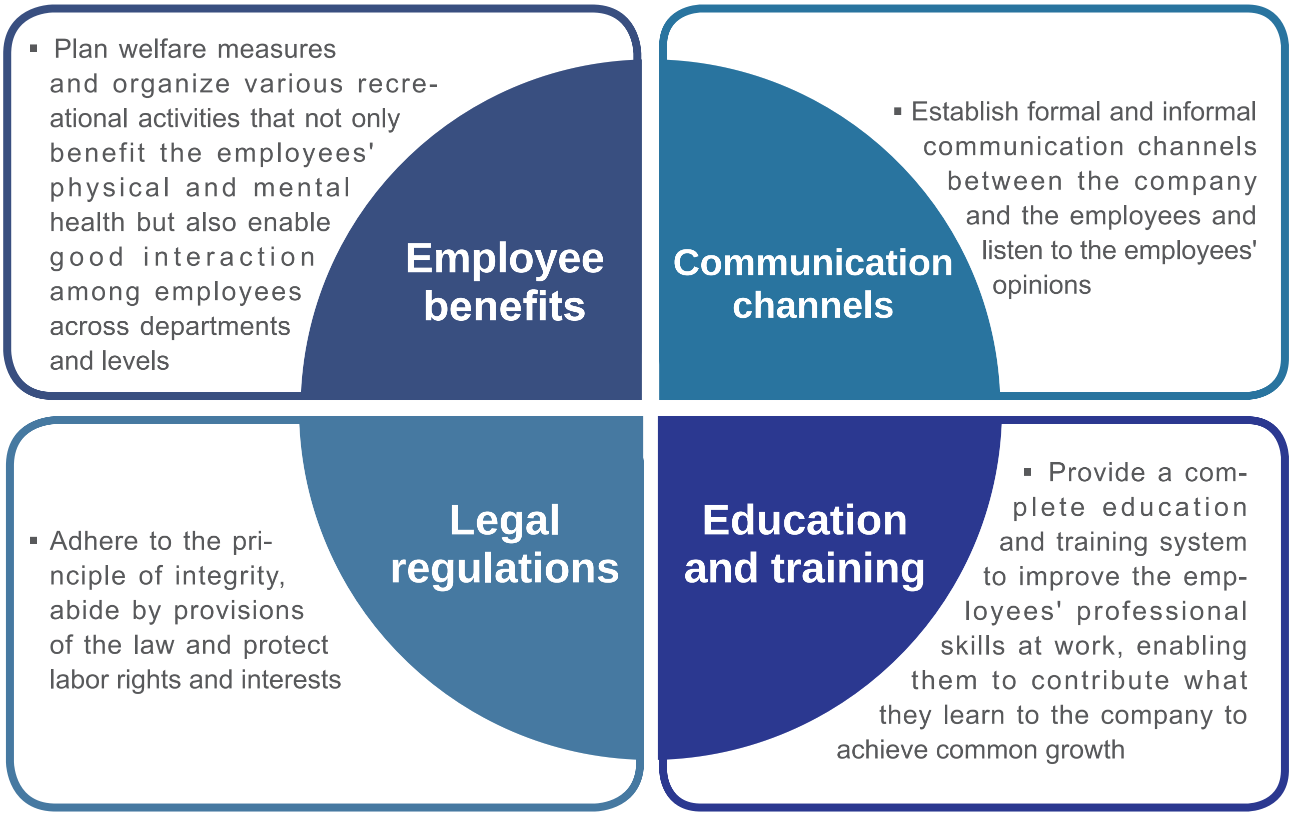
4.2 Labor Relations

QST has always regarded its employees as the “most important assets”, and is devoted to the co-growth of the employees and the development of the company. Therefore, we attach great importance to our employees’ opinions and hold labor-management meetings regularly for the discussion on employee rights and protection issues. Employees’ voices are heard through formal and informal communication channels, and the labor-management meeting shall be convened at least every three months. In addition, an extraordinary meeting can be convened when necessary. Representatives of the meeting can not only collect and understand employees’ opinions on compensations and benefits but also make proposals through the labor-management meeting to discuss and fully protect the employees’ rights.

The Company has set up a Labor-management Council, consisting of five employees elected as labor representatives and five designated by the business units as representatives of the employers. Reports and proposals are made for discussions. At the same time, the consensus of the employers and employees can be obtained in the meeting to achieve mutual benefits.

Meanwhile, based on the principle of basic human rights, the rights and obligation of both the employers and the employees are clearly defined and a sound management system is as established for the concerted efforts and development. In addition, the Work Rules and Safety and Health Work Rules meeting the stipulations of the Labor Standards Act are formulated, which were approved by the Labor Affairs Bureau of the city government. According to the Labor Union Act, all workers shall have the right to organize and join labor unions. The freedom of employee association or collective bargaining is not restricted. At present, our employees have not initiated trade union organizations, and no trade unions have been established.

Harmonious labor relations are established through the following methods.



