



YFY GRI Report



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Company Profile

GRI 102-1~GRI 102-13

YFY Inc. (herein referred to as YFY) was first established in 1924 by Mr. Chuan Ho (Hsin-yi) as the Yuen Foong Store. At the time, the business operated in the sugar, feed and fertilizer industries. Later, the company shifted into manufacturing, producing, buying and selling paper. Its products extended from artistic paper, containerboard and packaging, as well as consumer paper. Yuen Foong Yu Paper Mfg. Co., Ltd was established on February 21st, 1950, and went public in February 1977. It is one of the pioneers of the Taiwanese paper industry.

In 2012, the Fine Paper and Board Division was merged into the Chung Hwa Pulp Corporation, and YFY modified into its name to YFY Inc. YFY Inc. operates a fully integrated production chain covering upstream (forestry, pulp), midstream (paper manufacturing) and downstream (printing) operations, fully harnessing the benefits of vertical integration to create value. YFY is dedicated to developing technology for the reuse and management of resources. It is committed to working towards the vision of a pristine environment by working towards building a circular economy.

YFY's work can be roughly divided into three categories: containerboard and packaging, consumer products, and pulp and fine paper production. This corresponds to the three subsidiaries of YFY: Yuen Foong Yu Packaging Inc., Yuen Foong Yu Consumer Products Co., Ltd., and Chung Hwa Pulp Corp. These subsidiaries together serve a vast market ranging from industries to consumers. The Head Office provides consultation and advice in fields such as financial, legal, accounting, resource management, human resources, Company Profile information technology, research, development, strategic integration, public affairs, and land management.





Pulp and Fine Paper Production

Consumer Products

Containerboard and Packaging

- **4** pulp plants and 1 forestry
- First Taiwanese company to operate a vertically integrated paper production chain with forest farms and paper plants on both sides of Taiwan Strait
- Produces FSC certified pulp, various cultural use papers and special papers

- **6** consumer products plants
- Leading consumer companies across a variety of brands and products
- Leading brands in Taiwan and Mainland China

- **2** containerboard plants and **24** corrugated packaging and coloring plants
- Covers entire Greater China region
- Main supplier for leading companies around the world

YFY is a leading paper company in Taiwan. Its paper products can be roughly divided into 5 categories, including cultural paper, white paper, containerboards, packaging, and consumer paper. In addition, YFY also produces paper for the technology, medical and food sectors, as well as consumer products for daily use, such as cleaning products. In the face of rapidly changing global economic trends, YFY builds strong products through a vertically integrated paper production chain, expertise in a wide array of fields, and the combination of a diverse range of products. With these products, YFY builds a solid competitive advantage in the market and strengthens its revenue structure.

The Company's Current Products are as Follows:

Forest Products and Fine Paper

- **Pulp:** The main raw material is wood chips. According to the needs of the paper mill, suitable tree species are used. Through the pulping process, various pulps are made.
- **Paper products:** The main raw material is pulp, which is processed into various types of paper through the paper making process. The surface is coated and calendered to be made into printing cultural paper (art paper, simili paper, etc) or for commercial use in various industries (glassine paper, masking paper, straw paper, etc).

Containerboard and Packaging

- **Containerboard:** The main raw material is recycled paper, which can be recycled into various papers through the pulp recycling process. It can be transferred to the paper mill to process corrugated cardboard and corrugated boxes.
- **Corrugated Packaging:** The kraft paper and corrugated paper are processed into carton boxes through the process of corrugating and cropping, and are applied to all kinds of product packaging.

Consumer Products

- **Household Paper:** The main raw material is pure wood pulp, which is processed into various types of consumer goods through the papermaking process, including: toilet paper, facial tissue, paper towels, kitchen paper towels, etc.
- **Household Cleaning Products:** The main raw materials are detergents and natural essential oils, processed into various types of everyday cleaning products, including Orange House cleaning products and FreshSense cleaning products.



Employees

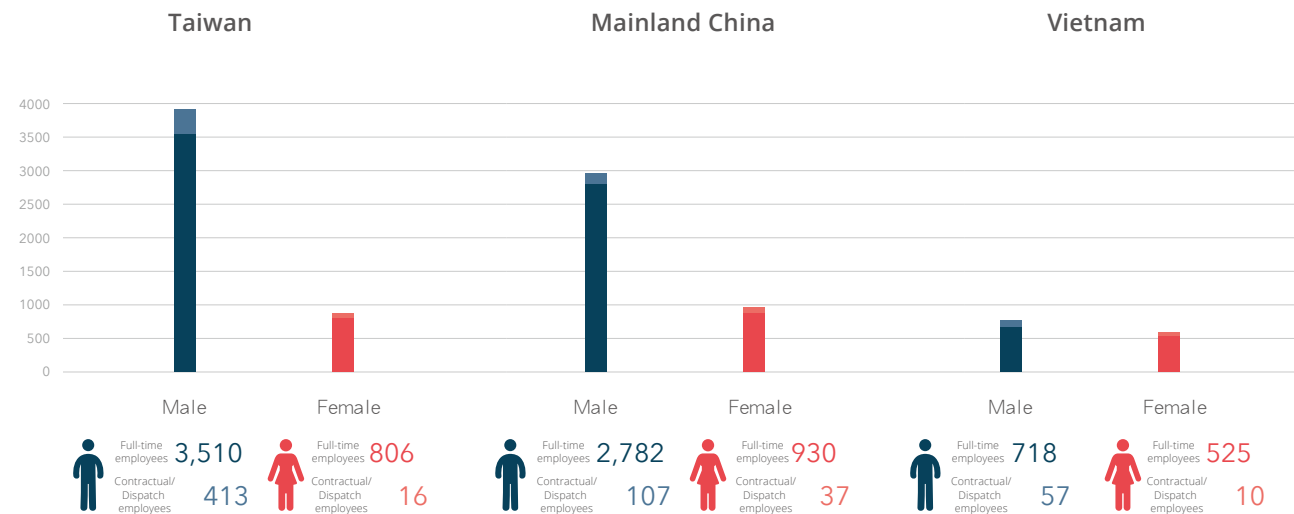
Equality is important to YFY. We do not treat employees, clients, suppliers or any other stakeholders differently on account of their race, religion, skin color, nationality, disabilities, age, gender or sexual orientation. YFY believes in meritocracy. Our hiring process is public and fair. Most of our employees are local residents. Our company and all of our employees strictly follow the Act of Gender Equality in Employment. Since our founding, there has been no case of discrimination or sexual harassment in all of Taiwan.

Apart from Taiwan, our plants and offices in Mainland China, Vietnam and other locations strictly follow relevant local labor policies and regulations. All hiring conditions and contracts are in accordance with local legal standards. All operating bases comply with labor policies and management regulations. Employment conditions and labor contracts also comply with local laws and regulations.



2018 Employee Profile

Employment Category	Taiwan		Mainland China		Vietnam		Total
	Male	Female	Male	Female	Male	Female	
Full-time Employees	3,510	806	2,782	930	718	525	9,271
Contractual/Dispatch Employees	413	16	107	37	57	10	640
Total	3,923	822	2,889	967	775	535	9,911



Supply Chain Management

Taiwan is the world's 20th largest paper producer, ranked 7th in Asia. Taiwan's paper consumption per capita is also higher than the world average. Not only is the paper industry a key industry for Taiwan, it is also one of the main energy-intensive industries in Taiwan. As the largest paper company in Taiwan, YFY has an important role to play.

YFY has many diverse suppliers. They are divided into 14 categories, including fiber raw materials, chemical raw materials, pipes and pipe joints, paper-making supplies, transmission materials, machine accessories, electrical appliance materials, hardware accessories, civil materials, consumables, fuel and petroleum, packaging materials, miscellaneous and fixed assets, etc. In 2018, YFY participated in transactions with 2,424 suppliers. To ensure the quality of the supply chain and fulfill its corporate social responsibilities, YFY has corresponding policies for both new and existing suppliers.

All raw material suppliers and suppliers whose average monthly transaction totals amount to more than \$NT 250,000 will be subject to periodic supplier audits. The audits focus on product quality, product delivery, and product amount, service, compliance, and product prices, to ensure that they comply with YFY standards. If issues are found, suppliers are asked to make improvements within a limited window of time and are tracked and recorded through purchasing channels. Per the aforementioned standards, 1,076 suppliers are subject to audits per round, with improvement rates of 100% in 2018. Every audit is fully documented and its records kept at purchasing departments for reference for future purchases and audits. YFY's operating base in Taiwan uses 90% local suppliers. For fiber raw materials, due to factors such as the quality of available source material and insufficient domestic

production, the local suppliers provide approximately 60 % of total demand. For paper-making supplies, due to quality concerns, local suppliers provide about 10 % of local materials. For remaining categories, the local suppliers account for over 80 % of total purchases. For the hardware accessories, civil engineering supplies, and fuel and petroleum categories, 100% of our need is met by local suppliers. This demonstrates YFY's commitment to supporting local suppliers and reducing the environmental impact arising from the transport of raw materials.

1,076

suppliers were audited in 2018

100%

improvement rates



Participation in Industry Associations:

YFY is the leading manufacturer of Taiwan's basic industry. YFY seeks to promote communication and dialogue between peers, understand the latest international trends, actively participate in relevant industry guilds and associations, and consult or provide policy advice.

Biotechnology and Pharmaceutical Industries Promotion
Association of R.O.C

Taiwan Mountain Jade Science and Technology Association

Taiwan Biotech Association

Chinese International Economic Cooperation Association (CIECA)

The Third Wednesday Club of R.O.C.

Yuan T. Lee Foundation Science Education for All

Chinese National Federation of Industries (CNFI)

The Chinese National Association of Industry and Commerce,
Taiwan (CNAIC)

Taiwan Institute of Directors

Epoch Foundation

Institute for Biotechnology and Medicine Industry (IBMI)

Association of Corporate Patent Executives



External Proposals and Agreements

YFY's vision is macroscopic and actively obtains international certification. In addition to increasing the trust of customers, employees, and suppliers, YFY also fulfills corporate responsibility to the environment, economy, and society. YFY's production base not only obtained ISO 14001 environmental management certification and ISO 50001 energy management systems certification, but Guangdong Dingfeng Forest Farm has obtained FSC forest management certification, so that YFY's environmental protection actions can be seen and affirmed.

	Plant	First Certificated Date	Valid Date
ISO 14001 Environmental Management Systems	Taoyuan Plant	1998/06/23	2019/10/21
	Xinwu Plant	1998/07/31	2020/07/16
	Yangzhou Plant	2012/01/14	2019/11/27
	Qingshui Plant	2018/12/07	2022/03/02
	Pek Crown Plant	2003/01/24	2021/01/24
	Changhua Plant	2000/01/28	2021/08/31
	Kaohsiung Plant	1998/08/04	2019/11/15
	Taitung Plant	1998/12/29	2019/12/21
	Jiutang Plant	1999/06/23	2020/06/23
ISO 50001 Energy Management Systems	Hualien Plant	2000/04/11	2019/04/11
	Yangmei Plant	2015/12/04	2021/08/20
	Qingshui Plant	2015/12/10	2021/12/10
	Jiutang Plant	2014/12/04	2020/12/04

In addition to environmental and energy certification, YFY has set policies to respond to the United Nations' Sustainable Development Goals, (SDGs), which have selected the following five goals related to the company's business as a guide to the sustainability plan.

