



飛宏科技股份有限公司

PHIHONG TECHNOLOGY CO., LTD.



企業社會責任報告書
CSR Report 2012



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 2012 (from Jan 1st to Dec 31st, 2012) and includes the regions of our Taiwan HQ and greater China, excluding divert 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 this report is continuously published 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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Phihong Technology
Chairman

Since the foundation of Pihong Technology in 1972, for over forty years, it has continually been growing up in economic cycles, not only due to its good quality on products and perfect clients' service, but its growing up together with clients so as to see through clients' demands beforehand, thus to provide differentiation service and products and win deep trust from clients. Since the 21th century, green energy and energy-saving have turned to be vital environmental issues. Pihong, besides its constancy on the core principles on products and techniques, further makes green energy deeply rooted, as an important task in its CSR development. CSR means not only responsibility, but also a core value of Pihong, as well as the key element for its perpetual operation.

Recalling 2012, the recovery period caused by prolonged disasters in recent years, and the constant crisis in global economy, all have been hitting the world, the economy and people's wellbeing. What's more, the costs in materials, labor force, and transportation have been roaring up. All these have influenced the development and perpetual operation of enterprises. In 2012, our overall income has not risen up greatly, but the management level and the staff have still been giving all their best diligently to create the most benefits for the company and shareholders.

The global economy is in crisis. Besides, the earth 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 developing green products, investing in R&D on energy-saving LED lights and solar energy. Within our group, we first replace all lights with LED lights, reducing 30% of energy consumption, thus to reduce the hit and load on the environment of the earth and leave our future generations a fresh planet.

This year Pihong Technology elaborated its effort and performance results also with integrity, transparency, openness in the CSR report. In 2013, we will still hold our operational principles, make CSR as our operational blueprint, devote to developing diversified green products, to respond to the global trend of energy-saving and carbon emission reduction, thus to create win-win and wonderful future.



1. About Pihong

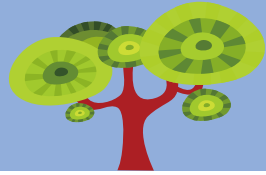


1.1 Strategies and Development

1.2 Organizational Structure

1.3 Company Control

1.4 Stakeholder Identification and Engagement



CSR Promises

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 Pihong's CSR. Pihong 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.

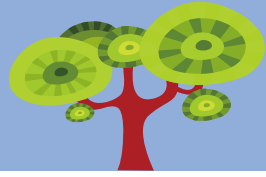
Corporate Expansion with CSR

The Corporate Social Responsibility Management Committee was established in September of 2009 with Pihong's chairman acting as head of committee. The committee is formed with the GM of Pihong along with top executives from China and US regions, in charge of Pihong'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 shown in the figure:



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



1.1 Strategies and Development

1.1.1 Management Principle

Integrity

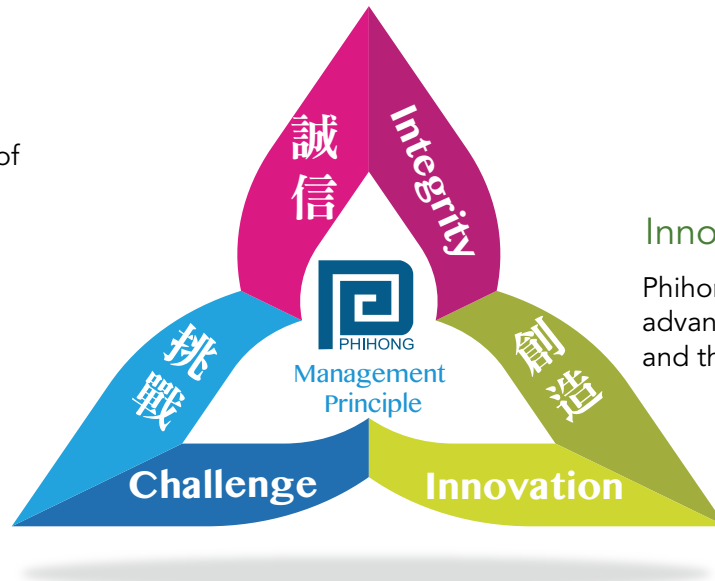
Pihong's corporation core, central thinking of all activities.

Challenge

Pihong's greatest motivation in promoting change and excellence.

Innovation

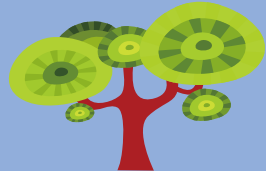
Pihong's competitive advantage in sustainability and the global stage.



1.1.2 Vision

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





1.1.3 Company Overview

Company Name: PHIHONG TECHNOLOGY CO., LTD.)

Chairman: Mr. C.M. Lin

Founded: Dec. 12, 1972

Capital: NTD 2.7716391 Billion

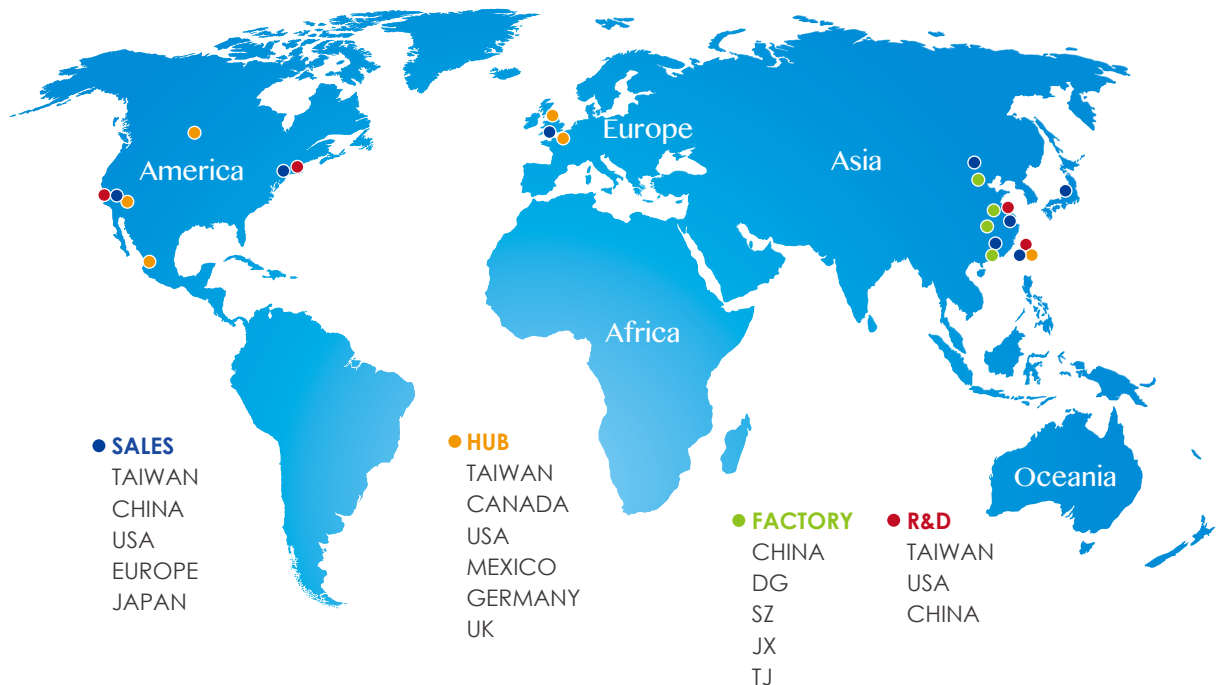
Address: No. 568, Fuxing 3 Rd., Huaya Industrial Park, Guishan Township, Taoyuan County

Tel: (03)327-7288

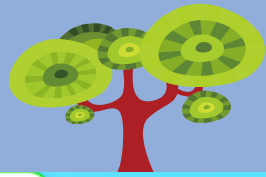
Website: www.phihong.com.tw

Core Business: Research, develop, and manufacture switching power sources, chargers, charging stands, network power supplies, electronic stabilizers, LED drivers, LED energy-saving lights, innovative touch interactive products and develop relevant software, etc.

1.1.4 Global Strategy



We believe that R&D capability with innovation is the key to excellence in products which can compete on the international stage. Center R&D in core technologies in Taiwan, manufacture in China, establish branches in USA and Japan, and firmly grasp our global marketing logistics. Our philosophy is rooting in Taiwan while operating internationally.



Dongguan Dahong Factory



Dongguan Pihong Factory



Dongguan Shuangying Factory



Dongguan Tiesong Factory



Pihong Jiangxi Factory



Pihong Suzhou Factory



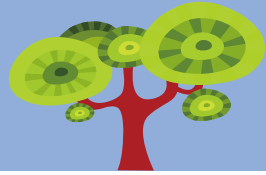
U.S. Branch



Japan Branch



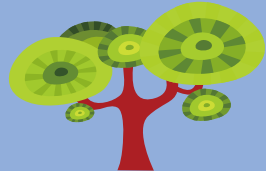
Shanghai Branch



1.1.5 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, as well as LED lightning to provide clients with complete service and product competitiveness. Whether it be R&D progress, manufacturing quality, mass production schedules or cost control, we stand above local corporations and shoulder to shoulder with global leaders.

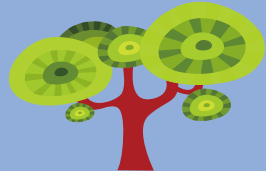
Core Products	Core Usages or Functions
<p>LED Lighting & Driver</p>	
<p>PV Inverter</p>	
<p>Electronic Ballast</p>	<p>Fluorescent Lamp</p>
<p>Wall Mount Adapter</p>	<p>Smart Phone / Tablet Devices / Digital Camera / Game Machine</p>



Battery Charger	Ni-Cd / Ni-MH / Li-ion 
Car Charger	Smart Phone / Tablet Devices / Digital Camera / Game Machine 
POE Power Supply	Networking Devices 
LED Panel Adapter	LED Monitor / LED TV / Projector / LED Video Display Panels 
Open Frame Power	

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 reduction 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 reduction, 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 be linked 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 suppliers mainly for information network equipments, such as Desk top, Ultrabook, 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 TFT/LED TV, HD TV, LCD Projectors, etc.
4. Power Supplies for Lighting:
Provide power supplies for lighting installations, such as Ballast, LED Driver, LED Tube, LED Bulb, etc.
5. Power Supplies for Consumer Electronics:
Provide power supplies for Tablet, MP3, PSX, DVD, smart phones, digital cameras, GPS, SET TOP BOX, etc.

Long-term, Short-term Business 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.

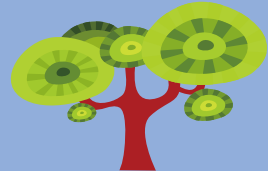
Green products saving energy and reducing carbon emissions are the aim for kinds of applied products, enhancing the images of products and the enterprise, catering for clients' requirements for green supply chains.

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, etc., 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. Production Strategies:

Improve product efficiency. Catering for clients' demands on products and 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.

1.1.6 Patent R&D Results and Overview

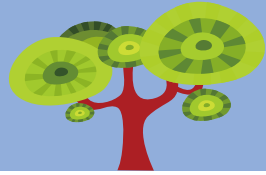
Pihong not only focuses on production management for our own products, but we value the registration of patents through professional companies to protect our intellectual property. We also respect the intellectual property of others and abstain from infringing on the rights of others which is why we 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.

Until now, aside from participating in the development of pioneering technologies in power supplies, to cater for the global trend of saving energy and reducing carbon emissions, we also conduct R&D and innovation in reducing power consumption, without any waste of energy when using power supplies; we are also constantly improving circuitry design and power supply stability. With improvement in touch (panel) technology, Pihong is gaining steady footing in this field and registering patents. In 2010 we have secured patents for infrared touch table structures and waterproof (touch panel) table tops in Taiwan. Since 2011, besides previous touch (panel) technology and continual R&D and application on power, circuitry, we expand our business into lighting. In 2012 R&D on relevant lighting technology started, entered the application phase, and some have registered patents. We believe that in the near future, these patents will not only bring a new wave of technological innovation, but help consumers enjoy a more convenient lifestyle.

