

LITEON[®]

2018

LITE-ON CSR Report



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About This Report

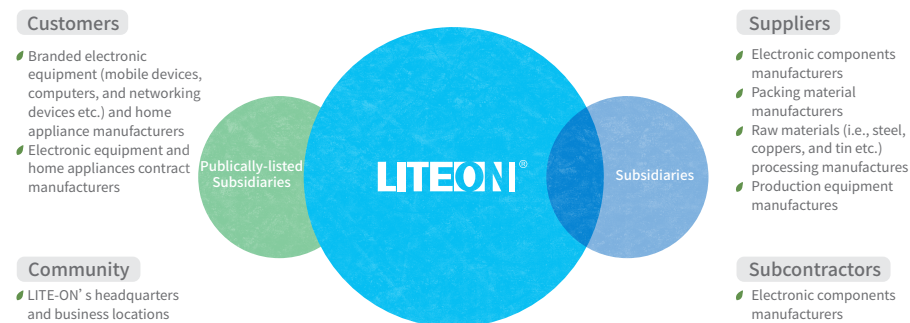
Reporting Time and Scope of Report

Time : From January 01, 2018 to December 31, 2018

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

For nonfinancial data, the report covers the six business groups, namely, Power Conversion, Storage, Mechanical Competence, Smart Life & Applications, Optoelectronics Product Solution, and Automotive Electronics Applications. Comparing to the financial performance, the nonfinancial performance disclosures are focus on the major operation and manufacturing locations, such as Taiwan, Mainland China and Thailand, while excluding IPO/OTC subsidiaries, Silitech and LITE-ON Japan. Unless elsewhere specified, information will be disclosed in the report.

In 2018, in order to focus on the business transformation and development, LITE-ON transferred the Camera Module business and Mobile Mechanics business to LuxVisions Innovation Ltd. and Top-Touch Electronics Co., Ltd. Respectively. Moreover, LITE-ON has set up the Automotive Electronics Applications business group to concentrate on automotive electronics business development.



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.

Release Overview

First issue: 2007

Current issue: Published in June 2019

Next issue: Expected to be published in June 2020

Previous issue: June 2018

Started from 2008 CSR Report, all reports in Chinese and English versions on an annual basis are posted on LITE-ON company website:

[HTTPS://WWW.LITEON.COM/ZH-TW/GLOBALCITIZENSHIP/365](https://www.liteon.com/zh-tw/globalcitizenship/365)

Contact Information

Feel free to contact us through the following channels if you have any questions or suggestions concerning this report:

LITE-ON Technology CSER Committee Office

Address: No. 392 Ruiguang Road, Neihu District, Taipei 114

TEL: +886-2-87982888

E-MAIL: LITEONTECH.CSR@LITEON.COM

Company website
WWW.LITEON.COM



2018 LITE-ON Sustainability Achievements



2018 Constituent
MSCI ESG
Leaders Indexes

A 2018 Constituent MSCI ESG Leaders Indexes for five consecutive years

MEMBER OF

**Dow Jones
Sustainability Indices**
In Collaboration with RobecoSAM

A member of
"Dow Jones Sustainability Indices (DJSI)"
for eight consecutive years



A 2018 Thomson Reuters
Top 100 Global Technology Leader



FTSE4Good
TIP Taiwan ESG Index



A constituent in the
FTSE4Good Emerging Index
and FTSE4Good TIP
Taiwan ESG Index



Won the "Corporate Citizen Award"
of Commonwealth Magazine
for the twelve years in a row



PLATINUM
AWARD

Awarded the Platinum Top 50 of
"2018 Taiwan Corporate Sustainability Report Award"
in the Electronics Sector by TCSCA

TOP
5%

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

AAA
18

Accumulative 18 plants
have passed Product Liability
Insurance AAA Certification



Completed external assessment
of Board of Directors'
performance disclosure

17.54%

Water consumption
reduced 17.54% Y-o-Y

12.54%

Waste generation
decreased 12.54% Y-o-Y

Greenhouse Gas emission
reduced 50,152 tonnes CO₂e,
decreased 13.47% Y/Y

CO₂e
13.47%



CDP Supplier Engagement
Rating A- Level



ISO14040
ISO14025

DTPC enclosure received the first certificate of
Product Environmental Footprint ISO14040 and ISO14025
in Asia Pacific region

A total of 114 interns jobs
offered to college students



114
interns



1,303
works

A total of 1,303 works participated
in competition for LITE-ON Award



no. 1

Optocoupler LTX-353 Product obtained
the worldwide first certification of AEC-Q102
for compliance with LED Automotive Regulation
from Automotive Electronics Council (AEC)



Sports Company Certification
by the Sports Administration of the Ministry of Education



excellence

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

Letter from the Chairman and Group CEO



Raymond Soong
LITE-ON Chairman

Dear stakeholders,

In recent years, LITE-ON has been committed to transformation, seeking to elevate profitability with a realistic approach. With changes in operating models, adjustment to product portfolios, growth in revenue, and even creation of excellent profitability, LITE-ON builds on sustainable business development to become a centenarian corporation. In 2018, LITE-ON's two pillars for growth, cloud computing applications, and LED component/LED vehicle and outdoor lighting, reached nearly 30% of total revenue, with an over 20% year-on-year gain, demonstrating the achievement of LITE-ON's efforts in new business incubation and transformation. LITE-ON will continue to invest in stable core areas and develop promising new businesses into long-term dynamics for growth with strategic perspectives.