SUSTAINABLE DEVELOPMENT GOALS



1 End poverty in all its forms everywhere

Continue to develop charity projects and provide resources to support these projects on a community level.



6 Ensure availability and sustainable management of water and sanitation for all

Increasing reuse rates of water resources, improving discharged water processing systems and optimizing water processing systems through our Water Recycling Platform, with our ultimate goal being eliminating discharge entirely.



7 Ensure access to affordable, reliable, sustainable and modern energy for all

Our Energy and Resource Recycling Platform monitors the efficiency of energy and resource use, enhances energy productivity, and develops sustainable green energy.



9 Build resilient infrastructure, promote inclusive industrialization and accelerate innovation

Continually renewing production facilities, using high-performance units and installing various climate adaption protections to strengthen resilience of plants.



15 Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss

Spearheading FSC (Forest Stewardship Council) recognition for Group forestry centers and acting on promises of ecological protection and sustainable logging management.



Ethics and Integrity

"As technology evolves, the role of the human becomes even more important," said YFY Chairman Felix Ho at the 2017 YFY occupational safety and health annual meeting, discussing how YFY treats its people. YFY always puts people at the center of corporate philosophy and business strategy. In addition respecting the professional expertise of our employees providing them with a platform, YFY emphasizes employee ethics.

In order to strengthen protection of trade secrets and maintain

its competitive edge, YFY signs the Integrity, Confidentiality and Intellectual Property Agreement with its employees. Its main contents include: ownership of intellectual property rights, the obligation to cooperate, non-competition, the obligation of non-disclosure, information technology use policies, ethics and integrity, as well as consequences of violations of contracts. We strictly require our employees to follow them in order to maintain positive interactions and relationships in the workplace.

YFY stated "Dos and Don'ts" in the employee handbook, requiring that all YFY employees must develop good judgment,

proactively avoid conflict of interests, to convey the culture of integrity directly to employees. The Human Resources department also reminds colleagues of the importance of workplace conduct and ethics.

Under many guidelines, YFY did not have any corruption incidents, harmful competitive behavior, antitrust or monopoly instances in 2018. We emphasize a corporate culture of integrity, which not only strengthens stakeholders' trust but also increases the value of the company and is conducive to sustainable management.

Information Transparency and Disclosure

YFY follows regulations set out by relevant authorities by completing various public notices within the appropriate time frame and actively disclosing information about financial, technical, market and corporate social responsibility aspects of the company on its website. Investors can search for information about our company on the Market Observation Post System. In 2018, we submitted our Corporate Governance Self-Assessment Report, which stakeholders can download or browse through a link on our website to understand the current state of corporate governance. We host quarterly investor conferences to publicize and explain consolidate financial information, operations situation, as well as future aspirations for the company. Relevant information is also published on the company's website and the Market Observation Post System for investors to reference. In addition, the company appoints people to participate in various investment meetings and visit foreign investors, in order to better understand their strategic suggestions for the company's operations through in-person discussions.



Material Topics and Stakeholder Engagement

GRI 102-40~GRI 102-44

Identification and Significance of Material Topics

Each year, YFY conducts scientific major topics identification and collects opinions from senior executives as well as internal and external stakeholders. We will identify the major topics as the focus of the CSR report and according to the results of the rankings, do a deep disclosure of highly important major topics as well as detail management guidelines for the moderately important major topics. Therefore, stakeholders can understand YFY from various aspects. The identification result is also an important reference for YFY's annual project and the communication promotion plan for stakeholders.

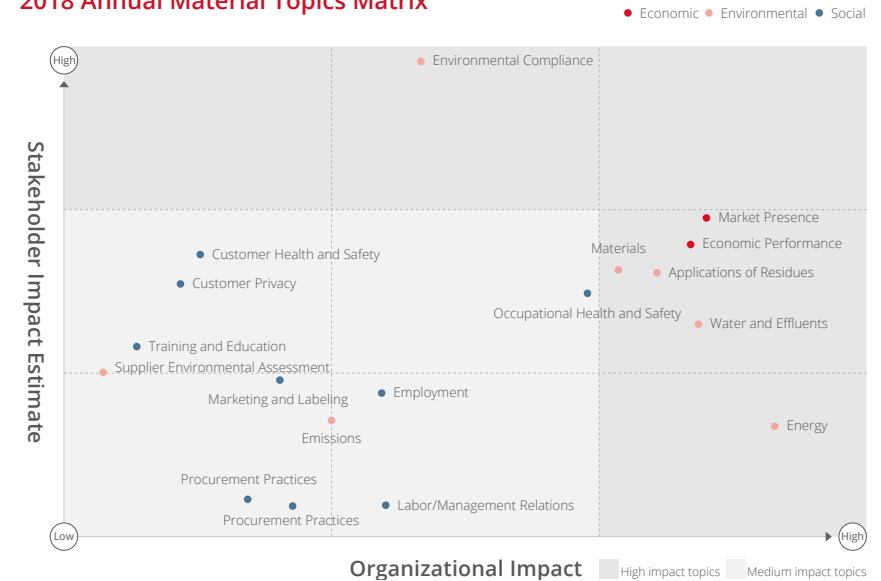
YFY defines employees, the community, and the environment as the focus of its corporate social responsibility and has compiled 33 major annual topics in this direction. At the beginning of 2019, senior directors of various departments were invited to conduct quantitative questionnaire scoring based on their professional and GRI major topics identification. The report editorial team then integrated the results of the questionnaire and summarized the 18 topics that impacted the company's operations and stakeholders. At the same time, it sorted out the 5 most important stakeholders for the company, namely employees, customers, authorities, affiliated companies, and suppliers. The opinions of these 5 stakeholders will be added when identifying the major topics of the year and YFY will use this as a basis to pay more attention to their suggestions and concerns.

Invite each stakeholder to fill out the evaluation questionnaire and collect 180 valid questionnaires then draw a major topic matrix diagram based on the quantitative analysis results and list the seven topics with high influence and high impact as highly important topics and 11 topics as moderately important topics. Through the comprehensive evaluation of the report editorial team and the annual comparison, the chairman of the board confirms and finalizes the case.

Based on the results of major topical analysis, the scope and boundaries of the topics will be assessed to set up the 2018 YFY Corporate Social Responsibility Reporting Framework and the CSR status questionnaire. Then collect relevant information, expose it, and send the results to the chairman's office for confirmation.

This report will help identify major topics for the next report, reviewing the major analysis at each level and checking if adjustments are needed.

2018 Annual Material Topics Matrix



Material Topics Index

High Impact Topics	Page	Medium Impact Topics	Page
Market Presence	49	Occupational Health and Safety	56
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Environmental Compliance	55	Procurement Practices	39
		Customer Health and Safety	64
		Customer Privacy	64
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		Supplier Environmental Assessment	39



Stakeholder Engagement

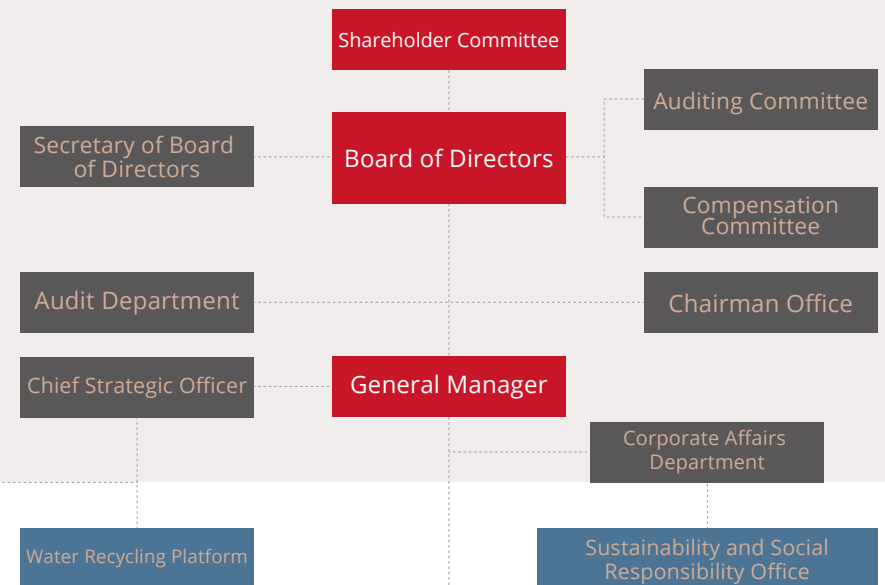
Stakeholders	Topics of Concern	Communication Channel and Frequency	Stakeholders	Topics of Concern	Communication Channel and Frequency
Relevant Authorities	Legal compliance Environment protection Occupational safety and healthy	1.Official Events and Seminars(Prompt) 2.Compliance with law and policy(Prompt) 3.Official documents(Prompt) 4.Corporate governance assessment (Yearly)	Employees Plants	Economic performance Anti-corruption Employment Labor/Management Relations Occupational safety and healthy Training and education Environment protection	1.Employee communication conference (Quarterly) 2.Joint employee welfare committee (Prompt) 3.Trade union and labor conference (Quarterly) 4.Company internal publication (Foong Garden Internal Magazine) (Bimonthly) 5.Education and training system(Prompt) 6.Company internal electronic platform (Prompt) 7.Private line and emails (Prompt) 8.Corporate social responsibility survey (Yearly) 9.Information disclosure website (YFY Life) (Prompt)
Supplier Contractor	Purchasing practice Occupational safety and healthy Supplier specifications and evaluation	1.Signed "Integrity transaction and commitment " (Prompt) 2.Consultation meetings(Prompt) 3.Corporate social responsibility survey (Yearly)	Local Residents NGOs	Market status Indirect economic impact Anti-competitive behavior Environmental protection Freedom of association and Group consultation Local communities Public policy	1.Industrial zone association (Prompt) 2.Community care contact person(Prompt) 3.Community charitable activities(Prompt) 4.Corporate social responsibility survey(Yearly) 5.Information disclosure website (YFY Life) (Prompt)
Shareholder Investors	Economic performance Market status Anti-corruption Legal compliance Public policy	1.Shareholders meeting (Yearly) and Investor's Conference (Quarterly) 2.Financial report (Yearly) 3.Information disclosed on company website or the Market Observation Post System (MOPS) (Prompt) 4.Private line calls and emails(Prompt) 5.Corporate Social Responsibility Survey (Yearly) 6.Information disclosure website (YFY Life) (Prompt)	Media	Market status Legal compliance Human rights assessment Marketing and labeling	1.Press(Prompt) and Investor's Conference(Quarterly) 2.Advertising sponsorship(Prompt) 3.Press release(Prompt) 4.private lines and emails(Prompt)
Customers Consumers	Customer privacy Customer health and safety Marketing and labeling	1.Customer service line(Prompt) 2.Online instant customer service(Prompt) 3.Business visits(Prompt) 4.Corporate Social Responsibility Survey (Yearly)	Business Partners Affiliated Companies	Market status Purchasing practice Anti-competitive behavior	1.Unit coordination(Prompt) 2.private lines and emails(Prompt) 3.Corporate Social Responsibility Survey (Yearly)

Corporate Governance

Respecting professional expertise and equality is the cornerstone for any enterprise's growth and development. YFY has an auditing committee and a remuneration committee under its governing structure responsible for financial transparency and fair compensation and benefits. Board members are required to take more than 6 hours of corporate governance related courses each year, as well as understand the developing trend of corporate social responsibility. For more details about the board's social responsibility, please see page 29 of the YFY annual report.