Year	Applied Field (Items)					Total
	Power	Circuitry	Touch Technology	Lighting	Other	
2009		2	1	1		4
2010			2			2
2011	2	2	3	1		8
2012	4		2	3	1	10

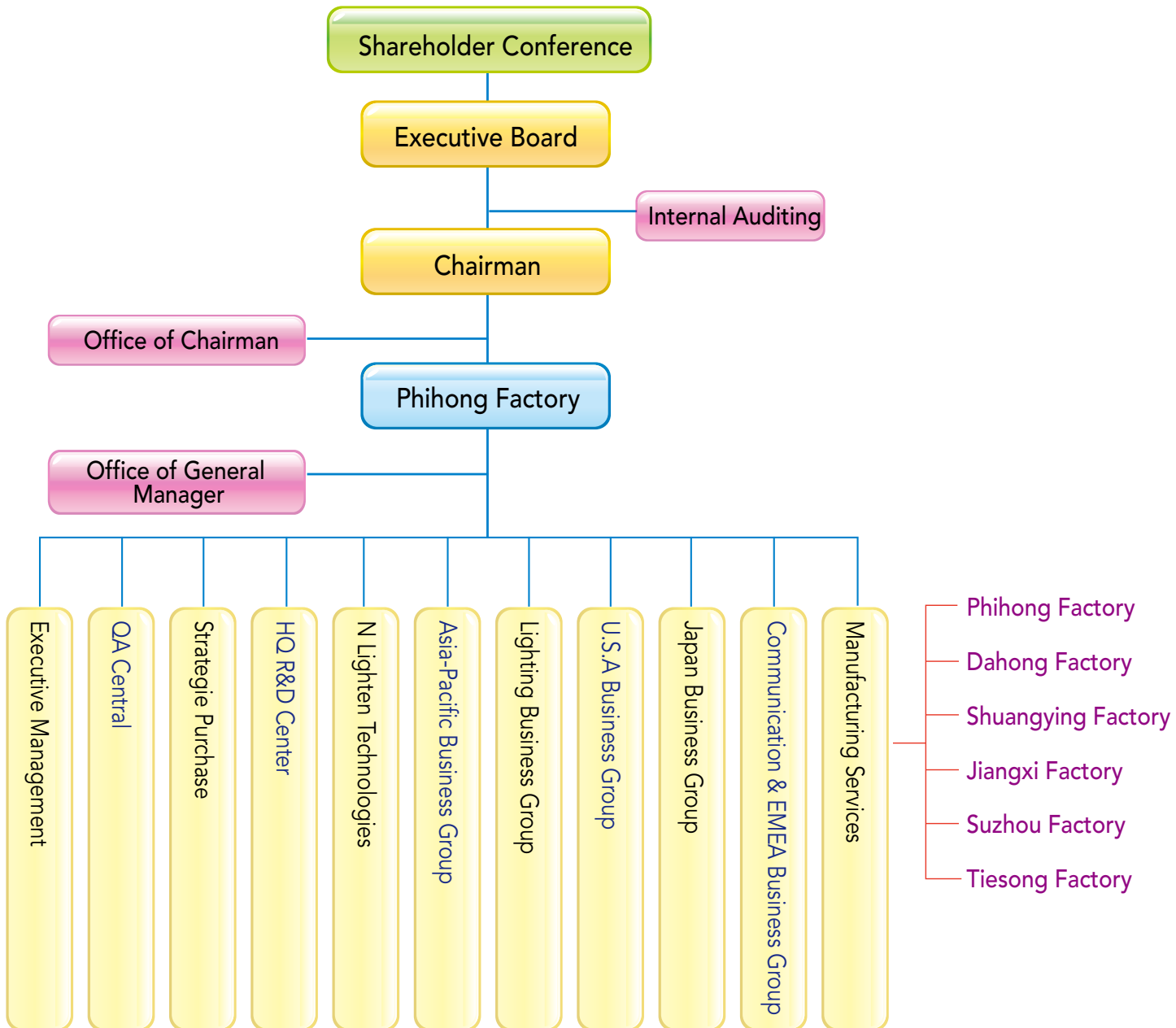


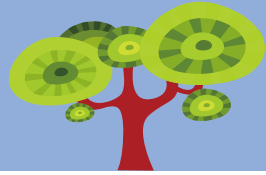
Multi-touch LCD



1.2 Organizational Structure

Pihong Group is an enterprise led and managed by Chairman Mr. C.M. Lin. 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 and Asia-Pacific Business Group.

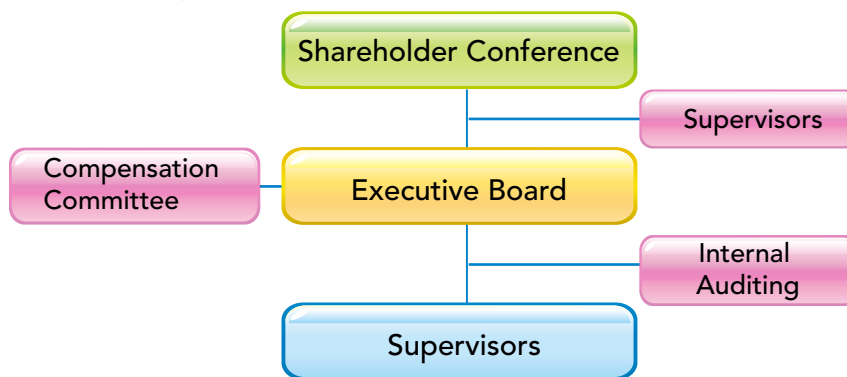




1.3 Company Control

Pihong Technology was founded in 1972 and the paid-in capital is NT\$2.7716391 billion, which was below the scope that independent directors have to be established forced by FSC. Among board members and supervisors, more than half are non-operating members qualifying for independent directors and are playing dual roles as supervisors for checking and balancing and decision supporters, similar to the roles as independent directors.

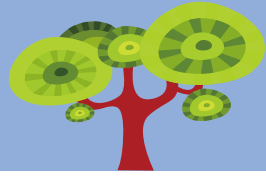
We believe that high quality management of the company is the best method of ensuring that we operate at our best. This philosophy is the highest guiding principle in balancing the benefits of all stakeholders. "Maintaining good company management while adhering to corporate morality and business standards" 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.



1.3.1 Executive Board and Its Functions

Control of Pihong Technology is held by the shareholder conference where executive board members were chosen 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://172.1.1.11/reports/YR130607145226.pdf>

In terms of company control, managers are appointed by the board and their compensations are negotiated and determined by Compensation Committee appointed by the board, while department heads are appointed and removed by managers. The board conference 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, environmental protection, the assessment of CSR, adherence to international standards, and establishment of regulations. Conflicts of interest will be deferred while conflict content, names of board members, reasons of conflicts and resolutions will be fully recorded to ensure maximum benefit for company control. In 2012, the chairman called seven board conferences with an attendance rate of 85.71%. The board will decide how stock is allocated on the shareholder conference 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 Pihong 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 at least two regular sessions annually. Three committees own the right to vote and Mr. Hong Yuyuan was recommended as the president. In 2012 four regular sessions were held in all.

1.3.2 Information Transparency

We have a spokesperson, deputy spokesperson, and service mailbox to act as a medium in maintaining good communications with shareholders. Through interviews, 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 shareholder conference. Shareholders with more than 1% stake can use shareholder proposal right to pass suggestions to the board and the management level for reference and decision. Whether their suggestions are executed, shareholders will be responded and thanked via letters.

Due to information transparency, the finance department is equipped with dedicated stock personnel, and provides accurate and updated information on Market Observation Post System of Taiwan Stock Exchange and on our corporate website (www.pihong.com.tw). All stakeholders can see our latest operations overview, financial reports, and other related vital information. In 2012, we received a grade of A+ from the Securities & Futures Institute for information transparency. We will continue to work hard to ensure that our information transparency will be further improved.

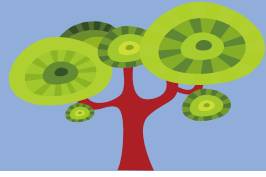
1.3.3 Internal Auditing Implementation

Internal auditing is managed by the board and issues periodic and non-periodic reports to the board. It implements auditing in accordance with eight major facets. Internal auditing encompasses all finances, business, and other operational management functions. Through routine or project based auditing, problems with internal auditing can be found and solutions proposed in timely manner and reported to the chairman. Results and current condition will be reported during board conferences to realize the spirit of company control.

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 policies 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 buy responsibility insurance of international criteria for all members of the board and key personnel to insure the benefits of shareholders and reduce operational risks.

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 (SO6)

Pihong 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)

Pihong 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, Pihong 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., Friends of the Police Association in Taoyuan County, etc.

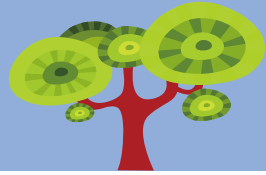
1.4 Stakeholder Identification and Engagement

To cater for the mainstreaming trend of CSR concept, TWSE and GTSM together formulated "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies" and listed respect on stakeholders' rights as a vital basic measurement on the corporate's implementation on social responsibilities. Targeting this issue, we adopted a systematic method to identify our important stakeholders: shareholders, customers, employees, community residents, suppliers, vendors, governmental authorities, scholars and experts, engineering advice and design units, NGO and media. Manage the cycles based on PDCA (Plan, Do, Check, Act Cycle) and identify whether stakeholders have adopted principles such as inclusiveness, essentiality, responsiveness in the discussion of key issues. Through diversified communication channels, learn about issues concerned by stakeholders. These issues then are collected by CSR Committee secretary and discussed in the committee conference, identifying the priorities of the concerned issues and putting vital issues into annual working projects.

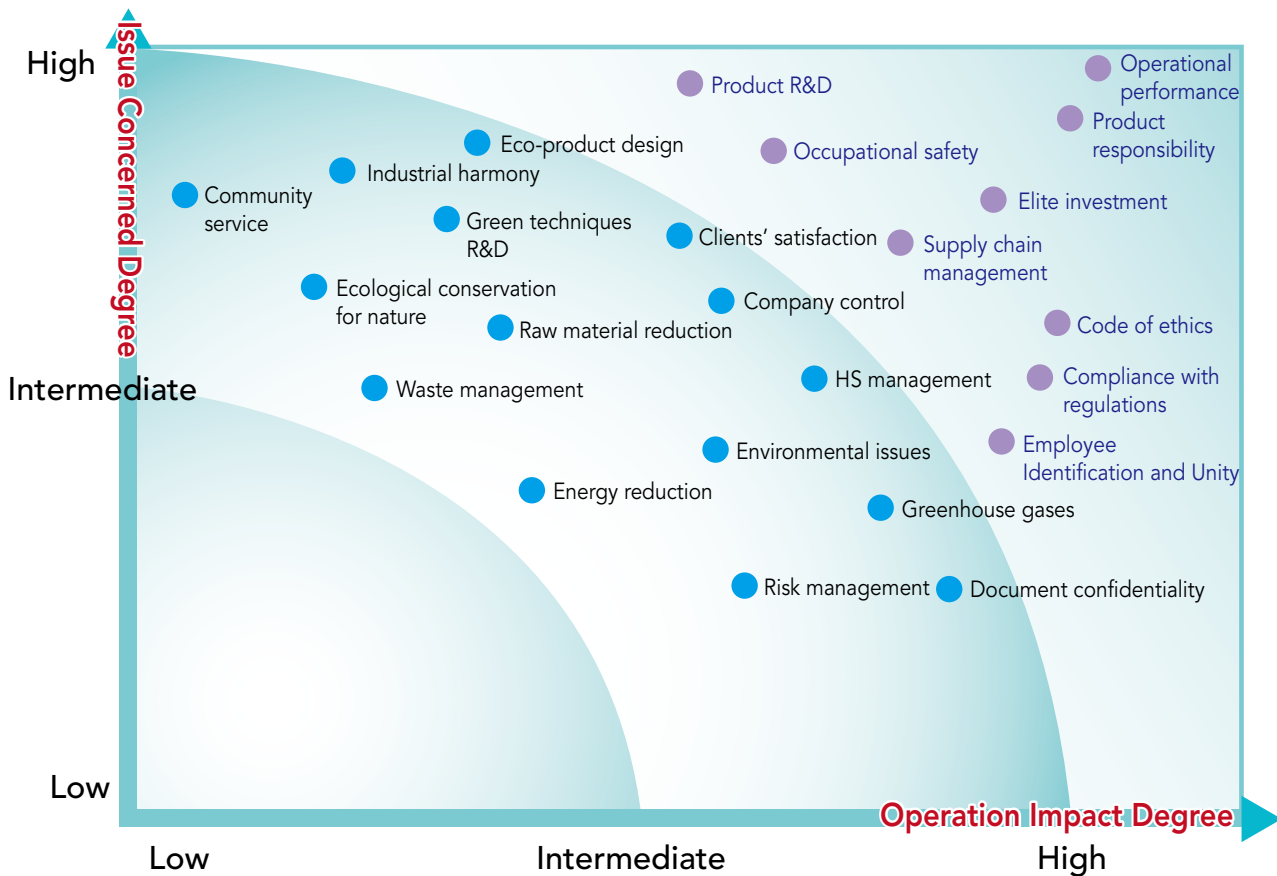
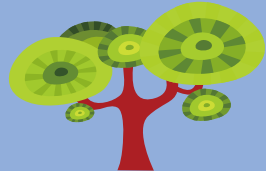


