LITEON®

2017
LITE-ON CSR Report

Contents

About This Report

Reporting Time and Scope of Report

Time: From January 01, 2017 to December 31, 2017

Scope: Financial data presented in this report reflects performance of the parent company and its subsidiaries.

For nonfinancial data, the report covers the seven business groups, namely Mobile Mechanics, Portable Image Device, Power Conversion, Storage, Mechanical Competence, Smart Life & Applications, and Optoelectronic Product Solution. Comparing to the financial performance, the nonfinancial performance data exclude IPO/OTC subsidiaries, Silitech and LITE-ON Japan. Unless elsewhere specified, information will be disclosed in the report. There is no change from the 2016 Reporting scope.

Report Management

Issues presented in this report have been identified with materiality analysis through stakeholder engagement progress, and discussed in "LITE-ON Technology CSER Committee" meetings to review and approve this report.

Data calculation basis : All financial figures in this report are presented in New Taiwan Dollars, occupational safety and health performance data are 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.

Data verification

Category	Contents	Verification / Certification
Economic	Financial data	Deloitte & Touche
Environmental	Greenhouse gas emissions (ISO14064-1)	SGS Taiwan Ltd.
	Environmental Management International Standards (ISO 14001)	LITE-ON's all major plants worldwide have been individually certificated by 3rd parties
	Hazardous Substance Process Management System(IECQ QC 080000)	
Social	Occupational safety management (OHSAS18001)	LITE-ON's all major plants worldwide have been individually certificated by 3rd parties

Compilation Basis

The sustainability issues as well as strategies, goals and practices of the report are drafted based on GRI Standards 2016 published by Global Reporting Initiative while responding to Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies, Sustainable Development Goals (SDGs) and ISO 2600 Guidance on Social Responsibility. Moreover, contents of this report have been discussed and categorized using AA1000 APS-compliant procedures.

Report Assurance

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 Standard disclosure in accordance with Comprehensive Option. A Third Party Attestation Statement has been attached as an appendix to this report.

SGS

Release Overview

First issue: 2007
Current issue: Published in June 2018
Next issue: Expected to be published in June 2019
Previous issue: June 2017
Started from 2008 CSR Report, all reports in Chinese and English versions on an annual basis are posted on LITE-ON company website:
www.liteon.com/zh-tw/globalcitizenship/365

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WWW.LITEON.COM

2017 LITE-ON Sustainability Results

CSR Development

2017 Constituent MSCI ESG Leaders Indexes

Included in the MSCI ESG Leaders Indexes for four consecutive years

MEMBER OF Dow Jones Sustainability Indices
In Collaboration with RobecoSAM

Selected as member of "Dow Jones Sustainability Indices (DJSI)" for seven consecutive year years

GOLDEN AWARD

Awarded the Golden Award of "Taiwan Corporate Sustainability Report Award" in the Electronics Sector by TAISE.

CSR 天下企業公民
Excellence in Corporate Social Responsibility
天下企業公民獎
Excellence in Corporate Social Responsibility

Won the "Corporate Citizen Award of "CommonWealth Magazine" for the eleventh year in a row.

Corporate Governance

Top 5%

Ranked as top 5% of public companies list in the Fourth Corporate Governance Evaluation by TWSE

AAA 16

A total of 16 plants have passed Product Liability Insurance AAA Certification to date

Environmental Protection

9.10%

The intensity of water consumption decreased 9.10% compared to the based year

6.92%

The intensity of waste generation decreased 6.92% compared to the based year

CDP A-

Carbon Disclosure Project (CDP) Supplier Engagement Rating A-

Business Operations

no.1
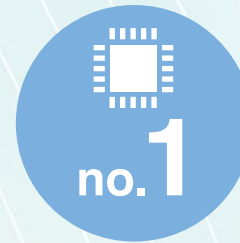
Ranked first in the "Electronic Sector" by CommonWealth Magazine in its Top 1,000 Manufacturer Review for nine consecutive years

Partner

Recognition of partnering with Dell on Supply Chain Social & Environmental Responsibility capability building program

Greater Together

Awarded the supplier award of "Grater Together" by Philips.

Giving Back to Society

SROI 2.85 times

"2017 Mercury Lamp Sunset Project" created 2.85 times of Social Return on Investment

excellent

The Xinyi Community College was ranked excellent by Department of Education, Taipei City Government

128 interns

A total of 128 internship jobs offered to colleague students

LITE-ON AWARD 1,162 works

A total of 1,162 works participated in competition for LITE-ON Award

Letter from the Chairman and Group CEO

Dear Stakeholders,

Given an industry undergoing transformation and the challenges of climate change, LITE-ON sets itself to realize the vision of sustainability by being "Best Partner in Opto-Electronic, Eco-friendly, and Intelligent Technologies" for its customers around the world. In 2017, LITE-ON continued to focus on IoT applications in cloud computing, LED lighting, auto electronics, industrial automation, and smart healthcare as its five key areas of transformation. In particular, cloud applications, LED and outdoor lighting, AI smart home systems, and consumer electronics contributed to close to 40% of the revenue in 2017, showing the results of LITE-ON's effort to cultivate new businesses, and reflected its determination to transform and build a hundred-year-old company.

LITE-ON believes that business activities must be sustainable; social and environmental sustainability are also part of corporate social responsibility. We keep examining our responsibilities and opportunities for implementation in environmental conservation and CSR. LITE-ON adopted the United Nations' sustainable development goals (UN SDGs) in 2016, and integrated them with our core values in ESG practices. We focus on a total of eight sustainability goals and examine our roles and potential contribution in sales, operation, and organization, setting specific targets to achieve SDGs with the use of "value chain." LITE-ON has been listed as a constituent stock on the Dow Jones Sustainability Index (DJSI) for seven years in a row since 2011, and has had a place on the Morgan Stanley (MSCI) Sustainability Report for four years in a row.

LITE-ON reformulated its low carbon strategy after the Paris Agreement to respond to environmental issues adequately. We commit ourselves to implementing the Task Force on Climate-Related Financial Disclosures (TCFD), making climate related financial statements one of the means of stakeholder communication and analyzing potential opportunities and threats in climate change in support of the CDP and the We Mean Business Coalition's "Commit to Action" initiative. In terms of execution, LITE-ON continues to develop green design, green factory, and operational efficiency, and coordinates partnerships among clients, industry players (alliances), and supply chains to develop efficient energy creation, conservation, and conversion products, and energy management solutions aimed at achieving more effective environmental management and meeting the challenges of climate change and their effects.

In 2018, given the Global Carbon Budget, LITE-ON starts using scientific and weighted methods to calculate and set a reasonable carbon emission reduction target for the company. In addition, LITE-ON formally submits science based targets (SBTi) for compliance review. The medium- and long-term environmental management targets are: (1) a reduction per unit revenue of 39.9% by 2025 compared to 2014; and (2) a 2% (science based target*) increase in energy conversion efficiency of high end server power supply units by 2023 based on products and technologies developed in 2016, to demonstrate LITE-ON's support for the effort to keep global warming under 2°C .

Raymond Soong
LITE-ON Group Chairman

Regarding strategic sustainable development, LITE-ON expands its core business in LED street lights around the globe, and invests in the Mercury Lamp Sunset Project in Taiwan, and has become Taiwan's largest LED street light supplier. A total of about 400,000 Leotek street lights illuminate the streets across Taiwan and help local residents and pedestrians stay safe on the road. In addition to offering complete smart street light planning and solutions that contribute to improved quality and energy efficiency of street lights across Taiwan, LITE-ON uses locally produced parts from local manufacturers, and works with local contractors to support the growth of local supply chain. We took Leotek street light in the 2017 Mercury Lamp Sunset Project and performed Taiwan's first social impact assessment on a product. The analysis measured the social return on more than 20,000 street lights replaced in Class 4 and Class 5 rural areas in Taiwan. The Social Value International certified result estimated LITE-ON's contribution at a multiplier of 2.85. LITE-ON works with municipal governments, clients, suppliers, contractors and other stakeholders closely to achieve sustainability and initiate a chain of positive changes in the society.

We continue to make strategic plans for community involvement and engage local communities, charity organizations, and industry/government/academia stakeholders. We develop collaborative relationships and make long-term plans combining our core competencies and investment. We aim to contribute to progress in society, create social value, enhance our corporate image and increase our influence, and thereby boost employee loyalty and win trust of our stakeholders. In order to achieve our vision of a society full of multi-culture, education, creativity, and environmental sustainability, LITE-ON has been allocating resources to projects such as Community Assistance, the community college, and the LITE-ON Award for around 20 years. We also campaign for other projects such as educational support, corporate volunteering, and sustainable tech products as part of our effort to support and resolve issues including immigrants and social inclusion, teen education, aged population, shortage of lifetime learning resources, shortage of tech design and innovation talent, and environmental conservation. It is estimated that close to 34,000 people benefited directly from LITE-ON's charity work in 2017.

Looking forward, LITE-ON will continue enhancing its competitiveness and following its entrepreneurial approach to transform and strive for healthy growth and excellent business results under One LITE-ON. Given its commitment to sustainability, LITE-ON will keep working together with employees, customers, suppliers, shareholders, government agencies and competent authorities, NGOs, research institutions, communities, media and other stakeholders to create economic, environmental, and social sustainability values.

LITE-ON Group Chairman   LITE-ON Group CEO

Warren Chen
LITE-ON Group CEO

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Corporate Commitment and Stakeholders Engagement

Best Partner in Opto-Electronic, Eco-Friendly and Intelligent Technologies

To reach the expectations from stakeholders, LITE-ON Corporate Social Environmental Responsibility Committee practices to all commitments including labor relations, employee care, corporate governance, environmental protection and social welfare, etc., while focusing on government regulation compliance, working interest protection, occupational safety and health improvement, green product development, and environmental impact mitigation

1.1 Corporate Commitment and Corporate Social Responsibility (CSR) Vision

To fulfill the vision of being "the best partner in optoelectronics, energy conservation and smart technologies", LITE-ON Chairman Raymond Soong and the executive officers led the way and created the Corporate Social and Environment Responsibility (CSER) Committee. The committee oversees a team responsible for promoting corporate social responsibility and making it part of LITE-ON's core values and corporate culture. It is also the team's mission to apply strengths in execution, innovation, and integrity to develop a path to sustainability. LITE-ON, in its pursuit of revenue and profit growth, never strays from its CSR commitments, which in turn provide constant fuel for business momentum and keep the company competitive. Furthermore, LITE-ON is dedicated to innovation and constant improvement aimed at developing high added value products and maximizing value and benefits for LITE-ON employees and shareholders as well as the society as a whole. In 2017, LITE-ON made adjustments to the existing committees to reflect actual performance. In addition, the board of directors approved an amendment of the LITE-ON Corporate Social Responsibility Best Practice Principles, which was intended to ensure LITE-ON fulfilled its corporate social responsibility through effective implementation of corporate governance, development of a sustainable environment, ongoing support of public interest, and improved information disclosure.

The CSER Committee was established for the purpose of realizing LITE-ON's various social pledges, including employer-employee relations, employee care, corporate governance, environmental protection, and public charity works. The CSER Committee places a great emphasis on complying with government laws and regulations, protecting work rights, improving workplace health and safety, developing green products, reducing damage to the environment, and upholding social and environmental responsibilities in order to meet stakeholders' expectations in economic, environmental, and social aspects of the business. The CSER Committee is supervised by the board of directors. It is chaired by Chairman Raymond Soong. CEO Warren Chen is the Committee Head and leads LITE-ON's executive management in implementing management practices. Annual CSR targets are set in terms of the economic, environmental, and social aspects of the business. Progress is monitored regularly so to ensure LITE-ON's continuing advancement toward sustainability and fulfillment of its short- and medium-term goals. In addition, updates and results are reported to the board of directors as appropriate every year.

Management Board

CSER Secretary   **Cultural Foundation**

RBA Enforcement	**Community Involvement**	**Supply Chain Management**	**Green Design**	**Environment Sustainability**	**Public Relations**
RBA Comply & Local Compliance	LTC Volunteer Training Program	Conduct Supplier Chain Audit	Green Products Excellence & Green Design Technology Matchmaking	Climate Change Strategy	CSER Reporting
Labor Safety & Health	LTC Volunteer Opportunities & Involvement	Supply Chain Risk Management		Risk & Opportunity	
Employee Relations		HSF Compliance	Eco Friendly Product	GHG Emission Management and Inventory	
				Green Factory and Cleaner Production	

CSER: Corporate Social and Environmental Responsibility | RBA: Responsible Business Alliance | HSF: Hazardous Substance Free

LITE-ON takes a business-driven approach towards CSER, and plans CSER efforts as investments while measuring returns based on the three layers of earning produced therefrom. The London Benchmark Group (LBG) model is an analytical tool used in LITE-ON. It focuses on the three aspects of any CSER investment, which are input, output, and lasting impact. By systematically planning and executing our strategies, we are able to ensure the success and improvement of our CSER efforts. In response to changes in the environment and the concerns of stakeholders, LITE-ON has developed six main CSER principles based on the company's capacity and incorporated them into daily operations to effectively facilitate adoption of CSER practices. These six principles are: RBA management, social engagement, supply chain management, green design, environmental sustainability, and information disclosure and added value.

LED lighting

cloud computing

auto electronics

industrial automation

biomedicine

LITEON®

LITE-ON 5 IOT applications

Best Partner in Opto-Electronic, Eco-Friendly and Intelligent Technologies

Strengthening existing CSR projects

Increase depth and intensity of existing CSR projects

Introducing new sustainability tools

Leading companies in and outside Taiwan have started implementing new assessment and management tools as new trends of sustainability are formed every day.

Communicating and promoting sustainability in/outside LITE-ON

It takes a united workforce to achieve sustainability and then spread the results to the rest of the world. Inquiries of external stakeholders must be handled as appropriate.

1.1.2 Sustainability Strategy and Blueprint

LITE-ON, as part of its vision of being "the best partner in optoelectronics, energy conservation and smart technologies", chooses sustainable governance, tolerance and innovation, and environmental sustainability as its strategic goals. The company builds on the United Nations Sustainable Development Goals (SDGs) and applies its core values to ensure effective implementation of corporate governance, development of a sustainable environment, and ongoing support of public interest. LITE-ON has formulated 8 sustainability targets and identified 22 material issues, all of which are disclosed herein.

LITE-ON supports CSR in climate change with action and full participation. It has set medium- and long-term carbon reduction targets according to the We Mean Business climate change disclosure, carbon reduction policy, and voluntary carbon reduction commitment. In support of the final Task Force on Climate-Related Financial Disclosures (TCFD) recommendations on climate change related financial disclosure, LITE-ON includes climate related financial reports in stakeholder communications. LITE-ON also works on adapting to and mediating the effects of greenhouse gases and performs analysis and management of internal energy consumption on an ongoing basis as a proactive approach to reducing greenhouse gas emission.

LITE-ON complies with internationally recognized human rights standards, including Universal Declaration of Human Rights (UDHR) and International Labour Organization (ILO) and UN Guiding Principles of Business and Human Rights. LITE-ON follows the aforesaid standards, local regulations where it conducts business activities, SA 8000 (Social Accountability 8000), and Responsible Business Alliance (RBA) and establishes its labor standards, LITE-ON Human Rights Policy and LITE-ON CSER Code of Conduct (COC).

The LITE-ON Human Rights Policy and CSER COC apply to LITE-ON Group and its subsidiaries (of which LITE-ON is a principal shareholder and involved in management), supply chain, contractors and subcontractors. LITE-ON holds its suppliers to the same standards and expects LITE-ON suppliers to commit to compliance with LITE-ON Human Rights Policy and COC. The scope of CSER COC encompasses all activities, including trade, investment, subcontracting, supply, business development, and other business activities and employment relationships. The CSER COC describes a commitment to issues such as business ethics, employer-employee relations, environmental protection, health and safety, management systems, corporate governance, and social engagement. The company's performance in this regard has been attested to by internal as well as external inspectors. For more details on the CSER COC, please visit LITE-ON's website: https://www.liteon.com/en-us/globalcitizenship/287
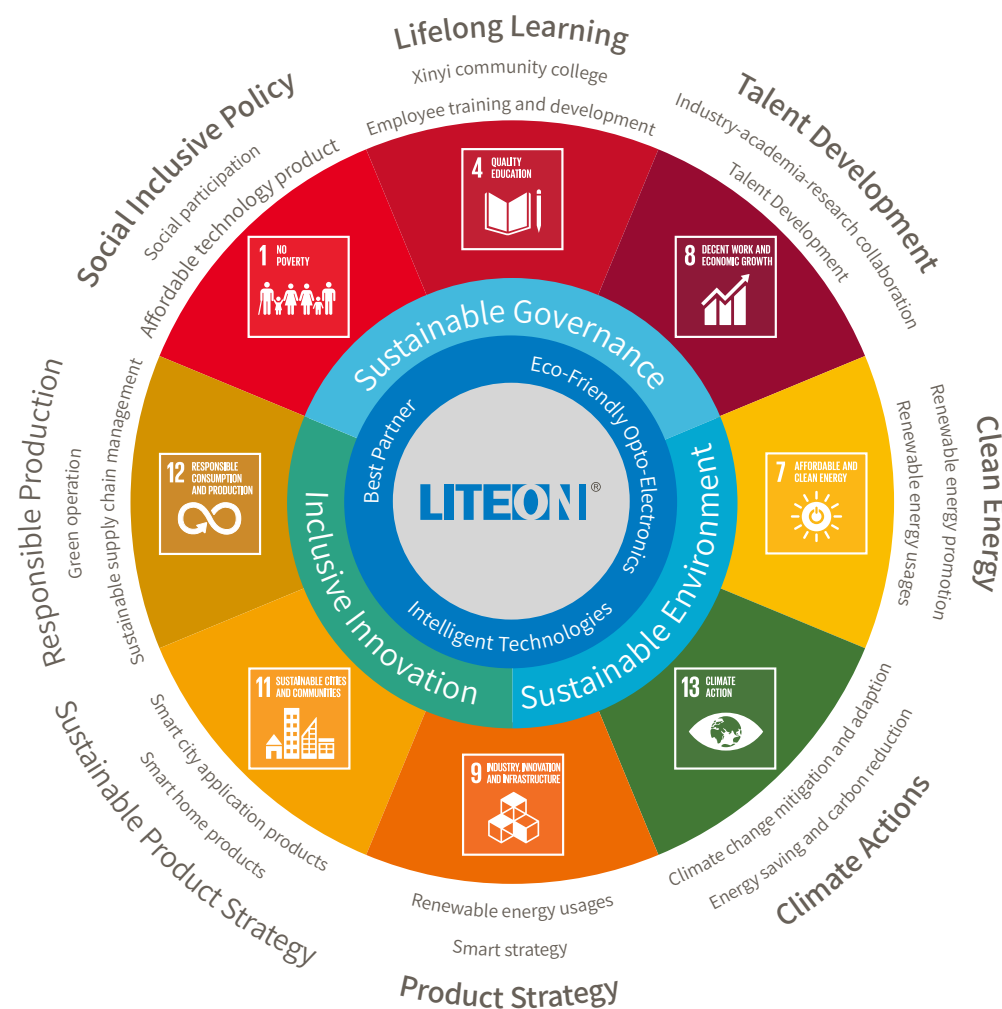
1.1.3 LITE-ON'S Major Contribution to United Nations Sustainable Development Goals (SDGs)

SDGs		Targets		Report Sections		page
1 NO POVERTY	End poverty in all its forms everywhere	1.3	Implement nationally appropriate social protection systems and measures for all, including floors, and by 2030 achieve substantial coverage of the poor and the vulnerable	3.2.1	Innovative Applications of Smart and Energy Saving Products	45
		1.4	By 2030, ensure that all menand women, in particular the poor and the vulnerable, have equal rights to economic resources, as well as access to basic services, ownership and control over land and other forms of property, inheritance, natural resources, appropriate new technology and financial services, including microfinance	4.1	Commitment to Environmental Sustainability and Policy	54
				4.2	Responses to Climate Change and Global Warming Policy	56
		1.5	By 2030, build the resilience of the poor and those in vulnerable situations and reduce their exposure and vulnerability to climate-related extreme events and other economic, social and environmental shocks and disasters	6.1	Social Inclusion Policy	90
				6.6.1	Community Assistance and Holistic Services	96
4 QUALITY EDUCATION	Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all	4.3	By 2030, ensure equal access for all women and men to affordable and quality technical, vocational and tertiary education, including university	5.3	Employee Development and Training	77
		4.5	By 2030, eliminate gender disparities in education and ensure equal access to all levels of education and vocational training for the vulnerable, including persons with disabilities, indigenous peoples and children in vulnerable situations	6.1	Social Inclusion Policy	90
		4.7	By 2030, ensure that all learners acquire the knowledge and skills needed to promote sustainable development, including, among others, through education for sustainable development and sustainable lifestyles, human rights, gender equality, promotion of a culture of peace and non-violence, global citizenship and appreciation of cultural diversity and of culture's contribution to sustainable development	6.6.2	Taipei Xinyi Community College	101
				6.3	Supporting Internships	92
				6.4	017 2017 LITE-ON Award	93
				6.6.1	Community Assistance and Holistic Services	96
		4.a.	Build and upgrade education facilities that are child, disability and gender sensitive and provide safe, non-violent, inclusive and effective learning environments for all			
7 AFFORDABLE AND CLEAN ENERGY	Ensure access to affordable, reliable, sustainable and modern energy for all	7.2	By 2030, increase substantially the share of renewable energy in the global energy mix	3.2.1	Innovative Applications of Smart and Energy Saving Products	45
		7.3	By 2030, double the global rate of improvement in energy efficiency	4.1	Commitment to Environmental Sustainability and Policy	54
		7.a.	By 2030, enhance international cooperation to facilitate access to clean energy research and technology, including renewable energy, energy efficiency and advanced and cleaner fossil-fuel technology, and promote investment in energy infrastructure and clean energy technology	4.2	Responses to Climate Change and Global Warming Policy	56
8 DECENT WORK AND ECONOMIC GROWTH	Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all	8.2	Achieve higher levels of economic productivity through diversification, technological upgrading and innovation, including through a focus on high-value added and labour-intensive sectors	2.1	Company Overview	25
		8.3	Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services	3.4	Supply Chain Management	47
				4.6	Green Factory	66
				5.1	Employee Policy	68
				5.2.3	Personnel Recruitment	75
		8.4	Improve progressively, through 2030, global resource efficiency in consumption and production and endeavour to decouple economic growth from environmental degradation, in accordance with the 10-year framework of programmes on sustainable consumption and production, with developed countries taking the lead	5.2.4	RBA (formerly EICC) Code of Conduct Committee	76
		8.5	By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value	5.3	Employee Development and Training	77
		8.6	By 2020, substantially reduce the proportion of youth not in employment, education or training	5.4	Protection of Interest	79
		8.7	Take immediate and effective measures to eradicate forced labour, end modern slavery and human trafficking and secure the prohibition and elimination of the worst forms of child labour, including recruitment and use of child soldiers, and by 2025 end child labour in all its forms			
		8.8	Protect labour rights and promote safe and secure working environments for all workers, including migrant workers, in particular women migrants, and those in precarious employment			
		8.b.	By 2020, develop and operationalize a global strategy for youth employment and implement the Global Jobs Pact of the International Labour Organization			

SDGs		Targets	Report Sections		page
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation	9.1 Develop quality, reliable, sustainable and resilient infrastructure, including regional and transborder infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access for all 9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities 9.5 Enhance scientific research, upgrade the technological capabilities of industrial sectors in all countries, in particular developing countries, including, by 2030, encouraging innovation and substantially increasing the number of research and development workers per 1 million people and public and private research and development spending 9.b. Support domestic technology development, research and innovation in developing countries, including by ensuring a conducive policy environment for, inter alia, industrial diversification and value addition to commodities 9.c. Significantly increase access to information and communications technology and strive to provide universal and affordable access to the Internet in least developed countries by 2020	1.1 Corporate Commitment and CSR Vision 4.2 Responses to Climate Change and Global Warming Policy 4.6 Green Factory 6.2 Measuring Social Impact of Products: SROI		8 56 66 91
11 SUSTAINABLE CITIES AND COMMUNITIES	Make cities and human settlements inclusive, safe, resilient and sustainable	11.2 By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons 11.6 By 2030, reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management 11.b By 2020, substantially increase the number of cities and human settlements adopting and implementing integrated policies and plans towards inclusion, resource efficiency, mitigation and adaptation to climate change, resilience to disasters, and develop and implement, in line with the Sendai Framework for Disaster Risk Reduction 2015-2030, holistic disaster risk management at all levels	1.1 Corporate Commitment and CSR Vision 4.3.4 Air Pollution Control 4.5.4 Waste Management, Recycling and Reuse 6.2 Measuring Social Impact of Products: SROI 6.6.2 Taipei Xinyi Community College		8 61 65 91 101
12 RESPONSIBLE CONSUMPTION AND PRODUCTION	Ensure sustainable consumption and production patterns	12.2 By 2030, achieve the sustainable management and efficient use of natural resources 12.4 By 2020, achieve the environmentally sound management of chemicals and all wastes throughout their life cycle, in accordance with agreed international frameworks, and significantly reduce their release to air, water and soil in order to minimize their adverse impacts on human health and the environment 12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse 12.8 By 2030, ensure that people everywhere have the relevant information and awareness for sustainable development and lifestyles in harmony with nature	3.2 2017 Green Designs and Achievements 4.5 Main Raw Materials 4.5.4 Waste Management, Recycling and Reuse 4.6 Green Factory		43 64 65 66
13 CLIMATE ACTION	Take urgent action to combat climate change and its impacts	13.1 Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries 13.3 Improve education, awareness-raising and human and institutional capacity on climate change mitigation, adaptation, impact reduction and early warning	4.1 Commitment to Environmental Sustainability and Policy 4.2 Responses to Climate Change and Global Warming Policy 4.3 Reducing Greenhouse Gases		54 56 57

1.2 Stakeholders and Material Issues

1.2.1 Stakeholder Identification and Communication

Being able to communicate effectively with stakeholders is 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 that have the highest level of relevance to the above mentioned stakeholders. LITE-ON has stakeholders from a wide variety of backgrounds. To present stakeholders sufficiently representative of their categories, we summoned representatives from all departments in 2017, and referred to the AA1000 Stakeholder Engagement Standard (SES) 2015 in open discussions of stakeholder identification. The primary considerations were a stakeholder's dependency on LITE-ON, influence over the company, amount of attention paid to the company, and responsibilities as well as diversity. In the end, a total of nine stakeholder categories were selected by importance.

The nine stakeholder categories are employees, customers, suppliers, investors/shareholders, governments and competent authorities, nonprofit organizations, research institutions, communities, and media.

LITE-ON is constantly communicating and working with different stakeholders. In 2017, the company engaged key stakeholders in the nine categories through regular and ad hoc communication channels, and achieved various results and created values for the society as a whole. We will continue to address issues important to our stakeholders via various channels as well as in the appropriate chapters of this report.

1.2.1.1 Stakeholder Engagement Performance in 2017

Audience	Importance of stakeholders to LITE-ON	Method and frequency of engagement	Issues	Engagement results	Response measures and counter measures		page
Investors (shareholders)	All shareholders (and potential shareholders) investing in LITE-ON should be given equal access to material information of the company so to present the company's market value in a sustainable manner.	1. The executive management team meets regularly every year. - Shareholder meetings: (1 time) - Investor conferences: (4 times) 2. Material information briefings (1 time) 3. Participation in global investor forums (4 times) 4. Investor hotline (real-time) and mailing address	- Vision and corporate governance - Supply chain management - Customer relations management - Product quality and safety	The company engages investors regularly or as needed to convey its business performance and prospects. Annual reports, quarterly financial statements, quarterly reports, and monthly revenues are uploaded to the investor relations section of the corporate website. Meanwhile, a summary of comments gathered from investors and external parties are submitted quarterly to the board of directors and the executive management to provide a basis for improvement of corporate governance practices.	2. 3.4 3.5 3.2	Corporate Governance Supply Chain Management Customer Service and Satisfaction Green Designs and Achievements	23 47 49 43
The media	The media act as a bridge between LITE-ON and its stakeholders. Media coverage based on timely access to information released by the company will help stakeholders acquire correct information regarding the company via public channels. It will also help LITE-ON continue to uphold its reputation.	1. Regular investor conferences to publish business results, interviews in shareholders meetings, and press releases (5 times) 2. Ad hoc business result updates, interviews in press conferences, and press releases (6 times) 3. Regular press releases to publish monthly revenues (12 times) 4. Ad hoc press releases to publish business updates (5 times) 5. Media and public relations hotline and media interviews and inquiries (real time)	- Vision and corporate governance - Supply chain management - Customer relations management - Risk management - Waste management - Integrity and compliance	The company engages the media regularly or as needed, accepts media interviews and issues press releases to convey its business performance and prospects. Press releases are also published on the corporate website. Meanwhile, a summary of relevant issues and articles gathered from the media are submitted to the executive management to provide a basis for improvement of corporate governance practices.	2. 3.4 3.5 3.2 4.5.4	Corporate Governance Supply Chain Management Customer Service and Satisfaction Green Designs and Achievements Waste Management, Recycling and Reuse	23 47 50 43 65
Customers	Customers are LITE-ON's source of revenue, and we listen to customers and their needs. LITE-ON monitors industry trends closely and provides professional services in order to meet the customers' standards and keep abreast with the latest developments.	1. Quarterly business review meetings (quarterly) 2. Supplier Conference (as needed) 3. Special-purpose meetings (as needed) 4. Meeting appointments (as needed) 5. Ad hoc meetings on urgent issues (as needed) 6. Audits by customers (as needed) 7. RBA-ON platform (annual)	- Service quality and consumer rights - Data security and client privacy - Customer relationship management - Legal and regulatory compliance - Supply chain management	The Supplier Quality Management (SQM) unit is created to strengthen supplier quality management in order to provide fast, efficient, and high quality products and services and be able to inform customers of updates on supplier management. The company is constantly making improvements to customer services, and stays in close communication with customers. We protect client privacy and are always prepared to accept review requests from customers. Visits between the senior management of the company and that of our customers are arranged to strengthen the partnerships and create a win-win situation.	3.5 2.5 2.4 3.4	Customer Service and Satisfaction Information Security and Privacy Management Compliance, Ethics and Anti-corruption Supply Chain Management	50 40 38 47
Suppliers	Suppliers play a key role in LITE-ON's campaign to achieve sustainability. In addition to production, service and operational concerns, the company has to consider its corporate social responsibility and reputation risk. LITE-ON tries to learn about supplier concerns through the communication channels in place in order to reduce business risks and costs and continue to provide responsible and high quality services for customers.	1. Regular supplier training conferences 2. Supplier audits 3. Project meetings 4. Operational review meetings	- Product or service life cycles - Supply chain management - Raw materials management - Product quality and safety - Service quality and consumer rights	The company holds annual supplier meetings and ad hoc supplier audits to communicate with suppliers on business performance and annual targets. 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 work together to achieve sustainability.	3.2 3.4 3.5 4.5	Green Designs and Achievements Supply Chain Management Customer Service and Satisfaction Main Raw Materials	43 47 50 64

Audience	Importance of stakeholders to LITE-ON	Method and frequency of engagement	Issues	Engagement results	Response measures and counter measures		page
Employees (union)	Employees are LITE-ON's most important partners in achieving sustainability. In addition to protecting employees' employment rights, a company has to offer competitive compensation and benefits, and show respect and care for employees in order to attract top talent. Employees who are able to realize their full potential and work with the company will deliver the best business performance.	1. Union meetings (as needed) 2. Employee/employer meetings (quarterly) 3. Business unit meetings (quarterly) 4. Hotlines and mailboxes 5. Business meetings and internal correspondence	- Compensation and benefits - Business performance - Labor relations - Organizational identification and employee retention	The company communicates with employees on company policies and directions through various channels, and is already open to employee feedback and making adjustments to strategies or proposals for improvement as appropriate.	2.1 5.2.2 5.4 5.5	Company Overview Employee Retention Protection of Interests Employee Relations	25 73 79 81
Government authorities	In addition to complying with government regulations, LITE-ON actively supports government policies and engages government agencies in two-way open communication to win their trust, support, and cooperation.	1. Regular update of corporate website and information on the Market Observation Post System (monthly/Quarterly/annually) 2. Questionnaires and interviews (as needed)	- Compliance - Labor relations	The company works with government agencies regularly and as needed in implementing and coordinating related programs. The company also learns details of policies and regulations and assists in promoting them.	2.4 5.4 5.5	Compliance, Ethics and Anti-corruption Protection of Interests Employee Relations	38 79 81
The community	LITE-ON improves its sustainability campaign based on its effort to improve its CSR performance. By giving back to the community, LITE-ON creates a stronger positive influence on society. LITE-ON also implements stakeholder communication mechanisms to add to its positive influence on society.	Community assistance 1. Email at the foundation (three times in six months) 2. Social media webpage (as needed) 3. Course feedback (semiannually) Xinyi Community College 1. Course satisfaction questionnaires (semiannually) 2. Instructor meetings (semiannually) 3. Volunteer meetings (quarterly)	- Charity - Community building - Environmental issues	The company communicates via email and telephones. In the event of a major incident, notifications will be made by email, and updates and discussions will take place on social media websites.

Course questionnaires are used to collect suggestions and feedback from volunteers and course participants. Instructor meetings are held on a regular basis to keep instructors focused on the priorities of the community college. | 4.1 6.5 6.6.1 6.6.2 | Commitment to Environmental Sustainability and Policy LITE-ON Volunteers Community Assistance and holistic services Taipei Xinyi Community College | 54 95 96 101 |
| Research institutions | Research institutions play the role of pioneers in advanced technologies and their applications. They help companies innovate and become more competitive so to make it easier for companies to win the approval of customers and investors. | 1. Onsite visits and meetings (as needed) 2. Seminar planning (as needed) 3. Government project execution (as needed) 4. Collaborative technology development (as needed) | - Corporate governance - Integrity and compliance - Corporate image | By applying for government subsidies or earmarked grants, the company forms academia-industry partnerships in specific fields with research institutions. These fields include MOST project applications, ISO management system implementation, and assistance for environmental product labels or certification.

The company collaborates with others in developing industry technologies by means of technology transfer or commissioned research in order to implement new technologies needed to enable product development.

The company works with research institutions in building up talent pools and necessary techniques by providing funding or creating joint research centers. | 2. 3.1 | Corporate Governance Goals and strategies for reducing impact of products and supply chain | 23 43 |
| Non-Profit Organizations | As an ethical and responsible business, LITE-ON understands the needs of nonprofit organizations. It promotes and practices the philosophy of giving back to the community, and tries to make itself a positive influence on society. | 1. Membership associations (as needed) 2. Event co-sponsorships (as needed) | - Integrity and compliance - Corporate image - Human rights - Labor relations - Environmental management | The company plays an active role in trade associations, including the Taiwan Corporate Sustainability Forum, Taiwan Electrical and Electronic Manufacturer's Association and Taiwan Optoelectronic Semiconductor Industry Association, to facilitate frequent interaction among members of the industry. The company also works with NGOs on employee care and environment adaptation initiatives, including climate change response measures and energy saving and carbon reduction measures. | 4.2 4.3 5.2.4 5.4 5.5 5.6 | Responses to Climate Change and Global Warming Policy Reducing Greenhouse Gases RBA (formerly EICC) Code of Conduct Committee Protection of Interest Employee Relations LOHAS LITE-ON | 56 57 76 79 81 84 |

1.2.1.2 Stakeholder Engagement Performance Highlights

Project: TenSquarde Project- Improving occupational health and safety management in plant
Partners: 1. HP (client), 2. Social Accountability International (SAI) (NGO)
Participants: All employees in the power segment at Guangzhou Plant
Period: April 2017 - July 2017

Background and objectives

HP is a long term strategic partner of the power segment at LITE-ON Guangzhou Plant. In addition to overseeing production management compliance, the company brought in a third party, Social Accountability International (SAI), to provide professional assistance for LITE-ON to improve occupational health and safety management in the plant.

