

6. Supply Chain Management

Main Issue 1 Management Standards

Main Issue 2 Strategies and Goals

Main Issue 3 Performance

Main Issue 4 Gung Ho with Suppliers

Management Approach

GRI 103-1 GRI 103-2 GRI 103-3

Sustainability Principles
Supply Chain Management that Cares about Corporate Ethics

100%
signing of human rights terms

213
Number of Suppliers assessed

5.3
Average Injury Rate

Material Topics and their Meaning to Sinyi 📍 414 Supplier Social Assessment

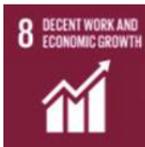
Sinyi Realty hopes to expand our core values to our suppliers, and to this end we have incorporated human rights, purchasing, and other sustainability-related terms into our supply chain management. We also follow up on the implementation of such terms in our suppliers, providing ongoing guidance and striving to create a supply chain that fully adheres to corporate ethics and upholds the Sinyi Group's core values, working together toward both a society and a world of good faith.

Sinyi's Major Contributions toward the SDGs



Ensure healthy lives and promote well-being for all at all ages

Sinyi Realty actively strives to channel our influence through our supply chain. We have set out sustainability terms and standards in our supply chain management strategy and strive to see them implemented with our suppliers, as well as linking them with our purchasing. As regards the latter, we have set out related management mechanisms and risk identification processes for our various types of supplier, and we hope that through thorough and ongoing strengthening of our supply chain management, we will be able to bring our corporate ethics into reality alongside our suppliers, promoting health and well-being for all involved labor.



Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all

Sub-goal : Take immediate, effective measures to ban and eliminate child labor and forced labor; the target is to have ended all forms of child labor by 2025. In addition to protecting the rights and interests of labor, we will also promote safe work environments. Since 2013, Sinyi Realty has comprehensively incorporated human rights conditions into contracts, using these to promote the provision of better working environments for both suppliers and labor.



Ensure sustainable consumption and production patterns

Sub-goal : Ensure that people everywhere have information on and awareness of sustainable development by 2030. In order to fully implement corporate ethics into our operations and services, we share with our suppliers our philosophies of ethicality, integrity, and sustainable development, making these core elements of our supply chain management and aiming to Gung Ho with suppliers toward sustainable operations.

Material Topics :

📍 414 Supplier Social Assessment

Responsibilities

Supply Chain Management Group, Total Ethical Management Committee

Policies

Plan : Incorporate human rights terms, purchasing ethics standards, proper business practices, and other sustainability plans into contracts with suppliers and enact supply chain management using ISO 9001 Quality Management Systems and ISO 20121 Event Sustainability Management Systems.

Do : On-site inspections to assess risks, set up reporting mechanism for risk control.

Check : Conduct regular and spot checks of implementation of quality, delivery period, costs, and human rights terms.

Action : Include deadlines for improvement and methods for termination of contracts.

Commitments and Actions

Commitments

To continue exercising our influence to communicate core value of business ethics and share a better way forward with suppliers.

Concrete Actions and Results ✔ Accomplish 🔄 Ongoing

2016 Goals	2016 Actions	Status
✔ Full signing of human rights terms	<ul style="list-style-type: none"> Regular monthly supplier meetings Phone and site inspections of suppliers 	100% signing of human rights terms
✔ Supplier check rate of 70%	<ul style="list-style-type: none"> Spot checks Vigorously promote the importance of sustainability standards 	Of 278 key suppliers, 213 have been inspected for implementation, an inspection rate of 76.6% (incl. 73% inspection rate for preexisting suppliers and 94% for new suppliers)
🔄 Working with suppliers to implement corporate ethics	<ul style="list-style-type: none"> Working together with like-minded suppliers, we have formed the Supplier Education and Evaluation Promotion Committee, facilitating the sharing of cases of outstanding service Invite suppliers to participate in a series of seminars on corporate ethics 	Suppliers willing to jointly participate in charitable activities

Future Strategic Goals

Our future work communicating our values and philosophy will continue to progress through both official and unofficial channels, providing suppliers with flexible means to share in our corporate ethics and values. With regard to management work, we will continue strengthening implementation of supplier management processes and ISO 20121 Event Sustainability Management Systems, increasing supplier spot check rate and working to strengthen the implementation of human rights terms.

