

Corporate Social Responsibility

2017





*Respond responsibly with professionalism and improve society with heart
Phihong always works together with you*



Content

Operator statement	5
Summary of 2017 Sustainable Results	6

ABOUT PHIHONG

Company Profile	7
Vision and Strategy Development	8
Global Bases	11
Guild Association Participation	13

STAKEHOLDERS AND MAJOR CONSIDERATIONS

Stakeholders and Major Considerations	14
Major Issues Assessment and Response	15
Stakeholders Communication	21

CORPORATE GOVERNANCE AND OPERATIONS

High-level Management	22
Ethical Code of Conduct	23
Risk Management	24
Corporate Sustainability and Social Responsibility	27
Company Regulations Compliance	29

GREEN RESEARCH AND ENVIRONMENTAL PROTECTION

Implement Environmental Protection	30
Product Development	30
Energy and Management	32
Greenhouse Gas Emission Management	34
Environmental Expenditures and Benefits	35

INTEGRATION AND WIN-WIN

Customer Relationship and Quality Management	36
Supplier Management and Audit	39

EMPLOYEE CARE

Talent Structure and Performance Management	44
Respect for Human Rights and Gender Equality	45
Advancement of Safety, Health and Wellness	53
Analysis of The Development and Cultivation of Talents	65

SOCIAL PARTICIPATION

Social Service of Public Sponsorship Welfare	71
Care for Minority Groups and Locality	73

APPENDIX

Attachment 1: Statement of Opinion Verification	76
Attachment 2: Sources of GRIG4 Indicators	77
Attachment 3: Comparison of Sustainable Development Goals (SDGs)	83



EDITORIAL PRINCIPLES OF REPORT

This report is the ninth Corporate Social Responsibility Report issued by PHIHONG TECHNOLOGY CO., LTD (hereafter referred to the “Company”) since the 2009 edition. It continues to demonstrate the ambitions of the Company's efforts in economic, social and environmental performance as well as sustainable development. Based on negotiation among stakeholders, major issue analysis process, and Global Reporting Initiative - G4 Sustainability Reporting Standards, this report is prepared to comply with international norms as well as to respond to the concerns of stakeholders, and it is intended to expose the operational results of the Company's financial and non-financial performances.

Report category and data

The scope of the report covers the Company's corporate social responsibility performance and information in the Taiwan area (Linkou Headquarters and Tainan Plant) and Dongguan area (including factories of Dongguan, Tiesong Dahong Factory in China in 2017 (from January 1, 2017 to December 31, 2017). The financial data covers the overall parent and subsidiary operating performance and the remaining indicators do not cover other branches, component factories and re-investment companies. Any adjustment to the data category will be stated in the report. The financial statements in the report were regularly audited and confirmed by Deloitte Touche Tohmatsu Limited and the ISO9001, ISO14001, OHSAS18001 as well as other certifications had already been verified by third-party notary units. As for environmental safety and health related performance, it is expressed in terms of internationally accepted indicators. Some of the financial information and detailed information are also disclosed

in the shareholders' annual report and the company's website in a more detailed manner.

Report writing structure

In addition to the fourth edition of the sustainable reporting guidelines (GRI-G4) issued by the Global Reporting Initiative (GRI), the report content structure was also written in accordance with core options, including general standard disclosures and specific standards disclosure, in order to reveal the main sustainability issues, strategies, goals, measures and results of the Company. The process of discussion and definition of the report contents is also in line with the normative principles of AA1000. It was mainly promoted by the Deputy General Manager's office with the aggregation of all disclosure materials. The report editing team then completed the compilation by consulting with the stakeholders and confirming relevant units. In order to enable all stakeholders to read the report, the Company has published the Chinese and English versions of the e-book on its official website. All are welcome to view and download.

Report guarantee

AFNOR Asia, a third party entrusted by PHIHONG TECHNOLOGY CO., LTD., provided the guarantee to the Company's information transparency and report reliability based on AA1000 AS (2008) Type 1 Medium Assurance Level and GRI-G4 Core Option. The Declaration of Independent Guarantee is attached in the appendix of this report.



Release time and acquisition

The Company regularly issues corporate social responsibility reports in July each year. In order to implement the concept of environmental protection and to promote paperless reports, this report is only available on the Company website and available for download. Current release version: Chinese version issued in July 2018, English version in December. Next release version: Scheduled for Chinese version in July 2019.

Contact method

If you have any comments or information about the Social Responsibility Report of the Company, you are welcome to contact us:

Address: No. 568, Fuxing Third Road, Huaya Science and Technology Park, Guishan District, Taoyuan City.
 Tel: +886-3-3277288 Extension: 1666
 Fax: +886-3-3185999
 Email: CSR@phihong.com.tw
 Website: www.phihong.com.tw



OPERATOR STATEMENT

Phihong Technology Co., Ltd. was established nearly 46 years ago. Since then, we have experienced the challenges of global financial turmoil and red supply chain impact. Nevertheless, our scale has increased from a few hundred people to more than 7,000 in 2017, and we have reached NT\$11.2 billion in revenue. We recognize the importance of social and environmental responsibility as well as issues of concern to stakeholders. After the 2015 Phihong Technology CSR Report, we received the Taiwan Enterprise Sustainability Report Silver Award for two consecutive years. All of these achievements are the result of our employees' efforts.

Aside from China, most economies around the world slowed in 2017. In addition, there was an imbalance between supply and demand. Material costs soared in the non-vehicle electronics industry due to the surge in demand in the automotive market. This seriously eroded expected gross profits. This will likely continue. By comparing annual operating performances, the turnover in 2017 has slightly decreased compared to 2016, but the net profit ratio has increased. This further supports the strategic direction of Phihong's organizational restructuring and product focus at the beginning of 2017. The company continues to actively innovate, develop high-performance and high value-added product lines, and cultivate customers in related products, such as medicine, POE, electric devices, chargers, etc. We expect these actions to drive revenue and raise gross profit margins.

In addition to understanding that the company's operational performance and profit-making companies are only part of sustainable operations, we are also eager to support our mission of sustainable development. In order to realize this ideal, in 2016 Phihong updated

its corporate vision to "Striving to become the world's best power supplier based on the core values of energy saving, environmental protection, and innovation and service," and updated its mission to "Making environmental protection our responsibility by providing a full range of quality power energy solutions, while sharing prosperity with customers, employees, shareholders, and manufacturers."

Our business strategies are linked to corporate social responsibility so as to ensure that the strategies are consistent with stakeholder concerns. Therefore, in 2017, in addition to focusing on core business development and product quality improvement, Phihong also responded to the concerns of customers, shareholders, employees, suppliers, and communities in order to direct the company's sustainable development. Through water conservation and carbon reduction in our factories, we demonstrate that energy-efficient power products are themselves a tool for environmental protection. Through excellent power conversion technology, we continue to focus on high-performance power product development and service integration. And by developing European and American markets as well as cooperating with well-known manufacturers in electric vehicles and chargers, we practice environmental protection, energy saving, and carbon reduction.

Since employees are our most important asset, we support education and training programs so they can grow in all aspects and improve their professional skills. The company has also expanded employee opinion surveys, hosted opinion platforms for improvement, and held parent-child days to uplift all employees. Based on the spirit of "Giving back to society," the company also supports socially disadvantaged groups and actively

encourages employees to participate in community service, such as cleaning beaches and serving senior citizens. We hope to establish a caring social atmosphere full of love for the public welfare.

With our ultimate goals of pursuing sustainable development and social responsibility, Phihong Technology encourages all employees to focus on the governance and profitability of core industries, actively innovating and developing high-performance products and services, strengthening environmental protection, and giving back to society.



President
Lin Zhong-ming

SUMMARY OF 2017 SUSTAINABLE RESULTS

ECONOMIC

New Products Development **IPX7**

Complete IPX7 grade waterproof power supply product development, mass production and shipment to European consumer electronics leading factory.

Increase In Net Profit **33%**

Compared with 2016 revenue, the sales revenue decreased slightly by 0.6%, but the net profit increased by 33%.

Future goal
Focus on high-margin products in the future to achieve the goal of steady growth in revenue and profitability.

ENVIRONMENTAL

Green Partner

Sony Green Partner

SONY

Future goal
Focus on high-margin products in the future to achieve the goal of steady growth in revenue and profitability.

Water Consumption **33%**

33% saving of water consumption
Reduced water consumption Phihong

- Taiwan: 22%
- Dongguan factories: 15%

New Products Development

Complete the miniaturization development of Type C-24W power supply, with power density increased by 5% compared to Type C-18W.

Future goal
Continue developing GaN Power Device in order to reduce power supply size, increase efficiency and provide multi-voltage charging.

Green Research And Development

Cooperate with international electric vehicle manufacturer to set up charging pile in Sun Moon Lake.

Future goal
Promote the cooperation between the official and private industry supply, and expand the electric vehicle charger industry.

Product Certification

Completed the ISO9001: 2015 new version conversion in March 2017.

Future goal
Obtain the IATF16949 Automotive Industry Quality Management System Compliance Statement by the end of July 2018.

Environmental Management

Environmental monitoring reaches 100%
Environmental monitoring rate of 100%, in line with regulatory requirements.

Future goal
Continue the 100% environmental monitoring to comply with regulatory requirements as well as improve the workplace environment and apply for a friendly workplace certification.

ECO

Emission of Greenhouse Gases

Phihong Taiwan:
Incorporating greenhouse gas emissions monitoring and disclosure from 2017.

Future goal
Compare to 2017, the overall electricity consumption will be reduced by 5% in 2020.

SOCIAL

Supplier Management **69%**

69% signing rate of supplier Integrity document. The core supplier's integrity commitment signing rate reached 69%, up 2.88% from 2016.

Future goal
Achieve 80% of contracted suppliers by the end of 2019.

Employee Relations

- Expand all employee satisfaction surveys.
- Continue to handle new recruits and lunch with senior executives to listen to the voices of new employees.
- Import the e-system of performance management.

Future goal
1.Import CI improvement promotion platform. 2.Plan to implement a happy holiday festival (birthday leave). 3.Import e-employee satisfaction survey.

Energy Management

Save electricity by 5%
Phihong Taiwan : 91,000 kWh / 5% (Linkou Headquarters)

Future goal
Compare to 2016, the overall electricity consumption will be reduced by 5% in 2020.

Corporate Image

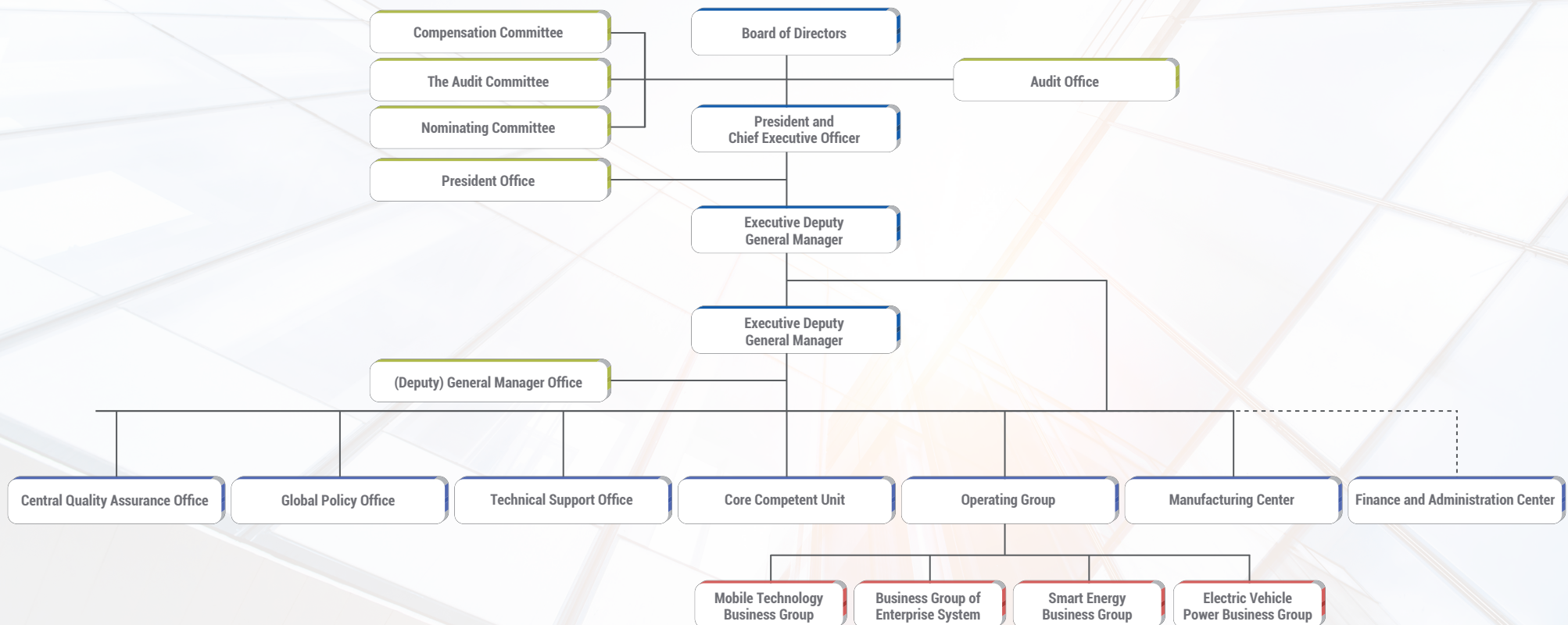
Phihong Taiwan :
Won the Silver Award of 2017 Taiwan Enterprise Sustainability Award.

Future goal
Continue to participate in CSR and win more development related awards to strive higher honors for the Company.

COMPANY PROFILE

Phihong Technology is a Taiwan stock listed company (stock code 2457). Its operating headquarters is located in Taoyuan Huaya Technology Park. Its manufacturing base is located in Dongguan, Guangdong Province, China. It also has subsidiaries in California and Tokyo, Japan to provide customers with instant business and technical services. During the reporting period, there were no significant changes in the ownership of Phihong and its subsidiaries. In order to clarify the Company's development direction and focused resources, Phihong Technology conducted organizational transformation and restructuring at the end of 2016, with energy conservation, environmental protection, innovation and service as its core values as well as dedication of providing comprehensive energy solutions and re-division of operations to re-divide the four business groups under the Operations Division: the mobile technology business group, enterprise system business group, the smart energy business group, and the electric vehicle business group. The new organization officially took effect on January 1, 2017 vision to "Striving to become the world's best."

【Phihong Technology Organization Chart】



COMPANY PROFILE

Vision

To become the world's best power supplier with its core values of energy conservation, environmental protection, innovation and services.

Mission

Taking the responsibility of environmental protection and love for the earth to provide a full range of power solutions and prove to be a high-quality enterprise that shares common prosperity with customers, employees, shareholders and suppliers.

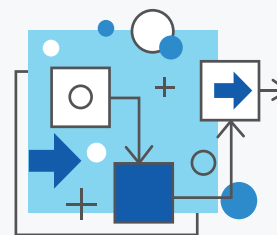
Values

Having deeply plowed in the power industry for more than forty-five years, Phihong founder Lin Zhong-min has bound himself to the business philosophy of Integrity, Innovation, and Challenge to commit to product development, manufacturing capability upgrade as well the growth and prosperity of business scale. Integrity is the core of Phihong Technology as well as the central thinking in its implementation of all activities. In order to enable all colleagues to implement this concept, Phihong Science and Technology Department has promoted and listed it as a compulsory course for new employees in its new training digital course. The training rate is as high as 100%.



Integrity

The core of the enterprise and the central thinking for its implementation of all activities



Innovation

Achievements for sustainable management with the competitive advantage in the world stage



Challenge

Promote reform and pursue the most important driving force in the process of excellence

Guideline for management

- Enhance product design and sales with core values of energy saving, environmental protection, and services.
- Continue the investment on automation and intelligent production in order to improve production efficiency and develop towards lean manufacturing
- Develop powerful digital power supply unit to meet the needs of industries such as Internet of Things
- Continuously improve processes, strengthen organizational structure, enhance management efficiency, and perfect the cloud information platform.
- Re-examine global market dynamics, deepen the development of mobile device and handheld equipment (tablets, smart phones, etc.), Netcom devices, as well as wearable devices, POS machines, smart homes, home-grade medical devices, medical beauty devices, drones, and TV box power supplies along with the goal of leading manufacturers of power

tools and site audio to continue expanding the market share of each series of products.

- Continue to develop new energy products such as electric vehicle charging products.

Business goals

- The company's strategy is to lock in the application area, meet new market needs, launch new products, and develop new markets in a timely manner so that to improve profitability and create maximum value for shareholders.
- Target on the development of main markets related to the components of power supply such as USB PD/QC Netcom power supply, medium and high-end smart phones, tablets, power tools, POS machines, printers, TV boxes, home-grade medical equipment, robots, medical & cosmetic equipment, etc.
- Continue to promote energy-saving and carbon-reducing products such as charging products for electric vehicle to enter the European, American,






Japanese and Greater China markets; actively expand Taiwan's localized services and continue to expand domestic market share.

- Continue to focus on the development in emerging markets for products such as wearable devices, drones and VR (virtual reality) in a timely manner.
- Increase the development of consumer electronics and directly integrate the market channels.
- Strengthen the design and market development for power product with high-power.

Production and marketing policy

- In response to market competition, the main business policies are to increase market share and sales profit.
- Deepen the investment in automation and intelligent production to improve production efficiency and to develop towards lean manufacturing.
- Vertical integration of lean production and enhanced internal produced parts to reduce production costs and eliminate production consumption.
- Reduced plant operating costs by streamlining idle capacity and equipment.
- Innovate the design and beautify the appearance of products to enhance their competitive advantages.
- Actively invest in research and development of new energy-related products in response to market demand.
- Establish strategic alliance with suppliers to reduce costs and to strengthen raw material quality.
- Continue to expand demand in emerging markets in order to create more revenue sources.

Quality policies

 <p>Excellent Design</p>	 <p>Good Quality</p>	 <p>Accurate Delivery</p>	 <p>Reasonable Price</p>	 <p>Satisfactory Service</p>
<p>Actively cultivate talents and develop new products with superior design performance through on-the-job education and training.</p>	<p>Conduct monitoring from the relevant process of design, production, inspection to delivery in order to ensure product quality.</p>	<p>Work hard to achieve and meet customer requirements for delivery according to customer contract.</p>	<p>Reach a consensus with customers to set a reasonable sales price.</p>	<p>Strive to achieve customer satisfaction with service through customer satisfaction surveys and continuous improvement.</p>

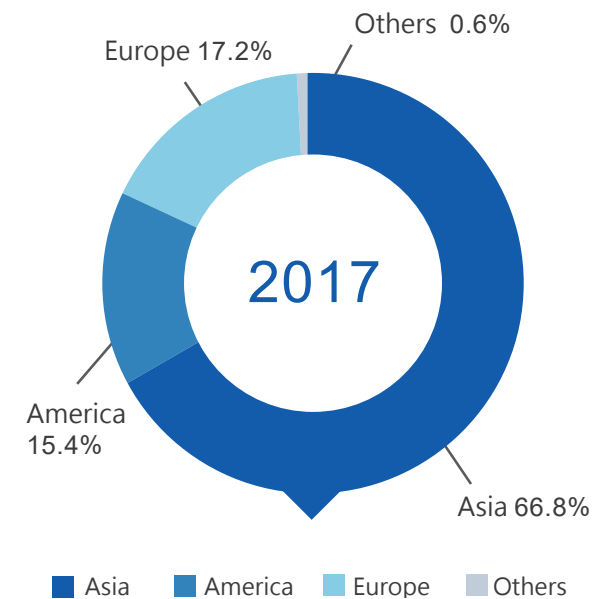
Company development strategies

- Continue the efforts on the R & D of design and promotion on green and high performance products.
- Process improvement, lean production, and increase automation and intelligence.
- Enhance quality standards and provide customers with reassurance and safety.
- Enhance the ability of innovation, creativity and creation in response to future trends.
- Focus on the development industry and pursue the top of excellence.

Sales area

Phihong's sales area covers the world's five continents with the main export markets of being Asia Pacific (66.8%), Americas (15.4%) and Europe (17.2%). There were no prohibited sales or controversial products during 2017.

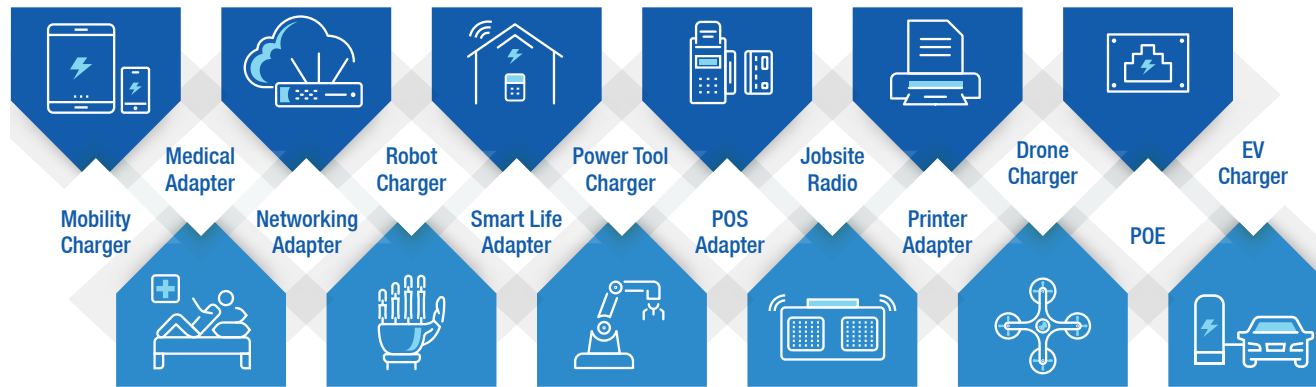
【 Ratio of Regional shipments in 2017 】



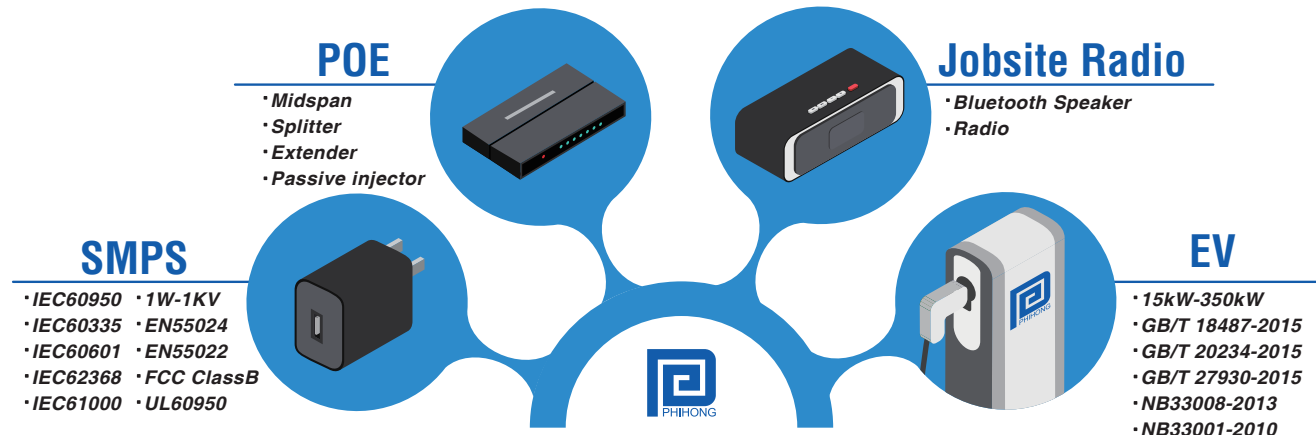
PRODUCTS AND SERVICES

After nearly 46 years of innovating in power products, Pihong Technology has become one of the top 10 suppliers of power supplier in the world, mainly engaging in the development of power products containing adapters, battery chargers, Ethernet. power suppliers, electric vehicle charging piles, construction site audio, along with multi-industry items such as consumer electronics, Netcom, POS, small appliances, medicine, construction, industrial, electric vehicles.

【Product application industry】



Product category



Environmental policies

- In order to achieve sustainable operation, Pihong Technology will uphold the corporate conscience and will avoid environmental pollution to commit tge implementation of the following guidelines:
- Combine with the PDCA of PLAN, DO, CHECK, ACTION and the spirit of CONFIRMATION to promote environmental management and to reduces and prevents the occurrence of environmental shocks.
- Promote environmental performance to save energy, continuous improvement and pollution prevention through institutional management.
- Comply with and implement the environmental regulations and customer environmental requirements regarding (sewage) water, waste gas, wastes, noise, chemicals, banned substances, toxic materials.
- Design and manufacture green products that meet with the requirement stipulated in laws, regulations, and environmental management (such as Hazardous substances free, HSF).
- Review environmental objectives, target on a regular basis, and publicize environmental outcomes.