The global trend of valuing sustainable investment remains in the ascendant. ESG performance has become an important indicator for investors. LITE-ON has been listed as a member of the Dow Jones Sustainability Index (DJSI) for eight years in a row, since 2011 and has had a place on the MSCI ESG Leaders Index for five years in a row. In 2018, LITE-ON was listed in the inaugural Thomson Reuters Top 100 Global Technology Leaders. In Taiwan, LITE-ON was ranked top 5% in the 2018 Corporate Governance Evaluation Survey jointly implemented by the Taiwan Stock Exchange (TWSE) and the Taipei Exchange (TPEX), listed as a constituent in the FTSE4Good Emerging Index as well as FTSE4Good TIP Taiwan ESG Index, awarded Commonwealth Magazine's Corporate Citizen Award in the large enterprise category for the 12th time in 2018, and was awarded the Platinum Award, the highest honor, in the electronic and information manufacturing category in the 2018 Corporate Sustainability Report Awards from TCSA.

LITE-ON takes an active approach to environmental protection on issues such as extreme weather and environmental degradation. In 2018, LITE-ON announced its energy conservation and waste reduction target for 2025, setting goals in areas including carbon reduction, water saving, waste reduction, product energy efficiency and renewable energy usage. Regarding product development, LITE-ON follows life cycle thinking, from cradle to grave, and aims to achieve environmental friendliness management by working with upstream business partners in developing more eco-friendly parts or materials and becoming the best partner for downstream customers in low carbon emission, environmental friendliness, and sustainable value chain. By implementing various energy saving and carbon reduction improvements throughout the process from raw materials, production, distribution, and product use to disposal and recycling, LITE-ON managed to reduce greenhouse gas emission by a total of 50,152 tonnes in 2018, which was a 13.47% decrease in emission. Meanwhile, water consumption and waste were reduced by 17.54% and 12.54% respectively as well.

Furthermore, pollution by ocean waste has become the second largest threat to Earth after climate change. Surrounded by ocean, Taiwan is facing serious ocean waste problem. As part of its commitment to the community and to environmental protection, LITE-ON works with social enterprises that process Styrofoam-





based ocean waste, the Environmental Protection Bureau of Penghu County, and LITE-ON suppliers in carrying out the "Penghu Coastal Styrofoam Waste Cleanup and Processing" campaign. The cleanup campaign had removed a total of 5 tonnes of waste by October 2018, and will continue with a target at 20 tonnes per year in the future. The removed waste is given to companies that use a special solvent process to reduce volume and turn the waste into recycled plastic resin for further use. To attract more attention to ocean waste, LITE-ON has teamed up with international environmental NGO to organize coastal cleanups. LITE-ON also invites its stakeholders such as suppliers, subsidiaries, and research institutions to join the effort and support the slogan "less plastic on the ground, less plastic all around". Coastal cleanups have taken place on beaches in New Taipei City, Hsinchu, Tainan, and Kaohsiung. More than 2 tonnes of ocean waste were removed in 2018.

LITE-ON actively urges employees to exercise regularly, caring for employees' health. The company has been named one of the 2018 Certified Sports Companies again by the Sports Administration of the Ministry of Education. It has also been awarded Best Work in the Creativity Gold Award for Healthy Workplace by the Health Promotion Administration of the Ministry of Health and Welfare. LITE-ON continues to make strategic plans for community involvement and strives to create a multi-cultural, caring, creative, and sustainable society. Following strategies regarding community assistance, community college, LITE-ON Award, educational support, corporate volunteer system, and sustainable product designs, LITE-ON has embarked on the following projects: multi-culture and community volunteer training, counseling services for children and teenagers, adult education (including disabled and disadvantaged people), life-long learning platform, encouragement for creative technical designers, industry-academia collaboration to combine theory and practice, and development of clean and energy saving products and smart healthcare products. In 2018, 10,671 attended LITE-ON community assistance volunteer training, and 3,702 received small group and one-on-one volunteer counseling services; more than 114 college internships were offered; the LITE-ON Award received 1,303 submissions, and Xinyi Community College was named an excellent community college by the Education Department.

To achieve sustainable development, LITE-ON upholds its entrepreneurial approach and focuses on solid execution and advancement toward the vision of "Best Partner in Opto-Electronic, Eco-Friendly and Intelligent Technologies". LITE-ON's core values include "environmental sustainability", "tolerance and innovation", and "sustainable governance", consistent with the UN Sustainable Development Goals (SDGs) in green products, application and innovation, responsible manufacturing, employee development, and social impact. LITE-ON works with its stakeholders to achieve economic, environmental, and social sustainability.