Future Goals	Achievement Deadline
• Existing Supplier Check Rate of 75%	2017
• Implement ISO 20121 Event Sustainability Management	2017
• Promoting Supplier Signing of "Contractor Health and Safety Commitment" and "Willingness to Support a Sustainable Supply Chain" agreement	2017
• Working with Suppliers to Put Corporate Ethics into Practice	2025

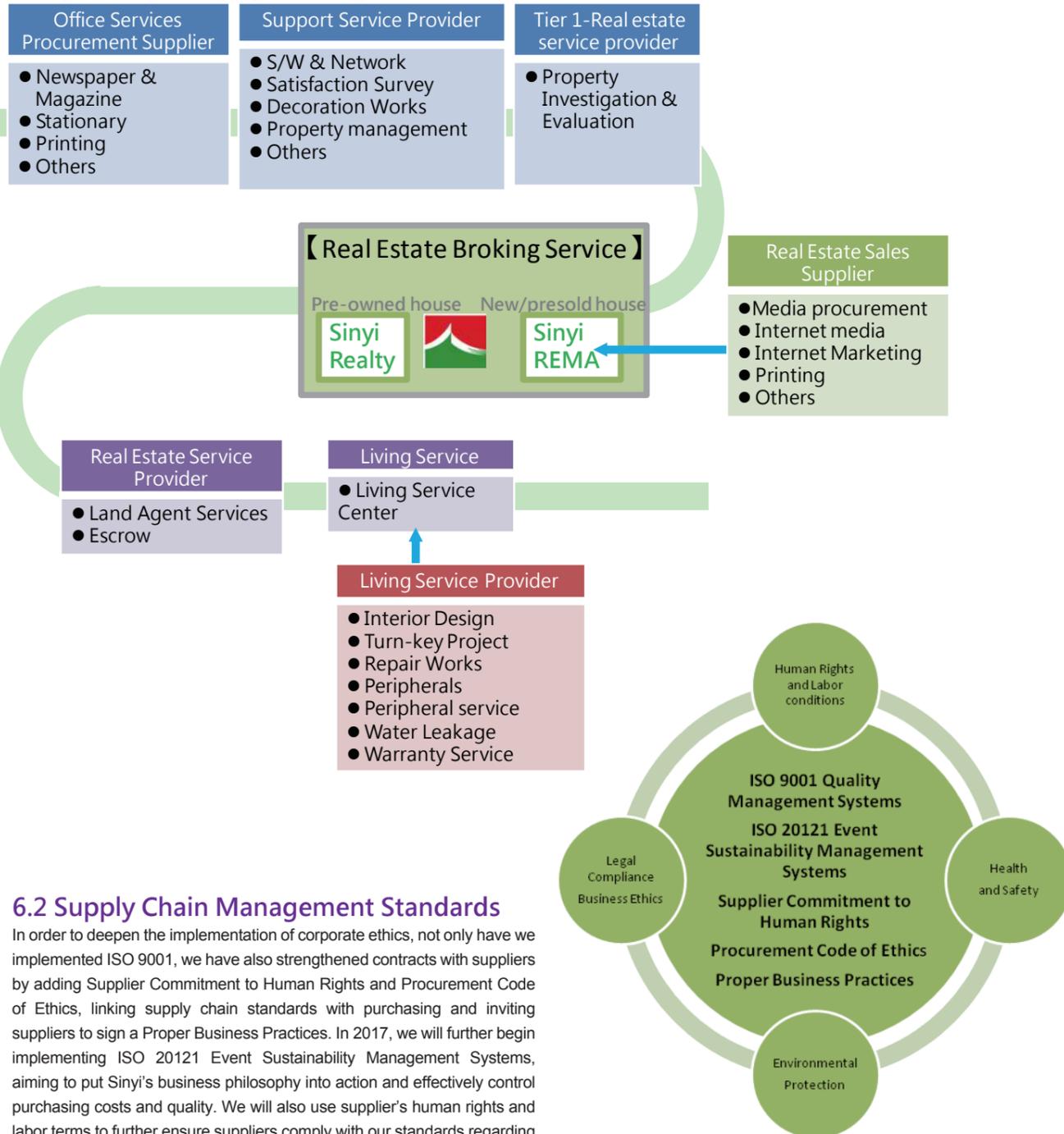
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6.1 Sinyi Realty's Supply Chain System GRI 102-9

In order to uphold Sinyi Realty's philosophy of excellence in business, we not only ensure our major stakeholders comply with the spirit of corporate ethics, but also aim for sustainability in our supply chain management. All of this is in service of meeting our Vision 2025 goal, becoming the number one brand in the Chinese-speaking housing industry. At present, Sinyi Realty's supply chain system is as below :

