

2014-2015

Nuvoton Technology

Corporate Social Responsibility Report



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Facing fierce competition in the global semiconductor industry, Nuvoton Technology Corporation upholds the principle of sustainable development. By focusing on its core business and conducting robust research and development, Nuvoton utilizes innovative thinking to stay ahead of the market development trend. With a continuous and steady growth, Nuvoton creating value for employees, shareholders and society.

To achieve sustainable development, Nuvoton is committed to working with all of our stakeholders through the principles of “fairness, justice, and integrity”, while maintaining good channels of communication and complying with all international and domestic regulations. Under the mission of achieving “sustainable operations” and “improvement through innovation”, we seek to fulfill our corporate social responsibility vision of “providing a sense of safety, reassurance, and empathy”. We are committed to integrating sustainability issues into our business strategy. We continue to promote sustainable development projects regarding corporate governance, customer service and supplier management, environment-friendly, best workplace, and Philanthropy in order to create better-operating performance and business value.

Corporate Governance

Nuvoton has sustained its principle of integrity in establishing a robust corporate governance framework. Supervisors effectively supervise the company’s operations, ensuring financial information transparency while instantly revealing important information to prevent internal corruption. At the same time, Nuvoton has a comprehensive internal control mechanism for supervising internal operations, which reduces the company's operational risk while strengthening corporate governance effectiveness.

Customer Service and Supplier Management

Nuvoton values its long-term partnership with its customers and suppliers, and is committed to continuously innovating its products, manufacturing processes, and services. In order to meet customer demand for quality, we implement quality management through quality control, reliability assurance, and failure analysis. We also conduct regular customer satisfaction surveys. For supplier management, Nuvoton has always viewed its suppliers as long-term partners. We actively require suppliers to pay attention to corporate social responsibility issues and enforce corporate social responsibility.

Environment-Friendly

The earth has experienced intense climate change over the last few years. In 2015, Taiwan faced a severe drought, prompting corporations to pay more attention to climate change issues. In response to the issue of water scarcity, Nuvoton has been promoting emergency response measures such as company-wide participation in water-saving and improving the water recovery rate. We are also committed to reducing the amount of impact that the production process has on the environment. Our long-term goal is to create a sustainable environment, and we wish to become a green business partner in sustainable development. In addition to complying with environmental laws, regulations, and international standards, we also strive to eliminate any foreseeable environmental pollution risks through source reduction and other various environmental protection measures to protect the natural environment. In our business operations and activities, we will continue striving to achieve a level of development that balances economic, social, and ecological factors. In 2015, we once again received an advanced program for emission reduction from the Environmental Protection Administration, which totals a carbon equivalent of 5,551 tons, and obtained the “2014 Hsinchu Science Park Corporate Environmental Excellence” Award from the Environmental Protection Bureau of Hsinchu City.

Best Workplace

Healthy and energetic employees are Nuvoton's most important assets because they create the innovation and vitality behind sustainable development. We adhere to the Lohas ideal of "happily working, healthily living". We are committed to taking care of the mental and physical health of employees and their family, and have established various health management and health promotion programs. To help employees concentrate on performance and innovative ideas without worry, we facilitate the complete integration and balanced development of health, family, work, leisure, exercise, and other key pieces of life, thereby creating an excellent work environment that is a win-win for employers and employees. At the same time, we have specially created a friendly work environment for female employees. In addition to promoting more projects that take care of pregnant employees, we have also created a warm nursing room, which obtained Honorary Mention in the 2015 Hsinchu City Nursing Room Competition (Workplace Division). Moreover, Nuvoton obtained the 3rd "Taiwan MITTELSTAND Award" from the Ministry of Economic Affairs and the Bronze Medal in the "Taiwan Corporate Sustainability Report Award" from the Taiwan Institute for Sustainable Energy in 2015.

Philanthropy

In the face of low birth rate and talent gap, we have been actively cultivating campus relationships and planning a number of campus projects. For example, "Nuvoton ARM® Cortex®M Series Microcontroller Educational Platform" University Program, Nuvoton Scholarship Program, and the Talent Cultivation Program provide early cultivation in line with industry needs. This serves to shorten the adaptation period of students entering the workplace, while also strengthening the competitiveness of the IC industry. We also promote various public welfare activities such as second-hand charity sales, year-end donations, and Help Dreams. We hope to do our part in giving back to society, helping disadvantaged groups, and passing on care and warmth.

Looking to the future, our directions and plans are as follows:

- Develop microcontroller products with low power consumption and high performance, and establish green technology products as the focus of our future development
- Create a sustainable supply chain with our customers and suppliers
- Comply with domestic and international environmental laws and regulations, reduce environmental impact, and advance towards a green factory
- Continue to deepen our relationships with schools, and cultivate IC personnel training

We will continue to focus on issues of sustainable development, and move towards the goal of "sustainable development". In our pursuit of operational growth, we also want to fulfill our corporate and civil responsibility, and influence others as a business so we can fulfill our corporate social responsibility vision of "providing a sense of safety, reassurance, and empathy".

Chairman Arthur Yu-Cheng Chiao

俞佑鈞



2. Overview

2.1 About the report

In 2014, Nuvoton voluntarily published its first corporate social responsibility (CSR) report to practice corporate social responsibility. In 2016, Nuvoton issued the 2014 - 2015 CSR report in accordance with GRI G4, the latest standards released by Global Reporting Initiative (GRI). This report provides stakeholders with Nuvoton's efforts and performance in regard to the economy, environment, and society.

Scope

Covering the period from January 1, 2014 to December 31, 2015, this report explains the various aspects to Nuvoton's business and their performance in regard to fulfilling CSR. The financial data of this report is drawn from information listed in consolidated financial statements, which are inclusive of Nuvoton's global subsidiaries (including the United States, Israel, China, Hong Kong, and India). Calculated in New Taiwan Dollars (NTD), the financial statements were audited and certified by Deloitte Taiwan. Other areas of the content, such as corporate governance, environmental protection, and social engagement, are specific to Nuvoton's headquarters in Taiwan

Framework and Guidance

The framework and guidance of this report are based on an analysis of concerns held by Nuvoton's stakeholders, as well as issues considered to be significant during the period covered by this report. We have prepared this report in accordance with GRI G4, the latest standards released by Global Reporting Initiative (GRI). The appendix contains a comparison table of the framework for readers to reference.

Release Notes

2014 - 2015 CSR Report: To be released in November 2016

2017 CSR Report: Scheduled to be released in November 2017

The previous report was released in November 2014. To fulfill CSR in regards to environmental conservation, an electronic copy of this report will be published on the company website. Traditional Chinese and English versions of this report will be available.

Warranty

This report has commissioned an independent third party impartial unit, "SGS Taiwan Ltd.", to verify that the content complies with GRI G4 Core Option and AA1000AS TYPE 1 Assurance Engagement. The third party verification statement can be found in the appendix.

Feedback to the Report

We welcome your suggestions to the content of this report; please contact us at:

Address: No. 4, Creation Rd. Section III, Hsinchu Science Park, Taiwan

Telephone: +886-3-5792771 / Fax: +886-3-5792525

E-mail: CSR@nuvoton.com / Website: www.nuvoton.com

2.2 Communication and Participation of the Stakeholders

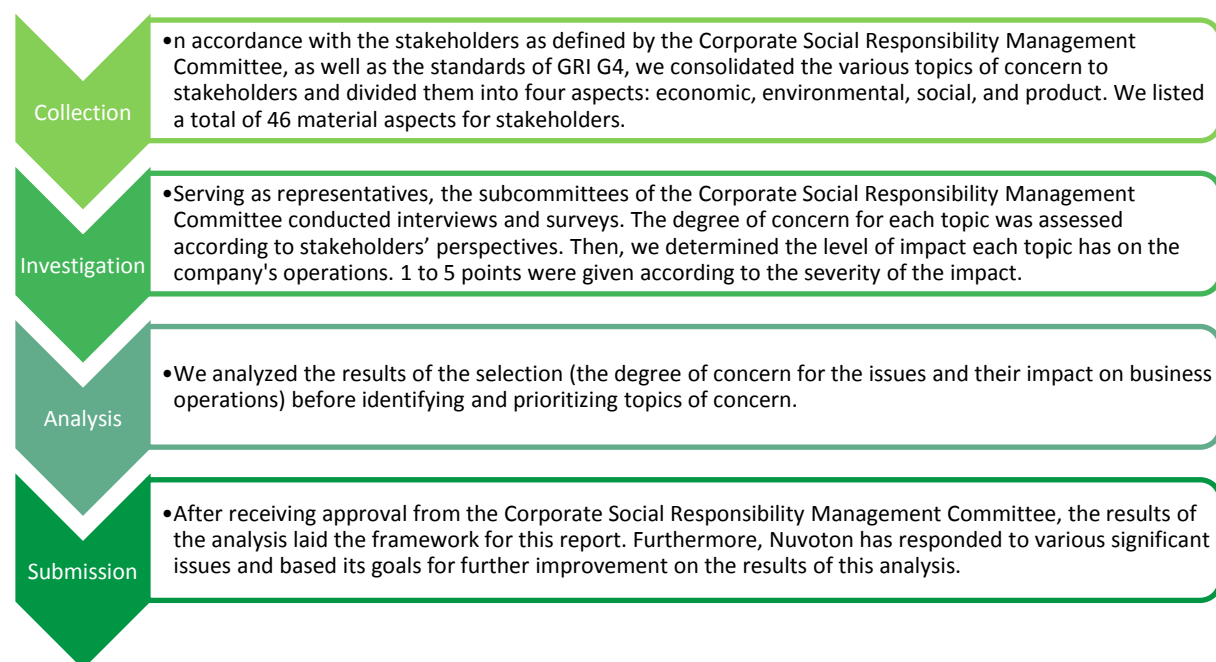
Nuvoton is focused on sustainable management issues as well as communication with stakeholders, so stakeholders are able to more fully understand the actions and efforts that Nuvoton put into corporate social responsibility. Nuvoton provides immediate responses to meet the expectations of stakeholders.

Defining the Stakeholders

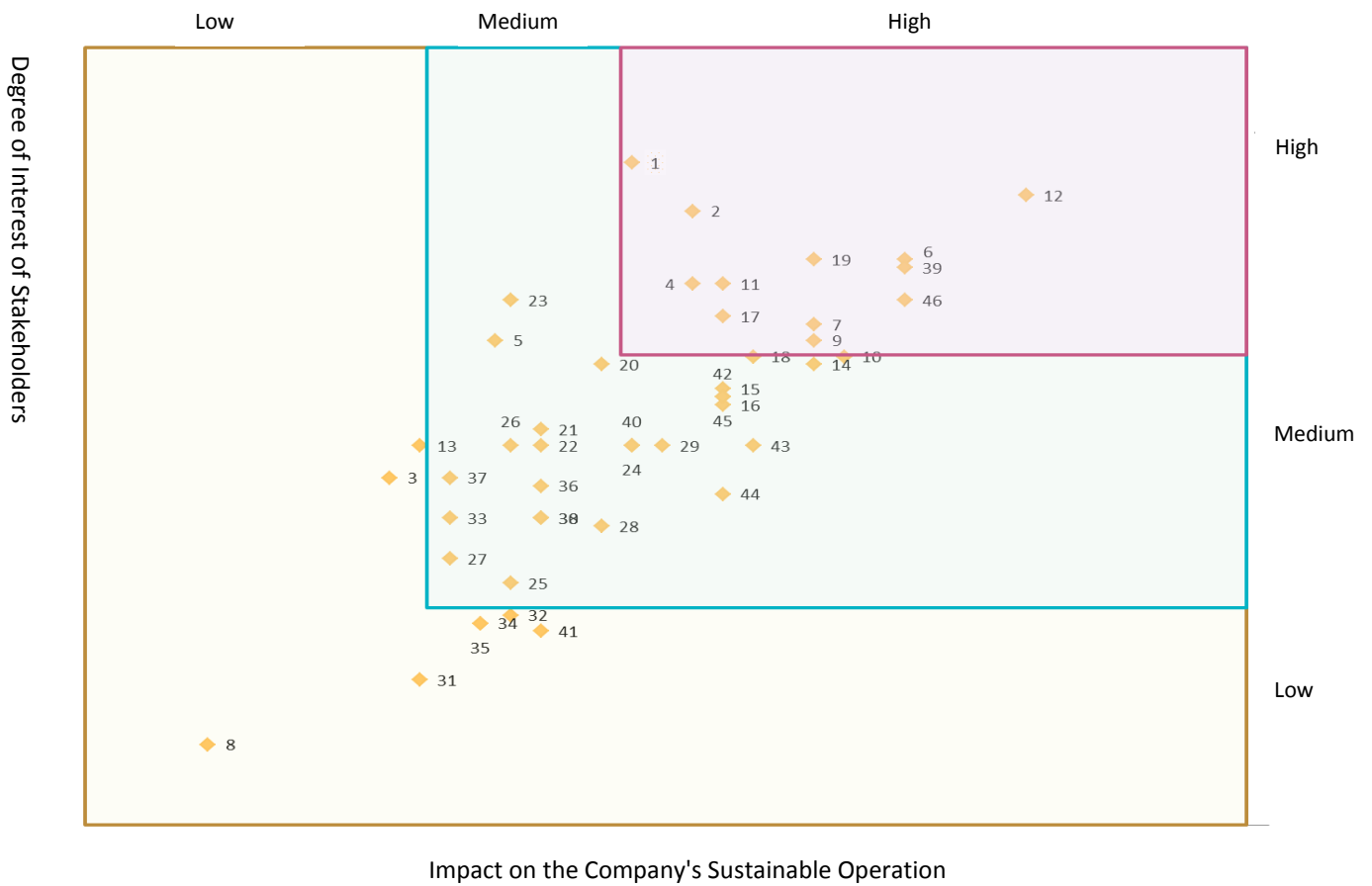
Taking into consideration foreign and domestic sustainable development and organizational operations, Nuvoton's Corporate Social Responsibility Committee defines the main stakeholders of Nuvoton as the following: employees, customers, shareholders, directors and supervisors, suppliers, the government, communities, and media.

Identified Material Aspects

The Corporate Social Responsibility Management Committee has referred to the Electronic Industry Code of Conduct (EICC) and Global Reporting Initiative (GRI) on economic, environmental, social, and product aspects before consolidating 46 topics of concern for stakeholders. The following describes the process for identifying the concerns of stakeholders:



Substantive Analysis Results



Economical Element	Environmental Element	Social Element	Product Responsibility
1.Economic performance	5.Raw Material Management	17.Employer-Employee Relationship	42.Customer Health and Safety
2.Market Status	6.Energy	18.Labor/Capital Relationship	43. Product and Service Markings
3.Indirect economic impact	7.Water Resources	19.Occupational Health and Safety	44.Marketing Communication
4.Procurement Behavior	8.Biological Diversity	20.Training and Education	45.Customer Privacy
	9.Exhaust Emissions	21.Diversification and Equal Opportunity	46.Compliance (Product Responsibility)
	10.Sewage and Waste	22.Equal Wages for Men and Women	
	11.Products and Services	23.Assessment of Supplier Labors	
	12.Compliance with Legal Requirements	24. Grievance Mechanism for Labors	
	13.Transportation	25.Human Rights Assessment of Investing Institutions	
	14.Overall Environmental Status	26.No Discrimination	
	15.Environmental Assessment of Suppliers	27. Freedom of Association and Collective Bargaining	
	16.Appeal Mechanism on Environmental Issues	28.Child Labor	
		29.Forced and Compulsory Labor	
		30.Security Practices	
		31.Aboriginal Rights	
		32.Human Rights Assessment	
		33.Supplier Human Rights Assessment	
		34.Human Rights Grievance Mechanism	
		35.Local Communities	
		36.Anti-corruption	
		37.Participation in Public Policy	
		38.Anti-competitive Behavior	
		39.Regulatory Compliance	
		40.Supplier Assessment for Impact on Society	
		41.Grievance Mechanism for Impact on Society	

Response to the Topics of Concern

This report responds to 23 significant topics of concern for stakeholders, and discloses GRI G4 material aspects, management policies, and related indicators.

According to the substantive analysis results, we identified 14 highly significant topics of concern for stakeholders. Furthermore, after discussion from the Corporate Social Responsibility Committee, we took Nuvoton's internal operating surface into consideration and referred to Electronic Industry Citizenship Coalition® (EICC) for topics of low and medium significance. Then, we included 9 more significant topics for disclosure.

Element	Material Aspect	Within the Organization	Outside of the Organization		
			Government	Suppliers	Academic Units
Economic	Economic Performance	•			
	Market Status	•			
	Procurement Behavior	•		•	
Environmental	Compliance with Legal Requirements	•	•	•	
	Energy	•			
	Sewage and Waste	•	•	•	
	Water Resources	•	•		
	Exhaust Emissions	•	•	•	
	Products and Services	•		•	
	Environmental Assessment of Suppliers	•			
Social	Regulatory Compliance	•		•	
	Occupational Health and Safety	•	•	•	
	Labor/Capital Relationship	•	•		
	Employer-Employee Relationship	•	•		
	Assessment of Supplier Labors	•		•	
	Human Rights Assessment of Suppliers	•		•	
	Supplier Assessment for Impact on Society	•		•	
	No Discrimination	•			
Product	Forced and Compulsory Labor	•			
	Compliance (Product Responsibility)	•		•	
	Product and Service Markings	•			
Other	Good Foods Program	•	•		
	University Program	•			•

2.3 Modes of Communications with the Stakeholders

Nuvoton has collected significant topics of concerns for stakeholders, establishing a diverse and open communication channel so it can provide immediate responses to the expectations and recommendations of stakeholders. Nuvoton also has a corporate social responsibility email, csr@nuvoton.com, so internal and external stakeholders can put forward corporate social responsibility issues.

Stakeholders	Topics of Concern	Communication Channels	Communication Frequency
Employees	Employer-Employee Relationship Labor/Capital Relationship Occupational Health and Safety	Labor-Management Meeting	Quarterly
		Executives Quarterly Meeting	Quarterly
		Executives Management Sharing Meeting	Quarterly
		Employee Welfare Committee	Quarterly
		Employee Complaint Box	Irregularly
		Grievance Mailbox and Hotline	As Needed
		Intranet	Irregularly
		Irregular Meetings within the Organizations	Irregularly
Customers	Customer Privacy Customer Health and Safety Products Responsibility - Compliance	Training Courses	Irregularly
		Customer Satisfaction Survey	Yearly
		Customer Survey or Site Audit	Irregularly
		Company Website – Members Zone	Irregularly
		Technical Seminar	Irregularly
Shareholders	Economic Performance Market Presence Procurement Practices	Phone and Email	As Needed
		General Shareholders' Meeting	Yearly
		Investor Conference	Half-yearly
		Financial Annual Report	Yearly
Directors and Supervisors	Products Responsibility - Compliance Economic Performance Environmental - Compliance	Company Website	Irregularly
		Board of Directors Meeting	Quarterly
Suppliers	Procurement Practices Products Responsibility - Compliance	Supplier Evaluation	Half-yearly
		Supplier CSR Questionnaire Survey	Yearly
Government	Compliance Environmental - Compliance Effluents and Waste	Official Notice	Irregularly
		Legal Rules Conference	As Needed
		Communication with the Competent Authorities through the Allied Association for Science Park Industries	As Needed
Communities	Effluents and Waste Emissions	Company Website	As Needed
		Email	As Needed
Media	Market Presence Economic Performance Marketing Communication	Press Conference / Irregular Interview	Irregularly
		Press Release	Irregularly
		Company Website	Irregularly

3. About Nuvoton

3.1 Company Introduction

In 2008, Nuvoton was founded to provide innovative solutions for the semiconductor industry. In July of that year, it was spun-off from Winbond Electronics Corporation Logic IC business unit and officially launched its own operations. In 2010, Nuvoton became publicly listed on the Taiwan Stock Exchange. With a focus on the development of analog/mixed signal, microcontroller, and cloud computing-related IC products, the company holds a leading position in the industrial electronics, consumer electronics, and computer markets. Furthermore, Nuvoton owns a semiconductor foundry that provides customized processes for analog, power, and microcontroller products. Apart from its in-house IC products, Nuvoton also offers a part of its capacity for foundry services.

Nuvoton provides products with high performance/cost ratio for its customers by leveraging flexible technologies, advanced design capabilities, and the integration of digital/analog technologies. Nuvoton values long-term collaborative relationships with its customers and partners, and strives for continuous innovation in its products, processes, and customer services. Based in Hsinchu, Nuvoton also has subsidiaries in the U.S.A., China, and Israel to strengthen regional customer support and facilitate global operations management. In September 2014, Nuvoton established a subsidiary in India, providing customers in India with more comprehensive sales services and technical support.



Founded	2008
Capital	NTD 2.075 Billion
Main Products and Technologies	Our operational focus lies in the design and sales of integrated circuits, as well as the foundry industry.
Number of Employees	1,313
Headquarters Address	No. 4, Creation 3rd Road, East District, Hsinchu City, Taiwan

3.2 Nuvoton's Vision

Vision

Joy of innovation

Due to the development of semiconductor technology, the breakthrough in transmission bandwidth and the popularity of information sharing has caused cloud computing to become the developmental focus of digital life. With worsening global warming, limited natural resources, and the pressure to maintain an ecological balance, green technology has become the key to sustaining human civilization. We can experience infinite possibilities in the aforementioned development space. With courageous, like-minded partners that love learning, our organization is a passionate and creative team, constructing a competitive advantage with innovation as its core. Nuvoton is committed to creating a happy work environment where employees can have the freedom to imagine and invent, as well as achieve their ideals or learn from failure. The purpose of innovation is to create user value. The manifestation of value is not confined to a single form or source. We set out to create innovation with our customers and partners, driving the development of our industry, while giving back to our employees, shareholders, and community so we can share the joy of innovation.

