

4.1 Commitment to Environmental Sustainability and Policy

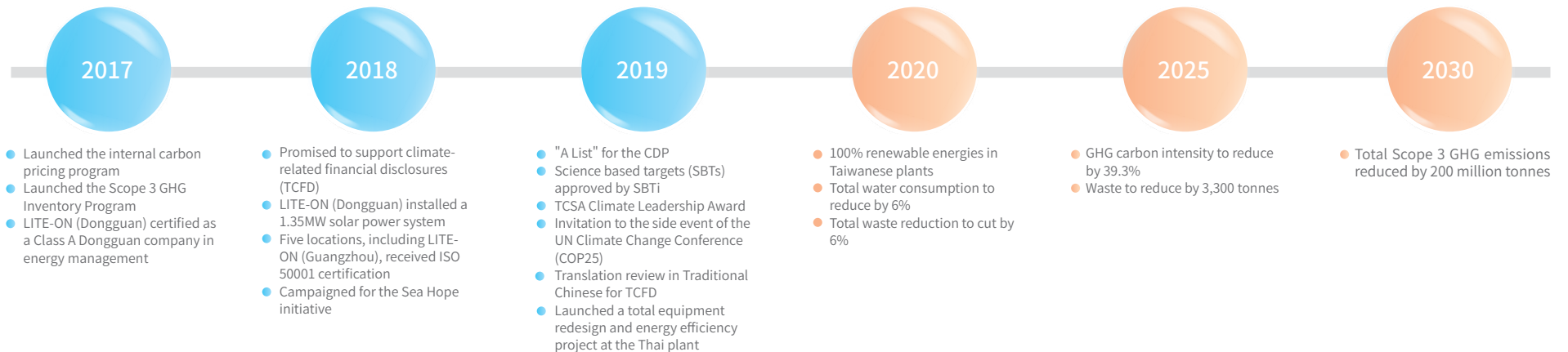


At LITE-ON, we believe that paying close attention to the interests of our stakeholders and the environment lays a solid foundation for fulfilling our vision of being "the best partner in optoelectronics, energy conservation and smart technologies". This is why we work hard to strengthen sustainable management and other sustainability-related governance mechanisms in the company. A resolution was passed to create the Corporate Sustainability Committee directly under the board of directors in April 2019. The committee is the highest authority in sustainability-related operations. Meanwhile, we also work to improve environmental management performance and environmental risk management to respond to UN SDGs.

As part of the commitment to a sustainable environment, LITE-ON adheres strictly to the responsible production strategy in the Sustainability Strategy and Blueprint, and develops environmental sustainability strategies around low carbon products and green operations. Meanwhile, LITE-ON continues to support climate change and energy management, water resource management, and waste management. The goal is to respond appropriately to stakeholder expectations on environmental issues and build up LITE-ON's resilience in sustainability issues at the same time.

2019 Achievement

- CDP Climate Change "A-List"
- Climate Leadership Award from Taiwan Corporate Sustainability Awards (TCSA)
- Industry leader in climate strategy on the Dow Jones Sustainability Index (DJSI)
- Science based targets (SBTs) approved by the Science Based Targets initiative (SBTi)
- The SEA HOPE initiative received an invitation to the side event of the UN Climate Change Conference (COP25)
- Translation review in Traditional Chinese for the Task Force on Climate-Related Financial Disclosures (TCFD)



4.1.1 Green Operations Action Plans

Setting aggressive carbon reduction targets

- LITE-ON takes the Sector Based Approach of the SBT setting approach to set the aggressive targets to reduce operational (scope 1 and 2) and the value chain (Scope 3) GHG emissions. The operational target was set at a 39.3% carbon reduction per unit of revenue by 2025 with 2014 as the base year and the value chain target was set of a 2% improvement of energy conversion efficiency for power supply products by 2023 which is equivalent to a 28.8% reduction of GHG emissions per unit product, with the products and technologies developed in 2016 as the baseline. This SBT target was approved by the Science Based Targets initiative (SBTi) in April 2019, and allow LITE-ON to become the top 50 SBTi certified company in Asia and the second in Taiwan.
- To demonstrate the commitment to becoming a benchmark firm in carbon management, LITE-ON extends carbon management to value chain and set a value chain target to reduce the total Scope 3 GHG emissions by 2 million tons by 2030 with 2018 as the base year. LITE-ON works with value chain partners to combat climate change and global warming together.

