

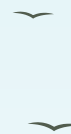


C orporate
S ocial Responsibility
R eport

2019



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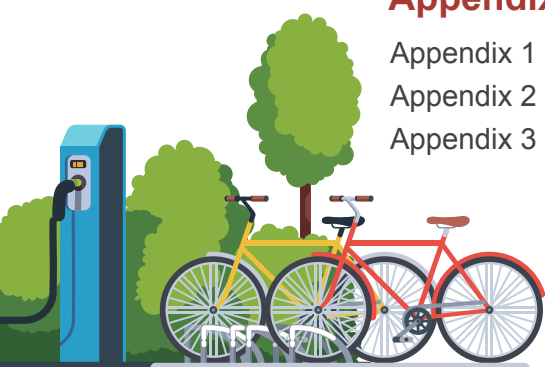
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Editing Principles

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 being approved by division directors, the president and the chairman.

Report Release Schedule and Frequency

This Report released in June 2020 is the second CSR Report published by QST International Corporation, and the CSR Report is scheduled to be released annually in June.

The last CSR Report was released in June 2019.

The current CSR Report is released in June 2020.

The next CSR Report will be released in June 2021.

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, 2019.

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.

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Message from the Chairman

QST's first CSR report was published in June, 2019. This year, this report is QST's second CSR report. Regarding the international issues in 2019, the factors including economic recession in Europe, the China-US trade friction, and the decreases of internal needs in China had made impacts on the automobile industry. QST's business revenues had been also affected because of 80% of the sales from the automobile industry.

However, in order to enhance QST's competitiveness, QST keeps working in logistics systems and developing high-end products for the market. The following items are all designed and developed in Taiwan and delivered to the production factories for production.

1. CL12.9 (high-strength bolt) has been successfully developed and achieved the requirements of high fatigue resistance (5,000 thousand times).
2. Regarding the development of new energy automobiles, specific fasteners are designed for the needs of cars and SUVs.
3. The automatic warehousing system for Xiamen Boltec Metal Co., Ltd. has been completed, and the same system for the Shuzou factory has been planned.
4. Because the electric car market is not affected by the above issues, QST is benefited from an increase of production capacity from these customers.

Concerning the material topics of QST's operation, the questionnaires were sent to the stakeholders and employees last November to investigate their concerns about the sustainable topics and impact evaluation. The findings show the social topics are prior to the environmental and economic topics. The two material topics are occupational health and safety and compliance. Concerning the two topics, QST keeps focusing on the health and safety of the employees, follows the related regulations of health and safety management, makes working principles, and proposes management approaches in this report. In addition, QST has made objectives, policies, commitments, and goals for occupational health and safety management, and strictly implements them to maintain the excellent performance of occupational health and safety. There are no fines of occupational health and safety. The above results show the direction the company devoted to and the more obvious performance of the topics can be expected in the following year.

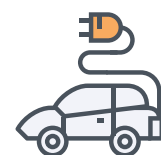
Because of international issues, the product quantity in 2019 is 7.9% lower than that in 2018, but higher than that in 2017. In comparison of the past two years, the use of major materials such as wire rods and molds is decreasing. For environmental topics, this year QST starts to calculate the numbers of energy use, water use and carbon emissions. The intensity of energy, water, and emission can be derived from the numbers dividing by product weights. According to the intensity numbers, the performances of energy, water, and carbon emissions can be compared. These quantitative numbers can be the key performance indicators (KPI) for QST. By comparing these results with the competitors, QST can find the hotspot for performance improvement.

In order to pursue the sustainable development of business operation, healthy working environment, active community participation, and better stakeholder communication, QST proposes this CSR report by following the GRI guidelines to show its business core competence and respond to the needs of society to realize the vision of sustainability.

Chairman



Message from the Chairman



1

Corporate Social Responsibility Framework

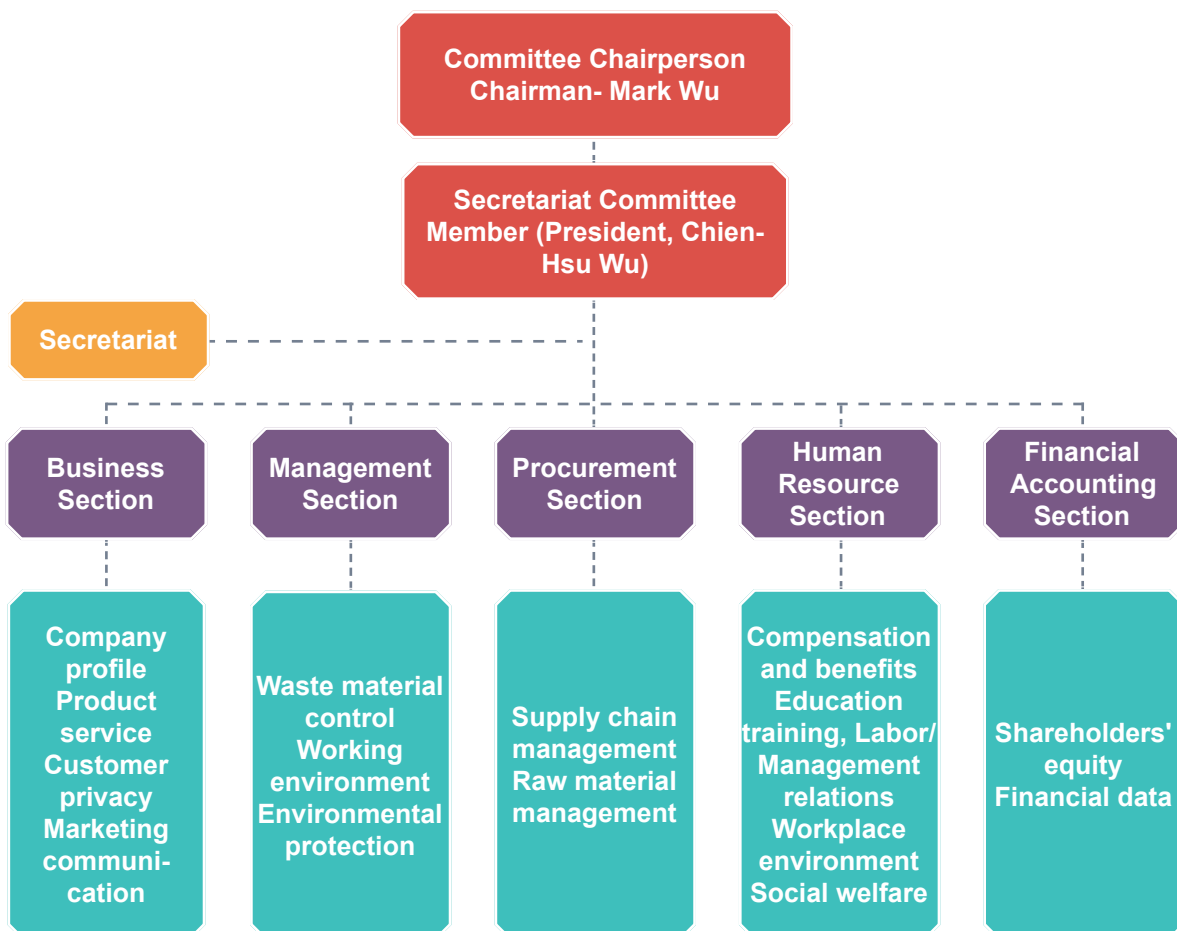
- 1.1 CSR Committee
- 1.2 Identification of Stakeholders' Issues of Concern and Communication
- 1.3 Identification of Material Topics and Communication

CONNECTION
ANALYSIS
DATA
SEARCHING
VERIFICATION
CODING
SENDING

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 Resource 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 six categories, including Clients, Employees, Shareholders, Suppliers, Communities, Government. The "Communities" category includes Communities, Neighbors, Media, Civil Groups, and Associations.



Identification of Major Topics

The major topics are collected through stakeholder questionnaires. The last CSR report released in 2019 had nineteen topics as shown in the table below (Topics in 2018). Considerations of misunderstandings from stakeholders, nine major topics are identified in this report after topic combination, including salary structure, procurement practices, water and effluents, greenhouse gas emissions, employment and labor relations/labor management relations, employee diversity and equal opportunity, human rights and forced labor, customer service and safety, and compliance.

Aspect	Topics in 2018	Topics in 2019
Economic	Market Presence	Salary structure
	Procurement Practices Supplier Environmental Assessment Security Practices Supplier Assessment for Impacts on Society	Procurement Practices
Environmental	Water	Water and Effluents

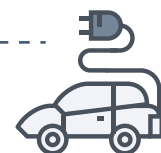


Aspect	Topics in 2018	Topics in 2019
Environmental	Emissions	Greenhouse Gas Emissions
Social	Employment and Labor Relations Labor Management Relations	Employment and Labor Relations/Labor Management Relations
	Employee Diversity and Equal Opportunity Non-discrimination	Employee Diversity and Equal Opportunity
	Child Labor Forced and Compulsory Labor Indigenous Rights Human Rights Assessment	Human Rights and Forced Labor
	Customer Health and Safety Customer Privacy	Customer Service and Safety
	Environmental Compliance Socioeconomic Compliance	Compliance

Stakeholder Communication

The main contact for each stakeholder is assigned by each unit based on the business contents. Different communication channels, frequency, and issues based on the nature of the stakeholders are detailed as follows.

Stakeholders	The Unit in Charge	Communication Channels	Frequency	Issues of Concern
 Client	Business Section	1. E-mail 2. Telephone 3. Customer auditing 4. Exhibition participation 5. Satisfaction survey (annually)	Occasional	1. Occupational Health and Safety 2. Training and Education 3. Sewage and Waste 4. Employment and Labor Relations/Labor Management Relations 5. Human Rights and Forced Labor 6. Public Policy 7. Customer Service and Safety 8. Compliance
 Employees	Human Resource Section	1. Labor management meeting 2. Employee welfare committee 3. Grievance hotline 4. Email address 5. Communication with unit managers 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/Labor Management Relations 2. Occupational Health and Safety 3. Salary structure 4. Training and Education 5. Employee Diversity and Equal Opportunity



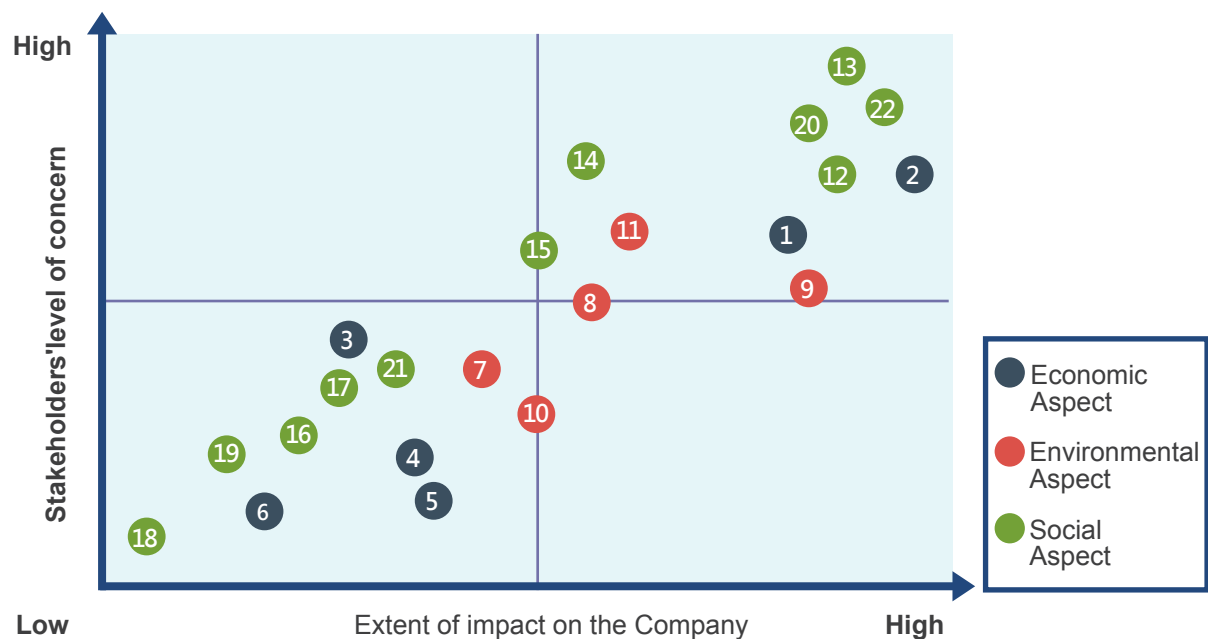
Stakeholders	The Unit in Charge	Communication Channels	Frequency	Issues of Concern
 Shareholders	Financial Accounting Section	1. Regular shareholders' meeting 2. Extraordinary shareholders' meeting	1. Annual 2. Occasional	1. Compliance 2. Economic Performance 3. Energy 4. Greenhouse Gas Emissions 5. Effluents and Waste
 Suppliers	Procurement Section	1. Supplier visiting 2. Supplier auditing	1. Occasional 2. Annual Assessment	1. Occupational Health and Safety 2. Sewage and Waste 3. Customer Service and Safety 4. Employment and Labor Relations/Labor Management Relations 5. Materials 6. Training and Education 7. Compliance
 Communities (Neighbors, Media, Civil Groups, Associations, etc.)	Management Section	1. Management committee meeting 2. Guard room interview 3. Reporting system 4. Interview invitation 5. Public information 6. Policy seminar, forums, and public hearings 7. Responding to strategic alliances and initiatives 8. Official documents	1. Annual 2. Occasional 3. Annual 4. Occasional 5. Occasional 6. Occasional 7. Occasional 8. Occasional	1. Occupational Health and Safety 2. Water and Effluents 3. Greenhouse Gas Emissions 4. Effluents and Waste 5. Employment and Labor Relations/Labor Management Relations
 Government	Management Section	1. Publicity meeting of regulations 2. Exchanges of official documents 3. Factory auditing	Occasional	1. Occupational Health and Safety 2. Training and Education 3. Salary structure 4. Customer Service and Safety 5. Compliance



1.3 Identification of Material Topics and Communication

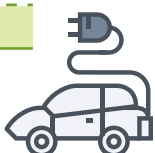
Stakeholders are identified based on the business contents of all units. Questionnaires were distributed to the six categories of stakeholders including clients, employees, shareholders, suppliers, communities, and government by visits, email or telephone. A total of 83 external questionnaires were recovered. 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 18 internal questionnaires were recovered.



As shown in the figure above, for the upper right part, social topics (in green) such as Occupational Health and Safety and Compliance are more than economic topics (in blue) such as Economic Performance and environmental topics (in red) such as Water and Effluents. According to the distribution of major topics, stakeholders concerned social topics more than economic and environmental ones.

Economic Topics		
1. Economic performance	2. Salary structure	3. Indirect economic impacts
4. Procurement practices	5. Anti-corruption	6. Anti-competitive behavior
Environmental Topics		
7. Materials	8. Energy	9. Water and effluents
10. Greenhouse gas emissions	11. Sewage and waste	
Social Topics		
12. Employment and Labor Relations/Labor Management	13. Occupational Health and Safety	14. Training and Education
15. Employee Diversity and Equal Opportunity	16. Freedom of Association and Collective Bargaining	17. Human Rights and Forced Labor
18. Local communities	19. Public policy	20. Customer Service and Safety
21. Marketing and labeling	22. Compliance	



List of Material Topics

Nine material topics were selected based on the average scores as listed in the table below. The corresponding management approaches and indicator disclosures are addressed in the following pages. In the CSR report released in 2019, ten topics were disclosed. In this report, nine topics were disclosed including Occupational Health and Safety, Compliance, Customer Service and Safety, Salary Structure, Employment and Labor Relations/Labor Management, Economic Performance, Water and Effluents, and Training and Education. Among them, Occupational Health and Safety, Compliance, Customer Service and Safety, Salary Structure, and Training and Education got higher rankings than their previous ones. Employment and Labor Relations/Labor Management and Economic Performance got lower rankings than their previous ones. Water and Effluents and Sewage and Waste got the same rankings. According to the findings, stakeholders concerned social and environmental topics more than economic ones.

Material Topic	Aspect	Disclosures
1. Occupational Health and Safety ▲	Social	403-2 、403-3 、403-4 、403-5 、403-6 、403-7 、403-8 、403-9 、403-10
2. Compliance ▲	Environmental, Social	307-1 、419-1
3. Customer Service and Safety ▲	Social	416-2 、418-1
4. Salary Structure ▲	Economic	202-1 、202-2
5. Employment and Labor Relations/Labor Management ▼	Social	401-1 、401-2 、401-3 、402-1
6. Economic Performance ▼	Economic	201-1 、201-2 、201-3 、201-4
7. Water and Effluents -	Environmental	303-1 、303-2 、303-3 、303-4 、303-5
8. Sewage and Waste -	Environmental	306-1 、306-2 、306-3 、306-4 、306-5
9. Training and Education ▲	Social	404-1 、404-2 、404-3

Management Approaches

In terms of two material topics of Water and Effluents and Sewage and Waste, QST considered how to reduce the use of the materials and the energy used for production and transportation. 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.



Material Topic 7, 8- Water and Effluents, Sewage 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.





