



飛宏科技股份有限公司

PHIHONG TECHNOLOGY CO., LTD.



CSR Report 2011

企業社會責任報告書

Report Overview



Report Category

This is Phihong Technology's CSR report to present our strategy, goals, measures, performance, and future direction in corporate social responsibility and sustainability to follow the needs of international standards and our stakeholders. The information is mainly for 2011 (from Jan 1st to Dec 31st, 2011) and includes the regions of our Taiwan HQ and greater China, excluding investments. The data presented reflects the financial, environmental, and societal performance of Phihong Technology.

Report Principle

The issues are selected and ranked based on the results of discussion by the CSR committee and are chosen for the benefits of stakeholders. Issues will be detailed in each chapter of the report. Certain details and financial status will be further revealed on the corporate website and annual shareholders report.

Report Structure

The structure of this report is framing based on the guidelines of GRI's (Global Reporting Initiative) G3.1, and continuously to publish this report annually.

Report Distribution and Consultation

To enforce environmental friendly paperless practices, this report is published on and available for download on the company website. Welcome to propose your comments or inquiry through the contacts given as below.

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Words from Management



Phihong Technology

Chairman

It has been more than 40 years since the foundation of Phihong Technology. With the operation principles, "Integrity, Innovation and Challenge", it positively participates in social activities to return to the society, caring the society, entering the public, and setting up good and trustful relationships with employees, clients, shareholders and investors.

Recalling 2011, many disasters have taken place internationally, such as tsunami and nuclear leakage caused by the fierce earthquake in Japan, financial crisis in Europe, flood in Thailand, etc., all of which have been hitting international economy and people's wellbeing. What's more, the cost in materials, labor force, and transportation has risen. All these have influenced the development and sustainable operation of enterprises. In 2011, the overall income has not risen up greatly for Phihong Technology, but the EPS has shown its growth comparing to that of last year. Rely on Phihong's management and all staffs who had been giving all their best diligently to create the most benefits for the company and shareholders.

Now the world is facing problems such as climate change, eco-system destruction and resource exhaustion. As one member of the local enterprises, we focus on core business, integrating resources and development of green products, investing in energy-saving LED lights and solar energy R&D team. In our own buildings, we first replace all lights with LED lights, reducing 30% of electricity consumption and carbon emissions, thus to reduce the hit and load on the environment of the earth and leave our future generations a fresh planet.

In 2011, Phihong Technology elaborated its effort and performance result with integrity, transparency, openly in the CSR report. In 2012, we will still hold our operational principles, make CSR as our operational blueprint, devote to developing diversified green products, fully promote energy-saving products and create win-win and wonderful future.



Words from Management



Phihong Technology
General Manager

Since the foundation in 1972, Phihong has marketed its products to the world and received favorable reviews from clients with high quality and perfect client service. In past years, we continually focus on our own development, and notice the risks and chances that climate change is bringing and will bring to Phihong. We constantly identify risks and seek chances from related issues with CSR. As an international enterprise, we are responsible to do something for global development with enthusiasm. We deeply know that CSR is our responsibility, also the value of an enterprise. Only by fulfilling social responsibilities, can our enterprise stay permanent.

Five aspects "environmental protection, economy, labor relations, community contribution, and product responsibility" of CSR practice of Phihong are briefly introduced as follows:

On Environmental Protection: Phihong is in the industry of power supplies closely related with electricity, or the origin of electricity. Therefore, starting from the industry, improving the efficiency of electricity is the most effective and fastest way to help reduce environmental damage. Our vision is "devoting to developing and designing green products that can convert electricity more efficiently" and improving the efficiency of electricity via intellectual power products. All product design focuses on energy-saving and carbon emission reducing, to satisfy the purpose of reducing electricity consumption and carbon emissions. And with the least material consumption, reduce energy us age in our production and to provide high efficiency products, expecting to make some contributions to environmental protection.

On Economy: On company control we take integrity as our priority, allowing company finance to be transparent, and require all levels of the company to obey enterprise ethical and commercial virtues, against bribing and corruption, creating the largest value for relevant stakeholders such as clients, suppliers and shareholders. We also provide great job opportunities and personnel training.

On Labor Relations: We have always regarded our employees as our most valued partners, provided them most considerable care, offered them most qualified working environment, listened to their voices, honored human rights, making them assured and creating wonderful future together with Phihong.

On Community Contribution: Besides supporting the vulnerable, we hold activities from time to time for employees to participate in community contribution, caring the society with love and improving selves spiritually.

On Product Responsibility: Besides the perseverance in quality, we also infuse environmental protection, safety, health into our design concepts. No toxic or harmful materials are used. They adhere to all safety regulations, making end users assured and environmental protectors relaxed.

Through the practice on the five aspects, Phihong strongly believes that only by fulfilling social responsibility, trying the best for the earth, can we sustain hope and bring more happiness for the next generation. So Phihong will try its best to keep investing and improving itself in accordance with every aspect of the society, enhancing its level, deeply conducting its CSR, showing its social value, making our earth breathing smoothly and our future more wonderful.



飛宏科技股份有限公司

PHIHONG TECHNOLOGY CO., LTD.



About Phihong



- 1.1 The Strategies and Development
- 1.2 Organizational Structure
- 1.3 Company Control
- 1.4 Stakeholders' Communication





About Phihong



CSR includes aspects of corporate operation such as the coexistence and prosperity of self management and stakeholders, while also care towards the world. As a good corporate citizen, we promise:

1. To maintain good company control, adhere to corporate morals and business actions.
2. To follow local laws and regulations.
3. To provide our employees with safe working environments for their health and safety, allow employees to perform to their abilities with reasonable compensation and benefits.
4. To create organizational value, increase shareholder benefits.
5. To research and manufacture green products those adhere to HSF (non-toxic materials) and execute environment management systems to reduce impact on the environment.

The promises above are the goals and direction of Phihong's CSR. Phihong will expand the depth and broadness of related activities in daily operations and establish indexes to track performance for assessment with the timely release of related information to ensure internal and external corporate communication quality.

The Corporate Social Responsibility Management Committee was established in September of 2009 with Phihong's chairman acting as head of committee. The committee is formed with the GM of Phihong along with top executives from China and US regions, in charge of Phihong's CSR strategy and performance assessment.

The CSR management committee is formed with an ISO14001 environment management system committee, product environment material committee, and occupational sanitation safety committee represented by the management of relevant business units. They are in charge of the promotion of ISO14001 environment management systems, product HSF management, and occupational sanitation safety management. Responsibilities are cross-department to ensure the completeness of execution. The organizational structure is as follows:



Due to the growing trend of CSR, we must suitably adjust organizational structure to implement Phihong's promises on organizational management, stakeholder benefits, and environmental protection.



1.1 The Strategies and Development

1.1.1 Management Principles

- Integrity** → Phihong's corporation core, central thinking of all activities.
- Innovation** → Phihong's competitive advantage in sustainability and the global stage.
- Challenge** → Phihong's greatest motivation in promoting change and excellence.



1.1.2 Mission

Preserve hopes & increase happiness for next generation

1.1.3 Vision

Our vision is designing products with high energy conversion and becoming the most superior power supply manufacturer and supplier while continuing to watch issues relating to our stakeholders to uphold the promises of CSR and become the best corporate citizens.

1.1.4 Goal

1. Achieve annual revenue of NTD 20 billion.
2. Create the most profits for stakeholders.



1.1.5 Company Overview

Company Name : PHIHONG TECHNOLOGY CO., LTD
Chairman : Mr. C.M. Lin
General Manager: Mr. S.J. Guo
Founded : Dec. 12, 1972
Capita : NTD 2.768589 Billion
Address : No. 568, Fuxing 3 Rd.,
Huaya Industrial Park,
Guishan Township, Taoyuan
County
Tel : (03)327-7288
Website : www.phihong.com.tw
Core Business : Manufacturing switching,
linear power sources,
earphones, chargers, charging stands, network power supplies, electronic stabilizers, LED drivers, LED lighting, DLP HDTV, multi-touch displays, and other products.



Current chairman Mr. C.M. Lin founded Phihong in 1972 and in May of 2003, moved the company to Huaya Industrial Park and renamed the company Phihong Technology CO., LTD as the headquarter and R&D center, providing power supplies for the 3C industry, enjoying a great fame within the field. In recent years, Phihong has stepped into the HD digital television industry developing hardware and software along with developing various products, such as multi-touch displays and LED lighting. Successful penetration into the European, American, and Japanese markets has been a big breakthrough in strategic development in recent years. Our manufactured products have received the long-term trust and affirmation from our clients, accumulating trust as a global top 10 supplier of power supplies. Phihong's successful operational strategy is the foundation for the group's continued growth.





1.1.6 Global Strategy

We believe that with innovation with creativity is the key to excellence in production which can compete on the international stage. Centering research and core technologies in Taiwan while manufacturing in China and establishing the U.S. branch firmly grasps our global marketing logistics. Our philosophy is rooting in Taiwan while operating internationally.



● **SALES**

TAIWAN
CHINA
USA
EUROPE
JAPAN

● **HUB**

TAIWAN
CANADA
USA
MEXICO
GERMANY
UK

● **FACTORY**

CHINA
DG
SZ
JX
TJ

● **R&D**

TAIWAN
USA
CHINA



Dongguan Dahong Factory



Dongguan Feihong Factory



Dongguan Shuangying Factory



Gongguan Tiesong Factory



Feihong Suzhou Factory



Feihong Jiangxi Factory



U.S. Branch



Japan Branch



Shanghai R&D Center





1.1.7 Core Products and Services

Phihong Technology's core business is supplying various types of power supplies and is one of the main suppliers for major global corporations. We are aggressively expanding into power supply manufacturing for 3C consumer electronics and LED lighting to provide clients with complete service and product competitiveness. Whether it be research and development progress, manufacturing quality, mass production schedules or cost control, we stand above local corporations and shoulder to shoulder with global leaders.

Core Products:

Core Products	Core Usages or Functions
<p>Wall Mount Adapter</p> 	<p>Phone/PDA/Digital Camera/Game/Car TV/DVD Player</p> 
<p>Battery Charger</p> 	<p>Ni-Cd/Ni-MH/Li-ion</p> 
<p>Car Charger</p> 	<p>Phone/PDA/Digital Camera/Game Car TV Display Portable DVD Player</p> 
<p>POL dc/dc Module</p> 	<p>Ethernet Switches</p> 



Core Products	Core Usages or Functions
<p>LCD Panel Adapter</p> 	<p>TFT LCD Monitor/PDP/TFT LCD TV/Projector/LED Video Display Panels</p> 
<p>Open Frame Power</p> 	
<p>LCD Panel Inverter</p> 	
<p>Electronic Ballast</p> 	<p>Fluorescent Lamp</p> 
<p>LED Driver</p> 	<p>LED Bulb</p> 



Present Situation and Development of the Industry

Technology development in the 21st century, information network and photoelectric energy will be the axis. Electric power and electronics are also one of the key techniques. The technology in power supplies can deal with electric energy via integrating high-frequency switch, what's more, catering for the trend of energy-saving and carbon emission reducing arisen by global warming, the design of power supplies aims at being "light, thin, short, small, high efficiency, high reliability", with the fewest materials, but making the best use of their efficiency, satisfying all regulations on environmental protection. In the meanwhile, in the trend of energy-saving and carbon emission reducing, the application of power supplies will be more extensive. Therefore, before the chances and challenges the market brings to power supplies, the application of power supplies must connect closely with the application of systems, which requires cross-domain knowledge and skills. Our company is actively participating in the following application domains:

1. Power Supplies for Information Network:

Provide power supplies mainly for information network equipments, such as Desk top, Ultra book, Notebook, Hub, Network, etc. It is also the core industry for electric power and electronics.

2. Power Supplies for Battery Energy Storage:

Provide power supplies mainly for systems storing energy such as Ni-Cd, Ni-MH, Li-ion, fuel cells, solar batteries, storage batteries, etc.

3. Power Supplies for Panel Display:

Provide power supplies for LED TV, TFT/LCD MONITOR, TFT/LCD TV, PDP TV, HD TV, LCD Projectors, etc.

4. Power Supplies for Lighting:

Provide power supplies for lighting installations, such as Ballast, HID Light, CCFL, LED Light, Helium ion light, etc.

5. Power Supplies for consumer electronics:

Provide power supplies for Tablet, MP3, PDA, PSX, DVD, Smart Phone, Digital camera, GPS, SET TOP BOX, etc.



Long-term Development Plans:

1. Long-term Development Plans:

A. R&D Strategies:

The extensive application of portable information equipments will bring the further integration of power supplies and batteries. Together with the need for information, household appliances, photoelectric and energy, R&D on intelligent power technology with high power, high density and low voltage is one of the development aims for Pihong.

The power supplies are developed into the direction of standardization, modularity and integration. The design of power supply control, IC, is developed into the direction of skill integration, connecting microelectronics, with the power supplies as axis. (EN6)

Green products saving energy and reducing carbon emissions are the aim for kinds of applied products, enhancing the images of products and the enterprise, catering for clients' requirements for green supply chains.

B. Marketing Strategies:

Structured global operational management system with core products as the axis. Fully satisfy comprehensive requirements of the clients, promote global marketing system, and establish long, stable international marketing network.

C. Production Strategies:

Matching business growth and requirements at home and abroad, catering for the international trend of environmental protection, we purchase non-polluted, automated and precise product devices, research and develop new processes, reaching the aim to amplify production capacity and promote output value.

2. Short-term Development Plans:

A. R&D Strategies:

Seek R&D elites and introduce foreign professionals. Strengthen R&D teams and develop low-cost materials together with suppliers, develop high-quality products and strengthen the development of key technologies.

B. Marketing Strategies:

Shorten the period for products entering the market and actively channel them. Participate earlier in the product development from the clients. Interact well with clients and master their pulses. Provide clients with more comprehensive product service. Guarantee the sources of orders and enhance the market share of products. Continually expand marketing spots to serve clients and develop markets nearby.

C. Product Strategies:

Improve product efficiency. Catering for clients' demands on products and the service, we actively improve the design, plan and management of the processes, continually improve quality, guarantee quality system with standardized management. Vertically integrate supply chains into the direction of self-sufficiency, in order to reduce stock and material costs.



1.1.8 Patent Development Results

Phihong not only focuses on production management for our own products or OEM products, but we value the registration of patents through professional companies to protect our intellectual property. We also respect the intellectual property of others and abstain from infringing on the rights of others which is why we follow these rules when designing products. Intellectual property rights are the result of hard work from companies and their respective research and development teams which is why intellectual property rights are protected when establishing contracts with buyers and suppliers to signify that all parties respect intellectual property rights.