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About Pihong



Stakeholders	Communication Approaches	Vital Concerned Issues	Responsiveness on Issues
Suppliers/ Outsourcers	Information E-platform in Supplier Area/ Suppliers' Conferences	Environmental management substances (HSF), safety, sanitation, metal conflict-free policy, green outsourcing	Through the information platform, suppliers can instantly obtain Pihong's latest management criteria and information, evaluation on suppliers' performance and credit.
Clients	Telephone meetings, visiting clients, survey on clients' satisfaction	Environmental management substances, product quality, quality safety, service quality	Through connecting clients, we make clients understand and ensure that Pihong's products adhere to all related regulations.
Shareholders	Legal person press irregularly, annual shareholders' conferences, service mailbox and Pihong's official website	Operational outlook, overview on market, production and sales, financial information, transferring investment policy, environmental protection policies and dividend policy	<ol style="list-style-type: none"> 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. 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 discussion and decision. Whether suggestions are executed, shareholders will be responded and thanked via letters. 3. Pihong's website: "Investment Garden" exposes the latest financial information, company control and major events. "CSR Area" publishes complete CSR reports.
Employees	Internal e-bulletin board, letters/ e-mail, department conferences	Labor rights, compensations, communication and complaint channels, competence development	Convey information through e-platform for HR Service Center, face-to-face communications between supervisors and employees, Employee Benefits Committee, job rotation, innovative proposal system
Communities	Pihong's official website, mailbox, regular park conference, irregular visits and exchanges	Environmental protection, disaster response, social service, energy-saving and carbon emission reduction	Regularly inspect indexes on environmental pollution and waste water discharged, formulate measures on disaster response, promote social services, sponsor local community and school activities, participate in community activities on safety and protection and environmental sanitation
Governmental Authorities / NGO	Pihong's official website, e-mail, spokesmen	Environmental regulations, labor rights, company control, information transparency degree, obeying regulations, compliance with regulations	Policy and regulation research societies and training courses, seminars, public hearing, regular regulation reviews



1.4.1 Pihong and Employees

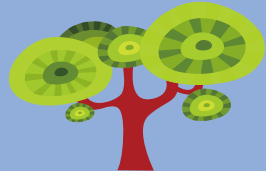
Only through a good communications method can a company establish tight and transparent interaction with employees, thus to create the greatest benefit and harmony for both parties. A two-way communication method expresses the corporate's policy and principles and sincerely listens to the voices of employees 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 that we will always fully understand and satisfy clients' demands, and constantly improve ourselves. Aiming at perpetual operation, Pihong makes bold changes, keenly master and respond to changeable market and changing realities. Furthermore, through internal effective communication, full empowerment and tremendous joint effort, we constantly conducts innovations and develop competitive new products.



1.4.4 Pihong and Suppliers

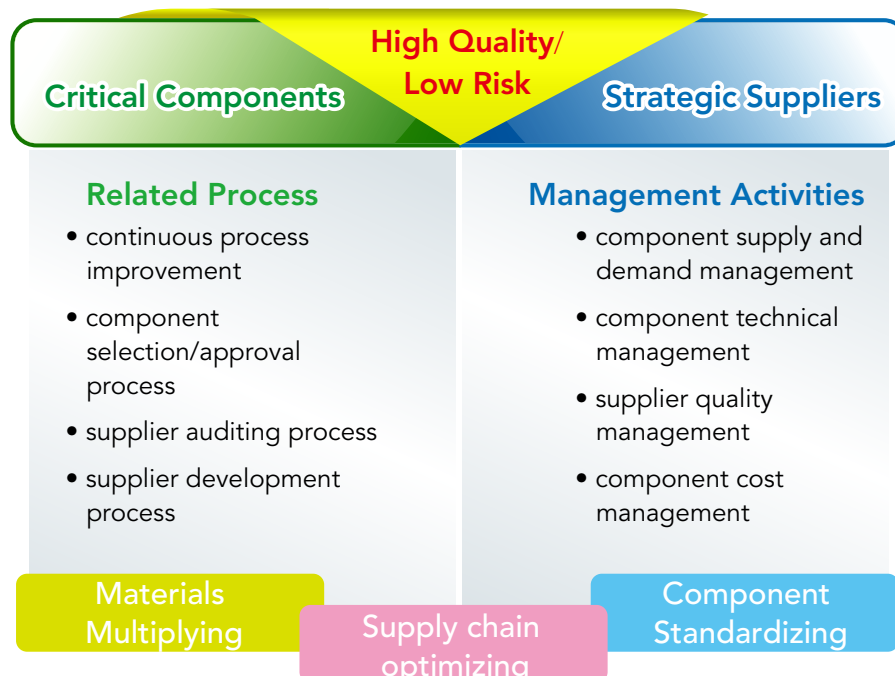
We choose suppliers through our internal platform to ensure that suppliers provide products which are high in quality and low in risk. Aside from periodic assessment towards the price, quality, technique, and delivery of suppliers, we also assess the management of critical components to reduce risk.

Supplier management key points are as follows:

1. Component selection and approval
2. Supplier auditing
3. Development of new suppliers, the 2nd source, the 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.



2. Economic Performance Index (EC)



2.1 Market and Production&Sales

2.2 Corporate Development and Operational Performance

2.3 Policies and Management on Suppliers

2.1 Market and Production&Sales



2.1 Market and Production&Sales

Market Analysis

1. In the last two years sales proportion (domestic/export) and sales regions on major products are as follows:

A. Sales Proportion

Major Products \ Year	2011	2012
Power Suppliers	99.16%	99.67%
Electronic Materials	0.83%	0.33%
Semi-finished Products	0.01%	-
Total	100.00%	100.00%

B. Regional Operational Income

Unit: NTD Thousand

Region \ Year	2011	2012
Taiwan	441,250	470,855
America	6,704,613	3,719,379
Asia	4,136,270	5,662,403
Europe	1,326,798	922,970
Other	10,023	3,253

2. Major Competitors and Market Share

Our major products are power suppliers, and at present there are amounts of manufactures on power supplies at home and abroad. Furthermore, the application scope is so extensive that it is hard to define the overall market share. Only take portable power, our main product as example and our sales on this product take up around 20% of the market share.

3. Status of Supply&Demand and Growth in Future Market

We make the manufacture of power supplies as the major operational item and are one of the major suppliers in power supplies adopted by international mobile phone factories and Internet equipment factories. We have also actively stepped into other applications such as 3C, LED products and intelligent control.

The application of power supplies is quite extensive, indispensable to products such as PC, telecommunications, Internet, photoelectric, precision instruments and information appliances. 85% of them are used in consumer electronics, mobile telecommunication products, PC and its peripheral devices. Due to the high interrelation between power supplies market and electronics industry, after the financial crisis in 2009, the market demand in electronics has been gradually picking up and thus it is predicted that the market demand in power supplies will also be slightly increasing, but with declines in profits and unit prices.



2.2 Corporate Development and Operational Performance

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

In 2012 the economy was at a standstill in America, financial turbulence took place in Europe, all of which implicated an unusual uncertain outlook for the economy to bounce back and caused a decrease in revenue and profit in 2012 than in 2011. In the future Phihong will continue to research and develop professional products which meet international green trends, devote to developing products with high added values, thus to uplift the overall profitability; we will also adopt diversified arrangement strategy and establish global marketing network to go ahead with the aim of perpetual operation.

Financial Performance Statement

Unit: NTD Million

Item	Year		2012		2011		2010	
Revenue	11,883	100%	14,385	100%	15,775	100%		
Gross Profit	2,302	19%	3,589	25%	4,490	28%		
Operating Expenses	1,830	15%	2,135	15%	2,361	15%		
Net Profit	472	4%	1,454	10%	2,129	13%		
Pre-tax Net Profit	481	4%	1,920	13%	2,168	14%		
Income Tax Expenses	186	2%	515	4%	533	3%		
Net Profit After Tax on Consolidated revenue (including a few equities)	295	2%	1,405	10%	1,635	10%		
Retained Earnings	2,052	17%	2,738	19%	2,370	15%		

Data source: Consolidated Financial Statements

Major Governmental Subsidies (EC4)

As per Industrial Innovation Act, the R&D of Phihong is susceptible to rent and tax deductions.



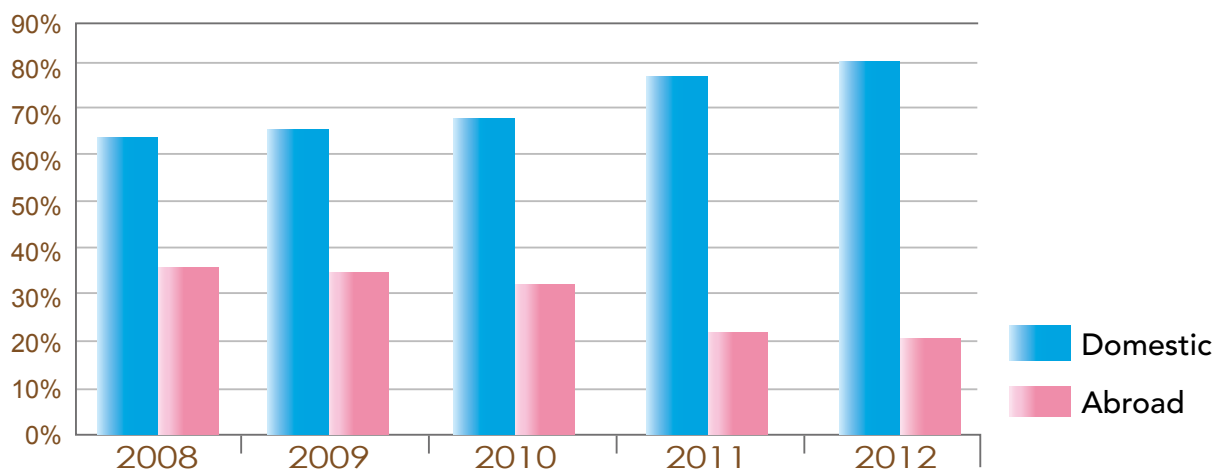


2.3 Policies and Management on Suppliers (EC6)

Phihong takes necessary measures with our upstream suppliers in regards to issues such as HSF, risk management mechanism, and environmental sanitation to establish a complete green supply chain for our green products. As to recruiting procedure in supply chains, we, based on the future product trend and outsourcing strategy, conduct surveys whether potential suppliers' management system including production capability, technical innovation, quality and service complies with the requirements as future cooperated suppliers. When Phihong evaluates new suppliers, an evaluation team will be established including outsourcing, QA, R&D and engineering departments. It will audit the overall capabilities of suppliers and finally review and approve the qualified ones. Only those passing the review of the evaluation team are qualified to be Phihong's suppliers and then start testifying new products.