Occupational safety and health policy

- Comply with all safety and health requirements and strengthen communication between internal and external management
- Continuously improve the working and living environment to prevent various safety incidents from occurring
- Reduce the risk of occupational safety and health to fully protect employees

Global bases

Taiwan

Taiwan, Tainan

Sales / R&D

Japan

Tokyo

Sales / R&D

China

Jiangxi, Dongguan

Sales / R&D / Factory

USA

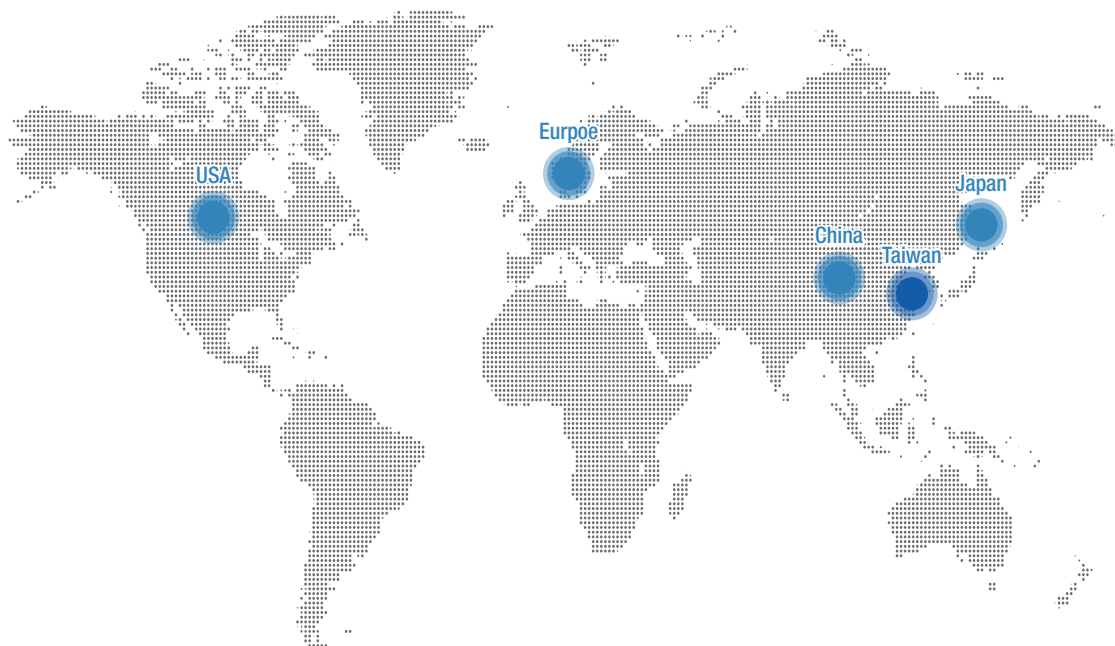
Fremont, New York

Sales / R&D

Europe

Germany

Sales



【2017 consolidated financial performance table】

Unit: NT\$ million

Item	Year	2015		2016		2017	
		Value	%	Value	%	Value	%
Operating income		11,123	100.00%	11,352	100.00%	11,284	100.00%
Operating gross profit		1,011	9.09%	1,368	12.05%	1,314	11.64%
Operating expenses		1,629	14.65%	1,677	14.77%	1,520	13.47%
Operating net profit (loss)		-618	-5.56%	-309	-2.72%	-206	-1.83%
Non-operating income and expenses		153	1.38%	47	0.41%	287	2.54%
Net profit before tax (loss)		-465	-4.18%	-262	-2.31%	81	0.72%
Income tax expense		47	0.42%	39	0.34%	-75	-0.66%
Current net profit		-512	-4.60%	-301	-2.65%	6	0.05%
Total number of employees		8,696		7,858		7,126	

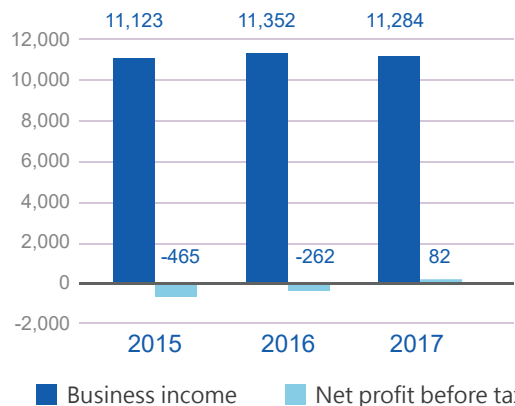
Operational performance

The annual turnover of Phihong Technology in 2017 was NT\$11.284 billion, a decrease of 0.61% from 2016. Its net profit before tax was NT\$81 million, net profit after tax was NT\$6 million, and profit increased by approximately 102.21% with gross profit margin of 12%. Phihong's business in 2017 showed a slow growth due to the impact of instability in major economies and the continued surge in component prices. Since the power suppliers have a wide range of applications, it is estimated that market demand will continue to grow. Phihong counters the external severe competition with the overall improvement of quality, price, delivery competitiveness, as well as the introduction of production automation, reduction of total operating costs, enhancement of business systems, and promotion of product technology. At the same time, the Company also pays its attention to the trend of new products in the market, and strives to develop superior products with high added value in order to advance towards the goal of sustainable operation in response to changes in the overall environment.

OPERATIONAL PERFORMANCE

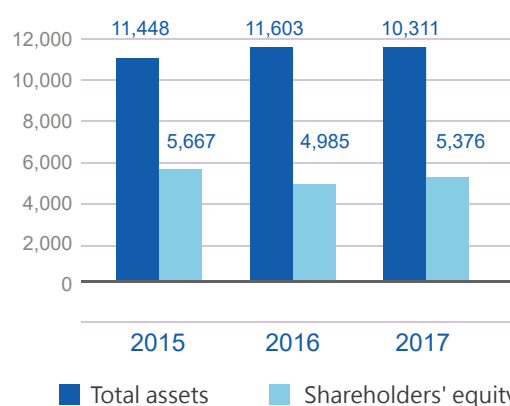
【 Business income and net profit before tax 】

Unit: NT\$ million



【 Total assets and shareholders' equity 】

Unit: NT\$ million



- The chart shows Phihong's consolidated revenue, gross profit and net profit, detailed operating conditions and financial performance please refer to Phihong's 2017 annual report disclosed on the jCompany's official website(www.phihong.com.tw).
- Please refer to pages (78-80) and (64) of the 2017 Annual Report for data on company assets, liabilities, equity and products.
- Please refer to page (78) of the 2017 Annual Report for information on earnings retention.
- Phihong Taiwan applies to the government for the R & D tax incentives.

Main initiatives and participation

Phihong Technology actively participates in CSR, sustainable development and industry-related public policies in order to expose corporate sustainability and social responsibility as well as complete organizational information. Based on two international standards and guidelines, namely the Global Reporting Initiative - G4 Sustainability Reporting Standards (2013) and the AA1000 (2008) Standards of Responsibility Standards, the Company continuously communicates with stakeholders on the policies and performances of corporate social responsibility, and details the specific actions and progress of Phihong Technology in corporate social responsibility every year.

Responding to conflicting mineral policy

Phihong Technology is committed to complying with the Responsible Business Alliance (RBA) of Electronic Industry Citizenship Coalition and looks forward to our supply chains' respect and support of the internationally recognized human rights movement. When procuring metals from the Congo and neighboring countries, we will not tolerate, use, invest, assist or support to violate or abuse human rights in any way. We request our suppliers to comply with the Code of Conduct of the Electronic Industry Alliance and expect suppliers to work with Phihong to support their supply chain and comply with this policy.

Quality and environmental initiative - Environmentally friendly policy

In addition to shouldering the social responsibility of self-expectation, Phihong Technology understands that environmental protection is the general trend of the market and commits to the development of environmentally friendly products. In order to be in line with the world, we need to meet the needs of our customers and work with environmentally friendly companies so as to produce environmentally friendly products. As a leader in the power supplier industry, Phihong Technology is the first company to follow the European Union's Restriction of Hazardous Substances Directive (RoHS, REACH, WEEE) for comprehensive product development and to produce products that meet specifications. In



addition, the Company has introduced high standards to ban hazardous substances control in some product development, such as no red phosphorus flame retardant, halogen-free, no plasticizer, and no other harmful substances in complying with California 65 Act (depending on the product sales area). At the same time, a database of suppliers' materials is established to ensure supply chain management to be in line with international environmental regulations. This allows customers to be safer and more secure in their use of the product, and to minimize the impact of products and services on the environment by increasing the recyclability of materials.

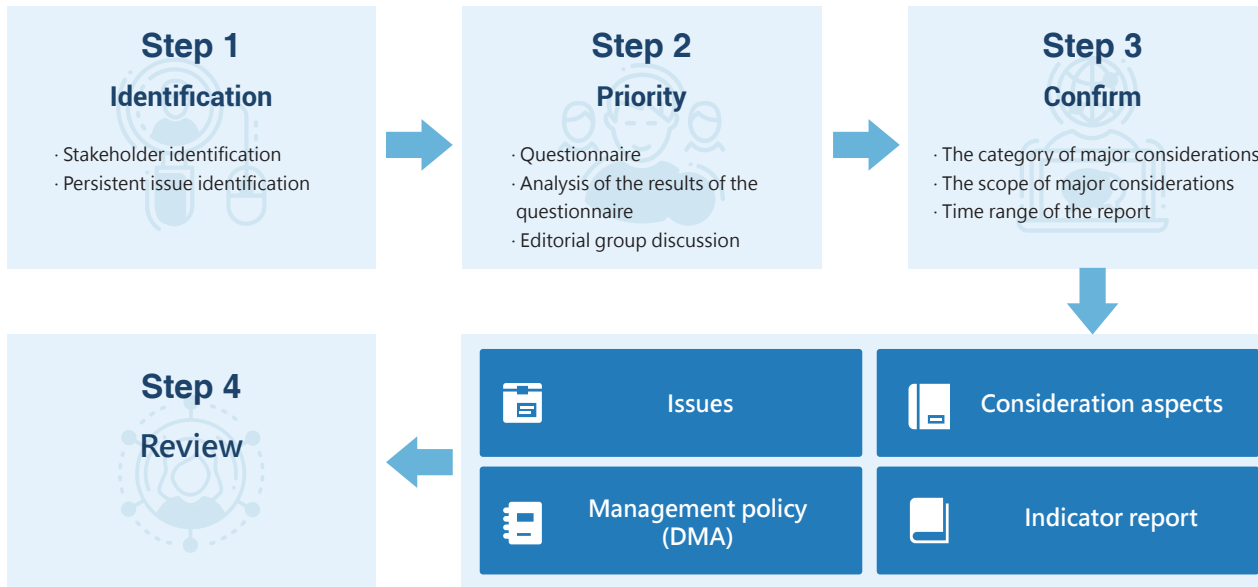
Participation in guild / association organizations

Based on the company's sustainable position, Phihong Technology actively participates in international/ national/regional initiative organizations and joins the organizations as a member to participate in their meetings to express opinions. It is expected to gather the strength of the industry, promote industrial exchange, and meet the expectations of non-profit organizations and society. Following is the list of non-profit organizations that the Company participates in the name of the organization. It contains relevant associations and national or international initiatives to express the support of economic, environmental and social charters, principles or other initiatives initiated by the outside world. The relevant institutions that Phihong has participated are as follows.

Aspects	Initiative organization or convention	Position/Initiative
Economic aspect	Taiwan Electrical and Electronic Manufacturer's Association	Member
	TAIWAN CHAMBER OF COMMERCE & INDUSTRY Member	Member
	Council for Industrial and Commercial Development, R.O.C. (8th. 9th)	Member
	Tainan County Industrial Association	Member
	2016 Entrepreneur Club of Business Weekly	Member
	TAIWAN CHAMBER OF COMMERCE & INDUSTRY	Member
	Institute of Internal Auditors (IIA)-Taiwan	Member
	Manufacturer Promotion Association of Taoyuan Asia Silicon Hwa-ya Technology Park	Member
	Guangdong Huangpu Customs Association	Member
	Guangdong Entry and Exit Association	Member
Qingxi Branch of Dongguan Taishang Chamber of Commerce Member	Member	
Social aspect	Global Sustainability Reporting Initiative (GRI)	Initiative
	Electronic Industry Code of Conduct (EICC)	Initiative
	Cross-Strait Cultural and Creative Industry Development Association	Member
	Taoyuan City Police Friendship Association	Consultant
	Taiwan Children's Family Support Foundation	Monthly fixed donation
	Association of Taiwan Marine Environmental Education Promotion	Initiative
	Chinese Culture Association	Member
	Eden Social Welfare Foundation	Donation

STAKEHOLDERS AND MAJOR CONSIDERATIONS

【Significance analysis flow chart】



STEP 1. IDENTIFICATION

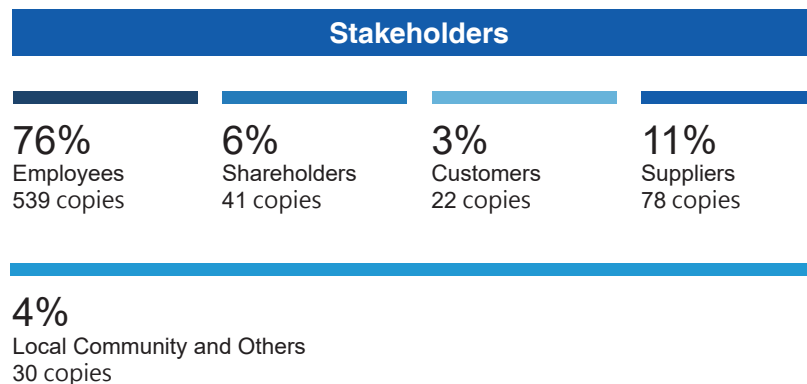
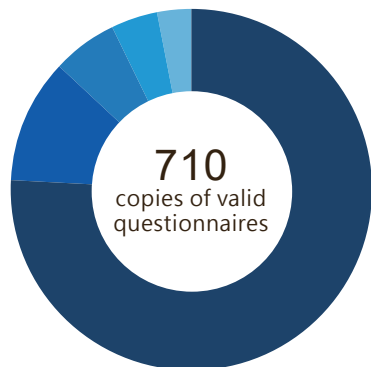
Fully listening to the opinions of stakeholders and understanding their needs is an important and key foundation for Pihong Technology to practice corporate social responsibility. As long as it is an individual or group that has an impact on operations or is significantly affected by our operations, we regard them as interested parties. According to this principle, through the Enterprise Sustainable Development Committee, we identified the major issues of concern for the stakeholders in the economic, environmental and social aspects of the Company, and conducted a matrix analysis with the Company's operational impact issues to identify Pihong Technology. Major issues, as well as to countermeasure and enhance information disclosure.

Stakeholder identification

10 company-related stakeholders are listed through the brainstorming of CSR editorial team members and then through the five major principles of Dependence, Responsibility, Impact, Multiple Perspectives and Tension of AA 1000 SES-2011 stakeholder agreement standards, the Enterprise Sustainable Development Committee ranks stakeholders and identifies five major stakeholder groups: employees, customers, suppliers/contractors, shareholders/investors, and local communities.

Collecting sustainability issues

In the process of exposing key CSR information, the GRI G4 version of the specific standard issues, ISO-26000 and the Electronic Industry Code of Conduct (RBA) were referred. After being discussed by the editorial team members, the stakeholder attention level questionnaire was designed based on the 46 specific criteria topics of the GRI G4 edition.



【 The identification of aspects on stakeholders list 】

Stakeholder	Suggested object
Customer	Existing customers of international and domestic brands
Shareholder	General shareholders (including employee shareholders), legal person shareholders and rating agencies
Supplier	The main target is material supplier, others including some engineering contractors/cleaning service manufacturers, waste cleaning manufacturers, etc.
Employee	Direct/indirect personnel, Phihong Taiwan has indirect classified personnel and the mainland Dongguan factory has directly classified personnel as the main target (including the organization of various levels of supervisors and employees)
Local Community	The local park management center staff and local people in the factory area

【 34 major considerations of Phihong Technology in 2017 】

Aspects	NO	Aspects of Consideration	Aspects	NO	Aspects of Consideration	
Economic aspect	1	Economic performance	Working conditions	20	Training and education	
	2	Market image		21	Employee diversity and equal opportunities	
	3	Indirect economic impact		22	Equal pay to women and men	
	4	Procurement practices		23	Supplier labor practice assessment	
Environmental aspect	5	Raw materials	Human rights	24	Labor practice complaint mechanism Human rights	
	6	Energy		26	Discrimination issues	
	7	Water		28	Child labor	
	9	Emissions		29	Forced and mandated labor	
	10	Waste water and wastes		30	Security practice	
	11	Products and services		Society	35	Local community participation
	12	Regulations (environment)		Product liability	36	Anti-corruption
	13	Transportation			39	Compliance (Social)
14	Overall environmental protection investment	42	Customer health and safety			
15	Supplier environmental assessment	43	Product service and labeling			
Working conditions	17	Labor relationship	44	Marketing communication		
	18	Labor relations	45	Customer privacy		
	19	Occupational safety and health	46	Regulatory compliance (Product Liability)		

MAJOR ISSUES ASSESSMENT AND RESPONSE

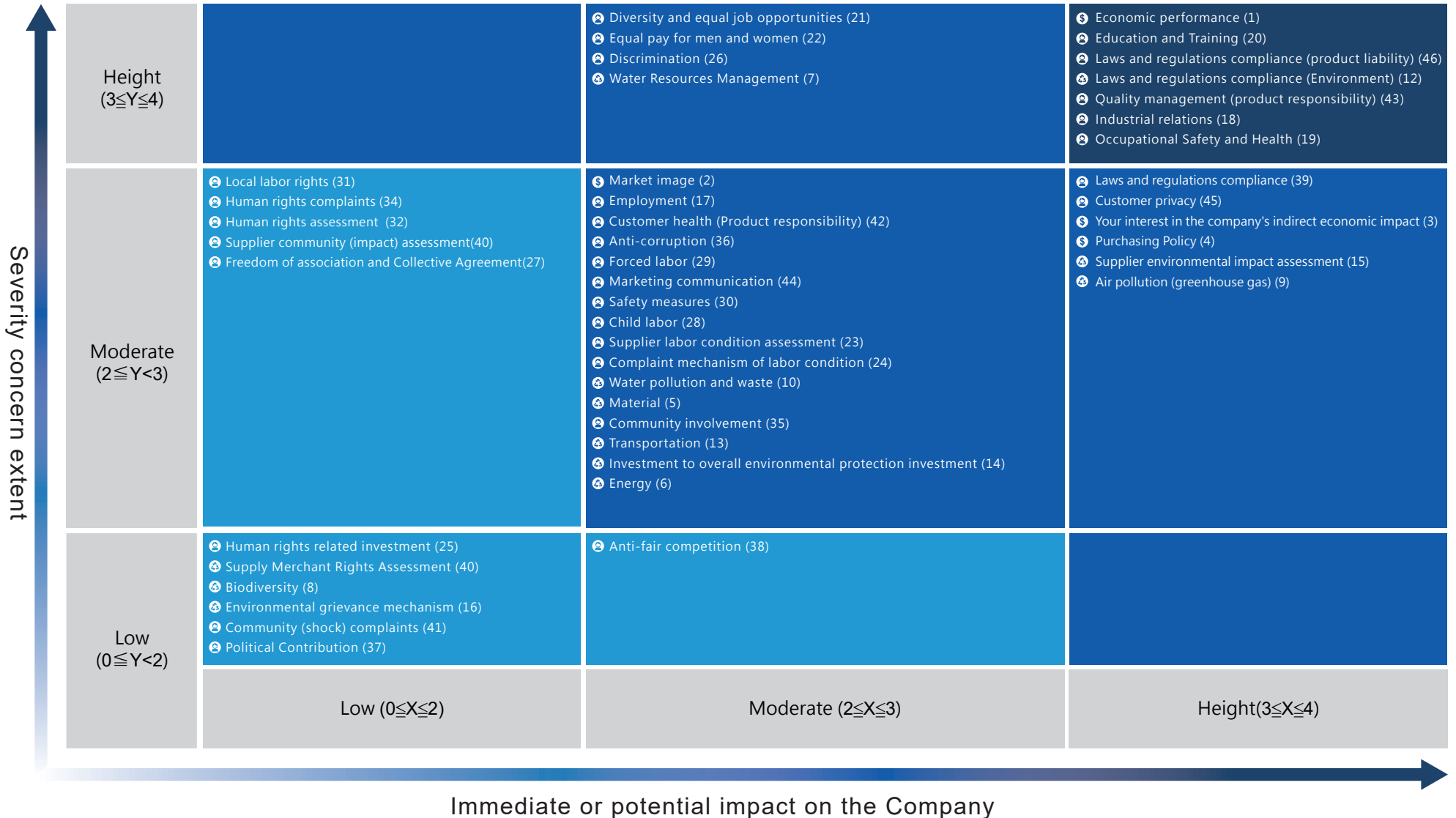
STEP 2. SORTING

Phihong Technology follows the steps of the Global Reporting Initiative (GRI) G4 Guide and the AA1000 Assurance Standards and Principles to carry out the following steps and systematically identifies, implements, and exposes the Company's major issues. In response to paperless policy, the Microsoft Office 365 questionnaire tool was introduced to investigate through a web link.

1. Using the Microsoft Office 365 questionnaire to investigate the previously identified stakeholder groups, a total of 710 valid questionnaires were collected to understand the issues and extents of stakeholder's interests and concerns, in which major issues were sorted into three concern levels of high, moderate and low degrees.

2. The members of the Enterprise Sustainable Development Committee (committees, conveners, and chairmen) used the Microsoft Office 365 questionnaire tool to assess the impact extent arising from the major issues of 46 considered aspects influence based on their expertise in various fields and jobs. The assessment, whether it is a direct impact or a potential shock, determines whether the impact of each major issue on the Company's operations is of high, moderate or low degree.

【2017 CSR Major Issues Matrix】



■ Low-profile issues
 ■ Moderately important issues
 ■ Highly significant issue
 \$ Economic aspect
 👤 Social aspect
 ♻️ Environmental aspect

STEP 3. CONFIRMATION

In response to the identified major issues, the members of the Pihong CSR editorial team, based on the scope, consideration of the boundary, and time, also identified three major considerations for the company's impact and stakeholder concerns. In addition, since there are many indicators for each major consideration, and the boundary range of each indicator is different, the boundary range of each indicator is thus defined in detail to confirm that all aspects of the issues of concern are covered in this annual report.

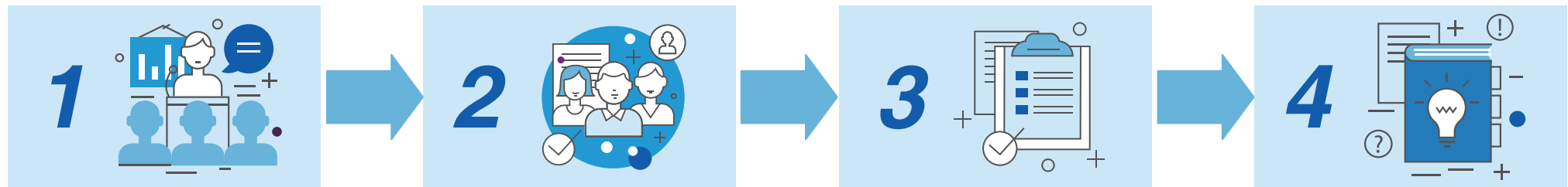
After matrix analysis, major issues in 2016 of the environmental complaint mechanism (16), local labor rights (31), human rights complaints (34), and anti-fair competition (38) were not identified as major issues in

2017. However, Pihong Technology has always operated in compliance with higher standards than the regulations, and has also disclosed relevant information in such report, such as no relevant incidents occurred regarding the P.29 "Corporate Compliance" and the labor complaints and communication channel of P.45-49. In addition, major issues in 2017 increased discrimination (26). P.45-P.46, indicating revealed that Pihong Technology had always been anti-discrimination and respected for human rights. There was no discrimination occurred in 2017.

The Pihong Technology organization includes Taiwan's Linkou Headquarters (including Tainan Plant) and Pihong Dongguan Plant, Tiesong Plant and Dahong Plant in China. The rest of the relationship is a factory

or marketing operation bases for the production of small components of power suppliers they were not included in the scope of this report because of no significance. The external organizations include local communities, suppliers and customers. The local community is defined as: the headquarters of Pihong Taiwan in the Linkou Hwa-ya Science and Technology Park and the Yongkang District where the Tainan Plant is located and the Yinhu Industrial Zone where the Dongguan factory is located. The supplier is mainly defined as the raw material suppliers of the power supplier, in addition to some engineering contractors, cleaning services/waste cleaning manufacturers, etc.; the customer is defined as the main target of international brand customers at home and abroad.

【 Significant consideration aspects and boundary tables for stakeholder concerns 】



Category 5 Stakeholders

We identified shareholders, employees, customers, suppliers/contractors, and local communities, through the stakeholder AA1000 five identification process.

34 Aspects of major

Through the matrix analysis of stakeholder questionnaire results and mid-to-high-level managers' assessment of the Company's sustainable operational impact, the consolidation data became the external concern and internal impact of each consideration and, after the significant threshold of the resolution, a total of 34 major considerations were identified by Pihong in 2017.

46 Categories Aspect of sustainable considerations

Questionnaire design for the identification of major issues in accordance with the 46 major considerations of the G4 Sustainability Report published by the Global Reporting Initiative (GRI) was conducted to identify key sustainability issues.