【Universal Travel Charger】



In the past, we applied and got many patents on the research, development and innovation of power supplies. One among them is the universal travel charger, with unique design of interchangeable plugs, thus making users selecting suitable plugs to satisfy their travel business demands all around the world.

To meet the requirements of reducing emissions, we continue to innovate and expend our energies in increasing product efficiency and reducing power consumption, without any waste of energy when using power supplies. Until now, aside from participating in the development of pioneering technologies in power supplies, we are constantly improving the power stability

and circuitry design. With improvements in touch panel technology, Phihong is gaining steady footing in this field and registering patents. In 2010 we have secured patents for infrared touch table structures and waterproof touch pane table tops in Taiwan. Since 2011, besides previous touch panel technology and continual research, development and application on power, circuitry, we expand our business into lighting. In 2012 R&D on relevant lighting technology has got some fruit and entered the application phase. We believe that in the near future, these patents will bring a new wave of technological innovation and help consumers enjoy a more convenient lifestyle.

1. Statistics on Patent Amount

Year	Field	Items	Note
Till 2008	Circuitry, chargers, etc.	10	Foreign items excluded
2009	Power, circuitry, touch technology	5	Same as above
2010	Touch technology, power	7	Same as above
2011	Power, circuitry, touch technology	9	Same as above
2012	Power	2	Same as above

2. Technology and R&D Overview: List of Technology and Products in R&D in the Past Year

Item No.	R&D Product items	Fulfilled Year
1	LED lighting	Estimated 2012
2	Solar energy charging LED lighting	Estimated 2012
3	Vehicle charger	Estimated 2012



1.1.9 Performance Awards

Certification	Passed ISO9001 Certification.
	Passed ISO14001 Certification.
	Passed OHSAS 18001 Certification.

Client Affirmation	Obtained SONY Green Partner certification.
	First local company to obtain Microsoft Windows 7 certification for multi-touch displays over 30".

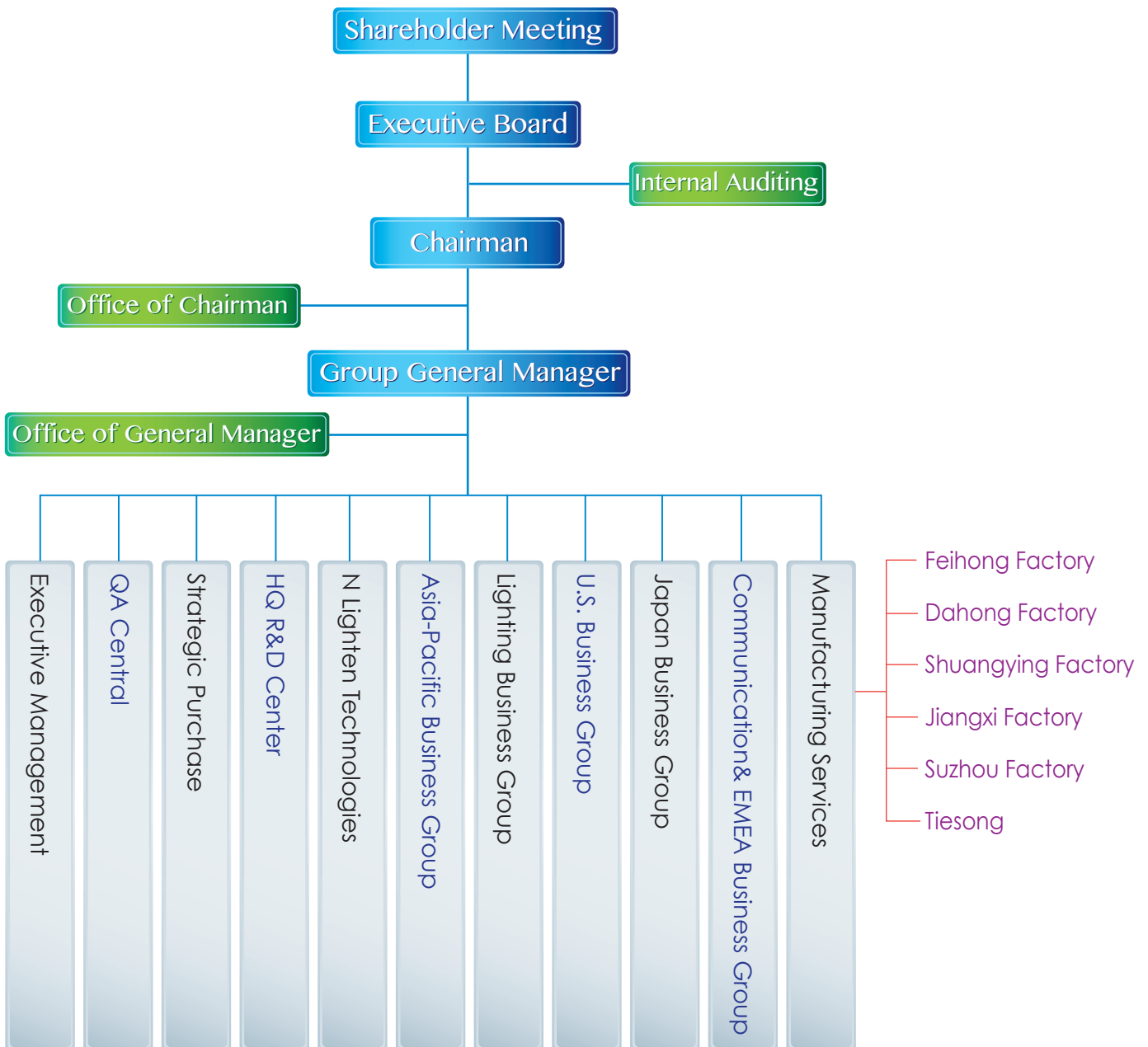
Others	Participated and Received the 14th Golden Peak Award of Outstanding Corporation Leaders in R.O.C.: Participate in Golden Peak Award sponsored by Outstanding Corporation Leaders Association and receive the award.
	Received 2011 Taiwan Train Quali System Bronze Award: Participate in evaluation on training quality from Bureau of Employment and Vocational Training, Council of Labor Affairs and receive bronze award.
	Received awards for top 10 corporations and innovative design in the 9 th Golden Torch Award in 2011: Participate in the activity sponsored by Chinese Professional Management Association, apply for awards for organizational corporations and innovative design and receive both awards.
	Received Golden Torch Award for top 10 corporations and innovative design in 2011
	Received a grade of A- from Securities & Futures Institute in 2011 during the 9th publicly traded company information grading.
	Awarded smokeless work place award by the Bureau of Health Promotion, Department of Health R.O.C. (2008.11.1~2011.12.31)





1.2 Corporate Structure

Phihong Group is an enterprise led and managed by Chairman Mr. C.M. Lin and General Manager Mr. S.J. Guo. It is divided into the following parts in accordance with different functions: Executive Management, HQ R&D Center, QA Central, Strategic Purchase, Manufacturing Services, Communications EMEA Business, U.S. Business Group, Japan Business Group, Asia-Pacific Business Group and N Lighten Technologies.

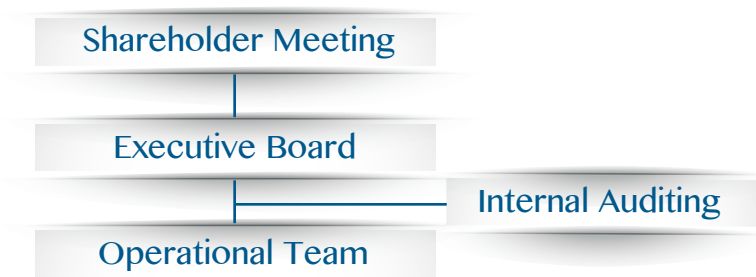




1.3 Company Control

Phihong believes that high quality management of the company is the best method of ensuring that we operate at our best. This philosophy is the highest guiding principle in balancing the benefits of all stakeholders. "Maintaining good company management while adhering to corporate morality and business standards" is a promise we make, and is the standard that any responsible corporation must uphold. Through our complete organization structure and employee morality education, we realize these principles in our daily operations.

Company Control Structure in Phihong:



1.3.1 Executive Board and Functions

Control of Phihong Technology is held by the shareholder meeting where executive board members were chosen at the shareholder meeting on June 15, 2011, comprising of 7 members and 3 supervisors. For background information on all board members and supervisors, refer to the company annual report:

<http://www.phihong.com.tw/reports/YR120608170126.pdf>

In terms of company management, managers and compensation are negotiated by the board, while department heads are appointed and removed by managers. The board meeting must be held at least once per quarter to monitor internal policy and procedures, audit operating performance and discuss important strategic issues. These issues include industry development, economy, the environmental protection, the assessment of CSR, adherence to international standards, and establishment of regulations. Conflicts of interest will be deferred while conflict content, board members, reasons of conflicts and resolutions will be recorded to ensure maximum benefit for operations. In 2011, the chairman called 7 board meetings with an attendance rate of 76.09%. The board will decide how stock is allocated to the shareholders meeting annually according to the company's performance in the previous year; therefore, the board members' compensations are closely linked to the company's operational performance.



Compensation Committee

In December, 2011 Phihong Technology set up Compensation Committee, aiming to assist the board execute and evaluate the company's overall compensation and benefit policies, and managers' compensations as well. Compensation Committee will hold two regular sessions at least annually. Three committees own the right to vote in Phihong's Compensation Committee and recommend Mr. Hong Yuyuan as the president. Since 2011 till now two regular sessions have been held.

1.3.2 Information Transparency

We have a spokesperson, deputy spokesperson, and service mailbox to act as a medium in maintaining good communications. Through meetings, telephone conferences, and e-mail, those at the management level can effectively interact with shareholders. Shareholders' suggestions, regardless of stake, can be expressed during the annual shareholders meeting. Shareholders with more than 1% stake can use shareholder proposal rights to pass suggestions to the board and the management level for decision. Whether suggestions are executed, shareholders will be thanked via letters.

Due to the importance of information transparency, the finance department is equipped with dedicated stock personnel to provide accurate and updated information to the Taiwan Stock Exchange and our corporate website (www.phihong.com.tw). All stakeholders can see our latest operations overview, financial reports, important announcements, annual report, shareholder meeting and stock information, board decisions, internal audit, corporate policy, and related information. In 2011, we received a grade of A- from the Securities & Futures Institute for information transparency. We will continue to work hard to ensure that we provide information transparency.

1.3.3 Internal Policy

Internal auditing is managed by the board and issues periodic and non-periodic reports to the board. Internal auditing encompasses all finances, business, and management functions and adheres to the 8 major facets. Through routine or project based auditing, problems with internal policy can be found and solutions proposed in timely manner and reported to the chairman. Results and current condition will be reported during board meetings to realize the spirit of corporate management.

Our management team is highly focused on any local or international policies and laws which may affect our business and finances in order to make amendments to company policy and address these issues and periodically assess the execution of our policies. As more than 90% of our clients are major international manufacturers, we receive annual audits from our main clients to ensure that our management model and actions meet the standards of our stakeholders and global trends. Furthermore, we use responsibility insurance for all members of the board and key personnel to insure the benefits of shareholders and reduce operational risk.



1.3.4 Anti-Corruption

We understand that there is a degree of benefit revolved in the relationships of corporations and governments, or B2B. In order to avoid damaging our professional trust, we absolutely do not allow corruption. We firmly oppose any actions which damage company reputation and educate our employees as such with various bonus mechanisms which act to suppress situations which may lead to corruption. We have a reporting mechanism for gifts received from suppliers to stop any possibility of bribery, blackmail, or corruption at the earliest. Contracts with suppliers also have items which prevent corruption that must be followed by both parties. Inside trading is prohibited and our financial reports are highly transparent to not allow any chance for corruption. These various mechanisms are upheld in daily management and business actions to protect against corruption. Until now, we have had no incidents. We must treasure the results of our hard work in the past and continue to uphold our stance against corruption to act honestly in all business functions.

1.3.5 Political Participation and Contribution (S06)

Phihong Technology has maintained a neutral stance in politics. Aside from encouraging employees to care about politics and use their right to vote appropriately in choosing the candidate they feel is best for public office. Management supervisors often offer suggestions and care towards matters which affect the industry, economy, and education.

1.3.6 Membership in Associations (Unions)

Phihong actively participates in activities held by unions and associations of the industry and plays an important role in power supply industry. Among amounts of unions and associations, Phihong has joined in Taiwan Electrical and Electronic Manufacturers' Association (TEEMA), Taiwan Lighting Fixture Export Association(TLFEA), National Association of Small&Medium Enterprises R.O.C., The Chinese National Association of Industry and Commerce, Taiwan (CNAIC), Outstanding Enterprise Manager Association, R.O.C., etc.

1.3.7 Illegal Actions and Punishment

Up until now, Phihong has not received any punishment for illegal activity.



1.4 Communication between stakeholders

Stakeholders	Communication Frequency and Channels	Important Concerned Issues	Feedback on Issues
Suppliers/ Outsourcers	Information E-platform in Supplier area /Suppliers' Meeting	Environmental management substances (HSF), safety, sanitation, metal conflict-free policy	Through the information platform, suppliers can instantly obtain Phihong's latest management standards and information.
Clients	Telephone meetings, visiting clients, survey on clients' satisfaction	Environmental management substances, greenhouse gas inspection, EICC, suppliers' human rights management, metal conflict-free policy	Through connecting clients, we make clients understand and ensure that Phihong's products adhere to all related regulations.
Shareholders	Legal person press irregularly, annual shareholders' meeting, service mailbox and Phihong's website	Operational outlook, overview on market, production and sales, financial information, transferring investment policy, environmental protection policies and dividend policy	<p>1. Instant communication: Through legal person press, telephone or e-mail, spokesmen, deputy spokesmen, financial department and mailbox in charge of shareholders' affairs immediately respond to shareholders' concerned issues.</p> <p>2. Regular communication: Shareholders with more than 1% stake can use shareholder proposal rights to pass suggestions to the board and the management level for decision. Whether suggestions are executed, shareholders will be thanked by letter.</p> <p>3. Phihong's website: "Investment Garden" exposes the latest financial information, company control and major events. "CSR Area" publishes complete CSR reports.</p>
Employees	Internal e-bulletin board, letters/ e-mail, department conferences	Employees' rights and benefits	Communicate with employees face to face or by telephone. Convey all information through e-platform for HR Service Center.

1.4.1 Phihong and Employees

Only through a good communications method can a company establish tight and transparent interaction with employees to create the greatest benefit and harmony for both parties. A two-way communication method expresses a corporation's policy and principles and sincerely listens to the voices of employees to strengthen unity and realize a mission based on the principles of co-existence, co-prosperity, and win-win situations.