YFY has set up the sustainability and social responsibility office, the energy and resource recycling platform, the water recycling platform and the occupational safety and health management platform to control various risks and issues and promote sustainable projects. By sharing the group's information and integrating resources, we have better ability to meet economic, environmental and social risk challenges and create more opportunities and value.

YFY's Organizational Structure:



01 Consumer Products Group

Business units

- manufacturing, sales and distribution of household paper and cleaning products

02 Containerboard and Packaging Group

Business units

- manufacturing processing and sale of containerboard and corrugated packaging.

03 Forest Products and Fine Paper Group

Business units

- manufacturing, sales and distribution of pulp, paper and cardboard.

04 Other Business Groups

Business units

- sub-related product manufacturing, sales and distribution, chemical products manufacturing and sales



Sustainability and Social Responsibility Management and Operation

YFY established its Sustainability and Social Responsibility Office in 2013, with the mission of committing to achieve YFY's goals of sustainable development and social responsibility. In addition to continued communication and collaboration to strengthen ties internally and externally, the Office also established several contact persons to coordinate its operations within the Company. The Sustainability and Social Responsibility Office reports to chairman office quarterly about the CSR issues and annual plan, and report to Board of Directors if needed.

Sustainability and Social Responsibility Office consist of full-time team of two and have seven task forces each working on their respective projects:

1. Management and Control of Goals: To ingrain the vision and goals of social responsibility, with respect to the environment, our society, and human resources, in YFY.
2. Action for Sustainability: Manage and direct all mills to achieve their short term, medium term, and long term energy conservation and emission reduction targets; lead strategic discussions to propose response measures to climate change and assist in acquiring environmental certifications as needed.
3. Employee Education: Promote employee awareness of environmental protection and related issues; share the company's goals and vision and encourage employees to provide input with regards to sustainability and social responsibility.
4. Community Engagement: Strengthen YFY's environmental image; strengthen the relationships between the mills and the neighboring communities; and encourage employees to participate in local events related to environment protection, culture, charity, and other relevant causes.

5. Communication of Corporate Responsibility: Continue to engage with stakeholders; Improve enterprise management; and achieve transparency of social responsibility
6. Supply Chain Management: Monitor and manage all personnel at all production lines (including contractors) to provide employees a healthy and safe workplace, and to establish the minimum standards required for YFY's suppliers, including health and safety, social responsibility, sustainable development, and other relevant causes.
7. Technological Innovation: Integrate the segments of research and development, production, market demand, and other aspects to strengthen the company on a holistic level; ensure that products and production processes are in compliance with international environmental standards, while also taking into account profitability; coordinating internal and external research and development results to facilitate acquisition of certification and support from non-governmental organizations (NGOs)

Energy Development and Process Waste Management

The "Energy and Resource Recycling Platform" was established to "improve the efficiency of energy and resource use and promote green energy." At the beginning of 2015, the group started touring each plant, giving regular seminars at all levels. The group invited specialized staff from both sides of the strait to observe the current equipment planning and implementation effectiveness in the plant. At the same time, it introduced the latest technologies and discussed practical issues to pursue the best and feasible way for the economy, the environment and society.

The platform has six directors and specialists. The director

reports directly to the Chief Strategy Officer, explaining the progress of the project as well as the mid and long-term plans. The main tasks of the Energy and Resource Recycling Platform are as follows:

1. Energy and Resource Audit: assist the factories in scheduling audit plans and regularly check the energy and resource use status of the plant. Establish YFY Energy and Resource Big Data as an important basis for equipment optimization as well as mid and long-term operational planning.
2. The development of renewable energy: actively develop renewable energy and guide each plant to build renewable energy equipment according to its own advantages and opportunities as well as look for all kinds of possibilities of sustainability.
3. Resource Reuse: continuously monitor solid process waste materials and do air quality control. With reference to cutting-edge technology from around the world, think diversely about opportunities for recycling process waste materials.
4. Improve Production Efficiency: start from the practical field of operation to optimize the efficiency of each process detail and schedule maintenance inspection plans. In addition to increasing production efficiency and product quality, this can also significantly reduce energy consumption.
5. Education Training: build a cloud education training system and a Q&A problem exchange platform. Make employees fully understand the operating principle and operating procedures of equipment. At the same time, reduce the chance of occupational injuries and equipment damage.





Water Recycling and Discharge Water Treatment and Management

The “Water Recycling Platform” was established in 2015 to build a “water resources circulation system optimization and processing experience exchange platform”. The water recycling platform leads colleagues in understanding the diverse possibilities of the water system, including the water cycle pathway, water recycling, and water quality treatment. It carefully inspects each tube and pool, references new technology and local uniqueness, and strives to find the most environmentally friendly water recycling model.

The platform has three directors and specialists. The director reports directly to the Chief Strategy Officer, to provide instant information and trends on the use and processing of YFY's water resources. The main task descriptions of the Water Recycling Platform are as follows:

1. Systematic Water Saving, Recycling, and Reuse Plan: plan the water cycle pathway and assess the feasibility of water recycling in each process.
2. Recycle the Fiber in the Discharge Water: do an inventory of the quantity of water and water quality of discharge water at the discharge point of each plant. Formulate a recycling plan. In addition to reducing fiber loss, this can reduce the load on the wastewater treatment plant.
3. Strengthen the Water Treatment Function: optimize the existing process discharge water treatment system, build monitoring and inspection equipment, and unify sampling and review standards.
4. Education Training: experience sharing of the water resource cycle and processing, case study discussions and designated plant visits, and training more water resource professionals.
5. Establish YFY Water Database: monitor water quality and quantity for the long-term as well as consolidate and archive the entire group's information to provide first-hand technical information to promote internal information circulation.

Occupational Safety, Health Management, and Health Promotion

The “Occupational Safety and Health Management Platform” was established in 2016 with the objective of improving the occupational safety and health management of the group. The Occupational Safety and Health Management Platform constantly pursues the goal of “zero accident, zero injury, zero harm.” With the core spirit of YFY's safety commitment, it establishes a unified safety culture and creates a workplace that both employees and their relatives find safe and secure.

The platform has four people, consisting of a director, manager, and commissioners. The director reports directly to the Chief Strategy Officer, to provide YFY with the implementation status of occupational safety, health management, and health promotion. The main tasks of the Occupational Safety and Health Management Platform are as follows:

1. Contractor Safety Management: supervise and guide in contractor and construction safety, provide control in high-risk operations, and manage operation personnel's factory entries.
2. Occupational Safety and Security Inspection: regularly inspect various factories of the group and systemize data as an important basis for occupational safety and health strategy as well as target management.
3. Education and Training: improve the safety level of the group's plants by establishing safety awareness and culture for all colleagues as well as have a professional security personnel training program.
4. Employee Health Promotion: arrange health education campaigns and health talks as well as plan in-plant medical staff consultations and health checks.

Co-prosperous Economy

Good economic performance is the key to a sustainable corporation. Themes such as economic performance and corporate image also greatly impact the corporate development and its internal employees, external investors, and suppliers. After transforming into an investment holding company, YFY focuses on “investment and holdings”, constantly pursuing better economic performance and giving back the value created to investors, employees, customers, suppliers, governments, community residents, and all other stakeholders, to create a sustainable society of common prosperity.

Economic Performance

GRI 201

In 2018, YFY's paper and pulp business accounted for the largest proportion of its total business, around 88%, and the production and sales revenue of other businesses accounted for about 12%. YFY's main headquarters is in Taipei, Taiwan. YFY's capital is 16.6 billion NTD. In 2018, with the efforts of the management team and all associates, YFY's consolidated revenue reached 76.4 billion NTD and the after-tax earnings per share was 0.87 NTD. Please refer to the 2018 consolidated financial report for related operational performance.



Capital: 16.6 billion

2018 Consolidated Revenue: 76.4 billion

Earnings Per Share: 0.87 NTD

YFY Economic Performance

Capital	16,603,715
Operational Income	76,439,683
Operational Cost	64,743,994
Salary and Benefits	7,801,218
Cash Dividend	996,223
Income Tax Paid	966,330
Remaining Surplus	14,241,392

Unit: NTD1,000

Financial Impacts and Other Risks and Opportunities Arising from Climate Change

SDG 9

According to The Global Risk Report (2018), three of the top five potential risks faced by companies are the impacts of climate change, namely “extreme weather events”, “natural disasters” and “the failure to mitigate and adapt to climate change.” Perhaps we cannot effectively reverse the trend of climate change in short time, but the climate change risks management and climate change adaptation are undoubtedly important methods to protect the employees and assets of a corporation.

YFY took climate change adaptation into the risk management process and assigned internal audit and counseling about climate change risk management to the Sustainability and Social Responsibility Office and the three management platforms. By analyzing the climate-related risks and opportunities faced by each plant through scenario analysis and systemic analysis, and planning reactions for extreme weather events, energy development, and regulatory compliance at the same time, as well as doing the corresponding equipment transformation and reinforcement, more climate resilient plants would be built. The relevant project plans echoed the 9.1 and 9.4 of the SDGs sub-goals. We believe that only by dealing with risks with practical actions and positive attitudes will there be opportunities for innovation.



YFY Risks and Opportunities Arising from Climate Change

Item	Aspect	Risks and Opportunities	Management Policies and Practical Actions
Global Warming	Entity	Risks The rise in the temperature of the environment makes it prone to fires and it is easy to cause employee heat injury Opportunities The rise of low-carbon products	<ul style="list-style-type: none"> · Regularly inspect fire-fighting equipment and conduct fire drills · Increase cooling equipment in the workplace
Extreme Weather Events	Entity	Risks Sudden heavy rain, strong winds, increased typhoon intensity, increased thunder, will destroy buildings and equipment, endanger personnel safety, and the preservation of products Opportunities Strengthening typhoon-resistant and earthquake-resistant equipment can improve the safety of the work area and ensure the stable operation of the production line	<ul style="list-style-type: none"> · Establish real-time typhoon and earthquake report platforms · Regularly inspect, examine, and fix canopies · Build the separated sewage system in the plants
Lack of Fossil Fuel	Entity	Risks The price of fossil fuels such as petroleum and coal has increased, resulting in higher production costs Opportunities High-efficiency equipment will surely become the core technology of the future basic industry	<ul style="list-style-type: none"> · Use alternative biofuels · Build biogas generators · Improve the efficiency of electric motors and process equipment · Execute the 1% reduction per year energy saving plan
Lack of Water Resources	Entity	Risks Uneven temporal and spatial distributions of precipitation lead to longer dry season. Water supply being limited will affect product manufacturing Opportunities the rise of products with less consumption of water	<ul style="list-style-type: none"> · Use recycled water in great quantities to replace clean water · Improve drain water collection projects · Audit water usage and water treatment equipment
Frequent Earthquakes	Entity	Risks Taiwan is in a frequent earthquake zone. When an earthquake occurs, it may cause buildings to fall down, equipment damage, and even lead to secondary disasters resulting in casualties Opportunities Strengthening typhoon-resistant and earthquake-resistant equipment can improve the safety of the work area and ensure the stable operation of the production line.	<ul style="list-style-type: none"> · Establish real-time typhoon and earthquake report platforms · Regularly conduct fire drills and earthquake drills
Environmental Protection Regulations and Initiatives	Regulations	Risks Stricter government regulations and environmental protection commitments will increase the cost of transitioning to a low-emission economy Opportunities Have corresponding supportive policy incentives and subsidies	<ul style="list-style-type: none"> · YFY's emission standards are stricter than the regulations · Install continuous monitoring system to strictly examine the emissions · Actively participate in domestic and international initiatives to understand trends and strengthen communication
Energy/fuel Tax, Waste and Sewage Treatment Fee	Regulations	Risks The increase in fuel taxes, waste disposal fees, and water consumption costs will directly increase production costs Opportunities The experience of handling waste and sewage will be valuable in the circular economy	<ul style="list-style-type: none"> · Add production residue recycling equipment to effectively reduce waste · Improve drain water treatment equipment, in order to better reuse the drain water · Improve motor and production facility efficiency

Market Presence

GRI 202

Since the founder of YFY, we have taken our stand as public devices of the society. This thinking of loving the people and neighbors allowed YFY to develop together with the locals. Our salaries in Taiwan, Mainland China, and Vietnam are higher than / equal to the local basic salary, and give competitive bonuses and allowances so that associates will have no worries economically and can then pursue excellence.