The reviewed aspects on suppliers consists of: basic data of the company, product information, major clients and financial status, Outsourcing Obligations with Phihong and other relevant contracts, suppliers' green control procedures and green product promise, as well as survey on their social responsibility and environmental safety and sanitary. In terms of outsourcing strategy, Phihong shortens material delivery period and lowers inventory to increase our competitive advantage while advises local suppliers to increase outsourcing ratio to provide more local career opportunities and enhance local economic development. Outsourcing proportions at domestic and abroad are as follows:

Region\Year	2008	2009	2010	2011	2012
Abroad	36.29%	35.26%	31.44%	21.72%	19.81%
Domestic	63.71%	64.74%	68.56%	78.28%	80.19%



3. Environmental Performance Index (EN)



3.1 Raw Materials Use Volume

3.2 Energy Saving and Carbon Emission Reduction

3.3 Greenhouse Gas Inventory

3.4 Green Products and Services

3.5 Overall Environmental Protection Expenditure

3.6 Obeying Regulations

3 Environmental Performance Index (EN)



3.1 Raw Materials Use Volume (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 2012

Type \ Weight	2011	2012
Silicon	139	118
Plastics	2,787	2,341
Paper	734	615

Percentage of Recycled and Reused Materials in 2012

Type \ Weight	2011	2012
Silicon	10 %	10 %
Plastics	18 %	20 %
Paper	45 %	50 %

Unit: Metric Ton

3.2 Energy Saving and Carbon Emission Reduction (EN5 \ 7~15 \ 18 \ 21~22 \ 24~25)

Phihong'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)

In post-Copenhagen era, green proposes are more and more popular and being green is urgent. Phihong, starting from the social responsibility of protecting the earth, formulates principles such as low consumption on energy, recycling and waste reduction, to reduce the impact on the environment, launches green and low-carbon activities, and gradually adjusts its practices in different phases. On hardware, it invests huge capitals to exchange for energy-saving devices. When manipulating policies, being environmentally friendly is also considered as the premise. It is really delightful that brilliant achievements have been made till now. (EN18)

The plan and the effectiveness are as follows:

Electricity Consumption: (EN5, EN7)

1. Lighting by stages and zones: In the daytime, let natural light in through the patios. Thus it will not only reduce electricity consumption on lighting, but also the electricity consumption on air-conditioning to drive away heat radiation from lighting devices.
2. Replace with energy-saving lights: Replace with energy-saving lights completely in the group, as well as in factories. Till the end of 2012, PHC has replaced 4,331 sets, saved power high up to 82,429 kw and reduced carbon emissions 77.02 metric ton.
3. At the end of 2012, PHT, HQ in Taiwan introduced intelligent power management system. Accurate power analysis can be conducted through "Power Inspection" in the system, thus to find devices consuming huge amounts of electricity. Further with "Demand Management", the optimal contract capacity can be achieved, thus to avoid the dilemma of being fined by Taipower owing to the excess, and realize the purpose to reduce the signed value of contract capacity.
4. Dongguan Factory in the mainland also actively introduced energy-saving heat pump project at the end of 2012, with the aim to reduce carbon emissions more responsibly. Heat sources recycled via heat pump system can provide heat water for the whole building as employees' dorms; the waste chillers produced can also replace some of the air-conditioning in the building. It fully inspires the environmental effectiveness of recycling and reusing. It is one stroke, but with many achievements.

3 Environmental Performance Index (EN)



Water Usage: (EN8 \ EN9 \ EN10)

Water is a must in human activities and natural eco-system. The global water resources are fewer and fewer and Phihong regards it important and treasured resource; therefore, we supervise monthly the group's water consumption and try to save as much water. In 2012, Phihong and major factories consumed 347,391 metric ton water in all.

Water Usage Statistics	2011 (ton)	2012 (ton)
PHT (HQ)	8,449	8,851
PHC (Dongguan Factory)	317,240	338,540
Total	325,689	347,391

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. (EN22) All wastes are passed to certified agencies to be discarded or destroyed, without being sent abroad at all. (EN24)

Waste Statistics	2011 (ton)	2012 (ton)
PHT (HQ)	28.05	28.54
PHC (Dongguan Factory)	845.66	988.38
PHCJ (Tiesong Factory)	365.33	726.44
Total	1,239.04	1,743.36

Equipments for waste water discharged are set up in Phihong and its factories. Before discharging waste water, we 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 approved 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 authorities.

3 Environmental Performance Index (EN)



The organization's waste water and runoff's significant impact on eco-environment (EN25)

There is no waste water generated from manufacturing processes due to the operating mode in PHT and its factories. Most waste water is from employees' office working and living. Except rainwater, all waste water will be pre-treated and then discharged into waste water system in the park. Therefore there is no direct impact.

Ratio of recycled products and the packaging materials (EN27)

Resource Recycling Zones are established in PHT and the factories. All packaging materials such as cartons, wood, and plastics will be recycled, reused and remade into industrial materials.

Our electronic products, components and packaging modes, with the introduction of 3R (Reuse, Recycle, Recovery), the recycling design concept, will be more friendly to the environment and more effective in recycling. As to the packaging on models with huge shipments, barter trade is adopted. Anti-static plastic turnover boxes and pallets are used in packaging and are regularly recycled from clients, testifying our high responsibility on environmental protection.

Significant impact on environment when transporting products and when employees commute (EN29)

It has been calculated in product life cycle evaluation and transferred as the environmental load of the products.





Sustainable Environmental Protection – Green and Low-carbon Activities

- Since 2006, we have promoted many specific activities on sustainable environmental protection as follows, in order to reduce pollution, emissions and waste.
- Implement comprehensively "disposal personal items reduction". In the caf? for employees, environmentally friendly tableware is provided for all and annually it will reduce the usage of bamboo chopsticks by 80,000 pairs, equivalent to the reduction of 0.5 metric ton waste, or the reduction of 4.16 metric ton of CO2 emissions. It will hugely reduce waste and effectively protect the environment.
- In all factories, the wastes are classified, waster paper is collected, rechargeable batteries and packed pentels are used, and the fridges are shared, etc.

As to office machines, "paperless, less paper" is introduced on fax receiving. Offices on the same floor share a photocopier and a network printer, in order to reduce electricity consumption of office machines.

- Comprehensively reclaim personal dustbins in office zones and set up public classified dustbins in accordance with classification principle issued by EPA, in order to "classify and recycle resources, and reduce waste".
- Implement e-administration, introduce electronic check system and promote digital signature. All documents on policies and announcements are issued via e-mail, reducing unnecessary paper waste. Colleagues are required to reuse paper, to reduce tree cutting and show more care on the earth.

These specific green and low-carbon measures are demonstrations of Pihong in its social responsibility. We try our best to improve in hardware, and all staff coordinates on policies. As long as we are sincere, small changes will make great difference. Let's together infuse more hope in keeping the sustainability of the earth.





3.3 Greenhouse Gas Inventory

Greenhouse Gas Management Strategy

We have been following the issues on global climate changes, and spare no effort in slowing down greenhouse effect. Our policy on energy-saving and carbon emission reduction is: "Keep to the concept of sustainable development, research and develop efficient energy-saving products, constantly promote the application of techniques on energy-saving and carbon emission reduction".

We constantly conduct greenhouse gas inventories and reduction measures in accordance with the policy above (EN18):

- On organizational level: Conduct greenhouse gas inventories in accordance with ISO14064-1. Within the group, gradually establish database on emissions, identify and analyze all emission sources, and further formulate plans and goals on emission reduction.
- On product level: Adopt new techniques to develop products with high efficiency and low energy consumption, thus to reduce greenhouse gas emissions within the life cycle of products.

Implementation Effectiveness on Greenhouse Gases

To fulfill the responsibility on environmental protection as the corporate, Phihong is duty-bound on energy-saving and carbon emission reduction as a huge supplier of power supplies. We devote ourselves to reduce greenhouse gas emissions by 10% in Dongguan Factory by 2015 (on the basis of the emissions in 2010) (EN7). We set up a special unit to manage greenhouse gas emissions. Annually we conduct greenhouse gas inventories in accordance with ISO14064-1 and establish database, make statistics and analysis on all emission sources and formulate emission reduction plans, regularly present greenhouse gas management performance to the highest management level, as the reference for them to make decisions for the further development of the company. (EC2)

We set 2010 as the benchmark and use operational control to conduct inventories on greenhouse gases regularly every year. In 2012 we inspected two manufacturing factories (Dongguan Factory and Tiesong Factory) which released 1,033.55 ton CO₂e directly (EN3), and 17,370.89 ton CO₂e indirectly (EN17), and the overall amount is 18,404.44 ton CO₂e. (EN16)

In 2012, in Dongguan Factory and Tiesong Factory, the energy consumption and the emission amount of greenhouse gases directly and indirectly are analyzed as follows:

Factory	Greenhouse Gas Emissions Directly (Category 1)				Greenhouse Gas Emissions Indirectly (Category 2)	Overall Emissions
	Diesel	Gasoline	Other	Total	Emissions from Purchased Electric Power	
Dongguan	283.81	76.08	382.49	742.38	13,633.79	14,376.17
Tiesong	133.03	8.35	149.79	291.17	3,737.10	4,028.27
Total	416.84	84.43	532.28	1,033.55 (5.6%)	17,370.89 (94.4%)	18,404.44 (100%)

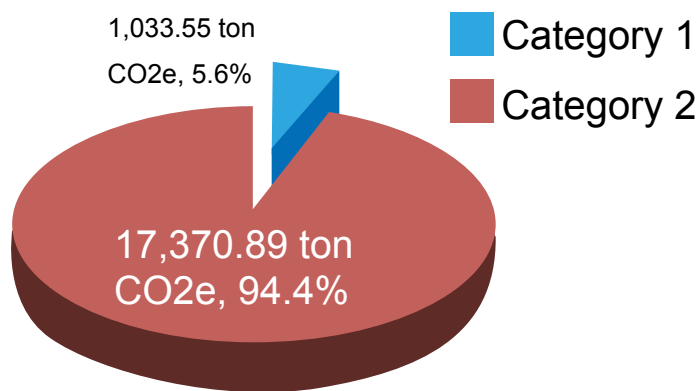
3 Environmental Performance Index (EN)



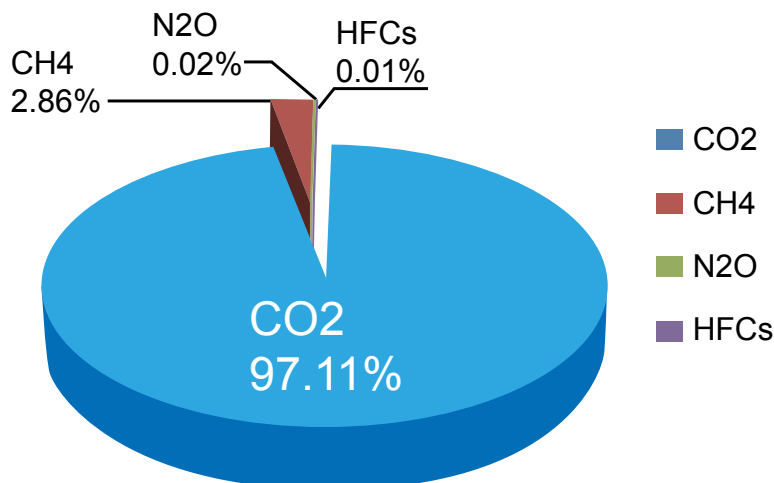
Note 1: Direct greenhouse gas emissions (Category 1): They include fixed devices' fuel burning, emissions in manufacturing processes, burning in moving transportation, dissipated emissions (such as firefighting devices, refrigerants). The overall direct emissions are 1,033.55 ton CO₂e / year, around 5.6% of the total emissions.

Note 2: Indirect greenhouse gas emissions (Category 2): They are mainly from purchased electric power. The overall indirect emissions are 17,370.89 ton CO₂e / year (EN17), around 94.4% of the total emissions.

Note 3: In 2012 indirect greenhouse gas emissions from other energy resources, are just used to identify the emission sources and we haven't collected the actual emission data of the emission sources.



Greenhouse Gas Emissions in 2012						
Types	CO ₂	CH ₄	N ₂ O	HFCs	PFCs	SF ₆
Emission equivalents (ton CO ₂ e)	17,872.36	525.88	3.77	2.43	0.00	0.00
Percentage	97.11%	2.86%	0.02%	0.01%	0.00%	0.00%
Total: 18,404.44 ton CO ₂ e						





3.4 Green Products and Services

Phihong, when developing a new product, will evaluate its environmental aspect in its whole life cycle. We always start with the aim of prolonging product longevity, by using components of durability, non-toxic, high efficiency, high quality and emphasizing prolonging the durable longevity of the product. In the meanwhile, it should be easily disassembled when the life cycle of the product ends, effectively reused on its recyclable parts, as well as the environmentally friendly features relevant with the product. We are also seeking other possible alternative techniques, to avoid excessive exploitation and consumption on the limited resources on the earth, and realize the purpose of saving resources, thus to enhance environmental performance of the product and develop more products friendly to the environment.

As to the evaluation on the life cycle of a product, it should be conducted on the following aspects: the exploitation of raw materials, manufacturing, packaging, transporting, installation and maintenance, using and the final disposal stage of the product. In accordance with WEEE (Waste Electrical and Electronic Equipment), RoHS (Restriction of Hazardous Substances), and RoHS 2.0, evaluate the weight and volume of the product, and the recycled materials to avoid using substances probably harmful to the environment. Evaluations will also be conducted on the using amount of materials and components, using of standardized components, disassembled time, special tools for disassembling, as well as signs on materials and components. Easily recyclable materials should be adopted. Hazardous substances or components should be easily separated from the product. Components which are not easily to be recycled should be disposed.