Activities and results

LITE-ON selected five managers and five employees to form a team to attend SAI courses. The goals were achieved through group training and practices. The company started by training participants in analysis and enabling them to identify potential safety hazards in the workplace, list key points, and set improvement targets. The LITE-ON team chose improvement of fire safety management in all plants as the subject of the improvement plan and set the target accordingly, which was reducing the evacuation time in a fire drill from 12 minutes to 5 minutes in 100 days.

The improvement plan included the items, time to completion, and a list of persons in charge. The plan was implemented in two stages, the first 50-day plan and the second 50-day plan. The first 50-day plan involved hiring professionals from outside the company to provide fire safety training for all employees in the plants. Fire safety officers were given clearly defined responsibilities and assigned to different areas. The list would be updated regularly, and all fire safety facilities in the plans would undergo extensive inspections and onsite drills. SAI led the team in performing a discrepancy analysis to examine the differences between the target and actual results. SAI also provided training on effective communication methods and ways to accomplish goals with efficiency and reach over and above the goals.

The second 50-days plan had the team implement the amended plan and form an emergency task force. The team also devised a fire safety accountability system. In the end, all shifts reached the initial evacuation time target of five minutes, and went on to improve the time to under three minutes.

1.2.2 Identification of Material Issues

The LITE-ON Corporate Social Responsibility Report complies with the Global Reporting Initiative (GRI) Standards. Material issues are analyzed by following the process of identification, prioritization, validation, review in order to validate the scope of disclosure in the report as well as major internal/external sustainability challenges faced by the company. The process also serves as a comprehensive review of business performance.

Identification → Prioritization → Validation → Review
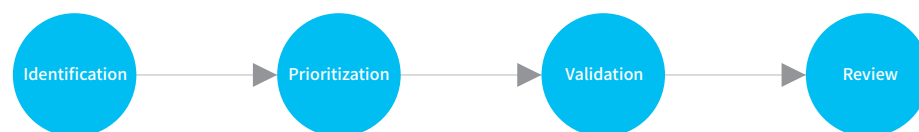
Identification

LITE-ON employees based identification of stakeholders on experience from everyday business activities and previous assignments, and listed sustainability issues that would be of interest to different stakeholders. To ensure the list of material issues is generated with objectivity, integrity, and inclusiveness, the company also looked back on the material issue matrix in the previous report and examined key concerns of leading competitors in the domestic and international markets and their indicators disclosed in GRI reports before it confirmed the final list of issues. A list of 22 sustainability issues was eventually created as the scope of material issue identification in the report.

Prioritization

Prioritization of sustainability issues was based on two factors, "the degree of influence over stakeholders' assessment and decision makes processes" and "the degree of impact of a company on the economy, the environment, and society". The degree of importance of each issue was assessed accordingly to establish the preliminary order of issues. We used external questionnaires again this year to collect opinions from key stakeholders in order to make the data more representative. The company received 1,591 valid replies, including opinions from employees (1,350) and from external stakeholders in the other eight categories (241). Statistical techniques and quantitative analysis were applied to analyze the influence and degree of impact of individual issues and generate the preliminary material issue matrix.

Identification of Material Issues

84.85% Employees
6.66% Communities
2.64% Customers
1.63% Nonprofit organizations
1.45% Suppliers
1.45% Government authorities
0.63% Research institutions
0.38% Investors/Shareholders
0.31% Media
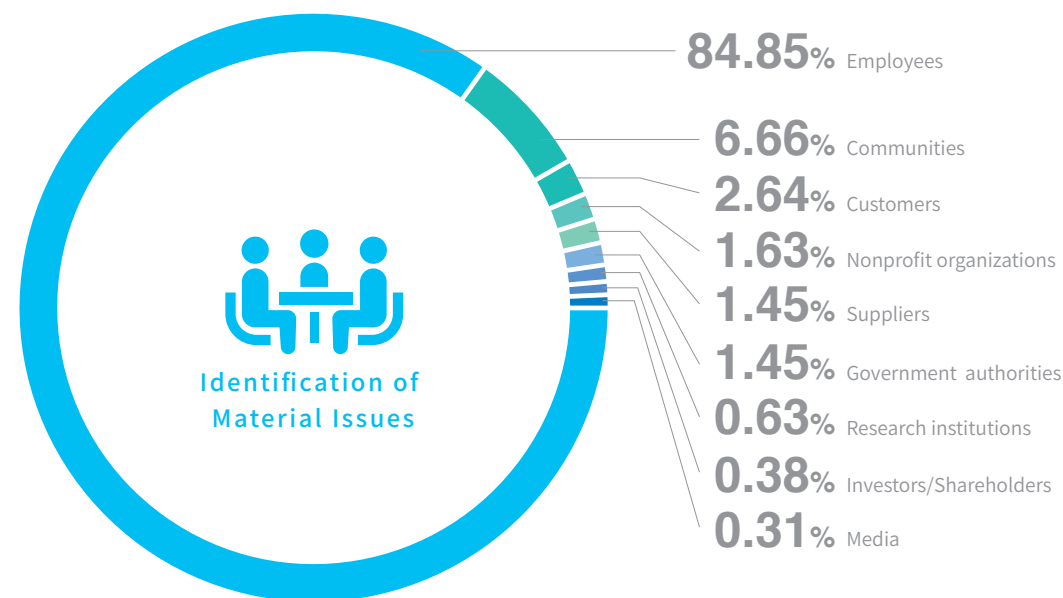
Validation

To ensure the results from identification of material issues would comply with the GRI integrity and stakeholder inclusiveness principles, members of the LITE-ON CSR Committee performed a preliminary review of the results from identification of material issues and considered international benchmarking analysis results, sustainability trends, and business development strategy before allocating more weight to the four issues, "product or service life cycles", "corporate governance", "talent recruitment and retention", and "climate change strategies". The adjusted results were reviewed by the CEO, and the material issue matrix was discussed and validated. We classified the 22 sustainability issues above into significant impact, secondary impact, and negligible impact according to their locations on the matrix. The identification results provided the framework for the report and answers to the stakeholders' questions.

The 22 issues were divided into 6 significant impact issues, 13 secondary impact issues, and 3 negligible impact issues. In particular, "significant impact issues" and "secondary impact issues" are covered in the scope of material disclosure in the report; and the negligible impact issues were deemed nonmaterial issues, and would not be disclosed in the report, except where non-material issues would affect the presentation of material issues. Such non-material issues would be described and disclosed in the report as appropriate.

Furthermore, we summarized GRI indicators matching the material issues into 11 LITE-ON specific issues, and provided answers in the report.

Review

The CSR Report is intended as a review of LITE-ON's progress toward the vision of sustainability and a presentation of the company's performance in the area. Meanwhile, the report serves to maintain a two-way open communication channel between LITE-ON and its stakeholders so to enable LITE-ON to follow the needs and expectations of its stakeholders and take the initiative to answer issues of interest in terms of CSR targets and routine business activities. When the next report is due for publication, we will review the material issue matrix again, and make plans and engage the stakeholders as needed to determine if any adjustment is required.

LITE-ON analysis of material issues in 2017 (suggestions)
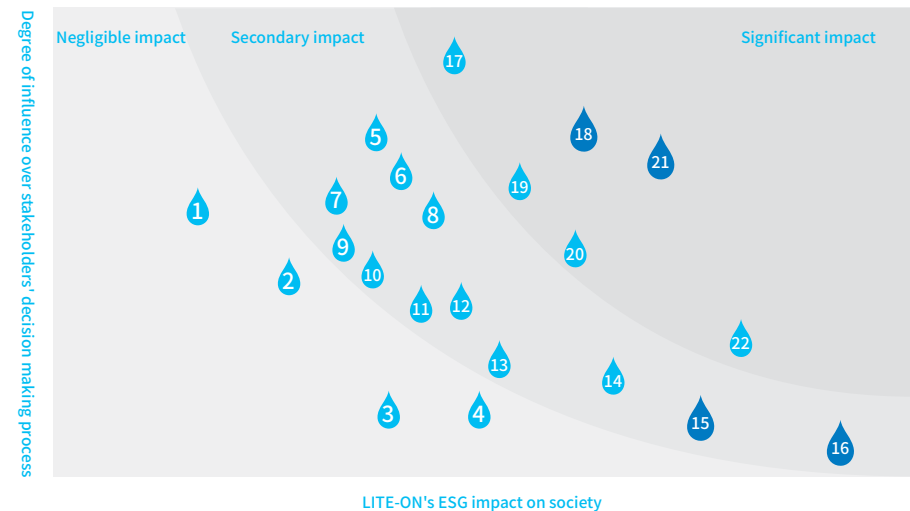
Negligible impact

1 Social engagement	2 Corporate image	3 Raw materials management	4 Water resource management

Secondary impact

5 Supply chain management	6 Privacy and data security	7 Risk management	8 Data security and client privacy
9 Customer relations management	10 Diversity and inclusion	11 Product quality and safety	12 Talent recruitment and retention
13 Waste management	14 Talent training and education	15 Energy efficiency	16 Climate change strategies

Significant impact

17 Integrity and compliance	18 Corporate governance	19 Occupational safety and health	20 Human rights
21 Product and service life cycles		22 Labor relations and fair treatment of employees	

1.2.3 The Scope and Boundary of Material Topics in the Report

Major Customers

- Branded electronic equipment (mobile devices, computers, and networking equipment etc.) and home appliances manufacturers
- Electronic equipment and home appliances contract manufacturers

Suppliers

- Electronic components manufacturers
- Packing material manufacturers
- Raw materials (e.g., steel, copper, and tin etc.) processing manufacturers
- Production equipment manufacturers

Publically-listed Subsidiaries

LITEON ®

Subsidiaries

The community

- LITE-ON's headquarters and business locations

Contractors

- Electronic components manufacturers

■ Within the organization   ■ Outside of the organization

Having identified 22 issues of interest to the stakeholders and had the CESR Committee discuss the results; LITE-ON chose six significant material impact issues and five secondary impact issues to be the material issues this year. The issues are fully disclosed in the report, and the rest of the issues are disclosed on a voluntary basis. The extent of interest was determined to ensure the transparency and adequacy of LITE-ON's disclosure would be sufficient to demonstrate its value chain. Since the scope of coverage is different for each indicator, LITE-ON has addressed each stakeholder's concern in the maximum scope possible. The extent of disclosure for each indicator will be explained in the corresponding chapters of this report.

Material Topics and Sustainable Issues Index

○ Indirect impact ◎ Business impact ● Direct impact

Materiality	Material topics	GRI disclosure	Report Chapter	Page	Employees	Customers	Suppliers	Shareholders (Investors)	Government authorities	Non Profit Organizations	Research Institutions	The Media	The community
Significant impact	Product and service life cycles	GRI 301: Materials	4.5 Main Raw Materials	64	●	●	○	○					
		GRI 303: Water	4.4 Water Resource Conservation	63									
Significant impact	Corporate Governance	GRI 201: Economic Performance	2.1 Company Overview 5.4 Protection of Interest 5.6 LOHAS LITE-ON 6.1 Social Inclusion Policy	25 79 84 90									
		GRI 205: Anti-Corruption	2.4 Compliance, Ethics and Anti-Corruption 3.4.1.3 Supplier Sustainability Guidelines 5.2.4. RBA (formerly EICC) Code of Conduct Committee	38 47 76	●	◎		●	●			○	
		GRI 405: Diversity and Equal Opportunity	2.2.1 Board of Directors 5.2.1 Employee Structure and Distribution 5.4 Protection of Interest	29 69 79									
Significant impact	Integrity and compliance	GRI 205: Anti-Corruption	2.4 Compliance, Ethics and Anti-Corruption 3.4.1.3 Supplier Sustainability Guidelines 5.2.4. RBA (formerly EICC) Code of Conduct Committee	38 47 76									
		GRI 206: Anti-Competitive Behavior	2.4 Compliance, Ethics and Anti-Corruption	38									
		GRI 307: Environmental Compliance	4.1.2 Environmental Expenditure	55									
		GRI 416: Customer Health and Safety	3.5.3 Product Health and Safety	52	●	●	○	◎	○			○	
		GRI 417: Marketing and Labeling	3.2.2 Product Certification	45									
		GRI 418: Customer Privacy	2.5 Information Security and Privacy Management	40									
		GRI 419: Socioeconomic Compliance	2.4.1 Violation of Labor Standards Act	39									
Significant impact	Occupational safety and health	GRI 403: Occupational Health and Safety	5.6.3 Occupational Safety and Health Management	87	●	◎	◎		○				
Significant impact	Labor relations and fair treatment of employees	GRI 202: Market Presence	5.2.1 Employee Structure and Distribution 5.4 Protection of Interest	69 79									
		GRI 402: Labor/Management Relations	5.4 Protection of Interest	79									
		GRI 407: Freedom of Association and Collective Bargaining	3.4.3 Supplier Management Mechanisms 5.5 Employee Relations 5.6.2 Diverse Recreational Activities	50 81 86	●	◎	◎		○		○	○	○
		GRI 409: Forced or Compulsory Labor	3.4.3 Supplier Management Mechanisms 5.2.4. RBA (formerly EICC) Code of Conduct Committee	50 76									

Material Topics and Sustainable Issues Index

○ Indirect impact ◎ Business impact ● Direct impact

Materiality	Material topics	GRI disclosure	Report Chapter	Page	Employees	Customers	Suppliers	Shareholders (Investors)	Government authorities	Non Profit Organizations	Research Institutions	The Media	The community
Significant impact	Human Rights	GRI 405: Diversity and Equal Opportunity	2.2.1 Board of Directors	29									
			5.2.1 Employee Structure and Distribution	69									
			5.4 Protection of Interest	79									
		GRI 406: Non-Discrimination	5.4 Protection of Interest	79									
			5.5 Employee Relations	81									
		GRI 408: Child Labor	3.4.3 Supplier Management Mechanisms	50	●	◎	◎		○	○		○	○
			5.1 Employee Policy	68									
			5.2.4 RBA (formerly EICC) Code of Conduct Committee	76									
		GRI 407: Freedom of Association and Collective Bargaining	3.4.3 Supplier Management Mechanisms	50									
			5.5 Employee Relations	81									
			5.6.2 Diverse Recreational Activities	86									
		GRI 409: Forced or Compulsory Labor	3.4.3 Supplier Management Mechanisms	50									
			5.2.4 RBA (formerly EICC) Code of Conduct Committee	76									
		GRI 412: Human Rights Assessment	5.3 Employee Development and Training	77									
Secondary impact	Supply Chain Management	GRI 204: Procurement Practices	3.4.2 Supply Chain Risk Management	50									
		GRI 308: Supplier Environmental Assessment	3.4 Supply Chain Management	47	●	◎	●	◎	○				
		GRI 414: Supplier Social Assessment	3.4 Supply Chain Management	47									
			3.4.2 Supply Chain Risk Management	48									
			3.4.3 Supplier Management Mechanisms	50									
Secondary impact	Privacy and data security	GRI 418: Customer Privacy	2.5 Information Security and Privacy Management	40	●	●	●					○	
Secondary impact	Climate change strategies	GRI 201: Economic Performance	Letter form Group Chairman and Group CEO	5	●	◎	○	○	○		◎	○	○
			4.2 Responses to Climate Change and Global Warming Policy	56									
		GRI 305: Emissions	4.3 Reducing Greenhouse Gases	57									
Secondary impact	Data security and client privacy	GRI 417: Market and Labeling	3.5.3 Product Health and Safety	52	●	●	◎	◎				○	
		GRI 418: Customer Privacy	2.5 Information Security and Privacy Management	40									
Secondary impact	Energy efficiency	GRI 302: Energy	4.1 Commitment to Environmental Sustainability and Policy	54	●	◎	◎		○	○			○
			4.3.2 Energy-saving Measures	59									
			4.3.3 Direct and Indirect Energy Consumption	60									

2

Corporate Governance

Innovation, Integrity,
Excellence in Execution, Customer Satisfaction

Top 5%

51,879 employees

NTD 215 billion

AAA 16

Ranked as top 5% of public companies list in the Fourth Corporate Governance Evaluation by TWSE

Total employees in 2017: 51, 879

2017 annual revenue: NT$215 billion

A total of 16 plants have passed Product Liability Insurance AAA Certification to date

Direct grievance reporting channel to board of management

2   Corporate Governance

LITE-ON develops effective corporate governance and implement practices in accordance with the Law of the Company Act, the Securities 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. LITE-ON places a great emphasis on open, impartial disclosure. The company discloses financial data and statements, annual reports, and important information in a timely, accurate, and transparent manner on the Market Observation Post System. It also makes related details available on the LITE-ON website (WWW.LITEON.COM) to local and international stakeholders.

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.

Integrity

We emphasize integrity, transparency, and doing the right thing to earn the respect of our employees and trust of our customers and stakeholders to ensure solid and sustainable business operations.

Innovation

With open minds and innovative technology, we are at the forefront of the mass production of next-gen technology.

Excellence in Execution

With outstanding execution, we dedicate ourselves to fulfilling our commitments to customers, while creating innovative competitive advantages.

Customer Satisfaction

As the best partners for our customers, we attentively listen to their needs, mastering market trends and using our strong expertise to fulfill their goals.

Actions and results

Target	Action	Progress
Consistent top performance in Corporate Governance Evaluation (Top 5% TWSE-listed companies)	- Created a reporting channel with direct access to the board of directors - Established the Rules for Evaluating Board of Directors and Functional Committee Performance - Created the corporate governance task force and the ethical management task force - Disclosed dividend policies in detail - Moved the release date for annual financial statements ahead to within two months after the end of a fiscal year - Started requiring 50% or more of members of the Growth Strategy Committee be independent directors	TWSE Corporate Governance Evaluation - Top 5% in first two years - Top 6%-20% in the third year - Top 5% in the fourth year
All factories received Product Liability Insurance AAA Certification	AE Wuxi Plant and Li Shin Huizhou Plant received Product Liability Insurance AAA Certification from the ACE Group in 2017	A total of 16 factories received Product Liability Insurance AAA Certification
Corporate governance courses were included in orientation training in key regions	Redesigned and strengthened orientation training by adding corporate governance courses	Corporate governance courses were added to orientation training in all key regions
Refresher training on corporate governance course[1] was provided to all indirect workers in Taiwan	- The corporate governance e-learning courses[1] have been renewed and implemented in March - The head of the Legal Department personally explained antitrust case studies to salespersons and clients or employees in contact with suppliers - Established training guidelines for corporate governance course for indirect workers in Taiwan	Refresher training on corporate governance course[1] in Taiwan had a 92.9% completion rate

Future goals

Future goals	Completion
Consistent top performance in Corporate Governance Evaluation (Top 5% TWSE-listed companies)	Ongoing
Increase the completion rate of refresher training on corporate governance course[1] for indirect workers in Taiwan to 99%	2018

Note 1: Courses including Material Insider Information and Anti-trust and Compliance

2.1 Company Overview

Company Name: LITE-ON Technology Corporation
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 smart healthcare, and LITE-ON is a worldwide leading provider of optoelectronics, information technology, storage devices, and mobile devices components. Now LITE-ON is one of the worldwide top 2 Power Supplies supplier*.

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. LITE-ON's main business strategy focuses 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 cloud computing, LED components and outdoor/automotive lighting, automotive electronics, smart healthcare, 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 best partner of choice for global customers developing innovations and applications for Opto-Electronic, Eco-Friendly and Intelligent Technologies.

1. For information of LITE-ON's product development, please refer to following company webpage:
   https://www.liteon.com/en-us/globalcitizenship/372
2. For more details on business performance including financial statement, liabilities, shareholders' equity, and retained earnings etc. please refer to LITE-O's Annual Report published on the company website:
   https://www.liteon.com/en-us/investor/financialreports/9
3. * Source: MTC Power Electronics Industry Newsletter #265 published in May 2018
4. ** 2016 & 2015 numbers are adjusted to be the numbers of parent company according to LITE-ON's Annual Report.

NTD $215 billion
2017 Revenue: NT$215 billion
2016: NT$230 billion
2015: NT$217 billion
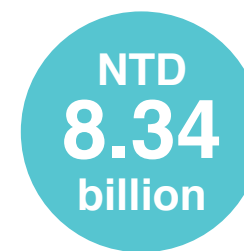
NTD 8.34 billion
2017 Operating Income: NT$8.34 billion
2016: NT$12.71 billion
2015: NT$8.65 billion

NTD 1.13
2017 Earning Per Share: NT$1.13
2016: NT$4.05
2015: NT$3.10
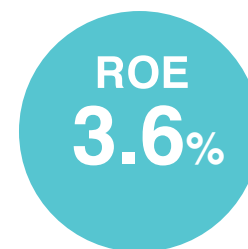
ROE 3.6%
2017 Return on Equity: 3.59%
2016:12.40%**
2015: 9.57%**

NTD 7.4 million
2017 Tax Expense: NT$740 million
2016: NT$3,270 million
2015: NT$2,690 million

WW TOP2 supplier
2017 Worldwide Top 2 Power Supplies Suppler
2016: Top 2
2015: Top 2

2.1.1 LITE-ON'S Major Operations Centers Worldwide 2017

Northumberland
Eindoven
Neumuenster
Wetzlar
Jordan
Jinan
Suzhou
Nanjing
Xianning
Ganzhou
Guangzhou
Bangkok
Singapore
Haiphong
Beihai
Shijie
Zhuhai
Hongkong

Beijing
Tianjin
Yantai
Seoul
Tokyo
Changzhou
Shanghai
Wuxi
Qingxi
Dongguan

Taipei
New Taipei City
Taoyuan
Hsinchu
Tainan
Kaohshung

Salt Lake City
Fremont
Milpitas
San Jose
Dallas
Austin
Houston
Guadalajara
Troy
Chicago
Atlanta
Manaus

Headquarters   Manufacturing Site   R&D Center   Business (Sales and Other Management) Center

2.1.2 List Major Shareholders

April 24, 2018

Name of Shareholders	Number of shares held	Shareholding%
1. Taiwan Bank in custody for Silchester International Investors International Value Equity Trust	101,740,857	4.33%
2. Ta-Rong Investment Co. Ltd.	85,402,698	3.63%
3. Raymond Soong	79,302,560	3.37%
4. Taiwan Bank in custody for Silchester International Investors International Value Equity Trust	55,220,953	2.35%
5. Capital Securities Nominee Limited	51,584,000	2.19%
6. Ta-Sung Investment Co. Ltd.	47,088,399	2.00%
7. Fubon Life Insurance Co., Ltd.	47,000,000	2.00%
8. Ming-Hsing Investment Co., Ltd.	46,905,330	2.00%
9. Yuan Pao Development & Investment Co. Ltd.	39,473,599	1.68%
10. Taiwan Bank in custody for Silchester International Investors International Value Taxable Equity Trust	36,446,459	1.55%
11. Government funds and shareholders		
- New Labor Pension Fund	25,902,142	1.10%
- Labor Insurance Fund	25,582,982	1.09%
- Public Service Pension Fund	19,149,503	0.81%
- Chunghwa Post Co., Ltd.	16,146,973	0.69%
- Labor Pension Fund	11,661,462	0.50%
- National Annuity Fund	10,791,712	0.46%
- Department of Government Employees Insurance, Bank of Taiwan	3,064,846	0.13%
Total shares held by government funds and shareholders Total shares held by government funds and shareholders	112,299,620	4.78%

2.1.3 Membership in Groups and Associations

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

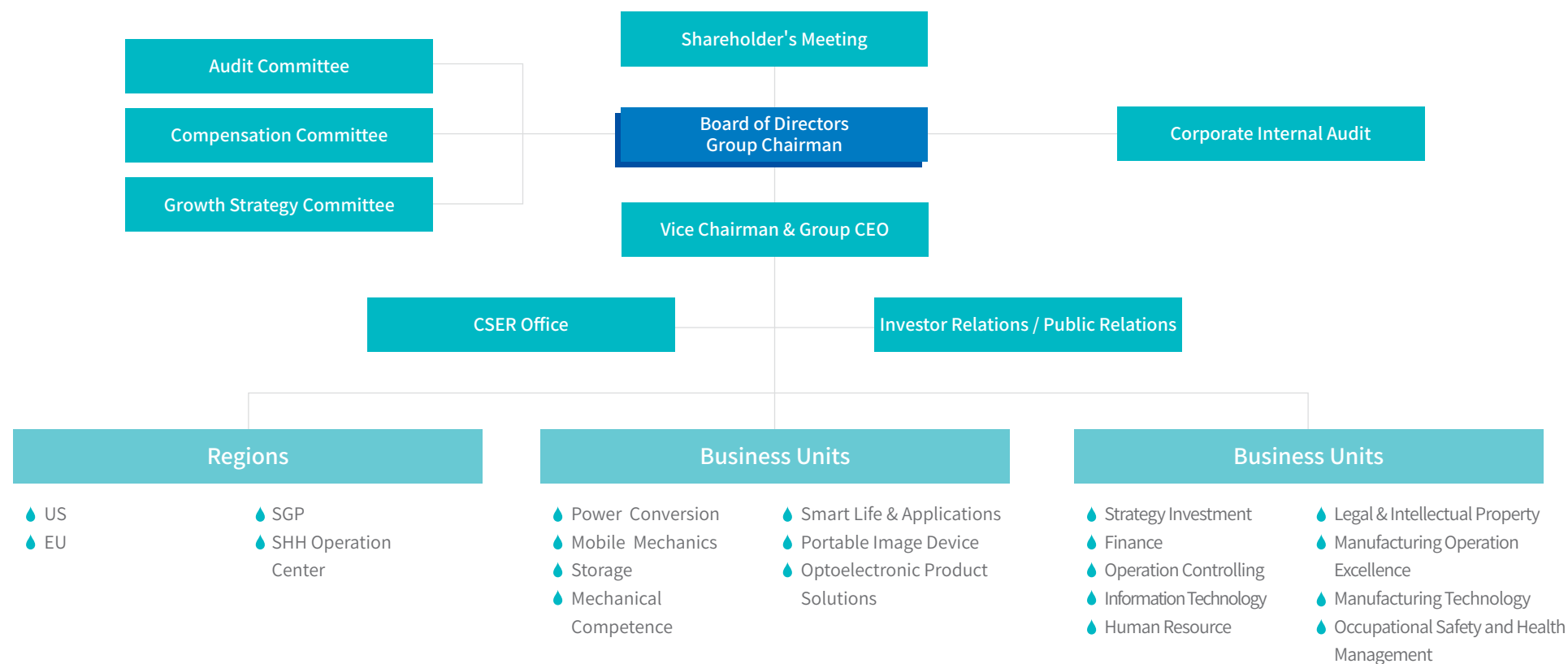| category	Taiwan	Mainland China	Thailand and other regions
Industry	1. Institute of Information Industry 2. Photonics Industry and Technology Development Association 3. Taipei Computer Association (Executive Director) 4. Taiwan Electrical and Electronic Manufacturers' Association (Executive Supervisor) 5. The International Commission on Illumination 6. Taiwan Optoelectronic Semiconductor Industry Association, TOSIA (Chairman) 7. Taiwan Medical and Biotech Industry Association 8. Taiwan Lighting Fixture Export Association 9. (Asia IOT Alliance; AIoTA) 10. Taipei Electronic Components Suppliers' Association 11. Taiwan Telematics Industry Association 12. Taiwan Transportation Vehicle Manufacturers Association	1. International Solid State Lighting Alliance 2. China Solid State Lighting Alliance 3. Electronics & Communications Association of Guangzhou (Development District)	4. Electronic & Computer Employers' Association (Thailand) Chai-Klong Personnel Management (Thailand)
R&D and Technology	1. Taiwan information Storage Association 2. Taiwan IoT Technology and Industry Association	1. Anti-Static Equipment Branch of China Electronic Instrument Industry Association 2. Open Data Center Comittee	1. Open Compute Project 2. Wi-Fi Alliance 3. High Definition Multimedia Interface Inc., HDMI
other	1. Business Council for Sustainable Development of Taiwan, BCSD-Taiwan(Permanent Member) 2. Taiwan Corporate Sustainability Forum 3. Taipei Neihu Technology Park Development Association (Director) 4. The Institute of Internal Auditors-Chinese 5. Taiwan Corporate Governance Association	1. Jiangsu Association for Quality	

2.2 Organization Structure of Corporate Governance

Shareholder's Meeting

Audit Committee

Compensation Committee

Growth Strategy Committee

Board of Directors
Group Chairman

Corporate Internal Audit

Vice Chairman & Group CEO

CSER Office

Investor Relations / Public Relations

Regions

- US
- EU
- SGP
- SHH Operation Center

Business Units

- Power Conversion
- Mobile Mechanics
- Storage
- Mechanical Competence
- Smart Life & Applications
- Portable Image Device
- Optoelectronic Product Solutions

Business Units

- Strategy Investment
- Finance
- Operation Controlling
- Information Technology
- Human Resource
- Legal & Intellectual Property
- Manufacturing Operation Excellence
- Manufacturing Technology
- Occupational Safety and Health Management

There was no major changes in the corporate organization comparing with year 2016

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 Strategy Committee were established respectively under the board of directors. LITE-ON's Board of Directors, Audit Committee, Compensation Committee and Growth Strategy Committee perform their duties in accordance with the "Board of Directors Meeting Rules," "Audit Committee Organizational Rules," "Compensation Committee Organizational Rules," and "Growth Strategy Committee Organizational Rules.

2.2.1 Board of Directors

The company's directors are elected according to its " Rules Governing the Election of Directors," 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 10 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 three independent directors:

The 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 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 .

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.

According to LITE-ON's "Regulation and Procedure for Board of Directors Meetings," board meetings are held at least once every quarter. A total of ten board meetings were held in 2017.

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. Keh-Shew Lu, Representative of Ta-Sung Investment Co., Ltd. Tom Soong, Representative of Ta-Sung Investment Co., Ltd. C.H. Chen, Representative of Yuan Pao Development & Investment Co., Ltd. David Lee, Representative of Yuan Pao Development & Investment Co., Ltd.	Male
Independent Directors	Harvey Chang Edward Yao-Wu Yang Albert Hsueh	

Note：Ta-Sung Investment assigned Tom Soong as its Representative Director on Oct.19, 2017

2.2.2 Audit Committee

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

The Audit Committee consists entirely of independent directors with 3 members. 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.

1. The communications between the independent director and the Chief Audit Officer and the certified public accountants are established through Audit Committee or individually with independent directors via meetings or e-mails, communication items are as follows:
   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 on the company website : https://www.liteon.com/en-us/globalcitizenship/313

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 2017, and the members' attendance rate (including attend in person and by proxy) is 100%.

2.2.3 Compensation Committee

Chairperson: Independent Director Harvey Chang
Members: Independent Director Edward Yao-Wu 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.

The supervision scope of Compensation Committee includes performance appraisals and compensation policies of directors and over all executive managers, building up the salary policy by regularly inviting the professional 3rd party to inspect the company's compensation according to LITE-ON's "Board of Directors and Functional Committee Performance Evaluation Norms", as well as employees' incentives and bonuses. LITE-ON's Compensation Committee consists of three 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 compensation 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 compensation 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 two Compensation Committee meetings were held in 2017.

Locations	Ratio of highest compensation to the median **%	Ratio of salary increase for highest compensation to the median %
Taiwan*	9139%	0.0%
Brazil	1217%	22.1%
Mainland China***	603%	30%
Thailand	396%	298%

* The compensation includes salary, meal allowance, fixed bonus, and employee remuneration (annual 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 in mainland China are calculated based on the 5 major sites including Dongguan, Guangzhou, Changzhou, Beihai, and Tianjin

2.2.4 Growth Strategy Committee

Chairperson: Independent Director Edward Yao-Wu Yang
Members: Director Warren Chen, Director Keh-Shew Lu, and Independent Director Harvey Chang, Independent Director Albert Hsueh

The Growth Strategy 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 Strategy 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 Strategy Committee meetings should be held at least once every six months in accordance with LITE-ON "Growth Strategy Committee Organizational Rules." A total of two Growth Strategy Committee meetings were held in 2017, the members' attendance rate including attend in person and by proxy) is 100%.

Rules for Managing Board of Directors an Functional Committee Performance

To implement corporate governance and enhance the role of LITE-ON 's board of directors and functional committees and to establish performance targets for better operational efficiency, LITE-ON has followed the Rules for Evaluating Board of Directors and Functional Committee Performance* and presented the results of the 2017 performance evaluation in the first board meeting in 2018 and in related committee meetings. The results of the 2017 performance evaluation and the meeting attendance records are available on the company website: https://www.liteon.com/en-us/globalcitizenship/312

* Rules for Evaluating Board of Directors and Functional Committee Performance was published on the company website : https://www.liteon.com/en-us/investor/corporategovernance

2.3 Corporate Risk Management

As it increasingly conducts itself as an international business, LITE-ON starts facing the impact and growing challenges of a fast changing global economy. Therefore, LITE-ON identifies potential risks that may have an effect on sustainability, and formulates management strategies and response measures in order to reduce the potential risk of business interruption. The company has devoted itself to ensuring the financial, environmental and social sustainability of stakeholders including its customers, shareholders, and employees and the community. While taking steps to realize this goal, LITE-ON adopts a robust risk management framework, and performs risk assessments with respect to strategy, finance, operations, and hazards in order to determine top three high risks. The company also identifies and controls the various risks of concern, so that said risk can then be transferred, mitigated, minimized or even eliminated entirely and turned into business opportunities.

2.3.1 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.

Board of Directors(Audit Committee)

Corporate Internal Audit

Group CEO

Corporate Functions / Operations

Strategy Investment	Finance	Operation Controlling	Information Technology	Human Resource	Legal & Intellectual Property
Manufacturing Technology	Occupational Safety and Health Management	CSER Office	Investor Relations / Public Relations	Manufacturing Operation Excellence	Regions ◆US ◆Europe ◆Singapore ◆Shanghai

Business Units

Storage	Smart Life & Applications	Mechanical Competence	Portable Image Device
Power Conversion	Mobile Mechanics	Optoelectronic Product Solutions	

2.3.2 Risk Management Life Cycle

LITE-ON 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; "Operational Risks" refer to problems that are associated with the company itself; "Information Disclosure Risks" refer to risks associated with the disclosure of public information as part of the company's operations. 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. Furthermore, we has included identification and management of long term emerging risks in the corporate risk management plan.

Occurrence (vertical axis): High / Medium / Low

Impact (horizontal axis): Low / Medium / High

High Occurrence, Low Impact:
- Operations (neglect of safety rules/loss of personal property)
- Health and safety (lighting)

High Occurrence, Medium Impact:
- Environment (chemicals)
- Environment (climate change)
- Human resources (orders/child labor/working hour)
- Finance (Electricity bills)
- Business strategy (shareholder relations)

High Occurrence, High Impact:
- Market risk (customers' needs and satisfaction)

Medium Occurrence, Low Impact:
- Operations (use of water/mistakes)
- Human resources (hazardous jobs)
- Environment (noise)
- Finance (carbon tax)

Medium Occurrence, Medium Impact:
- Safety and health (high furnace temperature)
- Human resources (working hours/grievance channels)
- Business (budget spending)
- Operations (products and services)

Medium Occurrence, High Impact:
- Politics (political development)
- Health and safety (chemical corrosion)
- Business (business performance)
- Finance (liquidity)
- Compliance (legal and reputation risks)
- Strategies (business model/organization)

Low Occurrence, Low Impact:
- Compliance (local environmental protection laws)
- Human resources (protection of whistle-blowers)

Low Occurrence, Medium Impact:
- Business (pension)
- Human resources (bribery)
- Safety and health (substance exposure/fatigue/burns)

Low Occurrence, High Impact:
- Safety and health (safety of gas tanks)
- Environmental safety (poisonous gas and fire)
- Human resources (limitation of freedom)
- Finance (derivatives)

2.3.3 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."

