CORPORATE
SOCIAL
RESPONSIBILITY
REPORT

HERMES MICROVISION

2015 CORPORATE SOCIAL RESPONSIBILITY REPORT

HMI HERMES MICROVISION

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About HMI's Corporate Social Responsibility Report

Summary of this report

This report spells out Hermes Microvision Inc. (hereinafter the company, HMI, or we, us, our)'s perspective on concerns of major stakeholders about sustainable development and measures HMI has adopted to address these concerns. It also explains current achievements and future opportunities as a way of fulfilling Corporate Social Responsibility (CSR). Further, this report is an important channel of communication with stakeholders, a means to engaging positively with stakeholders through disclosure, exchange, and feedback. We sincerely hope to receive criticisms and suggestions from all sectors, so that the company's hard work better meets the expectations of the general public and we can continue to strive to become an industry leader in sustainable development.

In 2015, the company began writing its CSR based on the Global Reporting Initiative (GRI)'s newest version, version G4.0, to explain to stakeholders what the company is doing economically, environmentally and socially to display its resolute commitment to sustainable development.

Scope and Time of the Report

This report covers the corporate social responsibility performances achieved by HMI between the periods of January 1st, 2015 to December 31st, 2015 and there were no significant changes in the agency's operation scale, structure or ownership during the period. The indicators primarily cover our manufacturing facilities located in Hsinchu and the Southern Science Park of Taiwan. In case if the indicators of other regions are involved, it will also be listed and explained within the report. All data for the year 2015 stated in this report is shown in terms of international general indicators and estimations will be explained in each relating chapters. The financial data listed have been verified by PwC Taiwan and calculated in NTD. Other events shown in this report were not verified by a impartial third party.

Editorial Guidelines

In terms of data collection, relevant departments were invited to provide information on daily operation and administration, training, and specific topics. We also referred to recordings of interviews with various units. We then processed the data according to GRI standards and indices to assess the company's economic, environmental and social performance. The collection, quantification, and calculation of the data have been conducted according to local legislative requirements. If there were no such requirements, then we have followed international standards or industry standards or norms.

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A Word from the President

As semiconductor processes have shrunk and evolved in the era of nano-technology, the precision of wafer error testing has become more and more crucial. When traditional optical testing technology reached its resolution bottleneck, HMI began producing high resolution electron beam (e-beam) wafer error inspection systems, which have played a key role in helping customers increase the yield rate of their production processes, propelling HMI into the mainstream of advanced wafer process testing equipment. 2015, however, was a challenging year for HMI, as the semiconductor firms that HMI serves have been at an emerging market exchange rate disadvantage and have faced overall macroeconomic instability, both of which factors militated against aggressive capital investments. As a result, HMI's annual operating income fell to 6.65 billion NTD, a 7.8% drop from 2014. Profit was also shaved: net after-tax earnings totaled 2.32 billion NTD, for earnings per share (EPS) of 32.7 NTD.

Despite facing a headwind in the market in 2015, HMI has continued to develop and deepen e-beam wafer inspection technology both on its own and by conducting technology cooperation with customers and other equipment manufacturers. In this way, we have been reinforcing our competitive foundation. In terms of product development, this company's latest product, the SkyScan500, developed for inspection of in-line monitor hotspots. Reaching a rate of hundreds of thousands per hour, the SkyScan5000 is the fastest in the e-beam inspection industry. The SkyScan5000 is complemented by a diverse product line that provides a solution for every wafer-testing need, helping every customer to improve production efficiency.

In 2015, this company introduced a Product Safety Review Form to carry out environmentally friendly product development based on the concept of "green design." We now use non-toxic and flame retardant grade materials and will continue to consider recyclability and reusability of parts and materials to lower the environmental impact of each HMI product.

HMI came in the top 5% in 2015 in the 1st Corporate Governance Review Ranking, laying a foundation for sustainable development and continuing competitiveness.

In terms of our outlook, we note the progress that has been made towards a 10nm wafer process and are cognizant of requirements for the R&D of 7nm and 5nm processes, not to mention the development of 3D or vertical flash memory storage. Technological development and technical evolution multiply production process difficulty, making it difficult to keep production yield under control. Semiconductor makers have increasingly rigorous expectations for the resolution of e-beam wafer testing equipment. This company will continue to bring out the next generation of e-beam wafer testing equipment, making advances in product quality and customer support to respond to market needs and help customers achieve superlative results while at the same time striving to realize our dedication and fulfill our promise to practicing sustainable development by acting as a model corporate citizen.

Our company pledges to honor EICC (Electronic Industry Citizenship Coalition) standards of practice to ensure employee well-being, workplace safety, environmental protection and ethical standards in business operations. This company will continue to guide suppliers, encouraging them to meet EICC standards. Its long-term goal is to apply the EICC code of conduct to sub-suppliers.

Further, this company has promoted reductions in energy consumption and waste production in daily operations, setting 5% and 85% reductions in energy and waste respectively as mid-to-long term goals, exerting ourselve for the sake of global resource sustainability. In 2015, the company's waste water recycling rate was 21%, much lower than the 35%-70% typical for the Hsinchu Science and Industrial Park. Moreover, "zero workplace injury" is an operating objective that the company will implement in the long term.

To keep participating in social outreach, this company focused its core competencies on supporting not only artistic and cultural events but also educational activities. In 2015, educational activities, especially to do with science and technology, were held in remote areas for the benefit of disadvantaged students. In this way, the company is doing what it can to cultivate the next generation. Moreover, this company has collaborated with external groups in assistance for major natural or artificial disasters, increasing the efficiency of rescue resource use and helping to lower the social cost.

Stakeholder Differentiation and Communication

Healthy communication and interaction with stakeholders is a key for the company to fulfill its corporate social responsibility. To pursue sustainable development, we strive to create transparent, effective channels of communication with stakeholders. Through discussions with different company departments, we identified seven groups of stakeholders. Some had a "neighborly" relationship to the company, others were directly impacted by company operations. The seven groups are: investors, government, customers, suppliers, employees, communities, and the media. Through various channels of communication, we have identified issues of concern to these different groups of stakeholders. In return, we have communicated the company's performance in social responsibility and responded to stakeholder expectations.

Summary Table of Communication between HMI and Stakeholders

Stakeholder	Channel	Frequency	Issue
Employees	Performance Assessment/ Training Platform President's mailbox Employee Welfare Committee Employee Quarterly Meeting Labor- Management Meeting Safety Meeting Safety and Hygiene Committee Audit Committee Health Guidance Employee Satisfaction Surveys	Biannually Irregularly Quarterly Quarterly Quarterly Monthly Quarterly Quarterly Irregularly Irregularly	Training (Performance assessment/promotion) Remuneration and benefits Occupational safety/ hygiene Company revenue Moral failings/corruption Health promotion Nutrition

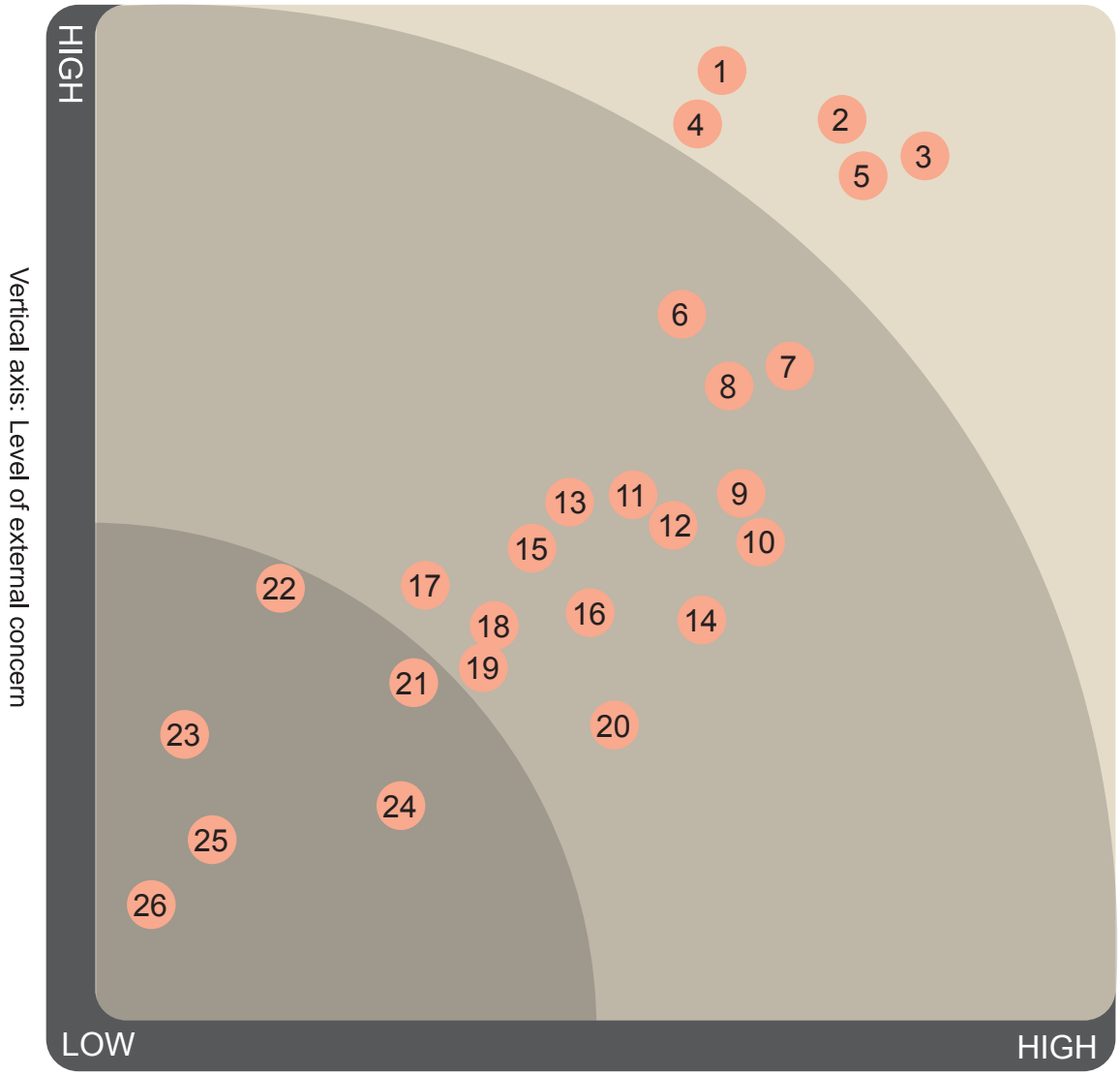
Stakeholder	Channel	Frequency	Issue
Investors	Financial reports	Quarterly	Operating performance/ outlook
	Open data stations	Irregularly	Information Transparency
	Telephone interviews	Irregularly	Sustainable development strategy
	Spokesman/Investor/Audit Committee mailbox	Irregularly	R&D personnel income environment
	Institutional investor conference	Quarterly	Dividends
	Workshops	Annually	Corporate governance
	Shareholders' meeting	Annually	Human rights
	Meeting of the Board of Directors	Quarterly	Social participation R&D investment tax credit
Customers	On-site visits	Irregularly	Property (Wafer) Storage Environment
	Customer audits	Irregularly	Data security
	Customer/supplier review	Irregularly	Supplier management
	Contracts with customers	Irregularly	Labor conditions
	Customer complaints	Irregularly	Human rights
	Customer satisfaction	Annually	Ethics/morality
			Social participation
			Carbon emissions
			Factory safety
			Product transport protection
			Ongoing operations
			Accounts receivable
			Quality control/ quality abnormality
			Quality improvement/ stability
			Emergency response
			Occupational safety and hygiene
			Green design/manufacture
			SEMI S2 safety assessment
Suppliers	Exclusive supplier platform	Irregularly	Order quantity/stability
	Request via e-mail	Irregularly	Payment terms
	Contract	Irregularly	New material/part develop-ment
	Project procurement information provision	Irregularly	New material needs
	Project procurement information provision	Irregularly	Moral management
	Ethical management standards	Irregularly	Order quality complaints
	Company website comment response page	Irregularly	Incoming materials testing
	Incoming materials testing specification provision	Irregularly	Environmental safety/ hygiene auditing criteria
	Supplier audit	Annually	