Ratio of YFY's Basic Salary to Local Minimum Wage in 2018 (Note 1)

	Males	Females
Taiwan	114%	119%
Mainland China	120%	126%
Vietnam	100%	100%

YFY is the leading paper company in Taiwan, with many cutting-edge technologies and expertise, and we are willing to carry forward and further develop this knowledge. In 1984, we initiated the first paper plant turnkey project in Taiwan. Today, we continue to play a role in transferring the knowledge of paper, actively cultivating talents in various local branches and gradually promoting local people as supervisors. In 2018, 100% of the management positions and above in the Taiwan area are locals (Note 2), 31% in Mainland China, with no locals yet in Vietnam.

Note 1: Locals refer to those who have full local citizenship rights.

Note 2: YFY's basic salary is calculated based on the fixed salary that employees receive each month and does not include the year-end bonuses and the annual performance bonuses.



Sustainable Environment

YFY rooted in agriculture and has deep sentiments for the environment and the land. Environmental related topics such as raw materials, water, air quality, production residue, and energy, impact the internal and external divisions of the organization, including employees, residents around the plants, the authorities, and other stakeholders. For related issues, YFY has always responded with pragmatic actions and fulfilled our responsibility as a citizen of the earth.

Energy Resource Management Policy

SDG 7

YFY manages the energy and resource usage of each plant through the Energy and Resource Recycling Platform. Auditing the three major aspects of process efficiency, system regulation, and energy and environmental protection ensures that all the plants in YFY comply with local environmental regulations, energy regulations, and relevant environmental regulations of the paper industry.

In addition to complying with regulations, we are further committed to supporting energy transformation, such as constructing solar panels, developing biogas power generation, biomass reduction

technology, autonomous power-saving plans, and air quality emergency reaction procedures. Many programs also echo the SDG targets 7.2 and 7.3. Through continuous technology research and development and cross-unit cooperation and building a bridge between the interconversion of energy and resources, make YFY a leader in green energy and circular economy.

Energy Plans

GRI 302

In 2018, YFY's energy consumption at production bases around the world was 25,678 TJ. In order to improve energy efficiency, we have continued to implement a five-year 5% energy saving plan starting from 2015. A total of 75,785 kilowatts of electricity was reduced by 2018 and the annual average energy saving rate reached 1.76%. In 2018, the electricity consumption was reduced by 4,458.714 kilowatts, equivalent to a reduction of 2,701.12 metric tons of carbon dioxide equivalent. We continue to renovate our equipment to reduce electricity and fuel production.

In 2018, in order to improve energy autonomy, we added a new cogeneration system in Taiwan's Xinwu Plant and the self-generation ratio increased by 25.9%.

Note: Calculated according to the 2017 annual power emission coefficient (0.554kg CO₂e / kilowatt) of the Bureau of Energy of the Ministry of Economic Affairs

Self-power-generation Ratio in Xinwu Plant increased by

25.9% ↑

2018 Energy and Fuel Consumption Totals

Direct Consumption	Fuel Oil (TJ)	1,761.93
	Natural Gas (TJ)	564.15
	Gas (TJ)	0.19
	Coal (TJ)	21,826.54
	Diesel (TJ)	62.82
Indirect Consumption	Electricity (TJ)	2.52
	Steam (TJ)	393.89
Solid Production Residual Material	Waste Tires (TJ)	1,066.37
	Sludge (TJ)	2,225.77
	Slag (TJ)	433.16

*Please refer to the boundary description B

2018 Product Energy Density

	Consumer Paper (ton)	Containerboard and Packaging (ton)	Cardboard (thousand square meters)	Pulp (ton)
2017(GJ)	6.93	5.30	0.48	4.23
2018(GJ)	7.39	4.94	0.49	4.74

*Please refer to the boundary description A

Product energy density = (direct energy consumption+ indirect energy consumption) / total product



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The Usage of Raw Materials

SDG 15

The circular economy must strengthen the two-way connection between raw materials and products and use renewable raw materials in large quantities to achieve a sustainable cycle. The main raw materials of YFY's products are wood pulp and recycled paper, all of which are renewable raw materials. The source of wood pulp is only from planted forests. YFY has also developed sustainable forestry under the jurisdiction of forest farms, such as the plantation of mixed tree species to protect biodiversity and ensure the ecological value of forests, and echo 15.1, 15.2, 15.4 and 15.7 of the SDG targets. For detailed forest management data, please refer to the Chung Hwa Pulp 2017 Sustainability Report.

97.6% of the main raw materials for containerboard paper come from recycled paper and other raw materials are also inspected strictly to continuously urge suppliers to carry out more environmental protection actions.

2018 Raw Material Use Overview*

GRI 301

Raw Wood Pulp/Chips (ton)	1,233,782
Recycled Paper (ton)	1,574,845
Containerboard Paper for Packaging (ton)	926,921

*Please refer to the boundary description B

Handling of Solid Production Residual Material (PRM)

GRI 306

YFY believes that everything is a resource, and the reason for being discarded by humans is that people have not yet found a way to use them. Therefore, since 2016, we have removed the term "waste" from our company, and renamed the unused process residues to "solid

production residual material." We are committing to converting solid process residues into resources or energy, creating an industrial chain that is truly sustainable.

The all production process of YFY products and the residual materials produced by water treatment are not hazardous wastes. After the experimental research on the Energy and Resource Recycling Platform, the various PrM are turned into Refuse Derived Fuel (RDF). Over 59.3% of the solid PRM has been successfully reused and the rest is distributed to the authorized waste treatment plants to clear and deal with legally. What YFY hopes to do is not just to reduce, but also to regain the value that all resources should have.

2018 Reuse of Solid PRMs

Item	Reuse and Treatment Method	Total (tons)
Paper Reject	Recycle Energy	96,718
	Temporary Storage	10,847
Sludge	Recycle Energy	177,640
	Temporary Storage	14,328
	Subcontracting	48,362
Coal ash	Recycle Material	58,717
	Temporary Storage	6,256
	Subcontracting	85,782
Other	Recycle Energy	43,666
	Temporary Storage	71,062
	Subcontracting	43,157

*Please refer to the boundary description B



Awards

The Taitung Plant of Chung Hwa Pulp was awarded One-star of the Environmental Protection Administration's Waste Resource Circular Economy Evaluation. Chung Hwa Pulp Taitung Plant produces a variety of products such as cultural paper, gray paper cards, and white kraft paper. The production line is very diverse and complex. In order to reclaim all the resources, many collection points are set up in the production process. The collected waste wood, sludge, pulp reject, and other materials are reclassified, shredded, and pelletized into bio fuel or product raw materials, thus creating new value for these resources again. The utilization rate of production residue exceeds 64% and was awarded as One-star of the Environmental Protection Administration's Waste Resource Circular Economy Evaluation.



Air Quality Control and Management

GRI 305

Air quality and emissions are the most concerned environmental issues in recent years. Taiwan is an island in the monsoon region. Many factors affect its air quality. However, what doesn't change is that blue sky and white clouds are what everyone hopes for. YFY also made extra effort in air quality control. All the plants are equipped with dust collection systems and air monitoring equipment and are checked regularly. We conduct on-site inspections according to the coefficients and inspection methods provided by the Industrial Development Bureau's greenhouse gas inspection announcement. The greenhouse gases emitted by each plant are only carbon dioxide (CO₂), methane (CH₄) and nitrous oxide (N₂O); the remaining hydrofluorocarbonized substances (HFCs), perfluorocarbons (PFCs), sulfur hexafluoride (SF₆), and nitrogen trifluoride (NF₃) aren't emitted.

2018 GHG Emissions

Greenhouse Gases (GHG) (metric tons of CO₂ equivalent)	Scope 1	1,362,153
	Scope 2	304,914
Sulfur Oxide (SOx) (tons)		859
Nitrogen Oxide (NOx) (tons)		1,032

*Please refer to the boundary description A

GHG Emissions Density

Containerboard Group (tons of carbon dioxide equivalent / tons of total product)	1.03
Corrugated Packaging Group (tons of carbon dioxide equivalent / thousand square meters of total product)	0.06
Consumer Products Group (tons of carbon dioxide equivalent / tons of total product)	1.48
Forest Products and Fine Paper Group (tons of carbon dioxide equivalent / tons of total product)	3.9

Water Resources Management Policy

SDG 6

YFY "Water Resources Recycling Platform" brings together all the professionals with water treatment experience in the Group to set the next year's water treatment goals and strategies at the annual strategy meeting. YFY's water resources goal also echoes SDG targets 6.3 and 6.4, and is committed to improving water quality, reducing pollution, and continuously increasing water use efficiency.

The water resources recycling platform also plans the entire year's counseling audit plan, and goes to each plant to find possible water-saving points and reduce the water consumption of YFY.

Through the information of on-site flowmeters, continuous monitoring meters, and tank designs, the drain water status of each plant can be supervised, establishing a water resource database and sludge treatment management, and furthermore promoting the exchange of technology and experience to assist the processing technology of water resources of the paper industry to rise to a new level.

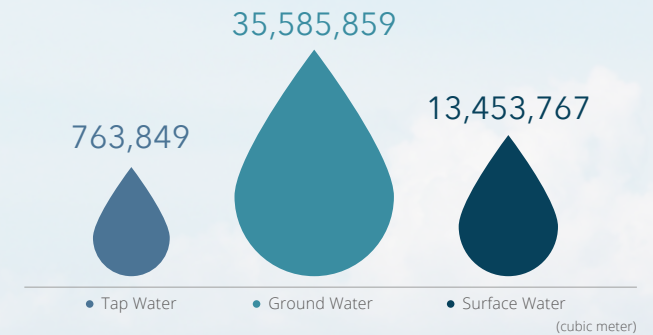
The Usage of Water Resource

GRI 303

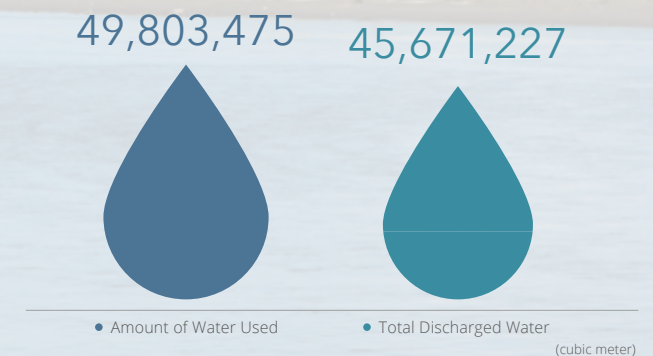
YFY's plants are located in a non-protected area and non-agricultural area rich in water. YFY's water source is mostly groundwater, and the rights to the water use are legally obtained. YFY does not compete with the nearby residents for water, is self-restrained on the water usage, and never overdraws. In 2018, a total of 1,821,016 cubic meters of recycled water was used, accounting for 3.7% of the total water consumption.

