

**LITEON<sup>®</sup>**



2016

LITE-ON CSR REPORT

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## About This Report

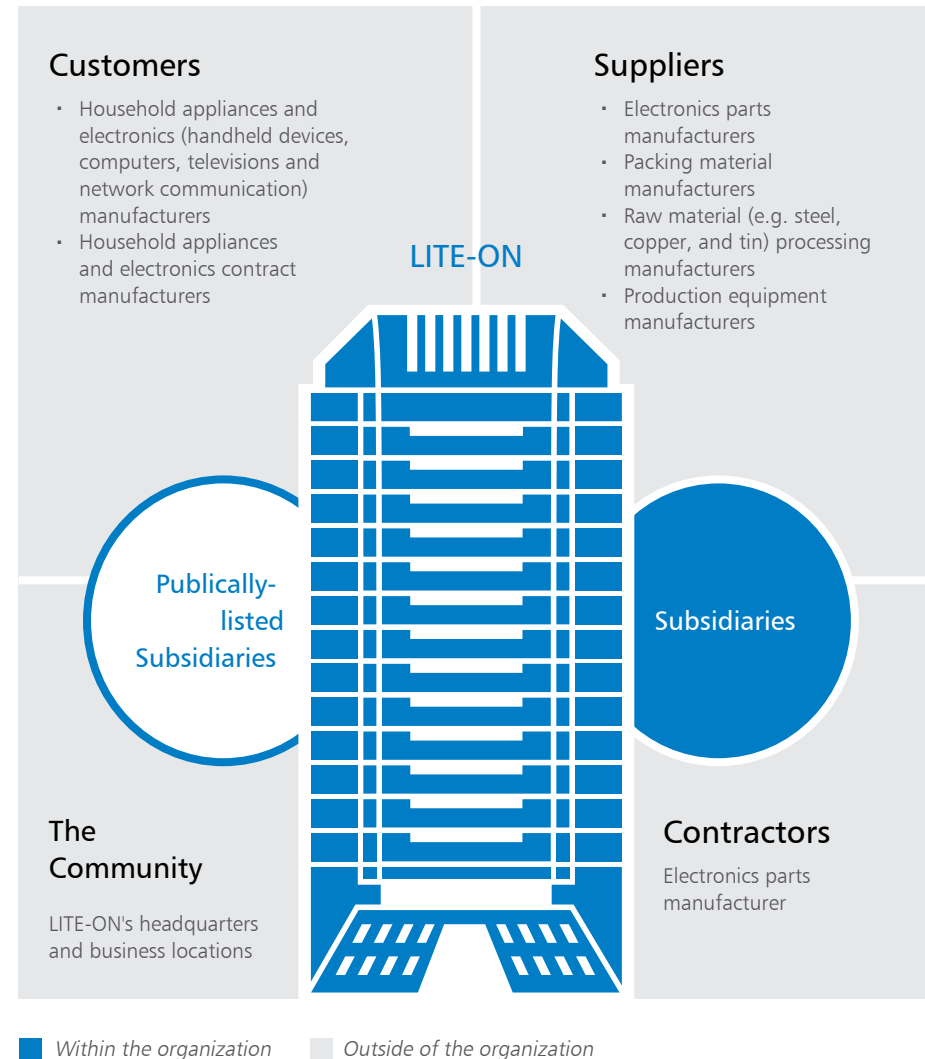
This is the eleventh annual corporate social responsibility report of LITE-ON Technology Corporation. The report shows how LITE-ON is dedicated to ensuring sustainability in its operations through economic, environmental as well as social efforts.

Issues presented in this report have been identified and analyzed through substantive analysis, discussed in "LITE-ON Technology CSER Committee" meetings, selected and prioritized with stakeholders' knowledge, and reviewed and approved by the convener and members of the CSER Committee.

### Scope of Report and Data

This report shows LITE-ON's global CSR progress for the period between January 1 and December 31, 2016. Financial data presented in this report reflects performance of the parent company and its subsidiaries, whereas CSR indicators exclude IPO/OTC subsidiaries, Silitech and LITE-ON Japan.

This report mainly covers the seven business groups, namely Mobile Mechanics, Portable Image Device, Power Conversion, Storage, Mechanical Competence, Smart Life & Applications, and Optoelectronic Product Solution. Unless elsewhere specified, information will be disclosed in the report. Mobile Mechanics terminated its operations in Indian due to restructuring. All financial figures in this report are presented in New Taiwan Dollars, and have been verified by Deloitte & Touche, Taiwan. Figures relating to OHSAS 18001, ISO 14001, QC 080000, and ISO 14064-1 (greenhouse gas emission) standards have been verified by third parties. Performance regarding environmental protection, health and safety are presented by using globally accepted indicators. Any estimates or assumptions are elaborated in the respective sections. Any new disclosures made in this report as compared to the previous report have also been highlighted.



## Report Outline

This report has been drafted based on the GRI Standards guidelines published by Global Reporting Initiative (GRI). It discloses the company's responses to sustainability issues as well as strategies, goals and practical steps adopted. Contents of this report have been discussed and categorized using AA1000 APS-compliant procedures. This report is available in Chinese and English; both versions are available on LITE-ON's website.

## Report Assurance

For the transparency and reliability of information presented in this report, an independent third party (SGS Taiwan Ltd.) has been engaged to provide assurance for AA 1000 AS (2008) type-2, high-level accountability and GRI Standards disclosure in accordance with Comprehensive Option. A Third Party Attestation Statement has been attached as an appendix to this report.

## Date of issuance

LITE-ON Technology publishes its CSR report on an annual basis; the report is also posted on LITE-ON's corporate website for public access.

Current issue: Published June 2017

Next issue: Expected to be published in June 2018

(Previous issue: June 2016)

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## 2016 LITE-ON CSR Highlights

### • CSR Promotion

1. Selected as a member of "Dow Jones Sustainability Indices (DJSI)" for sixth consecutive year since 2011.
2. Included in the composition of MSCI Global Sustainability Indexes for three consecutive years since 2014.
3. Ranked as "1st in Taiwan and 3rd in Asia" on Channel NewsAsia Sustainability Ranking.
4. Won the "Corporate Citizen Award" of CommonWealth Magazine for the tenth year in a row (2007~2016).
5. Awarded the Golden Award in "Taiwan TOP 50 Corporate Sustainability Report Award" by Taiwan Institute for Sustainable Energy (TAISE) in the Electronics Sector.



2016 Constituent  
MSCI Global  
Sustainability Indexes





## • Corporate Governance

1. The company was ranked top 5% public companies list of The Second Corporate Governance Evaluation held by Taiwan Stock Exchange (TWSE).
2. LITE-ON's AE Guangzhou Plant and EA Guangzhou Plant received Product Liability Insurance AAA Certification from ACE Group; a total of 14 plants have passed AAA certification to date.

## • Environmental Protection

1. The intensity of Greenhouse Gases emissions in 2016 were 1.81tons CO<sub>2</sub>e/million NTD, decreased 8.2% compared to emissions in 2015.
2. The intensity of water consumption was measured at 25.17m<sup>3</sup>/million NTD in 2016, which was 2% lesser than the 26.35 m<sup>3</sup>/ million NTD measured in 2015.
3. LITE-ON was ranked as the industry Leadership in Information Technology sector and the Technology Hardware Equipment by Carbon Disclosure Project after named one of the Leading Companies in Climate Disclosure Leadership Index (CDLI) for two Consecutive Years 2014-2015.
4. LITE-ON's new building in Zhonghe was awarded a Green Building (for plant) certificate.



## • Business Operations

1. The company generated revenues totaling NTD229.57 billion in 2016, and net profits after-tax were NTD9.42 billion with EPS of NTD4.05, up 30% Y-o-Y.
2. For eight consecutive years between 2009 and 2016, the company was ranked first in the "Electronic Sector" by CommonWealth Magazine in its Top 1,000 Manufacturer Review. The company ranked 20<sup>th</sup> overall in 2015, and was the 32<sup>nd</sup> "Most Profitable Business" in the manufacturing sector.

## • Healthy Workplace

1. LITE-ON was certified as a 2016 Sports Enterprise by Department of Sports and Administration, Ministry of Education Sports.
2. The nursing room in Health Center has been awarded a lactation room excellent certificate by the Department of Health, Taipei City Government.

## • Giving Back to Society

1. The Xinyi Community College was ranked excellent in the evaluations of both Ministry of Education and Department of Education, Taipei City Government in 2016.
2. LITE-ON donated NTD 10 million as relief efforts to February 6 Southern Taiwan Earthquake.

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## Letter from the Chairman and Group CEO

Dear friends,

In 2016, the global economic environment and the technology industry faced many challenges and changes, but LITE-ON marched ahead like a ship sailing against the wind. With the dedication of our colleagues and an optimized corporate governance after the integration of the Group's nine subsidiaries, we not only overcame the challenges but also showed a positive growth in earnings and profit and gained wide recognition from international investors.

Nationally, LITE-ON has been awarded "Corporate Citizen Award" of CommonWealth Magazine for the tenth year in a row (2007~2016), Taiwan Corporate Sustainability Report Award for six consecutive years, and a total of nine CSR Awards from Global Views Magazine since 2005. Internationally, LITE-ON has been selected as a member of "Dow Jones Sustainability Indices (DJSI)" for sixth consecutive year since 2011, included in the composition of MSCI Global Sustainability Indexes for three consecutive years since 2014, and ranked as "1st in Taiwan and 3rd in Asia" on Channel NewsAsia Sustainability Ranking. Moreover, LITE-ON was ranked as the industry Leadership in Information Technology sector and the Technology Hardware Equipment by Carbon Disclosure Project (CDP) after named one of the Leading Companies in CDLI for two Consecutive Years in 2014-2015. Thanks to its transparent information disclosure, LITE-ON was listed on the top 5% companies by the Corporate Governance Evaluation System of Taiwan Stock Exchange in 2016.

### Successful transformation and record breaking profit

Following its One LITE-ON reorganization plan that started in 2014, LITE-ON focuses on IoT applications including cloud computing, LED lighting, automotive electronics, biomedical technology, and industrial automation as its five key areas of transformation in 2016. In 2016, LITE-ON's annual consolidated sales were NTD229.57 billion, up 6%Y/Y while net profits were NTD9.42 billion, hitting a record high since 2002 with EPS of NTD4.05, up 30% Y/Y, also hitting a record high for six years, which demonstrated the gradual results of three years of business transformation.



Raymond Soong | LITE-ON Group Chairman

Since the integration of group resources and organizations in 2014, we have been focusing our main operation strategies on profitability, sound governance, and improving shareholders' returns, and actively worked towards business transformation. In Optoelectronics business segment's, invisible LED application market demands grew, and LED component market share continued to increase. The LED vehicle lighting and street light experienced market expanding, and high-end mobile phone camera modules were delivered smoothly. In the Information Technologies business segment, shipments grew from high-end servers and networking related products supported revenue growth in cloud-computing. HIS (Human Input Solutions - PC Keyboards and Peripherals) also expanded their market share. Multi-Function Peripherals also experienced growth thanks to the increased shipment of the laser models. In terms of storage business, SSDs also benefited greatly from cloud computing and demand for storage related applications.

### **Sustainable technologies now a key niche business**

As global climate change deteriorates, LITE-ON, as an environmental friendly and responsible corporate citizen, is working on IoT applications including cloud computing, LED lighting, automotive electronics, biomedical technology, and industrial automation as its five key areas of transformation as its response to climate change and the global campaign for energy saving and emission reduction. These are the same key areas for LITE-ON's transformation that are showing promising prospects of growth. In 2016, LITE-ON energy efficient products and new businesses generated more than 30% of the Group's total revenue yet contributed close to 60% of the profit. The sustainable technologies have become a key niche business for LITE-ON in the future.

In 2016, LITE-ON's LED optoelectronics development were successfully adopted in IoT-

related solutions, such as vehicle lighting, smart manufacturing, wearable devices, smart homes, and smart healthcare etc. Leotek lighting business unit successfully won the tender for LED street lights in Jordan, which gained market opportunities for energy-saving LED street lights in the Middle East. Skyla®HB1, the fully-automated clinical chemistry analyzer developed by the Medical and Biotech business unit received CFDA certification in Mainland China. The business unit also launched a new product, the skyla® Hi, a POC immunoassay analyzer, which only requires a minimal amount of blood from a fingertip for rapid testing of HbA1c in diabetes patients. In addition, the Medical and Biotech business also established the first overseas biotech R&D center in Singapore as a means to develop highly competitive point-of-care products.

### **LITE-ON Award follows MOST FITI to encourage tech talent**

The LITE-ON Award encourages young innovators and designers to make market value and entrepreneurship feasibility two essential factors in their assessments and to develop technologies or techniques in the areas of light, electricity, energy conservation and smart technology. The Gold Award winner is the Candlelight Organic Light-emitting Diodes from National Tsing Hua University this year. Organic light emitting diodes (OLED), blue-hazard-free and with a low color temperature, can be expected to change the lighting standards in the future. The Silver Award winner is the Homemade Sweatblock, which allows people with excessively sweaty hands to stop sweating in the comfort of their own homes. The Bronze Award winner is the green, sustainable, and zero energy double layer oil water separator, zMesh, which can recycle 99.9% of waste oils and organic solvents.

To help winners commercialize their designs and turn innovations into entrepreneurial ventures, the LITE-ON Award teams up with From IP to IPO (FITI) by the Ministry of

Science and Technology. The top three teams are automatically accepted into FITI to participate in the startup courses and advisory services. The partnership allows winners of the LITE-ON Award to finish validation of their prototype products or services and their startup business plans. Candidates are assessed at various stages of the program and those who pass all of them will have a chance to win a NTD1 million startup capital award. The Silver Award winner, the Homemade Sweatblock, and the Bronze Award winner, the double layer oil water separator zMesh, have been accepted into FITI and started on their way from innovation to startup incubation.

### Supporting education and building social inclusion

The LITE-ON Cultural Foundation has created the largest community assistance team in Taiwan. The team has been helping disadvantaged children and their families for 20 years and providing self development opportunities for volunteers and their families. It is the foundation's way of encouraging cultural diversity and promoting education and life-long learning. In 2016, the foundation's services benefited a total of 16,534 people; combined with the collaborative efforts of Teacher Chang Foundation, New Taipei City Government, and community organizations in supporting remote children counseling, community volunteer training and interschool exchange, the foundation was able to extend its influence to benefit a total of 70,322 people.

LITE-ON's Taipei Xinyi Community College is the only community college in the country that is supported by a corporate-funded foundation. The platform is constructed with people at its center. It aims to be an excellent community college and the best partner in lifelong learning for residents in the Xinyi District. Xinyi Community College offered more than 377 courses in 2016 and received an enrollment count exceeding 7,270. The campaign "Historical Xinyi" is a project to rebuild and reinvigorate the local history

by Xinyi Community College as a way to collaborate with local Xinyi district offices. In addition to training ecological, cultural, and historical tour guides and building a website for local images, recordings and maps, which is already in the medium term planning process, the college shares links to "Historical Xinyi" guides with local junior high schools and elementary schools, and helps train lecturers on local features and nature in order to facilitate innovations in teaching materials. In 2016, a "community celebration" campaign was timed to take place with the Xinyi Roaming Festival in order to extend the reach of the company's influences through event planning and community activities.

### Creating value in sharing and allowing business and environment to advance hand in hand

LITE-ON believes that business activities must be sustainable, and a sustainable society and environment are parts of the corporate social responsibility. Therefore, we follow the CSER Code of Conduct as the decision making guideline and are always exploring opportunities and fields into which we can expand our practices. LITE-ON has taken a step further and adopted the United Nations Sustainable Development Goals (UN SDGs) in its assessment this year. It is hoped that the addition will accelerate the progress toward the ultimate goal of carbon neutrality.

In this respect, LITE-ON has been designing its products in ways that achieve low pollution, low energy consumption, and ease of recycling throughout the product life cycle, starting from design to manufacturing, transportation, use, recycling, and disposal stage. We have set short, medium and long term conservation goals to reduce carbon, power, waste and water, and goals to improve product efficiency. In 2016, improved productivity meant total consumption intensity fell by 8.8%; greenhouse gas emissions intensity fell by 8.2%; and water consumption intensity fell by 2% compared to last





year. At present, a total of 14 factories have obtained Product Liability Insurance AAA Certification from the ACE Group. Excellent supply chain management has also allowed us to be ranked "1st in Taiwan and 3rd in Asia" on Channel NewsAsia Sustainability Ranking. LITE-ON's new Zhonghe plant office building has been certified as a green building (under the factory category). To take care of its employees as a responsible employer, LITE-ON actively urges employees to exercise regularly. The company has also been named one of the 2016 Certified Sports Company by the Sports Administration of the Ministry of Education.

Our results reflect the hard work of each and every employee around the world. Our employees are also the asset that keeps LITE-ON's sustainable competitiveness. An excellent business performance in 2016 has made LITE-ON sounder yet more flexible with new businesses ready to take off and a more secured financial basis. We thank our employees and their dedication and passion. We also thank customers, suppliers, investors, businesses, institutions or organization partners, government agencies, NGO, communities or schools. We hope for your continual support for LITE-ON and its mission to achieve social inclusion and environmental harmony.

Chairman of LITE-ON Group

A handwritten signature in black ink, appearing to read "Raymond Soong".

CEO of LITE-ON Group

A handwritten signature in black ink, appearing to read "Warren Chen".

# #1 Corporate Commitment and Stakeholders Engagement



## 1.1 LITE-ON Corporate Social Responsibility Vision and Commitment

LITE-ON aims to develop a sustainable business through the belief of customer satisfaction, excellence in execution, innovation and integrity. While pursuing growth with sustainable profits, as a global corporate citizen we also inspire and engage with our employees, concern the community and stakeholders as the significant tool towards sustainable development and competitiveness.

To better monitor the practice in Corporate Social Responsibility, the Chairman Mr. Raymond Soong and the executive managements take lead to established Corporate Social and Environmental Responsibility (CSER) Committee. The committee develop with

7 functional working group, in order to incorporate social responsibilities into the group culture and oversee the management of the related CSER programs.

### LITE-ON CSER Vision

LITE-ON aims to achieve world-class excellence company and strive to be a leader of sustainable development in the industry. Therefore, we caring for interests of our employees and stakeholders, seeking to enrich the quality of life for the communities in which we operate, and serve as good stewards of corporate social and environmental responsibilities (CSER). We are committed to operate in an economically, socially and environmentally responsible manner while balancing the interests of diverse stakeholders.

### LITE-ON CSER Commitment

LITE-ON developed CSER Code of Conduct(COC), which is based on the standards of International Labour Organization (ILO), Social Accountability 8000 (SA 8000) and Electronic Industry Citizenship Coalition (EICC) code of conduct. CSER COC applied to LITE-ON Group entities, subsidiaries, subcontractors, and supply chain, and covers all business activities from trade, investment, subcontracting, supplier relations, and business development to employee relations. LITE-ON commit to various issues such as corporate governance, business ethics, employer-employee relations, green operation and climate change, green design, and social engagement. The company performance in this regard has been attested to by internal as well as external inspectors. For more details on the CSER Code of Conduct, please visit LITE-ON's website. <http://www.liteon.com/Page.aspx?id=1c929226-a50c-4043-873a-e2ba07536ea9>



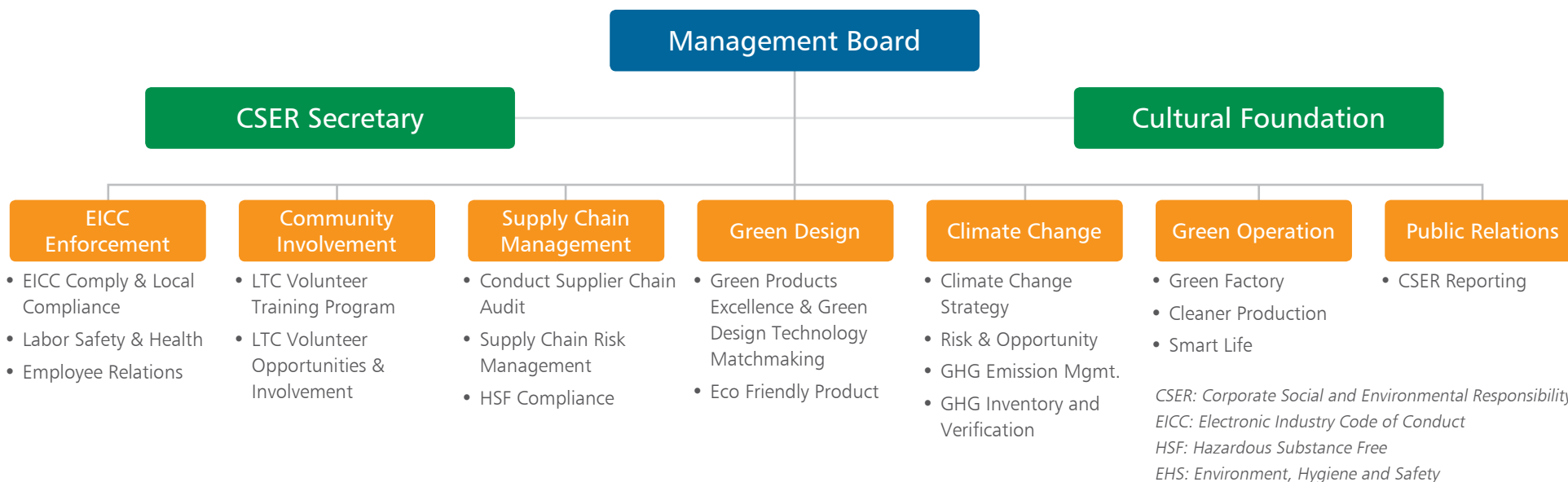
### 1.1.1 LITE-ON CSER Committee

LITE-ON Corporate Social and Environmental Responsibility Committee was established for the purpose of realizing LITE-ON various social pledges, including corporate governance, employer-employee relations, employee care, environmental protection and climate change, green design, supplier management, and community involvement. The committee develop with 7 functional working group and emphasis on complying with government laws and regulations, protecting work rights, improving workplace health and safety, developing green products, reducing hazards with green operation, climate change upholding social and environmental responsibilities, and meeting customers' requirements.

CSER Committee is supervised by the board of directors. The Chairman, Mr. Raymond Soong with Group CEO Warren Chen acting as the Committee Executive Officer, while the rest of the committee comprises of members from LITE-ON Group's executive management. The committee is responsible for determining annual CSR goals in

economic, environmental, and social dimensions, as well as supervising accomplishment of the set goals and directing LITE-ON towards realizing its short-term, mid-term, and long-term goals; both Group Chairman and Group CEO are members of BOD (Board of Directors), and the discussions of important CSR issues such as corporate governance ranking, sustainable technologies and products strategy coping with climate change were included into BOD Meeting by Group CEO.

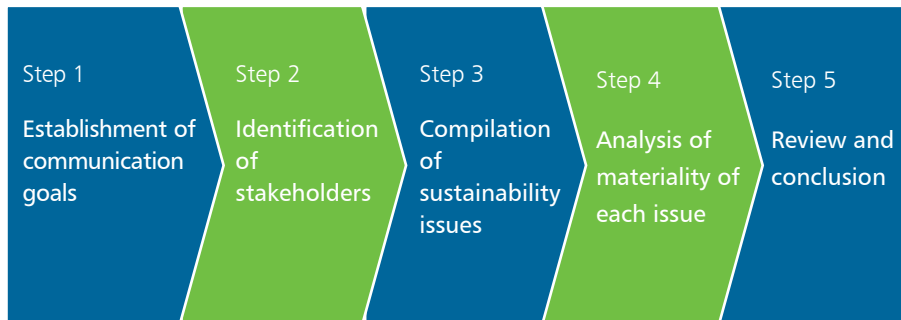
In LITE-ON, we take a business-driven CSER strategy in line with the triple bottom lines of corporate growth and profitability. For this reason, we place particular emphasis on the results they yield, and review every process through a project management approach. The London Benchmark Group (LBG) model is an analytical tool commonly used in LITE-ON. It focuses on the three aspects of any CSER investment, which are input, output, and impact. By systematically planning and executing our strategies, we are able to ensure the success and improvement of our CSER efforts.



## 1.2 Identification of Stakeholders

### 1.2.1 Materiality Analysis

Being able to communicate effectively with stakeholders is the key to developing a sustainable business. It is important to be able to identify stakeholders who are critically connected to the company's operations among the many others. It is equally important to identify and prioritize issues the stakeholders concern. LITE-ON worked with a number of scholars (Hsu et. al., 2013<sup>note</sup>) to develop the Materiality Analysis Process to identify sustainability issues that stakeholders are most concerned/interested about. Results of this analysis provided us with the foundation to structure our report in a way that facilitates effective communication with different stakeholders. This methodology is based on a study and involves five major steps. The process is conducted in a three-year cycle, accompanied by correlation tests that examine the survey results returned by stakeholders.



*Note: Chia-Wei Hsu, Wen-Hao Lee & Wei-Chung Chao (2013). Materiality analysis model in sustainability reporting: A case study at LITE-ON Technology Corporation. Journal of Cleaner Production, 57, 142-151.*

#### Step 1: Establishment of communication goals

LITE-ON treats its CSR report as part of its strategy for sustainability management. Upon thorough discussion by internal expert's team, the company aims to attain the seven communication goals below through CSR Report information disclosure.

- Improvement of LITE-ON's energy conservation, CO2 reduction, and environmental protection efforts
- Improvement of LITE-ON's risk management abilities
- Improvement of customers' approval and satisfaction towards LITE-ON's CSER / EICC efforts
- Inspiration of employee enthusiasm towards CSER, and embedding CSER deep into LITE-ON's corporate DNA
- Improvement of employee loyalty and identification with the company
- Strengthening of interaction and communication with the media and investors
- Strengthening of interaction and communication with NGOs

Having determined the seven communication goals, LITE-ON then identified the 23 issues that need to be communicated with stakeholders, by taking into consideration both internal and external criteria:

- External criteria: the Sustainability Reporting Guidelines published by Global Reporting Initiative (GRI), the Electronic Industry Code of Conduct® (EICC), and the Dow Jones Sustainability Indices (DJSI) criteria.
- Internal criteria: corporate vision, CSER Code of Conduct, previous sustainability reports, and employee satisfaction.



### The 23 issues concerned by LITE-ON's stakeholders

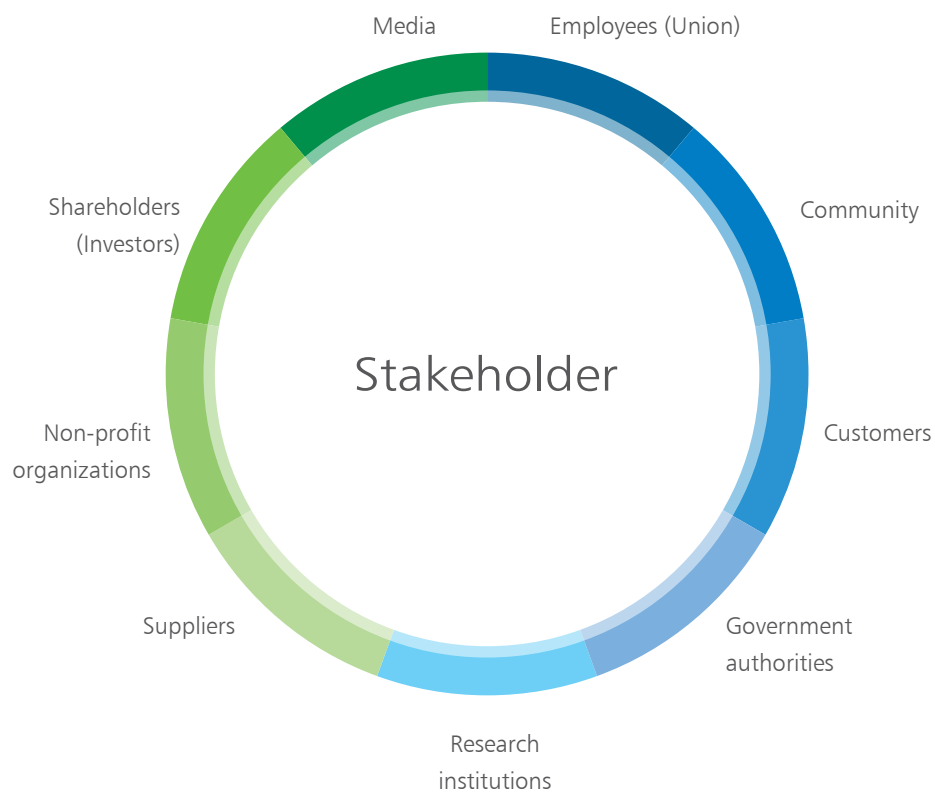
| Item | Dimension | Material Topics  | Description   | Corresponding chapter  | Page           |
|------|-----------|--|---|--|----------------|
| 1    | Economic  | Corporate governance<br>(Governance, ethics and integrity, marketing presence)   | Composition and function of the board of directors, audit practices, directors' and supervisors' shareholding positions etc | 2.2 Corporate Governance   | 31             |
| 2    | Economic  | Financial performance<br>(Economic benefits)   | Revenue, expenses and profits   | 2.1.2 Business Performance and Outlook   | 27             |
| 3    | Economic  | Risk management<br>(Investment, legal compliance)  | Corporate risk management structure, analysis and control of risks etc  | 2.2.7 Corporate Risk Management  | 39             |
| 4    | Economic  | Communication with stakeholders<br>(Grievance system for environmental issues, grievance system for labor issues, grievance system for human rights issues, and grievance system for social impact)  | Methods by which the company communicates with stakeholders and the results   | 1.2 Identification of Stakeholders<br>2.2.7.5 Ethics and anti-corruption               | 13<br>45       |
| 5    | Economic  | Code of conduct<br>(Ethics and integrity, grievance system for environmental issues, grievance system for labor issues, investment, grievance system for human rights issues, anti-corruption, anti-competitive behavior, legal compliance, grievance system for social impact issues, responsible purchasing (conflict minerals)) | Establishment of a code of conduct (e.g. anti-corruption, confidentiality rules), policies and violation status etc.        | 2.2.7.5 Ethics and anti-corruption   | 45             |
| 6    | Economic  | Customer relations management<br>(Customer health and safety, product and service labeling, marketing communication, customers' privacy, and legal compliance)   | Customer satisfaction, problem-solving procedures, and quality management   | 3.3 Customer Service and Satisfaction  | 59             |
| 7    | Economic  | Innovation management<br>(Research and innovation (products))  | Innovation involving products, production processes, social engagement, and environmental protection                        | 3.1 Green Product Design<br>3.3 Customer Service and Satisfaction<br>4.6 Green Factory | 49<br>59<br>87 |

| Item | Dimension     | Material Topics   | Description  | Corresponding chapter |  | Page |
|------|---------------|---|--|-----------------------|--|------|
| 8    | Economic      | Supply chain management<br>(Procurement practices, product or service supplier environmental assessment, labor practice assessment for suppliers, human rights assessment for suppliers, social impact assessment for suppliers, responsible purchasing (conflict minerals), and supplier training) | Policies, standards (e.g. green procurement, EICC), practices, and progress on supply chain management | 3.2                   | Supply Chain Sustainability Management         | 53   |
| 9    | Environmental | Environmental policy/Management system<br>(Raw materials, energy, water, legal compliance, overview)  | Environmental protection policies, quantitative and qualitative information, auditing and tests etc    | 4.1                   | LITE-ON's Green Commitment                     | 63   |
| 10   | Environmental | Carbon management<br>(Energy, emission)   | Carbon management policies, reduction of carbon emission intensity, R&D of low-carbon products etc     | 4.2                   | Responses to Climate Change and Global Warming | 67   |
|      |               |   |  | 4.3                   | Reducing Greenhouse Gases                      | 70   |
| 11   | Environmental | Green product management<br>(Raw materials, energy, water, emission, product and service transportation, product and service labeling, and research and innovation (products))  | Green product design, life cycle and impact assessment, declaration of environmental friendliness etc. | 3.1                   | Green Product Design                           | 49   |
| 12   | Environmental | Hazardous substances<br>(Products and services, emission, and legal compliance)   | Management of hazardous substances used in products and production processes                           | 3.2.1                 | Supplier sustainability guidelines             | 53   |
| 13   | Environmental | Water resource management<br>(Water and legal compliance)   | Water usage, suppliers' water resource management, water life cycle of products manufactured etc       | 3.2                   | Supply Chain Sustainability Management         | 53   |
|      |               |   |  | 4.4                   | Water Resource Management                      | 81   |
| 14   | Environmental | Environmental performance<br>(Energy, water, emission, and legal compliance)  | Statistics on energy consumption, greenhouse gases, air quality etc                                    | 4.3                   | Reducing Greenhouse Gases                      | 70   |
|      |               |   |  | 4.4                   | Water Resource Management                      | 81   |

| Item | Dimension | Material Topics  | Description  | Corresponding chapter |                                   | Page |
|------|-----------|--|--|-----------------------|-----------------------------------|------|
| 15   | Social    | Workforce indicators<br>(Marketing presence, labor employment relations, employer-employee relations, diversity and equality in employment, and equal remuneration for different genders)  | Workforce indicators, employee complaints and resolution, commitment to labor regulations etc                        | 5.1                   | Employee Policy                   | 90   |
|      |           |  |  | 5.4                   | Protection of Interests           | 106  |
|      |           |  |  | 5.5                   | Employee Relations                | 111  |
| 16   | Social    | Human resource development<br>(Training and education, anti-corruption, and staff communication enhancement)   | Human resource indicators, organized learning and development etc  | 5.3                   | Employee Development and Training | 98   |
| 17   | Social    | Talent recruitment and retention<br>(Marketing presence, labor employment relations)   | Employee performance appraisal, remuneration and reward systems etc  | 5.4                   | Protection of Interests           | 106  |
| 18   | Social    | Corporate citizenship and philanthropy<br>(Charity)  | The company's strategies for charity and social engagement, type of charity events involved, resources committed etc | 6.                    | LITE-ON and Society               | 124  |
| 19   | Social    | Occupational safety and health<br>(occupational health and safety)   | Statistics on disabling injuries, frequency of occupational illness, death etc                                       | 5.6.3                 | Occupational Safety and Health    | 120  |
| 20   | Social    | Employer/employee relations<br>(employer-employee relations)   | Employer-employee communication, employee satisfaction surveys etc   | 5.5                   | Employee Relations                | 111  |
| 21   | Social    | Employee welfare<br>(employer-employee relations, equal remuneration for different genders)  | Employee health promotion activities and results   | 5.4                   | Protection of Interests           | 106  |
|      |           |  |  | 5.6                   | LOHAS LITE-ON                     | 114  |
| 22   | Social    | Talent training and education<br>(Investment, education and training)  | Training programs, execution and results   | 5.3                   | Employee Development and Training | 98   |
| 23   | Social    | Human rights<br>(investment, prohibition against discrimination, freedom of association and collective bargaining, child labor, forced labor, security, indigenous rights, assessments, human rights assessment for suppliers, grievance system for human rights issues) | Gender and ethnic discrimination etc   | 5.2                   | Employee Overview                 | 92   |

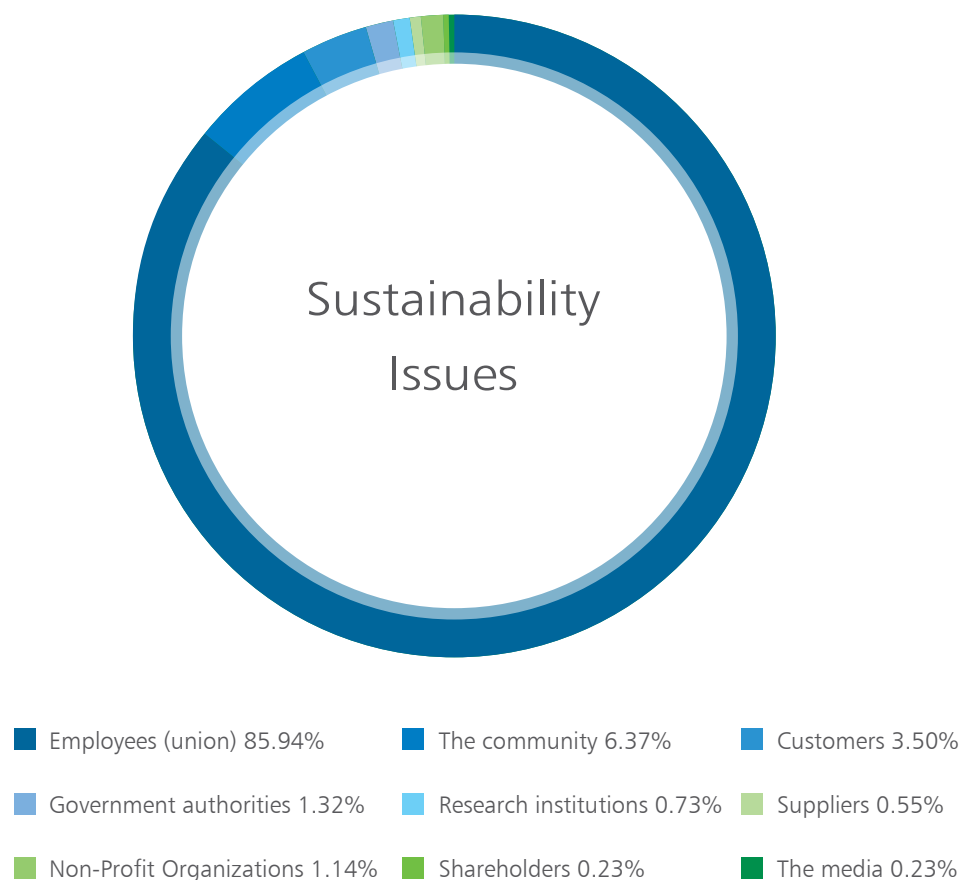
## Step 2: Identification of stakeholders

Based on the communication goals established, LITE-ON has identified nine categories of stakeholders it intends to communicate with. They include employees (union), the community, customers, government authorities, research institutions, suppliers, non-profit organizations, shareholders, and the media.



## Step 3: Compilation of sustainability issues

The CSR report is drafted to cover an extensive scope of issues. LITE-ON has adopted the use of questionnaires to analyze and learn about the issues that stakeholders are most concerned about, in order to establish key tasks in the sustainability campaign and to provide a disclosure basis. The questionnaire was conducted from February 2017 through March 2017. LITE-ON received 2,213 valid responses. The percentage of each stakeholder category to be engaged is shown below.



## Step 4: Analysis of the materiality of each issue

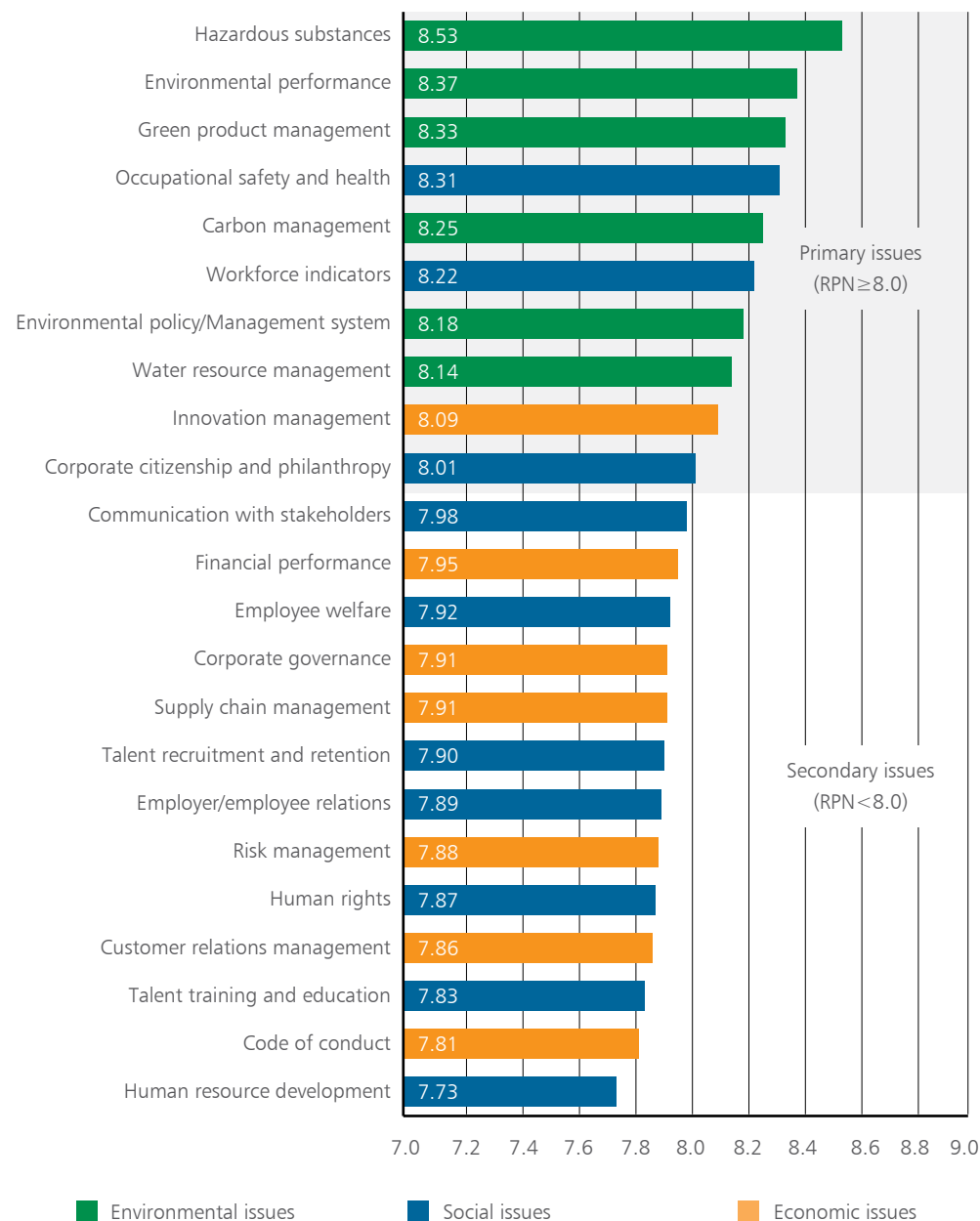
In order to identify the material issues that stakeholders are most concerned about, LITE-ON has adopted a risk-based model. This model features the use of Failure Mode & Effect Analysis (FMEA) to evaluate the "Occurrence," "Detection" and "Severity" of each issue. Based on this model, LITE-ON has developed three criteria that can be applied for this purpose, these are: "Stakeholders that the issue is to be communicated with," "Level of stakeholders' attention to the issue," and "How the issue contributes to the overall communication goal."

## Step 5: Review and conclusion

Through questionnaires distributed to various stakeholders, LITE-ON was able to gather responses on their concerns toward each issue. These responses were analyzed using the Analytic Network Process (ANP) to determine the weight for each assessment criteria. Lastly, a Risk Priority Number (RPN) was calculated for every issue based on how each criterion is scored and weighed; the RPN is then used to determine the priority of disclosures made in this CSR report.

Based on the results of this materiality analysis, LITE-ON was able to identify the 10 issues that stakeholders are most concerned about, herein listed in order of importance: "Hazardous substances," "Environmental performance," "Green product management," "Occupational safety and health," "Carbon management," "Workforce indicators," "Environmental Policy/Management System," "Water resource management," "Innovation Management," and "Corporate citizenship and philanthropy." These are the key topics in LITE-ON's communication with its stakeholders, and areas where the company will focus on improvement.