We design our 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 disassembled structures, recycling packages and transportation ways, to enhance transportation convenience and save space, and effectively lower the impact on the environment. In the whole product life cycle, we aim at shortening manufacturing period, reducing wasting resource, reducing waste, optimizing resource recycling and cycling. (EN29)

Phihong, with the concepts of perpetual operation and being green, aims at quality assurance on all clients. Through strict green components recognition and management mechanism, design green products in compliance with relevant green regulations, and strengthen the upper suppliers' management capability on green components, formulate forbidden/limited substance control regulations and procedures, and structure information system to collect more information. At the same time, we abide by the following design principles:

1. Prolong product longevity
2. Easy disassembly and assembly, convenient in manufacturing and for clients to reclaim electronic and appliance device
3. High recycle potentials, making the recycling more environmentally friendly
4. Adopt electronic components in compliance with environmental protection criteria, try to manufacture non-toxic products and reduce waste on materials and resources
5. Reduce energy consumption and CO2 emissions



3 Environmental Performance Index (EN)



Manufacturing Criteria for Green Factories

As to selection qualification on green suppliers and the whole manufacturing process of a product, to reach clients' strict requirements, we adopt suppliers' management system and establish suppliers' evaluation mechanism, effectively controlling the quality of green supply chains, and making sure that within the suppliers there should be excellent management system on hazardous substances, thus to provide components with high quality for the clients, which indicates that we comply with requirements in RoHS, RoHS 2 and WEEE; further enhance the manufacturing of products without halogens. Besides, as to REACH's regulation on SVHC, we are also closely tracing the latest dynamics of regulations, demand suppliers to cooperate with relevant survey, and put 138 substances (Dec. 20, 2012) lately required by REACH into the internal technical document on controlling hazardous substances.

Outsourcing Policy on Green Components

Adopt green components provided by qualified suppliers to manufacture green products. Audit and review suppliers through on-spot management system, thus to establish complete and fast supply system of green suppliers.

Conflict Minerals Forbidden in Supply Chains

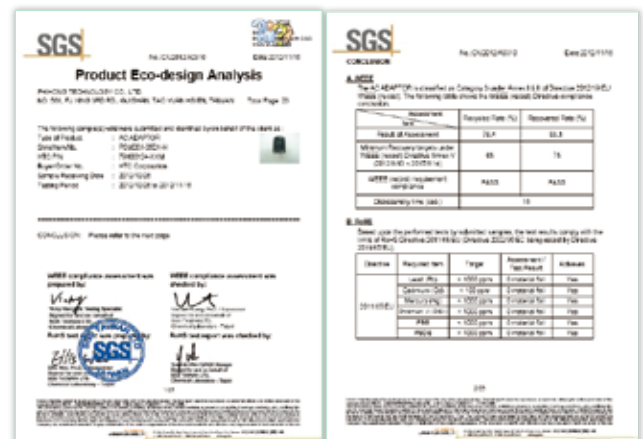
Phihong absolutely prohibits the use of conflict minerals in its supply chains, and demands suppliers to fulfill their social responsibilities and support international justice and peace. We reject "conflict minerals" from Congo and its surrounding countries and regions. Conflict minerals include Co, Au, Pd, Ta, Sn and W. We demand suppliers to make a deep survey and trace all sources (including smelters) of potential conflict minerals in all the products, and guarantee that these metals should come from qualified smelters approved by EICC. We also pass the information on prohibiting conflict minerals to upper suppliers of raw materials.

Green Manufacturing Process Management System

We comply with the certification strategy of IECQ QC080000, and introduce green manufacturing processes into systematized management, making it systematized. Take desktop and portable XRF and ICP inspection devices for example. We constantly conduct inspection and control on selected components and sub-materials, that is, conducting internal constant inspection. (EN26)

As to the management of packaging materials, we completely prohibit using Pb, Cd, Hg, Cr6+, and PVC, replace PU with base spacer, thus to reduce the use of foam cotton materials (EPS, EPE, EPP, EPO). Products are designed into the direction of modularity, standardization and energy-saving. Through analysis software, optimize the design of products. Through analyzing structure strength, predict the deformation rate when products are under the strain. Select the most simplified materials to reduce the consumption of resources.

Through the introduction of 3R (Reuse, Recycle, Recovery), the recycling design concept, the electronics and components manufactured by Phihong will be more friendly to the environment and better comply with the recycling rate required by WEEE. We take periodical environmental problems in the life cycle of the electronics into consideration when designing. WEEE requires that the criteria on 3R materials is 75%, while many green products manufactured by Phihong have been far beyond the criteria on using 3R materials. We have developed and will develop more products in harmony with the environment, to bring as less harm to the earth as possible. (EN27)





3.5 Overall Environmental Protection Expenditure (EN30)

■ Statistics on Environmental Expenditure in 2012

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	NTD 865,540
(2) Save costs on resource consumption Costs to save resources (such as water, electricity)	NTD 6,260,014
(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 wastes)	NTD 3,982,064
2. Reduce indirect costs of environmental load (management fees on 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	
(5) Added fees on purchasing products on environmental protection	NTD 556,707
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	NTD 195,784
Total NTD 11,860,109	

■ Statistics on Environmental Benefits

Waste recycling in business	
Offcuts of electronic components, disabled computers	NTD 12,376,036
Benefits from environmental influence	
CO2 emission reduction	155.7 ton

3.6 Obeying Regulations

There was no violation on environment in Phihong in 2012. (EN28)

ODS emissions (EN19)

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 incident (EN23)

There was no chemical leaking incident in Phihong in 2012.

4. Labor and Human Rights (LA &HR)



4.1 Labor Relations

4.2 Employees' Health and Safety

4.3 Training and Development

4.4 Equal Working Opportunities

4.5 Virtues and Human Rights

4 Labor and Human Rights (LA &HR)



4.1 Labor Relations

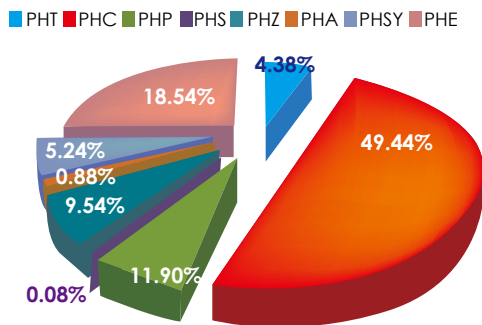
4.1.1 Employee Hiring (LA1~2, 13)

Until late 2012, we currently have 9,423 employees, with 413 in Taiwan (the rest in the mainland and other overseas factories). Among them, four belong to the disadvantaged (in compliance with the regulation on the amount in Article 17 of People with Disabilities Rights Protection Act). Employees with certificates above the college take up more than 90%. Nearly 70% are younger than 30. The ratio of male employees and female ones is 52:48.

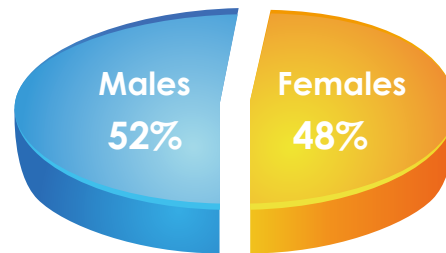
On position obtaining and promotion, Pihong does not set limitations on gender or ages, or on races, political stances and religious beliefs. As long as their capabilities and qualifications cater for the requirements of a position, there will be equal working and promotional opportunities. The principle above is also applied in hiring employees. On ages, we comply with regulations of local Labor Standards Act and have never hired child labor.

All employed colleagues apply to Labor Standards Act and are protected by the Act. Furthermore, among regulations of our company, there are relevant rules on compensations, evaluations, promotions and bonuses, making sure that employees are equally treated. Therefore, there have been no cases on labor disputes, corruption, bribery, and discrimination since the foundation of Pihong. (LA13)

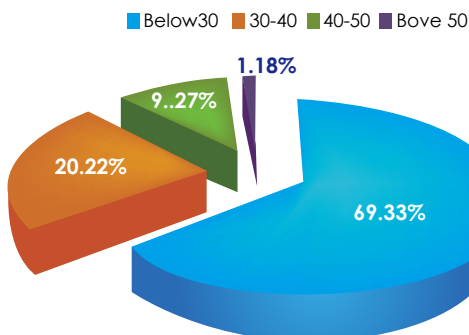
Amounts of Employees in 2012



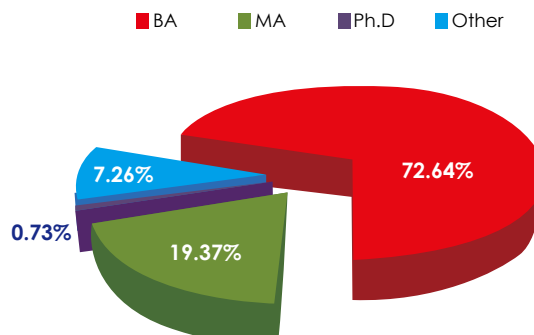
Ratio of Gender



Ratio of Ages



Ratio of Certificates



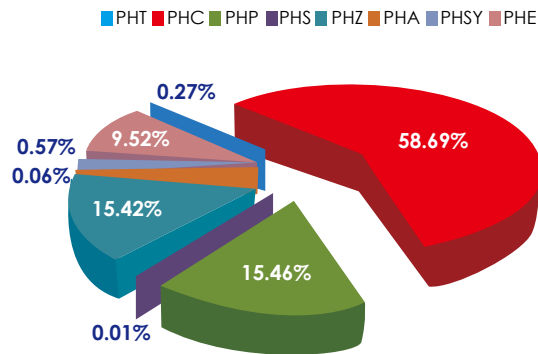
4 Labor and Human Rights (LA &HR)



Amount and Ratio of New Employees in Pihong

Factory	PHT	PHC	PHP	PHS	PHZ	PHA	PHSY	PHE	Total
Amount of New Employees	54	11,887	3,130	1	3,123	13	116	1,928	20,252

Ratio of New Employees in 2012



4.1.2 Remaining of Employees

To implement performance management and make sure of the realization of the organizational aims, Pihong makes the evaluation results as the basis for bonus granting and compensation adjustment, and promote position rotation system and establish fair and open promotion system, thus to provide employees channels for career development and self-realization, and finally enhance the remaining of employees. In the past five years, the flow rate of our employees has been declining. In 2012, the rate of resignation in PHT is 15.6%, lower than the average rate of resignation of the year, 21.2% in electronics industry. We seek the best, but not the lowest flow rate via rational changes in the rate of resignation, thus to scout excellent elites, uplift labor qualities and create the best performance, thus to realize our aim of perpetual development.

Statistics on Ages, Annual Salaries and Resignation Rate

Year	2008	2009	2010	2011	2012
Average ages	36.26	36.46	36.92	37.22	37.93
Average salaries annually	6.61	6.53	6.52	6.24	6.48
Average resignation rate	21.6%	14.4%	16.8%	13.2%	15.6%

4 Labor and Human Rights (LA &HR)



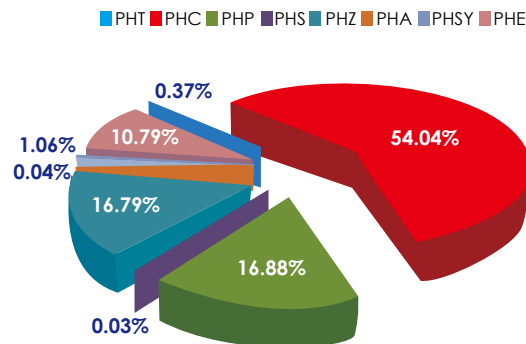
Ratio of Ages and Gender of All Employees (LA2, LA13)

Ages	Males	Females
Below 3 0	41.09%	38.39%
3 1 - 4 0	8.16%	7.71%
4 1 - 5 0	1.99%	1.72%
Above 5 1	0.75%	0.20%
Total	51.99%	48.01%

Amount and Ratio of Resigned Employees

Factory	PHT	PHC	PHP	PHS	PHZ	PHA	PHSY	PHE	Total
Resigned amount	69	10,140	3,168	5	3,150	8	199	2,025	18,764

Ratio of Resigned Employees in 2012

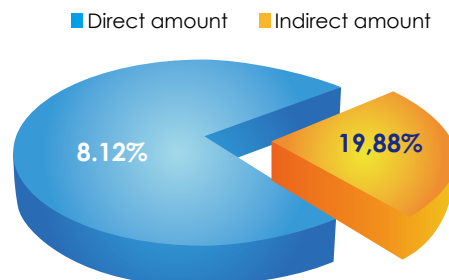


Employees grouped by gender, ages, and other categories (LA13)

Amount of Direct and Indirect Employees

Factory	PHT	PHC	PHP	PHS	PHZ	PHA	PHSY	PHE	Total
Direct amount	0	3,959	934	0	711	8	411	1,527	7,550
Indirect amount	413	700	187	7	188	75	83	220	1,873

Ratio of Direct and Indirect Employees



4 Labor and Human Rights (LA &HR)



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

To assist employees in both their careers and families, since July, 2010, we carry out the policy that female employees will keep the position without salaries during her maternity and parental leave. To feel for employees, we also provide family care leave, accompanying maternity leave, menstruation leave, as well as milking rooms. If female colleagues indeed need to resign from their work to take care of their babies, the company will also understand it and agree on their applications. We will still keep in touch with them, encourage them to return to their work, and offer help when necessary. In 2012 there were 9 applying for maternity leave and none applying for parental leave on keep the position without salaries, so there was no relevant statistics on remaining rate.