LITE-ON Chairman

LITE-ON Group CEO



Warren Chen
LITE-ON Group CEO

1

LITE-ON's Commitment to Stakeholder Engagement

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

LITE-ON believes that becoming the best partner of its stakeholders is the cornerstone of corporate sustainability. As a corporate citizen, LITE-ON is committed to the entrepreneurship focusing on five strategies of "Green Products" "Application and Innovation", "Responsible Production", "Employee Development" and "Social Impact" to move forward steadily while practicing the sustainable vision of business, society and the planet.



9 types of stakeholders



11 material topics



Stakeholder Engagement Highlights: Customer satisfaction 94%
StyroCycle - Styrofoam marine waste
(recycled plastic resin) development project



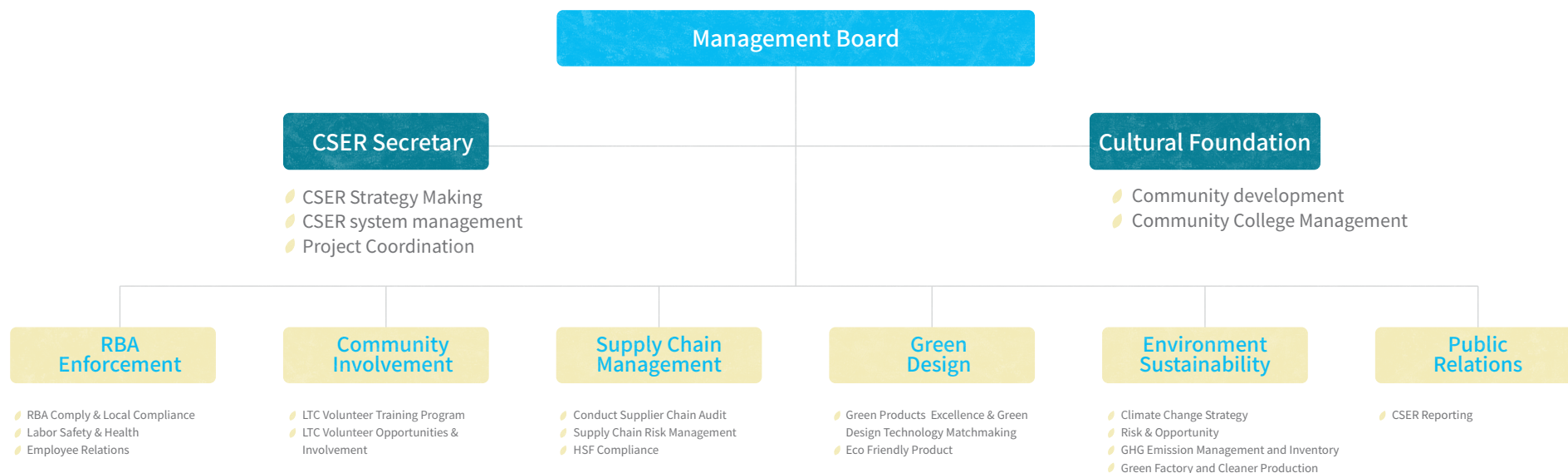
1.1.1 LITE-ON Corporate Social and Environmental Responsibility Committee

The LITE-ON Corporate Social and Environmental Responsibility Committee (CSER) Committee is supervised by the board of directors. It is chaired by Chairman, Raymond Soong. GCEO, 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.

In response to changes in the environment and the concerns of stakeholders, LITE-ON