3.3 Innovative Technology and Products

Nuvoton's operational focus lies in the design and sales of integrated circuits (IC), as well as the foundry industry. General purpose IC remains the principal item of Nuvoton's integrated circuits, and the scope of application is extensive, including microcontrollers (MCUs), audio products, and cloud computing products. In addition, the company also owns a 6" wafer fab with monthly production capacity for 45,000 pieces featured with a diversity of process capacity for foundry service.

- General purpose IC: General purpose IC products include microcontroller (MCUs), audio products, and cloud computing products.

Microcontroller

Microcontrollers (MCUs) are applicable to a diversity of markets. Nuvoton's MCU products include the 8-bit product line and 32-bit product line. The 32-bit MCU utilizes ARM® Cortex®-M0, ARM® Cortex®-M4, and ARM® 9 as its core. Its targeted markets are the Internet of Things, health care electronic products, wearable devices, industrial application, consumer electronics and smart water meters / electricity meters / heat meters / gas meters. ARM® 9 MCU utilizes Linux as the application platform, with an emphasis on human-machine interface, security monitoring and control, wireless sound transmission, multimedia dissemination, network management, and data exchanges. The 8-bit MCU utilizes 8051 as its core, and is applicable to home appliances, information electronic products, industrial electronic products, and automobile electronic products. The built-in touch and LCD driver series is particularly suitable for light and thin household electrical appliances, such as electric pots, thermostats, coffee machines, range hoods, and induction cookers.



Audio Products

We are actively invested in applying our audio products to the Audio CODEC in portable tablets, so we can provide Audio CODEC with high sound quality that integrates Class F Headphone Amplifiers and Class D Speaker Amplifiers. It is expected to have a certain market share in the tablet industry in the upcoming years. Furthermore, with the 4/8-bit ARM® Cortex®-M0 MCU as the core, our audio products provide perfect integration of product and performance, and are also applicable to interactive toys, and portable and wearable voice products. Nuvoton also offers highly integrated audio products that can be applied to automotive instrument voice prompts, audio automotive amplification, medical equipment voice prompt output, security and monitoring audio input / output equipment, machine to machine (M2M) audio input / output, and broadcasting in industrial markets. The user-friendly program interface enables the customers to easily create digital playback voice alerts and information services. Furthermore, this product can also be integrated with the audio products of landline telephone systems, personal emergency communication systems, docking stations, and home security monitoring and control systems.

Cloud Computing Products

Nuvoton has provided a wide variety of products in both the “cloud” and “computing” markets. For “cloud”, we offer baseboard management controllers (BMCs), voltage and signal converters, hardware monitoring chips, and other related IC products to meet the high manageability and high quality requirements in servers and data centers. For “computing”, our products include the super I/O, highly integrated embedded controllers, temperature sensors, trusted platform module security chips, power control chips in personal computers and smart devices. By providing both the software and firmware needed for the chips mentioned above, Nuvoton offers a complete level of service to satisfy the needs of its customers. Furthermore, Nuvoton has partnered with world-class computer manufacturers and OEM/ODM vendors to develop application specific standard products (ASSP) and solutions.

Semiconductor Foundry

Nuvoton owns an advanced 6” semiconductor foundry. With more than 20 years of experience in wafer fabrication, the foundry continues to provide a long-term and stable production capacity, excellent product quality, and timely deliveries. Nuvoton provides foundry services for wafers above 0.35um, including generic logic, mixed signal, high voltage, ultra high voltage, power management, Mask ROM, embedded logic non-volatile memory, and customized manufacturing (e.g, IGBT, MOSFET, TVS, Sensor). Our foundry industry - which simultaneously has testing facilities, failure analysis laboratories, strong R&D teams, and turn key services - is a professional foundry fabrication plant that creates added value, an indispensable partner for our clients who must compete in this market.



Market Analysis

Nuvoton's main products are sold across the world. Asia was the main sales region between 2014 and 2015. Our 32-bit ARM® Cortex®-M0/M4, ARM® 7/9 and 8-bit MCU, and audio products are very competitive and widely praised by the market, possessing a certain market share with a stable growth rate. Major customers include well-known domestic and foreign manufacturers of consumer, industrial control, and communication products. Launched in 2010, the 32-bit Cortex®-M0 MCU has released more than 200 products to date. The new generation Cortex®-M4 MCU products began mass production in 2014. In emerging areas such as automotive applications and audio decoders, there have been increased shipments in audio products to our main domestic and foreign customers. Our audio products currently hold a certain market share.

For computer and cloud application products, Nuvoton's motherboard Super I/O, laptop EC, and trusted platform module (TPM) are ranked among the top third in terms of market share. Our main customers include international computer brand manufacturers, renowned Asian computer brands, and OEM manufacturers. Nuvoton obtained the FIPS (Federal Information Processing Standards) certification in 2015, becoming only TPM IC supplier in the world to have FIPS, Common Criteria EAL4+, and TCG (Trusted Computing Group) certification at the same time. It is evident that the quality and reliability of Nuvoton's security products have been unanimously approved by international standards.

- Proportion of Main Goods (Services) Sales (Supply) by Region

Sales Region	2014	2015
Asia	90%	91%
America	7%	6%
Europe	2%	2%
Other	1%	1%
Total	100%	100%

- Production Value Table

Unit: Production Capacity (Thousand) / Wafer (Thousand) / Die (Thousand) ; Thousand NTD

Main Commodity	Production capacity (Note)	2014			Production capacity (Note)	2015		
		Output		Output Value		Output		Output Value
		Wafer	Die			Wafer	Die	
General Purpose IC		-	606,017	2,733,138		-	615,294	3,062,416
Foundry	480	296	-	1,071,223	480	279	-	1,016,636
Other		-	-	3,208		-	-	5,748
Total		296	606,017	3,807,569		279	615,294	4,084,800

Note: Production capacity is expressed through 6" wafers.

3.4 Current Status and Development of the Industry

General Purpose IC

The MCU application product market is still in its growth stage. The demand for various levels of MCU is continuing to rise. With a rapidly growing demand, the 32-bit ARM® Cortex®-M core MCU is still the hottest platform in the market now, largely owing to its low power consumption and high performance advantages, as well as its complete ecosystem and broad user demographic. Due to its safety, reliability, and cost advantages, the 8-bit MCU is the developmental cornerstone of the market. In conclusion, the hottest growth application areas in the MCU market include the Internet of Things, wearable devices, health monitoring devices, smart homes, wireless charging, motor control, and fingerprint identification.

In recent years, human machine interaction (HMI) has set off waves of revolution and innovation in audio product-related industries. For example, “Always On” integrates voice recognition and voice search, as well as the natural language user interface (NLUI) that is present in mobile phones, tablets, the Internet of Things (IoT), wearable devices, and other such items. Nuvoton’s audio products are moving towards diversified innovative products. In 2015, Nuvoton’s audio products have developed many items for end users.

In addition to being deeply rooted in the daily lives of most people, cloud platforms and its applications have also become an indispensable basic business behavior for corporations. Smartphones, wearables devices, smart homes, big data, cloud integration services, and other related applications are becoming more popular, and this industry is progressing well in terms of development. Mainland China has benefited from policies and regional needs. The Chinese market and its partners have seen exponential growth. For product application, professional customized systems are now being employed by servers, data centers, and edge computing to enhance performance.

Semiconductor Foundry

According to the statistics of Market Intelligence & Consulting Institute (MIC), the gross output of Taiwan’s semiconductor industry amounted to NTD 2.1616 trillion in 2015, marking a slight growth rate of 0.9%. The growth rate is estimated to stabilize in 2016, and the gross output is expected to reach NTD 2.2135 trillion, up 2.4% from 2015. The overall performance is expected to be relatively better than the global performance. However, due to the merging trend in 2015, Nuvoton has been actively collaborating with important semiconductor supply chain partners to create competitive policies to create new product applications and markets. To continue developing the world’s fastest growing market – the Chinese market, Nuvoton has been actively establishing its foundry services in China and other parts of Asia.

3.5 Responsibility to Our Investors

With innovation as the foundation for its operational guidelines, Nuvoton is committed to the development of new fields of application, and the expansion and strengthening of the company’s capacities and technologies. Nuvoton’s operational strategies and financial policies have always been focused on protecting and increasing investment value for our long-term investors. Every year since Nuvoton became publicly listed in 2010, we have been continuously creating value for investors through dividend payouts and the maintenance of a stable financial structure.

To quickly share material information with our investors, we host investor conferences every quarter to enhance communication and help them fully understand our quarterly financial figures and business condition. After the event, video recordings of the conference are uploaded to our website to serve as a reference. Additionally, major company activities, important events, and other related information can be found on the Nuvoton's official website (<http://www.nuvoton.com/>).

3.6 Financial Performance

Nuvoton's 2015 consolidated revenue amounted to NTD 7.313 billion, up 7.2% from 2014; consolidated net profit before tax amounted to NTD 572 million, up 36% from 2014.

For both 2015 and 2016, Nuvoton allocated earnings from the previous year. For these two years, the earnings per share was 1.2 NTD and 1.8 NTD, respectively. For 2014 and 2015, the earnings per share was 1.65 NTD and 2.26 NTD, respectively.

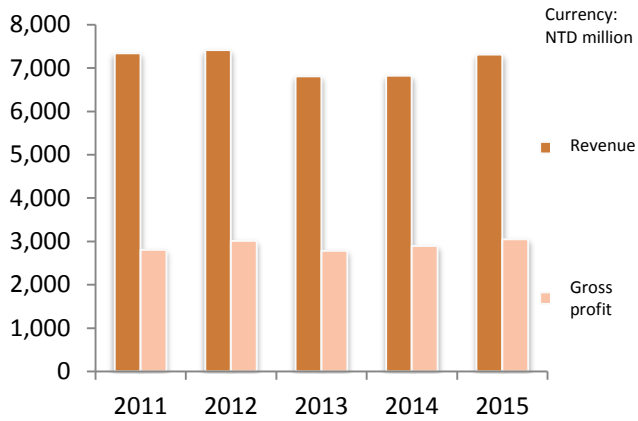
Unit: Million NTD

	2011	2012	2013	2014	2015
Operating revenue	7,342	7,413	6,809	6,822	7,313
Operating cost	4,536	4,398	4,023	3,926	4,263
Gross profit	2,806	3,015	2,786	2,896	3,050
Profit before income tax	552	777	498	421	572
Income tax expense	126	147	239	77	103
R&D expense	1,693	1,757	1,783	1,973	1,970
Employee benefits expense	2,112	2,147	2,207	2,255	2,348
Donation expense	4,360	4,814	4,896	4,894	5,292
Total assets	703	736	643	731	921
Retained earnings	2,795	2,845	2,807	2,914	3,122

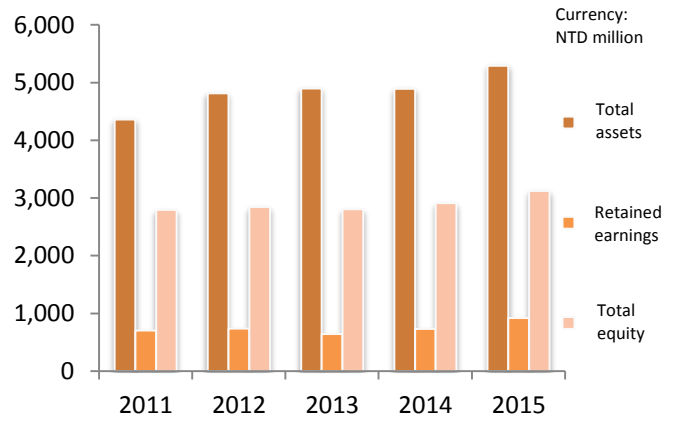
Note 1: The 2011 financial performance was prepared in accordance with Taiwan's Generally Accepted Accounting Principles (R.O.C. GAAP).

Note 2: Nuvoton has adopted the International Financial Reporting (IFRS) Standards (recognized by the Financial Supervisory Commission) starting from 2012.

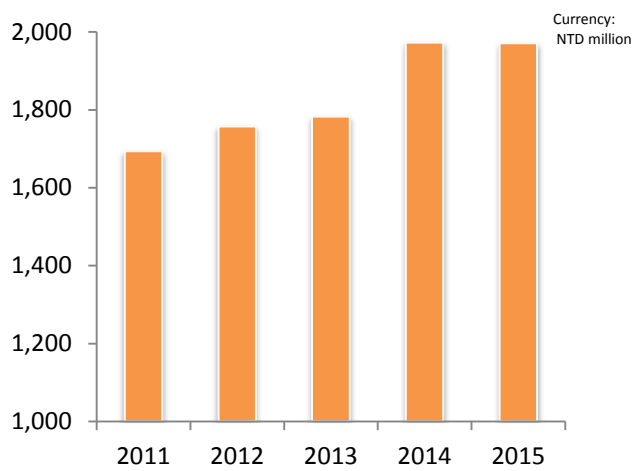
Consolidated Revenue and Gross Profit



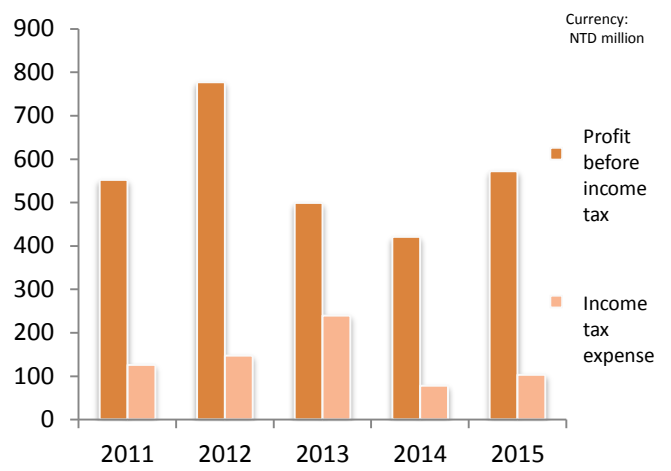
Consolidated Assets, Retained Earnings, and Total Equity



Consolidated R&D Expense



Consolidated Profit before income tax and income tax expense



3.7 Association (Guild) Membership

Nuvoton actively participates in industry associations, guilds, and technology alliances to obtain the industry's latest technology and establish good relationships with relevant units, contributing to the overall development of the industry.

The external organizations that Nuvoton are involved with during 2014 – 2015 are as follows:

Item	Name of Association (Guild)	Membership
1	The Allied Association for Science Park Industries	●
2	Taiwan Electrical and Electronics Manufacturers' Association	●
3	Micro Sensors and Actuators Technology Consortium	●
4	Power Electronics Systems Consortium	●

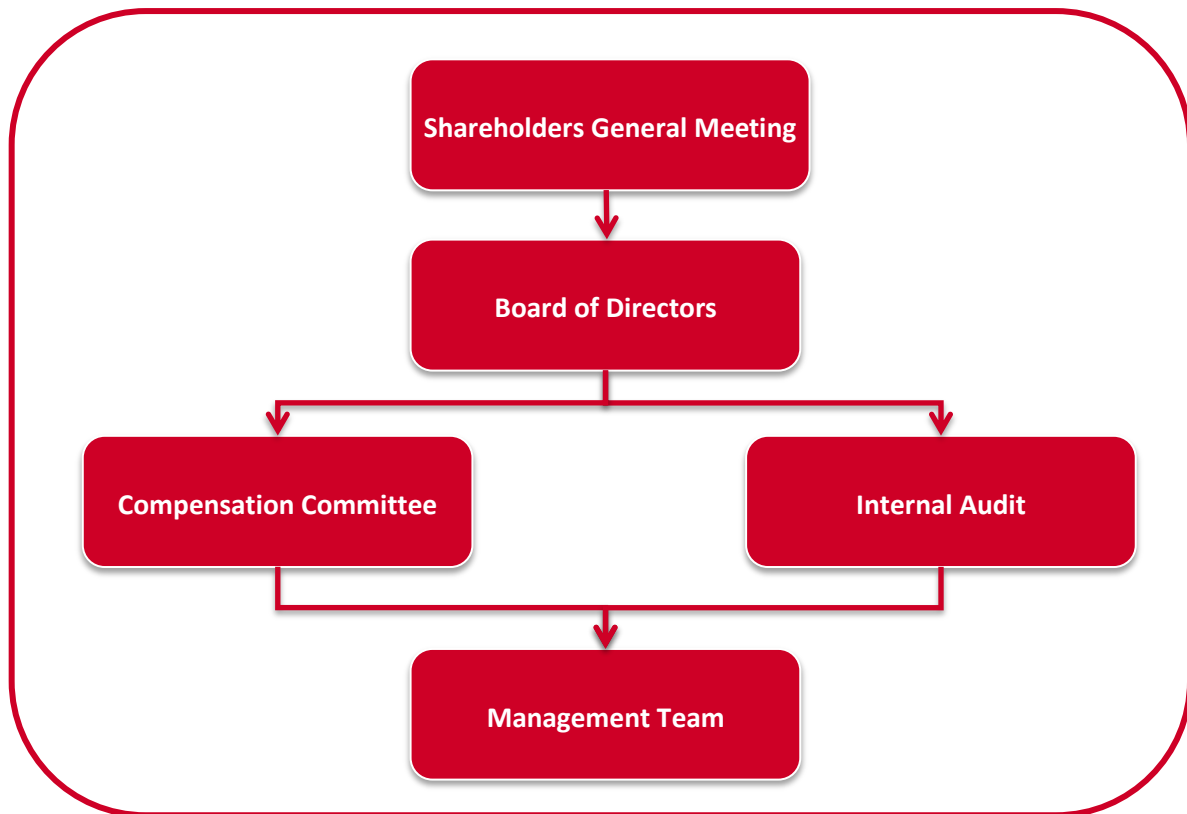
3.8 Awards and Honors

In addition to performing exceptionally well in its main area of business, Nuvoton has also obtained many honors and awards. The awards received between 2014~2015 are listed in the table below:

Year	Awarding unit	Name of Award
2014	Ministry of Economic Affairs	The 3rd "National Industrial Innovation Award"
	Ministry of Economic Affairs	The 3rd "Taiwan MITTELSTAND Award"
2015	Bureau of Foreign Trade	2014 Award for International Trade Outstanding Export/Import Business Certificate
	Environmental Protection Administration	Advanced Program for Emission Reduction totaling 5,551 tons of carbon
	Environmental Protection Bureau of Hsinchu City	Hsinchu Science Park Corporate Environmental Excellence Award
	Hsinchu City	Honorary Mention, Nursing Room Competition (Workplace Division)
	Taiwan Institute for Sustainable Energy	Bronze Medal in the "Taiwan Corporate Sustainability Report Award"

4. Corporate Governance

4.1 Corporate Governance Framework



4.2 Board of Directors

4.2.1 Organization of the Board of Directors

Nuvoton' Corporation's board of directors is comprised of eleven directors and supervisors with professional backgrounds and technical experience. We rely on the knowledge, personal insight, and business acumen of each director in assuming responsibility for the operation and supervision of the company. After re-election of the board in 2013, there are now nine directors (including three independent directors) and three supervisors. More than half of the directors are not manager-level personnel from the company, which helps strengthen the framework of corporate governance. The members are listed in the table below.

The term of office for the 4th board of directors expired in 2016. Nine directors were elected in the 5th board of directors on June 15 of the same year (including three independent directors), and Nuvoton abolished the supervisory system and established the Auditing Committee.