Discrimination

To protect the rights and interests of employees, we assist employees in solving matters related to personal rights or unfair treatment at work and establish a correct concept of gender equality. In addition, we take preventive measures related to sexual harassment, sexual assault and sexual violence for a working environment free from fear and threats.

To prevent and deal with sexual harassment, sexual assault and sexual violence, the Regulation Regarding Employees' Grievance and Sexual Harassment Prevention and Treatment has been developed. To implement the regulation, a grievance line and a dedicated e-mail box are established as the channels for the handling of employee complaint, sexual harassment, sexual assault and sexual violence. HR Department is the dedicated department in charge of handling such cases while the manager of the HR Department serves as the convener of the Grievance Committee. Female representatives shall account for no less than 1/2 of the representatives in the handing of such cases. No cases of sexual harassment occurred during the reporting period.

Minimum Period of Advance Notice

According to Labor Standards Act, where an employer terminates a labor contract due to such situations as severance, reorganization or factory closure, the provisions set forth below shall govern the minimum period of advance notice. A labor-management meeting is held every three months. Notification to the representatives is made 7 days prior to the meeting.

Minimum period of advance notice

Service period	Minimum period of advance notice
Those who have worked for more than 3 months but less than 1 year	10-day advance notice
Those who have worked for more than 1 year but less than 3 years	20-day advance notice
Those who have worked for more than 3 years	30-day advance notice

4.3 Employee Benefits

Employees are QST's most important assets. When the employees are stable with no worries, the Company can continue to grow and thrive. The Employee Welfare Committee consists of 13 employees and employers, responsible for planning various benefit programs.

Technicians account for most of our employees. The salary of technical staff is about 1.22 times the minimum salary regardless of gender compared with the local basic salary standard. The Company does not disclose the salary of external labor contractors (security guards and cleaners), but we require that the starting salary of our external labor contractors should be in line with local laws and regulations.

Category	Multiple ratio (starting salary / minimum wage)
General technicians	1.22

Bonus / gifts

- Year-end bonus
- Bonus /gifts on three Chinese festivals (Employee Welfare Committee)
- Birthday gift money / gifts (Employee Welfare Committee)

Insurance

- Labor insurance
- Health insurance
- Employee Group Insurance, including life insurance, accident insurance (disability insurance), and accidental medical insurance

Leave / vacation system and retirement system

- In line with the Labor Standards Act (including parental leave without pay)

Facility

- Online employee library

Subsidies

- Wedding gift money
- Childbirth allowance
- Funeral subsidy
- Scholarship to the employee and his/her children
- Club subsidies
- Emergency assistance
- Consolation money to the employee and his/her immediate family
- Contribution of labor pension

Others

- Employee health check
- Club activities
- Employee trip
- Special discount at selected shops
- Stock option: To enhance the employee's cohension and to motivate the staff morale for the purpose of creating a big family, we let the employees share the business results and set up the Employee Stock Option Practices.
- This appllies to all the formal employees with the right issue to buy additional securities in the Company aproved by governmental agencies

The Pension System

The Company's pension system under the Labor Pension Act is a defined contribution plan. Pensions are contributed at a ratio of 6% and 4% of the monthly salary according to the new and old system respectively and deposited in the individual Labor Pension Accounts. Except for foreign employees, the percentage of the other employees participating in the retirement plan reaches 100%.

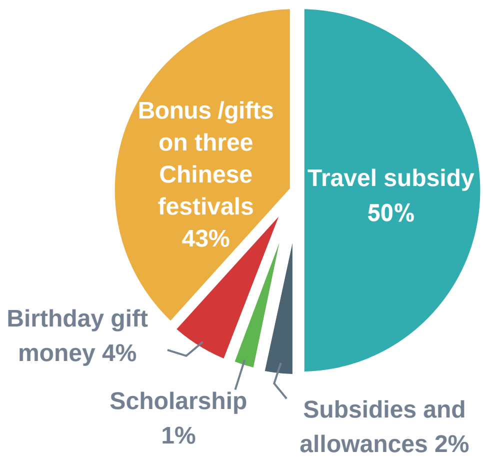
Category of pension plans	Time of contribution	Source of contribution	Proportion of the pensions contributed
Old system	Before 1995/6/30	The amount of labor pension borne by the employer	4%

Category of pension plans	Time of contribution	Source of contribution	Proportion of the pensions contributed
New system	After 1995/7/1	The amount of labor pension borne by the employer	6%
		The amount of labor pension voluntarily contributed by the employee	6% at most

Proportion of Subsidies of the Employee Benefits Committee in 2018

Item	Proportion	Description
Travel subsidy	50.2%	Domestic tour once or twice a year
Subsidies and allowances	1.7%	Weddings, funerals, and emergency relief
Scholarship	0.7%	
Birthday gift money	3.7%	
Bonus /gifts on three Chinese festivals	43.6%	
Total	100%	

Proportion of subsidies in 2018 (ratio)



The Source of Welfare Fund

0.05% of total revenue per month + 0.5% of salary per employee per month + 20% of revenue from sale of scraps = Welfare fund

Company Trip

Year-end party

2019 Lunar New Year Festival Gifts

Employee Service Award

To encourage our employees to work with us for long to enable the related technology to be passed on for perfection, the Employee Service Award is awarded to recognize the hardwork and dedication of these employees.