710 Copies Questionnaire for stakeholders

Through questionnaires, various stakeholders were surveyed and 710 valid questionnaires were successfully collected to understand the concerns of various stakeholders on the issue, and simultaneously judged by 20 senior executives in the CSR committee consisted of middle and high level directors to evaluate various issues' impact on Company's operations

【 Significant consideration aspects and boundary tables for stakeholder concerns 】

Aspects	Major consideration	Corresponding indicator	Within the organization		Outside the organization			
			Phihong Taiwan	Dongguan supplying	Supplier	Customers	Community	Shareholders
Economic aspect	Economic performance	EC1 Output and distribution of direct economic value	●	●				●
		EC2 Financial and risk opportunities for the organization due to climate change	●	●	●	●		
		EC4 Government's financial subsidies	●					●
	Market image	EC6 The proportion of senior management employed in the field	●					
	Indirect economic shock	EC7 The impact of development infrastructure investment and support services	●				●	●
		EC8 Indirectly important economic impact, including the extent of impact	●				●	●
Purchasing practice	EC9 Important operating ratio of base procurement to local suppliers	●	●	●				
Environmental aspect	Raw materials	EN1 The weight or volume of the material used	●	●				
		EN3 Energy consumption within the organization	●	●				
		EN4 Energy consumption outside the organization	●	●				
	Energy	EN5 Energy intensity	●	●				
		EN6 Reduced energy consumption	●	●				
		EN7 Reduced energy requirements for products and services	●	●				
	Water	EN8 Total water consumption by source	●	●				
		EN9 Water source that is significantly affected by water withdrawal	●	●				
	Emission	EN15 Total direct greenhouse gas emissions (scope 1)		●				
		EN16 Total indirect greenhouse gas emissions (scope 2)		●				
		EN18 Greenhouse gas emission intensity		●				
		EN19 Reduced greenhouse gas emissions		●				
	Waste water and wastes	EN22 Total discharge by type of water quality and discharge destination	●	●				
		EN23 Total wastes of being summarized by general category and treatment Products and services	●	●				
	Products and services	EN27 Reduces the impact of products and services on the environment	●	●				
	Regulations compliance	EN29 The total amount of fines fined for violating environmental laws and the number of sanctions other than money received	●	●				
	Transportation	EN30 Significant environmental impacts of transporting products, other goods and materials, and employee traffic for institutional operations	●	●				
	Overall environmental investment	EN31 Total environmental expenditures and investments by categories	●	●				
	Supplier	EN32 Proportion of new suppliers regulated by environmental standards	●	●				
Environmental Assessment	EN33 The significant actual and potential negative impacts of the supply chain on the environment and the actions taken	●						

Aspects	Major consideration	Corresponding indicator	Within the organization		Outside the organization			
			Phihong Taiwan	Dongguan supplying	Supplier	Customers	Community	Shareholders
Human rights aspect	Labor relationship	LA1 calculated numbers, proportion and resignation of new employees, by age, gender and region	●	●				
		LA2 benefits for regular employees at major operations locations	●	●		●	●	
		LA3 Reinstatement and retention ratio after parental leave by gender	●	●				
	Labor relationship	LA4 is the shortest notice period for any change in the operation of the group agreement content	●	●				
	Occupational health and safety	LA6 Regional and gender work-related injury rate, occupational disease ratio, loss-to-day ratio, absenteeism rate and the numbers of work-related death	●	●				
		LA7 High accident risk and health hazard employees	●	●				
	Training and education	LA8 Health and safety-related topics in formal agreements with unions	●	●				
		LA9 Average training time per employee per year by employee identification and gender	●	●		●		
		LA10 Enhance the ability of employees to continue for employment, assist in the transfer of skills management, and provide projects or courses for lifelong learning	●	●		●		
		LA11 Employee ratio for regular performance and career development reviews by employee category and gender	●	●		●		
	Employee diversity and equal opportunities	LA12 Composition of members of the governance body and various types of employees by minority members of the gender group and other indicators of diversity	●	●		●		
		Equal pay for female and men	LA13 Proportion of basic salary and remuneration for men and women by employee category and key operating locations	●	●		●	●
	Supplier labor Practice evaluation	LA14 Proportion of new suppliers screened by labor practice standards	●	●				
		LA15 Major practical and potential negative impacts of supply chain on labor practices, and measures taken	●	●				
	Labor practice issues	Grievance mechanism	LA16 Number of labor complaints filed, processed and resolved through formal grievance mechanisms	●	●		●	
	Discrimination		HR3 How much do you care about the total number of company discriminatory incidents and the corrective actions taken?	●	●			
	Child labor	HR5 Identify the risks of child labor in organizations and suppliers; measures taken to eliminate child labor	●	●	●	●		
Forced and mandated labor	HR6 Identifies risks of forced labor by organizations and suppliers; methods used to eliminate forced labor organizations	●	●	●	●			
Security practice	HR7 Percentage of security personnel trained in operational-related human rights policies and procedures	●	●	●	●			

【 Significant consideration aspects and boundary tables for stakeholder concerns 】

Aspects	Major consideration	Corresponding indicator	Within the organization		Outside the organization			
			Phihong Taiwan	Dongguan supplying	Supplier	Customers	Community	Shareholders
Social aspect	Local community	SO1 Proportion of operating points for community participation, impact and development plans	●	●			●	
	Anti-corruption	SO3 Total number and percentage of corruption check for institutions	●	●		●		●
		SO4 The communication and training anti-corruption policy and procedural	●	●		●		●
		SO5 Corruption incidents and actions taken	●	●		●		●
	Laws and Regulations compliance	SO8 The sum of currency fines and non-monetary major penalties because of legal violation	●	●		●		●
Product liability	Customer health and safety	PR1 Percentage of key products and service categories that receive health and safety impact assessments to improve the status quo	●	●		●		
		PR2 Total number of incidents that violate the regulations and voluntary guidelines for the health and safety impacts of products and services (products and services are in their life cycle)	●	●		●		
	Product service and labeling	PR4 Clarifies product, service information, label violations and voluntary specifications based on the type of results	●	●		●		●
		PR5 Measure the results of customer satisfaction surveys	●	●		●		●
	Marketing communication	PR6 Sale of concession or controversial products	●	●				
		PR7 Total number of incidents in violation of regulations and voluntary guidelines for marketing (including advertising, promotion and sponsorship) by consequence category	●	●				
	Customer privacy	PR8 The total number of customers complain about incidents such as privacy violations and data breaches	●	●		●		●
	Laws and regulation compliance	PR9 The provision and use of products and services that is contrary to regulations and regulations, resulting in major fines of monetary value	●	●		●		●

STEP 4. REVIEW

After the report is issued and when it is ready for the next annual report, we will re-examine the significance of the considerations disclosed in the previous report and consider the feedback from interested parties to confirm the rationality and balance of the spirit of disclosure highlighted in the report. In addition to the daily business with various types of interactions with stakeholders, there is a stakeholder complaint mailbox (CSR@phihong.com.tw) on the official website as the most basic communication channel between stakeholders and the Company.

Of the communication with different and various stakeholders, in addition to the [Customer Feedback Processing Program] for customers to provide feedback to the Company, Phihong Technology also stipulates a [Security Management Communication Procedure] and [Information exchange control procedures] which are handled by all authority departments to properly handling the communication channels with stakeholders. In addition to the initiative of inviting stakeholders to participate in the discussion and communication, any case of complaint grievances are handled in accordance with external regulations, internal management system and all existing norms related to the implementation of programs or measures, such as the public and employee opinion processing procedures, as well as the environment, safety and health education training and the participation methods of communication consultation. When there is a special or important situation that needs to be handled by the project, the authority department will promptly inform the CSR committee to convene a special meeting to meet the need.

【 Communicate with stakeholders 】

Object	Communication channel /frequency	Communication focus
Shareholders, investors	<ul style="list-style-type: none"> Annual general meeting of shareholders/1 time per year Regular release of financial year (season) report/4 times a year Reply to the mouthpiece system or inquiry from EMAIL/Irregular Major news revealed on the company's official website/Irregular CSR questionnaire survey / 1 time per year 	<ul style="list-style-type: none"> Corporate Governance Industrial competition Business development and performance Risk Management Dividend policy
Customer	<ul style="list-style-type: none"> Customer Service Line/Website Public Information/Irregular Customer satisfaction survey/1 time per year Email, regular meetings and audits/Irregular CSR Questionnaire/1 time per year 	<ul style="list-style-type: none"> Environmental protection compliance products and services Emission of greenhouse gases Customer privacy Forced labor
Employee	<ul style="list-style-type: none"> Internal announcement and electronic bulletin board/Irregular Group meal communication meeting/1 time per half year Employee opinion survey/1 time per year Employee complaint letter box Symposium between newcomers and high-ranking chiefs Staff council meeting/1 time per month Labor conference/1 time per season CSR questionnaire survey/1 time per year 	<ul style="list-style-type: none"> Occupational health and safety Labor employment/Labor / management relationship Training and education Human rights complaints mechanism Assembly freedom and negotiation No discrimination
Supplier	<ul style="list-style-type: none"> Website public information/Irregular Supplier audit and interview/Irregular CSR Questionnaire/Once a year 	<ul style="list-style-type: none"> Supplier Environmental assessment Supplier social impact assessment Supply merchant rights assessment Raw material management
Local community	<ul style="list-style-type: none"> Campus Management Center Routine Meeting/1 time per year CSR Questionnaire/1 time per year 	<ul style="list-style-type: none"> Waste water discharge and wastes treatment Environmental issues such as air pollution

CORPORATE GOVERNANCE AND OPERATIONS

HIGH-LEVEL MANAGEMENT

Phihong Technology believes that a sound corporate governance system is the most important cornerstone of sustainable management. Among them, the company's board of directors is responsible for guiding the company's business strategy, supervising the management performance of the management, discussing the various operations and arrangements of the resolution corporate governance system and taking responsibility for all shareholders. In order to ensure the effective operation of the Board and the compliance of accountable requirements, in addition to the earlier establishment of the "Remuneration Committee", the Board of Directors has set a "Audit Committee" and a "Nomination Committee" in 2017 to make corporate governance more comprehensive and efficient.

Board of Directors

The ownership of Phihong Technology is under the control of the general meeting of shareholders. The board members and supervisors are elected by the shareholders' meeting on June 14, 2017 for a term of three years; there are a total of 11 directors (containing 3 independent directors), including 1 female member of the board of directors.

The corporate governance of Phihong Company is entrusted to professional managers appointed by the board of directors with the remuneration determined by the salary compensation committee appointed by the board of directors. The remaining supervisory positions are authorized by the managers in question. Board meetings are held at least quarterly to oversee internal control policies and procedures, review business performance and discuss important strategic issues; in

the event of a conflict of interest, an avoidance of the rule of law will be performed and the content evasive proposal the name of the director, the reason for the interest, and participation in the voting will make a complete record in order to meet the best interests of the company's operations.

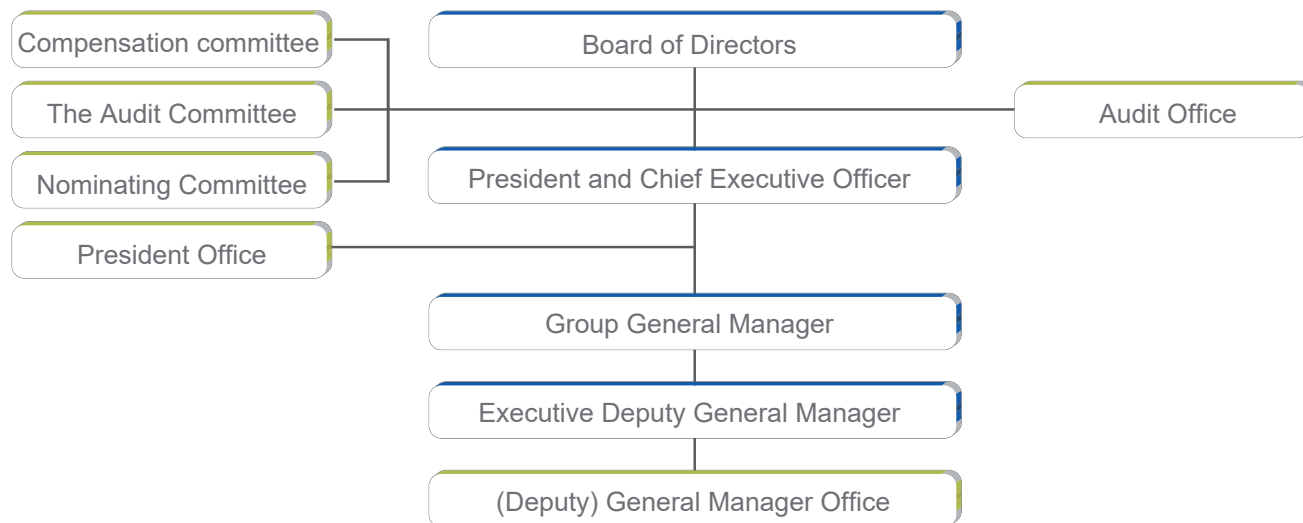
Phihong Company held 8 board meetings in 2017, and the directors' attendance rate was 84.93%. In addition, the company won the pre-existing "21% to 35% of the company" in the results of the 4th Corporate Governance Evaluation of 1,536 of the public listed companies.

Remuneration Committee

A Remuneration Committee is set up to assist the Board of Directors in implementing and evaluating the company's overall remuneration and welfare policies, as well as the remuneration of the Board of Supervisors and managers. Such Committee holds at least two regular meetings a year. This Committee consists of three independent directors, and Mr. Hong Yu-yuan is appointed as the chairman of the meeting. In 2017, three remuneration committees were held, and the attendance rate was as high as 88.89%.

The Audit Committee

An Audit Committee is established by Phihong's Board of Directors according to law on June 14, 2017, aiming at supervising the company's financial statements, the selection for independent and valid auditor, the effective implementation of internal control of the company, the company's compliance for laws and regulations and the presence or potential risks of the company. The Audit Committee consists of three independent Directors and is held at least once a quarter in 2017. A total of five audit committees were held, and the attendance rate of auditors was as high as 100%.



Nominating committee

A nomination committee was set up by the Board of Directors of Pihong on August 11, 2017, which aims to formulate the diversified background and independence standards of professional knowledge, technology, experience and gender required by Directors and Independent Directors as well as to serve as the standards in selecting, assessing and nominating candidates of Directors and Independent Directors, constructing and developing the organization structure of Board of Directors and each Committees, conducting the performance appraisal of the Board of Directors and each of the Directors, assessing the independence of the Independent Directors, formulating or reviewing the Director's progress plan, and setting up the Company's corporate governance code of practice. The Nomination Committee consists of three Independent Directors who meet at least twice a year. In 2017, a total of 2 nomination committees were held, and the attendance rate of nominating members was as high as 100%.

ETHICAL CODE OF CONDUCT

The Company's basic philosophy of "Corporate Ethics and Business Conduct Guidelines" is to uphold the business philosophy of integrity, creativity and challenge, and to provide customers with the highest quality products and services. All personnel performing business on behalf of the company must understand and abide by the beliefs and policies of this Code and must not compromise on the environment of any person or thing. In addition, Pihong Technology treats partners, suppliers and subcontractors fairly and honestly, and does not discriminate against any companies or individuals that may damage the reputation and illegality of the Company.

Course Title	Training participant	Total personnel hours
Legal Affairs Lecture: Introduction to the Trade Secrets Act	Business colleagues	84
Control design and auditing techniques for the prevention of enterprise bribery and corruption	Auditing colleagues	6
Analysis of the latest amendments of Labor Act and recent internal control cases		6
One fixed day off & one flexible rest day and internal control		6
General Studies Series for New Employees - Introduction to Corporate Social Responsibility	Junior staff	96
Workplace Ethics - Corporate Ethics and Business Conduct Guidelines (Part 1)		120
Workplace Ethics - Corporate Ethics and Business Conduct Guidelines (Part 2)		

Pihong Taiwan has converted the [Corporate Ethics and Business Conduct Guidelines] into a digital course and defined it as a compulsory course for all staff. At the same time, it requires all employees to sign the [Intellectual Property Rights and Confidentiality Agreement]. Education training and full-time advocacy will be conducted from time to time for employees' ethics-related issues, such as anti-corruption or intellectual property rights protection.

To implement the training of RBA 6.0 (Responsible Business Alliance Code of Conduct), Pihong's Dongguan Electronics Co., Ltd., Tie Song Factory and Dongguan

Dahong Electronics Co., Ltd. have incorporated the RBA into the training courses of new employees, so that new employees can acknowledge Pihong's intention to implement RBA. At the same time, the employed warehouse management and cashier employees were also required to sign the "Employees' Guarantee". The Company holds an annual corporate social responsibility award-winning knowledge contest, which covers topics related to human rights, anti-corruption, and integrity management so as to effectively improve employees' understanding of social responsibility.

Course Title: Electronic Industry Code of Conduct	Training participant	Training Total personnel hours
Pihong (Dongguan) Electronics Co., Ltd.	Junior staff	10,929
Pihong (Dongguan) Electronics Co., Ltd. (Tie Song Factory)	Serving officers	844
Dongguan Dahong Electronics Co., Ltd.	Junior staff	9,229

RISK MANAGEMENT

Risk management is not only the guarantee and responsibility for all stakeholders, but a necessary means for sustainable management as well. Since its establishment in 1972, Phihong Technology has experienced nearly 46 years of market testing. In the face of rising global risks, in addition to careful adherence to various laws and regulations, effective risk management strategies and crisis control measures are also necessary tools to deal with operational risks. It is important to comply with government regulations and company systems as well as to continuously assess changes and risks in the domestic and international business environment.

After evaluating the Company's various operations, Phihong divides the risks into four major aspects: internal audit control, financial risk, information risk and operational risk, and manages the management methods and risk response steps for various risk planning personnel with an expectation to minimize the uncertainty of business operations. The various risk management instructions are as follows:

Internal audit and control

In 2017, Phihong carried out 52 auditing operations, and tracked and checked the missing audited projects on a quarterly basis until 100% improvement was completed. The internal control system shall be formulated in accordance with the law and the audit office attached

to the Board of Directors shall be set up. The audit supervisor shall attend the report of the Board of Directors and report the audit business to the audit committee on a regular basis to help ensure the continuous design and implementation of the internal control system and promote the sound operation of the company so as to reasonably ensure the following internal control objectives were achieved.

- Operational effectiveness and efficiency.
- Reliable, timely, transparent and reports that comply with relevant regulations.
- Follow the relevant laws and regulations.

Audit frequency	Audit items
1 time / month	Derivative commodity investment operation
1 time / season	Operations of endorsement guarantees and loan lending
1 time /year	Relational transaction management
	Budget operation
	Supervision operation for subsidiaries
	Compliance regulations
	Management of the operation of the Board of Directors
	Management of the financial statement preparation process - including applicable international finance, management of reporting standards, accounting professional judgment procedures, accounting policy and process of estimating changes
	Prevent the management of inside transactions
	Safety operation of information
	Operation for acquiring or disposing of assets
	Management for the operation of the Remuneration Committee
	Sales and collection cycle
	Procurement and payment cycle
	Payroll cycle
	Real estate, plant and equipment cycle
	Financing cycle
Investment cycle	
Computer processing operation cycle	
R&D cycle	
2017 Achievement rate of default, tracking, improvement	100%

Financial risk control

Phihong Technology does not engage in high-risk, highly leveraged investment activities with exchange rate risk of a natural hedging approach and with investment in short-term idle funds mainly based on monetary funds and deposits with liquidity, principal and income. In addition, the Company utilizes the application of financing quotas to financial institutions and the issuance of convertible bonds and corporate bonds to the capital market to support its working capital and long-term capital expenditures.

Information risk control

In order to protect company, personal information, internal and external communication systems as well as to avoid human factors such as leakage, theft, damage, and natural disasters, and to reduce the impact on operations, Phihong Information Risk Management practices are as follows:

- Off-site drills: Conduct an off-site rehearsal of the information system twice a year to ensure that the system can be restored in the shortest possible time if the data is damaged and cannot be used due to natural disasters occur (such as earthquakes, floods, fires, etc.).
- Dedicated line backup: The external line is leased from two telecommunications companies to make sure that, when one line is out of order, there is still another line that can be used to ensure normal operation.
- Password management: Quarterly and systemically mandate users to change the password for the log in to the company's corporate portal password to reduce the risk of password theft.

Operational risk control

Having well known that uncertain risks such as natural disasters and accidents have a potentially significant impact on the company's normal production operations and employee life safety, Phihong Technology therefore continues to manage the scope of disaster risk with a positive attitude of prevention and management. By implementing the implementation of safety regulations and rigorous risk management plans, the Company is committed to meeting the highest standards of power industry safety. To ensure that the Company can recover and reduce the property damage as well as maintain company reputation and employee safety from normal operations after disasters (including fires, earthquakes, typhoons, water cuts, power outages, wars, political turmoil, terrorist attacks, food poisoning, legal infectious diseases, environmental pollution, etc.), Phihong Technology uses insurance to respond to and transfer risks. In 2017, the Company insures insurances for commercial fires, cargo transportation, product liability and public accidents to ensure that the damage or loss of underwriting property caused by unexpected and unexpected accidents will be reduced during the insurance period. That is, the operational risk and possible losses of the Company are minimized through insurance planning and fixed premium expenses.

Insurance planning	Product liability insurance	Cargo transportation insurance	Commercial fire insurance	Property insurance
Range	Phihong Group		Phihong Taiwan	Dongguan factory
Insurance amount	NT\$0.64 billion ~ 3.8 billion	NT\$105 billion	NT\$9.87 billion	NT\$66.01 billion
Total premium	NT\$372.3 million			

Response to changes

The extreme climate risks caused by global climate change are rising, and the frequency and scale of disasters are also increasing. Facing the curb of 2°C climate action target set out by global climate conference COP21 "Paris Agreement", Phihong Technology began to actively introduce greenhouse gas inventory in Dongguan plant in 2009 and set up rooftop solar energy in the new plant in Tainan to create value and turn the crisis into an opportunity to cope with the damage and threats that may be generated in response to future climate change and reduce the damage caused by risk. After the assessment, the Company has listed the impacts and potential opportunities of the relevant risk issues in the "Climate Change Risk Assessment Form" on the next page.

【 Climate Change Risk Assessment Form 】

Climate change risk	Shock or threat	Response strategy	Potential opportunity
<p>Energy supply</p> <ul style="list-style-type: none"> Energy prices have risen sharply Interruption of energy supply 	<ul style="list-style-type: none"> Process: Higher energy cost, and the energy demand peaks causes production disruptions. Supply chain: carbon prices lead to higher raw material and increased transportation costs Market: Increased operating costs and impact on market share; high energy-consuming products are not favored. 	<ul style="list-style-type: none"> The Dongguan plant introduced a greenhouse gas inventory in 2009, and is expected to achieve a reduction of more than 5% in 2020 with 2010 as the base year. Set energy conservation goals and make good use of government energy-saving diagnostic service resources for improvement measures. 	<ul style="list-style-type: none"> Promote green products or renewable energy to mitigate climate change. Discover opportunities arising from regulations, not just pay attention to costs and risks.
<p>Resource shortage and input cost</p> <ul style="list-style-type: none"> Water shortage impact Water prices have risen sharply Material price increase 	<ul style="list-style-type: none"> Process: Reduced water availability and the impact process operations. Supply Chain: Suppliers are limited by water resources, which lead to increased process input costs. Market: Increased operating costs affecting market share. 	<ul style="list-style-type: none"> Using renewable energy; rooftop solar energy was set up when the new Tainan plant was built in 2015. It is now officially in service, generating an average of 30,000 kWh per year to reduce carbon emissions. In addition to water-saving management on weekdays, the three-phase response measures are planned to maintain operations for the limited period of water restriction so as to reduce the impact on the company when drought occurs. 	<ul style="list-style-type: none"> Consider climate change strategies as a key competitive advantage. Natural disasters lead to increased demand for product replacement Obtain support from investors, customers, and stakeholders through public disclosure.
<p>The increase of extremely high temperature days</p> <ul style="list-style-type: none"> Cooling system load aggravation Electrical equipment is overheated Heat waves affect employee's attendance 	<ul style="list-style-type: none"> Assets: Accelerated damage to assets, low efficiency of electrical equipment, damage to temperature-sensitive equipment, increased cost of additional cooling equipment, and compromised quality. Supply chain: product quality is affected. Labor: Increased staff absenteeism, workplace overheating, reduced productivity, difficulty in maintenance and skill training. 	<ul style="list-style-type: none"> Green manufacturing: It is strictly forbidden to purchase or use raw materials and conflict minerals that are harmful to the human environment. At the same time, major suppliers are required to cooperate with the green manufacturing policy and strengthen relevant audits. 	
<p>Extreme weather event</p> <ul style="list-style-type: none"> Infrastructure capacity Disaster emergency rescue Whether the insurance is sufficient to cover the damage caused by the disaster? 	<ul style="list-style-type: none"> Operations and assets: assets are damaged and energy supply is unstable which will result in disruption of operations. Supply chain: the raw materials and goods are affected and the delivery is delayed. Labor: additional management costs and employees are unable to go to work. 	<ul style="list-style-type: none"> Import the "demand management function" of the intelligent power management system to achieve the goal of optimizing the contract capacity. Use insurance to respond to and transfer related risks, including commercial fire insurance, property insurance, cargo transportation insurance, product liability insurance, etc. 	

ENTERPRISE SUSTAINABILITY AND SOCIAL RESPONSIBILITY PRACTICE

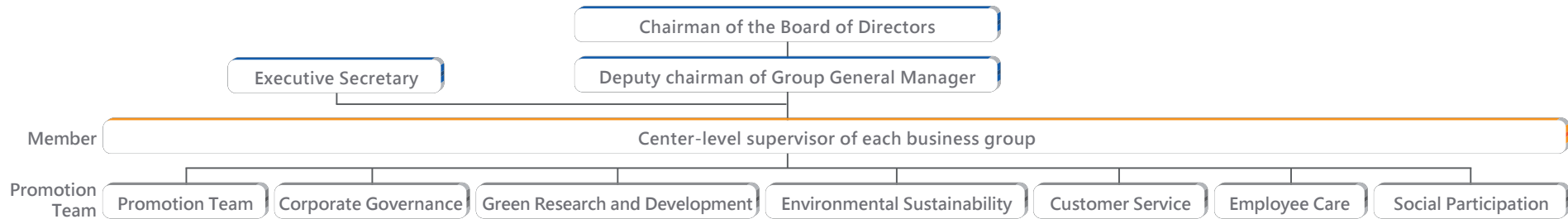
Corporate Sustainable Development Committee

Having always adhered to the corporate culture and spirit of fulfilling corporate social responsibility as well as taking into account the innovation and growth of the industry, Phihong Technology has continued to actively promote the practice of corporate social responsibility, and has issued an annual report on corporate social responsibility since 2009. In order to expand the corporate social responsibility, promote the sustainable development objectives and development

direction, Phihong Technology formulated the "Enterprise Sustainability Committee Setting Method" in 2014 to set up the "Enterprise Sustainable Development Committee", which is composed of the chairman and members, to promote and review the achievement of goals and performance of various issues as well as to expose the Company's performance in corporate social responsibility through the annual corporate social responsibility report.

The operation of Phihong Enterprise Sustainable Development Committee also includes the editing of the Corporate Social Responsibility Manual and the

Corporate Social Responsibility Management Program which includes the GRI (Global Reporting Initiative) "G4 Resiliency Reporting Guide" and the AA1000 (2008) in the annual disclosure indicators. After being revised, it will be included in the management content of the discussion as well as in the management of related issues of the annual major sustainability indicators. The Committee has seven teams responsible for the promotion of relevant issues of "Corporate Governance", "Green R&D", "Supply Chain Management", "Environmental Sustainability", "Customer Service", "Employee Care" and "Social Participation". The functions and purposes of each group are described as follows:



Promotion Team	Function and Purpose
Corporate Governance	Assist in strengthening the functions of the Board of Directors, pay attention to the rights and interests of shareholders and stakeholders, and integrating relevant departments to formulate various rules and systems for corporate governance, responsible for assisting in the implementation of internal control, ensuring transparency of information disclosure and compliance with relevant laws and regulations in order to practice the core value of integrity, transparency of information, concentration on shareholders' rights, and good internal control.
Green research and development	With green design as the core value of product research and development, Phihong technology continues to develop innovative design and green process, produce green products, reduce the negative impact of product life cycle on the environment, and improve market competitiveness.
Supply Chain Management	Responsible for establishing a supply chain that protects the environment, the values social responsibility, the labor human rights, the safety, health and sustainable development in the direction of quality capability, cost leadership, delivery supply capability, service team capability, and sustainability. Building long-term partnerships.
Environmental sustainability	Responsible for integrating the company's environmental protection as well as the safety and health management work, formulating environmental safety performance indicators, promoting waste reduction and resource reuse, greenhouse gas reduction and other projects, and cooperating with the Green Production Committee to promote various green process and supply chain management activities.
Customer service	Think from the customer's standpoint to provide customers with higher quality, lower cost and faster products and services, and to achieve management goals that create the highest value for customers.
Employee care	Focus on employee communication and functional development, provide competitive compensation and benefits, and strive to improve and diversify life balance measures to create a good, safe and harmonious workplace environment.
Social participation	Promote the communication of the company's external community and society, and combine the external public welfare resources with the "education", "art", "public interest" and "environmental protection" as the main axis to continuously promote the cooperative development of scientific and technological research and development along with long-term education assistance, arts and cultural activities

PHIPHONG CORPORATE SOCIAL RESPONSIBILITY AND COMMITMENT

Under the three major areas of corporate social responsibility, including corporate governance, environmental protection, and social participation, Phihong Technology has long been engaged in the management of stakeholders such as shareholders, customers, suppliers, employees, government agencies, operating communities and the general public. The Company’s long-term deep-rooted management and unremitting efforts have demonstrated significant results, implemented improvements, and practiced commitments and policies with all stakeholders:

- Create company value and increase the profitability of investors and stakeholders.
- Maintain good corporate governance, adhere to ethical integrity, and comply with legal norms.
- Provide employees with a safe and healthy working environment and encourage employees to participate in social welfare activities.
- Commit to promoting the concept of corporate social responsibility, and work with partners and customers to pursue sustainable development.
- Develop and manufacture “Hazardous Substances Free (HSF)” and environmentally friendly energy-saving products as well as implement environmental management systems to mitigate environmental impacts.