Title	Name	Positions in Nuvoton and Other Companies
Chairman	Representative of Winbond Electronics Corp.: Arthur Yu-Cheng Chiao	Chairman of Nuvoton; Chairman and Chief Executive Officer of Winbond Electronics Corp.; Chairman of Chin Xin Investment Co., Ltd.; Vice Chairman of Walsin Lihwa Corporation; Director of Walsin Lihwa Holding Co., Ltd.; Concord Industries Ltd., Walsin Technology Corp., United Industrial Gases Co., Ltd, Jin Cheng Construction Corporation, Song Yong Investment Corporation, Miao Wang Lian Xin Corporation, Winbond Electronics Corp. America, Landmark Group Holdings Ltd., Winbond Int'l Corp., Newfound Asian Corp., Peaceful River Corp., Baystar Holdings Ltd., Nuvoton Investment Holding Ltd., Marketplace Management Limited, Pigeon Creek Holding Co., Ltd.; Independent Director of Taiwan Cement Corporation and Convener of the Salaries and Remuneration Committee; Independent Director of Synnex Technology International Corporation and Member of the Salaries and Remuneration Committee; Manager of Goldbond LLC ; Supervisor of MiTAC Investment Holding Co., Ltd.
Director	Robert Hsu	President and Chief Technology Officer of Nuvoton; Director of Winbond International Corporation, Landmark Group Holdings Ltd., Winbond Electronics Corporation Japan, Baystar Holdings Ltd., Nuvoton Electronics Technology (Shenzhen) Ltd, Nuvoton Technology Corp. America, Nuvoton Technology Israel Ltd., Nuvoton Investment Holding Ltd., Marketplace Management Limited, Pigeon Creek Holding Co., Ltd.; Supervisor of Walsin Lihwa Corporation
Director	Winbond Electronics Corp. Representative: Ken-Shew Lu	President, CEO and Director of Diodes Inc.; Chairman of LedEngin, Lorenz, Director of LiteOn Technology Corp.
Director	Winbond Electronics Corp. Representative: Yung Chin	Chief Executive Officer of Winbond Electronics Corp; Chairman of Winbond Electronics (HK) Ltd, Sung Chi Holding Co., Ltd., Supervisor of Winbond Electronics Corp. America, Newfound Asian Corporation, Peaceful River Corporation, Nuvoton Electronics Technology (HK) Ltd., Ching An Investment Co., Ltd., You Hsiang Investment Co., Ltd., Winbond Electronics Corporation Japan, Winbond Electronics (Suzhou) Co., Ltd., Nuvoton Electronics Technology (Shanghai) Ltd.
Director	Wei Chi-Lin	Director of AcBel Polytech Inc.; Independent Director of Inventec Besta Co., Ltd., Sinbond Electronics Co., Ltd., Formosa Plastics Corporation.
Independent Director	Allen Hsu	Chairman of Hestia Power Inc., AccelStor Inc., Yi Zhong Technology Co., Ruida Management Consulting Co., Director of Innodisk Corporation, Acme Electronics Corporation, Anderson Industrial Corp., Pilot Electronics Corporation, ANZ Bank (Taiwan) Ltd., Winbond Electronics Corp.; Independent Director of Microbase Technology Corporation
Independent Director	Royce Yu-Chun Hong	Chairman and President of IPVEO Corporation; Chairman of Xrange Co., Ltd, Xing Mobility Inc.; Director of Lung Chun Investment Co., Ltd.; Managing Director of Panasonic Taiwan Co., Ltd.; Supervisor of Yu Chi Venture Capital Co., Ltd, National Electric Appliance Co., Ltd.
Independent Director	David Shu-Chyuan Tu	Vice President Group Business Development & Strategy of Synnex Technology International Corp.; Director of BestCom Infotech Corp.
Supervisor	Lu-Pao Hsu	Independent Director of Diodes Incorporated
Supervisor	Chao-Ming Mong	Vice President of China Development Financial Holding Corporation; Chairman of CDC Finance & Leasing Corp.; Director of CDIB Capital Management Corporation.
Supervisor	Chin Xin Investment Co., Ltd. Representative: Lai Yang-Kun	N/A

Data as of December 31, 2015

4.2.2 Board Member Responsibilities

Nuvoton's board of directors is responsible for defining the company's operating principles, long-term and short-term plans for development, and annual business plan, as well as approving budgets and supervising the execution of company policies. The board's primary responsibility is to monitor compliance, financial transparency, the immediate reveal of important information, internal corruption, and other such areas. To fulfill its oversight responsibilities, the board has established a variety of organizations and avenues, such as a compensation committee and internal auditors.

The second responsibility of the board is to provide guidance for the management team. The board regularly listens to the management team's quarterly report. Management-level employees must report company strategies to the board, and the board must determine their likelihood of success. Furthermore, the board must examine the progress in implementing policies, and urge the management team to make adjustments when necessary.

The third responsibility of the board is to assess the performance of the management team and appoint or dismiss managers. The company maintains a productive channel of communication between management-level employees and the board of directors. By executing business operations according to the board's instructions, Nuvoton is able to act in the best interests of shareholders.

4.2.3 Compensation Committee

Members of the Compensation Committee are appointed by the board of directors. Through a professional and objective perspective, this committee assesses the level of compensation for directors, supervisors, and managers of the company according to defined policies and systems, and makes recommendations to the board to serve as reference for its decisions. According to the "Compensation Committee Charter", the committee must be comprised of three or more members. Currently comprised of three independent directors, the company's Compensation Committee holds a general meeting at least once every six months. The committee's articles of association are published on the company's website.

4.3 Corporate Social Responsibility Committee

Nuvoton established the Corporate Social Responsibility Management Committee in 2012 to improve the management of corporate social responsibility. The committee is responsible for corporate social responsibility policies, systems, and related management policies, as well as the formulation, implementation, and promotion of plans.

The chairman has designated a high-level supervisor to serve as the chair of the committee to convene functional groups that are responsible for promoting and implementing corporate social responsibility policies. Each year, the Corporate Social Responsibility Committee will set CSR performance objectives and project implementation measures. A regular meeting is held every six months to examine corporate social responsibility compliance and the implementation results of the various programs.



4.4 Code of Ethics and Internal Auditing System

4.4.1 Abiding by Moral Values

Nuvoton complies with domestic and foreign ethics laws and regulations, and pays close attention to updates or changes made to regulations and decrees. Nuvoton regularly stipulates or amends internal related work practices or measures. “Corporate Social Responsibility Best Practice Principles”, “Ethical Corporate Management Best Practice Principles”, “Integrity Management Breach Measures”, and “Corporate Social Responsibility Code of Conduct” require Nuvoton’s overall operating activities to comply with relevant laws and regulations.

Under Nuvoton’s Corporate Social Responsibility Code of Conduct, Ethical Business Conduct Guidelines (hereinafter referred to as “Guidelines”) are defined that require all employees of Nuvoton to abide by the highest standards of integrity, and to ensure compliance with all laws and regulations. The guidelines are as follows:

- Comply with all relevant government regulations and international norms.
- Ensure business integrity, and prohibit all acts of bribery, corruption, extortion, and embezzlement.
- Do not offer or accept improper benefits, and avoid conflicts of interest.
- Emphasize corporate governance, disclose company information in accordance with laws and regulations, and avoid being hypocritical.
- Comply with principles of good faith and fair trade. Do not conduct exaggerated/false advertising and marketing.
- Provide a safe and healthy working environment.
- Implement “Customs-Trade Partnership Against Terrorism (C-TPAT)” program guidelines in daily operations.
- Respect internationally-recognized labor principles and rights. Do not hire people under the ages of 15 or involuntary personnel (through coercion, mortgage, debt, indentured servitude, enslavement, or human trafficking).
- Ensure that all employees enjoy equal rights without discrimination.
- Do not harass, unlawfully discriminate, coerce, or inhumanely treat employees (including prospective employees).
- Do not use internationally banned substances in the production processes.
- Comply with all relevant environmental protection regulations and laws.
- Respect intellectual property rights and protect the personal information of those who do business with us.
- Require suppliers to comply with all relevant laws while emphasizing corporate social responsibility.
- Do not use "conflict minerals" (minerals from countries that use "exploitative labor" practices) or suppliers who do so.

Nuvoton has also established many grievance channels, including a physical opinion box and an Internal Disclosure of Illegal Activity Mailbox. When inappropriate or illegal conduct is found, internal or external personnel can use this mailbox to report anonymously or non-anonymously. An ad hoc group will start an investigation when a grievance is filed. There have been no grievance cases between 2014 - 2015.

4.4.2 Internal Auditing System

Nuvoton has set up an internal auditing unit under the board of directors. In accordance with the company size, business conditions, management needs, and other relevant laws and regulations, Nuvoton has appointed a total of two full-time internal auditors. Nuvoton established its internal control system according to laws and regulations, and stipulated internal auditing implementation regulations in accordance with the internal control system, implementing and examining the existing control system, the effectiveness of the procedures, and the degree of compliance. The scope includes all Nuvoton operations and subsidiaries.

The internal auditing unit operates according to the auditing plans, which are stipulated in compliance with the risk assessment results and approved by the board of directors. Recommendations for improvement are made into an audit report for the shortcomings of the internal auditing system and regularly reported to the board of directors.

The internal auditing unit reviews Nuvoton's internal control system and various operations through the aforementioned auditing work, assisting the board and the management in confirming the completion of operations, reports, compliances, and other related targets. The operational effectiveness and efficiency include achieving operational and financial performance objectives, maintaining asset security, and ensuring the reliability, timeliness, and transparency of internal and external financial and non-financial reporting, as well as its compliance with related laws and regulations.

The internal auditing unit supervises the various units and subsidiaries in their annual self-inspections of the effectiveness of their internal control systems. Then, the internal auditing unit reviews the self-inspection reports of all units and subsidiaries, as well as the effectiveness of their internal control systems. The consolidated self-inspection results serve as a basis for the board and president in their Internal Control Systems Statement.

4.5 Regulatory Compliance

Nuvoton has customers from all over the world. To ensure the implementation of integrity management and regulatory compliance, we continue to pay attention to domestic and foreign policies and regulations that may affect Nuvoton's businesses and finances. We also regularly promote the core values of integrity management.

Nuvoton complies with the Company Act, Securities and Exchange Act, Business Entity Accounting Act, Political Donations Act, Anti-Corruption Act, Fair Trade Act, and other related laws. Furthermore, Nuvoton has stipulated corporate governance rules and procedures for employees to follow.

Corporate Governance Rules and Procedures

- Articles of Association
- Procedures for Acquisition or Disposal of Assets
- Procedures for Conducting Financial Derivatives Transactions
- Regulations Governing Endorsements and Guarantees
- Procedures for the Lending of Capital
- Charter of the Salaries and Remuneration Committee
- Rules of Procedure for Shareholders Meetings
- Procedures for Handling Material Inside Information
- Rules for Remuneration and Performance Assessment of Directors and Supervisors
- Corporate Governance Best Practice Principles
- Ethical Corporate Management Best Practice Principles

Nuvoton launches compliance-related programs and courses for employees to learn about the latest laws and regulations. Nuvoton employees can check relevant training course information and promotional materials on the internal website to further ensure our commitment of compliance.

4.6 Risk Management

Financial Risk Management

Financial risks that Nuvoton may encounter include insufficiency of a bank's financing facilities which influences the financing of company funds, fluctuations in interest and exchange rates, and the capture of cash flow and liquidity. In response to these potential problems, we have implemented the following countermeasures:

- Banks: Maintain regular communication with banks. Appropriately increase standby credit to prepare for contingencies.
- Funds: Assess the supply and demand of funds in the market, as well as changes in interest rates. Carefully choose funding modalities. Use principles of natural hedging. When exchange rates undergo large fluctuations, supplement with hedging to reduce exchange rate risk.
- Business: Reduce receivables turnover period. Reduce inventory holding period in production.

Information Security Management

Nuvoton values information security greatly. A specialized information security representative stipulated the Confidential Security Code for employees. For physical security, each region is equipped with multiple mechanisms of access control for restricted access. Furthermore, Nuvoton became the first IC design company in the Chinese region to obtain Common Criteria EAL4+ certification. For network and data security, Nuvoton has established relevant management practices, as well various information security protection measures.

Managing Risks to Health and Safety

Nuvoton established an internationally-recognized "Occupational Health and Safety Management System" (OHSAS 18001) in 2001. The system was then certified by an accreditation body in 2008. Nuvoton has always abided by the regulations of the Occupational Health and Safety Management System, domestic laws and regulations, and the requests of stakeholders. Through evaluating the operational procedures of activities, products, service needs, energy usages, resources or materials of each unit, as well as the environmental impact, personnel safety, and health and environmental safety that could be caused by various operations and product life cycles, Nuvoton conducts hazard identification and risk assessment. Furthermore, the company uses the Plan-Do-Check-Action (PDCA) approach to systematically monitor and improve effectiveness, to ensure the safety and health of the workplace, and to establish long-term excellence through a progressive culture of safety and health. Nuvoton looks forward to continue strengthening its overall performance to achieve its vision - "A good business is driven by a workplace comprised of healthy, happy bodies, minds, and spirits."

In regards to potential risks to overall health and safety, Nuvoton has been conducting analyses through hazard identification, risk assessment, and other such elements. The potential hazards covered by the analyses can be summarized as follows: machinery and equipment, workplace noise, workplace safety for employees and vendors, chemical storage and usage, fires, storms, floods, earthquakes, natural disasters and other such risks.

Supplier Risk Management

Vendors with stable levels of supplies are an important part of maintaining competitiveness. With current degrees of globalization, a natural disaster or accident might affect the stability of the entire supply chain. As a result, we uphold the principle of "many suppliers from many locations" in establishing sources for materials. Long-term agreements with major raw material suppliers not only help increase our own inventory, but also enable zero risk delivery through consignment. If we are unable to establish a second supplier for a particular item, then we request vendors and distributors to prepare safety stock, while using the Just-in-time (JIT) method to reduce supply risk.

5. Customer Service and Supplier Management

5.1 Customer Service and Satisfaction

To guarantee that the quality and reliability of its products will completely satisfy the needs of its customers, Nuvoton is committed to delivering competitive products with "zero defects". Methods used include quality control, reliability assurance, and failure analysis.

Quality Control

Nuvoton implements a series of quality control mechanisms that covers every step of the production process. The main steps to its quality control operations include raw material inspection, wafer fabrication process, electrical characteristics test, and die packaging.

Nuvoton continuously monitors every step of the manufacturing process. By doing so, Nuvoton is able to gather information about every layer of feedback, detect problems quickly and efficiently, and conduct an assessment analysis followed by corrective measures. The company emphasizes that every step of the manufacturing process must be "done right the first time" to result in an output with "zero defects", thereby establishing high-quality and reliable product lines.

Reliability Assurance

At Nuvoton, the purpose of the reliability assurance test is to ensure high-end product performance throughout the expected product life cycle. Each manufacturing stage undergoes constant review, analysis, and evaluation. Amendments are made to improve quality and reliability.

Failure Analysis

Customers may return defective products to Nuvoton. In the event of this, Nuvoton discusses with the customer the most appropriate method to replace, replenish, or offer a discount to compensate for any loss incurred by the customer. Meanwhile, Nuvoton completes a comprehensive physical and electrical test as well as a failure analysis on any defective integrated circuit (IC) to determine the root causes of product failure, and respond with corrective actions and measures for improvement. Furthermore, Nuvoton closely monitors this process to ensure that measures for improvement are effectively implemented, while providing customers with a detailed written report of the failure analysis.

Customer Satisfaction Survey

Nuvoton's quality assurance unit regularly visits customers to conduct customer satisfaction surveys through face-to-face interviews. This allows Nuvoton to receive valuable suggestions and gain insight into the level of customer satisfaction in regard to new product marketing / sales, delivery, quality improvement, technical support, and customer service. Interviewees include purchasing, quality assurance, research and development, and other such units. Different from the general method of collecting satisfaction scores, Nuvoton uses interactive face-to-face interviews so customers can raise recommendations and topics of concern to promote mutual understanding and achieve common goals. We hope to become an indispensable partner for our customers.

After the interviews have been completed, the Quality Assurance Department summarizes customer reviews, complaints, satisfactions, and improvement suggestions before convening the Business Department, Sales Department, R&D Department, and Production Management Department to answer

each customer feedback and draw up improvement plans. They are required to propose improvement plans and respond to customers within a month so customers can receive direct and immediate feedback. This interviewing method of gathering information regarding customer satisfaction levels have been affirmed by the majority of customers. The quality assurance unit delivers the final consolidated results to management to serve as a resource to continue improving satisfaction.

In addition to responding to the topics of concern that year during the interviews, we conducted evaluations according to various satisfaction indexes. Evaluations include the following items:

A. Marketing / Sales: Development speed of new products, application files, new product features / breadth, new product information / promotion / propagation

B. Orders / Delivery: Flexibility of receiving orders, response time for orders, on time delivery, product packaging

C. Quality and Improvement: Defect rate, sample quality, analysis of defects, improvement measures

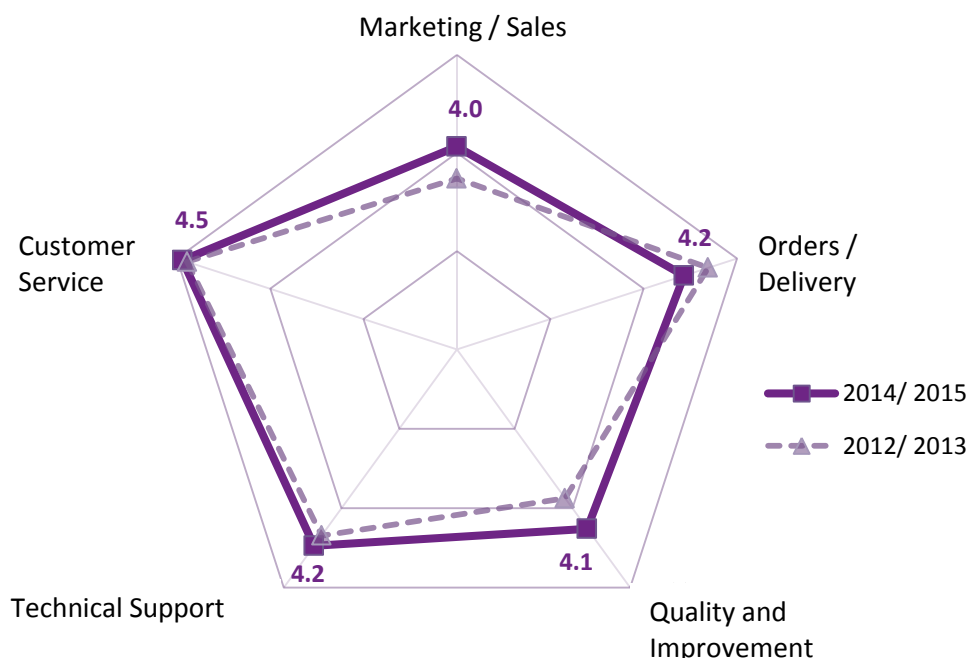
D. Technical support: Prompt technical support, analysis capabilities, development flexibility

E. Customer Service: communication channels, service attitude, response speed, professional knowledge, processing returned purchases

Lowest rating: 1. Highest: 5.

Ratings are classified as follows: (1) Very Unsatisfied, (2) Unsatisfied, (3) Average, (4) Satisfied, (5) Very Satisfied.

Customer Satisfaction Survey Results:



- All items have satisfied ratings 4 and above
- Customers were most satisfied with customer service, which continues to gain satisfaction ratings from customers.
- Satisfaction for Orders / Delivery went down slightly. Nuvoton will strengthen stock preparation and demand forecasting to improve delivery.

2014 - 2015 Indexes	Result
Total number of occasions in which products or services have violated relevant health, safety, and voluntary guidelines (products and services still within their life cycle)	0
Total number of complaints about proven breaches of customer privacy or loss of customer data	0
Total number of significant fines due to violations of the law and/or regulations regarding the distribution and/or use of products or services	NTD 0

5.2 Protecting Customer Privacy

In addition to enhancing customer service, Nuvoton also values the protection of customer privacy and intellectual property rights. Nuvoton signs confidentiality agreements with customers to protect confidential customer information. We also have a confidential data protection program to prevent data from being leaked, properly protecting customer privacy. Nuvoton has not received any complaints regarding breaches of customer privacy or leaked confidential information from 2014 – 2015.

5.3 Regulatory Compliance for Products

Nuvoton requests that all products use materials that comply with the European Union Restriction of Hazardous Substances Directive (EU ROHS), REACH, and halogen-free requirements. Nuvoton has also reduced the use of chemical substances in its manufacturing process. There were no violations of laws or regulations between 2014 – 2015, meeting both international regulations and customer requirements.

5.4 Sustainable Supply Chain Management

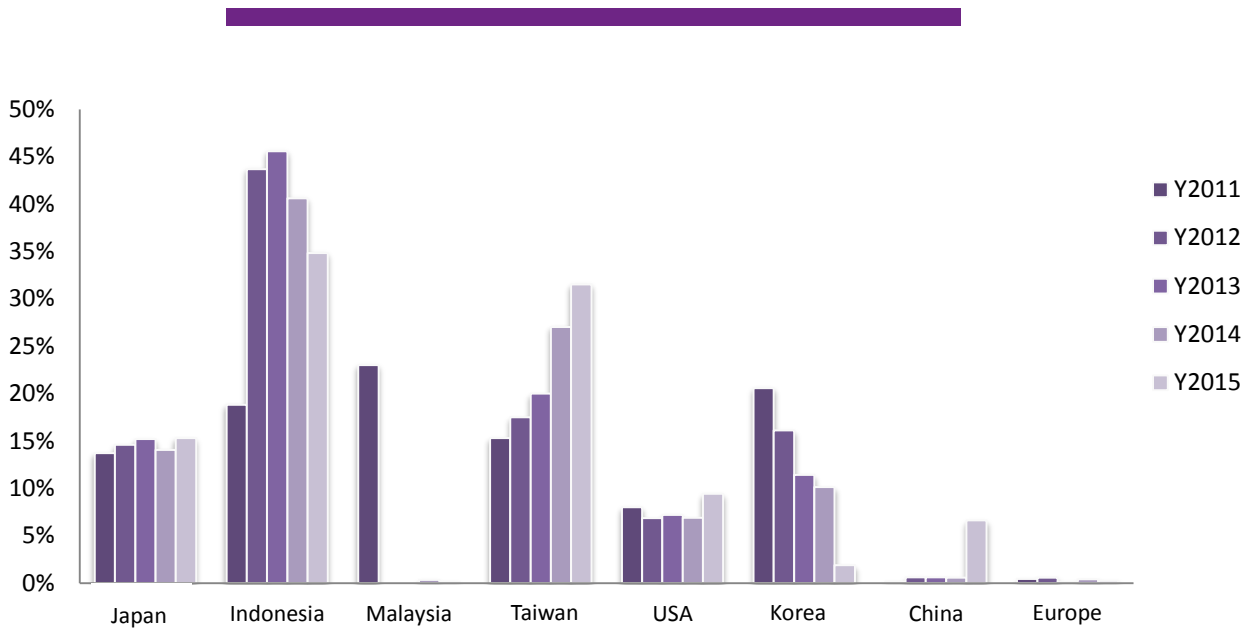
5.4.1 Supply Chain Management Strategy

Since its inception, Nuvoton has always considered its suppliers as long-term partners towards achieving the common goal of establishing a stable semiconductor supply chain. In recent years, Nuvoton has been committed to the local production of raw materials for the purpose of reducing transportation costs, diversifying risk, and reducing carbon emissions. Furthermore, Nuvoton hopes to increase employment opportunities by cultivating local production. From 2013 to 2015, the amount of local procurement in Taiwan increased from 20% to 31.5%. Nuvoton hopes to maintain close relationships with local suppliers, while striving to reduce overall costs and risks together by achieving win-win situations. Localized procurement is an important strategy for Nuvoton when choosing suppliers.