· **Raising safety awareness**
  The Risk Management Department arranges regular training and seminars, and 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 scrutinize everything the company does from product design, manufacturing to after-sale liabilities

· **Establishing safety systems and rules**
  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.

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2017 Risk identification and control measures

Concerns	Risk identification	Risk control measures
Economic concerns	Finance	1. Cash security and interest rate risk prevention Cash management includes debt and risk control, fund utilization control, and investment size control. (1) 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. (2) Calculate AR/AP estimates on a monthly basis to facilitate cash planning. (3) 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. (4) Optimal cash and asset structures are reviewed regularly for cash planning purpose and to achieve optimal cash size. 2. Exchange rate risk prevention (1) The company monitors foreign currency denominated positions, revenue target completion rate, and inventory changes on a daily basis. (2) Current month YTD and month end foreign exchange gains and losses are calculated on a daily basis. (3) Financial forecast models are created for foreign exchange positions to enable real-time hedging. (4) 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. 3. Asset security and damage risk prevention Asset risk management is performed jointly with the insurer and insurance broker. (1) Asset risks are insured as needed to transfer risks to the insurer. (2) 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. (3) Cargo transport, product liability (AAA) and factory safety (infrared thermography testing, property protection) are inspected regularly. (4) The factories are risk graded, and receive ongoing support with risk management planning. 4. Factoring security and prevention of client credit risk (1) Perform regular credit checks on clients and identify characteristics their lines of work in order to facilitate credit rating management. (2) Perform regular reviews of clients' credit terms and payment conditions in order to reduce exposure and optimize payment periods. (3) 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. (4) Implement special transaction reviews to avoid shipping risks; and monitor clients' payments and accounts to ensure timely payment recovery and keep credit risks low. (5) Organize regular credit risk education and training to raise awareness of risk management in the workplace.
	Operation controlling	Assist the business units carrying out long-term and annual business planning, and establish the internal operating information management system to help the management to effectively control the important operating key factors as well as operating performance risks while properly allocating and controlling resources for optimization of overall operating results according to the company's development strategy.
	Information technology	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, and improve the flow efficiency as well as decision quality in order to reduce operational and IT security risks.

2017 Risk identification and control measures

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	· Ensure sourcing and origin are not contain with Conflict Minerals in our supply chain. · New suppliers selection standards · Conduct supply chain training. · Supply chain Risk identification/ assessment and treatment
	Business Ethics and anti-corruption	· Conduct Group Code of Conduct, Ethical Management Principles, and Ethical policy & Procedures. · Conduct employees Business ethics and anti-corruption training. · Bypass management grievance channel.
Environmental concerns	Climate change	· Develop green, innovative energy efficiency products. · Development green advanced production techniques. · Build a green factory management system. · Use action to save energy and reduce carbon. · Energy consumption inventory and source management
	Environmental regulations	· Environmental regulations & compliance. · Workplace Health and Safety.
Social concerns	Human capital management	· Human capital plans development · Design for employee development and training · Design competitive compensation and packages. · Localization & local talent development.
	Product quality and safety management	· Product design by international standards and brand name clients' specifications · Strengthen technical teams.

Long term emerging risks management
Environmental risks management

LITE-ON identifies potential short-, medium-, and long-term effects of climate change based on results of internal and external investigations and its own decisions and judgments after studying international research, industry trends, and 2°C scenario analysis and uncertainties and taking into account climate change related international agreements and environmental laws. It also measures the probability of incurring such risks and the degree of impact on the company. The primary climate change risks established in 2017 were (1) risk of market condition changes and technological evolution, (2) regulatory and compliance risk, (3) reputation risk, and (4) risk of physical disasters.

Regulatory and compliance risk

Issues such as climate change induced trends, carbon emission reduction, total emission control, and carbon emissions trading may lead to new regulations and amendments of existing ones to strengthen regulatory control of environmental information disclosure and to impose more rigorous control on greenhouse gas emission. Such regulations would spur businesses to take a more active approach to carbon emission reduction, which may also lead to higher operating expenses. They may also lead to changes in LITE-ON's products, production processes, and business models.

Risk of market condition changes and technological evolution

The effects of climate change on businesses are not limited to tighter control on greenhouse gas emission. Development of low carbon technology and a greater variety of services may influence consumer preferences for products, and cause changes in consumer behaviors. LITE-ON will be observing constantly climate change induced changes in market conditions, and invest in research and development of green technologies to enable timely responses to shifts in consumer preferences for green products.

Reputation risk

LITE-ON's performance on environmental issues is under constant scrutiny from stakeholders. Public opinion may have an impact on brand value and cause changes in consumer behavior. In particular, negative exposure in an environmentally conscious market may alter consumer buying behavior. LITE-ON will continue to advocate corporate social responsibility, fulfill its environmental promises, improve its environmental information disclosure, and achieve sustainability to develop a positive image.

Risk of physical disasters

Effects of climate change may include rising temperatures around the world, changes in rainfall patterns, and extreme weather conditions (in terms of both frequency and severity).

These effects may lead to flood, slopeland disaster, or drought, and cause damage to critical infrastructures, water resources, land use, coastlines, biodiversity, and health, all of which in turn have an impact on business management, employees, and supply chains.

In terms of control measures, LITE-ON deploys a risk management cycle and uses it to track and improve risk factors in order to reduce the probability and severity of risk induced losses. LITE-ON also seek opportunities in climate change risks at the same time. In response to identified key risks, LITE-ON has implemented measures to mitigate the business impact of climate change. Risks are monitored regularly and managed to produce a summary of risk management measures, including (1) research and innovation in green technology to develop low carbon, high performance green products, (2) development of automated energy saving techniques and innovative clean energy, and (3) introduction of green power plans to improve energy efficiency management. Please see 4.2 Response to Climate Change and Global Warming for more details.

Supply chain risk management

As part of its effort to build a sustainable supply chain, LITE-ON performs supplier sustainability risk assessments every year. LITE-ON screens supplier risks on a preliminary basis by analyzing potential risks in terms of location of a supplier, amount of procurement, and production process of a supplier. Furthermore, to better understand a supplier's risks, we survey sustainability risks in all key suppliers and first tier suppliers, and require key suppliers complete and return sustainability risk questionnaires. When the questionnaires are completed, we will perform a more detailed risk assessment on high risk suppliers identified in the process. High risk key suppliers will be subject to onsite audits or be required to complete the RBA Validated Audit Process (VAP). High risk first tier suppliers will be required to complete and return the RBA Self-Assessment Questionnaire in order to verify and keep reducing their risks. The risk assessments above are performed to identify potential economic, environmental, and social risks in the supply chain as well as suppliers with potentially higher risks. We target suppliers with potentially higher risks and perform audits and provide assistance to ensure their risks are effectively kept under control and minimized. Please see 3.3. Supply Chain Management for more details on strategies and response measures.

Changes in labor laws around the world

Changes in labor laws and regulations may lead to increased costs, which can affect business performance. For example, the requirement of one fixed day off and one flexible day off each week under the Labor Standards Act in Taiwan stipulates that workers are given one fixed day off that they have to take and one flexible day off that they may or may not be able to take. The cost of labor rose after the rule came into effect, leading to a negative impact on profitability and gross profit. In addition, shift scheduling became harder for manufacturers. There are sometimes difficulties in meeting requested delivery dates.

Our way of resolving the situation is sending representatives to explain changes in the labor laws, developing scheduling software, providing training for employees to acquire different skills, and replacing manual labor with automated systems.

2.4 Compliance, Ethics and Anti-Corruption

LITE-ON pledges to uphold honesty and integrity in business management, and to obey the laws and ethical standards of the countries in which it carries out its business activities. LITE-ON also commits itself to making complete compliance one of its key policies. LITE-ON has implemented a well-designed management system, and deploys regulation identification and education and training as means to strengthen compliance on an ongoing basis.

The Legal Department at LITE-ON has built an extensive compliance system and devised compliance policies. The department monitors regularly changes in domestic and foreign regulations that may have a potentially material impact on the company's business operations. In the presence of any such change, the appropriate local legal department will proceed to perform regulation identification in order to ensure all business activities around the world comply with the local and international laws and regulations. Meanwhile, LITE-ON's management structure provides a robust risk management framework and an effective implementation roadmap for identifying and managing the risks that require the attention of business managers. In addition, LITE-ON's internal controls prevent potential fraud and inappropriate behaviors in order to minimize related risks. Internal interdepartmental reviews and external inspections are in place to ensure compliance of implementation and performance. 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. To strengthen compliance and corporate governance practices, the board of directors passed or amended operating procedures including the corporate governance best practice principles, the code of conduct, the ethical corporate management best practice principles, and compliance procedures in 2017.

LITE-ON requires that its employees, supervisors, managers, and directors not engage in or use any reason to instruct another to engage in any illegal or unethical behavior. The rules of integrity must be strictly adhered to and establish explicitly the employee code of conduct in areas including professional ethics, laws and regulations, employee relations, gifts and hospitality, client privacy, intellectual property rights, discrimination, bribery, conflict of interest, protection of corporate assets and reputation and other rules to be observed by employees. Compliance is implemented throughout the business activities, product design, procurement procedures and other processes and discipline

is strictly enforced. We state explicitly in the ethical corporate management best practice principles prohibition of offering or taking of bribes; offering of illegal political donations, inappropriate sponsorship or charity donations, and improper gifts, treatments, or other unjustified benefits; infringement of intellectual property rights; and unfair competition as well as prevention measures and procedures that prevent products or services from causing damages to stakeholders. The rules are intended to protect the rights of customers and prevent loss of assets, penalties, and damage of reputation.

LITE-ON requires new employees sign a statement of commitment to ethical conduct when they join the company so to help its employees understand the importance of ethical conduct and the need for it. Furthermore, LITE-ON requires employees complete anti-corruption training. To raise awareness of integrity and self-discipline, LITE-ON advocates compliance education and training on an ongoing basis, and, in addition to various seminars from time to time, organizes courses that help participants learn about the law and key compliance issues, including LITE-ON work ethics, anti-corruption, insider information, and anti-trust issues. The Responsible Business Alliance (RBA and formerly EICC) offers the following in-person courses: business integrity, avoidance of illegitimate gains, protection of confidential information, protection of intellectual property, intellectual property rights, advertising and competition, contract risk management, fair trade, anonymity and confidentiality, anti-corruption, conflict free minerals (metal procurement), environmental protection, privacy, and prohibition against retaliation. The courses are provided to raise awareness of ethical standards in the workplace. (Please see the chapter on employee development and training for details of related training.)

As part of the internal control and audit system, internal inspections and reviews are conducted in individual units and subsidiaries, and the updates and results are disclosed in the annual report. Please refer to Page 37 for results of internal control in 2017 Annual Report.

Reporting mechanisms

LITE-ON is equipped with internal and external reporting mechanisms that bypass the management and offer internal and external contacts. The board of directors approved the decision to appoint the Office of Chairman as the contact responsible for handling corruption reports by following the appropriate procedures. In addition, 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. Regular internal audits are performed to strengthen internal control and prevent fraud.

Internal reporting mechanisms are available so that discovery of unethical behaviors or suspected violation of the code of conduct can be reported internally by calling the hotline at 1234 or by sending email to 1234@liteon.com. LITE-ON will keep informants' identities and their reports confidential, and take action to investigate and handle the cases. Employees who are confirmed to have violated the ethical corporate management best practice principles will be subject to disciplinary action as appropriate.

External reporting contacts are published on the company's CSR website as follows.
https://www.liteon.com/en-us/globalcitizenship/354

Contact information

Telephone: +886-2-8793 6833
Email: ethic.hotline@liteon.com
Mail box: Office of Chairman Reporting Mailbox,
P.O.BOX 156-21, Neihu Jiangnan, Taipei City 11499

Corruption reports and complaints that are received by the contact will be assigned to the appropriate units to be investigated according to the report and complaint processing procedures. If a complaint is confirmed to be valid, a committee consisting of department representatives and experts will be created to review and rule on the complaint.

Grievances in 2017

In 2017, LITE-ON received a total of eight grievances through external channels, with one submitted by telephone, one by mail, and six by email. The Office of Chairman report investigation task force received the reports and promptly launched an investigation each time. So far, five of the cases were closed, and three are still under investigation.

Case studies in lawsuits involving employee corruption
Internal controls:
1. Compliance training is given more weight in orientation and on-the-job training. Regular bulletins are published to raise awareness of the rules and help employees understand the importance of internal controls to the company.
2. Closed cases involving more severe violations are described below:
2.1 Case 1: A section chief under a certain business unit was suspected of accepting hospitality from a supplier and padding travel expenses. The case was investigated and the result reported to the head of said business unit. The section chief was dismissed given the severity of the case.
2.2 Case 2: A manager under a certain business unit attempted to solicit a bribe from an existing supplier. The fact was confirmed to be true, and the manager was dismissed.
3. A summary of the above cases was presented regularly to the Audit Committee. In addition, assistance was given to respective business units in taking appropriate disciplinary actions, and said disciplinary actions were announced accordingly.

2.4.1 Violation of Labor Standards Act

Date	Site	Unit of labor inspection	Applicable article(s)
2017/1/4	Zhonghe	New Taipei City Labor Inspection Division	Article 30 Subparagraph 6
2017/1/18	Kaohsiung	Export Processing Zone Administration	Article 30 Subparagraph 5
2017/7/25	Zhonghe	New Taipei City Labor Inspection Division	Article 30 Subparagraph 6

1. The above violation of Article 30, Subparagraph 5 and 6 were mainly 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.
2. All information above has been published on the LITE-ON website: www.liteon.com/en-us/globalcitizenship/303
3. Operations in China (including major plants in Dongguan, Guangzhou, Changzhou, Beihai, Tianjin) and in Thailand reported no violation of local labor regulations.
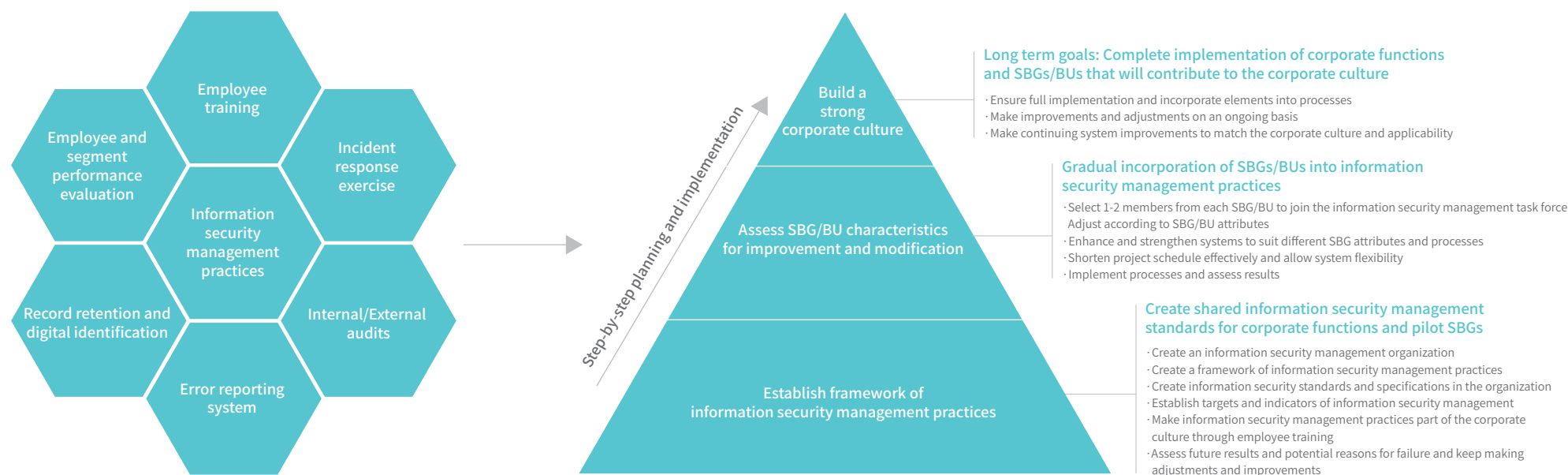
2.5 Information Security and Privacy Management

The scope of information security at LITE-ON encompasses employees, clients, suppliers, and shareholders and all IT software and hardware associated with its business activities. All information security standards and regulations are based on technical support and establishment of applications and data security standards. The standards and regulations are made part of the management system in order to protect the privacy of LITE-ON's employees, suppliers, and clients and maintain information security while the above parties discuss business matters. An information security monitoring system has been implemented to perform vulnerability scanning and prevent external hacker attacks and internal confidential information leakage. IT hardware/software control applies to the establishment of an information security network that includes the Internet and personal IT equipment, such as desktop computers, notebooks, tablets, and smartphones. The control measures are intended to ensure personal information, internal confidential

information, and client and supplier information are effectively protected.

The information security management system and enforcement rules are in place to ensure effective control and establish clear definition of responsibilities and manager accountabilities. With respect to internal control, LITE-ON's IT department is constantly working to improve the information security management system. New employees sign an employee code of conduct agreement and receive information security training on the same day when they join the company. Annual information security training is also provided afterward. LITE-ON provides ongoing training as means to raise awareness of information security in the workplace and incorporate the elements into the processes in order to achieve the most secure and rigorous information protection. No complaint regarding invasion of client privacy or loss of client data was received in 2017.

LITE-ON information security management strategy and framework

Hexagon cluster:
- Employee training
- Employee and segment performance evaluation
- Incident response exercise
- Information security management practices
- Record retention and digital identification
- Internal/External audits
- Error reporting system

Step-by-step planning and implementation

Pyramid (top to bottom):
- Build a strong corporate culture
- Assess SBG/BU characteristics for improvement and modification
- Establish framework of information security management practices

Long term goals: Complete implementation of corporate functions and SBGs/BUs that will contribute to the corporate culture
· Ensure full implementation and incorporate elements into processes
· Make improvements and adjustments on an ongoing basis
· Make continuing system improvements to match the corporate culture and applicability

Gradual incorporation of SBGs/BUs into information security management practices
· Select 1-2 members from each SBG/BU to join the information security management task force Adjust according to SBG/BU attributes
· Enhance and strengthen systems to suit different SBG attributes and processes
· Shorten project schedule effectively and allow system flexibility
· Implement processes and assess results

Create shared information security management standards for corporate functions and pilot SBGs
· Create an information security management organization
· Create a framework of information security management practices
· Create information security standards and specifications in the organization
· Establish targets and indicators of information security management
· Make information security management practices part of the corporate culture through employee training
· Assess future results and potential reasons for failure and keep making adjustments and improvements

Information security management campaign and blueprint

Depth

1 Confidentiality
and
law training

- Law training
- Confidentiality training
- ......

2 Establishment of
information
classification

- Establishment of information classification
- Information classification planning
- Information management planning
- ......

3 Establishment of
corporate information
confidentiality

- Corporate information protection organization
- Corporate information confidentiality measures
- Personnel confidentiality measures
- Noncompetition measures
- Information system security management
- Information leakage reporting mechanisms
- Information leakage response exercise
- Ongoing improvement (PDCA)
- ......

4 Data protection
and
evidence retention

- Access control
- Transmission control
- Storage control
- Usage control
- Physical environment security control
- Trade secret management and evidence retention planning
- ......

5 Irregularity analysis
and
early warnings

- Include data protection in ERM
- Include data protection KPIs in performance evaluation
- Irregularity monitoring, analysis and early warnings
- ......

Width

41

3

Green Products and Value Chain

Working together with suppliers to become
the Best Partner of Customers for
Low Carbon Emission, Environmental Friendliness,
and Sustainable Value Chains

↓ CO_2e
**261,646
tonnes**

Major power
supply products
reduced CO_2e
emission of
261,646 Tonnes

100%

100% of products
compliance with
environmental
directive(EU)

96%

Customer
satisfaction: 96%

100%

Sustainable
supply chain
100% compliance
with LITE-ON COC

3.1 Goals and Strategies for Reducing Impact of Products and Supply Chain

LITE-ON's approach to green design always begins with the product life cycle and follows the principles such as reducing effects of toxic substances in the environment, reducing use of materials, improved ease of assembly, making more efficient use of energy, and improved ease of disassembly and recycling. In addition, LITE-ON systematically integrates product development results, and works with suppliers to become the best partner of customers in achieving low carbon emission, ensuring environmental friendliness, and creating sustainable value chains. It is LITE-ON's mission to enable users to live a safer, more comfortable, and more energy efficient lifestyle.

Results in 2017

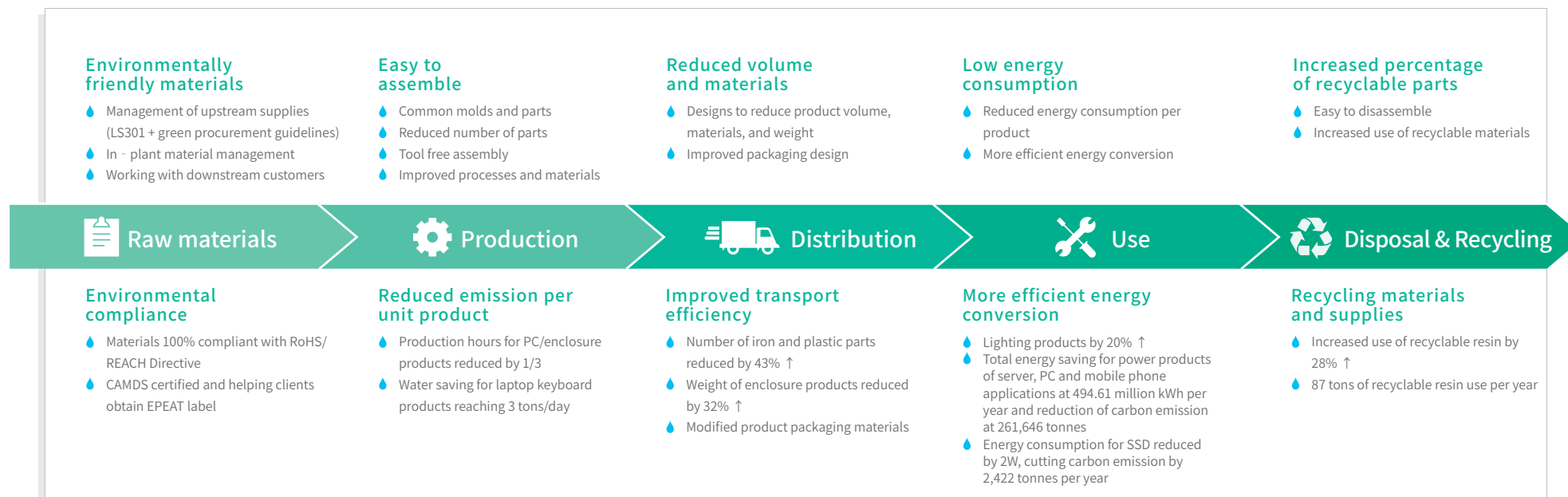| Business targets in 2017	Strategies and actions	Progress
Continued effort to make raw materials and other supplies 100% compliant with the EU's RoHS and REACH restricted substance directive	Strengthened the extended responsibility management in green supply chain and implementation of the restricted substance management system	100% compliant
2 tons/day water saving on notebook keyboard production process	Improved production processes and materials	3 tonnes/day water saving
Reduction of weigh of enclosure products by 30% or more to reduce carbon emission during shipping	Adopted green packaging designs that reduced volume and use of materials	32% weight reduction
Desktop energy conversion efficiency up by 2% compared to 2015	Improved energy saving circuitry design	2% improvement
Standby power consumption of notebook power adaptor and mobile phone charger down by 20% compared to 2015	Improved energy saving circuitry design	Reduction > 20%
Recycling 25% or more of resins in enclosure products	Increased the percentage of recyclable/easy to disassemble parts	28% recyclable
Average customer satisfaction at 90% or higher	Accelerated resolution of major defects and strengthened technical capabilities	Overall satisfaction at 96%
A sustainable supply chain 100% compliant with the LITE-ON code of conduct regarding labor, human rights, and environmental issues	- Performed supplier audits and assessments, and followed up on improvements in key areas - Provided supplier training	100% compliant
100% conflict mineral free	- Required suppliers to commit to procurement of conflict free minerals - Performed due diligence along the supply chain	100% compliant

Setting future goals

Future goals	Completion
Server power supplies' power conversion efficiency up by 2% compared to 2016	2023
Average customer satisfaction kept at 90% or higher	Ongoing
100% completion of CSR assessments of high risk suppliers	2018
100% conflict mineral free	Ongoing

3.2 2017 Green Designs and Achievements

(1) Acquisition of raw materials:
- Since 2010, LITE-ON has implemented the "LS301 standards on hazardous substances: 218 controlled substances" and the "Green Procurement Guidelines". In addition to implementing internal control, the company requires that upstream suppliers submit evidence to prove compliance with the requirements for LITE-ON certified suppliers. Meanwhile, LITE-ON takes an active approach to work with well-established customers worldwide to ensure effective management and use of environmentally friendly materials.
- Desktop enclosure products are RoHS & REACH compliant. It not only help us to receive domestic and international environmental labels or certification, but also help our clients to obtain EPEAT silver label.

(2) Production:
- For products including optical disc drives, magnetic components, desktop enclosures, minicomputers, and automotive head-up display, material input during production is reduced by reducing the number of parts or using common parts and molds; and tool-free easy-to-assemble designs (e.g. thumb screws or latches for easy disassembly) and simplified production processes (e.g. replacing spot welding with) have also been implemented. In addition, automated production is introduced to increase production capacity and shorten the production hours by one third. Automated production also reduces power consumption per unit product during production as well as product carbon footprint.
- Green production processes for laptop keyboards are developed to replace manual spray painting with spray paint printing. Quick dry paint that does not require curing or cleaning is also used. The system saves up to 3 tons of water every day, which is the equivalent of 0.43 liters per item. It also significantly reduces wastewater generated during cleaning after curing.

(3) Distribution and shipping:
- The desktop enclosure design with reduced volume and use of materials can be demonstrated in a comparison between G558 and G557, the latest series. Packaging materials are modified, and the number of parts reduced by 43%. Thickness is reduced and product structure less complicated to cut the weight by 32% in order to increase transport capacity and reduce carbon emission.

(4) Product application:
- Street lights and traffic signal products: Innovative in-house calibration methods are used to redesign power supply equipment and to calibrate power control components. Applications in in-house LED energy saving street lights and traffic

Product Life Cycle Analysis

Environmentally friendly materials
- Management of upstream supplies (LS301 + green procurement guidelines)
- In‐plant material management
- Working with downstream customers

Easy to assemble
- Common molds and parts
- Reduced number of parts
- Tool free assembly
- Improved processes and materials

Reduced volume and materials
- Designs to reduce product volume, materials, and weight
- Improved packaging design

Low energy consumption
- Reduced energy consumption per product
- More efficient energy conversion

Increased percentage of recyclable parts
- Easy to disassemble
- Increased use of recyclable materials

Raw materials > Production > Distribution > Use > Disposal & Recycling

Environmental compliance
- Materials 100% compliant with RoHS/REACH Directive
- CAMDS certified and helping clients obtain EPEAT label

Reduced emission per unit product
- Production hours for PC/enclosure products reduced by 1/3
- Water saving for laptop keyboard products reaching 3 tons/day

Improved transport efficiency
- Number of iron and plastic parts reduced by 43% ↑
- Weight of enclosure products reduced by 32% ↑
- Modified product packaging materials

More efficient energy conversion
- Lighting products by 20% ↑
- Total energy saving for power products of server, PC and mobile phone applications at 494.61 million kWh per year and reduction of carbon emission at 261,646 tonnes
- Energy consumption for SSD reduced by 2W, cutting carbon emission by 2,422 tonnes per year

Recycling materials and supplies
- Increased use of recyclable resin by 28% ↑
- 87 tons of recyclable resin use per year

signal products have improved energy conversion efficiency in lighting products by 20% or more.

- Power supply products:
  · High-end server power supply products have energy conversion efficiency improved by 0.22% on average in 2017 compared to 2016. Based on the shipment of 3,000k in 2017, power consumption can be reduced by 33.53 million kWh and carbon emissions by 17,736 tons compared to 2016.
  · Desktop PC power supply units are improved upon research technologies of 2015, and the energy conversion efficiency is increased by 2% in 2017. Based on the shipment of 17,491k in 2017, power consumption can be reduced by 438.97 million kWh and carbon emissions by 232,216 tonnes compared to 2016.
  · Improvements made by the R&D department to laptop power supply units and mobile phone chargers have reduced standby power consumption by

20% compared to 2015. Based on the shipment of 92,395k in 2017, power consumption can be reduced by 22.11 million kWh and carbon emissions by 11,694 tonnes compared to 2016.

- Solid state drives (SSD):
  The average power consumption is 6.2W, which is consistent with the energy saving data on the EP series, and better (lower) than the customers' low energy consumption requirement at 8.25W. Energy efficiency is improved by 24%, which, based on the production volume in 2017, 225 thousand machines, translates to reduced by 4.6 million kWh and 2,422 tonnes of carbon emission reduction.

(5) Waste disposal:
- For products including all-in-one workstations (AIO), desktop enclosures, and server chassis, use of recyclable resin is increased to 28% or higher. In particular, up to 87,500kg of resin can be recycled from AIOs in a year.

3.2.1 Innovative applications of smart and energy saving products

With years of work and investment in a number of smart and energy saving products as well as systemic integration of three or seven applications, LITE-ON tries to create a safer, friendlier, and more energy efficient user experience and establish itself as the best partner for users of its products.

(1) Smart traffic applications:
This category covers "smart city solutions", "smart Internet of Vehicles solutions", and "electric car charging solutions". These applications combine "app activated energy saving smart street lights" and "IoT and cloud module based platforms" and work with development in "IoV and automated driving systems" and electric vehicle charging stations (IC3) to provide a safer, more comfortable, and more energy efficient experience on the road.

(2) Smart living applications:
This category covers "smart home solutions", "smart office solutions", and "smart care solutions". These applications are built on cloud core devices, mobile apps, smart outlets, social media and community based and high performance office equipment, and security monitoring terminal sensors, and utilize cloud automation to control electrical appliances, such as lighting, air conditioning, or security and surveillance, to create a safe, smart, and energy efficient lifestyle.

(3) Smart manufacturing applications:
This category consists mainly of "industrial automation solutions". The approach of "focusing on Industry 4.0 and big data analytics" is taken to develop variable-frequency drives (VFD) that are essential to the plants, and smart, energy saving, and high performance equipment such as programmable logic controllers (PLC) or industrial PCs (IPC) are used in combination with apps to achieve high performance, high speed, and short process.
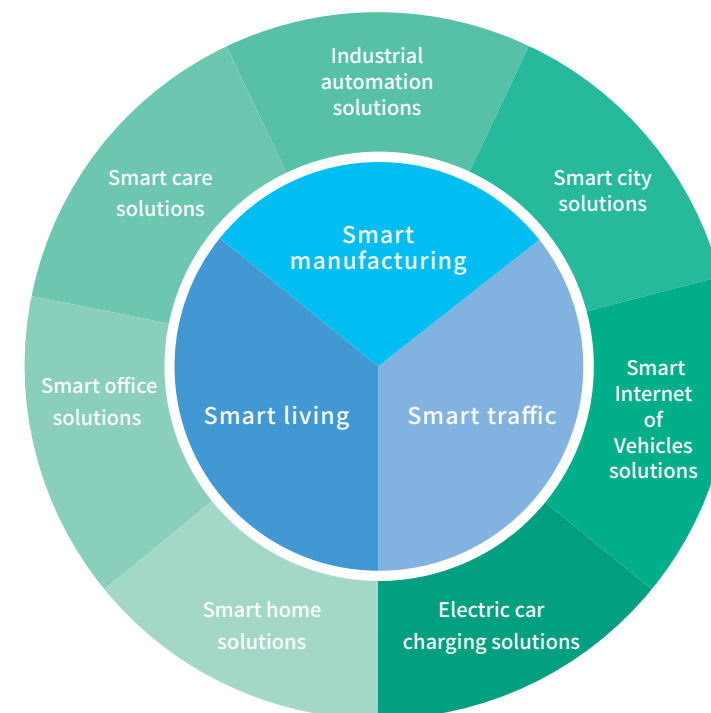
3.2.2 Product certification

LITE-ON not only commits itself to complying with environmental policies and health and safety requirements of governments and customers in different countries, but also makes an active effort to obtain product certification. All LITE-ON products are consistent with their respective descriptions and comply with the labeling requirements. In 2017, LITE-ON did not violate any product or service information or labeling regulations.

257
A total of 257 products certified with energy saving labels

455
A total of 455 products certified with Health, environmental, and safety directives

1149
A total of 1149 products are in compliance EU's electrical and electronic directives, i.e., RoHS, REACH, WEEE, ErP

45

3.3 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. All procurement contracts explicitly require that all products provided by suppliers comply with the EU's RoHS Directive and related environmental regulations. The restriction or prohibition on the uses of Hazardous chemical substances are classified into three categories, Prohibited, Controlled, and Possibly Prohibited (including very high concern at REACH). Currently, LITE-ON restricted substances covers 218 items: prohibited substances 24 items and controlled substances 26 items while ongoing closely pay attention to potential harmfulness of the 168 items not yet listed as prohibited/restricted substances. 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.

In addition to establishing a set of standards for hazardous substance control and related procurement contract templates, LITE-ON has implemented the Green Management System (GMS) to ensure all raw materials and products provided by its suppliers comply with the hazardous substance requirements of LITE-ON and those of its downstream clients. The GMS combines material requirements, international laws, customer policies, and codes of conduct. 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 a basis for green product design.

LITE-ON Restricted Substances 218 items

Possibly prohibited substances 168 items
REACH Group 1 - Group 8 substances of very high concern (SVHC), Beryllium and its compounds (Be), Bismuth and its compounds (Bi), Medium chain chlorinated paraffins (C14-C17, MCCP), Dimethylfumarate (DMF) etc.
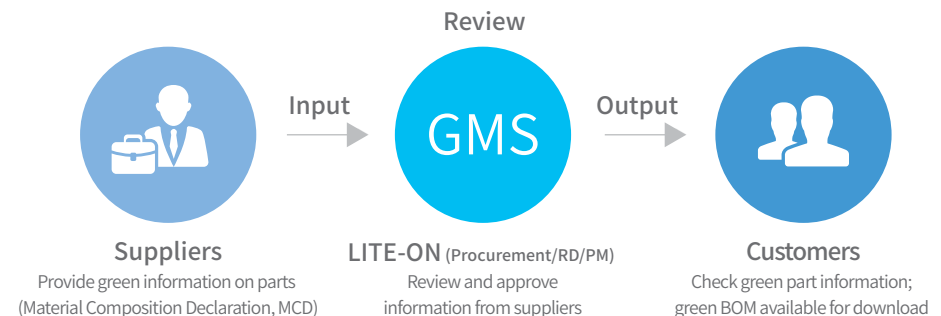
Controlled substances 26 items
BFRs/PVC, Arsenic and its compound (As), Arsenic and its compound (As), Trichloroethylene, Phthalates DEHP/DBP/BBP/DINP/DIDP/DNOP) etc.