Stakeholder	Channel	Frequency	Issue
Government	Labor inspection Job fairs Surveys Letters Telephone interviews E-mail Regular internet reporting Annual energy report Government legislation guidance Occupational accident reporting Fire drill report	Irregularly 2 time/year Irregularly Irregularly Irregularly Irregularly Monthly Annual Irregularly Monthly Biannually	Labor conditions Hiring/Personnel recruitment Manpower status survey Market remuneration survey Financial law compliance Tax Information Transparen-cy/Board governance Employee remuneration /benefits Solid/liquid waste management Energy management Legal compliance Occupational injury Fire prevention and safety
Community	Government portals NGO materials Artistic groups	Irregularly Irregularly Irregularly	Social outreach Arts promotion

Identifying and Responding to Major Issues

We have identified major issues through internal discussion and with the assistance of experts outside the company, proceeding according to GRI 4.0, the specifics of the wafer testing industry, as well as economic, environmental and social considerations. In total, we have identified 26 issues, and have invited colleagues in different departments to fill out stakeholder questionnaires according to their occupational duties. We received 33 questionnaires for analysis. We then formed a Corporate Social Responsibility team to estimate levels/weightings of stakeholder concern about different aspects of CSR and their impact upon the company. Through data collection and analysis, concern and impact have been rendered visually in the following graph:

Major issue	GRI G4 Guideline	Internal	External		Management guidlines / Reference chapters or sections
		HMI	Customers	Suppliers	
Sustainable operations	Economic performance	✓	✓		2.2
R&D budget	Products and services	✓	✓		2.3
Quality and safety	Customer health and safety	✓	✓		4.2
Financial regulation compliance	Legal compliance (product liability)	✓			2.3
Customer satisfaction	Product and service indicators	✓	✓		2.3



1 Sustainable operations
2 R&D budget
3 Quality and safety
4 Financial regulation compliance
5 Customer satisfaction
6 Financial information
7 Supplier management
8 Property storage environment
9 Compensation /benefits
10 labor relations
11 Corporate Governance
12 Accounts receivable
13 Factory Safety
14 Talent cultivation/education
15 Anti-corruption Transparency
16 Occupational safety and hygiene
17 Sustainable development strategy
18 Human rights
19 Operating performance/outlook
20 Remuneration survey
21 Green products
22 Environmental management
23 Social outreach
24 Health promotion
25 Energy management
26 Greenhouse gas emissions

2015 Sustainability Report Card and Short, Mid, and Long-Range Strategies and Objectives

In addition to focusing on major issues of concern to stakeholders, this company has also added issues such as energy management, greenhouse gas emissions, social concern/compensation/welfare, environmental management, occupational safety and hygiene, and talent cultivation/education. On the basis of these issues, the company's sustainability performance for 2015 and short-, mid/long-range strategies/objectives have been tabulated, as follows：

Major issue	2015 Performance	Short-range goal (within a year)	Mid/long-range goal (3-5 years)
Sustainable operations	BCP (business continuity plan) report completed	Make progress on BCP simulation	Draft supply chain improvement plan to achieve zero interruptions
R&D budget	53% of operating expenses	Reach R&D budget objectives	Keep increasing R&D budget
Quality and safety	Raw materials Accept Rate>98.81%	2016 Raw materials Accept Rate>99%	》Increase hours of training for quality control (QC) personnel in order to raise inspection capability 》Continue adding expand ing the quality inspection items in order to raise production yield
Financial regulation compliance	Complete compliance/zero violation	Comply with financial legislative requirements	Continue implementing internal control mechanisms and accounting
Customer satisfaction	No major customer complaints	Quarterly quality meeting to maintain our advantage in products and services and to make improvements	An overall customer satisfaction of 7 points
Financial information	Annual revenue of 6.65 billion NTD, with after-tax earnings of 2.32 billion NTD, for an EPS of 32.70 NTD	》Continue to invest in advanced technology in the pursuit of future growth while at the same time maintaining or increasing profitability and return on investment 》Continue to enhance corporate governance and main good relations with investors	Pursue profit and growth

Major issue	2015 Performance	Short-range goal (within a year)	Mid/long-range goal (3-5 years)
Green Design	Safe (non-toxic, flame retardant) materials used	Use energy efficient CPUs (with lower power consumption)	R&D can employ high performance / low power consumption technology (FPGA / GPU)
Supplier management	》100% of cooperating suppliers understand HMI environmental safety/hygiene policy 》100% of main suppliers completely meet EICC requirements	》Complete questionnaire survey of major suppliers concerning EICC compliance within three years	》Include new suppliers checks in the EHS (Environment, Health, Society) review, requiring all new suppliers to comply with EHS requirements 》Carry out on-site inspections and guidance of existing suppliers, selecting at least 3 suppliers each year for inspection
Property storage environment	Appropriate storage of customer property	Maintain customer property	Continue implementing management measures for customer property
Energy management	5,501,760 (KWH)	Reduce energy consumption in 2016 by 1% compared with 2015	Reduce energy consumption in 2020 by 5% compared with 2015
Greenhouse gas emissions	5,169 (tons of CO2e)	Reduce greenhouse gas emissions in 2016 by 1% compared with 2015	Reduce greenhouse gas emissions in 2020 by 3% compared with 2015
Social concern	All HMI company locations fulfilled 100% communication with local communities	Promote various educational-support activities 》Hold one product/technology conference per year 》Sponsor/co-organize science promotional activities in remote areas 》Hold an annual creative invention contest	Support and promote the concept of “flipped education”
Remuneration and benefits	Year-end company banquet 2 seasonal festival events Employee family day 17 self-organized departmental travel outings	The employee welfare committee shall take employee composition into consideration and focus on designing a variety of activities to satisfy various employee needs. 》Hold major annual event 》Budget annual funds for the issue and hold Team Building activities 》Budget annual funds for the issue and encourage employees to self-organize travel outings, reading, artistic pursuits, studies.	Plan health promotion/life &work balance activities to achieve work/lifestyle goals for mental and physical health: 》Implement“red”and “green”lights in the employee cafeteria to promote healthy eating 》Hold regular physical fitness activities to promote and manage employee health Regularly enhance Employee Assistance Programs to promote employee mental and physical health
Environmental management	84% of general industrial waste recycled	Keep general industrial waste recycling above 80%	General industrial waste recycling rate above 85%
Occupational safety and hygiene	Zero violations	》Achieve EHS (environment, health, safety) inspection shortcoming correction rate of above 95% 》Conduct three occupational hazard prevention and health workshops in the year	Promote a zero occupational injury leave activity, and 100% follow-up for major abnormalities on employee health tests
Talent cultivation	An averages of 38 hours of training per person and 2.5 times per person per year	Draft an annual educational training/professional development plan	Draft an employee development plan for key positions

COMPANY PROFILE

1.1 Company Brief Introduction

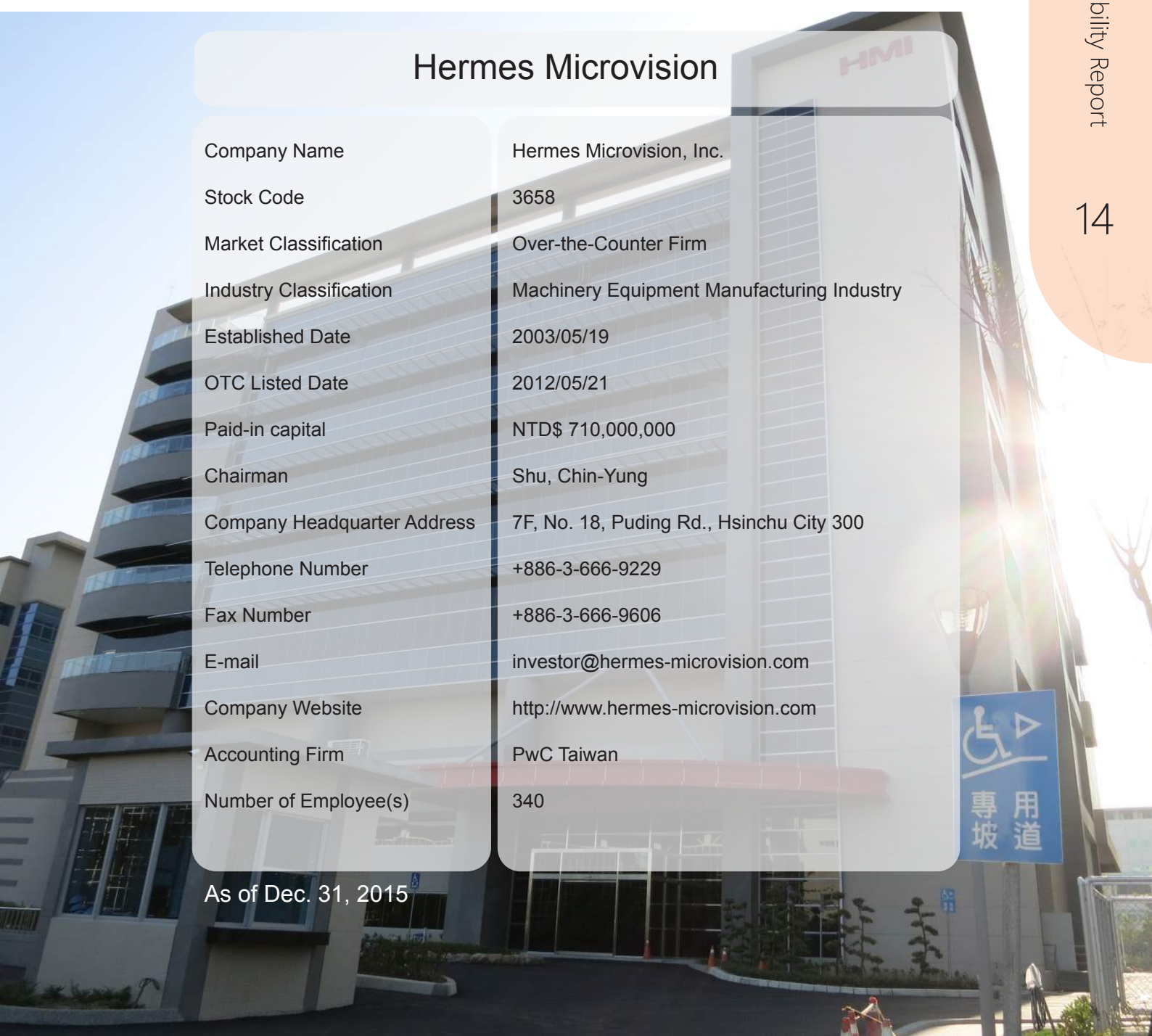
Before the age of nanotechnology, optical wafer inspection machine was capable of overcoming the challenges posted by the constantly shrinking line width but it will encounter a bottleneck and be replaced by wafer defect inspection instruments with E-beam based technologies when we enter the 90 nano generation. In 1998, with the support from Chairman Mr. Hwang, Ming-Chi of Hermes Epitek Corp., four top notch scientists who shared the same vision and are confident about the growth trend and market demands of the wafer industry, established Hermes Microvision, Inc. in Silicon Valley, U.S.A. and started the development of E-beam wafer inspection instruments.

In 2003, the 1st “E-beam Inspection Tool” was successfully developed by the Research and Development team gathered from Taiwan and China. The inspection tool features exclusive world leading leap scan and e-gun technologies, providing the industry with more advanced inspection equipment and technology, assisting our clients to effectively improve the efficiency of their front end manufacturing procedures, at the same time raising the level of wafer inspection technology to enter the global high tech equipment and components supply chain.