Material Topic 7, 8- Water and Effluents, Sewage and Waste

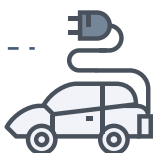
Commitments	Continue to conduct effective environmental management within the environmental areas of the plants. We are working on the followings and our employees are also trained to make relevant efforts. We would also like to inform relevant residents and vendors of the following commitments. 1. We 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 reduce air pollution emissions and improve air quality in the plant. 2.To control daily water usage in the plant.
Responsibility	Environmental Engineering Office
Grievance	Tel: +886-6-2081997#11121, 11122
Specific Actions	1. Replacement of the diesel stacker. 2. Installation of saving water devices in the toilet.
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.

In terms of the material topic of Compliance, there are no economic violation fines QST has to pay. For the environmental and social topics, QST plans education trainings for operation to focus employees’ safety and health.



Material Topic 2- Compliance

Objectives	With the sustainable management concept of “Boltum progress in Innovation, Making routine to be a career”, Boltun continues to work toward energy conservation and carbon reduction in energy use. In terms of environmental protection, pollution prevention is made from manufacturing of products to the disposal of various pollutants in accordance with the legal requirements. Meanwhile, the environmental management system with the PDCA concept continue to work together to achieve improvement.
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Material Topic 2- Compliance

1. Corporate Social Responsibility Framework

Policies	The Company's environmental policy is working toward the following directions, which are used to for employees training and our suppliers are also advised to cooperate with the followings. Environmental management policies: Compliance, pollution protection, and building green communities. Occupational safety and health policies: 1. The scope of safety and health risk is appropriate for QST. 2. Protecting from injuries, sickness, and accidents, the Company makes commitments to protect employees' safety and health and implements continuous improvements of safety and health management and performance. 3. Commitments to comply with the regulations of safety and health. 4. QST ensures to communicate with employees and encourages them to participate with the safety and health activities. 5. QST provides the framework for setting and auditing safety and health goals. 6. Implementation of documentation. 7. The policies for safety and health should be simple and clear, and approved by the president or managers. 8. Informing the policies to the employees and ensuring their understandings of safety and health responsibilities. 9. The Policies should be public for the stakeholders. 10. Regular reviews of the policies to ensure their relevance and appropriateness.
Commitments	1. To be responsible for the effectiveness of the quality, environment, and occupational safety and health management system. 2. To ensure the quality, environment, and occupational safety and health management policies and the objectives of environmental management are in line with the Company's management direction and the environment. 3. To ensure the incorporation of the quality, environment, and occupational safety and health management system into the operation of the organization. 4. To ensure that relevant resources needed for the quality, environment, and occupational safety and health management system can be available. 5. To conduct both internal and external communication on the importance of the quality, environment, and occupational safety and health management system and the compliance of the required items for the quality, environment, and occupational safety and health management. 6. To ensure desired results of the quality, environment, and occupational safety and health management system can be achieved. 7. To guide and support the employees to make contributions to the effectiveness of the quality, environment, and occupational safety and health management system to promote continuous improvement. 8. To support other relevant management personnel to verify their role of leadership within their responsibilities.
Goals	To reduce violation numbers of environmental protection, occupational safety and health, and social regulations.
Responsibility	The Company has a management representative for quality, environmental protection, and occupational safety and health and a dedicated department is also set up for relevant operating procedures.





Material Topic 2- Compliance

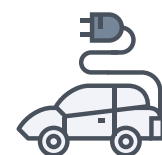
Grievance	Tel: + 886-6-2081997#11121, 11122
Specific Actions	1. Checking related regulations of environmental protection, occupational safety and health, and society regularly to ensure the compliance. 2. Reviewing violation events about environmental protection, occupational safety and health, and society to prevent from occurring again. 3. Announcements of violation events about environmental protection, occupational safety and health, and society to enhance employees' awareness.
Management Mechanism	ISO9000: 2015 Quality Management System. ISO14000: 2018 Environmental Management System.
Performance and Adjustment	Violation fines in 2019: Environmental protection category: 3 fines, NT\$ 30,000 in total.

The topics of Economic Performance is 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.



Material Topic 6- Economic Performance

Objectives	Continue to pursue sustainable development, profits and growth.
Policies	Introducing advance 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 three material topics of Employment and Labor Relations and Labor and Management Relations, Salary Structure, 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.



Material Topic 4, 5, 9- Employment and Labor Relations/Labor Management, Salary Structure, Training and Education

1. Corporate Social Responsibility Framework

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.
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 Dept.
Resources	Manpower invested: including the responsible personnel of the HR Section and the heads of all departments. Finances invested: 1. Benefits: Total expenditure of NTD 8,449,359 in 2019. 2. Pension reserve fund: By December 23, 2019, the balance of the pension reserve account was NTD 101,219,000.





Material Topic 4, 5, 9- Employment and Labor Relations/Labor Management, Salary Structure, Training and Education

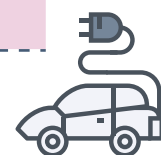
Grievance	Tel: +886-6-2081997#11121 or #11122 or 11126 Sexual harassment complaint email: 113@qst.co Employee grievance email: 1999@qst.com.tw
Specific Actions	1.To effectively manage human resources, Work Rules and relevant management measures are made in accordance with labor regulations. 2.New employees 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.
Performance and Adjustment	The short-term goal for HR resources is set the recovery rate of the annual employee satisfaction survey at 80%. It is scheduled to start the employee satisfaction survey at the end of 2019, and the satisfaction is expected to be maintained at 3.5 on average. The HR topic will continue to be managed in the future.

For the material topic of Occupational Health and Safety, QST 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 plants in Taiwan (including contractors), and the disclosure is limited to those working within the company.



Material Topic 1- 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 employ.
Policies	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.





Material Topic 1- 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 plant and a safe working environmental is maintained to safeguard the safety of employees.

1. Corporate Social Responsibility Framework

The material topic of Customer Service and Safety 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.



Material Topic 3- Customer Service and Safety

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 customers. In addition, policy and plans of the QST Information Coordination Committee are implemented.





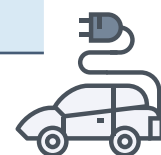
Material Topic 3- Customer Service and Safety

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 Dept.
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. 6. Purchase additional firewall hardware and software portfolio (including threat defense/malicious URL filtering/new-state malicious program attack protection) in 2018 to establish a safe network between the intranet and the external network for control. 7. Consolidates AD accounts for advance control. 8. The access to the intranet is all controlled by MAC authentication. 9. Regular firmware updates on a quarterly basis.
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	Special Top Member Standing Director – Chairman Mark Wu
Taiwan Fastener Trading Association	Group Member



2

Company Management

- 2.1 Company Profile
- 2.2 Operating Performance
- 2.3 Corporate Governance
- 2.4 Organization Structure
- 2.5 Risk Assessment
- 2.6 Compliance
- 2.7 Supplier Management and Evaluation

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.

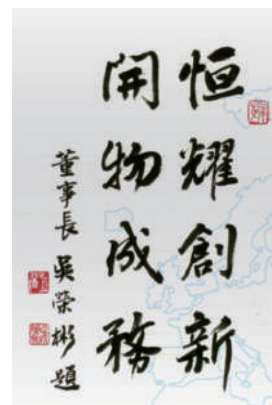


Company Name	QST INTERNATIONAL CORPORATION	
Chairman	Mark Wu	
President	Chien-Hsu Wu	
Headquarters	3F, No.203, Sec. 1, Changrong Rd., East Dist., Tainan City 701, Taiwan	
Date of Establishment	April, 1985	
Number of Employees	500	
Capital	NT\$ 1,263,829,000	
Products and Services	Exporting fasteners 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	
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 2019.

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
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



【 QST 】



【 Xiamen Boltun Metal Co., Ltd 】



【 Xiamen Boltec Metal Co., Ltd 】





【Xiamen Bolwir Co., Ltd】



【Suzhou Yeswin Manufacture Industry Co., Ltd.】

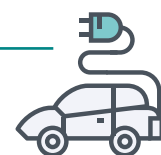


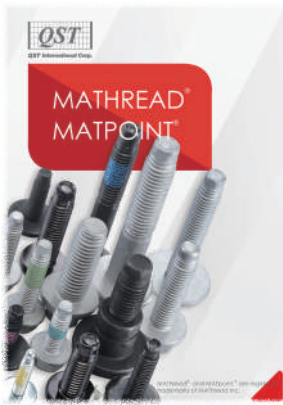
【ESKA】

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.

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	Prevailing torque 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.
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.





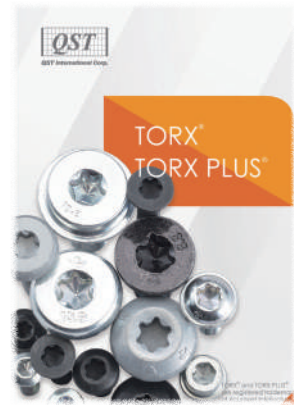
【QST MATHread】



【QST REMFORM】

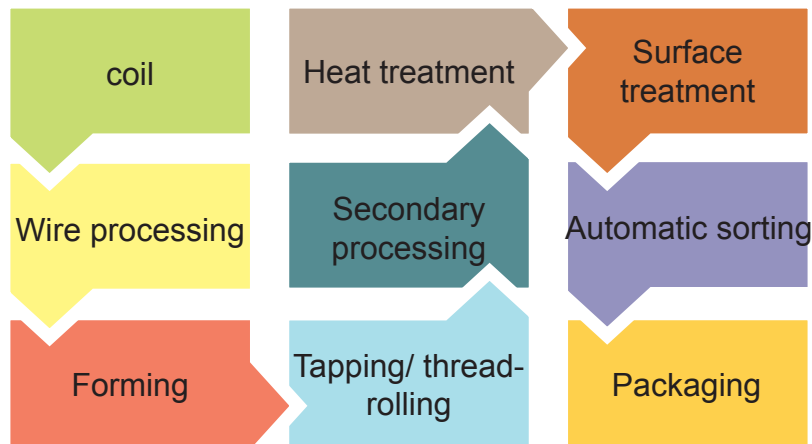


【QST Taptite】



【QST TORX】

Processes



【coil/Wire】



【Forming】



【Thread-rolling】



【Secondary processing】



【Heat treatment】



【Surface treatment】



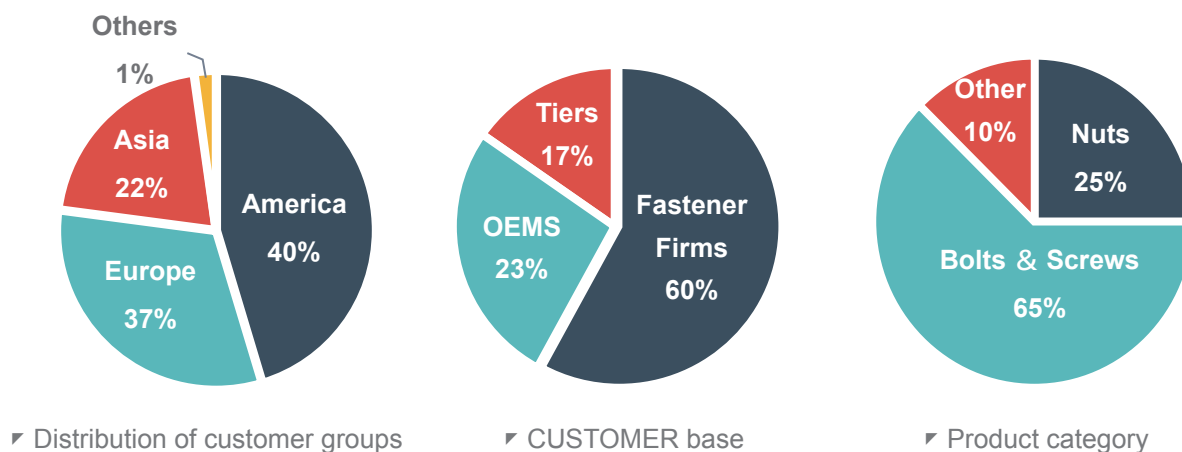
【Automatic sorting+Packaging】



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 secondtier 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.

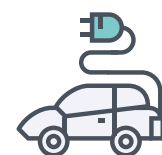
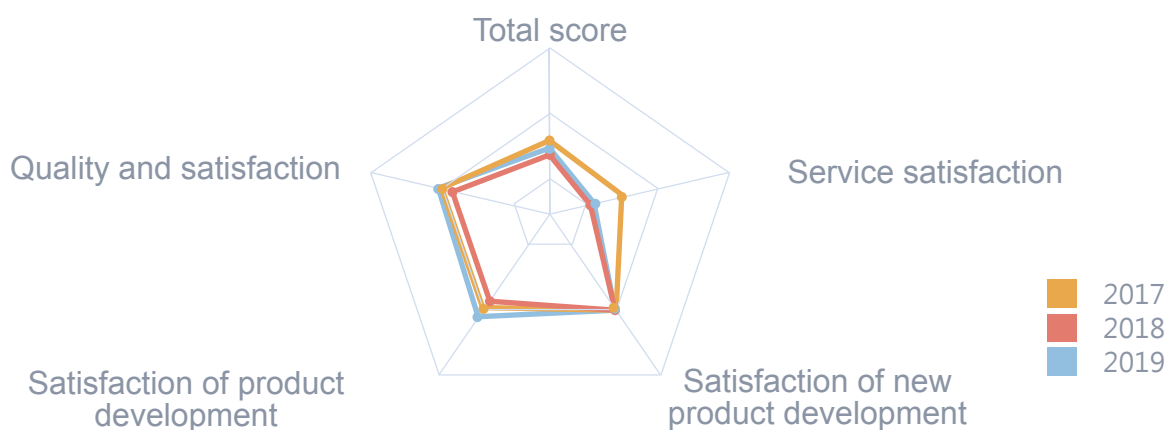


Customer Service

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 subitems. The total score of the annual questionnaire is the average score in the four sections. In 2019, a total of 42 questionnaires was retrieved, with the average satisfaction of 83 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

- Price competitiveness
- RFQ response time
- Range of product search
- Salespeople's communication skills
- Salespeople's response and efficiency
- Overall impression on the service

Satisfaction of new product development

- Quality of first sample
- Accuracy of PPAP/ISIR document
- Rate of timely new sample delivery
- Lead time of new product development
- R&D expertise and communication
- Overall impression on new product development

Satisfaction of product development

- Price stability
- Rate of timely repeat order
- Lead time of repeat order
- Product quality
- Accuracy of documents/inspection report
- Overall impression of product development

Quality and satisfaction

- Product quality
- Packaging quality
- Quality of corrective action report
- Response speed of quality problems
- Quality management communication and expertise
- Satisfaction of quality management system

2.2 Operating Performance

In 2019, the global automotive fastener market was affected by the China-US trade friction, economic recession in Europe, and decreases of internal needs in China. 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 2019 consolidated revenue was NT\$ 9,925,200,000, decreased by NT\$ 915,088,000 from 2018, with a decrease of 8.44 %. In addition, QST did not receive any government subsidies in 2019.