Prohibited substances 24 items
Lead and its compounds (Pb), Cadmium and its compounds (Cd), Mercury and its compounds (Hg), Hexavalent chromium and its compounds (Cr(VI)), Polybrominated biphenyls (PBBs), Polybrominated biphenyl ethers (PBDEs), Azo compounds, Short chain chlorinated paraffins (C10-C13, SCCP) etc

Review

Input → **GMS** → Output

Suppliers
Provide green information on parts
(Material Composition Declaration, MCD)

LITE-ON (Procurement/RD/PM)
Review and approve information from suppliers

Customers
Check green part information;
green BOM available for download

3.4 Supply Chain Management

3.4.1 Supply Chain Sustainability Management

Purchasing decision is not only base on the production, service and operational concerns, but also need to be response with corporate social responsibility. Thus LITE-ON builds supply chain management on compliance with its regulatory obligations, and focuses on workers' rights, environmental conservation, and health and safety along the supply chain as key control points for identifying high risk suppliers. Assessment results are used to devise improvement plans to help suppliers enhance their management practices. The objective is to reduce business risks and costs for both LITE-ON and its suppliers and develop sustainable partnerships.

3.4.1.1 Supply Chain Management Commitment

- · Establish a sustainable supply chain.
- · 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.
- · Ensure sourcing and products not contain with Conflict Minerals.

3.4.1.2 Supply Chain Management Aspect

Supply chain management aspect:

Supplier Sustainability Guidelines	Supply Chain Risk Management	Management mechanism
○ Supplier Executive Certificate of Compliance	○ Local procurement	○ New suppliers selection process
○ Hazardous Substances Free Management	○ Critical suppliers	○ Grading suppliers' management
○ Promotion of Green Procurement Guideline	○ High risk suppliers' identification	○ Conduct supplier training
○ Conflict Minerals Policy	○ Non-tier1 suppliers management	○ Audit and counsel supplier's corporate social responsibility capability

3.4.1.3 Supplier Sustainability Guidelines

Supplier executive certificate of compliance

LITE-ON has set up a adopted the Responsible Business Alliance(RBA) Code of Conduct and references international regulations including the Guiding Principles on Business and Human Rights, International Labor Organization's Declaration on Fundamental Principles and Rights at Work and the Universal Declaration of Human Rights etc., 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. Meanwhile, LITE-ON requires first tier suppliers implement the same guidelines as suppliers on the next tier.

Green procurement and supplier selection

In addition to evaluate suppliers' quality, cost, timely delivery, service, and technological capability, LITE-ON has adopted the following supplier evaluation principles with procurement management based on green supply chain:
- · 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.

3.4.1.4 Management of Conflict Minerals

LITE-ON supports the Responsible Business Alliance (RBA) and its Responsible Minerals Initiative (RMI), and requires suppliers buy conflict free materials. LITE-ON has imposed full restrictions against the use of minerals sourced from conflict mines in Africa since 2010, and adopted the tools suggested by RBA to manage its commitments. Meanwhile, LITE-ON has implemented a due diligence structure in compliance with the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas.

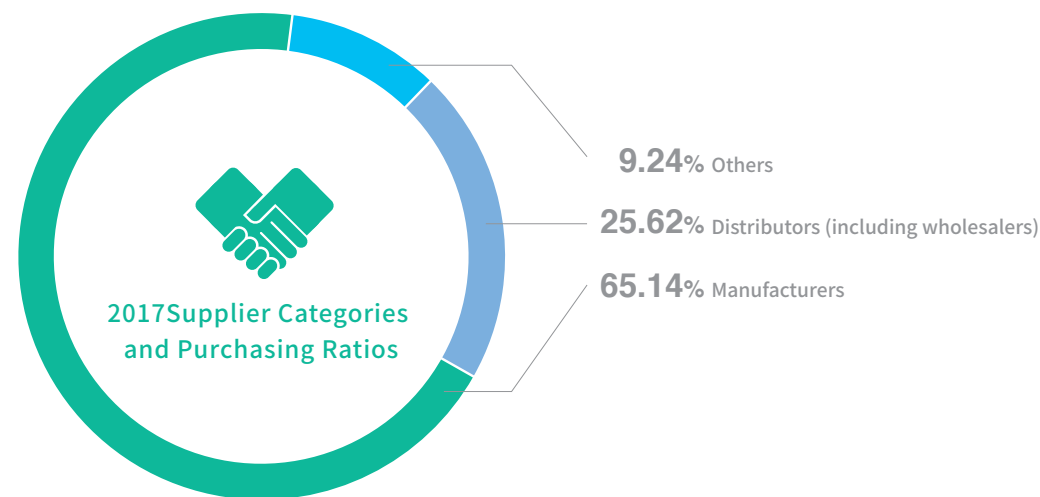### Conflict minerals management process

Management of material certification → Management of material control → Education and training → Conflict minerals reporting → Supply chain risk assessment

3.4.2 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.
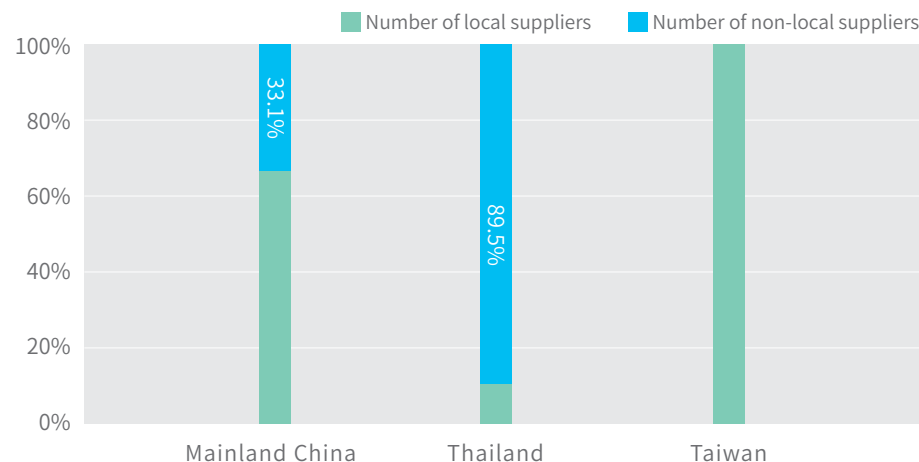
Supply chain and localized purchasing

LITE-ON offers a diverse and flexible range of products and services; it uses suppliers from various sources that form an extensive supply chain to support LITE-ON's businesses. There are 1,685 certified first tier suppliers 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 90.76% in 2017.

In 2017, 65.14% 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 70.39%. Distributors of critical parts and components accounted for 25.62%, whereas suppliers of indirect materials and services (including transportation and professional services) accounted for 9.24%. See the figure on the right for a detailed analysis.

9.24% Others

25.62% Distributors (including wholesalers)

65.14% Manufacturers

2017Supplier Categories and Purchasing Ratios

Regarding the percentage supplied by local procurement, LITE-ON's production sites are mainly located in China, Thailand and Taiwan. Regarding production facilities, local suppliers represented 66.9% of the supplier list in China in 2017; and local suppliers represented 10.5%, which was lower than 35.4% in 2016, of the supplier list in Thailand. A shift in the procurement policy also means that instead of buying from local distributors or wholesalers, the company buys directly from manufacturers in China or Taiwan. Local suppliers represented 100.0% of the supplier list in Taiwan.

Legend: ■ Number of local suppliers ■ Number of non-local suppliers

Bars: Mainland China (33.1% non-local), Thailand (89.5% non-local), Taiwan (100% local)

Critical Suppliers management

To ensure effective management of suppliers, stringent screening criteria are applied during the selection stage. Passing suppliers will be followed up with on-site inspections and review meetings to evaluate their performance. LITE-ON then focuses its management efforts on the key suppliers it identifies. In 2017, these key suppliers represented 31.81% of the suppliers, and accounted for 81.27% of LITE-ON's purchases. In particular, in 2017, the percentage of key suppliers who were also local suppliers was 60.88% in China; 3.13% in Thailand, which appeared to be on a downward trend since 2016 that was mainly attributed to the change in the number of local suppliers in Thailand in 2017; and 100% in Taiwan. Key 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:

| Economic	Environmental	Social
· Quality, cost, delivery date, services and technical capabilities · Business Ethics · Compliance · Supplier management · Capability of process automation · Critical ingredient cannot be obtained in time and in volume · Unique source	· Environmental regulation compliance · Environmental management systems Climate change · Water Resources Management · Waste and air pollution management	· Employee health and safety · Human Right · Worker's welfare · Conflict minerals management · Work hours

Major sustainability risks in 2017

	Economic · Exclusiveness · Supply of key rare metals · Supplier's automation capability	Environmental · Environmental law compliance · Water resource management · Climate change	Social · Employee health and safety · Work hours
High risk suppliers' Category	IC	Printed circuit board/ power supply products/ cables/casing	Printed circuit board/ power supply products/ cables/casing

- · Management of sustainability risks in tier 1 supplier
  In 2017, LITE-ON added 171 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, 31 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 tier1 suppliers, we also require that our suppliers manage their tier1 suppliers in order to create a more reliable supply chain.

3.4.3 Supplier Management Mechanisms

Audit and Guidance on Supplier CSR - Human Rights, Environment, Safety, Health, and Management Systems

LITE-ON has incorporated the RBA Code of Conduct into the supply chain. These rules help the company monitor suppliers on issues regarding management ethics, protection of workers' rights, and health and safety management practices. LITE-ON also encourages suppliers to develop materials and production processes that minimize environmental impacts. We utilize the RBA Audit Tools to review and evaluate supplier performance in fulfillment of their corporate social responsibility. In 2017, LITE-ON performed audits on 528 key suppliers identified as high priority, and none was listed as an unqualified supplier for being in violation of CSR regulations. The audit results over the years are shown in the chart below.

	Pass	Fail
2015	560	0
2016	464	4
2017	524	4
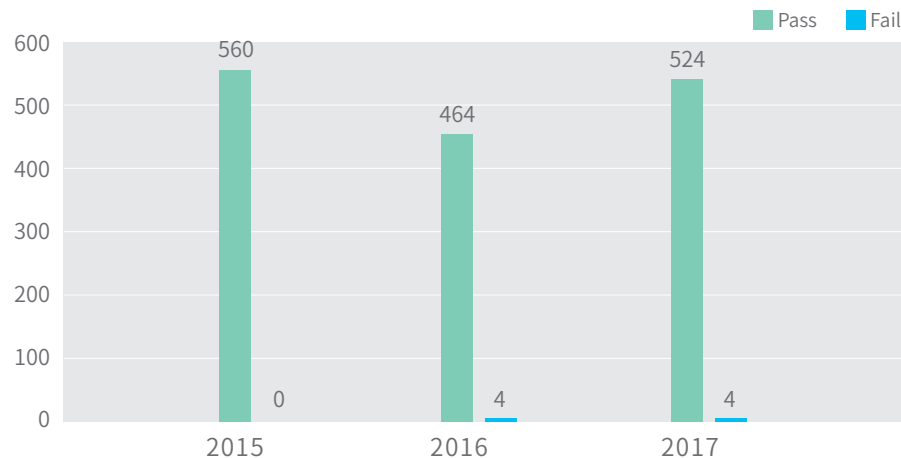
Supplier seminars on "Supplier Fulfillment of Corporate Social Responsibilities"
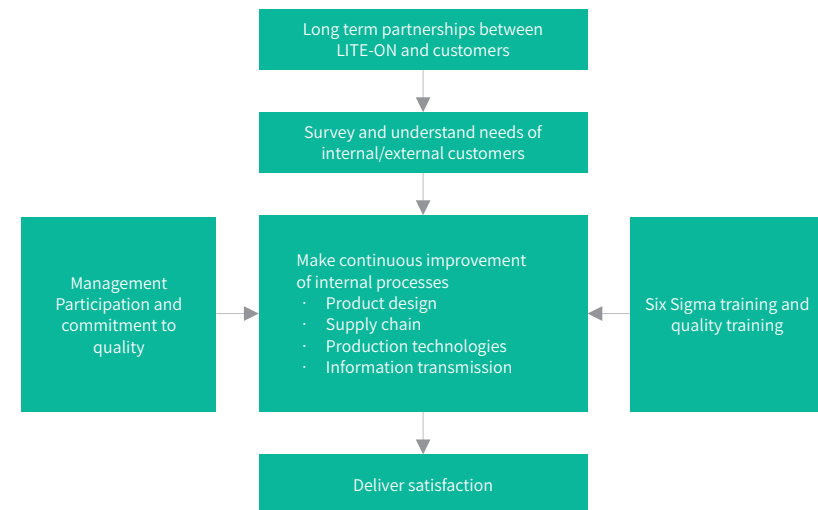
9 seminars and workshops on "Supplier Fulfillment of Corporate Social Responsibilities" were held in 2017 to explain the company's CSR commitments. Executive management of suppliers was requested to sign "Management Commitments" that bind them to comply with "RBA standards".

3.5 Customer Service and Satisfaction

3.5.1 Customer Service

Customer satisfaction is one of our core values. At LITE-ON, we deliver excellent execution to provide quality and innovative services that consistently meet our customers' high standards and make us the best partner for our customers.

Our business units all 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. Our CFTs can quickly propose response methods and overall solutions based on customer issues and feedback.

Long term partnerships between LITE-ON and customers

↓

Survey and understand needs of internal/external customers

↓

Management Participation and commitment to quality → Make continuous improvement of internal processes
· Product design
· Supply chain
· Production technologies
· Information transmission ← Six Sigma training and quality training
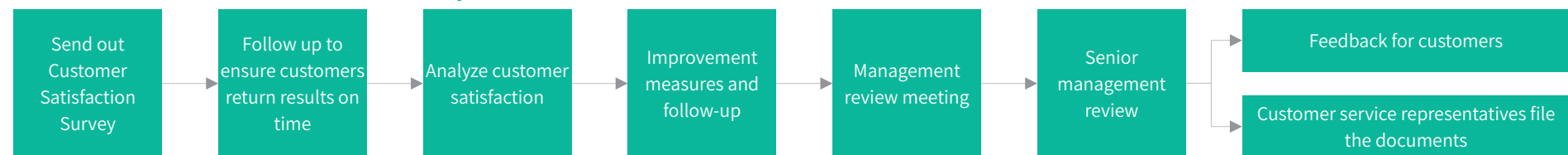
↓

Deliver satisfaction

In order to satisfy customers' needs for prompt delivery; we handle purchasing, planning, logistics, and cash flow processes online, and use online information as the basis for our operations. We also integrate data from external suppliers, customers, and banks, etc., to ensure that management and delivery information is correct and up-to-date. Furthermore, to shorten the processing time for technical support, transport and delivery, and after-sale services, LITE-ON has installed production facilities, branches, and distribution warehouses in locations close to customers around the world that are able to respond promptly to customers' needs.

3.5.2 Customer Satisfaction

"Customer Satisfaction" has always been LITE-ON's top priority. Understanding and analyzing customer satisfaction is one of the important ways for LITE-ON to continually improve its product quality and service procedures and implement new systems to further satisfy customers' needs.

Building on scores of regular customer evaluation and audits as well as results of the quality management system, LITE-ON sends customer satisfaction surveys to large customers*1 every year. Survey results are used to make improvement plans. In addition, improvement of customer evaluation scores is also made one of the performance indicators for certain departments as appropriate. A customer satisfaction score below 4 will require the responsible departments propose improvement measures. The sales department will track the progress in improvement, which should be completed on time to ensure satisfied customers.

Process of customer satisfaction survey

Send out Customer Satisfaction Survey → Follow up to ensure customers return results on time → Analyze customer satisfaction → Improvement measures and follow-up → Management review meeting → Senior management review → Feedback for customers / Customer service representatives file the documents

Below are the results of Customer satisfaction survey conducted by LITE-ON's core business in 2017

		Satisfaction Survey Items						Overall satisfaction
		Green Compliance	Quality	Purge	Supply / Delivery	Technology	Responsive-	
Average Satisfaction	Score (out of 5)	5	4.7	4.8	4.9	4.7	4.9	4.8
	Satisfaction (%)	100	94	96	98	94	98	96
Satisfaction >4.5	Count	10	9	8	6	6	9	9
	Percentage	100%	90%	80%	60%	60%	90%	90%
Satisfaction <4.5 ~>4.0	Count	0	0	2	4	4	1	1
	Percentage	0%	0%	20%	40%	40%	10%	10%
Satisfaction <4.0	Count	0	1*2	0	0	0	0	0
	Percentage	0%	10%	0%	0%	0%	0%	0%

*1 : main customers are defined as customer groups that account for 70% of revenues of the Power Conversion business group
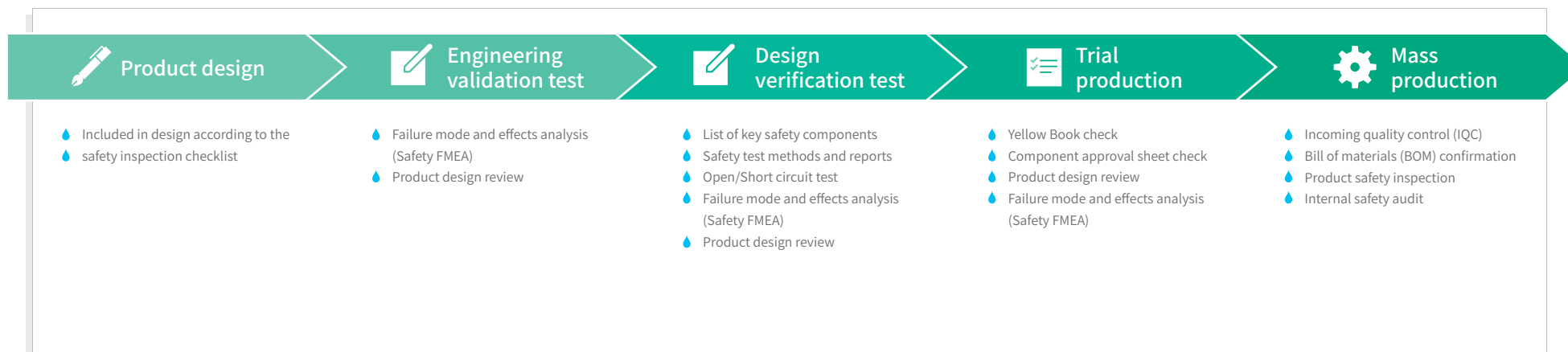**2 : Improvement of the quality issue with a satisfaction score below 4 was completed in the current year, and the files were verified by respective customers and filed in the system

Customer Satisfaction

Year	Customer Satisfaction
2015	91%
2016	94%
2017	96%
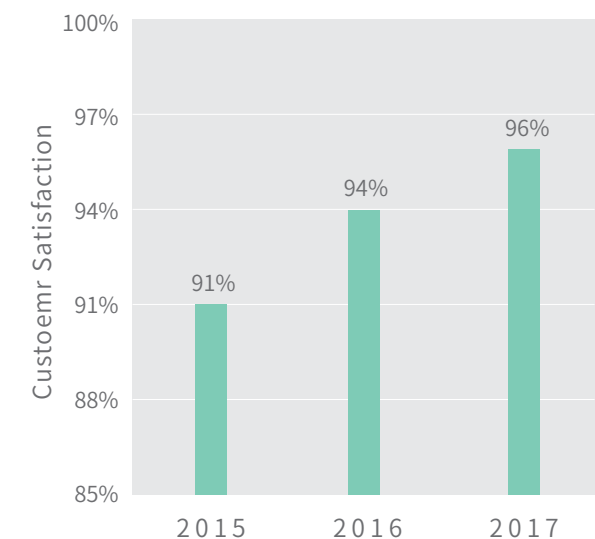
3.5.3 Product Health and Safety

LITE-ON is committed to complying with international health and safety regulations, customers' safety requirements, and recommendations for improvement by safety certification agencies over the years. The company combines the rules and makes health and safety part of the considerations for product design, production, and distribution for better management. The company also provides customers and users with products that can be safely used. LITE-ON follows a product safety management process that begins as early as in the product development stage so to comply with international safety regulations and customers' safety requirements. The design serves also to avoid rework and waste of money and labor. In 2017, LITE-ON received no customer complaint regarding health and safety regulations for products and services.

Product safety management

Product design	Engineering validation test	Design verification test	Trial production	Mass production
Included in design according to the safety inspection checklist	Failure mode and effects analysis (Safety FMEA)	List of key safety components	Yellow Book check	Incoming quality control (IQC)
	Product design review	Safety test methods and reports	Component approval sheet check	Bill of materials (BOM) confirmation
		Open/Short circuit test	Product design review	Product safety inspection
		Failure mode and effects analysis (Safety FMEA)	Failure mode and effects analysis (Safety FMEA)	Internal safety audit
		Product design review		

4

LITE-ON and the Environment

Developing Green Design, Green Factory, Energy Management as well as High Power Efficiency Products and Solutions as responses to climate change impacts and challenges

eco

SBT

Science Based Targets for GHG Reduction Goals

CDP A-

Carbon Disclosure Project: Supplier Engagement Rating A-

↓ 6.92%

Intensity of waste reduced 6.92% compared to the based year, exceeded the goal

↓ 9.10%

Intensity of water consumption reduced 9.10% compare to the based year, exceeded the goal

↓550 tonnes ↓76,800 kWh

Clean production NBKB chassis saved electricity of 76,800 kWh and water of 550 tonnes

4 .1 Commitment to Environmental Sustainability and Policy

LITE-ON reformulated its low carbon strategy after the Paris Agreement. We use the Recommendations of the Task Force on Climate-Related Financial disclosures, announced by Task Force Climate-Related Financial Disclosures (TCFD) as a reference in the implementation of disclosing climate change information and related risks and opportunities in important business reports. LITE-ON make the climate related financial statements as one of the means of stakeholder communication, in support of Carbon Disclosure Project (CDP) and the We Mean Business Coalition's Commit to Action Initiative.

Regarding its commitment to carbon emission reduction targets, LITE-ON formally submits science based targets (SBTs) for the compliance review in 2018 in order to calculate a reasonable carbon emission reduction target for LITE-ON given the Global Carbon Budget. LITE-ON also follows a set of adaptation and mitigation strategies and continues to develop green design, green factory, energy management, and high performance energy creation, conservation, and conversion products and solutions in order to counter the impact and challenges of climate change.

Adaptation and mitigation strategies

Energy creation
Develop renewable energy and increase the energy use from renewable sources LITE-ON

Energy conservation
- Optimize production processes and improve plant operations to effectively achieve energy and water conservation, waste reduction, and air pollution prevention
- Devote efforts to minimizing the impact of product packaging and business activities on the environment
- Improve energy conservation and environmental protection performance at all plants

Energy conversion
- Implement green design to improve energy efficiency for products and reduce the environmental impacts of products at use stages
- Continue to encourage suppliers to explore innovative means of operation that have less impact on the environment

4.1.1 Environmental Management Goals

LITE-ON have established clear short-, medium-, and long-term environmental management goals for uses of energy and resources and discharge of pollutants. The company makes continuous improvement of its environmental management system with the aim to achieve low pollution, low energy consumption, easy-to-recycle and other environmental friendly goals in product development, production, use, and disposal. The coverage of environmental information accounts to 92% of the company's total revenue. LITE-ON's latest environmental management goals, which are those set for 2017 against 2014 as the baseline year, have been completed. Starting in 2018, LITE-ON is going to reset its short-, medium-, and long-term environmental management goals. For carbon reduction goals, the company formally submits science based targets (SBTs) for the compliance review to support the effort to keep global warming under 2°C .

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.

Progress in latest goals

Goals		2017 Result
GHG emission reduction goals	GHG emission per unit of revenue (carbon intensity) in 2017 reduced by 6% compared to the baseline year 2014	Reduced by 2.00% *
Energy saving goals	Energy consumption per unit of revenue (energy intensity) in 2017 reduced by 6% compared to the baseline year 2014	Increased by 0.67% *
Waste reduction goals	Waste generated per unit of revenue (waste intensity) in 2017 reduced by 6% compared to the baseline year 2014	Reduced by 6.92%
Water conservation goals	Water consumption per unit of revenue (water intensity) in 2017 reduced by 6% compared to the baseline year 2014	Reduced by 9.10%

* In response to China's labor shortage; LITE-ON has been investing more in automation in recent years to increase production. The company also makes an effort to improve energy efficiency and reduce total greenhouse gas emission. Carbon emission and energy consumption in 2017 were reduced by 7.2% and 4.2%, respectively, compared to 2014 (baseline year). However, revenue fell due to a lower average retail price. As a result, the carbon intensity fell by 2.00% and energy intensity rose by 0.67% in 2017 compared to 2014 (baseline year), and neither goals were met.

1. Medium, and Long-term Environmental Management Goals

· 39.3% (science based target*) GHG emission reduction per unit of revenue by 2025
· Product energy efficiency goals: Based on products and technologies developed in 2016, increase energy conversion efficiency of high end server power supply units by 2% (science based target*) by 2023
· Continue to optimize production processes and improve plant operations to effectively increase water use efficiency and realize the vision of minimizing waste and maximizing resource recycling and reuse.

*LITE-ON's science based targets were formally submitted in April 2018, and are currently pending review by the Science Based Targets initiative (SBTi).

2. Short-term environmental management goals

Goals		Completion
Energy saving goals	Absolute reduction in energy consumption compared to 2017 (baseline year)	2020
Waste reduction goals	6% absolute reduction in waste compared to 2017 (baseline year)	2020
Water conservation goals	6% absolute reduction in water consumption compared to 2017 (baseline year)	2020
Renewable energy target	100% energy from renewable source in Taiwanese plants	2020

4.1.2 Environmental Expenditure

LITE-ON's environmental expenditures were NT$392 million, or 0.20% of the total revenue, in 2017. The figure was 30% higher than it was (NT$301 million) in 2016. Moreover, LITE-ON did not incur any financial compensation or losses arising from major environmental pollution related incidents. Environmental expenditures count data from major production facilities, including those in Taiwan, China, and Thailand.

Category	Expenditure (NTD million)
(1)Operating costs	238.63
(2)Upstream-downstream costs	67.70
(3)Management costs	22.95
(4)R&D costs	49.26
(5)Social activity costs	4.42
(6)Loss and compensation costs	1.05
(7)Taxes, levies, energy surcharges and other expenses	7.99
Total	392.01

Environmental Expenditure

0.27% Loss and compensation costs
1.13% Social activity costs
2.04% Taxes, levies, energy surcharges and other expenses
5.86% Management costs
12.57% R&D costs
17.27% Upstream-downstream costs
60.87% Operating costs
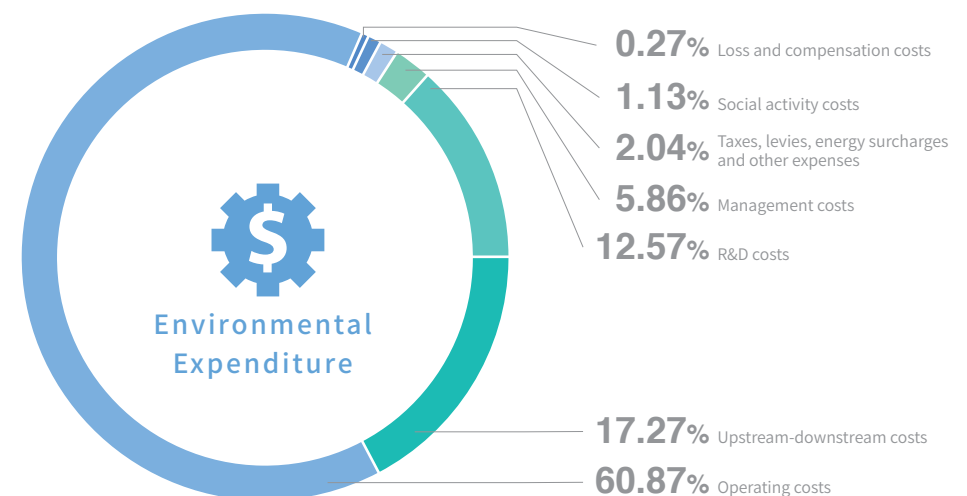
4 .2 Responses to Climate Change and Global Warming Policy

LITE-ON pays close attention to the ways global climates are changing and to how the world is reacting to this phenomenon. The company sees climate change as a major risk and an important opportunity. LITE-ON follows TCFD recommendations on climate related financial disclosures and makes climate related financial statements one of the means of stakeholder communication. The company also works on adapting to and mitigating the effects of greenhouse gases and performs analysis and management of internal energy consumption on an ongoing basis as a proactive approach to reducing greenhouse gas emission.

When setting carbon emission reduction targets, LITE-ON formally submit science based targets (SBTs) for compliance the review in 2018 in order to calculate a reasonable carbon emission reduction target for LITE-ON given the Global Carbon Budget. A set of adaptation and mitigation strategies will be deployed to significantly reduce the energy consumption of products and mitigate LITE-ON's effects on the environment.

Overall impact and challenges of climate change

LITE-ON sees climate change as a major risk and an important opportunity. The company identifies items that may be affected by potential short-, medium-, and long-term effects of climate change based on international research, industry trends, results of internal and external investigations, and its own decisions and judgments after studying the 2 Degree Celsius Scenario (2DS) and uncertainties. These items include the risk of market and technology shifts, Policy and Legal, reputation, and Physical Risks. LITE-ON also assesses the probability and potential impact of each risk and devises appropriate response measures.

Policy and Legal

Given issues such as climate change induced trends, carbon emission reduction, total emission control, and carbon emissions trading may lead to new regulations and amendments of existing ones. It push companies to strengthen the disclosure of environmental information is strengthened and implement more rigorous emissions reduction standards as counter measures. As a result, businesses are spurred to take a more active approach to carbon emission reduction and clean production, which may lead to higher operating expenses. These regulations may also lead to changes in LITE-ON's products, production processes, and business models.

Market and Technology Shifts

The effects of climate change on businesses are not limited to tighter control on greenhouse gas emission. Development of low carbon technology and a greater variety of services may influence consumer preferences for products, and changes consumer behavior. LITE-ON constantly observe climate change induced changes in market conditions and invest in research and development of low carbon, high performance green products as the long term sustainable strategy for green technology to enable timely responses to shifts in consumer preferences.

Reputation

LITE-ON's performance on environmental issues is under constant scrutiny from stakeholders. Public opinion may have an impact on brand value and cause changes in consumer behavior. In particular, negative exposure in an environmentally conscious market may alter consumer buying behavior. LITE-ON will dedicate itself to advocating corporate social responsibility, fulfilling its environmental promises, improving its environmental information disclosure and incorporating the efforts into routine management practices, and achieving sustainability to develop a positive image.

Physical Risks

Effects of global climate change include rising in temperatures around the world, different rainfall patterns, and extreme weather (in terms of both frequency and severity). These effects may, in the short term, lead to flood, slope land disaster, or drought, and cause damage to critical infrastructures, water resources, land use, coastlines, biodiversity, and health, all of which in turn have an impact on business management, employees, and supply chains.

Vision and strategy of adaptation to climate change

In terms of its climate change adaptation strategy, LITE-ON takes into account products, equipment, management and other factors, and continues to develop green design, green factory, energy management, and high performance energy creation, conservation, and conversion products and solutions. In addition, LITE-ON focuses on energy management systems, renewable energy development, and international renewable energy certificates as key strategies, and makes plans for internal carbon pricing to provide a basis for investment strategies and risk management. To start early in making preparations for potential effects of climate change, LITE-ON is implementing the following key strategies:

4.3 Reducing Greenhouse Gases

4.3.1 Greenhouse Gas Inventory

1. Developing environmentally friendly and energy efficient products is the first and most important climate adaptation strategy. Examples include developing high performance power supply systems, LED components, lighting, and other energy saving products in anticipation of challenges of climate change in the future.
2. Developing automated energy saving technologies and clean energy innovations.
3. Expanding the scope of recycling and reuse and making plans for introduction of green energy.

Energy management strategy

LITE-ON implements ISO50001 energy management systems, and monitors constantly energy consumption in plants and offices. The objectives are to identify potentially feasible optimization, to improve energy efficiency, to reduce consumption of natural gas, oil, and purchased electricity, and to support the campaign for automated energy saving technologies and clean energy innovations.

Renewable energy development

LITE-ON Electronics (Dongguan) was first to invest in installation of renewable energy. Its solar power plant is expected to generate up to 1.18 million kWH, or 2.6% of total power consumption by the plant in a year, in 2018. More efforts will be invested in the future to install renewable energy in other plants to increase the percentage of renewable energy use.

Purchasing international renewable energy certificates

LITE-ON is Taiwan's first domestic enterprise to purchase an international renewable energy certificate from the International REC Standard (I-REC). The company purchased 15,385 thousand kWh of registered and certified I-RECs in the current year. These I-RECs would be used to offset all carbon emissions at the LITE-ON headquarters and the Zhonghe plant and part of carbon emissions at the Hsinchu plant. The process embodies LITE-ON's commitment to carbon reduction.

Internal carbon pricing strategy

LITE-ON follows international carbon trading issues closely. The company has also started formulating internal carbon pricing plans for its own science based targets to internalize costs of carbon emission. We aim to apply the total emission control concept to set reduction targets for individual business units as part of our strategy to response the changes in the energy market after new carbon reduction and carbon trading regulations launched and reducing business risks.

LITE-ON has adopted ISO 14064-1 standards in its performance of annual greenhouse gas inventory since 2007. The most recent statement of verification has met the requirements for reasonable assurance consistent with the ISO 14064-3 standard from a third-party to confirm that our emission data is high-quality, reliable and honest.

LITE-ON 2017 Greenhouse Gas Emission

CO_2	CH_4	N_2O	HFCs	PFCs	SF_6	Total	Scope1 Direct emission	Scope2 Indirect emission
359,944	8,421	38	4,034	0.0	0.0	372,445.80	17,755	354,690
96.64%	2.26%	0.01%	1.08%	0.0%	0.0%	100.00%	4.77%	95.23%

0.01% N_2O
1.08% HFCs
2.26% CH_4
0% PFCs
0% SF_6
96.64% CO_2

LITE-ON 2017 Greenhouse Gas Emission
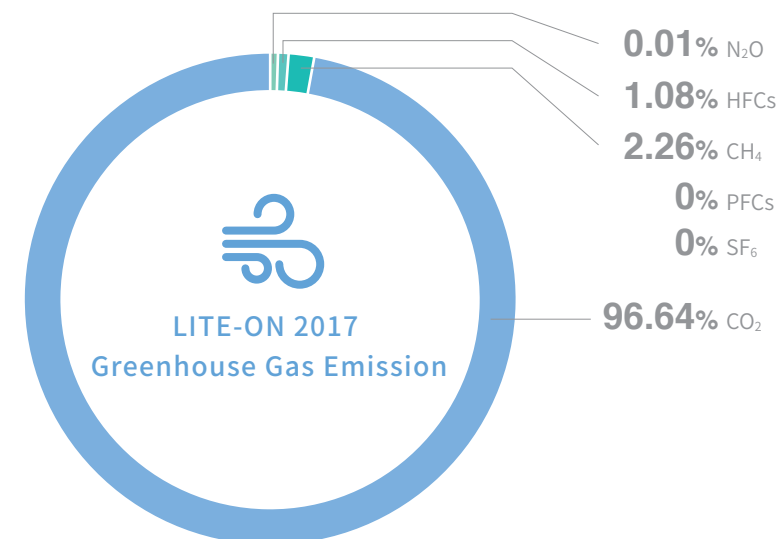
2014-2017 Greenhouse gas emission and intensity
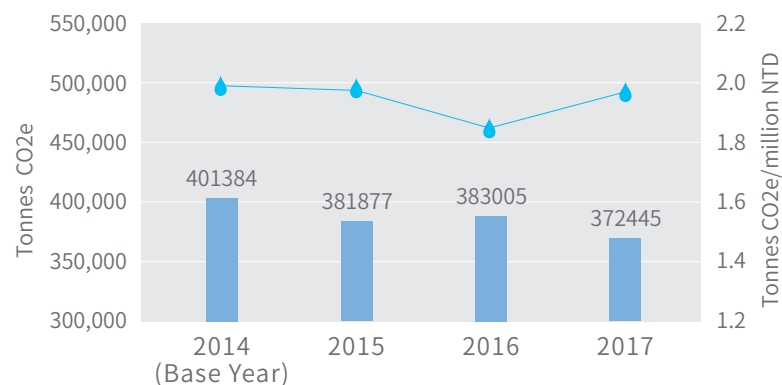
In 2017, our total greenhouse gas emission is 372,445 Tonnes CO_2e, which is equal to 1.94 tonnes of CO_2e per million NTD revenue. It achieves our GHG emission reduction target of a 7.2% (28,941 tonnes) absolute CO_2e emission decrease compared with 2014, and 2.8% (10,560 tonnes) compared with 2016. However, our CO_2e emission intensity shows a 7% increase compared with 2016 and 2% lower than base year, which lower than was expected. This situation is primarily due to the decline in average sale price and the development of automated production processes in order to help solve the labor shortage in China plants.