2018 YFY Water Resource Use Overview

Amount of Water Drawn



Total Water Used and Discharged Amount



*Please refer to the boundary description B



Drain Water Treatment

GRI 306

The traditional concept of water treatment focused only on end-of-pipe treatment, which is to purify the drain water. However, YFY traces upstream with overall thinking, adjusts the water treatment from production process to products, and coordinates with back-end water treatment technology to interact and cooperate with each other to ensure the quality of our drain water.

The YFY water treatment system consists of primary chemical precipitation and secondary biological treatment, which effectively reduces the chemical oxygen demand (COD) and biochemical oxygen demand (BOD) of the drain water, making the water quality superior to local regulations. YFY also installed an uninterrupted monitoring system to ensure the quality of the drain water. Detailed drain water data and discharge locations can be found on the Water Pollution Control Open Data Platform of EPA.

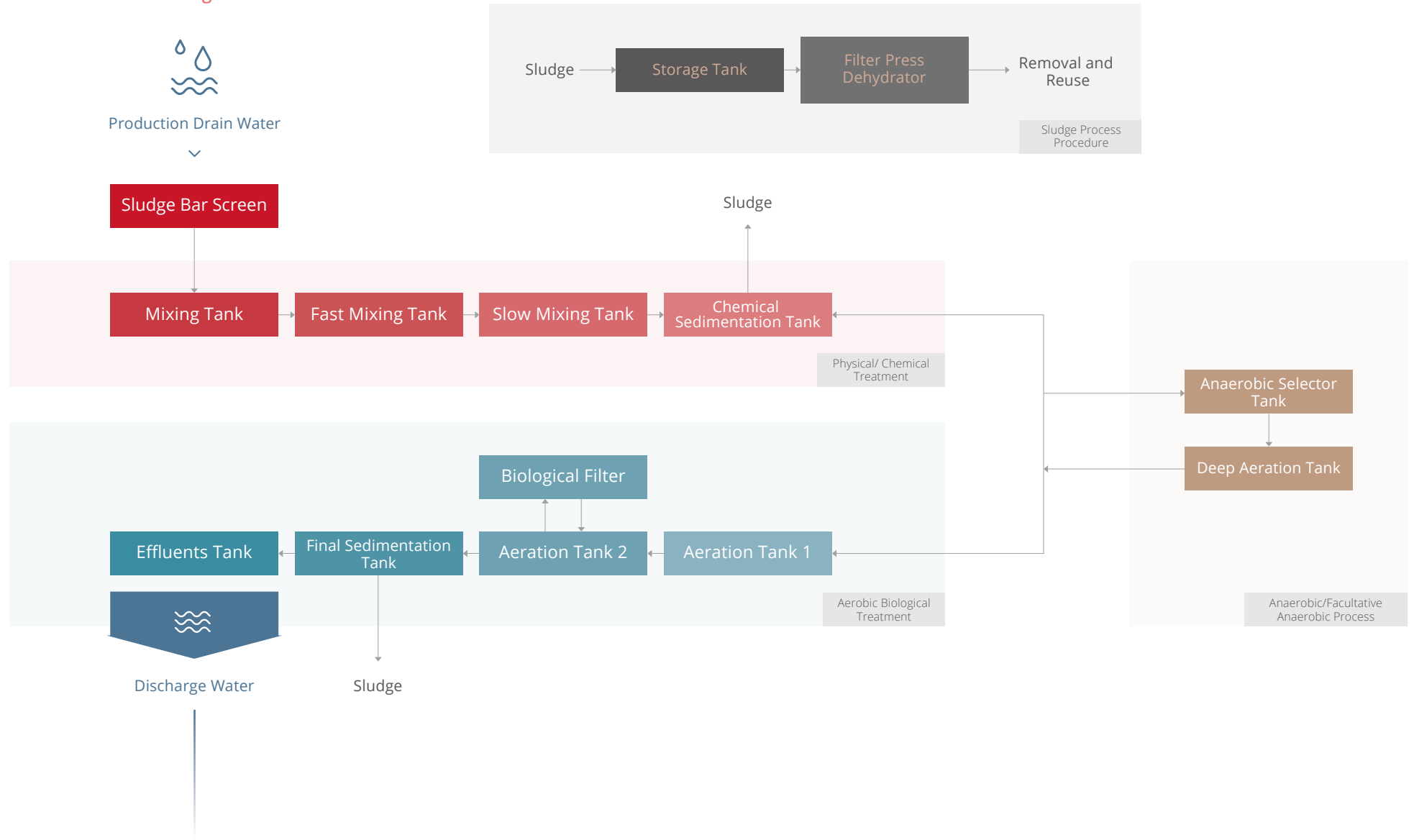
In addition to discharging to processing plants in the industrial area or rivers, YFY also returns a large amount of treated water to the production process. Except for Jiutang Plant's drain water being the main source of Old Railway Bridge & Wetlands Ecological Park in Kaohsiung, there are no water bodies and related habitats that are significantly affected by our water discharges and/or runoff.

YFY Discharge Standards

Chemical Oxygen Demand (COD) (mg/L)	Suspended Solids (SS) (mg/L)	Plant
72ppm	30ppm	Guangdong Dingfung Consumer Plant
72ppm	50ppm	Guangdong Dingfung Paper Plant
75ppm	100ppm	Tongnai Plant 、 Pingcheng Plant
90ppm	30ppm	Yangzhou Plant
90ppm	60ppm	Zhongshan Plant 、 Dongguan Plant
100ppm	30ppm	Jiutang Plant 、 Taoyuan Plant 、 Zhunan Plant 、 Pek Crown Plant 、 Kaohsiung Plant 、 Yangmei Plant 、 Qingshui Plant
100ppm	70ppm	Kunshan Plant
100ppm	100ppm	Longan Plant
150ppm	30ppm	Hualien Plant
160ppm	30ppm	Taitung Plant
180ppm	30ppm	Xinwu Plant
400ppm	350ppm	Xiamen Plant
500ppm	400ppm	Tianjin Plant 、 Qingdao Plant 、 Guangzhou Plant 、 Fuzhou Plant 、 Shanghai Plant 、 Jiashing Plant 、 Nanjing Plant 、 Suzhou Plant
560ppm	480ppm	Changhua Plant
600ppm	400ppm	Pingyang Plant

* Xiamen Plant 、 Tianjin Plant 、 Qingdao Plant 、 Guangzhou Plant 、 Fuzhou Plant 、 Shanghai Plant 、 Jiashing Plant 、 Nanjing Plant 、 Suzhou Plant 、 Changhua Plant 、 Pingyang Plant discharges water into outside water treatment plant

YFY Effluents Processing Procedure



Environmental Protection Regulations Compliances

GRI 307

In 2018, YFY's environmental penalties for various business groups totaled NT\$30.086 million, which included discharge water exceeding the standards, noise control not in compliance with regulations, and odors at production bases' perimeters, partly due to equipment anomalies caused by the Hualien earthquake in February 2018. All abnormal equipment have been adjusted and repaired, so that YFY's production bases are in compliance with environmental protection regulations.

For the unusual events that did not meet the regulations, we immediately formed task forces to set up improvement plans. In order to improve the stability of existing equipment and optimize emission quality, YFY plans to invest about NT\$1.34 billion in environmental protection equipment in order to improve the stability of existing equipment and optimize emission quality in the next few years. The investment focuses on improvement of boiler flue gas emissions, water treatment system, the establishment of air quality monitoring systems, and the renewal of other environmental protection equipment.



Harmonious Society

When a group of people share a culture, live together and help one another, they become a community. There are many interpersonal relationships in this community which will form groups. To make this community better, the first thing is to make the groups around you better. For YFY, employees, communities and customers are the three closest groups. To make each other better, we highly value occupational safety and health, employee care, community engagement and product liability. The boundaries of these issues cover both internal and external aspects of the organization, including employees, residents near YFY plants, customers and social welfare groups. We hope that through everyone's cooperation, we can build a community where everyone can enjoy a good life.

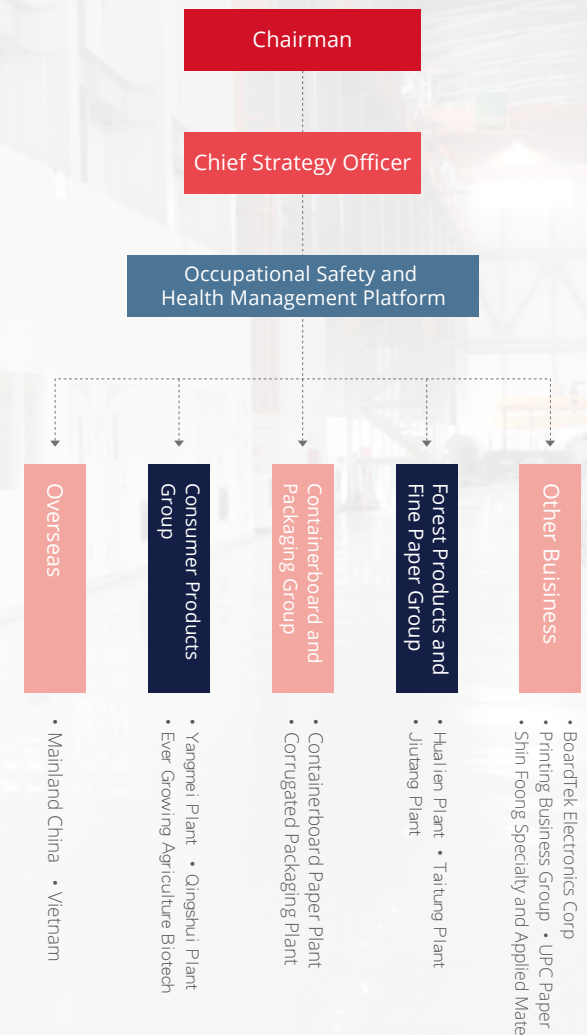
Occupational Safety and Health Management Approach

YFY has many production bases in Taiwan, Mainland China and Vietnam. For ensuring every employee and supplier's safety, YFY established the Occupational Safety and Health Management Platform and set up the Occupational Safety and Health Management Center in each business group. The reporting line, connecting the Occupational Safety and Health Management Platform and the Occupational Safety Office in every plant, would delivering occupational safety information and executing programs fast.

In addition to management by walking around, the Occupational Safety and Health Management Platform established an online management system in 2018, stored and computed all information in cloud. With complete record of the occupational safety event and improvement result, the relevant management could access related information, check the progress of handling anytime and then plan the following reaction.

Connecting the Occupational Safety and Health Management Online Management System and the employees' health database, the medical personnel would analyze the data to figure out the employees' need and program the lost-weight competition, healthy diet campaign and other health promotion project for YFY to solve the health problems and furthermore prevent the health hazard in the future.