The above commitment is the goal and direction of Phihong to implement corporate social responsibility, as well as to expand the depth and breadth of related activities in daily operations, set up various indicators, regularly track performance as a reference for improvement, and immediately disclose relevant information to ensure the communication quality between internal and external organizations.

CSR Education Advocacy

In order to ensure that all employees can understand

CSR and fulfill the responsibility clause in RBA, Phihong Taiwan, in addition to including the “Phihong Corporate Social Responsibility Practice” theme in the pre-employment training compulsory course and post-class assessment in 2015, has also used the digital learning platform to issue "Phihong Technology e-Newsletter" and occasionally launch corporate social responsibility-related lectures as well as encourage employees to participate in social welfare activities and to receive other information so that to increase employees' awareness of CSR-related issues and training. The course is as follows:

Internal training	<ul style="list-style-type: none"> • 2017 The First Echelon of General Course Series for New Comers - Introduction to Corporate Social Responsibility/1.5 hours • 2017 The Second Echelon of General Course Series for New Comers - Introduction to Corporate Social Responsibility/1 hour • CSR Guide: Purifying the Environment – The Long-term Welfare Support Explanation Of Plant Anti-Fouling and Environmental Protection/1 hour
Total Training person hours: 218.5 hours	
External training	<ul style="list-style-type: none"> • 2017 The Third Taiwan Sustainability Report Analysis Presentation/7 hours • Control design and auditing techniques for corporate bribery and corruption/6 hours • Management Specialist Training Course of Indoor Air Quality Maintenance /22 hours
Total Training person hours: 42 hours	
Online course	<ul style="list-style-type: none"> • Workplace Ethics – Corporate Ethics and Business Conduct Guidelines (Part 1) • Workplace Ethics – Corporate Ethics and Business Conduct Guidelines (Part 2)
Total Training person hours: 42 hours	



COMPANY REGULATIONS COMPLIANCE

Phihong Technology is self-proclaimed as a law-abiding enterprise by attaching great importance to complying with various laws and regulations. In addition to reaffirming ethical standards such as business ethics, corporate governance, and employee morality and ethics from time to time, the Company also adheres to the laws and regulations of the place of operation in good faith. This is the role and responsibility of Phihong Technology as a citizen of the world.

Phihong Taiwan has a legal office to assist employees in clarifying various legal issues. In case employees have violations of laws, labor safety regulations or regulations, labor contracts and business ethics, Phihong Technology will also prosecute according to relevant laws and disciplinary measures, which will also reasonably affect the results of employee performance evaluation.

【Company regulations compliance】

Environmental compliance	In 2017, Phihong Technology did not have any major leakage incidents, nor did it have any major violations of environmental laws, penalties for environmental violations or fines.
Labor regulations compliance	Phihong Technology follows the Labor Act, and was without child labor incident in 2017, nor were there any human rights-related cases involving discrimination against Aboriginal rights and complaints through formal mechanisms. Each employee signs a written labor contract in accordance with the law at the time of employment. The contract also states that the employment relationship is established on the basis of the agreement between the two parties and is regularly reviewed and controlled. In 2017, there was no relevant violation of the penalty; there were no human rights related reviews and impact assessments.
Compliance with regulations relating to product labeling, marketing, etc.	In terms of product marketing, whether in advertising, publication, participation, press release, or sponsorship activities, the product marketing is subject to fair competition regulations. The legal department of the Company also conducts relevant training for marketing and business related units, and promotes the necessity for colleagues to conduct business activities in a proper manner. Colleagues are also reminded not to improperly obtain sales accumulation or to create illegal activities such as vicious mergers, predatory pricing or market barriers.

GREEN RESEARCH AND DEVELOPMENT

In addition to introducing strict control of hazardous substances, high-performance, reduced-volume green R&D, and environmental management, Phihong Technology also continues to seek opportunities to innovate and improve the environment in the value chain through the implementation of 100% environmental monitoring.

IMPLEMENT ENVIRONMENTAL PROTECTION

As an excellent enterprise specialized in the design and manufacture of power suppliers, Phihong Technology should fulfill its corporate social responsibility. In the past 46 years, the Company, just as its corporate mission revised in 2016, has continued to make progress. In addition to providing a comprehensive power solution and adhering its mission of loving the earth with environmental protection, Phihong Technology is convinced that the design and development of products are not only to provide a more comfortable and convenient quality of life for human beings, but to make a contribution to the earth we exist as well. In order to sustain development, the Company continues developing green products, implementing ROHS specifications or meeting higher halogen-free requirements, and importing them into supply chain management. At the same time, it also conducts environmental material management, related energy conservation and carbon reduction data monitoring to effectively save energy and improving the efficiency of energy utilization. Through these practical actions, the Company will fulfill its responsibility of the world's citizens to mitigate the greenhouse effect and reduce the impact of climate change caused by global warming.

GREEN PRODUCT DEVELOPMENT

Since R&D design is an important factor for the

source of developing green products, the R&D personnel are required to have green design thinking in the early stage of product design so as to evaluate the potential impacts and risks of the products in various stages of the life cycle. With a view to reducing environmental impact, they need to consider introducing feasible countermeasures in new products, such as miniaturization of parts and final products, material management, research and development of high-efficiency chargers, and electric vehicle charging piles. The research and development direction is as follows:

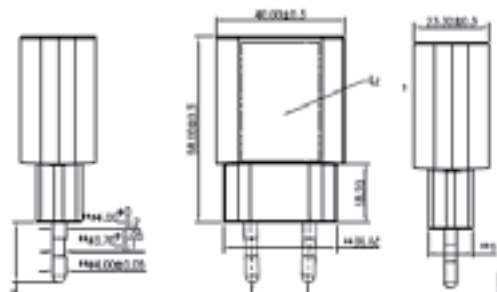
Development of small power supplier

- In response to energy conservation and environmental protection, the product series designed by Phihong Technology have all met the performance specification of the US 2016 New Energy Regulations LEVEL6. In addition, based on the EU's non-mandatory requirements in January 2016, the existing products have also improved 3-5% in average performance, with energy efficiency of low standby power at 75mW and at 10% load. In order to comply with this non-mandatory requirement, the new products developed by Phihong Technology in 2017 were all based on this

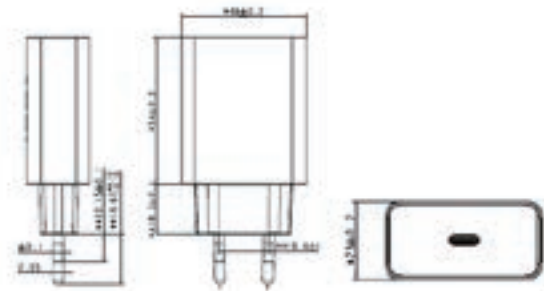
requirement. Some models have even reached more than 2% energy efficiency margin, and the standby power of the product can reach only about 30mW. These developments are in line with products of energy and carbon efficiency and superior to customer expectations.

- Universal Serial Bus Power Output Support (USB Power Delivery: USB PD) and Type C connector have developed a new generation of more compatible products with current tolerance up to 5 amps and the fixed output of 5 volts is increased to output of 5 to 20 volts to provide more voltage for the device, which not only can receive and output higher power and current, but also accelerate the charging of personal computers or mobile devices for a wider range of applications. At present, many of our products have been certified by the USB Association, and the designed product power has reached 60W.
- Commit to minimizing product development, increasing the power density of the product by 5%, thereby reducing the demand for materials, plastics and hardware. In addition, the development of GaN Power Device (high-frequency switching power supply) can further significantly reduce the size and efficiency.

2016 18W size 58X40X23.3



2017 24W size 54X46X23

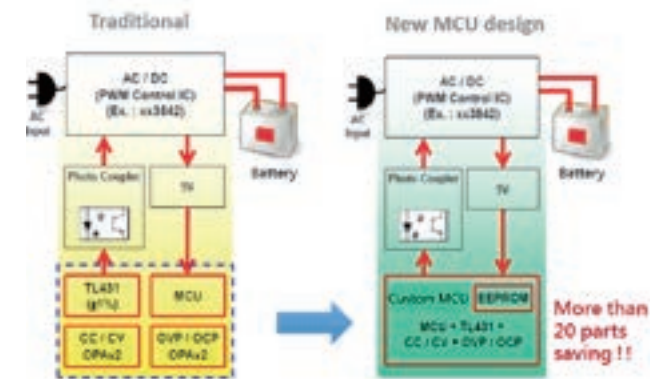


- In terms of transformer design, reducing the number of enamelled wire layers from five to three layers not only saves the use of one-third of the material, but significantly reduces man-hours as well (20 seconds). During the time of direct manpower shortage, the process is optimized in reducing manpower requirements. Such results are not only in line with customer needs, but also reduce the consumption of material, manpower, and carbon emissions.
- Create a pool of parts resources to simplify material types and allow more than 60% of the same parts to be used by similar wattage chargers or adapters, expand the development of standard products, reduce the development time and the number of customized products in order to reduce the impact on the environment. In the meantime, increase the production

automation ratio to achieve high quality and high efficiency production.

- Phihong Technology endeavors to work IC supplier technology to develop digital power and gradually replace digital analog ICs with digital control ICs. It is estimated that the use of peripheral components can be reduced by about 30%. Taking the charger product as an example, the most important feature of introducing a digital IC designed for chargers is the integration of two OP amplifiers into the IC. The analog IC adopted by the control board of original circuit requires 64 peripheral components, while only about 44 peripheral components are required after the digital IC is applied. Therefore, each model of such series can save about 20 components, which significantly reduces the volume and labor costs.

【 Design Concept - Chargers 】



EV (electric vehicle) product development

- With its world-renowned power conversion technology, Phihong Technology has successfully developed a series of energy-efficient electric vehicle charging solutions, including DC charging pile, AC charging pile, advertising push electric vehicle charging pile, DC charging module, auxiliary power supply, communication module, etc. for electric buses, electric passenger cars, logistics vehicles, and various special vehicles, to actively meet the fast charging field of large watt electric vehicles. In 2017, Phihong's charging pile products for charging all kinds of electric vehicles totaled more than 3 million kWh, and the carbon reduction was more than 1,800 metric tons (calculated by one kilowatt of 0.6kg CO2).
- Phihong Technology's electric vehicle charging power module is a new generation of digital control power supply (Digital Control), which can output 200V-750V, covering the demand voltage of most buses and cars on the market. Its high output efficiency of 94.5% reduces the loss of energy and the waiting time for

charging. At present, the charging piles using Phihong power module have obtained the certification of Bay CNS and GB/T, and it is scheduled to obtain IEC61851 and CHAdeMO certification in 2018. The Phihong power supply will design a higher output voltage and V2G (Vehicle to Grid) function. This two-way charge and discharge power module allows the electric vehicle to be combined with the smart grid, using the high-capacity battery of the electric vehicle itself to balance the power demand of the peak and off-peak of the power grid. In addition, the professional R&D team has worked with customers and suppliers to share the technology and materials, and through innovative thinking, continue to develop sustainable products that are more environmentally friendly.

- In response to energy conservation and carbon reduction as well as the use of green energy vehicles in the lack district, the Sun Moon Lake Scenic Area Management Office (referred to as the Sun Management Office) cooperated with Phihong

Technology and a well-known electric vehicle manufacturer to set up 10 electric vehicle charging piles in Yutan District. On December 8th, 2017, the charging pile opening ceremony was held at the Xiangshan Visitor Center.

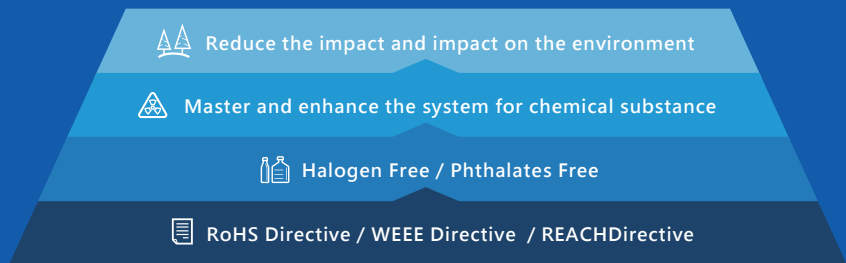
【 At the end of 2017, we will work with well-known electric vehicle manufacturers to build piles in Sun Moon Lake 】



HAZARDOUS SUBSTANCE MANAGEMENT

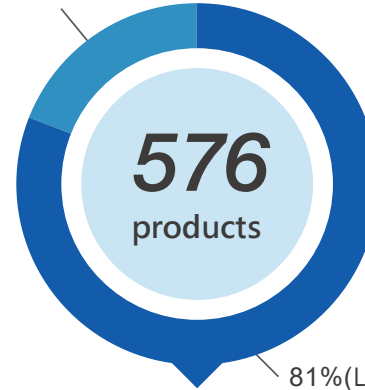
Phihong Technology continuously introduces the concept of environmental friendliness into product development design and production. In the selection of raw materials, the Company has required the green supplier to meet Phihong's specifications with high standards. Therefore, in terms of the control of hazardous substances, in addition to actually meet the current international regulations such as the EU RoHS2.0 and WEEE waste electrical and electronic equipment recycling and other environmental regulations. Other than strictly requesting products to meet REACH regulations, prohibiting the use of red phosphorus flame retardants, and controlling of the asbestos, the part of Phihong Technology's "-R" also introduced into the control of PAH (Polycyclic Aromatic Hydrocarbons). In recent years, we have introduced the "-H" part number, which not only meet the control for four plasticizers (Bht/DBP/DIBP/DEHP) specified the Halogen (chlorine & bromine) and RoHS2.0, but also regulates the use of antimony trioxide flame retardants and limits the use of 23 plasticizers (Phthalates) to make consumers safer and more secure in their use.

Other than using such standard for the future banned/restricted substances, Phihong technology will assess the feasibility of its prohibition/limitation by stages under the principles of without affecting the quality, safety, reliability and impact on human health and aggravating the environmental impact. If the evaluation is a feasible solution, the material replacement or improvement will be carried out, and the time course of material control will be updated one after another. The safety of the person can be maximized and the impact of products and services on the environment can be improved and minimized by increasing the proportion of materials recoverable.



【2017 Total Development Models】

19%(H alogen-free)



81%(Lead-free)

■ Lead-free (in line with the international environmental protection directive)

■ Halogen-free (strictly above the international environmental protection directive)

* All of the above models are in compliance with the WEEE specification, which can achieve a recoverability of more than 75%, and some models even can achieve a recoverability of more than 90%.

ENERGY AND CARBON REDUCTION MANAGEMENT

Phihong Technology not only implements green design, but also promotes this policy and concept to the entire major production plant to develop high-performance, high-power-density power products. At the same time, it strengthens management through regional power usage monitoring system and improves energy efficiency in the process so that to achieve the goal of reducing energy

consumption, environmental protection and sustainable development. In terms of energy consumption, Phihong Taiwan uses electricity as its main source of energy. The Dongguan plant is dominated by electricity, supplemented by petrochemical energy (diesel) to ensure the backup of electricity as well as the supply of natural gas for the people.

In 2017, the energy consumption statistics of Dongguan plant area increased slightly compared with 2016. The power increased by 4.6%, yet the annual electricity consumption per capita decreased by 3.14% while the increase of personnel in 2017 was 8.23%. The increase in fuel is due to the twice uses for emergency power generation interruption of the power line caused by municipal construction.

Furthermore, owing to the expiration of the three-year contract for the use of natural gas of heat recovery from the air compressor exhaust, according to the contract, the cost of the water heater during the long vacation period is borne by Phihong in accordance with the contract and that the emissions were included in the Company's emissions.

【Energy Resource Consumption Table】 Unit: Joule (GJ)

Energy category	2015		2016		2017	
	Phihong Taiwan	Dongguan Factory	Phihong Taiwan	Dongguan Factory	Phihong Taiwan	Dongguan Factory
Electricity	9,134	75,966	10,150	111,117	10,022	116,477
Diesel oil	-	138	-	136	-	443
Natural Gas	-	91	-	300	-	128

*Remarks: Conversion factor of diesel : 10,200kcal/kg 、 natural gas : 9,310kcal/m3 、 electricity : 3,600,000J/kw.h 、 1Cal=4.1868J

Energy intensity

Phihong consumes a relatively simple type of energy in its manufacturing activities. Its primary energy is electricity and secondary energy is compressed air. The assessment to compressed air has not yet been performed.

Energy intensity	unit	2016	2017
		Dongguan factory	Dongguan factory
Electricity	KW · H	30,912,623	32,354,730
Capacity	Taiwan	174,566,552	138,318,330
Energy intensity	KW/H/ thousand units	177	234

Water resource control

The water resources of Phihong Technology are mainly domestic water for employees. The Dongguan factory is an electronic assembly plant of which its production process does not produce wastewater, and the waste water is derived from domestic water. The main source of water resources is tap water. The water resources management in each plant area is mainly to promote water conservation. The implementation strategy is to improve water equipment, such as installing water-saving valves in toilets and introducing water-saving faucets for life-saving measures.

Wastewater treatment, operations and plant wastewater discharge are in compliance with local government regulations. In 2017, Phihong's overall water consumption in Taiwan decreased by 22% compared with 2016 and the water consumption of the Dongguan plant area also decreased by 15% compared with 2016.

【Water consumption table】

Energy category (unit)	2015		2016		2017	
	Phihong Taiwan	Dongguan Factory	Phihong Taiwan	Dongguan Factory	Phihong Taiwan	Dongguan Factory
Water consumption (tons)	11,455	610,334	14,488	702,344	11,326	632,949
Number of employees	514	3,709	464	4,936	459	5,342
Water intensity (ton/person)	22	165	31	142	24	118
※ Wastewater discharge(tons)	10,310	549,301	13,039	632,110	10,193	569,654

Remarks: The wastewater discharge coefficient is 90% of water consumption

Energy saving and low carbon practice

In 2017, the overall electricity consumption of Phihong Taiwan decreased by about 1.1% compared with 2016. In order to achieve the goals of reducing global warming, maintaining environmental sustainability and corporate competitiveness, Phihong Taiwan invited the “Energy Conservation Team of the Ministry of Economic Affairs” to its Linkou Headquarters and the Tainan Plant for energy-saving diagnostic services in May 2016. The diagnostic team made recommendations for the diagnosis and energy saving of electromechanical, lighting, air conditioning, elevators, etc., and Phihong completed the improvement on a case-by-case basis according to the recommendations of the experts. In 2017, the energy saving in the Linkou headquarters in the whole year was more than 90,000 in electricity consumption, with effective energy results of the electricity cost savings reached NT\$ 31,000.

【Phihong Taiwan Power Savings Results Table (Linkou Headquarters)】

Year	2016	2017	Difference	Percentage of difference
Electricity consumption (degrees)	1,896,016	1,805,000	↓ 91,016	↓ 5%
Electricity bill(NT\$)	5,976,380	5,660,362	↓ 316,018	↓ 5.3%

GREENHOUSE GAS EMISSION MANAGEMENT

As climate change is a global sustainability issue, Pihong Technology has been following international standards for greenhouse gas inventory since 2009. Other than using self-inspection results as the basis for setting internal greenhouse gas reduction strategies and carbon asset management, the Company also examines the risks and opportunities of climate change, establishes carbon reduction action plans and targets, and plans to incorporate above-mentioned goals to its long-term business strategies. In order to achieve the above objectives and fulfill corporate social responsibility, Pihong conducted a GHG inventory of the Dongguan plant through the Operation Control Act. In 2017, Pihong Taiwan was included in the GHG inventory with an expectation to understand the company's carbon emissions status and, at the same time, to carry out energy conservation and emission reduction activities. The 2017 annual greenhouse gas emissions are as follows:

【Greenhouse Gas & Carbon Emissions Chart】

Category/unit	Dongguan factory			Pihong Taiwan
	2015	2016	2017	2017
Direct emissions (Scope 1) / T-CO ₂ e	650	1135	1,195	13
Indirect emissions (Scope 2) / T-CO ₂ e	19,378	27,204	28,824	1521
Total emissions / T-CO ₂ e	20,028	28,339	28,826	1534
Number of employees	5,294	4,936	5362	460
Emission intensity (T-CO ₂ e / person)	3.78	5.74	5.38	3.33
Emission intensity (T-CO ₂ e / NT\$ million)	2.3	2.6	2.59	7.4

Waste management

Adhering to the corporate conscience to avoid environmental pollution caused by waste, Pihong has incorporated waste treatment into management and has effectively reduced the amount of waste and prevented environmental impact. Except for complying with environmental laws and environmental protection requirements as well as the necessary regulations for waste (sewage) water, waste gas, waste, noise, chemicals, banned substances and toxic substances, the Company has also passed ISO14001 certification as well as regularly reviewed and disclosed environmental performance results, and expected to complete ISO14001 (2015 version) certification in the fourth quarter of 2018. Regarding to waste reduction, other than carbon reduction and pollution prevention, the Company strictly complies with environmental regulations in place of operation and thoroughly implements the waste management system as well as actively carries out the methods of scrap acquisition, recycling and payment cleaning to reduce the volume of waste disposal. Pihong's waste generated during the operation process includes two categories of "living waste" and "business waste". In this regard, we have entrusted legal vendors to properly handle them according to the regulations of the place of operation. Moreover, the Company also promotes the concept of "recycling and reduction of resources" in various factories and implements the all-people waste reduction operation from the inside to outside. In 2017, Pihong Technology did not have any major leakage incidents, nor did it have any major violations of the environmental regulations, environmental protection violations, or fines.

【Waste category table】

Waste category (ton)	2015		2016		2017	
	Pihong Taiwan	Dongguan Factory	Pihong Taiwan	Dongguan Factory	Pihong Taiwan	Dongguan Factory
Domestic waste (tons)	21.79	3,154	27.47	3,162	27.594	2,190
Business waste (tons)	0.74	1093.74	1.47	1134.49	0.696	1253.25
Hazardous waste (tons)	-	146.44	-	183.84	-	233.14
Total weight (tons)	22.53	1240.18	28.94	1318.33	26.907	1486.39

For the transportation of employees to and from work, Pihong Taiwan also provides vehicles to encourage employees to take when commuting so as to avoid road congestion caused by commuting time as well as to relieve traffic jam on major roads and reduce the risk of arising from staff commuting along with a hope to reduce the environmental pollution caused by the carbon emissions generated by employees driving their own cars. In 2017, the total reduction of carbon emissions due to the use of transportation vehicles was reduced by 4,374 tons of CO₂ emissions. This move provides convenience for employees who take the bus, and also achieves a win-win situation that reduces environmental pollution.

【2017 Annual emission reduction statistics of Phihong Taiwan employee traffic car carbon】

Traffic route (vehicle model)	2016 carbon reduction (ton)	2017 carbon reduction (ton)
Taipei Station Line (bus)	764.34	700.8
Banqiao line (bus)	2021.56	105
Zhongli Line (CMB)	180.72	2026.08
Luzhou Line (CMB)	1180.23	1545.6
Total carbon reduction	4146.85	4377.48

ENVIRONMENTAL EXPENDITURES AND BENEFITS

The Company focuses on the rising trend of corporate environmental costs in the future and establishes environmental expenditure statistics that is capable to effectively become the company's management tools. The statistics on the environmental and economic benefits of the environmental accounting standards are calculated on the basis of the estimated energy, water use or waste generated by the implementation of the environmental protection plan and the cost savings, plus the incomes generating from the waste recycling. The environmental benefits presented in this report include substantial monetary income, such as waste recycling revenue and other costs saved by implementing an environmental program. The expenditure and benefit statistics of environmental protection of Phihong Taiwan and Dongguan factories are as follows:

Classification of environmental cost items	Description	2017 Annual Expenditure (NTD)	
		Phihong Taiwan	Dongguan factory
Reduce the direct cost of environmental loading			
Pollution prevention cost	Air pollution control costs, water pollution control costs, and other pollution prevention costs	30,000	229,320
Energy consumption cost	Cost to save resources (such as water and electricity)	60,000	29,776
Business waste and office general waste disposal and recycling costs	The disposal of business waste (sludge cleaning, waste solvent, waste water, general waste disposal)	460,305	3,849,454
Reduce the indirect cost of environmental loading (environment-related management costs)	Environmental education expenditure	643,358	30,429
	Environmental management system and certification fees	29,852	2,305,753
	Costs for monitoring environmental loading	0	0
	Personal expenses related to environmental protection special organization	0	0
Other environmental related costs	Soil remediation and natural environment restoration costs	0	0
	Environmental pollution damage, insurance premium	0	0
	The government levies environmental taxes, the environmental issues such as costs, compensation, fine, and total litigation costs	0	0
Total		1,223,515	6,444,732

Environmental impact benefits Statistical table

Project	Description	2017 Benefits (NTD)	
		Phihong Taiwan	Dongguan factory
Business Waste Recycling (NT\$)	Such as electronic parts scraps, waste computer recycling revenue	14,591	11,050,184
Environmental impact benefits (tons)	Volume of carbon dioxide reduction	42.393	0.722

INCLUSIVE WIN-WIN SITUATION

Customer Relationship and Quality Management

Through proactive services to explore customer needs, Phihong Technology actively improves and rewards its results to customers to create differentiated competitiveness, realize the value of active service innovation, and optimize internal processes and processes to improve innovation into daily operations with actively attitudes to meet customer needs in order to improve relationships with customers. Since the end of 2016, the Company started dividing the customer satisfaction survey e-system into 14 evaluation indicators, including R&D technical capability, manufacturing quality capability, marketing response capability, cost and project management, organization operation and improvement so as to make it easier for customers to respond to the system and reflect our expectations for subsequent analysis and improvement in order to improve the service satisfaction.