4.1.3 Compensation & Benefits

Benefits of full-time employees provided based on major operational regions (LA3)

Benefit scope defined by the enterprise (EC3)

The ratio on basic salaries and compensations between females and males based on major operational regions and employees' types (LA14)

Phihong values employees on their salaries and benefits very much. We adopt a competitive package system better than those in the same industry to attract excellent elites to participate in our big family and create wonderful future together. Employees' salaries depend on their certificates, experience, positions, market quotations and individual working performances, and are not influenced by the differences on gender, races, religions, political stances, marital status. We grant bonuses from profits and year-end bonuses according to annual operational status and individual performance (bonuses are not lower than 10% of shareholder dividends, far beyond the criteria in the same industry).

We provide employees with labor insurance, health insurance and group life accident insurance since their reporting day and thus they can devote themselves into working without worrying any back-up problems. As to retirement system, we also comply with Labor Standards Act and Labor Pension Act, and regularly allocate reserves into legal retirement accounts, guaranteeing employees' living after retirement.

To establish a healthy and happy working environment, the company and Employee Benefits Committee together promote employees' benefits, encouraging them to set up clubs or participate in the activities in the clubs. At present the established clubs are Badminton Club, Cycling Club, Hiking Club, Heavy Motorcycling Club, Bowling Club, Billiard Club, Remote Control Modeling Club, etc., which can assist in uplifting their physical and mental health and balance, further to unite them together. Benefits in Phihong (taking Taiwan region for example) are in the figure as follows:

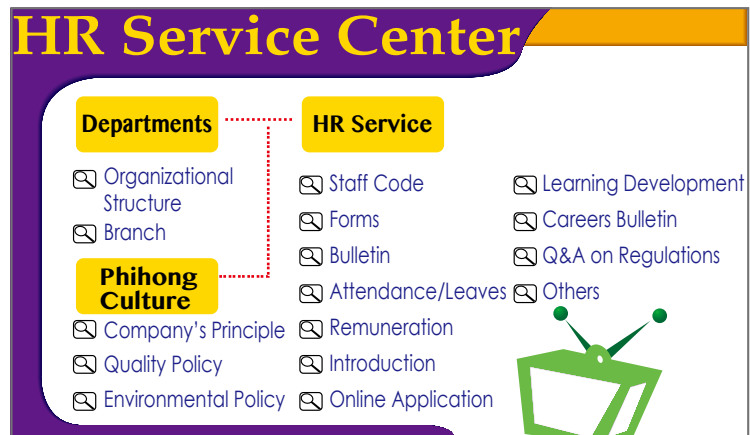


4 Labor and Human Rights (LA &HR)



4.1.4 Labor Relations

Listening to the voices of employees is an important course in Phihong's humane management. We treat employees with great integrity and respect, thus to create a harmonious and joyful working environment. We unite and step into a more wonderful future. Any standard or practice established adheres 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 learn about them.



Ratio of employees participating in negotiations (LA4)

Only through a good communications method can we 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.

4 Labor and Human Rights (LA &HR)



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

In accordance with Labor Standards Act, two parties in labor relations both obey the following rules on notice:

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.

4.1.5 System for Performance Appraisal and Promotion

As to performance appraisal in Pihong, based on operational principle, annual objectives and operational strategies, we conduct our activity plans top-down level by level. We link our strategies with KPI (key performance indexes) of the business groups, providing departments and employees with clear working objectives. Furthermore, through the operational conference hosted by the chairman weekly, we make self-inspections and constantly improve the system, thus to carry out daily performance management and thus make it as the basis of year-end performance appraisal.

Besides, we adopt a dual promotion system on both management and professional capabilities. Employees are promoted based on their personal traits, specialties, functions, working performance and leading potentials. When they are promoted, they should be nominated by their working units, and the managers in charge of them should review their working performance, learning and development, as well as their virtues, as the basis of promotion evaluation.

Ratio of local hires vs. high level management (EC7)

Regional managers will bring up HR plans based on operational demands, and conduct employment and appointment after being approved by the manager in charge. The employment should comply with local regulations, hiring proper applicants through testing, interviewing and reference check.

Amounts of Managers and Ratio of Ages

Ages	Males	Females
3 1 - 4 0	2.66%	0.00%
4 1 - 5 0	7.26%	2.18%
Above 51	4.60%	0.48%
Total	14.52%	2.66%

4 Labor and Human Rights (LA &HR)



4.2 Employees' Health and Safety

Phihong has considerate measures and arrangements on employees' health. For example, we provide regular health check-ups for employees. Different from most enterprises which just provide health check-up plans for the management level, our all employees are granted free and regular health check-ups. We even invite doctors to check up them in the factories, and provide them health consultation and assistance, regularly track high-risk population such as those with three high cardiovascular diseases, infectious diseases, etc., in order to maintain employees' health. Besides, we also issue health information irregularly, provide epidemic prevention information for their reference, remind them to promote individual health management.



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.

4 Labor and Human Rights (LA &HR)



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. Therefore, annually we hold fire seminars and self-protect fire protection trainings for all employees. Through regular drills, we enhance their adaptability to changes and confirm whether the organizational structure is sufficient and perfect. In the factories we have also established professional safety & sanitation management personnel who are in charge of safety & sanitation management planning, implementation, and assessment. Therefore, these above completely comply with governmental laws, regulations and our policies, and have achieved the aim to enhance employees' safety consciousness and comprehensively establish a safe environment for our company.



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

Since August, 2009, monthly we sign in zero injury record filling system on line in the charge of Council of Labor Affairs, Executive Yuan and fill in our information. Till Dec. 31, 2012, we have kept the record of zero injury for 2,880,000 hours. In the future we will also work to this direction, carrying out safety & sanitation management on employees, prevent occupational injuries, and striking for better performance and honors.

As to the part in factories in the mainland, compared to 13 injuries during work in 2011, in 2012, they decreased to 8 injuries. For the part in occupational safety, we will take HQ in Taiwan as the example and seek zero injury.

Statistics on Occupational Injuries in Phihong Technology

Year	Occupational Injuries	Occupational Diseases	Loss Days	Death Accident Rate
2012	8	0	19	0
2011	13	0	90	0
2010	25	0	186	0

4 Labor and Human Rights (LA &HR)



4.2.1 Occupational Safety & 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.

Explanations on Policies:

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 & Sanitation Promises

During development, manufacturing, testing, and sales, Phihong Technology must adhere to legal regulations and other related demands to prevent occupational injuries and continue to improve the operation on management system, shoulder to shoulder with the world. With the responsibilities in protecting employees and caring for the earth, we promise:

1. Guaranteeing employee safety and sanitation is the priority among the missions and responsibilities 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. Manufacture green products, prompt 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.

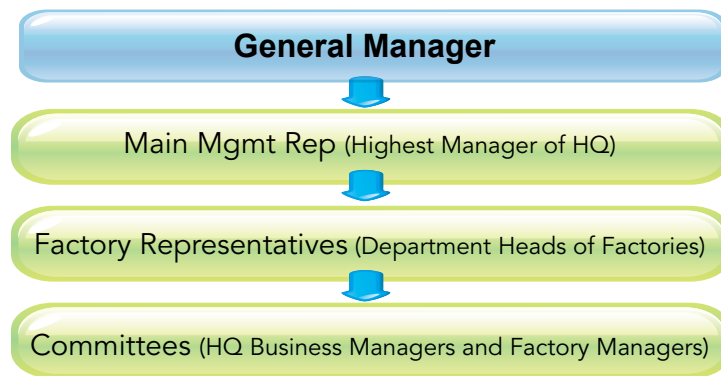
4 Labor and Human Rights (LA &HR)



4.2.3 Environmental Safety & Sanitation Management Organization

Establishing an environmental safety & 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.

Environmental Safety & Sanitation Management Organization in Pihong



Working Responsibilities :

1. Monitor and promote safety & sanitation policies and develop good safe working habits and own good knowledge on sanitation.
2. Hold a safety and sanitation meeting every 3 months and strengthen inspections to make adjustments to prevent accidents.
3. Carry out functions of Environmental Safe & Sanitation Management Organization in factories.
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 Labor and Human Rights (LA &HR)



4.2.4 Environmental Safety & Sanitation Certifications and Trainings

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 & sanitation regulations, training of new employees, medical personnel, fire managers, forklift personnel, diesel fuel personnel, and safety & 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.



▲ ISO14001 Certificate



▲ OHSAS18001 Certificate

4.2.5 Working Environment Safety

Establishing a safe and zero-injury 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 worries.

As long as there is any concern on factory safety or violations, we provide 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 (Standard Operating Procedure) to ensure the safety and health of personnel.

4 Labor and Human Rights (LA &HR)



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 Development (LA8 \ LA10 \ LA11 \ HR3)

Training Policy and Promise:

Make TTQS as the benchmark on training quality, link the vision and objective strategies, keep the concept that elites are the root of the company, constitute a training system for diversified development, enhance HR quality and the company's competitiveness, and realize the aim of perpetual operation.

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

During an employee's career, nearly one third or more time is spent in the working place. Phihong Technology, to provide a safe and healthy working environment for them, and fulfill our CSR, comply with regulations on environmental protection, occupational safety & sanitation and other relevant applied regulations, establishes a complete set of environmental safety & sanitation policies; thus employees can work in a safe environment, uplifting their enthusiasm, enhancing their working satisfaction and bettering their health.

Through our principle and policies on management systems for environment, health, and safety (EHS), we declare all our regulations and intent on environment, occupational health & safety and present our general orientation and basic promise towards the environment, occupational health and safety. We provide employees with a safe and comfortable work environment and value the improvement on risks evaluations. In our factories we have also established occupational safety & sanitation management personnel in charge of safety & sanitation management planning, execution, and assessment.

4 Labor and Human Rights (LA &HR)



Average individual trained hours per year based on level and gender (LA10)

All employees in Phihong have equal opportunities to receive trainings regardless of male or female. Average individual trained hours per year in Taiwan district in 2012 are as follows:

Types	Average individual trained hours in 2012 *
Ordinary Employees	18.2
Management Level	19.9

* Average hours on classroom courses, online courses and outside trainings per year (excluding on-the-job trained hours within the department).



Training courses on employees' career and capabilities (LA11)

The spirit of taking quality as priority, and the implementation of educational trainings, lead employees to fully learn about working content and professional knowledge, 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 Phihong to study and grow.

As to promotional management system, it also takes educational training and occupational development into consideration. It not only evaluates employees' working performance and contribution, but takes the hours on occupational learning plans and growth as one factor in promotion.