Employee Service Award System

10 years	NT$10,000 dollars
15 years	1 gold coin
20 years	1 gold and 2 silver coins
25 years	2 gold coins

Parental Leave without Pay

The Company implements parental leave without pay related operations in accordance with the Act of Gender Equality in Employment. After in service for six months, employees may apply for parental leave without pay before any of their children reaching the age of three. The period of this leave is until their children reach the age of three but the duration may not exceed two years. When employees are raising over two children at the same time, the period of their parental leave shall be combined and the maximum period shall be limited to two years received by the youngest child.

In 2018, a total of 22 people applied for parental leave without pay, with males accounting for 18.2% and females 81.8%.

QST's statistics of parental leave without pay

Year	2016			2017			2018		
Gender/total	Male	Female	Total	Male	Female	Total	Male	Female	Total
The number of employees who actually applied for parental leave without pay in the current year (A)	3	6	9	0	5	5	1	7	8
The number of employees who were expected to be reinstated after parental leave without pay in the current year (B)	2	5	7	1	6	7	1	6	7
The number of employees who were actually reinstated in the current year (C)	0	4	4	0	3	3	1	6	6
The number of employees who were actually reinstated in the previous year (D)	0	3	3	0	4	4	0	3	3
The number of employees who were actually reinstated and had been reinstated for 12 months (E)	0	3	3	0	4	4	0	3	3
Reinstatement rate in the current year (C/B) (%)	0	80	57	0	50	43	100	100	100
Retention rate in the current year (E/D) (%)	0	100	100	0	100	100	0	100	100

4.4 Education and Training

The long-term development of the Company depends on the improvement of employees' professional knowledge and innovation ability. The Company is in the traditional industry. We must face the crowding out effect caused by the high-tech industry in the human resources market. In addition, most of our competitors are manufacturing-oriented, different from QST's service-oriented approach, and the manpower needs are also different. The establishment of a complete internal education and training mechanism and cultivation of the talents needed have become the main strategy for the development of human resources in the Company. The functional gaps of the employees in every department, the Company’s objectives and the regulatory requirements are all put into considerations when it comes to the planning of the annual education and training programs to meet the need for the QST’s development.

The Company does not have a mechanism for functional upgrade or transformation for employees who are about the retire or those whose employment is about to be terminated with.

Employee Performance Appraisal

A competency system is designed at the on-site technical units to check the employee's compliance status according to different positions. Direct labor is assessed on a monthly basis for production efficiency and production bonuses are awarded based on the results of the assessment. All employees are required to undergo performance appraisal regardless of gender and nationality at the end of each year, and performance bonuses are awarded based on the results of the assessment.

QST’s Appraisal System

Appraisal method	Frequency	Category	Nationality	Percentage
Production efficiency	Once a month	Direct	Taiwanese	100%
			Foreigner	100%
Performance	Once a year	Direct	Taiwanese	100%
		Indirect	Foreigner	100%

Staff Training

QST has focused on employee training and education. QST was awarded the Organizational Learning Excellence in Practice Award by S&M Enterprise Administration, MOEA. The main education and training measures are as follows.

1. Orientation Training

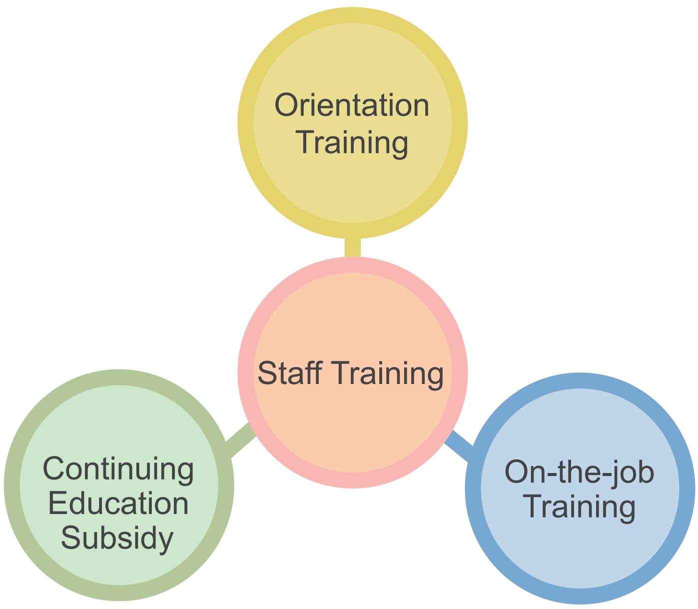
   New recruits have to participate in the basic orientation training lasting 2-14 days on the first day at work according to the needs of various departments. The orientation training focuses on helping newcomers to get familiar with the work environment and the job. In addition, the new staff counseling mechanism is set up, and the counseling is provided 40 days after they report to the Company to understand new staff’s progress, workload and their interaction with their colleagues and supervisors to find out and solve problems when they do not fit in at this workplace, targeting at maintaining the newcomer retention rate above the standard.