【 14 Assessment Indicators of Customer Service and Satisfaction Survey 】



The 2017 Customer Satisfaction Survey has a recovery rate of 91.89%. (A total of 37 questionnaires were sent out and 34 questionnaires were effectively collected.) The overall average customer satisfaction was 75.5% (with a score of 3.773 out of 5), which is still within the scope of standard. Looking at the results of the questionnaire survey, the customers expressed their satisfaction in the technical service capability, rapid response, problem solving ability, marketing ability, customer demand and response capability, verifying not only the improvement of design and development for various product lines and technical enhancement after the re-organization of the Company's business groups in

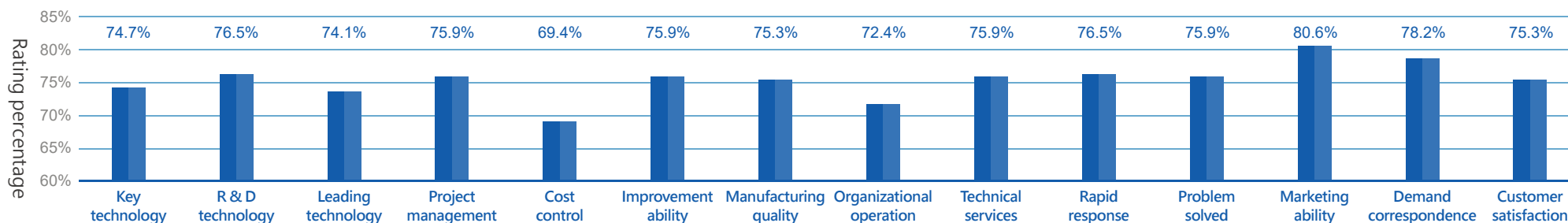
the beginning of 2017, but also reflects the counterparty and focus of the customer. Several feedbacks of questionnaires from customers have reflected the need for Phihong to upgrade and improve its delivery and product prices. This part of the reaction has affirmed and trusted the Company in product development technology and product quality; however, for the time of mass production and delivery, customers expect Phihong Technology to effectively control and shorten the development schedule so that to match customers' new products launching time schedules. Furthermore, it is expect that the Company can control costs under the target prices to meet customer needs.



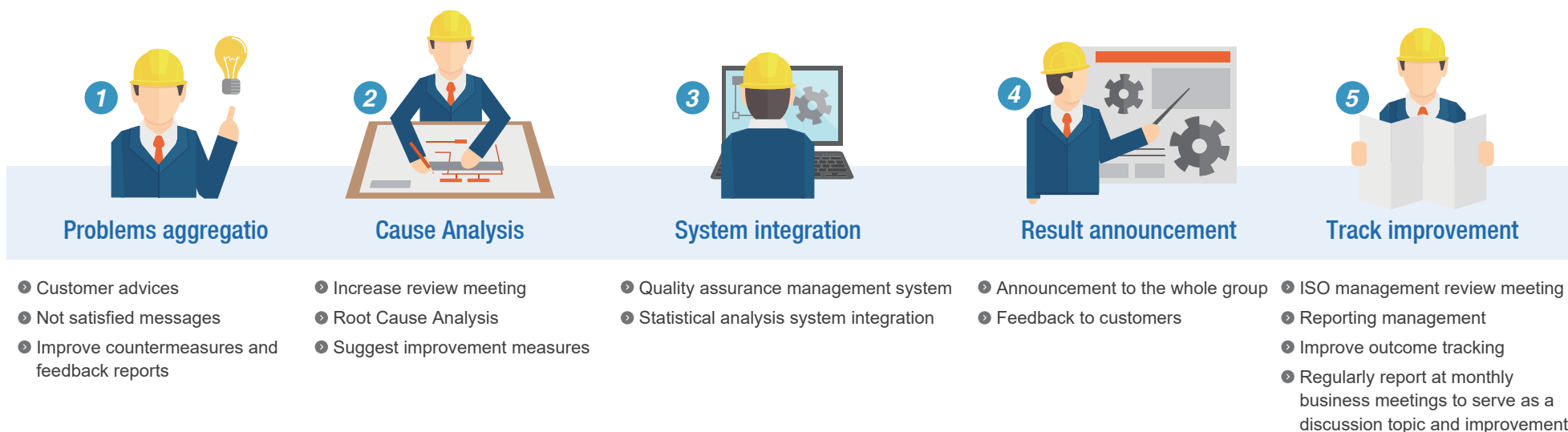
【 Results of customer satisfaction survey in the past three years 】

Year	2015	2016	2017
Questionnaire recovery rate	97.0%	97.9%	91.9%
Overall average satisfaction Rating percentage	82.7%	75.5%	75.5%

【 2017 Annual Customer Satisfaction performance Evaluation 】



【 Plan to response the customer satisfaction results 】



Customer relationship improvement

In order to strengthen the corresponding service and relationship to customers, Phihong Technology has formed a cross-departmental CFT group (Customer Focus Team) for major customers. This team is coordinated by EPM / MPM in order to meet the design/quality/manufacturing processes and shipping delivery needs of major customers, and to achieve win-win results for both the Company and its customers.

【 Customer Service and Satisfaction 】

Processing procedure	Specific action	Operating procedure	Respond to customers
Customer complaints receiving and processing	<ul style="list-style-type: none"> Customer Email / Phone / Return Notification Issuance [Customer Complaint Processing Order] Customer complaint sample acquisition and registration 	<ul style="list-style-type: none"> Customer feedback handling procedure Customer complaint handling form Customer complaint handling list 	<ul style="list-style-type: none"> Collect customer complaints and understand the status and needs In case having not obtained any defective products, please ask customers to send them back.
Mastering and handling customer complaints	<ul style="list-style-type: none"> Customer complaint review initial disposal for minor, serious, significant customer complaints 	<ul style="list-style-type: none"> Customer feedback handling procedures Non-conforming product control procedures 8D job management methods 	<ul style="list-style-type: none"> Respond within 2hr according to 227 timeline principle Notify customers within 12 hrs if there is a complaint about HSF (Non-Hazardous Substances)
Analysis of the cause and preliminary countermeasures	<ul style="list-style-type: none"> Real cause analysis Preliminary countermeasures 	<ul style="list-style-type: none"> Customer feedback handling procedures Quality exception handling procedures 	<ul style="list-style-type: none"> Quality assurance will work with R&D related units to conduct root cause analysis Provide initial countermeasures or plans to customers within 2 days by 227 timeline principle
Improvement measures / correction and prevention	<ul style="list-style-type: none"> Track and monitor in-plant processing and response timeliness Responsible Unit Reply 【8D Corrective Action Report】 	<ul style="list-style-type: none"> Customer feedback processing: 8D management method Quality exception handling procedures Corrective and preventive management procedures Customer complaint management system 	<ul style="list-style-type: none"> Develop tentative, long-term improvement measures, and corrective and preventive measures Reply to [8D Corrective Action Report] within 7 days according to 227 timeline principle Report to the client as appropriate Case improvement to design source root cause, seek systematic and comprehensive improvement
Performance Tracking / Standardization and Data Management	<ul style="list-style-type: none"> Customer complaint improvement and corrective/preventive measures for effective tracking Standardization of SOP/Inspection Specifications Customer complaint system data maintenance management 	<ul style="list-style-type: none"> Customer feedback handler Corrective and preventive management procedures 8D job management method Customer complaint management system 	<ul style="list-style-type: none"> Monitoring and implementation the corrective measures implementation and confirmation for customer complaints Monthly analysis, review, effective tracking and statistics for customer complaints Customer complaint report filed [Customer Litigation Management System]. Combine the level of four plant areas to deal with customer complaints and to enhance handling benefits.

Customer privacy

Phihong Technology understands the importance of customer privacy and maintains a good communication channel with customers. All confidential documents provided by customers are subject to appropriate confidentiality and protection measures, and only authorized personnel have the right to access them. Customer confidentiality required in contracts or orders are handled in accordance with the [Contract (Order) Management Procedures] signed between customer and the Company [Non-disclosure agreement]. These contracts are all managed by the Legal Affairs Office in the system for contract confidentiality management to the disclosure of customer confidentiality.

Furthermore, employees are also required to sign the [Intellectual Property Rights and Confidentiality Agreement] with the obligation to keep the confidential in safety. For positions that are responsible for their duties or for the preservation of public property, the Ministry of Human Resources will require the new employee to go through the formalities of the guarantee. The newly hired high-rank personnel, procurement personnel and specific personnel of the Company are all through qualification verification by Human Resources Department in accordance with the [Standards for Personnel Appointment Guarantee Operation] when they join the company. Results of such qualification verification will be reported to the heads of the employers as a reference for employment. The Company complies with relevant regulations to avoid the leakage of important information obtaining from customers, and implements the provisions of information security and asset protection policies. There were no customer complaints about privacy breaches in 2017.

SUPPLIER MANAGEMENT AND AUDIT

Since the supply chain is an important part of the Phihong technology's value chain, the Company is also actively involved in supplier management to ensure sustainable supply chain operations, business ethics and responsible operations in order to provide high quality products and services. As the supplier is the most important partner for the operation of Phihong Technology and its growth, thus, in addition to the quality, delivery, cost, service and technical strength of the supplier, the Company also commit to establishing the supplier partnership. In the promotion of corporate social responsibility, Phihong Technology regularly reviews whether existing suppliers have valued environmental protection, health and safety, and ethics in accordance with the Responsible Business Alliance Code of Conduct (RBA 6.0 / original EICC 5.1) as well as Ethical Norms and human rights benefits. The purpose is to enable suppliers to continue to develop and maintain long-term and close partnership with Phihong so as to avoid the supplier's failure in paying attention to the realization of corporate social responsibility which may result in operational risks from all aspects to Phihong Technology and become a hindrance to the Company's sustainable development. Reviewing the supplier's CSR system and its implementation is also an important assessment before introducing new suppliers in order to reduce the

risk of follow-up cooperation. Procurement practice, supplier evaluation and management mechanisms include aspects of environment social impact, human rights, labor practices and others. Before becoming a qualified supplier to cooperate with Phihong, it is necessary to pass three audit evaluations such as quality management, design management and supplier management. Moreover, in order to ensure the stable supply of suppliers, continuous risk management including hazardous substance auditing, process auditing, and conflict minerals investigations will be conducted from time to time for suppliers with ongoing transactions.

The industry chain structure of Phihong Technology

Phihong Technology is a supplier in the industry chain of switching power supplier products, mainly engaged in the development and manufacture of related products. From the beginning of new product development, the Company has started cooperating fully with upstream material suppliers and downstream system customers to ensure that all products can meet the quality and expectations of customers' original design after mass production, so that to benefit all stakeholders in the industry chain.

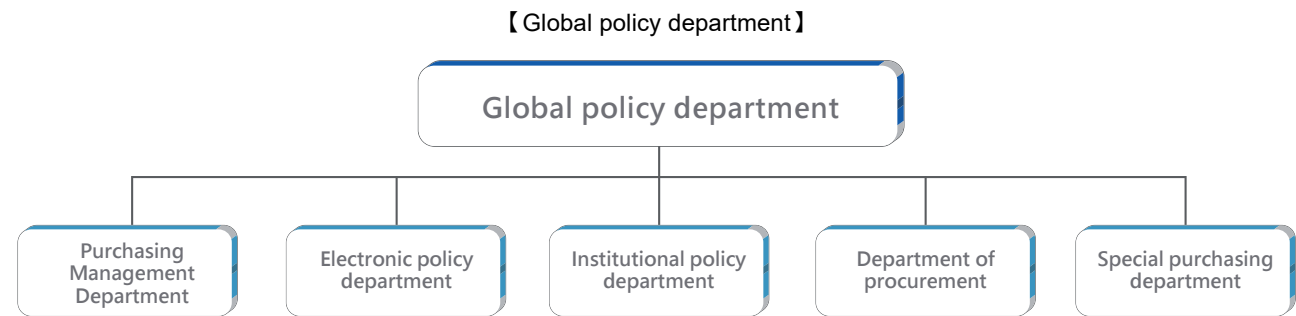


The Organization of PHIHONG Supply Chain

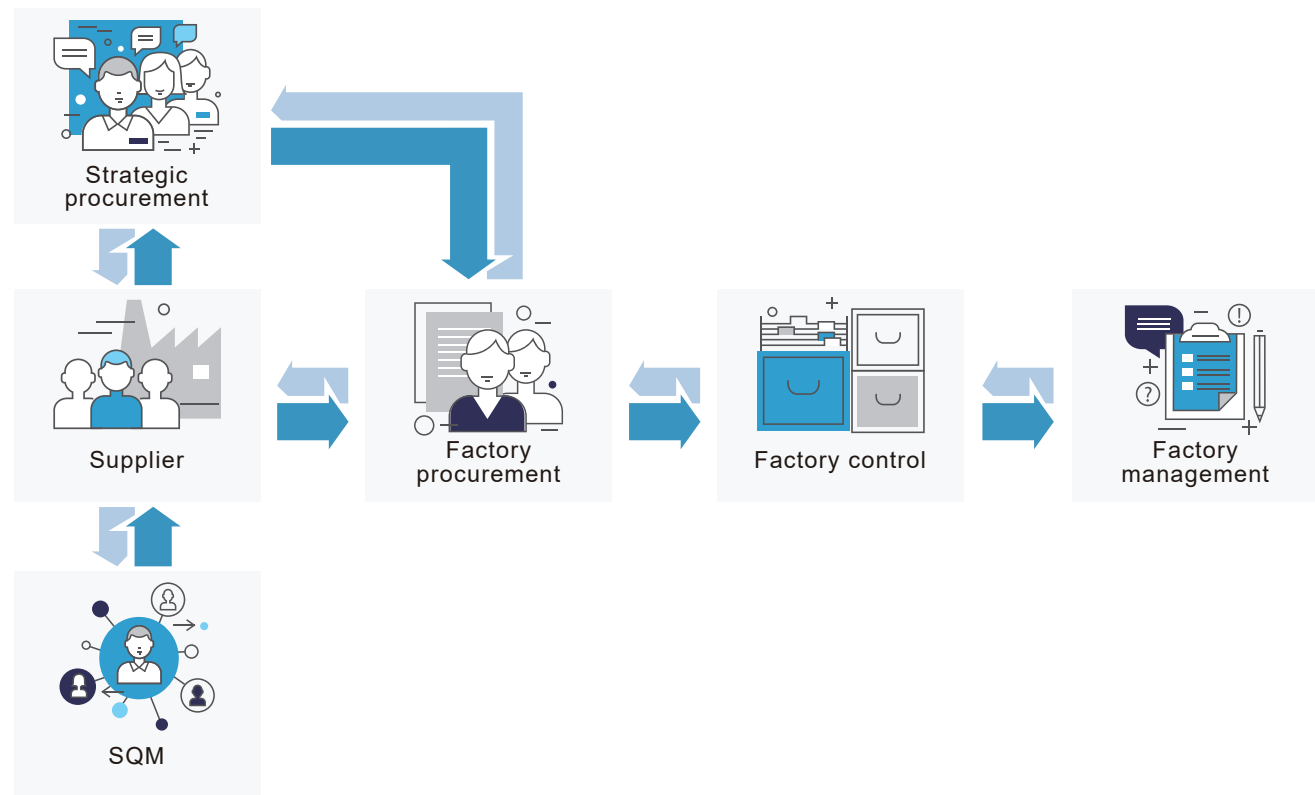
To enable the Company's choice of suppliers, the close relationships of material delivery and production needs, as well as in response to the extreme supply of global semiconductors, active components, passive components, etc. in 2017, the procurement department of factory-side in 2017 and Taiwan's global market procurement department were merged to strengthen the direct flow of information between factory procurement and global planning, and to implement countermeasures and accelerate response time.

In the authority and responsibility of the supply chain, Phihong has divided it to three parts of in its supply chain:

- Global Planning Department: Responsible for new supplier development and decision, price negotiation, order allocation, and maintenance of supplier relationships.
- Factory procurement: Dealing with the problems from the scheduling of incoming materials, the pursuit of materials, the coordination of quality issues, to the manufacturer's request for payment.
- SQM: vendor review, vendor quality audit and coaching.



【 Diagram of Phihong supply chain 】



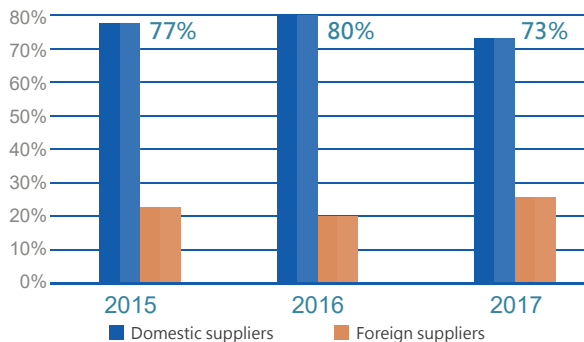
Supplier Management and Audit

Phihong Technology attaches great importance to substances that will affect the environment, and is certified by the ISO14001 Environmental Management System. It also accepts counseling and audits from relevant units. The implementation of Phihong's green supply chain management is mainly in strategic procurement and SQM:

Strategic procurement

- Select suppliers close to the production base

The proportion of local and overseas purchases in 2017 is as follows, of which 73% is local purchases, a slight decrease of 7% compared with 2016. The reason is that the overall product composition and structure had changed slightly in 2016. The original models using overseas materials have been used continuously, and the demand had also increased, especially due to lack of material which led to an increase in purchase costs. Overall, the strategic objectives have not changed. It still steers toward the introduction of local materials, and the continuous efforts to introduce new manufacturers in South China in terms of institutional materials and electronic materials. The Company also hope to continue increasing the ratio in the process.



- Phihong's declaration to supplier policy

Phihong declares it policies of social responsibility, environmental policy, occupational safety and health policy, and conflict resource policy on the Company's supplier e-board (see below) and follows the relevant policies to select suppliers.



- Supplier parts meet environmental requirements

When the supplier's materials meet the requirements of environmental protection, the material characteristics will be divided into Pb free, Halogen free according to the lead-free and halogen-free specifications of which the suppliers are required to attach a test report conducted by a third-party of impartial unit along with a guarantee to ensure that the materials delivered by the supplier have met the environmental requirements so as not to pollute the environment and cause the burden on the earth.

The regulatory standards for new environmental management substances will also be announced in the Company's download area of electronic-board (shown in the above diagram) to facilitate supplier to download and inquiry. In order to emphasize the importance of environmental substance control, the Company will also remind suppliers by obvious signs on the system of uploading environmental material information (see below)



- Supplier Conference

To enable new manufacturers to familiarize with Phihong's environmental information system as well as to provide opportunities for old manufacturers to discuss and propose their opinions in the use of environmental information, the Company held a briefing session to provide an opinion exchange platform at the end of 2017, and plans to hold such session twice in the first half of the year and the second half of the year, respectively. All these measures are to ensure that manufacturers can keep up with the times in environmental protection.



- Conversion of wooden pallets into plastic pallets in order to reduce deforestation and protect the forest for the environmental sustainability

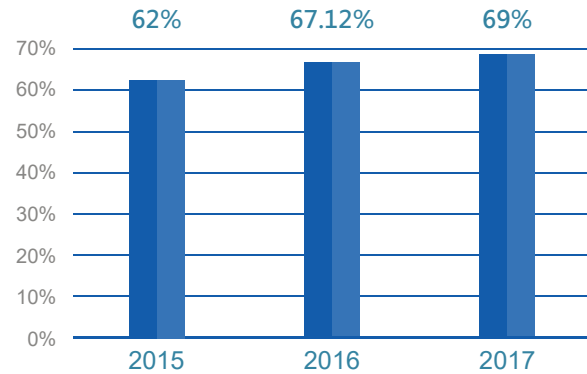
In 2017, Phihong Technology also actively requested suppliers to cooperate with the conversion of loading lager objects from wooden pallet into plastic pallet. The recycling of plastic pallets has brought many benefits to the Company such as increasing the 5S level of the plant, avoiding the contamination of the product by the wood pallet micro-chips at the factory end, and reducing the possibility of damage to the floor of the factories.



• **Supplier integrity commitment**

Supplier's provision of inappropriate gift/ bribe or entertainment expenses in exchange for bidding advantage is a major risk in the procurement process. To such activities, Phihong's "Corporate Ethics and Business Conduct Code" has set out anti-corruption and anti-bribery policies for purchasers and suppliers. In this regard, 69% of the core suppliers signed the "Integrity Commitment" in 2017, a growth of 2.88% compared to 2016.

【 Counter-signed ratio of supplier integrity commitment 】

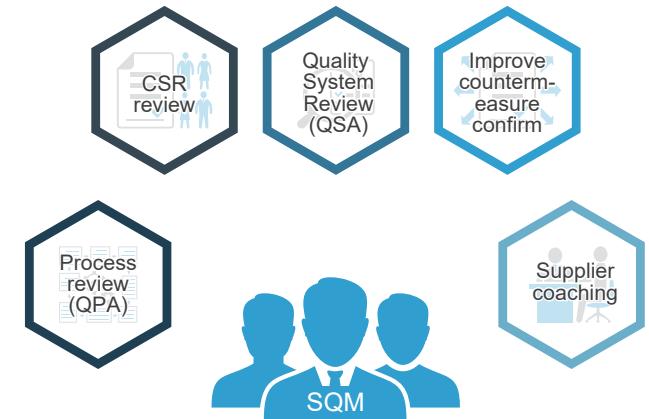


SQM (Supplier Quality Management)

Phihong Technology regularly conducts quality/ environmental system audit and counseling evaluations for newly developed suppliers and qualified suppliers to ensure that their product quality, environmental protection system, corporate and social responsibility practices meet Phihong's requirements.

Since most of the suppliers' production sites are located in China, the Company, in order to enhance the efficiency of the manufacturers' active management and avoid the losses caused by product quality, environmental protection systems and corporate social responsibility risks, hands over the actual operation of supplier management to the SQM (Supplier Quality Management) unit in factory end with an expectation of responding quickly and arriving at the scene to check the cause and countermeasures of problems in the shortest time.

The coaching team of green supply chain consists of SQM, technology, and procurement departments. It mainly conducts evaluation and coaching of new development suppliers, and conducts audit/coaching/ evaluation based on the actual operation of the existing suppliers and related documents.



Supplier Quality Management

2017 Supplier Review

In 2017, SQM conducted a total of 82 quality/ environmental system audit counseling evaluations (excluding QSA review) for suppliers. The results were 81 qualified and included 4 conditional qualifications. It shows that current suppliers have a considerable level of management in terms of process, quality, and environmental protection.

【 Statistical qualification coun of quality/ Environmental System Auditing Counseling Evaluation 】

Year	2015	2016	2017
Qualified	72	92	81

Moreover, the New Supplier Review (QSA Review) in 2017 showed that there were 27 qualified suppliers out of a total of 32 suppliers, which makes the selection of subsequent materials more flexible and lowers the risk of delivery.

【 New Supplier Audit Statistics 】

Review result	Qualified	Unqualified	Under review
2016	11	2	4
2017	27	2	3



Management of environmentally related substances

In addition to the requirements of the supplier's requirements for environmental protection mentioned in the previous paragraph, the SQM team has to confirm that whether the supplier's compliance with Pihong's environmental requirements is also an important part of green supply chain management. In the review of the introduction of new suppliers by Pihong Technology, all new suppliers are required to comply with the requirement stipulated in environmental standards. The following is a summary of the environmentally relevant substance management review project when reviewing new suppliers.

- Programs and standards

- Control list and confirmation plan and confirmation method
- Traceability
- Whether to push the suppliers and confirm their implementation
- Whether production equipment and fixtures are well managed
- File management
- Full-time staff division and training

Labor practice standards screening

In the review for the introduction of new suppliers, the labor practice standards are also necessary terms of Pihong Technology. Therefore, 100% of new suppliers must pass the labor practice assessment. Before the review, the suppliers need to confirm whether their occupational safety management are in compliance with the Company's standard, and the reviewer will confirm the various actions of the manufacturer in the occupational safety management according to the items listed in the review form to avoid the incomplete management which may cause the violation of labor management laws or regulations, or the damage caused by the imperfect management of the work environment that results in the risk of supply. The contents of the labor practice review form are as follows:

- Regulations and laws compliance as well as labor contract implementation
- Appeal channel confirmation
- Child labor prohibited
- Workplace equity

- On-site management supervision and guidance system
- Misconduct prevention
- Sound and maintenance of occupational safety equipment.



EMPLOYEE CARE

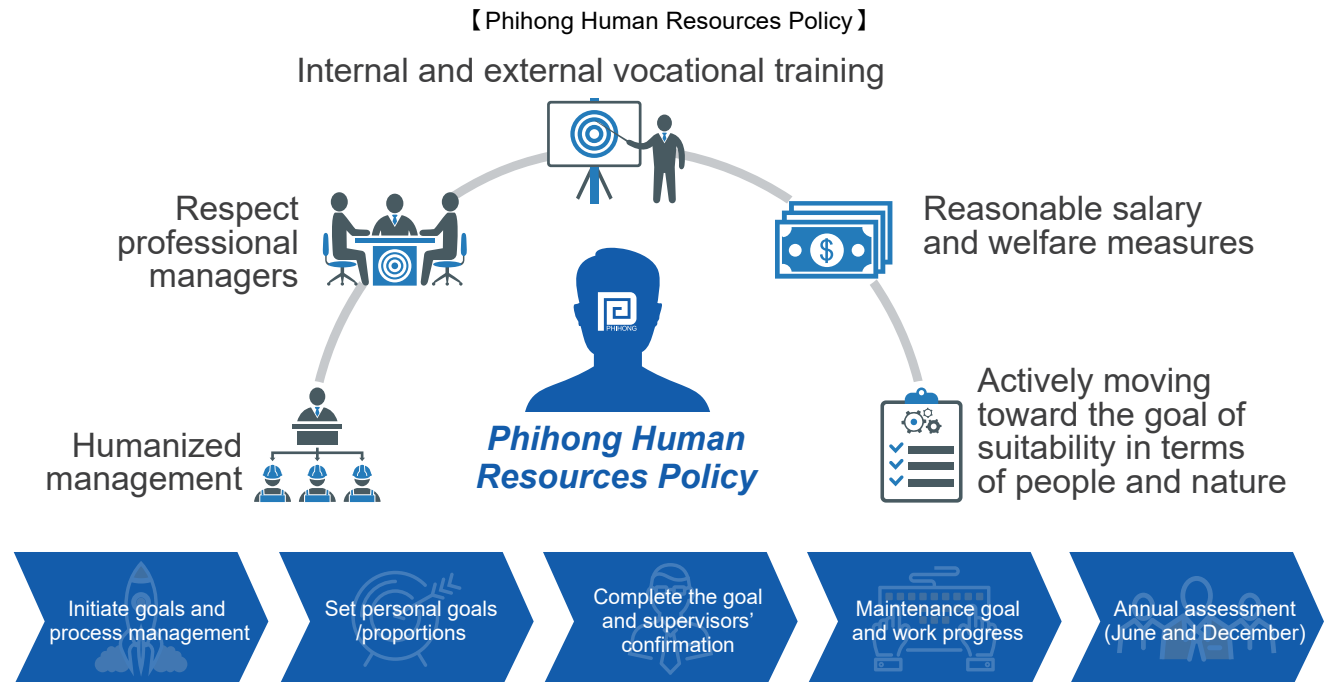
The Performance Management of Talent Structure

In order to enable Phihong Technology to continue developing and growing so as to meet the international trend and operational planning, careful selection of talents is the insistence of the Company. We search for appropriate talent through fair, just and open channels such as online banking, campus recruitment, employment fairs, industry-university cooperation, hunting companies and internal recruitment as well as continue to work with ITI Foreign Trade Association Training Centers and Industrial Councils to carry out diversified recruitment channels, in order to enable Phihong to incorporate talent and knowledge for its future development.