In addition, the Taiwan headquarter of Hermes Microvision, Inc. was established in 2003 and the arrangement of its global operation and business has initiated. Consecutively, branch offices were set up in Japan, Korea, China and other regions shortly afterwards.

HMI insists on the concept of “Assisting Clients in Problem Solving, Becoming the Client’s Partners and Establishing a Trusting Relationship” and has provided solutions for our strategic partners in the completion of 90 nm, 65nm, 40nm, 28nm and even 20nm manufacturing procedure development to mass production, at the same time working towards manufacturing inspection equipment under 16 nm and 10nm. Today, the reliability and resolution of E-beam inspection tool developed and manufactured by HMI, has received the approval from the top 20 wafer and memory manufacturers in the global.

HMI (Hermes Microvision, Inc.) is a brand that completely participates in the R&D, design, manufacturing, international sales and services of its products, with a display of strong determination and will during the entire process. HMI is a gathering of top-notch talents from China, Taiwan, Hong Kong and the globe, with professional customer services that made HMI as one of the world class semiconductor manufacturing procedure equipment supplier in the historical book of semiconductor industry development.



Hermes Microvision

Company Name	Hermes Microvision, Inc.
Stock Code	3658
Market Classification	Over-the-Counter Firm
Industry Classification	Machinery Equipment Manufacturing Industry
Established Date	2003/05/19
OTC Listed Date	2012/05/21
Paid-in capital	NTD$ 710,000,000
Chairman	Shu, Chin-Yung
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Accounting Firm	PwC Taiwan
Number of Employee(s)	340

As of Dec. 31, 2015

1.2 HMI Global Locations

USA

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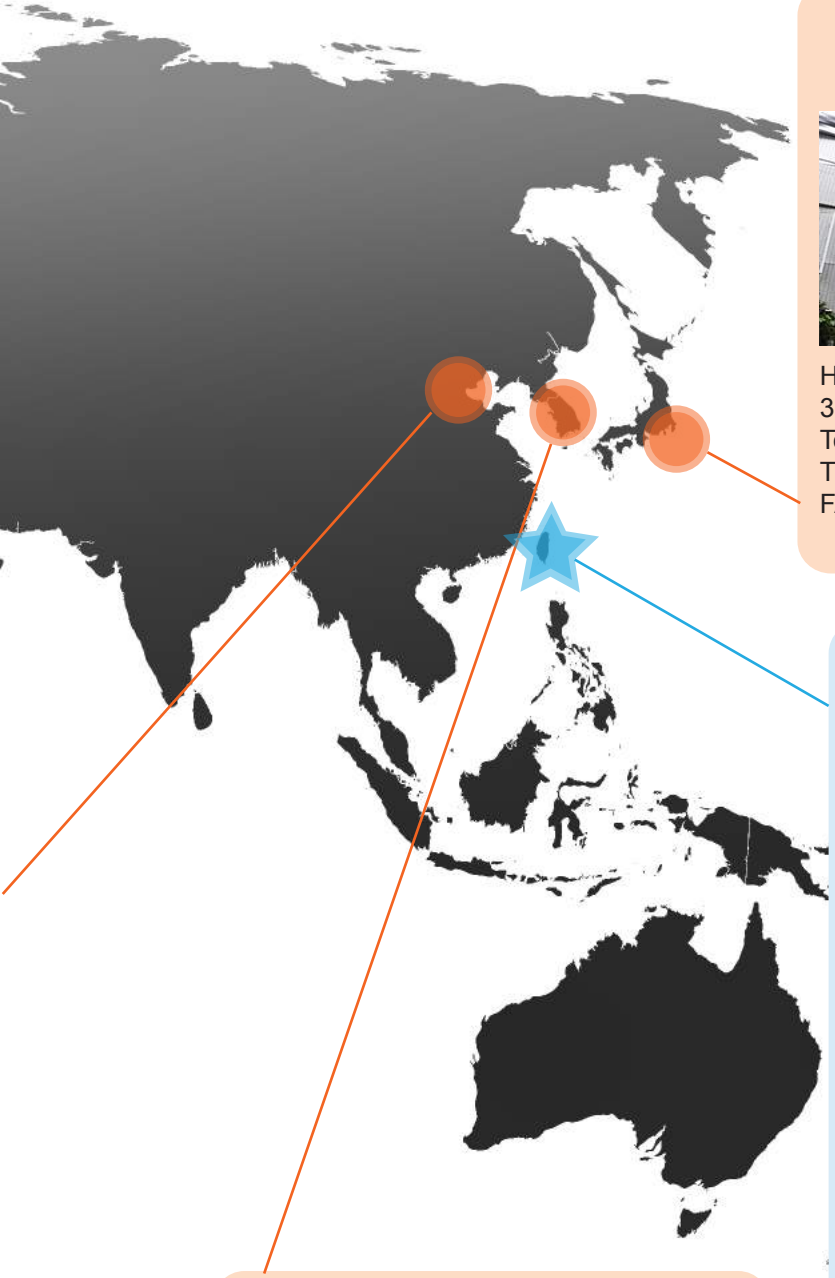

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1.3 Company profile

2003

》 Established the Hermes Microvision Precision Technology Co., Ltd with a paid-in capital of 1 million NTD in Hsinchu City. As semiconductor components become smaller, Hermes will offer wafer foundries with more advanced inspection equipment and techniques.

》 Company name changed to Hermes Microvision, Inc.

2004

》 Acquired the American (Silicon Valley) company Hermes Microvision, Inc. for 100% stock ownership and acquired core technologies for e-beam inspection (EBI) of wafers.

》 Sales of the first inspection equipment, successfully enter ing the water inspection equipment market that had been monopolized by Japanese and American companies.

》 Application for entering Hsinchu Science Park approved.

》 Established a production center at Southern Taiwan Science Park to enlarge production scale.

》 Offered new common shares of 499 million NTD (cash) to increase paid-in capital to 500 million NTD.

2005

Formally entered the Japanese and Korean market as a major technological firm.

2006

》 Established a Japanese branch company to help manage business operations for expanding the Japanese market.

》 Successfully developed the eScan®310 and eScan®380 products.

2007

Offered new common shares of 280 million NTD (cash) to increase paid-in capital to 780 million NTD.

2008

》 Established Japanese and Korean subsidiaries to help manage business operations to expand the Japanese and Korean markets.

》 Reduced paid-in capital by 650 million NTD while offering new common shares of 280 million NTD (cash) for paid-up capital of 410 million NTD.

》 Public distribution of shares.

》 Successful development of the eP2, eScan Lite, and eScan®315 products.

2009

- Diverted investments to a subsidiary company in Mainland China as a manufacturing center of important modules.
- Closing of the Japanese branch.
- Successfully developed eScan 400.

2010

- Offered new common shares of 190 million NTD (cash) to increase paid-in capital of 600 million NTD.
- Successfully developed eScan 320, eXplore, eManager Work station and Supernova products.

2011

- Company headquarters moved to Hsinchu City. Branch company established at the Hsinchu Science Park.
- April 29: successfully listed as an emerging stock company.
- Successfully developed eP3.

2012

- Offered new common shares of 60 million NTD (cash) to increase paid-in capital to NTD 660 million.
- May 21: Formally listed on Taiwan's GreTai Securities Market.
- Winner of the 21st National Award of Outstanding Small and Medium Enterprises.

2013

- Offered 50 million NTD of new common shares in the form of global depository receipts, increasing paid-in capital to 710 million NTD.
- Successfully developed eScan®500 product.
- Winner of the 2nd Potential Taiwan Mittelstand Award.

2014

- Granted CG6009 Advanced Assessment Certification.
- Successfully developed eP4 products.

2015

- Ranked in the top 5% according to the first year corporate governance appraisal.
- Successfully developed SkyScan5000 products.

2016

- Successfully developed NanoScan3000 products.

ECONOMIC CO-PROSPERITY

2.1 Company management framework

Operation of the Board of Directors

The Board of Directors of HMI was composed of 8 directors with extensive business management skills or academic background in 2015. Directors serve for a term of 3 years, upon which the shareholders will vote for people with skills to the position. Directors who win the vote will continue to serve the company for another term. The Board of Directors will convene a meeting at least once every quarter. A total of 5 Board meetings were held in 2015. Shareholders meetings can be divided into regular meetings or provisional meetings. Regular meetings are held once every year within 6 months after the end of the fiscal year and convened by the Board of Directors in accordance to corporate regulations. Provisional meetings may be convened according to corporate regulations when necessary.

Under the Board of Directors, there are the two functional committees of a "Remuneration Committee" and an "Audit Committee", which respectively formulate the Remuneration Committee Organization Rules and the Audit Committee Organization Rules, convene meetings in accordance with the organization rules passed by the Board of Directors, perform the duty and exercise the rights delegated by the law and the Board of Directors, review and discuss relevant issues and report the conclusions and suggestions to the Board of Directors to effectively improve the performance of corporate governance, and make the function of the Board of Directors more perfect. In addition, directly under the Board of Directors there is an Audit Department, which according to the relevant laws and regulations and the instructions of the Board of Directors plan and implement the Company's internal control and auditing business.

Responsibilities of the Board of Directors

The Board of Directors serves as the center of decision making for key business strategies. The responsibilities of the Board include electing and supervising the company's management as well as the company's business performance. Remuneration of the Board members must be submitted to the shareholders, who shall then acknowledge and determine the extent of the Board's management successes. This would be the means by which HMI evaluates the performance of the highest level of management. Performance evaluation of the Board will help improve the quality and efficiency of Board resolutions and decision making to achieve the objectives of effective management and supervision of this company. Additionally, annual reports would include the directors' attendance in Board meetings as a form of demand placed upon directors to fulfill their responsibilities and obligations and perform their functions in supervising and managing this company.

HMI also has stipulated clear provisions for conflicts of interests during Board meetings. Furthermore, HMI offered positions of independent directorship with transcendent powers. Independent directors will have an objective and fair vantage points of view and rely on their professionalism and experience to provide recommendations when the company considers various business strategies. Any proposal discussed by the Board would fully consider the opinions raised by the independent directors. Meeting minutes shall record the reasons for agreeing or disagreeing with the director's opinions while complying with conflict of interest principles to safeguard this company's interests.

The second responsibility of the Board of Directors is to instruct the management team. The Board of HMI would quarterly review management reports submitted. Report topics would include economics, environmental protection, and corporate social responsibility (including the analysis of risks and opportunities, compliance with international standards, and standards of business ethics). The Board also spends considerable time conversing with the management team. The management team must propose company strategies to the Board who shall then evaluate the strategies based on their potential success or failure. Progress of implemented strategies must be reviewed frequently as well. Where necessary, the Board shall also remind the management team to make adjustments.

Audit Committee

According to law, the Company has in place a Remuneration Committee and an Audit Committee, the relevant organization rules of which have been passed by the Board of Directors. In 2015, a total of 6 Audit Committee meetings were held, with the following matters as the main purpose of supervision:

》The proper representation of the Company's financial statements.
》Selection (dismissal) of the auditor/CPA and its independence and performance.
》Effective implementation of the Company's internal control.
》The Company's compliance with relevant laws and regulations.
》Control of the Company's present or potential risks.

Remuneration Committee

This Committee shall exercise the care of a good administrator in faithfully performing the official powers listed below, and shall be responsible for and submit its recommendations for deliberation by the Board of Directors.

》Stipulating and regularly assessing the performance objectives and remuneration policy, regulations, standards, and structure of this company's directors and managers.

》Regularly assessing and stipulating remunerations system of this company's directors and managers.

Four Remuneration Committee meetings were held in 2015. When exercising the official power in pursuant of the preceding paragraph, the Committee shall comply with the following principles:

》Performance evaluation and remuneration of the directors and managers shall refer to the standards adopted by those in the same industry and consider personal contribution, company business performance and future risks, in order to ensure that these considerations are reasonably linked with performance evaluation and remuneration.