1.4.2 Pihong and Shareholders

Pihong values shareholders' benefits and information exposure is one of the most important services Pihong has towards our shareholders. Information should be revealed with completeness, should be immediate, fair, and transparent. Aside from the various public announcements for the Taiwan Stock Exchange, all information such as the annual report, chairman report, financial report, corporate policy, stock price, stock interest information, and legal person press information will be posted on our website in accordance with regulations for the reference of local and international investors.

1.4.3 Pihong and Clients

Superior design, excellent quality, on-time delivery, reasonable pricing, and service satisfaction are all important aspects of Pihong's quality management system. We promise our clients quality assurance services and quick response to client demands. We honestly face problems in striving for excellence in hopes of becoming a brand that clients can trust.

1.4.4 Pihong and Suppliers

We choose suppliers through our internal platform to ensure that suppliers provide products which are high in quality and low in risk. Aside from periodic assessment towards the price, quality, technique, and delivery of suppliers, we also assess the management of critical components to reduce risk.

Supplier Management Key Points:

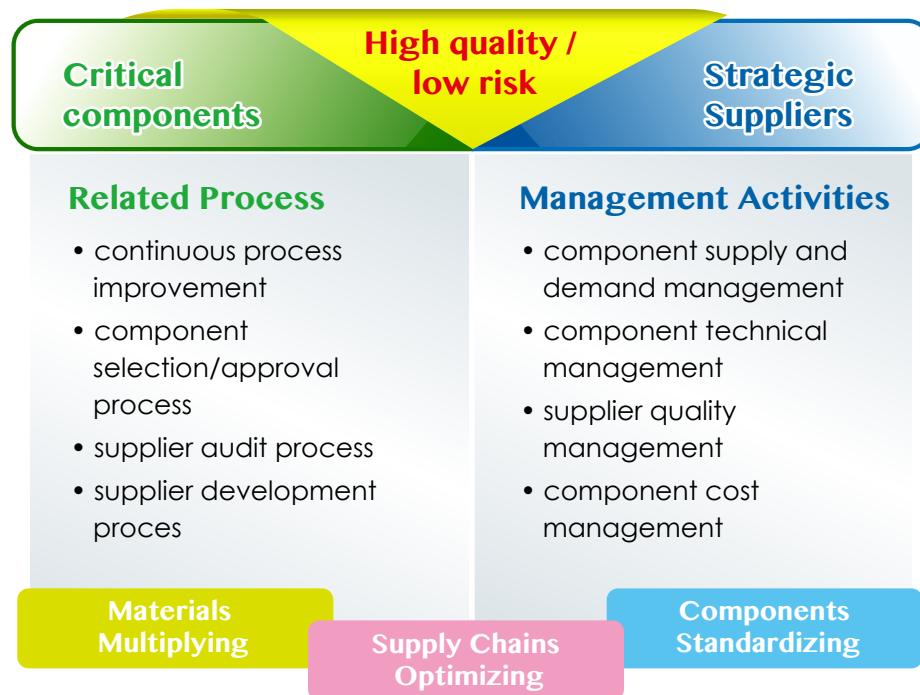
1. Component selection and approval
2. Supplier auditing
3. Development of new suppliers, 2nd source, 3rd source
4. Supplier quality management
5. Component technical management
6. Component cost management

Through the origin management system we control RoHS and have a firm grasp on RoHS progress during manufacturing and material management. Purchase personnel demand suppliers to maintain control and use trusted third party organizations for testing and the signing of RoHS certifications for auditing to ensure that all materials used meet the specifications of clients.



We make the most effective use of the materials and components from suppliers using high, medium, and low RoHS management. Furthermore, in our factories located in China we have hazardous substance free (HSF) laboratories.

We have XRF, XRI, ICP-OES, GC-MS, UI/VIS spectrometer, ion chromatography IC, and other equipment used in testing whether materials and components cater to regulations on Pihong and clients' standard. As to testers, all of them will be offered with complete trainings and operation SOP.





Economic Performance Indexes



2.1 Operational Performance

2.2 Ratio of Suppliers in Area of Operations





Phihong is a professional power supply manufacturer with main product applications in mobile phones, handheld gaming units, LED lighting, Netcom (POE) and others. Due to the rapid growth of smartphone shipments and the rising wattage demand for smartphone chargers from 5W to 15W, not only are charging speeds faster, but profits are more and average price are higher than those traditional featured phones. According to market research statistics, global smartphone sales in 2011 have been continuously performing well, and good growth is expecting.

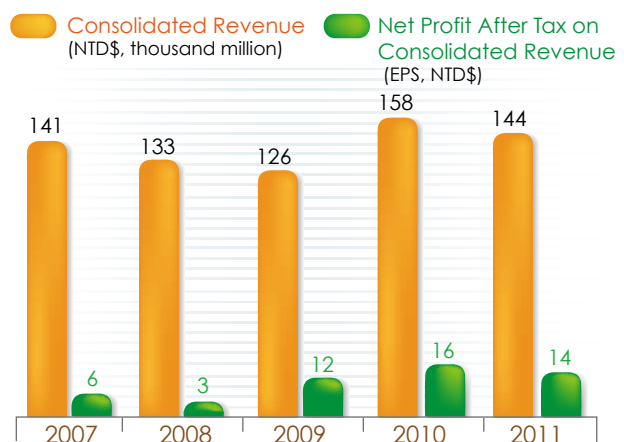
Furthermore, with the frequency of global environmental disasters, the call to reduce emissions is rising. China is fully devoted to promoting clean energy while governments around the world are putting LED and solar energy to greater use. In estimation, lighting takes up approximately 19% of global energy use but LEDs only account for 2~3% of lighting sources. In contrast to promotion on recycling energy application, usage of LED lights is a much more efficient and cost-effective method to save the energy and reduce carbon emissions. Due to the stance of environmental protection and demand, governments around the world are starting to focus on the economic and performance efficiency of LED lighting. Starting in 2012, the use of incandescent light bulbs will be outlawed in many countries. LED lighting will account for 20% of production of lighting equipment, in 2015 this number should rise to a 50% replacement rate of incandescent light bulbs, and in 2019 the replacement rate will reach 90%. As the age of LED lighting has arrived earlier, Phihong has received much acclaim in quality due to our early entrance into the technology. We have earned LED lighting (including drivers and electronic stabilizers) orders from four of the five major lighting suppliers in the U.S. and in the future we will continue to enter the European and Japanese markets. With rising global demand, LED lightning accounted for more than 15% of our revenue in 2010.

2.1 Operational Performance

Direct economic value, including revenue, operational cost, salaries, donations, other community investments, reserved profits, etc. (EC1)

The global economy bounced back at the end of 2009 to spur spending, increasing demand for consumer electronics and benefitting suppliers of related parts and in turn helping Phihong reach the highest records in revenue and profit in 2010. In 2011, affected by a cold hot season of consumer electronic products, European debt crisis and slower development around the globe, it has decreased in revenue and profit for Phihong. In the future Phihong will continue to develop professional products which meet international green trends, adopting diversified arrangement strategy and structuring global marketing strategy to create greater benefits.

In 2011 the consolidated revenue was NTD\$ 14.4 billion, 8.81% less than that of 2010, NTD\$ 15.8 billion. The net profit after tax is NTD\$ 1.4 billion, 14.08% less than that of 2010, NTD\$ 1.6 billion. Earnings per share (EPS) is NTD\$ 5.19, 2.77% more than that of 2010, NTD\$ 5.05.





Main government subsidizing (EC4)

As per the sixth amendment established to spur industry growth, the research and personnel training of Phihong Technology is susceptible to rent and tax deductions.

Government Unit	Name of Plans	Subsidizing Sum (NT)
Bureau of Employment and Vocational Training, Council of Labor Affairs– Taoyuan Training Center	Assist public institutions' human resources in 2011	\$225,140
	Charge and Fly in 2011: Subsidize public institutions on the training	\$26,620

Note: We just applied for promoting human resources. Later Council of Labor Affairs noticed that "Charge and Fly" was newly added and suggested we transfer to this application, so two subsidized applications were made at the same time in 2011. In the future we would only choose a better one.

2.2 Ratio of Suppliers in Area of Operations (EC6)

We take necessary measures with our upstream suppliers in regards to issues such as HSF, risk management mechanisms, and environmental sanitation to establish a complete green supply chain for our green products.

In terms of purchase strategy, Phihong material delivery and lowers inventory to increase our competitive advantage while advising local suppliers to increase purchase ratio to provide local career opportunities and drive economic development.

Comparison on Purchasing at Home and Abroad

District	2008	2009	2010	2011
Abroad	36.29%	35.26%	31.44%	21.72%
At home	63.71%	64.74%	68.56%	78.28%



Environmental Performance Indexes (EN)



- 3.1 Raw Materials Usage Amount
- 3.2 Energy-saving and Carbon Emission Reduction
- 3.3 Greenhouse Gases
- 3.4 Green Products and Services
- 3.5 Overall Environmental Expenditure
- 3.6 Obeying Regulations and Others



3

Environmental Performance Indexes (EN)

3.1 Raw Materials Usage Amount (EN1, EN2)

Phihong's main products are power supplies for communication, which require raw materials such as metals, plastics, silicon, and packaging. Aiming at specific products, we reduced their usage in our designs and improved production and tools to lower the consumption of energy and also lower costs indirectly to increase our competitive advantage.

The Overall Weight of Materials Used in 2011

Type	Weight (Metric Ton)
Silicon	139
Plastics	2787
Paper	734

Unit: ton

Shown in the following table: Percentage of Recycled and Reused Materials in 2011

Type	Recycling Percentage
Silicon	10 %
Plastics	18 %
Paper	45 %

3.2 Energy-saving and Carbon Emission Reduction

Since Kyoto Treaty took effect, energy-saving and carbon emission reducing have been very important subjects for many countries and enterprises. Through diagnosis from implementation coordination units and professional organizations, as to the situation of consuming electricity, consuming energy of the devices and seeking space to save the usage of energy, Phihong assists spreading those environmental protection and energy-saving measures, in order to enhance the economic efficiency of energy consumption, prompt our sustainable operation and development, give considerations to both economy and environmental protection.

Phihong Technology's all R&D and manufacturing factories are located in industrial parks throughout Taiwan, China, and the U.S. We do not own, rent, or manage any factories in protected habitats or water sources. We also do not partake in any activity, manufacturing or services, which may negatively affect the ecosystem of an environmentally protected area. (EN11~15, EN25)

To address government promotion of reducing carbon footprints to create sustainable living environments, we have proposed a general plan for factory planning which can reduce energy consumption and increase usage efficiency by actions such as saving power, water, reducing waste, recycling, and reducing greenhouse gas emission. (EN18)

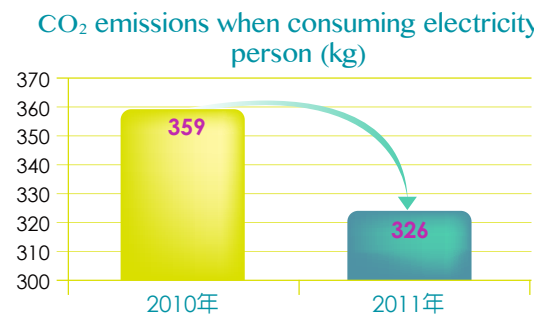
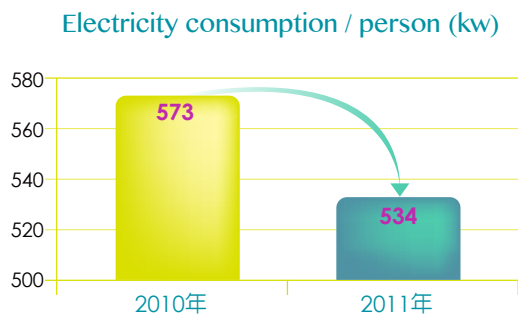




The plan and the effectiveness are as follows:

Electricity Consumption: (EN5, EN7)

1. Replace traditional lights with T5 and LED energy-saving light bulbs. Till the end of 2011, PHC has replaced 3,094 sets and saved power high up to 74,800 kw.
2. Save power in using road lights in different districts of factories. For example, in Suzhou Factory of PHZ, it was originally designed with 41 single-head road lights and 6 double-head road lights, with 400W per head. Later in accordance with its geography and the demands for light, 25 heads were closed. With the inspection for more than one year, it is found that it is safe with present lighting. Therefore, for the whole 2011, it saves power up to 43,800W.
3. In the HQ and all factories, the chillers of the air-conditioners are turned on later and turned off earlier. Air conditioning hosts are regularly maintained.
4. Take PHT, HQ in Taiwan for example. In all the electricity consumption and CO2 emissions in 2011 were lower than those in 2010, separately falling by 6.8% and 9..2%.

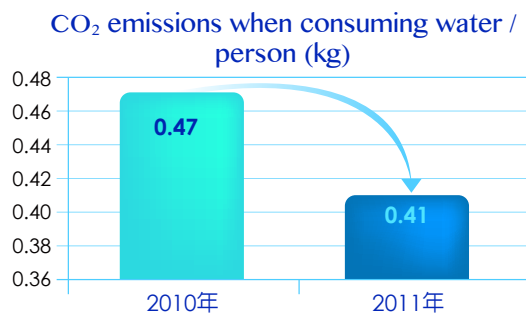
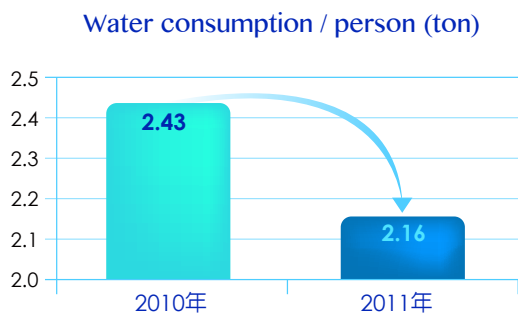


Water Usage: (EN8, EN9, EN10)

Water is a must in human activities and natural eco-system. The global water resources are fewer and fewer, Pihong regards it important and treasured resource, therefore, we supervise monthly the group's water consumption and try to save water.

In 2011, Pihong Company and major factories consumed 415,239 ton water in all. In average, each person used water and CO₂ released less than those in 2010, separately falling by 11.11% and 12.77%.