*Note: Hsu, Chia-Wei, Wen-Hao Lee, Wei-Chung Chao, 2013. Materiality analysis model in sustainability reporting: a case study at LITE-ON Technology Corporation. Journal of Cleaner Production, 57, 142-151.*





## 1.2.2 Methods of Communication with Stakeholders

| Audience                    | Issues and patterns of communication  | Report                        |      |                                  | Communication results               |
|-----------------------------|---|-------------------------------|------|----------------------------------|-------------------------------------|
|                             |   | Chapter                       | Page |                                  |                                     |
| Investors<br>(shareholders) | 1. LITE-ON convenes an annual general meeting every June, during which the company's highest governance authority joins the executive management to report to shareholders on the company's financial performance and future plans, while guiding them through voting and acknowledgment of key agendas.  | 2.1 Company Overview          | 25   | - Monthly business reports       | - Shareholder meetings: once a year |
|                             |   | 2.1.2 Company Overview        | 27   |                                  |                                     |
|                             |   | 2.2 Corporate Governance      | 31   | - Annual general meetings        | - Investor conferences: 4 times     |
|                             |   | 4.3 Reducing Greenhouse Gases | 70   | - Quarterly investor conferences | - Investor forums: 4 sessions       |
|                             | 2. The company organizes an investor conference after each quarterly report. The investor conference is hosted personally by the executive management, during which shareholders and the public are briefed on the company's business plans and results. Furthermore, the company's spokesperson participates in quarterly global investor forums, where institutional investors attend a one-on-one session regarding the company's prospects. The spokesperson also engages in regular telephone conferences with corporate shareholders. |                               |      | - Outsider mailbox               | - CDP web site                      |
|                             |   |                               |      | - DJSI web site                  | - DJSI : 1                          |
|                             | 3. The company has an Investor Relations Office in place to handle daily investor inquiries and disseminate information regarding the company's development. The Investor Relations Office is also responsible for gathering investor and public opinion and reporting to the board of directors and the executive management, therefore ensuring effective communication between the board, the management, and investors.   |                               |      |                                  |                                     |
|                             | 4. The company discloses the detailed results information of Greenhouse Gas (GHG) Emissions Inventory and Reduction" and "Climate Change Risk and Opportunity" to investors through DJSI and CDP websites.  |                               |      |                                  |                                     |

| Audience  | Issues and patterns of communication  | Report                                     |      |   | Communication results                 |
|-----------|---|--|------|---|---------------------------------------|
|           |   | Chapter                                    | Page |   |                                       |
| Customers | 1. An EICC-ON platform has been created so that the company is able to disclose to EICC members and customers information on the company's EICC self-inspections.   | 2.1 Company Overview                       | 25   | - Quarterly business review meetings  | - Quarterly                           |
|           |   | 2.2 Corporate Governance                   | 31   | - Supplier meetings   | - As needed depending on the customer |
|           | 2. Annual satisfaction assessments and surveys are conducted according to customer requirements.  | 3.1 Green Product Design                   | 49   | - Special-purpose meetings / teleconferences  | - As needed                           |
|           | 3. The company conducts conflict mineral investigations on an annual basis as a means of fulfilling our commitment to the prohibition of conflict minerals use.   | 3.2 Supply Chain Sustainability Management | 53   | - Site visits   |                                       |
|           | 4. Confidentiality measures have been implemented as requested by customers.  | 3.3 Customer Service and Satisfaction      | 59   | - Ad-hoc meetings on urgent issues  | - As needed                           |
|           | 5. The company disclosed detailed results of the "Greenhouse Gas Emissions (GHG) Inventory and Reduction" to customers, and also provide individual GHG emissions for their products per request from each customer.  | 4.3 Reducing Greenhouse Gases              | 70   | - Customer audits   | - Updated yearly                      |
|           |   | 4.5 Main Raw Materials                     | 83   | - The EICC-ON platform  |                                       |
|           |   | 4.6 Green Factory                          | 87   |   |                                       |
|           |   |  |      |   |                                       |
|           |   |  |      |   |                                       |
| Suppliers | 1. The company has implemented a Green Management System (GMS) and assembled a Hazardous Substance-Free Committee (HSF Committee). Suppliers are required to report their activities on the system regarding the types of materials supplied, the international regulations applicable, customers' requirements etc.  | 3.2 Supply Chain Sustainability Management | 53   | - Supplier training conferences<br>- Supplier audits<br>- Project meetings<br>- Operational review meetings | Yearly                                |
|           | 2. The company holds annual supplier meetings to communicate with suppliers on previous year's performance and goals for the upcoming year. These conferences serve as a means of active response to supplier concerns, and provide opportunities for the company to encourage suppliers to adopt new business models that have less impact on the environment, promote compliance with the requirements of globally renowned brands, and commend top-performing suppliers. |  |      |   |                                       |
|           | 3. We hold vendor training activities on topics such as CSR, EICC requirements, and greenhouse gas reduction.   |  |      |   |                                       |

| Audience                  | Issues and patterns of communication   | Report   |      |  | Communication results            |
|---------------------------|--|--|------|--|----------------------------------|
|                           |  | Chapter  | Page |  |                                  |
| Employees<br>(union)      | 1. Union organizations that safeguard employee welfare have been formulated at all plant sites in Taiwan and Mainland China. Industry union committee meetings are held on a non-periodic basis.   | 5.5 Employee Relations                             | 111  | - Union meetings                         | - Ad hoc (as needed)             |
|                           | 2. LITE-ON has implemented employer-employee meetings in accordance with local laws and regulations to ensure employees' rights are fully protected by law.  |  |      | - Employer-employee meetings             | - Ad hoc (as needed)             |
|                           | 3. Regular meetings between business units are held to facilitate discussions and serve as a communication channel between employer and employees.   |  |      | - Business unit communication meetings   | - quarterly                      |
|                           | 4. LITE-ON employees are able to promptly reflect relevant concerns through the channels provided within the company.  |  |      | - Hotlines and mailboxes                 | - Ongoing                        |
| Government<br>authorities | 1. The company makes active disclosures in the CSR section of its website, and complies with the competent authority's labor inspections and reporting requirements.   | 2.1.3 Membership in Groups and Associations        | 29   | - Public policy hearings and discussions | CSER web page:<br>Updated yearly |
|                           | 2. Financial information such as monthly revenue, quarterly reports, half-yearly reports, annual reports, and annual general meeting reports are disclosed regularly on the company's website and on the Market Observation Post System. | 2.2 Corporate Governance                           | 31   | - Questionnaires and interviews          |                                  |
|                           |  | 4.2 Responses to Climate Change and Global Warming | 67   | - Projects and proposals                 |                                  |
|                           |  |  |      | - Policy consultation meetings           |                                  |

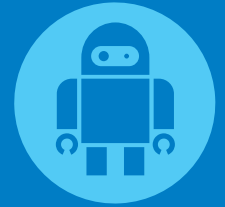
| Audience      | Issues and patterns of communication  | Report  |      |                               | Communication results         |
|---------------|---|---|------|-------------------------------|-------------------------------|
|               |   | Chapter   | Page |                               |                               |
| The media     | 1. Revenue information is published on a monthly basis, whereas business results are announced in quarterly investor conferences and annual general meetings, during which the media is invited to participate. The company also engages the media in a constant exchange of information in order to convey its message to the public. Should any other issues arise, the company holds press conferences or issues press releases ensuring the media obtain company right information.<br><br>2. The company has a Public Relations Office in place to handle media inquiries and convey its message. The Public Relations Office is also responsible for maintaining good relations with the media as well as gathering news reports and public opinion, and reporting its findings to the executive management.  | 2.1 Company Overview  | 25   | - Press conferences           | - Press conferences: 30 times |
|               |   | 2.1.2 Business Performance and Outlook  | 27   | - Press releases              | - News releases: 26 releases  |
|               |   | 3.1 Green Product Designs   | 49   | - Outsider mailbox            |                               |
|               |   |   |      |                               |                               |
| The community | 1. Community assistance:<br>The company communicates with community volunteers via email and telephones at the schools they serve. In the event of the occurrence of a major incident, community volunteers will be notified by email and the incident will be open for discussion on social media websites. With regards to courses organized, the instructor will distribute feedback forms at the end of each session to understand degree of volunteer satisfaction. Communications with schools are established either through volunteers or directly via online platforms and telephone.<br><br>2. Xinyi Community College:<br>Students are given questionnaires through which they can provide suggestions and feedback on the courses they attend. Instructor meetings are held on a regular basis to keep instructors focused on the priorities of the community college. Volunteers of the community college also hold their own meetings to communicate with each other. | 6.1 Social Inclusion Policy   | 125  | 1. Community assistance       |                               |
|               |   | 6.2.1 Community Assistance  | 127  | - Foundation email letterbox  | - Three times every half-year |
|               |   | 6.2.2 Promoting lifelong learning for adults: Building Taipei Xinyi Community College | 131  | - Social media web-page       | - As needed                   |
|               |   | 6.3 LITE-ON Volunteers  | 135  | - Course feedback form        | - Once every half-year        |
|               |   |   |      | 2. Xinyi Community College    | - Once every half-year        |
|               |   |   |      | - Course satisfaction surveys | - Once every quarter          |
|               |   |   |      | - Instructors' meetings       |                               |
|               |   |   |      | - Volunteers' meetings        |                               |

| Audience                 | Issues and patterns of communication  | Report                                      |      |  | Communication results   |
|--------------------------|---|---|------|--|---|
|                          |   | Chapter                                     | Page |  |   |
| Research institutions    | <p>The company actively engages research institutions in productive interaction. The means through which it communicates with academia includes:</p> <ol style="list-style-type: none"> <li>1. Collaborative product development (carbon footprint, ecological footprint).</li> <li>2. Assistance in CSR-related interviews and surveys.</li> <li>3. Disclosures on the CSR section of LITE-ON's website.</li> <li>4. Collaborative technology development between various business segments and academic institutions, and subsidy of research funding etc.</li> </ol> | 3.1 Green Product Designs                   | 49   | <ul style="list-style-type: none"> <li>- Industry-academia collaboration</li> <li>- Project meetings</li> <li>- Questionnaires and interviews</li> </ul> | <p>CSER forums are held with the academia and research institutions on an irregular basis</p> |
|                          |   | 6.1 Social Inclusion Policy                 | 125  |  |   |
|                          |   | 6.4 Supporting internship                   | 137  |  |   |
|                          |   | 6.5 2015 LITE-ON Award                      | 139  |  |   |
|                          |   |   |      |  |   |
| Non-Profit Organizations | <ol style="list-style-type: none"> <li>1. We actively participate in regular or special conferences held by industry groups including the Taiwan Corporate Sustainability Forum, Taiwan Electrical and Electronic Manufacturer's Association and Taiwan Optoelectronic Semiconductor Industry Association; these events provide us with opportunities for extensive interaction with other industry members.</li> <li>2. We collaborate with NGOs on various employee care and environment adaptation initiatives.</li> </ol>   | 2.1.3 Membership in Groups and Associations | 29   | <ul style="list-style-type: none"> <li>- Membership associations</li> <li>- Event participation</li> </ul>   | Union meetings: quarterly   |





## #2 Development of Corporate Operations



## 2.1 Company Overview

|                       |  |
|-----------------------|--|
| Company name          | LITE-ON Technology Corporation         |
| Date of Establishment | 1975                                   |
| Headquarters          | Taipei, Taiwan                         |
| 2016 revenue          | NTD229.6 billion (global consolidated) |
| 2016 EPS              | NTD4.05                                |
| 2016 total employees  | 52,967                                 |
| Stock code            | 2301                                   |

Founded in 1975, LITE-ON embraces being “Best Partner in Opto-Electronic, Eco-Friendly and Intelligent Technologies” as its vision to focus on the development of



optoelectronics and key electronic components, and strives to build up competitive edge through resource integration and optimized management. LITE-ON produces products that are used in a broad range of applications, such as computers, communications, consumer electronics, automotive electronics, LED lighting, cloud computing as well as biotech and healthcare, and LITE-ON is a worldwide leading provider of optoelectronics, information technology, storage devices, and mobile devices components.

For more than 40 years LITE-ON has concentrated on establishing a competitive advantage in mass production. Through resource integration and management, we maximize the returns from a diverse product portfolio to realize excellent revenue growth and profits. In 2014, LITE-ON successfully completed its "One LITE-ON" program by integrating nine of its main subsidiaries under one management, while the main business strategy remains focusing on improving resource utilization, automation, production optimization, and streamlined processes for better productivity and efficiency. In the long-term, the focus is on profitability, sound governance and improving shareholder returns to lay down the foundation for a sustainable century enterprise.

In recent years, LITE-ON has been shifting its production focus from IT and communication towards IOT (Internet of Things) applications such as cloud computing, LED lighting, automotive, biotech, and industrial automation to create a new wave of growth momentum. LITE-ON hopes to leverage its existing advantage as a world-class enterprise in this age of changes, and challenges to become the partner of choice for global customers developing innovations and applications for Opto-Electronic, Eco-Friendly and Intelligent Technologies.

For information of LITE-ON's products and development, please refer to following company webpage:

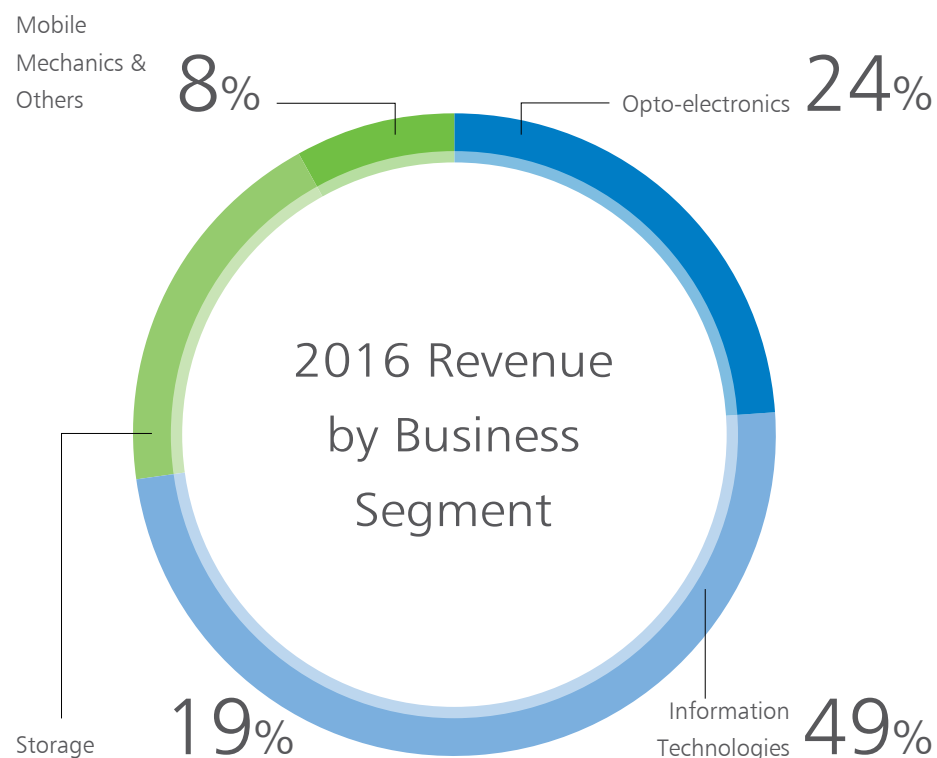
<http://www.liteon.com/page.aspx?id=c0c0b83c-5179-4c10-baf1-9181d82947f5>

## 2.1.1 LITE-ON's Major Operations Centers Worldwide 2016



## 2.1.2 Business Performance and Outlook

Focusing on the five IoT (Internet of Things) applications including cloud computing, LED/lighting, automotive electronics, biomedical and industry automation as its transformation development, LITE-ON posted 2016 consolidated revenue of NTD229.6 billion, up 6% Y-o-Y. Net profits reached NTD9.42 billion, hitting a record high since 2002; EPS were NTD4.05, up 30% Y-o-Y, also hitting a record high for six years.



## 2014 – 2016 Simple Income Statement

Unit: million NTD

|                                 | 2014    | 2015    | 2016    |
|---------------------------------|---------|---------|---------|
| Net Sales                       | 230,632 | 216,929 | 229,572 |
| Gross profit                    | 28,248  | 28,141  | 31,258  |
| Gross profit margin             | 12.20%  | 13.00%  | 13.60%  |
| Operating profit                | 7,126   | 8,653   | 12,709  |
| Operating profit margin         | 3.10%   | 4.00%   | 5.50%   |
| Non-operating income/(expenses) | 622     | 1,354   | -66     |
| Profit before tax               | 7,748   | 10,007  | 12,643  |
| Profit before tax margin        | 3.40%   | 4.60%   | 5.50%   |
| Income tax expenses             | 2,071   | 2,694   | 3,270   |
| Income tax rate                 | 26.70%  | 26.90%  | 25.90%  |
| Net profit after-tax            | 6,461   | 7,223   | 9,416   |
| Net Sales                       | 2.78    | 3.1     | 4.05    |

Note: 1. The chart represents LITE-ON's consolidated revenue, gross profits and net profits.

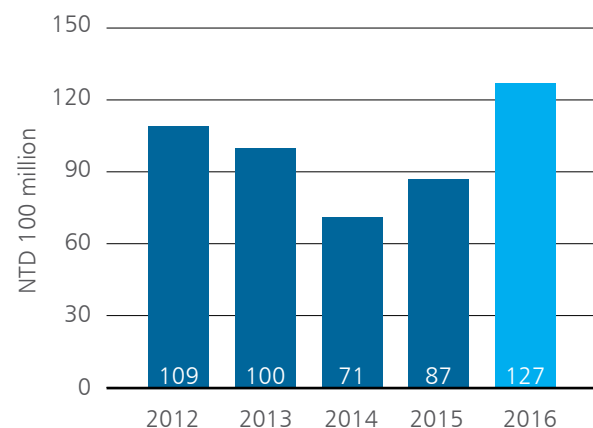
2. For more details on business and financial performance, please refer to LITE-ON's 2015 annual report published on the company's website [www.liteon.com](http://www.liteon.com)

3. Refer to page 5 of LITE-ON's 2016 Consolidated Financial Statements for information on liabilities and shareholders' equity

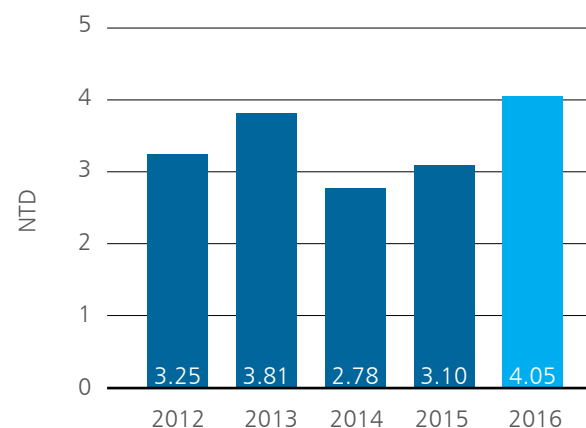
4. Refer to page 5 of LITE-ON's 2016 Consolidated Financial Statements information on retained earnings.

5. The numbers of 2015 are different from the ones in 2015 CSR report due to calculation base adjustment to be as same as 2016 financial report base.

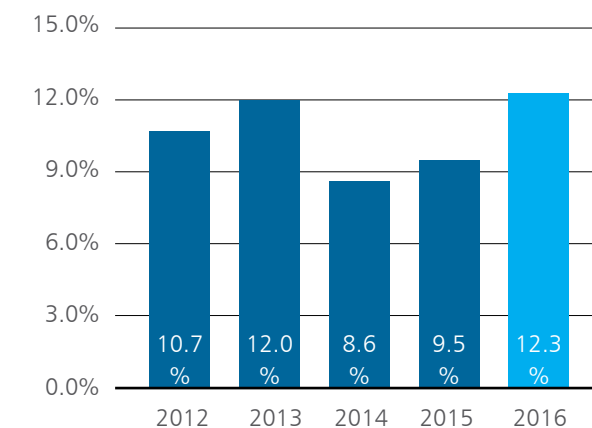
### Operating Profit



### Earning Per Share (EPS)



### Return On Equity (ROE)



LITE-ON aims to become a centenarian corporation, and the key for long-lasting operation is profitability and values generated by the Corporation. The IT industry is in a transformational new era. The traditional contract manufacturing mode with mass producing a few models is diminishing. The industry and product life cycles have been drastically reduced. Nowadays, IT and traditional industries alike are starting to transform by following the IoT trend; these factors are forcing the electronics industry towards transformation and upgrade.

LITE-ON is no exception. The aim for LITE-ON's transformation is to increase profitability; this signifies not only changes in the business model or product portfolio, but also an ability to continually generate optimized profitability to ensure LITE-ON's sustainability. The adjustments made in the Company's corporate governance were not easy; however, LITE-ON's outstanding business results in 2016 have shown us that transformation was the right choice and it is also a reachable goal. LITE-ON will stay with this strategy and development direction and continue to integrate the Group's resources to develop a prospective new business and to set the foundation for becoming a centenarian corporation.

In LITE-ON's history, we have faced many challenges and difficulties. However, from the process of overcoming these obstacles, we grew stronger and achieved outstanding results. Looking ahead, the global political and economic environment is still filled with uncertainty. Through the "One LITE-ON" program, LITE-ON has successfully simplified its organization and structure, improved its finances and reduced operational costs, as well as increased its resource utilization, so that the Company may continue to expand its automated production capabilities, optimize its production capacity and efficiency, and streamline processes for better productivity and performance. Now, we are prepared to face new challenges with improved corporate governance and a cautious but optimistic attitude. In different fields all over the world, innovation of all forms are breaking out like wild fire in order to create a whole new type of smart living for the future. LITE-ON is blessed to be a part of this industry revolution. We are currently working on establishing the differentiation between our core businesses and new businesses on a global level through innovative thinking and solid implementation. The aim is to become the top choice as a business partner in providing innovative designs, hardware manufacturing, and all types of application to our clients from all over the world in areas such as optoelectronics, energy conservation, and intelligent technologies.

### 2.1.3 Membership in Groups and Associations

LITE-ON actively participates in the activities of industry associations and organizations, and joining regular or irregular industry association conferences as the intensive communication mechanism with other members in the industry.

| Name of Association / Organization                                   | Member | Positions            |
|--|--------|----------------------|
| Institute of Information Industry                                    | V      |                      |
| ISA(International Solid State Lighting Alliance )                    | V      |                      |
| Photonics Industry and Technology Development Association            | V      |                      |
| IPC Association Connecting Electronics Industries                    |        |                      |
| Zhaga Consortium   | V      |                      |
| Taiwan Semiconductor Industry Association                            | V      |                      |
| Business Council for Sustainable Development of Taiwan (BCSD-Taiwan) |        | Permanent Member     |
| Taipei Computer Association  |        | Executive Director   |
| Taipei NeiHu Technology Park Development Association                 |        | Director             |
| Taiwan Corporate Sustainability Forum                                | V      |                      |
| Taiwan Electrical and Electronic Manufacturers' Association          |        | Executive Supervisor |

| Name of Association / Organization   | Member | Positions |
|--|--------|-----------|
| The International Commission on Illumination                                     | V      |           |
| Taiwan Optoelectronic Semiconductor Industry Association, TOSIA                  | V      |           |
| Taiwan Thermal Management Association  | V      |           |
| Taiwan Medical and Biotech Industry Association                                  | V      |           |
| Taiwan Lighting Fixture Export Association                                       | V      |           |
| Taiwan information Storage Association   | V      | Director  |
| Taiwan IoT Technology and Industry Association                                   | V      | Director  |
| China Solid State Lighting Alliance  | V      |           |
| Anti-Static Equipment Branch of China Electronic Instrument Industry Association | V      |           |
| Electronics & Communications Association of Guangzhou (Development District)     | V      |           |
| Jiangsu Association for Quality  | V      |           |
| (Asia IOT Alliance; AIoTA)   | V      |           |

## 2.1.4 LITE-ON Corporate Values

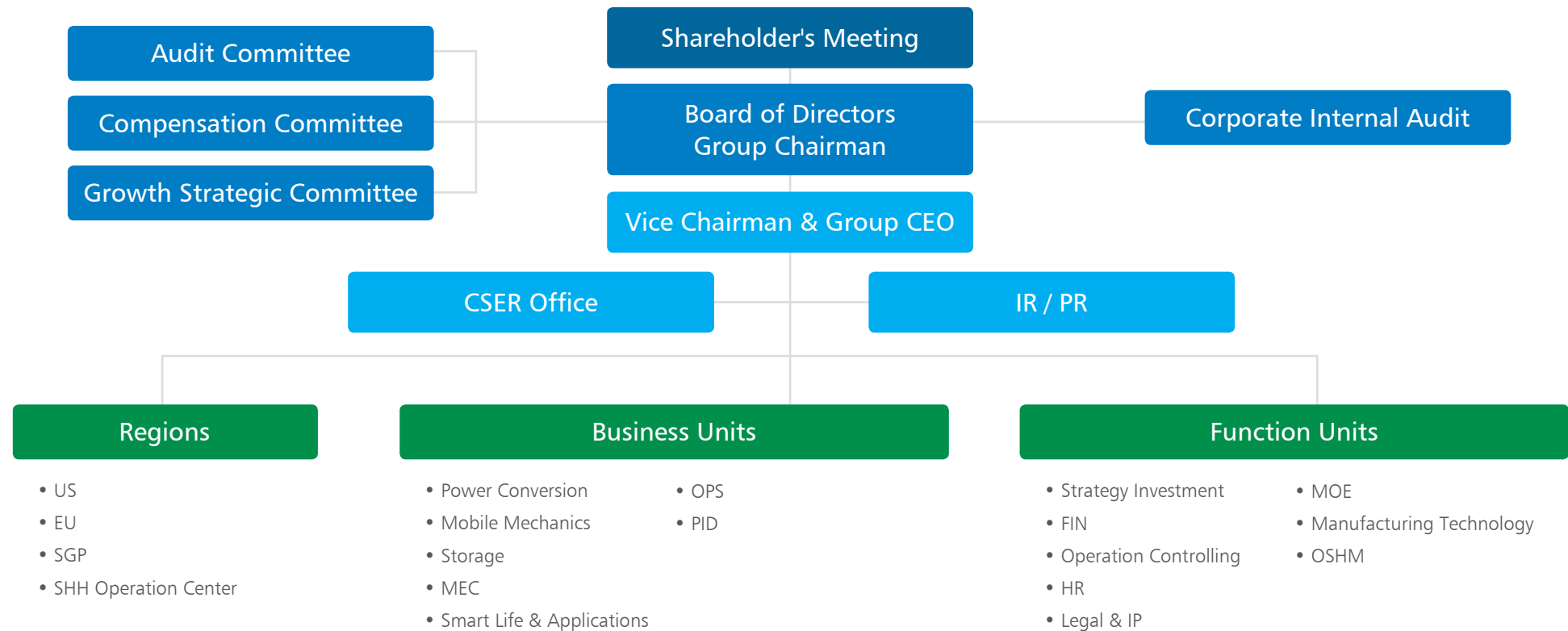
Customer Satisfaction, Excellence in Execution, Innovation, and Integrity are the guiding principles, commitments, and beliefs of LITE-ON Technology. These values are applied throughout the company's daily business operations and management:



## 2.2 Corporate Governance

LITE-ON emphasizes transparent and effective corporate governance and has drafted a corporate governance framework and implemented practices in accordance with the Company Act, Securities and Exchange Act, and other relevant laws and regulations. The company continues to improve its management performance, while safeguarding the rights and interests of investors and other stakeholders.

### 2.2.1 Corporate Governance Organization Structure





## Responsibilities and functions:

| Departments                         | Responsibilities and Functions   |
|-------------------------------------|--|
| Corporate Internal Audit            | To facilitate the board of directors and the management to check and evaluate the effectiveness of internal controls; to provide timely recommendations for improvement to help the company achieve internal control targets; to ensure the continuity of implementation; and to provide a basis for review and modification of the internal controls system.  |
| Investor Relations/Public Relations | To connect the company with investors, the media, and the general public and to effectively convey the company's business philosophy, latest news, and information on its CSR practice to external parties. To keep investors updated on material information regarding the company's finances and operations and to reinforce a positive corporate image.   |
| Strategy and Investment             | <p>The strategic investment department assists the CEO and the business unit heads.</p> <ul style="list-style-type: none"> <li>- To evaluate strategies for new businesses and to gather market information and analyze competitors and other key information in order to provide a basis for decision making.</li> <li>- To exercise due diligence when evaluating external investments and to perform preliminary inspection for mergers and acquisitions as well as subsequent execution and post-investment management.</li> <li>- To regularly review the group's strategies and the progress on related projects.</li> </ul>   |
| Finance                             | To provide professional finance services and enhance profit growth for the divisions, to establish rigorous risk controls, to increase transparency of the company's operations in good faith, and to effectively execute the finance plans in order to protect the shareholders' rights.  |
| Operational Controlling             | To oversee the analysis and management of the company's overall business performance, to combine areas of specialization across departments serving similar functions, and to integrate resources in different business units in order to support and enhance business performance of individual business units and achieve annual targets.  |
| Human Resources                     | As part of the company's strategic development, strategies for the organization and human resources are planned and executed to facilitate continuing improvement and training for the company's human assets and to ensure sustainable development. Performance management and training policies and regulations are established to enhance the organization's performance and core competencies. Labor health and safety policies are designed to provide employee human resource services and to create a better employer-employee relationship.  |
| Legal/Intellectual Property         | <ul style="list-style-type: none"> <li>- To be responsible for handling contracts, disputes, litigation, mergers and acquisitions, and intellectual property rights related legal affairs and to manage legal risks. To provide compliance guidelines and risk management measures to facilitate business decisions and to direct and coordinate external attorneys, when necessary, in order to ensure the company's compliance and increase the company's operating income from legal affairs.</li> <li>- To be responsible for application and maintenance of patents, trademarks and other intellectual property rights and to make plans for and utilization of the company's intellectual property rights. To increase the value of the company's intangible assets through strategic management of intellectual property rights.</li> </ul> |
| Manufacturing Operation Excellence  | To coordinate and integrate effective utilization of the company's resources, to facilitate improvement of quality, yield and efficiency, to optimize operating costs, and to enhance the company's core competencies.   |
| Manufacturing Technology            | To be responsible for improving production technology, developing new production processes, and facilitating automation in the plants in order to achieve differentiation between the company's core manufacturing competencies and those of its competitors.  |

| Departments                               | Responsibilities and Functions   |
|---|--|
| Occupational Safety and Health Management | <ul style="list-style-type: none"> <li>- To promote government policies and perform CSR related tasks.</li> <li>- To formulate, plan, oversee, and promote health and safety related matters and to supervise implementation in the departments.</li> <li>- To consolidate occupational accidents from all plants were summarized for review.</li> <li>- To promote health and safety training and on-the-job training and to raise awareness of occupational health and safety in the workplace.</li> <li>- To perform health and safety inspections and assessments in order to ensure workplace safety for all employees and achieve the goal of zero accident and a safe workplace.</li> </ul> |
| Corporate Social Responsibility Committee | To be responsible for determining annual CSR goals in economic, environmental, and social engagement aspects, as well as supervising accomplishment of the set goals and directing LITE-ON towards realizing its visions.  |
| Business Groups                           | The main business activities for the business units are performing the company's operations, such as product development, design, manufacturing, sales, and planning for the future.   |
| Regions                                   | To be responsible for exploring opportunities in overseas markets and provide a complete line of services and technical support.   |

### LITE-ON's corporate governance milestones:

1. Since 2007, the company introduced the role of independent director to replace supervisors, and established its first Audit Committee. In 2008 and 2010, a Compensation Committee and a Growth Strategic Committee were established respectively under the board of directors.
2. LITE-ON places high emphasis on the complete, timely, fair and transparent disclosure of information. In addition to publishing financial data, statements, annual reports and material information onto the Market Observation Post System (MOPS), LITE-ON also makes this information accessible from its website for the convenience of local and foreign investors. ([www.liteon.com](http://www.liteon.com))
3. The company will continue to pursue sound corporate governance and the transparency, timeliness, and fairness of financial information disclosure. In 2016, LITE-ON was rated top 5% in Corporate Governance Evaluation arranged by Taiwan Stock Exchange (TWSE).
4. In 2016, LITE-ON's EA site at Guangzhou and AE site at Guangzhou both obtained Product Liability Insurance AAA Certification from ACE Group, the world's most creditworthy certifier. So far, fourteen of the company's plant sites have obtained Product Liability Insurance AAA Certification, and LITE-ON has set a goal for all plant sites to obtain AAA certification.

LITE-ON's Board of Directors, Audit Committee, Compensation Committee and Growth Strategic Committee perform their duties in accordance with the "Board of Directors Meeting Rules," "Audit Committee Organizational Rules," "Compensation Committee Organizational Rules," and "Growth Strategic Committee Organizational Rules."

## 2.2.2 Board of Directors

The company's directors are elected according to its "Director Election Policy," where candidates are nominated based on the system stipulated in Article 192-1 of the Company Act. The company is required by law to announce before the book closure date of its annual general meeting the period of directors' (including independent directors) nomination (no less than 10 days) and the number of directors (including independent directors) to be elected. The list of director candidates (including independent directors) needs to be reviewed by the board to make sure that all candidates are qualified (including independent directors) before the election commences during the annual general meeting.

The board consists of 11 members; all of whom are elected by shareholders. Board members currently include one Chairman; six institutional investor representatives from LITE-ON Capital, Dorcas Investment Co. Ltd., Ta-Sung Inv. Co. Ltd. and Yuan Pao Development & Inv. Co., Ltd. and four independent directors. These members come from a broad variety of backgrounds and experience, and are capable of fulfilling their duties. They have been given the duty to exercise proper governance of the board of directors, to supervise/appoint/instruct the management, and to oversee the company's financial, social, and environmental performance in ways that maximize stakeholders' interests.

Board members' backgrounds, education, concurrent roles at other companies etc and functioning of the board of directors as well as various functional committees have already been disclosed in the company's annual report. The annual report is accessible on the Market Observation Post System and from the company's website ([www.liteon.com](http://www.liteon.com)).

In response to the world's rising awareness towards corporate governance and CSR issues, the company has taken the approach to encourage directors' ongoing education. Details regarding directors' ongoing education have been published onto the Market Observation Post System and the company's website ([www.liteon.com](http://www.liteon.com)), where annual reports are also available.

| LITE-ON Board Members |  | Gender |
|-----------------------|--|--------|
| Chairman              | - Raymond Soong  |        |
| Vice Chairman         | - Warren Chen, Representative of LITE-ON Capital Inc.                      |        |
| Director              | - Joseph Lin, Representative of Dorcas Investment Co., Ltd.                | Male   |
|                       | - (Vacancy) Representative of Ta-Sung Investment Co., Ltd.                 |        |
|                       | - Keh-Shew Lu, Representative of Ta-Sung Investment Co., Ltd.              |        |
|                       | - C.H. Chen, Representative of Yuan Pao Development & Investment Co., Ltd. |        |
| Independent Directors | - David Lee, Representative of Yuan Pao Development & Investment Co., Ltd. |        |
|                       | - Kuo-Feng Wu  |        |
|                       | - Harvey Chang   |        |
|                       | - Edward Yao-Wu Yang   |        |
|                       | - Albert Hsueh   |        |

According to LITE-ON's "Board of Directors Meeting Rules," board meetings are held at least once every quarter. A total of ten board meetings were held in 2016.



## 2.2.3 Audit Committee

**Chairperson:** Independent Director Kuo-Feng Wu

**Members:** Independent Director Harvey Chang, Independent Director Edward Yao-Wu Yang and Independent Director Albert Hsueh

The Audit Committee consists entirely of independent directors. The duties of its three members are to assist the board of directors in reviewing the company's financial statements, internal control systems, audit practices, accounting policies, major asset transactions, and appointment/dismissal of external auditors, finance officers, accounting officers, and internal auditors so as to ensure compliance with government regulations.

Effective internal control systems and audit operations are the foundation of sound corporate governance. In order to maintain an effective internal control system, particularly in the area of risk management, financial and operational control, the Audit Committee regularly reviews reports submitted by internal auditors and assesses the independence of the company's financial statement auditors, thereby ensuring the utmost integrity in financial reporting.

### The communications between the independent director and the Chief Audit Officer and the certified public accountants:

(1) Communications are established through Audit Committee or individually with independent directors via meetings or e-mails.

1. The Chief Audit Officer reported to the Audit Committee on the establishment and amendment to the internal control system.
2. The Chief Audit Officer reported to the Audit Committee on the annual self-assessment of the implementation and results on the internal control systems.
3. The Chief Audit Officer reported to the Audit Committee on the annual audit plan and the implementation of the plan.
4. The Chief Audit Officer reported to the Audit Committee on the findings of each audit and the tracking of corrective actions and preventive actions.
5. The Chief Audit Officer provided information on the addition or amendment of laws governing securities and exchange to the Audit Committee.

6. The Chief Audit Officer presented to the Audit Committee the report on the conduct of special audits prescribed by the committee and the findings.
7. The certified public accountants reported to the Audit Committee the findings of their quarterly/annually review or audits on the Company's financial results, and also the communication of the relevant law and regulation or any other modify issues.

(2) The communication channel between the independent directors and the Chief Audit Officer functioned well. The communication between independent directors and the internal auditors are listed in the table below.

| Meeting Dates                | Communications between the Independent Directors and the Chief Audit Officer   |
|------------------------------|--|
| March 25, 2016               | <ol style="list-style-type: none"> <li>1. Reviewing the internal auditor's report for the fourth quarter of 2015 and the year 2015 (include reviewing regulatory developments)</li> <li>2. Reviewing report on self- assessment results for the year 2015</li> </ol>   |
| May 12, 2016                 | Reviewing the internal auditor's report for the first quarter of 2016 (include reviewing regulatory developments)  |
| August 11, 2016              | Reviewing the internal auditor's report for the second quarter of 2016 (include reviewing regulatory developments)   |
| November 11, 2016            | <ol style="list-style-type: none"> <li>1. Reviewing the internal auditor's report for the third quarter of 2016 (include reviewing regulatory developments)</li> <li>2. Reviewing and approving the 2017 internal audit plan</li> <li>3. Reviewing and approving the regulations governing the reporting of fraud</li> </ol> |
| January 1 ~December 31, 2016 | During 2016, the internal auditors have sent the audit reports and follow-up reports to the Audit Committee 74 times. The Chairman of the Audit Committee has commented on each audit report. The internal auditors have followed the instructions and reported to the Audit Committee.                                      |

(3) The communication channel between the independent directors and the certified public accountants functioned well. The communication between independent directors and the certified public accountants are listed in the table below.

| Meeting Dates | Communication matters  |
|---------------|--|
| Mar. 25, 2016 | <ol style="list-style-type: none"> <li>1. The certified public accountants reported to the Audit Committee on the results and major issues of consolidated and standalone financial reports of 2015.</li> <li>2. The certified public accountants reported to the Audit Committee the annual service contents and compensation of 2016.</li> </ol>   |
| May. 12, 2016 | <ol style="list-style-type: none"> <li>1. The certified public accountants reported to the Audit Committee on the results and major issues of 2016 Q1 consolidated financial report.</li> <li>2. The certified public accountants introduced the newly issued auditing standard "New Audit Report".</li> </ol>   |
| Aug. 11, 2016 | The certified public accountants reported to the Audit Committee on the results and major issues of 2016 Q2 consolidated financial report.   |
| Nov. 11, 2016 | <ol style="list-style-type: none"> <li>1. The certified public accountants reported to the Audit Committee on the results and major issues of 2016 Q3 consolidated financial report.</li> <li>2. The certified public accountants made the explanation of the New Audit Report and key audit matters of 2016.</li> <li>3. The company made the evaluation of independent and competency to appoint the Deloitte &amp; Touche.</li> <li>4. The certified public accountants reported to the Audit Committee on the auditing planning and scope of each period of 2017.</li> </ol> |

According to LITE-ON's "Audit Committee Organizational Rules," the Audit Committee meets at least once every quarter. A total of nine Audit Committee meetings were held in 2016.

## 2.2.4 Compensation Committee

**Chairperson:** Independent Director Harvey Chang

**Members:** Independent Director Kuo-Feng Wu, Independent Director Edward Yang, Independent Director Albert Hsueh

The Compensation Committee was established in 2009 to strengthen corporate governance and align the company with international practices. The Compensation Committee has been authorized by the board of directors to supervise, review and decide the company's compensation policies. It was the first Compensation Committee in Taiwan to be granted powers second only to those of the board of directors among publicly-listed companies at that time, something which soon became norm for all local companies.

Duties of the Compensation Committee extend beyond employees' incentives and bonuses, to cover performance appraisals and remuneration of directors and executive managers as well. LITE-ON's Compensation Committee consists of four members; all of whom are chosen from independent directors to ensure objectivity, professionalism and fairness of the committee, while avoiding any conflicts of interest those members may have with the company.

The Compensation Committee reviews the company's remuneration policies and plans on a regular basis to ensure that they are sufficient to attract, motivate and retain talent. The committee reviews the performance and remuneration of directors, the CEO and general managers, and evaluates employee bonuses on a yearly basis.

According to LITE-ON's "Compensation Committee Organizational Rules," the Compensation Committee convenes at least once every six months. A total of three Compensation Committee meetings were held in 2016.

| Region              | Ratio of highest compensation to the median (**)(time(s)) | Ratio of salary increase for highest compensation to the median (time(s)) |
|---------------------|---|---|
| Taiwan (*)          | 23  | 0.0   |
| Brazil              | 11.6  | 0.9   |
| Mainland China(***) | 8.7   | 0.07  |
| Thailand            | 11  | 0.9   |

(\*) The compensation includes salary, meal allowance, and fixed bonus; only information of the parent company is disclosed.

(\*\*) Annual salary has been estimated based on employees' monthly salary as at the end of December.

(\*\*\*) Data calculation of Mainland China are based on the 5 major sites including Dongguan, Guangzhou, Changzhou, Beihai, and Tianjin.



## 2.2.5 Growth Strategic Committee

**Chairperson:** Independent Director Edward Yao-Wu Yang

**Members:** Director Raymond Soong, Director Warren Chen, Director Keh-Shew Lu, and Independent Director Harvey Chang

The Growth Strategic Committee was established in 2010 in an attempt to strengthen and accelerate the growth of LITE-ON. The committee is authorized by the board of directors to review growth strategies for the company as a whole. It is also responsible for the preliminary assessment of all major investments of the company. It reports its resolutions regularly to the board of directors.

The scope of responsibility of LITE-ON's Growth Strategic Committee covers LITE-ON Technology Corporation as well as its subsidiaries and certain business units.

Committee members comprise five directors, all of whom are appointed by the board of directors.

The Growth Strategic Committee meetings should be held at least once every six months in accordance with LITE-ON "Growth Strategic Committee Organizational Rules." A total of four Growth Strategic Committee meetings were held in 2016.

## 2.2.6 List of Major Shareholders

April 24, 2017

| Name of Shareholders  | Number of shares hold | Shareholding % |
|---|-----------------------|----------------|
| 1. Ta-Rong Investment Co., Ltd.   | 85,402,698            | 3.63%          |
| 2. Raymond Soong  | 79,302,560            | 3.37%          |
| 3. Capital Securities Nominee Limited   | 68,186,505            | 2.90%          |
| 4. Capital Securities Nominee Limited   | 47,088,399            | 2.00%          |
| 5. Ming-Hsing Investment Co., Ltd.  | 45,405,330            | 1.93%          |
| 6. Yuan Pao Development & Investment Co., Ltd                                   | 39,473,599            | 1.68%          |
| 7. Standard Chartered in custody for Vanguard Emerging Markets Stock Index Fund | 37,992,646            | 1.62%          |
| 8. HSBC (Taiwan) in custody for Robeco Capital Growth Funds                     | 37,168,964            | 1.58%          |
| 9. City (Taiwan) Commercial Bank in custody for Government of Singapore         | 33,936,807            | 1.44%          |
| 10. Standard Chartered in custody for GMO Emerging Markets Funds                | 31,599,141            | 1.34%          |

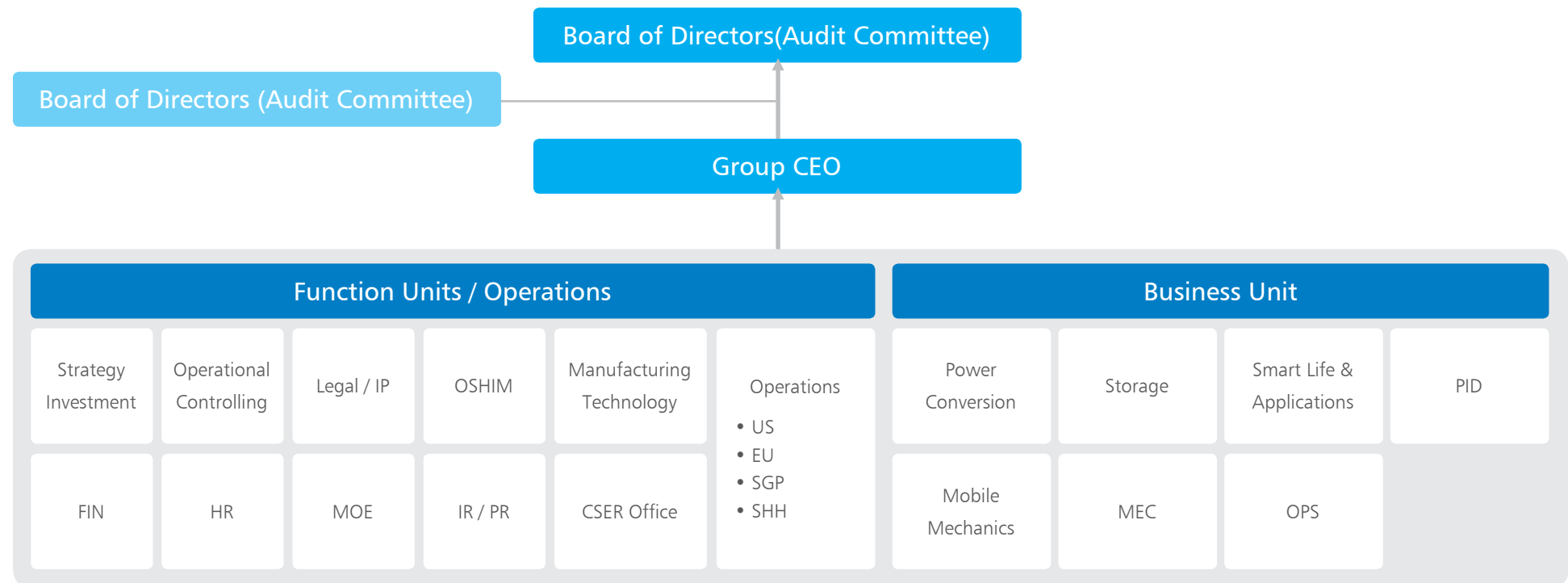
| Name of Shareholders   | Number of shares hold | Shareholding % |
|--|-----------------------|----------------|
| 11. Government funds and shareholders                          |                       |                |
| - New Labor Pension Fund                                       | 25,219,887            | 1.09%          |
| - Labor Insurance Fund   | 22,934,982            | 0.99%          |
| - Public Service Pension Fund                                  | 16,699,140            | 0.72%          |
| - Labor Pension Fund   | 12,523,462            | 0.54%          |
| - National Annuity Fund  | 11,953,712            | 0.52%          |
| - Chunghwa Post Co., Ltd                                       | 4,783,973             | 0.21%          |
| - Department of Government Employees Insurance, Bank of Taiwan | 2,014,846             | 0.09%          |
| Total shares held by government funds and shareholders         | 96,130,002            | 4.16%          |

## 2.2.7 Corporate Risk Management

Encountering more and more complicated impacts and challenges of the global economic and environmental changes to manage its worldwide operations, LITE-ON identifies the risks that may affect the sustainable development of enterprise, and formulates relevant management strategies and measures to reduce the operational disruptions risks. While taking steps to realize the goal to ensure the economic, environmental and social sustainability for stakeholders including customers, shareholders, employees and the community etc., LITE-ON adopts a robust risk management framework that identifies and controls the various risks, so that the concerned risk can then be transferred, mitigated, minimized or even eliminated entirely, and transformed into operational opportunities.

### 2.2.7.1 The Risk Management Framework

LITE-ON's risk management framework and internal control system allow it to take the initiative and respond to the risks associated with its operations in the most cost-effective manner. The Group CEO serves as the highest ranking officer in the company's risk management framework.





### 2.2.7.2 Risk Management Life Cycle

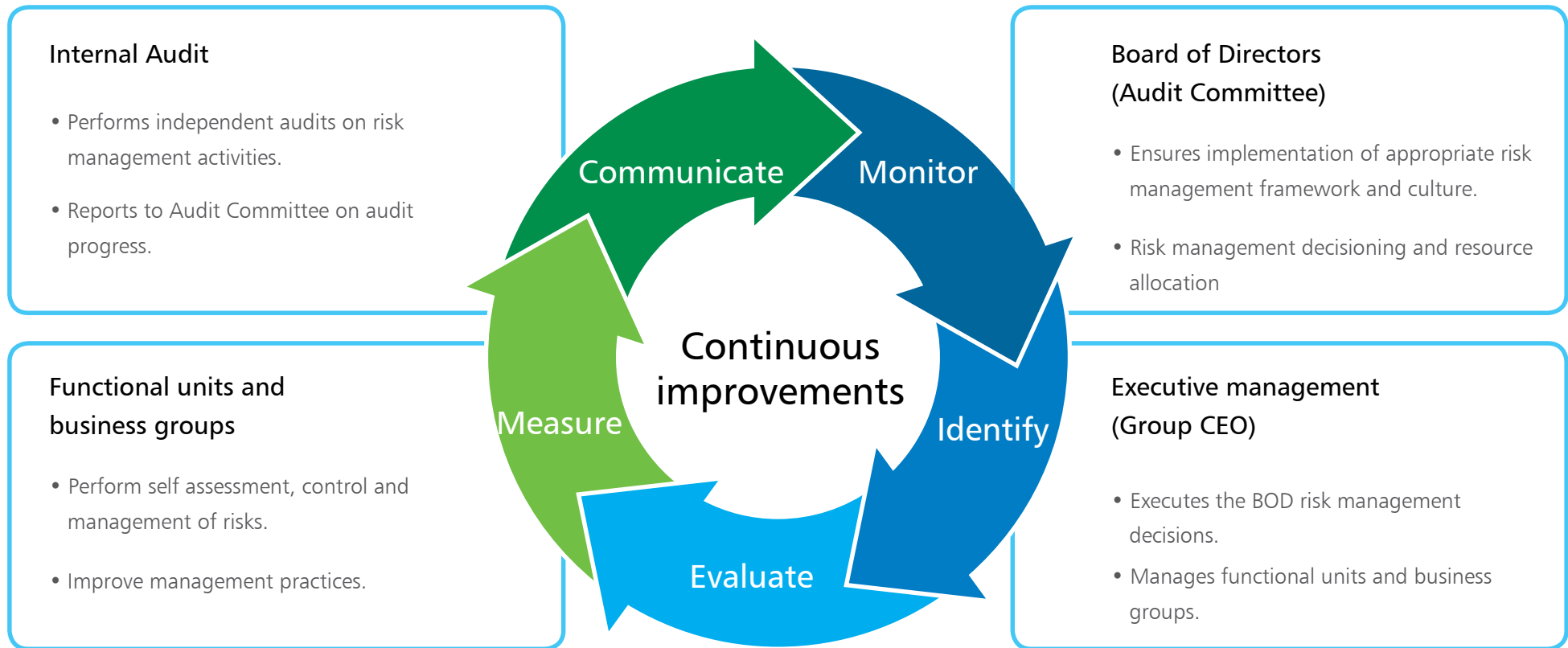
Based on experience accumulated throughout its long history, the company has been able to develop a comprehensive risk management framework with job functions and areas of responsibility clearly segregated for risk identification purposes. Risks identified within the organization are classified into "External Risks," "Operational Risks," and "Information Disclosure Risks." Each risk is further assessed and assigned a severity level of high, medium, or low, and mapped onto a risk map for ease of identification. This enables the organization to take further steps to transfer, accept, mitigate, and avoid the identified risks. By executing the PDCA cycle (plan, do, check, and act) the company is able to improve its control over various risk factors and reduce the chances of risks occurring and the impact they might have.