Distribution of Economic Value

Unit:NT\$ 1,000

Item/Year	2019	Note
A. Direct economic value generated	9,925,200	
B. Economic value generated	9,476,826	
a) Operating costs	6,861,720	
b) Employee compensation and benefits	1,856,577	
c) Interest payment or dividend distribution	660,058	Interest expense Dividend amount
d) Payment of taxes	98,471	
f) Community investments	N/A	
C. Economic value retained (A-B)	448,374	



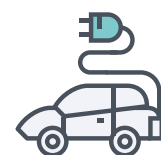
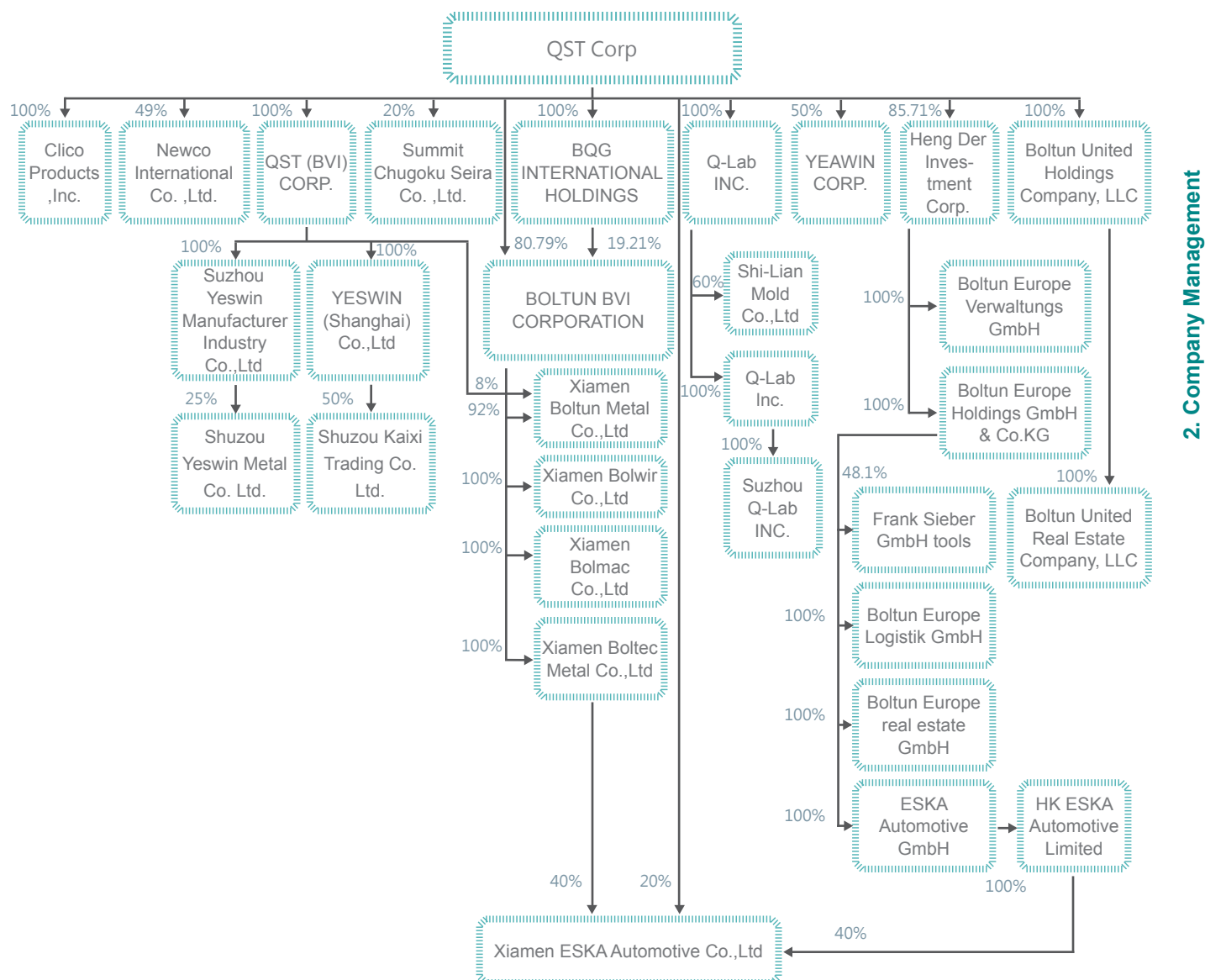
Financial performance over the past three years

Unit:NT\$ 1,000

Item/Year	2017	2018	2019
Operating income	10,344,700	10,840,288	9,925,200
Gross profit	2,564,882	2,404,193	1,833,572
Net operating income	1,122,315	820,964	374,899
Profit attributable to owners of the parent (net profit)	688,778	627,295	251,235
Earnings per share (NT\$)	6.98	5.43	2.16

QST' s Affiliated Companies

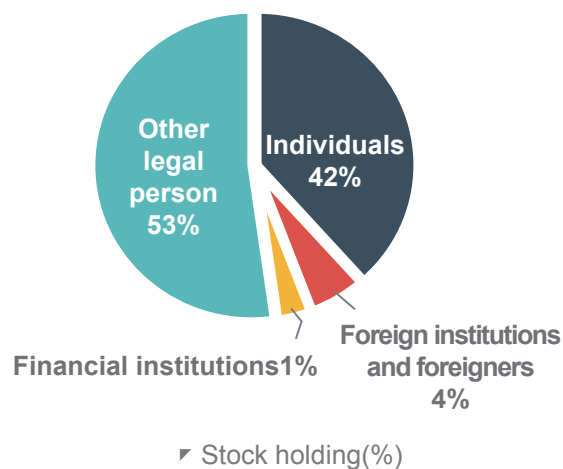
Information of QST International Corporation and its affiliated companies are shown in the following figure.



Shareholder's structure

Date : Oct. 13, 2019

Shareholder's structure	No.	Stocks
Individuals	6,124	49,261,956
Foreign institutions and foreigners	48	4,318,683
Financial institutions	5	2,166,000
Other legal person	51	60,636,327
Government institutions	0	0
Total	6,228	116,382,966



2.3 Corporate Governance

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 2019.

Management System

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 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



【ISO 14001】



【IATF 16949】



【ISO 9001】



【FORD Q1】

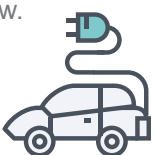
Product Quality Requirements

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)

IMDS Introduction

The International Material Data System (IMDS) is the material data system for the automobile industry. In the IMDS, all materials present in finished automobile manufacturing are collected, maintained, analyzed and archived. IMDS is used to meet the obligations placed on auto manufacturers by national and international standards, including their laws and regulations. The IMDS process is shown in the figure below.





Implementation performance: in 2019, QST completed 329 IMDS items for meeting the obligations of national and international standards, including their laws and regulations.

Values, Principles, Standards, and Code of conduct

QST's internal code of conduct and code of ethics are clearly defined for the employees. These requirements are publicized on the intranet and promoted through meetings and emails.

QST's employees are responsible for safeguarding and increasing the legitimately obtained interests of the Company and should avoid the opportunity for personal gain by himself or a third person through the use of company property, information or the use of his or her position. In the performance of his duties, he shall not, in the interests of himself or a third party, require, contract, deliver or accept any form of gift, entertainment, kickback, bribe or other improper benefit. Except where gifts or entertainment are permitted by social etiquette customs or company regulations.

When an employee performs his or her duties, he or she shall, in the event of a matter of interest involving himself or his relatives, avoid it on his own in accordance with the principle of conflict of interest avoidance. Any information obtained in his position that may have a material impact on the price of the Company's securities transactions shall be strictly confidential in accordance with the provisions of the Securities Exchange Act before disclosure, and shall not be used for insider trading.

Professional Ethics Training

In order to enable QST's employees to perform their duties with integrity, learning, gratitude, commitment of the spirit, new employees in the new training period are educated through ethics trainings. Current employees are educated by internal or external ethics trainings.



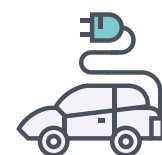
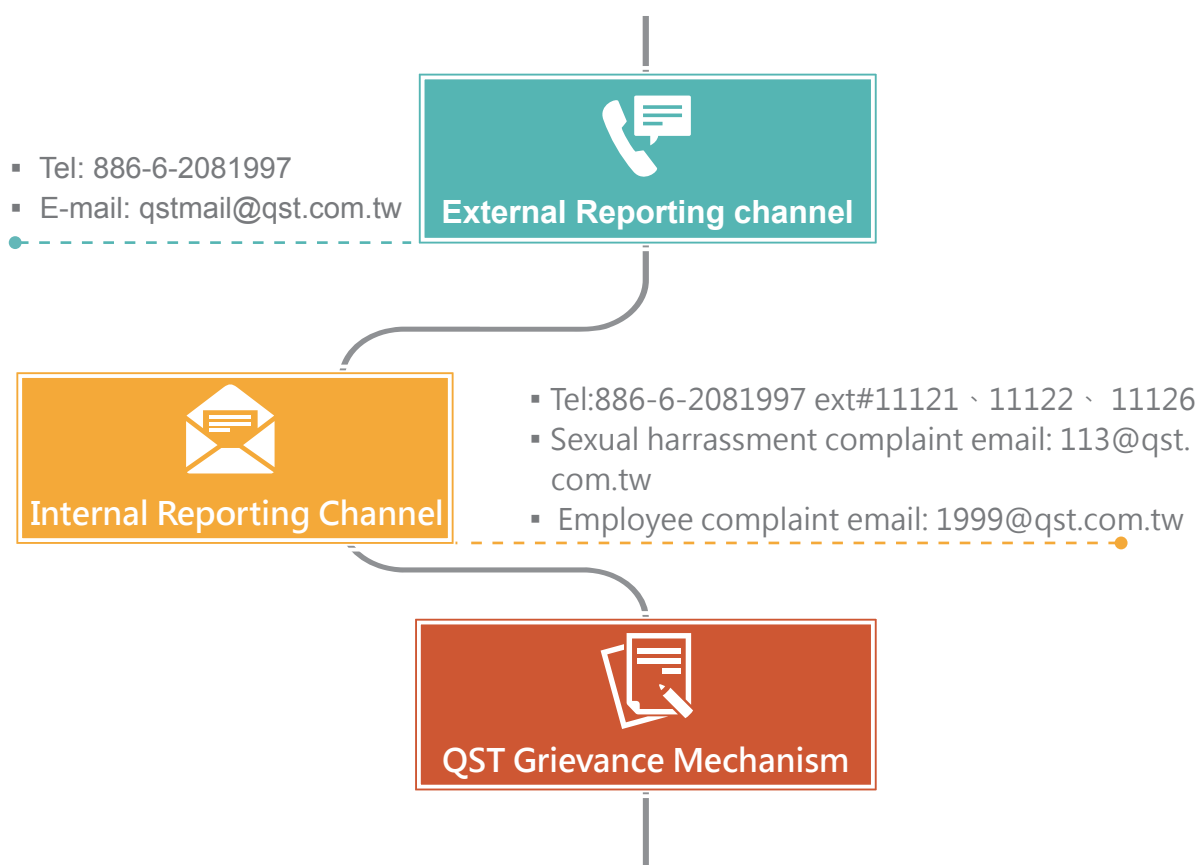
Training for Code of Ethics – Ratio of training

Year	2017			2018			2019		
Item	No. of people	No. of trainees	Ratio of training	No. of people	No. of trainees	Ratio of training	No. of people	No. of trainees	Ratio of training
New employees	71	71	100%	47	47	100%	22	22	100%
Procurement staff	-	-	-	-	-	-	8	6	75%
Accounting staff	11	1	9%	11	1	9%	11	1	9%

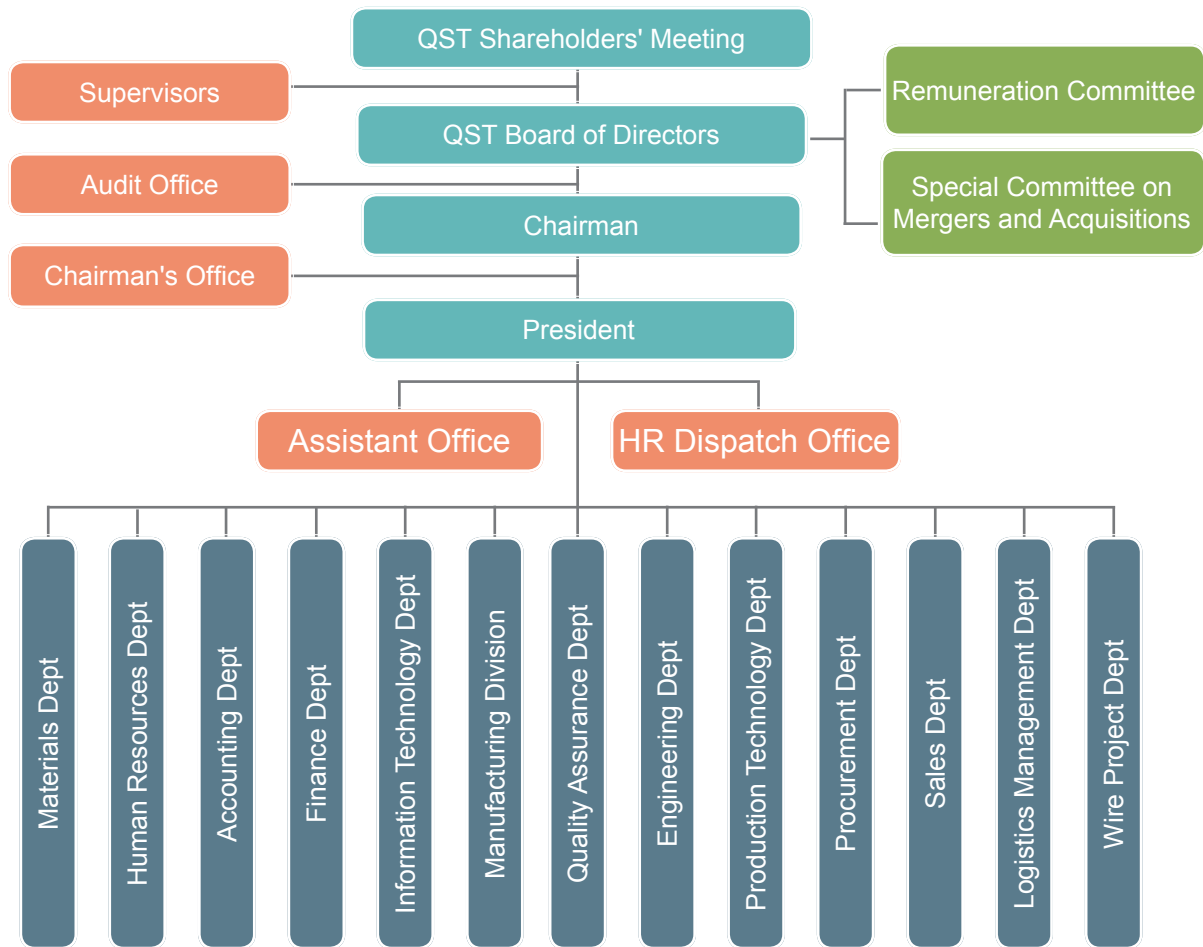
Grievance Mechanism

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, antiharassment/discrimination and internal audit. Internal regulations concerning related incidents are also in place. There was no occurrence of corruption incident in 2019.

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.



2.4 Organization Structure



Board of Directors

As stipulated in Article 14 of the Articles of Incorporation, the Company shall have 5~9 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 QST Shareholders' Meeting QST Board of Directors Chairman President Assistant Office HR Dispatch Office Supervisors Audit Office Chairman's Office Remuneration Committee Special Committee on Mergers and Acquisitions Wire Project Dept. Procurement Dept. Manufacturing Division. Accounting Dept. Logistics Management Dept. Production Technology Dept. Information Technology Dept. Human Resources Dept. Sales Dept. Quality Assurance Dept. Engineering Dept. Finance Dept. Materials Dept. 36 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 2019, a total of 8 board meetings were convened, with the attendance rate of 100%.



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	2019/06/14 ~ 2022/06/13	Economic	Mechanical and Electro-Mechanical Engineering, 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	2019/06/14 ~ 2022/06/13	Economic	Salesian Technical School, Tainan, Taiwan	Chief Production Officer of QST Corp. Director, Executive Director and Vicepresident of Manufacturing Department of Boltun Corp.
Director	Lin Jin-Neng	Male	2019/06/14 ~ 2022/06/13	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
Director	Huang, Jian- Ming	Male	2019/06/14 ~ 2022/06/13	Economic	Department of Engineering Science and Mechanics, SHIBAURA Institute of Technology MBA, University of Texas at Arlington (UTA)	President, Wonder Formosa Chemicals Co., Ltd. President, Xuan Sheng Management Consulting Co., Ltd. Management consultant, Foresight Optical Ltd.



2. Company Management

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	2019/06/14 ~ 2022/6/13	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	2019/06/14 ~ 2022/06/13	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	2019/06/14 ~ 2022/06/13	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.

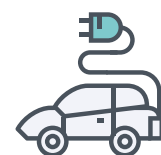


Title	Name	Gender	Term	Theme-related capability	Major Educational/ Experience Background	Current position (s) in this company and in other companies
Supervisor	Henry Wu	Male	2019/06/14 ~ 2022/06/13	Economic	Institute of Computer and Communication Engineering, National Cheng Kung University Senior Software 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.
Supervisor	Wu Zong-Zheng	Male	2019/06/14 ~ 2022/06/13	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	2019/06/14 ~ 2022/6/13	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.

2. Company Management

Mechanism of Conflicts of Interest Avoidance

The board meeting shall be convened at least once a quarter as stipulated, and in 2019, a total of 8 board meetings was 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 39 Company Management CH2 important resolutions are disclosed immediately on the Market Observation Post System.



Title	Name	Date	Organizer	Name of course	Hours
Director	Huang, Jian-Ming	4/27	Taiwan Corporate Governance Association	Discussion of business operation and related tax systems	3.0
			Taiwan Corporate Governance Association	Business risk management cases and practices	3.0
Independent director	Huang Zheng-an	4/27	Taiwan Corporate Governance Association	Discussion of business operation and related tax systems	3.0
			Taiwan Corporate Governance Association	Business risk management cases and practices	3.0
Independent director	Xu Shun-fa	1/24	CPA Associations R.O.C. (Taiwan)	Planning of risk leading auditing methods: considerations of risks of materiality and material misstatement.	3.0
		2/13	CPA Associations R.O.C. (Taiwan)	Applications of cloud technology and smart phone for business management	3.0
		2/19	CPA Associations R.O.C. (Taiwan)	Seminar-Providing counseling solutions for tax management and related risks.	2.0
		3/21	CPA Associations R.O.C. (Taiwan)	New challenges for accountants by APG evaluation.	3.0
Supervisor	Henry Wu	4/27	Taiwan Corporate Governance Association	Discussion of business operation and related tax systems	3.0
			Taiwan Corporate Governance Association	Business risk management cases and practices	3.0
Supervisor	Wu Zong-Zheng	4/27	Taiwan Corporate Governance Association	Discussion of business operation and related tax systems	3.0
			Taiwan Corporate Governance Association	Business risk management cases and practices	3.0
Supervisor	Tsai Ginn-Zhong	4/27	Taiwan Corporate Governance Association	Discussion of business operation and related tax systems	3.0
			CPA Associations R.O.C. (Taiwan)	Business risk management cases and practices	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. In 2019, a total of 3 meetings were convened, with the attendance rate reaching 100%.