2014-2017 Greenhovuse Gas Emission

	2014(Base year)	2015	2016	2017
Greenhouse gas emission (Scope 1), Tonnes of CO_2e	15,925	17,206	19,493	17,755
Greenhouse gas emission (Scope 2), Tonnes of CO_2e	385,459	364,671	363,512	354,690
Greenhouse gas emission (Scope 3), Tonnes of CO_2e	Overseas business trips：1,892	Fuels and energy-related activities：403 overseas business trips：2,165 Waste：11,922 Employee Commuting：22,721	Fuels and energy-related activities: 4204 overseas business trips：2,967 Waste：9,992 Employee Commuting：3,850	Fuels and energy-related activities: 6,152 overseas business trips *4：4,589 Waste：10,654 Commuting：3,965
Greenhouse gas emission intensity, Tonnes of CO_2e / million NTD	1.98	1.97	1.81	1.94
Volume of Scope 1 and Scope 2 emissions - by gas type	CO_2 : 392,139 CH_4: 7,740 N_2O: 61 HFCs: 1,471	CO_2 : 371,025 CH_4: 7,047 N_2O: 60 HFCs: 3,745	CO_2 : 369,219 CH_4: 8,048 N_2O: 55 HFCs: 5,684	CO_2 : 359,944 CH_4: 8,421 N_2O: 38 HFCs: 4,034
Percentage of Scope 1 and Scope 2 emissions - by gas type	CO_2 : 97.69% CH_4: 1.93% N_2O: 0.02% HFCs: 0.37%	CO_2 : 97.43% CH_4: 1.70% N_2O: 0.01% HFCs: 0.86%	CO_2 : 96.40% CH_4: 2.10% N_2O: 0.01% HFCs: 1.48%	CO_2 : 96.64% CH_4: 2.26% N_2O: 0.01% HFCs: 1.08%

2014-2017 Greenhovuse Gas Emission

	2014(Base year)	2015	2016	2017
Biomass emissions (Scope 1), Tonnes of CO_2e	745	532	280	0
Whether exceeds the significance threshold (3%)	No	No	No	No
Significant changes beyond the significance threshold	No	No	No	No
Standards and methodology	ISO 14064-1	ISO 14064-1	ISO 14064-1	ISO 14064-1
Source of emission coefficient	IPCC 2006	IPCC 2006	IPCC 2006	IPCC 2006
Operational/financial control (Scope 1 and Scope 2)	Operational control	Operational control	Operational control	Operational control

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).
Note 2: Indirect emission of greenhouse gases (Scope 2) includes: purchased electricity and steam.
Note 3: For other sources of indirect greenhouse gas emissions (Scope 3) in 2017, identified items include fuel and energy-related activities, overseas business trips, waste generated in operations, and employee commuting.
Note 4: Due to the limitation on data collection, our overseas business trips data is for our offices and plants in Taiwan.

4.3.2 Energy-saving Measures

LITE-ON continually upgrades our equipment at offices and plants to achieve higher energy efficiency. In 2017, we focusing on improving the energy efficiency of lighting system, manufacturing process, air conditioning system, and be better at building management. As a result, 16,587.11 Tonnes CO2e was saved in total, and the following is a detailed breakdown of our energy-saving measures:

Site		Energy-saving Measures	Emissions Reduction (Tonnes)
Taiwan site		- Lighting system upgrades - Manufacturing process improvement - Improving efficiency of production equipment	216.06
China site	North	- Lighting system upgrades - Improve air conditioner's efficiency - Inverters on air compressors - Winter energy saving project for absorption freeze dryers	894.47
	East	- Production equipment replacement for a better combustion efficiency - Lighting system upgrades - Winter energy saving project for absorption freeze dryers	3101.46
	South	- Lighting system upgrades - Manufacturing process improvement - Upgrade air conditioners - Building management improvement	12375.12
total			16587.11

* Due to the limitation on data collection, our energy-saving measures data is for our offices and plants in Taiwan and China.

4.3.3 Direct and Indirect Energy Consumption

1. Direct energy

In 2017, LITE-ON consumed 83,521 GJ of fossil fuel, equivalent to an intensity level of 0.43 GJ/NTD million. The total fossil fuel consumption is 6% decrease compared with 2016, but 2.4% higher in intensity primarily due to the decline in average sale price.

Below are details on the use of fossil fuel:

· 359.7 kiloliters of diesel was used in 2017, and about 35% lower than 549.1 kiloliters used in 2016. It is because most of our manufacturing plants in China has applied for and become a No Break Power Supply Plants to avoid cutting power. Therefore, our consumption of fossil fuels is going down.
· 571.2 kiloliters of gasoline was used in 2017, and 9% lesser than 626.6 kiloliters in 2016.
· 894.8 cubic meters of natural gas was used in 2017, and 13% higher than791.4 cubic meters in 2016.
· 314.6 tons of LPG was used in 2017, and 4% lower than 327.3 tons in 2016.
· 86.5 tons of Methyl Alcohol was used in 2017, and 7% lower than 92.7 tons in 2016.

2. Indirect energy

In 2017, LITE-ON's indirect energy consumption (purchased electricity) totaled 424,134 MWh (megawatt-hours) or 1,526,881GJ, which was 0.7% or 1,986 MWh or 7,150 GJ more than 2016, and was 4.4% lower than the base year's consumption. In terms of consumption intensity, LITE-ON averaged 7.95 GJ/NTD million in 2017, which was 10.65 % increase compared to 7.81 GJ/NTD million in 2016, and 0.67% higher than in the base year. This is primarily due to the decline in average sale price and the development of automated production processes in order to help solve the labor shortage in China plants.
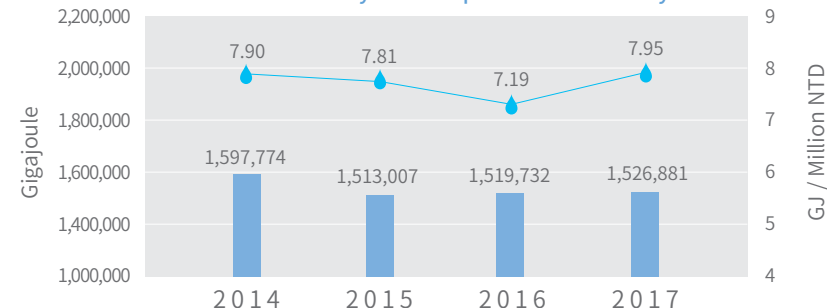
3. Total Energy Consumption

In 2017, LITE-ON totally consumed 1,625,423 GJ of energy, and 895 JG higher than 2016 while posting intensity of 8.46 GJ/NTD million, 10.19% higher than 7.68 GJ/NTD million in 2016 due to the reason mentioned above.
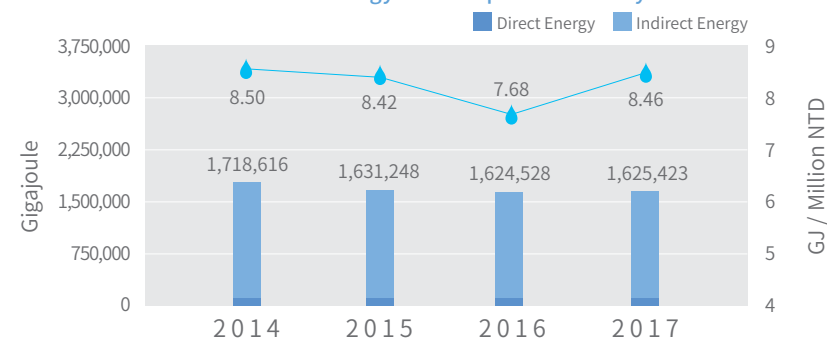
2014-2017 Fossil fuel consumption
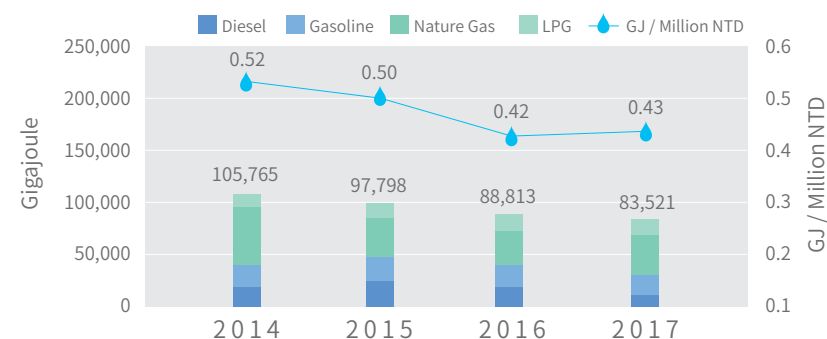
2014-2017 Electricity consumption and intensity

2014-2017 Total energy consumption intensity

4.3.4 Air Pollution Control

LITE-ON's air pollution control can be divided into indoor (including production environment) air quality management and outdoor air pollution control. Preventive controls are implemented through different management means, procedure improvement, and training. In addition, flue gas desulfurization equipment, scrubbers, and high efficiency processing equipment are installed in the production process to manage pollution and reduce air pollutant emissions so to keep the concentration far below the statutory threshold. In 2017, LITE-ON (Tianjin) installed three sets of photocatalytic equipment for VOC treatment and improved VOC oxidation efficiency to facilitate production of CO_2 and H_2O. We succeeded in reducing VOC concentration in emissions from 18ppm to 2ppm, far below the statutory threshold at 60ppm. The key preventive controls and pollution control measures are summarized as follows:

|	Preventive management	Pollution control
Indoor air quality management	· Reduce and replace use of toxic or highly volatile reagents (e.g. reducing the inventory storage or using ethanol instead of isopropyl alcohol). · Avoid use of volatile consumer products in offices.	· Monitor ventilation at the production area to maintain air quality. · Monitor, wash and replace filters in air-condition regularly to maintain indoor air quality. · Grow greenery in office areas.
Air pollution control	· Reduce or cease polluting processes. · Use fuels with low sulfur content. · Apply centralized management of corporate vehicles and reduce the number of trips taken.	· Install photocatalytic equipment for volatile organic compound treatment · Use wet scrubbers for inorganic waste air. · Install flue gas desulfurization equipment for diesel-based power generation (for emergencies).

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. Moreover, regarding employee business travel, the company has installed advanced communication and meeting room equipment in all offices to enable real-time online group conference calls. The company is also assessing the feasibility of keeping business travel down by making more telephone and video conferencing calls. For vehicle dispatch, the company uses an online application system to arrange carpool in order to reduce the number of vehicles to be dispatched. Below are the LITE-ON's practices 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 while decreasing packaging materials consumption.

The following is an example of LITE-ON implementing package design improvement for the desktop keyboard SK2063 in 2017. The new design with a smaller gift box allows a reduction of the exterior volume, which enables pallets to be modified accordingly, and increased the capacity by 11%.
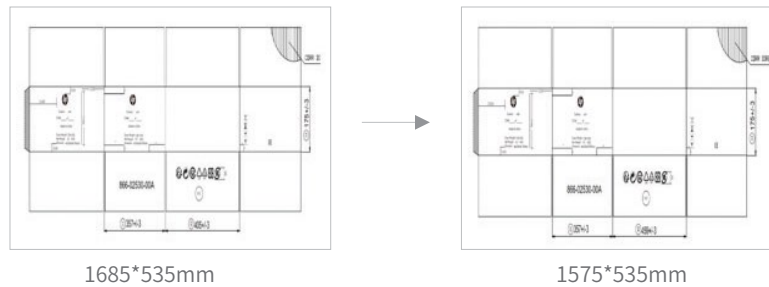
1. The gift box design was improved to reduce materials and volume
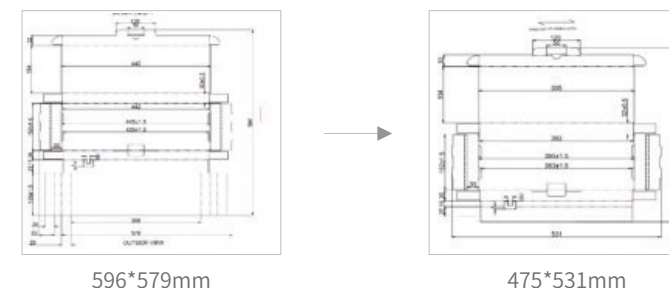
596*579mm   475*531mm

2. The carton was redesigned for increasing product capacity with smaller dimensions

1685*535mm → 1575*535mm

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

Pallet capacity : 54 cartons/540pcs boxes → Pallet capacity : 72 cartons/720boxes

	Load (pcs)		
	Before	After	Load (pcs)
20' container	6,480	7,200	11%
40' container	12,960	14,400	11%

4.3.5.2 Employees' Business Travel

In 2017, LITE-ON's employees in Taiwan traveled a total of 22,415k miles on business trips, up 5.75% Y-o-Y. Because of structural changes in the industry and shrinking PC industry, LITE-ON have to turn to develop new businesses such as outdoor/automotive lighting, automotive electronics, smart healthcare and industrial automation etc., the technical teams have to take more international trips.

Thousand miles

2016: 21,197
2017: 22,415
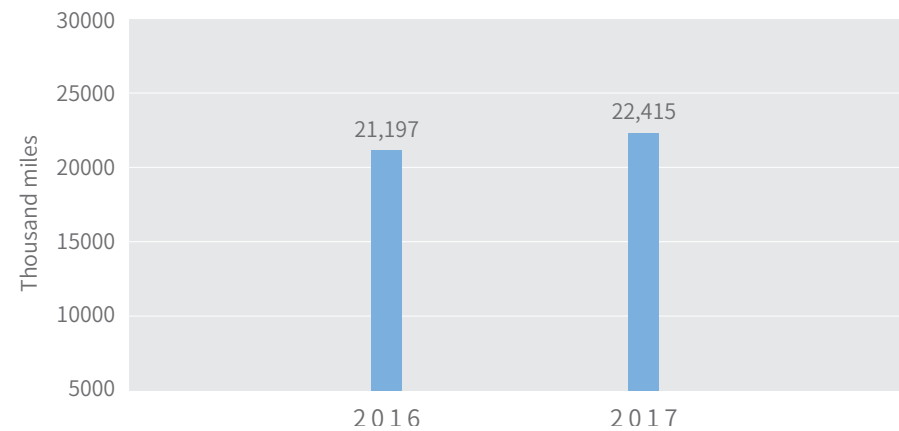
4.4 Water Resource Conservation

LITE-ON has adopted its water resource management system on ISO 14001 standards and use a central control system to monitor water discharge data in real-time, and tracks water management performance at major operation sites around the world. In 2017, LITE-ON continue to implement water resource conservation measures and lead to the intensity of water consumption was 9.10% lower than it was in 2014, and met the target in 2017.

All LITE-ON operation sites draw water entirely from the local water system (i.e. tap water), and pose no significant impact on local water resources or on water accessibility of the local community. The major water demands are for plant facilities (e.g. water circulation in air conditioners, compressors etc.) and employees' daily use. In recent years, our conservation measures were focusing on the investment in replacing traditional wet processes with dry processes, replacement and update of old cables and pipes, spot check of water outlets and routine inspection of water usage, and additional water recycling and reuse measures. LITE-ON has also incorporate water conservation measures into daily management by reinforcing water saving facilities at the plants and strengthening training to change employee water use behaviors. Meanwhile, LITE-ON makes water cost management to be the part of the cost management practice by the departments for achieving more efficient water resource conservation.

In 2017, the total water consumption was 4,600,317 m^3 and the intensity of water consumption was 23.96 m^3 per million NTD, which were 13.57% and 4.82%, respectively, lower than the figures in 2016. Compared to 2014 (baseline year), the total water consumption fell by 16.56%, and the intensity of water consumption fell by 9.10%. In 2017, a total of 243,199 tonnes, or 5.66% of total consumption, of water were recycled. The figure was 10.87 times higher than that in 2014, and was attributed to the addition of recycling and reuse of air conditioning condensation water and RO wastewater, recycling and reuse of pure water from production workshop facilities, and rainwater harvesting. LITE-ON will continue to refine its water resource management system, implement water saving measures, and execute water recycling and reuse to achieve our new target that reduces absolute water consumption by 6% by 2020 compared to 2017.

2014-2017 Recycled Water Consumption
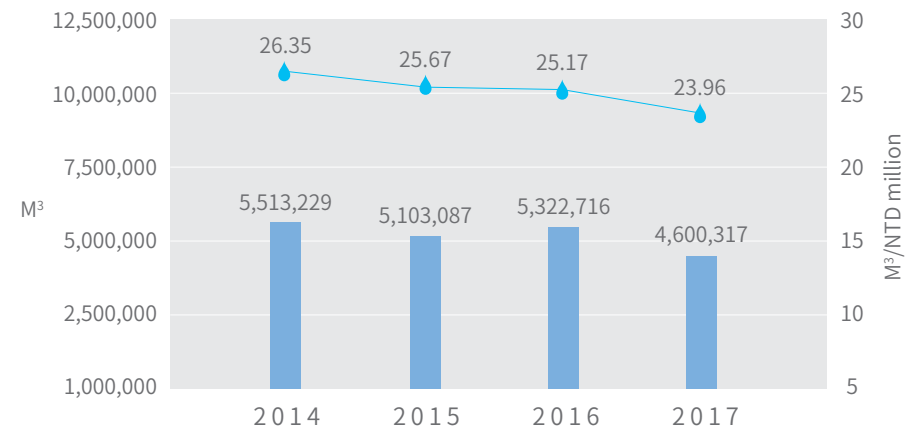
2014-2017 Recycled Water
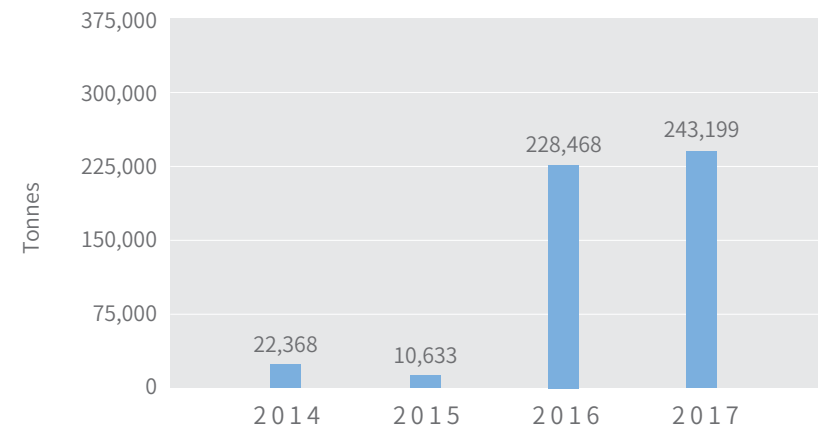
4.5 Main Raw Materials

LITE-ON records materials used in product and packaging in order to assess the efficiency of raw material usage. This result can be used to maximize resource utilization and reduce the necessary amount of packaging and shipping materials. It can help us to achieve economic and environmental growth and the greater corporate sustainability.

LITE-ON's major products include optoelectronics, electronic components, as well as module components, and the row material can be defined in three categories including metallic, non-metallic and packaging. All products have been designed in accordance with EU WEEE (Waste Electrical and Electronic Equipment) Directive, which requires at least 80% of recyclable materials used.

4.5.1 Metallic Materials

Steel   ： mainly used in chassis, screws, transformers, and fan parts
Aluminum ： mainly used in heat sinks
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
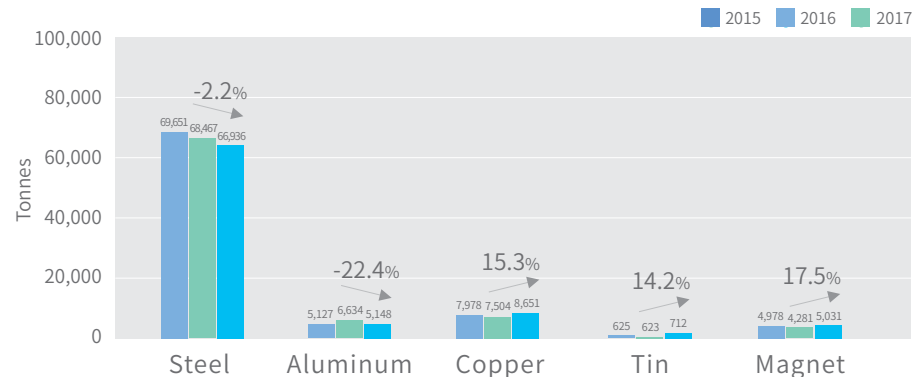
Copper, Tin and Magnet consumption increased in 2017, mainly due to a 20% growth of Power Business.

4.5.2 Non-metallic Materials

Plastic materials were mainly used in external casing, insulation, and socket, etc., for all products. The consumption of plastic increased 4% in 2017, mainly due to a 20% growth of Power Business.

Volume of Plastic Used in Core Business
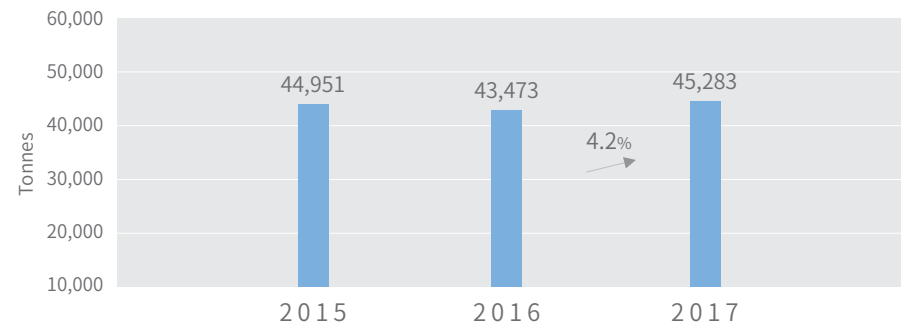
4.5.3 Packaging and Shipping Materials

For "local shipments," LITE-ON uses reusable packaging materials as much as possible. The usages* of paper, padding (foam and bubble wrap) and wood increased in 2017, mainly due to a 20% growth of Power Business.

Volume of Packaging and Shipping Materials Used in Core Business
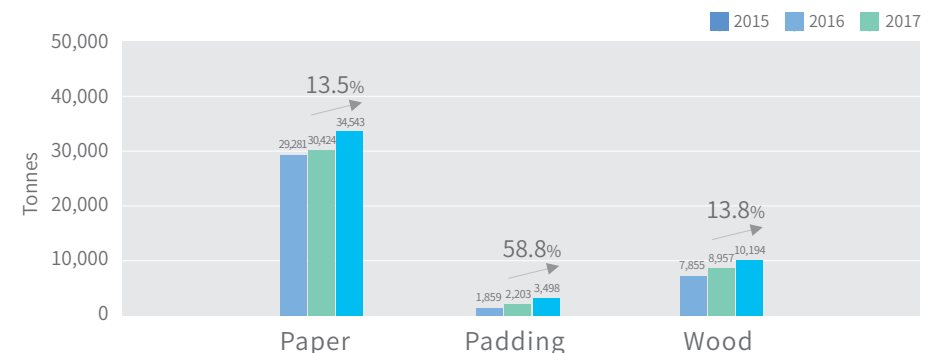
*Raw material usages volume are calculated according to annual purchased.

4.5.4 Waste Management, Recycling and Reuse

LITE-ON follows the ISO 14001 procedures and sets up a special management unit to be responsible for efficiently monitoring and managing waste production by source. To achieve effective management and waste reduction, we adopts the principles of minimum waste and maximum recycling and reusing, and selects qualified recycling service providers for waste treatment. LITE-ON plans to reach 6% total waste reduction per unit revenue compared to 2014 by 2017.

The LITE-ON waste reduction program focuses on source management. The waste are classified by sources into three types as resource waste, general industrial waste, and hazardous industrial waste. Reduction measures such as optimized packaging materials, reduction at sources, and a reduced percentage of hazardous waste are implemented in the production process. Take the design of magnetic components for example, volume was reduced by 22% and weight by 36% by modifying material formulae, firing methods was optimized, and the particle size was narrowed. Building the smart plant, for example, encourages the adoption of automated production lines, which increases product yield to 99.81% and reduces material input by 2.4%. Regarding daily activities of employees, the company provides education and training, supplemented by the code of conduct, to promote effectively reduction and separation of waste and increase resource utilization and value.

The three types of waste aggregated to a sum of 31,519 tonnes in 2017. In other words, the waste intensity was 0.164 tonnes/NTD million. Total waste was down by 8.6% and intensity up by 0.69% compared to 2016. Total waste was down by 14.6% and intensity by 6.9% compared to 2014 (baseline year). Having met the target, LITE-ON will continue to promote source management as well as recycling and reuse, meanwhile perform regular onsite audits to ensure total waste will be decreased by another 6% by 2020 compared to 2017.

2014-2017 Total waste and waste intensity
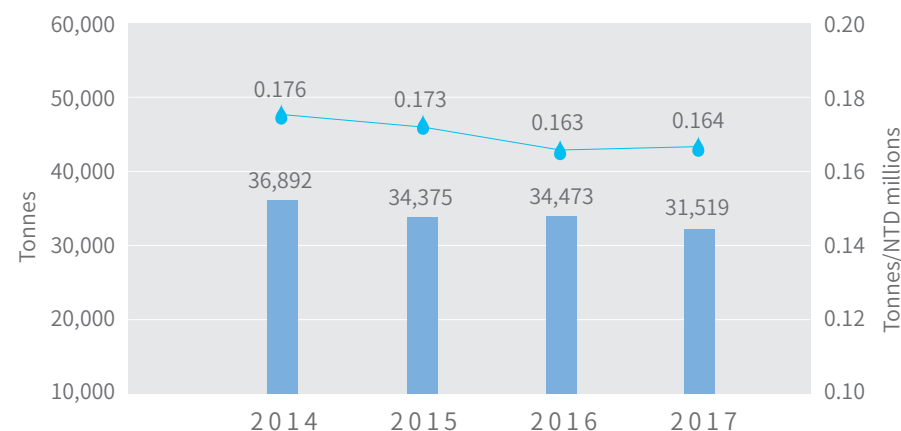
2014-2017 Waste types by percentage
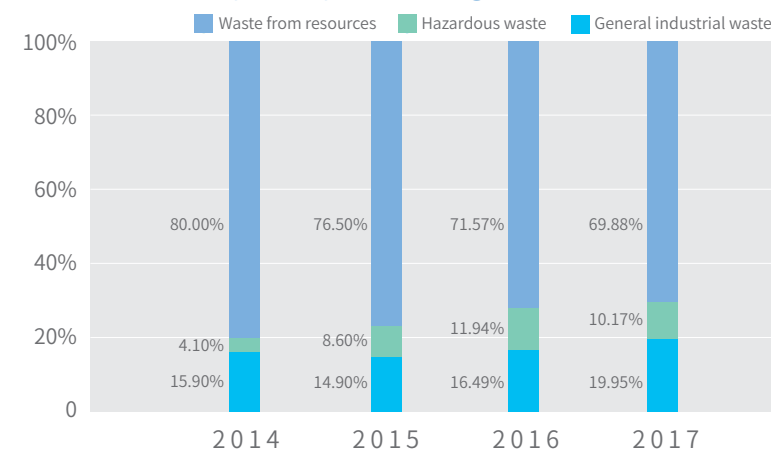
4 .6 Green Factory

4.6.1 Green Architecture

LITE-ON implement green design on scheming for new plants or improvements for existing plants. The design of exterior hollow brick walls and extensive use of recyclable building materials offer climate control features. The company also takes advantage of characteristics of the local natural environment and climate to reduce heat insert from sunlight and keep indoor temperatures maintained with enough luminance, thus minimizing the load on air conditioner in summer and achieving optimum energy efficiency.

Regarding building and facility improvement for the existing plants, LITE-ON replaced more than 25,000 light fixtures with LED light bulbs or other energy efficient units in 2017. The company saved more than 2 million kWh in electricity consumption in the year. Energy consuming air conditioning units and air compressors were replaced or had inverter modification installed. Recycled water for cooling towers was implemented to provide cooling for the plants and reduce use of refrigeration equipment during winter. The company saved more than 1 million kWh in the year.

4.6.2 Advanced Manufacturing and Green Production

LITE-ON reduces consumption of resources (materials), raises energy efficiency, mitigates toxicity to the environment, and lightens employees' workloads as part of an ongoing effort to implement improvements under the Cleaner Production initiative and follow the project management approach. The IE based Improvement Project Tracking (IPT) platform is built and used to monitor and rate improvements implemented by individual plants under various business units. 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 and facilitate future projects.

Cleaner Production for lower resource wastage

The Cleaner Production initiative helps make more efficient use of direct and indirect energy/resources during production, while reducing use of chemicals and discharge of

waste into the environment. Inkjet coating for laptop bottom panels, for example, uses UV curing instead of traditional oven baking to achieve a significant saving of 76,800 kWh in power consumption and 550 tons of water. The result effectively improves the working conditions for traditional coating operators, and enables a more efficient process that requires less manual labor.

Production efficiency through automation

Regarding implementation of automated production processes, LITE-ON is currently capable of simultaneous operation with products, processes and equipment installed on the same platform. The structure is equipped with difficult, high precision automatic assembly, testing, and 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. In 2017, LITE-ON went on to combine automation and smart operations in order to achieve high speed unmanned operations. Results so far include:

· Modifying the automatic transformer winding machine from 8 spindles to 12 spindles. Desktop power supply units manufactured by automated production, for example, are expected to require 12 million transformer inductor units and save 29,000 kWh in power consumption every year.
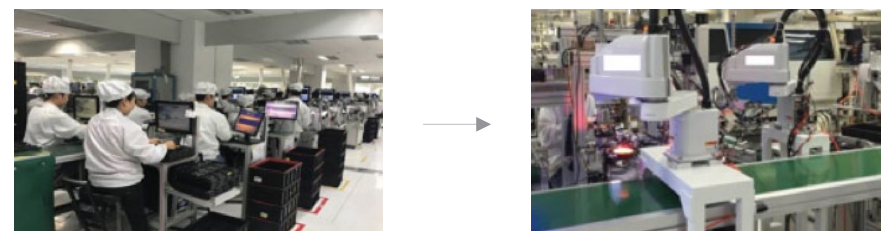
5

LITE-ON and Employees

A workplace culture with
Passion, Excellence, Innovation and Growth

NTD $26.12 billion

Employee remuneration and benefits: 2017: NT$26.12 billion, 12.2% of total revenue

1,216 jobs

Total of 1,216 new jobs were created in Taiwan

FR 39% SR 35%

Employee frequency of disabling injuries rate decreased 39%Y/Y and Severity of disabling injuries Rate decreased 35%

99%

99% of Employee grievance cases were solved and closed

44 times

Total 44 communication meetings were held in Business Units

30 hrs

Average training 30 hours per employee

5.1 Employee Policy

8 DECENT WORK AND ECONOMIC GROWTH

Employee Remuneration and Benefits

NTD $26.12 billion

2017: NT$26.12 billion
2016: NT$26.80 billion
2015: NT$27.73 billion

Since its establishment, LITE-ON's success has been founded on LITE-ON Beliefs, which are "Customer Satisfaction," "Execution," "Innovation," and "Integrity." It is the company's goal 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, employees, and other stakeholders.

Employees are LITE-ON's most important partners in achieving world-class excellence and sustainability, for they are the key that helps the company grow and improve. Hence, LITE-ON always works side by side with its employees on the path to realize its vision of achieving LITE-ON's core values and sustainable development.

LITE-ON guarantees and protects the rights of all of its employees in the workplace. The company is constantly working to create a healthy workplace. It also complies with employment laws and international standards in all locations of operation, including giving employees the freedom of association and privacy while prohibiting all forms of forced labor, child labor, and discrimination.

2017 Progress on targets

Business targets in 2017	Actions in 2017	Progress
25 training hours per person on average	Ongoing training optimization	26 training hours per person on average
Develop digital learning courses	Continue to develop in-house digital learning courses. Develop digital courses via industry-academia cooperation	70 new courses launched. 9 new courses completed under industry-academia cooperation
Intangible strengths of employees improved	Office courses refined	A total of 24 courses offered
Disability frequency and severity fell by 10% each	Ongoing environmental health and safety training and taking corrective and preventive actions	Disability frequency fell by 39%. Disability severity fell by 35%
Monthly average rate of key person retention at 97% or higher	Employee communication and training strengthened to improve employee relations	Key person retention rate at 93.7%*

*The key person retention rate failed to reach the target due to a shortage of tech talent and fierce competition among companies.

Future goals

Future goals	Completion
30 training hours per person on average	2018
Continue to develop 15 digital courses via industry-academia cooperation	2018
Hire quality experts to teach 25 in-house courses	2018
Disability frequency and severity reduced by 10% each compared to previous year	2018
Monthly average rate of key person retention at 97% or higher	2018

LITE-ON's Employee Care Vision and Strategy

· Comply with international regulations and local laws to effectively protect the rights of our employees.
· Provide a friendly workplace to ensure the rights of our employees are not violated.
· Promote different activities and employee care programs on an ongoing basis to help employees maintain a healthy balance between body and mind.

Recruitment

Recruitment at LITE-ON always complies with local laws and RBA directives. Internal and external audits are performed, and the necessary due diligence reports are provided to stakeholders to ensure the company fulfills its corporate social responsibilities.

Such responsibilities include prohibition of child labor, forced labor, and having minors perform hazardous work. The discrimination free workplace policy is strictly enforced, and equal employment opportunities are given regardless of race, gender, religion, skin color, nationality, age, political affiliation, sexual orientation, pregnancy, mental/physical disability, and social background.

Talent cultivation

LITE-ON is committed to training and investing in talent and providing a complete career path and blueprint to help employees realize their full potential and satisfy their needs and goals along their individual career paths. The company is also committed to offering competitive compensation packages while accumulating skilled and experienced human capital for the company.

Protection of rights

LITE-ON respects the human rights of its employees. The company strengthens information security management systems and implements effective personal data and privacy protection. It also establishes guidelines and rules and utilizes two way communication channels to effectively protect the rights of employees. LITE-ON supports its employees in organizing a union and respects their right to negotiate with the management.