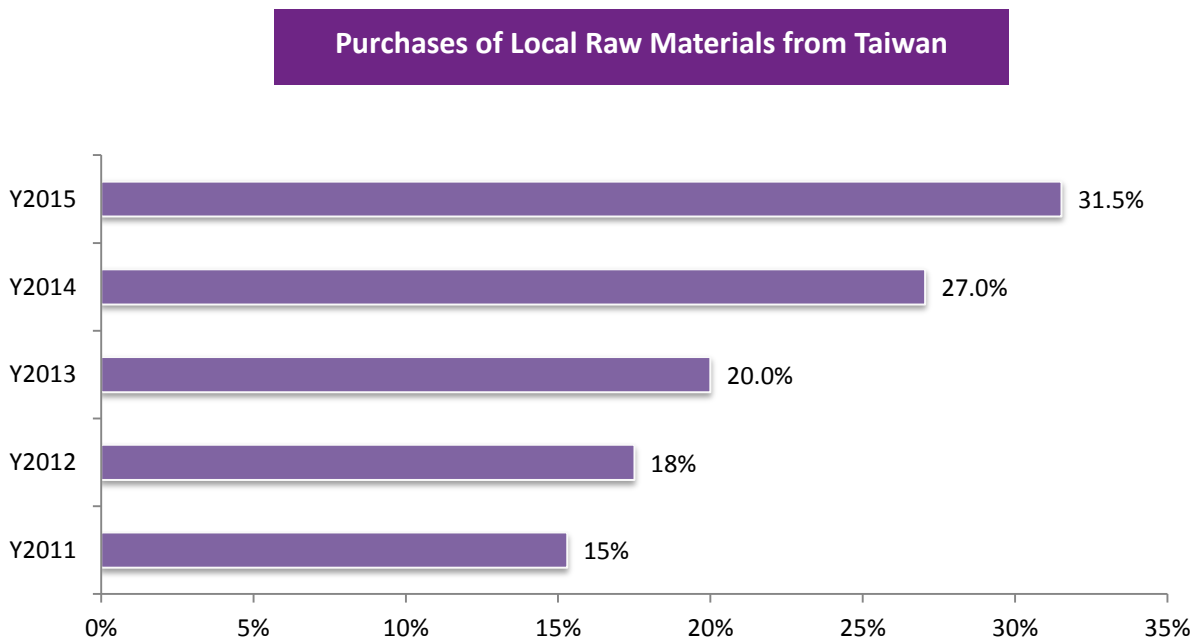
IC Manufacturing Process:



- Nuvoton's Raw Material Purchases from 2011 - 2015:



- Nuvoton's Purchases of Local Raw Materials from Taiwan from 2011 – 2015



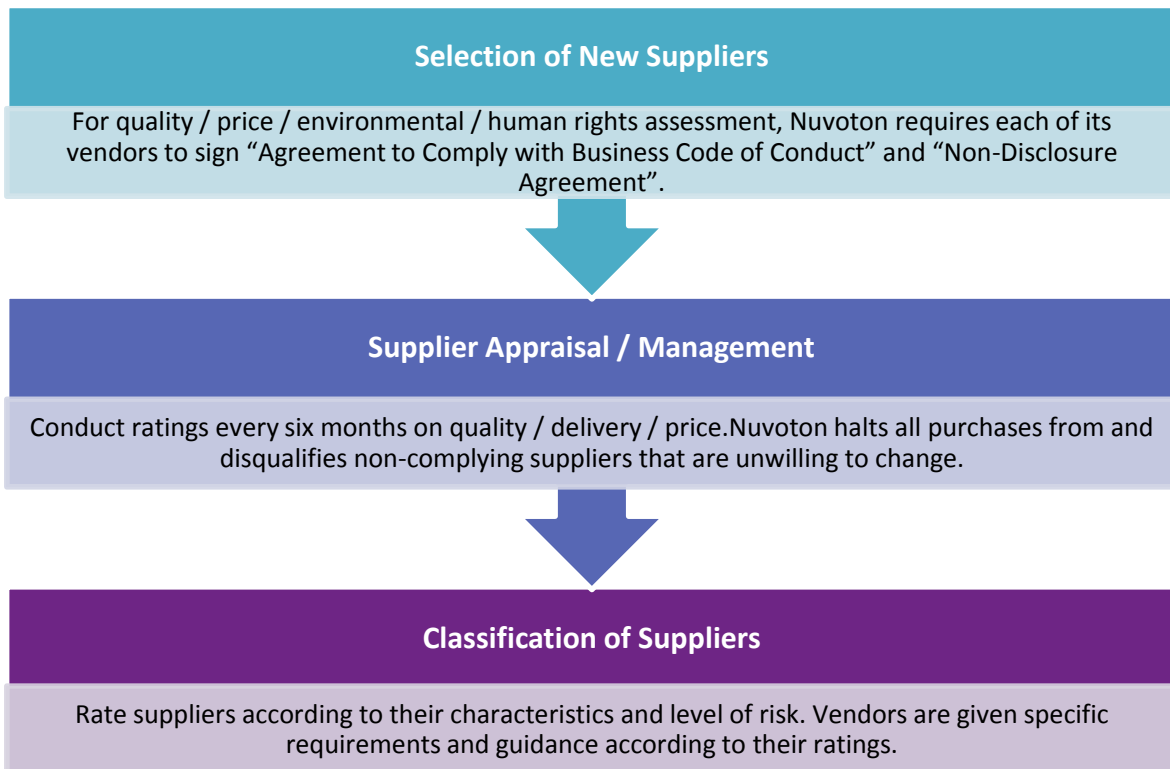
Supply Chain Management

Nuvoton stands firm in its commitment to promoting corporate social responsibility. In addition to the factors of quality, delivery, and price, Nuvoton also takes the following approaches to managing its suppliers in order to confirm that the labors, ethics, environment, management systems, health, and safety of suppliers meet the latest regulations, so we can fulfill our corporate social responsibility vision of “providing a sense of safety, reassurance, and empathy”.

- In addition to complying with industrial safety and environmental protection requirements, Nuvoton also requires suppliers to focus on promoting CSR together.
- Based on principles for the protection of human rights, Nuvoton pays close attention to the issue of conflict minerals. For the raw materials in its production processes, Nuvoton is committed to avoiding the use of minerals obtained from illegal mining operations that stand in violation of human rights.
- Nuvoton pays close attention to how labor rights are respected throughout its supply chain, and requires suppliers to comply with the laws of the countries they operate in and relevant international industry practices, including the standards defined by the “Electronic Industry Code of Conduct (EICC)” as well as any subsequent changes or amendments.

Supply Chain Management Method

To establish a supply chain management mechanism with sustainable growth, Nuvoton utilizes the following three methods for control and counseling for its supply chain management:



Selection of New Suppliers

Nuvoton assesses the factors of quality, price, environmental protection, and labor rights in selecting vendors. Vendors must meet our requirements to become a qualified supplier for Nuvoton.

- Environmental Management System Certification

Nuvoton requires its supply chain vendors to obtain international certifications, such as ISO 14001, OHSAS 18001, and other environmental, safety, and health management systems. If a vendor is unable to obtain certification immediately, they are required to establish a schedule to do so. To date, approximately 85% of our supply chain vendors have environmental related certification.

- Ethical Requirements

Nuvoton requires each vendor to sign "Agreement to Comply with Business Code of Conduct" and "Non-disclosure Agreement", which compel them to trade and transact honestly without undermining the interests or image of Nuvoton.

- Social Requirements

Examining the labor rights practiced by vendors: Nuvoton actively uses the standards of the "Electronic Industry Code of Conduct (EICC)". Nuvoton requires its supply chain vendors to meet its requirements in regards to the environment, health and safety, labor rights, and working conditions. For its supplier assessment program every six months, Nuvoton leverages its procurement power to require suppliers to comply with environmental and social standards.

Supplier Appraisals

- Half-yearly Appraisals

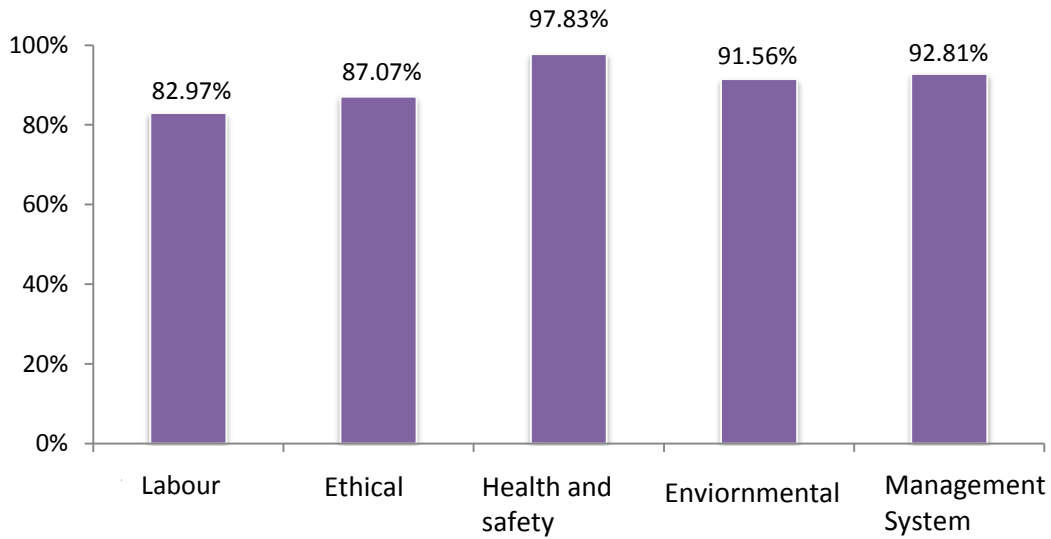
Nuvoton conducts business review reports every six months to review suppliers' overall performance in regards to quality, delivery, and sustainable management capabilities through our QCDSS assessment. Furthermore, Nuvoton requires vendors to continuously improve and meet its requirements for suppliers.

- Corporate Social Responsibility Self-evaluations

Nuvoton requires its top three packaging and testing plants and top twenty raw material vendors to conduct corporate social responsibility self-evaluations every year. The items of self-evaluation include labor, ethics, health and safety, environmental, and management system. Vendors who score under 70 in their self-evaluation are required to propose an improvement plan. The self-evaluations of vendors in 2015 are as follows (no vendors scored under 70):

Type	70-79	80-89	90-100
Raw Material Suppliers	4	1	15
Packaging and Testing Suppliers	--	--	3

- The percentage of self-evaluation indexes with a full score in 2015 are shown in the chart below. The chart shows that vendors value health and safety most, while labor had the lowest percentage.

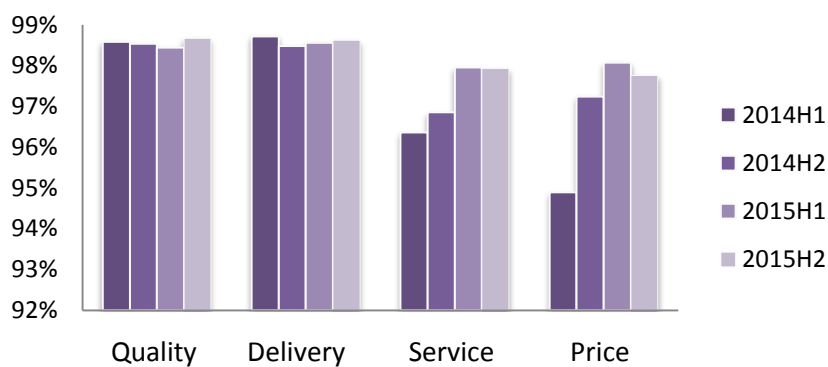


Guidelines for Classifying Suppliers

- Management Targets: Various types of production-related raw materials suppliers
- Management unit: MRB Management Committee
- Management Practices:
 - ◆ Collect information on the performance of suppliers from all relevant units every half-year and rate them accordingly.
 - ◆ Conduct quality surveys on vendors from time to time according to supply quantity. For domestic production / packaging plants, conduct quality inspections on site.

Assessment items: "Sustainability Index", "Quality Indicators", "Price Index", "Delivery Targets", and "Service Indicators". Amongst these five items, "Sustainability Index" serves as a benchmark for assessing the CSR commitments of vendors, and urging them to protect the environment, improve levels of health and safety, respect labor rights, and work together to fulfill CSR duties.

Half-yearly Vendor Evaluations



Conflict Minerals Management for Suppliers

- Require related vendors, including outsourced wafer processing manufacturers, packaging plants, and raw material suppliers (WF6), to investigate and disclose conflict minerals in a due diligence report. Surveys are conducted each time EICC is updated.
- Require related vendors, including outsourced wafer processing manufacturers, packaging plants, and raw material suppliers (WF6) to sign a statement of non-use of conflict minerals.
- When a supplier is unable to comply with related requests, the management unit responsible will hold an MRB meeting to discuss the disposition of said supplier.

6. Environment-Friendly

Nuvoton is committed to achieving its long-term goal: becoming a corporation with sustainable development. Therefore, in addition to complying with basic environmental regulations and relevant international norms, we also incorporate green production and environment-friendly concepts into our business operations. Through source reduction and full participation from employees, we are committed to continuously improving and eliminating any foreseeable environmental pollution risks, thereby minimizing our impact on the environment. In our production, we strive to strike a balance between social and environmental ecology, protecting our natural environment.

6.1 Environment, Safety, and Health (ESH) Management System

When Nuvoton was founded in 2008, it obtained ISO 14001 and OHSAS 18001 certifications. Our practice: Continuous improvement to become a green business with a sustainable level of development. Nuvoton draws from the P-D-C-A cycle, an environmental management standard of ISO, to infuse a spirit of continuous improvement into the construction of our ESH Management System. In the product life cycle of “production, sales, product use and waste disposal”, Nuvoton identifies possible environmental problems and mitigates them. We utilize the spirit of ex ante control instead of ex post disposition measures to reduce the amount of damaged caused by pollution during production operations. Furthermore, through process optimization and company-wide participation, we continue to reduce the use of key raw materials and the emission of pollutants in accordance with environmental regulations.

Nuvoton has set up an “ESH and Risk Management Committee” to address environmental issues in regular meetings, and review topics such as daily management, promote environmental management related businesses, regulatory compliance, stakeholder concerns, environmental sustainability programs. The committee has organized specific groups, such as the energy-saving and greenhouse gas reduction group, to research reduction targets and guidelines for important environmental issues, and implement various related reduction programs.

6.2 Pollution Prevention

Nuvoton believes that pollution prevention is one of the major responsibilities of enterprises. Our mission is to use resources without causing pollution to maintain a sustainable environment. Nuvoton’s plan for pollution prevention is to implement two approaches: “cherishing resources” and “reducing emissions”. With a friendly attitude towards the environment, we strive to reduce the environmental impact of our production activities.

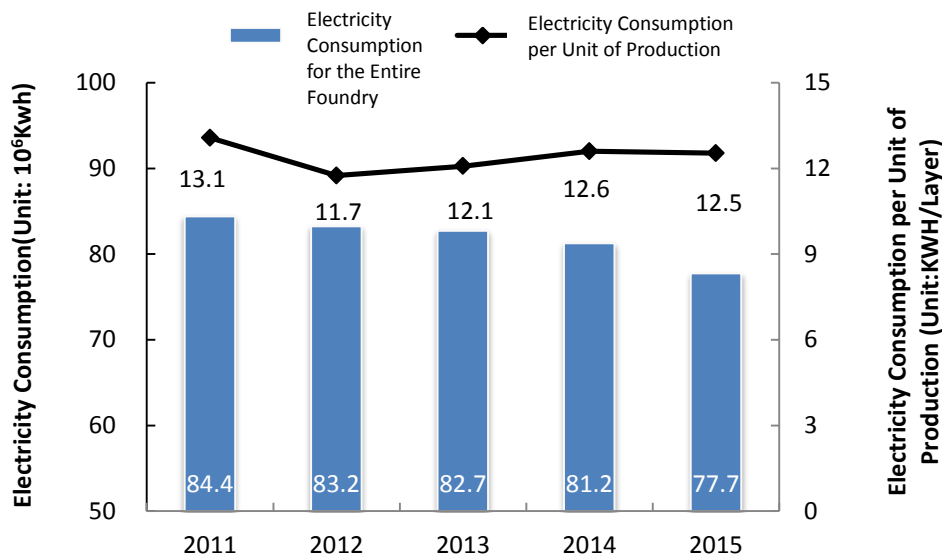
6.2.1 Cherishing Resources

6.2.1.1 Energy Conservation

Nuvoton mainly draws its energy from purchased electricity, followed by natural gas and a small amount of diesel fuel and gasoline. The majority of Taiwan's energy supply structure and power generation structure are high carbon types. Taiwan is over-reliant on non-renewable fossil fuels, such as coal and petroleum, which cannot be replenished after they are mined. Furthermore, pollution generated by the burning of fossil fuels will not only affect the environment, but also destroy the complex regulatory mechanisms of nature, causing climate anomalies. Thus, energy conservation to help mitigate climate change should be a goal for every corporation.

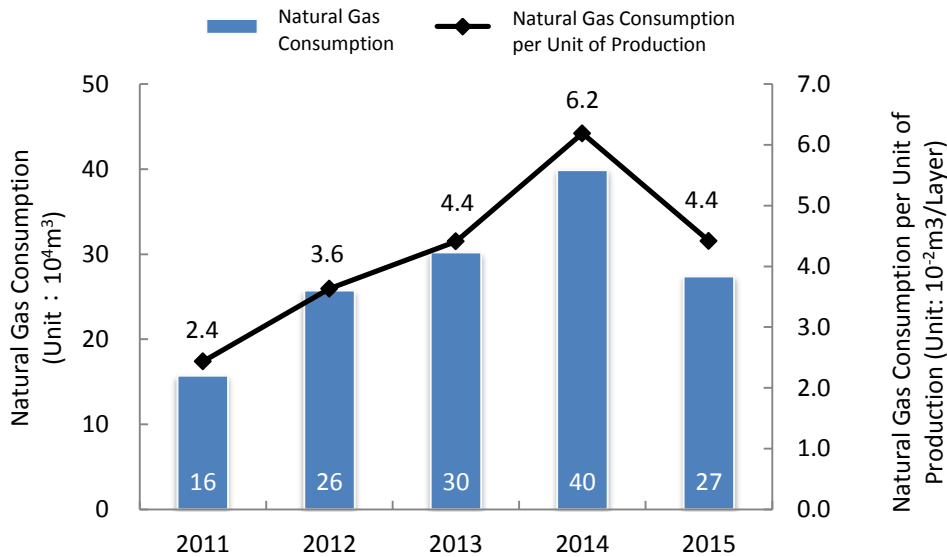
Nuvoton's main energy conservation policy is to reduce the demand for energy, reduce energy consumption, and improve operating efficiency. For electricity conservation, we have implemented temperature and humidity optimization control range to reduce electricity consumption in our semiconductor foundry, testing facilities, finished products, and raw material warehouses, all of which use a larger proportion of electricity consumption. In our offices and laboratories, we have promoted energy-saving habits such as turning off the lights, air conditioning, and machines when getting off work. For natural gas usage, we implemented optimization measures for the combustion of organic waste exhaust, and also recycle waste to reduce the overall use of natural gas. Furthermore, to improve power efficiency, we added refrigerant polarizers to the ice machines, set up an exhaust windmill frequency converter, added cooling ducts to the cooling tower, and adjusted the electric boiler to an optimized pressure to avoid excessive heating and enhance power efficiency. In our office areas, we adjusted the ice water pressure and the minimum temperature of air conditioning to avoid setting the temperature too low. By our lighting requirements, we are able to update lighting configurations and gradually replace them with LED lighting. In our active promotion of energy conservation, the total electricity consumption of our foundry in 2015 decreased by more than 6% compared to that of 2013.

6.2.1.2 Electricity Consumption



6.2.1.3 Natural Gas Consumption

Nuvoton has been using natural gas since 2011. The kitchens started to use natural gas in April of 2013. Initially, due to the extensive use of natural gas in production and equipment, total usage had a gradual upward trend. However, from 2014 to 2015, we continued to adjust the optimal usage of natural gas equipment. Therefore, with equivalent production capacity, total natural gas usage in 2015 decreased more than 10% compared to that of 2013.



6.3 Water Conservation

Precipitation patterns have changed drastically in recent years due to climate change. Because semiconductor manufacturing needs to use a lot of water, the issue of water scarcity has begun to receive international attention. Nuvoton uses the tap water provided by the public sector. Furthermore, Nuvoton recycles a small amount of rain and condensate to use as a secondary water source. Nuvoton's two main water conservation strategies: Prioritize source reduction and increase back-end recycling utilization to reduce the overall consumption of water resources. In 2015, Nuvoton was invited by the Environmental Protection Bureau of Hsinchu City to join a water conservation, electricity conservation, and carbon reduction project, and actively promote response measures to fulfill its civic duty of corporate social responsibility.