Promoting circular economy

- As a responsible corporate citizen, LITE-ON also supports SDG 14, which calls for the reduction of marine pollution. In 2018, this company launched the Penghu Coastal Styrofoam Waste Cleanup campaign, which was corporate with the Penghu County Government, to remove the marine waste of Styrofoam in Penghu. In 2019, this company removed 30 tons or more of Styrofoam marine waste and transformed the materials from polystyrene (PS) to high impact polystyrene (HIPS). Then, this material can be used as the PCR materials for the products which this company develops to reduce 327.8 tons of CO₂e emission every year, based on 100 tons of Styrofoam marine waste this company used.

Reducing the environmental impact of own business activities

- LITE-ON continues to develop optimized production processes and better plant operations. The aim is to enable more efficient energy and water utilization throughout the process of development, production, consumption, and disposal, then, to achieve minimum waste and maximum resource recycling and reuse.
- Our goal is to build highly adaptive smart factories where resources are fully integrated. We also achieve better operational performance through the in-house VFD hydraulic energy saving system, high-performance VFD controller, and inter-divisional collaboration. In 2019, the Thai plant launched a project to completely overhaul energy efficiency for equipment. The project deploys parallel VFD controllers and other measures, and expects to reduce power consumption by 2,170 MWh per year.
- LITE-ON was not involved in any significant environmental violation event in 2019. (A significant environmental violation event is defined as a situation where the administrative fines have over 1 million NTD as stated in the "Taiwan Stock Exchange Corporation Procedures for Verification and Disclosure of Material Information of Companies with Listed Securities".

4.1.2 Environmental Management goals

Latest progress¹

Item	Sustainable development target	2017	2018	2019
Carbon reduction target ²	Reduce carbon emission (Scope 1+2) per million NT dollars of revenue by 39.3% by 2025 compared to the base year 2014	-12.77%	-15.22%	-18.32%
Energy saving target ²	Reduce power consumption per million NT dollars of revenue by 6% by 2017 compared to the base year 2014	+0.67%	-	-
	Reduce power consumption by 6% on an absolute basis by 2020 compared to the base year 2017	-	+3.13%	+2.25% ³
Waste reduction target	Reduce waste generated per million NT dollars of revenue by 6% by 2017 compared to the base year 2014	-6.92%	-	-
	<ul style="list-style-type: none"> · Reduce waste by 6% on an absolute basis by 2020 compared to the base year 2017 · Reduce waste by 3,300 tonnes on an absolute basis by 2025 compared to the base year 2017 	-	-2.62%	-14.89%
Water conservation target	Reduce water consumption per million NT dollars of revenue by 6% by 2017 compared to the base year 2014	-9.10%	-	-
	Reduce water consumption by 6% on an absolute basis by 2020 compared to the base year 2017	-	-1.39%	-8.13%
Renewable energies	Sourcing 100% from renewable energies in Taiwanese plants in 2020	56.69%	54.98%	48.66% ⁴

Note 1: The Kaohsiung plant and the India plant were added to the data in 2019. The data cover a total of 23 bases worldwide.

Note 2: The camera modules SBG and the mobile device SBG were sold in 2018. For consistency in the calculation, the camera modules SBG and the mobile device SBG were removed from the 2017 and 2018 data, which were then recompiled accordingly.

Note 3: LITE-ON's global power consumption rose in 2019 due to the addition of the Kaohsiung plant and the India plant.

Note 4: The percentage of LITE-ON's renewable energy sourcing in Taiwanese plants fell in 2019 due to the addition of the Kaohsiung plant.