Title	Name
Convener	Xu Shun-Fa
Member	Huang Zheng-an
Member	Lin Jin-Neng

Remuneration Policy of the Board of Directors and Senior Executives

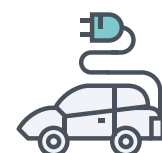
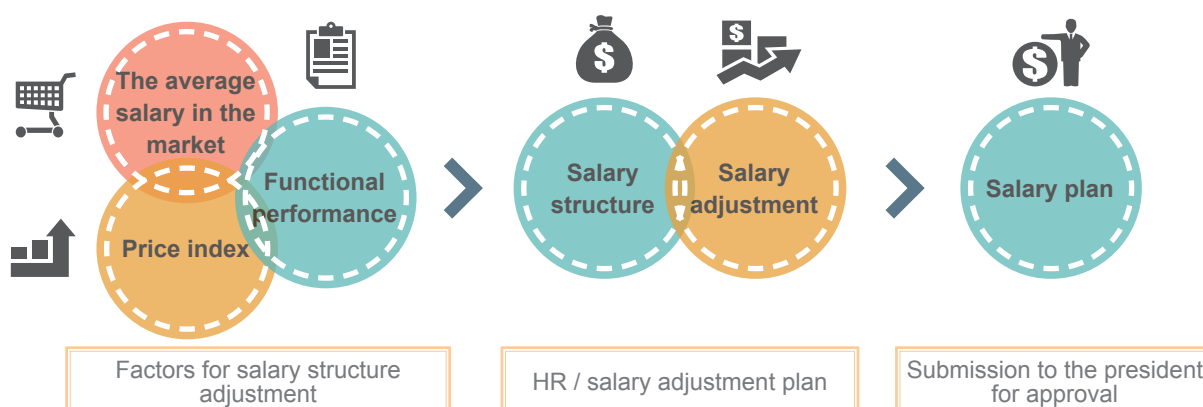
The highest governance unit and high-level management of the Company refers to the management holding a position of vice president and higher. Such personnel's remuneration follows the same way the salary is paid to the employees in accordance with the Salary Management Practices on a monthly basis.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

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 41 Company Management CH2 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

2. Company Management

Department	Responsibilities
Assistant Office	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	Supporting overseas subsidiaries or handling related affairs of affiliations concerning business needs, professional techniques or management.
Audit Office	Survey and evaluation of the internal control system and provides timely suggestions for improvement to promote the effective operation of the company.
Materials Department	Coordination and allocation of equipment, materials and parts procurement within the Group
Wire Project Department	Coordination and allocation of raw materials, procurement, sales and shipping related affairs within the Group.
Logistics Management Department	Storage and packaging operations, and coordinating export shipment related affairs.
Sales Department	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	Development and maintenance of supply resources as well as the cultivation of long-term cooperation.
Production Technology Department	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	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	Maintenance and continuous improvement of the quality system, evaluation and assistance of the supplier quality system and continuous improvement of customer satisfaction.
Manufacturing Division	Professional production and key value-added process of licensed products and developing production technologies such as Agile Manufacturing and Pilot Assembly.
Manufacturing Division	Planning, operating, maintaining and training of e-operations and providing strategic information to assist in the Company's decision-making and operations.
Finance Department	Formulating fund scheduling strategies and fund formation plans, strengthening financial management and improving financial structure.
Accounting Department	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	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.

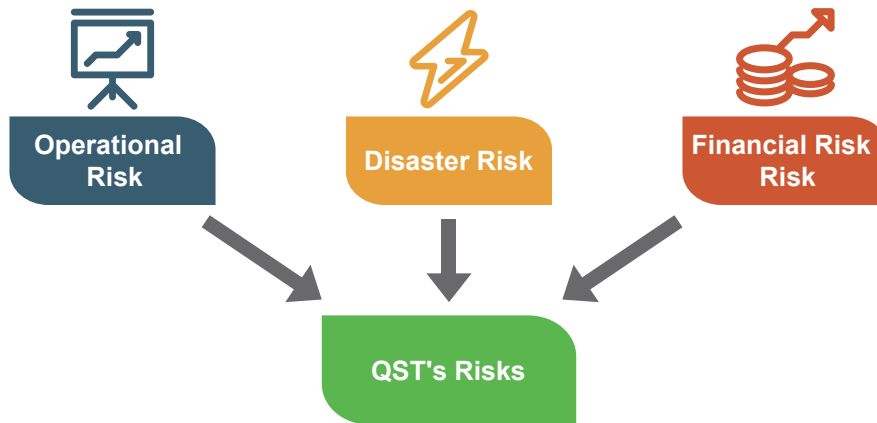


2.5 Risk Assessment

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.

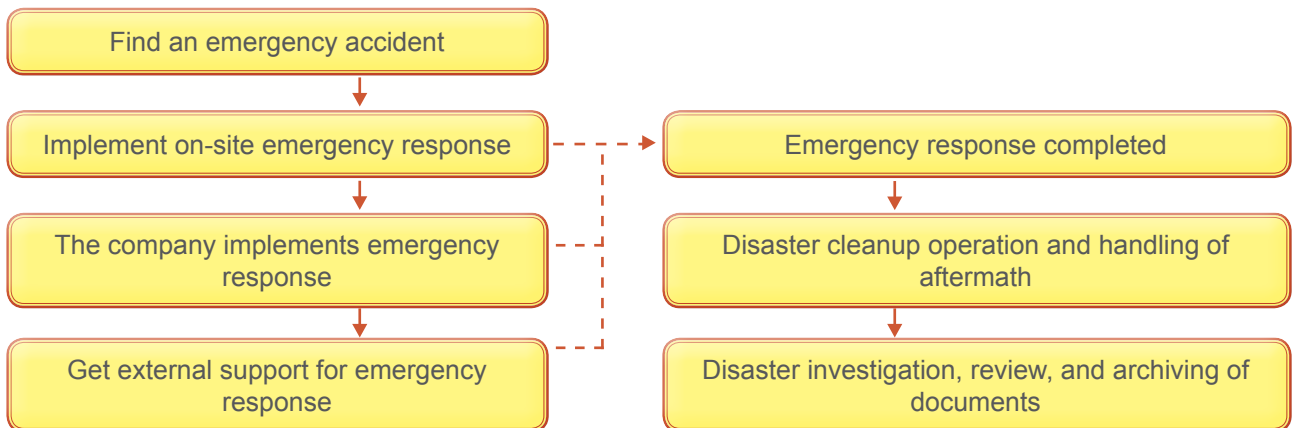
	Risk Category	Primary Risk	Solution	Prevention Mechanism
Alertable risks	Meteorological disaster	Typhoon	Inspection of the structural conditions for repair and reinforcement	Pay attention to typhoon trends and implement relevant typhoon prevention measures
	Meteorological disaster	Extremely heavy rain	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



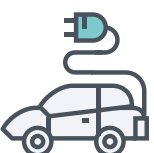
	Risk Category	Primary Risk	Solution	Prevention Mechanism
Unaltable risks	Accident	Unplanned blackout	Continue to maintain the maintenance status with Taipower	Purchase emergency generators
	Accident	Fire	Maintain the status of fire equipment and manual operation of equipment	Fire control and fire training
	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 2019. 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 three times for NT\$ 30,000 in 2019 for unqualified practices including uninstallation of solar power systems, unreported waste oil discharge practices, and unmarked waste oil storage area in Chinese. The detail descriptions of incidents, fines, correction actions, and prevention measures are shown as follows.

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

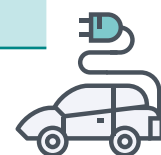


Date	Incident	Fines (NT\$)	Correction action	Prevention measures
2019.04.17	Violation of installation of solar power system according to the Article 23, Tainan City Self-Government Ordinance for a Low-Carbon City.	12,000	Installation of solar power system when building the new plant in the future.	Installation of solar power system when building the new plant in the future.
2019.11.14	Violation of reported practices regarding waste oil handling according to the first paragraph of the Article 31, Waste Disposal Act. The actual discharging practices of waste oil were different from the records in the submitted proposals.	6,000	Updating the waste management proposal.	Regular reviews of the differences between the waste management proposal and the actual practices. Keep updating related information online.
2019.11.14	Violation of reported practices regarding waste oil handling according to the first paragraph of the Article 31, Waste Disposal Act. The actual discharging practices of waste oil were not reported to the online system.	6,000	Reporting the actual practices to the online system.	
2019.11.14	Violation of reported practices regarding waste oil handling according to the first paragraph of the Article 36, Waste Disposal Act. The storage area of waste oil was not marked in Chinese.	6,000	The storage site had made improvements based on the regulations.	Re-planning the storage site of waste. The waste storage site had been remarked based on the regulations.

Categories and Expenditures on Environmental Management in 2019

Unit : NT\$1,000

Item	Description	Amounts
Air pollution prevention	Equipment operation / maintenance/ inspection	650
Water pollution prevention	Equipment operation / maintenance/ inspection	805
Waste treatment fee	General business waste	2,580
ISO14001 Environmental Management System	Annual verification fee	71
Environmental protection related education and training	Internal courses/ external exclusive personnel	200
Salary of environmental protection staff	Direct/ indirect environmental protection personnel	1,430
Expenditure on environmental related hardware	Adding new equipment	250
Total		5,986

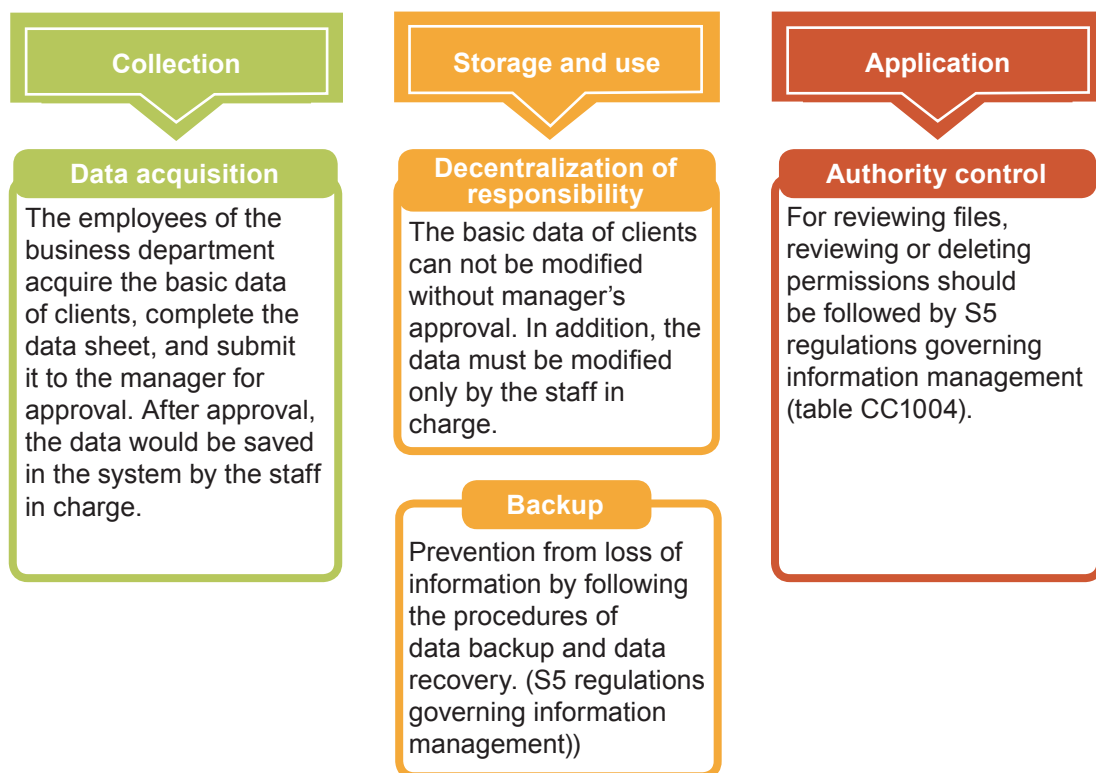


Complaints of invasion of customer privacy or loss of customer data

Data collection is mainly used to improve the quality of service and strengthen personalized services. QST is devoted to enhance customer service and pays more attention to customer privacy and intellectual property rights. In addition to signing confidentiality agreements to protect customer confidential information, QST ensures doing a good job of confidentiality in the implementation of business. In accordance with IATF 16949 requirements, QST has exactly implemented matters of data protection.

In 2019, QST had no confirmed incidents of material leakage, theft or loss of customer information. Meanwhile, for advance improvements, QST applied for AEO certification in 2019, and the certification is expected to be done in the second season of 2020.

The relevant process of QST's internal data collection, storage, and application is shown as the figure below.



2.7 Supplier Management and Evaluation

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.

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 Requirements

1. Our suppliers include wire rod, machining, mold and surface treatment suppliers.
2. All adopt the systematic management mode.
3. 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 should comply with the regulations of Labor Standards Act, Employment Service Act, corporate social responsibility, prohibition of child labor, non- sexual discrimination, environmental protection, and anti-corruption.
4. Suppliers are required to manage chemical materials in accordance with the Material Safety Data Sheet (MSDS).

Supplier management process

1. The survey, evaluation, and choices of suppliers: evaluation is required for new suppliers. when important accidents happen, onsite evaluation is required for the existing suppliers for reference of reselection in the future.
2. Supplier evaluation and management: building evaluation standards for suppliers and checking the delivery and service performance of suppliers regularly.
3. Annual supplier auditing plans: developing regular onsite auditing plans for suppliers to assess whether the supplier's quality management system meets customer needs.
4. Suppliers are also required to sign a commitment of corporate social responsibility for the implementation of occupational safety and health, refined program and quality, and environmental protection. Personnel employment should comply with the regulations of Labor Standards Act and Employment Service Act (prohibition of child labor, non- sexual discrimination and sexual harassment, anti-corruption) to build a green supply chain and implement corporate social responsibility.



QST establishes supplier auditing procedures and prepares the annual auditing program at the beginning of each year to regularly audit suppliers on-site to understand whether the supplier management system can provide products and services that meet customer needs. Furthermore, the supplier auditing process facilitate suppliers to improve their management capabilities and reduce their costs and delay risks.

Supplier evaluation

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

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.

2. Company Management

Level	Points	Description
A (Automotive level)	Over 90	When purchasing, A-level suppliers are prior to be selected. If necessary, A-level supplier can be paid the purchase price on preferential terms with the A-level supplier awards or medals or other measures. A-level suppliers may be listed as a qualified supplier exempt from inspection. However, if the customer requests inspection report, the A-level suppliers are also required to provide the inspection report.
B (Industrial level)	75~89	The certificated ISO 9000 quality system is required for B-level suppliers. If their products are not specified items, the inspection is not required. But these products should be approved by the business manager and the B-level suppliers have to provide the inspection report.
C (Commercial level)	60~74	C-level suppliers are required to improve their more frequent shortcomings (if necessary, other measures may be taken to enable C-level suppliers to improve their management systems). If their products are for general commercial use, the inspection is not required. But these products should be approved by the business manager and the C-level suppliers have to provide the inspection report.
D	Under 59	Stop purchasing from the D-level supplier and lock the order function in the QST's system. If it is necessary to cooperate with the D-level supplier, before opening the order purchase, item by item discussion and approval by the top managers of the quality assurance department are required. Besides, QST should ask D-level suppliers to improve. After the improvement is completed, supplier auditing process should be performed again to evaluate their management ability as a reference for continuing procurement in the future.

Numbers of supplier auditing and qualified rate

Level	points	2017	2018	2019
A	Over 90	40	45	41
B	75~89	73	67	68
C	60~74	49	40	40
Total		162	152	149
Qualified rate(%)		100%	100%	100%



1 Screen suppliers

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



2 Select suppliers

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



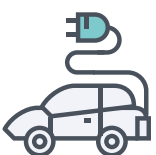
3 Audit suppliers

Conduct audits annually, examine the monthly delivery performance, and closely control the suppliers' quality capability

QST supply chain

Type of Contract	Purchasing Area	2019	
		Number	The proportion of the purchase to the total purchase amount (%)
Fasteners	Taiwan	82	84.0
Raw material (Coil)	Taiwan	1	12.0
Mold	Taiwan	21	3.0
Packing materials, oil products	Taiwan	9	1.0
Total		113	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 Material Management
 - 3.2 Energy Management
 - 3.3 Water Resource Management
 - 3.4 Greenhouse Gas Management
 - 3.5 Pollution Prevention

3.1 Material Management

Wire rods 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 cooperative contractors, and therefore, belong to non-recyclable materials. The finished products are placed into plastic bags before being 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.

As for the treatment of oil products, there are central oil tanks between the forming machines and the oil circulates. It will add new oil into the circulation depending on oil condition, then the used oil is discharged into waste oil barrel and outsourced to waste cleaning company for proper treatment.

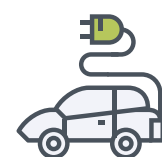
Categories and Consumptions of Materials

Material category	Renewable	Unit	2019
Wooden cases	yes	PCS KG	184 6,164
Pallets	yes	PCS KG	122,121 575,040
Cartons	yes	PCS KG	921,587 280,453
Plastic	no	KG	84,333
Processing oil	no	KG	500,816
Fuel oil	no	KG	17,877
Wire rods	no	TON	10,994
Molds	no	PCS	46,522

3. Environmental Performance

Notes :

- (1) Materials consumptions are obtained from feed data.
- (2) Oil products include varieties of process oil and fuel oil. Liter is converted into Kg with the density 0.885kg/L.
- (3) Wooden cases, pallets, cartons and plastic are used for packaging materials.