From 2014 to 2015, we carried out various response measures, including optimizing the process water flow rate, adjusting the frequency of water changes, extending the backwash frequency of the water purification system, installing water conservation facilities for domestic water supply, and adjusting the gardening irrigation frequency to reduce water consumption. We gathered and utilized various facilities to process waste water in accordance with water quality classifications. After recycling, water with high degrees of purity is treated and provided for process use. Water with suboptimal degrees of purity is used for cooling towers, exhaust gas cleaning towers, and other secondary types of water usage. In addition, we have also set up an air conditioning condensate and rainwater collection system. The recycled condensate and

rainwater are reserved for secondary types of water usage. Since Nuvoton’s foundry was constructed in 1994, it has been difficult to modify their piping systems, or install recycling facilities due to limitations in space. However, we continue to strive to maintain our recycling rate so that it is higher than that of the “Recycling Rate Standard for Hsinchu Science Park Vendors Corresponding to Factory Construction Time”.

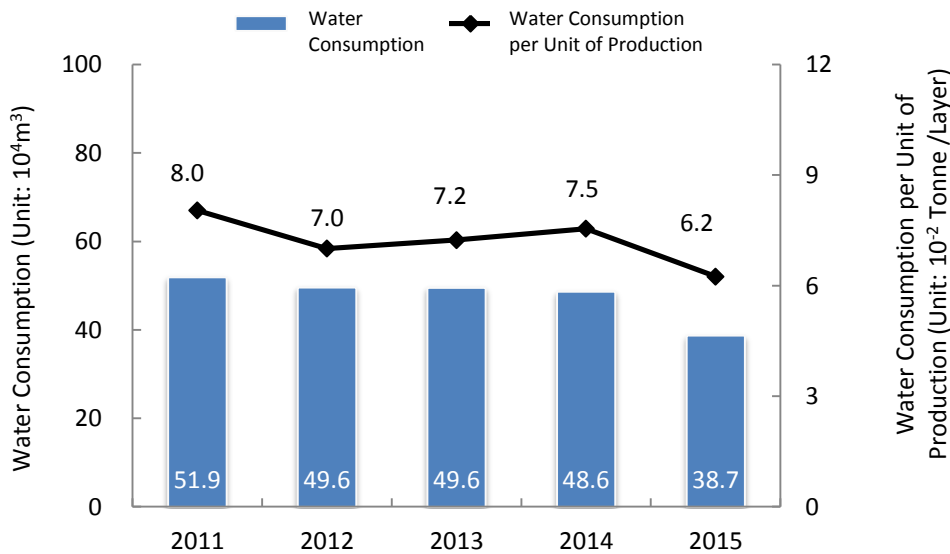
- Nuvoton’s Water Recycling Rates in 2014 and 2015

	2014	2015	Recycling Rate Standard
Recycling Rate for Process Water	67.6%	70.3%	>50%
Recycling Rate for Water for the Entire Foundry	61.2%	63.6%	>30%

Note: “Recycling Rate Standard” refers to the “Recycling Rate Standard for Hsinchu Science Park Vendors Corresponding to Factory Construction Time” for factories established before 1994.

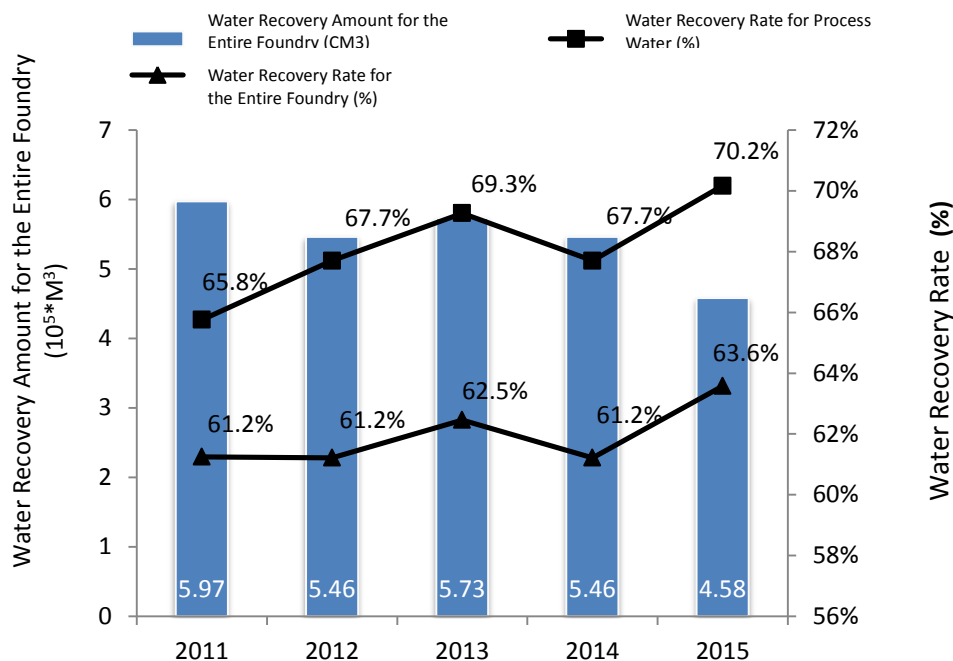
6.3.1 Tap Water Usage

We implemented various water-saving programs for process water from 2014 to 2015. The 2015 water consumption per unit of production decreased by 14% compared to that of 2014.



6.3.2 Water Recovery Rate and Total Amount

We implemented various water-saving programs from 2014 to 2015. The 2015 water recovery rate for the entire foundry increased by more than 1.1% compared to that of 2013.



6.4 Reducing Environmental Impact

Reducing pollutant emissions is one of Nuvoton's most important strategies for achieving environmental sustainability: This includes process optimization and source reduction to decrease the production of pollutants. The emitted waste gas or waste water is processed by equipment to comply with regulatory standards before being discharged. When possible, waste is always recycled so as to reduce environmental impact. We have also developed a number of measures for controlling air pollution, increasing the water recovery rate for waste process water, recycling waste, and reducing waste reduction.

6.4.1 Air Pollution Control

The air pollutants generated by Nuvoton is mainly comprised of volatile organic compounds (VOC), nitrogen oxides, sulfur oxides, ammonia, chlorine, hydrochloric acid, nitric acid, and phosphoric acid. We confine and collect waste gas according to their characteristics before processing them with air pollution control equipment. The pollutant concentration levels of all the exhaust are vastly lower than those prescribed by emission standards.

- (1) The flammable and poisonous gasses discharged from the processing equipment are first treated through electrothermal methods, absorption, and on-site washing facilities. Afterward, they are discharged along with acid-base exhaust to the central waste washing tower for processing
- (2) Exhaust gas with low concentrations of organic matter are absorbed using a rotor concentrator before being discharged to incinerators. Tested every year, the emission per year are all less than emission standards of 0.6 kg / hr.



6.4.2 Water Pollution Control

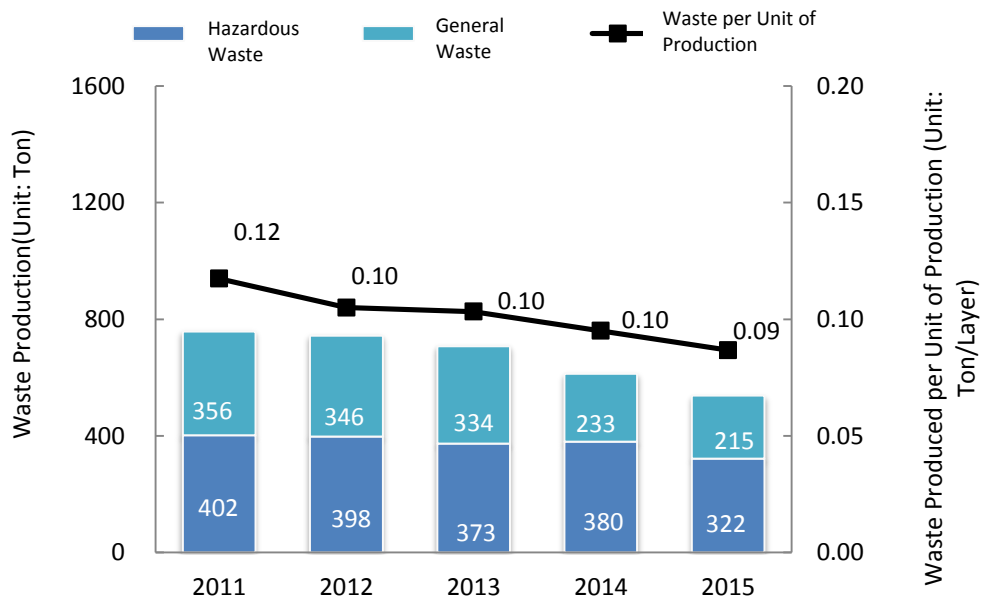
The wastewater produced by Nuvoton is primarily comprised of two types: process and domestic. The total waste water of the entire foundry in amounted to 391,551 and 296,333 tons in 2014 and 2015, respectively. The source for process water can be mainly categorized as self-cleaning, film forming, etching, contrasted, and diffused. Waste water is processed according to its characteristics. Acid and alkaline waste water are neutralized, while calcium chloride is added to fluoride-containing waste water before undergoing coagulation and sedimentation processes, and then discharged to Hsinchu Science Park's sewage treatment plants for processing. Then, through specialized pipes, it is discharged into Keya Creek. Domestic waste water is discharged directly through the sewers to Hsinchu Science Park's sewage treatment plants.

In 2017, the Environmental Protection Administration will implement the second phase of the ammonia nitrogen emission standards in accordance with the "Effluent Standards", lowering the regulatory limits from 90 mg/L to 60mg/L. In response to this stricter ammonia nitrogen emission standard, we have added ammonia nitrogen monitoring equipment to monitor discharged water quality. In addition, we carried out reduction measures through process optimization to meet the standards of the above regulations.

6.4.3 Waste Management

Nuvoton's waste management strategy consists of source reduction and waste recycling to avoid the environmental impact caused by landfilling. We have adopted a streamlined process to reduce the use of chemicals, extend the time between the replacement of chemicals and parts, and other methods to reduce the amount of waste generated. Through classification, recyclable waste can be individually sorted and collected, reducing mixing and improving the feasibility of recycling. Through our strategies of source reduction, the amount of waste generated per unit of production in 2015 has been reduced by 10% compared to that of 2013.

6.4.3.1 Production of Hazardous and General Waste



6.4.3.2 Waste Reuse Types and Applications

Nuvoton's waste treatment is mainly comprised of reuse. The following table shows the types and applications of reuse. Wastes that currently cannot be reused are incinerated and buried.

Waste Type	Reuse Description
Waste Sulfuric Acid	Vendor recycles and dilutes into industrial-grade sulfuric acid
Waste Solvents	Vendor recycles into auxiliary fuel for incinerators
Waste Isopropanol	Vendors recycle and distil into industrial-grade isopropanol
Waste NMP	NMP Vendors recycle and distil into industrial-grade NMP
Activated Carbon	Recycled by activated charcoal vendor
Emptied Chemical Waste Barrels	Emptied chemical waste barrels are either washed and reused, or crushed and made into plastic or glass materials
Waste Photomasks	After the vendor removes all patterns, waste photomasks are either made into new ones or optical materials
Waste Lead-Acid Batteries	Vendor recycles, and lead blocks, plastic, etc. are recycled after processing
Waste Mixed Metal Scraps	Vendor processes the scraps, and recycles the metal
Fluorescent Lights	Vendor processes the lights, then recycles any metals, non-metals, glass, etc
Waste Mercury	Vendor uses distillation equipment to process and reuse the mercury
Resources	Waste paper, glass, aluminum scraps, styrofoam scraps, aluminum foil bags, plastic bottles, plastic waste, etc. are reused by recycling vendors

The amount of reuse, incineration, and burial by Nuvoton from 2014 – 2015 are listed in the table below. However, the reuse of waste solvents was affected by the cooperation of manufacturers in 2015, resulting in lower reuse. This has also become a new direction for our future efforts.

Unit: Ton

Year	2014			2015		
	Reuse	Incineration	Burial	Reuse	Incineration	Burial
General Business Waste	164	28	41	73	97	48
Hazardous Business Waste	380	0	0	316	4	0.3
Total Waste	544	28	41	389	101	48
Reuse Rate	88.8%			72.3%		

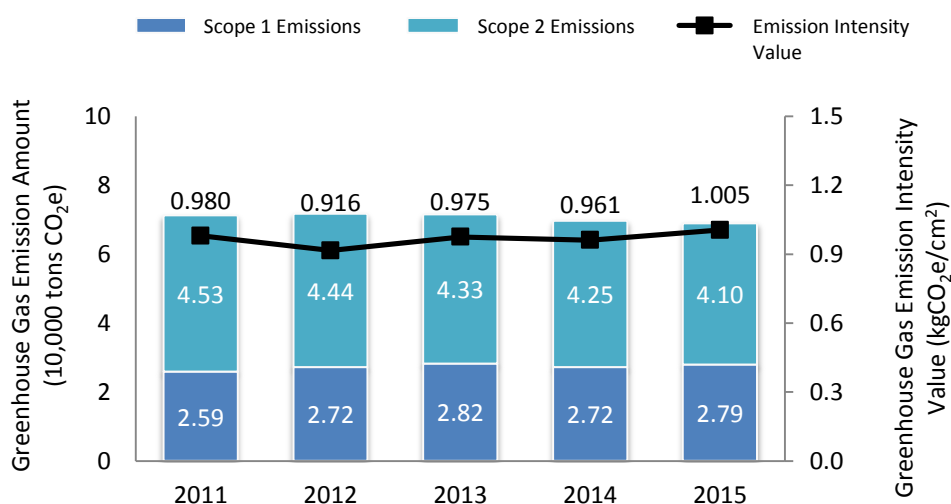
6.5 Climate Change

Due to the rise in surface temperatures, climate change has caused flooding, water interruption, power supply shortage, and increased raw material costs in recent years. All these threats have a direct impact on manufacturing operations. The 2015 Paris Climate Conference (COP21), a multinational consultation, has been completed to reduce greenhouse gas emissions, mitigate climate change, and improve the adaptability to climate change. COP21 is an important issue for the sustainable development of enterprises. Through greenhouse gas inventory, Nuvoton examines the main sources of greenhouse gas emissions to actively implement mitigation and adaptation actions.

6.5.1 Greenhouse Gas Inventory

Since 2009, Nuvoton has been conducting an inventory of greenhouse gasses, while using the data from that year as a baseline for measuring emissions. The content of the examination includes Scope 1 – “Direct greenhouse gas emissions”; Scope 2 – “Indirect greenhouse gas emissions from energy use”, which does not include Scope 3 – “Indirect greenhouse gas emissions”. Since 2009, the data from Nuvoton’s greenhouse gas inventories have always passed inspections by third-party verification agencies based on ISO14064-1 standards.

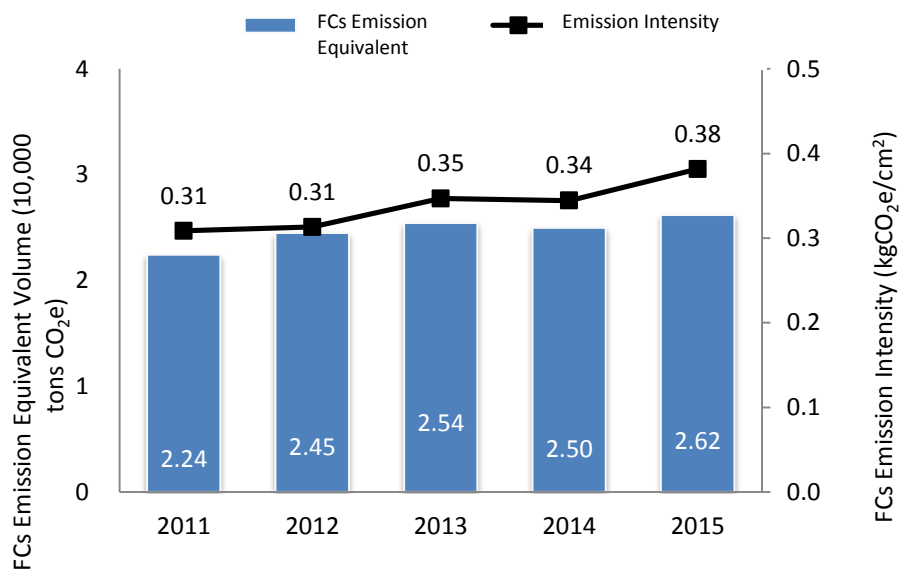
6.5.2 Greenhouse Gas Inventory Results



6.5.2.1 Greenhouse Gas Reduction

The results of the inventory reveal that the majority of emissions are generated from electrical consumption, followed by the FCs fluorinated greenhouse gasses used in the manufacturing process, such as tetrafluoromethane (CF₄), hexafluoroethane (C₂F₆), sulfur hexafluoride (SF₆), fluoroform (CHF₃), octafluoropropane (C₃F₈), and octafluorocyclobutane (C₄F₈). These two items account for more than 90% of our total emissions. Nuvoton's greenhouse gas reduction measures include setting annual energy efficiency targets to enhance electricity efficiency and reduce carbon emissions, as well as conceiving clean manufacturing for specific production. Electricity reduction measures have been described in section 6.2.1 above. To reduce the FCs used in manufacturing, we mainly utilized gas replacements before 2009. We use the greenhouse gas, C₃F₈, which has a lower Global Warming Potential (GWP), to replace CF₄ and C₂F₆ used in thin film processing, and SF₆ which is used in wafer backside etchings. As a result, FCs carbon dioxide equivalency has been reduced by more than 50%. In 2009, emissions were reduced by adjusting the process parameters and replacing reaction chambers. Even though Nuvoton utilized electricity reduction and low-emission potential chemicals in its manufacturing process, the emission intensity from 2014 to 2015 slightly increased compared to that of 2013 due to changes in our products. This is something that we continue to work on.

6.5.2.2 Process FCs Carbon Dioxide Emission Volume and Intensity



6.5.2.3 Electronic Business Card

In addition to protecting earth's ecology during the production process, Nuvoton has also incorporated the concept of protecting and loving our earth into its commerce. In 2015, we switched the material of our business cards to an environmental paper certified by FSC (Forest Stewardship Council), setting a trend in the industry. Furthermore, in addition to physical business cards, we also introduced electronic business cards. Employees can download and save personal business cards to their mobile devices through the business card application system. When exchanging business cards, customers can scan the employee's QR code to receive their personal information. This is both convenient and environmentally friendly.



6.6 Green Products

By establishing the hazardous substances management system, QC 080000, Nuvoton continues to ensure that the products it designs, manufactures, and sells are able to meet or exceed the standards of international environmental regulations. Furthermore, Nuvoton requires upstream raw material suppliers and downstream packaging and testing firms to work together to reduce their various impacts on the environment and comply with the following international environmental regulations:

- The European Union's (EU) Restriction of Hazardous Substances Directive (RoHS 2.0, 2011/65/EU): Limits the amount of lead (<1,000ppm), cadmium (<100ppm), mercury (<1,000ppm), hexavalent chromium (<1,000ppm), polybrominated biphenyls (<1,000ppm), and polybrominated diphenyl ethers (<1,000ppm) in products.
- RoHS 2.0, COMMISSION DELEGATED DIRECTIVE (EU) 2015/863, DEHP <1,000ppm, BBP <1,000ppm, DBP <1,000ppm & DIBP <1,000ppm.
- Halogen-free requirements for electronic products: In general, a halogen-free product by customer definitions means that the volumes of bromine and chlorine are each <900ppm, respectively, with total content <1,500ppm. All the products of Nuvoton comply with both requirements.
- EU's Registration, Evaluation, Authorization and Restriction of Chemicals (EU REACH): Regarding the hazardous substances and subsequent Substance of Very High Concern (SVHC) announced by EU Reach, all products of Nuvoton comply with the requirements of this regulation.
- Limits for perfluorooctane sulfonate (PROS): Nuvoton prohibits the use of raw materials which contain PFOS in the manufacturing process.

In addition to current international laws and customer requirements, Nuvoton will also continue to focus on potential regulatory requirements for the future, and proceed with all appropriate preparations.

Nuvoton's Hazardous Substances Management:

- Declaring a Non-hazardous Substances Policy
Nuvoton focuses on designing, purchasing, manufacturing, and selling products with no hazardous substances to comply with international regulations and meet the needs of customers. Nuvoton also strives to protect the environment to fulfill its social responsibility.
- Creating a List of Controlled Hazardous Substances
Nuvoton has created a list of controlled substances in accordance with international environmental regulations and customer needs, including banned substances, restricted substances, and declarable substances. The list is amended every year in accordance with current conditions.
- New Material Assessment System
Nuvoton has created a new material assessment system to confirm that newly developed products and materials are in line with Nuvoton's hazardous substance management procedures meets the needs of EHS.
- Green Procurement and Supplier Management
Raw material suppliers and contract manufacturers must sign a "Certification of Non-use of Hazardous Substances", and be inspected by a third party every year or as needed to ensure that their products meet international environmental requirements.
- Hazardous Substance Management System Certification
Nuvoton received the QC 080000 Hazardous Substance Process Management (HSPM) system certification in 2008. Nuvoton is also audited by a third party every year to ensure the effective operation of the hazardous substance management system.