2. On-the-job Training

The annual education and training plan will be formulated based on the Company's annual operational goals and guidelines to provide training in various professional functions, quality improvement and management capabilities through systematic, planned and integrated internal and external educational and training systems. Therefore, all employees can be capable of the work, give full play to their talents, improve work efficiency and accumulate experience. In addition, they can continue to grow with the Company's development and further improve organizational synergies.

3. Continuing Education Subsidy

To make good use of external training resources and to make up the insufficiency of the company's education and training system, we have set up Regulations of Subsidy for Continuing Education of Degree Programs to encourage our employees to continue learning so that their functional competencies can be enhanced, and the manpower quality of the company can be further enhanced.



The Category, Gender and Average Training Hours of Trained Employees

Year		2016			2017			2018		
Item/gender		No.	Training hours	Hour/ person	No.	Training hours	Hour/ person	No.	Training hours	Hour/ person
Managers with positions at (vice) section chief and higher	Male	66	506	7.7	62	486	7.8	61	770	12.6
	Female	36	235	6.5	39	347	8.9	39	385	9.9
Subtotal		102	741	7.1	101	833	8.4	100	1155	11.3

Year		2016			2017			2018		
Item/gender		No.	Training hours	Hour/ person	No.	Training hours	Hour/ person	No.	Training hours	Hour/ person
Non-managers	Male	201	1,088	5.4	231	1,109	4.8	234	2,714	11.6
	Female	177	1,342	7.6	184	1,042	5.7	192	1,628	8.5
Subtotal		379	2,430	6.5	415	2,151	5.3	426	4,342	10.1
Temporary	Male	1	0	0	0	0	0	0	0	0
	Female	0	0	0	3	25	8.3	0	0	0
Subtotal		1	0	0	3	25	8.3	0	0	0
Total		481	3,171	6.8	519	3,009	7.3	526	5,497	10.7

Calculation: Annual average training hours = total training hours of employees/ total number of employees.

Average Employee Training Costs

Year	2016			2017			2018		
Item	Cost	No.	Average training cost	Cost	No.	Average training cost	Cost	No.	Average training cost
Male	306,849	268	1,145	372,118	293	1,270	857,010	295	2,905
Female	259,607	213	1,219	276,339	226	1,223	440,399	231	1,906

Average training cost = total training hours / total number of people.

Education and Training




Training of Security Guards

As stipulated in Article 10-1 of the Private Security Service Act, "When a security company hires security guards, it shall offer them pre-service professional training of one week or above. For serving security guards, it shall provide them with in-service training at least four hours for every month." QST's security service provider, Yi Kong Security Co., Ltd., arranges regular in-service training in accordance with the regulation to maintain related knowledge and professionalism. In 2018, courses entitled Summary of Sexual Harassment Prevention and the Personal Information Protection Act and the Enforcement Rules were provided to ensure that the security personnel have basic knowledge of human rights. The participation rates of the courses reached 100%.

2018 Human-rights Related Training Courses for Security Guards

Name of Course	Training hour	Total No. of security guards	Total No. of security guards participated	Participate rate
Summary of Sexual Harassment Prevention	1	2	2	100%
Personal Information Protection Act and the Enforcement Rules	1	2	2	100%

4.5 Occupational Health and Safety

The Company has not yet set up the Safety and Health Committee, and therefore, the issues of labor and management are now discussed in the labor-management meeting, with the representatives accounting for 50% each.

Injury Cases

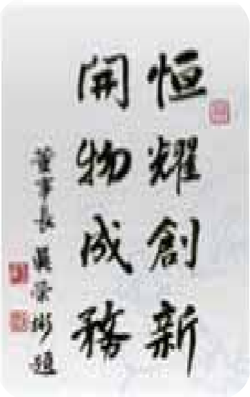
According to the Regulation Governing Occupational Safety and Health Management Plan, if an accident happens to employees, relevant investigations should be conducted in line with relevant government agencies and the accident report should be submitted. After the injury, the case should be investigated and reviewed. In addition, the administrative responsibility review and reward as well as punishment shall be handled in accordance with such regulation to prevent similar accidents from happening again.

Item	2016		2017		2018	
	Male	Female	Male	Female	Male	Female
Disabling injuries	1	0	2	0	0	0
Total lost days	2.0	0	4.5	0	0	0
Injury rate (I.R)	0	0	0	0	0	0
Lost day rate (L.D.R)	0.38	0	0.8	0	0	0
Occupational diseases rate (O.D.R)	0	0	0	0	0	0
Absence rate (A.R)	4.62	6.9	4.13	7.29	3.93	7.33

5

Public Benefits

The Company is committed to local affairs and divides donations into neighborhood, education and public welfare. The recent donations to the charities included the Children's Culture and Arts Foundation, the donation to the District Office, Tainan Municipal Rende District Dajia Elementary School and the donation to aboriginal education. Our good deeds are praised by the fellow residents. The total donation amounted to NT$1,775,000 dollars in 2018.