Occupational Safety and Health Management Organizational Chart



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> For more details please see page 19 of this report
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Occupational Safety and Health Committees

Occupational Safety and Health Committees are established under the YFY's Head Office and all of its plants across Taiwan. These committees are composed of occupational health and safety experts, plant supervisors, as well as labor representatives who are selected by the union or by the employees. Labor representatives constitute between 30% to 45% of the committees. The Committees provide the workforce, the company, as well as the occupational safety and health professionals a means of communication that is both reasonable and equal.

Occupational Safety and Health Incidents Management

YFY sincerely hopes that every employee can work assured that they will go home safely. Therefore, we instituted the "Health Promotion and Prevention of Unnatural Work Stress and Related Diseases Policy" and the "Occupational Safety and Health Guidelines" that all employees must follow when working. These guidelines were passed by labor representatives.

The "Occupational Safety and Health Guidelines" clearly sets out rights and responsibilities for employees and contractors with regards to the safety standards, training, health instruction, emergency services and incident reporting. The "Health Promotion and Prevention of Unnatural Work Stress and Related Diseases Policy" sets out ways to prevent various occupational hazards and potential points of notes.

An excerpt from the health promotion and management policies are included below:

- ◆ New hires must undergo physical checkups or turn in reports of previous checkups. Current employees should undergo regular health checkups. For employees working in areas where noise pollution is prevalent, annual special checkups are provided

(such as powder-specific health checkups, noise pollution health checkups, ionizing radiation health checkups, etc) to carefully monitor the health status of employees.

- ◆ Take precautionary measures to prevent diseases that are easily caused by repetitive processes, shift-based, nighttime work, or working for long hours.
- ◆ To prevent diseases in warm areas, take measures to lower the temperature of the workplace as deemed necessary according to the weather conditions, providing places with lower temperatures for rest.
- ◆ When employees feel unwell or abnormal, please immediately report to the authorities or other supervisors.

Due to the care of personnel, equipment and regulations, YFY's occupational disease rate (ODR) is zero. In the noise operation area and the dust operation area, there are also notices requiring personnel entering the area to wear protective equipment such as earplugs and masks to ensure their safety.

In 2018, there were 13 cases of injury and disability in YFY Taiwan and Mainland China. Among them, the number of disability cases in Taiwan fell by 50% compared to 2017. The FR and SR also fell by 44% and 86%, respectively, showing the effectiveness of YFY's occupational safety and health management. In order to prevent occupational safety and health hazards, we will continue to conduct safety education and training and strengthen the safety protection chain system and warning reminders to learn our lessons and create a safer working environment.

Injury Severity Rate (SR) Decreased by

86% ↓





2018 Occupational Safety and Health Incidents

2018	Taiwan		Mainland China	
Injury Frequency	0.74		1.62	
Rate (FR)	Men 0.87	Women 1.39	Men 2.12	Women 0
Injury Severity	71		85	
Rate (SR)	Men 80	Women 18	Men 111	Women 0
Injury Rate (IR)	0.19		0.32	
	Men 0.17	Women 0.28	Men 0.42	Women 0
Occupational Diseases Rate (ODR)	0		0	
Lost Day Rate (LDR)	14.17		17.09	
	Men 16.06	Women 3.61	Men 22.9	Women 0
Absent Aate (AR)	0.61%		0.64%	
Incidences of Death on the Job	0		0	

Frequency Rate (FR) = Frequency of Incapacitation × million / total work hours

Severity Rate (SR) = Lost Days × million / total work hours

Injury Rate (IR) = Total number of incidents of injury × 200,000 / total work hours

Occupational Diseases Rate (ODR) = Total incidences of occupational diseases × 200,000 / total work hours

Lost Day Rate (LDR) = Days lost due to injuries × 200,000 / total work hours

Absent Rate (AR) = Days absent due to injuries / total work hours × 100%

Types of YFY Occupational Injuries in 2018

Types of Injuries	Taiwan		Mainland China	
	Numbers	Percentage	Numbers	Percentage
Contact with High or Low Temperatures	1	14.29%	0	0%
	Males 3 Females 0		Males 0 Females 0	
Falling	1	14.29%	3	18.75%
	Males 1 Females 0		Males 3 Females 0	
Being Hit	1	14.29%	2	12.50%
	Males 0 Females 1		Males 2 Females 0	
Improper Actions and Positioning	1	14.29%	0	0%
	Males 1 Females 0		Males 0 Females 0	
Crashes	1	14.29%	0	0%
	Males 1 Females 0		Males 0 Females 0	
Being Entangled or Pinched/Clipped	1	14.29%	8	50.00%
	Males 0 Females 1		Males 8 Females 0	
Being Cut and Bruised	1	14.29%	1	6.25%
	Males 1 Females 0		Males 1 Females 0	
Falling Down	0	0%	2	12.50%
	Males 0 Females 0		Males 2 Females 0	

Caring for Employees

GRI 401

Employees are partners who work with the company to make a difference. They are the most important stakeholders of YFY. In YFY, the Occupational Safety and Health Management Platform is responsible for the safety of workplaces and employees' health; the Department of Human Resources plans all aspects of employee care programs, including career development, education and training, performance evaluation, compensation management, employee satisfaction surveys, etc., and regularly holds staff communication meetings to explain the company's goals and direction of business.

There are 6 enterprise unions in YFY. More than 50% of the employees in Taiwan are members of the unions. The unions regularly hold joint meetings with YFY so that the union representatives can directly state employees' appeals to high-level executives', so that the executives can pay attention to their difficulties, needs, and problems at work and properly handle them. The plants with no unions regularly hold labor-management coordination meetings to strengthen labor-management relationships. If the company has any reorganization plans, it will communicate with the affected employees in advance according to Article 20 of the Labor Standards Act and provide relevant counseling plans according to their wishes.

When employees encounter any problems in their careers, they can send their suggestions or appeals through direct lines or special mailboxes. The Department of Human Resources will immediately respond and handle them. YFY also has its own

employee retirement program to handle employees' retirement in accordance with the Labor Standards Act and the Labor Pension Act.

Labor Standards Act: 2% to 15% of the total monthly salary of each labor must be saved in the bank account by the employer and the account is supervised and managed by the Labor Pension Fund Supervisory Committee.

Labor Pension Act: the employer must send no less than 6% of the total monthly salary of its every employee to the labor pension account in the Bureau of Labor Insurance individually. We believe in providing employees with a safe working environment and competitive welfare, so they can fully develop their own profession and create a greater value for themselves and for the society.



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YFY's Taiwan full-time employees enjoy labor and health insurance, group medical insurance, accident insurance and labor pensions, and likewise, the Mainland China full-time employees enjoy pension insurance, medical insurance, work injury insurance, unemployment insurance and maternity insurance. In addition to complying with the relevant labor regulations of the operating bases, in order to take care of the employees from all angles, YFY also plans various welfare projects through the "YFY Joint Staff Welfare Committee", including:

- New Year and holidays welfare merchandise
- Birthday present/Wedding present
- Maternity leave and gift
- Complimentary subscription to Preschool Education Monthly
- Complimentary subscription to Preschool Children's Magazine
- Education scholarship for employees' children
- Reward for active employees with excellent achievements on continuing education at tertiary institutions
- Team building funding support
- Association recreational activity funding support
- Cultural and recreational activity funding support
- Hospital relief fund for the injured
- Retirement provision
- Employee group accident insurance
- Disability funding support
- Bereavement pension for employees and employees' family members
- Employee meal allowance
- Preferential schemes for participation in the activities, courses offered by and purchase of products from Hsin-Yi Foundation and Hsinex International Corp



Number of New Employees and Percentage in 2018

	Males			Females			Total
	Under 30 years of age	Between 31-50 years of age	Above 51 years of age	Under 30 years of age	Between 31-50 years of age	Above 51 years of age	
Employees in Taiwan	407 (4.29%)	291 (3.14%)	13 (0.14%)	47 (0.51%)	71 (0.77%)	6 (0.06%)	835 (9.01%)
Employees in Mainland China	363 (3.92%)	286 (3.08%)	5 (0.05%)	78 (0.84%)	72 (0.78%)	0 (0.0%)	804 (8.67%)
Employees in Vietnam	228 (2.46%)	105 (1.13%)	3 (0.03%)	126 (1.36%)	55 (0.59%)	5 (0.05%)	522 (5.63%)
Total	998 (10.76%)	682 (7.36%)	21 (0.23%)	251 (2.71%)	198 (2.14%)	11 (0.12%)	2161 (23.31%)

*New Hires refer to who were on board in 2018

*New Hires Rate = number of new hires in the cell / number of total employee

Number of Leavers and Turnover Rate in 2018

	Males			Females			Total
	Under 30 years of age	Between 31-50 years of age	Above 51 years of age	Under 30 years of age	Between 31-50 years of age	Above 51 years of age	
Employees in Taiwan	277 (2.99%)	261 (2.82%)	103 (1.11%)	49 (0.53%)	60 (0.65%)	9 (0.10%)	759 (8.19%)
Employees in Mainland China	640 (6.90%)	533 (5.75%)	27 (0.29%)	126 (1.36%)	157 (1.69%)	11 (0.12%)	1494 (16.11%)
Employees in Vietnam	184 (1.98%)	71 (0.77%)	3 (0.03%)	82 (0.88%)	22 (0.24%)	1 (0.01%)	363 (3.92%)
Total	1101 (11.88%)	865 (9.33%)	133 (1.43%)	257 (2.77%)	239 (2.58%)	21 (0.23%)	2616 (28.22%)

*Employees Turnover refer to who leave the organization voluntarily or due to dismissal, retirement, or death in service

*Employees Turnover Rate = number of Employees turnover in the cell / number of total employee

Number of Employees on Parental Leave in 2018

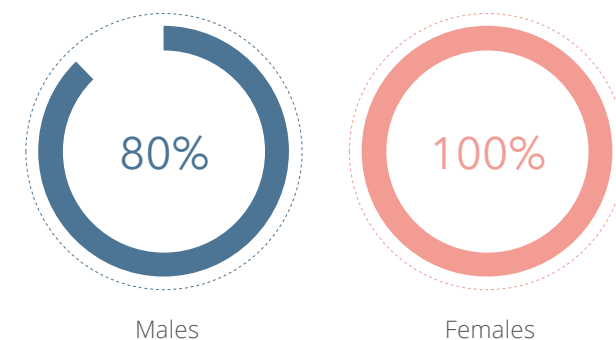
	Males	Females
Number of employees entitled to parental leave	310	183
Number of employees who took parental leave	2	13
Number of employees returned to work after parental leave	4	6
Number of employees who retained 12 months after returning to work following parental leave	1	8
Return to work rate	80%	100%
Retention rate	33%	89%

*The number of employees who have parental leave is the number of employees who can have maternity leave or paternity leave between 2016 and 2018

Return to work rate = Total number of employees that did return to work after parental leave / total number of employees due to return to work after taking parental leave x 100%

Retention rate = Total number of employees who retained 12 months after returning to work following a period of parental leave / total number of employees returning from parental leave in the prior reporting period(s) x 100%

Return to Work Rate





Training and Education

GRI 404

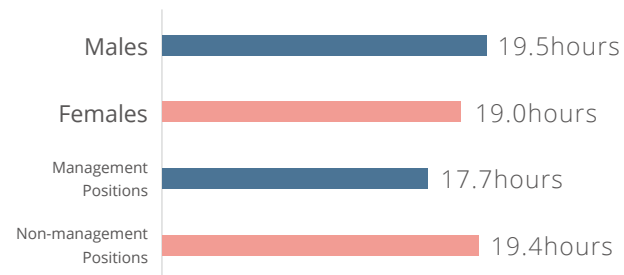
YFY understands that investing in humans can improve the overall development of the company and the employees at the same time. Therefore, education and performance assessment are highly valued. In 2018, we began to develop a new YFY learning management system, which divided the training courses into new personnel culture development, management training, professional function training, and general training. In order to cultivate the healthy and honest culture, the first-aid training of occupational safety and health and the anti-corruption integrity management course are assigned as compulsory courses for all employees. Also, the employees can systematically check the courses they have attended, the accumulated training hours, and the upcoming classes, so that they can plan their education and training courses according to their own functions and professions. In addition to the learning resources provided by the company, YFY also encourages employees to improve their language



Foreign Language Proficiency Test Awards Provides A Maximum Incentive of

552,000 NTD

Average Hours of Training for YFY Staff in 2018



proficiency and on-the-job training to expand their careers and enhance their competitiveness. Therefore, in 2018, the Foreign Language Proficiency Test Awards were promulgated, and as long as one passes the language verification step by step, the most that one can receive is a reward of NT \$552,000. In addition, if one is studying for a master's degree while working, one can get a maximum of NT\$280,000 grant.