7. Best Workplace

7.1 Workforce Structure

As of December 31, 2015, Nuvoton was comprised of 1,313 employees, which includes 141 managerial, 788 professional, and 384 technical personnel. Amongst management personnel, 50 hold executive positions higher than department heads. At the end of 2015, 46% of our total workforce was comprised of female personnel. The male to female ratio among managerial and professional personnel is 3 : 1, which is consistent with the fact that more males study in fields relevant to this industry in Taiwan's socioeconomic environment.

Category	Division	Male		Female		Subtotal by Division and Proportion	
		No.	In Proportion to the Division	No.	In Proportion to the Division	No.	In Proportion to all Employees
Position	Managerial	124	88%	17	12%	141	11%
	Professional	571	72%	217	28%	788	60%
	Technical	17	4%	367	96%	384	29%
Total						1,313	

Note: Subdivision managers and higher are considered managerial personnel.

Regarding age distribution, Nuvoton abides by the regulations of the "Labor Standards Act". We do not hire individuals under the ages of 15. Furthermore, we do not hire underage people between the ages of 15 and 16. Employees between the ages of 16 and 40 occupy 55% of the total workforce. Regarding academic backgrounds, more than 34% of employees have obtained a master's degree or higher. For managerial and professional personnel, this percentage rises to 49%. Concerning the types of employment, apart from fixed-term contract who are serving as part-time and temporary employees, all staff and operators are considered to be full-time employees, comprising 99% of the total workforce. 100% of the employees are protected by collective bargaining agreements.

Category	Division	Male		Female		Subtotal by Division and Proportion		
		No.	In Proportion to the Division	No.	In Proportion to the Division	No.	In Proportion to all Employees	
Age	18~20	0	0%	1	100%	1	0%	
	21~30	109	48%	116	52%	225	17%	
	31~40	310	62%	189	38%	499	38%	
	41~50	238	51%	232	49%	470	36%	
	51~60	55	47%	63	53%	118	9%	
Education	PhD	19	100%	0	0%	19	1%	
	Master's	375	87%	57	13%	432	33%	
	Bachelor's	247	64%	139	36%	386	29%	
	Vocational School	58	47%	65	53%	123	9%	
	Senior High School	12	4%	324	96%	336	26%	
	Under Senior High School	1	6%	16	94%	17	1%	
Employment Type	Full-time	Staff	686	75%	230	25%	916	70%
	Employees	Operators	17	4%	367	96%	384	29%
		Part-time and Temporary Employees	Fixed-term Contract	9	69%	4	31%	13

7.2 Recruiting talent

Nuvoton Technology Corporation has always regarded its employees as its most important asset, while continuing to provide competitive wages and benefits, comprehensive job training, and a safe and comfortable working environment to attract new talent. Nuvoton complies in full with the rules of the Labor Standards Act and the EICC Human Rights Principles, and does not hire involuntary workers (including coercion, mortgage, debt, indentured servitude, enslavement, or human trafficking), or any persons under the ages of 15. Nuvoton further ensures that all employees enjoy equal rights without discrimination, and that the Company shall not unlawfully discriminate against any employees or prospective employees for reasons such as ethnicity or nationality, skin color, age, sex, sexual orientation, gender identity, disability, pregnancy, religion, political stance, corporate background, veteran status, protected genetic information, or marital status. In the period from 2014 to 2015, no discrimination or forced labor complaints were filed against Nuvoton Technology Corporation.

In the period from 2014 to 2015, new employees between the ages of 21-40 account for 85% of new hires, turnover and number of new employees hired for each age group are as follows:

Age Group (Note1)	2014				2015			
	Number of New Employees ^(Note2)		In Proportion to Total Number of Employees ^(Note3)		Number of New Employees ^(Note2)		In Proportion to Total Number of Employees ^(Note3)	
	Male	Female	Male	Female	Male	Female	Male	Female
18~20	0	4	0%	0%	1	5	0%	0%
21~30	46	48	4%	4%	82	52	6%	4%
31~40	33	16	3%	1%	64	21	5%	2%
41~50	14	0	1%	0%	13	2	1%	0%
51~60	2	0	0%	0%	1	0	0%	0%
Subtotal	95	68	7%	5%	161	80	12%	6%

Note 1. Age: Age of newly hired employee on first day of employment

Note 2. Number of new employees includes first-time employees, and does not include returning employees

Note 3. Number of total employees on the last day of the year

Age Group (Note1)	2014				2015			
	Turnover ^(Note2)		In Proportion to Total Number of Employees ^(Note3)		Turnover ^(Note2)		In Proportion to Total Number of Employees ^(Note3)	
	Male	Female	Male	Female	Male	Female	Male	Female
18~20	0	3	0%	0%	1	4	0%	0%
21~30	34	39	3%	3%	39	34	3%	3%
31~40	31	21	2%	2%	53	22	4%	2%
41~50	14	2	1%	0%	22	5	2%	0%
51~60	10	5	1%	0%	4	1	0%	0%
小計	89	70	7%	5%	119	66	9%	5%

Note 1. Age of employee on last day of employment

Note 2. Turnover includes only number of resignations and retirements, and does not include dismissals or jobs placed on hold

Note 3. Number of total employees on the last day of the year

7.3 Salary and Benefits

Nuvoton employee salaries are in compliance to the minimum wage rules of the Labor Standards Act, the salaries of the lowest paid direct employees are at least 1.2 times higher than the minimum stipulated by the Labor Standards Act.

In regards to a balanced workplace environment, Nuvoton provides employees with a workplace in which they can develop both mentally and physically in a balanced manner. For employee leave management measures, we implement a preplanned vacation management system to assist employees in planning their vacations. Also, we actively remind employees to take vacations appropriately to promote a healthy work environment. In terms of benefits, Nuvoton provides insurance and pension benefits that are in compliance with local laws and regulations across the globe. Nuvoton further provides group insurance benefits that are above and beyond the requirements of the law to ensure the work and life safety of its employees. To encourage marriage and birth rates, we provide designated parking spaces, lactation rooms, maternity gift packets, maternity leave, paternity leave, family care leave, marriage leave, and a cash gift from the employee welfare committee for each birth.

Furthermore, we respect the labor rights provided by the "Act of Gender Equality in Employment". Both female and male employees qualify for maternity/paternity/nursery leave. In 2015 and 2014, 32 and 34 female employees, respectively, took parental leave, of which 87% returned to their position afterwards; and 96 and 61 male employees, respectively, took parental leave, of which 100% returned to their positions afterwards.

- Maternity/Paternity Leave Numbers

Year	Number of Female Employees	Number of Male Employees	Number of People taking Maternity Leave	Number of People taking Paternity Leave
2011	596	656	31	45
2012	587	670	34	61
2013	599	670	27	43
2014	594	679	34	61
2015	601	712	32	96

- Job reinstatement rate after Maternity Leave and Paternity Leave

Year	Returned to Work after Maternity Leave		Returned to Work after Paternity Leave		Resigned within 1 year of Maternity Leave		Resigned within 1 year of Paternity Leave	
	No.	%	No.	%	No.	%	No.	%
2011	31	100%	45	100%	2	6%	3	7%
2012	34	100%	61	100%	3	9%	8	13%
2013	27	100%	43	100%	0	0%	7	16%
2014	32	94%	61	100%	5	15%	9	15%
2015	28	87.5%	96	100%	5	16%	8	8%

- Job reinstatement rate after nursery leave

Year	Number of People Taking Nursery Leave		Number of People Expected to Return to Work		Returned to Work after Nursery Leave			Employment on Hold after Nursery Leave Remains an Employee After 1 Year		
	Male	Female	Male	Female	Male	Female	Reinstatement Rate	Male	Female	Retention Rate
2011	0	6	0	6	0	5	83%	-	-	-
2012	0	14	0	7	0	6	86%	0	4	80%
2013	2	8	2	12	1	10	79%	0	5	83%
2014	2	15	1	11	0	7	58%	1	9	91%
2015	1	13	1	12	1	8	69%	0	6	86%

Note:

Reinstatement rate = number of people returning to work after nursery leave / number of people expected to return to work

Retention rate = number of people that remain an employee 1 year after taking nursery leave / number of people taking nursery leave in the previous year

Comprehensive Retirement Policy

To promote a service culture and ensure the quality of life after retirement of our employees, Nuvoton has formulated an Employee Retirement Management Plan that is in accordance with the Labor Standards Act. The Plan sets forth the conditions for retirement, payment criteria, and application procedures. In accordance with relevant laws and regulations, Nuvoton has further established a retirement fund supervision committee. In accordance with the 1st provision of Article 56 of the Labor Standards Act, the Company shall on a monthly basis appropriate funds to an employee retirement fund at the Bank of Taiwan. The amount to be appropriated shall be in accordance with provision 2 of Article 56 of the Labor Standards Act where the balance of the retirement fund shall be assessed and funds shall be appropriated to make up for the difference according to the annual number of employees expected to meet retirement conditions. In addition, with accordance to the above law, for employees meeting the conditions for retirement, 6% of their total monthly wages shall be appropriated into individual Bureau of Labor Insurance Labor Pension Funds.

7.4 Learning and Development

Nuvoton exists in a highly competitive environment. To elevate the overall quality of our human resources, we are dedicated to providing a diverse range of training opportunities, which help the continuous development of professional skills. We arrange annual training programs according to the needs of our employees and the results of performance reviews. These programs include:

Training Programs

- New employee training courses: help new employees adapt quickly to the Company, obtain the skills and knowledge necessary to perform assigned duties, become a part of company culture, increase corporate loyalty and employee retainment rates, and provide any other necessary on the job training.
- Management skills training: training for transition into management positions using simulation and reenacting of different scenarios, rethinking research and development management, and creating corporate management benchmarks.
- Common management training: company mission, company culture, company values, client satisfaction, quality, safety and health, environmental protection.
- Professional techniques training: Marketing/sales, research and development projects, financial management, import/export and purchasing, information technology and etc.
- Operative employee training: job station skills training.
- Quality management training: QCC courses, 8D problem solving methods.
- Workplace safety training: fire safety drill.

The goal of the structure of the employee learning and development program is to enhance the professional capabilities and core abilities of each individual employee. To increase learning efficiency, we also provide a cloud learning platform which includes: innovation, cloud, Lohas, green technology, and lifetime learning suites.



2014 and 2015 Professional training hours analysis shown below:

- Professional training

Item	2015		2014		Total
	In Person	Online	In Person	Online	
Number of People per Class	23	28	32	19	102
Number of People Taking Course	1,297	1,497	1,297	3,897	7,988
Course Hours	90	30	192.83	6.5	319.33
Total Accumulated Hours Completed	3,516	44,910	5,902	25,331	79,659
Average hours of training completed by each employee	Average hours of training completed by each employee / Total number of employees (Cut-off date at 2015/12/31): 60.9/1313				

Note: The above information includes classroom courses, online instruction, and outside training.

Diverse Training Courses

To provide Nuvoton employees with a greater diversity of training content, we began to implement a cloud learning platform beginning in 2013. Through this platform, employee learning is no longer restricted by scheduling conflicts and classroom seating limitations. At the end of 2015, Nuvoton's cloud learning platform provided 299 online courses, with content ranging from management, professional training, language learning, and a variety of courses in a multitude of different categories. To ensure the quality of the courses, we use course satisfaction surveys and other methods to continually assess the learning effectiveness of each course. Improvements to the courses are made according to these assessments.



7.5 A Lohas Work Culture

To create a 'work happily, live healthily' lohas work culture, Nuvoton Technology has placed a large amount of effort in the holding of various lohas workplace events: keynote talks (Shen Hsin-Ling, Lan Hong, Shau-Ching Sung and etc), financial and food safety lectures, music appreciation and analysis, arts and culture events, renting out movie theaters, family events, singles meetups, clean the beaches events, five sports competition held by the career center, and so forth. In addition, lohas points cards were made and handed out to each employee to increase event participation rates, creating work-life balance, combining work with leisure, and achieving the goal of healthy living.

Lohas Events - Event Highlights

Lohas Family Day



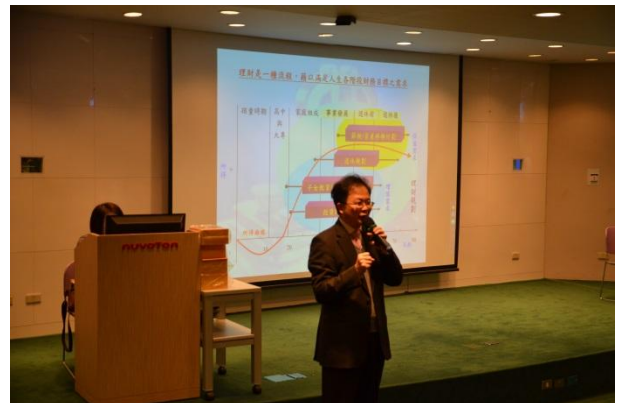
Lohas Movie Viewing



Lohas Celebrity Talk



Lohas Celebrity Talk



Music Appreciation



Lohas Clean the Beaches Event



Lohas Five Sports Competition



We also promote green office spaces, and encourage employees to bring and grow their own plants to achieve a 'greening' of the workplace, creating a healthier more comfortable environment. In addition to aiming a full score in terms of work, health, family, and leisure is also key to being a lifelong winner.



7.6 Employee Welfare Committee

In carrying out the lohas cultural axis, Nuvoton Technology's Employee Welfare Committee hosts a large variety of activities promoting physical and mental balance. This includes the promotion and subsidizing of different employee clubs, monthly cross-themed birthday parties, company trip planning, and a number of other arts and cultural events. The Company has also signed agreements with 1,484 different businesses and organizations to provide employees with special offers to ensure that they can enjoy the best offers on food, clothing, hotel reservations, traveling, childcare, and entertainment in their lives outside of work.

- Cross-themed birthday parties: monthly birthday events to send our most enthusiastic blessings for our birthday boys/girls every month of the year.



- Employee clubs :

The 10 currently existing clubs include a guitar club, bicycle club, runners club, basketball club, softball club, badminton club, volleyball club, table tennis club, yoga club, and bridge club. Through the club evaluation system: the degree of completion of the company event plan by the club, the number of regular events held and number of participants, representing the Company to compete in outside events or competitions, club promotion and operational performance, and degree of cooperation, are all used as criteria of evaluation for determining the top three outstanding clubs to receive 10,000 to 20,000 \$NTD to be used toward club expenses for the purpose of encouraging clubs to actively host events and organize activities.





- Company trip planning: encourage employees to engage in company activities and promote team building through our trip reimbursement policy.



7.7 Work Environment

At Nuvoton we believe that: every employee is an important partner of our company. We also believe that health and energy serve as the vital foundations for life. Nuvoton Technology hopes to provide employees with a stage to develop on, and assist them in achieving soundness of mind and body.

- We provide individual work spaces and ergonomic office equipment.
- For breaks, we provide reading spaces, and a free coffee and beverage bar where employees may meditate and find creative inspiration.
- For the physical relaxation of our employees, we offer a gym equipped with treadmills, ellipticals, massage chairs, and more. We encourage employees to cultivate a habit of working out and sweating.
- We have signed with over 1,000 designated vendors across Taiwan to provide Nuvoton employees with special discounts.
- We work with professional consultants to design and provide immediate services that help employees relieve stress in a timely manner.
- We assist employees with enrolling their children in experimental primary and secondary schools, and kindergarten to care for all aspects of our employee's lives.

Nuvoton Meal Plan - Eat Well, Eat Healthy, Eat with Peace of Mind

Safe, diverse, and delicious meal options are a source of joy in the lives of modern people. To provide our colleagues with wonderful dining experiences, we have established a comprehensive cafeteria management system comprised of buffets, noodles, stylized meals, vegetarian foods, light meals, and diverse selections from convenience stores.

With the focus on food safety in recent years, Nuvoton Technology implemented a HACCP (Hazard Analysis and Critical Control Points) food safety management system in 2014 to provide its employees with safe and healthy cafeteria food services. Under this "safety first, nutrition first, delicious first" management system, we are able to provide our employees with peace of mind, and ensure that the food and beverages service they receive is of the healthiest and highest quality. We are proud to say that we have the first and only HACCP certified employee cafeteria in the Hsinchu Science Park area.

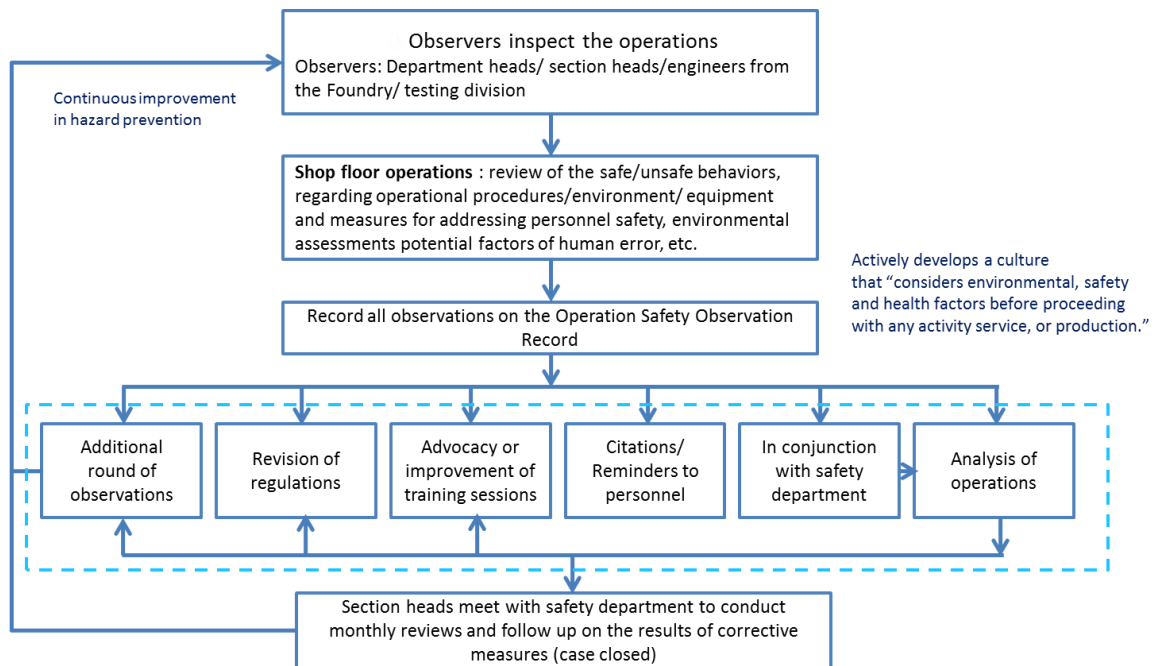
7.8 Occupational Health and Safety

Nuvoton's environment, safety, and health policies are committed to complying with progressive international standards for safety, sanitation, environmental protection, and health. It promises to provide and maintain a work environment that complies with all regulations suitable for its business operations, and continually improve to eradicate any foreseeable risks that may cause illness or harm to personnel, environmental pollution, or property loss. Possible loss and hazard can be prevented with comprehensive management and active participation of all employees.

7.8.1 Establishing a Safety First Culture

To Nuvoton, ensuring zero occupational accidents and promoting health are obligatory responsibilities. We are actively establishing and promoting our culture of environmental protection, safety, and health: "Before engaging in any activity, service, or production, environmental protection, safety, and health concerns must be considered first." Monthly inspections of employee working conditions are conducted by department heads and engineers, while encouraging employees to actively identify potential risks. Then, through negotiation and discussion, safer methods of operation are established to prevent potential dangers. Along with staffs, various levels of management would then hold a meeting to examine and follow-up on improvements, implementing environmental protection, safety, and health management and communication measures.

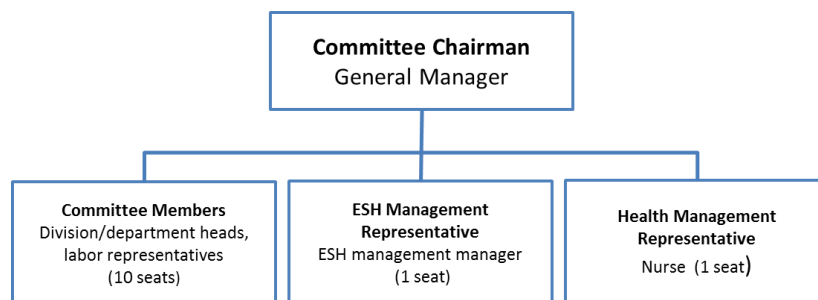
Operation Safety Observation Process Flow Chart



7.8.2 Establishment of Safety and Health Committee” to Implement Communication Mechanisms

The "Safety and Health Committee" established by Nuvoton Technology is chaired by the General Manager. 9 employee representatives, one from each division, further make up 70% of the Committee's 13 seats. Quarterly meetings are held to discuss relevant issues and implement communication in regards to safety and health.