Neighborhood
- Donated to the Liujia Community Development Association, Guiren District
- Sponsored 2018 Tainan Professional Golf Ladies Open

Public welfare
- Sponsored Children's Culture and Arts Foundation
- Sponsored the Tainan Arts Festival

Education
- Sponsored the international art activities of the Tainan Municipal Rende District Dajia Elementary School

Neighborhood

2018 Tainan Professional Golf Ladies Open

Public welfare

Children's Culture and Arts Foundation

Tainan Arts Festival

Education

Chinese Orchestra of Tainan Municipal Rende District Dajia Elementary School

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The following content has been verified by an independent third-party.

o	o e	e ate C e t on	age
102-1	Report the name of the organization.	2.1 Company Profile	2
102-2	Report the primary brands, products,and services.	2.1 Company Profile	23-29
102-3	Report the location of the organization's Headquarters.	2.1 Company Profile	2
102-4	Number of countries where the company operates,and names of these countries.	2.1 Company Profile	2
102-5	Report the nature of ownership and legal form.	2.1 Company Profile	2
102-6	Report the markets served (including geographic breakdown, sectors served, and types of customers and beneficiaries).	2.1 Company Profile	23,26,28
102-7	Scale of the reporting organization.	2.1 Company Profile 2.2 Operating Performance	2 0 1
102-8	Workforce by employment form and gender.	4.1 Labor Structure	61-62
102-9	Describe the organization's supply chain.	2.7 Supplier Management and Evaluation	51
102-10	Report the percentage of total employees covered by collective bargaining agreements Describe the organization’s supply chain.	2.1 Company Profile	2
102-11	Report whether and how the precautionary approach or principle is addressed by the organization.	2.5 Risk Assessment	43
102-12	List externally developed economic,environmental and socialcharters,principles, or other initiatives to which the organization subscribes or which it endorses.	2.3 Corporate Governance	2
102-13	Memberships of associations (such as industry associations) and national or international advocacy organizations.	1.3 Identification of Material Topics and Communication	10

o	o e	e ate C e t on	age
102-14	Statement from the company's most senior decision-maker.	Message from the Chairman	4
102-15	Provide a description of key impacts,risks, and opportunities.	Message from the Chairman	4
102-16	Describe the organization's values,principles, standards and norms of behavior such as codes of conduct and codes of ethics.	2.1 Company Profile 2.3 Corporate Governance	2 2
102-17	Report the internal and external mechanisms for seeking advice on ethical and lawful behavior, and matters related to organizational integrity, such as help lines or advice lines.	2.3 Corporate Governance	2
102-18	Report the governance structure of the organization, including committees of the highest gover-nance body. Identify any committees responsible for decision-making on economic, environmental and social impacts.	2.4 Organizational Structure	36
102-19	Report the process for delegating authority for economic, environmental and social topics from the highest governance body to senior executives and other employees.	1.1 CSR Committee	7
102-20	Report whether the organization has appointed an executive-level position or positions with responsibility for economic, environmental and social topics, and whether post holders report directly to the highest governance body.	1.1 CSR Committee	7
102-21	Report processes for consultation between stakeholders and the highest governance body on economic, environmental and social topics. If consultation is delegated, describe to whom and any feedback processes to the highest governance body.	1.1 CSR Committee	7
102-22	The composition of the highest governance body and its committees.	2.4 Organizational Structure	36

o	o e	e ate C e t on	age
102-23	Report whether the Chair of the highest governance body is also an executive officer(and, if so, his or her function within the organization's management and the reasons for this arrangement).	2.4 Organizational Structure	36
102-24	The nomination and selection processes for the highest governance body and its committees, and the criteria used for nominating and selecting highest governance body members.	We have set up a selection system, but the candidates' CSR background has not yet been put into consideration	
102-25	Processes for the highest governance body to ensure conflicts of interest are avoided and managed.	2.4 Organizational Structure	36
102-26	Board's and senior executives' roles in the development, approval,and updating of the organization's purpose, value or mission statements,strategies, policies, and goals related to sustainability impacts.	1.1 CSR Committee 2.4 Organizational Structure	7 36
102-27	Measures taken to develop and enhance the highest governance body's collective knowledge of economic, environmental and social topics.	2.4 Organizational Structure	36
102-28	a. Report the processes for evaluation of the highest governance body's performance with respect to governance of economic,environmental and social topics.Report whether such evaluation is independent or not, and its frequency. Report whether such evaluation is a self-assessment. b.Report actions taken in response to evaluation of the highest governance body's performance with respect to governance of economic, environmental and social topics, including, as a minimum, changes in membership and organizational practice.	Authorization is given to the CSR Committee for implementation. Therefore, the highest governance body does not directly receive the assessment of the CSR performance	