Good performance evaluation can stabilize business operations and understand the needs of employees. Aside from the new

employees who join the company for less than 3 months, YFY conducts regular performance evaluations of all employees with unified and fair standards, and has no discrimination on position, gender, race, nationality, etc. The performance evaluation is conducted once a year and is divided into three stages: employee self-evaluation, supervisor interview, and supervisor evaluation. After the evaluation is completed, each employee's exclusive feedback and suggestions are provided, so that colleagues can review their performance and further serve as career planning as well as a reference for educational training.

Local Community Engagement

The term "symbiosis" is derived from biology and it means that different creatures live closely together. This concept is often cited in sociology to illustrate mutual benefit between people. The relationship between YFY and the community is based on mutual benefit and symbiosis. There is a designated person in each mill acting as a communication channel between the surrounding community and YFY who pays regular visits to neighborhood leaders, schools, and district social welfare groups to understand the problems and impacts faced by local communities. Through sincerely listening and communicating face-to-face, we will discuss the most suitable solution together. Through earnest care and long-term investment, we look forward to coexisting with the local community.



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YFY Yangzhou Plant's Holiday Visitation and Charitable Work

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YFY's Containerboard Yangzhou plant is the flagship factory of YFY in Mainland China. It has more than 700 employees, most of whom live in the neighboring Bali Town and Guazhou Town. We learned that some of the elderly in these towns are in lack of care and resources. Therefore, we decided to start a Yangzhou plant neighborhood project, including the Double Ninth Festival visitation, the year-end cleaning, and the community open-air community cinema.

In 2018, we cared for and helped a total of 232 residents whom are in need in the local area. In 2019, the Yangzhou plant plans to expand the influence of good and cooperate with the local primary school to send resources to where they are needed.

> For more details please see page 33 of the report



"Whimsical World of Boxes": A New Combination of Puppet Art and Environmental Protection

02

YFY and the Puppet Beings Theatre Company cooperated cross-field, using corrugated paper to create the children's puppet play, the "Whimsical World of Boxes". On stage, from the facial masks to the protagonist puppets or even the 2.4-meter-high large set, are all made of corrugated paper. YFY's design team spent more than three months constantly adjusting the joints and structures of each puppet so they can come to life. This puppet play went into various villages and towns in Taiwan from June to December 2018, and performed on tour for a total of 13 performances. YFY also invited a total of 167 primary school students and family members of the employees of the five Taiwanese Corrugated Packaging Plants to participate in the show together and exclaimed the art of the paper.

> For more details please see page 28 of the report



YFY Taitung Academy

03

YFY Taitung Academy is a companion project of YFY Taipei Headquarters and the Taitung Guanshan Family Support Center of Taiwan Fund for Children and Families. It was launched in 2015. The three-year project came to an end in 2018, but YFY volunteers saw the children's growth and change for the past three years and hope that this project will continue. Therefore, in 2018, we committed to a second three-year coop to continue to accompany the children. So far, the program has built 630 children's book collections and accompanied the children in reading for more than 1,200 hours and will continue to accompany the children to grow in the future.

> For more details please see page 34 of the report



Cardboard War Contest: The Return to the Three Kingdoms

04

YFY continues to support the only major event in Asia using the theme of paper, the "Cardboard War Contest". The theme for 2018 is "The Return to the Three Kingdoms." YFY has dispatched all the plants in Taiwan as technical support to teach the characteristics, structure design, and joint skills to the college students. This event has been attended by more than 1,200 students and teachers since 2016. The live event was also shared live using Facebook to create more online interactions. YFY hopes to reach out to the community of different ages through a variety of interesting activities, deepen the cooperation and understanding between the industry and the academic community, inject more vitality into the paper industry, and also promote the concept of environmental protection. Only by changing education can we change the future.

> For more details please see page 32 of the report



"Millions in Aid": Assisting the Reconstruction of Hualien Post-disaster

04

On February 6, 2018, Hualien experienced a major earthquake, causing more than 300 injuries. The Chung Hwa Pulp Hualien Plant under YFY was also damaged. After actively conducting a thorough check to understand the equipment damages and personnel safety, the colleagues began to assist the reconstruction of residents in Hualien. Chung Hwa Pulp is the earliest established enterprise of Hualien and has been around for 50 years. Most of the employees are from Hualien, have personal ties to Hualien. In addition to the manpower, the plant also donated NT\$10 million to help the disaster relief and rescue the victims. It is hoped that through the connection between being close to people and the land, meeting the local needs, and passing on positive influences, everyone can join hands to overcome the difficulties.



Products Responsibilities

Quality and Safety

GRI 416

YFY highly values product quality and safety. In the plant quality/environment management system, YFY has obtained many international system certifications, such as: ISO 9001/14001/50001/22000/22716, OHSAS18001; the products produced are tested by third-party institutions. Related testing also include European and American regulations, such as the EU Food Contact Materials Regulations AP (2002), the European Union's Restriction of Hazardous Substances Directive (RoHS), and the Code of Federal Regulations (CFR). The household paper products produced by YFY Consumer Products Co., Ltd. also obtained major related certifications, such as: CNS, HACCP, FSC, and environmental label certification; in addition, home/personal cleaning products have also obtained major related certifications, such as: CNS, (USDA) U.S. biomass certification, AMA U.S. low-sensitivity verification, EU certification, etc; to show our commitment to providing customers with a peace of mind with certified quality products.

Customer Satisfaction and Product Labeling

GRI 417

YFY knows that customer needs and satisfaction are the most important keys to company operations. Therefore, YFY Consumer Products Industry uses the product use satisfaction survey to thoroughly understand and track the customer's experience in using the product as an indicator of product development to benefit customers' expectations. At the same

time, each mill also regularly surveys customer satisfaction for existing products to investigate whether the products and services produced meet customer expectations, and provide better services through internal review, tracking and improvement. In addition, in order to more effectively grasp the needs of our customers and provide more efficient services, we established a customer relationship service to work together with mills to achieve greater customer satisfaction.

Product labeling is the most direct way of communicating with our consumers. All of YFY's products, including Mayflower, Delight, Tender, Orange House, FreshSense, and other brands, provide clear and transparent labels. To provide customers with a more complete understanding of our products, we do not provide false information or conceal any information. This allows our customers to use our products with the assurance that they are safe.

Personal Information Management

GRI 418

YFY strictly abides by the relevant provisions of the capital law, with strict organization, management system and control mechanism for the collection, processing or utilization of personal information, to ensure the customer information privacy. YFY Consumer Products Co., Ltd. also established the "Personal Data Protection Executive Group" to develop and improve personal data protection and management measures, and to continue to promote personal data laws to strengthen employees' familiarity with personal data protection laws. So far, no personal data leakage has occurred, and no complaint about the use or mismanagement of personal data has been received.

Appendix

About This Report

GRI 102-45~GRI 102-56

Sustainability is the core business philosophy of YFY. In order to demonstrate the process and determination of sustainable management, YFY has actively compiled a Sustainability and Social Responsibility report every year since 2014. This report is compiled in accordance with the Core of the GRI Standards Sustainability Report Guidelines. By adopting internationally accepted guidelines, the information disclosed in the report is more focused and meets the expectations of stakeholders, completely and systematically showing the achievements of YFY in the pursuit of sustainable development. This year's report is guaranteed by the third-party verification unit, SGS in accordance with the AA1000 type II and medium level assurance.

Report Boundary and Category

The contents of this report show the economic, social, and environmental performance of YFY Inc. in major operations in Taiwan, Mainland China, and Vietnam. Taking into account the reasons for de facto control and information collection integrity, etc., the boundary of disclosure of non-financial information in this report is based on the core business of YFY, namely the Forest Products and Fine Paper Group, the Containerboard and Packaging Group and the Consumer Products Group. This includes Chung Hwa Pulp Corp., Yuen Foong Yu Packaging Inc. and Yuen Foong Yu Consumer Products Co., Ltd.

The financial performance is derived from the annual report, and its boundary is extended to the investment and transfer investment business of the consolidated financial report. For all entities included in the consolidated financial statements, please refer to YFY 2018 YFY Annual Report "Special Recorded Matters - Related Business Information".

Location of Operations Covered in the Report:

I. Offices: Taipei Head Office

II. Containerboard and Packaging Groups:

a. Taiwan: Taipei Head Office, Xinwu Plant, Chenggong Plant, Taoyuan Plant, Changhua Plant, Pek Crown Plant, Zhunan Plant, Kaohsiung Plant.

b. Mainland China: Tianjin Plant, Qingdao Plant, Yangzhou Plant, Kunshan Plant, Nanjing Plant, Suzhou Plant, Shanghai Plant, Jiasheng Plant, Fuzhou Plant, Xiamen Plant, Guangzhou Plant, Zhongshan Plant, Dongguan Plant.

c. Vietnam: Binh Chanh Plant, Thai Binh Plant, Ha Nam Plant, Dong Nai Plant, Long An Plant, Binh Duong Plant

III. Consumer Products Groups:

a. Taiwan: Taipei Office, YFY Store, LIVEBRICKS, Ever Growing Agriculture Bio-Tech, Qingshui Plant, Yangmei Plant.

b. Mainland China: Beijing Plant, Yangzhou Plant, Kunshan Plant, Dingfeng Plant.

IV. Forest Products and Fine Paper Groups:

a. Taiwan: Taipei Head Office, Jiutang Plant, Hualien Plant, Taitung Plant.

b. Mainland China: Dingfeng Plant.

Description of Each Data Boundary:

Boundary description A: Taipei Head Office, Xinwu Plant, Chenggong Plant, Taoyuan Plant, Changhua Plant, Pek Crown Plant, Zhunan Plant, Kaohsiung Plant, Qingshui Plant, Yangmei Plant, Jiutang Plant, Hualien Plant, Taitung Plant.