A Healthy workplace

LITE-ON builds the workplace on a safety culture that puts people first. The company makes an effort to provide and maintain a workplace that pays attention to the mental and physical health of employees. It is constantly pushing for employee care programs that contribute the mental and physical health of employees and reduce health and safety risks in the workplace. Various motivational events are organized to help employees bond and raise work morale so that they may enjoy a balanced, healthy and joyful work life.

All LITE-ON's human resource policies have been based on "passionate, motivating, innovative, and growing", and are designed to give employees optimal care in work, life, and health. Treating every employee as a best partner, LITE-ON wishes to see employees enjoy their work and their goals are aligned to the company's to achieve greater success as well as a rewarding career.

5.2 Employee Profile

5.2.1 Employee Structure and Distribution

As at the end of 2017, LITE-ON had 51,879 employees worldwide; 55.8% of whom were male and 44.2% were female. There were 5,042 employees in Taiwan, while the remaining 46,837 were located throughout Mainland China and other overseas (including Thailand, Brazil, Vietnam, Malaysia, Singapore, Europe and USA etc.). 99% of employees were in Asia.
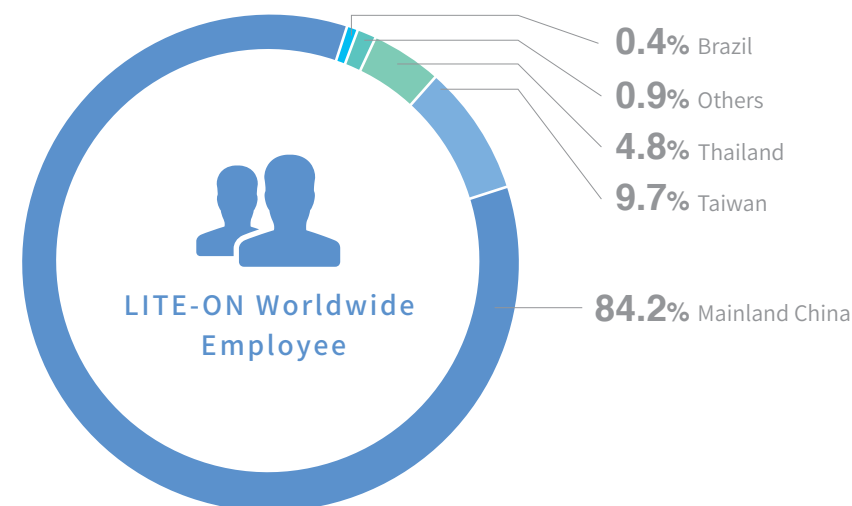

	Taiwan	Mainland China	Thailand	Brazil	Others	Total
Male	11.4%	85.7%	1.6%	0.3%	0.9%	55.8%
Female	7.6%	82.3%	8.9%	0.5%	0.8%	44.2%

Employee composition contract type

Gender & Type / Region	Male			Female			Total
	Full Time	Part Time	Subtotal	Full Time	Part Time	Subtotal	
Taiwan	3,295	15	3,310	1,724	8	1,732	5,042
Mainland China	19,898	4,935	24,833	14,661	4,188	18,849	43,682
Thailand	474	0	474	2,040	0	2,040	2,514
Brazil	89	0	89	111	0	111	200
Others	254	4	258	182	1	183	441
Worldwide total	24,010	4,954	28,964	18,718	4,197	22,915	51,879

Note： 1. The data excluding 114 dispatch employees

Disabled and Foreigner Employment

Type & Gender / Region	Disabled			Foreigner		
	Male	Female	Total	Male	Female	Total
Taiwan	30	19	49	27	182	209
Mainland China	203	104	307	18	3	21
Thailand	0	0	0	0	0	0
Brazil	0	0	0	0	0	0
Others	0	0	0	1	0	1
Worldwide total	233	123	356	46	185	231

Recruiting local residents in high-level management

	Taiwan	Mainland China	Thailand	Brazil	Other
High-level management employees	4.9%	1.6%	1.7%	8.0%	20.0%
Percentage of local residents recruited in high-level management positions	98.8%	98.0%	100.0%	100.0%	97.7%

Notes: 1. Director & above are defined as High-level management positions in Taiwan
Notes: 2. Deputy Manager & above are defined as high-level management positions in Mainland China, Thailand, Brazil and other regions which are mainly manufacturing sites.

Employee Structure

Gender and age distribution by region

Gender & Age / Rebion	Male					Female				
	<30	30-40	41-50	>50	合計	<30	30-40	41-50	>50	合計
Taiwan	13.7%	23.4%	22.6%	6.0%	65.6%	8.3%	13.4%	9.8%	2.9%	34.4%
Mainland China	40.7%	12.9%	3.0%	0.3%	56.8%	26.1%	12.4%	4.5%	0.1%	43.2%
Thailand	8.0%	6.3%	4.1%	0.5%	18.9%	29.4%	28.3%	21.5%	2.0%	81.1%
Brzil	11.0%	24.0%	8.0%	1.5%	44.5%	12.5%	26.0%	14.5%	2.5%	55.5%
Others	32.4%	7.5%	6.3%	12.2%	58.5%	24.5%	6.1%	3.2%	7.7%	41.5%
Worldwide total	36.3%	13.6%	5.0%	1.0%	55.8%	24.4%	13.3%	5.9%	0.6%	44.2%

Gender and education distribution by region

Gender & Education / Region	Male			Female		
	Masters & above	Bachelor	Others	Masters & above	Bachelor	Others
Taiwan	35.4%	28.9%	1.4%	6.9%	21.8%	5.6%
Mainland China	0.2%	9.4%	47.2%	0.1%	5.1%	38.0%
Thailand	0.1%	11.0%	7.8%	0.3%	15.8%	65.0%
Brazil	0.5%	6.5%	37.5%	0.0%	6.0%	49.5%
Other	6.8%	27.9%	23.8%	2.3%	27.2%	12.0%
Worldwide total	3.7%	11.5%	40.6%	0.8%	7.4%	36.0%

Employee grade distribution

Grade and Gender / Year		2015		2016		2017	
Executive management	Male	43	97.7%	38	97.4%	30	96.8%
	Female	1	2.3%	1	2.6%	1	3.2%
	total	44	100.0%	39	100.0%	31	100.0%
Senior manager	Male	212	90.6%	209	89.7%	216	88.5%
	Female	22	9.4%	24	10.3%	28	11.5%
	total	234	100.0%	233	100.0%	244	100.0%
Mid-level manager	Male	1,860	78.4%	1,993	77.9%	2,119	77.6%
	Female	511	21.6%	567	22.1%	610	22.4%
	Total	2,371	100.0%	2,560	100.0%	2,729	100.0%

Grade and Gender / Year		2015		2016		2017	
General employees (indirect labor. IDL)	Male	9,435	67.0%	9,674	66.1%	9,685	66.4%
	Female	4,655	33.0%	4,970	33.9%	4,896	33.6%
	total	14,090	100.0%	14,644	100.0%	14,581	100.0%
General employees (direct labor, DL)	Male	20,409	50.7%	19,323	50.4%	19,279	51.7%
	Female	19,883	49.3%	19,000	49.6%	18,019	48.3%
	total	40,292	100.0%	38,323	100.0%	37,298	100.0%
All employees	Male	29,844	54.9%	28,997	54.7%	28,964	55.8%
	Female	24,538	45.1%	23,970	45.3%	22,915	44.2%
	Total	54,382	100.0%	52,967	100.0%	51,879	100.0%

Notes: 1. Indirect labor includes all executive management members, senior managers and mid-level managers
Notes: 2. Mid-level management includes from Deputy Managers to Managers

5.2.2 Employee Retention

LITE-ON offers a comprehensive range of training courses and compensation and benefits to encourage employees pursue self improvement and achieve career growth. Job descriptions given during interviews will remain consistent after recruits report for work. Managers and human resources officers will also try to reduce new hire turnover by interviewing new employees to find out how they are settling into their positions. New employees will be given assistance in the form of education and training to help them fit into the corporate environment. When an employee submits a resignation, the human resources department will conduct an interview and analyze key factors in retention and resignation in order to improve the retention rate.

In terms of compensation packages, LITE-ON has designed regular compensation reviews to ensure the company is able to retain talent while ensuring all employees receive above-average compensation. LITE-ON also encourages individual departments to implement reward programs to boost morale and improve business performance, effectively creating a win-win situation.

In terms of talent management strategies, LITE-ON has implemented a human resources management blueprint and an education and training system to provide courses on core management competencies and essential professional skills. These programs are intended to broaden the horizon for employees, enhance management knowledge and skills for managers, develop a common management language, create a healthy corporate culture, and lay the foundation for sustainable development.

1. Employee turnover rate

2017 Monthly average turnover rate (including voluntary and involuntary departures) - by age and region

Type and age / Region	Direct Labor (DL)								Indirect Labor (IDL)							
	<30	%	30-40	%	41-50	%	>50	%	<30	%	30-40	%	41-50	%	>50	%
Taiwan	110	3.7%	60	2.8%	2	0.3%	2	0.5%	263	2.7%	354	1.8%	163	0.9%	57	1.2%
Mainland China	63,215	20.6%	9,438	11.4%	1,449	5.3%	28	2.2%	2,446	4.5%	1,183	2.5%	130	1.4%	20	2.6%
Thailand	831	8.0%	378	4.0%	49	0.9%	1	0.3%	30	4.9%	32	2.8%	10	0.6%	6	2.1%
Brazil	6	1.2%	9	1.2%	3	1.0%	0	0.0%	2	3.3%	3	0.7%	2	0.8%	1	2.1%
Others	198	13.9%	9	7.2%	0	0.0%	0	0.0%	25	2.7%	13	2.2%	8	1.3%	10	1.0%
Worldwide total	64,360	20.0%	9,894	10.4%	1,503	4.4%	31	1.5%	2,766	4.2%	1,585	2.3%	313	1.1%	94	1.3%

2017 Monthly average turnover rate (including voluntary and involuntary departures) - by gender and region

Type & gender / Region	Direct Labor (DL)				Indirect Labor (IDL)			
	male	%	Female	%	male	%	Female	%
Taiwan	30	3.4%	144	2.7%	582	1.6%	255	1.7%
Mainland China	47,415	20.7%	26,715	14.0%	2,555	3.6%	1,224	3.1%
Thailand	193	4.9%	1,066	4.9%	41	2.4%	37	1.7%
Brazil	10	1.7%	8	0.8%	6	1.2%	2	0.7%
Others	134	15.0%	73	11.1%	31	1.8%	25	1.9%
Total	47,782	20.3%	28,006	12.8%	3,215	2.8%	1,543	2.7%

Notes: 1. The calculation of monthly average turnover rate: (monthly average number of departed employees in 2017) / (sum of month-end employee count from Jan to Dec/12)*100%.
Notes: 2. The relatively high employee turnover in China is largely attributable to the local labor shortage as well as fierce competition in the industry.
Notes: 3. The turnover rate in Brazil was relatively high due to labor shortage

2. 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. A total of 64 employees applied the child care long-term leave, and 85% of those who did come back to job in 2017. This is a testament to how employees approve of LITE-ON's policies.

2017 child-care long-term leave status

Definition			2016~2017 Total			2017		
	Male	Female	Male	Female	Total	Male	Female	Total
No. of people qualified for long-term child care leave (No. of people applying for maternity/paternity leave in the last three years)	A1	A2	261	182	443	137	58	195
Actual no. of applicants	B1	B2	21	37	58	12	26	38
No. of people expected to be reinstated in the current year	C1	C2	19	40	59	8	19	27
Actual no. of people reinstated in the current year	D1	D2	13	32	45	4	18	22
No. of people reinstated from long-term child care leave in the previous year, and who have worked for one year since	E1	E2	13	12	25	7	10	17
Percentage of long-term child care leave applicants	(B1/A1)*100%		8.05%	20.33%	13.09%	8.76%	44.83%	19.49%
Long-term child care leave retention rate	(E1/Last Year D1)/100%		61.90%	40.00%	49.02%	77.78%	71.43%	73.91%
Long-term child care leave reinstatement rate	(D1/C1)*100%		68.42%	80.00%	76.27%	50.00%	94.74%	81.48%

5.2.3 Personnel Recruitment

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 universities and colleges, summer internships (in Taiwan), the government's employment promotion programs, and R&D substitute service candidates.

The new hire rate below is calculated as: (monthly average number of new employees in 2017) / (sum of month-end employee count from Jan to Dec/12)*100%.

2017 Monthly average new hire rate - by age

Type & age / Region	Direct Labor (DL)								Indirect Labor (IDL)							
	<30	%	30-40	%	41-50	%	>50	%	<30	%	30-40	%	41-50	%	>50	%
Taiwan	69	2.3%	4	0.2%	0	0.0%	0	0.0%	468	4.8%	432	2.2%	216	1.2%	27	0.6%
Mainland China	63,391	20.6%	8,368	10.1%	1,076	3.9%	9	0.7%	2,150	4.0%	690	1.5%	56	0.6%	5	0.6%
Thailand	1,056	10.2%	413	4.3%	30	0.5%	0	0.0%	46	7.5%	24	2.1%	7	0.4%	0	0.0%
Brazil	20	4.0%	16	2.1%	7	2.4%	1	2.1%	0	0.0%	2	0.5%	1	0.4%	2	4.2%
Others	304	21.4%	27	21.6%	1	8.3%	0	0.0%	30	3.3%	12	2.2%	5	0.9%	6	0.6%
Worldwide total	64,840	20.1%	8,828	9.2%	1,114	3.3%	10	0.0%	2,694	4.1%	1,160	1.7%	285	1.0%	40	0.6%

By Gender

Type & Gender / Region	Direct Labor (DL)				Indirect Labor (IDL)			
	Male	%	Female	%	Male	%	Female	%
Taiwan	8	1.0%	65	1.1%	818	2.4%	325	2.4%
Mainland China	47,415	19.5%	25,429	11.8%	1,974	2.6%	927	2.3%
Thailand	236	6.4%	1,263	6.2%	34	2.1%	43	2.1%
Brazil	29	8.3%	15	1.6%	4	0.8%	1	0.3%
Others	215	38.7%	117	22.6%	26	1.5%	27	2.2%
Worldwide total	47,903	19.2%	26,889	11.1%	2,856	2.5%	1,323	2.3%

5.2.4 Responsible Business Alliance, RBA (formerly EICC) Code of Conduct Committee

LITE-ON has established its own RBA Code of Conduct audit procedures to ensure the adequacy, effectiveness and appropriateness of its CSR framework, and to monitor how progress complies 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 RBA Code of Conduct 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 RBA Code of Conduct committees to cross-audit each other and ensure 100% compliance. Any conduct that does not comply with the RBA Code of conduct is raised for discussion and improved upon within the given timeframe.

All LITE-ON plants are equipped with CSER project teams that follow the RBA audit program and perform regular internal and external audits. To ensure LITE-ON fulfills its corporate social responsibility, the teams are also responsible for reviewing the plants' performance in terms of the indicators, including employees, ethics, environment, and health and safety, and improvements in these areas.

### Inter-plant cross audit flowchart
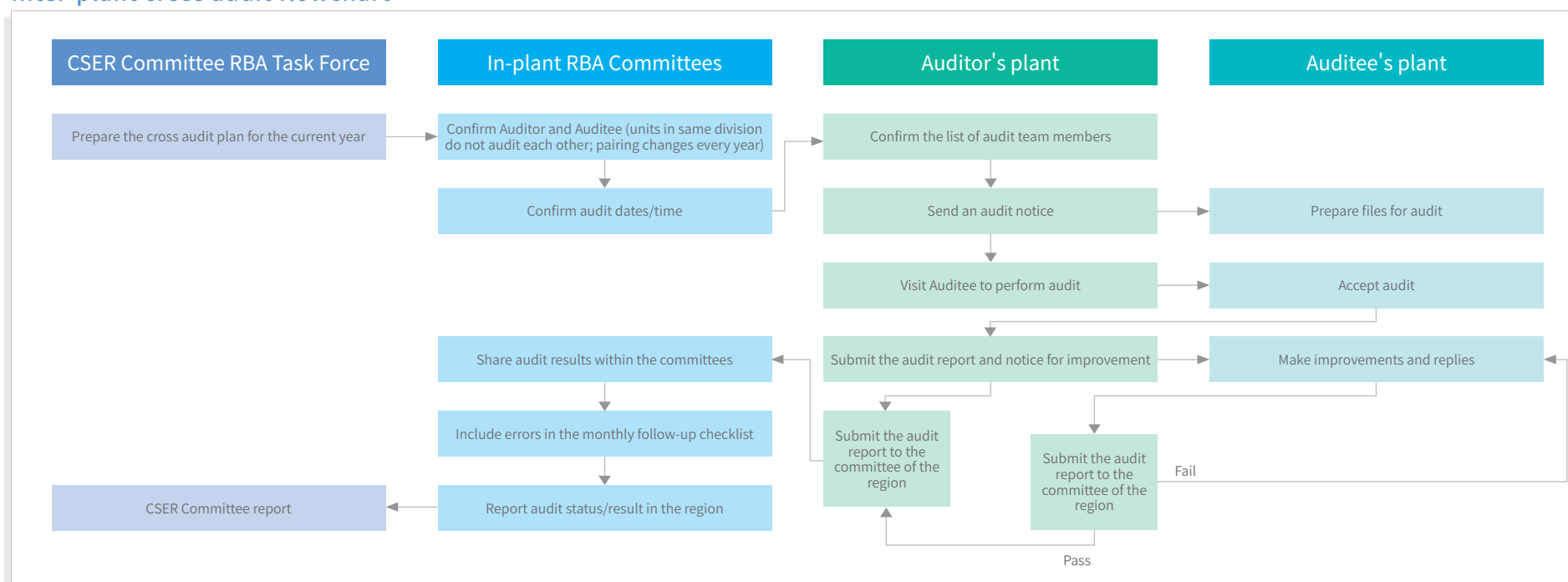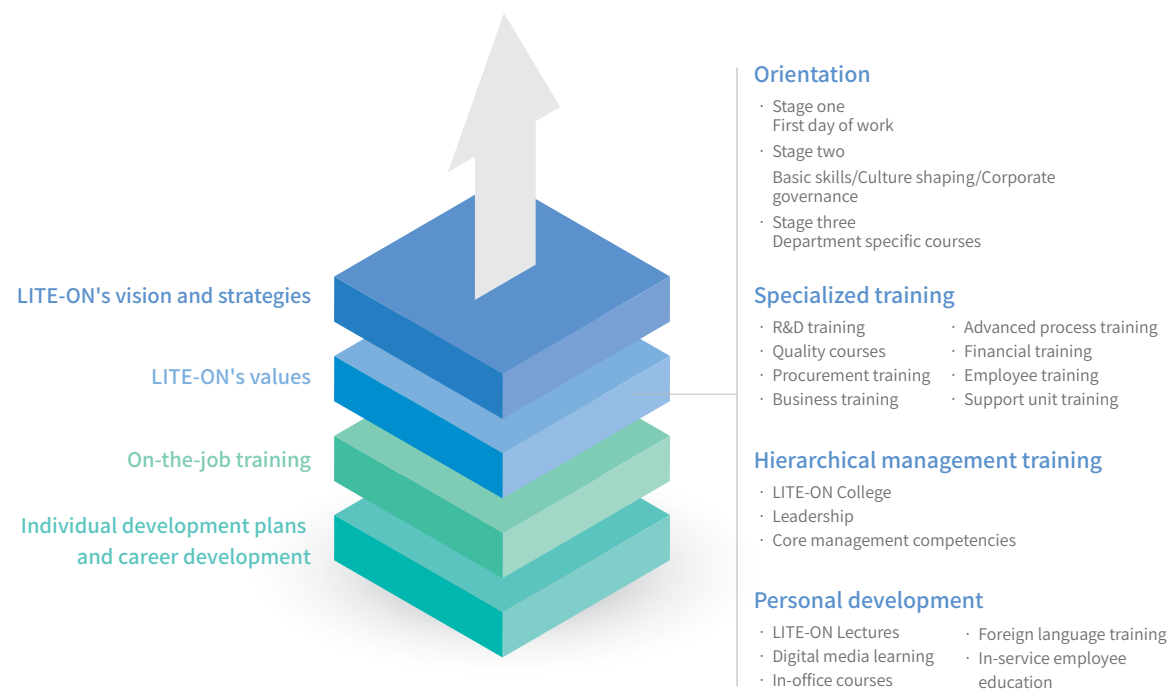
5.3 Employee Development and Training

LITE-ON's commitment to learning and development

LITE-ON's mission statement is "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.
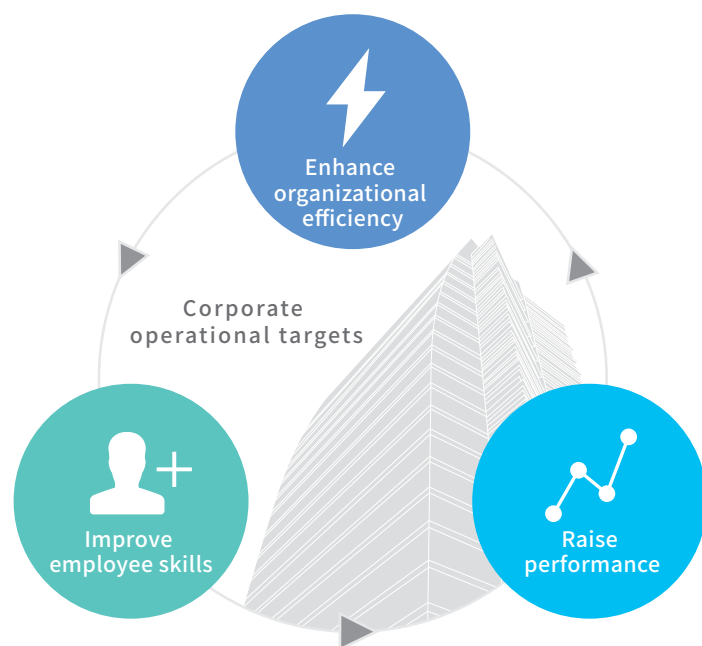
LITE-ON's Learning Structure and Roadmap

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.

Corporate operational targets

- Enhance organizational efficiency
- Improve employee skills
- Raise performance

LITE-ON's vision and strategies
LITE-ON's values
On-the-job training
Individual development plans and career development

Orientation
- Stage one
  First day of work
- Stage two
  Basic skills/Culture shaping/Corporate governance
- Stage three
  Department specific courses

Specialized training
- R&D training
- Quality courses
- Procurement training
- Business training
- Advanced process training
- Financial training
- Employee training
- Support unit training

Hierarchical management training
- LITE-ON College
- Leadership
- Core management competencies

Personal development
- LITE-ON Lectures
- Digital media learning
- In-office courses
- Foreign language training
- In-service employee education

LITE-ON's strategies and plans on comprehensive employee learning and development

· Comprehensive orientation system
  - Basic training for new employees: In addition to training provided on the first day of work, new employees are required to complete orientation training in three to six months afterwards in order to quickly integrate themselves into the organization. The list of courses include basic LITE-ON training, culture shaping, and corporate governance courses such as "LITE-ON Vision, Mission, Beliefs and Values", "Ethical Corporate Management Best Practice Principles", "Information Security Training", and "On-the-job Occupational Health and Safety Training".
  - Specialized training for new hires: Having commenced their duties within their assigned departments, new employees still have to complete full training in product knowledge, quality and hands-on practice so that they may begin to make a contribution as soon as possible.

· Specialized training: internal/external professional courses aimed at employees with different responsibilities and designed to improve specialized knowledge and skills relevant to the responsibilities at hand. The list includes manufacturing, sales, quality, procurement, R&D, human resources, finance, and IT courses.

· Hierarchical management training: internal/external professional courses aimed at managers and arranged by level of authority. The list includes LITE-ON College, a collaborative project involving top universities, and leadership and core management competency courses. In particular, managers who are to be submitted for promotion in the current year will be required to complete the core management competency courses corresponding to the levels to which they are to be promoted before the nominations may be submitted.

· Personal development: a learning environment provided by LITE-ON to encourage employees to engage in lifelong learning and improve themselves. The efforts include inviting outstanding members of the business to speak at the LITE-ON Lectures, procuring digital media learning materials from outside, providing in-office training courses, and working together with the language center to offer foreign language courses and encourage employees to engage in on-the-job training.

2017 Training overview for LITE-ON's major operation sites

Training method	Level	Taiwan				Mainland China				Thailand**				Total			
		Average training hours per employee			Total training hours	Average training hours per employee			Total training hours	Average training hours per employee			Total training hours	Average training hours per employee			Total training hours
		Male	Female	total		Male	Female	total		Male	Female	total		Male	Female	total	
Practical training	Executive management	21.8	20.0	21.7	631	-	-	-	-	0	0	0	0	21.8	20.0	21.7	631
	Senior manager	26.8	61.3	30.4	7,519	14.5	6.0	13.8	180	0	0	0	0	26.2	59.3	29.6	7,699
	Mid-level manager	22.4	29.1	24.1	73,087	4.6	4.9	4.6	8,958	34.1	30.5	14.6	1067	15.5	20.5	16.5	83,112
	Indirect Labor	27.6	25.4	26.7	32,483	17.8	17.5	17.7	132,352	14.7	13.5	8.1	2015	19.1	18.4	18.7	166,851
	Direct Labor	1.9	0.9	1.1	555	36.5	26.6	32.0	1,097,104	74.5	82.9	70.3	154,136	37.1	31.8	33.9	1,251,795
e-Learning	Indirect Labor	5.9	5.8	5.9	26,566	0.4	0.3	0.3	3,282	-	-	-	-	2.3	1.9	2.1	29,848
External online courses*		-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.2	11,218
Total		29.1	25.6	27.9	140,839	31.2	24.7	28.4	1,241,876	58.5	77.0	62.5	157,219	31.4	29.5	30.3	1,551,153
No of indirect labor		4,521				9,418				322				14,261			
No of direct labor		521				34,264				2,192				36,977			
Total Employee		5,042				43,682				2,514				51,238			

Note: The baseline has changed and so only data in 2017 are shown and not compared to 2015/2016.
*Online courses offered by external suppliers are paid by LITE-ON directly to the external supplier and made available to all LITE-ON employees around the world. The administration system is unable to distinguish region and gender at present.
**Internal online courses are currently unavailable in Thailand.

5.4 Protection of Interest

5.4.1 Protection of Interests of Employment

To ensure protection of employees' interest, LITE-ON set up all of the relevant policies in accordance with the regulations and laws:
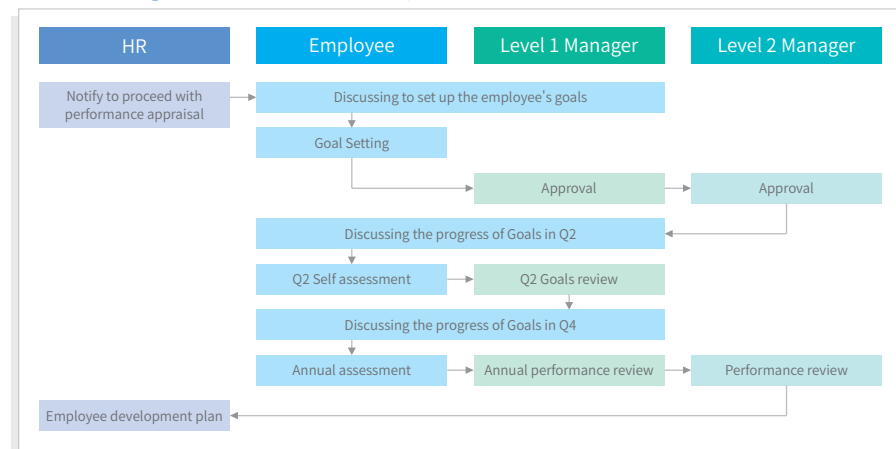
- **Lawful hiring practices**
  LITE-ON complies strictly with employment regulations by prohibiting the use of child labor aged below 15; meanwhile, employees aged below 18 are not allowed to perform dangerous work. All changes to terms of employment have been duly notified as required by law.

- **Fair performance assessment**
  LITE-ON designs performance management with the aim to improve performance of individual employees and the organization as a whole. 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, remuneration, and employee training. If an employee is not competent to perform his or her work, LITE-ON will provide counseling or transfer the employee to a suitable position or affiliated enterprise. If the employee still fails to fulfill the terms of the employer-employee relationship, the company will give the appropriate notice and 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.

Corporate governance and anticorruption courses and training

· Material Insider Information, Anti-trust and Compliance courses in 2017

Location	Male total number of attendees	Female total number of attendees	Total number of attendees	Percentage out of total
Taiwan	8,771	3,747	12,518	248.3%
Mainland China	43,813	23,332	67,145	153.7%
Total	52,584	27,079	79,663	163.5%

· RBA electronic industry code of conduct courses in 2017

Location	Male total number of attendees	Female total number of attendee	Total number of attendees	Percentage out of total	Total work hours
Taiwan	10,434	4,321	14,755	292.6%	7,967
Mainland China	46,373	25,173	71,546	163.8%	665,013
Thailand	420	1,563	1,983	78.9%	15,123
Total	57,227	31,057	88,284	172.3%	688,103

· Beginner and advanced refresher training on Material Insider Information, Anti-trust and Compliance for indirect workers in Taiwan

Location	Number of refresher training participants	Male total number of participants	Female total number of participants	Total number of participants	Training completion rate ($\frac{\text{Total number of participants}}{\text{Number of employees}}$)
Taiwan	3,991	2,615	1,093	3,708	92.9%

Note: The number of refreshing training participants is the total number of indirect workers who joined the company by the end of December 2016.

LITE-ON's performance appraisal cycle for indirect labor (excluding new hired employee)

Performance review of 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.

New hire review

When a new employee reaches the end of his/her trial period, the manager should conduct an interview and assessment regarding the employee's performance during the trial period. For those who fail to pass the review, the company may terminate the employment contract as permitted by law or, by mutual consent, extend the trial period. The extension should not exceed the original trial period.

5.4.2 Guaranteed Salary

Starting salaries offered to direct labor not only have to comply with local regulations, but are also competitive when compared to industry peers. Currently, LITE-ON's starting salary for direct labor is approximately 1.08 times the minimum wage in Taiwan, 1 time in China, and 1 times in Thailand.

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 offered to direct labor not only have to comply with local regulations, but are also competitive when compared to industry peers. Currently, LITE-ON's starting salary for direct labor is approximately 1.08 times the minimum wage in Taiwan, 1 time in China, and 1 times in Thailand.
- · 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)	1.06	1
Engineer/officer (JG10-14)	1.03	1
Manager (JG16-20)	1.08	1
Department head (JG21 and above)	1.56	1

Note: The definition of annual salary includes base salary and all bonuses in the year

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

5.5 Employee Relations

5.4.3 Pension Scheme

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, the pension policy complies with the Labor Standards Act where contributions are made regularly to employees' pension accounts; in China, employees are insured according to local regulations in order to secure a comfortable lifestyle after retirement.

In Taiwan, employees' pension schemes are governed either by the Labor Standards Act (the old scheme) or the Labor Pension Act (the new scheme) of the Republic of China. 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 NT$1.03 billion to date, and is fully funded to provide for employees' retirement needs.

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.

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 undisrupted communication between the company and its employees and protects the rights of each and every employee.

Communication channels

LITE-ON employees — **Multiple communication channels** — **Senior Management**

- Internal websites (HR Portal/LITE-ON Homestead)
- Internal bulletins ("ER Team", "HRD Team", and "Liteon Volunteer")
- Internal publications (real/virtual publications)
- Business meetings (Regular department meetings, management meetings, business meetings, and employee/employer meetings)
- Reporting channels (employee complaint mailbox/hotline and sexual harassment complaint mailbox/hotline)
- Satisfaction surveys (paper/electronic/WeChat)
- Face-to-face communication (HR representatives and department heads)

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 and answers.

LITE-ON HR Portal

LITE-ON Homestead

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 encourage interaction between the company and its employees, LITE-ON invites employees to write articles for its internal periodical publications, and provides a space where employees can share ideas. The company also uses these publications to announce events and report on corporate performance to give the employees an understanding of the company's position. In 2017, a total of 8 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 the 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 planet and the natural environment.

Magazine (quarterly)
CORP

Newsletter
Power (Changan)

Assembly
Power (Guangzhou)

Changzhou Newsletter
Huadong Operations Center

LITE-ON Image
IMG (Guangzhou)

LITE-ON Image
IMG (Guangzhou)

PID Home
PID (Guangzhou)

LITE-ON People
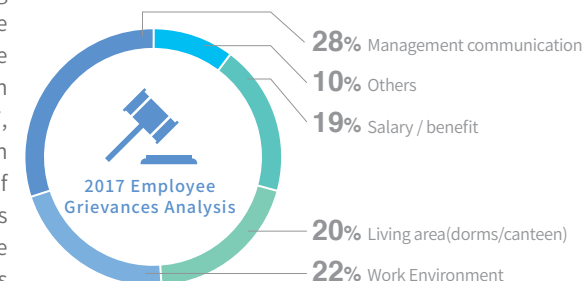~ ICM(Changzhou) ~

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.

Labor Unions

Each LITE-ON plant in Taiwan or overseas is equipped with a union. 66.9% of the workers at key offices around the world are union members. Union representatives are elected by employees, and represent the employees in regular engagement with the management. Meanwhile, the unions gather information, call regular meetings, discuss counter measures, and direct union activities, such as group travel and employee care programs. The unions also work to protect the rights of employees and maintain a stable employer-employee relationship.

Grievance channels for employees

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 2017, which is still in progress. In 2017, 794 cases were received overseas, of which two cases are still in progress, and 99% of the cases were resolved. Every business unit has an exclusive HR representative assigned to respond to employees' opinions and needs. There were no complaints of discrimination due to race, religion, color, nationality, gender, etc.

2017 Employee Grievances Analysis

- **28%** Management communication
- **10%** Others
- **19%** Salary / benefit
- **20%** Living area(dorms/canteen)
- **22%** Work Environment

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. To protect the complainant's identity, LITE-ON also has created a kind and reassuring work environment. No complaint of sexual harassment was reported in 2017.

Say No to Sexual Harassment and Create Better Workplace – e-learning

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 Leaning Center to all employees. It is designed to raise awareness of sexual harassment and teach employees about their rights.

Satisfaction survey

LITE-ON conducts employee satisfaction surveys in the form of an online survey or a dedicated printed survey every year. The surveys cover areas including "income", "management and communication", "living conditions", and "work environment", or "career development." In Taiwan, for example, a survey is a means for the company to gather comments and feedback on a large event from its employees. Results of the survey provide a basis for improvement of events and services. The industry and geographic conditions at the plants in China vary from plant to plant. Therefore, employee satisfaction surveys are refined and improvement implemented by individual plants according to independent analysis results. No satisfaction survey has taken place at the Thailand plant, but plans are going to be made to include it in the survey in 2018.

2017 Employee Gatherings Satisfaction Survey Results

Questions	Very good	Good	Subtotal	Fair	Poor	Very poor
1.Event organization	32%	49%	81%	17%	1%	1%
2.Employee performance	28%	43%	71%	24%	4%	2%
3.Entertainer performance	55%	36%	91%	7%	1%	1%
4.Food and drink	21%	45%	66%	26%	6%	2%
5.Promotional literature	23%	51%	74%	24%	2%	1%
6.Venue	22%	52%	74%	24%	1%	1%
7.Facilities	29%	49%	78%	18%	2%	2%
Overall rating	30%	46%	76%	21%	2%	1%

The 2017 Satisfaction Survey at a certain plant in Mainland China returned an overall score of 86.4 on living areas.