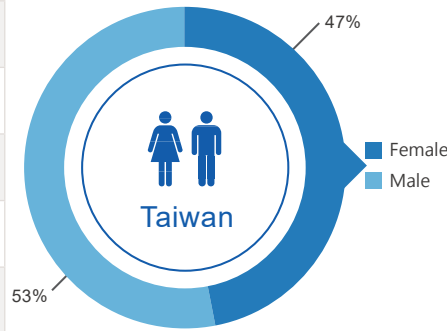
THE LINKAGE OF E-PERFORMANCE TO REWARDS

The introduction of the performance management system in 2017 has enable the Company to control the work process, real-time interactive feedback with both quality and quantity objectively and truly, and the performance evaluation is more comprehensive and transparent. Examining the contribution and ability of employees according to the performance management system can effectively reduce the possibility of human judgment deviation. At the same time, it is more effective to link performance and reward distribution, and to distribute rewards and promotions more reasonably and fairly. In this way, it will encourage the various colleagues to work hard and achieve good results, and the performance management system will be able to implement which thereby improves employee productivity and enhance corporate competitiveness.



【2017 annual assessment of male and female employees】

Gender/region Exam topic	Male		Female	
	Taiwan	Dongguan	Taiwan	Dongguan
Mid-year assessment	270	1172	160	1149
Year-end assessment	279	880	181	833
Total	2601		2323	



Note: Persons employed less than three month are not included in the annual assessment.

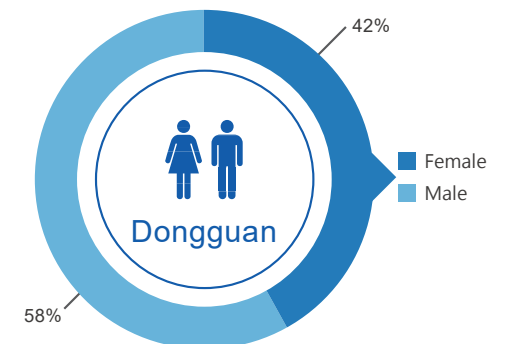
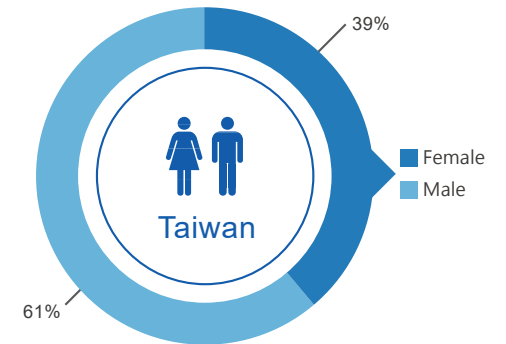
【2017 Phihong Technology Manpower Structure】

Category	Group	Male		Female		Group subtotals and proportions	
		Number of people	Proportion of the group	Number of people	Proportion of the group	Number of people	Proportion of all employees
Position	Supervisor	139	74.33%	48	25.67%	187	3.21%
	Other person in charge	3,258	57.77%	2,382	42.23%	5,640	96.79%
Work place	Taiwan	295	60.82%	190	39.18%	485	8.32%
	Dongguan factory	3,102	58.07%	2,240	41.93%	5,342	91.68%
Age	Under 30 years old	2,309	61.89%	1,422	38.11%	3,731	64.03%
	31~40 years old	703	51.16%	671	48.84%	1,374	23.58%
	41~50 years old	314	50.97%	302	49.03%	616	10.57%
	Over 51 years old	71	66.98%	35	33.02%	106	1.82%
Education	PhD	3	100.00%	0	0.00%	3	0.05%
	Master degree	73	80.22%	18	19.78%	91	1.56%
	Bachelor	412	60.50%	269	39.50%	681	11.69%
	Other	2,909	57.58%	2,143	42.42%	5,052	86.70%
Country of Citizenship	Native	3,394	99.91%	2,429	99.90%	5,823	99.93%
	Foreigner	3	0.09%	1	0.10%	4	0.07%
Employment type	Irregular contract	1,702	65.64%	891	34.36%	2,593	44.50%
	Regular contract	1,695	52.41%	1,539	47.59%	3,234	55.50%
Gender subtotal		3,397	58.30%	2,430	41.70%	-	-
Total				5,827			

RESPECT FOR HUMAN RIGHTS AND GENDER EQUALITY

As of the end of 2017, the number of employees of Phihong Technology was 7,126. Among them, 485 people were in Taiwan and 5,342 were in Dongguan. The remaining 1,299 persons were distributed in mainland China and other overseas factories. The industrial processes have introduced automation, but some processes still rely on labor-intensive work, thus, the proportion of male employees is slightly higher than that of female employees.

【2017 Gender Ratio of Phihong Technology】



Phihong has committed to the recruitment, cultivation and development of outstanding talents. In the case of separation management, when the colleagues propose to leave, the human resources unit will conduct one-on-one interviews to timely understand the main factors of separation of colleagues, and coordinate work adjustments to overcome their difficulties. The turnover rate of key core talents in Taiwan headquarters is below 2% on average, which makes Phihong always maintain a good competitive strength.

【 2017 Annual employment age, total number of resignations and gender distribution 】

Category	Phihong Taiwan		Dongguan factory	
	New employees	Resignation	New employees	Resignation
Number of people	88	89	21,738	21,921
Number of males	47	52	14,595	14,614
Number of female	41	37	7,143	7,307
Under 30 years old	28.41%	20.22%	71.74%	72.78%
30-40 years old	56.82%	55.06%	21.18%	21.10%
40-50 years old	13.64%	17.98%	7.03%	6.00%
Over 50 years old	1.14%	6.74%	0.05%	0.11%
Male ratio	53.41%	58.43%	67.14%	66.67%
Female ratio	46.59%	41.57%	32.86%	33.33%
Total number of employees	485		5342	
Proportion of all employees	18.14%	18.35%	406.93%	410.35%

Note 1: Calculation of the proportion of all age groups and between men and women = number of men and women of each age / total number of new (resignation) employees * 100%

Note 2: The high number of employees leaving the factory in Dongguan is mainly due to the overall lack of work labor in the local area.

Attach most importance to gender equality and human rights

Adhering to a fair, just and open approach to seeking talent, Phihong treats every job seeker and employee equally, and is in compliance with the laws and regulations. The Company never discriminates against people by race, class, language, thought, religion, party, place of origin, place of birth, gender, sexual orientation, age, marriage, appearance, facial features, physical and mental disabilities, or the identity of former union members. Guarantees in this field provided by Phihong are as follows:

- Clearly define the rights and obligations of labor and management and the conduct of employees in the employment agreement
- Establish “Working Rules” and related operating rules in accordance with the “Labor Standards Act” and relevant local laws and regulations.
- There is a gender equality committee, relevant management measures and a sexual harassment prevention pipeline which includes a communication channel of employee complaint mailbox for employees who are infringed upon their legitimate rights and interests.
- In 2017, Phihong's workplace did not occur any violation in discrimination, human rights, forced labor and sexual harassment.

Furthermore, Phihong Taiwan's security personnel are employed from the legal professional security company, and the new security personnel are required to accept a full pre-service training before they can serve. The training course covers the content of human rights protection at the training length of 6 hours. During the period of service, the training is regularly conducted every quarter, and the maintenance supervisors regularly supervise the assessment to ensure that the security personnel are on duty according to the company's relevant operations.

Region	Course Title	People times	Frequency / total number of hours per person
Taiwan	Security management theory	5	Linkou Headquarters: 2 hours/quarterly or yearly total 24 hours Tainan Plant: 2 hours/month total 48 hours
	Relevant laws and regulations governing the security industry		
	Crisis management		
Dongguan	Security business	6	4 hours / month, accumulated 48 hours
	Crisis management		

Smoothing labor and capital communication channels and Supporting collective bargaining

The company always respects the freedom of employees to assemble and associate, and promises that employees and representatives who have promised to participated such activities will not be discriminated against or labeled, so that to promote the optimization of labor relations.

Phihong Technology's labor-management communication channel is unimpeded, and labor-management meetings, welfare committees, etc. are held regularly or irregularly. The employee mailboxes are set up to promote benign communication. There were no employee complaints in 2017.

Listen to the staff voice

Flatten organization structure, humanize management, and "establish a good communication channel" are valued by Phihong Technology. The establishment of a variety of E-platforms can make the communication in the Company faster and more efficient. Under constant interaction, the Company policy

publication and employees' listen have optimized a friendly environment, strengthened employee bonds and responded to their inquiries as well as have achieved continuous improvement and the benefits of both labor and capital.



Project / factory	Taiwan District	Dongguan factory
Proportion of freedom of association and collective negotiation (%)	100	100
Violation of employee association and collective negotiation	0	0
Labor conference	Quarterly	Once a year
Employee union	No	No

Overseas employee representative conference

In order to build a harmonious communication platform, the Company provides face-to-face communication opportunities to both employees and leadership staff. Every year, a staff representative meeting is held to let employee delegates express their opinions and communicate with the company's leadership on issues that are concerned by the employees. The 30 questions raised by the delegates collected in the 2017 Annual Staff Congress were all answered with improvement measures.



Expand employee satisfaction survey (Pihong Taiwan)

In order to increase the sense of security, belonging and stability of new employees, the Company has arranged a counselor for the newcomer in each business unit to give appropriate consideration and guide in food, clothing, housing, transportation and work.

Other than conducting a phased care questionnaire on the original three-month new employees, and an annual full-satisfaction survey was added in 2017 to raise concerns about all employee satisfaction information

and opinions. Information collected from such survey are truthfully communicated to relevant units for evaluation and response. In the meantime, different opinions of colleagues collected through the quarterly labor conference process along with important issues and advocating contents are also announced to employees so that each colleague can learn about the company's latest policies.

Purpose of employee satisfaction survey

 <p>Satisfaction</p> <p>Satisfy employees and thereby let them work with peace of mind and enjoy working</p>	 <p>Two-way communication</p> <p>Let employees understand that the Company listens to their voices</p>	 <p>Release goodwill</p> <p>Let employees clearly feel the goodwill of the company</p>	 <p>Immediate handling</p> <p>Let employees feel the company's determination to continue building a friendly environment</p>	 <p>Active care</p> <p>Let employees have a sense of participation and presence</p>
--	--	--	--	---

【 End of probation period Promoted to official employees Average satisfaction 】

New employee satisfaction survey (Pihong Taiwan)

Survey object: new employees of the latest three-month
 Survey period: from January to December 2017
 Valid questionnaires: 59
 Recovery rate 100%
 Satisfaction level: 8.63 (A total of 10 points)



■ 8 points or more: very sure ■ 7 points or more: satisfied ■ 6 points or more: ordinary ■ 5 points or more: need to be improved

【Annual full-satisfaction survey (Phihong Taiwan)】

Annual full-satisfaction survey (Phihong Taiwan)

Survey object: official employee
 Survey period: 2017/10/11-2017/10/31
 Valid questionnaires: 409 in total
 Satisfaction level: 7.7 (A total of 10 points)



8 points or more: very sure 7 points or more: satisfied 6 points or more: ordinary 5 points or more: need to be improved

Group meal satisfaction survey

The group meal communication meeting is held once a quarter of every year in February, May, August and November. The organizer will invite the group meal makers, representatives of the welfare committee and will publicly solicit colleagues to participate in such meeting. An online satisfaction survey for all employees will be conducted every half year with a purpose to listen to the most real ideas of colleagues as well as to directly communicate with the group meal manufacturers, so that they can be closer to everyone's needs.

Group meal online satisfaction survey (Phihong Taiwan)

Survey object: colleagues booking Company employees' meals (about 210 people / month)
 Survey period: January to December 2017 (conducted per quarter)
 Valid questionnaires: 187 valid
 Satisfaction level: 7.626 points (total score 10 points)

Item	2015	2016	2017
Company group meal average satisfaction	71.79%	74.24%	76.26%



FREE TALK WITH EXECUTIVES

Allan VP



Thomas (Special Assistant)

In order to enable employees and senior executives to have more understanding and interaction, the annual meeting with the senior director FREE TALK is therefore planned. Through a series of well-designed activities as well as a comfortable and relaxed atmosphere, employees can be open-minded to allow giving recommendations, feedbacks, and suggestions to the Company.

This kind of dialogue activity will enable employees to better understand the Company's strategy and future development, as well as to help employees feel at ease at work.



Child labor and juvenile workers

In accordance with the Labor Standards Law and the provisions of the United Nations International Labor Organization (ILO), Phihong Technology shall not employ child labor and shall conduct the identification of identity certificates when recruiting employees. There were no child labor incidents in 2017. No discrimination cases related to Aboriginal human rights and no complaints through formal mechanisms. Each employee has to sign a written labor contract in accordance with the law at the time of employment. The contract states that the employment relationship is established based on the agreement of both parties and is regularly reviewed and controlled by the Company. No related violations occurred in 2017; no human rights related reviews and impact assessments were filed.

Prohibition of child labor and non-discrimination aboriginal policy

Project / factory	Taiwan area	Dongguan factory
Child labor	No employment	No employment
Aboriginal people	No discrimination	No discrimination

Equal pay for equal work

All employee compensation standards are gender-neutral and their income is not lower than the local minimum and basic salary. However, if the Company has a profit surplus after annual settlement, various bonus issuance methods will be according to the company's standard based on the evaluation result of individual colleague's performance, and that year-end bonuses, employee bonuses or stocks will be issued to working colleagues in the current year.

Anti-discrimination and human rights respect

Phihong Technology shall not recruit, test, employ, distribute, allocate, evaluate or promote the job seeker or employee based on race, class, language, thought, religion, party, place of origin, place of birth, gender, sexual orientation, age, marriage, appearance, facial features, physical and mental disabilities etc., and shall not discriminate or provide differential treatment to employees.

Prohibition of discrimination	Phihong Technology respects the differences between individuals from all over the world and will treat each other with respect and fairness at any time. Phihong Technology's appointment policy is based on the needs of the Company and is based on work qualifications, potential and achievements through open selection methods, regardless of race, gender, age, religion, nationality or political position.
Prohibition of unlawful disciplinary action	Phihong Technology does not allow any physical or mental abuse, verbal and physical harassment or aggressive behavior. Any threat or violence and physical intimidation are prohibited.
Resignation notice period	Phihong Taiwan complies with the relevant provisions of the Labor Law, and applies for the departure of the staff according to the time schedule specified in the Labor Law. The relevant regulations have been notified of the application process and procedures in the employee code to protect the rights and obligations of each Party. According to the provisions of the Labor Act, both labor and management are subject to the following notification guidelines: (1) Those who have worked for more than 3 months but less than 1 year will be notified before 10 days earlier. (2) Those who have worked for more than 1 year but less than 3 year will be notified before 20 days earlier. (3) Those who have worked for more than 3 years will be notified before 30 days earlier. In addition, the Dongguan factory area shall comply with the labor contract law of mainland China, and the labor contract is to be signed on the day of the employee's recruited. The labor contract and the employee handbook clearly stipulate the notice period of departure: the employee's resignation should be notified in writing before 30 days; those who are in the probation period should be notified within 3 days.
Appropriate Salary System	Payment according to ability The salary is approved based on the degree of employee's functional compliance.
	Operational feedback The feedback of annual awards, bonuses, and year-end awards to the employees for the current year are determined according to the annual achievement rate and growth rate of the whole year.
	Fair and reasonable Follow the Company's fair and open compensation methods, which will be updated and optimized at any time.
	Annual salary adjustment According to the Company's operating conditions, the current price index, employee performance and other basis.
	Participation encouragement The Company will pay attention to employees' career development and strengthen the training to them, of which the training hours will be an important basis for training grants and promotion.

In order to retain the Company's outstanding talents, Phihong Technology makes every effort to design an ideal salary structure with a view to achieving the following objectives:

- Retain employees with good performance
- Keep reasonable salary levels to attract new employees
- A reasonable gap between jobs to maintain an overall balance
- Motivate employees and make employees more productive
- Flexibility of organic adjustment with the changes in the market and the environment
- Endeavor to make the salary structure is simple and

easy to understand

- Let employees feel that salary is reasonable and fair

For Phihong, the year of 2017 was tough and full of challenging. Although the Company's business performance was not good in that year, some funds were still allocated for the annual salary adjustment of employees based on the spirit of employee caring and compassion. The average annual adjustment in 2017 was 3.19%, which fully expresses the company's emphasis and friendliness to employees.

Knowing people without gender difference

Female workers have gradually broken the limits of traditional values. Not only are there more and more women as business executives, many of whom are ranked higher. They all have been pulling, struggling and constantly adjusting in their work and life. Phihong Technology attaches great importance to management traits and skills regardless of gender, and even actively promotes, encourages and supports the development of female workers with outstanding performance. The number of female executives in the Company has been increasing continuously in the past three years, from 41 in 2015 to 48 in 2017. In terms of the salary level of the Dongguan factory, the female employee vs. male employee is about 1.02 to 1.

【2015-2017 Managerial Men and Female Ratio in Taiwan Area】

Year/Rank	2015					2016					2017				
	Male	Proportion	Female	Proportion	Total number of people	Male	Proportion	Female	Proportion	Total number of people	Male	Proportion	Female	Proportion	Total number of people
Grassroots-Class level	37	72.55%	14	27.45%	51	26	63.41%	15	36.59%	41	31	65.96%	16	34.04%	47
Intermediate manager level	73	85.88%	12	14.12%	85	54	80.60%	13	19.40%	67	47	75.81%	15	24.19%	62
Intermediate and high level	11	84.62%	2	15.38%	13	8	66.67%	4	33.33%	12	13	76.47%	4	23.53%	17
High or Deputy general level above	6	85.71%	1	14.29%	7	5	83.33%	1	16.67%	6	5	83.33%	1	16.67%	6
Subtotal for men and women / proportion	127	81.41%	29	18.59%	156	93	73.81%	33	26.19%	126	96	72.73%	36	27.27%	132
Proportion of employees in Taiwan	24.71%		5.64%		30.35%	19.18%		6.80%		25.98%	19.79%		7.42%		27.22%

Note 1: Calculation of the ratio of male to female in each management level = number of males and females in each management level / total number of men and women in each management level * 100%

Note 2: Calculation of the proportion of employees in Taiwan = total number of men and women in each management level / total number of employees in Taiwan in each year * 100%

【2015-2017 Managerial Men and Female Ratio in Dongguan area】

Year/Rank	2015					2016					2017				
	Male	Proportion	Female	Proportion	Total number of people	Male	Proportion	Female	Proportion	Total number of people	Male	Proportion	Female	Proportion	Total number of people
Grassroots-Class level	35	74.47%	12	25.53%	47	33	73.33%	12	26.67%	45	31	75.61%	10	24.39%	41
Intermediate manager level	6	100%	0	0%	6	7	77.78%	2	22.22%	9	11	84.62%	2	15.38%	13
Intermediate and high level	0	0%	0	0%	0	1	100%	0	0%	1	1	100%	0	0%	1
High or Deputy general level above	0	0%	0	0%	0	0	0%	0	0%	0	0	0%	0	0%	0
Subtotal for men and women / proportion	41	77.36%	12	22.64%	53	41	74.55%	14	25.45%	55	43	78.18%	12	21.82%	55
Proportion of employees in Taiwan	0.72%		0.21%		0.93%	0.75%		0.26%		1.01%	0.80%		0.22%		1.03%

Note 1: Calculation of the ratio of male to female in each management level = number of males and females in each management level / total number of men and women in each management level * 100%

Note 2: Calculation of the proportion of employees in Dongguan area = total number of men and women in each management level / total number of employees in Dongguan in each year * 100%

SAFETY AND HEALTH PROMOTION

Physical and mental health promotion mechanism

Employees are the most important assets and the driving force for the Company's sustainable operation. Pihong Technology attaches great importance to the physical and mental health of employees, as well as configures a full-time nursing professional and physician's site service monthly according to the regulations of labor health protection rules. In the meantime, the Company also provides planning and implementation of various medical consultations, on-site visits to the working environment of the laborers, health check operation and

tracking, and health promotion activities. Pihong even conducts annual employee health checks even that it is better than the requirements stipulated in regulations. Moreover, it also provides diversified health services, occasional health issues lectures, implement public flu vaccination in the factory in line with government measures, and occasional posting of the latest health information in the company's internal bulletin board to enhance the concept of independent health management.

- Health examination service in Taiwan

The annual participation rate of inspections reached 97.5%, showing that the colleagues have affirmed the company's health inspection.

【Health examination service in Taiwan】

Item	2017
The number of people inspected (person)	406
Actual health check number (person)	396
Test rate (%)	97.5%

• Professional physician results

Vocational Specialist Service (Taiwan)			
Item	2015	2016	2017
Special attendance service person /time (person)	172	171	221

• Various health promotion activities



【Physical/Health Checklist】

Checking object	Category	Cycle	Implementation way	Remark and description
New recruits	General physical examination	Probation period completed	New recruits go to the hospital for examination by themselves	<ul style="list-style-type: none"> When a physical examination reveals that an employee is not suitable for a certain job, an optional job evaluation will be performed. Follow labor health protection rules to preserve the examination records for specified years. Inspection fee: The maximum allowance is NT\$600.
	Special physical examination	Lead-free soldering operations have been fully implemented since 2012, and there is no special hazard in the factory.		
Working colleagues	General health check	1 time per year, which is better than the requirement of regulations,	Invite the Labor Council to designate a qualified hospital to go to the factory for the implementation of following activities	<ul style="list-style-type: none"> When a physical examination reveals that an employee is not suitable for a certain job, an optional job evaluation will be performed. Follow labor health protection rules to preserve the examination records for specified years. Inspection fee: paid by the Company in full.
	Special health check	No special hazard to the working environment		

- Free overseas health examination
Employee health is always a concern of the company. In order to ensure employees good health, Dongguan Sanchang District provides a free health check every year for all official employee. A total of 2,262 people participated in the health examination in 2017, and the medical examination fee provided in 2017 was RMB 55,188.

Technology has established an “Environmental Safety and Health Policy” and followed the “Occupational Safety and Health Act “to develop an Occupational Safety and Health Committee which thoroughly inspects and supervises the safety of the work environment in order to examine the Company’s compliance to local government regulations and company policy each plant.

Workplace safety and hygiene

In order to prevent occupational injuries and maintain a safe and healthy workplace, Phihong

Therefore, Phihong Technology has continuously committed to providing employees a safe working environment with the ultimate goal of zero workplace disaster.

【Employee turnover rate/absence rate/number of accidents in Taiwan】

Category	2015		2016		2017		Calculation formula
	Male	Female	Male	Female	Male	Female	
Work injury rate	1.16	1.31	1.04	1.73	0.71	2.21	2015 (Disability) Number of work injuries / Total working hours *218,400 2016~17 (Disabled) Number of work injuries / Total working hours *208,000
Employee loss working day rate	18.88	33.85	12.46	73.73	5.69	35.31	The total number of work-related injuries in 2015 / Total days of employee attendance in 2015*218,400 The total number of days of work injury in the year from 2016 to 17 / the total number of days of employee attendance in the current year*208,000
Employee absence rate	0.01	0.01	0.01	0.01	0.01	0.01	Number of absences in the year / total number of attendance days in the year (The absenteeism rate is based on work-related injuries, leave, sick leave)
Number of employee accidents (pieces)	2	6	3	3	2	4	Number of workers injured in the year

Note 1: 2015 GRI: 218,400 factor, which means the calculation is based on that every 100 employees work 52 weeks a year, 42 hours a week

Note 2: 2016~2017 GRI: 208,000 coefficient which means the calculation is based on that 100 employees work 52 weeks per year, working 40 hours per week

【Employee turnover rate/absence rate/number of accidents in Taiwan】

Category	2015		2016		2017		Calculation formula
	Male	Female	Male	Female	Male	Female	
Work injury rate	1.16	1.31	1.04	1.73	0.71	2.21	2015 (Disability) Number of work injuries / Total working hours *218,400 2016~17 (Disabled) Number of work injuries / Total working hours *208,000
Employee loss working day rate	18.88	33.85	12.46	73.73	5.69	35.31	The total number of work-related injuries in 2015 / Total days of employee attendance in 2015*218,400 The total number of days of work injury in the year from 2016 to 17 / the total number of days of employee attendance in the current year*208,000
Employee absence rate	0.01	0.01	0.01	0.01	0.01	0.01	Number of absences in the year / total number of attendance days in the year (The absenteeism rate is based on work-related injuries, leave, sick leave)
Number of employee accidents (pieces)	2	6	3	3	2	4	Number of workers injured in the year

Note 1: 2015 GRI: 218,400 factor, which means the calculation is based on that every 100 employees work 52 weeks a year, 42 hours a week

Note 2: 2016~2017 GRI: 208,000 coefficient which means the calculation is based on that 100 employees work 52 weeks per year, working 40 hours per week

Occupational Health and Safety Management System

In order to implement the care for employees, the OHSAS18001 occupational health and safety management system was established in the Dongguan factory and a third-party certification was obtained. At the same time, in order to provide more complete protection for employees' accidental injuries suffered during non-work injury time or places, the Company also insures employee group accident insurance for all employees.

In addition, for the workplace safety management of the Dongguan factories, each factory, according to the Occupational Safety and Health Act, has set up an "Occupational Safety and Health Committee", which is held every three months. The total number of committees is 17 people and 7 of them are laborers, accounting for 41%. The Company not only cooperates with the local authorities to handle emergency response drills, but also entrusts the Lloyd's Register Association to conduct comprehensive inspections, verifications and recommendations so as to enhance the implementation of the promotion of the company's safety and health, risk assessment and fire management operations. Our cooperation with government agencies has maximized the benefits of every resource. According to China's "Occupational Health Care Management Measures", the Phihong Technology Dongguan factory is equipped with appropriate personal protective equipment for employees who are exposed to occupational hazards, arranges occupational medical examinations (the number of people is as below), and to implement the working environment monitoring for the workplace.

For colleagues with abnormal detection values, the company will conduct tracking management and provides necessary individual health care as well as guidance for colleagues to control their own health. Up to now, there have been no cases of occupational diseases occurred in the Phihong Taiwan and Dongguan factories.

【2016 Occupational examination】

Factory	Dongguan Factory	Tiesong Factory	Dahong Factory	Total people
Number of people examined (statistics)	195	138	112	445
Number of medical examinations	171	109	74	354
Medical examination ratio	88%	79%	66%	80%

【2017 Occupational examination】

Factory	Dongguan Factory	Tiesong Factory	Dahong Factory	Total people
Number of people examined (statistics)	341	309	171	821
Number of medical examinations	302	241	115	658
Medical examination ratio	89%	78%	67%	80%

Note 1: Due to the turnover rate and the replacement of the employee's work position, the medical examination ratio is less than 100%. Low risk because of occupational disease record

Fire drills were held at each factory with exercise including self-defense firefighting group formation, disaster notification, evacuation and other comprehensive exercises in order to improve the self-defense and disaster prevention mechanism of fire prevention



Improve welfare and build a happy enterprise

Since only happy employees can make happy business, Phihong Technology values its employees and treats them well. In addition to providing a safe, comfortable and high-quality friendly working environment, the Company adopts humanized management, pays attention to the construction of body and mind, sets up Phihong Art Corridor, beautify and make green inside and outside of the factory, installation art and gym, as well as provide annual tourism subsidy and departmental meal subsidy, etc. Various large-scale activities are held every year to strengthen cohesion and promote the physical and mental health of employees.

management sites, strengthen the implementation of the firefighting group training in the general fields, so as to ensure the safety of employees and staff in the event of fire as well as to inform the self-defense firefighting team.