	2010(ton)	2011(ton)
PHT, HQ	8,499	8,449
PHC (Dongguan Factory)	349,410	297,840
PHZ (Suzhou Factory)	108,960	108,950
Total	466,869	415,239

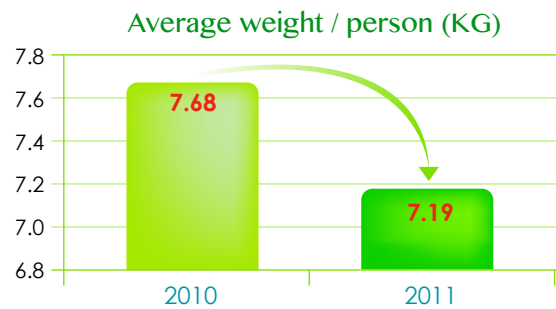


Through our management system, waste must be categorized, stored, registered, transported, and processed according to laws and regulations. Waste produced at factories can be reused and are passed to certified agencies for use. Waste without value is incinerated or buried. (EN22)

Since its foundation, Phihong has devoted to environmental protection, reducing waste caused in the processes and production, practicing it in daily life of Phihong's employees. We make clear signs about sorting garbage, promoting it and carrying it out well. This is the aim we have reached many years ago.

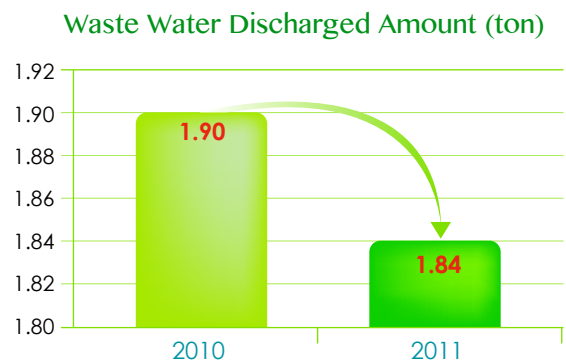
Year	Waste weight / month (KG)	Persons / month	Average weight / person (KG)
2010	2,243	292	7.68
2011	2,338	325	7.19
Performance		Reduce by 6.38%	

The clearance of all hazardous substances in Phihong adheres to relevant regulations on environmental protection. (EN24)



Equipments for waste water discharged are set up in Phihong and its factories. Before discharging waste water, it will have to go through complete waste water discharging procedures, to make sure the quality of the waste water adheres to the discharging standard regulated by the nation and is certificated OK after being checked by the organizations recognized by environmental protection offices. Then in accordance with regulations, it will be directly discharged into waste water system in the park or the sewage system demanded by the governmental organ. The discharged amount was reduced by 3.16% in 2011 than in 2010. (EN21)

Factory	Waste Water Discharged Amount (ton)
PHT, HQ	7,169
PHC Dongguan Factory	317,240
PHZ, Suzhou Factory	108,950
Total	433,359



3.3 Greenhouse Gases (EC2、EN3~4、EN16~17)

Intergovernmental Panel on Climate Change (IPCC) thinks that greenhouse gas emission accounts for global warming, which might fiercely affect global economy and humans' life. Phihong therefore reacts to it as follows: Develop plans to reduce emissions. Continually analyze, supervise and control it. The top supervisor of each factory also inspects it regularly. (EC2)

When the Kyoto Treaty was announced in 1997, advanced countries all over the world developed plans to reduce the emissions of greenhouse gases. In recent years many countries have established a consensus in the restriction of greenhouse gases and corporations are also examining and restricting their greenhouse gas emissions to improve their CSR image. We have also initiated examination operations on greenhouse gases and established greenhouse gases standards. Preliminary inspections include the two manufacturing bases in China (PHC & PHCJ) to reduce emissions of carbon dioxide.

In 2010 Phihong first used operational control to check it and set 2010 as the benchmark. Phihong checks our greenhouse gases emissions annually and releases a report with contents detailing the emission of greenhouse gases in the previous year. The latest report details 2011 and inspects 2 manufacturing plants which released 15,899.14 metric tons of greenhouse gases in all directly and indirectly (EN16), and 14,435.49 metric tons of greenhouse gases indirectly (EN17).

In 2011, in two factories, the energy consumption and the emission amount of greenhouse gases directly and indirectly are analyzed as follows:

1. PHC Factory: The total emission amount of greenhouse gases directly and indirectly is 13269.21 ton CO₂e.

Category 1 (direct) emission sources : 1069.44 ton CO₂e (EN3):

Diesel : Consume 186.30 ton, and release 590.81 ton CO₂e;

Gasoline : Consume 22.81 ton and release 71.05 ton CO₂e;

Other emission sources : Release 407.58 ton CO₂e;

Category 2 (indirect) emission sources : 12,199.77 ton CO₂e (EN4)

Major emission sources in Category 2 are those from purchased electric power. In 2011 it used 12,857MW•H in all and released 12,199.77 ton CO₂e;

2. PHCJ Factory: The total emission amount of greenhouse gases directly and indirectly is 2629.93 ton CO₂e.

Category 1 (direct) emission sources : 394.21 ton CO₂e (EN3)

Diesel : Consume 48.84 ton, and release 269.06 ton CO₂e;

Gasoline : Consume 1.11 ton and release 3.61 ton CO₂e;

Other emission sources: Release 121.54 ton CO₂e;

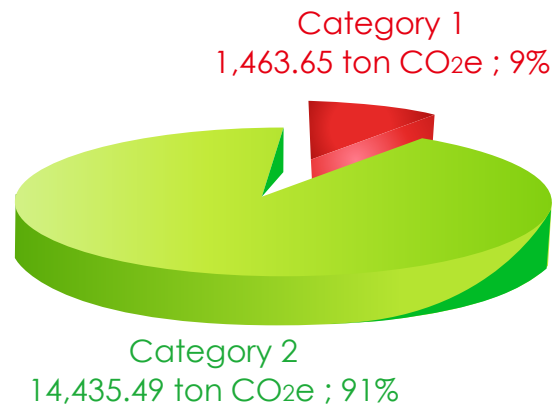
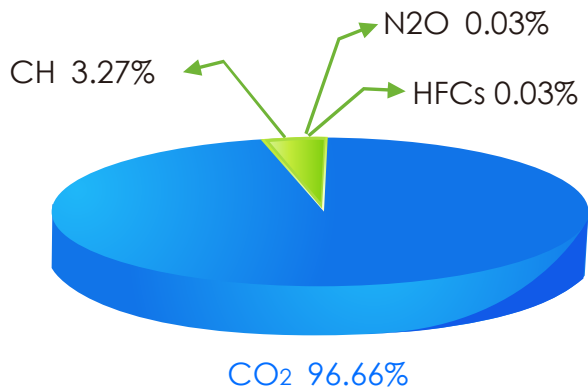
Category 2 (indirect) emission sources : 2,235.72 ton CO₂e (EN4)

Major emission sources in Category 2 are those from purchased electric power. In 2011 it used 2,356MW•H in all and released 2,235.72 ton CO₂e;



The following table is the statistic results on all types of greenhouse gases emissions in 2011:

All Types of Greenhouse Gases Emissions in 2011						
Types	CO ₂	CH ₄	N ₂ O	HFCs	PFCs	SF ₆
Emission equivalents (ton CO ₂ e)	15368.82	520.64	4.53	5.15	0.00	0.00
Percentage	96.66%	3.27%	0.03%	0.03%	0.00%	0.00%
Total : 15,899.14 ton CO ₂ e						



Note 1: Direct greenhouse gases emissions (Category 1): It includes fixed devices' fuel burning, emissions in processes, burning in moving transportation, dissipated emissions (such as firefighting devices, refrigerants). The overall direct emissions are 1463.65 ton CO₂e / year, around 9% of the total emissions.

Note 2: Indirect greenhouse gases emissions (Category 2): It is mainly from purchased electric power. The overall indirect emissions are 14435.49 ton CO₂e / year (EN17), around 91% of the total emissions.

Note 3: In 2011 indirect greenhouse gases emissions from other energy resources (Category 3), are just used to tell the emission sources and we haven't collected the actual emission date of the emission sources.

3.4 Green Products and Services

Phihong has been following international regulations, such as Restriction of Hazardous Substances (RoHS), Waste Electrical and Electronic Equipment (WEEE), and also following clients' demands. As to materials provided by the upper suppliers, we supervise them strictly, manage them systematically, select and eliminate prohibited substances harmful to humans and environment. To serve the downstream clients, we also have our self-expectations and self-requirements, constantly making breakthrough in the aspect of R&D technology. In the meanwhile, we send our products to the third notarized party who conducts inspection, and return the feedback to our clients, producing green products friendly to humans and harmless to the environment.

Phihong design its products with green concept. In the original period of the designing, being light and thin has been considered. The design of the products is based on 3R (Reduce, Reuse, Recycle). We select non-hazardous substances, easily torn structures, recycling packages and transportation ways, to enhance transportation convenience and save space, and effectively lower the impact products bring to the environment. In the whole product life cycle, we aim at shortening manufacturing period, reducing wasting resource, reducing waste, making the best use of recycling and recycling rate. (EN29)

Products are designed into the direction of modularity, standardization and energy-saving. Through analyzing software, design the best products. Through analyzing structure strength, predict the deformation rate when products are under the strain. Make use of the simplest materials to reduce the waste of resources.

Specific effects are as follows:

Overall product introduction adheres to RoHS and REACH which supervises substances. Keep and improve the requirements on more products without halogens.

- At present the development and production of products without halogens take up around 3%. (All issued models are 5,227 and those without halogens are 162). (EN26)
- Keep the design principle that products are easy to be torn up and easy to recycle and reuse. The recycling rate is above 80%.
- As to the management of chemical substances for packaging, we completely prohibit using Pb, Cd, Hg, Cr6+, and PVC, use base spacer to replace PU, thus to reduce the use of foam cotton materials (EPS, EPE, EPP, EPO). Besides reducing packaging weight and volume, we also reduce the printing size of the outside of the boxes. (EN27)



3.5 Overall Environmental Expenditure (EN30)

We get what we need from the environment and we should also protect and sustain our environment. With the operational direction of being green and friendly to the environment, we, from all perspectives, integrate interior procedures, product R&D, production and manufacturing, delivery and transporting, administrative and public affairs, etc. with exterior supply chains and cooperating organizations, together to find more effective energy-using methods to save more energy and reduce more carbon emissions. We not only adhere to regulations on environment, but reduce the impact on environment essentially and establish balanced and harmonious relationship with environment. In 2011 our environmental expenditure reached up to NTD \$3,565,033. In the meanwhile, through ISO 14001 we make environmental protection audit and management procedures, managed by QA Central and carried out by management units of factories. We will also improve and track the missing parts and expect to be a leading enterprise friendly to the environment.

Classifieds on Environmental Costs	Explanations	Expenditure (NTD)
1. Reduce direct costs of environmental load		
(1) Environmental prevention and improvement costs	Fees on prevention and improvement of air pollution, water pollution and other pollutions	473,482
(2) Save costs on resource consumption	Costs to save resources (such as water, electricity)	1,073,926
(3) Treatment and recycling fees on waste in business and in offices	Fees on treatment of waste in business (mud removal, waste solvent, waste water and general waste)	1,539,023
2. Reduce indirect costs of environmental load (Management fees related to environmental protection)	1. Expenditure on environmental protection education 2. Fees on obtaining environmental management system and certification 3. fees on inspecting environmental load (4) Fees on organizing relevant personnel by those in charge of environmental protection 4. (Added fees on purchasing environmental protection products	478,602
3. Other costs related to environmental protection	1. Fees on soil treatment and natural environment restoration 2. Insurance on environmental pollution damage, taxes and fees on environmental protection imposed by government 3. Reconciliation on environmental problems, compensation, fine and lawsuit fees	0
Total		\$3,565,033



Statistics on Environmental Benefits

Items	Explanations	Benefits
Recycling on waste in business	Offcuts of electronic components, disabled computers	6,774,666 \$(NTD)
Benefits from environmental influence	Reduce CO2 emissions	73.26 ton

3.6 Obeying Regulations and Others

We periodically collect and examine laws relating to the environment for reference in establishing corporate environment management to meet the demands of laws and regulations. (EN28)

ODS emissions (EN 19)

The refrigerants in Phihong's HQ in Taiwan and factories are mainly used in the air-conditioning systems in offices and factory workshops, so there are no emissions of relevant substances.

Emissions of NO, SO and other important gases divided by varieties and importance (EN20)

In the producing processes of Phihong's HQ in Taiwan and factories, no internal combustion engines are used, so no relevant gases are released.

Major Leaking Events (Incident) (EN23)

There were no chemicals leaking events (incident) in 2011.





Labor and Human Rights

(LA&HR)



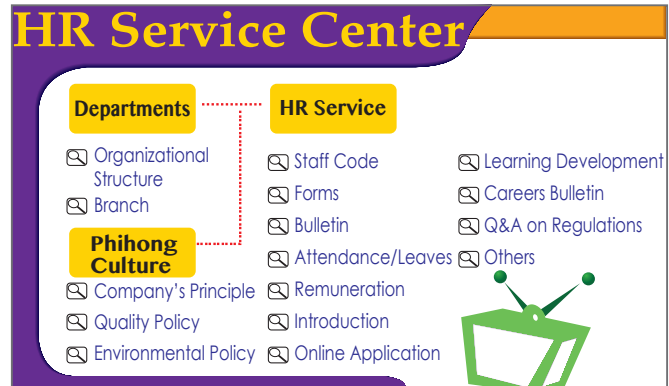
- 4.1 Labor Relations
- 4.2 Employees' Health and Safety
- 4.3 Training and Education
- 4.4 Equal Working Opportunities
- 4.5 Virtues and Human Rights





4.1 Labor Relations

Listening to the voices of employees is an important course in Pihong's humane management. We constantly improve ourselves and progress, stepping into a more wonderful future. Any standards or practices established must adhere to laws and regulations. The company's regulations, systems, employees' rules, benefits are published through a special electronic platform, Human Resources Service Center, for employees to understand them.

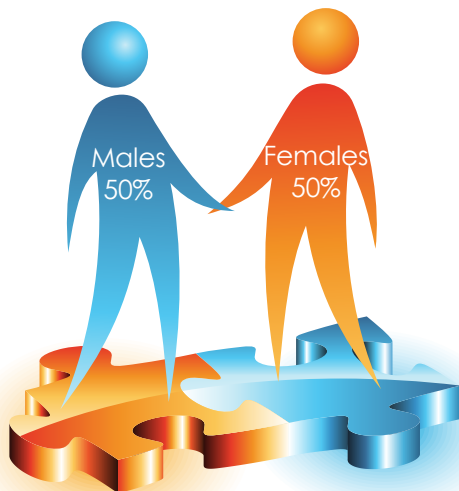


Ensure the employment rights of our colleagues. Regardless of race, religion, skin color, nationality, political affiliation, or sex, all will be equally treated and will only be fairly assessed according to performance. (LA14)

For all branches of Pihong to deeply understand the systems and culture of HQ, supervisors of high level in the branches are all those from Taiwan, which makes local employees to know and understand policies of HQ.