》The Committee shall not produce an incentive for the directors or managers to engage in activities to pursue remuneration exceeding the risks that the company may tolerate.

》The Committee shall take into consideration the characteristics of the industry and the nature of the company's business when determining the ratio of bonus payout to the company's directors and top managers.

Corporate Social Responsibility Committee

In an effort to promote corporate social responsibility, the Company has in place a Corporate Sustainability Committee, with its responsibilities of planning and promoting corporate social responsibility policies and implementing specific work, compiling an annually corporate social responsibility report, and reporting the implementation results to the Board of Directors.

Board of Directors and Functional Performance Evaluation Committee

The purpose of the evaluation method of the Company's Board of Directors and Functional Performance Evaluation Committee is to implement corporate governance and enhance the Board of Directors' and the functional committees' functions, clearly define performance objectives, and improve operational efficiency.

Overall evaluation of the Board of Directors

At the end of each year, the Board of Directors' procedure unit will send the Board of Directors' overall performance indices to each board member for an individual evaluation of the current Board of Directors' overall performance of the year. After the board members' evaluations, the Board of Directors' procedure unit will collect them and obtain a weighted average score according to the proportions of the table below, and report the results to the Board of Directors.

Overall evaluation of functional committees

At the end of each year, the Board of Directors' procedure unit will send the functional committees' overall performance indices to each functional committee member for an individual evaluation of the current functional committees' overall performance of the year. After the committee members' evaluations, the Board of Directors' procedure unit will collect them and obtain a weighted average score according to the proportions of the table below, and send the results to functional committees for review and then report them to the Board of Directors.

In 2015, the performance evaluation results of the overall performance were good. The directors actively participated in the Company's meetings such as board meetings and shareholders' meetings, fully discussed the Company's business, and continued their education in accordance with the provisions of the laws and regulations. However, functions such as effective controls of the Company's risks and cultivating high-level managers for succession need to be further strengthened.

Business integrity

To establish the Company's business culture of integrity and a sound corporate development, and provide a reference for the establishment of a good commercial operation, the Company has developed a code of business integrity which includes honest behavior, compliance with the laws and regulations, company policies, interest avoidance and preventive measures.

2.2 Status of Operating and Financial Information

In 2015, although the overall revenue slightly declined, the Company still actively developed and deepened the e-beam wafer inspection technology jointly with customers and other equipment manufacturers. SkyScan5000 of the Company's latest research and development is a new product developed for the intensive hotspot inspection requirements of in-line monitors. The hotspot inspection speed can reach hundreds of thousands of spots per hour, and is currently the industry's fastest e-beam hotspot inspection model. The Company will continue to be customer demand- oriented, and actively develop e-beam multi-application technology to provide customers with the optimal solution for wafer inspection with the Company's rich product mix, and create the maximal benefit for customers.

As the advanced semiconductor manufacturing technology continues to shrinks and evolves in recent years, the manufacturing threshold and difficulty rises at the same time, which made the precision of wafer defect inspection more demanded and traditional optical wafer inspection technology became limited by its resolution. The high resolution e-beam wafer inspection tool manufactured by HMI has become the leading inspection equipment for advanced semiconductor manufacturing procedure; However, due to emerging markets' weak exchange rates and macroeconomic instability in 2015 which adversely affected the semiconductor market's terminal consumer demand, semiconductor manufacturers' capital spending became more conservative. Therefore, the Company's full year operating income and profit slightly declined. In 2015, the revenue was NT$6.65 billion, which slightly declined 7.8% from the NT$7.21 billion in 2014. The after-tax earnings were NT$2.32 billion and the EPS was NT$32.7 per share.

On the outlook in 2016, with major wafer manufacturers' continued efforts towards 10 nanometer wafers and the related R&D needs of 7 and 5 nanometer wafers, plus the fact that 3D-storage-type flash memory develops toward the three-dimensional structure, the technology development and technology evolution make the process more difficult and the yield becomes less easy to control. Thus, semiconductor manufacturers' demand for high-resolution e-beam wafer inspection machines gradually grows. The Company will continue its innovation in the advanced semiconductor manufacturing process to continue launching a new generation of e-beam inspection products and improve product quality and customer service, in order to provide cutting-edge inspection technology to help customers to improve the process yield, cope with severe market challenges and create new achievements.

Production Numbers for the Most RecentYears

Unit: Groups, Thousand NTD

Year / Production Numbers	2015		
Primary Products	Production Capacity	Production Volume	Output Value
E-beam inspection equipment module	-	1,440	6,319,215
Total	-	1,440	6,319,215

Note: This Company is an equipment manufacturer and only a minimal amount of manufacturing machineries and R&D equipment are assembled by labor, thus production capacity was not calculated.

Sales Number for the Most Recent Years

Unit: Groups, Thousand NTD

Year	2015			
Sales numbers / Primary Products	Domestic Sales		Export Sales	
	Volume	Value	Volume	Value
E-beam inspection equipment module	520	2,250,083	920	3,951,252
Others	-	123,755	-	326,715
Total	520	2,373,838	920	4,277,967

Note: The items listed in the Other's category are incomes generated from component sales and machinery repair or warranty services with different product categorization, thus cannot be expressively displayed.

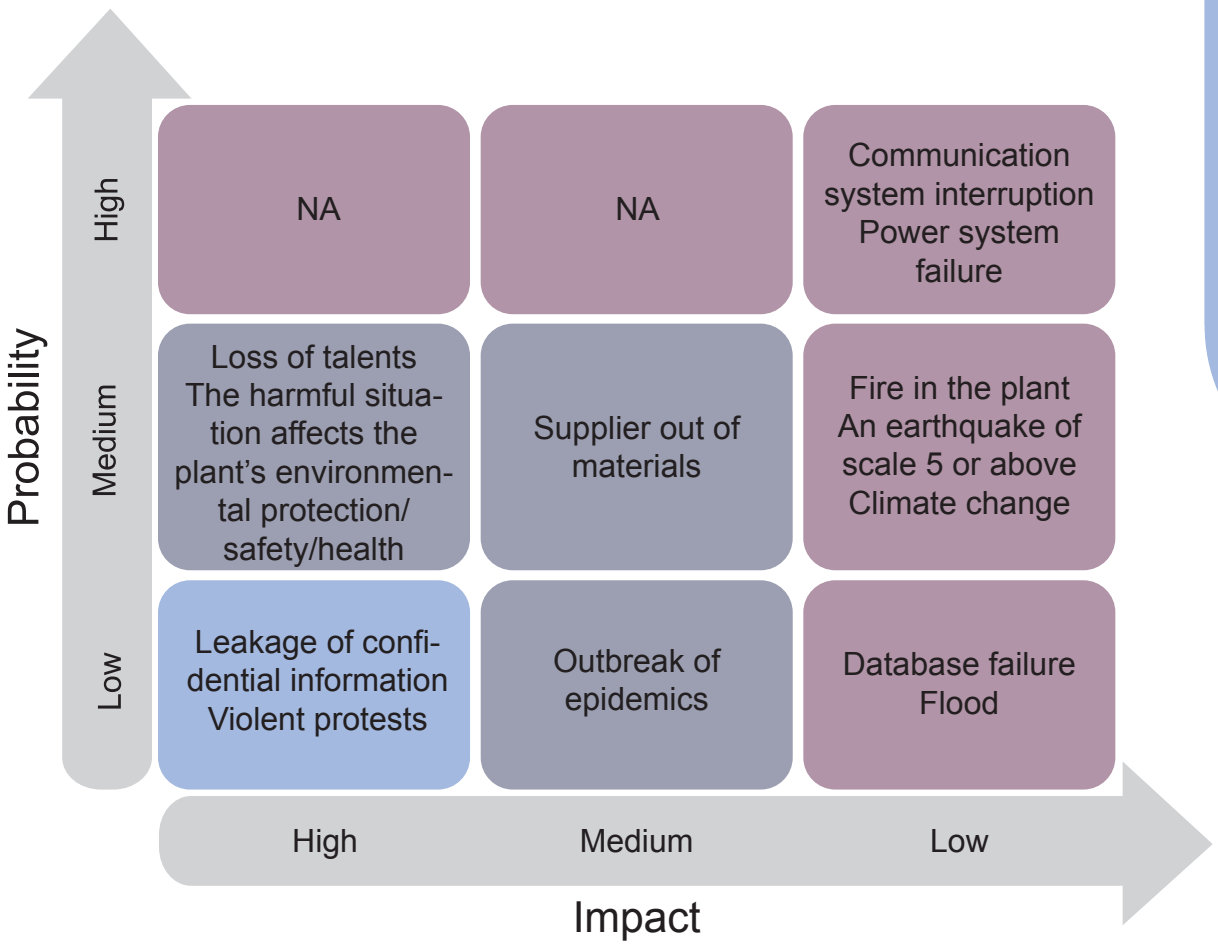
Consolidated Simplified Comprehensive Income Statement- IFRSs

Unit: Thousand NTD

Year / Item	Financial Information of Last 5 years (note 1)			
	2012	2013	2014	2015
Business Income	4,179,904	5,340,043	7,209,650	6,651,805
Gross Profit Margin	2,980,848	3,758,459	5,065,765	4,676,369
Net Income of Continuing Segment for this term	1,520,429	2,347,275	3,241,936	2,321,748

Continuous operation (risk management)

With the rising global risk, in order to continue creating economic, environmental and social sustainable values for interested parties, the Company set up a Business Continuity Plan in 2014 (BCP) to identify and control business management related risks and classify them into three major types of "financial risks", "operational risks" and "information risks", and further categorize these classified risks into high, medium or low-level to enable the organization to take further measures for risk transfer, reduction and avoidance, in order to reduce the probability and degree of risk-related losses.



2.3 Customer Service

Product quality management

The Company believes that quality is a very important indicator of customer satisfaction. In view of problems reflected by the customer, the Company has formulated related procedures and the subsequent improvement mechanism. The quality assurance department convenes relevant units for investigation and treatment to propose solutions based on cause analysis and review of the handling method. A report is compiled for the reasons for customer complaints and countermeasures, and necessary operating procedures for customer complaints are followed so as to promptly resolve quality problems and improve the yield.

Raw material inspection and control

If two out of the most recent two to five batches of products are rejected after the quality inspection, the system will automatically start the tightened inspection mode, until five consecutive batches are accepted during the tightened period and return to the normal inspection mode. The system will automatically start the reduced-volume inspection mode if ten consecutive batches are accepted during the normal inspection period. The system will revert to the normal inspection mode if any batch is rejected during the reduced-volume inspection period.

Customized services

To meet the requirements of diversification of the wafer manufacturing process and the constantly decreasing size, the inspection method is ever evolving in order to achieve the Company's goal of developing a new generation of e-beam testing equipment in the future to effectively inspect smaller defects, timely reflect the status and rapidly analyze fault factors hidden in the structure, thereby accelerating the development pace and quickly achieve a high yield and output. The Company's R&D focus is in the following directions:

- Continuously improving the image resolution and defect detection rate: to enhance the ability of the electronic optical system, enhance the stability of wafer movement, and enhance the S/N ratio.