【Sinyi Realty's Supply Chain System】



6.2 Supply Chain Management Standards

In order to deepen the implementation of corporate ethics, not only have we implemented ISO 9001, we have also strengthened contracts with suppliers by adding Supplier Commitment to Human Rights and Procurement Code of Ethics, linking supply chain standards with purchasing and inviting suppliers to sign a Proper Business Practices. In 2017, we will further begin implementing ISO 20121 Event Sustainability Management Systems, aiming to put Sinyi's business philosophy into action and effectively control purchasing costs and quality. We will also use supplier's human rights and labor terms to further ensure suppliers comply with our standards regarding areas including health and safety, environmental protection, legal

【Sinyi Realty Supplier Management Standards】

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6.3 Supply Chain Management Strategies and Goals

6.3.1 Supply Chain Management Strategy

In order to effectively communicate concepts of sustainability with our suppliers, our supply chain management strategy is divided into four sections, specifically the signing of sustainability principles, risk assessment and controls, management mechanisms, and continued improvement or termination of contracts. First of all, with all suppliers having comprehensively introduced sustainability terms and standards, we will then go on to identify key suppliers (those from whom single purchases of NT\$50,000 or more are made, or as identified by departments), working with them to deepen management. Suppliers are divided into two categories, existing and new, each with a corresponding management mechanism, with management being refined and deepened over time in hopes of creating win-win situations for both Sinyi and our suppliers while also keeping in mind both company profits and corporate social responsibility.

Existing Supplier Management Mechanism

1. Signing Terms: For suppliers who have not yet issued sustainability reports, we shall strongly encourage them to sign a Memorandum of Understanding on human rights. Additionally, starting in July 2013, we require all newly signing or re-signing suppliers to agree to human rights terms incorporated into contracts.
2. Spot Checks: In line with ISO 9001 and ISO 20121 specifications, we not only conduct spot checks of and provide guidance to suppliers with regard to management of product quality, costs, and delivery, but also extend terms and conditions of compliance and implementation to suppliers.
3. Deadlines for Improvement: When breaches of labor practices or human right terms have been identified at a supplier, they will be given a deadline for taking measures to address them, provide a written report, and undergo spot checks and guidance.
4. Termination of Contract: If concrete improvements are not made by the deadline, the contract with the supplier will be terminated.

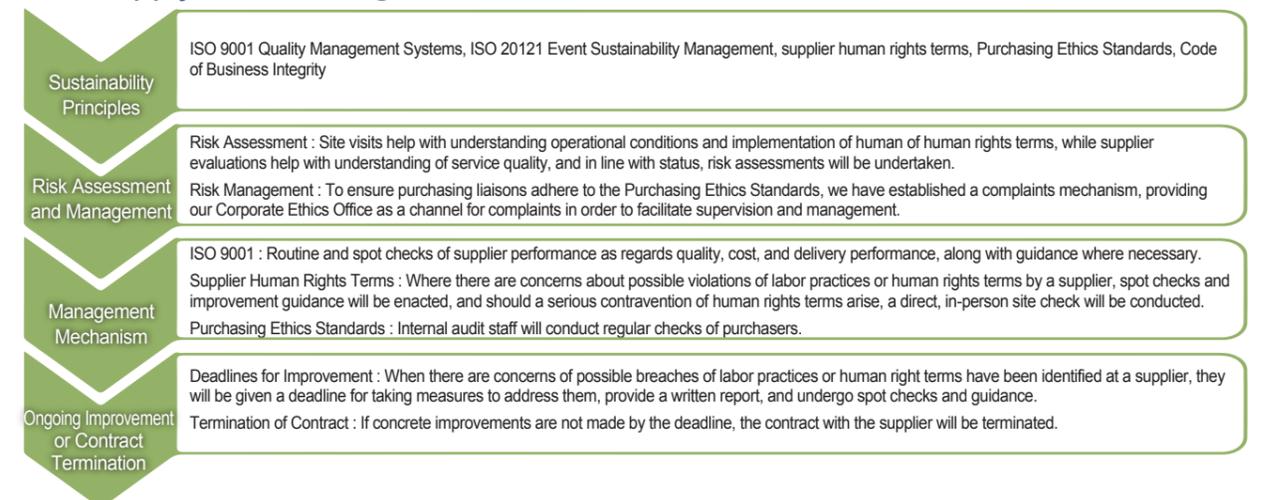
New Supplier Management Mechanism

1. Establishing Supplier Education and Evaluation Promotion Committee: To ensure the quality, costs, and delivery of new suppliers, not only will they be required to comply with the ISO 9001 quality manual and with ISO 20121 Event Sustainability Management, but also with human rights terms extended to them.
2. Documentary Audits: Qualifications of new suppliers will be audited.
3. On-site Checks: To ensure that suppliers' actual operation and work sites demonstrate implementation of the human rights terms and to better understand their operating conditions, on-site checks will be undertaken.