We have kept the concept that men and women are equal for long and have realized that equal opportunities are given to both men and women, with 50% female employees. In 2011, the amount of contracted male and female employees in major operation areas and the distribution maps are as follows:

1. Ratio of Sexes (LA1)



2. Ratio of ages and sexes for those above management level in Taiwan district (EC7)

Ages	Males	Females
Below 30	0.00%	0.00%
30~40	2.83%	0.47
40~50	8.25%	2.12
Above 50	4.01%	0.24
Total	15.09	2.83

3. Ratio of sexes receiving examination in Taiwan district (LA12)

Items	Males	Females
Mid-exam in 2011	87.73%	92.77%
Final exam in 2011	94.80%	97.02

Note: Examined objects exclude new employees working under three months.



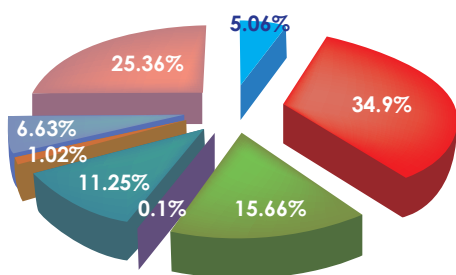
Employees Overview and Position Ratio

- Until late 2011, we currently employ 8,373 employees with 424 in Taiwan and 7,949 allocated in China and other overseas factories. In the long term we have continued to recruit elite personnel to increase the standards in education and development. Under our complete benefits and compensation mechanisms only 0.3% of our employees have chosen to leave. This is very rare for the tech industry and has helped us maintain competitiveness. (LA2)
- In 2011, employees younger than 30 take up 64.73%, and those older than 30 take up 35.27%. Being open, fair, competitive and excellent is our principle. We have owned complete system for employing elites, performance examination and promotion stimulation, creating a good environment for elites' growth. In the meanwhile, we introduce, cultivate and promote elites with high quality. It is shown from certificate data that employees with certificates above the college take up more than 90%. (LA13)

1. Ratio in Amount of Employees in Pihong

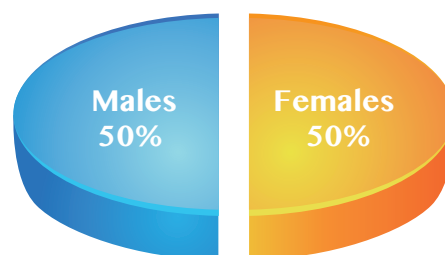
Amount of Employees in 2011

PHT PHC PHP PHS PHZ PHA PHSY PHE



2. Ratio of Sexes (LA1)

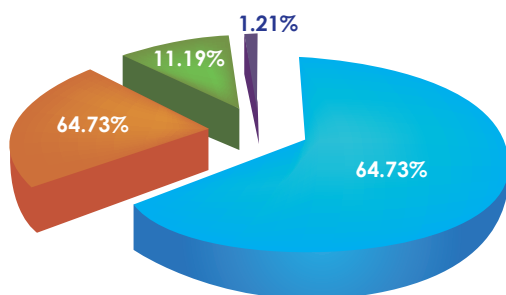
Ratio of Sexes



3. Ratio of Ages

Ratio of Ages

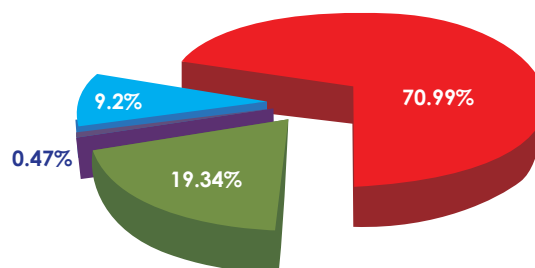
Below 30 30-40 40-50 Above 50



4. Ratio of Certificates

Ratio of Certificates

Others BA MA Ph.D.





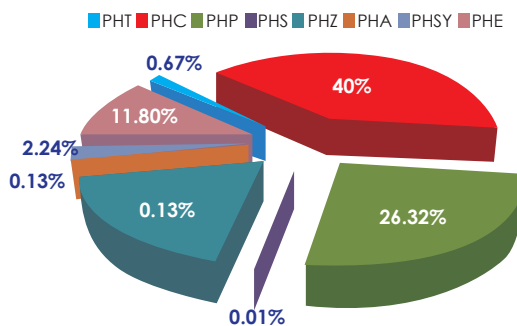
Ratio of ages and sexes of all employees (LA12, LA13)

Ages	Males	Females
Below 30	37.76%	38.33%
30~40	8.97%	8.31%
40~50	3.11%	2.42%
Above 50	0.39%	0.72%
Total	50.22%	49.78%

5. Ratio of new employees

Factory	PHT	PHC	PHP	PHS	PHZ	PHA	PHSY	PHE	Total
New amount	109	6,492	4,303	2	3,127	21	366	1,929	16,349

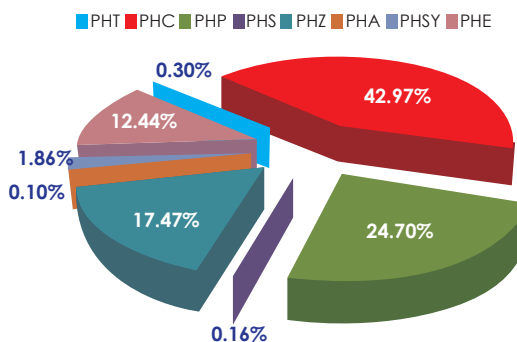
Ratio of new employees in 2011



6. Ratio of resigned employees

Factory	PHT	PHC	PHP	PHS	PHZ	PHA	PHSY	PHE	Total
Resigned amount	52	7,472	4,295	27	1,038	18	324	2,164	17,390

Ratio of resigned employees in 2011





Reasons for high rate of resignation: Salary headhunt, cooperative education plan

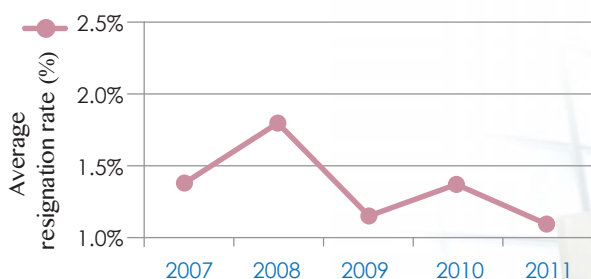
Analysis on reasons: The age of low-salaries in the mainland has passed, which Taiwanese businessmen in the mainland have to recognize. Owing to constant rising of laboring salaries in the mainland, constant strength on labor protection and social insurance requirements, adjustment to the lowest salary standard and implementation of Labor Contract Law, for those Taiwanese businessmen benefiting from numbers of employees, they will be greatly loaded with labor cost. The change in operational environment must influence traditional industries, but also influence greatly on wholesale industry and technology industry, especially on those industries requiring more employees. Seen from the areas, the influence on Taiwanese businessmen in South China is much larger than that on Taiwanese businessmen in other areas, as this area prospers with labor-intensive industries or it is the base for labor-intensive industries. There were no regulations on employing policies before. Performance on employment could not be mastered well. Employ many workers while with low efficiency. When lacking workers, they had to attract workers with higher salaries, thus increasing labor costs, however, without benefits returned similarly or solving the problem of lacking workers. Taiwanese businessmen in the mainland sometimes employ as many as 10,000 workers. If without HR plan or cost control, there would be a phenomenon that the avenue rises but profits are fewer, also lacking workers and always seeking more workers. Therefore, Taiwanese businessmen have to face the fact: higher costs in labor force and lacking workers.

According to the data from the Mainland Affairs Council, high flow of employees has been the biggest trouble for Taiwanese businessmen. High rate of leaving office causes repeated vicious cycle of constant headhunt, training, leaving office, and constant, cycling lack of workers. Therefore, the root in lack of workers lies in how to use and keep employees. How to keep valued employees become a key in solving the problem, lack of workers, for Taiwanese businessmen. Taiwanese businessmen have to improve their system to keep talents and find a way to uproot the problem.

Strategy— introduce automated production line, strengthen management mechanism to lower the flow rate of employees

Statistics on ages, annual salaries and resignation rate

Year	2007	2008	2009	2010	2011
Average ages	35.36	36.26	36.46	36.92	37.22
Year Average ages	6	6.61	6.53	6.52	6.24
Average resignation rate	1.4%	1.89%	1.2%	1.4%	1.1%





Benefits of full-time employees provided in accordance with major operational spots (LA3)

We have established Employee Benefits Committee in accordance with laws and regulations and budget the committee according to earnings to provide employees with additional benefits, such as annual great events (Annual Dinner, Christmas), allowances for three festivals, allowances for birthday, allowances for marriage, funeral, celebrations and birth, allowances on social activities and matches, art hallway, gym and travel, etc.

Besides caring employees' physical health, we also care their mental health. It is hoped that, through kinds of facilities and activities, employees own suitable channels to soothe their pressure. We always try our best to care our employees.

Ratio for employees to participate in negotiations (LA4)

Multiple Communication Methods

We deeply know that only through a good communications method can a company establish tight and transparent interaction with employees to create the greatest benefit and harmony for both parties. A two-way communication method expresses a corporation's policy and principles and sincerely listens to the voices of employees to strengthen unity and realize a mission based on the principles of co-existence, co-prosperity, and win-win situations.

The shortest period to notice the change on important work (LA5)

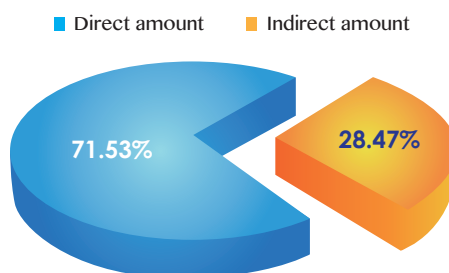
Multiple Communication Methods

1. Those working for over three months but less than one year, are told ten days ahead.
2. Those working for over one year but less than three years, are told twenty days ahead.
3. Those working for over three years, are told thirty days ahead.

Ratio of direct and indirect employees

Factory	PHT	PHC	PHP	PHS	PHZ	PHA	PHSY	PHE	Total
Direct amount	0	1,906	1,050	0	707	8	463	1,855	5,989
Indirect amount	42.4	1,015	261	12	235	77	92	268	2,384

Ratio of direct and indirect employees





Rate of resuming work and rate of remaining in office after maternity and parental leave (LA15)

We actively work with the government's policy on population and encourage birth. In accordance with Act of Gender Equality in Employment, we carry out the policy that female employees will keep the position without salaries during her maternity and parental leave. To encourage female employees to milk their babies, also working with policies from Department of Health, Executive Yuan and the spirit in Act of Gender Equality in Employment, we specially set up safe and comfortable space for mothers to collect milk. There are also perfect and considerable facilities to satisfy the demands of female employees, including special fridges for collected milk, special, well-hidden, wide, comfortable rooms for rest, moderate-temperature air conditioners, soft light, creating warm atmosphere and making mothers assured and showing their praises. Milking time is humane, adjusted by employees themselves.

If employees indeed need to resign from their work to take care of their babies, the company will also understand it and agree on their application. We will still keep in touch with them, encourage them to return to their work, and offer help when necessary.

4.2 Employees' Health and Safety



We provide a free body check up for employees once per year to help employees understand their health status. We track abnormal health examination results and provide consulting and support to improve employee knowledge towards health and help promote individual health management.



Plan for supporting employees and their families or communities in training, education, consulting, prevention, and risk control of serious diseases. (LA8)

Providing employees with a safe and healthy work environment is our responsibility. We believe that healthy employees in mind and body can perform at their maximum ability. In order to care for employee health, we have established nursing stations to provide professional and instant care. Furthermore, we hold health seminars to promote mental and physical health of our employees and reduce work related stress.

Through our management systems and policies for environment, health, and safety (EHS), we declare our intent towards these three aspects. At Phihong, that is our basic promise towards the environment, occupational health and safety. We provide employees with a safe and comfortable work environment and analyze risks to make adjustments. We have also established professional safety sanitation management personnel at our factories who are in charge of safety sanitation management planning, execution, and assessment.

Occupational injuries, diseases loss days and death accident rate divided in accordance with areas and sexes (LA7)

Monthly we regularly sign in zero disaster record filling system on line in the charge of Council of Labor Affairs, Executive Yuan and fill in our information. Till Dec. 31, 2011, we keep the record of zero disaster. In the future we will also work to this direction.

As to the part in factories in the mainland, compared to 25 injuries during work in 2010, in 2011, it decreased greatly to 13 injuries, with 11 happening on males and 2 on females. For the part in working safety, we will take HQ in Taiwan as the example and seek zero disaster.

Year	Injuries	Diseases	Days lost	Deaths
2011	13	0	90	0
2010	25	0	186	0
2009	17	0	95	0
2008	25	0	225	0





4.2.1 Occupational Safety and Sanitation Policies

Continuous transformation and growth are the sources of power of Phihong Technology's growth. We also hold this attitude towards our product quality and working environment to improve them as well. We approach occupational safety and sanitation with an attitude of care to achieve our goals of professionalism, varied, and global and use these guidelines as our main guidance. Our occupational safety and sanitation policies are as follows:

1. Follow all standards of safety and sanitation, strengthen internal and external management communications.
2. Continuously improve working conditions to prevent accidents from occurring.
3. Reduce the risk of occupational safety and sanitation; fully devote ourselves to protect the health and safety of employees.

Policy Explanation:

1. Operations and production must adhere to labor safety regulations and the demands of clients and other organizations.
2. Improve educational training and raise awareness of occupational safety and sanitation to realize the related management activities of safety and sanitation responsibilities and protect the functionality of occupational safety and sanitation systems.
3. Continuously improve working and living conditions to provide employees with better working and living environments and reduce the risk of labor related accidents.
4. To ensure and increase the company's superior image to achieve the goal of sustainable operations.

4.2.2 Occupational Safety and Sanitation Promises

During development, manufacturing, testing, and sales, Phihong Technology must adhere to legal regulations and other related demands to prevent occupational accidents and continue the operations of occupational disaster management systems, establishing ourselves globally. With the responsibilities in protecting employees and caring for the earth, we promise to:

1. Guaranteeing employee safety and sanitation is the main mission and responsibility of all managers.
2. Prevent all cases relating to injury, bad health, disease, and accidents to protect all factory personnel.
3. Follow legal regulations, reduce the impact of pollution, and develop standard operating procedures.
4. Perform necessary training for employees, suppliers, clients, contractors, and related groups to ensure all activity follows environment safety and sanitation concepts.
5. Continue to improve management systems and increase performance.
6. Encourage employees to give suggestions to establish and maintain good paths of communication between employees and management.
7. Produce green products, promote the reduction of emissions, continue to organize and create safe and sanitary environments.
8. We promise to follow local and international environmental safety and sanitation standards as our basis for self improvement.