Employee welfare committee

Adhering to the principles of caring colleagues, sharing profit and the goal of improving colleague's life, Phihong Technology established the Staff Welfare Committee (Welfare Committee) in accordance with the "Employee Welfare Act" and fixedly allocated funds according to the company's revenue status to provide various welfare measures for colleagues. In addition to hosting the aforementioned activities, the Company also rewards all colleagues on Labor Day, Dragon Boat Festival, Mid-Autumn Festival, and Spring Festival (three major festivals), sends gifts to birthday employee of the month and as well as provides subsidies for wedding/ funeral ceremony, community activities, and various competitions.

【 The 2017 annual Phihong Technology beneficial fund are granted as follows 】

Item	Available Amount for application	Total number of subsidized people	Total amount disappropriated
Wedding and funeral	1,500-2,100	45	81,500
Birthday gift	200-1,400	481	647,000
Birth congratulations	2,000	17	34,000
Injury/hospital condolences	2,000	12	24,000
Employee tourism	1,000-7,000	440	2,891,500
Employee domestic tourism activities	1400	33	46,065
Three Festival Gifts (Spring Festival, Dragon Boat Festival, Mid-Autumn Festival)	600-10,000	484	4,073,850
Labor Day gift	600-1,000	450	437,650
Community subsidy	2,000	-	22,275
Year-end lucky draw	2,000-6,000	170	460,000
Total			8,717,840

Diversified societies

The welfare committee subsidizes the establishment of colorful and diverse societies to enhance the team atmosphere and balance work and life through the exchange and sharing of community activities as well as the interaction of colleagues across the unit.



Energetic overseas club

Phihong Technology's overseas factories also provide a friendly working environment to help employees establish healthy and diversified club activities, and encourage employees to participate with a purpose to enhance the friendship and centripetal force of colleagues as well as to achieve a balanced development between work and metal conditions. At present, there have been yoga clubs, basketball clubs, mountaineering clubs, badminton clubs and other societies. The Company grants a subsidy of RMB 3,000 /year for each club to organize exciting programs every month.

Mountaineering Club



Basketball Club



Yoga Club



Tour subsidy

The employee's annual domestic tourism activities are arranged, planned and fully subsidized by the Company's Welfare Committee to enable them to enjoy leisure and happy time with their families after work.



Phihong Family Day

At the first family-friendly day, Phihong has prepared a hearty meal to welcome children of employee's families. As happy employees only come from happy families, this activity, in order to let employees have a sense of belonging and centripetal force, specifically incorporates the company culture into the obstacle overcome game to enable the families of employees to learn more the status of the Company, works, and welfares of their couples. The company also appreciates the support and companionship from the employees' families and hopes that every Phihong person will be healthy and happy.



Departmental meal expenses

Since 2017, additional departmental funding has been provided to allow departmental groups to gather meals from time to time with a purpose to unite internal solidarity and enhance friendly communication opportunities among colleagues.



Visually impaired massage

The Company regularly arranges visually impaired professional masseurs to provide stress relief massage services to colleagues in the factory to enable each colleague to stretch their muscles, of which the money paid is donated to the public.



Annual Christmas event

The senior director of Pihong personally played the lovely Santa Claus with a small gift and snacks to the Company's various units to distribute the Christmas joy. All the colleagues were welcome to this joyful visiting.



Full harvest of year-end banquet

In order to thank my colleagues for their hard work over the past year, the Company has allocated sufficient funds to hold a annual night party of year-end banquet at comfortable restaurants with rich food, exciting programs, rich prizes/ bonus, etc. with hope that every colleague will have a memorable and beautiful memory.



Comprehensive group insurance planning

In addition to handling employee labor insurance, universal health insurance and labor pensions, Pihong Technology also has plan for employee medical insurance and re-examines and evaluates such insurance every year to select the most suitable group insurance content and service team for colleagues with a hope that all colleagues will be more dedicated to "doing the best in everything" and be more cohesive in Company's centripetal force.



Senior staff recognition

Pihong has been deeply involved in Taiwan for more than 46 years and the Company is very grateful to the hard work of senior staff. To commend employees who have been working for five years, they can get the commemorative gold coins specially designed by the Company to thank for their hard work.



Overseas model staff selection of Labor Day

In order to create a positive working atmosphere, the Company selects annual model employees during the period of Labor Day. In 2017, a total of 18 labor models were selected, and the company provided RMB 10,800 in bonuses for them to encourage more colleagues to work positively.



Overseas karaoke competition

In order to create a relaxed and pleasant working and living environment, the Company holds a karaoke competition between the Mid-Autumn Festival and the National Day with award issuance. In 2017, the Company allocated RMB 6,520 to hold a singing competition, providing an opportunity for employees to display their singing talent. At the same time, it also set up interesting games and gifts to enable more colleagues to participate in order to enhance employee cohesion.



Extra food sharing on Birthday party

Regular birthday celebrations are held every month to provide a sumptuous buffet-style meal for all colleagues to enjoy.

Overseas happy birthday club

As every employee is part of the Pihong family, we care about each birthday of them. The Company has provided a birthday cake and a beautiful birthday gift to employees on their birthday which represents the Company's bless to them.

Preferential offers of Beitou Spring Hotel affiliated company

The offers include Annual Festival Special Offer (Year-end food purchase, Package) / Family and friend's wedding preferential package /20% discount for employee dining enjoyment without service charge/other offer for using related facilities.



Other welfares (Welfare Committee)

Employee marriage, cash gift for spouse birth, solatium for injury hospitalization, funeral condolences, and dozens of special store discounts.

Accessible work environment

Phihong Technology adopts the principle of fair appointment for all employees and pays more attention to the employment of disadvantaged groups. Phihong Taiwan has barrier-free ramps on the entrance and exit and the inner floors. The internal elevator also provides enough space for wheelchair access. Phihong Technology attaches great importance to the diversity and culture of its employees, and also provides long-term and stable job

opportunities for hiring physical and mental disabilities. We welcome the participation of people with disabilities. In 2017, the number of people who were physically and mentally handicapped employed in Phihong Taiwan had exceeded the legal quota stipulated in the "People with Disabilities Rights Protection Act". Since there are no regulations for the employment of people with disabilities in the Dongguan factories, there are no employees with disabilities.

【2015-2017 The situation of employed people with disabilities】

Year	2015		2016		2017	
	Male	Female	Male	Female	Male	Female
Number of people employed	7	1	7	2	7	2
Number at year-end	7	1	7	2	7	2

Welfare facilities

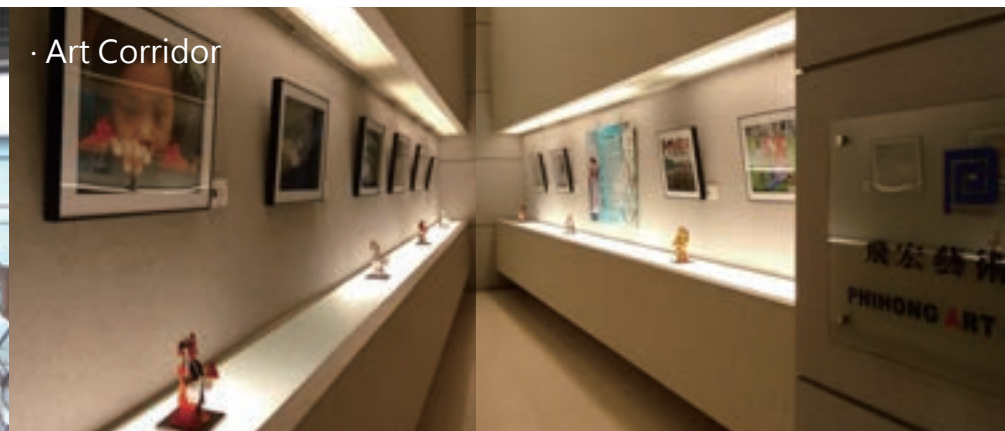
There are a variety of activity venues in the factory, including gymnasium, squash court, library, staff lounge, etc., with a rich selection of activities. The factory area has various living equipment of dormitory, parking lot, staff restaurant, multimedia TV, microwave, oven, steaming box, and women's nursery room and others. The staff restaurant offers a variety of options including buffet, pasta, light meals and vegetarian options. Phihong Technology also has other factory-based services, including travel agencies, banks, group insurance, merchandise sales, exhibition coupons, book fairs, etc., so that employees can enjoy the happiness of shopping without going out. At the same time, the Company cooperates with high-quality merchants in neighboring factories, and publishes the contracted cooperative business information on the company's internal website, so that employees can enjoy preferential treatment in food, clothing, housing, transportation, education, cleaning, books, and medicine.



· Staff restaurant



· Art Corridor



· Library



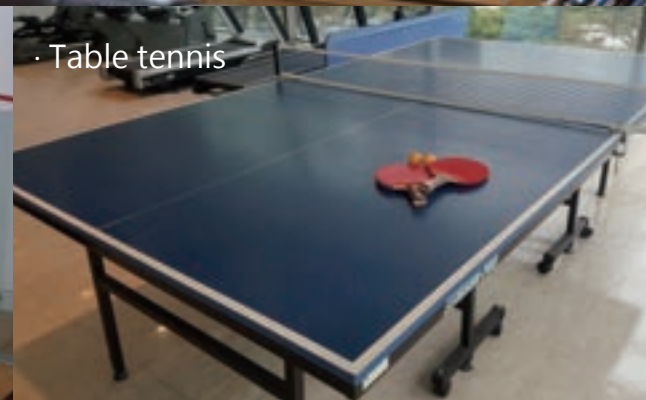
· Employee gym



· Racquetball court



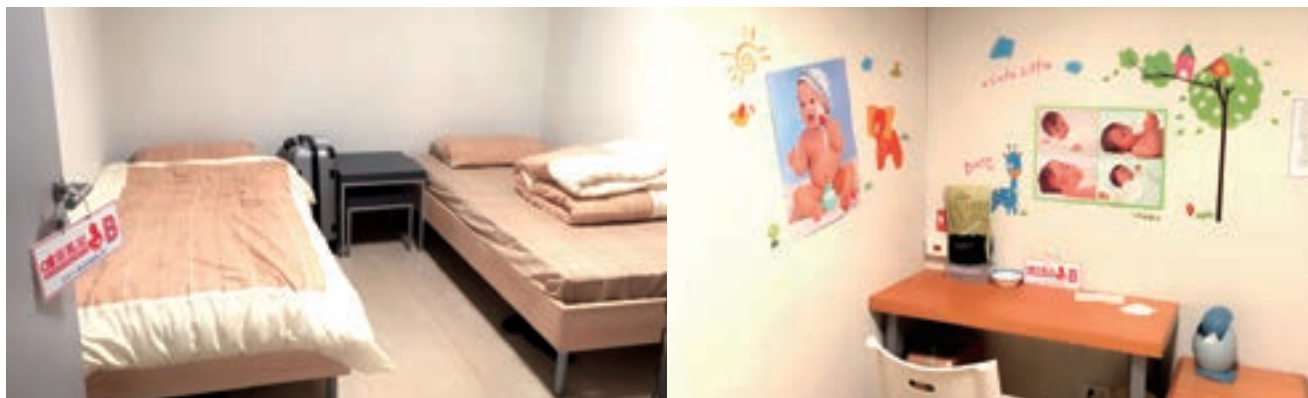
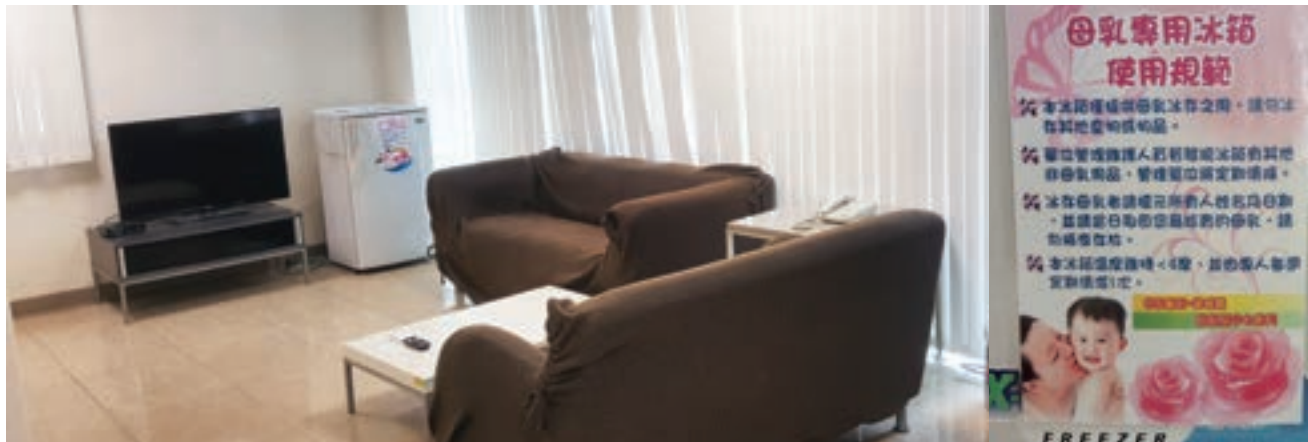
· Table tennis



【 Gender Leave of the Act of Gender Equality in Employment 】

Item	Gender	2015	2016	2017
Maternity/person	Female	185	82	77
Paternity leave / person	Male	81	98	88
Physiological leave / days	Female	111	155	130
Family care leave/days	Male	66	86	57
	Female	28	53	43

In view of the growing problem of declining birthrate, Pihong Science and Technology fully cooperates with government policies to encourage births, granting maternity leave, paternity leave, family care leave, etc., and implementing the policy of childcare retention according to the Act of Gender Equality in Employment for the request of the colleagues to apply, and to ensure that they can revert to their original duties as well as to protect their right to work. At the same time, the Company fully supports and encourages female colleagues to breastfeed. The company has a number of safe, clean, comfortable, bright and spacious nursing rooms, and a dedicated refrigerator to ensure the health of breast milk to enable female employees use such facility easily and rest assured.



【 The gender ratio of Taiwan area application for parental leave from 2015 to 2017 】

Item	Gender	2015	2016	2017
The number of eligible applicants for parental leave in the current year	male	38	63	61
	Female	28	39	36
	Total	66	102	97
The actual number of eligible applicants for parental leave in the current year	male	2	2	0
	Female	2	5	5
	Total	4	7	5
The expected number of parental leave in the current year (A)	male	1	0	2
	Female	1	1	5
	Total	2	1	7
The number of reinstatement after parental leave in the current year (B)	male	1	0	2
	Female	1	1	3
	Total	2	1	5
Reinstatement rate (B/A)	male	100%	0%	100%
	Female	100%	100%	60%
Actual reinstatement of parental leave in the previous year (C)	male	1	0	0
	Female	1	1	1
	Total	2	1	1
The number of reinstatement after parental leave in the current year (D)	male	0	1	0
	Female	1	1	0
	Total	1	2	0
reinstatement rate (D/C)	male	0%	100%	0%
	Female	100%	100%	0%

Note 1: reinstatement rate = number of people who have worked for more than one year after reinstatement, and the actual number of reinstatement in the previous year.

Note 2: Number of applying for parental leave: The number of people who are still in the period of parental leave.

ANALYSIS ON THE DEVELOPMENT OF TALENT CULTIVATION

"Employees" are the most important assets of Pihong and that only the continuous growth of employees can achieve sustainable development of the Company. The Company believes that only through education and training can ensure the continuous appreciation of human capital and, in the enhancement and improvement of training and development quality, Pihong Taiwan follows the principles and spirits of Talent Quality-management System (TTQS) promoted by the Ministry of Labor, Executive Yuan to continue strengthening the link between organizational needs, strategy and training, which are in line with the company's training policies and commitments:

company's training policies and commitments

TTQS is the benchmark for training quality which combines with the company's vision and target strategy

Adhering to the fundamental idea of talent development to construct a multi-development training system

Improve human quality and corporate competitiveness to achieve the goal of sustainable business

Hence, in order to cultivate employees' ability in facing the challenges of global technology and to master the pulse of the industry, Pihong plans employee training in a systematic way. In addition to arranging professional technical and departmental professional courses, the Company also uses a multi-disciplinary training system to meet various needs, and to integrate and support external training, full-subsidy, online training and other rich internal and external learning resources to enable employees to have a self-sufficiency learning and growth platform.

【 Statistics of 2017 Staff Training Hours 】

Class/ Area	Pihong Taiwan						Dongguan Joint Factory					
	Number of employees		Annual accumulated hours				Number of employees		Annual accumulated hours			
Total	485		19,890				11,337		532,019.5			
Average number of hours	41						47					
Male and female training materials	Male			Female			Male			Female		
	Hours	Number of people	Average of hours	Hours	Number of people	Average of hours	Hours	Number of people	Average of hours	Hours	Number of people	Average of hours
General Staff	9,187	199	46	5,539	154	36	349,820.5	15,372	23	179,929	8,240	22
Grassroots supervisor	1,128	31	36	546	16	34	1,271.5	33	39	205	10	21
Intermediate supervisors	1,736	47	37	784	15	52	416.0	15	28	86	2	43
Middle and high level supervisors	580	13	45	173	4	43	194.0	3	65	44	1	44
Senior executive	152	5	30	65	1	65	53.5	1	54	-	-	-

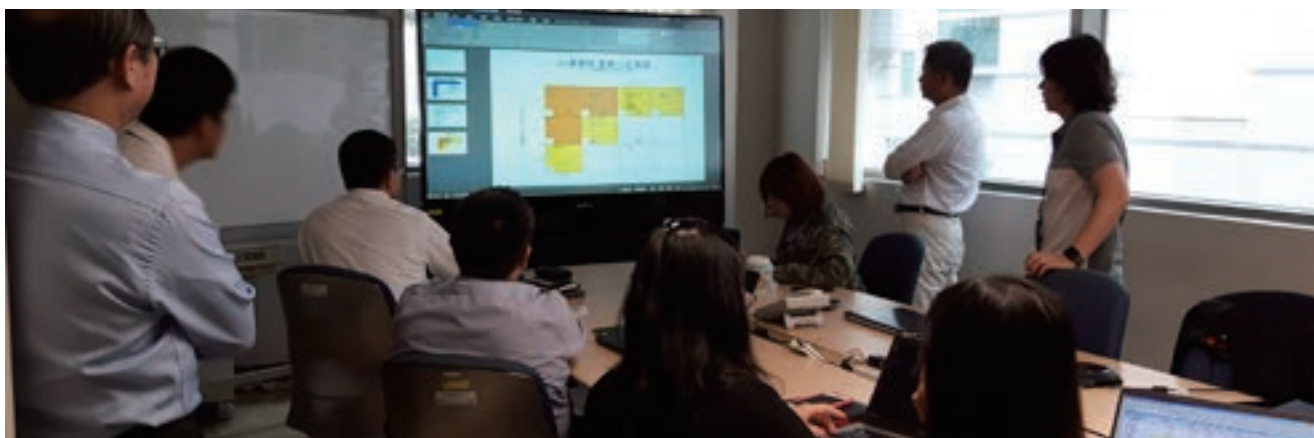
Note: Total training hours - Taiwan area includes internal/external training, new training and e-Learning online learning; areas in China include internal/external training

Continuously improve the consensus and strategic thinking of business planning

In 2016, Pihong Management invited the senior executives at home and abroad to participate in the “Vision and Strategic Planning Consensus Camp” and continued the project in 2017. It is expected to form a fixed cycle model of PDCA-CAPD by regularly reviewing the strategic objectives and thereby achieve organization performance.



It is expected that the good consensus and the cycle model will enable the high-level executives in Pihong to roll the expected breakthrough for key performance indicators into the annual action plans and budgets of the various departments through unified and systematic logic thinking , and then accomplish the mission and goals assigned by consistent actions.



Striving for Government resource subsidies

"Charging Takeoff Plan – Assisting Enterprise Unit in Handling On-the-job Training" is the subsidy for training plans generated by the Ministry of Labor's Workforce Development Agency in response to trade liberalization, strengthening counseling for practitioners from various industries, assisting institutions in developing human capital, and continuously improving the ability of the workplace. The training fee program has five categories of restricted assistance courses:

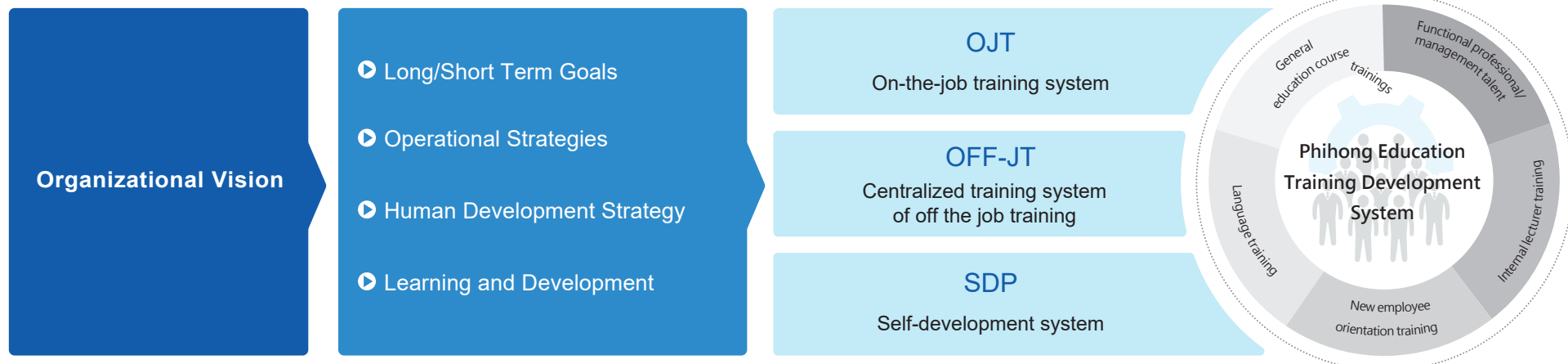
- R&D and innovation capabilities
- Information utilization and technology improvement capabilities

- Upgrade the operating system, production expertise, and certification
- Business management, professional language
- In-house lecturer training or digital teaching material production training course

Since 2011, Pihong has been participating in the subsidy application for this project. The accumulated subsidy training fee has been NT\$1,205,060. The number of classes that applied, passed and written-offs in 2017 are as follows:

Item	Applied class/hours	Passed class/hours	Write-off class/hours
Training application	19 shifts / 85 hours	19 shifts / 85 hours	17 shifts / 81 hours
cost Application	Application fee	Approved fee	Subsidy fee
	NT112,800	NT112,800	NT\$109,600
Description	Fee approved without reduction		The write-off time reached 95.3%

In order to encourage employees to continuously develop their self-learning spirit, Pihong provides a variety of self-development learning resources, From the training of new recruits who convey the company's basic cultural concepts to the training of senior executives who strengthen management skills, and from personal management to improve work efficiency to building consensus training teams, including all kinds of planned training activities by function or class. In addition to these job development and professional skills training, the company also emphasizes personal health and spiritual growth, as well as workplace-related training in response to regulatory requirements. Pihong not only constructs a safe and healthy working environment, but also provides space for employees to learn and grow.



Improve the education and training development system

A sound education and development system and a digital learning platform enable employees to develop not only basic annual education training but also include training development system courses. In line with the Company's vision and operational strategy, Phihong will adjust and arrange the training content according to

organizational development or class needs. Its related supporting cultivation program can meet the needs of employees' self-improvement, and it can also enhance the overall human quality of the company, thereby cultivate the Company's market competitiveness.

Year/category	2015 total hours	2016 total hours	2017 total hours
New training	2,325	1,938	2,125
Business/marketing	1,096	780	899
Professional R & D	4,307	2,780	4,251.5
Quality Assurance/	941	2,276	2,996.5
Administration/ Management	10,568	7,279	9,618
Total training hours	19,236	15,052	19,890

To encourage employees to continue enriching their professional knowledge, integrate themselves with work practices, demonstrate their growth abilities, assist them to strengthen their relevant skills and thereby increase their commitment to work and self-worth, the Company therefor set up an "Educational Training and Promotion System" to enable employees incorporate their career learning planning growth hours into one of the directions for their promotion considerations. In addition, it is intended to enhance the learning atmosphere of the employees in the Company and shape the development of the learning environment, so that employees can change from "human resources" to "talent" and become "people", and keep on growing in individual learning and organization contribution.



【 Education Training and Promotion System Architecture Table 】

Rank	Management position	Staff / Technical Position				Class Training System		Functional Specialty Training System		Pre- employment Training System		Special training Training System			
1A	General Manager														
1B	Vice President														
2A	(BU) General Manager														
2B	(BU) Vice President				Chief Engineer										
3	Assistant Vice President, Deputy Director														
4	Senior Managers	Chief Specialist	Executive Secretary	Chief Sales Representative	Project Leader Engineer	MTP intermediate supervisor training				Pre-employment training for personnel stationing outside		Internal lecturer training	Quality management training ISO9001, ISO14001	Safety and health training, fire drills and drills, first aid training, labor safety and health concept	self-education, special lectures, school education
5	Project Manager, Deputy Manager														
6	Section Manager	Senior Specialist	Special Assistant		Senior Sales Representative	Senior Engineer	Management capability develop training			Functional specialty In-service training	New recruits pre-employment training				
7	Deputy Section Manager														
8	Supervisor	Specialist	Secretary		Sales Representative	Engineer	TW I Supervisor Training								
9	Deputy Supervisor														
10	Foreman	Administrator				Deputy Engineer									
11	Deputy Foreman														
12		Assistant	Chauffeur, Switchboard Operator			Senior Technician									
13															
14															
15		Temporay				Operator									

eLearning platform

In order to enable employees to have more learning tools and learning flexibility, Pihong Taiwan has established a systematic learning platform to promote training. Its well-established e-Learning learning platform not only provides a new learning module that can be quickly applied, but also shortens the learning

cycle of exploring and inquiring. Meanwhile, it also allows employees to flexibly arrange their progress for knowledge study according to individual available time. The company's rich and diverse internal and external resources can facilitate employees' continuous self-learning.