o	o e	e ate C e t on	age
102-29	a. Report the highest governance body's role in the identification and management of economic, environmental and social impacts, risks, and opportunities. Include the highest governance body's role in the implementation of due diligence processes. b. Report whether stakeholder consultation is used to support the highest governance body's identification and management of economic, environmental and social impacts, risks, and opportunities.	1.1 CSR Committee	7
102-30	Report the highest governance body's role in reviewing the effectiveness of the organization's risk management processes for economic, environmental and social topics.	1.1 CSR Committee 2.5 Risk Assessment	7 43
102-32	Report the highest committee or position that formally reviews and approves the organization's sustainability report and ensures that all material Aspects are covered.	1.1 CSR Committee	7
102-33	Report the process for communicating critical concerns to the highest governance body.	1.1 CSR Committee	7
102-34	Nature and total number of critical concerns	1.3 Identification of Material Topics and Communication	10

o	o e	e ate C e t on	age
102-35	a.Report the remuneration policies for the highest governance body and senior executives for the below types of remuneration: • Fixed pay and variable pay: –Performance-based pay –Equity-based pay –Bonuses –Deferred or vested shares • Sign-on bonuses or recruitment incentive payments • Termination payments • Claw backs • Retirement benefits, including the difference between benefit schemes and contribution rates or the highest governance body, senior executives, and all other employees b. Report how performance criteria in the remuneration policy relate to the highest governance body's and senior executives' economic, environmental and social objectives.	2.4 Organizational Structure	41
102-36	Report the process for determining remuneration.Report whether remuneration consultants are involved in determining remuneration and whether they are independent of management. Report any other relationships which the remuneration consultants have with the organization.	2.4 Organizational Structure	41
102-37	Stakeholders' involvement in remuneration	2.4 Organizational Structure	41
102-40	Provide a list of stakeholder groups engaged by the organization.	1.2 Identification of Stakeholders Issues of Concern and Communication	8
102-41	Report the percentage of total employees covered by collective bargaining agreements.	4.2 Labor Relations	67

o	o e	e ate C e t on	age
102-42	Report the basis for identification and selection of stakeholders with whom to engage.	1.2 Identification of Stakeholders Issues of Concern and Communication	8
102-43	Report the organization's approach to stake holder engagement,including frequency of engagement by type and by stakeholder group,and an indication of whether any of the engagement was undertaken specifically as part of the report preparation process.	1.2 Identification of Stakeholders Issues of Concern and Communication 1.3 Identification of Material Topics and Communication	8-10
102-44	Report key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting. Report the stakeholder groups that raised each of the key topics and concerns.	1.2 Identification of Stakeholders Issues of Concern and Communication1.3 Identification of Material Topics and Communication	8-11
102-45	a. List all entities included in the org-anization's consolidated financial statements or equivalent documents. b. Report whether any entity included in the organization's consolidated financial statements or equivalent documents is not covered by the report.	2.2 Operating Performance	0
102-46	a. Explain the process for defining the report content and the Aspect Boundaries. b. Explain how the organization has implemented the Reporting Principles for Defining Report Content.	Editing Principles	2
102-47	List all the material Aspects identified in the process for defining report content.	1.3 Identification of Material Topics and Communication	11
102-48	Report the effect of any restatements of information provided in previous reports, and the reasons for such restatements.	The Report is QST's first disclosure, so there is no restatement of information	

o	o e	e ate C e t on	age
102-49	Report significant changes from previous reporting periods in the Scope and Aspect Boundaries.	This is our first publication of the CSR Report, and there are no major changes of the material topics and report boundaries	
102-50	Reporting period (such as fiscal or calendar year)for information provided.	Editing Principles	2
102-51	Date of most recent previous report(if any).	Editing Principles	2
102-52	Reporting cycle (such as annual, biennial).	Editing Principles	2
102-53	Provide the contact point for questions regarding the report or its contents.	Editing Principles	2
102-54	a. Report the ’in accordance’option the organization has chosen. b. Report the GRI Content Index for the chosen option (see tables below). c. Report the reference to the External Assurance Report, if the report has been externally assured.GRI recommends the use of external assurance but it is not a requirement to be’in accordance’ with the Guidelines.	Editing Principles	2
102-55	a. Report the ’in accordance’option the organization has chosen. b. Report the GRI Content Index for the chosen option (see tables below). c. Report the reference to the External Assurance Report, if the report has been externally assured.GRI recommends the use of external assurance but it is not a requirement to be‘in accordance’ with the Guidelines.	6.Appendix I	80-91

o	o e	e ate C e t on	age
102-	a. eport the in accordance'option the organization has chosen. b. eport the I Content Inde for the chosen option see tables below). c. eport the reference to the ternal Assurance eport, if the report has been e ternally assured. I recommends the use of e ternal assurance but it is not a requirement to be in accordance' with the uidelines.	diting Principles	2 2-
201-1	irect economic value generated and distributed. evenues Operating costs – Employee wages and benefits Payments to providers of capital Payments to government by country) Community investments	2.2 Operating Performance	0
201-2	Financial implications and other risks and opportunities for the organization's activities due to climate change.	2. isk Assessment	-
201-	Coverage of the organization s defined benefit plan obligations.	4.3 Employee Benefits	
201-	Financial assistance received from government	2.2 Operating Performance	0
202-1	atios of standard entry level wage by gender compared to local minimum wage at significant locations of operation.	.1 abor Structure 4.3 Employee Benefits	
202-2	Proportion of senior management hired from the local community at significant locations of operation.	.1 abor Structure	1
20 -1	evelopment and impact of infrastructure investments and services supported.	5. Public Benefits	
20 -1	Proportion of spending on local suppliers at significant locations of operation.	2. Supplier anagement and valuation	0
20 -	Confirmed incidents of corruption and actions taken.	2. Corporate overnance	