3.2 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. Gasoline and diesel are used in transport vehicles, stackers and so on, while LPG (gas) is used in the heat treatment process of the steel and metal fasteners. There is no energy consumption for geating, cooling, steaming and so on in the process.

Annual Energy Consumption

Quantitative indicator	units	2017	2018	2019
Electricity	kWh	18,123,880	20,794,640	20,148,780
	Million joules	65,245,243	74,859,872	72,534,802
Gasoline	Liter	13,660	13,003	12,201
	Million joules	446,010	424,558	398,372
Diesel	Liter	14,253	17,393	17,956
	Million joules	501,170	611,580	631,376
LPG (gas)	kg	26,030	23,220	34,990
	Million joules	1,314,341	1,172,455	1,766,762
Total consumption	Million joules	67,506,764	77,068,465	75,331,312
Specific organizational metric	Revenue (million NT dollars)	3,118	3,434	3,111
	Weight of products (Tons)	11,293	12,329	11,358
aEnergy intensity	Total consumption/ Revenue (million joules /million NT dollars)	21,651	22,443	24,215
	Total consumption/ Weight of products (million joules Tons)	5,894	6,167	6,542

Notes:

(1) The consumptions of gasoline for company vehicles and diesel for small trucks and stackers in 2017 and 2018 are estimated by dividing annual fuel cost with annual fuel price per liter from CPC.

(2) Heat value of energy products are listed in following form from Bureau of Energy.



Heat Value Conversion

Categories	Unit	Unit(kcal)	Conversion coefficient (9,000kcal/liter)	Notes
Electricity	1 kWh	860	0.0956	
Gasoline	1 liter	7,800	0.8667	Car used
Diesel	1 liter	8,400	0.9333	
LPG	1 liter	6,635	0.7372	1 kg=1.818 liter

Notes :

(1) Conversion coefficient

- 1 Kcal=4,186 joules
- Electricity (million joule)=(electricity×860Kcal×4,186joules)/1,000,000
- Gasoline (million joule)=(gasoline×7,800Kcal×4,186joules)/1,000,000
- Diesel (million joule)=(diesel×8,400Kcal×4,186joules)/1,000,000
- LPG (million joule)=(LPG×1.818(kg to L)×6,635Kcal×4,186joules)/1,000,000

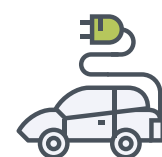
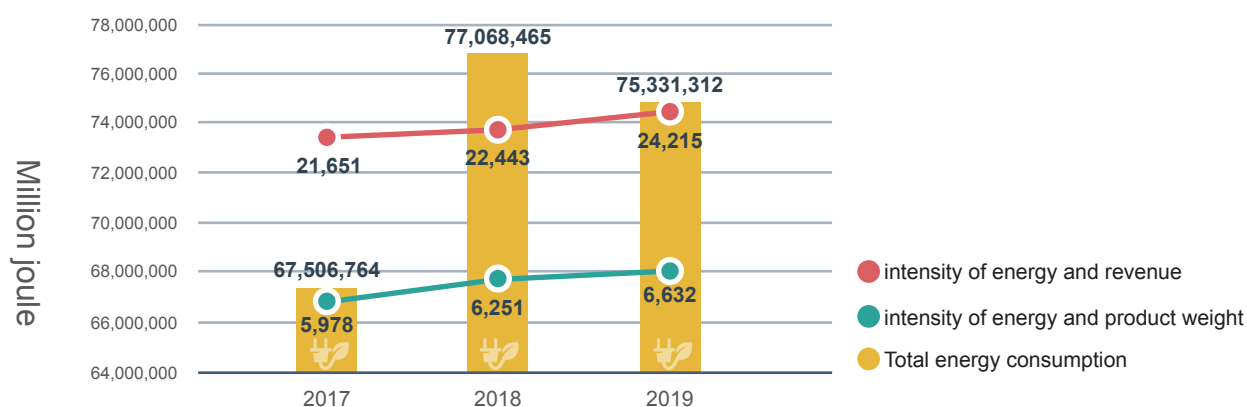
(2) Revenue is the revenue of the Company except related corporations and trading revenue.

(3) Product weight is the sum of all kinds of fasteners of the Company.

External consumption

No external consumption was counted in this annual report.

▀ Total Energy Consumption and Intensity



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 2019 are as follows.

2019 Energy Saving Measures and Estimated Energy Saved		
Energy Conservation Measure	Specific Action	Estimated Energy Saved
Replacement of energy wasted lighting fixture	Replaced 28 sets of 400W mercury lamps with 100W LED energy-saved lighting fixture.	35,482 kWh/year

Notes:

$(400W-100W) \times 16HR \times 264days \times 28sets / 1,000W = 35,482 \text{ kWh/year.}$

3.3 Water Resource Management

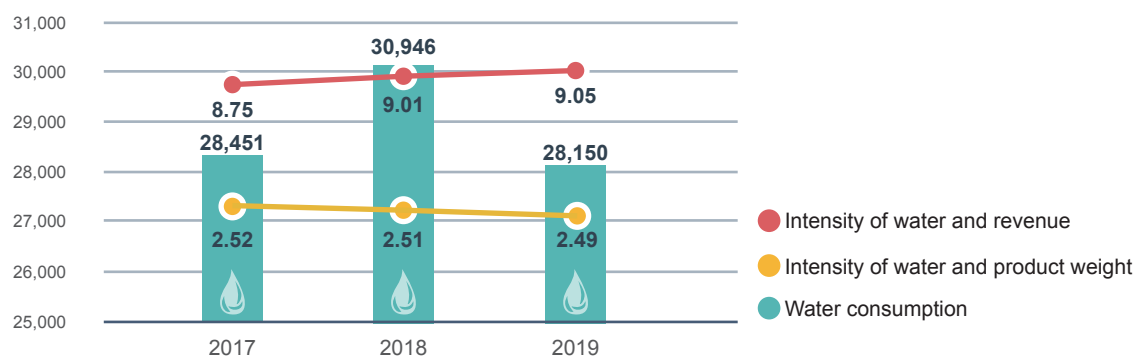
The Company's water source is from the Sixth Branch of Taiwan Water Corporation, and the main source is from the treated water of the Shan-Shang Water Treatment Plant and the raw water from Zengwen Reservoir and Wushantou Reservoir transported through the flumes of south major line of the Jianan Irrigation System to Tan-Ding Village in Xinshi District and then to Rende District. The influence of shared water resource is low to mid levels (1~2). QST does not have equipment for rain collection and recycled-water reuse, but does have installed water-saving faucets and flushing devices as well as adjusted the amount of flushing water for water conservation.

Water Consumption

Item		2017	2018	2019
Total water consumption (Tons)		28,451	30,946	28,150
Revenue (million NT dollars)		3,118	3,434	3,111
Weight of products (Tons)		11,293	12,329	11,358
Water intensity	Total water consumption /Revenue (Tons/million NT dollars)	8.75	9.01	9.05
	Total water consumption /Weight of products (Tons/Tons)	2.52	2.51	2.49



▼ Total water consumption and water intensity



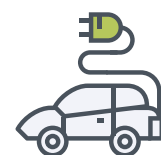
Water Withdraw, Discharge, and Total Consumption in 2019

The water source used by the Company is from Taiwan Water Corporation. Annual water withdraw is 28.15ML, water discharge is 25.46ML, and total water consumption is 2.69ML. The annual process wastewater of Bao-An factory is 6.01ML, which is below annual water outflow permission, 50% of 12ML.

	Unit: Million Liter (ML)		
Water withdraw	28.15		
Water discharge	Domestic wastewater through septic tank (unprocessed)	19.45	25.46
	Chemical coagulation processed (processed)	6.01	
Total water consumption	2.69		

Notes:

- (1) Water outflow is the sum of process wastewater and domestic wastewater.
- (2) Water intake – Water outflow = Total water consumption.
- (3) Annual water outflow / Annual workdays=Daily water outflow.



3.4 Greenhouse Gas Management

As the leading manufacturer of steel and metal fasteners, we hope to improve and reduce the GHG emissions with the GHG emission inventory results. The energy used mainly include electricity, gasoline, diesel and LPG (gas). The GHG emission inventory operation refers to the international GHG Protocol such as the ISO/CNS14064-1 (Chinese National Standards) for the calculation of CO₂e in Scope 1 and Scope 2. Scope 3 (other indirect GHG emissions) inventory was evaluated for the first time in 2019. Its scope is very broad, mainly including materials production, up&downstream transportation, and water consumption GHG emissions. It is not included in the total greenhouse gas emission and comparison.

Emission Scopes

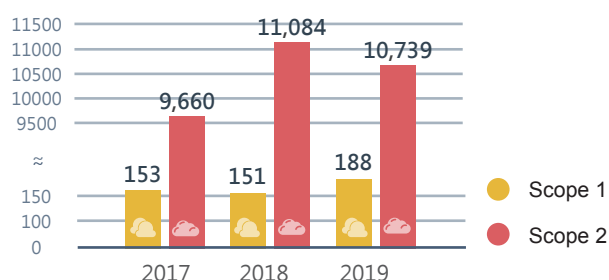
Unit: Ton CO₂e

Category		2017	2018	2019
Scope 1 (internal energy except electricity)		153	151	188
Scope 2 (electricity)		9,660	11,084	10,739
Scope 3 (materials, transportation and water)		-	-	31,150
Total Emission=Scope 1+Scope 2		9,813	11,234	10,927
Revenue (million NT dollar)		3,118	3,434	3,111
Product weight (ton)		11,293	12,329	11,358
Emission intensity	Emission/Revenue (Ton/million NT dollar)	3.15	3.27	3.51
	Emission/Product weight (Ton/Ton)	0.87	0.91	0.96

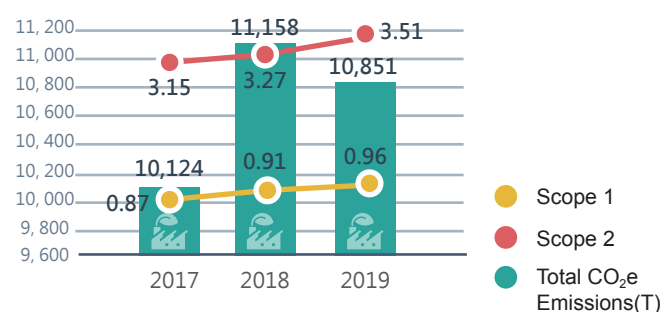
Note:

- (1) Scope 1 does not include refrigerant leakage, methane emission from septic tanks and emission from combustion of emergency generators.
- (2) Scope 3 is based on the different measurement methods of raw materials for 2019 and only the 2019 values are calculated. It mainly includes GHG emissions from materials production, up&downstream transportation, and water consumption.

▀ Emissions (ton)



▀ Emission Intensity



Scope 1

Internal energy consumption except electricity. Take 2019 as an example:
=gasoline quantity×emission factor+diesel quantity×emission factor+
LPG quantity×emission factor=188 TCO₂

Scope 2

Electricity consumption×emission factor= 10,739 TCO₂

Scope 3

(Material + Upstream & Downstream transportation+Water usage)×Emission factors.

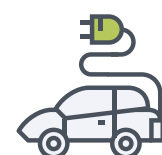
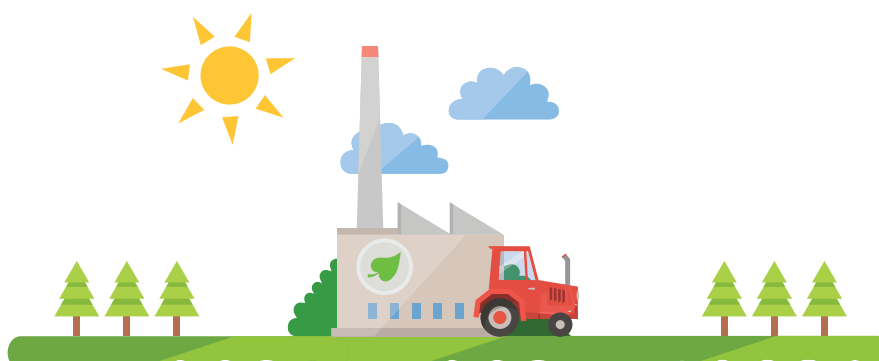
The calculated estimate is 31,150 TCO₂, which is way higher than Scop1 and Scope 2 due to the massive greenhouse gas emission generated by the production of materials.

Emission Factors

Gasoline	Diesel	LPG	Electricity	Water
2.355	2.646	1.755	0.533	0.166
KgCO ₂ e / L	KgCO ₂ e / L	KgCO ₂ e / L	KgCO ₂ e / kWh	KgCO ₂ e / m ³

Notes:

- (1) The emission factors of gasoline, diesel and LPG are the sum of CO₂, CH₄, N₂O factors using GWP rate 1: 8: 265.
- (2) The emission factors of gasoline, diesel, LPG and GWP rate are based on <Greenhouse Gas Emission Factor Management Table version 6.0.4, June, 2019> from Environmental Protection Administration (EPA), Taiwan.
- (3) The emission factors of electricity and water are based on the factors published by Taiwan Power Company and Taiwan Water Corporation in 2018.



3.5 Pollution Prevention

Air Pollution

The company applied for the inspection of the stationary air pollution source operating permit on May 10, 2019, and the test results showed that the emissions all met the standards. QST continuously met the standards of the test in the prior 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 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 water flows into Erren river and to the sea. The Environmental Protection Bureau of Tainan City Government dispatches personnel regularly and irregularly to the site at the discharge flow mouth to sample and test the discharge water quality.

In 2019, four tests (ammonia, nitrate nitrogen, fluoride, and molybdenum) were increased in response to the regulation change of EPA.

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)
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
2019	6,011	100	12.8	30	10.0
			50.0		3.8



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, waste 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, iron fillings and tailings generated during the process are centrally managed in the factory. They are sold as scraps for reuse in the market after being 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: Tons

Category of waste	Item	Name of Waste	Treatment	2017	2018	2019
General business waste not declared as recyclable or reusable	Sludge	Inorganic sludge	Heat treatment	27.77	27.74	46.498
	Waste oil	Waste oil mixture	Physical treatment	27.94	50.94	118.05
	Waste solvent	Non-hazardous organic solvent	Incineration	-	-	8.39
	Domestic waste	Domestic waste	Incineration	22.47	27.47	27.45
Annual waste weight (total)				78.18	93.68	169.74

Note:

The waste solvent was originally treated in the wastewater treatment system in 2017 and 2018, but since May, 2019 it has been separated as an independent waste item.



4

Our Employees

- 4.1 Labor Structure
- 4.2 Labor Relations
- 4.3 Employee Benefits
- 4.4 Education and Training
- 4.5 Occupational Health and Safety

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.

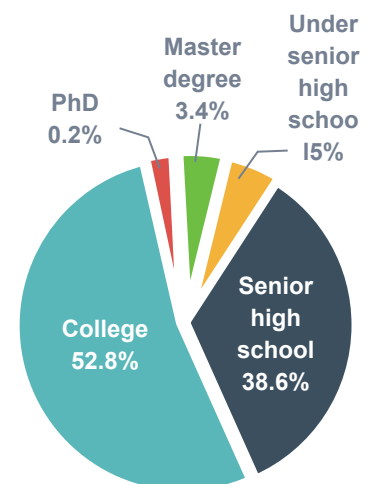
As of the end of December 2019, the total number of employees of the Company was 500, all formal employees. There is no temporary labor and no significant change in the number of employees between high and low seasons.