Nuvoton Technology - ESH and Risk Management Committee Organization Chart

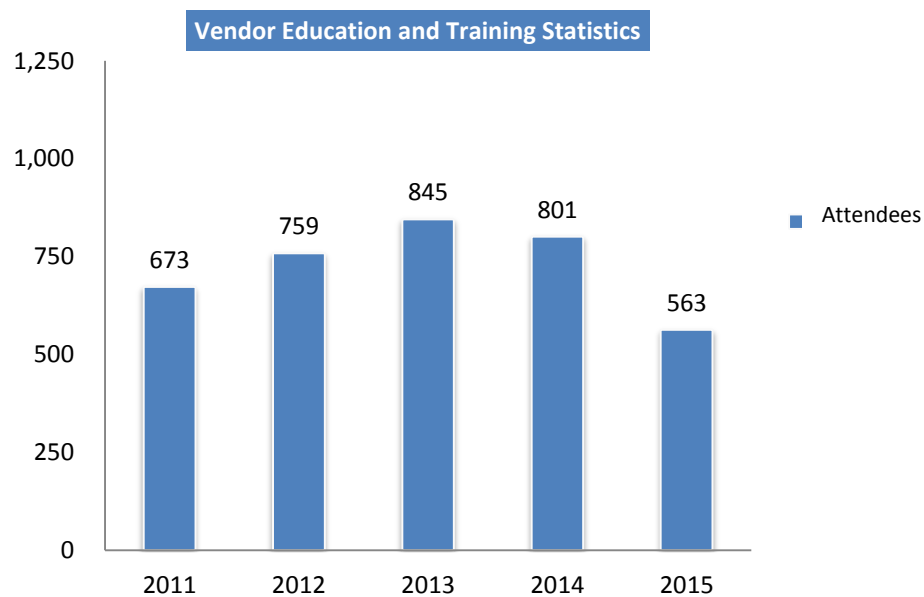


7.8.3 Management of Vendors and Operational Security Control

Regarding the management of vendors and operational security control, we have established clearly defined all safety, health and environmental protection protocol for vendors during visits to the foundry. Requirement of construction safety license applications allow for the management of construction operations and risks. Vendors are further required to have received relevant training or education, or be notified of the risk factors and the rules relevant to the risks and safety measures of the operating environment. Vendors must also take additional work safety precautions and strengthen emergency response procedures. These measures are combined with routine inspections and the adoption of mobile management to fully carry out safety policies. For the management of high risk operations, special

management and control measures have been implemented. Performance of high risk operations including hot work, lifting and lowering of heavy materials and objects, working with limited space, working above ground level, drainage or handling of special gasses or chemicals, demolition, and other such operations require on-site authorization to ensure the safety of workers at each of the job stations as well as to avoid environmental impact.

- 2014 - 2015 Vendor Education and Training Results:
Classes held: 203
Attendees: 1,364



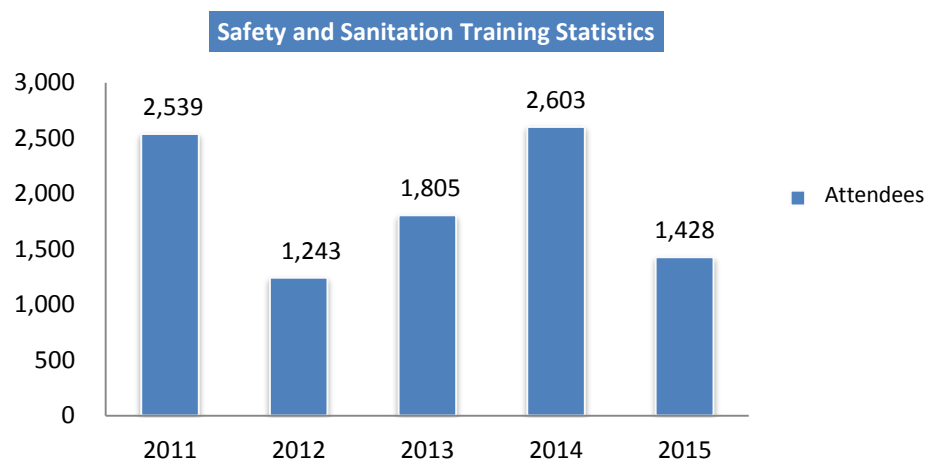
7.8.4 Changes in Management System

Concerning any changes in management, the most crucial element is to fully inform everyone about these changes at an early stage. Therefore, Nuvoton requests that all units not only take the initiative of reporting changes in information, but also establish procedures for applying for changes and identifying sample materials, a Process Change Review Board, procurement, and other management systems to effectively control changes in information. The safety and health management departments and relevant units must complete preliminary risk and impact assessments. If new items are added or changes are made to the results of the assessment which escalate the risk or impact, the relevant precautions must then be taken. After confirming that the necessary precautions have been implemented, if any additional operational controls are derived from the changes, then the necessary amendments to the relevant rules and personnel license training must be completed.

7.8.5 Employee Training and Emergency Response Management

Besides promoting safety and sanitation activities, Nuvoton also places emphasis on safety and sanitation training, strengthening risk recognition abilities in employees and promoting damage prevention knowledge, as well as emergency management skills. Cultivation of emergency management abilities and safety concepts may efficiently prevent occupational hazards; furthermore, Nuvoton conducts drill plans against possible accidents and ensures that all employees are familiar with the protocols of alarming, situation controls, first aid, disaster recovery equipment operation and support.

- 2014-2015 Safety and Sanitation Training Results:
Classes held: 2014
Attendees: 4,031 (includes online classes)



7.8.6 Occupational Accidents Indicator

Following the indicators published by the Ministry of Labor, Nuvoton's occupational accidents analysis uses the disabling frequency rate (FR) and disabling severity rate (SR) for its statistical basis (statistics do not include incidents resulting from traffic accidents from and to work). In 2014, the FR was 1.12, while the SR was 3. Subsequently in 2015, the FR was 0.75, while the SR was 2. Statistics for both years are far lower than the average FR and SR of the semiconductor industry. For 2014 the FR increased due to sports injuries resulting from the holding of a company sporting event. Nuvoton has since strengthened the safety measures to be taken during company events.

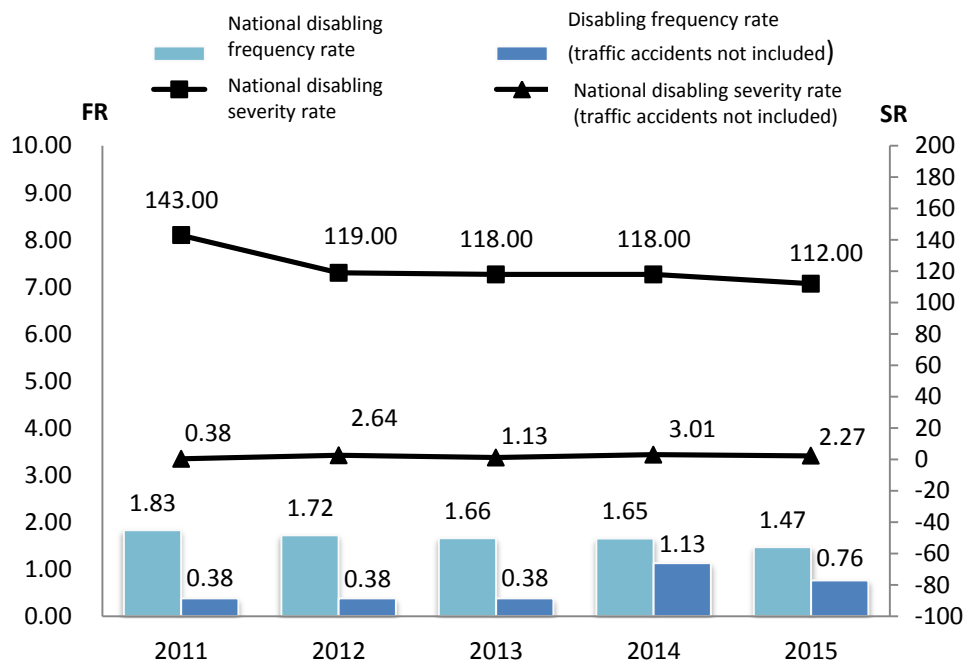
- Data for 2014-2015

	2014		2015	
	FR	SR	FR	SR
Male	2.12	5	0.71	2
Female	0	0	0.81	2
Total	1.12	3	0.75	2

Note. Disabling frequency rate (FR) = (number of people disabled $\times 10^6$) / total work hours (calculated to two decimal places, not rounded)

Disabling severity rate (SR) = (number of days disabled $\times 10^6$) / total work hours (whole number taken, not rounded)

Disabling Injury Frequency Rate(FR) and Injury Severity Rate(SR)



- 2014-2015 Company absence rate:

Year	2014		2015	
Leave Type	Hours Absent	Absence Rate	Hours Absent	Absence Rate
Work related sick or injury leave	485	0.02%	190	0.01%
Sick leave	14,882	0.59%	16,161	0.64%
Personal leave	5,225	0.21%	5,319	0.21%
Subtotal	20,592	0.82%	21,670	0.86%

Note. Absence rate = Hours absent for each type of leave / total normal work hours * 100%

7.9 Health Management Program

Nuvoton Technology's health management plan consists of its service and operational unit. The framework of the plan combines work safety with environmental protection to actively safeguard and promote the safety and health of our employees. The providing of a safe and healthy work environment also helps to prevent the lowering of productivity due to health factors, and is in line with the Company's policy of "healthy workplace, friendly corporation".

- Health Management System: The Company provides all employees with a health check once a year. Our customized "My Health Management" web platform allows our employees to view their test results from previous years, register for health promotion activities and view related event information, keeping employees up to date on their latest results as well as the most recent activities information. The website has already been accessed over 17,000 times.



- Establishment of Health Center: To provide employees with a more comfortable and private place to receive medical services, Nuvoton Technology has built a comfortable and spacious health center. The health center is staffed 24 hours a day, 365 days a year, and provides day-long care, demonstrating our care for our employees. We also go one step further in providing assist for any problems, large or small, concerning our employees and their health. Fully realizing our policy of "Work Safe, Live Healthily".

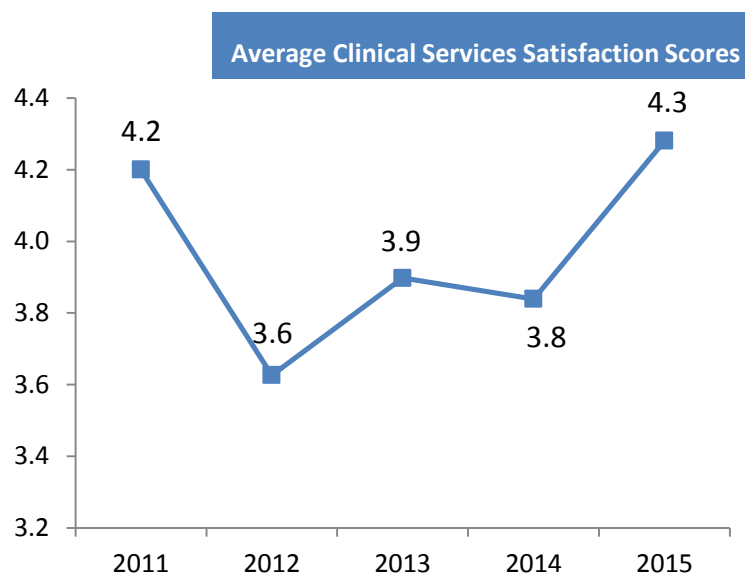
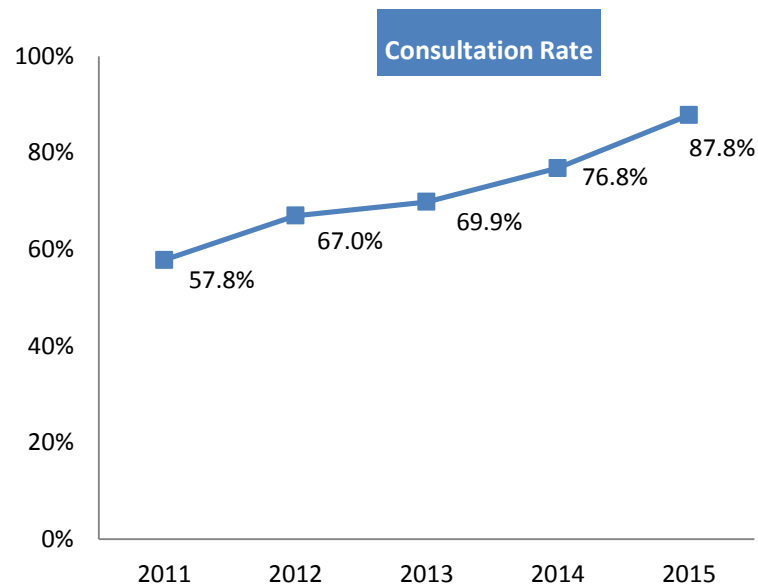


- Health Examination Planning: We provide our employees with health checks and management guidelines, help with the overseeing of their health status, provide health related consulting, services, and suggestions. Thereby ensuring the protection of our employees' health and reducing or preventing the health related problems arising from the execution of job duties or the work environment. Since the establishment of Nuvoton Technology, we have under the careful guidance of our professional health care team planned out health examination frequencies and examination areas. This covers new employee full body health examinations, general health examinations for employees and managers, and special health examinations for employees engaged in operations with specific operations related health hazards. Areas covered in the health examinations are arranged and readjusted by the year according to the direction of the plan as well as overall employee health check results. Items covered include: electrocardiograms, abdominal ultrasound cardiovascular screening, full-frequency hearing tests, thyroid function, cancer screening, urinary arsenic (nickel) testing, blood lead levels, and etc. The implementation of the three stages and five levels disease prevention paradigm allows for early diagnosis and early treatment, thereby achieving the true purpose of health checkups. After the completion of the health examination is when health management truly begins; the health management unit uses analysis of health examination results data to manage each case on a case-by-case basis, and provide the most suitable health care lectures, disease screening, or diagnosis and treatment, actively providing our employees with comprehensive health care services.

General Physical and Health Classification Management

Level	1 (normal)	2 (moderately abnormal)	3 (abnormal)	4 (highly abnormal)	5 (hospital care required)
Health Management	Promote Health	Provide Health Education	Health Education Consulting	Consulting Appointment Required	Hospital Care/regular followups
Physical examination management	File Saving	Health Advising Appointment	Clinical Treatment and Regular Followups	-	-

- On-site Medical Services and Occupational Disease Prevention from Physicians: Once a month, we arrange for specialist physicians to provide on-site occupational disease appointments or other medical services such as consulting, factory surveyance tours, and health management and promotion services. There were no instances of occupational diseases occurring in 2014-2015. By the end of 2015, 88% of employees had received face-to-face health consultation from resident physicians. In addition, to maintain the quality and time of consultations, satisfaction evaluations are given to employees for each visit to provide their feedback and suggestions. The results and suggestions of the evaluations are shared with resident physicians on a regular basis for discussion and improvement to ensure the strengthening of the quality of the clinical services provided. In addition, we hope to truly provide our employees with the services they need, and realize our stance towards healthy living.



- Promotion of Workplace Protection Plan: Our management plan for the prevention of human factors and ergonomics related harm, maternity job protection, and the prevention of overworking and violence is divided into various groups for tracking and management. For the improvement of human related harm, we have directly introduced engineering principles into our daily operations and environment. We provide comfortable and ergonomic office seats in conjunction with the implementation of physician pain assessment evaluations. We have invited human factors and ergonomics engineers into our offices to help adjust seat heights and provide advisory lectures. We even provide free massage services from the visually impaired. Human factors and ergonomics have

further been invited into our facilities to provide a total of 6 hours of beginner and advanced human factors and ergonomics classes. The courses cover work place safety, workplace protection and the effects of long seated hours, and repetitive tasks. 38 seed employees were chosen for the initial batch to complete the courses, reducing the amount of human caused harm and increasing work productivity. Beginning in 2016, we further plan to complete a human factors risk assessment form for each of the Company's operations.



- Rapid Emergency Response:** In addition to the establishment and training of incident notification and response procedures for various different incident types, we have also made use of e-learning subject learning methods, thereby strengthening employee safety and sanitation concepts and awareness. There are three AEDs (automatic external defibrillators) installed in the factory, and two sets of forced oxygen devices and other high end emergency aid equipment for the protection of our employees' health and safety. We also actively promote company wide training in CPR and AED courses. A total of 732 individuals, or 60% of employees have already completed these training courses, and we will continue to engage in the training of the remaining employees.



7.9.1 Health Promotion Programs

The programs that were continued in 2014-2015 were weight loss, smoking cessation, blood donation, vaccines, female breast and pelvic examination, abdominal examination, metabolic and liver function management programs. In these two years, we updated the above programs and engaged in the promotion of other new activities.

- The weight loss course ran for half a year in 2014, and saw 125 participants. Weight loss results were evaluated on three different levels, and weight loss goal attainments were rewarded accordingly. A total 200 kg of weight loss was recorded, increasing health awareness within the company, making those involved healthier and more confident.

- Stretching course: Over 100 employees participated in 2014-2015. The course encouraged the maintaining of regular exercise and activity habits, and helped to improve human factors and ergonomics injury issues.
- Warm-up exercises: the number of office warm-up exercises was increased from once a day to three times a day to help prevent the accumulation of pain and soreness, improving employee shoulder and neck discomfort problems.



7.10 Maternity Protection Plans

The promotion of our maternity protection program helps to ensure that pregnant colleagues are not scheduled to work at nights or asked to work in special work zones. We further support the increasing of birth rates amongst our employees, and have installed several pregnancy and post-pregnancy welfare measures for the care of our pregnant employees. These include comfortable and functional lactation rooms, safe and convenient designated parking spaces, and thoughtful mommy gift packages. Each of these measures is there to help shoulder the burden for our female employees, and to provide them with a worry-free and friendly post-pregnancy workplace environment. Nuvoton Technology was awarded and received public praise from the Hsinchu City Government for its excellent showing in the workplace lactation room competition.



新唐好禮到~

說明：公司為照顧同仁及鼓勵生育，懷孕同仁即日起憑「媽媽手冊」，即可洽健康中心領取超值媽媽包禮盒!!

市價超過4000元的禮盒：

- ◆奇哥媽媽包(兩色任選)
- ◆MUSTELA慕之恬斯妊娠霜(法國製)
- ◆MUSTELA慕之恬斯孕婦、寶寶兩用沐浴皂(法國製)
- ◆奇哥晶鑽玻璃奶瓶(德國製)

孕婦小瓶保潔禮盒內容物更改權利
孕婦金類級法列入個人醫藥所得
人人有機會，一次送給妳

好康不止：孕婦車位規劃、媽媽教室講座，敬請期待!!

新唐孕婦專屬車位來囉~

為照顧懷孕同仁，公司已完成孕婦專屬車位設置(前門來賓車位處)，有需要同仁請憑媽媽手冊洽健康中心申請。

說明：

1. 由AD30發給停用期間貼紙(有效期限至預產期當月)，請張貼於原車位上以利查核。
2. 車位採先到先停，10:00AM後無人停用則開放其他同仁使用。

孕婦優先車位
Pregnant Lady First

AM10:00 後開放一般使用

8. Philanthropy

8.1 Talent Cultivation and Campus Participation

In the highly competitive IC industry, talent cultivation is key to the Company's competitiveness. Nuvoton Technology actively nurtures relationships with different campuses. In addition, we also participate regularly in campus recruitment activities and provide students with tours and visiting opportunities. We have also set up a large number of campus projects for the nurturing of talent that meet the needs of the industry early on, shortening the adaptation period needed during the transition from student to employee, thereby strengthening the competitiveness of the IC industry.

University Projects

Since 2011, Nuvoton Technology has actively engaged in its engineers of the next generation innovative thinking campus project by providing a "Nuvoton ARM® Cortex®M Series Microcontroller Teaching Platform". The free software modules, software development environment, and drivers help students in the Asia-Pacific region learn to use popular development tools and platforms. This not only increases the competitive advantage of students in the region, but also promotes industry-academia cooperation and facilitates employment tracks. We further look forward to seeing these students utilize these learning tools to develop innovative and eye-catching products for the next generation.

We have continuously engaged in the promotion of this campus initiative, schools we have completed the donation of our teaching platforms to are listed below:

- Domestic universities: National Taiwan University, National Chiao Tung University, National Tsing Hua University, National Chung Hsing University, National Central University, National Taiwan University of Science and Technology, National Pingtung University of Science and Technology, Chung Yuan Christian University, Asia University, Cheng Shiu University, National Taiwan Ocean University, National Formosa University, Oriental Institute of Technology, St. John's University of Science and Technology, Shu-Te University, National Changhua University of Education, Minghsin University of Science and Technology, National Kaohsiung First University of Science and Technology, southern taiwan university of science and technology, Taipei City University of Science and Technology, and the like.
- Overseas universities: Jilin University, Nantong University, Northeastern University, Xidian University, Tianjin University, Southeast University, University of Electronic Science and Technology of China in Chengdu, Sichuan University, Xi'an Jiaotong University, Zhejiang University, Southwest Jiaotong University, University of Tun Hussein Onn Malaysia, University of the Philippines Los Baños, Manipal University, Sri Ramaswamy Memorial University, Kasetsart University, Ho Chi Minh City University of Technology, University of Malaya, Hanoi University and the like.



Nuvoton Scholarship Programs

In order to foster talent in the field of IC design and to encourage the continual learning of outstanding students, Nuvoton Technology established a "Nuvoton Technology Scholarship" program in 2013, and provides scholarships to outstanding students each year. Students awarded the scholarship shall receive 20,000 NTD per month for the duration of period awarded. In addition, we also provide scholarship recipients with summer internship opportunities and summer internship allowances.

As a part of our initiative, we provide students with the most suitable summer internship programs according to their technical capabilities and research focus while also arranging for managers to supervise and provide these students with professional guidance and knowledge consultation, thereby enabling students to receive hands on experience with the latest industry technologies and familiarize themselves with the core skills required in the workplace. In 2014-2015, we accepted a total of 6 interns through the Nuvoton Scholarship Program, 3 of these interns have since joined Nuvoton after their graduation to become a part of the Company's younger workforce.