Score	Percentage
100	15.3%
95	19.5%
90	23.7%
85	10.2%
80	12.7%
75	5.1%
70	5.9%
65	2.5%
60	0.8%
55	4.2%
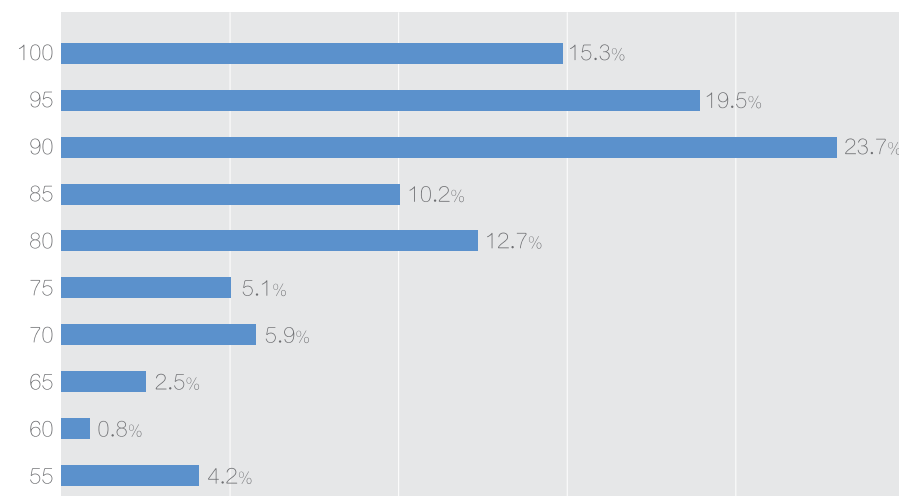
5.6 LOHAS LITE-ON

Employees are LITE-ON's best partners on the path to sustainability. LITE-ON has always been 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.

5.6.1 Diverse Welfare Systems

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. LITE-ON provides annual checkups above regulatory standards for employees in Taiwan. The company also arranges for hospital staff to provide onsite services in the plants so employees do not have to visit the hospitals and can save time. Employees will be divided into three classes, low, medium, and high risk, depending on the degree of deviation from the standard values. The hospitals will perform the first follow-up on high risk employees in three months, and the plant nurses will perform the second follow-up afterward. An employee may direct any question regarding his/her checkup to the family doctor stationed at the same plant so to get a better understanding of his/her own physical conditions.

Zhonghe Annual physical examinations


Changzhou Annual physical examinations

Qingxi Annual physical examinations

Thailand Annual physical examinations

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.
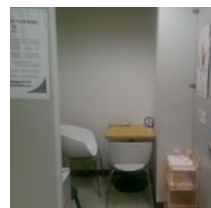

Health Center

Best Breastfeeding Facility Certificate

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.

Establishment of fitness center

In Taiwan, it 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 in China are also equipped with sports facilities, such as table tennis, snooker, and basketball courts, available to employees.
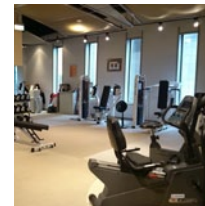
Fitness Centers -Neihu
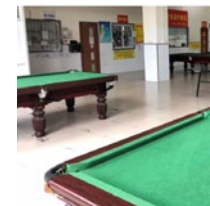
Snooker and table tennis facilities - Changzhou

Football field – Changzhou

Basketball courts - Shijie

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 2017, a total of 73 LITE-ON employees in Taiwan used the service. 16 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

and focused on exercises in 2017. A series of exercise related seminars and competitions were organized to raise awareness among employees. The company also invited Olympic coaches, experienced runners, and professional extreme runners to help LITE-ON employees understand and learn more about the correct ways of exercising and running. LITE-ON also organizes marathon training to expose employees to different ways of exercising. The 2018 Standard Chartered Marathon and the LITE-ON Games are expected to provide the venues where LITE-ON employees will be able to show off their energy and results.

The topics this year included "physical fitness and personal exercise and health management", "Run with me!", and "aiming for the impossible". A total of 16 sessions took place. The sessions were attended by 959 participants. The seminars, on average, scored above 95% on employee satisfaction.

Q1 EDM

Q2 EDM

Q3 EDM

Q1 Picture

Q2 Picture

Q3 Picture

Marathon training sessions

To educate employees on correct ways of exercising and encourage them to take on regular exercising, LITE-ON in Taiwan organized seminars to teach correct ways of exercising, and worked with professional marathon groups to design marathon training events customized specifically for LITE-ON employees. The training theme was "Happy and Fun", and the program lasted six months with 12 marathon training sessions. Employees were taught how to exercise in a healthy and relaxed manner and develop their own routines. A total of 401 individuals participated in the events. LITE-ON looks forward to showing off healthy, energetic employees and their training results by entering the 10km group marathon at the 2018 Standard Chartered Marathon.

LITE-ON marathon training

LITE-ON marathon training

Health and charity campaign - weight loss course

LITE-ON in Taiwan started the Health and Charity campaign in 2015. By working with third party medical institutions, LITE-ON provides weight management assistance in terms of "diet control" and "healthy exercises" for employees in order to help participants improve their physique and physical conditions.

82 employees participated in the event in 2017. 75% of them lost 3% or more of their respective weights. In addition, LITE-ON linked the weight loss results to a charitable cause so to convert the employees' results to actual support. The donations were given to children in Shuangxi, Jinhe, Pingdeng and other elementary schools for whom LITE-ON has been a long term supporter. Donations were also made to the Child Welfare League Foundation to provide meal allowances for schoolchildren in rural areas.

Health and Charity campaign highlights

Employee welfare and benefits

To create a friendly workplace with happiness, LITE-ON offers employees diversified welfare initiatives. Part of welfare programs will be adjusted due to the differences in the factories, but all the benefits provided are in line with or better than the local laws and regulations. Taking the sites in Taiwan as an example, the benefits include: stationed physicians, commendation for long-time service, commendation for excellence, group insurance, wedding subsidy, child subsidy, education subsidy, hospitalization subsidy, funeral subsidy, birthday, and festive gifts etc. The company also provides employees with personal travel subsidies that they can use to plan trips for the family.

Benefits and Subsidies posted on intranet

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). Taking the sites in Taiwan as an example, LITE-ON offers prompt financial aid of NT$30,000 to NT$100,000 to employees who fall victim to unfortunate events to help them through such difficult times.

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 sponsors & subsidizes employees to independently and spontaneously establish social clubs in the form of funds or event venues so that they may enjoy a balanced, healthy and joyful work life.

LITE-ON hosts regular recreational and sports events, such as sports games and hiking. The objectives are always to encourage employees to exercise regularly and to develop a fitness culture. As part of its effort to provide a wider variety of resources for its employees, the company worked with the Sports Administration of the Ministry of Education in offering Certified Sports Company seminars in 2017.

5.6.3 Occupational Safety and Health Management (OSHM)

LITE-ON places emphasis on its EHS performance management. The company is dedicated to providing safe, comfortable, environmentally friendly, and effective production sites for the benefit of our employees, customers, partners, and the community. EHS management is considered part of the company's competitive advantage, and is hardwired into the corporate DNA. LITE-ON has created an MOE Department. In addition to setting strategic business targets, the department monitors potential impact on the business activities, such as environmental conservation and occupational health and safety issues. Furthermore, the department ensures the EHS targets are met to the satisfaction of the management, and reports regularly to the CEO results in areas including overall plant conditions and occupational health and safety.

The labor health, hygiene and safety obligations, rights and interests are clearly indicated in LITE-ON's labor contract as well as 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
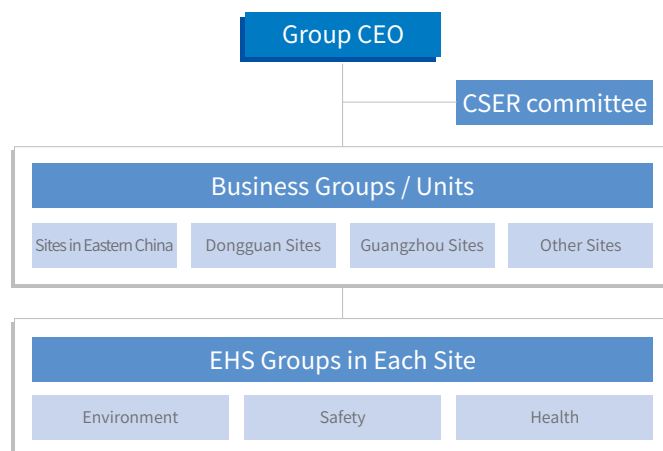
LITE-ON's production sites are mainly located in Taiwan, China and Thailand. According to the laws of Taiwan, every company is required to establish a committee dedicated to promoting worker health and safety affairs. Though no such requirement exists in China or Thailand, LITE-ON has nevertheless created 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 2017:

Region	Taiwan	China	Thailand
Percentage of employee representatives in the worker health and safety committee	81%	Not applicable	50%
Key issues discussed	1. Occupational health and safety training 2. Implementation of EHS management system 3. Maternal health protection assessment	1. Machinery safety and protective measures 2. Chemical protective measures 3. Safety label identification	1. Occupational health and safety training 2. Compliance 3. Customer requirement
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 10 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 2017, LITE-ON performed 29,432 health check-ups for employees and there were 152,323 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 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)			Severity of disabling injuries (SR)		
Gender	Male	Female	Total	Male	Female	Total
Taiwan	0.15	0.88	0.40	3	3	3
Mainland China	0.52	0.34	0.44	9	6	8
Thailand	2.14	0.37	0.71	34	4	9
Global	0.52	0.36	0.45	9	6	8

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

Region	Male	Female	Total
Taiwan	0.46%	1.14%	0.69%
Mainland China	1.71%	1.74%	1.72%
Thailand	2.34%	0.88%	1.15%
Global	1.63%	1.62%	1.62%

Formula
1. Frequency rate of disabling injuries (FR) = number of disabling injuries × 1,000,000 / total work hours elapsed [for statistics presented per million work hours]
2. Severity rate of disabling injuries (SR) = total work days lost × 1,000,000 / total work hours elapsed [for statistics presented per million work hours]
3. Absent rate= Total loss hours / Total hours of work

6

LITE-ON and Society

Building a society full of Multi-culture, Education, Creativity, and Environmental Sustainability

NTD $65 million
a total of NT$65.01 million expended in social inclusion

SROI 2.85 times
"2017 Mercury Lamp Sunset Project" created 2.85 times of Social Return on Investment

16,200 volunteers
About 16,200 community volunteers were trained

excellent
The Xinyi Community College was ranked Excellence by Department of Education, Taipei City Government

128 interns
A total of 128 internship jobs offered to colleague students

LITE-ON AWARD 1,162 works
A total of 1,162 works participated in competition for LITE-ON Award

6.1 Social Inclusion Policy

A multicultural, caring, creative, and sustainable society is set as LITE-ON's vision of social inclusion. 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 involving into the 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 society full of multi-culture, education, creativity, and environmental sustainability. 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 smart healthcare equipment

Action Plan Strategy Mission Vision

A society full of multi-culture, education, creativity, and environmental sustainability.

Advancing cultural diversity and 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

Community Assistance, community college, LITE-ON Award, educational support, corporate volunteer system, and sustainable product designs

2017 Results

	2017 Targets	Progress
Community assistance	More than 15,000 participants received enhanced community volunteer training	Approximately 16,200 people
	More than 7,000 disadvantaged schoolchildren received small group and one-on-one volunteer counseling services	Approximately 7,600 people
Xinyi Community College	Number of courses and number of students continued to increase in 2017	386 courses, 7,502 students, and a 2.6 % YOY growth
	Consistently named an excellent community college by the Education Department every year	Excellent
Learning platform	Offering more than 100 college internships	128 interns
LITE-ON Award	Promoting sustainable training in technology innovation: More than 2,000 contestants	2,375 contestants
	Raising awareness and participation of training in technology innovation Partners: More than one	1 supply chain partner participated in joint promotion of technology innovation

Future strategies and goals

Future goals	Completion
Xinyi Community College to be consistently named an excellent community college by the Education Department every year	Annual
Continued offering of more than 100 college internships	2018
Continuing LITE-ON Award to promote sustainable training in technology innovation More than 2,000 contestants with more than 1,000 submissions	2018

2017 LITE-ON's Social Involvement Expenses

Item	NTD million
Charity expenses and donations *	1,113
Education campaign expenses and donations	5,391
Total	6,504

Note: * The expenditure calculation of LITE-ON Cultural Foundation just includes the donation provided from the company
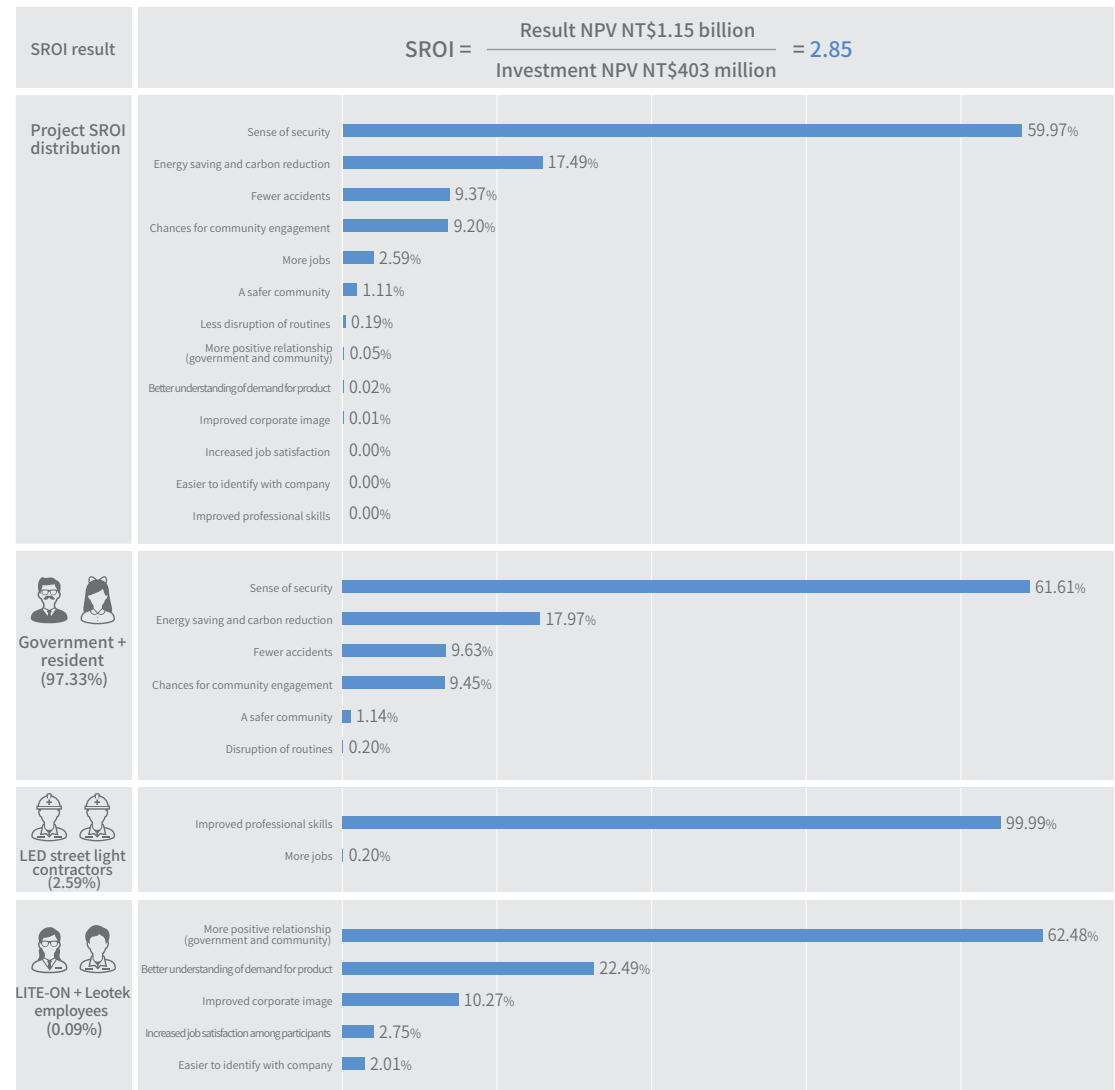
6.2 Measuring Social Impact of Products: Social Return on Investment (SROI)

LITE-ON, armed with the success of Leotek in taking the largest market share in LED street lights in North America, returns to Taiwan to expand its street light business. Given the strength afforded by a diverse range of products, LITE-ON establishes itself as the leader in road lighting solutions through vertical supply chain integration. LITE-ON's position also contributes to improved quality and energy efficiency of street lights across Taiwan. LITE-ON uses high performance LED crystals, LED components, heat sink, power supply, and related hardware parts produced by local manufacturers, and works with local contractors to promote growth of the local supply chain. Complete smart street light solutions are also offered at the same time. The range includes lighting design, energy conservation planning, technical support, and project management. Quality is maintained by real time monitoring and automatic error reports. As a result, targets such as infrastructure upgrade, energy conservation, and job creation are achieved, and the company is taken one step closer to realizing the vision of being the best partner in "optic, electrics and energy saving" and "smart technology".

LITE-ON is currently the largest LED street light supplier in Taiwan. A total of close to 400,000 Leotek street lights illuminate the streets across Taiwan and help local residents and pedestrians stay safe on the road. LITE-ON works with municipal governments, clients, suppliers, contractors and other stakeholders in making contributions to sustainable development and supporting global sustainability issues in a campaign for a sustainable future.

LITE-ON took Leotek street light in the 2017 Mercury Lamp Sunset Project and performed Taiwan's first social impact assessment on a product. The analysis measured the social return on more than 20,000 street lights replaced in Class 4 and Class 5 rural areas in Taiwan. The result was certified by Social Value International. A social return on investment (SROI) analysis showed that the NT$403 million investment had produced actual environmental and social benefits through stakeholder participation and its rippling effects. The return was estimated at NT$1.15 billion and the multiplier at 2.85 for each NT$1 invested. LITE-ON works closely with municipal governments, clients, suppliers, contractors and other stakeholders in achieving sustainability and initiating a chain of positive changes in the society.

SROI result

$$SROI = \frac{Result\ NPV\ NT\$1.15\ billion}{Investment\ NPV\ NT\$403\ million} = 2.85$$

Project SROI distribution

Category	%
Sense of security	59.97%
Energy saving and carbon reduction	17.49%
Fewer accidents	9.37%
Chances for community engagement	9.20%
More jobs	2.59%
A safer community	1.11%
Less disruption of routines	0.19%
More positive relationship (government and community)	0.05%
Better understanding of demand for product	0.02%
Improved corporate image	0.01%
Increased job satisfaction	0.00%
Easier to identify with company	0.00%
Improved professional skills	0.00%

Government + resident (97.33%)

Category	%
Sense of security	61.61%
Energy saving and carbon reduction	17.97%
Fewer accidents	9.63%
Chances for community engagement	9.45%
A safer community	1.14%
Disruption of routines	0.20%

LED street light contractors (2.59%)

Category	%
Improved professional skills	99.99%
More jobs	0.20%

LITE-ON + Leotek employees (0.09%)

Category	%
More positive relationship (government and community)	62.48%
Better understanding of demand for product	22.49%
Improved corporate image	10.27%
Increased job satisfaction among participants	2.75%
Easier to identify with company	2.01%

6.3 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 2017 are as follows

Internship type	General summer internship	Overseas summer internship	Semester internship/ technology development program	Industry-academia collaboration	LITE-ON Cultural Foundation internship project	Total
Number of interns	42	44	23	9	10	128

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

· I would like to thank LITE-ON for offering summer internships year after year and for its commitment to giving students an opportunity to gain first hand industry experience.
-Zeng, National Taiwan University of Science and Technology

· Trees planted today make shade for generations to come. I am grateful to LITE-ON for giving students the opportunity.
-Shi, National Tsing Hua University

· I would like to thank LITE-ON for giving me the opportunity and allowing me a great first impression of the industry. The experience also makes me start viewing China from a different perspective. I would like to come back and work at LITE-ON if given a chance.
-Huang, National Taipei University of Technology

· I would like to thank LITE-ON for giving me the opportunity and allowing me a great first impression of the industry. The experience also makes me start viewing China from a different perspective. I would like to come back and work at LITE-ON if given a chance.
-Wang, Tunghai University

· The last two months have been very fulfilling. This is an experience to be cherished and I am very grateful for the overseas internship.
-Huang, National Cheng Kung University

· I would like to thank LITE-ON for the internship. I have learned so much from my supervisors and colleagues and from other interns too. I thank LITE-ON for creating opportunities for university students in Taiwan.
-Zhuang, National Taipei University of Technology

· I am glad to have had the opportunity to take an overseas internship. It made me see the hard work behind perfection, and opened up the range of possibilities I can see in my future.
-Zheng, Chung Yuan Christian University

· I am very grateful for LITE-ON's dedication to the internship program. I was not aware the contribution I could make by applying my skills in the workplace. LITE-ON has given me the best gift in the form of a journey from knowing nothing and fearing nothing to being able to achieve something and make a difference.
-Fan, National Tsing Hua University

Guangzhou Plant - Internship

Changzhou Plant - Interim report

Neihu - Final presentation and professional feedback

Photo with CEO and President

6.4 2017 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 and encourage young innovators and industrial 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. For 17 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 received close to 1,200 entries from around the world.

LITE-ON Award website
WWW.LITEONAWARD.COM

Results in 2017

	Strategy	Goal	Result/(Completion)
1	Promoting sustainable training in technology innovation	· More than 2,000 contestants · More than 1,000 entries · More than 1,000 people to attend campus innovation seminars · 1 innovative startup team to be recommended	· 2,375 contestants this year; 1,163 entries · 19 Taiwan Campus Innovation Seminars and 1,338 attendees · Recommended 1 team to From IP to IPO Program by the Ministry of Science and Technology this year; making a total of 3 teams in 2 years
2	Raising awareness and participation of training in technology innovation	· Partners: More than one · Partner participation in innovation seminars at 50% or higher · Number of attendees in international forums: 250 or more	· 1 supply chain partner participates in joint promotion of technology innovation · Partners in joint promotion to participate in 50% of campus innovation seminars · The LITE-ON Award Forum is open to the public. The number of attendees reached 250. · First live streaming had 16,876 views.

《Technical Design Collection》

Gold Award-Novel Porous TiO2 Composite

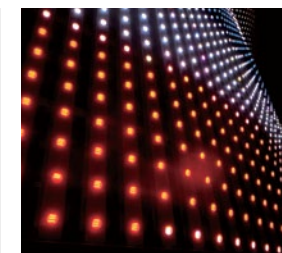Silver Award-Reflective Detection of Limbs' Blood Oxygen Saturation Based On Photoplethysmography
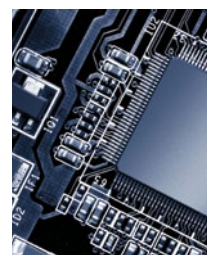
Brownze Award-BCI-Teaming Solider

Merit Award-Recyclable Photocatalyst

Merit Award-Vehicle Distance Estimation Based on Deep Learning Using Monocular Camera

Merit Award-Sunlight-style Organic Light-Emitting Diodes

Merit Award-Ultra-High Power Density VHF Miniaturized Integrated Power Converters

Merit Award-Sustainable Adipic Acid Production Chemical Process

Merit Award-A Novel Tourniquet with Multi-Pressure Sensor Functions

Merit Award-UVNICE UV Laundry Ball

2018 Targets

Strategy	Goal
1 Promotion of sustainable training in technology innovation on an ongoing basis	· More than 2,000 contestants · More than 1,000 entries · More than 1,000 people to attend campus innovation seminars · 1 innovative startup team to be recommended · Expand the scope of training in technology innovation in at least one field of study
2 Raising awareness and participation of training in technology innovation on an ongoing basis	· Partners: More than one · Partner participation in innovation seminars at 50% or higher · Number of attendees in international forums: 250 or more · Live streaming participation: 5,000 or more

Tech innovations and implementation via MOST FITI and training

To help winners commercialize their designs and turn innovations into entrepreneurial ventures, the LITE-ON Award again 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 NT$1 million startup capital award. The Gold Award winner, the new porous titanium dioxide syntactic foam from the National Taipei University of Technology, has been accepted into FITI. The Silver Award winner has been recruited to join LITE-ON.

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 Han Wu, design and management expert and Design Director of 2018 Taichung World Floral Exposition; Ana Arriola, skilled in Human. Simple. Authentic. and Director of Product Design for Facebook; and Dr. Deana McDonagh, dedicated follower of human-centered and emotion-driven design and Professor of Industrial Design in the School of Art + Design at the University of Illinois (Urbana-Champaign). The speakers shared their views on "Human centered designs" and discussed how innovations could be used to reach out and create value. The LITE-ON Award Forum was livestreamed for the first time. It attracted 16,876 views on the day.

《Innovation Design Collection》

Gold Award-Future Toothbrush for Armless People

Silver Award-Power Go

Brownze Award-UV Waterless Faucet

Merit Award-Circle Life

Merit Award-Luggage Passport
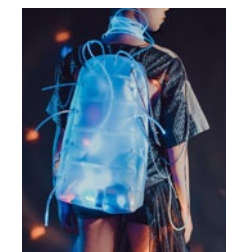

Merit Award-Fish Scales Gathering Machine

Merit Award-Color-Distinguishing Bracelet

Merit Award-Right Distance

Merit Award-Water Purification Hub

Merit Award-It's U

6.5 LITE-ON Volunteers

Social Inclusion

- Community Service
- Talent Development
- Environmental Sustainability
- Charity & Sponsorship

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 training, community care, 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

Talent development

New Taipei City Shuangxi after-school English tuition

New Taipei City Jinhe after-school English tuition

Environmental sustainability

LITE-ON natural tour guiding activities

Charity & sponsorship

Sponsorship for "A Generation Freed: A Journey of 35" public screening

LITE-ON "Save a Life" Blood Donation campaign

Health and Charity campaign

6.6 LITE-ON Cultural Foundation

LITE-ON Volunteers overseas

Community Service

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

Volunteers from Beihai Plant visiting Fuyin
Elementary School
School visits and support

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

Environmental Sustainability

Landfill clean up outside Changzhou Plant

Tree planting event at Tianjin Plant

Park clean up at Shijie Plant

Charity & Sponsorship

Huadong Operations Center 12th blood drive

Huadong Operations Center "Walking for
Milk" Hiking for Charity fundraiser

Changan Plant clothing drive

The LITE-ON Cultural Foundation was founded in 1993 and initially funded by private donations from founders of three affiliated companies in 1993. Its main task is to promote "Community Assistance" and "Xinyi Community College".

Purpose

LITE-ON follows the principle of giving back to the community what it takes in fulfillment of its corporate social responsibility. The purpose of the foundation is to nurture cultural character, support children's growth, care for corporate culture, and promote charitable works. The foundation also forms strategic alliances with third party institutions to create greater benefits for those it supports, which in turn contribute to the progress toward sustainability for the society as a whole.

LITE-ON CULTURE FOUNDATION WEBSITE

WWW.LITEONCF.ORG.TW

6.6.1 Community Assistance and Holistic Services

Commitments

The community volunteers created Community Assistance in 1998 to provide Total Solutions. The model proceeds along a specific path, family-school-community, and provides holistic services that systematically solve problems and eradicate the causes at the same time. The program encourages volunteers to spread "love within the community" and help teachers reach out to high risk children who need extra attention and their families. Children are taught how to develop self confidence in a healthy learning environment for body and mind. Furthermore, the program facilitates achievement of an ideal society, builds strong ties in the community, and promotes civic education in order to apply the community assistance model and create holistic services on a friendly campus and bring stability to society.

Actions and results

A total of 200,000 participants have joined the LITE-ON Community Assistance family for holistic services over the last 20 years, making the program one of the best points of entry for businesses to be involved in the community.

Strategy	Business targets in 2017	Actions in 2017	Progress
Nurturing cultural character	· Community volunteer empowerment · Publication of "Emotional Support Series - EQ Card" · Mutually beneficial strategic alliances	· Continued to training close to 700 community volunteers to become efficient holistic service providers. · Publication of 2,000 sets of EQ assistance teaching materials · Continued to work with strategic alliance partners, including LITE-ON Happiness Seminars and special government projects.	· Understanding emotions via brain science. A total of 33 schools and 16,200 volunteers participated in the event. · The cross-regional large volunteer seminar was held seven times and received 830 attendees. · Government department courses attended by 2,500 in total.
Supporting children's growth	· Small group and one-on-one volunteer counseling services · On-campus counseling and mental health education · Charity donations	· Scope of service: small group and individual counseling services, other (vary by school as needed, including life education, sex education, diversity education, remedial education, respite care for special education students, and food education) · Continued to promote Community Assistance.	· 7,600 disadvantaged schoolchildren received services. · 98,000 attended mental health education events. · 40 students benefited from Community Assistance Scholarships.
Caring for corporate culture	· LITE-ON Happy Family - Summer Camp for Children of LITE-ON Employees	· Continued to organize Brain Science summer camps for children of LITE-ON employees at the Neihu headquarters and Zhonghe plant. The camp was offered also in Hsinchu for the first time.	· A total of 89 participants signed up in Neihu, Zhonghe and Hsinchu, which was the highest participation ever.
Promoting charitable works	· "A Beautiful Brain" brain science exhibit · Promoting sponsorship for educational publications	· July 17-28, 2017 - Hosted a brain science exhibit in the LITE-ON Gallery on the first floor of LITE-ON Building. · June 20, 2017 - Supported CommonWealth Parenting Magazine in promoting reading and giving away books to schools in the "Helping Every Child Succeed" campaign. · Sponsored CommonWealth's release of "A Generation Freed: A Journey of 35"	· More than 700 visited "A Beautiful Brain" brain science exhibit · Hosted the "Helping Every Child Succeed" book discussion and gave away 400 copies. More than 200 volunteers and school principals attended the event. · "A Generation Freed: A Journey of 35" followed five high school students for 20 years to show the lasting effect of education reform on a generation.

Highlights of 2017

Publication of 2,000 sets of "Emotional Support Series - EQ Card" teaching materials for groups including 33 schools as well as the Family Education Center of New Taipei City, the Department of Education of Kinmen City Government, and the Family Education Center of Hsinchu.

Promoted empowerment in the 16-session "Emotion Management - EQ series". In the first semester, 4,840 from 29 schools attended; and in the second semester, 4,856 from 27 schools attended. Downloads were made available via the Community Assistance Biweekly Newsletter.

To find out more：WWW.LITEONCF.ORG.TW/BOOK_P4.HTML

Linkou Elementary School, Linkou District, New Taipei City: Forever Young - The brain's way of stress relief and care

Rongfu Elementary School, Xinzhuang District, New Taipei City: Path to Happiness - Understanding the importance of caring for your brain and correct methods

Zhongzheng Elementary School, Xindian District, New Taipei City: using expressive art media and games to teach nerve conduction through hands-on experience

LITE-ON Happy Family - 2017 Fun Together summer camps for children of LITE-ON employees took place again at the Neihu headquarters and Zhonghe plant. The camp this year was designed to be Brain Science camp, and was offered in Hsinchu for the first time. A total of 89 participants signed up, which was the highest participation ever.

To find out more：WWW.LITEONCF.ORG.TW/DM/128/128.HTML

EQ Cards were used to categorize emotional languages to help children understand their own emotions better.

"Emotional chameleon" helped children express their emotions through five colors.

Small group worked together on emotions doll puzzles.

LITE-ON sponsored CommonWealth's release of "A Generation Freed: A Journey of 35". The documentary followed five high school students for 20 years, and showed their life stories to demonstrate the lasting effect of education reform on a generation. The film advocated education for the next generation, and represented one of the foundation's many different ways of giving back to the community.

To find out more：WWW.CW.COM.TW/ARTICLE/ARTICLE.ACTION?ID=5085283

CEO Warren Chen in an interview

The film was shown in the LITE-ON International Convention Center on December 21, 2017.

160 participated in the MOE Chungshan Hall Press Field Trip - support program for summer camps for disadvantaged children

July 17-28, 2017 - Details of "A Beautiful Brain" brain science exhibit in the LITE-ON Gallery on the first floor of LITE-ON Building
To find out more：WWW.LITEONCF.ORG.TW/RECORD_P9.HTML

Simple meditation exercises were taught to help students quickly adjust their brain waves and turn on learning switches.

Seeing the world through the brain - Mental powers 101: How our brains help us observe the world

Learning to use the Ten Golden Rules to take care of the brain and pass on mental health tips.

LITE-ON formed a strategic alliance with CommonWealth Parenting Magazine in the "Helping Every Child Succeed" reading campaign. The campaign held book discussions and gave away 400 books on June 20. More than 200 volunteers and school principals attended the event. In addition, copies of the CommonWealth Parenting Magazine were donated to rural schools as part of an ongoing effort to encourage reading and build a two-way education platform.

CommonWealth Parenting CEO Chi-Yu Ho and Mr. Heng-Chang Liu led the "Helping Every Child Succeed" book discussion.

CEO Warren Chen presented "Helping Every Child Succeed" to teachers of the community volunteers.

Group photo during community volunteer meet.

Future strategies and goals

Loving and being loved can be equally moving. Both faith and hope are rooted in love. For twenty years, Community Assistance has seen many issues appear as the society changes, such as low birth rate, aging society, and extreme weather. Hence, it proposes that the most beautiful and most unique value in the age of artificial intelligence will be the ability to appreciate art. Food education, ecological psychology, and art and culture services provide the means to encourage more people to practice the philosophy and regain their mental balance. The foundation will try to find meaning and ways for humans to coexist with nature, and keep its promise to lead the way to protecting both the planet and mankind's peace of mind.

Strategy	Future goals (2018-)
Nurturing cultural character	· Community volunteer empowerment: expected to be offered in 35 schools and expanded to include Hsinchu in 2018 with 15,000 participants in total. · Promotion of "Emotional Support - EQ Card" workshop: expected to have 4 sessions with 100 participants in total. · Scheduled publication of "Raising a child who thinks for himself - EQ Support" and release of downloadable database
Supporting children's growth	· Continuing support for disadvantaged children in 35 schools. · Promotion of the Brain Science on Campus life education campaign. · Continuing promotion of Community Assistance Scholarships for disadvantaged students.
Caring for corporate culture	· Continuing LITE-ON Happy Family - Summer Camp for Children of LITE-ON Employees · Organization of one "Emotional Support - EQ Card" workshop for LITE-ON employees · Organization of 2 Creativity and Living Art seminars.
Promoting charitable works	· Organization of 8 Community Assistance Living Art Seminars for Parents. · Promotion of e-Learning: The campaign to fully adopt electronic media started in 2010. Training materials and updates on latest developments are placed on the platform and available for download to the public. · Continuing investment in website administration and publication of the Community Assistance Biweekly Newsletter. · Continuing partnership with Senior Citizens Center of Yeliou Elementary School in Wanli District, New Taipei City in developing courses for senior citizens in rural areas, and making proposals available for planner training purpose at the center. · Participation and publications at NPO academic conferences (Conference on Mental Health Promotion Policies: From outsider to mainstream - case studies on mental health promotion on campus, cross-strait community learning conference - LITE-ON Community Assistance as a case study)

6.6.2 Taipei Xinyi Community College

4 QUALITY EDUCATION **11 SUSTAINABLE CITIES AND COMMUNITIES**

Vision： To be an excellent community college and the best partner in lifelong learning for residents in the Xinyi District

Core Philosophy： Building a lifelong learning platform with people at its center that serves to encourage cultural development, help the disadvantaged, and support cultural education in the community.

Actions and results

Xinyi Community College offered 386 courses in 2017 and accepted 7502 students in total, which was a 2.6% YOY growth. The college was named an excellent community college by the Department of Education of Taipei City Government.