2019 Distribution of types of employees

Contract type	Female				Male							
	Full-time (Open-ended)				Full-time (Open-ended)				Temporary (Fixed-term)			
Age	29 and below	30-39	40-49	50 and above	29 and below	30-39	40-49	50 and above	29 and below	30-39	40-49	50 and above
2019	47	88	70	23	55	95	63	37	11	7	1	3

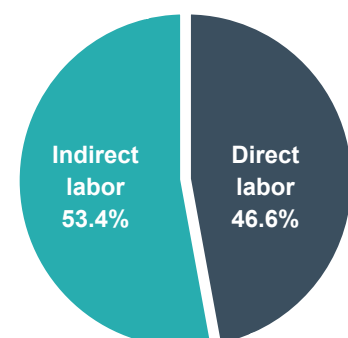
2019 Employees' Level of Education

Level of education	No.	Percentage(%)
Under senior high school	25	5.0
Senior high school	193	38.6
College	264	52.8
Master degree	17	3.4
PhD	1	0.2
Total	500	100



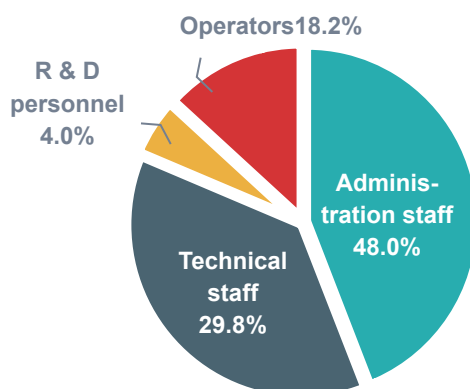
Distribution of indirect and direct labor in 2019

Direct and indirect labor	No.	Percentage(%)
Direct labor	233	46.6
Indirect labor	267	53.4
Total	500	100



Job categories in 2019

Job category	No.	Percentage(%)
Administration staff	240	48.0
Technical staff	149	29.8
R & D personnel	20	4.0
Operators	91	18.2
Total	500	100



Diversified 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 in 2019

Gender	Age	Identity			Total
		Foreigners	Physically or mentally disabled	General	
Male	29 and below	11	0	55	66
	30-39	7	2	93	102
	40-49	1	1	62	64
	50 and above	1	1	38	40
Subtotal		20	4	248	272
Female	29 and below	0	0	47	47
	30-39	0	0	88	88
	40-49	0	0	70	70
	50 and above	0	1	22	23
Subtotal		0	1	227	228
Total		20	5	475	500
Percentage (%)		4	1	95	100



Local Hire

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

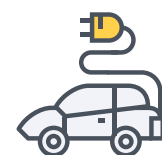
Age Distribution of Employee Positions

Year			2017	2018	2019
Item/Gender		Age	No.	No.	No.
Managers	Male	29 and below	0	0	0
		30-39	2	2	2
		40-49	6	6	6
		50 and above	16	16	14
	No. of male executives ÷ total No. of executives of the company at the end of the current year		60%	60%	58%
	Female	29 and below	0	0	0
		30-39	1	1	1
		40-49	10	7	7
		50 and above	5	8	8
	No. of female executives ÷ total No. of executives of the company at the end of the current year		40%	40%	42%
No. of executives ÷ total No. of employees of the company at the end of the current year			8%	8%	8%
Non-managers	Male	29 and below	88	88	66
		30-39	112	107	100
		40-49	50	55	58
		50 and above	19	21	26
	Female	29 and below	66	61	47
		30-39	77	82	87
		40-49	56	56	63
		50 and above	11	16	15
No. of non- executives ÷ total No. of employees of the company at the end of the current year			92%	92%	92%
Total			519	526	500

4. Our Employees

Note:

1. Local area refers to Taiwan.
2. Executives refers to those holding manager position or higher.



Age Distribution of Retired/Resigned Employees

	2017				2018				2019			
	Male		Female		Male		Female		Male		Female	
	No.	turnover rate (%)	No.	turnover rate (%)	No.	turnover rate (%)	No.	turnover rate (%)	No.	turnover rate (%)	No.	turnover rate (%)
29 and below	23	26.1	15	22.7	30	34.1	20	32.8	22	33.3	15	31.9
30-39	21	18.4	12	15.4	18	16.5	9	10.8	24	23.5	4	4.5
40-49	4	7.1	2	3.0	4	6.6	0	0.0	4	6.3	2	2.9
50 and above	3	8.6	0	0.0	0	0.0	0	0.0	5	12.5	1	4.3
Total number of those retired/ resigned	80				81				77			
Total number of employees	519				526				500			
Total turnover rate (%)	15.41				15.40				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.

Age Distribution of New Employees

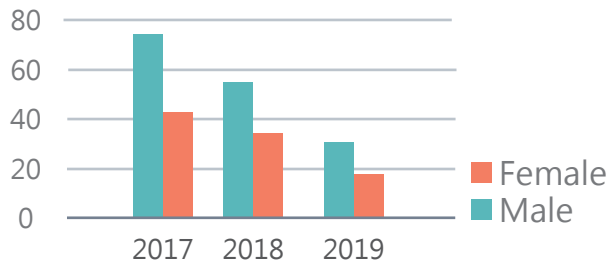
	2017				2018				2019			
	Male		Female		Male		Female		Male		Female	
	No.	Employment rate (%)	No.	Employment rate (%)	No.	Employment rate (%)	No.	Employment rate (%)	No.	Employment rate (%)	No.	Employment rate (%)
29 and below	44	50.0	24	36.4	38	43.2	22	36.1	13	19.7	13	27.7
30-39	29	25.4	17	21.8	16	14.7	12	14.5	13	12.7	6	6.8
40-49	3	5.4	1	1.5	0	0.0	0	0.0	1	1.6	0	0.0
50 and above	0	0.0	0	0.0	0	0.0	0	0.0	5	12.5	0	0.0
Total number of new employees	118				88				51			
Total number of employees	519				526				500			
Total number of new employees	22.74				16.73				10.20			

Note:

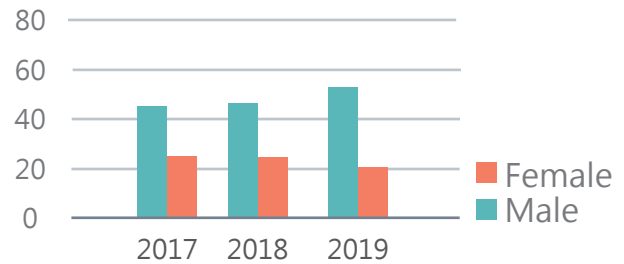
1. Employment rate (%): Number of new employees in the category for the current year/ Total number of employees in the category at the end of the year.
2. New employees include retired/resigned ones.



Number of new employees over the three years



Number of retired/resigned employees over the three years



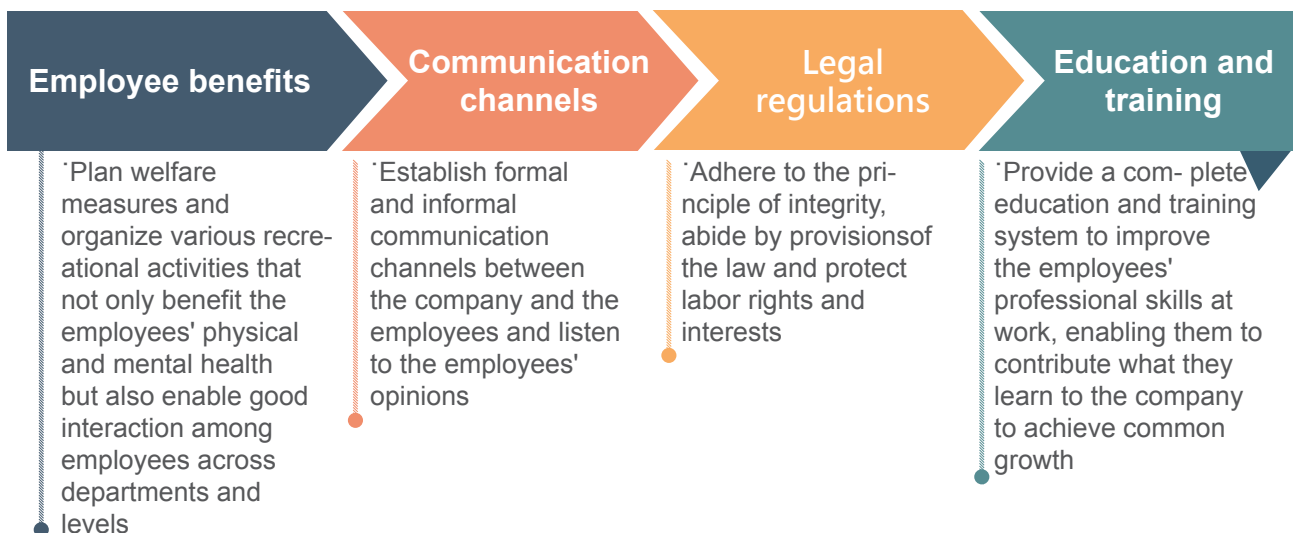
4.2 Labor Relations

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 68 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 handling 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.

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



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 1.2 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.

The basic salary and the rate of salary raising are equal for the same type of staff regardless of gender.

List of starting salary

Category	Starting salary(A)	Minimum wage(B)	Multiple ratio (A/B)
General technicians	26,920	23,100	1.2

Note: In 2019, the minimum wage publicized on the website of the Ministry of Labor is NT\$23,100.



Bonus / gifts

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



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



Facility

- Online employee library



Leave / vacation system and retirement system

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



Insurance

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



Others

- Employee health check
- Club activities
- Employee trip
- Special discount at selected shops
- Stock option: To enhance the employee's cohesion 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 applies to all the formal employees with the right issue to buy additional securities in the Company approved by governmental agencies



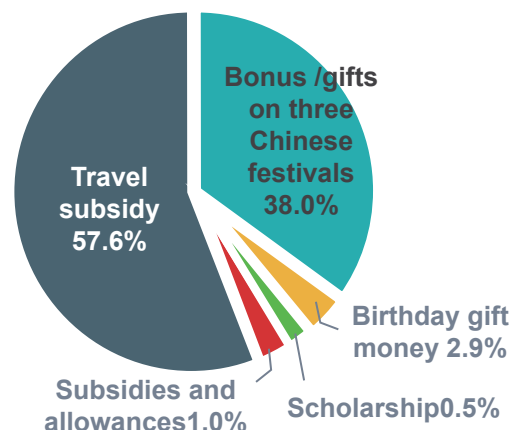
The Pension System

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 2005/6/30	The amount of labor pension borne by the employer	4
New system	After 2005/7/1	The amount of labor pension borne by the employer	6
		The amount of labor pension voluntarily contributed by the employee	6 (at most)

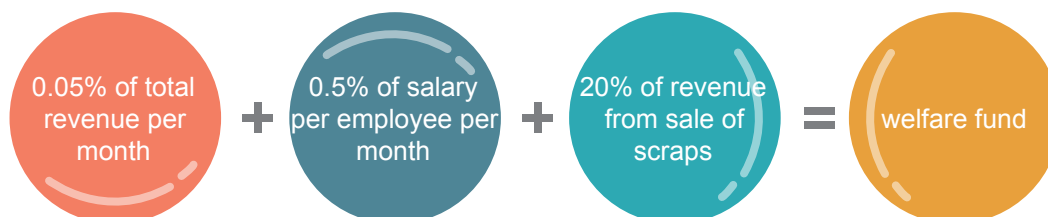
Proportion of Subsidies of the Employee Benefits Committee in 2019

Item	Proportion (%)
Travel subsidy	57.6
Subsidies and allowances	1.0
Scholarship	0.5
Birthday gift money	2.9
Bonus /gifts on three Chinese festivals	38.0
Total	100



4. Our Employees

The Source of Welfare Fund



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 hard work and dedication of these employees.

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

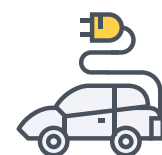
Since 2017, a total of 15 people applied for parental leave without pay, with males accounting for 6.7% and females 93.3%.

QST's statistics of parental leave without pay

Year	2017			2018			2019		
Gender/total	Male	Fe-male	Total	Male	Fe-male	Total	Male	Fe-male	Total
The number of employees who actually applied for parental leave without pay in the current year (A)	0	5	5	1	7	8	0	2	2
The number of employees who were expected to be reinstated after parental leave without pay in the current year (B)	1	6	7	1	6	7	0	5	5
The number of employees who were actually reinstated in the current year (C)	0	3	3	1	6	7	0	3	3
The number of employees who were actually reinstated in the previous year (D)	0	4	4	0	3	3	1	6	7
The number of employees who were actually reinstated and had been reinstated for 12 months (E)	0	4	4	0	3	3	1	5	6
Reinstatement rate in the current year (C/B) (%)	0	50	43	100	100	100	0	60	60
Retention rate in the current year (E/D) (%)	0	100	100	0	100	100	100	83	86

Note:

1. The number of employees who actually qualified for parental leave without pay in the current year is equal to the number of employees who actually applied for parental leave without pay in the current year.
2. The number of employees for the year is based on the year the employees proposed the application.
3. The number of employees is based on the year the employees first proposed the application.



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.

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	Domestic	100
			International	100
Performance	Once a year	Direct	Domestic	100
		Indirect	International	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

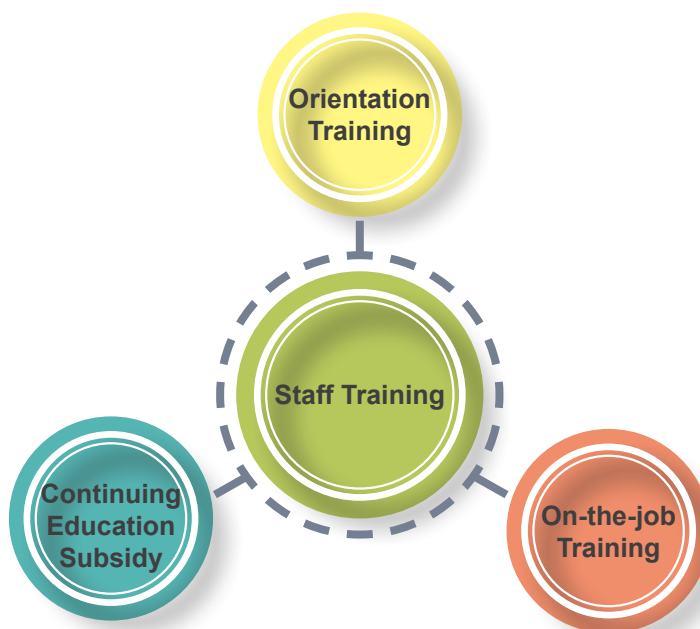
The annual education and training plan will be formulated based on the Company's annual operational goals and guidelines to provide training in various professional functions, quality improvement and management capabilities through systematic, planned and integrated internal and external educational 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

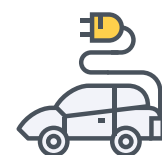
To make good use of external training resources and to make up the insufficiency of the company's education and training system, we have set up Regulations of Subsidy for Continuing Education of Degree Programs to encourage our employees to continue learning so that their functional competencies can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



The Category, Gender and Average Training Hours of Trained Employees

Year		2017			2018			2019		
Item/Gender		No.	Hrs	Hrs/ person	No.	Hrs	Hrs/ person	No.	Hrs	Hrs/ person
Managers with positions at (vice) section chief and higher	Male	62	486	7.8	61	770	12.6	62	809	13
	Female	39	347	8.9	39	385	9.9	38	536	14.1
Subtotal		101	833	8.2	100	1,155	11.6	100	1,345	13.5
Non-manager	Male	231	1,109	4.8	234	2,714	11.6	210	924	4.4
	Female	184	1,042	5.7	192	1,628	8.5	190	1,297	6.8
Subtotal		415	2,151	5.2	426	4,342	10.2	400	2,221	5.6
Temporary	Male	0	0	0	0	0	0	0	0	0
	Female	3	25	8.3	0	0	0	0	0	0
Subtotal		3	25	8.3	0	0	0	0	0	0
Total		519	3,009	5.8	526	5,497	10.5	500	3,566	7.1

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



Average Employee Training Costs

Year	2017			2018			2019		
Item	Cost	No.	Average training cost	Cost	No.	Average training cost	Cost	No.	Average training cost
Male	372,118	293	1,270	857,010	295	2,905	325,582	272	1,197
Female	276,339	226	1,223	440,399	231	1,906	325,852	228	1,429

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

Education and Training



Policies of human rights or employee training program

Through external trainings, QST cultivates seeded employees for human rights and actively communicates with external parties to enhance employees' awareness of personal rights and interests. New employees conduct staff ethics training during the new employee orientation to understand and follow the QST's code of ethics.

Total training hours for human rights are 35.5 hours, and the rate of trained employees is 5.2%.

Rate of trained employees = total numbers of trained employees / total employees in 2019 (26 / 500=0.052)



Relate courses about human rights in 2019

Courses	Date	Hrs	No.
Initiatives of employment of persons with disabilities	2019/5/22	3.5	1
Says no to bullying: discussion of working bullying prevention and building friendly working environment	2019/9/20	3	1
Forced Labor / Ethical Recruitment training	2019/12/6	9	2
New employee training (code of ethics)	2019/01/01-12/31	0.5	22
Total		35.5	26



Training of Security Guards

As stipulated in Article 10-2 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%.

Human-rights Related Training Courses for Security Guards

Year	2018			2019		
Courses	Training hours	No. of security guard	No. of security guards participated	Training hours	No. of security guard	No. of security guards participated
Summary of Sexual Harassment Prevention	1	2	2	1	6	6
Personal Information Protection Act and the Enforcement Rules	1	2	2	1	6	6

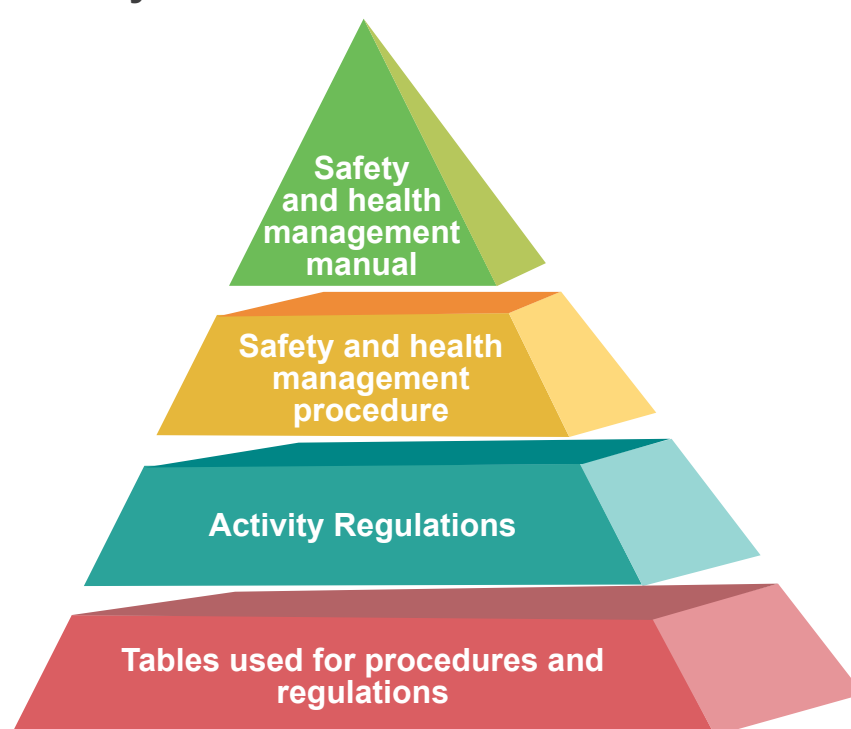


4.5 Occupational Health and Safety

Occupational safety and health management system

In accordance with the National Occupational Safety and Health Management System Guidelines (TOSHMS) and ISO 45001:2018, the Company guides employers and workers to jointly construct and maintain a documented safety and health management system to strengthen self-management, continuously improve occupational safety and health performance, reduce occupational disasters, protect labor safety and health, and meet the needs of competent authorities, customers, employees and other stakeholders. All our colleagues should comply with the management procedures and norms developed in the safety and health management manual and maintain the effective operation of the safety and health management system.