Supply Chain Management Strategy Progress

Basic Supplier Requirements	Public Sustainable Supply Chain Management Policy	Combine Supply Chain Standards and Purchasing	Supplier Impact Assessment and Risk Survey	SDG 12
				Implement ISO 20123 and establish Supply Chain Management Procedures
Past		Present		Future
Ⓞ Legal Compliance	2013 Ⓞ Implemented ISO 9001 Ⓞ Added Supplier Commitment to Human Rights	2014 Ⓞ Published Procurement Code of Ethics Ⓞ Signed Proper Business Practices	2015 Ⓞ Launched Supplier impact Ⓞ Assessment and Risk Survey 2016 Ⓞ Added Supplier Worker Injury Survey	2017 Ⓞ Implement ISO 20123 and establish Supply Chain Management Procedures and Forms Ⓞ Require Supplier Signing of "Contractor Health and Safety Commitment" and "Willingness to Support a Sustainable Supply Chain" agreement

6.3.2 Supply Chain Management Process



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6.3.3 Supply Chain Management Targets

2017 Target

- ◆ 100% Signing of Supplier Commitment to Human Rights
- ◆ 100% Signing of Procurement Code of Ethics
- ◆ Implementing New Supplier Management Mechanism
- ◆ Existing Supplier Check Rate Above 75%
- ◆ Maintaining New Supplier Check Rate Above 90%
- ◆ Implement ISO 20121 Event Sustainability Management
- ◆ Implemented Supply Chain Management Procedures and Forms
- ◆ Promoting Supplier Signing of "Contractor Health and Safety Commitment" and "Willingness to Support a Sustainable Supply Chain" agreeme

Medium and Long Term Target

- ◆ Setting Out Supplier Incentive Guidelines
- ◆ Establishing Supplier Database
- ◆ Implementing Supplier Evaluation Mechanism
- ◆ Working with Suppliers to Put Corporate Ethics into Practice

6.4 Supply Chain Management Performance

GRI 102-17 In order to continue promoting our core value of corporate ethics, not only do we work to lead by example, we have also expanded these efforts to Sinyi's supply chain. In addition to establishing quality, cost, and delivery management standards for suppliers under ISO 9001, we also work with suppliers to facilitate the in-depth incorporation and implementation of human rights contract terms. We also hope that through our commitment to excellence in business, we will be able to effectively keep purchasing costs and quality under control, ensuring our purchasing employee uphold ethics in purchasing from suppliers and inviting suppliers to sign on to our Code of Business Integrity. We also provide a window for complaints and to play a third-party supervision role, effectively eliminating the occurrence of purchasing problems and avoiding harm to our stakeholders' interests. Through regular monthly meetings with suppliers, as well as talking with them both in person and by telephone, we work to reinforce in them the importance of those human rights terms to which we require suppliers sign. In order to achieve our sustainable supply chain goals and targets, in 2016 we laid out an intensive action plan, with the results of such laid out below:

1. Full signing of terms

Achievement Status **100%**

Concrete Actions

- ※ Suppliers who have Implemented CSR : Establishing a model for experience sharing and communication regarding human rights terms.
- ※ Suppliers who have not Implemented CSR : Terms shall be incorporated into supplier contracts.

2. Full Implementation of Procurement Code of Ethics

Achievement Status **100%**

Concrete Actions

- ※ All purchasers must sign onto Procurement Code of Ethics.
- ※ Suppliers from whom single purchases of NT\$50,000 or more are obtained must sign the Proper Business Practices and implement purchasing terms incorporated into their contracts.
- ※ To ensure purchasing liaisons adhere to the Purchasing Ethics Standards, we will provide our Corporate Ethics Office as a channel for complaints in order to facilitate supervision and management.