"External Risks" refer to external factors such as slow sales, competition, loss of market demand, change in consumer preferences, changes in technologies, new competing products, international incidents, economic recession, mergers and acquisitions, change in foreign currency control, election outcomes, extortion, noise, pollution, natural disasters, etc. "Operational Risks" refer to problems that are associated with the company itself, such as inability to deliver goods on time, defective goods, unresolved technical issues, high procurement costs, excess inventory, poor production design, plant malfunction, employee discipline, safety incidents, fire hazard, employment of child labor, forced labor, loss of data, information errors, financial reporting mistakes, etc.. "Information Disclosure Risks" refer to risks associated with the disclosure of public information as part of the company's operations, such as pricing failure, leakage of commercial confidentialities, unreliable financial forecasts, frequent adjustment of financial forecasts, failure to prepare quarterly/annual financial statements on time, failure to disclose required information, correction of errors etc. By setting key performance indicators (KPI) within the organization, LITE-ON is able to assess whether key risks have emerged, and take necessary actions to transfer, accept, mitigate or avoid such risks. In order to minimize the possibility and degree of loss, the company adopts a risk management system that is even more proactive than insurance. Meanwhile, LITE-ON is progressively implementing an "AAA Product Liability Control Project" as enhanced management over manufacturing and sales risk.

### Risk Map

|            |        |   |  |   |
|------------|--------|---|--|---|
| Occurrence | High   | <ul style="list-style-type: none"> <li>• Operations (neglect of safety rules/loss of personal property)</li> <li>• Health and safety (lighting)</li> </ul>  | <ul style="list-style-type: none"> <li>• Environment (chemicals)</li> <li>• Human resources (orders/child labor/working hour)</li> <li>• Finance (Electricity bills)</li> <li>• Business strategy (shareholder relations)</li> </ul>               | <ul style="list-style-type: none"> <li>• Market risk (customers' needs and satisfaction)</li> </ul>   |
|            | Medium | <ul style="list-style-type: none"> <li>• Operations (use of water/mistakes)</li> <li>• Human resources (hazardous jobs)</li> <li>• Environment (noise)</li> <li>• Finance (carbon tax)</li> </ul> | <ul style="list-style-type: none"> <li>• Safety and health (high furnace temperature)</li> <li>• Human resources (working hours/grievance channels)</li> <li>• Business (budget spending)</li> <li>• Operations (products and services)</li> </ul> | <ul style="list-style-type: none"> <li>• Politics (political development)</li> <li>• Health and safety (chemical corrosion)</li> <li>• Business (business performance)</li> <li>• Finance (liquidity)</li> <li>• Compliance (legal and reputation risks)</li> <li>• Strategies (business model/organization)</li> </ul> |
|            | Low    | <ul style="list-style-type: none"> <li>• Compliance (local environmental protection laws)</li> <li>• Human resources (protection of whistle-blowers)</li> </ul>                                   | <ul style="list-style-type: none"> <li>• Business (pension)</li> <li>• Human resources (bribery)</li> <li>• Safety and health (substance exposure/fatigue/burns)</li> </ul>  | <ul style="list-style-type: none"> <li>• Safety and health (safety of gas tanks)</li> <li>• Environmental safety (poisonous gas and fire)</li> <li>• Human resources (limitation of freedom)</li> <li>• Finance (derivatives)</li> </ul>  |
|            |        | Low   | Medium   | High  |
|            |        | Impact  |  |   |

## The PDCA Cycle



### 2.2.7.3 Risk Management Projects

In order to address external and operational risks of higher occurrence or impact, LITE-ON has implemented a risk management plan throughout all plant sites that focuses on "Raising Safety Awareness," "Protecting Critical Assets," and "Establishing Safety Systems and Rules." Apart from raising risk awareness within LITE-ON, the company has also executed a number of risk management projects that not only help identify dangers within various production centers, but also provides suggestions for future improvements. Through one project at a time, LITE-ON is able to accomplish the overall goal of its risk management, and build a foundation for sustainable operations.

- **Raising safety awareness**

The Risk Management Department arranges regular training and seminars featuring the use of case studies to help employees learn from past mistakes, and hence raise their awareness towards safety and risk management.

- **Protecting critical assets**

Each year, the company conducts infrared tests on electrical appliances used in plant sites, and performs random checks on their risk management practices to identify areas of weakness and ways of minimizing foreseeable risks. Meanwhile, logistics operations are also inspected regularly to reduce logistics risks. All products that LITE-ON offers to its customers undergo stringent internal quality control and are certified by third-parties who scrutinize everything the company does from product design, manufacturing to after-sale liabilities.

- **Establishing safety systems and rules**

LITE-ON has been establishing a risk control and checking system since 2009 that aims to grade each property by level of associated risk, and thereby facilitate future assessments and management. Through regular inspections and improvements, LITE-ON is able to optimize the risk profiles of its production sites, reducing the possibility of accidents and hence minimizing loss of workers, plant, equipment, raw materials, and operations.

The risk rating and audit system also helps reflect the risk status of various production sites. It reminds workers of the potential dangers present in the workplace, and allows quantifiable targets to be set and improved upon. In the short term, the system helps eliminate risks as soon as they are discovered; in the long run, it enables management to better plan its risk controls and implementation.

LITE-ON will be introducing new business continuity management to make sure that the company can resume operations rapidly and remain competitive when facing any disaster. At the current stage, the company is focused on developing a Business Continuity Plan (BCP) that achieves the following benefits:

- Ensure business recoverability and sustainability; reduce overall operational risks and maintain competitiveness.
- Provide assurances to customers and secure or even expand market share.
- Protect the company's reputation and shareholders' interests.
- Reduce costs of supply chain management and create industry service value.



#### 2.2.7.4 2016 Risk Identification and Control Measures

| Concerns          | Risk identification | Risk control measures  |
|-------------------|---------------------|--|
| Economic concerns | Finance             | <ol style="list-style-type: none"> <li>Cash security and interest rate risk prevention<br/>Cash management includes debt and risk control, fund utilization control, and investment size control.               <ol style="list-style-type: none"> <li>Global cash inventory is performed regularly and any abnormality is followed up. The objective is to increase return on cash, improve profitability, and prevent loss of assets due to external disasters.</li> <li>Calculate AR/AP estimates on a monthly basis to facilitate cash planning.</li> <li>Levels of authorization are established in accordance with the SOPs, and payments are ERP encrypted and then paid via electronic banking services to ensure more secure payments.</li> <li>Optimal cash and asset structures are reviewed regularly for cash planning purpose and to achieve optimal cash size.</li> </ol> </li> <li>Exchange rate risk prevention               <ol style="list-style-type: none"> <li>The company monitors foreign currency denominated positions, revenue target completion rate, and inventory changes on a daily basis.</li> <li>Current month YTD and month end foreign exchange gains and losses are calculated on a daily basis.</li> <li>Financial forecast models are created for foreign exchange positions to enable real-time hedging.</li> <li>Differences in position forecast and reasons for foreign exchange gains and losses are examined on a monthly basis. The objective is to keep track of the net balance after offsetting of foreign currency denominated assets and liabilities and reduce operational risks arising from exchange rate volatility.</li> </ol> </li> </ol>  |
|                   | Business management | <ol style="list-style-type: none"> <li>Asset security and damage risk prevention<br/>Asset risk management is performed jointly with the insurer and insurance broker.               <ol style="list-style-type: none"> <li>Asset risks are insured as needed to transfer risks to the insurer.</li> <li>Regular insurance courses or seminars are held to address asset risks, cargo transport, product liability and management of other risks. The objective is to ensure the departments and factories are fully aware of the risk sources and able to eliminate risks and reduce potential losses in a timely manner.</li> <li>Cargo transport, product liability (AAA) and factory safety (infrared thermography testing, property protection) are inspected regularly.</li> <li>The factories are risk graded, and receive ongoing support with risk management planning.</li> </ol> </li> <li>Factoring security and prevention of client credit risk               <ol style="list-style-type: none"> <li>Perform regular credit checks on clients and identify characteristics their lines of work in order to facilitate credit rating management.</li> <li>Perform regular reviews of clients' credit terms and payment conditions in order to reduce exposure and optimize payment periods.</li> <li>Implement annual credit reviews to examine clients' business activities in order to avoid external unforeseen risks and arrange for adequate insurance coverage to transfer factoring risks.</li> <li>Implement special transaction reviews to avoid shipping risks; and monitor clients' payments and accounts to ensure timely payment recovery and keep credit risks low.</li> <li>Organize regular credit risk education and training to raise awareness of risk management in the workplace.</li> </ol> </li> <li>Design and implement an information management system to handle online and system IT security management and preventive measures. The system will facilitate full conversion to digital operations and provide the management with correct and relevant real-time business information in order to reduce operational and IT security risks.</li> </ol> |

| Concerns               | Risk identification                 | Risk control measures  |
|------------------------|-------------------------------------|--|
| Economic concerns      | Legal                               | Responsible for assessing legal risks, including: identifying contract risks by reviewing contracts and recommend management strategy; providing legal advice and recommendations regarding internal systems, compliance, dispute resolution, mergers and acquisitions, and intellectual property management; and overseeing production, utilization and cancellation of the corporate seals in order to reduce the overall legal risk.  |
|                        | Auditor                             | Formulate and implement the annual audit plan based on results of the risk assessments. Assess the effectiveness of the design and execution of internal control and assist the risk management organization and business units in designing risk management based on control processes.   |
|                        | Corporate investment                | To be based on the Group's strategy, industry development and global economic conditions and to respond to the Group's business tactic planning. Analyze and assess strategic objectives and performance of investments, monitor holding performance, and implement group management to reduce investment risks.   |
|                        | Public/Investor relations           | Act as the bridge that connects the company and investors, media and the general public. Convey effectively business related information to external parties to ensure timely, accurate, and transparent disclosure in order to avoid corporate image related operational risks. Furthermore, enable investors to have full access to material information regarding the company's business operations in an open, fair and just environment in order to reduce the investor risk. |
|                        | Supply chain management             | <ul style="list-style-type: none"> <li>• Ensure sourcing and origin are not contain with Conflict Minerals in our supply chain.</li> <li>• New suppliers selection standards.</li> <li>• Conduct supply chain training.</li> <li>• Supply chain Risk identification/ assessment and treatment.</li> </ul>  |
|                        | Business Ethics and anti-corruption | <ul style="list-style-type: none"> <li>• Conduct Group Code of Conduct, Ethical Management Principles, and Ethical policy &amp; Procedures.</li> <li>• Conduct employees Business ethics and anti-corruption training.</li> <li>• Bypass management grievance channel.</li> </ul>  |
|                        | Information management              | <ul style="list-style-type: none"> <li>• Strengthen the initiative to protect and alert the ability.</li> </ul>  |
| Environmental concerns | Climate change                      | <ul style="list-style-type: none"> <li>• Develop green, innovative energy efficiency products.</li> <li>• Development green advanced production techniques.</li> <li>• Build a green factory management system.</li> <li>• Use action to save energy and reduce carbon.</li> <li>• Energy consumption inventory and source management</li> </ul>   |
|                        | Environmental regulations           | <ul style="list-style-type: none"> <li>• Environmental regulations &amp; compliance.</li> <li>• Workplace Health and Safety.</li> </ul>  |

| Concerns        | Risk identification                   | Risk control measures   |
|-----------------|---------------------------------------|---|
| Social concerns | Human capital management              | <ul style="list-style-type: none"> <li>• Human capital plans development</li> <li>• Design for employee development and training</li> <li>• Design competitive compensation and packages.</li> <li>• Localization &amp; local talent development.</li> </ul>  |
|                 | Health and safety                     | <ul style="list-style-type: none"> <li>• Workplace Health Safety and occupational safety compliance.</li> <li>• Conduct employees occupational safety training</li> <li>• Hazardous substance prevention and management..</li> <li>• Workplace and production processes safety.</li> <li>• Fire safety management and fire drills.</li> <li>• Fire prevention and self-inspections</li> <li>• Electrical equipment safety and maintenance.</li> </ul> |
|                 | Infectious disease control            | <ul style="list-style-type: none"> <li>• Infection Prevention and Control</li> <li>• Implement factories access control system when needed.</li> <li>• Self health management and physical examinations for employees</li> </ul>  |
|                 | Product quality and safety management | <ul style="list-style-type: none"> <li>• Product design by international standards and brand name clients' specifications</li> <li>• Strengthen technical teams.</li> </ul>   |

### 2.2.7.5 Ethics and Anti-corruption

LITE-ON upholds its reputation by obeying the laws and ethics of the countries in which it carries out its business activities. LITE-ON tolerates no violation of laws or ethics during pursuit of sales, profits and performance targets. LITE-ON's risk management framework and internal controls allow it to take the initiative to implement a robust risk management framework sufficient to identify and control the risks associated with business operations. LITE-ON's internal controls prevent potential fraud and inappropriate behaviors in order to minimize risks. Task forces will be created for large investment projects in order to apply certain processes to manage and prevent the risk of fraud and prevent illegal activities.

Actions taken by LITE-ON to enforce ethics and anti-corruption include internal and external reporting mechanisms that bypass the management and offer internal and external contacts. All employees are required to follow the rules and sign the declaration of ethical principles and the confidentiality clause. Major suppliers are required to comply with the LITE-ON ethical trading rules by signing the Ethical Trading Agreement with LITE-ON or providing LITE-ON with an ethical trading statement or proof of system implementation. Install oversight and management procedures for internal and external reporting mechanisms, and include the procedures as part of orientation programs to give new hires an understanding of the company's standards with regard to reputation, laws and ethics.

The Ethical Code of Conduct for Employees contains the following ethical guidelines:

### 1. Gifts and hospitality:

- 1.1 Company employees may not give or accept any gifts intended to improperly influence normal business or decisions. Company employees must immediately notify their supervisor or return any substantial gifts that they have received. If, however, a gift constitutes a small gift such as often exchanged in business contact, it shall not be subject to this restriction.
- 1.2 Customers and company employees may engage in reasonable social activities within the course of the business contact in so far as such activities are clearly for business purposes and are respectable in tone. However, any excessively generous treatment shall require the prior consent of the employee's supervisor and a subsequent report to the supervisor. While dining is a necessary accompaniment of meetings between company employees and suppliers or customers, the principle of reciprocity should be emphasized.
- 1.3 Company employees should avoid any improper actions, and absolutely may not give or accept any kickbacks in any form under any circumstances. While engaged in private shopping, company employees and their family members may not accept discounts from suppliers due to their relationship with this company, unless such discounts are given to all employees of this company.

### 2. Principles governing business-related payments:

Any employee who discovers an irregularity affecting company assets or monies that may disrupt payments must immediately notify their supervisor. If the irregularity involves a supplier, the employee must notify the head of purchasing. No bribes of any kind may be given to any person; there are no exceptions to this rule. So-called bribes refer to payments given to certain persons to induce them to violate the rules of their employers or the laws of their country.

- 2.1 Payments to suppliers: payments can only be made for goods or services provided by suppliers that an authorized procuring unit has verified to have complied with the company's standards.
- 2.2 Payments to government officials: the company cannot provide government of-

ficials of any country with payments that are prohibited in that country. Legitimate payments given to government officials must comply with all procedures specifically required by the company.

- 2.3 Payments to consultants, wholesalers or distributors: payments to consultants, wholesalers and distributors must be equivalent to the value of the services they provide.
- 2.4 Payments to customers: payments may not be directly or indirectly given to employees of any existing or potential customer with the intent of inducing them to take improper actions.
- 2.5 Payments to others: payments may be made to persons who are not civil servants or customers in accordance with the procedures prescribed by the company, provided that such payments are not for ordinary commercial purposes as defined by the laws of the country where the payments take place.
- 2.6 Payments outside the payee's place of domicile: paying expenses or salaries to an account in a country where the payee does not reside or do business (this may sometimes be termed "distributed expenses") is acceptable as long as this does not violate laws, and provided that the entire transaction does not compromise the company's ethical standards.
- 2.7 Forgery of records: payments cannot be approved, executed, or accepted if part of the payment is intended or known to be used for purposes other than those stated on the records. When there is no disbursement explanation in the company's account books, all "kickback funds" or similar funds or account transfers are strictly prohibited.

We make sure that employees complete anti-corruption courses and include the "Material Insider Information," and the "Anti-trust and Compliance" in the mandatory courses so that all employees have an understanding of work ethics, anti-corruption guidelines, insider information, anti-trust, and Electronic Industry Code of Conduct (EICC) policies and practices. We also provide related services and channels to avoid potential violation and to ensure maximum protection for our employees and the company's rights. For new recruits, the company has arranged a series of online orientation that

encompasses courses on anti-corruption, which are related to corporate ethics and proper business conduct.

| Location       | Male total<br>Total training<br>participation | Female total<br>Total training<br>participation | Total<br>Number of<br>attendees | Percentage<br>out of total |
|----------------|---|---|---------------------------------|----------------------------|
| Taiwan         | 2,379   | 1,069   | 3,448                           | 71.8%                      |
| Mainland China | 36,291  | 17,689  | 53,980                          | 101.3%                     |
| Total          | 38,670  | 18,758  | 57,428                          | 98.9%                      |

### Electronic Industry Code of Conduct (EICC) courses

In addition to organizing EICC workshops at locations where the company operates, the company has also created an online learning platform that trains employees on EICC values including: business integrity, avoidance of illegitimate gains, open information, respect for intellectual property, responsible advertising, fair trading, confidentiality, responsible minerals procurement, respect for privacy, and prohibition against retaliation.

| Location       | Male total<br>Total<br>number of<br>participants | Female total<br>Total training<br>participation | Total<br>Number of<br>attendees | Percentage<br>out of total | Total<br>work<br>hours |
|----------------|--|---|---------------------------------|----------------------------|------------------------|
| Taiwan         | 3,629  | 1,630   | 5,259                           | 109.6%                     | 5,151                  |
| Mainland China | 47,629   | 28,408  | 76,037                          | 142.8%                     | 92,522                 |
| Total          | 50,898   | 30,038  | 81,296                          | 140.0%                     | 97,673                 |

The board of directors approved and established the Office of Chairman report investigation task force. A full time staff is assigned to handle hotline, email, and PO Box. The channels not only give LITE-ON employees, clients, suppliers and stakeholder's ways to speak their minds, but also serve to prevent internal fraud and eliminate unethical be-

haviors to ensure an effective ethical management policy. All investigation results are reported to the Audit Committee. Impartial recommendations are also provided to relevant management units and executive managers.

- External reporting contacts are published on the company's CSR website as follows.  
<http://www.liteon.com/page.aspx?id=8fb9c570-db98-4597-b3be-12a8147f1823>

#### Contact information

Telephone: +886-2-8793 6833

Email: [ethic.hotline@liteon.com](mailto:ethic.hotline@liteon.com)

Mail box: Office of Chairman Reporting Mailbox, 1 P.O.BOX 156-21,  
Neihu Jiangnan, Taipei City 11499

- Internal reports can be submitted by calling Extension 1234 or by sending the complaints to [1234@liteon.com](mailto:1234@liteon.com).
- Complaints received in 2016
  - Four corruption related reports were received in November. The Office of Chairman initiated an investigation into the case as soon as it receives the report. The case is currently being investigated and has not been closed.
  - One complaint was received through an internal channel. The case was resolved and closed. The case involved compliance with the Sexual Harassment Prevention, Complaint and Disciplinary Guidelines. A complaint resolution panel was assembled in three days after the complaint was received. The panel preceded in accordance with personal information protection rules to protect the rights of the complainant.







# #3 Green Product Design and Value Chain

### 3.1 Green Product Design

All business segments at LITE-ON are committed to designing products with green concepts, which can mean anything from saving resources, higher energy efficiency, carbon reduction, lowering toxicity, and ease of assembly and disassembly to ease of recycle. Green design has been incorporated in all stages of the product life cycle and embodies results of a circular economy.

#### 2016 Product Design Results

| Product Type        | Focus of green design  | Description of environmental and economic benefits   |
|---------------------|--|--|
| Optical Disc Drive  | Extended useful life of products<br>Conserves energy<br>Reduces carbon emissions | Develop half-height drives and better read-write heads to effectively extend the useful life of drives by 30%.   |
| Notebook Adapter    | Resource saving<br>Energy conservation & carbon reduction                        | <ol style="list-style-type: none"> <li>45W/65W (PA-1450-34LD/PA-1650-47LD) offers application of Type-C PD for better system compatibility to reduce the need to purchase several of same PSUs and adapters. One PSU will be able to supply power for notebooks, mobile phones and other portable electronic equipment. 45W/65W (PA-1450-34LD/PA-1650-47LD) provides the application of Type-C PD with better system compatibility and can be multiply used on notebooks, mobile phones and other mobile devices, and it can reduce the repeated purchase of different adapters and transfer terminals.</li> <li>The dimension reduction by 20% of 90W, 180W, and 240W PSUs will improve the container loading efficiency by 15% to 20% to reduce the carbon footprint.</li> <li>Changing the circuitry of 90W, 120W, 150W, 180W, 240W, and 330W adapters has increased efficiency from 88% to 89%.</li> </ol> |
| Server Power        | Resource saving<br>Reduces carbon emissions                                      | By changing the circuitry of 750W PSUs, the new model (PS-2751-15D) uses 25.46% less components than the previous model (PS-2750-13D-LF), which reduces carbon footprint incurred on shipments.  |
| Desktop & AIO Power | Resource saving<br>Reduces carbon emissions<br>Waste reduction                   | <ol style="list-style-type: none"> <li>By changing the circuitry of 500W PSUs, the new model (PS-8501-2HA) uses 35% less copper than the previous model (PS-7501-5AE) and is 2.5% lighter in weight (from 1,457 grams to 1,420 grams), which reduces carbon footprint incurred on shipments.</li> <li>The new 120W PSU (PA-1121-62HC) is 20% smaller than the previous model (PA-1121-42HP) with weight reduced by 24% (from 633g to 482g), which significantly reduces carbon footprint incurred on shipments. Average power conversion efficiency has been increased from 87% to 88%, saving each end-user an additional 5 kilowatt-hours per year.</li> </ol>   |
| 3 Phase AC Charger  | Resource saving<br>Reduces carbon emissions                                      | <ol style="list-style-type: none"> <li>22kW AC charger (Lolo 3) reduces its weight from 6.05kg of the previous model (Lolo 2) to 4kg, making it 51.3% lighter in weight.</li> <li>The overall system power improves from 3.7kW of the previous model (Lolo 2) to 22kW.</li> </ol>  |

| Product Type                             | Focus of green design  | Description of environmental and economic benefits   |
|--|--|--|
| Magnetic Components                      | Resource saving<br>Waste reduction   | <ol style="list-style-type: none"> <li>1. Integration of transformers and LC circuits reduces total use of bobbins and magnetic materials by 50%.</li> <li>2. Combination of common mode and differential mode inductors reduces usage of bases and magnetic materials in differential mode.</li> <li>3. Laser labels are now used in 5% of the models to improve the problem of labels peeling off and save on the use of paper and ink.</li> <li>4. In the auto-winding process, the safety distance of the bobbins is insufficient and Teflon tubes must be used to comply with the safety standard. Changing bobbin designs, Teflon tubes can be eliminated for saving on materials.</li> </ol>  |
| Server/Desktop<br>Power Supplies Chassis | Resource saving<br>Reduces carbon emissions<br>Reduction of environmental/<br>safety hazards   | <ol style="list-style-type: none"> <li>1. By changing package design, the company has been able to increase container load by 3% (from 1,716 to 1,768 pieces) for certain products, thereby reducing the carbon footprint.</li> <li>2. Modifying the fixture to be standardized the material usage, and adjusting production procedures to eliminate double coating and thinned, thereby reducing the use of paint materials by 24 tons and tapes by 168 Kg.</li> <li>3. Waste materials produced from the stamping process were reused for common mold design, saving steel materials by approximately 654 kg.</li> <li>4. In response to the expiry of RoHS lead exemptions, the company searched for alternative materials, and began using 1215 and lead-free metal raw materials to replace 1214 and C3604 leaded metal raw materials. The impact of leaded raw materials on the workplace or human body is reduced and under control.</li> <li>5. The company adopted EPEAT, TCO and Blue Angel standards, and this product line uses halogen-free, and recyclable or reusable materials or parts.</li> <li>6. Three paint lines in Guangzhou Plant had been converted into phosphate-free production. This change prevents water pollution by phosphate-based film agents (which deprives the water of oxygen to can cause mass algae deaths and other ecological mutation).</li> </ol> |
| Server/Desktop Enclosure                 | Reduced use of toxic<br>substances<br>Resource saving<br>Using recyclable or<br>biodegradable materials<br>Reusable<br>Easy to recycle<br>Design for disassembly<br>Easy to assemble<br>Conserves energy<br>Reduces carbon emissions | <ol style="list-style-type: none"> <li>1. All materials used are compliant with EU RoHS and REACH standards.</li> <li>2. Use halogen-free, recyclable or reusable materials and parts.</li> <li>3. Paint treatment is from scrapped to the sale by recovery and the total recovery is 63,270 kg. Reduce waste and increase revenue at the same time.</li> </ol>  |

| Product Type                           | Focus of green design  | Description of environmental and economic benefits  |
|--|--|---|
| Tiny PC                                | Resource saving<br>Waste reduction<br>Using recyclable or biodegradable materials<br>Reusable<br>Easy to recycle<br>Conserves energy<br>Reduces carbon emissions | <ol style="list-style-type: none"> <li>1. Adopt recyclable materials in compliance with the EU environmental policy (WEEE) in system design.</li> <li>2. Materials are made less thick in the production processes to save on the amount required by 15%, which makes the equipment more efficient and saving time of forming.</li> <li>3. Use of highly recyclable materials can increase the overall recycle rate of a system.</li> </ol>   |
| Desktop Keyboard                       | Resource saving  | Changing the external package design increases the capacity. The pallet shipping capacity can be increased by 6% to 19% and the bulk shipping volume by 8% to 10%, which saves on shipping costs as well as reduces carbon footprint incurred on shipments.   |
| Top view chip LED                      | Saving resources (e.g. reduced materials and weight)<br>Waste reduction<br>Conserves energy<br>Reduces carbon emissions  | <ol style="list-style-type: none"> <li>1. Changing package design from 3 bags to 5 bags in a case improves packaging efficiency by 40%.</li> <li>2. LITE-ON classifies shipments by characteristics and combines them systematically so that odd parts are combined efficiently and the percentage of full cases is improved by 13% from 83% to 86% to 95% to 97%. The percentage of full cases for external package has increased by 3% to 5% at the same time.</li> <li>3. It is estimated that within the range of improvement, use of materials in cardboard boxes and cases can be reduced by 50% and packaging costs by more than 17%.</li> <li>4. Package of SMD LED is improved to reduce 30% of the total shipping capacity. Packaging costs are reduced from 1.11% of the total cost of materials to 0.89%.</li> </ol>  |
| Plastic Leaded Chip Carrier (PLCC) LED | Saving resources (e.g. reduced materials and weight)<br>Waste reduction<br>Reusable  | <ol style="list-style-type: none"> <li>1. Recycling and reusing rare earth compounds from scrap saves material costs. A total of 68.821kg were recycled in 2016.</li> <li>2. Rare earth compounds are chemically separated from plastic package and purified and then screened and reused in the production process.</li> </ol>   |
| ALS- Ambient Light Sensor              | Design for disassembly<br>Easy to assemble<br>Conserves energy<br>Reduces carbon emissions   | <ol style="list-style-type: none"> <li>1. The use of ALS in monitors, lighting fixtures, and automotive lighting enables automatic lighting adjustment and power on/off which translates to 30% to 40% in energy saving.</li> <li>2. Precision sensors are developed for smartphones and home appliances with sensing range of 50cm improved from sensing range of 0.5cm, and resulting in energy efficiency as well.</li> <li>3. The three components including ALS, proximity sensors (PS) and IR LED are combined through IC design, and is packaged in a 3.94 x 2.36 mm precisely finished product. It reduces use of packaging materials by 50% or more, and save time on loading/unloading during the packaging process. It also reduces tin solder paste used in the customer's adhesion process by 60%.</li> <li>4. The 0.01lux to 64Klux range provides a high and wide light sensory range and is compatible with inter-integrated circuits (I2C). In particular, the analog-to-digital converter (ADC) in the digital light sensor (DLS) is a full-scale range 16-bit linear ADC, the ADC in PS is a full-scale range 11-bit linear ADC, which offers superior control for the application end for easy power control and therefore more endpoint power saving.</li> </ol> |

| Product Type                              | Focus of green design  | Description of environmental and economic benefits   |
|---|--|--|
| LED Street Light and Traffic Signal Light | Reusable<br>Conserves energy   | <ol style="list-style-type: none"> <li>1. LED streetlight complies with EU's Waste Electric and Electronic Equipment (WEEE) Regulations, and more than 95% of the equipment can be gathered, recycled and reused.</li> <li>2. Average LED light fixtures weigh 10Kg. Based on the shipping volume in 2016, reusable materials weighed a total of more than 3,450 tons.</li> <li>3. Compared to traditional street light (mercury lamp/high-pressure sodium lamp), LED street light uses more than 70% less energy.</li> <li>4. Compared to traditional traffic signal light or light bulb, LED traffic signal light uses more than 90% less energy.</li> </ol> |
| Vehicle LED Lighting Module               | Resource saving<br>Conserves energy                                    | With efficient integrated LED components and optical design, the new vehicle head lights are improved to use single piece of LED from 3 to 5 LEDs in previous design providing same luminance, and reduced 66%-80% of LED lighting sources with smaller PCBs.  |
| Vehicle Sunroof Motor Control Module      | Reduced use of toxic substances<br>Resource saving<br>Conserves energy | <ol style="list-style-type: none"> <li>1. All materials used are compliant with EU RoHS and REACH standards.</li> <li>2. The number of parts is reduced by 36% from 78 to 50.</li> <li>3. Use of protective colloid is reduced by 50% from 1.2g/pc to 0.6g/pc.</li> <li>4. Power consumption is reduced by 18% from 80uA to 65uA.</li> </ol>   |
| Automotive Camera Module                  | Conserves energy<br>Reduces carbon emissions                           | Traditional linear power is replaced by switching power to improve energy conversion efficiency to 35.7%, thereby reducing carbon emissions through reducing automotive power consumption.   |
| Inverter Servo Motor                      | Reduced use of toxic substances<br>Reusable<br>Easy to recycle         | <ol style="list-style-type: none"> <li>1. 100% of parts used are compliant with EU RoHS and REACH standards.</li> <li>2. Using halogen-free materials that can be recycled or reused are used. All plastic parts under 25g are required to be marked for recycling in compliance with ISO 11469 for easy identification by recycling workers.</li> </ol>   |
| WIFI/BT Combo Module                      | Resource saving  | The improved design of RF Shielding changed galvanized iron from previously 0.2mm to 0.15mm, which saves materials by 20%. The design is adopted in the shield design for subsequent models.   |
| WIFI Module For Gaming                    | Resource saving<br>Waste reduction<br>Conserves energy                 | Changing the wave-soldering process of Model S WIFI Module For Gaming to the SMT process to improve the manufacturing process, which reduces dross generated in the wave-soldering process by 5 kg/day and saves power consumption.  |
| Aluminum IML Molding                      | Resource saving<br>Conserves energy                                    | <ol style="list-style-type: none"> <li>1. AL IML mobile phone cases possess similar appearances with traditional fluid cut and CNC processed aluminum cases, but the materials are aluminum film instead of aluminum ribbon, and it saves on materials by 70%.</li> <li>2. As less CNC is processed by AL IML, at the production capacity at 2 million/year, 60 tons of aluminum materials, 800,000 CNC processing hours and 1.60 million degrees of power consumption can be saved each year.</li> </ol>  |

## 3.2 Supply Chain Sustainability Management

A company needs to base its purchasing decisions not only on production, service and operational concerns, but also on CSR and reputation risk as well. LITE-ON's supply chain management, given compliance with regulatory obligations, focuses beyond quality control to cover issues such as workers' welfare, environmental protection, safety and health. It has implemented multiple measures to manage the standard of material supplies and to reduce the risks and costs of both suppliers and itself for a sustainable, mutually beneficial partnership in order to provide responsible quality services for our customers on an ongoing basis.

### Supply chain management commitment:

- Establish a sustainable supply chain.
- Ensure sourcing and products not contain with Conflict Minerals.
- Leading suppliers' dedicate on corporate social responsibility on environmental protection, health and safety, and human rights.
- Encourages supplier develop innovative business models to reduce environmental impact.
- Enhance competitiveness through supply chain quality, cost, delivery, service and sustainability capabilities.

### Supply chain management aspect:

| Supplier Sustainability Guidelines   | Supply Chain Risk Management   | Management mechanism   |
|--|--|--|
| <ul style="list-style-type: none"> <li>• Supplier Executive Certificate of Compliance</li> <li>• Hazardous Substances Free Management</li> <li>• Promotion of Green Procurement Guideline</li> <li>• Conflict Minerals Policy</li> </ul> | <ul style="list-style-type: none"> <li>• Local procurement</li> <li>• Critical suppliers</li> <li>• High risk suppliers' identification</li> <li>• Non-tier1 suppliers management</li> </ul> | <ul style="list-style-type: none"> <li>• New suppliers selection process</li> <li>• Grading suppliers' management</li> <li>• Conduct supplier training</li> <li>• Audit and counsel supplier's corporate social responsibility capability</li> </ul> |

### 3.2.1 Supplier Sustainability Guidelines

#### Supplier executive certificate of compliance

To ensure that the supply chain provides a safe workplace, employees are treated with respect and dignity, and enforce environmental regulations and ethical practices, LITE-ON has adopted the EICC Code of Conduct and considered international regulations including the International Labor Organization's Declaration on Fundamental Principles and Rights at Work and the Universal Declaration of Human Rights and requires its suppliers to comply with the rules herein regarding workers, health and safety, environmental concerns, business ethics, and management structures and comply with the laws and regulations in the countries/regions where they operate their businesses.

#### Green procurement and supplier selection

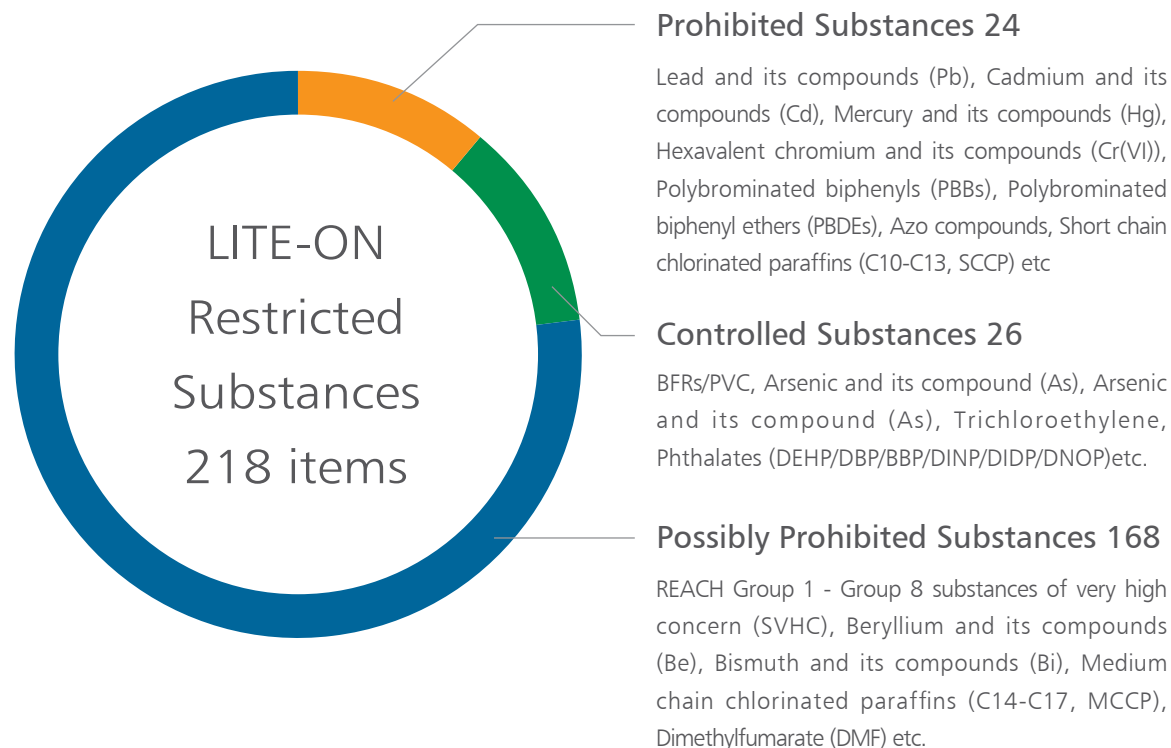
In order to build a green supply chain, LITE-ON has adopted the following principles to evaluate suppliers in addition to conventional criteria involving quality, cost, timely delivery, service, and technological capability.

- Materials supplied to LITE-ON must fully comply with the applicable regulations in the operational countries or regions, and risk control mechanisms must be defined.
- Suppliers of LITE-ON must establish relevant systems for the management of environmental protection, health and safety of employees, and the control of hazardous materials.
- Meet the LS-301 standards of LITE-ON on "Concentration limit of toxic chemical substances in prohibited materials".
- Provide suitable and updated declaration documents or evidence in line with the requirements of the hazardous substances free management plan of LITE-ON.

## Restriction on the Use of Hazardous Substances

In order to ensure that it uses only materials that are environmentally friendly and conform to international standards and customer requirements, LITE-ON strictly demands all suppliers comply with its LS301 standards on hazardous substances. LS301 currently covers 218 different substances; they are classified into three categories: Prohibited, Controlled, and Possibly Prohibited (e.g. substances of very high concern (SVHC) at REACH). With the implementation of green supply chain management, we hope to bring customers the least toxic and least polluting products as possible, and minimize any harmful impact they may have on the environment or the human being during the process.

LITE-ON has a GMS (Green Management System) and a HSF Committee in place, and has published material requirements, international laws, customer policies, and codes of conduct for suppliers' reference. Suppliers are required to report the results of their green product tests and substance controls on the GMS, where the company will analyze to confirm that they have complied with the green product guidelines and met international standards before releasing information regarding its green product management to customers. Customers' green product requirements such as ErP (Energy-related Product), 3R (Reuse, Recycle, Replace), and WEEE (Waste Electrical and Electronic Equipment) have been incorporated into the company's management, and serve as guidelines for green product design.



The GMS enables LITE-ON to exercise green product management at higher efficiency, convenience, and in greater detail. It has become part of LITE-ON's green competitiveness. Through the use of this platform, the company was able to manage its supply chain with greater efficiency by filtering out those not capable of consistently supplying qualified electronic parts and producing green products to the satisfaction of international customers. Based on the four main values of Integration, Team Spirit, Regulation and Scalability, LITE-ON's HSF (Hazardous Substances Free) Committee has created a platform through which various departments such as R&D, Quality Control and Supply Chain Management may communicate and share the latest changes in international laws, technology development, and ways of addressing environmental concerns. This committee is spearheaded by LITE-ON's headquarters and comprises of members from all business units. Existence of the HSF Committee allows environmental factors to be taken into consideration as early as during the product design stage, and monitored real-time using the GMS to facilitate immediate improvements.



## Sourcing Policy for Conflict Minerals (Metals)

Reported by EICC (Electronic Industry Citizenship Coalition), the mining of some minerals has become the main revenue sources to the armed rebel groups in Democratic Republic of Congo (DRC). The revenue is used to buy weapons, and it caused bloody conflicts between governments, devastating the safety of the local civilian, and triggering international disputes. LITE-ON Technology, as a global citizen, declared and committed not to accepting these conflict minerals from the conflict mining area in DRC or relevant regions in Africa; meanwhile, we requested our supply chain to follow LITE-ON's policy as well.

Since 2010, we initiated to utilize the EICC tool (Conflict Minerals Reporting Template, CMRT) to control the uses of conflict minerals in place. We annually complete and report the survey report to our customers. All suppliers are involved and acknowledged the requirement. All mineral and metal smelters were reviewed for approval in the survey. It's found that we have a metal smelter in the supply chain from DRC; however, it's verified free from the conflict metals.

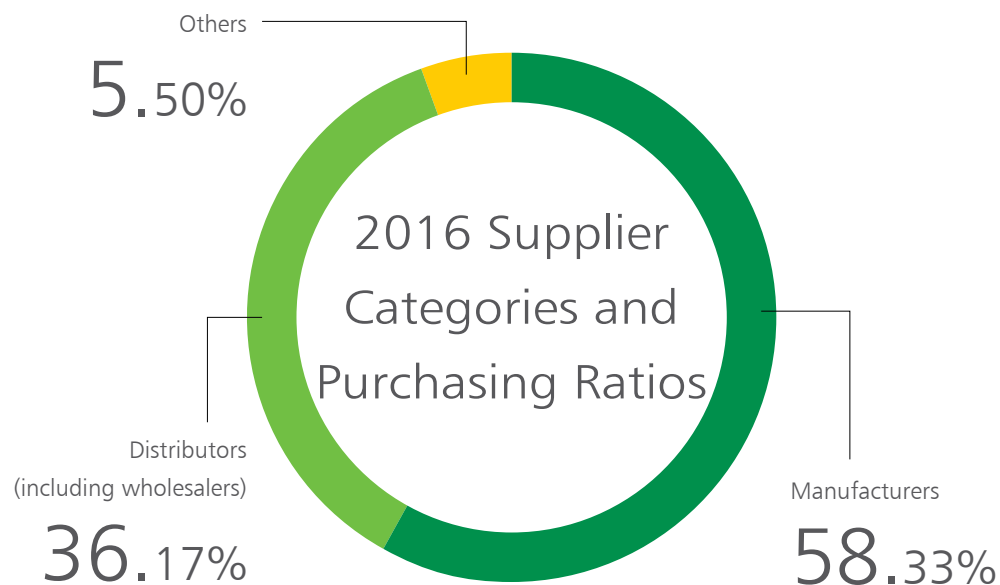
*Note: Conflict minerals refer to minerals mined from conflict mines within the Democratic Republic of the Congo; these minerals include coltan, cassiterite, wolframite and gold. The ore is refined into tantalum (Ta), tin (Sn), tungsten (W) (the 3Ts), cobalt (Co) and gold (Au), and are used mainly in electronics products.*

### 3.2.2 Supply Chain Risk Management

LITE-ON considers supply chain risk management is one of a company's competitive advantages and expects suppliers to work together with the company to strength supply chain. Therefore, LITE-ON teams up with several Taiwanese ICT companies to form the "Corporate Green Competitiveness Alliance, CCGA", which supports a mutually beneficial and sustainable environment to respond to green regulations around the world and follow green trends to create green value. In 2016, the CGCA continued to focus on issues regarding the conflict mineral, recycling and legal compliance aspects, and to co-work for pushing forward to green supply chains in Taiwan.

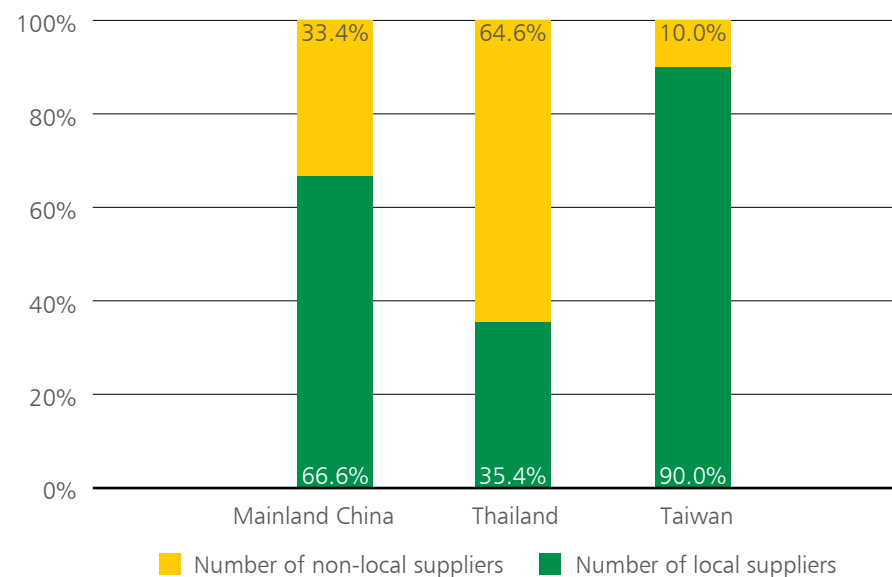
#### Supply chain and local procurement

LITE-ON offers a diverse and flexible range of products and services; it makes an enormous amount of purchases annually and has built up an extensive supply chain to support its businesses. There are 1,792 qualified suppliers at level one offering an



extensive variety of goods. Suppliers are mainly categorized by their relevance to LITE-ON's products, and are distinguished between direct and indirect suppliers. Direct suppliers have accounted for the majority of direct purchases made in the past, totaling 89.65% in 2016. Direct suppliers are further classified into three types: manufacturers, distributors, and subcontractors.

In 2016, 58.33% of purchases made to direct suppliers involved parts and components supplied by manufacturers; these manufacturers represented the majority of LITE-ON's supplier list at 77.62%. Distributors of critical parts and components also accounted for a significant portion at 36.1%, whereas suppliers of indirect materials and services (including transportation and professional services) accounted for 5.5%. See the figure below for a detailed analysis.



LITE-ON's production sites are mainly located in Mainland China, Thailand and Taiwan. For our production facilities in Mainland China, local suppliers accounted for 66.6% of the total supplier counts; in Thailand, local suppliers accounted for 35.4%, and in Taiwan, 90.0% of the total supplier counts were local suppliers.

## Critical Suppliers

To ensure effective management of suppliers, stringent screening criteria is applied during the selection stage followed up with on-site inspections and review meetings to assess suppliers' performance. LITE-ON has identified a list of critical suppliers on which to direct its management efforts; in 2016, these critical suppliers represented 36.89% of the total supplier count contributing 79.38% of purchases made by LITE-ON. Inspired by the fact that 56.73% of critical suppliers in Mainland China, 9.68% in Thailand and 83.33% in Taiwan are local businesses, most of LITE-ON's suppliers are eager to become a critical supplier for LITE-ON. Critical suppliers are identified based on the following criteria:

- High proportions in LITE-ON's spending
- High technological and creative abilities
- Unique source
- High level of customization
- Labor intensive or high polluting process industry
- Ability to fulfill CSER

## Identification of high risk suppliers

LITE-ON assess potential environmental or social risks faced by key suppliers based on the locations of their operations, production processes, the Global Water Tool released by the World Business Council for Sustainable Development (WBCSD), and results of its audits. The factors in the risk assessments include the following.



Major sustainability risks in 2016:

|                                 | The Economy  | The Environment   | The Society   |
|---------------------------------|--|---|---|
|                                 | Exclusiveness<br>Supply of key rare metals<br>Supplier's automation capability | Environmental law compliance<br>Water resource management<br>Climate change | Employee health and safety<br>Work hours                  |
| Category of high risk suppliers | IC   | Printed circuit board/power supply products/cables/casing                   | Printed circuit board/power supply products/cables/casing |

- **Management of sustainability risks in first tier suppliers**

In 2016, LITE-ON added 222 companies (excluding suppliers specified by clients) to its suppliers list; 100% of which passed LITE-ON's EICC audit and satisfied company standards regarding environmental protection, worker's welfare, human rights, and social impact. Meanwhile, 4 suppliers were removed from the list due to change of supplier name and lack of competitive costs.

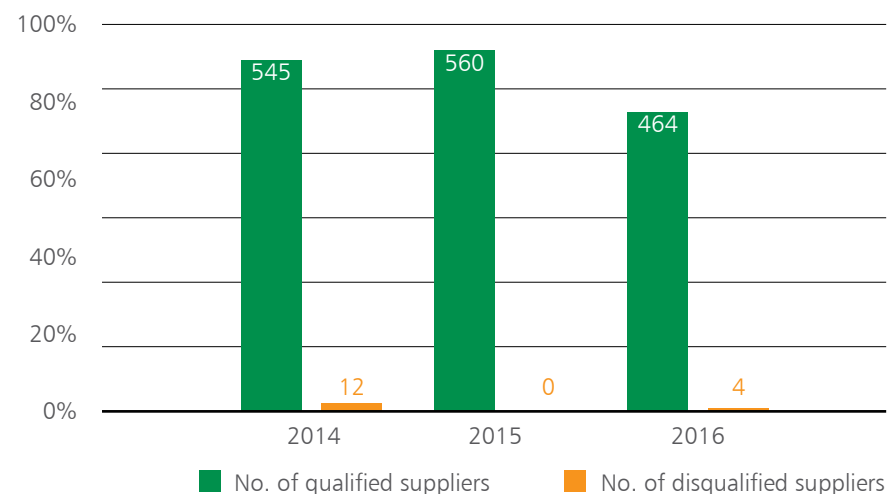
- **Non tier1 supplier management**

In addition to our requirements for first tier suppliers, we also require that our suppliers manage their first tier suppliers in order to create a more reliable supply chain.