4.2.3 Environmental Safety and Sanitation Management Organization

Establishing an environmental safety and sanitation management organization to monitor our work environments and facilities is a measure to follow legal standards and help build a culture of safe and sanitary work environments. To ensure employee safety, we have established complete occupational safety and sanitation management mechanisms to help achieve our organizational goal of sustainable development.



Role Responsibilities:

1. Monitor and promote safety and sanitation policies and develop good knowledge of industrial operations safety habits and industrial safety and sanitation.
2. Hold a safety and sanitation meeting every 3 months and strengthen inspections to make adjustments to prevent accidents.
3. Realize factory organization functions.
4. Establish zero injury mechanisms for all employees.
5. Promote a habit of daily cleaning to maintain the optimal movement line within a factory.
6. Periodically hold work safety seminars and related events.





4.2.4 Occupational Safety and Sanitation Certifications and Training



▲ ISO14001 Certification



▲ OHSAS 18001 Certification

Aside from introducing ISO14001 environment management systems to our factories we have received external certification from related organizations. Dongguan factories have even passed the OHSAS18001: 2007 occupational safety and sanitation management system certification. Every year we hold internal audits and random audit external clients to ensure the degree of our management systems, whilst serving as basis for future improvements.

The promotion and practice of environmental safety sanitation training is the foundation of the organization. Aside from preparing training courses relevant to local safety and sanitation regulations, training of new employees, medical personnel, fire managers, forklift personnel, diesel fuel personnel, and safety and sanitation managers must be certified to ensure their suitability. Two training courses for what to do during accidents must be held per year. Furthermore, Pihong has made all of this training material digital and available on the e-Learning platform for employees to peruse and register for online to help them gain more related knowledge.

4.2.5 Operational Environment Safety





Establishing a hazard-less work environment is one of Pihong Technology's most important promises. Currently Pihong Technology's main manufacturing plants have passed the OHSAS18001 occupational safety and sanitation management system certification enabling employees to work in a safe environment and perform at their fullest without worry.

If there are any doubts towards factory safety or violations, Pihong Technology provides complete personnel safety equipment and mechanisms and we periodically check and monitor actual conditions (such as: tin smoke exhaust, indoor air quality, noise pollution, drinking water quality, lighting, and others). Any work environment with high temperatures, high voltage, or static electricity are all equipped with safety labels and control SOP to ensure the safety and health of personnel.

Modern corporations and employees must regard accident adaption and environmental sanitation with higher specifications in construction and maintenance to reduce the risks of natural disasters and new epidemics and the losses they bring. We provide a safe and risk free work environment including our factory and personnel safety. We also hold training against fraud and occupational safety and have direct lines to local enforcement agencies and industrial park security for help. Through our internal network, employees can retrieve necessary information for personal and home safety to protect the safety of life.

4.3 Training and Education (LA10, LA11, HR3)

Average employee training hours per year calculated based on one employee's level and sex (LA10)

Average employee training hours per year in Taiwan district in 2011, as follows:

Type of Employees	Average Trained Hours in 2011 *
Ordinary employees	44
Management Level	47

*Average hours of classroom courses, online courses and outside trainings per year.

All employees in Pihong have equal opportunities to receive trainings regardless of male or female, so no other statistics on different sexes is done on average training hours per year.

Training and curriculum related to employees' career and abilities (LA11)

The spirit of taking quality as priority, and the implementation of education and trainings, lead employees to fully learn about working content and professional knowledge, spread the application of HR resources, thus to enhance working efficiency and HR quality and promote self-development consciousness, further to reach the overall operational purpose of the company. We devote to creating an environment for all staff to learn. Besides full-subsidizing outside trainings, professional trainings, Chinese courses and lectures on life common sense, we introduce e-learning platform, offering all members in Pihong to study and grow.



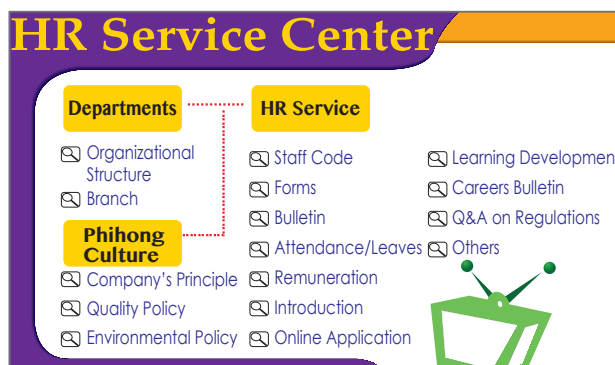
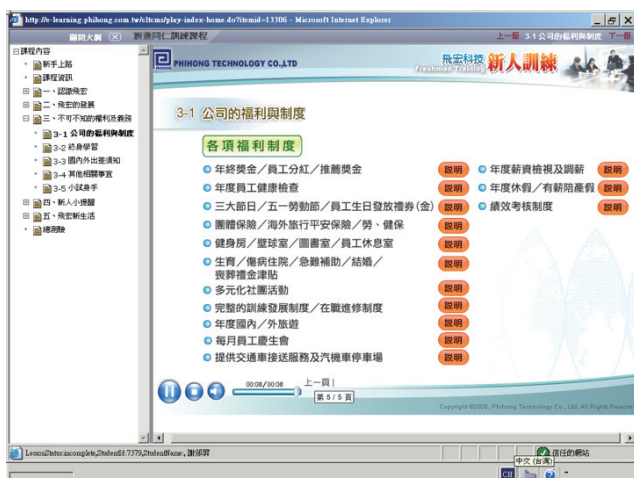
Structure of Educational Training System

Level	Management Roles	Advisory / Technical Roles		Training System by Level		Occupational Professions Occupational Training System		Occupational on-the-job training		Training System Category				
AIA	General Manager													
BIB	Vice President													
IIA	BU General Manager	Special Assistant		Chief Engineer					Personnel stationed abroad pre-training	Internal Lecturer Training				
IIB	BU Vice President													
III	Assistant Manager / Associate, (Deputy) Director													
	Manager													
IV	Project Manager / Project Manager, Assistant Manager	Special Assistant, Commissioner	Sales Rep., Secretary	Senior Engineer	Management Capabilities Development Training	M T P Mid Level Management Training Management Basics Work Improvement Work Control Work Coordination Subordinate Development								
V	Section Chief													
VI	Deputy Section Chief													
VII	Director													
VIII	Deputy Director	Administrator		Engineer		T W I Supervisor Training Work Education Work Method Work Relations Work Safety								
IX	Leader													
X	Deputy Leader													
XI		Assistant	Driver, Operator	Senior Technician										
XII														
XIII														
XIV														
XV		Intern		Operator										



Human rights concern policies and procedures related with operations, and employees' education and trainings (HR3)

Company policies are established with legal regulations as the most basic foundation. All policies relating to employee standards, benefits, or company regulations can be found on the electronic platform for HR Service Center for all employees to understand.



Training ratio for employees on anti-bribery strategy and procedures (SO3)

The management principle of Phihong is "Integrity, Innovation and Challenge". Among them, integrity is Phihong's core, also central thinking of all activities. To carry out this principle and make all employees carry it out. It will be specially explained and promoted in e-learning courses for new employees and it is a must course for new employees. Therefore the training ratio is 100%.



4.3.1 Training Principles

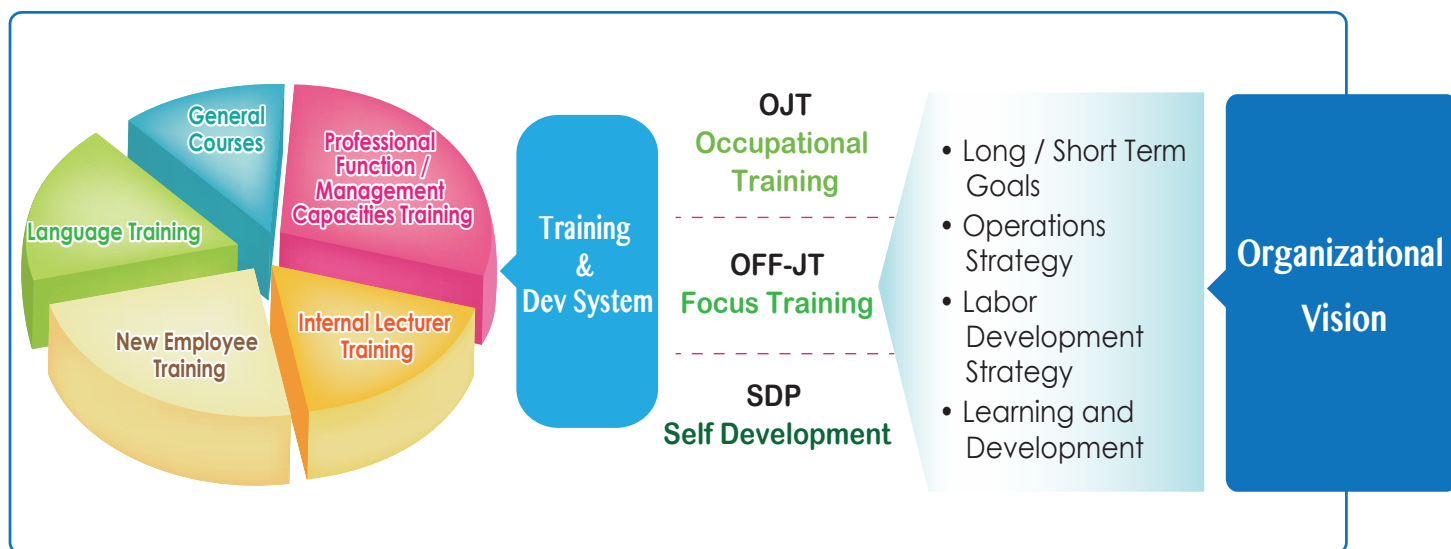
Phihong views employees as its most important asset and invests heavily in personnel training. Aside from complete benefits and compensation mechanisms, all training, certifications, and occupational training adheres to local labor laws. Through a complete educational development system and learning platform, we provide courses to employees to satisfy their need for personal development and in turn increase our competitiveness.

As the general manager once said, "learning at Phihong is continuous and everyone should ready themselves for the next wave of challenges. Continuous growth through learning and development will become the source of Phihong's advantage, and is the best guarantee for client satisfaction."

Phihong employees are assessed twice annually and their education/development is one of the facets assessed for promotion. This is highly beneficial in building an environment of learning.

4.3.2 Training & Development System

We established human resources development missions according to our company vision by developing and maintaining employees of high quality coupled with operational goals and strategy to establish a complete educational and training system. The company puts effort in establishing an environment of learning and aside from providing full compensation for off-site training, professional training, language courses, and lifestyle seminars, we introduce digital learning platform resources to provide all at Phihong education and growth.





Pre-Employment Training (Digital Course)

Give an overview and organizational structure of the Pihong Group to gain a better understanding of corporate operation principles, values, and vision while introducing basic compensation and benefits along with training systems to help new employees blend in with company culture as soon as possible.

Professional Function Training

Using professional function as the main topic of training, the basic skills of employees are developed along with the core values of a department to increase personal performance and group competitiveness.

Management Development Training

Managers play a critical role in the operation of the corporation. All manager level personnel must undergo a curriculum to strengthen the management and leadership skills of managers.

Project Based Training

Clear learning goals are set in project based training to meet various needs. As employees have a common training goal, this type of training helps the company develop required knowledge, attitude, and techniques.



General Education Courses

At Pihong, not only professional abilities are valued, but in order to satisfy the personal growth needs of employees we have prepared courses on CSR concepts. We hold random courses on environmental safety, self health analysis, and general education courses to help employees achieve balanced development in their professional and personal lives.





E-learning Platform

To address the rapid growth of the company and the global trend of e-learning, the Phihong e-Learning Network was introduced in 2007 to encourage colleagues to learn and grow by ushering the learning platform of Phihong employees into a new generation. The platform facilitates the listing of internal and external training courses and enables users to track their learning hours and courses. Furthermore, Phihong also publishes newsletters with articles, course information, company news, and newly purchased books in the library to help the people of Phihong better grasp their education.

The Phihong e-Learning Network is based on the concept of a corporate university with specific schools using department heads for deans for various roles to help employees lead, develop, and find personal growth. This establishment is not only related to the management issues faced in the age of information economy, but is also closely tied to overall corporate strategy and operations.



學習電子報-No.15

「每個人都管理著」

公司的組成成員當中，有主管與非主管之分，從表面上來看，其扮演的角色是管理與非管理者的差別。然而，是否非主管就不從事管理，不必培養管理能力？恐怕事實並非如此截然二分。有些人認為自己並未擔任主管職務，因此不必學習管理的觀念與方法；反過來說，也有人認為自己不喜歡管理的工作，因此不希望擔任主管。但是，一個人不管是不是主管，是否都需要管理自己？是否都需要安排每天的行程與工作計畫？結婚之後，是否需要與另一半相處？是否也需要管理自己的家庭、小孩？如此說來，工作、生活中隨時隨地都應運用到管理的功夫，認為自己不是主管，便不須學習管理、重視管理，確實是一大誤解！



(完整內容請登入飛宏樂學網 / 飛宏eMBA / 最新推薦文章)

eNews

【講座活動】

飛宏企業社會責任(CSR)宣導活動—環境安全生活圖書講座

在公司公開發行之企業社會責任報告書(CSR)中除了揭露公司社會責任相關資訊外，更涵蓋了公司對環境保護層面的方針及理念，因此為加強各位同仁對環境及人體友善的生活常識，特別特別邀請環保署之有機生活育推廣協會進行「環境安全生活圖書」講座活動。

★時間：2010.10.14 (四) 14:00-15:30

★地點：5F 階梯教室

★對象：此為CSR宣導課程，請各部課至少指派一位同仁出席，並開放非指領同仁自由出席參加

(完成課程並將頒發地球公民護照授課證書並照列1.5hr學習時數)

★主旨：全球暖化導致的氣候變遷，已經急劇改變了我們生存的世界，我們再也無法用過去的生活模式來過日子，因為變化作伴人，氣候變異只會越來越嚴重，我們必須正視這個嚴重的問題，有機生活新觀念幫助地球減碳，讓我們一起攜手拯救自己與未來後代的生存權。

★大綱：

1. 正負碳匯C的資訊—生態環境改變對人類的衝擊
2. 認識環境商業的影響
3. 生活零百百種(食、衣、住、行)
4. 如何從生活中落實3R (Reduce、Reuse、Recycle)
5. 選對食物不生病，用對東西做環保
6. 有機減碳對抗溫室的細菌、病毒
7. 復活、樂活、綠活改善優質生活





4.3.3 Annual Training Performance

In order to continue the strengthening of Phihong's recruiting competitiveness and the reliability, training quality, and results of the training program, in 2009 we enrolled in the training quality standards counseling and assessment promoted by the Bureau of Employment and Vocational Training. We successfully received the TTQS (Taiwan Training Quality System) certification and in 2011, we received a TTQS assessment of bronze. We will continue to improve our training methods to increase the quality and abilities of our employees to improve corporate competitiveness.