3. Implementation of Supplier Management Mechanisms

Achievement Status **76.6%**

Existing Suppliers	73%
New Suppliers	94%
Total	76.6%

Concrete Actions

- ※ Existing suppliers shall adhere to signed human rights terms and be subject to spot checks, deadlines for improvement, and contract termination mechanisms.
- ※ New suppliers shall be approved through the new supplier evaluation mechanism.
- ※ Both existing and new suppliers.

Year	Number of Suppliers Assessed	Pass Rates
2014	105	99%
2015	176	100%
2016	213	100%

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4. Supplier Risk Assessment

GRI 409-1 GRI 414-1 SDG 8

Achievement Status **No relevant negative impacts**

In 2015 and 2016 we carried out risk identification for 243 and 278 suppliers respectively, building on 2014 and continuing, through proactive guidance and management, to promote the concrete implementation of human rights terms and carry out spot checks. In both 2015 and 2016, there were no instances of actual or potential negative impacts arising from suppliers.

Dimensions	Potential Negative Impacts	2015	2016
Work Environment Safety	1. Sign-holders may not be required to work outdoors in excessive heat or rain	No related negative impacts	No related negative impacts
	2. High-altitude operations not in compliance with labor safety instructions		
Forced Labor	Overlong working hours		
Corruption Related	Corruption related matters		
Work Injury Indicators	Work injuries may affect the company's image and lead to declines in productivity	No disclosure	See the table below

Concrete Actions

GRI 403-2 GRI 409-1 GRI 414-2 SDG 3 SDG 8

With regard to our supplier risk/impact assessment mechanism, after careful verification of potential supplier-created risks, we have found that there are three major sources of risk, specifically forced labor, work environment safety, and corruption-related sources. For example, **suppliers of security operations or janitorial operations** face a higher possibility of forced labor occurring, and thus we need to pay attention to ensure there are no violations of the Labor Standards Act's provisions for upper limits on working hours; suppliers from whom larger purchase quantities are obtained and **through whose hands larger sums of money pass**, meanwhile, have a larger corruption risk; consignment suppliers, with their larger number of **sign holding** employee, may not have their employee work in temperatures over 32 degrees and relative humidity of over 80%, have them stand at major traffic points that may be dangers, or continue working during natural disasters, and so there is a greater risk among them of work environment safety issues; and suppliers of residential services such as those that provide **decoration** services may not work without protective equipment, in dusty areas or those subject to toxic gases, or during natural disasters. We undertake risk assessments of all suppliers in our supply chain, as laid out below, and work with all suppliers to not only require them to sign on to relevant sustainability terms in cooperative contracts, but also to carry out spot site checks and provide management guidance. In this way, we are better able to ensure our suppliers adhere to corporate ethics and to realize our corporate social responsibilities.

Risk Sources by Supplier Category	General Affairs Purchasing Suppliers	Support Services Suppliers	Real Estate Service Suppliers	Real Estate Consignment Suppliers	Residential Service Suppliers
Forced Labor		V	V	V	
Work Environment Safety		V	V	V	V
Corruption	V		V	V	V

5. Supplier Worker Injury Inventory

Achievement Status **100%**

Concrete Actions

In order to promote and maintain the safety of the labor working environment, since 2016 we have increased our inspections of supplier work injuries, taking a comprehensive inventory of key suppliers under the scope of Sinyi Realty. A total of 65 suppliers fall into this category, 100% of whom have been inventoried. Last year a total of 942,846 man-hours of labor were performed, during which a total of 5 incidents occurred. Average supplier injury rate was 5.3, and as such the number of deaths caused was 0. Injury incidents arose at a total of 1 supplier, with the primary cause being traffic accidents while coming to or going from work and during other times. We have followed up with this supplier regarding these incidents, helping them improve the overall safety of their employee's working environment.

Indicator	Male	Female	Total
Annual Labor Hours	394,351	548,495	942,846
Deaths Caused by Work-related Injuries	0	0	0
Injury Incidents	0	5	5
Average Injury Rate	0	9.12	5.3

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6.5 Gung Ho with Suppliers

6.5.1 Passing on Sinyi's Core Values of Corporate Ethics



We believe that a man's word should be his bond, and that it is no different for companies. Integrity is not just a core element of Sinyi's corporate ethics, but also one of the greatest issues in real estate corporate social responsibility, as well as a fundamental part of sustainable business. Since chairman Chou Chun-chi founded Sinyi Group, the group has been committed to upholding its social responsibility to all five categories of major stakeholder, namely customers, employee, shareholders, society, and the environment. On the journey of realizing corporate ethics we need to work together with other businesses, and so we work to leverage our influence and cooperate with our suppliers, sharing our values and inviting suppliers to take part in Sinyi School seminars on corporate ethics. Building from there, we also work with our suppliers to develop innovative business models that not only pass on our faith in corporate ethics, but also help realize that faith.