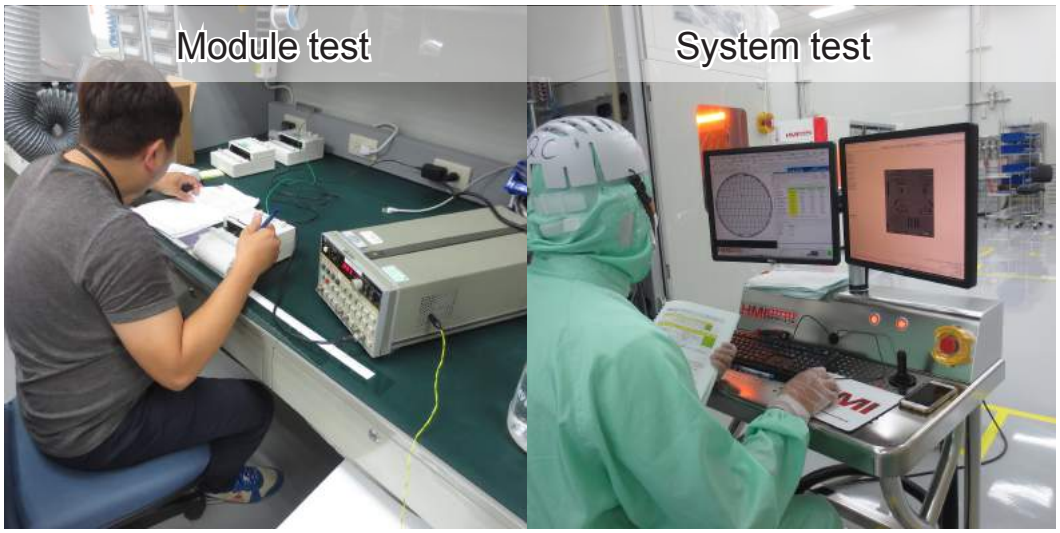
- Continuously improving the defect detection speed: to improve the processing speed of the electronic optical system and improve the computer's computing ability.

- Continuously improving the advanced pattern comparison and com puting ability: Defects can be detected immediately with the combina tion of high-resolution e-beam images and semiconductor design pattern comparison. The Company is committed to improving the pattern comparison and computing ability to satisfy the stringent yield requirement of customers' advanced process.

- Developing the testing equipment of the next generation: To meet semiconductor manufacturers' future requirement of heavily using the e-beam testing technique to overcome the current bottlenecks in optical testing, the Company will develop breakthrough e-beam testing technology to meet the market demand of higher speed and higher resolution.

- New semiconductor technology application and development: The model of the new generation will take into account the technology and application of cutting-edge semiconductors in the future. For example, the EUV (Extreme Ultraviolet) mask defect detection, NIL (Nano-Im print Lithography) tablet defect detection, FinFET 3D-structure transistor defect detection, in-line monitoring of wafer testing in the wafer mass production stage for highly sensitive resolutions, and other potential market mainstream technologies. Through continuous inno vation and R&D, the Company grasps the key technology of wafer testing equipment to maintain a competitive advantage in the industry.

The R&D expenses in 2014 and 2015 amounted to NT$960 million and NT$1.19 billion respectively, which shows that the Company attaches great importance to the R&D of technology. The Company expects to continue increasing its investment in R&D, and make appropriate adjustments based on the operating conditions and changes in the industry trend in order to strengthen its market competitive advantage.



Customer asset storage environment

Customer asset protection is the Company's most important job. The Company keeps customer assets in the storage cabinets of a dedicated storage room of a clean room with card access control and dedicated monitors. Special keys (only kept by the customer) are required to access the cabinets, and there are access restrictions and access records.

Customer privacy

The Company attaches great importance to customer privacy and data confidentiality. In addition to signing a non-disclosure agreement with customers, the Company also request employees to sign a confidentiality agreement to comply with relevant regulations and avoid leakage of customers'important data.

For customer privacy and information security, the Company has also developed the "HMI information safety and asset protection policy", and included regulations and matters to comply with in the compulsory curriculum for the education and training of new recruits and all staff. Regular information safety inspections are scheduled in order to implement the provisions of the information safety and asset protection policy. No customer privacy complaints occurred in 2014.

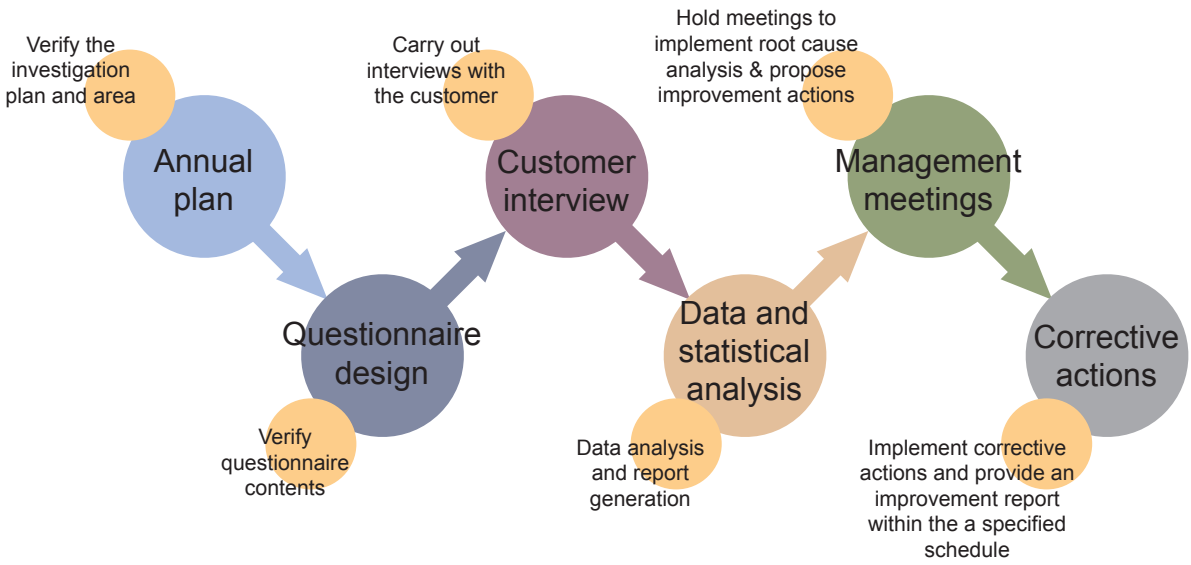
Customer Satisfaction

HMI implements a customer satisfaction survey every year, using customer feedbacks to evaluate the advantages of the company's products and services and ensure that they are capable of meeting customer requirements. Questionnaire contents include product services, product performance, product safety, product technology, spare parts, product delivery, sales and technician service and all-round satisfaction.
HMI places great emphasis on customer feedbacks and opinions. HMI will also gather the relevant functions to implement corrective measures in response to defects or investigation findings sent from the customers and provide a report on improvement results within a suitable duration. Report of customer satisfaction surveys shall also be provided to the management for strategic planning and act as a process improvement reference for related departments to achieve stability on products/service quality and continuing improvement goal.

The results of customer satisfaction surveys are not only one of the indicators the Company relies on to improve its products, but also serve as the important evaluation criteria for future growth. The results of customer satisfaction surveys are used to improve products and services as well as achieve and enhance customer loyalty and business grow.

Questionnaire content

Procedure of customer satisfaction surveys



2.4 Supply chain management

The Company's suppliers are divided into the five categories of equipment, parts, raw materials, office supplies and outsourced electronic parts processors. For the supplier management, the Company has established supplier management procedures for items such as supplier quality, delivery time, product quality inspection status, return/unqualified product processing and improvement ability, delivery time management ability, price level and manufacturers' willingness to cooperate, and two assessments are conducted every year. In the future, the Company will include environmental safety and health items into the new supplier review.

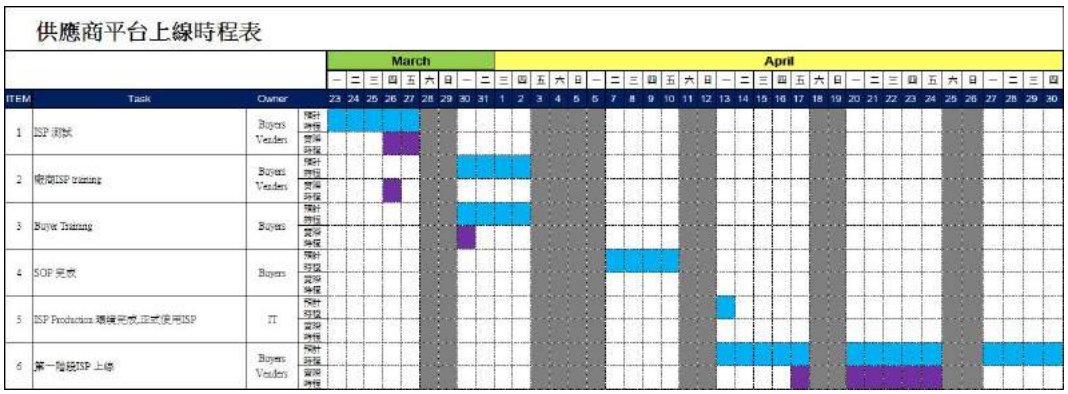
To comply with the Company's ISO 14001/OHSAS 18000 policy, the raw material suppliers need to clearly understand the Company's OHSAS 18000 policy and comply with the health and safety provisions to protect the safety of workers. Since 2012, the Company has been continuing informing the suppliers for their operations, and the number of firms has increased from 132 in 2014 to 140 in 2015. Furthermore, the Company expects to start the confirmation of the supply chain's conflicting mineral sources in 2016.

Supplier code of conduct

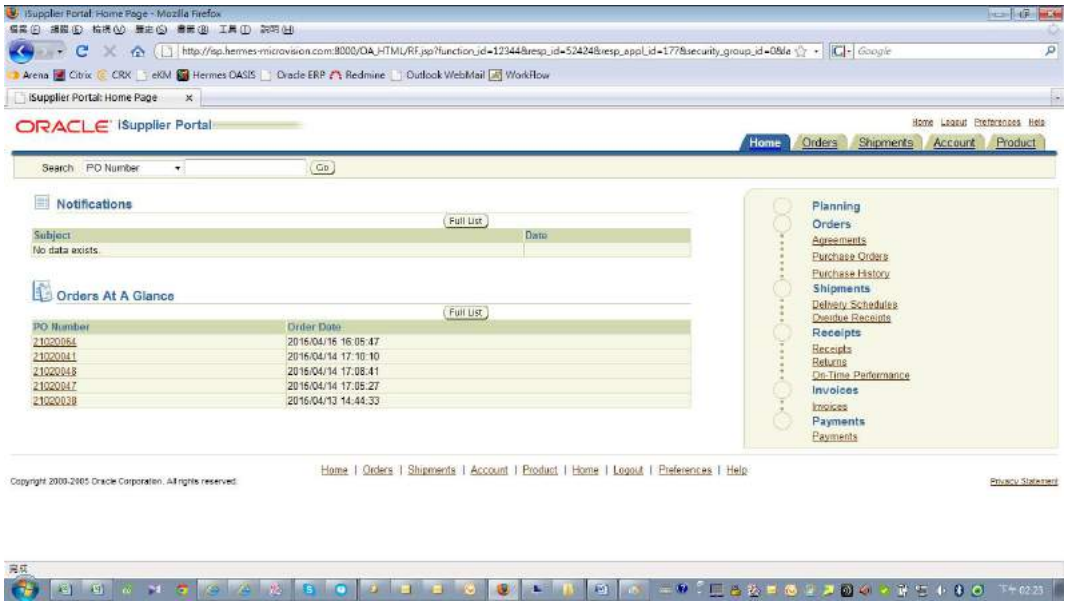
This code of conduct is based on the framework of the 5.1 version of the Electronic Industry Citizenship Coalition®. The code of conduct is composed of five parts, which are: A: labor standards, B: health and safety standards, C: environmental standards, D: business ethics standard; E: management system. After completing the supplier code of conduct in 2014, in 2015 the Company will sign the Company's supplier code of conduct with key suppliers to enhance the compliance of the Company's supply chain with human rights requirements. In 2015, the Company signed the supplier code of conduct with the key supplier Hermes Microvision, Inc. and completed the agreements with 24 major suppliers to enhance the compliance of the Company's supply chain with human rights requirements.

To increase the supply chain efficiency, the Company completed the supplier platform system in 2015 to change the supplier orders from paper to platform operations in order to increase communication efficiency.