### 3.2.3 Supplier Management Mechanisms

#### Audit and Guidance on Supplier CSR - human rights, environment, safety, health, and management systems

LITE-ON has supplier management procedures in place to incorporate EICC principles into the supply chain. These procedures enable the company to audit and guide its suppliers on issues regarding "human rights, environment, safety, health, and management." The company continuously encourages supplier to place emphasis on business ethics, protection of worker rights and provision of a safe and healthy environment to work in, and to explore new materials and procedures that pose a lesser impact on the environment. EICC audit tools are used to review and evaluate how suppliers fulfill CSR. LITE-ON audited a total of 464 suppliers in 2016 and found no suppliers causing an actually or potentially negative impact on the environment, human rights, and worker's welfare. The most common issue found was work hours. After the audit was completed, LITE-ON requested suppliers to make rectifications within a given time. Supplier conduct was rated either acceptable or unacceptable; no suppliers were disqualified in 2016 for CSR issues. See the following figure for audit results in previous years.





### Supplier seminars on "Supplier Fulfillment of Corporate Social Responsibilities"

9 seminars and workshops on "Supplier Fulfillment of Corporate Social Responsibilities" were held in 2016 to explain the company's CSR commitments. Executive management of suppliers was requested to sign "Management Commitments" that bind them to comply with "EICC 4.0."



## 3.3 Customer Service and Satisfaction

### 3.3.1 Customer Service

LITE-ON is a leading international manufacturer of electronic products and optoelectronics parts and components, and our customers include many leading brands in the communications, computer, and consumer electronics industries. Customer satisfaction is a core value. The company strives to meet high quality standards and provide environmentally-friendly services that fulfill customers' needs.

All LITE-ON's business units have cross-function teams (CFTs) providing targeted services to individual customers; these teams bear responsibility for taking orders, performing product R&D and manufacturing, and ensuring quality, delivery, cost, and after-sales service. CFTs can quickly propose response methods and overall solutions based on customers' issues and feedback.

Apart from persistent strengthening of product design services, the company also formulates comprehensive design SOPs for individual products, and strictly implements these SOPs to ensure that customers' specifications and opinions are incorporated into the design process.

In order to satisfy customers' needs for prompt delivery, the company handles purchasing, planning, logistics, and cash flow processes online, on basis of which LITE-ON integrates data from external suppliers, customers, and banks, etc., ensuring that management information is correct and up-to-date, and facilitating issue-free delivery. Furthermore, in order to expedite technical support, shipping, delivery, and after-sales service, the company has established production facilities, subsidiaries, and distribution warehouses close to customers worldwide.

### 3.3.2 Customer Satisfaction

"Customer Satisfaction" has always been LITE-ON's top priority. Everything we do in our business is to maximize the values for our customers, and we constantly motivate ourselves to perform to customers' demands and satisfaction. Understanding and analyzing customers' satisfaction is one of the important ways we adopt to continually improve our product quality and service procedures and implement new systems to further satisfy our customer's needs.

To monitor customer satisfaction, all business units have adopted the practice to collect customers' assessments (e.g. scorecards) on their suppliers on a regular basis (quarterly, semiannually, or annually). These scorecards provide extensive information such as

product quality, cost, delivery, service, technical capability, CSR engagements, and feedback. All business units must draft improvement plans based on assessment results, and must include customers' assessment scores among their performance indicators.

Customer satisfaction survey forms are sent to main customers on an annual basis in order to obtain information that can be used to guide yearly improvement plans. Plants are also required to compile "lesson learned" and customer feedback reports.

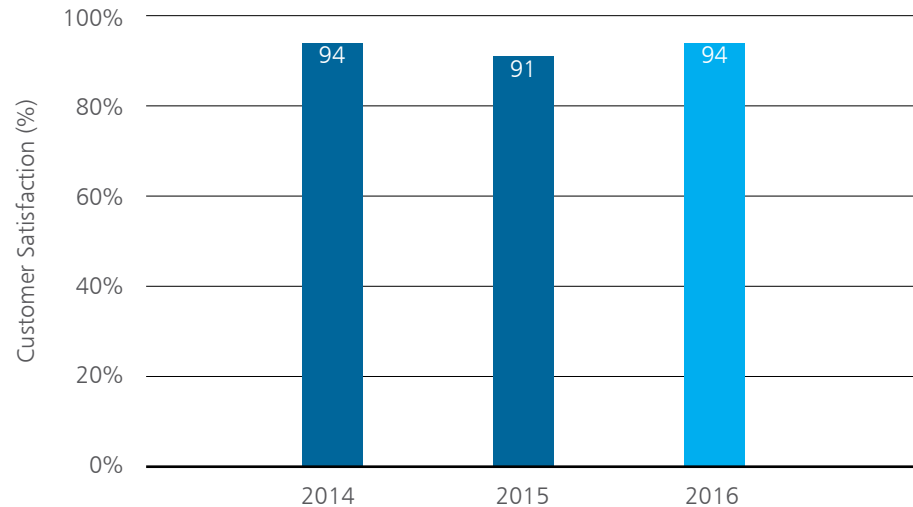
Customers can perform regular or occasional audits at LITE-ON plants based on mutual agreement; these audits provide another important basis for improvement of customer satisfaction levels.

Below are the results of a customer satisfaction survey conducted by LITE-ON's Power System Business Group on 7 main customers in 2016:

|                        |                  | Satisfaction Survey Items |         |       |                   |            |                 | Overall satisfaction |
|------------------------|------------------|---------------------------|---------|-------|-------------------|------------|-----------------|----------------------|
|                        |                  | Green Compliance          | Quality | Purge | Supply / Delivery | Technology | Responsive-ness |                      |
| Average Satisfaction   | Score (out of 5) | 5.0                       | 4.6     | 4.6   | 4.7               | 4.5        | 4.7             | 4.7                  |
|                        | Satisfaction (%) | 100                       | 93      | 91    | 94                | 90         | 94              | 94                   |
| Satisfaction >4.5      | Count            | 7                         | 4       | 4     | 6                 | 5          | 5               | 6                    |
|                        | Percentage       | 100.0%                    | 57.1%   | 57.1% | 85.7%             | 71.4%      | 71.4%           | 85.7%                |
| Satisfaction <4.5~>4.0 | Count            | 0                         | 3       | 3     | 1                 | 2          | 2               | 1                    |
|                        | Percentage       | 0.0%                      | 42.9%   | 42.9% | 14.3%             | 28.6%      | 28.6%           | 14.3%                |
| Satisfaction <4.0      | Count            | 0                         | 0       | 0     | 0                 | 0          | 0               | 0                    |
|                        | Percentage       | 0.0%                      | 0.0%    | 0.0%  | 0.0%              | 0.0%       | 0.0%            | 0.0%                 |

Note: main customers are defined as customer groups that collectively account for 70% of revenues of the power system business group

The 2016 customer satisfaction survey concluded an overall satisfaction rate of 94%. Out of a maximum of 5, the company averaged a satisfaction score of 4.7. Among which, 6 customers (85.7%) gave an overall score of 4.5 or above, 1 customer (14.3%) gave an overall score between 4.5 (exclusive) and 4.0 (inclusive), and no customer gave an overall score of less than 4.0.



LITE-ON further analyzed how customers had responded individually to each area of concern, and has proposed improvement plans to raise customer satisfaction to desired targets.

### 3.3.3 Customer Privacy

While LITE-ON strives to improve customer services, the company simultaneously emphasizes respect for customer confidentiality and intellectual property rights. To protect client's information, confidentiality agreements are signed with customers, and all employees maintain customer confidentiality when performing their duties. In 2016, there were no instances in which the company damaged customers' rights and interests by violating confidentiality or losing customer data.

### 3.3.4 Regulatory Compliance

LITE-ON follows all applicable national and international laws, ethical rules, and universally-accepted values, including, for instance, the promotion of fair competition, provision of safe products and services, and compliance with labor laws and practices, human rights declarations, international standards, copyright protections, and company asset and intellectual property rights in any form. LITE-ON respects local traditions and values in all areas in which it operates.





# #4 LITE-ON and the Environment



## 4.1 LITE-ON Environmental Policy & Green Strategy

LITE-ON aware of its duty on environmental protection, therefore we develop sustainable projects toward green design, green factories, and water efficiency on operation. Meanwhile, we delicate on environmental risk management through the engagement and collaboration with our clients, industry alliance, and supply chain; therefore achieve the goals of environmental sustainability.

- Fully Comply with international environmental regulation and standers.
- Provide and design for environmental friendly products or services, and eliminate impacts on the environment.
- Continually develop process optimization, improve efficiency on resource and energy and operation to achieve energy-saving, water-saving, waste reduction, controls on air pollution and noise
- Continually encourage suppliers to develop innovative business models that help reduce environmental impact.
- Minimize product packaging and business activities impacts on environment.
- To improve energy-saving, environmental protection against pollution in all of our sites.
- Delicate on communication with employees, suppliers and customers, and enhance on their awareness of their accountability toward sustainability.



### 4.1.1 Environmental Management Goals

LITE-ON has set clear goals on environmental protection and energy conservation, and implemented a number of management practices to address uses of energy and resources and discharge of pollutants. The following is a list of management goals created to address key environmental concerns. The company hopes to make its products less polluting, more energy-efficient, more easily recycled, and friendlier to the environment from development, manufacturing, use, to the disposal stage. The disclosure of environmental and energy conservation information is based on actual operations and together accounts for 95% of the total revenue (including plants and offices).

#### GHG (Greenhouse gases) Emission Reduction Goal:

The impact of climate change has become a key environmental issue worldwide and mitigating the greenhouse effect has become a responsibility shared by every country. In order to achieve long-term carbon neutrality, LITE-ON follows ISO 14064 to establish its greenhouse gas emission baselines, and has set ongoing carbon reduction targets over a number of yearly cycles. The most recent cycle began in 2014 (the base year) and will continue until 2017, by which time the company aims to reduce GHG emission per unit of revenue by 6%, and reach 30% in 2025.

#### Power Saving Goal:

By following ISO 14064, LITE-ON has identified that more than 95% of its greenhouse gas emissions are from power usage. As a result, LITE-ON has identified energy conservation as the primary means of reducing carbon emissions, supported by the launch of energy management systems and power-saving plans. Taking 2014 as the base year, LITE-ON aims to reduce power consumption per revenue by 6% in 2017, and reach 30% in 2025.

#### Waste Reduction Goal:

Waste is regarded as misplaced resource. To make more efficient use of resources, LITE-ON will continue to implement measures that reduce industrial waste and increase the proportion of recyclable waste. Projects will be executed over 3-year cycles, and taking 2014 (the base year), LITE-ON has set goals to reduce total waste per revenue by 6% by 2017.

#### Water Saving Goal:

Facing a changing global environment and increasing water shortages, the need to conserve water is the next most important environmental imperative after energy conservation and carbon reduction. Based on the need to protect water resources and maintain sustainable operations, LITE-ON has already begun planning a water saving program. By improving processes, conserving water, and reusing water, we are taking active steps to reduce wastewater from production processes. LITE-ON executes its water-saving projects over three-year cycles; the most recent cycle started in 2014 (the base year) and aims to reduce water consumption per revenue by 6% by 2017.

#### Product Energy Efficiency Goal:

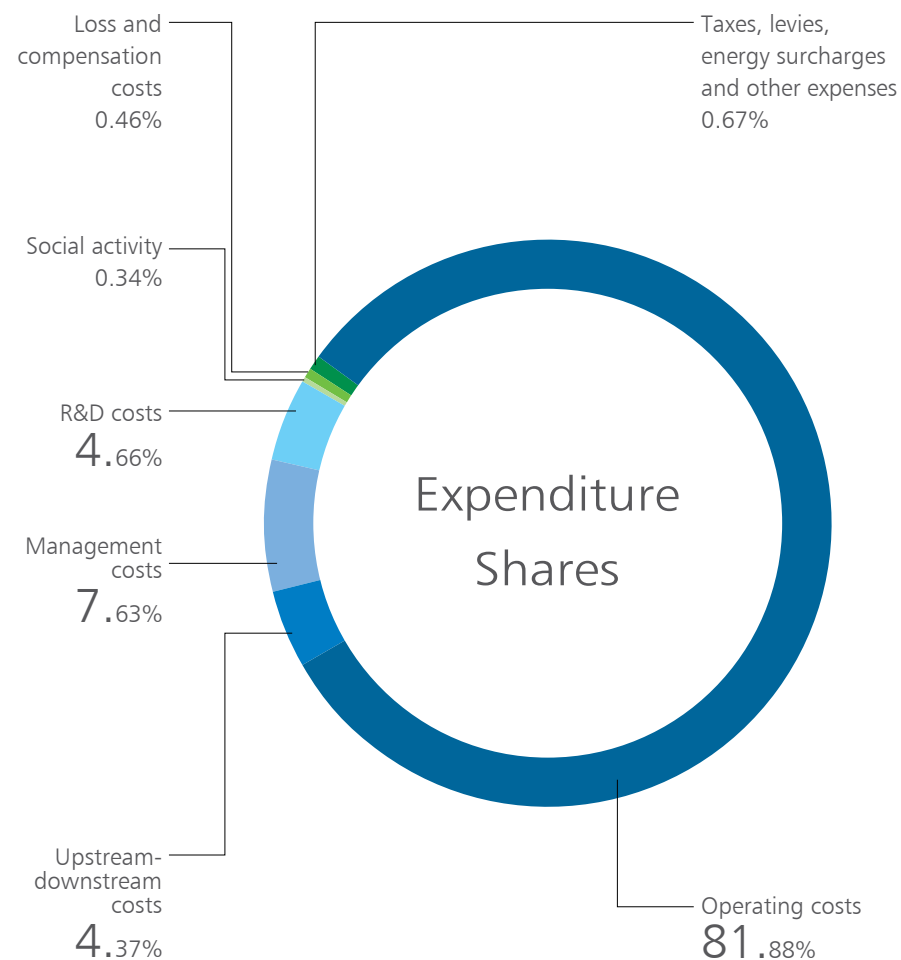
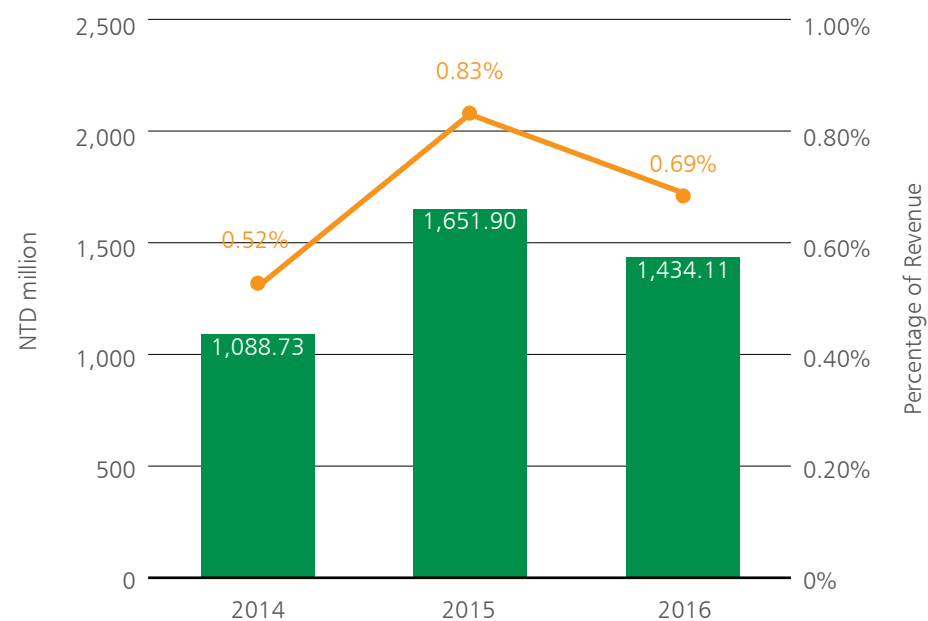
LITE-ON's power-related products comply with the requirements specified in US Energy Star, US Department of Energy (DoE) standards and EU Code of Conduct on Energy Efficiency. We continue to improve the technology of energy losses in standby mode and to develop products of new generation which enhance energy efficiency and reduce energy consumption. For the future products development, we conduct heavy investment on R&D, and stipulate energy efficiency elevation plan. Taking the technologies and products developed in 2015 as base, LITE-ON plans to enhance 2% energy efficiency for desktop power supplies by 2017. At the meantime, in sum of energy losses in standby mode of power supplies for laptop computers and mobile phones will be reduced by more than 20%.

### 4.1.2 Environmental, Health and Safety Expenditures

Regarding environmental, occupational health and safety management, all LITE-ON plants are equipped with environmental management systems (ISO 14001) and occupational health and safety management standards (OHSAS 18000), and have received and maintain valid certifications by impartial third parties. Regarding strategy execution, LITE-ON plans its environmental goals and projects over short-term, medium-term and long-term horizons. The aim is to reduce environmental, health and safety risks in business activities and improve operating efficiency, which will enhance management performance and make the company and its plants more competitive. To effectively measure the costs and benefits of environmental, occupational health and safety management, LITE-ON has classified environmental expenditures, in a manner suitable to the industry and in collaboration with the Taiwan Environmental Management Association, based on the "Environment Accounting Guide for Industries" published by the Environmental Protection Administration. The company has included safety and health related expenditure as part of the system. There are seven major expense categories and 87 sub-categories in total. LITE-ON has developed a new computer system in 2013 that accounts for expenditure for purposes such as environmental protection, occupational safety and health. This systematic data analysis provides the foundation on which the company is able to improve its performance in environmental protection, occupational safety and health.

| Environmental, health and safety expenditures       |                           |              |
|---|---------------------------|--------------|
| Environmental costs                                 | Occupational safety costs | Health costs |
| Operating costs                                     |                           |              |
| Upstream-downstream costs                           |                           |              |
| Management costs                                    |                           |              |
| R&D costs   |                           |              |
| Social activity costs                               |                           |              |
| Loss and compensation costs                         |                           |              |
| Taxes, levies, energy surcharges and other expenses |                           |              |

In 2016, the environmental, occupational health and safety expenditures reached NTD1,434.11 million, which was 0.69% of the total revenue. The percentage fell by 16.8% from 0.83% in 2015. In particular, the figure in 2015 was the result of a large number of energy efficiency upgrades, such as improved ventilation, improved air conditioning, and improved air compression, in the plants being amortized over the years. Of the seven major expense categories, operating costs occupied the largest percentage at 81.88%, followed by management costs at 7.63%. The company did not commit any violation of environmental, health or safety regulations subject to disciplinary actions by the competent authority in 2016.



## 4.2 Responses to Climate Change and Global Warming

It is increasingly apparent that greenhouse gases are causing global climate change, and have become one of the environmental issues of most concern to governments around the world and to LITE-ON as well. Having identified climate change as one of our key risks, we pay close attention to the ways global climates are changing and to how the world is reacting to this phenomenon. These issues are analyzed and reviewed by the executive management on a regular basis, and are escalated to the board of directors if they require special attention.

LITE-ON sees climate change as a major risk for which the company needs to prepare properly and reduce the effects that climate change has on business. LITE-ON is affected by the climate change mainly in two ways: the need to comply with more stringent laws and the impact of such change on the overall environment. It is necessary for LITE-ON to understand the risks and implications of government policies before being able to implement responsive measures:

### Legal Risk Management

The Environmental Protection Administration announced the Greenhouse Gas Reduction and Management Act, identifying six greenhouse gases, namely CO<sub>2</sub>, CH<sub>4</sub>, N<sub>2</sub>O, HFCs, PFCs and SF<sub>6</sub>, as air pollutants effective on June 15, 2015, and added NF<sub>3</sub> as the seventh greenhouse gas in 2016. The earlier “Regulations on Reporting of Greenhouse Gas Emissions” was announced on December 20 and 25 in the same year. The new regulations outline the frequency and deadlines by which greenhouse gas emissions need to be reported, inspected and verified, as well as the government’s examination principles, authority and penalties in this matter. The new regulations also require companies to “announce stationary sources of air pollution,” according to which LITE-ON has reported greenhouse gas emissions from April 2013 onwards. Meanwhile, many countries are exploring the possibilities of introducing a carbon tax or energy tax, which would increase the cost of raw materials and energy sources, and

ultimately impact on our production costs in these countries.

### Overall Impact of Climate Change

Some of the climate changes we have seen so far include rising temperatures, changes in rainfall patterns, extreme weather conditions (in terms of both frequency and severity), and rising sea levels. These changes may affect us in the form of drought, heat waves, excessive rain, storms, landslides, typhoons, changes in ecosystems, changes in land-use and surface, land subsidence, coastal floods, air degradation and water quality.

### Impacts and Challenges

- **Disasters:**

Disasters brought by climate change may include floods, slope land disasters, and droughts. Taiwan's distinct geographical characteristics make it much more vulnerable to climate change than other countries. The most significant impact of all is perhaps the escalation of recurring disasters such as flood, landslide, and drought to a devastating level.

- **Damage to critical infrastructure:**

Rising temperatures are starting to raise concerns as to whether buildings, oil refineries, power generating facilities and other energy-related infrastructure will be able to withstand the increased strain. Extreme rainfall may cause floods that threaten the safety of existing infrastructure, whereas rising temperatures may strain concrete structures beyond their original design tolerances, and cause severe floods if they are breached. Following each extreme rainfall, soil is washed down into reservoirs as silt, reducing future water supply capacity. Water supply systems may not be able to distribute water at consistent pressure or at all as water usage increases beyond available resources given rising temperatures. Irrigation systems are also at risk given

increasing water flow, water levels, silt and driftwood, which may put additional pressure on dikes, pumps and gates. Damage to these facilities may escalate the severity of floods. As for impact on transport systems, typhoons bring bigger waves that threaten the structure of port facilities. Rainfall or high winds can cause disruption of train systems while excessive rainfall is capable of washing off soil from roads, disrupting public road systems. Heavy rain is likely to cause floods that damage communications equipment situated on lower floors, and high temperatures reduce the service life of such equipment; both of which pose additional operating costs to telecommunications carriers.

- **Water resources:**

Rainfall volume, runoff and evapotranspiration are expected to increase in the future, with the latter two increasing faster than rainfall. As a result, less water will be absorbed by the ground. There will also be more drastic changes in river flows; water level is likely to rise even higher during periods of high flow (summer), and lessen during periods of low flow (winter and spring). This diversity impacts the ability of dams to supply water and mitigate floods, and reduces the capacity of our water supply system. Changes in temperature and rainfall also affect irrigation and agriculture. During periods of drought, pollutants that have been released into rivers cannot be diluted or purified because of the low flow of the rivers. This causes pollution to become more concentrated, degrading the water quality. River's capacity to self-purify has degraded. During the wet season, the high-flow of rivers causes them to collect more pollutants from the soil. Heavy rains can further hasten basin and sediment erosion, landslides, and erosion of the riverbed in addition to increasing the concentration of pollutants. This not only affects river ecology but also deteriorates the water supply.

- **Land use:**

A lack of water resources forces people to extract groundwater, causing subsidence and salinization. Rising sea levels pose concerns regarding coastal floods at low-rise areas should typhoons occur. Because of the urban heat island effect, temperature differences between urban and suburban areas may be as high as 10°C.

- **Coastal areas:**

Rising sea levels will result in the erosion of coastal lands, retreat of coastlines, loss of coastal habitats, and changes to the coastal ecosystem. In addition, rising sea levels will also increase the likelihood of coastal floods during typhoon season as well as inland floods because water cannot drain into the ocean. The greenhouse effect has been estimated to pose a threat of extinction to as many as 30% of species around the world. Rising temperatures and CO<sub>2</sub> content in the ocean also changes calcium carbonate levels, slowing down the growth of coral reefs, or even causing them to disappear with severe impact on marine life.

- **Energy supply:**

Climate change may increase the likelihood of droughts, during which manufacturers and water companies are compelled to incur substantial expenses just to change production procedures, transfer orders, make deliveries, purchase water, or catch up to schedule. Floods cause damage to plants, machinery, raw materials and finished goods, which manufacturers will need to restore and rebuild at additional costs. Due to the urban heat island effect, companies are required to make additional investments in new air conditioners, energy-saving solutions, and incur costs to operate them. Prolonged periods of heat will cause a significant hike in power usage during summer, putting a strain on the nation's power supply.

- **Health:**

Rising temperatures cause insect-borne diseases (e.g. Dengue fever, Tsutsugamushi disease, Japanese encephalitis) to spread over a longer period and wider area particularly in summer. Meanwhile, agents of other infectious diseases (e.g. malaria, Chikungunya fever) may enter Southeast Asia and localize the disease. Extreme rainfall patterns also increase the likelihood of droughts and floods, while lack of access to clean water or increasing contact with dirty water heightens the risk of skin infection, water poisoning, hepatitis A, bacillary dysentery, leptospirosis, and Melioidosis.



## Science Driven Carbon Reduction Targets

1. According to the Fifth Assessment Report released by the Intergovernmental Panel on Climate Change (IPCC) this year, given the same pattern of economic activities, the world's carbon budget will be exhausted by the end of 2045, and the global average temperature will increase by 3.7 to 4.8 degrees Celsius in 2100 as a result. The global average temperature has already risen by 0.8 degrees Celsius so far and extreme weather events are already threatening human life, and the weather conditions in the future will be twice as severe as they are today. IPCC also warns that humans must start taking action to reduce greenhouse emissions immediately to prevent global average temperature from rising by more than 2 degrees Celsius.
2. We support the "Mind the Science, Mind the Gap" initiative, and would develop a methodology for setting reduction targets that will engage with SBTi on target setting related issues, starting from 2017.

## LITE-ON's Low Carbon Strategy After Paris Climate Change Conference

We're aware of the impact of the Paris Agreement on our business operations. It is compulsory for us to identify potential risks and opportunities and develop an effective sustainable strategies. Above all, we will comply with the announcement that We Mean Business advocates at the Paris Climate Change Conference, including:

- (1) Reviewing carbon reduction commitments every five years;
- (2) Enacting meaningful carbon pricing; and
- (3) Enhancing transparency and accountability to carbon emission information.



## 4.3 Reducing Greenhouse Gases

### 4.3.1.1 Greenhouse Gas Inventory

LITE-ON has adopted ISO 14064-1 standards in its performance of annual greenhouse gas inventory since 2007 and, each year, prepares greenhouse gas reports containing summaries of greenhouse gas emissions for the previous year. LITE-ON posted a total annual volume of greenhouse gas emission of 383,005 Tonnes in 2016, and earned the ISO14064-1 (Greenhouse Gas) Verification Statement from SGS Taiwan in April 2017.

#### 2016 Greenhouse gas Emission

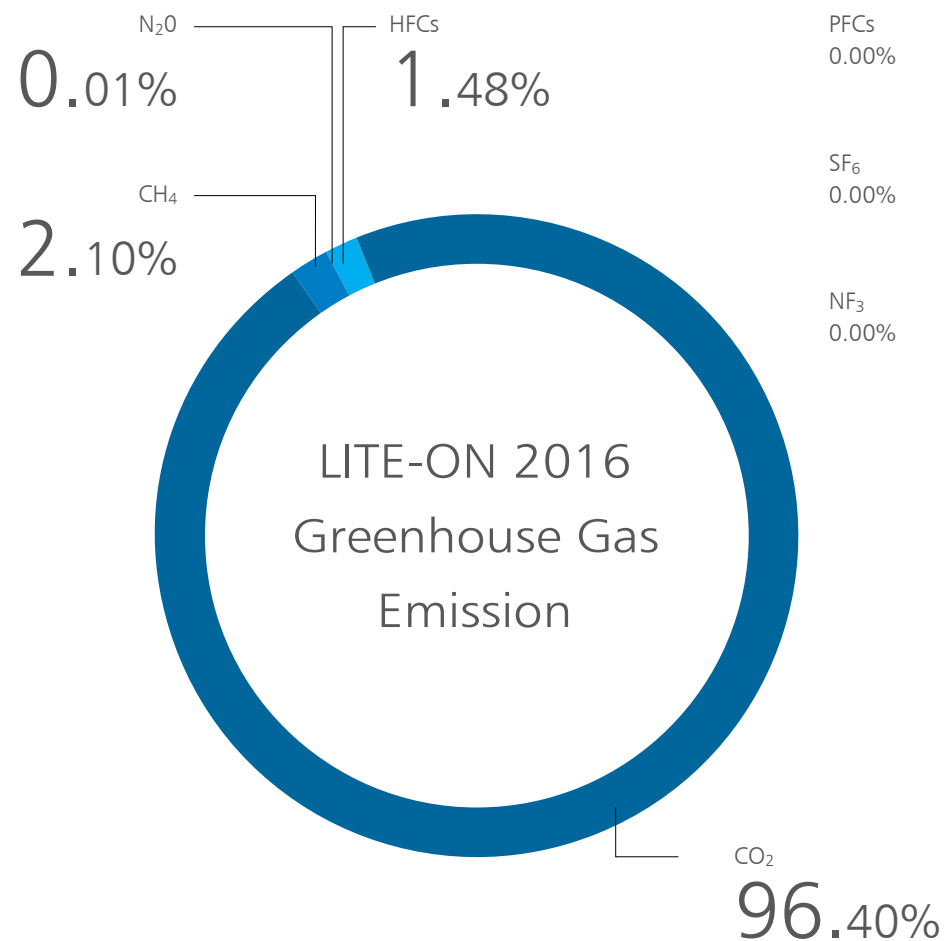
(unit: Tonnes)

| CO <sub>2</sub> | CH <sub>4</sub> | N <sub>2</sub> O | HFCs    | PFCs | SF <sub>6</sub> | NF <sub>3</sub> | Total   | Scope 1<br>Direct<br>emission | Scope 2<br>Indirect<br>emission |
|-----------------|-----------------|------------------|---------|------|-----------------|-----------------|---------|-------------------------------|---------------------------------|
| 369,218.6       | 8,047.5         | 54.9             | 5,683.8 | 0.0  | 0.0             | 0.0             | 383,005 | 19,493                        | 363,512                         |
| 96.40%          | 2.10%           | 0.01%            | 1.48%   | 0.0% | 0.0%            | 0.0%            | 100.00% | 5.1%                          | 94.9%                           |

*Note 1: Direct emission of greenhouse gases (Scope 1) includes: fuel combustion in fixed equipment, production activities, fuel combustion in transportation equipment, and diffusion (e.g. fire extinguishers and refrigerants). Direct emissions totaled 19,493 Tonnes CO<sub>2</sub>e/year, which accounted for approximately 5.1% of total emissions.*

*Note 2: Indirect emission of greenhouse gases (Scope 2) includes: purchased electricity and steam. Indirect emissions totaled 363,512 Tonnes CO<sub>2</sub>e/year, which accounted for approximately 94.9% of total emissions.*

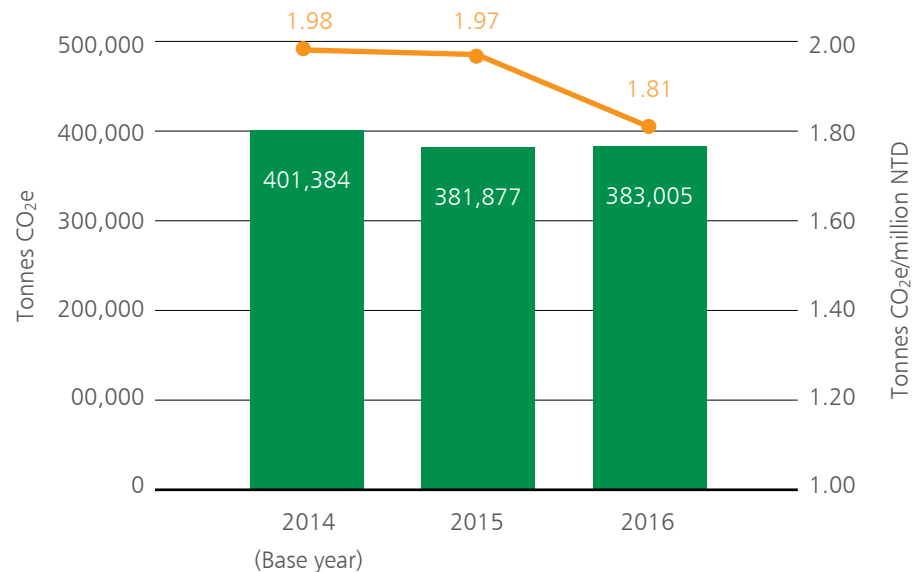
*Note 3: For other sources of indirect greenhouse gas emissions (Scope 3) in 2016, identified items include fuel and energy-related activities, overseas business travels, waste generated in operations, and employee commuting. The indirect emissions totaled 21,013 Tonnes CO<sub>2</sub>e/year after verified by the 3<sup>rd</sup> party.*





In 2016, the total greenhouse gas emission is 383,005 Tonnes CO<sub>2</sub>e, which was 1,128 Tonnes CO<sub>2</sub>e lower (or 0.3% lower) than the 381,877 Tonnes CO<sub>2</sub>e emitted in 2015. In terms of emission intensity, the company averaged 1.81 Tonnes CO<sub>2</sub>e/million NTD in 2016, 8.2% lower than 1.97 Tonnes CO<sub>2</sub>e/million NTD in 2015. Meanwhile, it was 8.59% lower than 1.98 Tonnes CO<sub>2</sub>e/million NTD in the base year 2014.

#### 2013-2015 Greenhouse gas emission and intensity



Note: Intensity calculations are in accordance with the revenue including in organizational boundaries.

The results of this greenhouse gases inventory results y have been published on the company's website and onto the Greenhouse Gas Data Center maintained by the Industrial Development Bureau. Furthermore, LITE-ON has been a participant in the Carbon Disclosure Project (CDP) since 2008, in which it publishes greenhouse gas statistics annually to aid in analysis by special interest groups. 3. LITE-ON was ranked as

the industry Leadership in Information Technology sector and the Technology Hardware Equipment by Carbon Disclosure Project after named one of the Leading Companies in Climate Disclosure Leadership Index (CDLI) for two Consecutive Years 2014-2015.



### 4.3.1.2 Obtaining International Renewable Energy Certificates

We're the first enterprise in Taiwan to purchase the International Renewable Energy Certificate (I-REC), purchased 14,725 MWh of registry I-RECs in reporting year to cover the Scope 2 GHG emission in our headquarters Nei-hu office and the Zhong-he office, which consumed 6,825kWh and 7,900kWh of electricity, respectively, in 2016. The initiative, I-REC purchasing, are also unveiled in CDP climate change questionnaire.

#### 2014-2016 Greenhouse Gas Emission:

|   | 2014  | 2015  | 2016   |
|---|---|---|--|
| Greenhouse gas emission (Scope 1), Tonnes of CO <sub>2</sub> e              | 15,925  | 17,206  | 19,493   |
| Greenhouse gas emission (Scope 2), Tonnes of CO <sub>2</sub> e              | 385,459   | 364,671   | 363,512  |
| Greenhouse gas emission (Scope 3), Tonnes of CO <sub>2</sub> e              | Overseas business trips: 1,892  | Fuels and energy-related activities: 403<br>overseas business trips: 2,165<br>Waste: 11,922<br>Employee Commuting: 22,721 | Fuels and energy-related activities: 4204<br>overseas business trips: 2,967<br>Waste: 9,992<br>Employee Commuting: 3,850 |
| Greenhouse gas emission intensity, Tonnes of CO <sub>2</sub> e /million NTD | 1.98  | 1.97  | 1.81   |
| Volume of Scope 1 and Scope 2 emissions - by gas type                       | CO <sub>2</sub> : 392,139<br>CH <sub>4</sub> : 7,740<br>N <sub>2</sub> O: 61<br>HFCs: 1,471   | CO <sub>2</sub> : 371,025<br>CH <sub>4</sub> : 7,047<br>N <sub>2</sub> O: 60<br>HFCs: 3,745                               | CO <sub>2</sub> : 369,219<br>CH <sub>4</sub> : 8,048<br>N <sub>2</sub> O: 55<br>HFCs: 5,684                              |
| Percentage of Scope 1 and Scope 2 emissions - by gas type                   | CO <sub>2</sub> : 97.69%<br>CH <sub>4</sub> : 1.93%<br>N <sub>2</sub> O: 0.02%<br>HFCs: 0.37% | CO <sub>2</sub> : 97.43%<br>CH <sub>4</sub> : 1.70%<br>N <sub>2</sub> O: 0.01%<br>HFCs: 0.86%                             | CO <sub>2</sub> : 96.40%<br>CH <sub>4</sub> : 2.10%<br>N <sub>2</sub> O: 0.01%<br>HFCs: 1.48%                            |
| Biomass emissions (Scope 1), Tonnes of CO <sub>2</sub> e                    | 745   | 532   | 280  |
| Whether exceeds the significance threshold (3%)                             | No  | No  | No   |
| Significant changes beyond the significance threshold                       | None  | None  | None   |
| Standards and methodology   | ISO 14064-1   | ISO 14064-1   | ISO 14064-1  |
| Source of emission coefficient  | IPCC 2006   | IPCC 2006   | IPCC 2006  |
| Source of emission coefficient  | Employee Commuting  | Employee Commuting  | Employee Commuting   |

Note: Intensity calculations are in accordance with the revenue including in organizational boundaries

### 4.3.2 Energy-saving Measures

#### 1. LITE-ON holds employee training classes and promotes its strength in resource conservation

LITE-ON has included CSR courses as part of its orientation training for new employees, and has made CSER Awareness Training available on its e-Learning platform. CSER awareness campaigns are additionally held to promote employees' understanding of environmental protection and energy conservation. Below are the environmentally-friendly practices that LITE-ON has adopted:

- Air conditioning temperatures should be set at 27-28°C
- Turn off lights when leaving a room
- Turn off and unplug your computer when you leave work
- Don't wear a tie
- Some elevators may not be used during off-peak hours
- Standardize routine approval processes, implement shared document templates for internal use and adopt the electronic version of the workplace bulletin



#### 2. LITE-ON's energy-saving measures at offices and plants

LITE-ON continually upgrades its office and plant equipment to achieve higher energy efficiency. Below is a list of the many energy-saving measures and solutions that the company implemented in 2016 in all plant locations. They saved 13,513,316 kilowatt-hours of electricity in total, and the following is a detailed breakdown of electricity saved:

| Site                     | Item | Energy-saving solutions  | Kilowatt hours saved in 2016 |
|--------------------------|------|--|------------------------------|
| 1. Dongguan Changan Site | 1    | Energy management: Office lighting in the plants is monitored closely and unused lighting is strictly prohibited.  | 29,400                       |
|                          | 2    | Continue to push for the Energy Recycle System (energy efficiency enhancement for two ERS systems)   | 1,692,434                    |
| 2. G-Com Dongguan Site   | 1    | Switch to energy-saving LED lighting   | 154,908                      |
|                          | 2    | Compressor heat recycling aging room   | 1,149,973                    |
|                          | 3    | Switch to LED lighting for flow line workstations  | 19,860                       |
|                          | 4    | Replace 3 air source heat pumps in Building A with a solar system; replace the rusty solar ducting system in Building C for efficient use of solar power | 126,052                      |

| Site                        | Item | Energy-saving solutions   | Kilowatt hours saved in 2016 |
|-----------------------------|------|---|------------------------------|
| 3. G-pro Dongguan Site      | 1    | The production department replaced 6 central air-conditioning units with Class A, 30 horsepower units, which, according to actual measurements, would save 150kWh of energy per unit a day.       | 275,400                      |
|                             | 2    | The Plant Administration Department replaced 2 air compressors with 100 horsepower inverter compressors, which, according to actual measurements, would save 1300kWh of energy per unit a day.    | 795,600                      |
| 4. G-Tech Dongguan Site     | 1    | 30 stamping presses (200T capacity) were changed to inverter types to reduce motor power and save energy by 40%.  | 752,320                      |
|                             | 2    | The plant, at the group's request, replaced 1550 T5 lamps with LED lighting   | 23,250                       |
|                             | 3    | 140 stamping presses had pipes replaced by pressure pipes with magnetic valves, which would close after shutdown to prevent leaks. One 22KW air compressor is expected to be cut from the lineup. | 47,080                       |
|                             | 4    | Online energy monitoring  | 2,860                        |
|                             | 5    | Control of fans in stamping press   | 16,817                       |
| 5. Enclosure Guangzhou Site | 1    | Install servo motors in plastic machines (Phase 1)  | 436,631                      |
|                             | 2    | Modification of spot heating in plastic machines  | 90,497                       |
|                             | 3    | Combine air conditioning units in same areas to reduce the number of units needed   | 459,534                      |
|                             | 4    | Leakage control for plants (replacing parts with leakage and operating one fewer 55kW compressor)   | 417,042                      |
|                             | 5    | Lower air pressure in plants by 7.5-6.5kg and operate fewer compressors   | 645,840                      |
|                             | 6    | Improve air supply equipment in plants by 6.5-6.5kg and operate fewer compressors   | 361,200                      |
| 6. Sijie Dongguan Site      | 1    | Replacement of 20 factory air conditioning units with energy saving models  | 383,386                      |
|                             | 2    | Shutdown of 5 old air conditioning units  | 479,232                      |
|                             | 3    | Replacement of old elevators  | 3,089                        |
|                             | 4    | Switch flow line lighting from T5 14W to T5 8W LED  | 17,160                       |
|                             | 5    | 1. Dormitories with fewer occupants are combined to reduce energy used for air conditioning.  | 73,788                       |
|                             | 6    | 1. Improvement of leakage in plants   | 193,050                      |
|                             | 7    | Recycled residual heat from compressors is used efficiently to reduce diesel used to boil water.  | 71,604                       |

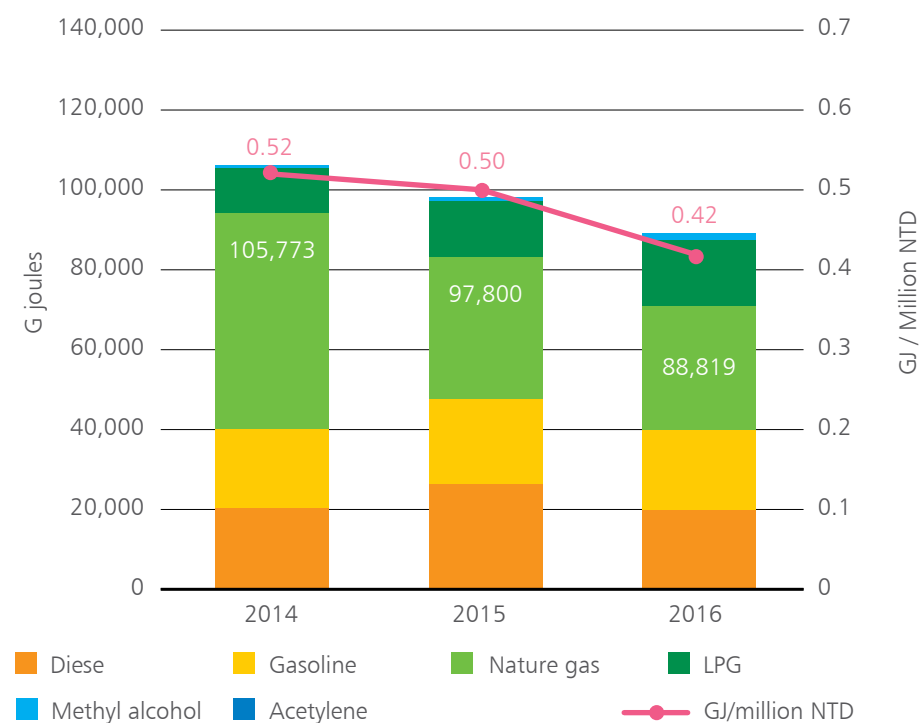
| Site                     | Item | Energy-saving solutions   | Kilowatt hours saved in 2016 |
|--------------------------|------|---|------------------------------|
| 7. Hsinchu, Taiwan Site  | 1    | Replacement of T-BAR lighting throughout all plants with LED lighting   | 290,766                      |
|                          | 2    | Adjust pressure difference settings for endpoint chilled water in air conditioning units to reduce energy consumption by secondary chilled water pumps                            | 30,281                       |
|                          | 3    | 1. Cancel the night shift by combining it with the second shift to save on electricity bills and cleanroom expenses. 6.5 hours of power shutdown a day, 46 lamps.                 | 8,862                        |
|                          | 4    | 1. Office workers will turn off computers when leaving work. 8 computers, 8 lamps.  | 3,320                        |
|                          | 5    | 1. 9 computer monitors, 96 lamps shutdown during lunch break, break time, and after hours on the device line  | 3,630                        |
|                          | 6    | New purchase of 100HP inverter compressors to maintain optimal operation by 50HP/20HP control in response to MB production  | 45,255                       |
|                          | 7    | Reduce lighting on aging lines and in hallways (2B/3C)  | 6,996                        |
|                          | 8    | Reduce lighting on aging lines (3B)   | 813                          |
| 8. Zhonghe, Taiwan Site  | 1    | Replacement of 20W T8 with 11W LED: 12224 tubes   | 271,700                      |
|                          | 2    | Ventilators in tunnels between new plants and old plants are shut down during the night to save energy for 10 hours a day.  | 14,820                       |
|                          | 3    | The output temperature of ice-water machines is raised by 0.5 degree Celsius.   | 3,349                        |
|                          | 4    | Timing systems are installed in desoldering machines in laboratories throughout the plants.   | 12,224                       |
|                          | 5    | Raise the temperature on air handling units on 3rd floor of Building B by 1 degree Celsius.   | 2,732                        |
|                          | 6    | Replacement of 40WT5 with 20W LED: 200 tubes  | 8,881                        |
| 9. Tianjin Site          | 1    | Winter energy saving project for absorption freeze dryers   | 25,536                       |
|                          | 2    | Plant 1 turns on plate heat exchangers in the winter and shuts down chillers  | 262,500                      |
|                          | 3    | Plant 3 turns on plate heat exchangers in the winter and shuts down chillers  | 115,734                      |
|                          | 4    | Replace split-type air conditioner on the Irda line with water cooled air conditioning units  | 338,733                      |
|                          | 5    | Install inverter modification in wind turbines of air conditioning units in 2nd floor office at Plant 1   | 39,858                       |
|                          | 6    | Assemble an audit team, require office workers to turn off lights, computers and printers when leaving work, and assign a staff to turn off lights in public areas as appropriate | 100,000                      |
|                          | 7    | Modify lighting in staircases and hallways in office buildings and dormitories to be voice activated.   | 8,710                        |
| 10. Beihai Site          | 1    | Reduce maximum power demand (reduce the electricity bill for demand)  | 3,000                        |
|                          | 2    | Use solar power to help boil hot water in the living area to reduce energy consumption  | 323,932                      |
| 11. Power Changzhou Site | 1    | Upgrade and improvement of central air conditioning and compression systems   | 48,000                       |
|                          | 2    | Upgrade and improvement of electrical power systems   | 1,381,648                    |
|                          | 3    | Upgrade and improvement of lighting systems   | 1,444,029                    |
| Total                    |      |   | 13,513,316                   |

### 4.3.3 Direct and Indirect Energy Consumption

#### 1. Direct Energy

In 2016, LITE-ON consumed 88,819 GJ of fossil fuel, equivalent to an intensity level of 0.42 GJ/NTD million, 16.8% lower than the 0.50 GJ/NTD million in 2015.