English/Japanese learning resources

As Pihong aims at international development and that the main languages of the its customers are English and Japanese, thus, employees are encouraged to enrich their foreign language skills. The Company not only hires professional teachers for employees' language training, but also choose online learning methods and provide subsidies for language fees and foreign language verification fees. Furthermore, different language verification standards are all set for according job classification.. Those who pass the verification criteria can apply for administrative rewards according to the results, so as to encourage employees to continuously improve their language proficiency, strengthen their competitive advantage in the workplace and expand their visons and career developments.

Item/year	2015	2016	2017
Language category	English / Japanese	English / Japanese	English / Japanese
The number of participants	80	92	74
Investment expense	\$434,000	\$631,200	\$403,800



SOCIAL PARTICIPATION

The roots of a tree are solid enough that the branches and leaves can stretch farther, the shades are wide enough to cover more soil under the feet, and the soil can give back more nutrients to the trees. Life is like this kind of cycle. In keeping with the spirit of taking it out of society and using it in society, Pihong, which has been established for 46 years in Taiwan, actively supports and participates in various types of charitable activities as well as encourages employees to work together to practice corporate social responsibility and facilitate community benefit with a hope that love will be passed on as a blessing .through various public welfare activities



Sponsorship for Public Welfare and Social Service

"Love has no boundaries- the magic of visually impaired ∞" (PHT) Job opportunities for people with disabilities normally are even narrower than those of normal people. Helping people with disabilities by providing employment opportunities is a better alternative than donations; let the physically and mentally handicapped person achieve the opportunity of self-sufficiency with their own strength. For the physical and mental obstacles, it may be a kind of encouragement.

In 2017, Pihong provided employment opportunity to the Taoyuan City Government Counseling Visually Impaired Massage Station for visually impaired people, and held a "free visually impaired massage experience" in the factory to let the colleagues enjoy the visually impaired "Massage" capability. After that, more visually impaired personnel were to stay in the factory once a week regularly, with an average of 12 hours of visually impaired massage service per month. This allows people with physical and mental disabilities to have a stable job opportunity, and also allows the colleagues to have a window of relief from lower back, shoulder and neck pains caused by sedentary posture. As soon as this activity was launched, it was highly and immediately praised by colleagues.

OPERATION CHRISTMAS CHILD

Christmas is always full of warm atmosphere. Every year, Phihong will cooperate with public welfare groups to gather the love of everyone and distribute it to the local and disadvantaged children worldwide. In 2017, Phihong participated in the activity of "Old Shoes for Life" in Bethlehem Warehouse, and it is the first time for the Company to spread its love outside Taiwan-to Africa. Phihong jointly organized the " Operation Christmas Child " to collect clothes and shoes of not being worn, and pack them as a small token of our regards. Shoe boxes lined up one by one under the Christmas tree symbolizes a love, making the Christmas atmosphere warm immediately. The Company hopes to pass the full happiness to the inhabitants of Africa and let them feel the warmth of Taiwan's happiness.



CARE FOR VULNERABLE GROUPS AND CONCERN TO LOCALITY

"Love the sea without distance; love the earth by clean coast" (PHT+PHN)

Taiwan is surrounded by the sea, and the ecology of the ocean is closely related to us. But there is a lot of garbage polluting the ocean, which not only destroys the beauty of the beach and harms the creatures of the ocean, but is more likely to affect our lives. Because of this recognition, in 2017, Phihong launched a plan of "Love the sea without distance; love the earth by clean coast" and listed a clean coast as the focus of the annual social service of Phihong Taiwan. The Company held a clean beach event on the Sicao Coast of Tainan and the

Ding Liou Beach of Linkou, respectively, in August and October 2017. Every colleague worked very hard to pick up the rubbish on the beach and tried to return a clean beach to nature. After cleaning, the garbage and PET bottles that were originally visible on the coast had all disappeared, and the driftwood was integrated to disposal. The beach had recovered its clean appearance. In the

clean beach activities, colleagues worked hard to protect the earth through real-time participation in re-learning the current state of the ocean and responded to the land that they stepped on with actual actions. The Company determined to continue doing more for the ocean and for our homes in the future coming years.



Make Tangyuan on winter solstice and reunion with happiness

With the process of declining birthrate and aging population, the population of Taiwan's old age is gradually increasing. The time for the elderly to live alone has become longer, and they need our care and concern. Therefore, the R&D Center of Taiwan Phihong Technology held a social service event called "Winter Solstice .Dedicates warmth to You"at the end of the winter solstice. The red and white dough brought to the "Honor National House" in Tainan symbolized gold and silver which remind the elders to the lively atmosphere of old time.

The smile of the elders and the cordial vitality of Phihong's colleagues in the event filled with the entire National Hall of Honor, which made people feel the lively atmosphere at the end of the year, and also added warmth and care to the lives of the elders. Such activity did not only send the Tangyuan, but was with the desire to warm their stomachs as well as their hearts.

Dongguan factory Respect for the elderly on Double Ninth Festival

Care for the locality: Qingxi Nursing Home condolence activities at the time of Double Ninth Festival, distributing gifts as an expression of solicitude to the elders and bringing the greetings and wishes of the festival to them through the fun and interesting activities.



2017 Statistic Report of Social Service Results

▶ Social Services of Tainan Sicao Coast Clean Beach Activity

Social services: An activity initiated by the concept of environmental protection with a hope to express our determination to love the earth through action.

15 participants, a total of 60 service hours



▶ The beach cleansing activity at Dingliou Beach of Linkou

Social services: Leading the colleagues to participate in the re-recognition of the current situation of the ocean, and listed the net beach as a priority for social services. The Company hopes that our environment will become better every year.

34 people participated, a total of 102 service hours



▶ Operation Christmas Child

Material donation: Participate in the life-saving activities of old shoes donation. A total of more than one thousand pieces of materials were collected, and the donations were packaged into a Christmas gift and sent to Africa.

153 participants



▶ Make Tangyuan on winter solstice and reunion with happiness

Concern for the locality: Through the process of making Tangyuan for the "Honorary Nationals" in Tainan to let the elders to feel the lively atmosphere at the end of the year.

11 people participated, a total of 44 service hours



▶ Visually impaired massager stagnation service

Vulnerable group care: Starting from October 2017, the Company provides stable work opportunity by inviting visually impaired massagers to enter Phihong Taiwan once a week at an average of 12 hours per month.

36 hours



▶ A donation of NT\$100 per month to TFCF

Phihong NT\$100 Club" invites colleagues to make voluntary donations to help poor children who cannot continue their studies due to economic factors. The donation amount is monthly deduction from colleagues' salary.

More than 100 colleagues responded to such donation every month.



APPENDIX 1: DECLARATION OF VERIFIED OPINIONS



Assurance Statement

On

PHIHONG Corporate Social Responsibility Report of 2017

AFNOR GROUP was established in 1926. We are the National standardization body of France, a permanent council member in ISO and one of the leading certification bodies in the world. AFNOR ASIA LTD., a subsidiary of Afnor Group, conducted this assignment using a verification team consisting of seasoned professionals highly trained in sustainability-related standards including AA1000 AS, AFAG 2000, ISO 9001, ISO 14001, ISO 14064, CHSAS 19001 and ISO 50001, and with qualifications as lead auditors, or verifiers. Afnor Group hereby provides a summary of the PHIHONG Corporate Social Responsibility Report of 2017 (hereinafter referred to as "the Report"), but was not involved in any way in its preparation.

Afnor Group and PHIHONG TECHNOLOGY CO., LTD (hereinafter referred to as "PHIHONG") are independent entities. Afnor Asia Ltd. was commissioned by PHIHONG to conduct the assessment and assure the Corporate Social Responsibility Report of 2017 was in accordance with AA1000 Assurance Standard (2008) (AA1000 AS 2008) and the Global Reporting Initiative Sustainability Reporting Guidelines (GRI G4).

SCOPE

The activities in the Report mainly covered the operation of PHIHONG in the aspects of social, environmental, economic and other related business performance. AFNOR Asia is responsible for:

- Evaluating the accordance of the Report with the Type 1 of AA1000 Assurance Standard (2008) based on the AA1000 Accountability Principles (2008). It does not include the sustainability performance information revealed and data reliability. The verification scopes include sustainability issues, response mechanism, performance information, management system of information, and the processes of materiality evaluation and stakeholder participation.
- Evaluating the appropriate option of the Report and its disclosure of materiality topics by GRI G4 Sustainability Reporting Guidelines.

REFERENCES

- AA1000 Accountability Principles Standard (2008) and AA1000 Assurance Standard (2008).
- GRI G4 Sustainability Reporting Guidelines (2013).

METHODOLOGY

- The inclusivity, materiality and responsiveness in the Report were assessed according to the principles of management process against AA1000 Assurance Standard (2008).
- The contents and the level of disclosures of the Report were in accordance with GRI G4 core option and then assessed against requirements of general and specific standard disclosures (including disclosure on management approach and indicators).
- The mechanism of communication and response to the interest of stakeholders was verified through discussion and interview with the management team; however, the assessment team did not make any direct contact with external stakeholders.
- The qualitative and quantitative information produced, collected and disclosed by the Report was reviewed through a validated sampling plan.
- All of documents, data and information that are related to the preparation of the Report has been reviewed and verified by the assessment team via discussions with responsible individuals in PHIHONG.
- A total of 21 employees, representatives from different departments and different management levels having participated in the sustainability management and preparation of the Report were respectively interviewed.
- The findings of internal audits and the effectiveness of CSR policy have been reviewed.
- All of the supporting material and evidence which were used for the preparation of the Report were reviewed for adequacy and integrity.

CONCLUSION

AA1000 Accountability Principles Standard and AA1000 Assurance Standard

Inclusivity
PHIHONG continues to implement an extensive stakeholder engagement program aimed at identifying and understanding stakeholder interests and informational needs. The impartial report sets out the economic, social and environmental message adequately to support planning and achieving targets. Future reports could be improved by the following recommendations:

- To identify the stakeholders who will impact the sustainable operation in the organization and the matters of concern from multiple perspectives. Furthermore, to develop a communication model which is more interactive as well as more constructive to have the benign interaction between the stakeholders and organizations.

Materiality
PHIHONG has made their sustainability management information public available in order for the stakeholders to be able to assess the results and its performance. PHIHONG also established a mechanism for developing and implementing decisions on critical issues where all interests of different stakeholders can be properly evaluated. Future reports could be improved by the following recommendations:

- To identify the materiality of each issue in terms of sustainable operation and strengthen the relevance of its cognition with the operational processes of various departments. It's facilitate the rational allocation of organization resources and ensure the proper management of issues which are significant to the organization and stakeholders.

Responsiveness
PHIHONG has developed and implemented the responding mechanism for stakeholders' interests. The ethical policy has been announced and communicated to appropriate stakeholders, and ethical concerns raised by the stakeholders were taken into consideration. Future reports could be improved by the following recommendations:

- Continuously strengthen the collection of various performance information for appropriate statistical analysis to facilitate more effective disclosures, and could plan actively disclose of the performance information of major issues on a regular or irregular basis. It can show the organization's commitment to corporate social responsibility and the attempt of pursuing sustainable development.

Global Reporting Initiative Sustainability Reporting Guidelines

PHIHONG has provided a self-declaration which followed the principles of defining report content and quality of GRI G4. We confirm the related indicators refer to GRI G4 core option in the report have been compliance with guidelines. Some opportunities for improvement are:

- It is expected that organization will be written the report with GRI Standards. The organization should take appropriate action on the differences between the GRI criteria and the existing processes, including identifying the materiality of each topic in the organization's sustainable operations as well as planning, implementation and evaluation management policies, etc., to make the organization can be much more in line with the expectations of stakeholders in the performance presentation and disclosure of corporate social responsibility.

ASSURANCE OPINION

In our opinion, the information and data presented in the Report by PHIHONG is satisfactory and provides a fair and balanced representation. We believe the focuses on economic, social and environmental matters in PHIHONG in 2017 are well represented. Afnor Group has developed a set of protocols for the Assurance of Sustainability Reports based on current practice guidance provided in the AA1000 Assurance Standard (2008) and GRI G4 Sustainability Reporting Guidelines (2013). We believe that the evidence collected by onsite assessment has exhibited that PHIHONG did follow the guidance of AA1000 Assurance Standard (2008) and GRI G4 core option criteria, and their self-declaration in response to the Global Reporting Initiative.

APPENDIX 2: COMPARISON INDEX OF GRI G4 INDICATORS

Consideration Aspect	General standard disclosure		Page	Remark
Strategy and analysis	G4-1	Providing a statement of the highest decision maker of the organization (such as CEO, President or equivalent high-level positions). The content includes judging the sustainability issues related to the organization, and proposing a sustainability strategy for these organizations that are relevant to the organization.	5	
	G4-3	Name of institution	4	
Organization profile	G4-4	Major brands, products, and services	10	
	G4-5	Location of organization headquarters	4,7	
	G4-6	G4-6 How many countries are the organization are operating? What kind of major operations in those countries, or which countries' reports are particular relevant to the sustainability theme s operate, have major operations in those countries, or those countries and reports	10-11	
	G4-7	Nature and legal style of ownership	4	
	G4-8	Markets served by the organization (including regional breakdown, industries served, types of customers)	7,9-10	
	G4-9	Institutional scale	7-9	
	G4-10	<ul style="list-style-type: none"> The total number of employees by employment contract and gender. The total number of fixed employees by type of employment and gender. Total number of employees by formal employee, informal employee, and gender. Total number of employees by region and gender. Whether a large part of the organization' s work is carried out by persons legally recognized as self-employed, or by non-employee and informal employee individuals (including contractor employees and informal employees). Significant changes in the number of people employed (such as seasonal changes in the number of people employed in tourism or agriculture) 	44-46	
	G4-11	Percentage of total employees covered by collective bargaining agreements	47-49	
	G4-12	Describe the organization's supply chain	39-40	
	G4-13	Significant changes in the size, structure, ownership or supply chain of the organization during the reporting period	4,7	
	G4-14	Whether and how the organization acts in accordance with the early warning guidelines and principles (Internal Control and Audit & Risk Management)	24-26	
	G4-15	Externally initiated economic, environmental, social conventions, principles (GRI) or other initiatives that the agency participates in or supports	13,27	
	G4-16	Institutions that have joined the organization (such as industry associations) and national or international initiatives, and: <ul style="list-style-type: none"> Occupy a seat in the governance body. Participate in a project or committee. Provide large grants in addition to regular payment of membership dues. Strategic meaning that depending on membership If it refers to membership maintained in the name of the institution 	13	

APPENDIX 2: COMPARISON INDEX OF GRI G4 INDICATORS

Consideration Aspect	General standard disclosure		Page	Remark
Identify major considerations and boundaries	G4-17	<ul style="list-style-type: none"> Listing all entities included in the consolidated financial statements or equivalent documents of the organization. Indicating whether there are entities that are not included in the consolidated financial statements or equivalent documents of sustainability reports. 	4,12	
	G4-18	<ul style="list-style-type: none"> Describe the process of defining the content and aspect boundaries of the report. Explain how the organization applies the "Reporting Principles for Defining Report Content" 	14-20	
	G4-19	List all the substantive aspects identified in the process of defining the content of the report.	15-20	
	G4-20	<p>For each substantive aspect, describe the boundaries of the institutional aspects are as follows :</p> <ul style="list-style-type: none"> Describe whether this aspect is substantive within the organization. If this aspect is not material to all entities within the organization (as described in G4-17), choose one of the following methods to report -the aspect contained in G4-17 does not have a substantive entity or entity category, or -The aspect contained in G4-17 has a substantive entity or entity category that states any specific restrictions on the boundaries of the internal aspects of the institution. 	14-20	
	G4-21	<p>For each substantive aspect, the boundaries of the scope of the organization are described as follows :</p> <p>Explain whether this aspect is substantive outside the organization. If yes, confirm its substantively corresponding entity, entity class or element; in addition, describe the geographical area in which the identified entity has a substantive aspect, indicating any specific restrictions on the boundaries of the extraterritorial aspect.</p>	15-20	
	G4-22	Explain the impact of revising the information contained in the previous report and the reasons for the restatement.		No
	G4-23	Explain the scope, aspect boundaries and major changes during the previous reporting period.	17	
Negotiation of stakeholders	G4-24	List of institutional stakeholders.	15	
	G4-25	Describe the basis for identification and selection for selected stakeholders.	15	
	G4-26	The method of stakeholder participation includes the frequency of participation by different stakeholder types and groups, and indicates whether any participation is done specifically for the preparation of the report.	21	
	G4-27	Key themes and concerns raised in the process of stakeholder engagement, and the way in which the organization responds, including responding to reports. Explain the stakeholder groups that raise each key topic and concern	21	
Basic information of the report	G4-28	The reporting period of the information provided (such as the fiscal year or calendar year).	4	
	G4-29	The date of the previous report.	4	
	G4-30	Reporting cycle (eg once a year, once every two years).	4	
	G4-31	Contact person for the report or report content.	4	
	G4-32	<ul style="list-style-type: none"> Describe the "fit" plan (core or comprehensive) chosen by the organization. Describe the GRI content index for the selected scenario (see table below). Quote external assurance reports if the report has been externally certified. GRI recommends external assurance, but it does not become "in compliance" with the requirements of this guide. 	4	

APPENDIX 2: COMPARISON INDEX OF GRI G4 INDICATORS

Consideration Aspect	General standard disclosure		Page	Remark
Basic information of the report	G4-33	<ul style="list-style-type: none"> The agency's policy and current approach to seeking external assurance for the report. If not listed in the assurance report attached to the Sustainability Report, the scope and basis of any external assurance provided must be stated. Describe the relationship between the reporting organization and the attestation service provider. Describe whether the highest governance body or senior management is involved in the sustainability report for assurance. 	4	
Corporate Governance	G4-34	The governance structure of the organization, including the various committees under the highest governance body. Describe the committee responsible for economic, environmental, and social impact decisions.	22,27	
Ethics and integrity	G4-56	Describe the organization's values, principles, standards, and codes of conduct, such as codes of conduct and ethics.	23	
Economic				
Economic performance		DMA	12	
	G4-EC1	Direct economic value generated and distributed by institutions	12	
	G4-EC2	The financial impact of climate change on institutional activities and its risks and opportunities	24-26	
	G4-EC4	Financial subsidies granted by the government	12,67	
Market image		DMA	51	
	G4-EC6	Proportion of local senior management employed by the organization at key locations	51-53	
Indirect economic shock		DMA	71	
	G4-EC7	Development of infrastructure investment and support services and their impact (employment of local manpower to promote community environmental investment during the reporting period, such as construction of Tainan)	71-75	
Purchasing practice		DMA	41	
	G4-EC9	Proportion of procurement from local suppliers at key operation locations	41	
Environment				
Raw materials		DMA	41	
	G4-EN1	The weight or volume of the material used	32,41-42	
Energy		DMA	32	
	G4-EN3	Intra-institutional energy consumption	32-33	
	G4-EN4	Energy consumption outside the organization	31	
	G4-EN5	Energy intensity	33	
	G4-EN6	Reduced energy consumption	33-34	
	G4-EN7	Reduced energy requirements for products and services	30-31	

APPENDIX 2: COMPARISON INDEX OF GRI G4 INDICATORS

Consideration Aspect	General standard disclosure		Page	Remark
Water		DMA	33	
	G4-EN8	Total water consumption as indicated by the source.	33	
Emission		DMA	34	
	G4-EN15	Direct greenhouse gas emissions (Scope 1)	34	
	G4-EN16	Energy indirect greenhouse gas emissions (Scope 2)	34	
	G4-EN18	Greenhouse gas emission intensity	34	
Waste water and wastes		DMA	33	
	G4-EN22	Total discharge of sewage by water quality and destination	33	
	G4-EN23	Total waste by category and treatment method	34	
Products and services		DMA	30	
	G4-EN27	Reduce the impact of product and service to environment (the scope of environmental impact reduction after finished products)	30-32	
Regulation compliance		DMA	29	
	G4-EN29	The amount of a major fine in violation of environmental laws and regulations, and the number of non-economic penalties	29	
Traffic		DMA	34	
	G4-EN30	Significant environmental impacts of transporting products, other goods and materials, and employee traffic for institutional operations	34-35,41	
Overall environmental investment		DMA	35	
	G4-EN31	Explain total environmental expenditures and investments by category	35	
Supplier environment assessment		DMA	41	
	G4-EN32	Proportion of new suppliers screened using environmental standards	41-43	
		Significant actual and potential negative impacts of the supply chain on the environment, and measures taken	41-43	
Society				
Relations between labor and employer industrial relations		DMA	44	
	GA-LA1	Total number and proportion of new and former employees by age group, gender and region	45-46	
	GA-LA2	Welfare classified by key locations, not for temporary or part-time employees, only for full-time employees	53,56-57	
	GA-LA3	Proportion of returning to work and retaining work after maternity/paternity leave by sex	64-65	

APPENDIX 2: COMPARISON INDEX OF GRI G4 INDICATORS

Consideration Aspect	General standard disclosure		Page	Remark
Labor relations		DMA	51	
	GA-LA4	The minimum notice period for major operational changes, including whether the notice period is specified in the collective agreement	51	
Occupational health and safety Occupational health and safety		DMA	54	
	GA-LA6	Work-related injury categories, work-related injuries, occupational diseases, lost work and absenteeism by region and gender, and the number of deaths due to public	55	
	GA-LA7	Workers engaged in occupational disease or high occupational disease risk occupation workers	55	
Training and education		DMA	65	
	GA-LA9	Average number of hours each employee receives training per year by gender and employee category	66	
	GA-LA10	Skill management and lifelong learning programs to enhance employee sustainability and assist employees in managing career termination	66-70	
	GA-LA11	Percentage of employees receiving regular performance and career development reviews by gender and employee category	45	
Employee diversity and equal opportunities		DMA	44	
	GA-LA12	Composition of members of the governance body and various types of employees by gender, age group, minority members and other diversity indicators	45-46	
Equal pay for female and men	GA-LA13	Basic salary and remuneration ratio for men and women by employee category and key operating locations	52	
Supplier Labor Practice Assessment		DMA	41	
	GA-LA14	Proportion of new suppliers screened using labour practice standard	42-43	
	GA-LA15	Significant actual and potential negative impacts of the supply chain on labor practices, and measures taken	42-43	
Labor practice complaint mechanism		DMA	47	
	GA-LA16	Number of complaints about labor issues submitted, processed and resolved through formal grievance mechanisms	47-49	
Human right				
Discrimination problem		DMA	51	
	G4-HR3	Your concern about the total number of company discriminatory incidents and the corrective actions taken	29,51	
Child labor		DMA	51	
	G4-HR5	Operations and suppliers with serious risks of child labor have been identified, as well as measures to help effectively eliminate child labor	29,51	
Compulsory and forced labor		DMA	51	
	G4-HR6	Operations and suppliers with risks of severe forced or compulsory labor incidents, and measures to help eliminate all forms of forced or compulsory labor	46-47	

APPENDIX 2: COMPARISON INDEX OF GRI G4 INDICATORS

Consideration Aspect	General standard disclosure		Page	Remark
Human right				
Security practice		DMA	47	
	G4-HR7	Percentage of security personnel trained in operational-related human rights policies and procedures	47	
Society				
Community		DMA	71	
	G4-SO1	Proportion of operating points for community participation, stimuli and development plans	71-75	
Anti-corruption		DMA	23	
	G4-SO3	The total number and percentage of operations that have conducted a corruption risk assessment, and the identified significant risks (corruption risk assessment)	23-24	
	G4-SO4	Communication and training of anti-corruption policies and procedures	23-24	
	G4-SO5	Confirmed corruption incidents and actions taken	23-24	
Legal compliance		DMA	29	
	G4-SO8	The amount of a major fine that is violated by laws and regulations, and the number of non-economic penalties	29	
Product responsibility				
Customer health and safety		DMA	30	
	G4-PR1	Percentage of key product and service categories that receive health and safety impact assessments to improve the status quo	30-32	
	G4-PR2	Total number of incidents in violation of regulations and voluntary guidelines on the health and safety impacts of products and services (products and services are in their life cycle)	29	
Product service and label		DMA	30	
	G4-PR4	Total number of incidents that violate the regulations and voluntary guidelines for product and service information and labeling by consequence category	29	
	G4-PR5	Customer satisfaction survey results	36-38	
Marketing communication		DMA	9	
	G4-PR6	Sale of concession or controversial products	9	
	G4-PR7	Total number of incidents that violate the regulations and voluntary guidelines for marketing (including advertising, promotion and sponsorship) by consequence category	29	
Customer privacy		DMA	39	
	G4-PR8	Total complaint number of confirmed infringements of customer privacy and lost customer data	39	
Legal compliance		DMA	29	
	G4-PR9	Major fines related to laws and regulations that violate the provision and use of products and services	29	

APPENDIX 3: COMPARISON TABLE OF SUSTAINABLE DEVELOPMENT GOALS (SDGS)

Item	Goal	Corresponding chapter	Page
Goal 1	Eliminate all forms of poverty and care for the vulnerable group	Take care of vulnerary group , charity sponsorship; education donation, care in the field	71-75
Goal 2	Eliminate hunger, achieve food security, improve nutrition and promote sustainable agriculture	Take care of vulnerary group , charity sponsorship; education donation, care in	71-75
Goal 3	Ensuring health and promoting well-being of all ages	Safety, hygienic , and health promotion	53-56
Goal 4	Ensuring that there is no class, fair and high quality education, and promoting lifelong learning	Talent foster, diversified development	65-70
Goal 5	Achieve gender equality and empower women	Respect for human rights and gender equality	45-53
Goal 6	Ensure water and sanitation and sustainability management for all	Water resources management, safety and health	33
Goal 7	Ensure that all people have access to affordable, reliable, sustainable and modern energy	Energy resource and carbon reduction management	32-35
Goal 8	Promote inclusive and sustainable economic growth, achieve comprehensive and productive employment, and make everyone have a good job	Operational performance and corporate development	8-12
Goal 9	Building resilient infrastructure, promoting inclusive and sustainable industries, and accelerating innovation	Green design environmental protection	30-32
Goal 10	Reduce domestic and inter-country inequality	Respect for human rights and gender equality	45-53
Goal 11	Encourage urban and human habitation to be inclusive, safe and unsharable	Take care of the disadvantages and care for the locals	71-75
Goal 12	Ensure sustainable consumption and production patterns	Customer service and satisfaction	36-38
Goal 13	Take urgent measures to respond to climate change and its impact	Operational risk management	24-26
Goal 14	Conservation and sustainable use of marine and marine resources to ensure sustainable development	Union / association participation	13
Goal 16	Promote a peaceful and inclusive society to implement sustainable development; provide a judicial channel to all; establish an effective, accountable and inclusive system at all levels	Major considerations identify and communicate with stakeholders	14-21
Goal 17	Strengthening the implementation of sustainable development and the Global Partnership for Sustainable Development	High-level management, ethical code of conduct, corporate social responsibility practice	22-23,27