Supplier platform import schedule



Schematic diagram of supplier platform operations



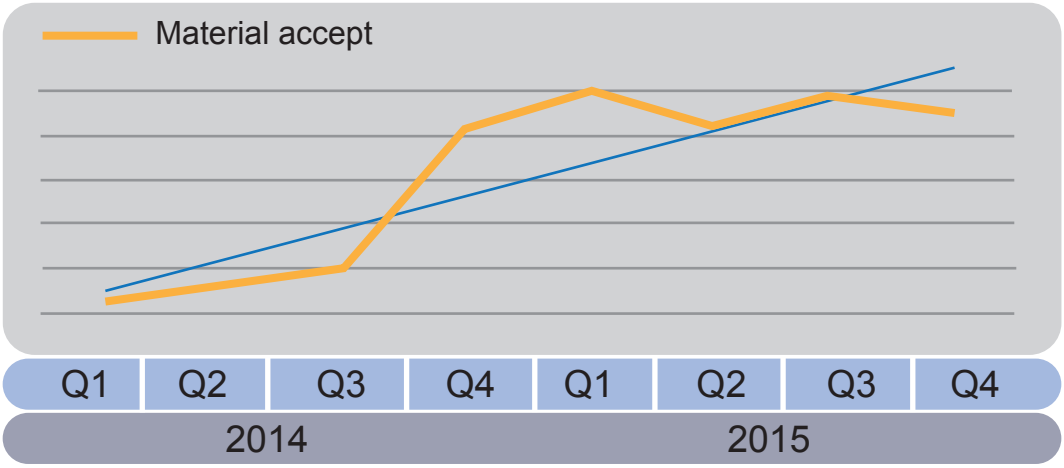
Supplier quality management

》On a regular basis, the Company conducts quality and delivery period evaluation on material suppliers, and works with suppliers on audits and improvement guidance. Defects are detected through pre-audits and improved in advance to reduce rework and depletion of resources.

》In 2015, seven major suppliers were audited, and the defects found in the audits have been corrected and the cases are closed.

》Quality system requirements are established through regular supplier audits. Each abnormal event is jointly improved with suppliers by means of projects, and a quality system and production testing tech niques are jointly developed with suppliers to meet the requirements of the raw materials of semiconductor equipment to greatly enhance the raw material feeding pass rate. The yield significantly improved from 2014 to 2015. The chart below is the trend of the overall raw material pass rate which shows a substantial improvement.

2014~2015 the overall raw material pass rate



Supply chain risk management

》To examine the material supply risk, the Company conducts risk assess ments of the suppliers of critical materials regularly. The assessment items include whether a single sources of supply/delivery time management/ supplier financial situation and other related aspects. For high-risk items, action plans are established to reduce the supply chain risk.

》In 2015, the Company completed the risk assessment of its top 20 suppliers and established 20 action plans for high-risk suppliers. 85% of the action plans were completed in 2015, and 100% completion will be achieved in 2016.

Strengthening the supply chain of local semiconductor equipment and parts

》 Importing a supplier system and establishing a procurement e-platform to improve the transaction efficiency between the Company and suppliers.

》Strengthening the purchase of items from local suppliers. In 2015, the Company completed the certification of 996 materials, parts and modules from local manufacturers hoping to drive the demand of the semicon ductor industry chain, and through special programs the Company coached local suppliers to establish a production quality management mechanism of semiconductor parts.

Green procurement

》Localizing the purchase to reduce resource consumption.

》Products in compliance with FSC specifications are used for packaging paper materials.

》Electronic product materials and parts in compliance with ROHS are given the priority.

HERMES
MICROVISION

FRIENDLY WORKPLACE

3.1 Employee Relations

Employee Welfare

The Company highly values its relationship with its employees, providing guaranteed annual salaries comprising 14 monthly wages as well as labor insurance, health insurance, insurance for dependents, free group insurances (life insurance, casualty Insurance, medical insurance), cancer insurance, and occupational disaster insurance, etc. The Company also provides employees with a quality work environment in consideration of their comfort as well as their mental and physiology health. By operating free employee canteens, the company makes sure employees have safe, healthy, nutritious and hygienic meals. The food at the canteens also comes with calorie information to remind employees of the importance of a balanced diet.

Healthy diet

Quality work environment

The Company provides various gifts and subsidies to its employees including monetary gifts for weddings and funerals, funeral subsidies, employee travel subsidies, employee club fund subsidies, etc. The Company also holds annual employee tours, yearend banquets and various club activities (badminton, basketball, board games, baseball, etc.) in order to facilitate interactions between employees outside work.

Department family travel

Table tennis

Family day

Baseball

The Company recognizes its employees as the important assets for its continual operation. It is dedicated in maintaining a positive employer-employee relationship through its human resource system, its diverse communication channels and its various activities. In addition to holding annual bond-building activities for employees in their after-work hours, the Company introduced team-building activities in 2015, each team leaders will organize timely inspirational events according to the morale or performance of their units. In order to better create an energetic work environment, the Company also commissions its Employee Welfare Committee to plan and host annual festival celebration events, inviting employees and their families to participate. In 2015, more than 1200 people have participated in the Company's activities.

Mid-Autumn Festival gala

Halloween party

Annual yearend banquet

Training and Promotion

The Company routinely reviews the performance status of its employees and acts in accordance to the “Education and Training Procedure” as well as the “Performance Management Guidelines”. It organizes training sessions in accordance to its annual training plans while producing quarterly education training reports to keep track of the results of these training sessions in order to enhance the employees’ capabilities. The Company also reviews the organizational and individual performance of its employees annually and timely promotes qualified employees.

Type of training	Genre	Class	No. of attendance	No. of trained personnel	Training hours	Training expense	Rate of trained personnel	Average training hour/ppl	Average training expense/ppl
Internal training	Professional	57	514	416	10,078	50,420	81%	37.8	505
	Occupational	36	571	565	726	0	99%		
	Language	4	4	2	114	11,100	50%		
	Sub-total	97	1,089	983	10,917	61,520	90%		
External training	Professional	26	27	27	2,356	71,125	100%		
	Occupational	17	46	46	420	50,030	100%		
	Total	43	73	73	2,775	121,155	100%		
Total		140	1,162	1,056	13,693	182,675	91%		

Labor Conditions

Types	Groups	Male		Female		Group Total	
		Number of People	Percentage	Number of People	Percentage	Number of People	Percentage
Jobs	Managers	44	14.1%	7	9.6%	51	13.3%
	Professionals	227	73.0%	55	75.3%	282	73.4%
	Assistants	40	12.9%	11	15.1%	51	13.3%
Total		311	100%	73	100.0%	384	100.0%
Employment Types	General	271	87.1%	62	84.9%	333	86.7%
	Temporary	40	12.9%	11	15.1%	51	13.3%
Total		311	100.0%	73	100.0%	384	100.0%
Age	Below 30	96	30.9%	27	37.0%	123	32.0%
	30-50	211	67.8%	46	63.0%	257	66.9%
	50 or more	4	1.3%	0	0.0%	4	1.0%
Total		311	100.0%	73	100%	384	100%
Education	Doctor	15	4.8%	2	2.7%	17	4.4%
	Master	112	36.0%	25	34.2%	137	35.7%
	Bachelors	155	49.8%	41	56.2%	196	51.0%
	Junior College	23	7.4%	3	4.1%	26	6.8%
	Senior High School	5	1.6%	2	2.7%	7	1.8%
	Junior High School	1	0.3%	0	0%	1	0.3%
Total		280	100.0%	73	100.0%	384	100.0%

- All newly employed in the Company are paid with salaries higher than local minimum wages.
- All high-ranking managers are Taiwanese nationals.

The employee departure and enrollment rates for the Company in 2015 are both at the lowest in record, testament to the stable operation of the Company that can satisfy the expectations and demands of its employees.

Year	Dismission Rate		Employment Rate	
	Number of Person(s)	Percentage	Number of Person(s)	Percentage
2015	14	14.1%	40	12.0%
2014	18	73.0%	70	23.8%
2013	17	12.9%	47	18.1%

》 Regarding its employees as its most important assets, Hermes Microvision, Inc. does not only strictly comply to various labor regulations and forbids the use of child labor, it also uphold the principle of equality in its hiring decisions, stipulating its hiring guidelines clearly in its employees codes that the selection, hiring and promotion of employees must be based on their positions and responsibilities, individual capabilities and performance and is not effected by their gender, age, ethnicity, nationality, religious belief, physical or mental impairment or other non-work-related factors.

》 The Company reviews its internal and external reward system annually and implements performance evaluation system to reward individual employees based on their responsibilities, level of contribution and performance evaluation results. The decision will not be affected by the employees' gender, religious belief, ethnicity, nationalities, political affiliation, in order to ensure rewards are given reasonably and are effective in encouraging the employees.

》 The Company holds the belief that each of its employees is entitled to be treated fairly and respectfully. In addition to fully communicate with the employees via various channels, the Company also holds regular employer-employee meetings to facilitate harmonious labor-business relations.

3.2 Code of Ethics

The most basic value for Hermes Microvision, Inc. is “honesty”. Honesty and integrity are our most basic components. The Company holds itself to strict code of conduct and ethics in its operation and business decisions. It does not compromise in order to achieve specific goals. The goal is to ensure its operation is compliant to regulations and moral expectations of the society as well as to prevent improper undertakings. In order to implement the Company’s ideal for honest operation and to ensure its sustainable development, the Company stipulated its “Employee Codes of Conduct”, a standard for all employees that encompasses aspects such as sexual harassment prevention, conflict of interest avoidance and guidelines for gift-giving and client entertaining… etc. In addition to that, the Company also promotes related codes in its “education training for new employees” and “on-the-job education training” in order to ensure that each and every employee is aware of this code and is bounded by it. There have been no cases of corruption, bribing, blackmailing, sexual harassment or discrimination, etc. among the Company’s internal employees in 2015.

3.3 Safety Culture and Responsibility

In order to effectively prevent the occurrence of occupational diseases and hazards, HMI has fully evaluated the risks relating to environmental safety and sanitary in the work place and has implemented related risk control measures to create a safe and comfortable operating environment. In addition, the environmental safety and sanitary improvement operations are supervised by combining internal audit and EHS on-site inspection, with “Zero Tolerance for Occupational Hazard” as the goal for the management and operation of this company.

The Company cares about the performance of its environment safety management. It has set up an environment, safety and hygiene committee, which holds quarterly meetings to discuss environment, safety and hygiene-related issues. In accordance to regulations, over one-third of the committee’s members are representatives elected by employees, providing a formal channel for face-to-face communications on safety and hygiene issues between managers and employees.

Hsinchu Office	2013	2014	2015
Disabling Injury Frequency Rate	0	0	0
Disabling Injury Severity	0	0	0

Tainan Plant	2013	2014	2015
Disabling Injury Frequency Rate	0	0	3.58
Disabling Injury Severity	0	0	3.58

CPR education training

Safety and hygiene education training

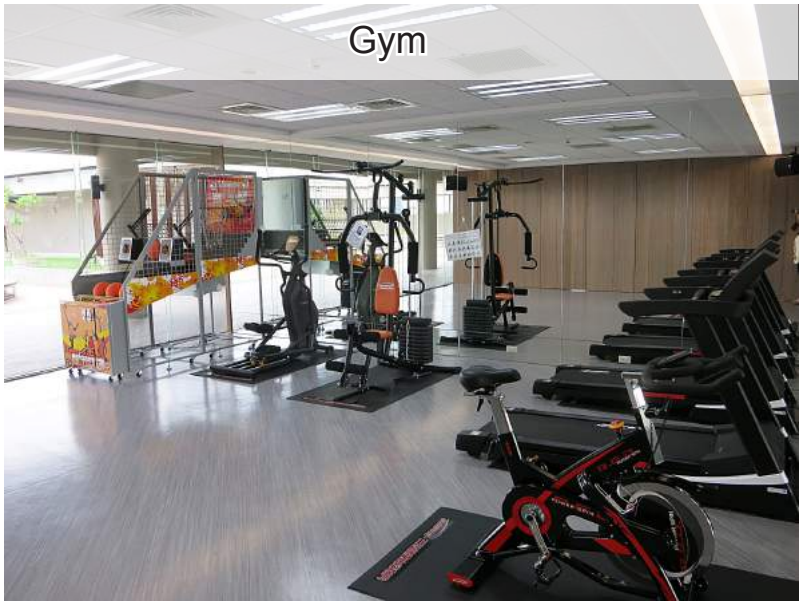
3.4 Health Management and Promotion

Working environment has positive or negative impacts on employees' health. Since employees are the most essential assets for the Company and there's a close association between their health and the Company's productivity, HMI cares about and is committed to promoting physical and mental health activities for its employees.
HMI helps and encourages every newly recruited employee to undergo a physical examination upon recruitment and asks him/her to do so, which exceeds legal requirements. The Company holds an annual physical examination for all employees. In addition, the Company also takes care of its employees and their families, by providing their family members with physical examination at a preferential price, to extend the Company's long-term competitiveness. In terms of physical examination items, the Company does more than what the law requires by offering indicative examinations of common modern diseases such as chronic diseases, civil diseases and cancers, to cater for the health of its employees. After the completion of the annual health checks, the Company holds health seminars related to health trend and occupational hazard types according the results the health checks in order to enhance employees' health awareness.