Talent Nurturing Program

To reduce the learning gap between the classroom and workplace, and foster upcoming talent for the workforce, Nuvoton Technology is further involved in the Ministry of Education's "Cultivation of Core Systems Talent Program" and "Talent for Green Energy Electronics Cultivation Program", making our initiative one that combines three major areas--industry internships with school teachings and student research topics/research theses. Through this initiative, Nuvoton Technology provides students selected from the aforementioned scholarship program with systematic training. In addition to the providing of related courses, we combine our course content with student research subjects while also providing guidance on the newest industry technologies. This initiative facilitates exchange between industry, students, and university faculty. Students are also able to experience the working life at an earlier stage. In addition to increasing their hard (research and technical) capabilities, they are also able to cultivate soft skills (interpersonal interaction in the workplace, presentation and communication ability). Such skills are crucial to increasing a student's competitiveness in the future job market. A total of 6 students participated in Nuvoton Technology's Cultivation of Core Systems Talent Program in 2014-2015, and another 4 participated in the Talent for Green Energy Electronics Cultivation Program.

Students and their advising professors along with their mentor from Nuvoton Technology are invited to participate in the end of term student evaluation and results presentation meeting. Participating students shared their learning results at Nuvoton and the professors provided several valuable suggestions.



Campus Communication Channels

Nuvoton Technology established its Facebook community website, the "Nuvoton Campus", in 2015 to introduce students to Nuvoton and provide them with career development related articles. Meanwhile, we also introduced job openings in IC design to help students understand the core competencies and type of talent needed in the industry for reference in their future career development plans. Furthermore, we also created an official Line@ page to provide students or potential job candidates with real-time career inquiry and consultation services.

新唐Facebook



新唐Line@



Southern Research and Development Center Establishment Program

In order to provide students in Southern Taiwan with a greater amount of employment options after graduation, we specifically chose to build a new research and development center in the beautiful Tainan High-Speed Rail Special Zone. Thereby providing youths that aspire to careers in the technology industry with job opportunities without having to relocate all the way to Hsinchu; allowing them to stay closer to their families while also creating a better future for themselves, their families, and their future.



8.2 Public Welfare Promotion

Nuvoton Technology is committed to the promotion of various public welfare activities, putting forth their share of effort to give back to society, help disadvantaged and minority groups, and convey care and warm feelings. 2014-2015 activity contents are as follows:

1. Second hand charity sale: Taking advantage of end of year cleaning activities, unused items can be brought from home to the company for the charity sale. Around 300 items were sold, bringing in 36,551 NTD for the Company to donate to children's homes, vegetative state patients or child reformatories, demonstrating the spirit of philanthropy.
2. End of year cash and items donation: In addition to the charity sale, our employees also demonstrated their love and kindness through generous donations to disadvantaged and minority groups. Organizations receiving donations include: the Taiwan Fund for Children and Families (301,200 NTD), the Genesis Social Welfare Foundation (327,500), Shih Guang Educational and Nursing Institution (217,200 NTD), the Children's Hearing Foundation (68,900 NTD) and other such organizations. Used clothing and items in good condition were also donated to reformatories or other charitable funds, not only giving to society but also achieving the purpose of environment protection through reuse and waste reduction.
3. Help Dreams: In addition to helping disadvantaged persons, we also helped Taiwanese farmers market fruit such as mango or baby tomatoes through the Taiwan Domi platform. 10% of all purchases on fruit (20,000) went to helping Hsinchu County's Jinshan Elementary School establish wushu clubs, dance clubs, music and rhythm clubs, and so forth, providing disadvantaged children with diverse learning opportunities and increasing their self-confidence.
4. Syin-lu Social Welfare Foundation 18 Peaks Mountain Park Trek: The spring season is the perfect time for the mentally and physically disabled and children to head outdoor and enjoy the beautiful scenery of rhododendrons in bloom. In consideration for the difficulties of individuals with mental or physical disabilities, and to create greater social understanding and harmony, 104 of our employees participated in this event, and donated a total of 20,600 NTD to the Foundation.
5. Blood drive: As long-term partners with the Hsinchu Blood Center, blood donation services are provided at by the Blood Center at Nuvoton once every half a year so that no matter how busy it gets, our employees can still have time to donate blood to help patients in need. In 2014-2015, a total of 215 people participated in blood donation activities, and a total of 319 bags of blood were donated.
6. Save the planet, environmental protection activities: In 2015, we gathered 22 colleagues and their families to help protect the Earth. Mobilizing entire families, we participated in spring clean the beach activities to help clean up the Kanhai Park beach and Yu Gang Huan Bao Park beach, creating a day of fun for the whole family while also doing our part to protect the environment.

Public welfare promotion highlights

Second hand charity sale



Syin-lu Social Welfare Foundation 18 Peaks Mountain Park Trek



Help Dreams



Love the Earth, Protect the Environment Event



9. Appendix

9.1 “Global Reporting Initiative (GRI) G4.0 Guidelines” Index

General Standard Disclosures

Category	Indicator	Content	Chapter	Description	Page	External Assurance
	G4-1	Statement from the most senior decision maker of the organization (such as the CEO, Chairman or other high level executives of similar position), contents include judgments on company sustainability issues, and target these issues to propose related sustainable strategies.	1. Letter from the Chairman		02	76
	G4-3	State name of the organization	3.1 Company Introduction		09	76
	G4-4	Describe primary brands, products and services	3.3 Innovative technology and products		10	76
	G4-5	Provide information regarding location of organization headquarters	3.1 Company Introduction		09	76
	G4-6	Number and names of countries organization has operations in (including country of main operations and/or countries related to sustainable development plans)	3.1 Company Introduction		09	76
	G4-7	Nature of ownership and legal form	3.1 Company Introduction		09	76
	G4-8	Describe markets served (including geographic distinctions, targeted industries, and client/beneficiary types)	3.1 Company Introduction 3.3 Innovative technology and products		09 12	76
Strategy and Analysis	G4-9	Describe organization scope, includes: number of employees, number of operational locations, net sales figures (applicable to private sector organizations) or net income (applicable to public organizations), total capital by debt and equity (applicable to private sector organizations), number of product or services provided.	3.1 Company Introduction 3.6 Financial Performance		09 14	76
Organizational Overview	G4-10	Employment statistics by sex, type (direct / indirect), employment contract, work force distribution by region (explain sharp changes in employment numbers)	7.1 Workforce Structure		43	76
	G4-11	Percentage of employees covered by collective bargaining agreements	7.1 Workforce Structure	No unions established with the Company	43	76
	G4-12	Organization’s supply chain	5.4 Sustainable Supply Chain Management		26	76
	G4-13	Describe significant changes during the reporting period regarding size, structure, ownership or organization’s supply chain	3.1 Company Introduction 5.4 Sustainable Supply Chain Management		09 26	76
	G4-14	Explanation of whether and how the precautionary approach or principle is addressed by the organization	4.6 Risk Management		22	76
	G4-15	List externally developed economic, environmental, and social charters, principles, or other initiatives to which	4.5 Regulatory Compliance		21	76

		the organization subscribes or endorses	6.3 Water Conservation	34		
	G4-16	List the membership of the public associations where the organization is involved (eg, industry associations) and national or international initiatives and membership statuses.	3.7 Association Memberships	16	76	
Identified Material Aspects and Boundary	G4-17	List all entities included in the consolidated financial statements or equivalent document for the organization and note whether the entity in the consolidated financial statements or equivalent document is not included in the report	3.6 Financial Performance	14	76	
	G4-18	Process for defining report content and the aspect boundaries and how the organization shall adhere to "Global Reporting Initiative Principles".	2.1 About the report	04	76	
	G4-19	List material aspects identified in the process for defining report content	2.2 Communication and Participation of the Stakeholders	05	76	
	G4-20	Describe aspect boundaries within the organization for each material aspect	2.2 Communication and Participation of the Stakeholders	07	76	
	G4-21	Describe aspect boundaries within the organization for each material aspect	2.2 Communication and Participation of the Stakeholders	07	76	
	G4-22	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement		No significant re-statements were made in prior report		
	G4-23	Explanation of significant changes of categories and aspect boundaries		No significant re-statements were made in prior report		
Stakeholder Agreements	G4-24	List of stakeholder groups engaged by the organization	2.2 Communication and Participation of the Stakeholders	05	76	
	G4-25	Basis for identification and selection of stakeholders with whom to enter in agreements with	2.2 Communication and Participation of the Stakeholders	05	76	
	G4-26	Describe approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group, also note if any agreement procedures were undertaken specifically in consideration of the drafting of this report	2.2 Communication and Participation of the Stakeholders	05	76	
	G4-27	Describe primary matters of concern voiced through agreement with stakeholder and the organizations response to these issues, including stakeholder concerns disclosed through this report	2.3 Modes of Communications with the Stakeholders	08	76	
Report Information	G4-28	Reporting period of data provided (such as fiscal year or term)	2.1 About the report	04	76	
	G4-29	Date of last report	2.1 About the report	04	76	
	G4-30	Reporting period (e.g. Annually, semi-annually)	2.1 About the report	04	76	

	G4-31	Contact window for questions regarding the report or its contents	2.1 About the report	04	76
GRI Index	G4-32	GRI Index navigation	2.1 About the report	04	76
Assurance/ Confidentiality	G4-33	External Assurance/Confidentiality policy and current practice, indicate whether top level management or management were involved	2.1 About the report	04	76
Governance	G4-34	Report the governance structure of the organization, including committees of the highest governance body. Identify any committees responsible for decision-making on economic, environmental and social impacts.	4.2 Board of Directors	17	76
			4.3 Corporate Social Responsibility Committee	19	
Ethics and Integrity	G4-56	Describe organization values, principles, standards and norms of behavior	4.4 Code of Ethics and Business Conduct	20	76
			4.5 Regulatory Compliance	21	

Specific Standard Disclosures

Category	Economic					
	Indicator	Description	Chapter	Page	Omission	External Assurance
Financial Performance	DMA		3.5 Responsibility to our investors	13		76
	G4-EC1	Direct economic value generated and distributed	3.6 Financial Performance	14		76
	G4-EC3	Confirmed welfare plans and scope served	7.3 Salary and Benefits	46		76
Market Position	DMA		7.2 Recruiting talent	44		76
	G4-EC5	At significant locations of operation, workers of different gender ratios and standard wages ratio with local minimum wages	7.3 Salary and Benefits	46		76
Purchasing Behavior	DMA		5.4.1 Supply Chain Management Strategy	26		76
	G4-EC9	At important locations of operation, ratio of purchases from local supplies	5.4.1 Supply Chain Management Strategy	26		76
Category	Environmental					
	Indicator	Description	Chapter	Page	Omission	External Assurance
Energy	DMA		6.2.1.1. Energy Saving	32		76
	G4-EN3	Internal energy consumption by organization	6.2 Pollution Prevention	32		76
	G4-EN5	Energy source density	6.2 Pollution	32		76

		Prevention				
	G4-EN6	Reduce energy consumption	6.2 Pollution Prevention	32		76
	DMA		6.1 Environmental Management	32		76
Regulatory Compliance	G4-EN29	The amount of fines imposed in violation of environmental laws and regulations, and the number of sanctions outside of the aforementioned fines	6.3. Water Conservation	34	No fines were incurred during the reporting period for this report	76
	DMA		6.3. Water Conservation	34		76
Water	G4-EN8	Total water withdrawals by source	6.3. Water Conservation	34		76
	G4-EN10	Percentage and total amount of water resources recovered and reused	6.3.2 Water Recovery Rate and Volume	36		76
	DMA		6.4 Reducing Environmental Impact	36		76
Waste and Waste Water	G4-EN22	Total water discharge according to water quality and discharge destination	6.3. Water Conservation	34		76
	G4-EN23	Total weight of waste by type and disposal method	6.4.3.2 Waste Reuse Types and Applications	37		76
	DMA		6.5 Climate Change	39		76
Emissions	G4-EN15	Direct greenhouse gas emissions (category 1)	6.5 Climate Change	39		76
	G4-EN16	Indirect Greenhouse Gas Emissions from Energy Consumption (category 2)	6.5 Climate Change	39		76
	G4-EN18	Greenhouse gas emission intensity	6.5 Climate Change	39		76
	G4-EN19	Reduce greenhouse gas emissions	6.5 Climate Change	39		76
Supplier Environmental Assessment	DMA		5.4 Sustainable Supply Chain Management	26		76
	G4-EN32	Ratio of environmental assessments used in screening of new suppliers	5.4 Sustainable Supply Chain Management	28		76
Society						
Category	Indicator	Description	Chapter	Page	Omission	External Assurance
Employer-Employee Relationship	DMA		7.2 Recruiting talent	44		76
	G4-LA1	Total number and rates of new employee hires and employee turnover by age group, gender and region	7.2 Recruiting talent	44		76

	G4-LA2	List by locations of significant operations, the proportion of benefits only provided to full-time employees	7.3 Salary and Benefits	46		76
			7.6 Employee Welfare Committee	51		
	G4-LA3	By gender, list post-nursery leave job retention and reinstatement rates	7.3 Salary and Benefits	46		76
	DMA		7.1 Workforce Structure	43		76
Labor/ Management Relations	G4-LA4	Minimum notice periods regarding operational changes, including whether these are specified in collective agreements	Notification of change of major operations by the Company is handled in accordance with local laws and regulations			
	DMA		7.8 Occupational Health and Safety	54		76
Occupational Safety and Health	G4-LA5	Percentage of workforce represented in formal joint management worker health and safety committees	7.8 Occupational Health and Safety	55		76
	G4-LA6	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender	7.8.6 Occupational Health and Safety Indicators	58		76
Non- discrimination	DMA		7.2 Recruiting talent	44		76
	G4-HR3	List number of cases of discrimination and response taken by organization	7.2 Recruiting talent	44		76
Forced or Compulsory Labor	DMA		7.2 Recruiting talent	44		76
	G4-HR6	Measures taken to eliminate forced or compulsory labor in risk areas	7.2 Recruiting talent	44		76
Supplier Human Rights Assessment	DMA		5.4 Sustainable Supply Chain Management	26		76
	G4-HR10	Percentage of screening for new suppliers using human rights standards	5.4 Sustainable Supply Chain Management	30		76
	DMA		5.1 Customer Service and Satisfaction	24		76
	G4-PR5	Customer Satisfaction Survey Results	5.1 Customer Service and Satisfaction	25		76
Product and Services	G4-PR9	The amount of fines imposed in violation of laws and regulations for the provision and use of products and services	6.6 Green Products	42	No fines imposed for violation of laws and regulations during the reporting period due to the provision and use of products and services	76
Supplier Labor Practice Assessment	DMA		5.4 Sustainable Supply Chain Management	26		76
	G4-LA14	Percentage of screening for new suppliers using labor practice guidelines	5.4 Sustainable Supply Chain Management	30		76
Regulatory	DMA		5.3 Regulatory	26		76

Compliance			Compliance for Product			
(Product Liability)	Indicator	Description	Chapter	Page	Omission	External Assurance
	G4-SO8	The amount of the fines imposed in violation of the law, and the number of sanctions other than the fines imposed	5.3 Regulatory Compliance for Products	26	There were no fines for violating the regulations during the reporting period	76
Supplier	DMA		5.4 Sustainable Supply Chain Management	26		76
Social Impact Assessment	G4-SO9	Percentage of screening for new suppliers using social impact criteria	5.4 Sustainable Supply Chain Management	30		76
Others						
Category	Indicator	Description	Chapter	Page	Omission	External Assurance
University Programs	None	Describe Nuvoton Technology's university IC talent cultivation programs	8.1 Talent Cultivation and Campus Participation	65		76
Good Foods Program	None	Describe Good Foods Plan set forth by Nuvoton Technology	7.7 Work Environment	53		76

9.2 Third Party Assurance Statement



ASSURANCE STATEMENT

SGS TAIWAN LTD.'S INDEPENDENT ASSURANCE REPORT ON SUSTAINABILITY ACTIVITIES IN THE NUVOTON TECHNOLOGY CO., LTD.'S 2014-2015 Corporate Social Responsibility Report

NATURE AND SCOPE OF THE ASSURANCE/VERIFICATION

SGS Taiwan Ltd. (hereinafter referred to as SGS) was commissioned by NUVOTON TECHNOLOGY CO., LTD. (hereinafter referred to as NUVOTON) to conduct an independent assurance of the Corporate Social Responsibility Report (hereinafter referred to as CSR Report) of 2014-2015. The scope of the assurance, based on the SGS Sustainability Report Assurance methodology, included the text, and data in accompanying tables contained in this report.

The information in the NUVOTON's CSR Report of 2014-2015 and its presentation are the responsibility of the superintendents, CSR committee and the management of NUVOTON. SGS has not been involved in the preparation of any of the material included in the NUVOTON's CSR Report of 2014-2015.

Our responsibility is to express an opinion on the text, data, graphs and statements within the scope of assurance set out below with the intention to inform all NUVOTON's stakeholders.

The SGS Group has developed a set of protocols for the Assurance of Sustainability Reports based on current best practice guidance provided in the Global Reporting Initiative (hereinafter referred to as GRI) Sustainability Reporting Guidelines and the AA1000 Assurance Standard (2008). These protocols follow differing options for Assurance depending the reporting history and capabilities of the Reporting Organization.

This report has been assured using our protocols for:

- evaluation of content veracity at a moderate level of scrutiny for NUVOTON and moderate level of scrutiny for applicable aspect boundaries outside of the organization covered by this report ;
- evaluation of the report content and supporting management systems against the AA1000 Accountability Principles (2008);
- evaluation of the report against the GRI Sustainability Reporting Guidelines (G4 2013).

The assurance comprised a combination of pre-assurance research; interviews with relevant superintendents and senior management at headquarter in Hsinchu; documentation and record review and validation with external bodies and/or stakeholders where relevant. Financial data drawn directly from independently audited financial accounts has not been checked back to source as part of this assurance process.

STATEMENT OF INDEPENDENCE AND COMPETENCE

The SGS Group of companies is the world leader in inspection, testing and verification, operating in more than 140 countries and providing services including management systems and service certification; quality, environmental, social and ethical auditing and training; environmental, social and sustainability report assurance. SGS affirms our independence from NUVOTON, being free from bias and conflicts of interest with the organization, its subsidiaries and stakeholders.

The assurance team was assembled based on their knowledge, experience and qualifications for this assignment, and comprised auditors registered with ISO 26000, ISO 20121, ISO 50001, SA8000, EICC, QMS, EMS, SMS, GPMS, CFP, WFP, GHG Verification and GHG Validation Lead Auditors and experience on the SRA Assurance service provisions.

VERIFICATION/ ASSURANCE OPINION

On the basis of the methodology described and the verification work performed, we are satisfied that the information and data contained within NUVOTON's CSR Report of 2014-2015 verified is accurate, reliable and provides a fair and balanced representation of NUVOTON sustainability activities in 01/01/2014 to 12/31/2015.

The assurance team is of the opinion that the report can be used by the Reporting Organization's Stakeholders. We believe that the organization has chosen an appropriate level of assurance for this stage in their reporting. The report is the first to be assured by an independent assurance team and NUVOTON has taken a bold step by offering the report to evaluation against both GRI G4 guidelines and the AA1000 Assurance standard. This shows a deserved confidence in their reporting process. In our opinion, the contents of the report meet the requirements of GRI G4 Core Option and AA1000 Assurance Standard (2008) Type 1, Moderate level assurance.

AA1000 ACCOUNTABILITY PRINCIPLES CONCLUSIONS, FINDINGS AND RECOMMENDATIONS**Inclusivity**

NUVOTON has demonstrated a good commitment to stakeholder inclusivity and stakeholder engagement. A variety of engagement efforts such as survey and communication to employees, customers, investors, suppliers, and other stakeholders are implemented to underpin the organization's understanding of stakeholder concerns. For future reporting, NUVOTON may consider having more direct involvement of stakeholders during future engagement.

Materiality

NUVOTON has established effective processes for determining issues that are material to the business. Formal review has identified stakeholders and those issues that are material to each group and the report addresses these at an appropriate level to reflect their importance and priority to these stakeholders. For future reporting, NUVOTON may consider strengthening sustainability impacts of organization in more details.

Responsiveness

The report includes coverage given to stakeholder engagement and channels for stakeholder feedback. Future reporting would benefit from more reporting on the results of stakeholder feedback from this report

GLOBAL REPORTING INITIATIVE REPORTING GUIDELINES CONCLUSIONS, FINDINGS AND RECOMMENDATIONS

The report, NUVOTON's CSR Report of 2014-2015, is adequately in line with the GRI G4 Core Option. The material aspects and their boundaries within and outside of the organization are properly defined in accordance with GRI's Reporting Principles for Defining Report Content. Disclosures of identified material aspects and boundaries, and stakeholder engagement, G4-17 to G4-27, are correctly located in content index and report. More disclosures on the information of subsidiaries within the organization and more identification and disclosures of other material aspects are recommended in future reports. Disclosures on Management Approach components, such as goals and targets, specific actions taken to achieve the expected results, and on supply chain management, may be further enhanced in the next report. Disclosures on EN17, EN27, EN34, LA9 and LA16 are encouraged in future report.

Signed:

For and on behalf of SGS Taiwan Ltd.



Dennis Yang, Chief Operating Officer

Taipei, Taiwan

13 October, 2016

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