According to Phihong's personnel training system and annual training program, we execute the work on personnel training. The statistics for 2011 total on-the-job training hours in Taiwan district are as follows:

Item	Q1	Q2	Q3	Q4	Accumulated Hours (Year)
Internal Training	2759	5046.5	4686.5	2390	14882
Digital Learning	68.8	228.9	151.9	59.3	508.9
External Training	511.5	583	569	297.5	1961
Total	3339	5858	5407	2747	17352

4.3.4 Personnel Development and Vision

To facilitate the company's goal of stable growth and sustainable development along with the demand for human resources, we work hard to provide all colleagues with a complete educational training and development curriculum in hopes of helping colleagues increase their professional skills and individual growth. Phihong has a consistent and clear training method:

1. Aggressively develop varied design and innovative abilities of professional research personnel.
2. Develop mid-level management personnel to take management level roles.
3. Attain the highest effect of e-Learning and enable all colleagues to receive newest learning resources.





4.4 Equal Job Opportunity

Fair employment opportunities, prohibiting discrimination and employing no child labor are the fundamental principle for Pihong to establish a happy enterprise. Pihong is trying to offer a working environment where each employee enjoys fair promotion, employment opportunities, discrimination and harassment are prohibited. The principle of equal opportunities is deeply rooted in the value of the enterprise.

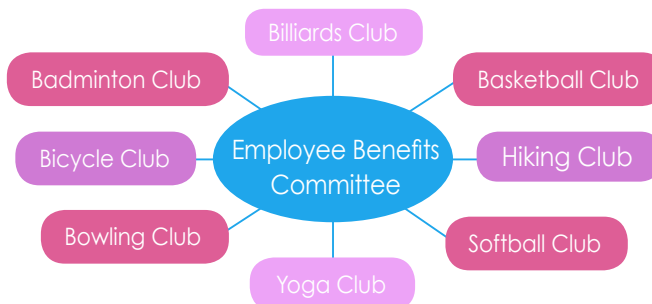
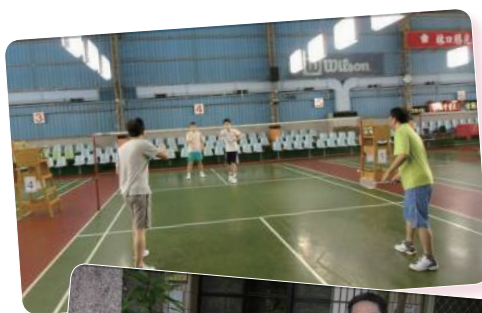
Pihong's success in the past relied on the contributions from all employees. Pihong's future development further demands that all employees impose a remarkable degree of unity, keeping our constant success in future competition. Based on such concepts, we deeply believe that employees are the largest assets of our company. Thus we can take care of more employees, further boost morale, and inspire them to work hard together.

4.4.1 Equal Employment Opportunity (EC5)

To ensure the employment rights of our colleagues, any standards or practices established must adhere to laws and regulations. Therefore, regardless of race, religion, skin color, nationality, political affiliation, or sex, all will be equally treated and will only be fairly assessed according to performance. New employees will be assigned a mentor and instructor to help accommodate them to work and environment to build synergy of new colleagues with the company. If employees meet circumstances where they are unable to adapt, we will allocate the individual according to their merits and place them in suitable positions or roles.

4.4.2 Compensation & Benefits (EC3)

We follow performance based profit share principles when establishing compensation policies to satisfy the individual needs of employees and their families by holding various benefits and events. We have established an employee benefits association in accordance to laws and regulations and budget the committee according to earnings to provide employees with additional benefits.





Generous Incentives

The company gives bonuses from profits according to individual performance. The employee benefits association gives bonuses at all four major holidays and birthdays.

Perfect Labor System

We provide employees with complete insurance, including groups, labor insurance, and health insurance.

We give vacations and retirement payment in accordance with Labor Standards Act.

Establish Employee Benefits Committee and plan diversified benefits of employees.

Plan systems in accordance with Act of Gender Equality in Employment, offering friendly working environment to female employees.

Generous Benefit Measures

We offer parking for transportation.

An employee restaurant providing a variety of meal options is set up, and birthday parties are held monthly.





Excellent Work Environment

Factories are equipped with convenience stores to provide convenient shopping for employees.

Sports centers give employees a location to balance their bodies and minds.

Factories in China are built with dormitories to provide employees with comfortable and safe lodging.

Activities to Develop the Body and Mind

Health seminars and courses are provided for mental wellness.

Club support and related events are supported.

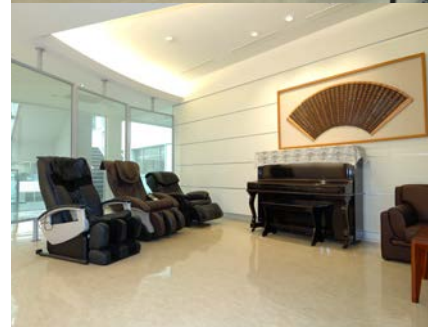
Local and overseas vacation subsidy for employees.

Caring and Kindness Towards Employees

We provide monetary for weddings, births, hospitalizations, and funerals.

We provide reserved parking for pregnant mothers, and rooms for collecting milk.

We have government graded superior nurseries as contractors to provide employees a safe nursery environment.





4.5 Virtues and Human Rights

In accordance with ILO, Phihong does not employ any children under the age of 15, or any under-age children the age of required education demanded in local laws. Besides, HQ in Taiwan and the branches at home and abroad all follow local regulations and strictly recognize the standard on child labor. For example, in the mainland, child labor means those under 16. Phihong inspect with a high standard the enrollment on HR, to forbid any affair related to child labor.

The ratio of articles on human rights in major investment contracts (HR1)

Considered items in invest contracts of Phihong include geography, survey on population and transportation, public construction, regulations on labor, regulations on environmental protection and union situation.

The ratio of important suppliers who have carried out inspections on human rights (HR2)

In the past years, the world has continually paid attention to human rights of labor in electronic supply chains. As one among electronic supply chains, Phihong takes Electronic Industry Code of Conduct (EICC) as the standard, requiring factories within its supply chains to reach the standards on environmental protection, safety, sanitation, labor human rights and labor conditions.

The overall amount of discrimination affairs and adopted corrected measures (HR4)

Since our foundation, we have followed present relevant regulations of our nation and have never employed child labor, have never had discrimination affairs or violated human rights, so there are no records on being punished and there is no necessary to adopt any improvements.

Whether the company violates the benefit union or the freedom on bargaining of labor and capital (HR5)

We respect our employees. They can establish, join or organize unions freely. The company won't be involved in employees' organization in any way or the setup, operation and management of collective negotiations. The company aims at harmonious and humane management, obeying all regulations on labor, keeping its management principle and creating better achievements. It promises to keep our assets, rights and images by keeping legal and virtue principles. Thus the company can promote its all-round advantages and become a sustainable enterprise responsible to the society.

No child labor (HR6)

In accordance with local regulations, we prohibit hiring child labor. We don't show discriminations on employees owing to race, sex, age, party, religion, disability, etc. We promise to hire no child labor and also require our suppliers to hire no child labor, and indeed inspect them in accordance with local labor regulations.



No forced labor (HR7)

Phihong, in accordance with the government's regulations, effectively manage and supervise risks in work. After inspection, there is no forced or compulsory labor or activities, so there are no relevant cases.

Related training for security personnel concerning human rights (HR8)

Phihong's security personnel have to receive complete trainings on safety, security, and reception etiquettes.

Violating human rights of local employees (HR9)

There were no affairs on violating human rights of local employees in 2011.

The overall amount and ratio of operational activities inspected on human rights and affected on evaluation (HR10)

We regularly carry out interior audit and inspection on human rights of our employees, take care of employees' benefits and practice The Universal Declaration of Human Rights declared by UN.

The amount of complains on human rights, the solved amount (HR11)

If there is any complaint, stakeholders can make an appeal through the channel the company opens to the outside (such as Phihong's website, investors' mailbox, etc.). Employees can make their appeals through the channels such as department meetings, labor and capital meetings, HR e-platform, face-to-face interviews on employees' performance and employees' complaint mailbox, etc.

In the mainland: In 2011 we received four cases from factories in Dongguan and Jiangxi, working overtime and applying for no social insurance. They were perfectly solved and finished.

In Taiwan: There have been no complaints on human rights. We totally welcome the labor inspection from the government and have never violated any regulations.





Social Performance Index (SO)



- 5.1 Social Service and Influence on Local Communities
- 5.2 Anti-corruption, Anti-bribery and Fair Competition
- 5.3 Position on Public Policies
- 5.4 Legislations Violation and Penalty Records





5.1 Social Service and Influence on Local Communities

(EC8, SO1, SO9, SO10)

As a corporate citizen, we take and use from the society which is why we must meet our responsibility in providing support to society when needed. We aggressively participate in public benefit events and through donations, help vulnerable minorities and give back, spreading love across all corners of society. Love and care is our responsibility and commitment to society.

Besides, Phihong's major operational spots are factories and offices. We deal with sewage water and waste in accordance with local regulations. HQ in Taiwan lies in Huaya Industrial Park in Linkou, without potential or negative influence on local communities. (SO9, SO10)

5.1.1 Assist to Promote Social Service

During the annual dinner event of 2011 at Phihong, aside from eating, drinking, and enjoying themselves, the event committee held a charity event in which employees who donated 10 receipts could draw a red envelope. Under the current of love and passion, donations were very abundant. All of the receipts were donated to the Eden Social Welfare Foundation and Genesis Social Welfare Foundation to help vulnerable groups and assist social service, spreading love and care and creating love and smooth society.

5.1.2 In Response to the 「Help Single Mothers Raise Children」 Charity Event

In response to the help single mothers raise children charity event promoted by Like Sisters, donations were made to the Taiwan Fund for Children and Families and Chinese Christian Relief Association to help 200 single mothers raise their children. Scholarships and reading classes were established to help these weak children achieve their dreams by transforming love into an actual contribution to these kids and letting them feel warmth from society to begin their new hopes.

5.1.3 Nutritional Lunches at Nurseries

As unemployment has been a sever problem in the past few years, the increase of low income families has led to situations where children are unable to pay their tuition or lunch money. From 2008 till now, Phihong has responded to the Gui Shan social welfare policy and collected donations from the Huaya industrial park to support the lunch money of local children so that aside from having fresh milk to drink everyday, we can reduce the burden of their parents.

5.1.4 Aid Children with Congenital Heart Disease

Since 2008, annually we donate to Surgery for Congenital Heart Defects of National Taiwan University Hospital, as their R&D fund, expecting the hospital to develop new treatment or medicine with scientific methods, and seek more exquisite and perfect medical service. Thus more patients with congenital heart defects can receive more advanced diagnosis and treatment in time and keep their health defense line earlier.



5.2 Anti-corruption, Anti-bribery and Fair Competition (SO2, SO4, SO7)

Anti-corruption has been a fundamental factor when international society defines CSR. Transparency International (TI) and Social Accountability International (SAI) made Business Principles for Countering Bribery in 2002. In EICC, anti-corruption is also listed in commercial virtue regulations, requiring factories and suppliers to follow it, not bribing or receiving bribe in any way directly or indirectly, adopting active actions on anti-corruption.

Therefore we have deeply understood that in the era of economy globalization, it has been an important issue related to our constant operation whether we can effectively manage commercial risks contained in anti-corruption issues.

Phihong has always followed anti-corruption act in the countries or areas where it conducts business. All employees should not bribe government officers directly or indirectly. We prohibit corruption or bribe extorting in any way. Our managers, employees and representatives must be loyal to Phihong. They have to avoid benefits and conflicts when dealing with suppliers, customers and others. Therefore we make "Corporate Morality and Business Standards" as our action basis for anti-corruption and anti-bribery and ask Audit Room to be an inspection department to promote anti-corruption and anti-bribery. (SO4, SO7)

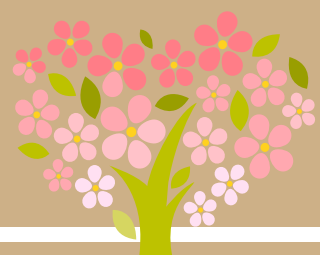
All employees are responsible to keep Phihong's fame in accordance with the highest virtue standard and put it into practice, thus to protect the rights of Phihong and all stakeholders.

5.2.1 Bribery risk analysis (SO2)

Bribery is illegal in many countries and is always heavily fined. Even persons in charge and relevant managers have the risk to be put into prison. Even if the country where an enterprise settles or the country where the enterprise's goods are exported does not set regulations on anti-bribery, the enterprise's goods might be sold to other countries which fine on corruption.

If you want to conduct commercial actions with a large enterprise, you will be inspected whether you have made plans on anti-bribery, as a multi-national enterprise will clearly require suppliers to follow relevant regulations which the enterprise itself follows, too. Many large enterprises at present have proper and effective evaluating mechanism. Those without plans on anti-bribery are hard to be selected as suppliers. Besides, if one enterprise is sentenced with crime owing to bribery, its export license will be revoked and it also has to pay a heavy fine.

Bribery will corrupt an enterprise and bring unavoidable loss on its commercial fame. It might even be put in the black list by some clients and organizations. Under regulations on anti-money laundering and anti-terrorism, banks, auditors and lawyers have to report any accounts hard to explain or abnormal. The decisions influenced by bribery won't be based on an enterprise's operation and might lead to bad results. Money used in bribery is a loss for an organization. Once stepping in the path of bribery, it is perhaps one of (the path of) no return.



5.3 Position on Public Policies (S05)

Phihong is objective and neutral on public policies and does not participate in any lobbying.

5.4 Legislations Violation and Penalty Records (S08)

Till now, Phihong has no such fined records on violating regulations.