2014-2016 Fossil fuel consumption

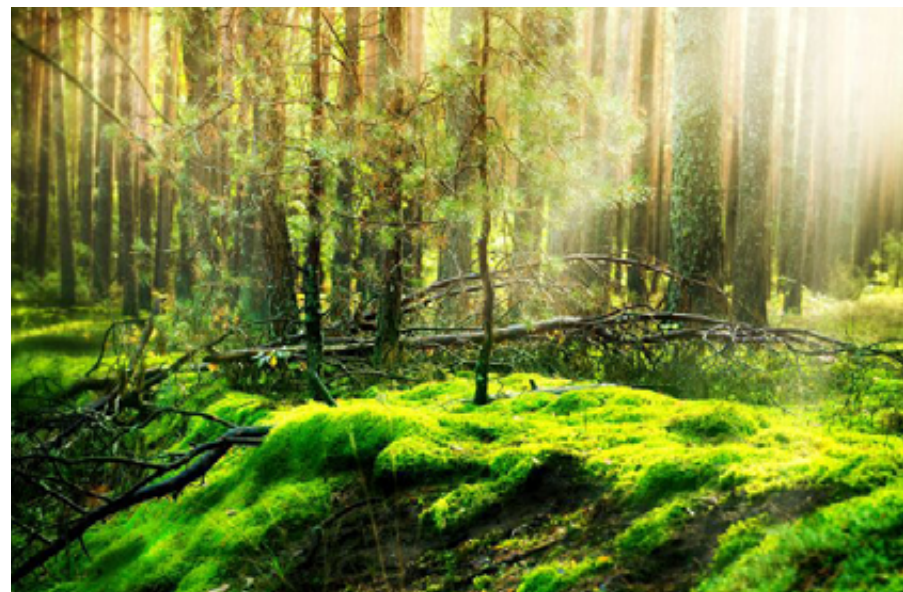


Note: 1. Intensity calculations are in accordance with the revenue including in organizational boundaries.

2. Comparing with the data disclosed in 2015 report, 2014 and 2015 data were added acetylene use to be in line with 2016 inventory scope.

Below are details on the use of fossil fuel:

- 549.1 kiloliters of diesel was used in 2016, and 25% lower than 732.5 kiloliters used in 2015.
- 626.6 kiloliters of gasoline was used in 2016, and 5.2% lesser than 661.2 kiloliters in 2015.
- 791.4 cubic meters of natural gas was used in 2016, and 12.9% lower than 908.4 cubic meters in 2015.
- 327.3 tons of LPG was used in 2016, and 18.2% higher than 276.9 tons in 2015 mainly impacted by increased production of server enclosures.
- 92.7 tons of Methyl Alcohol was used in 2016, and 62% higher than 57.2 tons in 2015, mainly due to production expansion of LED products
- 0.103 ton of acetylene used in 2016, and 164% more than 0.039 ton in 2015, mainly impacted by increased production of server enclosures.

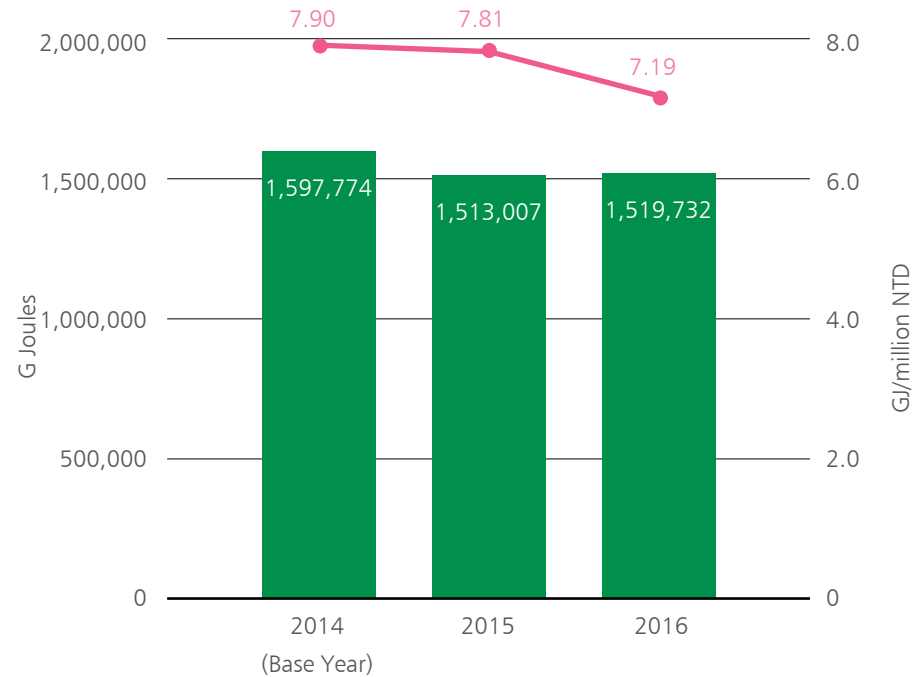




## 2. Indirect Energy

In 2016, LITE-ON's indirect energy consumption (purchased electricity) totaled 422,148 MWh (megawatt-hours) or 1,519,732 GJ, which was 0.4% or 1,868 MWh or 6,726 GJ more than 2015. In terms of consumption intensity, LITE-ON averaged 7.19 GJ/NTD million in 2016, which was 8 % reduction compared to 7.81 GJ/NTD million in 2015.

2014-2016 Electricity consumption and intensity

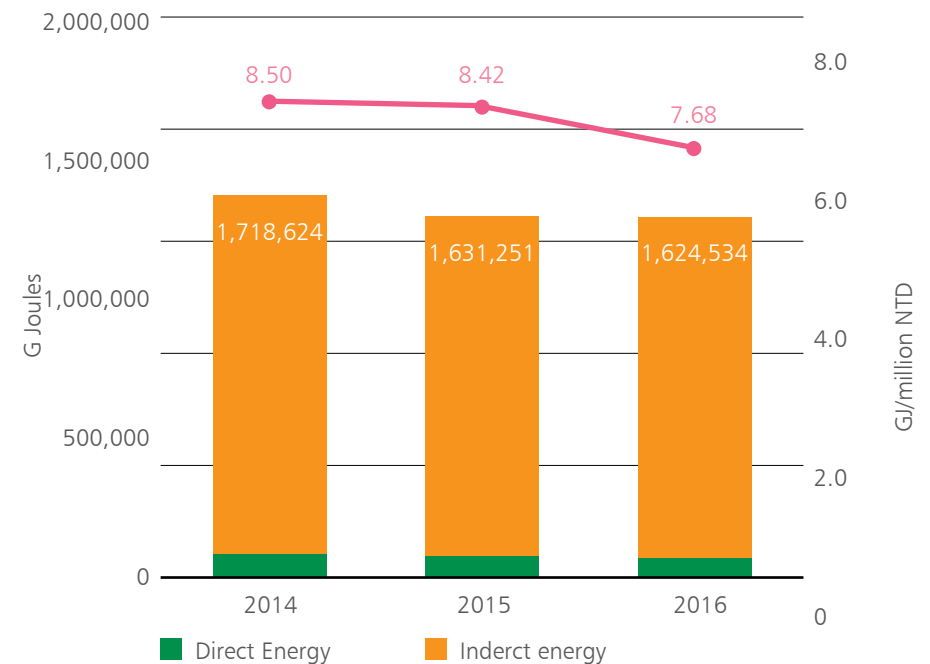


Note: Intensity calculations are in accordance with the revenue including in organizational boundaries.

## 3. Total Energy Consumption

In 2016, LITE-ON totally consumed 1,624,534 GJ of energy, and 0.4% or 6,717 JG lesser than 2015 while posting intensity of 7.68 GJ/NTD million, 8.8% lower than 8.42 GJ/NTD million in 2015, mainly attributable to increases of overall production.

2014-2016 Total energy consumption intensity



Note: 1. Intensity calculations are in accordance with the revenue including in organizational boundaries.  
2. Comparing with the data disclosed in 2015 report, 2014 and 2015 data were added acetylene use to be in line with 2016 inventory scope.

### 4.3.4 Air Pollution Control

LITE-ON's production activities mainly involve product fabrication, which produces relatively less air pollution when compared to other energy-intensive electronic manufacturers. LITE-ON is not regulated by law to apply for, measure or report stationary sources of air pollution in any of its operational locations. Emergency power generators and canteen are its main sources of air pollution. Each plant has its own environmental management system in place to prevent possible sources of air pollution, despite the fact that air pollutants produced by these plants do not pose any significant environmental aspects. In terms of prevention measures, LITE-ON has conducted air pollution control integrating indoor air quality management (including the operating environment) and outdoor pollution control. Below is a combination of management practices, procedure improvements, and enhanced training adopted to improve workplace quality and to reduce the volume of air pollutants emitted into the environment.



|                               | Preventive management   | Pollution control   |
|-------------------------------|---|---|
| Indoor air quality management | <ul style="list-style-type: none"> <li>• Reduce and replace use of toxic or highly volatile reagents (e.g. reducing the inventory storage or using ethanol instead of isopropyl alcohol).</li> <li>• Avoid use of volatile consumer products in offices.</li> </ul>             | <ul style="list-style-type: none"> <li>• Monitor ventilation at the production area to maintain air quality.</li> <li>• Monitor, wash and replace filters in air-condition regularly to maintain indoor air quality.</li> <li>• Grow green plants in office areas.</li> </ul>                             |
| Air pollution control         | <ul style="list-style-type: none"> <li>• Prohibit outdoor burning.</li> <li>• Reduce or cease polluting processes.</li> <li>• Use fuels with low sulfur content.</li> <li>• Apply centralized management of corporate vehicles and reduce the number of trips taken.</li> </ul> | <ul style="list-style-type: none"> <li>• Install activated-carbon based adsorption systems for volatile organic compounds.</li> <li>• Use wet scrubbers for inorganic waste air.</li> <li>• Install flue gas desulfurization equipment for diesel-based power generation (during emergencies).</li> </ul> |

Each plant has followed ISO 14001 standards and implemented prevention guidelines for the various sources of air pollution (equipment, facilities, etc). Each equipment is properly serviced and maintained, and inspected by designated departments on a regular basis. In the event that air pollution cannot be immediately controlled, LITE-ON will execute emergency response procedures to identify the cause and control pollution within normal levels.



### 4.3.5 Green Logistics

Product transportation and employees' business travel are important aspects of our business. LITE-ON is committed to using green transportation and distribution methods to enhance our efforts for carbon reduction. In regards to product transportation, LITE-ON has continually improved product packaging to increase products per shipment and applied effective control over production and logistics activities to avoid delivery via air freight which consumes much greater amounts of energy. The company has installed advanced communications equipment in all of its offices to facilitate multi-national conferencing and thus reduce the need for business trips.

Below are the practices adopted by LITE-ON and their results:

#### 4.3.5.1 Increasing Products per Shipment

To increase products per shipment, LITE-ON continues to improve package design in order to utilize container space more effectively and reduce the number of land, sea and air shipments taken to ship the same quantity of goods, and thus cut down on energy consumption. Cutting down on the usage of packaging materials also serves to reduce carbon emissions.

The following is an example of LITE-ON implementing package design improvement for the desktop keyboard SK2120 in 2016. The design increased exterior volume for a larger capacity. The pallets were also adjusted to accommodate the new exterior. The improvement increased the capacity by 19%. It also reduced the amount of packaging cardboard used.

The appearance was redesigned for smaller exterior dimensions that allowed 16pcs a case instead of 10pcs a case. It effectively reduced the area per unit carton to create a larger capacity.

Original design



New design

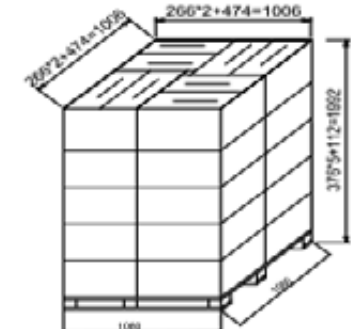


The pallet volume was made smaller for a larger load according to the new exterior specifications, making shipments more efficient.

Original design



New design



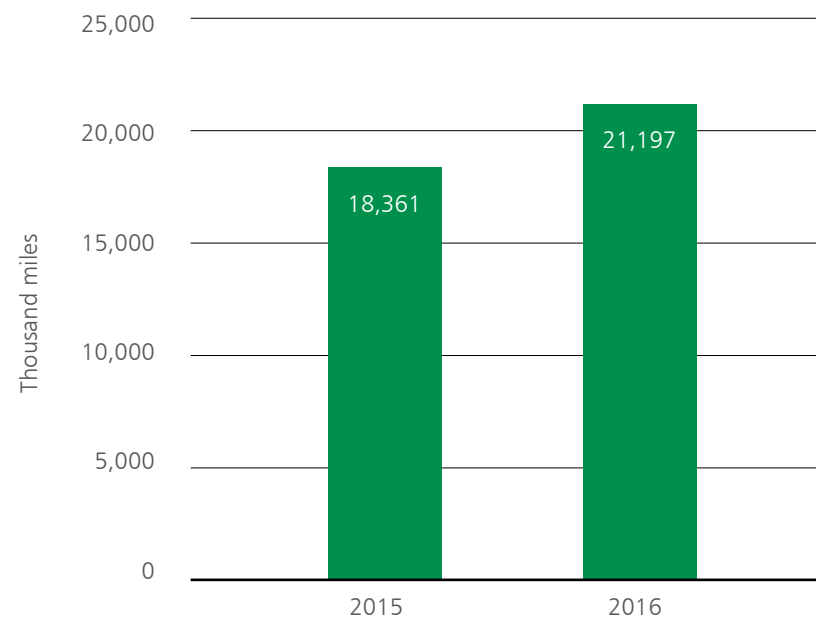
## Improvement of shipment efficiency:

|               | Load (pcs) |        | Improvement |
|---------------|------------|--------|-------------|
|               | Before     | After  |             |
| 20' container | 5,400      | 6,400  | 19%         |
| 40' container | 11,880     | 14,080 | 19%         |

## 4.3.5.2 Employees' Business Travel

In 2016, LITE-ON's employees in Taiwan traveled a total of 21,197,000 miles on business trips, which was a 15% YOY growth compared to 2015. The structural changes in the industry and a shrinking PC industry have prompted LITE-ON to turn to non-PC related industries and explore new opportunities. As a result, the technical teams in Taiwan have had to take more business trips. Meanwhile, they have contributed to LITE-ON's continuing growths in both revenue and profit.

## Employees' business trips



## 4.4 Water Resource Conservation

Given ongoing climate change, issues concerning water resources are becoming more significant than ever. LITE-ON has adopted a system based on ISO14001 by appointing a full-time staff and establishing a management program to implement water resource conservation measures on an ongoing basis. LITE-ON's manufacturing process is mainly in dry mix. It does not operate any water intensive process, and the major water demand is for plant facility operations (e.g. air conditioners, compressors etc) and employees' daily use.

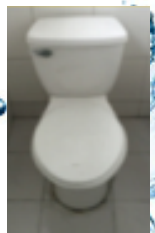
The environmental assessment to be completed before a plant is built takes into account the industrial site allocated by the local government (avoiding environmentally sensitive areas) and regions with relatively abundant water resources (e.g. eastern and southern China) in order to prevent impact on the local ecosystem and water resources. Once in operation, the plants draw water entirely from the local water system (i.e. tap water), and uses no water from rivers, lakes, underground sources or oceans. The plants pose no significant impact on local water resources or on water accessibility of the local community.

To conserve water, the company has set clear targets on water consumption. The most recent cycle began in 2014 (the base year) and aims to reduce water usage per unit of revenue by 6% by 2017. Water resource management measures include the introduction of new water-saving facilities and management practices at the plants and the addition of new water recycling and reuse measures. The company attempts to raise awareness of water efficiency by changing employees' habits. The company also makes water cost management part of the cost management practice and a daily routine to be followed by the departments. Furthermore, in terms of product design and production technology, we continue to invest in replacing traditional wet processes with dry processes, which will further reduce production water usage. Below are the water conservation routines adopted within the company:

- Added control valves at faucets
- Changed coolant to reduce the amount of water used for air conditioning
- Rearranged water distribution for the cooling tower to reduce unevenness and waste caused by overflow
- Adjusted toilet valves and arranged leakage inspections on a daily basis
- Installed new water-free urinals at men's toilets or reduced flush volume
- Cleaning of kitchen floors by mopping instead of intensive washing, and using water left over from washing vegetables
- Cleaning toilets with RO wastewater
- Checked water outlets and inspected water usage everyday
- Collected rainwater to water plants and to store as reserve for firefighting



Reuse RO wastewater for cleaning toilets.

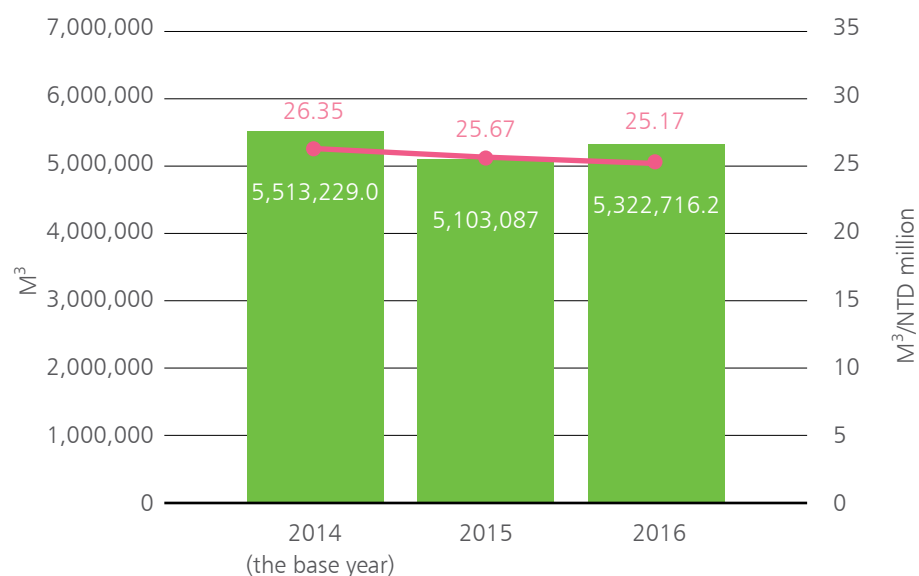


Water recycling equipment for AHU condensation water and humidifier water



The company's management system shows that the total water consumption was 5,322,716 m<sup>3</sup> in 2016, making the intensity of water consumption 25.17 m<sup>3</sup>/NTD million, which was 1.95% lower than the intensity in 2015. Meanwhile, the figure, compared to 26.35 m<sup>3</sup>/NTD million in the base year 2014, was 4.5% lower.

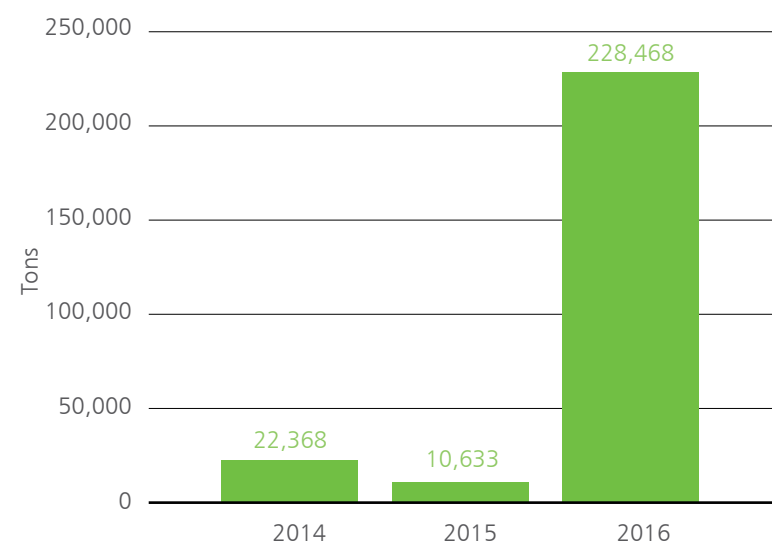
2014-2016 water consumptions and intensity



*Note: Regarding adjustments of the intensity of water consumption in 2014 and 2015, the original data were 23.90 and 23.52 m<sup>3</sup>/NTD million, respectively, which were based on the total revenue of the group. They have since been adjusted to be based on the organization's revenue according to the environmental data disclosure and changed to 26.35 and 25.67 m<sup>3</sup>/NTD million (total water volume unchanged) to better reflect actual conditions.*

Regarding water recycled and reused, a total of 228,468 tons, or 4.29% of total consumption, of water were recycled. The figure was 21 times higher than that in 2015 and was attributed to cleaner production. The water was channeled into high-capacity processors where it was treated for further use. Recycled water resources included air conditioning condensation water, RO wastewater, and rain water reserve.

2014-2016 recycled water consumption



Regarding wastewater discharge, more than 95% of water consumption at LITE-ON plants was used for employees' life-sustaining needs and for plant equipment, and 10% was used for garden irrigation. All wastewater produced by LITE-ON's plants is either properly treated or discharged into water treatment plants as required by law, before releasing into receiving water. Total wastewater generated in 2016, based on 90% of total water consumption, was estimated at 4,790,445m<sup>3</sup>. All wastewater discharged complies with the quality requirements specific to the place of operation, and poses no significant impact on the natural environment.

## 4.5 Main Raw Materials

Use of raw materials not only affects operating performance directly, but is also closely connected to the depletion of natural resources. In light of Earth's limited resources, LITE-ON keeps records of raw materials used and evaluates the efficiency of such usage on a regular basis. Over time, the company would be able to make more efficient use of its resources and reduce the quantity of materials used in packaging. There are three categories of raw materials that are used in LITE-ON's production: Metallic, Non-metallic and Packaging. All products supplied by LITE-ON have been designed in accordance with EU WEEE (Waste Electrical and Electronic Equipment) Directive, which requires at least 80% of materials to be recovered.

Below is raw materials purchased in 2016:

### 4.5.1 Metallic Materials

**Steel:** mainly used in chassis, screws, transformers, and fan parts.

**Aluminum:** mainly used in heat sinks.

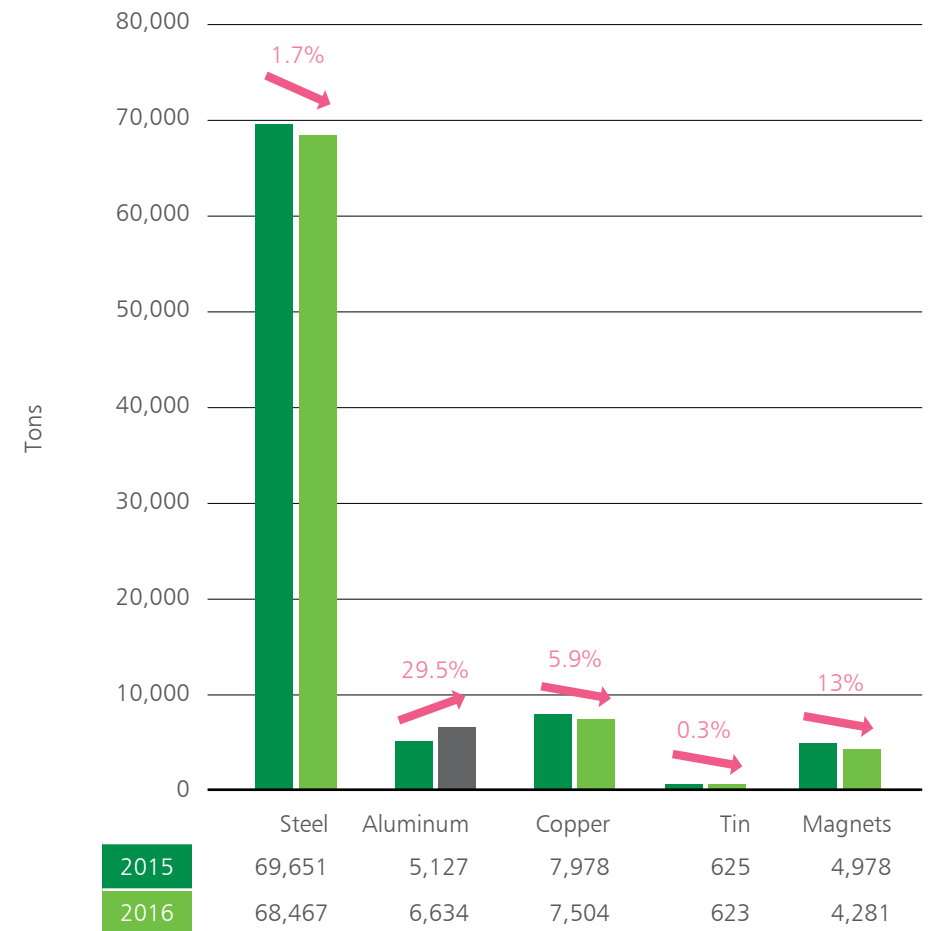
A total of 6,634 tons were purchased in 2016, which was 29.5% more than the previous year, due to shipment increased in Network Access business unit.

**Copper:** mainly used in wires, cables and printed circuit boards.

**Tin:** mainly comprising tin wire, tin bars, and tin paste; they were used mostly for the power conversion business.

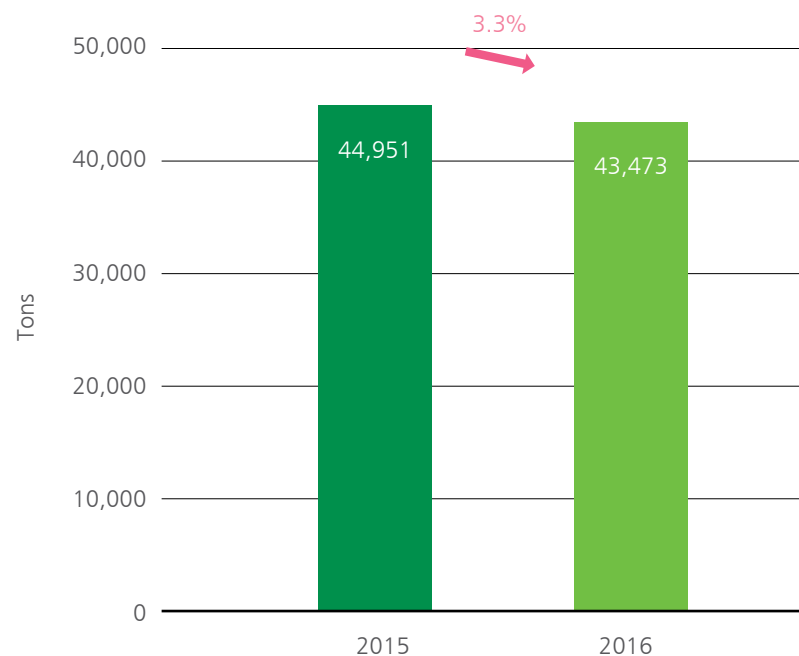
**Magnet:** mainly used in transformers.

Volume of Metallic Materials Used in Core Business



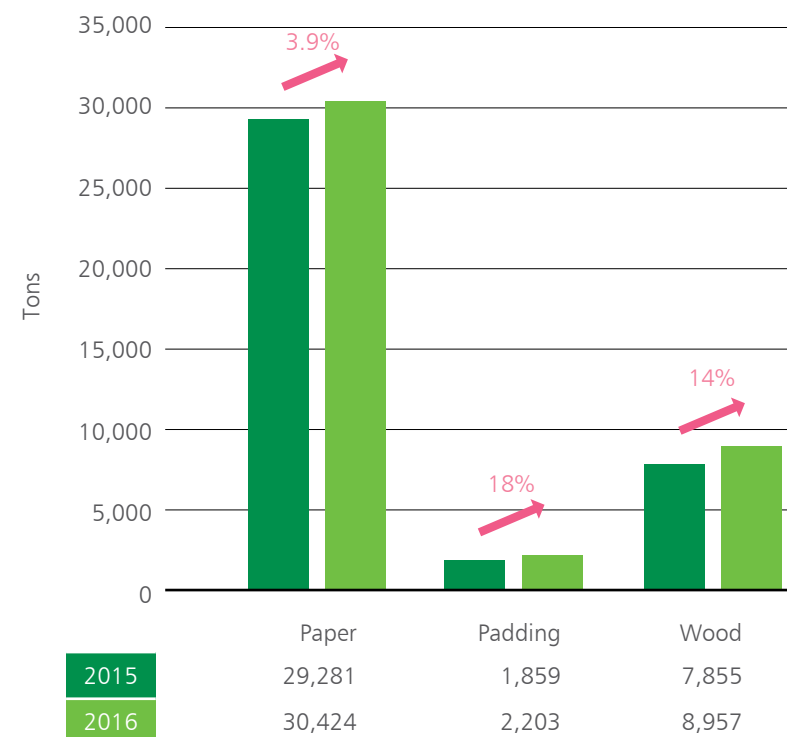
## 4.5.2 Non-metallic Materials

**Plastic:** mainly used in external casing, insulation, and socket, etc for all products.



## 4.5.3 Packaging and Shipping Materials

For "local shipments," LITE-ON uses reusable packaging materials as much as possible. The company used 30,424 tons of paper (writing paper/cardboards/boxes) in 2016, which was 3.9% more than the previous year, due to delivery growth in Networking Access business. The amount of padding (foam and bubble wrap) used totaled 2,203 tons, which was 18% higher than the previous year, mainly due to package spec renewed by key customers in Power Conversion Business. Furthermore, 8,957 tons of wood were used in 2016, representing a 14% more than the previous year due to delivery growth in Enclosure business.



#### 4.5.4 Waste Management and Recovery

All LITE-ON production sites are equipped with a full-time unit in accordance with the environmental management system and implement centralized storage. Compliance is the basic requirement. Waste production by source is monitored and managed with efficiency and in accordance with the principles of minimum waste and maximum recycling and reusing. Given the environmental costs and benefits, the company works with recycling service providers toward the ultimate goal of "zero waste".

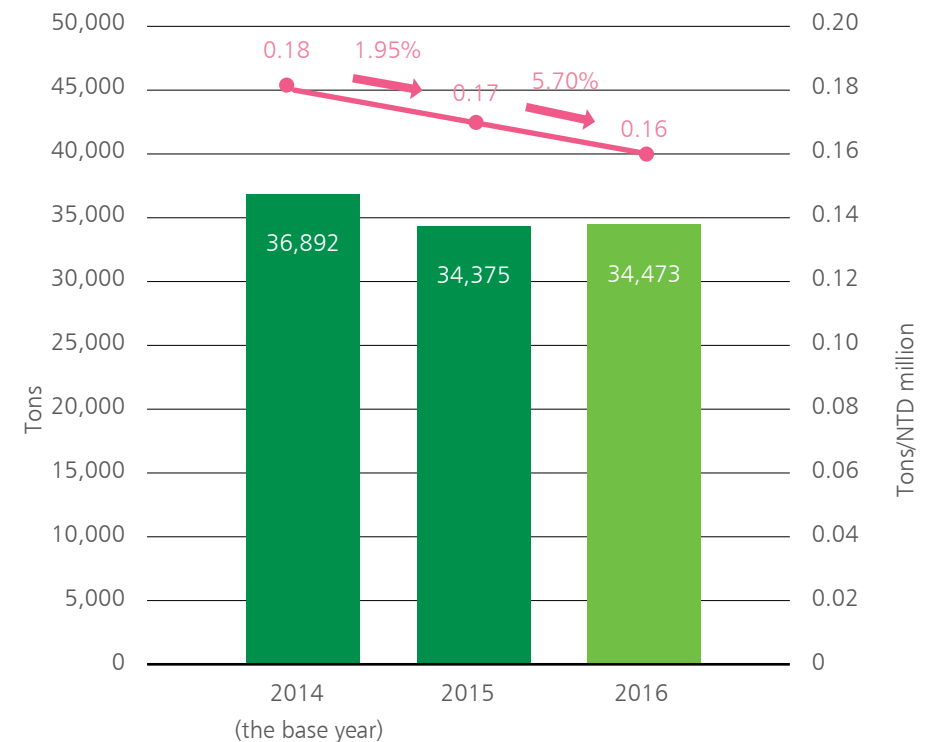
##### Waste management

The LITE-ON waste reduction program focuses on source management. The sources will be divided into everyday waste produced by employees and production waste in the future. Everyday waste produced by employees will be reduced, sorted and managed through education and training, supplemented by the Employee Code of Conduct in order to increase resource utilization and resourceization value. Production waste, on the other hand, will be reduced and managed through optimized packaging materials, reduction at sources, and a reduced percentage of hazardous waste. All waste processing is outsourced. Qualified suppliers with effective waste processing capabilities are selected to ensure the best processing techniques based on the characteristics of different types of waste. Audits will be conducted from time to time to ensure waste is processed as required.

##### Waste management performance

Waste generation, collection, classification, storage and disposal, and treatment (including recycling) comply with ISO 14001, and are operated and recorded accordingly. The three types of waste aggregated to a sum of 34,473 tons in 2016, which translated to a intensity of 0.163 tons/NTD million. The amount of waste generated per unit of revenue had decreased by 5.7% as compared to 2015. The design of magnetic components, for example, reduces volume by 22% and weight by 36% by modifying material formulae, optimizing the firing methods, and reducing the particle

size. Building the smart plant, for example, encourages the adoption of automated production lines, which improve product yield to 99.81% and reduce material input by 2.4%. Meanwhile, the figure decreased by 11.1% as compared to 0.18 ton/NTD million in 2014, the base year.

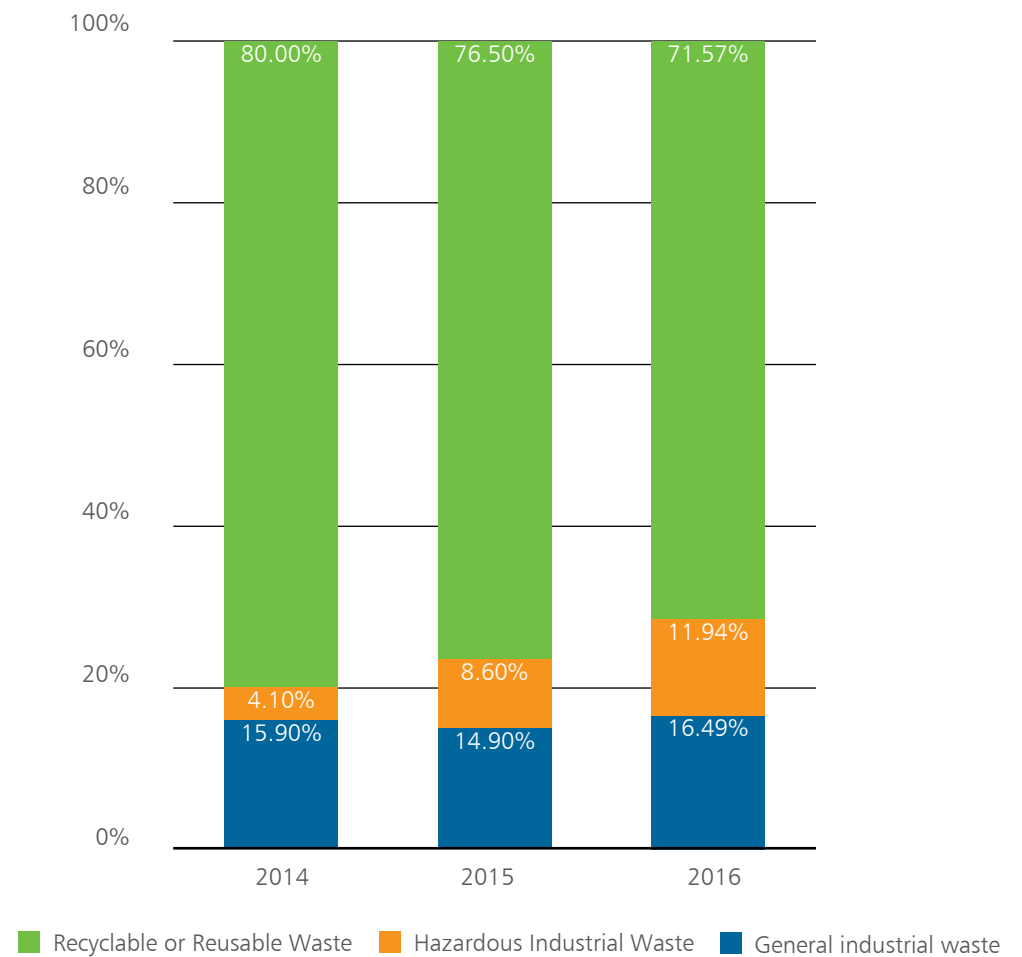


*Note: Regarding adjustments of the intensity of waste in 2014 and 2015, the original figure was 0.16 ton/NTD million, which were based on the total revenue of the group. They have since been adjusted to be based on the organization's revenue according to the environmental data disclosure and changed to 0.18 and 0.17 m<sup>3</sup>/NTD million (total waste volume unchanged) to better reflect actual conditions.*





The aggregate waste in 2016 contains general industrial waste, at 16.49%, hazardous industrial waste at 11.94%, and recyclable or reusable waste at 71.57%. The percentage of hazardous industrial waste increased in 2016 due to the mobile device production where having double the number of CNC production facilities had led to more hazardous waste out of wastewater processing in the production.





## 4.6 Green Factory

### 4.6.1 Green Plant

LITE-ON's production sites are mainly located in Mainland China. Since the site in Wujin District, Changzhou City, Jiangsu Province, which was built with an advanced energy-saving design in 2008, all plants followed the same energy-saving features and the use of recyclable building materials to minimize impact on the environment. The green production sites has been designed according to the characteristics of the local environment and climate for optimum energy efficiency. Some of these innovations include a special window design that reduces heat from sunlight and keeps indoor temperatures low without losing luminance, thus minimizing air conditioner workload during summer. On the rooftop, buoyancy-driven ventilation towers have been installed to guide heat upwards and dissipate it outwards. In winter, cool air is guided in from the outside to regulate indoor temperature and reduce the air conditioner workload. All air conditioning equipment features inverter technology that keeps power consumption at a minimum during standby. The plants' outer walls are constructed with hollow bricks,

which have an insulating effect, and enable the buildings to naturally stay warm in the winter and cool in the summer. Plant and office partition walls are made of recyclable, easy-to-assemble panels, achieving a waste reduction effect. Because of this, when LITE-ON begins to design new production plants, the company creates the plans with green design concepts in mind. In the meantime, LITE-ON is also setting aside funds to refurbish old plants and make them more energy efficient and environmentally friendly. Apart from energy efficiency, beautification of the environment has also been a key focus in green design. The company has grown a variety of plants that not only serve to shield against wind and secure soil, but also improves the air quality and provides employees with a healthy, comfortable place to rest in, and thus achieve the right balance between business, lifestyle, and nature.



*Buoyancy-driven ventilation towers*



*Compressor heat recycling*



*1000RT Centrifugal Chillers used to moderate temperature of cold water discharge*



*Rooftop solar power*

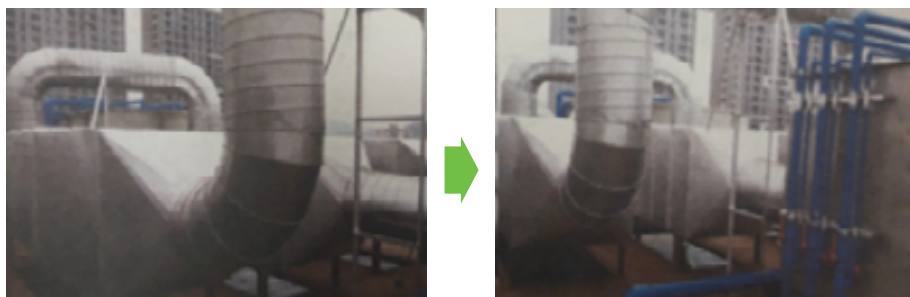
## 4.6.2 Advanced Manufacturing and Green Production

LITE-ON's factories are constantly exploring new solutions to reduce use of resources (materials), raise energy efficiency, mitigate toxicity to the environment, and lighten operators' workloads. Some recent efforts include the Cleaner Production initiative and the Improvement Project Tracking (IPT) platform where the production site performance of LITE-ON's various business units is monitored and rated. The top-performing projects of each business unit are published onto the Best Practice (BP) platform where they may serve as models and references for improvements to be implemented by other business units.

### Cleaner Production for lower resource wastage

The Cleaner Production initiative helps make more efficient use of direct and indirect energy/resources during production, while in the meantime reduce discharge of waste and chemicals into the environment.

The chassis segment at Guangzhou Plant, for example, is able to reduce VOCs emission per unit area by heat cleaning ovens by 85%, reduce energy consumption in coal equivalent per unit area by 5.21%, reduce water consumption per unit area by 8.9%, and reduce use of materials per unit product by 1.89% in order to improve resource utilization.

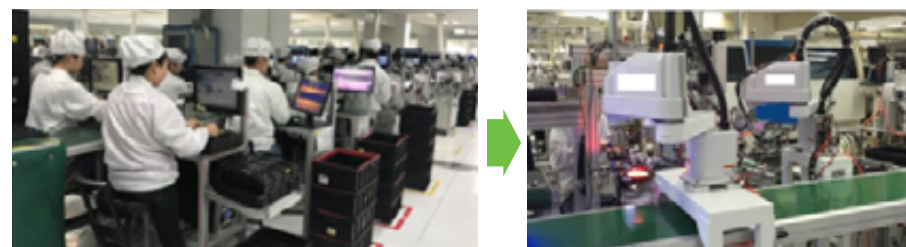


*Case Study: Improvement of heat cleaning ovens* The addition of high temperature exhaust hoses applies two-stage wet cyclone precipitators, centrifugal blowers, and activated-carbon based absorption systems to reduce significantly VOCs emissions.

### Production efficiency through automation

LITE-ON started implementing automated production processes in 2013. The company is now capable of simultaneous operation with products, processes and equipment installed on the same platform. The structure is equipped with difficult, high precision automatic assembly, automatic testing, and automatic visual/mechanical inspection for complete control and data collection. The company has developed the capability to create differentiated design and production processes for manufacturing facilities. LITE-ON has started combining automation and smart operations in order to achieve high speed unmanned operations.

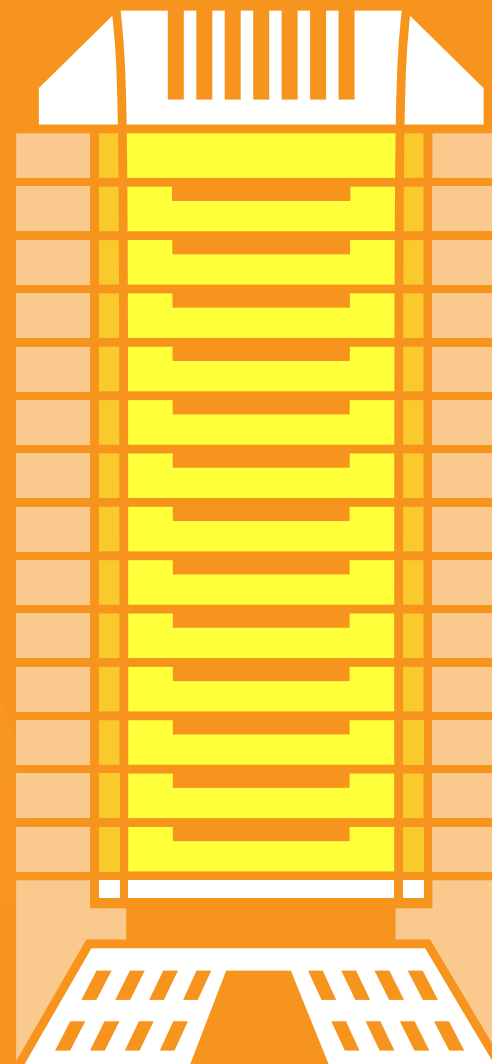
The fully automated FFC soldering line for gaming drives under the storage unit, for example, has evolved from semi-automated manual extracting and loading, soldering and inspection to fully automated soldering and visual inspection. The change has led to a 82% saving in labor and a consistent yield of 99%.



The Eastern Mainland China plant, for example, implemented in-house equipment and advanced facilities from around the world in order to build a smart plant. 89.9% of the processes are automated. A smart network connects raw material management, production management, quality control, and shipment management. The company has received state recognition and reward for its industry leading practices.



# #5 LITE-ON and Employees



2016 LITE-ON CSR REPORT

[www.liteon.com](http://www.liteon.com)

## 5.1 Employee Policy

Since its establishment, LITE-ON's success has been founded on values of "Customer Satisfaction," "Execution," "Innovation," and "Integrity." It is the hope of the company to differentiate itself from the competition by offering the best quality and by helping customers create opportunities and profits, thus making LITE-ON a sustainable and trustworthy company to shareholders, customers and employees alike.

LITE-ON has long treated its employees as the company's most important assets in achieving its core values and vision, for they are the key that helps the company grow and improve. LITE-ON has committed to complying with labor laws and international labor standards in all locations of operation, including giving employees the utmost freedom of association and privacy while prohibiting all forms of forced labor, child labor, and discrimination. LITE-ON has policies in place to secure employees' interests. It continually introduces new projects to promote employee health, and offers competitive salary packages to incentivize employees to work in an environment of "Passion, Excellence, Innovation, and Growth." All human resource policies have been based on these four goals, and are designed to give employees optimal care in work, life, and health. While encouraging employees to deliver top performance at work and help the company grow, the company also cares about achieving a healthy work-life balance and hopes employees enjoy their tasks, and that their goals are aligned to the company's to achieve greater success as well as a rewarding career.

### LITE-ON's Employee Care Vision and Strategy

#### Passion

To encourage a balance between work and life, LITE-ON organizes a range of activities and projects for employees and creates a friendly workplace. LITE-ON provides a variety of employee events, including large regular events that include the entire company, such as LITE-ON singing contests, sports competitions, and yearend year-end gatherings.



There are also events open to employees and their families, such as LITE-ON Family Day, arts appreciation, group travel, and hiking activities. These events are aimed to encourage a balance between work and life..

### Excellence

In order to maintain a decent, safe and healthy work environment, LITE-ON prohibits all kinds of sexual harassment and discrimination within the workplace. Employee are assured that they will not be discriminated against for their race, religious beliefs, skin color, nationality, or gender. In addition to outlining clear rules and policies (e.g. Sexual Harassment Prevention, Grievance and Disciplinary Policy, Employee Code of Conduct

etc.), LITE-ON has also set up emails letterboxes and hotlines that employees may use to report sexual harassment. Upon receiving an employee's report, a Complaint Resolution Panel will be assembled immediately to resolve the matter. Furthermore, there are strict confidentiality rules in place to protect the plaintiff's identity. LITE-ON has established its management systems based on the Electronic Industry Code of Conduct (EICC). Plants in Mainland China are subjected to regular EICC audits either by customers themselves or by independent third parties. They also take the initiative to undergo self-audit by different business units to ensure that their conduct fully complies with policies, and that employees' interests are fully protected.

### Innovation

LITE-ON recognizes the fact that employees need to tend to matters such as family and healthcare outside work hours. In order to help employees achieve a work-life balance and maintain their health, the company has launched an Employee Assistance Program (EAP) where employees may seek help on any issues they may have.

Furthermore, LITE-ON organized seminars focusing on health related topics in 2016. The seminars provided information on everyday health issues, including sleep, diet, and healthy habits for different seasons. They were intended raise health awareness in the workplace. The company plans to introduce physical fitness in 2017 and educate employees on correct ways of exercising in order to help employees live a happy, healthy lifestyle

### Growth

With regards to training and development, LITE-ON provides employees with basic orientation as well as systematic training courses that help them develop the professional skills and qualities needed to progress in their career, and a user-friendly online learning system that they may use at their own convenience. The company also provides subsidies to enable employees to participate in external training. The broad variety of internal and external resources gives employees the opportunity to learn and grow on their own.