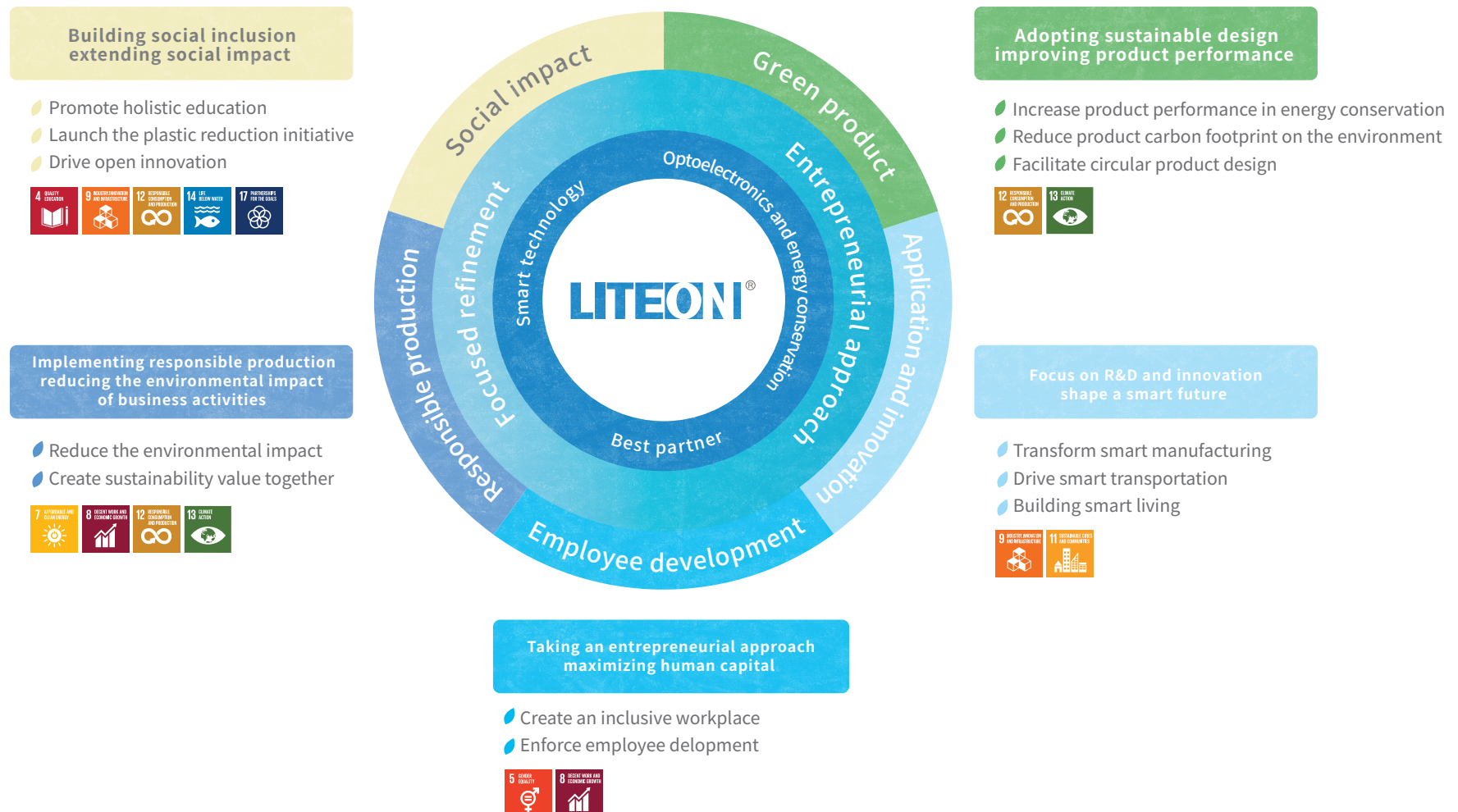
has developed six main committee principles based on the company's capacity and incorporated them into daily operations. These six principles are: RBA management enforcement, community involvement, supply chain management, green design, environmental sustainability, and information disclosure and added value.

In 2018, LITE-ON made an amendment to the LITE-ON Corporate Social Responsibility Best Practice Principles, which was approved by the board of directors. The amendment 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.



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

1.1.2 Sustainability Strategy and Blueprint



Note: After reviewing the results from last year, the Corporate Social and Environmental Responsibility Committee passed a resolution to change the SDGs to be more consistent with the company's business operations.

To achieve sustainable development, LITE-ON upholds its entrepreneurial approach and focuses on solid execution and advancement toward the vision of "the best partner for optoelectronics, energy conservation and smart technologies". In terms of environmental, social and governance (ESG) criteria, LITE-ON builds its sustainability strategies around the core values, "environmental sustainability", "tolerance and innovation", and "sustainable governance", and extend them into five strategies that are consistent with the 10 UN Sustainable Development Goals (SDGs) in green products, application and innovation, responsible production, employee development, and social impact. The results are disclosed in this report.

Green Products

Following the product lifecycle sustainability approach, LITE-ON continues to work on improving product performance, facilitating circular product design, and reducing product environmental footprints and effects of toxic substances in the environment. LITE-ON also tries to enhance product features such as ease of assembly, disassembly and recycling. The company works with suppliers to become the clients' best allies in achieving low carbon emission, ensuring environmental friendliness, and creating sustainable value chains. It is LITE-ON's mission to enable users to enjoy a better lifestyle.

Application and Innovation

To create a better sustainable living, LITE-ON has systematically combined smart and energy saving products developed over the years, and created seven applications: industrial automation solutions, smart city solutions, smart internet of vehicles solutions, electric car charging solutions, smart home solutions, smart office solutions, and smart care solutions. Going forward, we will continue to develop new solutions in "smart manufacturing transformation", "driving smart traffic", and "building a smart lifestyle".

Responsible Production

LITE-ON strives to create a sustainable value chain and implements responsible production to reduce the impact of business activities. LITE-ON's commitment to supplier management emphasizes the importance of guiding suppliers to fulfill corporate social responsibility, protect the environment, and pay attention labor rights and health and safety. In addition, LITE-ON encourages suppliers to adopt business models with a less impact on the environment in order to ensure the products or supply chain would not resort to using conflict materials.