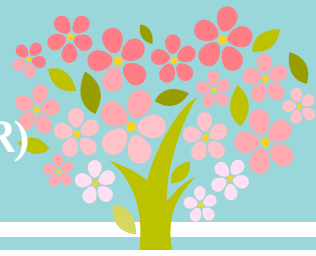


Product Responsibility Index (PR)



- 6.1 Clients' Health and Safety
- 6.2 Products and Service
- 6.3 Clients' Satisfaction
- 6.4 Clients' Privacy Protection





6.1 Clients' Health and Safety

Assessment and modification of safety impact on products and service life cycle (PR1)

Product life cycle refers to the moment a product is manufactured or released, through quick growth, climbs to the peak of sales (maturity) until sales decline and it exits the market into recall. Product life cycle management (PLM) refers to managing a product as the target during the life cycle. The four processes or stages of a product life cycle are concept proposal, design, realization, and service.

In the electronic industry, only products which meet related environmental laws and regulations can enter the market which is why we invest so much effort in developing green products. In order to meet our responsibility to the environment, aside from watching RoHS (EU restrictions on materials used in electronic products), we also watch REACH (EU registration, assessment, allowance and restrictions on chemicals) and global environmental laws. We must have vision and incorporate environmental, sanitation, and safety considerations into the product life cycle, including the stages of concept, design, realization, and service. Introducing green design concepts into the process and using environmentally friendly materials and easy to open packaging is in the realm of supply chain management. Continuing to add green packaging and power usage related strategy and lowering our product impact on the environment can establish and maintain our competitive advantage.

Cases violating regulations on health and safety of products and service (PR2)

At present Phihong has no relevant cases violating regulations on health and safety of products and service.

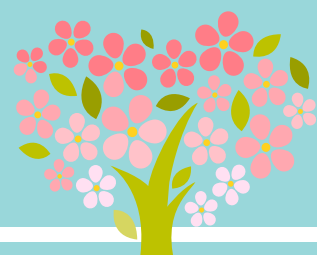
6.2 Products and Service

Information on products and service (PR3)

Phihong designs its products in accordance with international regulations and standards, such as REACH, Chinese China RoHS, South Korean RoHS, European RoHS, etc., 100% in line with them.

Cases violating regulations on products and service information and signing (PR4)

At present we have no relevant cases violating regulations on products and service information and signing.



Market communication and promotion plan in compliance with regulations (PR6)

Product marketing follows regulations such as fair competition. At present there are no specific promotion plans.

Cases violating relevant regulations on market communication (PR7)

In 2011 there were no cases violating relevant regulations on market communication.

6.3 Clients' Satisfaction

Survey and results on clients' service and satisfaction (PR5)

Business units of the group make 2011 Sampling Clients' Satisfaction Survey and send out 50 questionnaires, with 100% return. The overall satisfaction rate of our clients is 81.95%.

6.4 Clients' Privacy Protection

Phihong's Protection Policy on Clients' Privacy

We deeply realize that it is not only an important responsibility, but a must for clients to trust Phihong, to manage properly and protect clients' data and possession. To fulfill this obligation, Phihong will follow all relevant laws and regulations on protecting clients' privacy (privacy policy), and sign up contracts and confidentiality agreement, properly managing and protecting clients' data.

Complaints on spoiling clients' privacy and losing clients' data (PR8)

In 2011 there were no complaints on spoiling clients' privacy and losing clients' data.

Records on violating regulations on products and services (PR9)

In 2011 there were no cases on violating regulations on products and services.

Global Reporting Initiative GRI G3.1 Table

GRI Indexes		Chapter&Content	Exposure Pages
Strategy and Analysis			
1.1	Declaration from the highest office	Words from Management Level	4 ~5
1.2	Descriptions on major impacts, risks and opportunities	Refer to P37-52 in 2011 Annual Report	
Organizational Overview			
2.1	Organization Name	1.1.5 Company Overview	9
2.2	Main brands, products and services	1.1.7 Main Products and Services	12~15
2.3	Operation structure (main BU, sub BU, investment companies)	1.1.6 Global Strategy	10~11
2.4	HQ Location	1.1.5 Company Overview	9
2.5	Countries and Regions of Operation	1.1.6 Global Strategy	10~11
2.6	Legal rights	1.1.8 Patent Development Results and Overview	16
2.7	Markets supplied by products and services	1.1.7 Main Products and Services	12~15
2.8	Organization scale	2.1 Operational Performance	26
2.9	Major changes during report	Words from Management Level	4 ~5
2.10	Major awards during report	1.1.9 Awarded Performance	17
Report Parameters / Overview / Category			
3.1	Report period	Report Overview	2
3.2	Past report dates	Report Overview	2
3.3	Report publishing cycle	Report Overview	2
3.4	Report contact or questions	Report Overview	2
3.5	Report content definition process	Report Overview	2
3.6	Report scope	Report Overview	2
3.7	Report preparation and special restrictions	Report Overview	2
3.8	Subsidiaries, rent, contractor influence on performance	1.1.6 Global Strategy	10~11
3.9	Survey skills and calculating standard on data	Data on finance and environment in the report is all from formal statistic data in the company.	
3.10	Parts identical to previous reports	Report Category	2
3.11	Parts different from previous reports	Report Category	2
GRI Table			
3.12	Table exposing standards	GRI G3.1 Table	67~72



Company Control, Promises and Negotiations			
Company Control			
4.1	Organization control structure	1.3 Company Control	19~21
4.2	Point out if highest manager is also operations manager	1.3 Company Control	19~21
4.3	Independent board and non operations personnel	1.3 Company Control	19~21
4.4	Mechanism for shareholders and employees to give suggestions	1.4 Stakeholders Communication	22~24
4.5	The relationship between the highest management members' and managers of high level's compensation and organizational performance	1.3.1 Executive Board and Functions	19
4.6	Procedures to avoid conflicts on benefits among the highest management members	1.3.1 Executive Board and Functions 5.2 Anti-corruption, Anti-bribery and Fair Competition	19 62
4.7	Inspection procedures on the highest management members' qualification and specialties on economy, environmental protection and society	Corporate Expansion with CSR	7
4.8	Tasks, behavior preparation and principle explanations on economical, environmental and social performance	CSR promises 1.1 The Strategies and Development 2.1 Operational Performance 3.4 Green Products and Products 5.1 Social Service and Influence on Local Communities	7 8~15 26 34 61
4.9	Procedures for the highest management members to manage economical, environmental and social performance, including relevant risks, opportunities, relevant international standards, code of conduct and principles	1.3 Company Control	19~21
4.10	Procedures to evaluate the highest management members' performance, especially their economical, environmental and social performance	1.3 Company Control	19~21
Outside Promises			
4.11	Explanations on the organization's prevention measures or principles	1.3.3 Internal Policy	20
4.12	The organization's claim on its charter, principle on economy, environment and society, or other participation or support	1.4 Stakeholders Communication	22~24
4.13	National or international associations' member	1.3.6 Membership in Associations (Unions)	21
Stakeholders' Negotiations			
4.14	List of groups with related interests	1.4 Stakeholders Communication	22
4.15	Identification of persons with related interests	1.4 Stakeholders Communication	22
4.16	Stakeholders' negotiations	1.4 Stakeholders Communication	22
4.17	Stakeholders' concerned issues and the responses of the organization	1.4 Stakeholders Communication	22



Global Reporting Initiative GRI G3.1 Table

Economical Performance Index (EC)			
EC1	Creation and allocation of direct economic value including revenue, operational cost, salaries, donations, other community investments, reserved profits, etc.	2.1 Operational Performance	26
EC2	Financial load and other risks and opportunities brought by climate change	3.3 Greenhouse Gases	32
EC3	Benefits and scope defined by organization	4.4 Equal Working Opportunities	55
EC4	Main government subsidizing	2.1 Operational Performance	27
EC5	Standard starting salaries of new employees based on sexes and local ratio of the lowest salaries in major operational spots	4.4 Equal Working Opportunities	55
EC6	Ratio of suppliers in area of operations	2.1 Operational Performance	27
EC7	Ratio of local hires vs. high level management	4.1 Labor Relations	38
EC8	Investment and services of public benefit facilities	5.1 Social Service and Influence on Local Communities	61
EC9	Acknowledgement and explanation on obvious indirect economical impact		No exposure
Environmental Performance Index (EN)			
EN1	Material usage	3.1 Raw Materials Usage Amount	29
EN2	Percentage of recycled materials	3.1 Raw Materials Usage Amount	29
EN3	Direct energy consumption	3.3 Greenhouse Gases	32
EN4	Indirect energy consumption	3.3 Greenhouse Gases	32
EN5	Reduce energy	3.2 Energy-saving and Carbon Emission Reduction	30
EN6	Plan to provide products and services with high-efficiency energy and recycled energy	1.1 The Strategies and Development	15
EN7	Plan to reduce consumption of indirect energy	3.2 Energy-saving and Carbon Emission Reduction	30
EN8	Overall water consumption	3.2 Energy-saving and Carbon Emission Reduction	30
EN9	Water consumption's obvious impact on water resources	3.2 Energy-saving and Carbon Emission Reduction	30
EN10	Water recycled rate	3.2 Energy-saving and Carbon Emission Reduction	30
EN11	Located close to the land of protected habitats	3.2 Energy-saving and Carbon Emission Reduction	29
EN12	Impact of events, products, and services to natural habitats	3.2 Energy-saving and Carbon Emission Reduction	29



EN13	Protected or sustained habitats	3.2 Energy-saving and Carbon Emission Reduction	29
EN14	Strategies, present action plans and future plans on managing species' diversity	3.2 Energy-saving and Carbon Emission Reduction	29
EN15	Impact on conserved species brought by operation	3.2 Energy-saving and Carbon Emission Reduction	29
EN16	Overall amount of greenhouse gases directly and indirectly	3.3 Greenhouse Gases	32
EN17	Other relevant indirect greenhouse gases emission amount	3.3 Greenhouse Gases	32
EN18	Results of plan to reduce emissions of greenhouse gases	3.2 Energy-saving and Carbon Emission Reduction	29
EN19	ODS emissions	3.6 Obeying Regulations and Others	36
EN20	Emissions of NO, SO and other important gases	3.6 Obeying Regulations and Others	36
EN21	The overall discharged waste water and destination	3.2 Energy-saving and Carbon Emission Reduction	31
EN22	Total number of waste categorized	3.2 Energy-saving and Carbon Emission Reduction	31
EN23	Major Leaking Events	3.6 Obeying Regulations and Others	36
EN24	The amount of output and input and the ratio of hazardous substances defined by Basel Convention	3.2 Energy-saving and Carbon Emission Reduction	31
EN25	The organization's waste water and runoff's obvious impact on eco-environment	3.2 Energy-saving and Carbon Emission Reduction	29
EN26	Reduce products' impact on their served environment	3.4 Green Products and Products	34
EN27	Ratio of products recycled according to packaging	3.4 Green Products and Products	34
EN28	Record of environmental law non-compliance	3.6 Obeying Regulations and Others	36
EN29	Obvious impact on environment when transporting products and when employees commute	3.4 Green Products and Products	34
EN30	Types of Environmental protection expenditure and investment	3.5 Overall Environmental Expenditure	35

Labor Measures and Reasonable Work (LA)

LA1	Calculate amount of employees based on employed types, employed contracts, and areas, more specifically, on sexes	4.1 Labor Relations	38, 39
LA2	Employee leave rate and ratio by age, sex, and region	4.1 Labor Relations	39, 40
LA3	Benefits of full-time employees	4.1 Labor Relations	42
LA4	Ratio for employees to participate in negotiations	4.1 Labor Relations	42
LA5	The shortest period to notice the change on important work	4.1 Labor Relations	42



LA6	Ratio of laborers in safety sanitation committee		No exposure
LA7	Occupational injuries, diseases loss days and death accident rate divided in accordance with areas and sexes	4.2 Employees' Health and Safety	44
LA8	Plan for supporting employees and their families or communities in training, education, consulting, prevention, and risk control of serious diseases.	4.2 Employees' Health and Safety	44
LA9	Formal Agreement on health and safety with unions		No exposure
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LA11	Employee training hours	4.3 Training and Education	48
LA12	Check the ratio of employees based on report on sexes, regular performance and development	4.1 Labor Relations	38
LA13	Employees grouped by sex, age, and other categories	4.1 Labor Relations	39, 40
LA14	The ratio on basic salaries and compensation between females and males based on operational spots and employees' types	4.1 Labor Relations	38
LA15	Rate of resuming work and rate of remaining in office after maternity and parental leave	4.2 Employees' Health and Safety	43
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HR2	The ratio of important suppliers, contractors and other commercial partners who have carried out inspections on human rights	4.5 Virtues and Human Rights	58
HR3	Discuss employee training and human rights concerns with operations related personnel	4.3 Training and Education	48, 50
HR4	The overall amount of discrimination affairs and adopted corrected measures	5.1 Social Service and Influence on Local Communities	58
HR5	Inspect working models or important suppliers perhaps harming or violating employees' association freedom and group negotiation right and show that the organization supports activities defending the human rights	4.5 Virtues and Human Rights	58
HR6	Develop mechanisms to prevent the hiring of child labor	4.5 Virtues and Human Rights	58
HR7	Inspect forced or compulsory labor and important suppliers and erase all forms of contributions based on forced labor	4.5 Virtues and Human Rights	58
HR8	Related training for security personnel concerning human rights	4.5 Virtues and Human Rights	59
HR9	Violating human rights of local employees	4.5 Virtues and Human Rights	59
HR10	The overall amount and ratio of operational activities inspected on human rights and affected on evaluation	4.5 Virtues and Human Rights	59
HR11	The amount of complains on human rights via formal suiting mechanism, the solved amount	4.5 Virtues and Human Rights	59



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SO1	Ratio of operational activities implementing the project that local communities participate in and that influences evaluation and development	5.1 Social Service and Influence on Local Communities	61
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SO4	Actions taken on bribery incidents	5.2 Anti-corruption, Anti-bribery and Fair Competition	62
SO5	Participate in the lobbying and writing of public policy	5.3 Position on Public Policies	63
SO6	Political donation	1.3 Company Control	21
SO7	Legal action and results of anti-competitive behavior and anti-trust laws	5.2 Anti-corruption, Anti-bribery and Fair Competition	62
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SO10	Prevention or retarded measures on greatly potential or practically negative influence on local communities	5.1 Social Service and Influence on Local Communities	61
Product Responsibility Index (PR)			
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PR4	Cases violating regulations on products and service information and signing	6.2 Products and Service	65
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飛宏科技股份有限公司

PHIHONG TECHNOLOGY CO., LTD.

CSR Report 2011

企業社會責任報告書