4

Labor and Human Rights (LA &HR)



Educational Training System Structure

Level	Management Roles	Advisory / Technical Roles				Training System by Level		Occupational training system		Occupational Pre-Training System		Training System via Category					
1A	General Manager																
1B	Vice General Manager																
2A	BU General Manager																
2B	BU Vice General Manager																
3	Assistant Vice President, (Deputy) Director																
4	Senior Manager																
5	Project Manager, Deputy Manager	Chief Specialist	Special Assistant	Executive Secretary	Chief Sales Representative	Project Leader Engineer	MTP Mid-Level Management Training Management Basics Work Improvement Work Control				Dispatched Personnel Pre-Training						
6	Section Manager	Senior Specialist			Senior Sales Representative	Senior Engineer	Management Capabilities Development Training Work Coordination Subordinate Development										
7	Deputy Section Manager																
8	Supervisor	Specialist		Secretary													
9	Deputy Supervisor				Sales Representative	Engineer											
10	Foreman																
11	Deputy Foreman	Administrator				Deputy Engineer											
12				Chauffeur, Switchboard Operator		Senior Technician											
13						Technician											
14																	
15		Temporary				Operator											

4 Labor and Human Rights (LA &HR)



Educational training on human rights evaluation policies and procedures related to operations (HR3)

The company's regulations, systems, employees' rules, benefits are also published through a special electronic platform, Human Resources Service Center, for employees to learn about them besides the demonstrations in e-learning courses for new employees.



Trained ratio on anti-bribery policy and procedure (SO3)

The management principle of Pihong is "Integrity, Innovation and Challenge". Among them, integrity is Pihong's core, also central thinking of all activities. We strengthen this principle in e-learning courses for new employees and list it as a must course for all new employees. Therefore the training ratio is 100%.

As many organizations have been influenced by their scandals, more and more enterprises value more on company control. Among Top 200 enterprises globally, 52.5% have issued business morality standards and it would be a trend. Therefore, in April, 2009, Pihong formulated "Corporate Virtues and Business Standards", demanding all staff to obey it and apply the virtues into their daily life, thus to enhance their virtue consciousness, commitment and acuity on business.

4 Labor and Human Rights (LA &HR)



4.4 Equal Working Opportunities

Standard starting salaries of new employees based on gender and local ratio of the lowest salaries in major operational regions (EC5)

Identify operational model and probable dangers vital suppliers bring on child labor, and erase contributions based on child labor (HR6)

Protecting employees' basic rights is the essential point of HR management for Pihong. Pihong advocates that in working, opportunities should be equal and employees should be diversified. We respect and maintain international human rights and labor standards, say no to child labor and forced labor, prohibit any working discrimination. There was no violation on human rights for the whole year. We comprehensively abide by local regulations on labor, sign contracts with employees legally, and regulate contract management. We respect personal dignity and freedom. The incomes of all employees are not lower than the local lowest salaries. We realize equal pay for equal work for both male employees and female employees, and establish platforms for them to develop.

Hiring Procedures and Fair Appointment

Through good hiring procedures, Pihong will keep a most close and instant information interactive relationship with the applicants. We, continually with public recruitment, convey our policies and principle, and provide good working opportunities and environment. Inspire innovation energy by recruiting fresh blood, and continue to strengthen the uniting of employees. Realize instant recruiting and win-win on labor relations.

On employee recruitment and appointment, what Pihong provides is not just a working opportunity, but a mission that seek excellent and wonderful qualified technical life together with Pihong's team. Pihong, with the attitude that we take it from the society and will contribute to the society, advocates providing working opportunities to local labor force and vulnerable groups. At present, under the overall economic depression, we are still willing to contribute a bit to the working market and social stability. We actively apply diversified recruiting approaches, offering internship opportunities and prompt the uplifting of HR development in the industry.

To fulfill CSR, Pihong adopts fair appointment on all employees. To new employees, Pihong will assign a senior colleague to assist accommodating them to our environment and culture, and show proper care on them. If employees meet circumstances in work where they are unable to adapt to, we will allocate the individuals according to their merits and place them in suitable positions or roles.

The ratio of employees based on gender report, regular performance and development inspection (LA12)

Protect the employment rights of our colleagues. The establishment and implementation of any systems will make it as the most essential principle to adhere to regulations. Regardless of race, religion, skin color, nationality, political affiliation, or gender, all will be equally treated and will only be fairly assessed according to fair performance appraisal.

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 48% female employees.

Ratio of Gender Receiving Assessment in Taiwan Region

Item	Males	Females
Mid-assessment in 2012	93.89%	98.20%
Final-assessment in 2012	93.63%	97.99%

4 Labor and Human Rights (LA &HR)



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 or 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 overall amount and ratio of major investment agreements and contracts with articles on human rights or passing the inspection on human rights (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 vital suppliers, contractors and other business partners having implemented inspection 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.

In 2012 we, in response to clients' requirements, conduct comprehensive survey on conflict minerals from suppliers, in order to cater for international trend and clients' requirements. Till late 2012, we have finished surveys on all suppliers and we have listed the survey on conflict minerals as the compulsory filled data for new suppliers.

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.

Identify working models and vital suppliers probably harming or violating employees' association freedom and group negotiation rights and demonstrate the actions the enterprise has taken to support the human right (HR5)

We fully respect our employees and 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.

Identify operational model and probable dangers vital suppliers bring on child labor, and erase contributions based on child labor (HR6)

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

4 Labor and Human Rights (LA &HR)



Inspect forced or compulsory labor and vital suppliers and erase all forms of contributions based on 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.

Violations on human rights of local employees (HR9)

There were no violations on human rights of local employees in 2012.

The overall amount and ratio of operational activities evaluated on human rights inspection and influence (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, and the treated and solved amount (HR11)

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. We have smooth channels for complains. In Taiwan region, there have been no complaints on human rights. We totally welcome the labor inspection from the government and have never violated any regulations. In the mainland, complaints on human rights have been perfectly solved and finished.



5. Social Performance Index (SO)



5.1 Social Service

5.2 Anti-corruption and Anti-monopoly

5.3 Commercial Virtues and Public Policies

5.4 Obeying Regulations

5 Social Performance Index (SO)



5.1 Social Service

Social service and influence on local communities (EC8, SO1, SO9, SO10)

Phihong cares the society heartedly based on the thanksgiving attitude that we obtain it from the society and should return it to the society. We participate in educational and cultural activities, and involve in the development and harmony of the communities. We also actively promote environmental education, cultivating employees' green life concept, advocating the importance of environmental education and maintenance management internally, and promoting immunity culture, environmental protection and natural habitats protection externally to create healthy and environmental friendly life and cultural inheritance in communities. Thus Phihong, our employees and communities can grow up together, and we can also fulfill CSR.

5.1.1 Promote Social Service, Spread Love and Care

The charity event in which employees donated receipts for charity during annual dinner event since 2010 has been highly praised by the higher levels and colleagues. On Christmas Day in 2012, we launched a charity bazaar for group buying. We could not only enjoy ourselves in the delicious food, but also assisted kids with mental retardation in Guanyin Love Home in Taoyuan in continuing with their baking training, thus to learn to be independent. Furthermore, we held the activity of recycling old clothes during annual dinner event. We encouraged colleagues to donate at least three old clothes for a red envelope. Driven by their love, young enthusiasm, the exchange was quite hot. In all 2,400 clothes were collected and donated to the Eden Social Welfare Foundation. We assist vulnerable groups and promote social service, spreading love and care and creating a smooth society full of love.



5.1.2 Sponsor Activities on "321 World Down Syndrome Day"

Since 2006, more than 30 countries all over the world have held activities in different forms to celebrate 321 World Down Syndrome Day; Phihong also responded to it and sponsored DSI with its charity activity to celebrate World Down Syndrome Day in Taipei Children's Recreation Center on Mar. 18, 2012. We also invited families with down syndrome kids to participate in this activity. In the activity we not only saw the smiles of these families, but also encouraged them to walk out and receive the care and encouragement from the society. We further let the public see the kids with down syndrome strive forward without being beaten down. With our volunteers involved, we further conveyed the power of love and share of the society.



5 Social Performance Index (SO)



5.1.3 Teaching Faculties Update Donation and Establishment of Scholarship for Poor Students

With the initial plan to fulfill CSR and return the old school of the founder, we donated Da Gang Junior High School with subsidies on updating teaching faculties, and also donated National Chiayi Industrial High School with scholarship for poor students, to prompt the development of the schools and enhance their teaching quality, and encourage students from poor families, families where parents are out of work, single families to work hard, thus to become excellent elites of the society and the nation.

5.1.4 Buying Tickets for Vulnerable Kids to Appreciate the Theater Performance

Many kids are growing up in vulnerable environment and cannot obtain resources for assistance out of class, and thus they could not receive further information stimulation, which causes the gap in learning and growing environment, and influence their career competitiveness in the future. In December, 2012, Phihong sponsored 200 tickets for vulnerable kids in Greater Taoyuan Region to appreciate the 2012 play "The Starry Garden" performed by Ifkids Theater Company. We, through sponsoring the vulnerable group in appreciating plays by buying tickets, conveyed happiness together with Ifkids Theater Company.



5.1.5 Arts Promotion— Phihong's Public Art Space

To create a working environment where science and technology develops together with humanities and cultures, rationality co-exists with sensibility, since 2004 Phihong has joined in Art Gallery Project promoted by AAEON Foundation. Through delicately replicating paintings, the world-known paintings or works by aggressive painters in Taiwan were moved into the space of our company. In the lobby of PHT, we have planned an art gallery and public art space, holding a round exhibition monthly combining art paintings and bronze sculptures collected by the founders of the company, for employees and visitors to appreciate. As we deeply believe that innovation and art are indispensable factors in R&D design for Phihong, this art garden can cultivate our colleagues' art temperament and inspire the aesthetic creation in R&D, thus to uplift their cultural quality and bring art into life.



5.2 Anti-corruption and Anti-monopoly

Anti-corruption, anti-bribery, and fair competition (SO2, SO4, SO7)

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

5.3 Commercial Virtues and Public Policies

Stance on public policies (SO5)

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

5.4 Obeying Regulations

Legislation Violation and Penalty Records (SO8)

In 2012 there were no cases on violating regulations on products and services.



6. 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 improvement of health and safety impact on products and service life cycle (PR1)

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 on the environment, enhance energy efficiency of products, reduce consumption on environmental energy on the earth and prohibit hazardous substances to humans, aside from watching RoHS (Restriction of Hazardous Substances Directive issued by EU), REACH (Registration, Evaluation, Authorization and Restriction of Chemicals issued by EU), Energy-Star, ErP issued by EU and other global regulations, in order to comply with requirements from internal environmental regulations. In the meanwhile, we incorporate environmental, sanitation & safety aspects into the product life cycle. Introduce green design concept into the manufacturing process and adopt environmentally friendly materials, disassembled design, green packaging and related strategies, to lower our products' impact on the environment.

Our green products are up to the start of the design. We demand R&D members design with green-design concept in the initial period, and evaluate the impact and risk of products on environment in their life cycle, thus to continue the improvement in products. With systematic management mechanism, products will be guaranteed to comply with international regulations and clients' requirements. We also formulate reduction plan on hazardous chemical substances, expecting to reduce the use of hazardous chemical substances year by year.

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 EU CE, USA UL, Taiwan BSMI, Eup 2.0, RoHS, etc., 100% in line with them.

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

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

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

Our marketing abides by regulations such as fair competition. At present there are no specific promotion plans.

Cases violating relevant regulations on marketing communication (PR7)

In 2012 there were no cases violating relevant regulations on marketing communication.

6.3 Clients' Satisfaction

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

Our business groups conducted 2012 Sampling Clients' Satisfaction Survey and sent out 60 questionnaires, with 59 returned, and 98.3% return rate. The overall dissatisfaction rate of our clients is 1.69%.

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 comply with all relevant laws and regulations on protecting clients' privacy (privacy policy), and sign up confidentiality agreement on contracts in accordance with clients' requirements, properly managing and protecting clients' data.

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

In 2012 there were no complaints on spoiling clients' privacy and losing clients' data.

Records of violating regulations on products and service (PR9)

In 2012 there were no cases on violating regulations on products and services.