Employee Development





Employees are one of the important drivers of sustainable development for LITE-ON. To help employees reach their full potential, we protect the rights of our employees, and strengthen occupational health and safety management to create a comfortable work environment. In addition, there are a variety of benefits as well as clubs and activities in place. We take an active approach to employee care and operate a range of employee communication channels aimed to create an inclusive workplace. A healthy workplace culture and competitive compensation packages also help to foster employee loyalty. Meanwhile, LITE-ON tries to implement comprehensive employee development and training effectively in all specializations on all levels of the organization in order to enable employees to achieve self development and improve work performance. The approach also helps the company build up human capital and make the organization work more effectively in the process.

Social Impact

LITE-ON follows the principle of giving back to the community what it takes, and strives to build a multi-cultural, caring, creative, and sustainable society. The "LITE-ON Award" was created to encourage technological innovators in the Chinese-speaking world. The LITE-ON Cultural Foundation was founded to promote the community assistance program and train community volunteers to provide services for high-risk youth and children. LITE-ON also organizes life-long learning through a community college, and provides adult education for the disabled and the disadvantaged and green courses. Meanwhile, LITE-ON volunteers form teams to provide English and after-school teaching at remote elementary schools; after-school counseling for disadvantaged students; counseling for the disabled; accompaniment for seniors living alone; and participation in environmental protection activities. As a way to allow students to develop their skills and experience the workplace, LITE-ON provides domestic and international internships every year. The company also tries to work more closely with schools through industry-academia cooperation as a way of teaching that combines theory and practice. LITE-ON launched the Sea Hope program in 2018. The program helps the Environmental Protection Bureau of Penghu County (Taiwan) dispose and recycle styrofoam marine waste. Plans are also being made to transform recycled styrofoam marine waste into recycled materials that can be used by the company. This is the first step toward a circular economy. In the meantime, LITE-ON organizes more coastal cleanups, and invites its stakeholders to support the "less plastic on the ground, less plastic all around" campaign and contribute to marine sustainability.

1.1.3 LITE-ON's Support and Contribution to UN Sustainable Development Goals (SDGs) in 2018

SDG	LITE-ON's response to SDGs	Chapter and page numbers	
 4 QUALITY EDUCATION	<p>Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all</p> <p>Following the principle of giving back to the community what it takes, LITE-ON has been supporting education for years. The company promotes education and life-long learning, and fosters creative and professional talents.</p> <ul style="list-style-type: none"> · LITE-ON volunteers provide English and after-school teaching at remote elementary schools and after-school counseling for disadvantaged students. · The LITE-ON Cultural Foundation operates a community college that offers adult education (including courses for the disabled and disadvantaged), life-long learning, and green courses. · Provide internships through industry-academia cooperation to combine theory and practice. · Set "LITE-ON Award" to encourage creative technical designers and support technology incubation programs in Taiwan. 	5.3 Employee Development and Training 78 6.1 Social Inclusion Policy 93 6.2 2018 LITE-ON Award 94 6.3 Supporting Internships 96 6.4 LITE-ON Volunteers 97 6.5.1 Community Assistance and Holistic Services 98 6.5.2 Taipei Xinyi Community College 102	
 7 AFFORDABLE AND CLEAN ENERGY	<p>Ensure access to affordable, reliable, sustainable and modern energy for all</p> <p>As part of the vision regarding "optoelectronics and energy conservation", LITE-ON continues to develop green design, green factory, energy management, and high performance energy creation, conservation, and conversion products and solutions. LITE-ON also supports the use of renewable energy.</p> <ul style="list-style-type: none"> · Invest and develop high performance energy conservation products. · Set the renewable energy targets to increase renewable energy usage every year. 	3.1.2 2018 Green Design and Achievement 45 4.1 Environmental Sustainability Commitment and Policy 58 4.2 Climate Change and Energy Management 59	
 8 DECENT WORK AND ECONOMIC GROWTH	<p>Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all</p> <p>LITE-ON makes the commitment to protect the rights of all of its employees in the workplace. The company is constantly working to build a healthy, safe workplace. It also complies with employment laws and international standards in all locations of operation.</p> <ul style="list-style-type: none"> · Occupational safety and health committees are created in the regions of operation to have the management system function as an integral part of the organization. The goal is to keep reducing the percentage of disabilities and injuries and create a health, safe, and comfortable work environment. · The Responsible Business Alliance (RBA, formerly EICC) Committee is in place to ensure the policy to prohibit child labor is enforced and the regulations to safeguard workers, health and safety, and the environment and corporate ethics are followed. 	2.2 Company Overview 29 3.3 Sustainable Supply Chain 52 4.5 Green Factory 66 5.1 Employee Policy 69 5.2.3 Personnel Recruitment 76 5.2.4 Responsible Business Alliance 77 5.3 Employee Development and Training 78 5.4 Protection of Employee Interest 81	
 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	<p>Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation</p> <p>LITE-ON focuses on R&D and innovation, and shapes a smart future.</p> <ul style="list-style-type: none"> · The transformation to smart manufacturing involves developing smart and energy efficient, high performance equipment to achieve high efficiency, high speed, and short process. 	3.1.2 2018 Green Design and Achievement 45 4.2 Climate Change and Energy Management 59 4.5 Green Factory 66	