Boundary description B: Taipei Head Office, Xinwu Plant, Chenggong Plant, Taoyuan Plant, Changhua Plant, Pek Crown Plant, Zhunan Plant, Kaohsiung Plant, Qingshui Plant, Yangmei Plant, Jiutang Plant, Hualien Plant, Taitung Plant, Tianjin Plant, Qingdao Plant, Yangzhou Plant, Kunshan Plant, Nanjing Plant, Suzhou Plant, Shanghai Plant, Jiasheng Plant, Fuzhou Plant, Xiamen Plant, Guangzhou Plant, Zhongshan Plant, Dongguan Plant, Beijing Plant, Yangzhou Plant, Kunshan Plant, Dingfeng Plant, Binh Chanh Plant, Thai Binh Plant, Ha Nam Plant, Dong Nai Plant, Long An Plant, Binh Duong Plant



Reporting Cycle

YFY's previous Corporate Social Responsibility Report was publicly released in June of 2017. Unless otherwise stated, all activities and data are from January 1st, 2018 to December 31st, 2018. In the future, YFY will continue to issue annual corporate social responsibility reports, with the next one slated to be released by June of 2019.

Editing of Information

Some of the energy resources data in the 2017 YFY Sustainability and Social Responsibility Report have been corrected and adjusted here:

The original paper volume of YFY raw materials in 2017 should be 307,071 metric tons

The amount of diesel fuel for energy and fuel consumption in 2017 should be 24.6 TJ

The greenhouse gas (GHG) emissions for Scope 2 in 2017 should be 349,001 metric tons - CO₂ equivalent

Data measurement and consolidation will be more careful and prudent in the future, in order to reveal the correct information to all stakeholders.

Data Measurement Technique

The operating performance figures in this report are prepared in accordance with International Financial Accounting Standards (extracted from the annual report) and presented in NTD. The social and quality-related performance figures are counted by the relevant internal departments; the environmental performance figures are proposed by the various plants, presented by international common indicators and units, and adopted by the environmental specific units.

Contact Information

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GRI Standards Index

General Disclosures

Indicator	Description	Reasons for Omission	Page
General Disclosures			
102-1	Name of the organization	-	36
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102-4	Location of operations	-	36
102-5	Ownership and legal form	-	36
102-6	Markets served	-	36
102-7	Scale of the organization	-	36
102-8	Information on employees and other workers	-	38
102-9	Supply chain	-	39
102-10	Significant changes to the organization and its supply chain	No significant change	-
102-11	Precautionary Principle or approach	-	45
102-12	External initiatives	-	40
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Strategy			
102-14	Statement from senior decision-maker	-	02

Indicator	Description	Reasons for Omission	Page
Ethics and Integrity			
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102-18	Governance structure	-	44
Stakeholder Engagement			
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Topic-specific Disclosures

Aspect	Material Topic	Indicator	Reasons for Omission	Page
Economic	201 Economic Performance	Management approach disclosures	-	47
		201-1 Direct economic value generated and distributed	-	47
		201-2 Financial implications and other risks and opportunities due to climate change	-	48
		201-3 Defined benefit plan obligations and other retirement plans	-	59
		201-4 Financial assistance received from government	Information unavailable	-
	202 Market Presence	Management approach disclosures	-	47
		202-1 Ratios of standard entry level wage by gender compared to local minimum wage	-	49
		202-2 Proportion of senior management hired from the local community	-	49
Environmental	301 Materials	Management approach disclosures	-	50
		301-1 Materials used by weight or volume	-	51
		301-2 Recycled input materials used	Information unavailable	-
		301-3 Reclaimed products and their packaging materials	YFY's major products are paper and pulp. These products would be end-handled in the recycle mills. YFY do not have self-reclaiming products	-
	302 Energy	Management approach disclosures	-	50
		302-1 Energy consumption within the organization	-	50
		302-2 Energy consumption outside of the organization	Information unavailable	50
		302-3 Energy intensity	-	50
		302-4 Reduction of energy consumption	-	50
		302-5 Reductions in energy requirements of products and services	Information unavailable	-

*Significant Material Topic are in red



Aspect	Material Topic	Indicator	Reasons for Omission	Page
Environmental	303 Water	Management approach disclosures	-	52
		303-1 Water withdrawal by source	-	52
		303-2 Water sources significantly affected by withdrawal of water	There is no significant impacted source of water	52
		303-3 Water recycled and reused	-	52
	305 Emissions	Management approach disclosures	-	52
		305-1 Direct (Scope 1) GHG emissions	-	52
		305-2 Energy indirect (Scope 2) GHG emissions	-	52
		305-3 Other indirect (Scope 3) GHG emissions	Information unavailable	-
		305-4 GHG emissions intensity	-	52
		305-5 Reduction of GHG emissions	-	52
		305-6 Emissions of ozone-depleting substances (ODS)	Zero emission	-
		305-7 Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	-	52
	306 Effluents and Waste	Management approach disclosures	-	52
		306-1 Water discharge by quality and destination	-	52
		306-2 Waste by type and disposal method	-	51
		306-3 Significant spills	No relevant malpractice.	-
		306-4 Transport of hazardous waste	No relevant malpractice.	-
		306-5 Water bodies affected by water discharges and/or runoff	Information unavailable	-

*Significant Material Topic are in red



Aspect	Material Topic	Indicator	Reasons for Omission	Page
Environmental	307 Environmental Compliance	Management approach disclosures	-	55
		307-1 Non-compliance with environmental laws and regulations	-	55
	308 Supplier Environmental Assessment	Management approach disclosures	-	39
		308-1 New suppliers that were screened using environmental criteria	These topics are medium impact topics. We would describe the management approach disclosures.	-
		308-2 Negative environmental impacts in the supply chain and actions taken	-	-
Social	401 Employment	Management approach disclosures	-	59
		401-1 New employee hires and employee turnover	-	60
		401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	-	59
		401-3 Parental leave	-	60
	402 Labor/Management Relations	Management approach disclosures	-	59
		402-1 Minimum notice periods regarding operational changes	These topics are medium impact topics. We would describe the management approach disclosures	59
	403 Occupational Health and Safety	Management approach disclosures	-	56
		403-1 Occupational health and safety management system	-	57
		403-2 Hazard identification, risk assessment, and incident investigation	-	58
		403-3 Occupational health services	-	57
		403-4 Worker participation, consultation, and communication on occupational health and safety	-	57
	404 Training and Education	Management approach disclosures	-	61

*Significant Material Topic are in red



Aspect	Material Topic	Indicator	Reasons for Omission	Page
Social	404 Training and Education	404-1 Average hours of training per year per employee	-	61
		404-2 Programs for upgrading employee skills and transition assistance programs	-	61
		404-3 Percentage of employees receiving regular performance and career development reviews	-	61
	413 Local Communities	Management approach disclosures	-	62
		413-1 Operations with local community engagement, impact assessments, and development programs	These topics are medium impact topics. We would describe the management approach disclosures.	-
		413-2 Operations with significant actual and potential negative impacts on local communities	-	-
	415 Public Policy	Management approach disclosures	YFY is political neutral. We do not contribute to any political party, statesman and relevant organization.	-
		415-1 Political contributions	-	-
	416 Customer Health and Safety	Management approach disclosures	-	64
		416-1 Assessment of the health and safety impacts of product and service categories	These topics are medium impact topics. We would describe the management approach disclosures.	-
		416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	-	-
	417 Marketing and Labeling	Management approach disclosures	-	64
		417-1 Requirements for product and service information and labeling	-	-
		417-2 Incidents of non-compliance concerning product and service information and labeling	These topics are medium impact topics. We would describe the management approach disclosures.	-
		417-3 Incidents of non-compliance concerning marketing communications	-	-
	418 Customer Privacy	Management approach disclosures	-	64
		418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	These topics are medium impact topics. We would describe the management approach disclosures.	-

SGS Assurance Statement



ASSURANCE STATEMENT

SGS TAIWAN LTD.'S REPORT ON SUSTAINABILITY ACTIVITIES IN THE YFY INC.'s CORPORATE SOCIAL RESPONSIBILITY REPORT FOR 2018

NATURE AND SCOPE OF THE ASSURANCE/VERIFICATION

SGS Taiwan Ltd. (hereinafter referred to as SGS) was commissioned by YFY Inc. (hereinafter referred to as YFY) to conduct an independent assurance of the Corporate Social Responsibility Report for 2018 (hereinafter referred to as CSR Report). 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 YFY's CSR Report of 2018 and its presentation are the responsibility of the management of YFY. SGS has not been involved in the preparation of any of the material included in YFY's CSR Report of 2018.

Our responsibility is to express an opinion on the text, data, graphs and statements within the scope of verification with the intention to inform all YFY's stakeholders.

The SGS protocols are based upon internationally recognized guidance, including the Principles contained within the Global Reporting Initiative Sustainability Reporting Standards (GRI Standards) 101: Foundation 2016 for accuracy and reliability and the guidance on levels of assurance contained within the AA1000 series of standards and guidance for Assurance Providers.

This report has been assured using our protocols for:

- evaluation of content veracity of the sustainability performance information based on the materiality determination at a moderate level of scrutiny for YFY and moderate level of scrutiny for subsidiaries, joint ventures, and applicable aspect boundaries outside of the organization covered by this report;
- AA1000 Assurance Standard (2008) Type 2 evaluation of the report content and supporting management systems against the AA1000 Accountability Principles (2008); and
- evaluation of the report against the requirements of Global Reporting Initiative Sustainability Reporting Standards (100, 200, 300 and 400 series) claimed in the GRI content index as material and in accordance with.

The assurance comprised a combination of pre-assurance research, interviews with relevant employees, superintendents, CSR committee members and the senior management in Taiwan; 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 affirm our independence from YFY, being free from bias and conflicts of interest with the organisation, its subsidiaries and stakeholders.

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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 YFY's CSR Report of 2018 verified is accurate, reliable and provides a fair and balanced representation of YFY sustainability activities in 01/01/2018 to 12/31/2018.

The assurance team is of the opinion that the Report can be used by the Reporting Organisation's Stakeholders. We believe that the organisation has chosen an appropriate level of assurance for this stage in their reporting. In our opinion, the contents of the report meet the requirements of GRI Standards in accordance with Core Option and AA1000 Assurance Standard (2008) Type 2, Moderate level assurance.

AA1000 ACCOUNTABILITY PRINCIPLES (2008) CONCLUSIONS, FINDINGS AND RECOMMENDATIONS

Inclusivity

YFY 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, CSR experts, and other stakeholders are implemented to underpin the organization's understanding of stakeholder concerns. For future reporting, YFY may proactively consider having more direct two-ways involvement of stakeholders during future engagement.

Materiality

YFY 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.

Responsiveness

The report includes coverage given to stakeholder engagement and channels for stakeholder feedback.

GLOBAL REPORTING INITIATIVE REPORTING STANDARDS CONCLUSIONS, FINDINGS AND RECOMMENDATIONS

The report, YFY's CSR Report of 2018, is adequately in line with the GRI Standards in accordance with Core Option. The material topics 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 topics and boundaries, and stakeholder engagement, GRI 102-40 to GRI 102-47, are correctly located in content index and report. For future reporting, it is recommended to set mid-long term targets for each material topic and how efforts were given to evaluated the effectiveness of management approach.

Signed:

For and on behalf of SGS Taiwan Ltd.

David Huang
Senior Director
Taipei, Taiwan
20 June, 2019
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