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206-1	Total number of legal actions for anticompetitive behavior, anti-trust,and monopoly practices and their outcomes.	2.3 Corporate Governance	35
301-1	Materials used by weight or volume.	3.1 Raw Material Management	53
301-2	Recycled input materials used	3.1 Raw Material Management	53
301-3	Percentage of products sold and their packaging materials that are reclaimed by category.	3.1 Raw Material Management	53
302-1	Energy consumption within the organization.	3.3 Energy Management	54
302-3	Energy intensity.	3.3 Energy Management	54
302-4	Reduction of energy consumption.	3.3 Energy Management	55
303-1	Total water withdrawal by source.	3.2 Water Resources Management	54
303-2	Water sources significantly affected by withdrawal of water.	3.2 Water Resources Management	54
303-3	Percentage and total volume of water recycled and reused.	3.2 Water Resources Management	54
305-1	Direct greenhouse gas (GHG) emissions (Scope 1).	3.4 Greenhouse Gas Management	56-57
305-2	Energy indirect greenhouse gas (GHG) emissions(Scope 2).	3.4 Greenhouse Gas Management	56-57
305-4	Greenhouse gas (GHG)emissions intensity.	3.4 Greenhouse Gas Management	56-57
305-5	Reduction of greenhouse gas (GHG) emissions.	3.3 Energy Management	54
305-6	Emissions of ozone-depleting substances (ODS)	3.5 Pollution Prevention Management	57
305-7	NO , SO , and other significant air emissions.	3.5 Pollution Prevention Management	57
306-1	Total water discharge by quality and destination.	3.5 Pollution Prevention Management	57
306-2	Total weight of waste by type and disposal method.	3.5 Pollution Prevention Management	59
306-3	Total number and volume of significant spills.	3.5 Pollution Prevention Management	57

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306-4	Transport of hazardous waste	3.5 Pollution Prevention Management	59
306-5	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the organization's discharges of water and runoff.	3.5 Pollution Prevention Management	57
307-1	Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with environmental laws and regulations.	2.6 Compliance	47
308-1	Percentage of new suppliers that were screened using environmental criteria.	2.7 Supplier Management and Evaluation	50
308-2	Significant actual and potential negative environmental impacts in the supply chain and actions taken.	2.7 Supplier Management and Evaluation	51
401-1	Total number and rates of new employee hires and employee turnover by age group, gender, and region.	4.1 Labor Structure	66-67
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation.	4.3 Employee Benefits	69
401-3	Return to work and retention rates after parental leave, by gender.	4.3 Employee Benefits	72-73
402-1	Minimum notice periods regarding operational changes, including whether these are specified in collective agreements.	4.2 Labor Relations	67
403-1	Percentage of total workforce represented informal joint management–worker health and safety committees that help monitor and advise on occupational health and safety programs.	4.5 Occupational Health and Safety	77
403-2	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender.	4.5 Occupational Health and Safety	77
404-1	Average hours of training per year per employee by gender, and by employee category.	4.4 Education and Training	73-77

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404-2	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	4.4 Education and Training	73
404-3	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category.	4.4 Education and Training	73
405-1	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity.	4.1 Labor Structure	63-64
406-1	Total number of incidents of discrimination and corrective actions taken.	4.2 Labor Relations	67
407-1	Type of product and service information required by the organization's procedures for product and service information and labeling, and percentage of significant product and service categories subject to such information requirements.	4.2 Labor Relations	67
408-1	Operations and suppliers at significant risk for incidents of child labor	2.7 Supplier Management and Evaluation	49
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	2.7 Supplier Management and Evaluation	49
410-1	Percentage of security personnel trained in the organization's human rights policies or procedures that are relevant to operations.	4.4 Education and Training	73
411-1	Total number of incidents of violations involving rights of indigenous peoples and actions taken.	4.1 Labor Structure	61
414-1	Percentage of new suppliers that were screened using criteria for impacts on society.	2.7 Supplier Management and Evaluation	50
414-2	Significant actual and potential negative impacts on society in the supply chain and actions taken.	2.7 Supplier Management and Evaluation	51

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416-1	Percentage of significant product and service categories for which health and safety impacts are assessed for improvement.	2.1 Company Profile	2
416-2	Total number of incidents of noncompliance with regulations and voluntary codes concerning the health and safety impacts of products and services during their life cycle, by type of outcomes.	2.6 Compliance	47
417-1	Type of product and service information required by the organization's procedures for product and service information and labeling, and percentage of significant product and service categories subject to such information requirements.	2.1 Company Profile 4.5 Occupational Health and Safety	2 77
417-2	Total number of incidents of noncompliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes.	2.6 Compliance	47
417-3	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship, by type of outcomes.	2.6 Compliance	47
418-1	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.	2.6 Compliance	47
419-1	Monetary value of significant fines for noncompliance with laws and regulations concerning the provision and use of products and services.	2.6 Compliance	47