After the inauguration of the Company's Tainan campus in 2015, the Company opened self-run employee canteen to facilitate the promotion of health. In order to implement health management, the menu of the canteen is designed in accordance to the results of the annual employee health check. With well-lighted dining area and spacy resting zones as well as the years long "employee assistance project" the Company co-plans with outside professional organizations, the Company aims to create a healthy work environment where every one of its employees can work safely.

The Company conducts one employee health check every year, more frequent than required by law. In 2015, 100% of its employees received check-ups, in which 93% are volunteered to take the health inspections (the rate volunteer checks for managers is 85.4%). According to the analysis of the health check results, the high number of employees was found to have abnormal metabolisms. After discussions with the chefs, the Company adjusted the menu of its canteen from two potions of meat per meal (with no limit on total intake) to “one potion of meat, one potion of fruit and more vegetable” per meal. Moreover, the Company also encourages employees to exercise more by installing gym equipment in the recreational floor of the Company so employees can exercise after work and thereby stay healthy.

Annual Employee health Check


Gym

Resting Area

Breastfeeding Room

3.5 Society Care

1. Care for education in remote area, encouragement for development of unique student clubs

   》Gian Shir Junior High School: Participated in International Concert Chorus in Vietnam in Apr. 2015, with our sponsorship.

2. Cultivation of higher-education talents and regular arrangement of academic exchange.

   》NCTU (National Chiao Tung University: Receiving students at the Department of Electrophysics in a business visit)

3. Sponsorship to charity performance and promotion of excellent cultural activities.

   》Sponsorship to Taiwan Hsinchu Philharmonic Chorus for its concert 2015

   》HCBLA: HCBLA concert

   》The Chamber Music Society of Lincoln Center: Hsinchu Concert.

4. Emergency relief

   》Donations to the relief efforts for the Fun Coast Water World explosion in New Taipei City

National Chiao Tung University: Receiving students at the Department of Electrophysics in a business visit

Care for education in remote area

SUSTAINABLE ENVIRONMENT

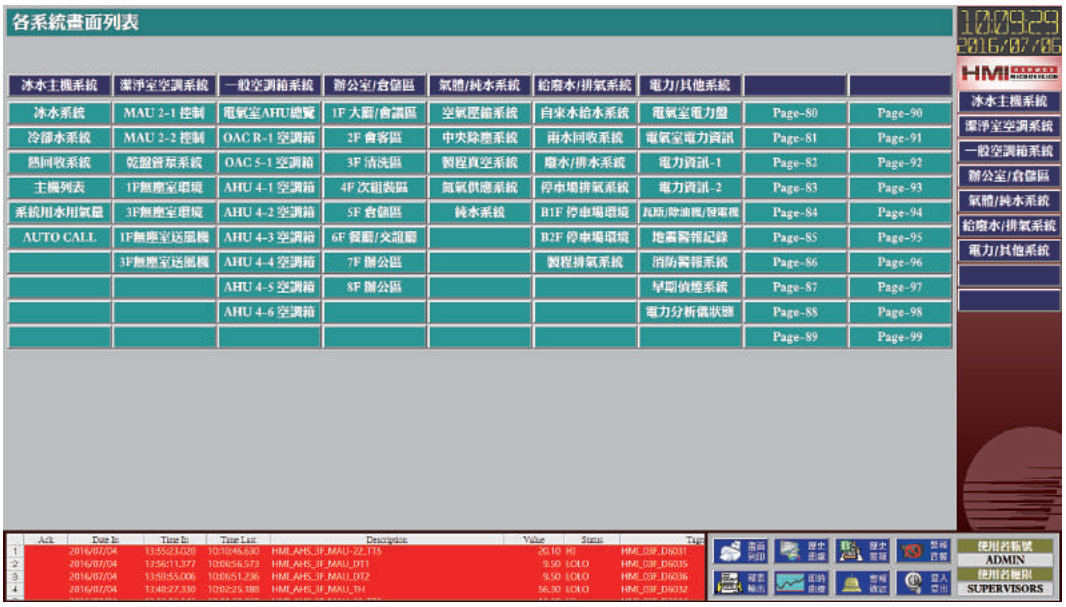
4.1 Energy management

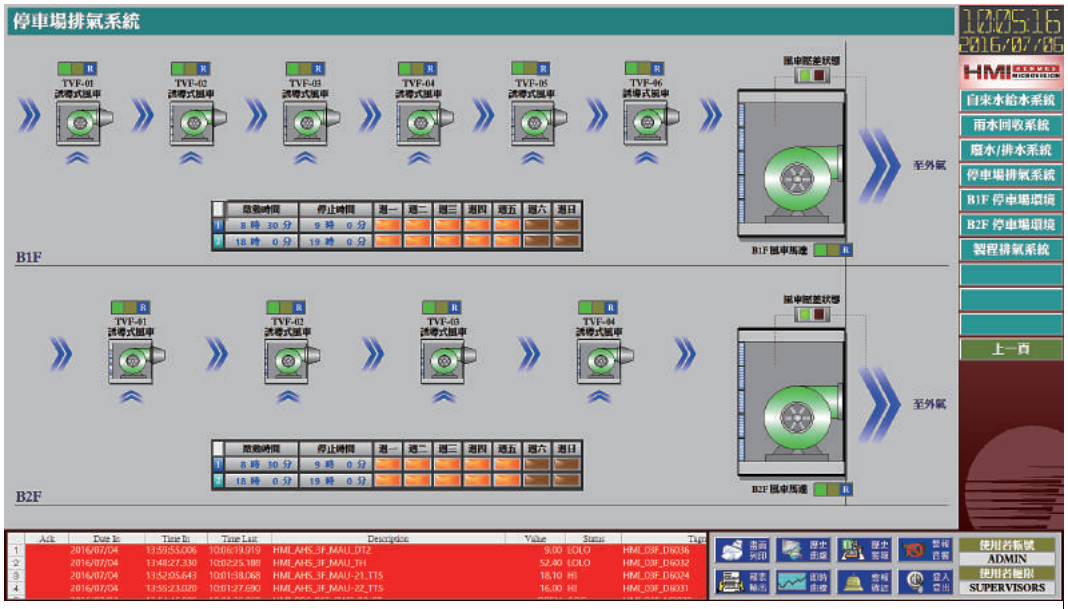
Power Saving

The Company consumes energy mainly in the form of electricity with extremely rare cases of other form of energy used. In terms of energy conservation, the Company achieves its goal to lower indirect energy consumption, to cut power costs as well as to respond to the rise of global environmental protection awareness by using energy-saving buildings as well as energy-saving equipment. Relevant energy-saving measures are as follows:

》 Dampers are installed at the clean rooms on the first floor at the storage area on the fifth floor for regulate conditioned airflow to areas in use and thereby reduces waste.

》Replace the set-time activation functionality of the induction windmills in B1 and B2 floors with automatic activation in order to save energy and to cut noises generated by the wind mills.





》FFU rotation speed at 3F clean room adjusted from top notch to third notch, saving energy and reducing microseisms (from 135W to 75W).

》 Utilizes efficient physics-based cleaning devices instead of traditional chemical-based agents in cooling towers, saving 5-10% of electricity used.

Water saving/discharge reduction programs

The Company's factories mainly consume water for general purposes, with extremely small amount of water used in the manufacturing process (purified water is used to clean components). The top priority of the Company's water resource management policy is to reduce water usage and then to enhance recycling efficiency in order to increase water reuse rate. In 2015, the Company recorded an average water discharge rate of 21%, far lower than that of the Science Park (35% to 70%). The Company's water saving/discharge reduction measures are as follows:

- 》 Utilizes efficient physics-based cleaning agents instead of traditional chemical-based ones in cooling towers, increasing conductivity to 2,500us and enhancing concentration ratio to drastically cut back on discharge volume by 70% from the original estimate of 6.6 ton/day to 2.13 ton/day.
- 》 A 2,500 m3 rainwater collection pool to provide water for cooling towers and flash toilets, urinals and plant watering.
- 》 Components utilized for hygiene equipment and faucets are all certified with the water- saving label.

》Two 6KW solar water heaters (storage 500L each), producing 60℃ hot water for kitchen use.

》Automatic valves in automatic sprinklers are reset to activate every 3 minutes instead of 5 minutes in order save water.

Future power/water saving plans

Power saving

》Temperatures for ice machines switched from 7℃ to 8℃, with estimated efficiency increase of 5%.

》Cut energy consumption of lamps by 1%.

》Positive air pressure of clean rooms in first and third floors cut from 50 pa to 38 pa.

》Add one-time triggered automatic activation functionality (750W x 50 devices) to the wind mills in B1 and B2.

》Temperatures at office set at 26℃

Water saving/discharge reduction

》Put chlorine tablets in water collection boxes (0.2-0.5PPM) for disinfection in order to provide water for cooling towers and toilets.

》Efficient physics-based cleaning devices for cooling towers are washed every two weeks to increase its cleaning ability and discharge duration while reducing blocking of pipeline and maintaining the efficiency of the ice machine.

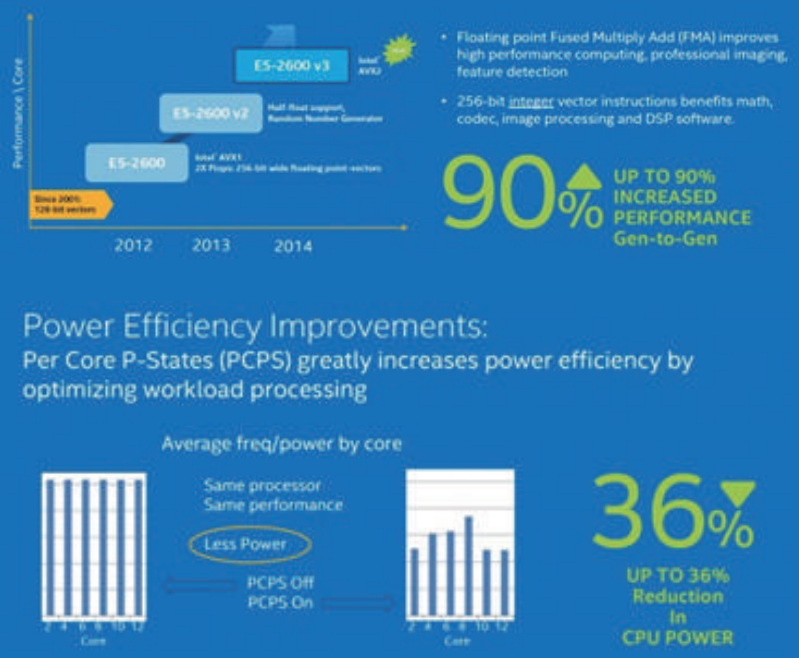
》MAU WASHER is washed with disinfectant every month to lengthen discharge duration, reduce pipeline blockage and maintain MAU efficiency.