The documentation framework of safety and health management system



QST establishes the safety and health management system. According to regulatory requirements, QST assigns a manager of class A and an administrator. In addition, QST also assigns a dedicated manager or plans job qualification training according to the job attribute.

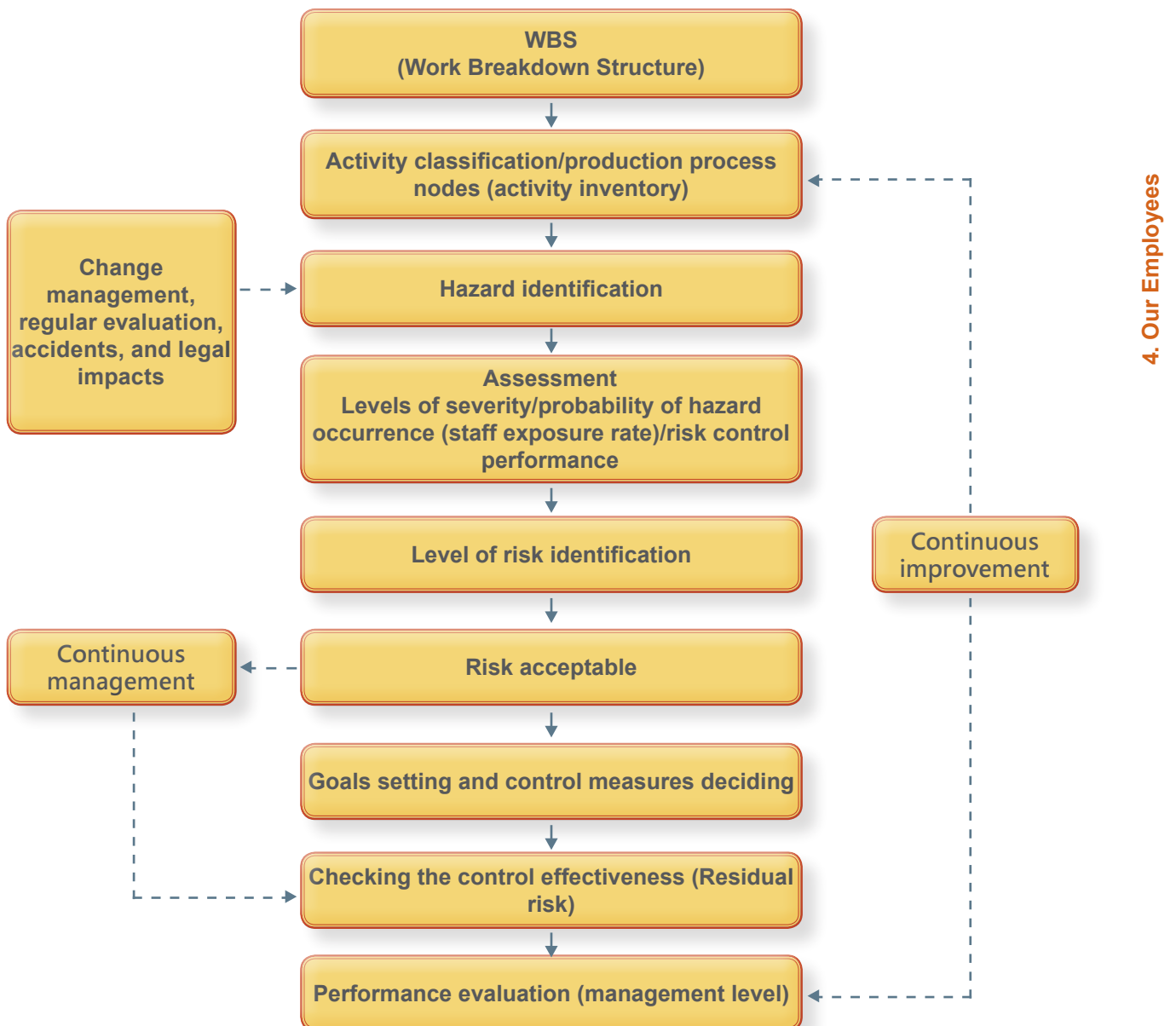
Dedicated / Certificated person	2017	2018	2019
	No.	No.	No.
Supervisor for labor safety and health of class A	1	2	2
Supervisor for hypoxia operations	1	1	1
Supervisor for organic solvent operations	1	1	1
Manager for labor safety and health	1	1	1
Supervisor for specified chemical substance operations	1	1	2
stacking crane with hoisting capacity of 1 ton	45	55	55



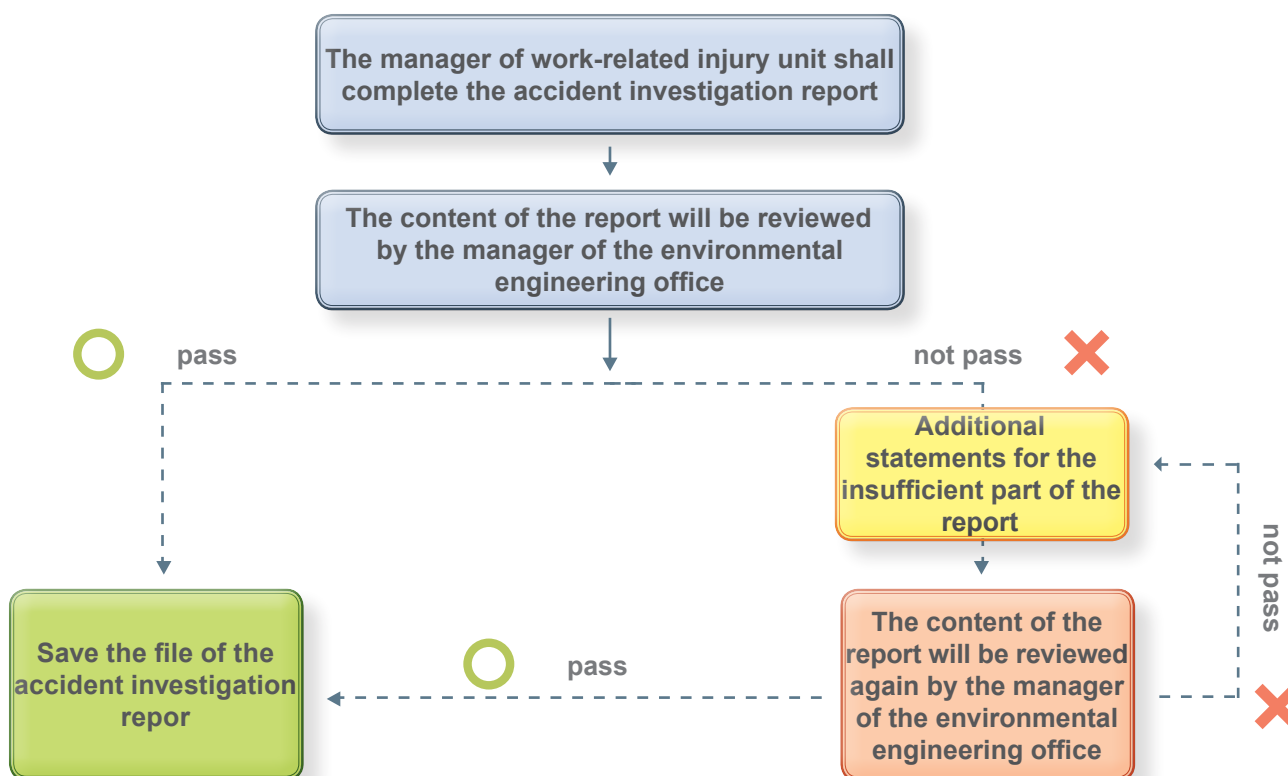
Dedicated / Certificated person	2017	2018	2019
	No.	No.	No.
Fixed cranes	67	117	117
First aid personnel	6	7	12
Operator of specified high-pressure gas equipment	1	1	2
Metal sealing, cutting or heating with acetylene sealing devices	6	6	6

Hazard identification, risk assessment and risk control procedures

The Company occasionally implement hazard identification and risk assessment for each production process. The potential risks can be identified from the hazard risks, and the occurrence of industrial safety incidents can be prevented or reduced after improvements.



Process of accident survey



Participation, consultation and communication of occupational safety and health workers

Currently, the company has a staff welfare committee, and also holds regular labor and management meetings with the representatives accounting for 50% each. The labor representatives propose their right and benefit claims to the management side. The company provides advice and counselling when employees need professional assistance. Furthermore, the human resource department will plan staff professional trainings such as first aid training, cart operation, stacker driving, etc. In addition to enabling employees to master their functional competency in their workplaces, the company guides employees the concept of safety protection.

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.

Hazard identification, risk assessment and accident survey

Category	Calculation principles	2017	2018	2019
Injury rate (IR)	(Total number of disability injury / total working hours)*200,000	0	0	0
	(Total number of disability injury of female employees / total working hours)*200,000	0	0	0
	(Total number of disability injury of male employees / total working hours)*200,000	0	0	0



Category	Calculation principles	2017	2018	2019
Occupational disease rate (ODR)	(Total number of occupational diseases / total working hours)*200,000	0	0	0
	(Total number of occupational diseases of female employees / total working hours)*200,000	0	0	0
	(Total number of occupational diseases of male employees / total working hours)*200,000	0	0	0
Lost day rate (LDR)	(Total lost days / total working hours)*200,000	0.8	0	0
	(Total lost days of female employees / total working hours)*200,000	0	0	0
	(Total lost days of male employees / total working hours)*200,000	0.8	0	0
Absence rate (AR)	(Absence days / total working days of all employees in a year)*100%	5.43%	5.33%	5.68%
	(Absence days of female employees / total working days of female employees in a year)*100%	7.29%	7.33%	7.61%
	(Absence days of male employees / total working days of male employees in a year)*100%	4.13%	3.93%	4.25%
Total number of death in a year		0	0	0

Training of workers on occupational safety and health

The company will plan the education training program for the following year. Considerations of operation, the company will provide external education trainings to employees (such as stacking machine, crane, acetylene work, CPR and AED first aid personnel, etc.) and internal education trainings (such as fire drills, waterproof gate drills, and safety and health education training, etc.).

Workers under the occupational safety and health management system

Workers in QST consist of employees, contractors, visitors, and its production and operational activities.

Category		2017		2018		2019	
		Male	Female	Male	Female	Male	Female
All employees	No.	293	226	295	231	272	228
	%	56.45	43.55	56.08	43.92	54.40	45.60
Non-employees (Foreign workers)	No.	6	1	6	1	6	1
	%	85.71	14.29	85.71	14.29	85.71	14.29



Occupational Injury

Employees				
Category	Gender	2017	2018	2019
Total working hours	Female	459,754	483,690	473,118
	Male	659,105	685,485	638,424
	Total	1,118,859	1,179,175	1,111,542
No. of death from occupational diseases	Female	0	0	0
	Male	0	0	0
	Total	0	0	0
No. of serious occupational diseases(except for the death)	Female	0	0	0
	Male	2	1	2
	Total	2	1	2
Recorded No.of occupational diseases(including No. of death and No. of serious occupational diseases)	Female	0	0	0
	Male	2	1	2
	Total	2	1	2
Types of occupational diseases	Male	Bruise*1 Puncture*1	Falling*1	Clamping *1 Cutting*1
Rate of death caused by occupational diseases	Female	0	0	0
	Male	0	0	0
	Total	0	0	0
Serious occupational disease rate(not including No. of death)	Female	0	0	0
	Male	0	0	0
	Total	0	0	0
Recorded occupational disease rate (including No. of death and No. of serious occupational diseases)	Female	0	0	0
	Male	0	0	0
	Total	0	0	0

No work-related injuries or occupational cases occurred for non-employee workers of the Company in 2019.

Worker health promotion

Management of abnormal health check

It is our responsibility to our employees and their dependents to provide a healthy and safe working environment. Better than the regulations, we offer annual health examination (including abdominal ultrasound and colorectal cancer screening). QST is convinced that only healthy staffs can carry positive working moods and devote themselves entirely to their work. In addition to annual health checks and special health checks for employees at special places (mainly noise activities), we require that new employees must do physical examinations when they first enter the factory to ensure their health.



The number of special health checks for employees at special places are 233 in 2019. A total of five persons is included in the fourth level of health management, and the company assists in the production of special earplugs for them and regularly tracks their health issues.

The process of health checks



Occupational health service

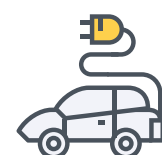
Most activities in our production and post-processing departments in the Baoan plant and our production management department in the Rende plant are activities that noise is particularly harmful to personal health. Long-term exposure to 85 dB to more than 140 dB can lead to noise hearing loss as well as cardiovascular diseases.

General health checking items

- (1) Investigation of working experience, past medical history, living habits, and self-conscious symptoms.
- (2) Physical examination of height, weight, waist circumference, vision, color discrimination, hearing, blood pressure, and various systems or parts of the body.
- (3) Chest X-ray (large) photography examination.
- (4) Examination of urine protein and urine submersible blood.
- (5) Examination of hemoglobin and white blood cell.
- (6) Examination of blood glucose, ALT, creatinine, sterols, triglycerides, HDL cholesterol, and LDL cholesterol.
- (7) Abdominal Ultrasound examination.
- (8) Other examinations designated by the competent authority.



Year	2017	2018	2019
No. of general health checks	442	461	456
Cost of general health checks (NT\$1,000)	663	346	781



Special health checking items (for special noise activities)

- (1) Investigation of working experience, living habits, and self-conscious symptoms.
- (2) Investigation of past medical history of taking injury-causing auditory nerve drugs (e.g. salicylic acid or streptomycin), injuries, ear infections and hearing impairment caused by genetics.
- (3) Ear examination.
- (4) Audiometry (Testing frequencies of at least 500, 1,000, 2,000, 3,000, 4,000, 6,000 and 8,000 kHz, and establishment of hearing maps)
- (5) QST's special health checking costs are subsidized by the Bureau of Labor and Insurance, Ministry of Labor.



Year	2017	2018	2019
No. of special health checks	217	244	233

Activities for health promotion

In order to strengthen the healthy workplace, QST implemented various health promotion projects in collaboration with the nearby health clinics, such as health screening, psychological consultation, health talks, nutrition and exercise counselling and smoking cessation to make employees receive comprehensive health care and medical services. Through the health management program, we conducted quarterly health talks and promote healthy concepts. In 2019, the colleagues of high hypertension, high blood lipids, and high blood sugar would be focused on their health education management to promote their health awareness. In 2019, a total of 18 people hypertension was managed with relevant healthy education information.

Health care management

QST also formulates relevant measures such as the working standards for employee health management. The management measures for the prevention of sexual hazards and the standards for the protection of parental health management of female workers are also implemented to promote measures such as hazard prevention, health care, health management and health promotion to effectively enhance the health of employees.

Comprehensive childcare

QST has set up a female-only breastfeeding room for the care of female employees who have a need for nursing, and the company has also signed up with a nearby childcare institution to provide child cares and benefits for employees.