6.5.2 Sharing Experience



The operating scope of Sinyi Realty is somewhat larger than that of our suppliers, and as a result, we have a wealth of experience in a variety of business functions and more well-set-out mechanisms in place. For example, when it comes to HR recruitment, selection, and training, we have a set of mature mechanisms in place that can serve as benchmarks for upstream companies in our value chain. Sinyi is also comparatively more experienced than companies upstream in our value chain in the development of new markets, and as such have valuable references to provide to other companies looking to enter new markets. Sinyi Realty is glad to be able to share the lessons we have learned in our growth so far, and hope that by sharing things like detailed improvement methods for various mechanisms and strategies for developing new markets, we will be able to help our suppliers grow alongside us.

6.5.3 Working with Suppliers on Charitable Activities



Sinyi Realty has over a decade of experience in community building, not only through providing dedicated funding through the Creating Communities Action Plan, but also through our "volunteer days" system, through which we encourage employee to take part in volunteer service, further inculcating the spirit of learning and giving into the hearts of our employee through active contribution to charitable action. In the process of cooperating with suppliers, our employee actively share their own lessons from charitable work, and the emotional effect of such lessons can be contagious. Having earned the sympathy of suppliers in this way, we also put forward our hope of working with them on further philanthropic work, harnessing the assistance of even more companies in bringing our dream of creating communities into reality.

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Case Study Sinyi and Suppliers Jointly Develop Innovative "Decoration Escrow" Service

When it comes to interior decoration, one of consumers' greatest worries is that the company will take their money and not do a good job. This is, in fact, the most commonly seen source of consumer disputes in the interior decoration market. Sinyi has worked with suppliers to launch the Decoration Escrow service, enabling consumers to make use of providers at no extra cost who have signed agreements through the Sinyi Living platform to offer interior design and turnkey projects. Thanks to this, consumers can enjoy design services with a guarantee of professionalism, including the signing of standardized, official, third-party contracts and professional payment management, lifting from them the worry about paying for service they won't receive. At the same time, the providers can rest assured that they will receive due payment. In this way, what was once the most common source of consumer disputes in the decoration market is reduced.

 Excellent Providers Selecting only the best providers in the industry	 Decoration Loans Preferential interest rates with banks to help you make your house into a home	 Specialist Services All decoration information at your fingertips with just one phone call	 Payment management Professional, transparent payment management	 Standardized Contracts Right and obligations of consumers and providers are set out clearly
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Case Study Sinyi Sharing Experience in HR and Overseas Expansion with Suppliers

We at Sinyi Realty have learned a great deal about HR related issues, and have summarized those lessons into open and shareable resources. Through lessons, workshops, and discussions, we share the concentrated essence of our experience with relevant suppliers, as well as inviting overseas operations management to share their experience when they are back in Taiwan. Our hope is that through such interaction and sharing with suppliers, we will be able to brainstorm with them and create even greater shared value.



Sinyi shares HR-related learning experiences

Sinyi sales management shares experience in the China market with suppliers

Case Study Sinyi Living Harnesses Professional Help for Communities through "Partner Companies Contributing Care"

Each year, Sinyi Realty provides funding and sponsorship to community charity shop Wu Wei Wu, located in front of the train station at Fengtian, Hualien County. Sinyi volunteers also form groups to visit the shop and get a better understanding of what local children need. Upon learning that Wu Wei Wu's extended area needed a bathroom built, we used the Sinyi Living platform to bring together sponsorship from partner companies. Among these companies was Yun Cheng Bathroom Products, the company responsible for bringing together the necessary products; general manager Lin Dongwei remarked on the project, "Once I'd personally delivered the things we'd spent half a year bringing together and saw them receive them, I finally really understood the meaning of what I'd been doing." This year, we also learned that Wu Wei Wu was aiming to create a "Dream Hall," and once again Lin was unreserved in his willingness to take on a coordinating role. In just one short month, Sinyi Living's partner companies had brought together everything needed for the project. Together, our partners transported the items and set to construction, everyone doing their part to make a better life for the community.