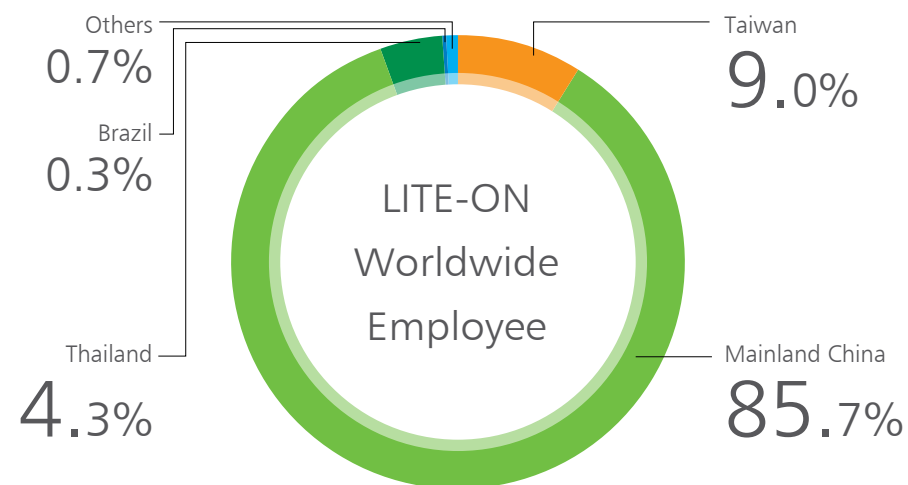


## 5.2 Employee Profile

### 5.2.1 Employee Structure and Distribution

As at the end of 2016, LITE-ON had 52,967 employees worldwide; 54.7% of whom were male and 45.3% were female. There were 4,756 employees in Taiwan, while the remaining 48,221 were located throughout Mainland China and other overseas (including Thailand, Brazil, Vietnam, Malaysia, Singapore, Europe and USA etc.). 99% of employees were in Asia.

|        | Taiwan | Mainland China | Thailand | Brazil | Others | Total |
|--------|--------|----------------|----------|--------|--------|-------|
| Male   | 10.6%  | 87.0%          | 1.5%     | 0.2%   | 0.7%   | 54.7% |
| Female | 7.1%   | 84.2%          | 7.7%     | 0.4%   | 0.6%   | 45.3% |



#### Employee composition by contract type

| Region          | Male      |         |         |         |        | Female    |         |         |         |        | Total  |
|-----------------|-----------|---------|---------|---------|--------|-----------|---------|---------|---------|--------|--------|
|                 | Permanent | Foreign | Disable | Interms | Total  | Permanent | Foreign | Disable | Interms | Total  |        |
| Taiwan          | 3,009     | 25      | 32      | 0       | 3,066  | 1,460     | 212     | 18      | 0       | 1,690  | 4,756  |
| Mainland China  | 24,581    | 32      | 222     | 380     | 25,215 | 19,593    | 3       | 108     | 485     | 20,189 | 45,404 |
| Thailand        | 438       | 0       | 0       | 0       | 438    | 1,836     | 0       | 0       | 0       | 1,836  | 2,274  |
| Brazil          | 72        | 0       | 0       | 0       | 72     | 105       | 0       | 0       | 0       | 105    | 177    |
| Other           | 206       | 0       | 0       | 0       | 206    | 149       | 1       | 0       | 0       | 150    | 356    |
| Worldwide Total | 28,306    | 57      | 254     | 380     | 28,997 | 23,143    | 216     | 126     | 485     | 23,970 | 52,967 |

#### Local supervisor & above by region

|                                   | Taiwan | Mainland China | Thailand | Brazil | Others |
|-----------------------------------|--------|----------------|----------|--------|--------|
| Deputy Manager and Above          | 41.5%  | 1.5%           | 2.3%     | 8.5%   | 27.2%  |
| % of Local Deputy Manager & Above | 99.3%  | 97.5%          | 100.0%   | 100.0% | 100.0% |

## Employee Structure

### Gender and age by Region

| Gender/Age<br>Region | Male   |        |        |        | Female |        |        |       |
|----------------------|--------|--------|--------|--------|--------|--------|--------|-------|
|                      | <30    | 30-40  | 41-50  | >50    | <30    | 30-40  | 41-50  | >50   |
| Taiwan               | 13.00% | 25.30% | 20.30% | 5.90%  | 8.60%  | 15.00% | 9.10%  | 2.80% |
| Mainland China       | 40.30% | 12.30% | 2.70%  | 0.30%  | 27.60% | 12.40% | 4.40%  | 0.10% |
| Thailand             | 7.60%  | 6.90%  | 4.20%  | 0.60%  | 26.80% | 31.50% | 21.20% | 1.30% |
| Brazil               | 9.00%  | 23.70% | 7.30%  | 0.60%  | 15.30% | 28.80% | 14.10% | 1.10% |
| Others               | 22.50% | 9.30%  | 9.80%  | 16.30% | 23.90% | 5.60%  | 4.20%  | 8.40% |

### Gender by Region

|                | Male  | Female |
|----------------|-------|--------|
| Taiwan         | 64.5% | 35.5%  |
| Mainland China | 55.5% | 44.5%  |
| Thailand       | 19.3% | 80.7%  |
| Brazil         | 40.7% | 59.3%  |
| Others         | 57.9% | 42.1%  |

### Gender and education distribution by region

| Gender/Education<br>Region | Male            |          |        | Female          |          |        |
|----------------------------|-----------------|----------|--------|-----------------|----------|--------|
|                            | Masters & above | Bachelor | Others | Masters & above | Bachelor | Others |
| Taiwan                     | 34.2%           | 28.9%    | 1.4%   | 6.6%            | 22.2%    | 6.7%   |
| Mainland China             | 0.2%            | 9.5%     | 45.9%  | 0.1%            | 5.0%     | 39.4%  |
| Thailand                   | 0.1%            | 11.2%    | 8.0%   | 0.2%            | 15.0%    | 65.6%  |
| Brazil                     | 0.6%            | 6.8%     | 33.3%  | 0.0%            | 6.8%     | 52.5%  |
| Others                     | 11.0%           | 35.7%    | 11.2%  | 3.4%            | 30.3%    | 8.4%   |



## Employee grade distribution

|                      | Gender | 2014  |      | 2015  |        | 2016  |        |
|----------------------|--------|-------|------|-------|--------|-------|--------|
| Executive management | Male   | 57    | 95%  | 43    | 97.7%  | 38    | 97.4%  |
|                      | Female | 3     | 5%   | 1     | 2.3%   | 1     | 2.6%   |
|                      | Total  | 60    | 100% | 44    | 100.0% | 39    | 100.0% |
| Senior manager       | Male   | 350   | 87%  | 212   | 90.6%  | 209   | 89.7%  |
|                      | Female | 54    | 13%  | 22    | 9.4%   | 24    | 10.3%  |
|                      | Total  | 404   | 100% | 234   | 100.0% | 233   | 100.0% |
| Mid-level manager    | Male   | 4,011 | 73%  | 3,393 | 75.2%  | 3,670 | 74.6%  |
|                      | Female | 1,461 | 27%  | 1,121 | 24.8%  | 1,247 | 25.4%  |
|                      | Total  | 5,472 | 100% | 4,514 | 100.0% | 4,917 | 100.0% |

|  | Gender | 2014   |        | 2015   |        | 2016   |        |
|--|--------|--------|--------|--------|--------|--------|--------|
| General employees<br>(indirect labor; IDL) | Male   | 9,968  | 66.4%  | 9,435  | 67.0%  | 9,674  | 66.1%  |
|  | Female | 5,050  | 33.6%  | 4,655  | 33.0%  | 4,970  | 33.9%  |
|  | Total  | 15,018 | 100.0% | 14,090 | 100.0% | 14,644 | 100.0% |
| General employees<br>(direct labor)        | Male   | 24,916 | 52.5%  | 20,409 | 50.7%  | 19,323 | 50.4%  |
|  | Female | 22,561 | 47.5%  | 19,883 | 49.3%  | 19,000 | 49.6%  |
|  | Total  | 47,477 | 100.0% | 40,292 | 100.0% | 38,323 | 100.0% |
| All employees                              | Male   | 34,884 | 55.8%  | 29,844 | 54.9%  | 28,997 | 54.7%  |
|  | Female | 27,611 | 44.2%  | 24,538 | 45.1%  | 23,970 | 45.3%  |
|  | Total  | 62,495 | 100.0% | 54,382 | 100.0% | 52,967 | 100.0% |

Note 1: Indirect labor includes all executive management members, senior managers and mid-level managers mentioned above.

Note 2: Mid-level manager includes from supervisors to managers.

## 5.2.2 Employee Retention

LITE-ON has always treated employees as the most critical asset of the company. It has management courses, promotion and welfare systems in place to encourage employees' self-development and to help them reach their career goals.

The company will communicate and coordinate in advance with any employee who requests to transfer to other department or location. Employees who are being transferred to more remote areas will be granted proper allowances or subsidies.

If an employee applies for resignation, the human resources department immediately arranges a discussion with them to find out the reason behind their departure and does what it can to show concern for and retain the employee.

Should any significant changes occur to the company's operations, the company would first assess and arrange to have employees transfer to similar positions. Employees are made redundant only if no suitable positions exist or if employees are unwilling to transfer.

### Employee turnover rate

The monthly average turnover rate below is calculated as: (monthly average number of departed employees in 2015)/(sum of month-end employee count from Jan to Dec/12)\*100%.

#### 2016 Monthly Average Turnover Rate (Including Voluntary and Involuntary Departures) - by Age and Region

| Region          | Direct Labor (DL) |       |       |       |       | Indirect Labor (IDL) |       |       |       |       |
|-----------------|-------------------|-------|-------|-------|-------|----------------------|-------|-------|-------|-------|
|                 | <30               | 30-40 | 41-50 | >50   | Total | <30                  | 30-40 | 41-50 | >50   | Total |
| Taiwan          | 2.1%              | 2.0%  | 1.6%  | 0.6%  | 2.0%  | 2.9%                 | 1.9%  | 1.1%  | 1.0%  | 1.7%  |
| Mainland China  | 19.8%             | 10.6% | 3.7%  | 2.6%  | 17.0% | 4.0%                 | 1.9%  | 1.1%  | 2.8%  | 2.9%  |
| Thailand        | 7.3%              | 4.3%  | 0.9%  | 0.0%  | 4.7%  | 5.3%                 | 2.4%  | 0.5%  | 0.0%  | 1.8%  |
| Brazil          | 10.2%             | 10.7% | 10.5% | 16.7% | 10.6% | 9.8%                 | 11.3% | 10.5% | 16.7% | 10.9% |
| Others          | 6.5%              | 4.2%  | --    | --    | 6.4%  | 1.1%                 | 1.9%  | 0.5%  | 1.2%  | 1.1%  |
| Worldwide Total | 19.3%             | 9.8%  | 3.3%  | 2.1%  | 16.2% | 3.9%                 | 2.0%  | 1.1%  | 1.2%  | 2.6%  |

#### 2016 Monthly Average Turnover Rate (Including Voluntary and Involuntary Departures) -- by Gender and Region

| Region         | Direct labor (DL) |        | Indirect labor (IDL) |        |
|----------------|-------------------|--------|----------------------|--------|
|                | Male              | Female | Male                 | Female |
| Taiwan         | 2.5%              | 1.9%   | 1.8%                 | 1.6%   |
| Mainland China | 19.8%             | 13.8%  | 3.2%                 | 2.6%   |
| Thailand       | 4.3%              | 4.8%   | 1.5%                 | 2.1%   |
| Brazil         | 12.9%             | 9.8%   | 9.7%                 | 13.0%  |
| Others         | 6.5%              | 6.2%   | 1.1%                 | 1.2%   |

Note 1: The relatively high employee turnover in Mainland China is largely attributable to the local labor shortage as well as fierce competition in the industry.

Note 2: The turnover rate in Brazil was relatively high due to labor shortage.

## New hire rate

The new hire rate below is calculated as: (monthly average number of new employees in 2015)/(sum of month-end employee count from Jan to Dec/12)\*100%.

### 2016 Monthly Average New Hire Rate - by Age

| Region         | Direct labor (DL) |       |       |      | Indirect labor (IDL) |       |       |      |
|----------------|-------------------|-------|-------|------|----------------------|-------|-------|------|
|                | <30               | 30-40 | 41-50 | >50  | <30                  | 30-40 | 41-50 | >50  |
| Taiwan         | 2.0%              | 1.4%  | 0.2%  | 0.6% | 5.2%                 | 2.2%  | 1.1%  | 0.6% |
| Mainland China | 19.3%             | 9.8%  | 3.1%  | 1.7% | 4.2%                 | 1.4%  | 1.0%  | 0.9% |
| Thailand       | 7.7%              | 4.1%  | 0.7%  | 0.0% | 6.4%                 | 2.4%  | 0.6%  | 0.4% |
| Brazil         | 2.1%              | 1.9%  | 1.3%  | 0.0% | 1.5%                 | 3.4%  | 2.2%  | 0.0% |
| Others         | 10.2%             | 0.0%  | --    | --   | 5.5%                 | 3.8%  | 0.9%  | 0.5% |

### By gender

| Region         | Direct labor (DL) |        | Indirect labor (IDL) |      |
|----------------|-------------------|--------|----------------------|------|
|                | Male              | Female | Region               | Male |
| Taiwan         | 0.2%              | 1.7%   |                      | 2.1% |
| Mainland China | 19.3%             | 13.3%  |                      | 2.8% |
| Thailand       | 4.6%              | 4.8%   |                      | 2.4% |
| Brazil         | 4.0%              | 1.0%   |                      | 2.7% |
| Others         | 12.8%             | 6.4%   |                      | 3.4% |

## Employees on child care long-term leave between 2014 & 2016 (Taiwan)

LITE-ON offers a variety of assistance to employees with child care needs, such as the option to take extended leave, choose different career paths, and receive subsidies. In the recent 3 years, total 85 employees applied the child care long-term leave, and 93.8% of those who did come back stayed in the job in 2016. This is a testament to how employees approve of LITE-ON's policies.

### 2014-2016 child-care long-term leave status

| Definition   | 2014 Actual |        |       | 2015 Actual |        |       | 2016 Actual |        |       |
|--|-------------|--------|-------|-------------|--------|-------|-------------|--------|-------|
|  | Male        | Female | Total | Male        | Female | Total | Male        | Female | Total |
| No. of people qualified for long-term child care leave<br>(No. of people applying for maternity/paternity leave in the last three years) | 238         | 90     | 328   | 291         | 111    | 402   | 352         | 136    | 488   |
| Actual no. of applicants   | 1           | 23     | 24    | 10          | 20     | 30    | 11          | 20     | 31    |
| No. of people expected to be reinstated in the current year  | 3           | 18     | 21    | 9           | 15     | 24    | 10          | 22     | 32    |
| Actual no. of people reinstated in the current year  | 2           | 17     | 19    | 5           | 9      | 14    | 10          | 20     | 30    |
| No. of people reinstated from long-term child care leave in the previous year,<br>and who have worked for one year since                 | 1           | 4      | 5     | 1           | 12     | 13    | 4           | 4      | 8     |
| Percentage of long-term child care leave applicants  | 0.4%        | 25.6%  | 7%    | 3.4%        | 18.0%  | 7.5%  | 3.1%        | 14.7%  | 6.4%  |
| Long-term child care leave reinstatement rate  | 66.7%       | 94.4%  | 90.5% | 55.6%       | 60.0%  | 58.3% | 100.0%      | 90.9%  | 93.8% |
| Long-term child care leave reinstatement rate  | 50.0%       | 44.4%  | 45.5% | 50.0%       | 70.6%  | 68.4% | 125.0%      | 44.4%  | 57.1% |

### 5.2.3 Personnel Recruitment (including policy on prohibition against child labor)

LITE-ON utilizes a broad variety of means to recruit top talents to support its operating strategies, and in return provides them with promising career paths. Some of the company's recruitment channels include collaborative programs with prominent universities and colleges, summer internships (in Taiwan), the government's employment promotion programs, and R&D substitute service candidates. Personnel recruitment invariably complies with local laws and regulations, and upholds EICC guidelines. LITE-ON refuses to hire child workers, strictly prohibits forced labor, and does not let minors perform hazardous work. In addition, an IT system has been established to manage employees' working hours and vacation time, ensuring that employees can balance work and leisure.

### 5.2.4 EICC Committee

LITE-ON has established its own EICC audit procedures to ensure the adequacy, effectiveness and appropriateness of its CSR framework, and to monitor how progress conforms with prescribed guidelines, goals and regulations. The audit procedures clearly outline the responsibilities, processes, principles and cycles of each audit, as well as what details are expected in an audit report and how audit findings should be followed up.

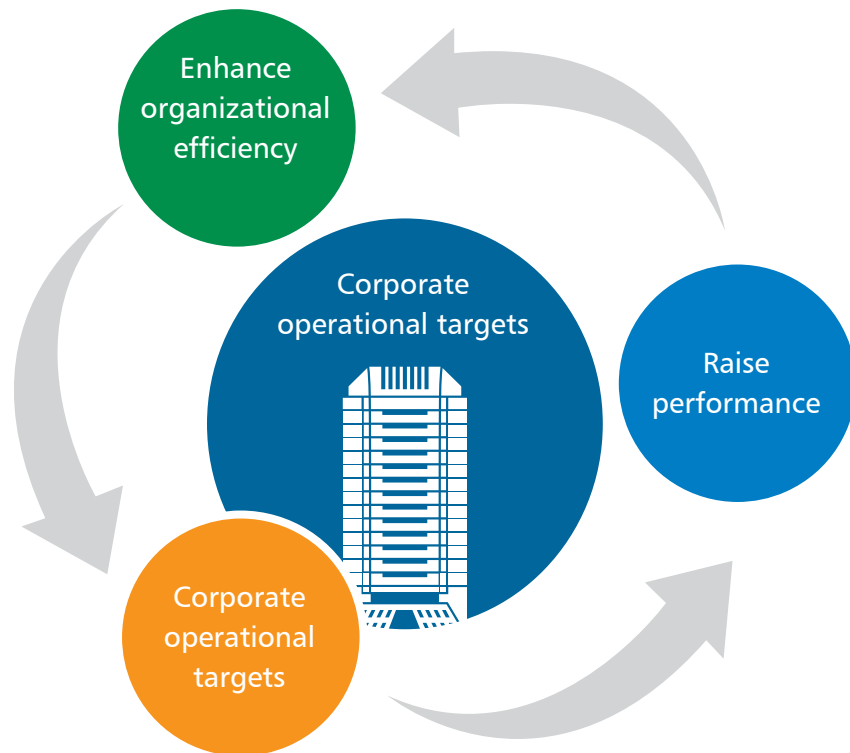
The EICC covers a broad range of issues from employees' health and safety, environmental protection, to business ethics. The company follows these guidelines to conduct self-inspections at each of its plants every month, while plants located in Guangzhou, Dongguan and eastern China have all assembled EICC committees to cross-audit each other and ensure 100% compliance. Any conduct that does not conform with the EICC is raised for discussion and improved upon within the given timeframe.



## 5.3 Employee Development and Training

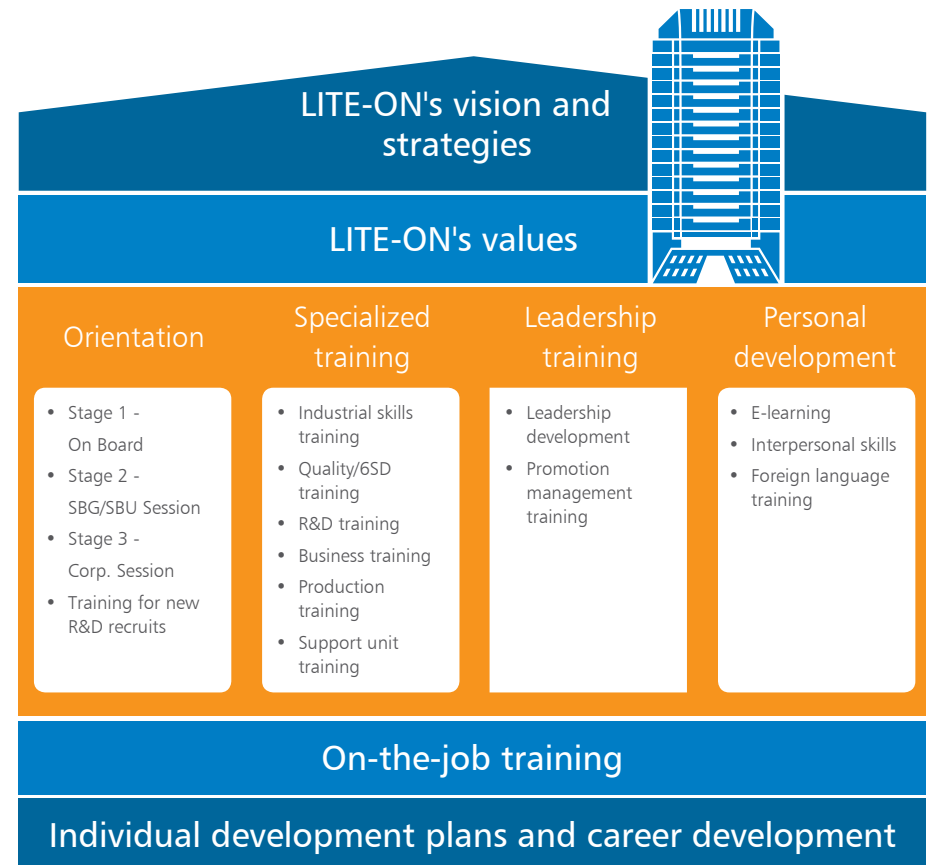
### LITE-ON's Commitment to Learning and Development

Employees are LITE-ON's most important assets, and training is the key to ensuring growth of human capital. It has been stated as part of LITE-ON's mission statement that "the purpose of training is to provide employees with the right management skills, professional knowledge and team work to help the organization thrive and maintain sustainable growth." As a consequence, learning and development receive the highest degree of emphasis at LITE-ON.



### LITE-ON's Learning Structure and Roadmap

Learning at LITE-ON is based on on-the-job training and personal development, and includes the four major elements of new orientation, specialized training, leadership training for managers at different levels, and personal development. Training is intended to help employees identify with LITE-ON's core values and realize the company's vision and strategies.



## LITE-ON's Learning Structure

| Level                    | On-the-job training (OJT) system | Off-the-job training (Off-JT) system |   |  |                                   |   | Self-development (SD) system  |
|--------------------------|----------------------------------|--------------------------------------|---|--|-----------------------------------|---|---|
|                          |                                  | Orientation                          | Internal instructors                            | Corporate Social Responsibility (CSR) training | Leadership training               | Specialized training                      |   |
| Executive management     | Skill development organization   | Stage 1 training for new hires       | Internal instructor's certification training    | Supervising CSR implementation of training     | Executive management training     | R&D training                              | Digital learning courses<br><br>Foreign language training<br><br>On-the-job development program |
| Upper management         | Learning roadmap                 |                                      |   | CSR Management Team Training                   | Upper management training         | Quality training                          |   |
| Middle management        | Case studies and think tank      | Stage 2 training for new hires       | Advancement course instructor's training        |  | Middle management training        | Industrial skills training                |   |
| Primary-level management | Mentorship                       | Stage 3 training for new hires       | Internal instructor skills enhancement training | CSR Training for new hires                     | Primary-level management training | Quality/6SD training                      |   |
| Operational level        | Technical certification          |                                      |   |  | Team leader training              | Business training<br>Procurement training |   |

## Learning and Development Roadmap for LITE-ON Management

- In 2016, there were total 52,434 employees in LITE-ON, and total 1,258,166.5 training hours (including Taiwan, Mainland China and Thailand) or average 24 hours per employee implemented.
- Regional training status are as follows:

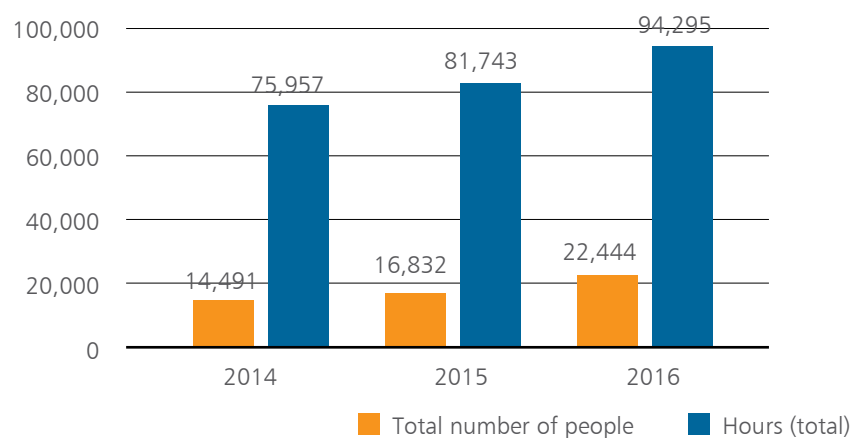
### Training Overview - Taiwan

| Training method    | Level                | Employee numbers | Training participation - male | Average training hours - male | Training participation - female | Average training hours- female | Total training participation | Total training hours | Average training hours per employee |
|--------------------|----------------------|------------------|-------------------------------|-------------------------------|---------------------------------|--------------------------------|------------------------------|----------------------|-------------------------------------|
| Practical training | Executive management | 33               | 287                           | 59.5                          | 4                               | 26.6                           | 291                          | 1,932                | 58.5                                |
|                    | Upper management     | 208              | 1,277                         | 39.8                          | 206                             | 54.2                           | 1,483                        | 8,589                | 41.3                                |
|                    | Middle management    | 2,771            | 6,197                         | 13.8                          | 2,163                           | 13.7                           | 8,360                        | 38,217               | 13.8                                |
|                    | Indirect labor       | 1,178            | 7,751                         | 39.9                          | 4,456                           | 35.6                           | 12,207                       | 45,002               | 38.2                                |
|                    | Direct labor         | 566              | 22                            | 1.5                           | 81                              | 0.9                            | 103                          | 555                  | 1.0                                 |
| e-Learning         | Indirect labor       | 4,190            | 15,939                        | 3.9                           | 6,546                           | 3.1                            | 22,485                       | 16,589               | 4.0                                 |
| Total              |                      | 4,756            | 31,473                        | 25.3                          | 13,456                          | 19.7                           | 44,929                       | 110,884              | 23.3                                |

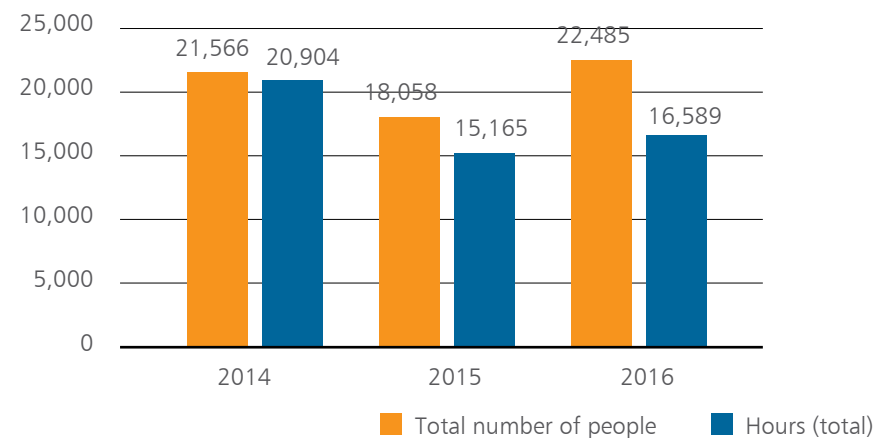
Notes: 1. Total number of employee in Mainland China is 45,404 in which 9,803 is indirect labor and 35,601 is direct labor.

2. Calculation of average training hours per employee= Total training hours/number of employees

### 2014-2016 practical training in Taiwan



### 2014-2016 e-learning training in Taiwan





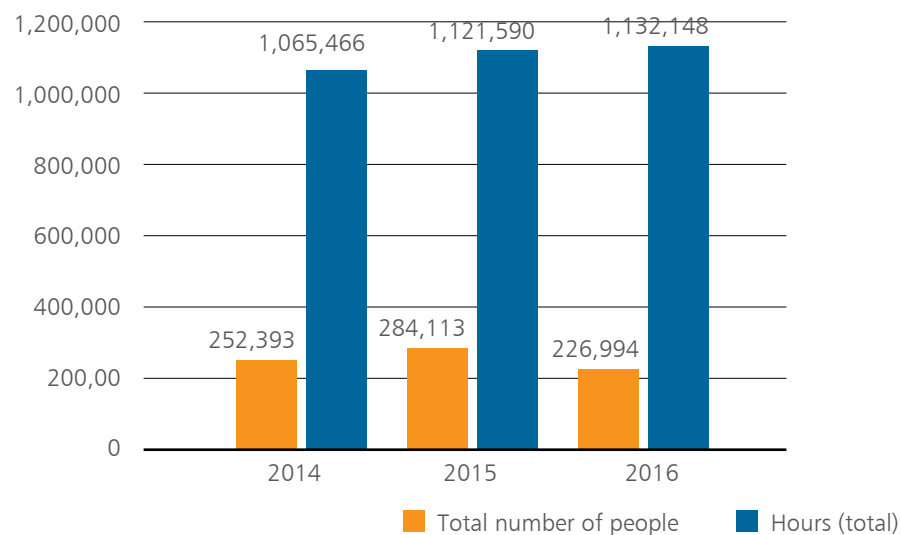
## Training Overview - Mainland China:

| Training method    | Level                | Employee numbers | Training participation - male | Average training hours - male | Training participation - female | Average training hours - female | Total training participation | Total training hours | Average training hours per employee |
|--------------------|----------------------|------------------|-------------------------------|-------------------------------|---------------------------------|---------------------------------|------------------------------|----------------------|-------------------------------------|
| Practical training | Executive management | 1                | 1                             | 0.7                           | 0                               | 0                               | 1                            | 0.7                  | 0.7                                 |
|                    | Upper management     | 7                | 98                            | 94.3                          | 0                               | 0                               | 101                          | 660                  | 94.3                                |
|                    | Middle management    | 1,569            | 2,396                         | 11.2                          | 617                             | 9.1                             | 3,010                        | 16,728               | 10.7                                |
|                    | Indirect labor       | 8,226            | 24,426                        | 20.3                          | 14,471                          | 20.1                            | 38,897                       | 166,273              | 20.2                                |
|                    | Direct labor         | 35,601           | 110,805                       | 30.1                          | 74,180                          | 22.7                            | 184,985                      | 948,486              | 26.6                                |
| e-Learning         | Indirect labor       | 9,803            | 5,196                         | 0.3                           | 2,125                           | 0.2                             | 7,321                        | 3,113                | 0.3                                 |
| Total              |                      | 45,404           | 142,922                       | 27.5                          | 91,393                          | 21.9                            | 234,315                      | 1,135,261            | 25.0                                |

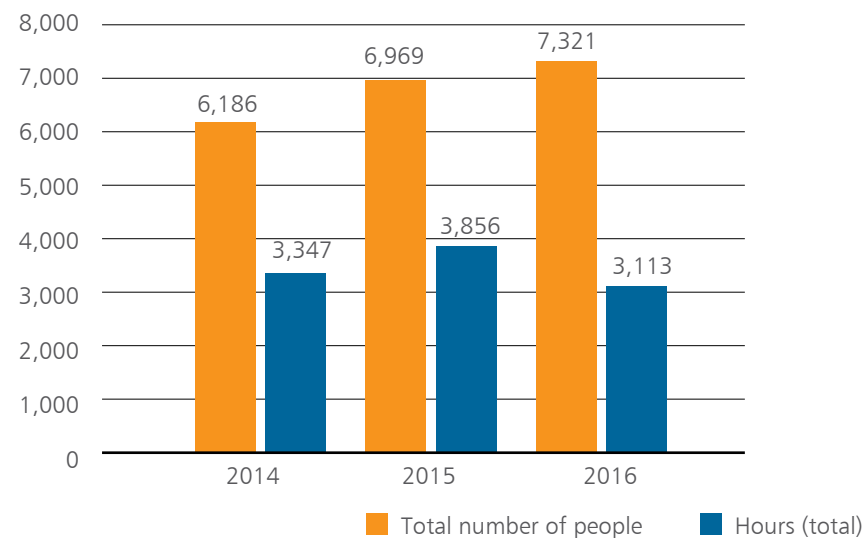
Notes: 1. Total number of employee in Mainland China is 45,404 in which 9,803 is indirect labor and 35,601 is direct labor.

2. Calculation of average training hours per employee= Total training hours/number of employees

## 2014-2016 practical training in Mainland China



## 2014-2016 e-learning training in Mainland China



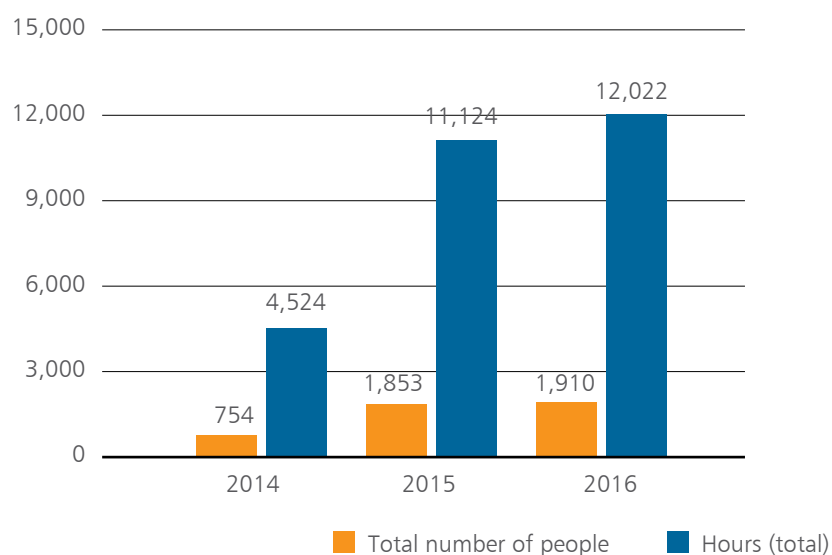
**Training Overview - Thailand:**

| Training method    | Level                | Employee numbers | Training participation - male | Average training hours - male | Training participation - female | Average training hours - female | Total training participation | Total training hours | Average training hours per employee |
|--------------------|----------------------|------------------|-------------------------------|-------------------------------|---------------------------------|---------------------------------|------------------------------|----------------------|-------------------------------------|
| Practical training | Executive management | 0                | 0                             | 0                             | 0                               | 0                               | 0                            | 0                    | 0                                   |
|                    | Upper management     | 0                | 0                             | 0                             | 0                               | 0                               | 0                            | 0                    | 0                                   |
|                    | Middle management    | 84               | 113                           | 16.2                          | 109                             | 19.9                            | 222                          | 1,496.5              | 17.8                                |
|                    | Indirect labor       | 230              | 193                           | 13.8                          | 370                             | 18.2                            | 563                          | 3,774.5              | 16.4                                |
|                    | Direct labor         | 1,960            | 75                            | 1.5                           | 1,050                           | 3.8                             | 1,125                        | 6,750.5              | 3.4                                 |
| Total              |                      | 2,274            | 381                           | 5.5                           | 1,529                           | 5.2                             | 1,910                        | 12,021.5             | 5.3                                 |

Notes: 1. The total number of employee in Thailand is 2,274 in which 314 is indirect labor and 1,960 is direct labor.

2. Calculation of average training hours per employee= Total training hours/number of employees

3. E-learning is not available in Thailand yet

**2014-2016 practical training in Thailand****LITE-ON's Strategies and Plans on Learning and Development**

- Enhancements made to the learning development infrastructure**

- **Friendly learning environment:** An e-Learning platform has been created where Taiwanese and Chinese employees may study at their own convenience without restrictions on time and place. The e-Learning platform also eliminates use of physical materials and thus contributes to the natural environment.
- **Abundant learning materials:** Each year, the company introduces new online courses in addition to a broad range of learning materials such as online courses, e-books, knowledge banks etc. that employees may study on their own outside of working hours.

- Improved training quality**

To improve training quality, LITE-ON follows the principles of the Taiwan Training Quality System (TTQS) to continually associate its training contents with the requirements and strategies of the organization. LITE-ON has also devoted much

effort to tracking employees' learning results and transfer of knowledge, for which it was given the TTQS Silver Award by the Workforce Development Agency.

- **Integrating group resources into a talent bank and common management language**

- **Creation of managers' Success Profiles:** Success Profiles have been created based on the knowledge, experience, capabilities, and characters expected from a manager. They are used as guides to employees' career development.
- **Development of a talent bank:** A company-wide census was conducted to build up a database of managers' knowledge, experience, capabilities and character, so that any open positions can be filled with suitable talent within a relatively short period of time.
- **Common leadership courses:** These courses aim to build up common language among managers and eliminate cultural differences, thereby shorten the time required to adapt to the new management.

- **Innovative product R&D**

- **Industry-academia collaboration:** As part of LITE-ON's commitment to corporate social responsibility, a platform for both theory and experiential learning has been created in collaboration with universities for our employees, students, and the public in general. The program is founded upon technological projects, graduate studies and internship programs and combines theories to cooperatively educate and cultivate new talent. In the company's effort to continue its sustainable business values, we hope that this program will put the company into direct contact with leaders of the next generation, thereby providing support to the company itself and offering a great benefit to society, the industry and the individuals involved.
- **Ongoing recruitment:** Through the aforementioned programs and R&D substitute service opportunities, LITE-ON has been working with universities to train students with the complete set of skills as a means of quickly recruiting R&D talents from graduating students and creating a stable source of talent.

- **Enhancement of R&D capabilities:** To quickly nurture new talent, the company has committed substantial resources to building up basic skills and general knowledge among R&D personnel, thereby making sure that new recruits are able to engage in productive work within the shortest amount of time. To cope with the rapid progression of technology, college professors and doctoral degree holders in various fields of expertise have been invited to host seminars, giving R&D personnel a boost of knowledge that would work in favor of new product development.

- **Internal management**

**Developing a highly efficient management model:** To ensure that business strategies and management practices are properly implemented from the top-down, the company holds monthly management meetings where managers are gathered to communicate the latest strategies and practices. Industry experts, government officials and scholars are invited to host management seminars from time to time, whereas managers are given the opportunity to attend management trainings outside the company.

- **Full-range courses**

- **Comprehensive orientation system**

- > **3-stage training for new hires:** In order to quickly familiarize new hires with LITE-ON's corporate culture, vision, policies, and rules on health and safety, all new hires are required to complete a 3-stage orientation within six months of their onboard date. Furthermore, the company makes sure that 100% of new hires are briefed on LITE-ON's sexual harassment prevention policy and employee code of conduct on their first day on the job. Courses on "LITE-ON Vision, Mission and Strategy," "Employee Code of Conduct and Anti-Corruption Advocacy," and "Information Security" are included as part of this orientation, which every new employee is required to attend. The orientation not only conveys the company's vision, mission, strategies and ethical standards expected from employees, but also gives trainees a good understanding of how the

company enforces its anti-bribery policy.

- > **Specialized training for new hires:** Once new employees commence their duties within their assigned departments, they are subject to full training in professional skills, quality and hands-on practice so that they may begin to make a contribution as soon as possible.
- **Leadership training:** LITE-ON's leadership training has been integrated with its promotion system. Managers who have been recommended for promotion during a given year are required to complete the necessary management courses and develop the skills and knowledge required for the next level before being promoted according to the company's "Promotion Policy." For senior managers, promotion is approved only after the candidate has finished the required courses and passed various assessments and interviews. These courses include: Daily work management, communication and coordination, problem analysis and decision making, project management, goal management, etc.
- **Fundamental R&D training:** These courses are part of the learning program for R&D personnel, which new recruits are expected to complete within one year of employment. They cover professional knowledge on power supply, LED, institution, and safety rules.
- **Technical training:** These courses focus on exploring product trends and new technologies. They are taught mostly by college professors or industry experts to product managers and R&D personnel in general; course materials are discussed in advance between the R&D department and individual lecturers. In addition, the R&D department also arranges to have employees attend external courses.
- **General quality training:** For compliance with ISO and TS quality standards, employees are required to undergo basic quality courses as well as more advanced training as customers may require.
- **Performance enhancement training:** Comprising of leadership, language, and marketing courses, this program is intended to improve employees' work efficiency and managers' leadership skills.

- **Enhanced leadership skills for primary-level managers in Mainland China**

To enhance the leadership and management skills of primary-level managers (team leaders) in Mainland China, LITE-ON has been introducing the Training Within Industry (TWI) for Supervisors program into its Chinese factories throughout 2015. The purpose of TWI was to build up a group of qualified internal instructors and standardized training materials that can be applied consistently to improve the leadership and management skills of primary-level managers.

- **LITE-ON human rights training**

- **CSER (Corporate Social and Environment Responsibility) training:**
  - > **CSER orientation:** To help new hires develop a proper understanding of CSER and the efforts taken by the company, LITE-ON has been incorporating CSER as part of its orientation programs.
  - > **CSER e-Learning:** Through a series of e-Learning courses, the company addresses employees on CSER issues. In addition, courses such as "Corporate Social Environmental Responsibility (CSER)" and "Social Engagement" have been made a mandatory part of orientation to promote the importance CSER principles. We hope that all employees can join together to accomplish our company-wide CSER goals.
  - > **Individual CSER training:** In order to provide every employee with a proper understanding of CSER, the company utilizes communication meetings sessions to convey the latest regulatory changes and the company's CSER efforts, thus progressively incorporating CSER into employees' daily lives.
- **EICC (Enforcing Electronic Industry Code of Conduct) training:**
  - > LITE-ON has already included EICC as part of orientation for new hires, which gives them an idea of how the company is dedicated to EICC values from the first day. Within the PRC, LITE-ON organizes EICC awareness training on a frequent basis with each session introducing more depth and breadth to the topic, so that EICC may become a common language of all employees. LITE-

ON makes sure that its employees are aware of the safety standards, respect and dignity entitled at work, as well as the company's policies on environmental protection and ethical conduct.

- **Training progress:**

> The number of participants and the number of training hours for EICC, CSER and anti-corruption training in Taiwan and in Mainland China in 2015 are shown in the table below.

| Location       | Number of employee | Total training participation - male | Total training participation - female | Total training participation | Total training hours | Percentage of total |
|----------------|--------------------|-------------------------------------|---------------------------------------|------------------------------|----------------------|---------------------|
| Taiwan         | 4,756              | 3,629                               | 1,630                                 | 5,259                        | 5,151                | 110.6%              |
| Mainland China | 45,404             | 47,629                              | 28,408                                | 76,037                       | 92,522               | 167.5%              |
| Thailand       | 2,274              | 381                                 | 1,529                                 | 1,910                        | 12,022               | 83.9%               |
| Total          | 52,434             | 51,639                              | 31,567                                | 83,206                       | 109,695              | 158.7%              |

• **Enhanced Information Security and Workplace Safety**

In order to provide employees with a safe environment to work in and protect the company's confidential information, LITE-ON has devoted significant amounts of resources to employee safety management and to protection of confidential information in the best interests of customers, employees and shareholders, while maintaining the company's competitive edge.

LITE-ON has adopted an advanced security system that controls employee access to offices and plant sites according to the scope of their responsibilities. All security staff are required to undergo a series of strict background checks and to be trained in professional skills such as courtesy, traffic direction, and security inspection etc before commencing duties.



## 5.4 Protection of Interests

### 5.4.1 Protection of Interests of Employment

LITE-ON treats its employees as the company's most important asset; any policies related to employee interests have been established in accordance with the law:

- **Lawful hiring practices**

LITE-ON complies strictly with employment regulations by prohibiting the use of child labor aged below 15; meanwhile, employees aged below 18 are not allowed to perform dangerous work. All changes to terms of employment have been duly notified as required by law.

- **Prevention of sexual harassment and discrimination**

The company strictly prohibits overt or implied sexual harassment. Apart from drafting relevant regulations, the company has established a sexual harassment prevention hotline and e-mail mailbox to receive reports of harassment from employees. In 2016, a sexual harassment grievance was received in Taiwan and the case is now closed. LITE-ON does not discriminate against employees on the basis of their race, religion, skin color, nationality, or gender no disputes have ever arisen due to discrimination.

- **Fair performance assessment**

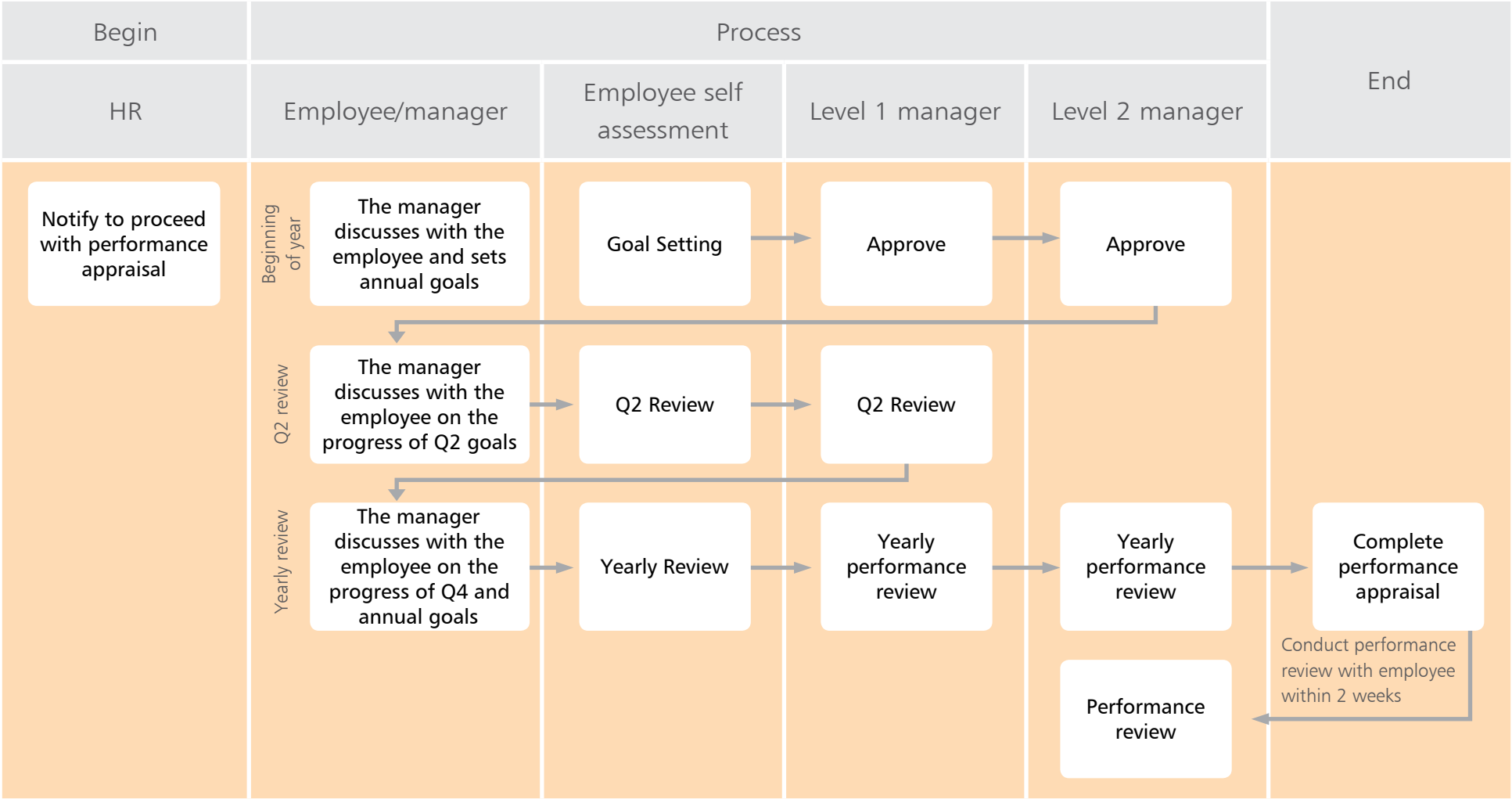
The goal of the company's performance management system is to raise performance both as an individual and as a group. The company has instituted two-way communication and implemented an employee development plan. Performance assessments are fair and reasonable, so that assessment results can provide a basis for promotion, salary increments, bonuses, and employee training. If an employee is not competent to perform his or her work, the company will assist that employee or transfer the employee to a suitable position or affiliated enterprise. If an employee still fails to fulfill the terms of the employer-employee relationship, the company will

terminate the employee's contract with severance pay in accordance with relevant laws and regulations. The company will also provide relevant proof and documents required by law in order to facilitate the application for unemployment benefits or professional training grants for the employee and to protect the employee's employment rights.