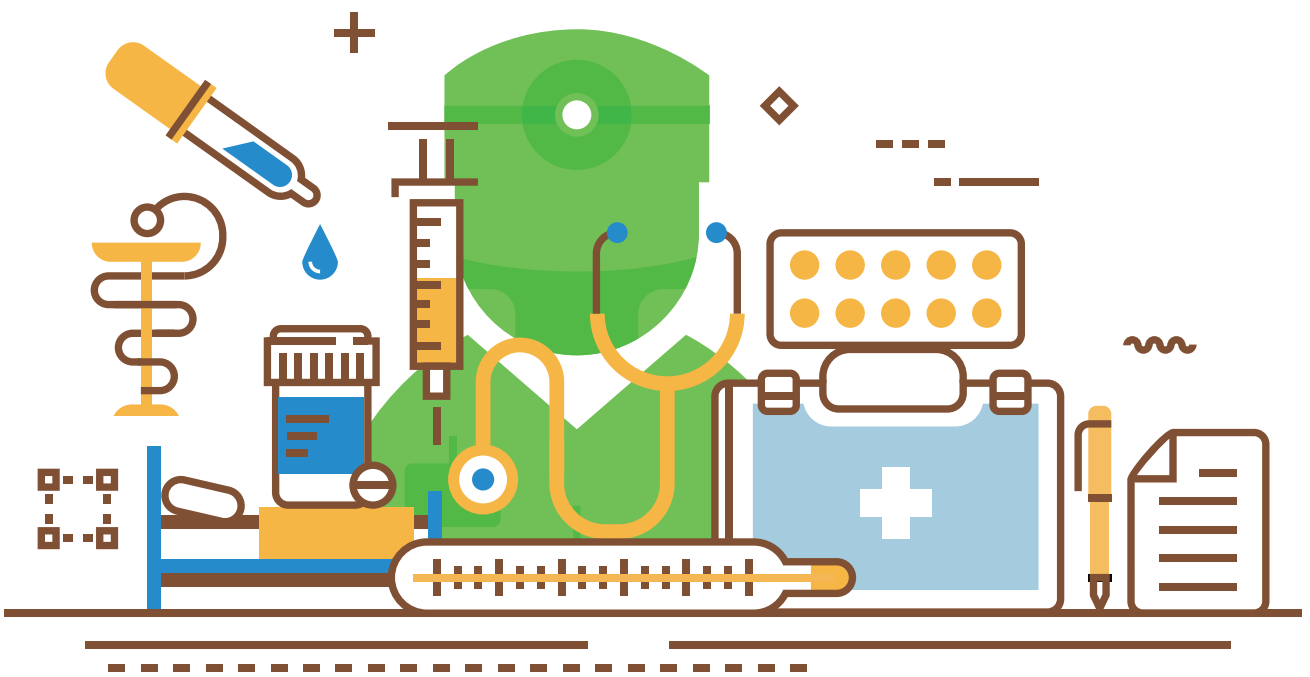


【 Tobacco control education 】



【 Labor safety and health education 】





4. Our Employees



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 Tainan Culture Foundation (sponsor for the 2019 Tainan Arts Festival), National Cheng Kung University, TF Chen Cultural and Art Foundation, Tainan Archery association (sponsor for game funding), and Department of Electrical and Computer Engineering of TamKang University (donation to the scholarship). Our good deeds are praised by the fellow residents. The total donation amounted to NT\$1,793,000 dollars in 2019.

Neighborhood

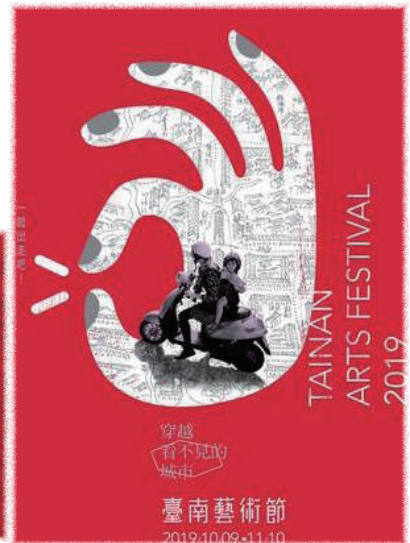
- Tainan Archery association (sponsor for game funding)



【Tainan Archery association】

Public Welfare

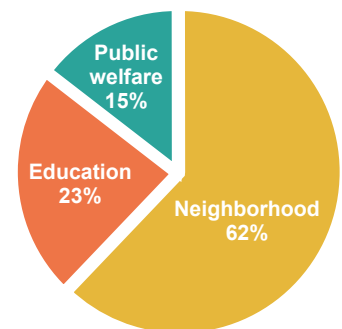
- Tainan Culture Foundation (sponsor for the 2019 Tainan Arts Festival)
- TF Chen Cultural and Art Foundation



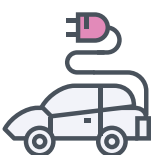
5. Public Benefits

Education

- Tainan First Senior High School (donation to the scholarship)
- Department of Electrical and Computer Engineering of TamKang University (donation to 2019 scholarship)
- National Cheng Kung University



▾ Donation percentage in 2019



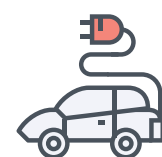
Appendix 1 : Correction Table

2019 CSR Report of QST Corporation

Page	Chapter	Title	Year	Term	Before correction	After correction	Correct reason
P46	3.2 Energy Management	Annual Energy Consumption	2017	LPG (gas), kg	12,920	26,030	Data definition change
P52	3.4 Greenhouse Gas Management	Emission Scopes	2017	Scope 1	113	153	Data definition change
			2018		128	151	
			2017	Scope 2	10,040	9,660	
			2018		11,520	11,084	
			2017	Total emission	10,514	9,813	
			2018		11,648	11,234	
			2017	Emission intensity (emission/revenue)	3.37	3.15	
P55	3.5 Pollution Prevention Management	Items of Waste over the past three years	2018	Domestic waste	15.00	27.47	Data definition change
P60	4.1 Labor Structure	Age Distribution of Retired/ Resigned Employees over the past three years	2017	Total turnover rate (%)	14.26	15.41	Calculation error
P65	4.3 Employee Benefits	QST's statistics of parental leave without pay	2018	The number of employees who were actually reinstated in the current year (C)	6	7	typo



Page	Chapter	Title	Year	Term	Before correction	After correction	Correct reason
P677	4.4 Education and training	The Category, Gender and Average Training Hours of Trained Employees	2017	Managers with positions at (vice) section chief and higher	8.4	8.2	Calculation error
				Non-managers	5.3	5.2	
				Total	7.3	5.8	
			2018	Managers with positions at (vice) section chief and higher	11.3	11.6	Calculation error
				Non-managers	10.1	10.2	
				Total	10.7	10.5	
P69		Training of Security Guards	2018	Article of the Private Security Service Act	10-1	10-2	typo



Appendix 2 : GRI Standards Reference Table

*Material Topics

Appendix

No.	Disclosure	Related CSR Section	page
102-1	Name of the organization	2.1 Company Profile	19
102-2	Activities, brands, products, and services	2.1 Company Profile	19
102-3	Location of headquarters	2.1 Company Profile	19
102-4	Location of operations	2.1 Company Profile	19
102-5	Ownership and legal form	2.1 Company Profile	19
102-6	Markets served	2.1 Company Profile	19
102-7	Scale of the organization	2.1 Company Profile	19
102-8	Information on employees and other workers	4.1 Labor Structure	57
102-9	Supply chain	2.7 Supplier Management and Evaluation	42
102-10	Significant changes to the organization and its supply chain	2.1 Company Profile	19
102-11	Precautionary Principle or approach	2.5 Risk Assessment	37
102-12	External initiatives	2.3 Corporate Governance	26
102-13	Membership of associations	1.3 Identification of Material Topics and Communication	9
102-14	Statement from senior decision-maker	Message from the Chairman	3
102-15	Key impacts, risks, and opportunities	Message from the Chairman	3
102-16	Values, principles, standards, and norms of behavior	2.1 Company Profile 2.3 Corporate Governance Governance	19 26
102-17	Mechanisms for advice and concerns about ethics	2.3 Corporate Governance	26
102-18	Governance structure	2.4 Organizational Structure	30
102-19	Delegating authority	1.1 CSR Committee	5



No.	Disclosure	Related CSR Section	page
102-20	Executive-level responsibility for economic, environmental, and social topics	1.1 CSR Committee	5
102-21	Consulting stakeholders on economic, environmental, and social topics	1.1 CSR Committee	5
102-26	Role of highest governance body in setting purpose, values, and strategy	1.1 CSR Committee 2.4 Organizational Structure	5 30
102-27	Collective knowledge of highest governance body	2.4 Organizational Structure	30
102-29	Identifying and managing economic, environmental, and social impacts	1.1 CSR Committee	5
102-30	Effectiveness of risk management processes	2.5 Risk Assessment	37
102-32	Highest governance body's role in sustainability reporting	1.1 CSR Committee	5
102-33	Communicating critical concerns	1.1 CSR Committee	5
102-34	Nature and total number of critical concerns	1.3 Identification of Material Topics and Communication	9
102-35	Remuneration policies	2.4 Organizational Structure	30
102-36	Process for determining remuneration	2.4 Organizational Structure	30
102-40	List of stakeholder groups	1.2 Identification of Stakeholders Issues of Concern and Communication	6
102-41	Collective bargaining agreements	4.2 Labor Relations	61
102-42	Identifying and selecting stakeholders	1.2 Identification of Stakeholders Issues of Concern and Communication	6
102-43	Approach to stakeholder engagement	1.2 Identification of Stakeholders Issues of Concern and Communication	6
102-44	Key topics and concerns raised	1.2 Identification of Stakeholders Issues of Concern and Communication	6



No.	Disclosure	Related CSR Section	page
102-45	Entities included in the consolidated financial statements	2.2 Operating Performance	24
102-46	Defining report content and topic Boundaries	Editing Principles	2
102-47	List of material topics	1.3 Identification of Material Topics and Communication	9
102-48	Restatements of information	Appendix 1: Correction Table	80
102-49	Changes in reporting	Editing Principles 1.3 Identification of Material Topics and Communication	2 9
102-50	Reporting period	Editing Principles	2
102-51	Date of most recent report	Editing Principles	2
102-52	Reporting cycle	Editing Principles	2
102-53	Contact point for questions regarding the report	Editing Principles	2
102-54	Claims of reporting in accordance with the GRI Standards	Editing Principles	2
102-55	GRI content index	Appendix 2: GRI Standards Reference Table	82
102-56	External assurance	Editing Principles Appendix 3: Independent Assurance Statement	2 89
*201-1	Direct economic value generated and distributed	2.2 Operating Performance	24
*201-2	Financial implications and other risks and opportunities due to climate change	2.5 Risk Assessment	37
*201-3	Defined benefit plan obligations and other retirement plans	4.3 Employee Benefits	63
*201-4	Financial assistance received from government	2.2 Operating Performance	24
*202-1	Ratios of standard entry level wage by gender compared to local minimum wage	4.1 Labor Structure 4.3 Employee Benefits	57 63
*202-2	Proportion of senior management hired from the local community	4.1 Labor Structure	57



No.	Disclosure	Related CSR Section	page
203-1	Infrastructure investments and services supported	5. Public Benefits	78
204-1	Proportion of spending on local suppliers	2.7 Supplier Management and Evaluation	42
205-1	Operations assessed for risks related to corruption	2.3 Corporate Governance	26
205-2	Communication and training about anticorruption policies and procedures	2.3 Corporate Governance	26
205-3	Confirmed incidents of corruption and actions taken	2.3 Corporate Governance	26
206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	2.3 Corporate Governance	26
301-1	Materials used by weight or volume	3.1 Material management	47
301-2	Recycled input materials used	3.1 Material management	47
301-3	Reclaimed products and their packaging materials	3.1 Material management	47
302-1	Energy consumption within the organization	3.2 Energy Management	48
302-2	Energy consumption outside of the organization	3.2 Energy Management	48
302-3	Energy intensity	3.2 Energy Management	48
302-4	Reduction of energy consumption	3.2 Energy Management	48
*303-1: 2018	Interactions with water as a shared resource	3.3 Water Resource Management	50
*303-2: 2018	Management of water discharge-related impacts	3.3 Water Resource Management	50
*303-3: 2018	Water withdrawal	3.3 Water Resource Management	50
*303-4: 2018	Water discharge	3.3 Water Resource Management	50
*303-5: 2018	Water consumption	3.3 Water Resource Management	50



No.	Disclosure	Related CSR Section	page
304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	There are no environmental protection areas within the organization	86
304-2	Significant impacts of activities, products, and services on biodiversity	There are no environmental protection areas within the organization	86
304-3	Habitats protected or restored	There are no environmental protection areas within the organization	86
304-4	IUCN Red List species and national conservation list species with habitats in areas affected by operations	There are no environmental protection areas within the organization	86
305-1	Direct (Scope 1) GHG emissions	3.4 Greenhouse Gas Management	52
305-2	Energy indirect (Scope 2) GHG emissions	3.4 Greenhouse Gas Management	52
305-4	GHG emissions intensity	3.4 Greenhouse Gas Management	52
305-6	Emissions of ozone-depleting substances (ODS)	3.5 Pollution Prevention Management	54
305-7	Nitrogen oxides (NOX), sulfur oxides (SOX), and other significant air emissions	3.5 Pollution Prevention Management	54
*306-1	Water discharge by quality and destination	3.5 Pollution Prevention Management	54
*306-2	Waste by type and disposal method	3.5 Pollution Prevention Management	54
*306-3	Significant spills	3.5 Pollution Prevention Management	54
*306-4	Transport of hazardous waste	3.5 Pollution Prevention Management	54
*306-5	Water bodies affected by water discharges and/or runoff	3.5 Pollution Prevention Management	54
*307-1	Non-compliance with environmental laws and regulations	2.6 Compliance	40
308-1	New suppliers that were screened using environmental criteria	2.7 Supplier Management and Evaluation	42



No.	Disclosure	Related CSR Section	page
308-2	Negative environmental impacts in the supply chain and actions taken	2.7 Supplier Management and Evaluation	42
*401-1	New employee hires and employee turnover	4.1 Labor Structure	57
*401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	4.3 Employee Benefits	63
*401-3	Parental leave	4.3 Employee Benefits	63
*402-1	Minimum notice periods regarding operational changes	4.2 Labor Relations	61
*403-2 : 2018	Hazard identification, risk assessment, and incident investigation	4.5 Occupational Health and Safety	70
*403-3 : 2018	Occupational health services	4.5 Occupational Health and Safety	70
*403-4 : 2018	Worker participation, consultation, and communication on occupational health and safety	4.5 Occupational Health and Safety	70
*403-5 : 2018	Worker training on occupational health and safety	4.5 Occupational Health and Safety	70
*403-6 : 2018	Promotion of worker health	4.5 Occupational Health and Safety	70
*403-7 : 2018	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	4.5 Occupational Health and Safety	70
*403-8 : 2018	Workers covered by an occupational health and safety management system	4.5 Occupational Health and Safety	70
*403-9 : 2018	Work-related injuries	4.5 Occupational Health and Safety	70
*403-10 : 2018	Work-related ill health	4.5 Occupational Health and Safety	70
*404-1	Average hours of training per year per employee	4.4 Education and Training	68
*404-2	Programs for upgrading employee skills and transition assistance programs	4.4 Education and Training	68
*404-3	Percentage of employees receiving regular performance and career development reviews	4.4 Education and Training	68



No.	Disclosure	Related CSR Section	page
405-1	Diversity of governance bodies and employees	4.1 Labor Structure	57
406-1	Incidents of discrimination and corrective actions taken	4.2 Labor Relations	61
407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	4.2 Labor Relations	61
408-1	Operations and suppliers at significant risk for incidents of child labor	2.7 Supplier Management and Evaluation	42
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	2.7 Supplier Management and Evaluation	42
410-1	Security personnel trained in human rights policies or procedures	4.4 Education and Training	68
411-1	Incidents of violations involving rights of indigenous peoples	4.1 Labor Structure	57
412-2	Employee training on human rights policies or procedures	4.4 Education and Training	68
414-1	Percentage of new suppliers that were screened using criteria for impacts on society.	2.7 Supplier Management and Evaluation	42
414-2	Operations that have been subject to human rights reviews or impact assessments	2.7 Supplier Management and Evaluation	42
*416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	2.6 Compliance	40
417-1	Requirements for product and service information and labeling	2.3 Corporate Governance	26
417-2	Incidents of non-compliance concerning product and service information and labeling	2.6 Compliance	40
417-3	Incidents of non-compliance concerning marketing communications	2.6 Compliance	40
*418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	2.6 Compliance	40
*419-1	Non-compliance with laws and regulations in the social and economic area	2.6 Compliance	40



Appendix 3 : Independent Assurance Statement



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 2019 (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 2019.

The intended users of this assurance statement are stakeholders having relevance to the QST overall Sustainability Performance and impacts of its business activities during 2019 (January 2019 ~ December 2019). 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 AA1000 Assurance Standard (2008) with 2018 Addendum and related standards AA1000 AccountAbility Principles (2018), AA1000 SES (2015), Principles of Inclusivity, Materiality, Responsiveness and Impact, Global Reporting Initiative (GRI), 'In accordance'-Core option" 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 2019 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 Level as per AA1000 Assurance Standard (2008) with 2018 Addendum

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 related to Sustainability performance. Our judgment is based on the objective review of reported and based on the principles defined in the assurance standards, the principles of inclusiveness, materiality, responsiveness and impact, and the integrity of the data provided in the report.

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 15 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 continually sought the engagement of its stakeholders, identify and understand their stakeholder, and use the communication mechanism to identify the material issues and achieve an accountable response.

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. The material issues were completely analyzed and the relative information of sustainable development was disclosed.

Responsiveness:

QST has implemented the policy including environment and safety, hazardous substances, quality, intelligent property management and corporate social responsibility. The report disclosed the management system of the company and stakeholder engagement, responding to their stakeholders against material issues of the sustainable development.

Impact:

QST has identified and fairly represented impacts that were measured and disclosed in effective way. QST has established processes to monitor, measure, evaluate and manage impacts that lead to more effective decision-making and results-based management within the organization.

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 2019 meets the requirement of Type-1, Moderate Level Assurance according to AA1000AS (2008) with 2018 Addendum and Global Reporting Initiative (GRI) , 'In accordance'-Core option" 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.



For TÜV Rheinland Group

Vito Lin

Vito C. C. Lin

Lead Verifier

Taipei, 22 June 2020



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