4.2 Green Design

The Company is dedicated in reducing the environmentally unfriendly substances generated in the production, manufacturing and transportation process as well as in meeting green requirements such as low pollution, low power consumption and low toxicity while satisfying clients' demands with high efficiency. The Company introduced "Product Safety Review Form" in 2015, which aimed to enable designers to introduce of green design ideas in early R&D stages in the products. When designing of the Company's products, designers use non-toxic and fireproof materials and also consider the recyclability and reusability of components and materials of its products in order to lower their impacts on the environment. Furthermore, packages of the products are made as much as possible with recyclable or reusable materials and procedures in order to lower environmental impact and reduce costs.

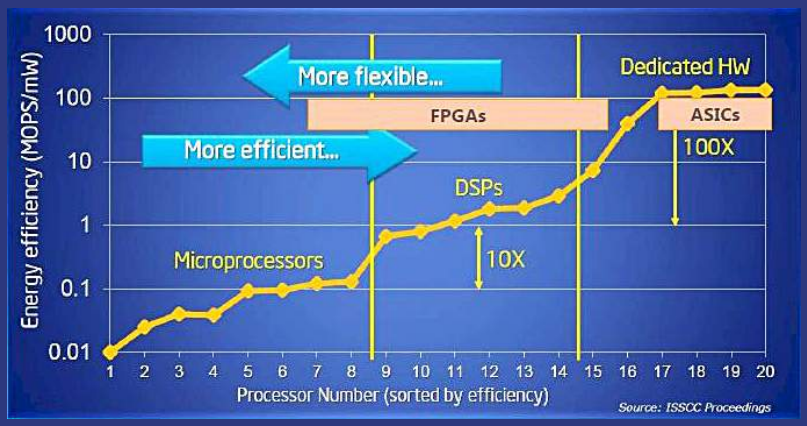
Currently, the Company records a recycle rate of 60% for its products. The firm's products main structures are made from aluminum and steel, part of their modules can be refurbished or remanufactured into upgrades or spares. In terms of expendable components, the Company communicates with a number of potential vendors and conducts in-depth researches on the characteristics of their products at the early stages of its own product design in order to select the suppliers with the most reliable and most durable products. In this way, the Company can increase the reliability of its products and also reduce the environmental impact of these products.

In addition, energy consumption is also a major factor of consideration in the design process, which incorporates how to reduce product energy consumption at the early stage of design in order to meet the goal of energy saving of the final products. Energy is mainly consumed by the multilayered computer components in the Company's products used for graphic processing. Under current technology, "CPU" is the main component for logic computing. Since 2004, CPU has been designed with ever more advanced low energy consumption technologies. The Company uses new CPU technologies every few years in its design in order to cut energy consumption. With every new generation of CPU technology, the Company estimates that it can reduce CPU power by 60% every two years.



Source： Intel

Since 2016, the Company has been continuously researching on software and hardware technologies for latest mounted components (GPU, FPGA, etc.) in order to cut energy consumption more efficiently. This new technology plan will be applied to the Company's new products starting in 2018. The Company will continue to dedicate itself in promoting green design to protect the environment and maintain ecological balance.



Source：Bob Broderson, Berkeley Wireless group

4.3 Environment management

To ensure the proper and safe disposal of waste produced in the manufacturing process, the Company has obtained certification for its waste disposal plans and has also stipulated clear internal waste disposal principles in order to minimize the possible impact on the environment. Based on these principles, we continuously increase the waste recycle rate and have commissioned certified waste disposal/treatment vendors to collect and recycle waste. In this way, the Company not only can lower the management cost of the waste it produces and but also reduce environment pollution by efficiently handling waste disposal.

There are mainly two sources of waste in the Company – household waste and general manufacturing waste. The Company aims to cut household waste through employee education and training in order to better implement waste reduction and garbage classification, increasing recyclability and reuse value of waste. In terms of general manufacturing waste, the Company aims to increase recycling rate mainly through projects such as the optimization of package material, dismantling and classification of electronic components.

Under its waste classification and management efforts, the Company had been maintaining a recycling rate of over 60% from 2012 to 2014.

After moving to the new plant in 2015, the Company implemented its waste classification management with more strictly defined categories of classification, resulting in a recycling rate of 84% this year. The company will keep on implementing waste reduction, classification and recycling with the aim to maintain its recycling rate over 80% and to better recycle waste.

At the Company's office area in Hsinchu, the average recycle rate in 2015 reached 57.43%, with only 0.64 kg of household waste generated per person per month.

Garbage Classification Training

Recycling Yard

In addition to the aforementioned types of waste, the Company also generates a small amount of hazardous industrial waste. To handle this type of waste, which mainly comes from the chemical solutions used in the cleaning of machinery and components, the Company will give priority to considering the possibility for reuse in the manufacturing process in order to achieve the goals for reusing and raw material conservation. If the solution waste cannot be reused, the Company will collect 100% of it through a comprehensive management process and stores it in blast-proof cabinets. After a certain amount of such waste is collected, it will be delivered to the Recycling Center of the Southern Taiwan Science Park, which is commissioned by the Company to incinerate the waste.

Used solutions are properly stored in blast-proof cabinets

4.4 Inventory check for greenhouse gases

There are three sources of greenhouse gas emissions at the Hermes Microvision, Inc.: the first comes from directly emissions such as generator fuels, gas for official car, cooking oil for restaurants, escaped air conditioning refrigerant and sceptic tanks; the second source mainly comes in the form of indirect emissions such as that generated from purchased electricity; the third from periodically disclosed emissions from activities such as employee trips, transportation of products and components, production processes of raw material suppliers, waste recycling and disposal as well as other indirect emissions.

2015 greenhouse gas emissions statistics	
Direct greenhouse gas emissions (Scope1)	2,302 tons CO2e
Indirect greenhouse gas emissions through energy (Scope2)	2,866 tons CO2e

HERMES
MICROVISION
漢民微測科技股份有限公司

腳踏車專用道

APPENDIX

Indexes for Global Sustainability Report GRI G4

GRI G4	Explanation	Page No.	Corresponding chapter and supplementary explanations	External verification
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Strategy and analysis				
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G4-4	Primary brands, products and services	13~18	1.1 Company Profile	
G4-5	Organization Headquarters Location	13	1.1 Company Profile	
G4-6	Numbers and names of countries where the organization operates	15~16	1.2 HMI Global Locations	
G4-7	Nature and legal form of ownership	15~16	1.2 HMI Global Locations	
G4-8	The market in which the organization provides services	15~16	1.2 HMI Global Locations	
G4-9	Description of the size of the organization	13	1.1 Company Profile	
G4-10	Total number of employees by employment type, employment contract, and district-based employment	43	Labor Conditions	
G4-11	Proportion of total number of employees under collective bargaining agreements	43	Labor Conditions	
G4-12	Supply chain of the organization	34	2.4 Supply chain management	
G4-13	Major changes in organizational size, structure, ownership or supply chain	01	About HMI's Corporate Social Responsibility Report	

GRI G4	Explanation	Page No.	Corresponding chapter and supplementary explanations	External verification
Commitment to external initiatives				
G4-14	Guidelines or principles for relevant early warnings	28	Continuous operation (risk management)	
G4-15	Economic, environmental and social regulations, principles, or other initiatives stipulated by external institutions and signed or approved by the organization	34	Supplier code of conduct	
G4-16	Membership of the organization in public associations (such as industry, public associations) and national or international organizations	null	1. Domestic Associations: The Allied Association for Science Park Industries – Hsinchu Park、Southern Park 2. Foreign Associations: Semiconductor Equipment and Materials International.	
Identification of the major considerations and boundaries				
G4-17	Relevant organizations in consolidated annual report	15~16	1.2 HMI Global Locations	
G4-18	Definition process for the content and consideration boundary for the report	09	Identifying and Responding to Major Issues	
G4-19	All major consideration aspects identified in the process of defining report content	09	Identifying and Responding to Major Issues	
G4-20	Boundaries for internal organizational consideration	09	Identifying and Responding to Major Issues	
G4-21	Boundaries for external organizational consideration	09	Identifying and Responding to Major Issues	
G4-22	Explanation of the effect of any restatements of information provided in previous reports, and the reasons for such restatements	01	About HMI's Corporate Social Responsibility Report	
G4-23	Significant changes from previous reporting periods in the scope and aspect boundaries	01	About HMI's Corporate Social Responsibility Report	

GRI G4	Explanation	Page No.	Corresponding chapter and supplementary explanations	External verification
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G4-26	Approach to stakeholder engagement.	06	Stakeholder Differentiation and Communication	
G4-27	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns	06	Stakeholder Differentiation and Communication	
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G4-32	The"in accordance"option chosen by the organization	01	About HMI's Corporate Social Responsibility Report	
G4-33	Policy and current practice with regard to seeking external assurance for the report	null		
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G4-34	Governance structure of the organization	19	2.1 Company management framework	
Ethics and Integrity				
G4-56	Internally developed statements of mission or values, principles, standards and norms of behavior such as codes of conduct and codes of ethics	24	Business integrity	

GRI G4	Explanation	Page No.	Corresponding chapter and supplementary explanations	External verification
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G4-EC6	Proportion of senior management hired from the local community	43	Labor Conditions	
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G4-EC9	Proportion of spending on locally based suppliers at significant locations of operation	37	Strengthening the supply chain of local semiconductor equipment and parts	
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G4-EN6	Energy saved due to conservation and efficiency improvements	51	4.1 Energy management	
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G4-EN15	Direct greenhouse gas emissions (Scope 1)	61	4.4 Inventory check for greenhouse gases	
G4-EN16	Indirect greenhouse gas emissions (Scope 2)	61	4.4 Inventory check for greenhouse gases	
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G4-EN23	Total weight of waste by type and disposal method	59	4.3 Environment management	

GRI G4	Explanation	Page No.	Corresponding chapter and supplementary explanations	External verification
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G4-EN27	Extent of mitigation of environmental impacts of products and services	57	4.2 Green Design	
Environment evaluation for suppliers				
G4-EC32	Ratio of new suppliers that were screened using environmental criteria	34	2.4 Supply chain management	
Labor Practices				
G4-LA2	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations	39	3.1 Employee Relations	
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G4-LA6	Rates of injury, occupational diseases, lost days and absenteeism, and number of work-related fatalities by region and gender	46	3.3 Safety Culture and Responsibility	
Training and Education				
G4-LA9	Average hours of training per employee per year by gender and by employee category	42	Training and Promotion	
G4-LA11	Percentage of employees receiving regular performance and career development reviews by gender and by employee category	43	Labor Conditions	

GRI G4	Explanation	Page No.	Corresponding chapter and supple-mentary explanations	External verification
Evaluation of Suppliers' Labor Practices				
G4-LA14	Percentage of new suppliers that were screened using labor practices criteria	34	2.4 Supply chain management	
Local Community				
G4-SO1	Percentage of operations with implemented local community engagement, impact assessments and development programs	50	3.5 Society Care	
Evaluation of Suppliers' Social Impact				
G4-SO9	Percentage of new suppliers that were screened using criteria for impacts on society	34	2.4 Supply chain management	
Customers' Health and Safety				
G4-PR1	Percentage of significant products and services categories subject to health and safety improvement procedures	57	4.2 Green Design	
Product and Service Labeling				
G4-PR5	Results of surveys measuring customer satisfaction	32	Customer Satisfaction	
Customer Privacy				
G4-PR8	Number of substantiated complaints regarding breaches of customer privacy and losses of customer data	31	Customer asset storage environment	
Legal compliance				
G4-PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	null	We don't have any significant fines for non-compliance with laws and regulations concerning the provision and use of products and services in 2015	

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