For all those in indirect labor (active for 3 months or more), there are three main procedures in LITE-ON's performance appraisal:

- (1) Goal setting: department managers and their staff are required to set annual performance goals at the beginning of the year.
- (2) Q2 review: department managers are required to communicate with staff on how their first-half goals have been achieved and judge their first-half performance.
- (3) Yearly review: department managers are required to communicate with their staff on how their Q4 and annual goals have been achieved and judge their year-end performance.
- (4) Performance review: this process is intended to help employees improve their future performance and create their own individual development plans (IDP) in ways that improve the company's performance. The review is based on how the manager has rated the employee's performance and how the employee may improve and progress in the future; it is intended to be a two-way communication.

LITE-ON's performance appraisal cycle for indirect labor:



For those in direct labor:

There is a direct link between performance of direct labor and the company's production performance. Therefore, for those in direct labor, the plants follow a monthly bonus system based on product characteristics. Employees are rewarded according to performance. Employees' overall performance will be scored in the annual performance review at the end of each year.



### 5.4.2 Guaranteed Salary

LITE-ON places particular emphasis on how employees are compensated for their services. Regardless of where the company operates, it offers competitive compensation packages and conducts salary surveys each year to align salary levels with the current market and with the various economic indicators used in the analysis. As a means of attracting top talents, LITE-ON offers some of the best starting salary packages for new hires. Employees' salaries and compensation are determined by their education, knowledge, skills, seniority, and individual performance. In no way does gender play a part in these decisions. New employees are not given different starting salaries on the basis of their race, religion, political views, gender, marital status, or union association. The company's compensation policy has been drafted on the basis of the following principles:

- LITE-ON is aware of and complies with relevant local laws and regulations, strives to establish harmonious employer-employee relations within the scope of the law, and thereby promotes sustainable management.
- In order to maintain competitiveness in the employment market, pay is set and adjusted in reflection of manpower supply and demand and the profitability of product lines.
- In order to incentivize employees, the company strives to pay appropriate salaries reflecting the market value of professional functions, the contributions of employee, and the results of the performance management system.
- Starting salaries (salaries for lowest grades) offered by LITE-ON to direct labor comply with local regulations regarding the minimum wage.
- Periodically review salary levels related systems to have better salaries in the market
- As an added incentive to employees, LITE-ON pays a performance bonus each year depending on how each individual and the company has performed. The amount of bonus granted to employees is determined by their responsibilities, contributions, and performance.

Gender Salary Differences by Job Nature (Taiwan):

| Title                            | Male | Female |
|----------------------------------|------|--------|
| Technician/assistant (JG06-08)   | 0.81 | 1      |
| Engineer/officer (JG10-14)       | 1.01 | 1      |
| Manager (JG16-20)                | 1.06 | 1      |
| Department head (JG21 and above) | 1.10 | 1      |

*Note: Average salary (male) / Average male salary (female)*

According to Taiwan regulations, all employees need to be insured under the Labor Insurance and National Health Insurance schemes from their onboard date, and have contributions made to pension funds. In addition to mandatory coverage, the company provides group insurance policies that offer better medical protection and cover: life, accidental death, hospitalization, cancer, and emergency medical treatment. Employees may choose to include their spouse/children/parents in the coverage at additional cost. Furthermore, the company offers even broader group insurance coverage for out-stationed employees, giving them the peace of mind when working overseas. Compensation for overseas employees has been set at reasonable and competitive levels depending on local market conditions. Meanwhile, long-term and short-term bonuses are also offered as added incentives according to local regulations and industry practices. Overseas employees are covered by social insurance schemes as required by local regulations.

### 5.4.3 Pension Scheme

LITE-ON's pension policies have been established strictly in compliance with local regulations. In Taiwan, the pension policy complies with the Labor Standards Act where contributions are made regularly to employees' pension accounts; in Mainland China, employees are insured according to local regulations in order to secure a comfortable lifestyle after retirement.

LITE-ON makes contributions to employees' pension funds according to local regulations, regardless of where it operates in the world. Today, 100% of its employees have joined a pension plan. In Taiwan, employees' pension schemes are governed either by the Labor Standards Act (the old scheme) or the Labor Pension Act (the new scheme). Employees who came onboard on or before June 30, 2005, are entitled to carry forward their years of service from the old scheme to the new scheme. Under the old scheme, the company contributes 2% of employees' monthly salaries into a pension account held with the Central Trust of China. This reserve has accumulated to NTD1.05 billion to 4th quarter in 2016, and is sufficient to provide for employees' retirement needs in 7 years.

Under the new scheme, the company contributes 6% of employees' monthly salaries into their personal pension accounts. In addition to the monthly 6% contributions made by the employer, employees may also choose to contribute another 0%~6% of their salaries into their pension accounts.



### 5.4.4 Violation of Labor Standards Act

| Date      | Site      | Unit of labor inspection                                      | Applicable article(s)          |
|-----------|-----------|---|--------------------------------|
| 2016/3/31 | Hsinchu   | Hsinchu Science Park Bureau, Ministry of Science & Technology | Article 32, Subparagraph 2     |
| 2016/5/19 | Hsinchu   | Hsinchu Science Park Bureau, Ministry of Science & Technology | Article 32, Subparagraph 2     |
| 2016/5/19 | Hsinchu   | Hsinchu Science Park Bureau, Ministry of Science & Technology | Article 36                     |
| 2016/6/3  | Kaohsiung | Export Processing Zone Administration                         | Article 24, 30, Subparagraph 5 |
| 2016/7/21 | Neihu     | Department of Labor, Taipei City Government                   | Article 30, Subparagraph 5     |
| 2016/7/27 | Zhonghe   | New Taipei City Labor Inspection Division                     | Article 30                     |

- The above violation of Article 30, Subparagraph 5 was caused by the fact that the company was fined by the Department of Labor for not keeping an employee attendance record. The company had explained to the Department of Labor that the company's office personnel adheres to an honor system based on mutual respect between managers and employees. The company consistently complies with laws and regulations. However, the company operates in various cities across Taiwan, and its employees move around quite frequently. The company has also established overseas offices around the world, therefore to facilitate business activities on a global scale, the company has given consent that managers and employees may work flexible hours as needed. Due to the above reasons, the company is unable to comply with regulatory requirements at the present, but continues to try and find a feasible solution that complies with the regulatory requirements.
- With respect to violation of Article 24 and Article 32 regarding overtime, the company has established comprehensive overtime guidelines and an eflow application process. The unit was engaged in completing the 9-in-1 merger at the time and did not finish the process in time. The human resource department had explained the over-

time application rules to the managers and other employees, and provided assistance to employees in completing the application process. In addition, certain managers were required to conduct appropriate allocation of work and personnel.

- Regarding the violation of Article 36 that requires employees be given at least one day off in every seven days, the company has completed a review and issued statements to the competent authority and LITE-ON employees. The company will strictly prohibit violation of any law in the future.

All information above has been published on the LITE-ON website:

<http://www.liteon.com/Page.aspx?id=9d4c83c1-a5a0-49fb-addc-2ee1f2e6e4d8>

- Operations in Mainland China (including major plants in Dongguan/Guangzhou/Changzhou/Beihai/Tianjin) and in Thailand reported no violation of local labor regulations.

## 5.5 Employee Relations

To facilitate cordial labor management relations, LITE-ON takes an active approach to listening to its employees and making a range of two-way communication channels available. Regular department meetings and a strictly confidential complaint channel form a comprehensive communication platform that ensures instant, transparent, and uninterrupted communication between the company and its employees and protects the rights of each and every employee.

### • Intranets

To ensure all employees have instant access to and knowledge of the company and the Employee Welfare Committee, LITE-ON has created the "HR Portal" and the "LITE-ON Homestead". The "HR Portal" provides complete details on the company's rules and regulations as well as important announcements in order to enable employees to receive important information from the company in a timely manner. Meanwhile, the LITE-ON Homestead provides information on the benefits and subsidies offered by the Employee Welfare Committee in the current year as well as the rules and other special offers. The platform informs employees of the rights and benefits to which they are entitled. In addition, the LITE-ON Homestead contains an "Opinion Mailbox" that accepts suggestions and questions from employees and provides the necessary assistance.



LITE-ON HR Portal [HR.liteon.com](http://HR.liteon.com)



LITE-ON Homestead [EWC.liteon.com](http://EWC.liteon.com)

### • Internal announcements

Depending on the nature of announcements made, LITE-ON distributes newsletters such as "ER Team" (benefits and events), "HRD Team" (continuing education daily English lessons and publications), "HRM Team" (salaries and leaves), and "LiteOn Volunteer" (LITE-ON Volunteer events) to provide employees with information on the company's latest activities. The company also issues questionnaires after each event to collect suggestions that can be adopted for further improvements. In addition, the company makes important news clippings in a shared folder under the Intranet Outlook account available to all employees in order to enable employees to quickly catch up to latest developments in the company and in the industry.

### • Internal publications

To facilitate interaction between the company and its employees, LITE-ON encourages employees to write articles and share their ideas in the company's internal publications. The company also uses these media to announce events and report on corporate performance to give the employees an understanding of the company's position. In 2016, a total of 7 internal publications are issued between Taiwanese and overseas plants. These publications have also been made available in electronic form in the Learning Center so that all employees are able to access instantly latest contents and information provided by the plants and different departments. Distributing this information electronically instead of as hard copy is also the most practical way of protecting our natural environment.



LITE-ON Magazine  
(quarterly)  
~CORP~



LITE-ON Newsletter  
~Power(Changan)~



LITE-ON Assembly  
~Power(Guangzhou)~



LITE-ON Changzhou  
Newsletter  
~Huadong Operations  
Center~



LITE-ON Image  
~IMG(LITE-ON  
Image)~



LITE-ON Home  
~HIS(Shijie, Chang-  
zhou)~



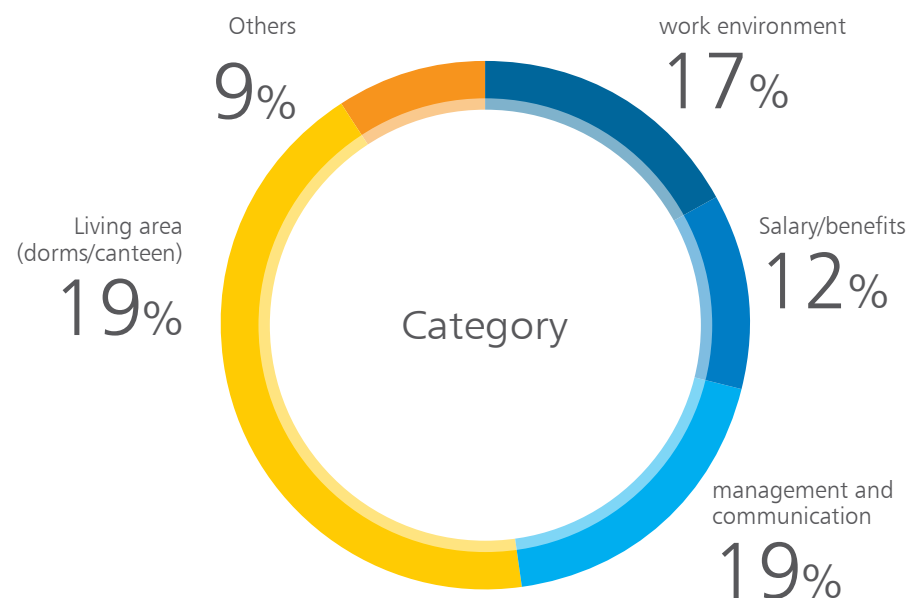
PID Home  
~PID(Guangzhou)~

## • Two-way Communication Meeting

Every business unit at LITE-ON is required to conduct monthly management meetings and organize two-way communication meetings with employees on a regular basis. A total of 44 sessions were held in 2016. In addition to facilitating announcements of important news and business targets from the business units, these meetings enable management to communicate directly with employees regarding the company's vision and culture and hence develop common goals. Employees may also use this opportunity to provide feedback and suggestions, and hence maintain good employee relations.

## • Employee feedback channels

The company has grievance hotlines, e-mail mailboxes, opinion boxes and counseling stations available at plant sites to receive employees' opinions and suggestions. One employee grievance was received in Taiwan in 2016, which had been resolved. In 2016, 1,005 cases were received overseas; 994 or 99% of the above cases were resolved, while 11 were still in progress. Every business unit has an exclusive HR representative assigned to respond to employees' opinions and needs.



## • Satisfaction survey

LITE-ON conducts employee satisfaction surveys in the form of an online survey or a dedicated printed survey every year. The surveys focus on areas such as "events", "income", "management and communication", "living conditions", "work environment", or "career development." It is a means for the company to gather comments and feedback from its employees. Results of the survey provide a basis for related employee care programs.



*The 2016 Satisfaction Survey returned an average score of 89.5 on living areas from a certain plant in Mainland China.*

## • Industrial union

With respect to the local union established for employees of LITE-ON Zhonghe, New Taipei City First Plant, this year, union directors and supervisors organized a one-day summer trip, "Green Onion Picking in Yilan + A Day at Jiu Liao Stream Trail", for members as a means of building employee relations. LITE-ON's Chinese plants at Guangzhou, Changan, Dongguan, Zhuhai, Huizhou, Beihai, and Changzhou have also established their own unions. Furthermore, the Thai plant has also a union. Union representatives have been assigned to each department at the plants to learn employees' needs and suggestions and have them resolved during regular meetings. The unions also take the initiative in organizing activities (group trips) and programs that aim to protect employees' rightful interests and maintain harmonious employment relationships.

## • Sexual harassment prevention in workplace

LITE-ON takes an active approach to building a gender friendly environment and upholding gender equality in the workplace. The company prohibits all kinds of sexual harassment and discrimination within the workplace. It has established related guidelines and policies, such as the Regulations for Establishing Measures of Prevention, Correction, Complaint and Punishment of Sexual Harassment and the Employee Moral Guidelines. LITE-ON has also setup e-mail mailboxes and hotlines. There are strict confidentiality rules in place to protect the complainant's identity.

Furthermore, to ensure all employees have an understanding of sexual harassment in the workplace and know how to respond and seek help, the company provides information about the hotlines during orientation. In addition, the compliance and human resources departments collaborated to create the case study, "Say No to Sexual Harassment and Create a Better Workplace". The case study is made available through the Learning Center to all employees. It is designed to raise awareness of sexual harassment and teach employees about their rights.



*Say No to Sexual Harassment and Create a Better Workplace - e-Course*



## 5.6 LOHAS LITE-ON

LITE-ON is committed to building a comprehensive employee welfare system and remains dedicated to the needs of its employees. In addition to enhancing employee welfare and securing the basic welfare benefits of all employees, the company has made it part of its mission to offer employees a "passionate, motivating, innovative, and growing" environment to work in, making their service at LITE-ON an enjoyable experience. LITE-ON provides a comprehensive range of benefits that meet the needs of its employees and comply with local regulations.

### 5.6.1 Diverse Welfare Systems

#### Benefits in a healthy workplace

Employees are the company's most important assets. LITE-ON strives to build a healthy workplace and safeguard the mental and physical health of its employees.

#### Annual medical check-up

LITE-ON organizes regular physical examinations for factory employees in Taiwan and overseas. Additional tests are provided to workers in certain positions. The company will follow up on the results and raise awareness in employees after each examination so that the employees will have a better idea of their overall health conditions.



Annual physical examinations

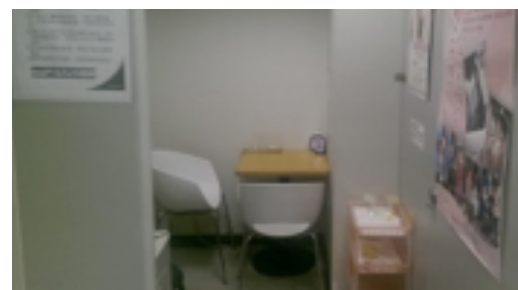


Annual physical examinations - Changzhou

#### Establishment of health centers

LITE-ON has opened a health center in Taiwan. In addition to health professionals available daily to provide assistance, doctors visit the health center monthly to provide face-to-face medical consultations for employees. The center is also equipped with first-aid supplies and equipment for various emergencies.

There is a breastfeeding room in the health center. It provides a comfortable, well-lit, and enclosed space where mothers can have the privacy they need. The breastfeeding room in the health center was awarded a Best Breastfeeding Facility Certificate by the Department of Health of Taipei City Government for providing a good breastfeeding environment.



Health Centers



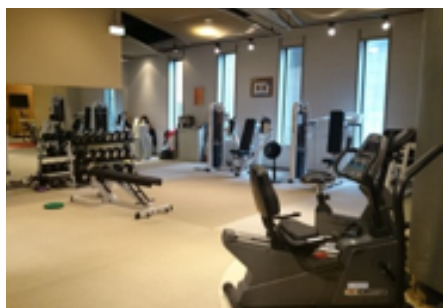
Health Center (medical room) - Guangzhou



## Establishment of fitness center

LITE-ON is equipped with a fitness center that contains a variety of weight training equipment and treadmills. The company has hired an external sports consultant to supply personal trainers who provide services and instructions. In addition to professional fitness advice, the personal trainers offer regular sports courses (e.g. combat aerobics, Pilates) that will help employees relieve stress and get fit.

Some plants are also equipped with sports facilities, such as table tennis, snooker, and basketball courts, available to employees.



*Fitness Centers*



*Fitness Center (fitness club) - Guangzhou Plant*



*Basketball courts - Changzhou Plant*



*Snooker and table tennis facilities - Changzhou*

## Employee assistance programs (EAPs)

Since 2013, LITE-ON in Taiwan has been introducing Employee Assistance Programs (EAPs) that provided every employee with free, 24-hour professional, multi-lateral and highly confidential consultation services on four main areas: mental health, business administration, legal affairs, and healthcare. EAPs are currently run by outsourced consultant companies.

In 2016, a total of 87 LITE-ON employees in Taiwan used the service. 30 of whom used the 0800 hotline through landlines, and 57 used the personal consultation service (to gain access to one-on-one professional consulting services provided by external professionals). Satisfaction surveys show that more than 90% of the users are satisfied with the services. In addition, each employee at LITE-ON has an EAP card that contains EAP contact information through which employees may obtain the most timely and professional assistance in an emergency situation. LITE-ON releases monthly EAPs newsletters that utilize case studies to offer suggestions and reflection. It is the company's wish to help its employees resolve problems by making EAPs and their professional services available to the employees.

## Happiness seminars

LITE-ON planned and organized seminars focusing on physical health related topics throughout 2016. Topics were chosen to relate to the everyday life in order to entice employees to pay attention to their own health and healthy habits. Examples of the topics included "Stretch, Breathe, and Sleep", "Eat Healthy, Eat Smart", and "Staying Healthy in Autumn - Tips for Healthy Blood Vessels". A total of 19 sessions took place. The sessions were attended by 943 participants. The seminars, on average, scored above 93% on employee satisfaction.



Happiness Seminars



Health seminars - Qingxi Plant

## Health and charity campaign - weight loss course

The Health and Charity campaign advocated weight loss through "diet changes" and "healthy exercises". The campaign proved popular when it was launched in 2015. The Zhonghe Plant and the Neihu Plant welcomed the Hsinchu Science Park Plant as a newcomer to the campaign in 2016. The number of participants rose to 82, nearly doubled compared to 2015. Close to 70% of the participants lost 3% or more of their weight. The campaign effectively improved fitness of the participants. The company also combined results and charities and converted weight loss to actual support for disadvantaged children in rural areas.

Moreover, the company put the e-Courses in the Learning Center so that interested employees would be able to learn about correct way to lose weight and nutrition.

## Employee welfare

LITE-ON offers employees a multitude of welfare initiatives and creates a happy, friendly workplace.



Stories from Health and Charity campaign

## Care for employees

LITE-ON's human resource department has personnel dedicated to care for employees on matters such as work accidents, traffic accidents, and major illnesses, and to provide helpful information where needed (e.g.: group insurance, hospitalization). LITE-ON's Employee Welfare Committee offers prompt financial aid of NTD30,000 to NTD100,000 to employees who fall victim to unfortunate events to help them through such difficult times.

## Welfare and benefits

LITE-ON offers employees a multitude of welfare initiatives. Some of these benefits include: stationed physicians, commendation for long-time service, commendation for excellence, group insurance, birthday and festive gifts, wedding subsidy, child subsidy, education subsidy, hospitalization subsidy, funeral subsidy, and any benefits mandated by law. The company also provides employees with personal travel subsidies that they can use to plan trips for the family.

| 福利類別           | 金額       |
|----------------|----------|
| 1. 員工因公出差交通費補助 | 20000.00 |
| 2. 員工因公出差住宿費補助 | 20000.00 |
| 3. 員工因公出差伙食費補助 | 20000.00 |
| 4. 員工因公出差交通費補助 | 20000.00 |
| 5. 員工因公出差住宿費補助 | 20000.00 |
| 6. 員工因公出差伙食費補助 | 20000.00 |

Benefits and subsidies

## 5.6.2 Diverse Recreational Activities

Each year, LITE-ON organizes a broad variety of motivational events ranging from celebrations, family days, competitions, hiking activities, group trips, and festive dinners. Recreational facilities such as libraries, fitness centers, and audiovisual equipment have also been made available for employees to share their experiences, learn together, and relieve stress.

To help employees bond and raise work morale, LITE-ON sponsor's employees to establish social clubs, and subsidizes them in the form of funds or event venues so that they may enjoy a balanced, healthy and joyful work life.

Please visit the company's website for more details on employee activities.

<http://www.liteon.com/Page.aspx?id=665cee8b-5e2e-4dec-8ab2-56a432c0d7cd>

LITE-ON Year-end Party - Taiwan



Year-end Party - Shijie Plant



Year-end Party - Qingxi Plant



Family Day - Taiwan



Family Day (Family Festival) - Guangzhou



Competition - Singing Competition - Taiwan



Competition - Singing Competition - Thailand





Competition - Singing Competition - Thailand



Competition - Tug of War - Beihai Plant



Competition - Snooker - Guangzhou Plant



Competition - Dragon Boat Race - Huizhou Plant



Competition - Basketball - Taiwan



Group Trip - Zhonghe plant



Group Trip - Huizhou Plant



Group Trip - Qingxi Plant



Hiking - Taiwan





Christmas Party - Zhonghe



Christmas Party - Qingxi Plant



Songkran Water Festival - Thailand

List of Clubs - Taiwan

### 5.6.3 Occupational Safety and Health Management (OSHM)

LITE-ON places emphasis on its Occupational Safety and Health Management (OSHM) performance management, the company is dedicated to providing the safest, the most environmentally friendly and most effective production sites for the benefit of customers, partners, and the community. OSHM management is considered part of the company's competitive advantage, and is hardwired into the corporate DNA. The company has an MOE (Manufacturing Operation Excellence) Department directly under the Group CEO that specializes in setting strategies and policies, and coordinating resources to guide, assist, and confirm that OSHM targets have been met. LITE-ON values the importance of ongoing OSHM improvements, and the labor health, hygiene and safety obligations, rights and interests are clearly indicated in the labor contract or labor health and safety codes of practice. Every production site has an EHS team headed by the highest ranking officer and a committee founded in accordance with the law whose missions involve attaining ISO 14001 and OHSAS 18001 certification, and applying PDCA cycles. In an attempt to minimize intensity of energy consumption and greenhouse gas emissions, LITE-ON's Neihu headquarters recently introduced an ISO 50001 energy management system in 2011. It also continuously implements energy management in order to enhance its operation performance and value. The company pays particular attention to stakeholders' needs, and through management efforts, a workplace is built that is as safe and healthy as it is comfortable and environmentally friendly.

#### LITE-ON Environment, Health & Safety (EHS) Organization Structure



### • Worker health and safety committees in place at each plant

LITE-ON's production sites are mainly located in Taiwan, Mainland China and Thailand. According to the laws of Taiwan, every company is required to establish a committee dedicated to promoting worker health and safety affairs. Though no such requirement exists in Mainland China or Thailand, LITE-ON has nevertheless created similar organizations to involve employees in the company's health and safety affairs. Below is a summary of workers' participation in health and safety organizations throughout LITE-ON's global locations, and the key issues discussed in 2016.

| Region   | Taiwan   | Mainland China   | Thailand   |
|--|--|--|--|
| Percentage of employee representatives in the worker health and safety committee | 81%  | Not applicable   | 45.5%  |
| Key issues discussed   | 1. Construction safety and protective measures<br>2. Occupational health and safety training<br>3. Chemical classification | 1. Machinery safety and protective measures<br>2. Chemical protective measures<br>3. Safety label identification                                     | 1. Safe goods movement<br>2. Traffic safety<br>3. Machinery safety and protective measures |
| Note   | The committee has 37 members; 30 of whom are employee representatives.   | Though no committee has been established, employee representatives are still able to be involved in worker health and safety affairs through unions. | The committee has 11 members; 5 of whom are employee representatives.                      |

### • Comfortable working environment

LITE-ON provides employees with facilities such as fitness centers and libraries that help them stay healthy and relieve stress. A "Cultural Corridor" in Taiwan headquarters has also been maintained to develop employees' cultural awareness. Each plant site features a spacious and comfortable cafeteria where employees can dine without food safety concerns, fully furnished with service providers including travel agencies, cafes, grocery stores etc.

### • Health promotion and a safe working environment

LITE-ON actively complies with the requirements of the Labor Safety and Health Law and its enforcement rules, Labor Health and Safety Facilities Regulations, Labor Inspection Law and its enforcement rules, Hazardous Work Place Review and Inspection Rules, Strengthened Labor Health and Safety Management Guidelines, Labor Standards Law and its enforcement rules, and Health and Safety Facilities Standards. LITE-ON provides pre-service health checkups and health and safety training to new employees. It also provides regular health checkups for in-service employees who perform particularly hazardous work, who must also use appropriate safety gear. LITE-ON further implements health examinations focusing on specific items, performs health management, and regularly holds health and safety training classes, including classes on such subjects as electrical safety, use and management of hazardous articles and substances, and how to avoid unsafe actions while working, as well as conducting regular fire drills.

In 2016, LITE-ON performed 24,229 health check-ups for employees and there were 78,347 participations in fire prevention, health and safety trainings.







In order to effectively prevent the occurrence of occupational diseases and occupational hazards, each factory has an Environment, Health and Safety (EHS) implementation team cooperating with internal audit, headquarters audit to conduct annual EHS and fire safety activities. Meanwhile the EHS team supervise the improvement of environmental safety and hygiene to achieve the workplace zero disaster as the company's key indicator of operational management.

In accordance with EHS regulations and its management systems, the company has continued to track statistics on occupational injuries (excluding traffic accidents) in 2016. The number of occupational injuries was higher compared to the previous year, but there was no occupational injury death. Analysis has shown that these injuries occurred mostly to employees due to a lack of care while operating machinery. LITE-ON will continue to investigate the root causes of these injuries and prevent recurrences through corrective measures, improved procedures, training, and eliminating of behaviors and workplace arrangements that are unsafe to workers.

#### Disabling Injuries Statistics

| Region         | Frequency of disabling injuries (FR)<br>(million work hours) |        |       | Severity of disabling injuries (SR)<br>(million work hours) |        |       |
|----------------|--|--------|-------|---|--------|-------|
| Gender         | Male   | Female | Total | Male  | Female | Total |
| Taiwan         | 0.66   | 3.31   | 1.60  | 3.91  | 22.72  | 10.59 |
| Mainland China | 0.86   | 0.54   | 0.72  | 14.72   | 8.99   | 12.17 |
| Thailand       | 0.58   | 0.42   | 0.45  | 11.02   | 2.21   | 3.91  |
| Global         | 0.84   | 0.63   | 0.74  | 13.96   | 8.88   | 11.64 |

#### Absentee rates (including sick leaves, personal leaves, and occupational injury leaves)

|                | Male  | Female | Total |
|----------------|-------|--------|-------|
| Taiwan         | 0.29% | 0.73%  | 0.44% |
| Mainland China | 2.13% | 2.14%  | 2.13% |
| Thailand       | 0.10% | 0.08%  | 0.08% |
| Worldwide      | 1.98% | 1.90%  | 1.94% |

Note: The absentee rate is relatively high in Mainland China at 2.13%, mainly due to a larger number of hours absent associated with employees on no occupational personal leaves.

## 5.7 Multi-Stakeholders Collaboration Initiatives

### Collaboration with Lenovo and BSR in Joint Employee Care Program

#### Program objectives

To help female workers become more skilled and better specialized. To help female workers find opportunities for advancement while improving their basic working and living skills; and to build an active and sustainable team of female workers for the plants and employees.

#### Program background

A training project organized jointly by the company and its client, Lenovo, to have BSR provide onsite training for female factory workers in Greater China.

Period: April 2015 - November 2016

#### Course

| Course type                             | Classroom | Course name                                      |
|---|-----------|--|
| Basic management                        | 1         | In walks the team leader                         |
|   | 2         | Managing younger employees                       |
|   | 3         | Stress management                                |
| Effective communication                 | 4         | Effective communication in the workplace         |
|   | 5         | Highly effective communication                   |
| Safety and health                       | 6         | Workplace safety                                 |
|   | 7         | Women's health                                   |
| Financial planning and entrepreneurship | 8         | Financial planning                               |
|   | 9         | Entrepreneurship 101 and prerequisites           |
| Confident women and family              | 10        | Speech and public speaking training              |
|   | 11        | Confident women                                  |
| Project research                        | 12        | Election and establishment of Female Worker Team |
|   |           | Project research                                 |

#### Program results

Basic training targets female employees at the lowest level of the organization. Training in this phase helps students adapt to a new work environment, acquire basic communication skills, get better at managing own stress and emotions, and become more aware of safety at work and in everyday life. The module of long term development teaches employees how to manage their income and expenses correctly and how to make career plans.

Advanced training targets female employees with potential and tries to improve their career development and leadership skills. Certain courses, such as "Managing Younger Employees", have been made part of the corporate training courses. 100 employees completed courses in the project. After attending the courses, students and fellow employees talked about changes in their attitudes and behaviors throughout the training courses and about the benefits of the courses. They also expressed appreciation for the company providing such training.





#

6

LITE-ON and Society



## 6.1 Social Inclusion Policy

LITE-ON has long committed to social inclusion with the goal of "giving back what is taken from society," especially given escalating problems in society. These problems include new immigrant integrating into society, upbringing of younger generation, shortage of life-long educational resources, lack of creative talent, and increasingly serious environmental and ecological issues. LITE-ON's efforts have focused on building a multi-cultural, caring, creative, and sustainable society. In order to achieve this social vision, the company has identified four critical missions: advancing cultural diversity in quality of humanism, promoting care of youth and children education and life-long learning, nurturing creative and professional talent, and developing sustainable product and environmentally friendly education. Accomplishment of the above missions depends on how we execute our concrete strategy. Some of the projects undertaken have included: a community assistance program, community college, LITE-ON Award, educational support, a corporate volunteer system, and sustainable product designs. The above strategies were executed mainly through the following actions:

- Volunteer training (for multi-culture and community volunteer programs)
- Care services for youth and children
- English and after-school teaching at remote elementary schools; after-school counseling for disadvantaged students; counseling for the physically/mentally disabled; environmental protection activities
- Adult education (including disabled and disadvantaged people); provision of life-long learning platform and green courses
- Encouraging creative technical designers and integrating into technology incubation programs
- Industry-academia collaboration—combining theory and practice
- Development of clean, energy-saving, and healthcare-related equipment



LITE-ON's Social Involvement Expenses and Donations

| Item                                      | In multiples of NTD10,000 |
|---|---------------------------|
| Charity expenses and donations            | 1,287                     |
| Relief donations                          | 1,000                     |
| Education campaign expenses and donations | 4,006                     |
| Total                                     | 6,293                     |

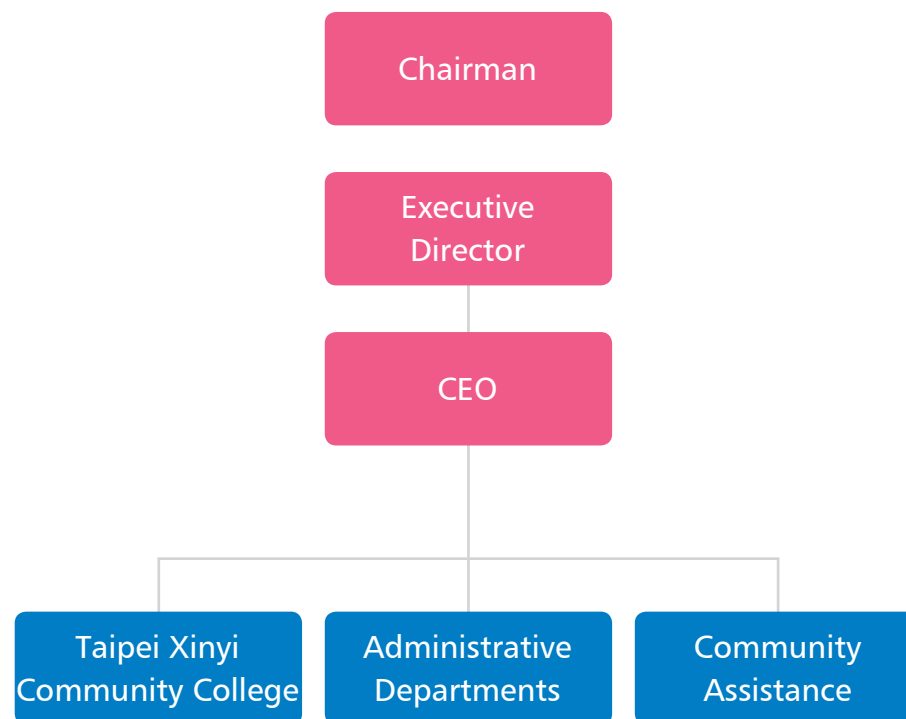
## 6.2 LITE-ON Cultural Foundation

LITE-ON founded the LITE-ON Cultural Foundation in 1993. The Foundation was initially funded by private donations from founders of three affiliated companies. Each year, LITE-ON and its affiliated companies would donate NTD10 million of their profits to the Foundation, which became the main source of funding for the Foundation's activities.

LITE-ON believes that a company's performance is measured not only in its ability to generate profits and reinvest in growth but also in how it supports education, cultural development, charity, and other aspects of society to benefit society as a whole. Therefore, LITE-ON's affiliated companies take action to support social and cultural charities by donating part of their profits in support of the Foundation.

Regarding its contributions to cultural activities in the community over the years, the LITE-ON Cultural Foundation has been investing a significant amount of manpower and resources in services such as nurturing cultural character, promoting charitable works, caring for corporate culture, and supporting children's growth. The target audience ranges from children to adults, and the scope of services encompasses Taipei as well as local communities in other parts of the country. Most of the Foundation's activities involved promoting "Community Assistance" and "Xinyi Community College".

Organizational chart of LITE-ON Cultural Foundation



## 6.2.1 Community Assistance: Caring for disadvantaged children and youths

### • Projects completed in 2016

**Category:** Community Volunteers

**Project:** Community volunteer training

**2016 Performance:** The training system consists of common core courses, basic knowledge courses, and advanced courses. It trains volunteers to explore their inner selves and the process and skills of helping others in a systematic manner over time in order to become better parents and better helpers. A total of 16,534 participants from Taipei City, New Taipei City, and Taoyuan received training. A total of 41,335 training hours were completed.



**Category:** Community Volunteers

**Project:** Small group and individual counseling services for disadvantaged children and teenagers

**2016 Performance:** Services include: small group counseling services, individual counseling services, accompaniment, care, and counseling. A total of 11,707 students received counseling services.



**Category:** Community Volunteers

**Project:** New Team Warm Up

**2016 Performance:** Community volunteers expanded their services beyond counseling to include areas such as reading assistance, life education, character development, and after-school studies. A total of 38,218 students received the warm up services.

**Category:** Community Volunteers

**Project:** Promoting arts and cultural education

**2016 Performance:** Mr. Stanley Yen once said "culture is our largest added value." Taiwan has the advantage of a diverse culture and the ability to appreciate art. Culture is indeed our largest added value. The Foundation has been encouraging its trainee instructors to participate in arts and cultural activities, expose themselves to cultural education, broaden their horizons and diversify their views, and reach out to different fields in order to apply the results in classes and in families. A total of 360 trainee instructors attended 5 arts seminars this year.





**Category:** Diverse services

**Project:** Remote school children counseling and senior care support

**2016 Performance:**

- Invited by Yeliou Elementary School in Wanli District, New Taipei City, three of the Foundation's community volunteers provided senior care courses, which were attended by a total of 136 participants.
- Provided support for Mudan Elementary School in Shuangxi District, Taipei City with group counseling for students and English storybooks camps. A total of 680 students participated in the event.
- Volunteers organized a tea party at Jingtong Elementary School for disadvantaged children, which were attended by 10 children.



**Category:** Diverse services

**Project:** Summer Camp for Children of LITE-ON Employees

**2016 Performance:** The company tries to provide services for internal customers and targets children of its employees. A three-day summer camp was held at LITE-ON's Neihu headquarters and Zhonghe plant. A total of 55 children participated in the event.



**Category:** Teaming up with allied institutions

**Project:** Community Volunteer Seminars

**2016 Performance:** As part of community volunteer training and interschool exchange, the Foundation works with Living Psychology Publishers and Baba Publishing to organize "Community Counseling Seminars" that bridge the gap between theory and practice of "learning on the job" and the habit of reading, and improve the quality and training of volunteer workers. A total of 7 seminars were attended by a total of 786 volunteers.



**Category:** Teaming up with allied institutions

**Project:** Government Projects

**2016 Performance:** The Foundation was commissioned by the New Taipei City Family Education Center to organize the course, "Using Storybooks to Build A Better Family and Help Others". A total of 15 schools and 2,400 volunteers were involved.





**Category:** Teaming up with allied institutions

**Project:** Community Care Summer Team

**2016 Performance:** The Foundation sponsored the "Wiseman vs Money Monster: Financial Planning Camp" children's camping activities organized by Taipei Lefu Community Association. A total of 240 students participated in the activities.



**Category:** Teaming up with allied institutions

**Project:** Internships from Universities and Technical Schools

**2016 Performance:** Each year during summer vacation, the Foundation recruits interns to participate in summer internships. A total of 12 students from National Taiwan Normal University, Fu Jen Catholic University, Shih Chien University and Tzu Chi University completed internships.



## • Other projects in 2016

**"Grandparents Day: DIY for grandparents and grandchildren and family time exhibit"**

In summer of 2016, following the Grandparents Day Celebration: DIY for grandparents and grandchildren and family time exhibit, the Foundation invited all of its volunteers in New Taipei City and their families to send in their entries and to join a



maker movement that transformed thinking into doing. The two-week event was attended by more than 1,000 participants.

Grandparents Day is not created to be celebrated with elaborate ceremonies but with simple or interesting ceremonies that can be performed at home to facilitate closer interaction between grandparents and grandchildren. The Foundation also took the opportunity to set an example of intergenerational management. Elements such as arts, experience and creativity were added to encourage three or four different generations to join the making process and express their ideas and emotions by recording them and showing to others. Works and actions gave form to the intangible. The results included photo albums, treasure boxes, grandparents' story walls, and letters to family members completed at the event, and floral wreaths and DIY guardian dolls. One of the senior volunteers held a belated wedding for his wife after 40 years together. Ideas for more maker projects were conceived during the event and taken into more families to celebrate the bond between grandparents and grandchildren.



2016.8.29 United Daily News



**Scholarship and donation platform for disadvantaged students:** A Community Assistance Scholarship Policy has been established to provide financial aid for financially disadvantaged junior high school and elementary school students and relieve them from financial worries. A total of 44 students have benefited from the program, into which the Foundation has invested NTD278,000.

**Community Assistance Biweekly Newsletter:** The Foundation publishes the biweekly newsletter to share its work and education efforts to a broader audience (including NPOs). The newsletter shows real accomplishments of family education projects and family life to cultivate even better relations and quality of life. A total of 18 biweekly newsletters were issued in 2016, making it an important means through which the Foundation discloses relevant information and contacts its Community Assistance.

**Innovative parental courses:** The course goals are to help parents understand their children and build knowledge and skills in learning with their children, thereby encouraging self-development in parents and the desire to help others in similar situations. The courses developed in 2016 are “Festivals in Taiwan: Building A Better Family and Helping Others” and “Be A Good Parent to Yourself: Being A Good and Happy Parent”.

### • Community assistance 2016-2017 work plan

- To continue to operate the scholarship and donation platform for disadvantaged students and to implement this platform throughout its entire organization.
- To organize Summer Camp for Children of LITE-ON Employees.
- To rebuild the Community Assistance Oversight System and the trainee instructor training program, and to implement LITE-ON's Community Assistance Model in new communities in New Taipei City or schools in remote areas.
- To revamp and redesign the website in order to provide a knowledge platform for schools and members of the public in need of family or parenting education and services for the disadvantaged.
- To create the LITE-ON Cultural Foundation YouTube channel and produce course related images and videos to better advertise courses and convey the power of positive thinking.
- To support remote children counseling support in New Taipei City.
- To reinforce community assistance training courses and the 32-course structure and to try to publish books in collaboration with publishers.
- To work actively with the Taoyuan and Hsinchu Family Education Centers to promote arts and aesthetics courses for parents in the two cities. The courses are aimed to benefit local residents and LITE-ON employees at the Taoyuan-Hsinchu Plant.
- To make plans to offer arts and aesthetics courses for parents at Xinyi Community College, and to extend the reach into communities and schools for better effect.

Source: For details of the LITE-ON Cultural Foundation's 2016 community assistance report, please see: [http://www.liteoncf.org.tw/download/open\\_A.pdf](http://www.liteoncf.org.tw/download/open_A.pdf)

## 6.2.2 Promoting Lifelong Learning for Adults: Building Taipei Xinyi Community College

The Taipei Xinyi Community College was founded on its mission and educational philosophy, which can be divided into four themes, "caring for the disadvantaged, diverse education; environmental sustainability and green lifestyle; public engagement and talent training; and arts, history & community aesthetics". The vision and goals are established accordingly. The lifelong learning platform is constructed with people at its center. The platform serves to encourage cultural development, help the disadvantaged, and support cultural education in the community. It aims to "be an excellent community college and the best partner in lifelong learning for residents in the Xinyi District". A business management system was implemented with effective management by objectives. The Xinyi Community College offered 377 courses and accepted more than 7,307 students in 2016.

| KPI   | 2014<br>(Target) | 2014<br>Actual | 2015<br>(Target) | 2015<br>Actual | 2016<br>(Target) | 2016<br>Actual |
|---|------------------|----------------|------------------|----------------|------------------|----------------|
| A. Average student head-count                   | 2,900            | 3,400          | 3,200            | 3,523          | 3,400            | 3,654          |
| B. Number of students enrolled in green courses | 450              | 557            | 575              | 644            | 600              | 682            |
| C. Number of disadvantaged students             | 120              | 98             | 100              | 74             | 100              | 79             |

Furthermore, 60 LITE-ON volunteers continued to work with Xinyi Community College volunteers in organizing the "LITE-ON Jianle Cup Basketball Tournament" in 2016. Young and energetic corporate volunteers shared their experience of providing accompaniment and other services through social media, thereby creating a strong sense of love and community.



Event date: 2016.06.29

Event name: Angel Garden Tour

Event date: 50

No. of volunteers: LITE-ON volunteers: 20 / Xinyi volunteers: 5



Event date: 2016.01.23 / 2016.05.21 / 2016.12.17

Event name: LITE-ON Jianle Cup Basketball Tournament

No. of participants: 300

No. of volunteers: LITE-ON volunteers: 60 / Xinyi volunteers: 15

## • 2016 education program features and performance

With respect to innovative projects based on the four themes this year, caring for the disadvantaged was embodied by healthy exercises for seniors living on their own in poverty in the community; and an environmental friendly green lifestyle was achieved by making plans for guided tours of the Xinyi trials throughout the year and training of trainee instructors. Meanwhile, for public engagement, the College supported the Taipei City Government's mini farm project and went further to encourage local community participation. In supporting arts and culture, the College designed courses that involved showcasing learning results at the Xinyi Roaming Festival and related activities organized by local Xinyi district offices. A list of important activities at the College this year is shown below.

| Development Objective                          | Partners   | Shared responsibilities   | Objectives/Benefits   | No. of participants       |
|--|--|---|---|---------------------------|
| Caring for the Disadvantaged Diverse Education | Social Affairs Bureau  | Senior Academy  | To promote courses in health and recreation, and IT education for the elderly.  | A headcount of 250 people |
|  | Xinyi Senior Center<br>Xinyi Social Welfare Center<br>LITE-ON Volunteers | Festive gathering and accompanied tours for lone elders                                     | To care for elders living on their own in poverty and to keep them company  | A headcount of 350 people |
|  | Xinyi Health Center, Taipei Medical University                           | Training instructors for public health courses  | To prepare more experienced trainee instructors and volunteers for senior care on current issues of epidemic prevention and common chronic diseases.  | A headcount of 300 people |
|  | Lian Village (new project)   | Health summer camp  | To help disadvantaged individuals living alone build a routine of healthy exercises.  | A headcount of 200 people |
|  | First Social Welfare Foundation  | Jianle exercise, photography, rock and roll music, Angel Garden courses, child fitness camp | To care and accompany those suffering from physical disabilities or growth recession, and to strengthen their physical fitness and social skills.   | A headcount of 200 people |
|  | Eden Social Welfare Foundation (new project)                             | Courses for the visually impaired   | To help the visually impaired learn about tea ceremonies, herbs, and mandala through smell, touch, and mental development.  | A headcount of 200 people |
|  | LITE-ON Human Resources Department                                       | Corporate volunteers caring for the disadvantaged (basketball games and tours)              | The Community College helps to train corporate volunteers in order to encourage young volunteers to join the cause.   | A headcount of 300 people |
| Environmental sustainability Green lifestyle   | Sung Shan District Farmers' Association                                  | Hushan organic farming course   | Promotion of organic farming within community   | A headcount of 70 people  |
|  | Local organic farming groups and individuals                             | Seventh Green Lifestyle Organic Farming Conference  | The theme of the conference was "Green Lifestyle Friendly Farming". The audience was led by the speakers through a journey to find the heart of the green lifestyle. The instructors also led students to share their experience. | A headcount of 100 people |
|  | Futai Village (new project)  | Holiday organic farms   | To recruit trainee students of organic farming from local communities   | A headcount of 200 people |
|  | Hengai Center (new project)  | Rooftop mini farms  | To help the physically disabled and their parents learn organic farming   | A headcount of 50 people  |



| Development Objective                           | Partners   | Shared responsibilities                         | Objectives/Benefits  | No. of participants        |
|---|--|---|--|----------------------------|
| Environmental sustainability<br>Green lifestyle | Xinyi Health Center  | Hiking and weight loss program                  | To help members of the community and students join the hiking team of the Community College and encourage each other to lose weight and enjoy health.  | A headcount of 50 people   |
|   | Xinyi Community College + Xinyi District offices   | Community exhibitions                           | Public exhibitions brought attraction to local communities and promoted lifelong learning.   | A headcount of 500 people  |
| Public engagement and talent training           | District offices (new project)   | Xinyi history workshops                         | To align the project with government arts and cultural policies and design courses that encourage participants to join in the route planning process, thereby inspiring a sense of community in local areas. | A headcount of 240 people  |
|   | Department of Economic Development (new project)   | Yongchunpi restoration                          | Giving birth to Taipei's first wetland park  | A headcount of 100 people  |
|   | Public Works Department (new project)  | Xinyi 415 Park                                  | Turning a neighborhood park into a model of urban farming  | A headcount of 200 people  |
| Arts & History<br>Community Aesthetics          | Oil painting, calligraphy, paper art, embroidery course students + City Council gallery, Public Assembly Hall, district offices, and National Science and Technology Center for Disaster | Xinyi Community College arts exhibition         | Promoting appreciation to arts and culture.  | A headcount of 1000 people |
|   | Ocarina and traditional music course students + Hushan trail, Futai Village and Changchun Village offices  | Arts exhibition and performance                 | Inspire people's interests in learning and community arts through outdoor performance exhibitions.   | A headcount of 500 people  |
|   | Xinyi District Office (new project)  | Xinyi Roaming Festival - Fude Cultural Festival | Students of the oil class painted Wufenpu Fude Temple to showcase the worship of Fude as an artistic touch on the Xinyi District.  | A headcount of 500 people  |

*Note: The numbers of participants in the projects above are the actual number of participants recorded, except for community exhibitions, Xinyi Community College arts exhibitions, arts exhibitions and performances, and Xinyi Roaming Festival - Fude Cultural Festival where the numbers are estimates based on participants at the time of performance or exhibition.*

## • Future outlook

We will continue to make improvement, including in the following areas:

- I. In terms of the progress of the campaign "Historical Xinyi", in addition to training ecological, cultural, and historical tour guides and building a website for local images, recordings and maps, we will align ourselves with the "Grassroot arts and culture - Xinyi Roaming Festival" campaign to be organized by the Xinyi District Office next year and design arts and cultural courses and clubs. We will link the campaigns on the basis of public engagement and form strategic alliances with private development associations and cultural and social organizations.
- II. Links to "Historical Xinyi" guides will be shared with local junior high schools and elementary schools to help train lecturers on local features and nature in order to facilitate innovations in teaching materials.
- III. Regarding the campaign "Historical Xinyi", a "community celebration" campaign was timed to take place with the Xinyi Roaming Festival in order to extend the reach of the company's influence through event planning and community activities this year.
- IV. Regarding to campaign for the green lifestyle, we will continue to follow the practice of building Happy Organic Farms on unused vacant lots in Xinyi District and broadcast information to help local residents understand the supporting role played by the college. We aim to introduce both the knowledge and the practical experience into local communities.
- V. Regarding to campaign for the green lifestyle, we provided professional lessons and assistance for the green rooftop project in Xinyi District. In addition to supporting a green rooftop friendly environment in the district, we also focus on helping certain groups (e.g. those with mental disorders or illnesses) in the district. In addition, we provide training resources to help communities develop edible landscapes so that the knowledge and the practical experience can be made part of the everyday life.
- VI. Regarding community ties, we will nourish a culture of communication and sharing among local young entrepreneurs. We will encourage ties between the younger generation and the community in order to facilitate intergenerational exchange and build up local knowledge that in time will become intangible assets for local startups.