SDG	LITE-ON's response to SDGs		Chapter and page numbers	
	Make cities and Make cities inclusive, safe, resilient and sustainable	<p>1. LITE-ON invests in smart and energy efficient products, and systematically builds them into smart traffic, smart living, and smart manufacturing to create a safer, friendlier, and more energy efficient user experience.</p> <ul style="list-style-type: none"> · Smart city solutions · Smart Internet of Vehicles solutions <p>2. LITE-ON, through the community college, campaigns for "public engagement, training and empowerment" and "arts, history and community aesthetics." to bring the community together and respond to public issues.</p>	<p>3.1.2 2018 Green Design and Achievement 45</p> <p>6.5.2 Taipei Xinyi Community College 102</p>	
	Ensure sustainable consumption and production patterns	<p>To create a sustainable value chain, LITE-ON implements responsible production to reduce the impact of business activities.</p> <ul style="list-style-type: none"> · Strengthen hazardous substance management, and uses a management system to select qualified suppliers to ensure raw materials and products meet the requirements. · Achieve optimized packaging materials, reduction at sources, and a reduced percentage of hazardous waste in the production process. 	<p>3.1.1 Product Green Design Policy and Goals 44</p> <p>3.1.2 2018 Green Design and Achievement 45</p> <p>3.1.5 Main Raw Materials Utilization and Management 50</p> <p>3.2 Restriction on the Use of Hazardous Substance 51</p> <p>3.3 Sustainable Supply Chain 52</p> <p>4.5 Green Factory 66</p>	
	Take urgent action to combat climate change and its impacts	<p>LITE-ON sets aggressive carbon emission reduction targets, and discloses climate change information and related risks and opportunities. The company uses climate related financial disclosures as one of the means for stakeholder communication.</p> <ul style="list-style-type: none"> · Submitted to Science based targets (SBTs) for compliance review. · Follow the Task Force on Climate-Related Financial Disclosures (TCFD) initiative to identify climate risks and opportunities so to formulate adaptation and mitigation strategies. 	<p>4.1 Environmental Sustainability Commitment and Policy 58</p> <p>4.2 Climate Change and Energy Management 59</p>	
	Conserve and sustainably use the oceans, seas and marine resources	<p>LITE-ON is an advocate for solutions to ocean pollution, and invest heavily in the development of recycled materials made from marine plastic waste, which is effectively the "Sea Hope" project.</p> <ul style="list-style-type: none"> · Organize environmental events to draw attention outside the company to ocean pollution issues. · Work with government agencies, research institutions, and suppliers to develop reuse of marine plastic waste. 	<p>1.2.2.1 StyroCycle - Styrofoam Marine Waste (Recycled Plastic Resin) Development Project 18</p>	

Note: SDG 5 and SDG 17 coincide with the direction for LITE-ON's plan for sustainable development in the future, and therefore are not shown in the table above.

1.2 Stakeholders and Material Issues

Being the best partner for our stakeholders is one of LITE-ON's commitments. Listening to and communicating effectively with the stakeholders is one of the corners on which LITE-ON builds the foundation of corporate sustainability.

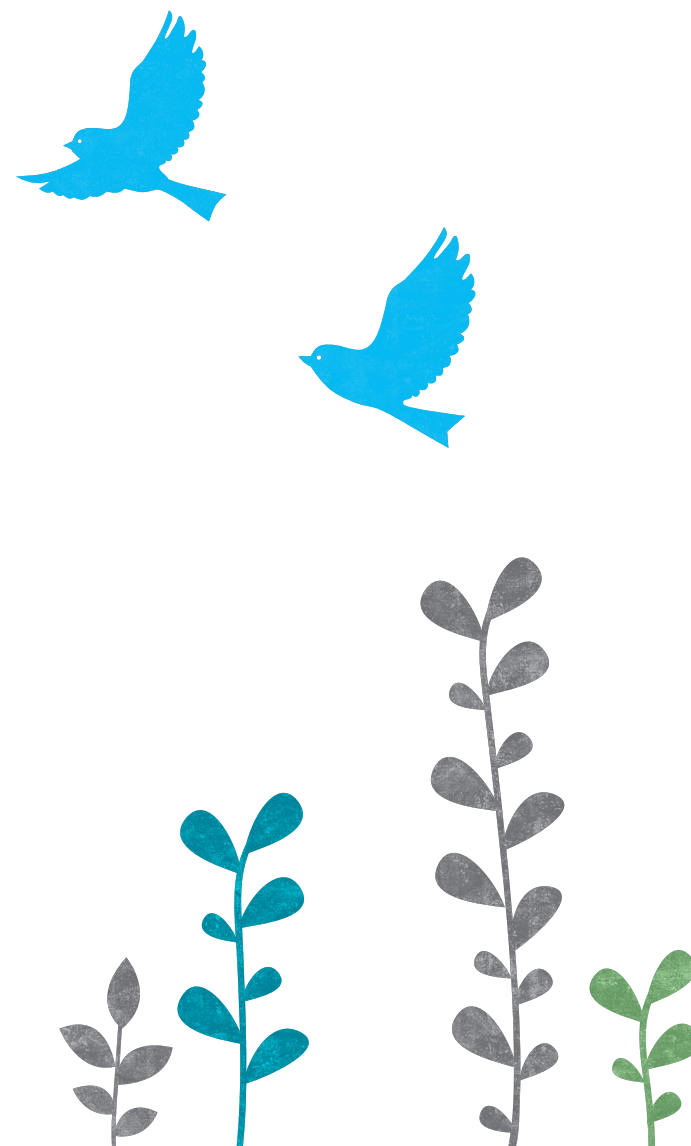
1.2.1 Stakeholder Identification and Communication