Xinyi Community College website

WWW.XYCC.ORG.TW

Four Themes

Environmental sustainability, a green lifestyle

Arts, history & community aesthetics

Caring for the disadvantaged, diverse education

Public engagement, training and empowerment

- Motivating green learning within Xinyi District
- To rebuild and protect a green environment through learning

- Building an education platform for the disadvantaged living in Xinyi District
- To combine local resources and apply group learning methods to build an inclusive learning environment for the disadvantaged

- To rebuild and protect a green environment through learning
- To train aesthetic talent and guides through arts studies and history workshops

- Building up civil competence and talent for the growth of the community
- To promote civil awareness by engaging residents in public, voluntary services

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Actions and results

Results of Xinyi Community College's 2017 action plan

Strategy	Targets in 2017	Actions in 2017	Progress
Environmental sustainability, a green lifestyle	· Continuing Green Lifestyle Organic Farming Conference · Promoting organic farming tour and experience courses in the community - TCH Songde Branch, Futai Village · Organizing green community courses and workshops · Making plans for environmental education and training on ecosystems along old trails in Xinyi · Continuing the green rooftop project, which donates organic vegetables to cancer patients · Exploring Historical Xinyi	· Green rooftop project - the vanilla community · Managing the green rooftop project - urban farming at Xinyi Junior High School · Friendly farming: TCH Songde Branch, Futai Happy Farm, child welfare center, and Eternal Love Farm for those with mental disorders · Used coffee grounds as fertilizer for green rooftop at Xinyi Junior High School · 8th Green Lifestyle Conference - Green Light - Urban farming and recreation · TCH Songde Garden · Xinyi Green Lifestyle "Community Image" identification system - Crested serpent eagle design · Green lifestyle learning community for teachers and students - focus group interviews · Working with local schools - Community courses at Xinyi Junior High School - Friendly farming · World Cleanup Day - Elephant Mountain cleanup campaign · Teachers - Green lifestyle support group	· 360 people · Approximately 213kg (highest ever) · 1225 people/198 hours · 60 people/12 hours · 91 people · 826 square meters of inclusive community garden · Connecting 15 or more community organizations · 20 people, 3 new courses, and 2 combined groups · 100 junior high school teachers and staff · 107 people · 5 teachers
Caring for the disadvantaged, diverse education	· Continuing care for low-income elderly living alone · Designing courses for those with mental or physical disabilities · Supporting sport events for the disabled and result presentations · Training volunteers to join care for the disadvantaged · Promoting free haircut for low-income households · Organizing for groups to participate in care for the disadvantaged · Introducing courses to deliver knowledge in care for the disadvantaged	· Services for the visually impaired: Home for the Elderly Blind (comprehensive Chinese medical care, hiking, and walking tours), Multiple visual disabilities (Mandala group) · Chorus of visually impaired - performance at the Universiade Village · Early intervention - respite care for parents and small children play workshops · Free haircut for the disadvantaged in the community · Courses for immigrants: Flamenco, vocal music and singing, haircut training, and happy bookkeeping for immigrant mothers · Lian Village community companions: Cometh the summer, cometh the winter · Dragon Boat Festival visits to elderly living alone - Badou Day Trip for elderly living alone in Xinyi District · Eternal Love Farm for those with mental disorders · LITE-ON Jianle Cup Basketball Tournament	· 93 visually impaired seniors and adults · Approximately 1,000 people · 60 parents and 30 children · 333 people · 180 people · 168 people · 13 (elderly) and 16(volunteers)/session · 23 people/108 hours · 50 people

Strategy	Targets in 2017	Actions in 2017	Progress
Arts, history & community aesthetics	· Continuing presentations of arts in the community · Organizing Xinyi Roaming Festival - Art and History Tours · Promoting art and culture events by local performers · Continuing art and history courses	· Xinyi Art and History Lectures · Returning to school - Sanzhangli, Liuzhangli · Xinyi Roaming Festival - local tours + press conferences · Getting lost - A walk in Xinyi exhibit 3/22-4/30 · Exploring Historical Xinyi - Four Beast Mountains tour · Memories of military dependent villages - Painting my hometown + press conference 5/11-6/6 · Courses/Exhibits and performance · Art gallery · Art exhibits at Xinyi District Household Registration Office	· 323 people/10 sessions · 71 people/2 sessions · 345 people/8 sessions · Approximately 10,000 people · Approximately 380 people · Approximately 4,600 people · 66 sessions · 16 sessions · 4 sessions
Public engagement, training and empowerment	· Organizing meals with village head and garden workers and art and history tours and seminars · Organizing public forums and online seminars - culture and history study at Taipei City Archives, smart eco cities · Organizing training and empowerment courses for Historical Xinyi and Taipei Railway Workshop tours · Promoting civil awareness and civil competence seminars · Building a website for Historical Xinyi	· Participatory budgeting - rediscovering old river · Culture and history study and promotion in Xinyi - committee · Culture and history study: surveying old houses and stores, and military facilities · Smart eco community campaign - local workshops: Xinyi District, Liuzhangli Redevelopment Zone · Old Xinyi - Xinyi culture and history studio · Local business owners: local startup empowerment workshop · Taipei Railway Workshop civil empowerment - warmup project · Local empowerment: Liugong Junior High School - leading students in the gifted education program, teacher empowerment (two sessions) · Blending local knowledge and course materials · Teacher empowerment - living art, courses, and class management · Teacher peer groups: Art of Arts, Art Alliance · Promoting senior care in the community: Sili, Songyou	· First among rejected · Proposed directions for culture and history study · Interviewed 40 people/Explained 10 attractions · 68 people/9 sets of ideas · 17 people · 322 people · 15 people in Stage 1 · Approximately 66 people · 7 courses · 30 people · 10 teachers · 200 people/8 sessions

Highlights of 2017 | Building a good lifelong learning platform

Green lifestyle courses: offered 15 to 20 courses in farming, environmental conservation, gardening, and household tips. The courses were designed to motivate green learning within Xinyi District as was one of the school's goals. The number of students continued to increase and had reached 16% of the total number of students.

Courses for the visually impaired: The foundation continued to work with the Eden Social Welfare Foundation and started offering additional courses, such as comprehensive Chinese medical care, walking tours along old trails, positive psychology - Mandala, and hiking, to give the visually impaired a different learning experience.

A class at TCH Songde Branch

All attention on the demonstration

Overnight at Futai Happy Farm

Teacher and students working together to overcome emotional challenges

Bringing out emotions through a sensory experience

Sharing tea and more

Jianle camp courses for the mentally challenged: To help those with mental or intellectual disabilities to attend courses at the community college, the school started offering Taiwan's first Jianle camp courses. The list of courses was being constantly expanded to include dancing, basketball, rock bands, photography, broadcasting, and angel's garden. 100 to 150 students participated in the courses to exercise their right to lifelong learning and realize their dreams.

Chorus of parents of mentally challenged children: The foundation worked with the First Social Welfare Foundation and created the first training courses for the chorus of parents of mentally challenged children so to allow parents with mentally challenged children an outlet to express themselves and find a sense of achievement.

Providing assistance in development of physical movements such as visual movement control and flexibility and in effective learning in terms of attention span and memory

Using light music to help students exercise and control their bodies

Enhancing basic stamina and endurance

Group photo

All attention on the speaker

Learning with joy

Trail guide courses: Courses were divided into beginner, interim, and advanced levels so to let students start with local hiking trails and build themselves up to tackling more challenging rural trails in Greater Taipei. The objective is not only to exercise and improve health, but to learn more about the local ecosystem and ways of conservation.

Fuyang trip

Walking in New Beitou

Walking in Zhishan Yan

Xinyi Community College's medium-term goals and expected benefits

Strategy	Future goals (2018-)
Environmental sustainability, a green lifestyle	· To strengthen Xinyi Green Lifestyle - Urban friendly farming, and train 4 teaching assistants · To promote Xinyi Green Lifestyle bases and develop 4 community bases · To bring together LITE-ON volunteers and develop Historical Xinyi - Rural mountain education with 12 volunteers and benefiting 360 people · Supporting maintenance of green rooftop at Xinyi Junior High School and creating 1 self-governed group
Caring for the disadvantaged, diverse education	· Supporting learning needs of different disadvantaged groups, supplying innovative learning resources, creating a strategic alliance with 2 institutions, and starting to offer 1 to 2 new courses · Designing 1 volunteer care event for the disadvantaged · Pushing for 6 LITE-ON volunteer events to join care for the disadvantaged · Working with the community to organize 1 event to support the disadvantaged
Arts, history & community aesthetics	· Offering art courses to promote community aesthetics, and participating in 5 community art exhibits/performances · Organizing 10 Xinyi Art and History Lectures events · Training 10 Xinyi Roaming guides · Building up field research capabilities in Xinyi District and creating a field research team · Expanding art history and culture courses and engaging in 1 interdisciplinary partnership
Public engagement, training and empowerment	· Getting more involved in issues on local cultural assets, and responding to current development as needed · Holding 50 community forums · Taking inventory of 10 public interest groups · Organizing 3 Xinyi Visions workshops

GRI Standards Content Index

GRI Standard & Disclosure			Related Report Sections	Page	Omissions
			General Disclosures		
GRI 102 General Disclosures 2016					
1.Organization Profile	102-1	Name of the organization	2.1 Company Overview	25	
	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
	102-3	Location of headquarters	2.1 Company Overview	25	
	102-4	Location of operations	2.1 Company Overview	25	
	102-5	Ownership and legal form	2.1 Company Overview	25	
	102-6	Markets served	2.1 Company Overview	25	
	102-7	Scale of the organization	2.1 Company Overview 1.2.3 The Scope and Boundary of Material Topics in the Report	25 19	
	102-8	Information on employees and other workers	5.2.1 Employee Structure and Distribution	69	
	102-9	Supply chain	3.4 Supply Chain Management 1.2.3 The Scope and Boundary of Material Topics in the Report	47 19	
	102-10	Significant change to the organization and supply chain	About This Report 2.2 Organization Structure of Corporate Governance 3.4.2 Supply Chain Risk Management	2 28 48	
	102-11	Precautionary principle approach	2.3 Corporate Risk Management	32	
	102-12	External initiatives	1.2.1.2 Stakeholder Engagement Performance Highlights 4.2 Responses to Climate Change and Global Warming Policy	16 56	
	102-13	Memberships of associations	2.1.3 Membership in Groups and Associations	27	
2. Strategy	102-14	Statement from senior decision-maker	Letter from the Chairman and Group CEO	5	
	102-15	Key impacts, risks, and opportunities	Letter from the Chairman and Group CEO	5	

GRI Standards Content Index

GRI Standard & Disclosure			Related Report Sections	Page	Omissions
3. Ethics and Integrity	102-16	Values, principles, standards and norms of behavior	1.1 Corporate Commitment and CSR Vision 2.2 Organization Structure of Corporate Governance 2.4 Compliance, Ethics and Anti-Corruption 4.1 Commitment to Environmental Sustainability and Policy	8 28 38 54	
	102-17	Mechanisms for advice and concerns about ethics	2.4 Compliance, Ethics and Anti-Corruption	38	
4. Governance	102-18	Governance structure	2.2 Organization Structure of Corporate Governance	28	
	102-19	Delegating authority	1.1 Corporate Commitment and CSR Vision 2.2 Organization Structure of Corporate Governance	8 28	
	102-20	Executive-level responsibility for economic, environmental, and social topics	1.1 Corporate Commitment and CSR Vision 2.2 Organization Structure of Corporate Governance	8 28	
	102-21	Consulting stakeholders on economic, environmental and social topics	1.1 Corporate Commitment and CSR Vision 2.2 Organization Structure of Corporate Governance	8 28	
	102-22	Composition of the highest governance body and its committees.	2.2.1 Board of Directors	29	
	102-23	Chair of the highest governance body	2.2.1 Board of Directors	29	
	102-24	Nominating and selecting the highest governance body	2.2.1 Board of Directors	29	
	102-25	Conflicts of interest	2.2.2 Audit Committee 2.2.3 Compensation Committee 2.2.4 Growth Strategy Committee	30 30 31	
	102-26	Roles of highest governance body in setting purpose values, and strategy	1.1 Corporate Commitment and CSR Vision 2.2 Organization Structure of Corporate Governance	8 28	
	102-27	Collective knowledge of highest governance body	2.2 Organization Structure of Corporate Governance	28	
	102-28	Evaluating the highest governance body's performance	2.2 Organization Structure of Corporate Governance	28	

GRI Standards Content Index

GRI Standard & Disclosure			Related Report Sections	Page	Omissions
4. Governance	102-29	Identifying and managing of economic, environmental and social impacts	Letter from the Chairman and Group CEO 1.2.3 The Scope and Boundary of Material Topics in the Report	5 19	
	102-30	Effectiveness of risk management processes	2.2 Organization Structure of Corporate Governance 2.3 Corporate Risk Management	28 32	
	102-31	Review of economic, environmental and social Topics	2.2 Organization Structure of Corporate Governance 2.3 Corporate Risk Management	28 32	
	102-32	Highest governance body's role in sustainability reporting	1.1 Corporate Commitment and CSR Vision	8	
	102-33	Communicating critical concerns	1.1 Corporate Commitment and CSR Vision 2.2 Organization Structure of Corporate Governance	8 28	
	102-34	Nature and total number of critical concerns	1.1 Corporate Commitment and CSR Vision	8	
	102-35	Remuneration policies	2.2.1 Board of Directors 2.2.3 Compensation Committee	29 30	
	102-36	Process for determining remuneration	2.2.3 Compensation Committee	30	
	102-37	Stakeholders involvement inremuneration	2.2.3 Compensation Committee	30	
	102-38	Annual total compensation ratio	2.2.3 Compensation Committee	30	
	102-39	Percentage increase in annual total compensation	2.2.3 Compensation Committee	30	
5. Stakeholder Engagement	102-40	A list of stakeholder groups	1.2 Stakeholders and Material Issues	13	
	102-41	Collective bargaining agreements	5.5 Employee Relations Note: There are no collective bargaining agreements in LITE-ON yet.	81	

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GRI Standard & Disclosure			Related Report Sections	Page	Omissions
5. Stakeholder Engagement	102-42	Identifying and selecting stakeholders	1.2 Stakeholders and Material Issues	13	
	102-43	Approach to stakeholder engagement	1.2 Stakeholders and Material Issues	13	
	102-44	Key topics and concerns raised	1.2 Stakeholders and Material Issues	13	
6. Reporting Practice	102-45	Entities included in the consolidated financial statements	About This Report 2.2 Organization Structure of Corporate Governance	2 28	
	102-46	Defining report content and topic Boundaries	About This Report 1.2 Stakeholders and Material Issues	2 13	
	102-47	List all material topics	1.2 Stakeholders and Material Issues	13	
	102-48	Restatement of information	2.1 Company Overview	25	
	102-49	Changes in reporting	Note:None		
	102-50	Reporting period	About This Report	2	
	102-51	Date of most recent report	About This Report	2	
	102-52	Reporting cycle	About This Report	2	
	102-53	Contact point for questions regarding the report	About This Report	2	
	102-54	Claims of reporting in accordance with the GRI Standards	About This Report	2	
	102-55	GRI content index	GRI Standard Index	106	
	102-56	External assurance	Third Party Assurance Statement	122	

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GRI Standard & Disclosure			Related Report Sections	Page	Omissions
Material Topics					
GRI 103 Management Approach 2016	103-1	Explanation of the material topic and its Boundary	1.2.1 Stakeholder Identification and Communication 1.2.3 The Scope and Boundary of Material Topics in the Report	13 19	
GRI 201 Economic Performance	Management Approach 103-2, 103-3	The management approach & its components Evaluation of the management approach	Letter from Chairman and Group CEO 2.1 Company Overview	5 25	
	201-1	Direct economic value generated and distributed.	2.1 Company Overview 5.4 Protection of Interest 5.6 LOHAS LITE-ON 6.1 Social Inclusion Policy	25 79 84 90	
	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 4.2 Response to Climate Change and Global Warming Policy 4.3 Reducing Greenhouse Gases	5 56 57	
	201-3	Defined benefit plan obligations and other retirement plans	5.4.3 Pension Policy	81	
	201-4	Financial assistance received from government.	2.1.2 List of Major Shareholders Note: In 2017, LITE-ON received NTD28,342 thousand as investment tax credit of 2015 operation income tax approved by National Taxation Bureau.	27	
GRI 202 Market Presence 2016	Management Approach 103-2, 103-3	The management approach & its components Evaluation of the management approach	5.1 Employee Policy	68	
	202-1	Ratios of standard entry level wage by gender compared to local minimum wage	5.4 Protection of Interest	79	
	202-2	Proportion of senior management hired from the local community	5.2.1 Employee Structure and Distribution	69	
GRI 204 Procurement Practices 2016	Management Approach 103-2, 103-3	Proportion of senior management hired from the local community	3.1 Goals and Strategies for Reducing Impact of Products and Supply Chain 3.4 Supply Chain Management	43 47	
	204-1	Proportion of spending on local suppliers	3.4.2 Supply Chain Risk Management	48	

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GRI Standard & Disclosure			Related Report Sections	Page	Omissions
GRI 205 Anti-Corruption 2016	Management Approach 103-2, 103-3	The management approach & its components Evaluation of the management approach	2. Corporate Governance 2.4 Compliance, Ethics and Anti-Corruption	24 38	
	205-1	Operations assessed for risks related to corruption	2.4 Compliance, Ethics and Anti-Corruption 5.2.4 RBA Code of Conduct Committee	38 76	
	205-2	Communication and training about anti-corruption policies and procedures	2.4 Compliance, Ethics and Anti-Corruption 3.4.1.3 Supplier Sustainability Guidelines	38 47	
	205-3	Confirmed incidents of corruption and actions taken	2.4 Compliance, Ethics and Anti-Corruption	38	
GRI 206 Anti-Competitive Behavior 2016	Management Approach 103-2, 103-3	The management approach & its components Evaluation of the management approach	2.4 Compliance, Ethics and Anti-Corruption	38	
	206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	Note:None		
GRI 301 Materials 2016	Management Approach 103-2, 103-3	The management approach & its components Evaluation of the management approach	3.1 Goals and Strategies for Reducing Impact of Products and Supply Chain	43	
	301-1	Materials used by weight or volume.	4.5 Main Raw Materials	64	
	301-2	Recycled input materials used			Note： 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.

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GRI Standard & Disclosure			Related Report Sections	Page	Omissions
GRI 302 Energy 2016	Management Approach 103-2, 103-3	The management approach & its components Evaluation of the management approach	4.1 Commitment to Environmental Sustainability and Policy 4.2 Responses to Climate Change and Global Warming Policy	54 56	
	302-1	Energy consumption within the organization.	4.3.3 Direct and Indirect Energy Consumption	60	
	302-2	Energy consumption outside of the organization.			Currently, there is no statistical information about Energy consumption outside of the organization.
	302-3	Energy intensity	4.3.3 Direct and Indirect Energy Consumption	60	
	302-4	Reduction of energy consumption	4.3.2 Energy-saving Measures 4.3.3 Direct and Indirect Energy Consumption 4.3.5 Green Logistics	59 60 61	
	302-5	Reductions in energy requirements of products and services	3.2 2017 Green Designs and Achievements	43	
GRI 303 Water 2016	Management Approach 103-2, 103-3	The management approach & its components Evaluation of the management approach	4.1 Commitment to Environmental Sustainability and Policy 4.2 Responses to Climate Change and Global Warming Policy	54 56	
	303-1	Water withdrawal by source	4.4 Water Resource Management	63	
	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	63	Water recycled and reused data were not materialized to LITE-ON's industrial nature.
GRI 307 Emissions 2016	Management Approach 103-2, 103-3	The management approach & its components Evaluation of the management approach	4.1 Commitment to Environmental Sustainability and Policy 4.2 Responses to Climate Change and Global Warming Policy	54 56	

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GRI Standard & Disclosure			Related Report Sections	Page	Omissions
	305-1	Direct (Scope 1) greenhouse gas (GHG) emissions	4.3.1 Greenhouse Gas Inventory	57	
GRI 307 Emissions 2016	305-2	Energy indirect (Scope 2) greenhouse gas (GHG) emissions	4.3.1 Greenhouse Gas Inventory	57	
	305-3	Other indirect (Scope 3) greenhouse gas (GHG) emissions	4.3.1 Greenhouse Gas Inventory 4.3.5 Green Logistics	57 61	
	305-4	Greenhouse gas (GHG) emissions intensity	4.3.1 Greenhouse Gas Inventory	57	
	305-5	Reduction of greenhouse gas (GHG) emissions	4.1 Environmental Management Goals 4.3.1 Greenhouse Gas Inventory	54 57	
	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	61	
GRI 307 Environmental Compliance 2016	Management Approach 103-2, 103-3	The management approach & its components Evaluation of the management approach	4.1 Commitment to Environmental Sustainability and Policy 4.2 Responses to Climate Change and Global Warming Policy	54 56	
	307-1	Non-compliance with environmental law and regulations	Note:None		
GRI 308 Supplier Environment Assessment 2016	Management Approach 103-2, 103-3	The management approach & its components Evaluation of the management approach	3.4.1 Supply Chain Sustainability Management	47	
	308-1	New suppliers that were screened using environmental criteria	3.4.1.3 Supplier Sustainability	47	
	308-2	Negative environmental impacts in the supply chain and actions taken	3.4.2 Supply Chain Risk Management 3.4.3 Supplier Management Mechanisms	48 50	
GRI 401 Employment 2016	Management Approach 103-2, 103-3	The management approach & its components Evaluation of the management approach	5.4 Protection of Interest	68	

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GRI Standard & Disclosure			Related Report Sections	Page	Omissions
	401-1	New employee hires and employee turnover	5.2.2 Employee Retention	73	
GRI 401 Employment 2016	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	5.4 Protection of Interest 5.6 LOHAS LITE-ON	79 84	
	401-3	Parental leave	5.2.2 Employee Retention	73	There are no parental leave regulations in China and Thailand
GRI 402 Labor / Management Relations 2016	Management Approach 103-2, 103-3	The management approach & its components Evaluation of the management approach	5.4 Protection of Interest	79	
	402-1	Minimum notice periods regarding operational changes	5.4 Protection of Interest	79	
GRI 403 Occupational Health and Safety 2016	Management Approach 103-2, 103-3	The management approach & its components Evaluation of the management approach	5.1 Employee Policy	68	
	403-1	Workers representation in formal joint management–worker health and safety committees	5.6.3 Occupational Safety and Health Management	87	
	403-2	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities	5.6.3 Occupational Safety and Health Management	87	
	403-3	Workers with high incidence or high risk of diseases related to their occupation	5.6.3 Occupational Safety and Health Management	87	
	403-4	Health and safety topics covered in formal agreements with trade unions	5.6.3 Occupational Safety and Health Management	87	
GRI 404 Training an Education 2016	Management Approach 103-2, 103-3	The management approach & its components Evaluation of the management approach	5.1 Employee Policy	68	
	404-1	Average hours of training per year per employee	5.3 Employee Development and Training	77	
	404-2	Programs for upgrading employee skills and transaction assistance programs	5.4 Protection of Interest	79	

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GRI Standard & Disclosure			Related Report Sections	Page	Omissions
	404-3	Percentage of employees receiving regular performance and career development reviews	5.4 Protection of Interest	79	
GRI 405 Diversity and Equal Opportunity 2016	Management Approach 103-2, 103-3	The management approach & its components Evaluation of the management approach	5.1 Employee Policy	68	
	405-1	Diversity of governance bodies and employees	2.2.1 Board of Directors 5.2.1 Employee Structure and Distribution	31 69	
	405-2	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation	5.4 Protection of Interest	79	
GRI 406 Non-Discrimination 2016	Management Approach 103-2, 103-3	"The management approach & its components Evaluation of the management approach" Incidents of discrimination and corrective actions taken	5.1 Employee Policy	68	
	406-1	Incidents of discrimination and corrective actions taken	5.5 Employee Relations	79	
GRI 407 Freedom of Association and Collective Bargaining 2016	Management Approach 103-2, 103-3	The management approach & its components Evaluation of the management approach	3.4.1 Supply Chain Sustainability Management 5.1 Employee Policy	47 68	
	407-1	Operations and suppliers which the right to freedom of association and collective bargaining may be at risk	3.4.3 Supplier Management Mechanisms 5.5 Employee Relations 5.6.2 Diverse Recreational Activities	50 81 86	
GRI 408 Child Labor 2016	Management Approach 103-2, 103-3	The management approach & its components Evaluation of the management approach	5.1 Employee Policy	68	
	408-1	Operations and suppliers at significant risk for incidents of child labor	3.4.3 Supplier Management Mechanisms 5.1 Employee Policy 5.2.4 RBA Code of Conduct Committee	50 75 76	

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GRI Standard & Disclosure			Related Report Sections	Page	Omissions
GRI 409 Compulsory Labor 2016	Management Approach 103-2, 103-3	The management approach & its components Evaluation of the management approach	5.1 Employee Policy	68	
	409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	3.4.3 Supplier Management Mechanisms 5.2.4 RBA Code of Conduct Committee	50 76	
GRI 410 Security Practices 2016	Management Approach 103-2, 103-3	The management approach & its components Evaluation of the management approach	5.1 Employee Policy	68	
	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 412 Human Rights Assessments 2016	Management Approach 103-2, 103-3	The management approach & its components Evaluation of the management approach	5.1 Employee Policy	68	
	412-1	Operations that have been subject to human rights reviews or impact assessments	5.2.4 RBA Code of Conduct Committee	76	
	412-2	Employee training on human rights policies or procedures	5.3 Employee Development and Training	77	
	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 Supplier Social Assessment 2016	Management Approach 103-2, 103-3	The management approach & its components Evaluation of the management approach	3.4.3 Supplier Management Mechanisms	47	
	414-1	New suppliers that were screened using social criteria	3.4.1.3 Supplier Sustainability Guidelines	47	

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GRI Standard & Disclosure			Related Report Sections	Page	Omissions
GRI 414 Supplier Social Assessment 2016	414-2	Negative social impacts in the supply chain and actions taken	3.4.3 Supplier Management Mechanisms	48	
GRI416 Customer Health and Safety 2016	Management Approach 103-2, 103-3	The management approach & its components Evaluation of the management approach	3.1 Goals and Strategies for Reducing Impact of Products and Supply Chain	43	
	416-1	Assessment of the health and safety impacts products and service categories	3.5.3 Product Health and Safety	52	
	416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	3.5.3 Product Health and Safety	52	
GRI 417 Marketing and Labeling 2016	Management Approach 103-2, 103-3	The management approach & its components Evaluation of the management approach	3.2 2017 Green Designs and Achievements	43	
	417-1	Requirement of product and service information and labeling	3.2 2017 Green Designs and Achievements	43	
	417-2	Incidents of non-compliance concerning product and service information and labeling	3.2 2017 Green Designs and Achievements	43	
	417-3	Incidents of non-compliance concerning marketing communications	3.5.1 Customer Service	50	
GRI 418 Customer Privacy 2016	Management Approach 103-2, 103-3	The management approach & its components Evaluation of the management approach	2.5 Information Security and Privacy Management	40	
	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	2.5 Information Security and Privacy Management	40	
GRI 409 Socioeconomic Compliance 2016	Management Approach 103-2, 103-3	The management approach & its components Evaluation of the management approach	2.4 Compliance, Ethics and Anti-Corruption	38	
	419-1	Non-compliance with laws and regulations in social economic area	2.4.1 Violation of Labor Standards Act	39	

PECIFIC STANDARD DISCLOSURES OVERVIEW - OTHERS

Material Topics		Disclosure	Related Report Sections	Page
Conflict Mineral (Metal)-Free Procurement	LOT-EN1	Supplier screening and green procurement	3.4.1.3 Supplier Sustainability Guidelines 3.4.2 Supply Chain Risk Management	47 48
Research & Development (Products)	LOT-EN2	Energy efficiency improvement	3.2 2017 Green Designs and Achievements 4.6.2 Advanced Manufacturing and Green Production	43 66
	LOT-EN3	Material resources saving	3.2 2017 Green Designs and Achievements	43
	LOT-EN4	Reduction use of hazardous substance	3.2 2017 Green Designs and Achievements	43
Supplier Training	LOT-LA1	Improvement of supply chain management quality	3.4.3 Supplier Management Mechanisms	50
Career Development Opportunities Enhancement of Basic Employees	LOT-LA2	Introduction of external resources for enhancement of occupational safety and health	1.2.1.2 Stakeholder Engagement Performance Highlights	18
Charity Care	LOT-SO1	Promotion of multicultural humanities and youth education care	6.6.1 Community Assistance and Holistic Services	96
	LOT-SO2	Creating learning environments for lifelong learning and disadvantage groups	6.6.1 Community Assistance and Holistic Services 6.6.2 Taipei Xinyi Community College	96 101
	LOT-SO3	Linking the company's sustainable products with SROI	6.2 Measuring Social Impact of Products: SROI	91
	LOT-SO4	The promotion of environmental education and implementation of environmental protection	6.6.2 Taipei Xinyi Community College	101
	LOT-SO5	Talent education by providing the learning environment for students to apply their knowledge	6.3 Supporting Internships	92
	LOT-SO6	Encouraging technological innovation and design talent	6.5 2017 LITE-ON Award	93

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Core Subjects and Issues		Related CSR Report Section	Page(s)	Explanatory Notes
Organizational Governance	Decision-making processes and structures	1.2 Stakeholders and Material Issues 2. Corporate Governance	13 25	
Human Rights	Due diligence	3.4 Supply Chain Management 5.2.4. RBA Code of Conduct Committee	47 76	
	Human rights risk situation	3.4 Supply Chain Management 5.2.4. RBA Code of Conduct Committee	47 76	
	Avoidance of complicity	2. Corporate Governance	25	
	Resolving grievances	2.4 Compliance, Ethics and Anti-Corruption 5.5 Employee Relations	38 81	
	Discrimination and vulnerable groups	1.1 Corporate Commitment and CSR Vision 5.4 Protection of Interests 5.5 Employee Relations	8 79 81	
	Civil and political rights	3.4 Supply Chain Management 5.6 LOHAS at LITE-ON	47 84	
	Economic, social and cultural rights	5.4 Protection of Interests 5.6 LOHAS at LITE-ON	79 84	
	Fundamental principles and rights at work	5.4 Protection of Interests	79	
Labor Practices	Employment and employment relationships	5.4 Protection of Interests	79	
	Conditions of work and social protection	5.6 LOHAS at LITE-ON	84	
	Social dialogue	1.2 Stakeholders and Material Issues	13	
	Health and safety at work	1.2.1.2 Stakeholder Engagement Performance Highlights	16	
		5.6.3 Occupational Safety and Health Management	87	
	Human development and training in the workplace	5.3 Employee Development and Training	77	

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Core Subjects and Issues		Related CSR Report Section	Page(s)	Explanatory Notes
The Environment	Prevention of pollution	3.3 Restriction on the Use of Hazardous Substances 4.3.4 Air Pollution Control 4.5.4 Waste Management and Recovery	46 61 65	
	Sustainable resource use	3.2 2017 Green Designs and Achievements 4.3.5 Green Logistics 4.6 Green Factories	43 61 66	
	Climate change mitigation and adaptation	4.2 Response to Climate Change & Global Warming 4.3 Reducing Greenhouse Gases	56 57	
	Protection of the environment, biodiversity and restoration of natural habitats			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.
Fair Operating Practices	Anti-corruption	2.4 Compliance, Ethics and Anti-Corruption	38	
	Responsible political involvement	5.6 LOHAS at LITE-ON	84	LITE-ON do not involve in any political activities
	Fair competition	2.4 Compliance, Ethics and Anti-Corruption	38	
	Promoting social responsibility in the value chain	3.4 Supply Chain Management	47	
	Respect for property rights	2.4 Compliance, Ethics and Anti-Corruption	38	
Consumer Issues	Fair marketing, factual and unbiased information and fair contractual practices	2.4 Compliance, Ethics and Anti-Corruption	38	
	Protecting consumers' Health and safety	3.2 2017 Green Designs and Achievements	43	
	Sustainable consumption	3.4 Supply Chain Management	47	

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Core Subjects and Issues		Related CSR Report Section	Page(s)	Explanatory Notes
Consumer Issues	Consumer service, support, and complaint and dispute resolution	3.5 Customer Service and Satisfaction	50	
	Consumer data protection and privacy	2.5 Information Security and Privacy Management	40	
	Access to essential services	3.5 Customer Service and Satisfaction	50	
	Education and awareness	3.5 Customer Service and Satisfaction	50	
Community Involvement and Development	Community involvement	6.1 Social Inclusion Policy	90	
	Education and culture	6.4 2017 LITE-ON Award 6.5 LITE-ON Volunteers 6.6.1 Community Assistance and Holistic Services 6.6.2 Taipei Xinyi Community College	96 101 95 93	
	Employment creation and skills development	5.2.1 Employee Structure and Distribution 5.3 Employee Development and Training	69 77	
	Technology development and access	2.1 Company Overview 6.2 Measuring Social Impact of Products: SROI 6.4 2017 LITE-ON Award	27 93 91	
	Wealth and income creation	2.1 Company Overview 2.2.3 Compensation Committee 5.4 Protection of Interests	27 32 79	
	Health	5.6 LOHAS at LITE-ON 6.5 LITE-ON Volunteers	95 84	
	Social investment	6.1 Social Inclusion Policy 6.6 LITE-ON Cultural Foundation	90 96	

Third Party Assurance Statement

SGS

ASSURANCE STATEMENT

SGS TAIWAN LTD.'S REPORT ON SUSTAINABILITY ACTIVITIES IN THE LITE-ON TECHNOLOGY CORPORATION'S CORPORATE SOCIAL RESPONSIBILITY REPORT FOR 2017

NATURE AND SCOPE OF THE ASSURANCE/VERIFICATION
SGS Taiwan Ltd. (hereinafter referred to as SGS) was commissioned by LITE-ON TECHNOLOGY CORPORATION. (hereinafter referred to as LITE-ON) to conduct an independent assurance of the Corporate Social Responsibility Report for 2017 (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 2017 and its presentation are the responsibility of the management of LITE-ON. SGS has not been involved in the preparation of any of the material included in LITE-ON's CSR Report of 2017.

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 Sustainability Reporting Standards (GRI Standards) 101: Foundation 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:
- evaluation of content veracity at a high level of scrutiny for LITE-ON 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.

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 2017 verified is accurate, reliable and provides a fair and balanced representation of LITE-ON sustainability activities in 01/01/2017 to 12/31/2017.
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 in accordance with 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 investors, customers, suppliers, employees, government, and other stakeholders are implemented to underpin the organization's understanding of stakeholder concerns. For future reporting, LITE-ON may proactively consider establishing ways for stakeholders to be involved in decisions that will maximize sustainability performance.
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.
Responsiveness
The report includes coverage given to stakeholder engagement and channels for stakeholder feedback.

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

The report, LITE-ON's CSR Report of 2017, is adequately in line with the GRI Standards in accordance with Comprehensive Option. The material aspects 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 aspects and boundaries, and stakeholder engagement, GRI 102-40 to GRI 102-47, are correctly located in content index and report. LITE-ON has demonstrated a good practice of governance body's participation in ESG management and has committed to respond to UN SDGs. For future reporting, it is recommended to have more descriptions of LITE-ON's evaluation of the effectiveness of the management approach (103-2 & 103-3) and to show the progress of goals and targets' achievement.

Signed:
For and on behalf of SGS Taiwan Ltd.

David Huang, Director
Taipei, Taiwan
21 May, 2018
WWW.SGS.COM

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