With time, these startups are expected to turn into creative cultural enterprises or social innovation enterprises deeply rooted in local cultures.

- VII. Regarding services for the disadvantaged, in addition to improving courses and services for the mentally challenged, we will expand our partnership with the Eden Social Welfare Foundation and provide relevant instructor training resources and help it develop learning resources that the visually impaired may need, such as herb identification and uses, tea- senses and cultural appreciation, Chinese health tips and the circulatory system, and knowledge and experience of the green lifestyle. The goal is to facilitate mental and physical development of those in need.
- VIII. In terms of social development, we, following this year's success on care for the disadvantaged, should take a more active approach to guide members of community service clubs to participate in charitable works so to return what they learn from the college to the community. Instructors and students are free to set annual as well as medium- to long-term targets and work in their neighborhoods. The accumulated results and experience will be used to make the clubs better.
- IX. Regarding volunteer training, the Xinyi Community College volunteers have extended the scope of their services to include guided hiking tours, free haircuts in local neighborhoods and care centers, citizen journalism training, and faculty satisfaction surveys.

Source: For details of the LITE-ON Cultural Foundation's Xinyi Community College 2016 self assessment report, please see [http://www.liteoncf.org.tw/download/open\\_B.pdf](http://www.liteoncf.org.tw/download/open_B.pdf)



## 6.3 LITE-ON Volunteers

Corporate volunteering in the company is part of LITE-ON's social inclusion policy. LITE-ON started organizing corporate volunteers in 2013. The LITE-ON volunteer platform is supported by talent development, community service, charity & sponsorship, and environmental sustainability. The company uses the volunteer platform to combine resources in and outside the company, and encourage all LITE-ON employees and their families to join the rank of corporate volunteers. The platform makes a long term commitment to a wide range of charities, such as English classes for children, after-school studies, environmental conservation and support for the disadvantaged.



### LITE-ON volunteers in Taiwan

#### Community Service



LITE-ON Jianle Cup Basketball Tournament



Angel Garden Activity



First Social Welfare Foundation Christmas Party

#### Charity & Sponsorship



Health and Hiking Family Day



Health and Charity campaign

#### Talent Development



New Taipei City Shuangxi after-school English tuition



New Taipei City Jinhe after-school English tuition

#### Environmental Sustainability



LITE-ON Organic Farming Club



LITE-ON "Save a Life" Blood Donation campaign



## LITE-ON volunteers overseas

### Community Service



Volunteers from Changan Plant visiting Qingcheng Social Welfare Institution  
Support for disadvantaged orphans



Volunteers from Yingtan Plant visiting Huangxi senior citizen home  
Warmth in Cold Winter



Volunteers from Guangzhou Plant visiting Huangpu senior citizen home  
Care visits to those in need

### Environmental Sustainability



Changzhou Plant volunteers at Jilong Hill, Hengshanqiao  
Tree planting event



Guangzhou Plant  
"Arbor Day Celebration and Flower Planting"



Guangzhou Plant  
"Huolu Mountain Clean Up Team"

### Charity & Sponsorship



Huadong Operations Center 11th blood drive



Huadong Operations Center "Walking for Milk"  
Charity fundraising events



Changan Plant clothing drive



Please visit the LITE-ON's website for detailed information of volunteer activities: <http://www.liteon.com/Page.aspx?id=2af8fe58-78e4-450f-8374-5b55849fb5aa>

## 6.4 Supporting Internships:

### Offering students workplace experience and creating a training platform to connect theory and practice

LITE-ON cooperates with and supports the Department of Technological and Vocational Education of the Ministry of Education and its industry-academia programs. Through working with colleges and universities to create a training platform that bridges the gap between theory and practice, the company selects students from various fields every year and provide them with internships, scholarships and other resources. It is an excellent way for bringing together the company and candidates and enables students to develop their skills and experience the dynamics of the workplace. In the process, the company is also provided with the opportunity to identify suitable future employees. In addition, schools are provided with access to human resource gaps between industry and academia and may adjust their curriculum accordingly. Therefore, it is a all-win situation among general society, schools, corporations, and students.

To effectively encourage students to apply their knowledge and experience the workplace, LITE-ON makes plans for internships and advertises internship opportunities every year. Opportunities include general summer internships, overseas summer internships, and semester internships. Based on the nature of each internship position, LITE-ON will assign one advisor to each student. Students will be required to complete a report, and a salary will be provided for the period of internship. To ensure that the students in the overseas summer internship program will be fully dedicated to their studies, each student is provided a salary as well as accommodation and travel allowances during their internship. Students with outstanding performance during their internship will be offered priority in applying for positions in the company.

Results in 2016 are as follows:

| Internship type   | General summer internship | Overseas summer internship | Semester internship/ technology development program |
|-------------------|---------------------------|----------------------------|---|
| Number of interns | 35                        | 41                         | 14  |



Day 1 training in NeiHu



## Students' end-of-program parting words to LITE-ON

I hope there are more internship programs like it. It was such a unique experience!

*Yang, National Cheng Kung University*

A good corporate culture is able to produce higher value.

*Lin, National Taipei University of Technology*

Thank you for giving me this chance and for such a wonderful summer.

*Li, National Central University*

I hope LITE-ON is going to keep offering internships for Taiwanese university students. I learned a lot as an intern and had a great experience.

*Sun, National Yunlin University of Science and Technology*

It was an opportunity to find the right direction for me. I will always remember the experience.

*Ho, National Taiwan University of Science and Technology*

I was not aware of my shortcomings until I started my internship here. This is a turning point for me and I am surer about myself now.

*Tao, Hung Yuan Christian University*

I'd like to thank LITE-ON for helping interns gain actual experience of the workplace. My horizon was broadened during my internship in Mainland China.

*Yao, National Taipei University of Technology*

This internship broadened my horizon and taught me the right way of doing things. I will always cherish the knowledge. Thank you again, LITE-ON.

*Lin, National Tsing Hua University*



*Learning results presentation*



*Professional review guidance*

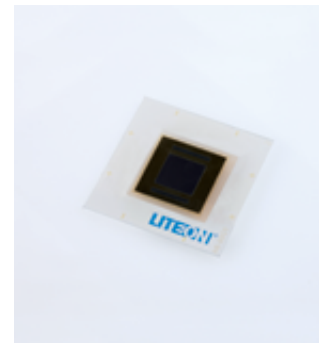
## 6.5 2016 LITE-ON Award: Rewarding transition from innovation to startup and encouraging tech talent



The "LITE-ON Award" was founded in 2001 as part of the company's corporate social responsibility to nurture technological talent in the Chinese-speaking world, while offering tech designers and innovators a stage to showcase their talent. For 16 years, the award has attracted Chinese-speaking industrial designers and tech innovators from more than 20 countries to participate in capturing the industry's latest visions and trends. The 2016 LITE-ON Award was based on the corporate vision of "optic, electrics and energy saving" and "smart technology," receiving more than 1,400 entries from around the world.

### Tech innovations and implementation via MOST FITI incubation program

The LITE-ON Award encourages young innovators and designers to make market value and entrepreneurship feasibility two essential factors in their assessments and to develop technologies or techniques in the areas of light, electricity, energy conservation and smart technology. The Gold Award winner is the Candlelight Organic Light-emitting Diodes from National Tsing Hua University this year. In order to alleviate the damage



*The GOLD AWARD  
Candlelight Organic  
Light-Emitting Diode*



*The SILVER AWARD  
Anti-Sweaty*



*The BRONZE AWARD  
zMesh*

caused by blue light to the human body, organic light emitting diodes (OLED), blue-hazard-free and with a low color temperature, are developed and can be expected to change the lighting standards in the future. The Silver Award winner, the Homemade Sweatblock, comes from a designer who, along with his family, suffers seriously sweaty hands that require continuing medical treatment. He has invented a wearable stimulator and gloves that is an improved model of conventional iontophoresis equipment. The solution is much easier to use and allows patients to stop sweating in the comfort of their own homes. The Bronze Award winner is the double layer oil water separator, zMesh, which can recycle 99.9% of waste oils and organic solvents. It is designed by a team from National Central University. The processing speed of zMesh can reach 11 tons/hour. It offers the advantages of consuming zero energy and being green and sustainable.

To help winners commercialize their designs and turn innovations into entrepreneurial



*The GOLD AWARD  
SP3 – Intraocular Lens Injector*



*The SILVER AWARD  
Touching Earth*



*The BRONZE AWARD  
WaterQ*

ventures, the LITE-ON Award teams up with From IP to IPO (FITI) by the Ministry of Science and Technology. The top three teams are automatically accepted into FITI to participate in the six-month startup courses and advisory services without having to pass through the first round selection. The partnership allows winners of the LITE-ON Award to finish validation of their prototype products or services and develop their startup business plans. Candidates are assessed at various stages of the program and those who pass all of them will have a chance to win a NTD1 million startup capital award. The Silver Award winner, the Homemade Sweatblock, and the Bronze Award winner, the double layer oil water separator zMesh, have been accepted into FITI and started on their way from innovation to startup incubation.

### Spotlight shifting to combination of IoT and photo electronics

National University of Singapore has won Gold Award for two years in a row, signaling the arrival of new design talent in the Chinese community. The SP3 intraocular lens injector, winner of the Gold Award, is redesigned eye lens injector that can be operated with a single hand by the surgeon and allows position to be adjusted with the pointy end of the injector. Consequently, the procedures are simplified, and medical

instruments are less likely to be infected. The Silver Award goes to Touching Earth, a learning-through-play invention. By touching any one point on the globe, the user can access local news via an app or mobile phone connected to the internet. The design changes the habit of passively receiving news. WaterQ, an entry from Taiwan, is the winner of the Bronze Award. It calculates water flows by measuring whirlpools and generates electricity. Details of water consumption is displayed on the machine and can be uploaded to the cloud for data comparison and analysis and facilitate water resource management. Most of LITE-ON Award winners this year demonstrate creative combinations of IoT and photo electronics, and aim to provide solutions to health and safety and other public issues such as health care, energy efficiency and environmental conservation, and disaster rescue.

### Creating innovation exchange platform for shared learning and innovation

Every year, the LITE-ON Award invites innovative internationally renowned designers to serve as the judges and speakers of the LITE-ON Award Forum. This year, the judges included Rogier van der Heide, Chief Design & Marketing Officer, Zumtobel Group, Chun Yin Li, CEO of the World Design Capital, Seoul, and Lyndon Neri, cofounder, Neri & Hu Design and Research Office. The speakers share their views on "Innovation: Concept and Conception", and return to the origin of innovation to explore how to successfully create a new idea, approach or product.

As LITE-ON Chairman Raymond Soong expressed: "The intention of the LITE-ON Award has always been to start with the perspective and structure of a corporation and provide young innovators with prospective career development. The award is a platform of sharing and encourages young innovators and designers to display their talents and hard work. It is also a platform where some of the world's leading experts are invited to sit on the judging panel and offer instructions. The forum is another venue where experts can show the latest experiences in other countries to young innovators."

Merck Taiwan teamed up with the LITE-ON Award for the third time this year. The theme was "Smart Buildings" and the contest was open to excellent designs that combined LCD, OLED, LED, organic photovoltaic (OPV) and other innovative materials. As Chairman Dick Hsieh of Merck Taiwan expressed "The idea of energy conservation and carbon reduction is sufficiently mature in Taiwan and generally receives a lot of attention from the government, research agencies and many companies. In particular, most energy consumption and greenhouse gas emissions around the world involve building operations and cooling functions. We are very pleased to see that the LITE-ON Award, also known as the Oscar for designers in the Chinese community, promotes the idea of smart buildings. As an industry leader, the company enables young designers to understand the trends and application feasibility of technological materials. The company also encourages them to bring more ideas and creative thinking in this direction. Indeed we have been treated to an array of outstanding entries able to meet the demands of smart buildings."

President Leehter Yao of National Taipei University of Technology works hard to promote innovation and entrepreneurship courses, resources and bases on campus in order to encourage entrepreneurship and preservation of traditional skills in the woodwork industry. Chairman Felix Ho of Yuen Foong Yu Group looks forward to restoration of the century old woodcraft industry in Fengyuan. Hence, the Yuen Foong Yu Group has donated a factory and land for National Taipei University of Technology to open the Centre of Woodwork Technology and Innovation. The Center of Woodwork Technology and Innovation has collaborated with LITE-ON Award on the theme "Innovative Lifestyle Culture" to explore many interdisciplinary woodwork techniques and designs. The center recognizes the large variety of techniques and designs created by young people. It also looks forward to having successful innovations implemented in everyone's daily routines. The collaboration keeps alive the traditional culture and the value of woodwork.

Please visit the LITE-ON AWARD website for detailed information: <http://www.liteonaward.com>

### Overview of 2016 LITE-ON Award

|                                  |                                |
|----------------------------------|--------------------------------|
| No. of participants              | 2,755                          |
| No. of designs                   | 1,427 pieces                   |
| No. of award-winning pieces      | 29 pieces                      |
| Taiwan Campus Innovation Seminar | 18 sessions/1,480 participants |
| LITE-ON Award Forum              | 1 session/200 participants     |
| Number of participants*          | Approximately 4,435 people     |

\* Actual number of participants: including contestants, updates on campus innovation seminar, LITE-ON Award Forum. Excluding those communicated over the internet.



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|                                  | 102-2                       | Activities, brands, products, and services              | 2.1  | Company Overview                                     | 25       | Not applicable for there are no banned or disputed products produced in LITE-ON |
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| 102-13                           | Memberships of associations | 2.1.3   | Membership in Groups and Associations        | 29   |          |   |
| 2. Strategy                      | 102-14                      | Statement from senior decision-maker                    | Letter from the Chairman and Group CEO       |  | 6        |   |
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|                            | 102-33 | Communicating critical concerns                            | 1.1.1                   | LITE-ON CSER Committee  | 12   |           |
|                            |        |  | 2.2                     | Corporate Governance  | 31   |           |
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|                            |        |  | 1.2.2                   | Methods of Communication with Stakeholders                    | 19   |           |
|                            | 102-41 | Collective bargaining agreements                           | 5.5                     | Employee Relations  | 111  |           |
|                            |        |  | Note:                   | There are no collective bargaining agreements in LITE-ON yet. |      |           |
|                            | 102-42 | Identifying and selecting stakeholders                     | 1.2.1                   | Materiality Analysis  | 13   |           |
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|  | 102-49 | Changes in reporting                                       | Note: None  |         |           |
|  | 102-50 | Reporting period   | About This Report                                 | 1       |           |
|  | 102-51 | Date of most recent report                                 | About This Report                                 | 1       |           |
|  | 102-52 | Reporting cycle  | About This Report                                 | 1       |           |
|  | 102-53 | Contact point for questions regarding the report           | About This Report                                 | 1       |           |
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|   |       |   | 5.6                                    | LOHAS LITE-ON  | 114                                    |           |
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|   | 201-2 | Financial implications and other risks and opportunities for the organization's activities due to climate change. | Letter from the Chairman and Group CEO |  | 6                                      |           |
|   |       |   | 4.2                                    | Response to Climate Change and Global Warming  | 67                                     |           |
|   | 201-3 | Defined benefit plan obligations and other retirement plans   | 4.3                                    | Reducing Greenhouse Gases  | 70                                     |           |
|   |       |   | 5.4.3                                  | Pension Policy   | 101                                    |           |
| GRI 202<br>Market Presence 2016           | 201-4 | Financial assistance received from government.  | 2.2.6                                  | List of Major Shareholders   | 38                                     |           |
|   |       |   | Note:                                  | In 2016, LITE-ON received NTD29,085 thousand as investment tax credit of 2014 operation income tax approved by National Taxation Bureau. |  |           |
| GRI 204<br>Procurement Practices 2016     | 202-1 | Ratios of standard entry level wage by gender compared to local minimum wage                                      | 5.4                                    | Protection of Rights and Interests   | 106                                    |           |
|   | 202-2 | Proportion of senior management hired from the local community  | 5.2                                    | Employee Overview  | 92                                     |           |
| GRI 205 Anti-Corruption 2016              | 204-1 | Proportion of spending on local suppliers   | 3.2                                    |  | Supply Chain Sustainability Management | 53        |
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|   | 205-1 | Operations assessed for risks related to corruption   | 2.2.7.5                                | Ethics and Anti-corruption   | 45                                     |           |
|   |       |   | 5.2.4                                  | EICC Committee   | 97                                     |           |
| GRI 206<br>Anti-Competitive Behavior 2016 | 205-2 | Communication and training about anti-corruption policies and procedures  | 2.2.7.5                                | Ethics and Anti-corruption   | 45                                     |           |
|   | 205-3 | Confirmed incidents of corruption and actions taken   | 2.2.7.5                                | Ethics and Anti-corruption   | 45                                     |           |
| GRI 206<br>Anti-Competitive Behavior 2016 | 206-1 | Legal actions for anti-competitive behavior, anti-trust, and monopoly practices                                   | Note:                                  |  | None                                   |           |
|   |       |   |  |  |  |           |

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| GRI 301<br>Materials 2016  | 301-1 | Materials used by weight or volume.                        | 4.5                     | Main Raw Materials                     | 83   |   |
|                            | 301-2 | Recycled input materials used                              |                         |  |      | Note:<br>LITE-ON is a components and ODM vendor, and use of raw materials and parts depends on customers' needs and specifications; whether recycled materials can be used likewise depends on customers' product specifications. |
|                            | 301-3 | Reclaimed products and their packaging materials           |                         |  |      | As an ODM supplier, LITE-ON's reclaim of product packaging materials are arranged according to customer's requests.   |
| GRI 302<br>Energy 2016     | 302-1 | Energy consumption within the organization.                | 4.3.3                   | Direct and Indirect Energy Consumption | 76   |   |
|                            | 302-2 | Energy consumption outside of the organization.            |                         |  |      | Currently, there is no statistical information about Energy consumption outside of the organization, and it is planned to be disclosed in the coming next 1-3 years.  |
|                            | 302-3 | Energy intensity   | 4.3.3                   | Direct and Indirect Energy Consumption | 76   |   |
|                            | 302-4 | Reduction of energy consumption                            | 4.3.2                   | Energy-saving Measures                 | 73   |   |
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|                            | 302-5 | Reductions in energy requirements of products and services | 3.1                     | Green Product Design                   | 49   |   |



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|   | 303-2 | Water sources significantly affected by withdrawal of water                     | Note:                   | No source affected.   |          |  |
|   | 303-3 | Water recycled and reused   | 4.4                     | Water Resource Management   | 81       | Water recycled and reused data were not materialized to LITE-ON's industrial nature. |
| GRI 307 E<br>missions 2016                          | 305-1 | Direct (Scope 1) greenhouse gas (GHG) emissions                                 | 4.3.1.1                 | Greenhouse Gas Inventory  | 70       |  |
|   | 305-2 | Energy indirect (Scope 2) greenhouse gas (GHG) emissions                        | 4.3.1.1                 | Greenhouse Gas Inventory  | 70       |  |
|   | 305-3 | Other indirect (Scope 3) greenhouse gas (GHG) emissions                         | 4.3.1.1<br>4.3.5        | Greenhouse Gas Inventory<br>Green Logistics   | 70<br>79 |  |
|   | 305-4 | Greenhouse gas (GHG) emissions intensity  | 4.3.1.1                 | Greenhouse Gas Inventory  | 70       |  |
|   | 305-5 | Reduction of greenhouse gas (GHG) emissions                                     | 4.1.1<br>4.3.1.1        | Greenhouse Gas Inventory<br>Greenhouse Gas Inventory  | 64<br>70 |  |
|   | 305-6 | Emissions of ozone-depleting substances (ODS)                                   | Note:                   | LITE-ON does not use any substances detrimental to ozone layer in its production processes. |          |  |
|   | 305-7 | Nitrogen oxides (Nox), sulfur oxides (Sox), and other significant air emissions | 4.3.4                   | Air Pollution Control   | 78       |  |
| GRI 307<br>Environmental<br>Compliance 2016         | 307-1 | Non-compliance with environmental law and regulations                           | Note:                   | None  |          |  |
| GRI 308<br>Supplier Environmentl<br>Assessment 2016 | 308-1 | New suppliers that were screened using environmental criteria                   | 3.2                     | Supply Chain Sustainability Management  | 53       |  |
|   | 308-2 | Negative environmental impacts in the supply chain and actions taken            | 3.2                     | Supply Chain Sustainability Management  | 53       |  |

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|   | 401-2 | Benefits provided to full-time employees that are not provided to temporary or part-time employees                                | 5.4<br>5.6              | Protection of Rights and Interests<br>LOHAS LITE-ON | 106<br>114 |  |
|   | 401-3 | Parental leave  | 5.2.2                   | Employee Retention                                  | 95         | There are no parental leave regulations in Mainland China and Thailand |
| GRI 402<br>Labor / Management Relations 2016    | 402-1 | Minimum notice periods regarding operational changes  | 5.4                     | Protection of Rights and Interests                  | 106        |  |
| GRI 403<br>Occupational Health and Safety 2016  | 403-1 | Workers representation in formal joint management–worker health and safety committees   | 5.6.3                   | Occupational Safety and Health Management           | 120        |  |
|   | 403-2 | Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of workrelated fatalities | 5.6.3                   | Occupational Safety and Health Management           | 120        |  |
|   | 403-3 | Workers with high incidence or high risk of diseases related to their occupation  | 5.6.3                   | Occupational Safety and Health Management           | 120        |  |
|   | 403-4 | Health and safety topics covered in formal agreements with trade unions   | 5.6.3                   | Occupational Safety and Health Management           | 120        |  |
| GRI 404<br>Training and Education 2016          | 404-1 | Average hours of training per year per employee   | 5.3                     | Employee Development and Training                   | 98         |  |
|   | 404-2 | Programs for upgrading employee skills and transaction assistance programs  | 5.4                     | Protection of Rights and Interests                  | 106        |  |
|   | 404-3 | Percentage of employees receiving regular performance and career development reviews  | 5.4                     | Protection of Rights and Interests                  | 106        |  |
| GRI 405<br>Diversity and Equal Opportunity 2016 | 405-1 | Diversity of governance bodies and employees  | 5.2.1                   | Employee Structure and Distribution                 | 92         |  |
|   | 405-2 | Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation                | 5.4                     | Protection of Rights and Interests                  | 106        |  |
| GRI 406<br>Non-Discrimination 2016              | 406-1 | Incidents of discrimination and corrective actions taken  | 5.5                     | Employee Relations                                  | 111        |  |

## GRI Standards Content Index

| GRI Standards & Disclosure                                       |       |   | Related Report Sections   |   | Page           | Omissions |
|--|-------|---|---|---|----------------|-----------|
| GRI 407<br>Freedom of Association and Collective Bargaining 2016 | 407-1 | Operations and suppliers which the right to freedom of association and collective bargaining may be at risk | 3.2<br>5.2.4  | Supply Chain Sustainability Management<br>EICC Committee                          | 53<br>97       |           |
| GRI 408<br>Child Labor 2016                                      | 408-1 | Operations and suppliers at significant risk for incidents of child labor                                   | 3.2<br>5.2.3<br>5.2.4   | Supply Chain Sustainability Management<br>Personnel Recruitment<br>EICC Committee | 53<br>97<br>97 |           |
| GRI 409<br>Compulsory Labor 2016                                 | 409-1 | Operations and suppliers at significant risk for incidents of forced or compulsory labor                    | 3.2<br>5.2.4  | Supply Chain Sustainability Management<br>EICC Committee                          | 53<br>97       |           |
| GRI 410<br>Security Practices 2016                               | 410-1 | Security personnel trained in human rights policies or procedures   | Note: LITE-ON's all security guards are subcontracted, and demands all relevant training and management to meet EICC standards when sourcing, and LITE-ON's security personnel are 100% training. |   |                |           |
| GRI 411<br>Rights of Indigenous People 2016                      | 411-1 | Incidents of violations involving rights of indigenous  | Note:   | None  |                |           |

## GRI Standards Content Index

| GRI Standards & Disclosure                    |       |  | Related Report Sections |  | Page | Omissions   |
|---|-------|--|-------------------------|--|------|---|
| GRI 412<br>Human Rights<br>Assessments 2016   | 412-1 | Operations that have been subject to human rights reviews or impact assessments  | 5.2.4                   | EICC Committee   | 97   |   |
|   | 412-2 | Employee training on human rights policies or procedures   | 5.3                     | Employee Development and Training  | 98   |   |
|   | 412-3 | Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening |                         |  |      | LITE-ON prescribes Corporate Social and Environmental Responsibility (CSER) code of conduct and Corporate Social Responsibility code of practice, and all of the relevant investment agreements and contracts are evaluated by Legal department for compliance. |
| GRI 414<br>Supplier Social<br>Assessment 2016 | 414-1 | New suppliers that were screened using social criteria   | 3.2                     | Supply Chain Sustainability Management   | 53   |   |
|   | 414-2 | Negative social impacts in the supply chain and actions taken  | 3.2                     | Supply Chain Sustainability Management   | 53   |   |
| GRI 416<br>Customer Health and<br>Safety 2016 | 416-1 | Assessment of the health and safety impacts products and service categories  | 3.1<br>Note:            | Green Product Design<br>All of LITE-ON products are successfully passed the assessment of health and safety before delivery. | 49   |   |
|   | 416-2 | Incidents of non-compliance concerning the health and safety impacts of products and services                              | Note:                   | In 2016, we did not violate any product or service health or safety laws or regulations.                                     |      |   |

## GRI Standards Content Index

| GRI Standards & Disclosure               |       |  | Related Report Sections |  | Page | Omissions |
|--|-------|--|-------------------------|--|------|-----------|
| GRI 417<br>Marketing and Labeling 2016   | 417-1 | Requirement of product and service information and labeling                                  | 3.1<br>Note:            | Green Product Design<br>All LITE-ON products are labeled with required information conforming to the relevant regulations.                     | 49   |           |
|  | 417-2 | Incidents of non-compliance concerning product and service information and labeling          | Note:                   | There is no incidences of non-compliance with regulations and voluntary codes concerning product and service information and labeling in 2016. |      |           |
|  | 417-3 | Incidents of non-compliance concerning marketing communications                              | Note:                   | There is no incidents of non-compliance with regulations and voluntary codes concerning marketing communications in 2016.                      |      |           |
| GRI 418<br>Customer Privacy 2016         | 418-1 | Substantiated complaints concerning breaches of customer privacy and losses of customer data | 3.3<br>Note:            | Customer Service and Satisfaction<br>None  | 59   |           |
| GRI 409<br>Socioeconomic Compliance 2016 | 419-1 | Non-compliance with laws and regulations in social economic area                             | Note:<br>5.4.4          | Violation of Labor Standards Act   | 110  |           |

## Specific Standard Disclosures Overview - Others

| Material Topics   | Disclosure | Related Report Sections  | Page |
|---|------------|--|------|
| Conflict Mineral (Metal)-Free Procurement                       | LOT-EN1    | Supplier screening and green procurement   |      |
|   |            | 3.2.1 Supplier Sustainability Guidelines   | 53   |
|   |            | 3.2.2 Supply Chain Risk Management   | 56   |
| Research & Development (Products)                               | LOT-EN2    | Energy efficiency improvement  |      |
|   |            | 3.1 Green Product Design   | 49   |
|   | LOT-EN3    | Material resources saving  |      |
|   |            | 4.6.2 Advanced Manufacturing and Green Procedures  | 88   |
|   | LOT-EN4    | Reduction use of hazardous substance   |      |
|   |            | 3.1 Green Product Design   | 49   |
| Supplier Training   | LOT-LA1    | Improvement of supply chain management quality   |      |
|   |            | 3.2.3 Supplier Management Mechanisms   | 58   |
| Career Development Opportunities Enhancement of Basic Employees | LOT-LA2    | Introduction of external resources for Employee Assistance Programs                          |      |
|   |            | 5.7 Multi-Stakeholders Collaboration Initiatives   | 123  |
| Charity Care  | LOT-SO1    | Promotion of multicultural humanities and youth education care                               |      |
|   |            | 6.2.1 Community Assistance: Caring for disadvantaged children and youths                     | 127  |
|   |            | 6.3 LITE-ON Volunteers   | 135  |
|   | LOT-SO2    | Creating learning environments for lifelong learning and disadvantage groups                 |      |
|   |            | 6.2.1 Community Assistance: Caring for disadvantaged children and youths                     | 127  |
|   | LOT-SO3    | The promotion of environmental education and implementation of environmental protection      |      |
|   |            | 6.2.2 Taipei Xinyi Community College   | 131  |
|   | LOT-SO4    | Talent education by providing the learning environment for students to apply their knowledge |      |
|   |            | 6.4 Supporting Internships   | 137  |
|   | LOT-SO5    | Encouraging technological innovation and design talent                                       |      |
|   |            | 6.5 2016 LITE-ON Award   | 139  |



## Guidance on Social Responsibility ISO 26000

| Core Subjects and Issues  |   | Related CSR Report Section |  | Page | Explanatory Notes |
|---------------------------|---|----------------------------|--|------|-------------------|
| Organizational Governance | Decision-making processes and structures  | 1.2                        | Identification of Stakeholders                       | 13   |                   |
|                           |   | 2.2                        | Corporate Governance                                 | 31   |                   |
|                           |   | 2.2.2                      | Board of Directors                                   | 34   |                   |
|                           |   | 2.2.3                      | Audit Committee                                      | 35   |                   |
|                           |   | 2.2.4                      | Compensation Committee                               | 36   |                   |
|                           |   | 2.2.5                      | Growth Strategy Committee                            | 37   |                   |
| Human Rights              | Due diligence                             | 3.2                        | Supply Chain Sustainability Management               | 53   |                   |
|                           |   | 5.2.4                      | Electronic Industry Code of Conduct (EICC) Committee | 97   |                   |
|                           | Human rights risk situation               | 3.2                        | Supply Chain Sustainability Management               | 53   |                   |
|                           |   | 5.2.4                      | Electronic Industry Code of Conduct (EICC) Committee | 97   |                   |
|                           | Avoidance of complicity                   | 1.1                        | Corporate Commitment and CSR Vision                  | 11   |                   |
|                           | Resolving grievances                      | 1.2.2                      | Methods of Communication with Stakeholders           | 19   |                   |
|                           |   | 2.2.7.5                    | Moral Integrity and Anti-corruption                  | 45   |                   |
|                           |   | 5.5                        | Employees Relations                                  | 111  |                   |
|                           | Discrimination and vulnerable groups      | 1.1                        | Corporate Commitment and CSR Vision                  | 11   |                   |
|                           |   | 5.4                        | Protection of Rights and Interests                   | 106  |                   |
|                           | Civil and political rights                | 3.2                        | Supply Chain Sustainability Management               | 53   |                   |
|                           |   | 5.6                        | LOHAS LITE-ON  | 114  |                   |
|                           | Economic, social and cultural rights      | 5.4                        | Protection of Rights and Interests                   | 106  |                   |
|                           |   | 5.6                        | LOHAS LITE-ON  | 114  |                   |
|                           | Fundamental principles and rights at work | 5.4                        | Protection of Rights and Interests                   | 106  |                   |
| Labor Practices           | Employment and employment relationships   | 5.4                        | Protection of Rights and Interests                   | 106  |                   |
|                           | Conditions of work and social protection  | 5.6                        | LOHAS at LITE-ON                                     | 114  |                   |
|                           | Social dialogue                           | 1.2                        | Identification of Stakeholders                       | 13   |                   |
|                           |   | 1.2.2                      | Methods of Communication with Stakeholders           | 19   |                   |
|                           |   | 5.1                        | Employee Policy                                      | 90   |                   |

## Guidance on Social Responsibility ISO 26000

| Core Subjects and Issues |   | Related CSR Report Section |  | Page | Explanatory Notes   |
|--------------------------|---|----------------------------|--|------|---|
| Labor Practices          | Health and safety at work   | 5.6.3                      | Environment, Health and Safety               | 120  |   |
|                          |   | 5.7                        | Multi-Stakeholders Collaboration Initiatives | 123  |   |
|                          | Human development and training in the workplace                                 | 5.3                        | Employee Development and Training            | 98   |   |
| The Environment          | Prevention of pollution   | 3.2.1                      | Supplier Sustainability Guidelines           | 53   |   |
|                          |   | 4.3.4                      | Air Pollution Control                        | 78   |   |
|                          |   | 4.5.4                      | Waste Management and Recovery                | 85   |   |
|                          | Sustainable resource use  | 3.1                        | Green Product Design                         | 49   |   |
|                          |   | 4.3.5                      | Green Logistics                              | 79   |   |
|                          |   | 4.6                        | Green Factories                              | 87   |   |
|                          | Climate change mitigation and adaptation  | 4.2                        | Response to Climate Change & Global Warming  | 67   |   |
|                          |   | 4.3                        | Reducing Greenhouse Gases                    | 70   |   |
|                          |   |                            |  |      | All of LITE-ON's factories have passed environmental impact assessment before they were developed. Therefore, the factory development has no significant impact on biodiversity. We are still striving to create ecological industrial parks characterized by the three attributes of production, ecology and life. |
|                          | Protection of the environment, biodiversity and restoration of natural habitats |                            |  |      |   |
| Fair Operating Practices | Anti-corruption   | 2.2.7.5                    | Moral Integrity and Anti-corruption          | 45   |   |
|                          | Responsible political involvement   | 5.6                        | LOHAS LITE-ON                                | 114  | LITE-ON do not involve in any political activities  |
|                          | Fair competition  | 3.3.4                      | Regulatory Compliance                        | 61   |   |
|                          | Promoting social responsibility in the value chain                              | 3.2                        | Supply Chain Sustainability Management       | 53   |   |
|                          | Respect for property rights   | 3.3.4                      | Regulatory Compliance                        | 61   |   |

## Guidance on Social Responsibility ISO 26000

| Core Subjects and Issues              |   | Related CSR Report Section |  | Page | Explanatory Notes |
|---------------------------------------|---|----------------------------|--|------|-------------------|
| Consumer Issues                       | Fair marketing, factual and unbiased information and fair contractual practices | 3.3.4                      | Regulatory Compliance                  | 61   |                   |
|                                       | Protecting consumers' Health and safety   | 3.1                        | Green Product Design                   | 49   |                   |
|                                       |   | 3.2.1                      | Supplier Sustainability Guidelines     | 53   |                   |
|                                       | Sustainable consumption   | 3.2                        | Supply Chain Sustainability Management | 53   |                   |
|                                       | Consumer service, support, and complaint and dispute resolution                 | 3.3                        | Customer Service and Satisfaction      | 59   |                   |
|                                       | Consumer data protection and privacy  | 3.3.3                      | Customer Privacy                       | 61   |                   |
|                                       | Access to essential services  | 3.3.1                      | Customer Service                       | 59   |                   |
| Community Involvement and Development | Education and awareness   | 3.3.1                      | Customer Service                       | 59   |                   |
|                                       | Community involvement   | 6.1                        | Social Inclusion Policy                | 125  |                   |
|                                       | Education and culture   | 6.2.1                      | Community Assistance                   | 127  |                   |
|                                       |   | 6.2.2                      | Taipei Xinyi Community College         | 131  |                   |
|                                       |   | 6.3                        | LITE-ON Volunteers                     | 135  |                   |
|                                       |   | 6.4                        | Supporting Internships                 | 137  |                   |
|                                       |   | 6.5                        | 2016 LITE-ON Award                     | 139  |                   |
|                                       | Employment creation and skills development                                      | 5.2.1                      | Employee Structure and Distribution    | 92   |                   |
|                                       |   | 5.3                        | Employee Development and Training      | 98   |                   |
|                                       | Technology development and access   | 6.4                        | Supporting Internships                 | 137  |                   |
|                                       |   | 6.5                        | 2016 LITE-ON Award                     | 139  |                   |
|                                       | Wealth and income creation  | 2.1.2                      | Business Performance and Outlook       | 27   |                   |
|                                       |   | 5.4                        | Protection of Rights and Interests     | 106  |                   |
|                                       | Health  | 6.3                        | LITE-ON Volunteers                     | 135  |                   |
|                                       |   | 5.6                        | LOHAS LITE-ON                          | 114  |                   |
|                                       | Social investment   | 6.1                        | Social Inclusion Policy                | 125  |                   |
|                                       |   | 6.2                        | LITE-ON Cultural Foundation            | 126  |                   |

## Sustainable Development Goals

| Descriptions |  | Chapters                                     | Page | Note |
|--------------|--|--|------|------|
| Goal 7       | Ensure access to affordable, reliable, sustainable, and modern energy for all  | 2.1.2 Business Performance and Outlook       | 27   |      |
|              |  | 3.1 Green Product Design                     | 49   |      |
|              |  | 4.3.2 Energy-saving Measures                 | 73   |      |
|              |  | 4.3.3 Direct and Indirect Energy Consumption | 76   |      |
|              |  | 4.3.5 Green Logistics                        | 79   |      |
|              |  | 5.4 Protection of Rights and Interests       | 106  |      |
|              |  | 5.6 LOHAS LITE-ON                            | 114  |      |
|              |  | 6.1 Community Involvement Policy             | 125  |      |
| Goal 8       | Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all | 2.1.2 Business Performance and Outlook       | 27   |      |
|              |  | 3.1 Green Product Design                     | 49   |      |
|              |  | 3.2 Supply chain sustainability management   | 53   |      |
|              |  | 4.3.2 Energy-saving Measures                 | 73   |      |
|              |  | 4.3.3 Direct and Indirect Energy Consumption | 76   |      |
|              |  | 4.3.5 Green Logistics                        | 79   |      |
|              |  | 4.5 Main Raw Materials                       | 83   |      |
|              |  | 5.2 Employee Profile                         | 92   |      |
|              |  | 5.2.4 EICC Committee                         | 97   |      |
|              |  | 5.3 Employee Development and Training        | 98   |      |
|              |  | 5.4 Protection of Rights and Interests       | 106  |      |
|              |  | 5.5 Employee Relations                       | 111  |      |
|              |  | 5.6 LOHAS LITE-ON                            | 114  |      |
|              |  | 6.1 Community Involvement Policy             | 125  |      |

1. There are no collective bargaining agreements in LITE-ON yet.
2. LITE-ON is a components and ODM vendor, and use of raw materials and parts depends on customers' needs and specifications; whether recycled materials can be used likewise depends on customers' product specifications.

## Sustainable Development Goals

| Descriptions |   | Chapters  | Page | Note   |
|--------------|---|---|------|--|
| Gaol 9       | Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation | 2.1.2 Business Performance and Outlook            | 27   | As an ODM supplier, LITE-ON's reclaim of product packaging materials are arranged according to customer's requests.  |
|              |   | 4.4 Water Resource Management                     | 81   |  |
|              |   | 5.2.2 Employee Retention                          | 95   |  |
|              |   | 5.4 Protection of Rights and Interests            | 106  |  |
|              |   | 5.6 LOHAS LITE-ON                                 | 114  |  |
|              |   | 6.1 Community Involvement Policy                  | 125  |  |
| Gaol 12      | Ensure sustainable consumption and production patterns  | 3.1 Green Product Design                          | 49   | 1. LITE-ON does not use any substances detrimental to ozone layer in its production processes.<br>2. LITE-ON is a components and ODM vendor, and use of raw materials and parts depends on customers' needs and specifications; whether recycled materials can be used likewise depends on customers' product specifications.<br>3. All LITE-ON products are labeled with required information conforming to the relevant regulations. |
|              |   | 4.3.1.1 Greenhouse Gas Inventory                  | 70   |  |
|              |   | 4.3.2 Energy-saving Measures                      | 73   |  |
|              |   | 4.3.3 Direct and Indirect Energy Consumption      | 76   |  |
|              |   | 4.3.4 Air Pollution Control                       | 78   |  |
|              |   | 4.4 Water Resource Management                     | 81   |  |
|              |   | 4.3.5 Green Logistics                             | 79   |  |
|              |   | 4.5 Main Raw Materials                            | 83   |  |
| Gaol 13      | Take urgent action to combat climate change and its impacts   | Letter from the Chairman and Group CEO            | 6    |  |
|              |   | 3.1 Green Product Design                          | 49   |  |
|              |   | 4.1.1 Environmental Management Goals              | 64   |  |
|              |   | 4.2 Response to Climate Change and Global Warming | 67   |  |
|              |   | 4.3.1.1 Greenhouse Gas Inventory                  | 70   |  |
|              |   | 4.3.2 Energy-saving Measures                      | 73   |  |
|              |   | 4.3.3 Direct and Indirect Energy Consumption      | 76   |  |
|              |   | 4.3.5 Green Logistics                             | 79   |  |

## Third Party Assurance Statement



### ASSURANCE STATEMENT

#### SGS TAIWAN LTD.'S REPORT ON SUSTAINABILITY ACTIVITIES IN THE LITE-ON TECHNOLOGY CORP.'S CORPORATE SOCIAL RESPONSIBILITY REPORT FOR 2016

##### NATURE AND SCOPE OF THE ASSURANCE/VERIFICATION

SGS Taiwan Ltd. (hereinafter referred to as SGS) was commissioned by LITE-ON TECHNOLOGY CORP. (hereinafter referred to as Lite-On) to conduct an independent assurance of the Corporate Social Responsibility Report for 2016 (hereinafter referred to as CSR Report). The scope of the assurance, based on the SGS Sustainability Report Assurance methodology, included the text, and data in accompanying tables, contained in this report.

The information in the Lite-On's CSR Report of 2016 and its presentation are the responsibility of the superintendents, Corporate Social and Environmental Responsibility Committee (hereinafter referred to as CSER Committee) and the management of Lite-On. SGS has not been involved in the preparation of any of the material included in the Lite-On's CSR Report of 2016.

Our responsibility is to express an opinion on the text, data, graphs and statements within the scope of verification with the intention to inform all Lite-On's stakeholders.

The SGS protocols are based upon internationally recognized guidance, including the Principles contained within the Global Reporting Initiative (GRI) Sustainability Reporting Standards (2016) for accuracy and reliability and the guidance on levels of assurance contained within the AA1000 series of standards and guidance for Assurance Providers.

This report has been assured using our protocols for:

- valuation of content veracity at a high level of scrutiny for Lite-On, subsidiaries, and applicable aspect boundaries outside of the organization covered by this report ;
- AA1000 Assurance Standard (2008) Type 2 evaluation of the report content and supporting management systems against the AA1000 Accountability Principles (2008); and
- evaluation of the report against the Global Reporting Initiative Sustainability Reporting Standards (2016).

The assurance comprised a combination of pre-assurance research, interviews with relevant employees, superintendents, CSER committee members and the senior management in Taiwan; documentation and record review and validation with external bodies and/or stakeholders where relevant. Financial data drawn directly from independently audited financial accounts has not been checked back to source as part of this assurance process.

##### STATEMENT OF INDEPENDENCE AND COMPETENCE

- The SGS Group of companies is the world leader in inspection, testing and verification, operating in more than 140 countries and providing services including management systems and service certification; quality, environmental, social and ethical auditing and training; environmental, social and sustainability report assurance. SGS affirm our independence from Lite-On, being free from bias and conflicts of interest with the organisation, its subsidiaries and stakeholders.

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The assurance team was assembled based on their knowledge, experience and qualifications for this assignment, and comprised auditors registered with ISO 26000, ISO 20121, ISO 50001, SA8000, EICC, QMS, EMS, SMS, GPMS, CFP, WFP, GHG Verification and GHG Validation Lead Auditors and experience on the SRA Assurance service provisions.

##### VERIFICATION/ ASSURANCE OPINION

On the basis of the methodology described and the verification work performed, we are satisfied that the information and data contained within Lite-On's CSR Report of 2016 verified is accurate, reliable and provides a fair and balanced representation of Lite-On sustainability activities in 01/01/2016 to 12/31/2016.

The assurance team is of the opinion that the Report can be used by the Reporting Organisation's Stakeholders. We believe that the organisation has chosen an appropriate level of assurance for this stage in their reporting. In our opinion, the contents of the report meet the requirements of GRI Standards Comprehensive Option and AA1000 Assurance Standard (2008) Type 2, High level assurance.

##### AA1000 ACCOUNTABILITY PRINCIPLES (2008) CONCLUSIONS, FINDINGS AND RECOMMENDATIONS

###### Inclusivity

Lite-On has demonstrated a good commitment to stakeholder inclusivity and stakeholder engagement. A variety of engagement efforts such as survey and communication to employees, customers, investors, suppliers, CSR experts, and other stakeholders are implemented to underpin the organization's understanding of stakeholder concerns. For future reporting, Lite-On may proactively consider having more direct two-ways involvement of stakeholders during future engagement.

###### Materiality

Lite-On has established effective processes for determining issues that are material to the business. Formal review has identified stakeholders and those issues that are material to each group and the report addresses these at an appropriate level to reflect their importance and priority to these stakeholders. It is recommended that the process and criteria applied to assess materiality to be formalized and documented to ensure better consistent result in future reporting.

###### Responsiveness

The report includes coverage given to stakeholder engagement and channels for stakeholder feedback.

##### GLOBAL REPORTING INITIATIVE REPORTING STANDARDS (GRI STANDARDS 2016) CONCLUSIONS, FINDINGS AND RECOMMENDATIONS

The report, Lite-On's CSR Report of 2016, is adequately in line with the GRI Standards Comprehensive Option. The material topics and their boundaries within and outside of the organization are properly defined in accordance with GRI's Reporting Principles for Defining Report Content. Disclosures of identified material topics and boundaries, and stakeholder engagement, Disclosure 103-1, Disclosure 102-40 and Disclosure 102-42 to Disclosure 102-49, are correctly located in content index and report. More engagement to involve NGO and CSR illustrious personage for considering the full picture of Lite-On's significant outward impacts on the economy, the environment, and society is encouraged in future reporting.

Signed:

For and on behalf of SGS Taiwan Ltd.

  
David Huang, Director  
Taipei, Taiwan  
11 May, 2017  
WWW.SGS.COM



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