LITE-ON has many stakeholders with a wide variety of backgrounds. To present stakeholders sufficiently representative of their categories, we refer to the five attributes in AA1000 Stakeholder Engagement Standard 2015: dependency, responsibility, tension, influence, and diverse perspectives. 9 stakeholder categories have been identified by the degree of importance.

The process is conducted in a three-year basis. In 2017, we summoned representatives from all departments and identified the following stakeholders through open discussions. Correlation tests are also performed every year to examine the survey results returned by stakeholders.

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

In 2018, LITE-ON continued to engage 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. Issues important to LITE-ON's stakeholders are also addressed in the appropriate chapters of this report.



1.2.1.1 Stakeholder Engagement Performance in 2018

Audience	Importance of stakeholders to LITE-ON	Method and frequency of engagement	Issues	Engagement results	Response measures and counter measures (chapter and page numbers)	
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.	<ol style="list-style-type: none">The executive management team meets regularly every year.<ul style="list-style-type: none">Shareholder meetings: (1 time)Investor conferences: (4 times)Participation in global investor forums (6 times)Investor hotline (real-time) and mailing address	<ul style="list-style-type: none">Corporate governance & operationsIntegrity and complianceRisk managementSupply chain managementCustomer relations management	<ul style="list-style-type: none">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.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.	<div>1.2.2.2 Customer Service and Satisfaction19</div> <div>2.1 LITE-ON Corporate Values and Governance27</div> <div>2.2 Company Overview29</div> <div>2.3 Organization Structure of Corporate Governance32</div> <div>2.4 Corporate Risk Management36</div> <div>2.5 Compliance, Ethics and Anti-corruption40</div> <div>3.3 Sustainable Supply Chain52</div>	
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.	<ol style="list-style-type: none">Union meetings (as needed)Employee/employer meetings (quarterly)Business unit meetings (quarterly)Hotlines and mailboxesBusiness meetings and internal correspondence	<ul style="list-style-type: none">Labor relations and friendly workplaceHuman rightsTalent attraction and retentionCorporate governance & operationsTalent training & educationOccupational safety and health	<ul style="list-style-type: none">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.Organize regular management training by field and by level of authorization, holistic health and safety training, and fire drills.	<div>2.1 LITE-ON Corporate Values and Governance27</div> <div>2.2 Company Overview29</div> <div>2.3 Organization Structure of Corporate Governance32</div> <div>5.1 Employee Policy69</div> <div>5.2 Employee Profile70</div> <div>5.3 Employee Development and Training78</div> <div>5.4 Protection of Employee Interest81</div> <div>5.5 Employee Relations84</div> <div>5.6 LOHAS LITE-ON86</div>	
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.	<ol style="list-style-type: none">Regular investor conferences to publish business results, interviews in shareholders meetings, and press releases (5 times)Ad hoc business result updates, interviews in press conferences, and press releases (6 times)Regular press releases to publish monthly revenues (12 times)Ad hoc press releases to publish business updates (6 times)Media and public relations hotline and media interviews and inquiries (real time)	<ul style="list-style-type: none">Corporate governance & operationsCorporate ImageIntegrity and complianceRisk managementWaste managementIntegrity and complianceLabor relations and friendly workplaceInnovation Development and Application	<ul style="list-style-type: none">he 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.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.	<div>2.2 Employee Profile29</div> <div>2.3 Organization Structure of Corporate Governance32</div> <div>2.5 Compliance, Ethics and Anti-corruption40</div> <div>2.4 Corporate Risk Management36</div> <div>5.5 Employee Relations84</div> <div>5.6 LOHAS LITE-ON86</div> <div>3.1 Product Green Design44</div>	