Global Reporting Initiative, GRI G3.1

GRI Initiative		Chapter & Content Exposure	
Strategy and Analysis			
1.1	Words from the Highest Level	Words from Management	4
1.2	Descriptions on major impacts, risks and opportunities	Refer to Annual Report in 2012	15
Organizational Overview			
2.1	Name of the organization	1.1.3 Company Overview	8
2.2	Major brands, products and services	1.1.5 Major products and service	10
2.3	Operational structure (main BU, sub BU, re-investment companies)	1.1.4 Global Strategy	8
2.4	HQ location	1.1.3 Company Overview	8
2.5	Countries and regions of operation	1.1.4 Global Strategy	8
2.6	Legal ownership	1.1.6 Patent R&D Output and Overview	13
2.7	Supply market of products and service	1.1.5 Major products and service	10
2.8	Organizational scale	1.1.4 Global Strategy	8
2.9	Vital changes during the report	Words from Management	4
2.10	Awards during the report	1.1.6 Patent R&D Output and Overview	13
Report Parameters / Overview / Category			
3.1	Report duration	Report Overview	2
3.2	Past report dates	Report Overview	2
3.3	Report published cycle	Report Overview	2
3.4	Report contact or inquiry office	Report Overview	2
3.5	Report content definition process	Report Overview	2
3.6	Report scope	Report Overview	2
3.7	Special restrictions on report category or scope	Report Overview	2
3.8	Significant influence of subsidiaries, leased plants, outsourcing on organizations	1.1.4 Global Strategy	8
3.9	Survey skills and calculating standards on data	Data on finance and environment in the report is all from formal internal statistic data of the company.	NA
3.10	Explanations and Reasons for parts identical to previous reports	Report Overview	2
3.11	Significant differences compared to past reports	Report Overview	2
3.12	Table exposing criteria	GRI G3.1	61~ 66

Global Reporting Initiative, GRI G3.1

GRI G3.1			
Company Control, Promises, Engagement			
Company Control			
4.1	Control structure of organizations	1.3 Company Control	15
4.2	Point out whether the highest level is also in charge of operations	1.3 Company Control	15
4.3	Independent board and non-operational personnel	1.3 Company Control	15
4.4	Mechanism for shareholders and employees to give suggestions to the highest level	1.4 Stakeholder Identification and Engagement	17
4.5	The correlation between the highest management members' and senior managers' compensations and organizational performance	1.3.1 Executive Board and Its Functions	15
4.6	Procedures to avoid interest conflicts among the highest levels	1.3.1 Executive Board and Its Functions 5.2 Anti-corruption and Anti-monopoly	15 57
4.7	Review procedures on the highest levels' qualification and specialties on economy, environmental protection and society	Corporate Expansion with CSR	6
4.8	Tasks, behavior preparation and principle demonstration on economical, environmental and social performances	CSR Promises 1.3 Company Control 2.2 Corporate Development and Operational Performance 3.4 Green Products and Service 5.1 Social Service	6 15 23 32 55
4.9	Procedures for the highest levels to manage economical, environmental and social performances, including relevant risks, opportunities, relevant international criteria, conduct codes and principles	1.3 Company Control	15
4.10	Procedures to evaluate the highest levels' performance, especially their economical, environmental and social performances	1.3 Company Control	15
4.11	Explanations on the organization's prevention measures or principles	1.3.3 Internal Auditing Implementation	16
4.12	The organization's claim on its charter, principle on economy, environment and society, or other participation or support to the public	1.4 Stakeholder Identification and Engagement	17
4.13	National or international associations' member	1.3.6 Membership in Associations (Unions)	17
Stakeholders' Engagement			
4.14	Stakeholders' list	1.4 Stakeholder Identification and Engagement	17
4.15	Stakeholder identification	1.4 Stakeholder Identification and Engagement	17
4.16	Stakeholder engagement	1.4 Stakeholder Identification and Engagement	17
4.17	Stakeholders' concerned issues and the responses of the organization	1.4 Stakeholder Identification and Engagement	17

Global Reporting Initiative, GRI G3.1

Economic Performance Index (EC)			
EC1	The generation and allocation of direct economic values, includes revenue, operational costs, salaries, donations, other community investments, reserved profits, etc.	2.1 Market and Production&Sales	22
EC2	Financial load and other risks and opportunities brought by climate change	3.3 Greenhouse Gas Inventory	30
EC3	Scope of benefits defined by the organization	4.1.3 Compensation&Benefits 4.4 Equal Working Opportunities	39 51
EC4	Major Governmental Subsidies	4.4 Equal Working Opportunities	23
EC5	Standard starting salaries of new employees based on gender and local ratio of the lowest salaries in major operational regions	4.4 Equal Working Opportunities	51
EC6	Ratio of suppliers in operational regions	2.3 Policies and Management on Suppliers	24
EC7	Ratio of local hires vs. high level management	4.1 Labor Relations 4.1.5 System for Performance Appraisal and Promotion	36 41
EC8	Investment and services on public welfare facilities	5.1 Social Service	55
EC9	Acknowledgement and explanation on significant indirect economical impact	No exposure	NA
Environmental Performance Index (EN)			
EN1	Raw materials use volume	3.1 Raw Materials Use Volume	26
EN2	Percentage of adopted recycled materials	3.1 Raw Materials Use Volume	26
EN3	Direct major energy consumption	3.3 Greenhouse Gas Inventory	30
EN4	Indirect major energy consumption	3.3 Greenhouse Gas Inventory	30
EN5	Save energy	3.2 Energy Saving and Carbon Emission Reduction	26
EN6	Plan to provide products and service with high-efficiency energy and recycled energy	3.4 Green Products and Service	32
EN7	Plan to reduce consumption of indirect energy	3.2 Energy Saving and Carbon Emission Reduction	26
EN8	Total water usage	3.2 Energy Saving and Carbon Emission Reduction	27
EN9	The significant impact of water usage on water resources	3.2 Energy Saving and Carbon Emission Reduction	27
EN10	Water recycled rate	3.2 Energy Saving and Carbon Emission Reduction	27
EN11	The location and size of the land located at or close to protected habitats	3.2 Energy Saving and Carbon Emission Reduction	26
EN12	Significant impact of events, products and service on natural habitats	3.2 Energy Saving and Carbon Emission Reduction	26
EN13	Protected or reserved habitats	3.2 Energy Saving and Carbon Emission Reduction	26

Global Reporting Initiative, GRI G3.1

EN14	Strategies, current action plans and future plans on managing species' diversity	3.2 Energy Saving and Carbon Emission Reduction	26
EN15	Impact on conserved species brought by operation	3.3 Greenhouse Gas Inventory	26
EN16	Overall amount of greenhouse gases released directly and indirectly	3.3 Greenhouse Gas Inventory	30
EN17	Released amount of other relevant indirect greenhouse gases	3.3 Greenhouse Gas Inventory	30
EN18	Plan and output to reduce emissions of greenhouse gases	3.2 Energy Saving and Carbon Emission Reduction 3.3 Greenhouse Gas Inventory	26 30
EN19	Released amount of ODS	3.2 Energy Saving and Carbon Emission Reduction 3.6 Obeying Regulations	26 34
EN20	Released amount of NO, SO and other important gases	3.6 Obeying Regulations	34
EN21	The overall discharged waste water and destination	3.2 Energy Saving and Carbon Emission Reduction 3.3 Greenhouse Gas Inventory	26 30
EN22	Total amount of waste classified by categories and treatment approaches	3.2 Energy Saving and Carbon Emission Reduction	27
EN23	Major leaking events	3.6 Obeying Regulations	34
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	27
EN25	The organization's waste water and runoff's significant impact on eco-environment	3.2 Energy Saving and Carbon Emission Reduction	26、28
EN26	Plan to reduce products' impact on their served environment	3.4 Green Products and Service	33
EN27	Ratio of recycled products and the packaging materials	3.2 Energy Saving and Carbon Emission Reduction 3.4 Green Products and Service	26 28
EN28	Records of violations on environmental regulations	3.6 Obeying Regulations	34
EN29	Significant impact on environment when transporting products and when employees commute	3.2 Energy Saving and Carbon Emission Reduction 3.4 Green Products and Service	28 32
EN30	Types of environmental protection expenditure and investment	3.5 Overall Environmental Protection Expenditure	34
Labor Measures and Rational Work (LA)			
LA1	Calculate amount of employees based on employed types, employed contracts, regions, and more specifically, on gender	4.1.1 Employee Hiring	36
LA2	New employee amount and ration, and resigned amount and ratio separately calculated by age, gender, and region	4.1.1 Employee Hiring 4.1.2 Remaining of Employees	36 37
LA3	Benefits of full-time employees provided based on major operational regions	4.1.3 Compensation&Benefits	39

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LA4	Ratio of employees participating in negotiations	4.1.4 Labor Relations	40
LA5	The shortest period to notice the change on important work	4.1.4 Labor Relations	41
LA6	Ratio of laborers in Safety & Sanitation Committee	Comply with labor regulations	41
LA7	Occupational injuries, diseases, loss days and death accident rate divided in accordance with regions and gender	4.2 Employees' Health and Safety	43
LA8	Plan for supporting employees and their families or communities in educational training, consulting, prevention,	4.3 Training and Development	47
LA9	Formal agreement on health and safety with unions	No exposure	NA
LA10	Average individual trained hours per year based on level and gender	4.3 Training and Development	48
LA11	Training courses on employees' career and capabilities	4.3 Training and Development	48
LA12	The ratio of employees based on gender report, regular performance and development inspection	4.1.5 System for Performance Appraisal and Promotion 4.4 Equal Working Opportunities	41 51
LA13	Employees grouped by gender, ages, and other categories	4.1.1 Employee Hiring	36
LA14	The ratio on basic salaries and compensations between females and males based on major operational regions and employees' types	4.1.3 Compensation&Benefits	39
LA15	Rate of resuming work and rate of remaining in office after maternity and parental leave	4.1.2 Remaining of Employees	39
Human Rights Performance Index (HR)			
HR1	The overall amount and ratio of major investment agreements and contracts with articles on human rights or passing the inspection on human rights	4.5 Virtues and Human Rights	52
HR2	The ratio of vital suppliers, contractors and other business partners having implemented inspection on human rights	4.5 Virtues and Human Rights	52
HR3	Educational training on human rights evaluation policies and procedures related to operations	4.3 Training and Development	50
HR4	The overall amount of discrimination affairs and adopted corrected measures	4.5 Virtues and Human Rights	52
HR5	Identify working models and vital suppliers probably harming or violating employees' association freedom and group negotiation rights and demonstrate the actions the enterprise has taken to support the human right	4.5 Virtues and Human Rights	52
HR6	Identify operational model and probable dangers vital suppliers bring on child labor, and erase contributions based on child labor	4.4 Equal Working Opportunities	52
HR7	Inspect forced or compulsory labor and vital suppliers and erase all forms of contributions based on forced labor	4.5 Virtues and Human Rights	53

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HR8	Related training for security personnel concerning human rights	4.5 Virtues and Human Rights	53
HR9	Violations on human rights of local employees	4.5 Virtues and Human Rights	53
HR10	The overall amount and ratio of operational activities evaluated on human rights inspection and influence	4.5 Virtues and Human Rights	53
HR11	The amount of complains on human rights, and the treated and solved amount	4.5 Virtues and Human Rights	53
Social Performance Index (SO)			
SO1	Ratio of operational activities implementing the project that local communities participate in and that influences evaluation and development	5.1 Social Service	55
SO2	Bribery risk analysis	5.2 Anti-corruption and Anti-monopoly	57
SO3	Trained ratio on anti-bribery policy and procedure	4.3 Training and Development	47
SO4	Actions taken on bribery affairs	5.2 Anti-corruption and Anti-monopoly	57
SO5	Participate in the lobbying and writing of public policies	5.3 Commercial Virtues and Public Policies	57
SO6	Political contribution	1.3.5 Political Participation and Contribution	17
SO7	Legal action and results on unfair competitive behavior and anti-trust and anti-monopoly	5.2 Anti-corruption and Anti-monopoly	57
SO8	Legislation violation and penalty records	5.4 Obeying Regulations	57
SO9	Operational activities with greatly potential or practically negative influence on local communities	5.1 Social Service	55
SO10	Prevention or retarded measures on greatly potential or practically negative influence on local communities	5.1 Social Service	55
Product Responsibility Index (PR)			
PR1	Assessment and improvement of health and safety impact on products and service life cycle	6.1 Clients' Health and Safety	59
PR2	Cases violating regulations on health and safety of products and service	6.1 Clients' Health and Safety	59
PR3	Information on products and service	6.2 Products and Service	60
PR4	Cases violating regulations on products and service information and signing	6.2 Products and Service	60
PR5	Survey and results on clients' service and satisfaction	6.3 Clients' Satisfaction	60
PR6	Market communication and promotion plans in compliance with regulations	6.2 Products and Service	60
PR7	Cases violating relevant regulations on marketing communication	6.2 Products and Service	60
PR8	Complaints on spoiling clients' privacy and losing clients' data	6.4 Clients' Privacy Protection	60
PR9	Records of violating regulations on products and service	6.4 Clients' Privacy Protection	60



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