Independent Assurance Statement

Introduction:

TÜV Rheinland (Guangdong) Ltd., member of TÜV Rheinland Group, Germany (TÜV , We) has been entrusted by the management of QST INTERNATIONAL CORPORATION (QST, the Company) to conduct independent assurance of QST Corporate Social Responsibility Report 2018 (the Report). All contractual contents for this assurance engagement rest entirely within the responsibility of QST. Our task was to give a fair and adequate judgment on the QST Report 2018.

The intended users of this assurance statement are stakeholders having relevance to the QST overall Sustainability Performance and impacts of its business activities during 2018(January 2018 ~ December 2018). TÜV Rheinland is a global service provider of CSR & Sustainability Services in over 65 countries, having qualified professionals in the field of Corporate Sustainability Assurance, Environment, Social and Stakeholder Engagement. We have maintained complete impartiality and independence during the assurance engagement and were not involved in the preparation of report contents.

Assurance Standard:

The Independent Assurance was carried out in accordance with AccountAbility, U.K Standard AA 1000 AS (2008) and related standards AA 1000 APS(2008), AA 1000 SES (2015), Principles of Inclusivity, Materiality & Responsiveness, Global Reporting Initiative (GRI) , 'In accordance'-Core" reporting guidelines as per GRI-Standards.

Scope & Type of Assurance:

Our Assurance engagement covers the following:

- QST Corporate Sustainability performance as described in the report 2018 in accordance with GRI reporting guidelines and performance indicators and according disclosure on management approach (DMAs) from Economic, Environment & Social category, also defined in Reporting boundaries.
- Evaluation of disclosed information in the report as per the Assurance Standards.
- Type-1,Moderate as per AA 1000 AS (2008)

Limitation: The assurance engagement was carried out at QST at Tainan City, Taiwan. The consultations with external stakeholder were not carried out. We have not observed any significant situations to limit our assurance activity. The verification is carried out based on the data and information provided by QST, assuming they are complete and true. We did not verify the reported financial data as same is verified by another third party in annual report.

Assurance Methodology:

TÜV has challenged the report contents and assess the process undertaken by QST from source to aggregate in disclosure of information/data related to Sustainability performance. Our judgment is based on the objective review of reported information as per criteria defined under Assurance standards.

Analytical methods and the performance of interviews as well as verification of data, done as random sampling, to verify and validate the correctness of reported data and contents in light of contractual agreement and the factual QST Corporate Social Responsibility strategy (CSR) as mentioned in the report. Our work included consultation with over 20 QST representatives including senior management and relevant employees. The approach deemed to be appropriate for the purpose of assurance of the report since all data therein could be verified through original proofs, verified database entries.

The Assurance was performed by our multidisciplinary team of experienced professionals in the field of Corporate Sustainability, Environment, Social and Stakeholder Engagement. We are of the opinion that our work offers a sufficient and substantiated basis to enable us to come to a conclusion mentioned below and based on the content of our contract.

Adherence to AA 1000 principles:

Inclusivity: QST has established the Stakeholder Engagement Management Process to identify and understand their stakeholder, and to use the communication mechanism to identify the material issues.

Materiality:
QST has implemented the material issues identification processing. The identification was based on the requirements and focus of attention of the stakeholder, the consideration of the company internal policy, shareholders meeting, questionnaires and the understanding and communication on the sustainable development content. In response to the materiality principle, TÜV proposed two recommendations:
1) QST should enhance the analytical capacity of survey information on concerned issues of the stakeholder, to more clearly and effectively evaluate and identify the material issues.
2) QST should continuously improve the identification processing of the material issues, to better promote the company comprehensively and objective understanding the material issues and its priority of the sustainable development.

Responsiveness:
QST has implemented the policy including environment and safety, quality management, and new established corporation social responsibility policy. The report disclosed the management system of the company, such as quality management and its performance, stakeholder engagement, responding to their stakeholders against material issues of the sustainable development.

Conclusion:

In conclusion, we can mention that no instances or information came to our attention that would be to the contrary of the statement made below:

- QST Corporate Social Responsibility Report 2018 meets the requirement of Type-1, Moderate Assurance according to AA1000AS(2008) and Global Reporting Initiative (GRI) , 'In accordance'-Core" reporting guidelines as per GRI-Standards.
- The Report includes statements and claims that reflects QST achievements and challenges supported by documentary evidences and internal records
- The performance data we found in the report are collected, stored and analyzed in a systematic and professional manner and were plausible.
- TÜV Rheinland shall not bear any liability or responsibility to a third party for perception and decision about QST based on this Assurance Statement.

AA1000
Licensed Assurance Provider
000-188

For TÜV Rheinland Group

Vito Lin

Vito C. C. Lin

Lead Verifier

Taipei, 15 May 2019

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