Audience	Importance of stakeholders to LITE-ON	Method and frequency of engagement	Issues	Engagement results	Response measures and counter measures (chapter and page numbers)		
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.	<ol style="list-style-type: none">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)	<ul style="list-style-type: none">· Customer relationship management· Product quality and safety· Data security and client privacy· Green product design· Supply chain management	<ul style="list-style-type: none">· 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 service, 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.	1.2.2.2 2.6 3.1 3.1.3 3.3	Customer Service and Satisfaction Information Security and Privacy Product Green Design Product Certification Sustainable Supply Chain	19 42 44 48 52
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.	<ol style="list-style-type: none">1. Regular supplier training conferences2. Supplier audits3. Project meetings4. Operational review meetings	<ul style="list-style-type: none">· Supply management· Product quality and safety· Raw materials management· Product or service life cycles· Supply chain management· Integrity and compliance· Green product design	<ul style="list-style-type: none">· 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.· 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.	2.5 3.1.1 3.1.3 3.1.5 3.2 3.3	Compliance, Ethics and Anti-corruption Product Green Design and Strategies and Goals Product Certification Main Raw Materials Utilization and Management Limiting Use of Hazardous Substances Sustainable Supply Chain	40 44 48 50 51 52
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.	<ol style="list-style-type: none">1. Regular update of corporate website and information on the Market Observation Post System (monthly/quarterly/annually)2. Questionnaires and interviews (as needed)3. Receive government performance evaluation (annually)4. Participate in events and consultation meetings hosted by government agencies (as needed)	<ul style="list-style-type: none">· Corporate image· Integrity and compliance· Corporate governance and operations· Labor relations and friendly workplace	<ul style="list-style-type: none">· 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.	2.1 2.2 2.3 2.5 5.5 5.6	LITE-ON Corporate Values and Governance Company Overview Organization Structure of Corporate Governance Compliance, Ethics and Anti-corruption Employee Relations LOHAS LITE-ON	27 29 32 40 84 86

Audience	Importance of stakeholders to LITE-ON	Method and frequency of engagement	Issues	Engagement results	Response measures and counter measures (chapter and page numbers)		
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.	<p>Community assistance</p> <ol style="list-style-type: none"> 1. Social media webpage (as needed) 2. Course feedback form (at the end of each class) 3. Instructors' meetings (organized as needed) 4. Teachers' meetings (organized as needed) 5. Volunteers and supervisors meetings (organized as needed) 6. Assistance director and supervisors meetings at the beginning and the end of a semester (semiannually) <p>Xinyi Community College</p> <ol style="list-style-type: none"> 1. Course satisfaction questionnaires (semiannually) 2. Instructor meetings (semiannually) 3. Volunteer meetings (quarterly) 	<ul style="list-style-type: none"> · Social engagement · Corporate image · Integrity and compliance · Climate change and energy management 	<ul style="list-style-type: none"> · 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. 	<p>2.2 Company Overview 29</p> <p>2.5 Compliance, Ethics and Anti-corruption 40</p> <p>4.2 Climate Change and Energy Management 59</p> <p>6.1 Social Inclusion Policy 93</p> <p>6.4 LITE-ON Volunteers 97</p> <p>6.5 LITE-ON Cultural Foundation 98</p>		
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.	<ol style="list-style-type: none"> 1. Onsite visits and meetings (as needed) 2. Seminar planning (as needed) 3. Government project execution (as needed) 4. Collaborative technology development (as needed) 	<ul style="list-style-type: none"> · Innovation Development and Application · Green product design · Talent training & education · Integrity and compliance 	<ul style="list-style-type: none"> · 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. 	<p>2.5 Compliance, Ethics and Anti-corruption 40</p> <p>3.1 Product Green Design 44</p> <p>6.1 Social Inclusion Policy 93</p> <p>6.2 2018 LITE-ON Award 94</p> <p>6.3 Supporting Internships 96</p>		
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.	<ol style="list-style-type: none"> 1. Membership associations (as needed) 2. Event co-sponsorships (as needed) 	<ul style="list-style-type: none"> · Corporate image · Human rights · Labor relations and friendly workplace · Climate change and energy management 	<ul style="list-style-type: none"> · 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. · To work with NGOs on employee care and environment adaptation initiatives, including climate change response measures and energy saving and carbon reduction measures. 	<p>1.2.2.1 StyroCycle - Styrofoam Marine Waste (Recycled Plastic Resin) Development Project 18</p> <p>2.2 Company Overview 29</p> <p>3.3.3.1 Sustainable Supply Chain Guidelines 54</p> <p>4.2 Climate Change and Energy Management 59</p> <p>5.4 Protection of Employee Interest 81</p> <p>5.5 Employee Relations 84</p> <p>5.6 LOHAS LITE-ON 86</p> <p>6.5.1 Community Assistance and Holistic Services 98</p> <p>6.5.2 Taipei Xinyi Community College (Taiwan) 102</p>		

1.2.2 Stakeholder Engagement Performance Highlights

1.2.2.1 StyroCycle - Styrofoam Marine Waste (Recycled Plastic Resin) Development Project

Partners: 1.Environmental Protection Bureau of Penghu County of Taiwan (government department)

2.Styrofoam marine waste management suppliers

3.Recycled material developers and plastic goods manufacturers

Execution date: October 2018 - ongoing

Background and objectives

Pollution by ocean waste has become the second largest disaster on Earth after climate change. Surrounded by ocean, Taiwan faces the same serious ocean waste problem. However, the more common plastic bottles and fishing nets are already being handled by a complete recycling system in Taiwan, recycled materials and their uses have been developed. Meanwhile, the larger size of styrofoam makes the cost of shipping far exceed the benefit of recycling. Hence, styrofoam processing is one of the trickier issues when it comes to plastic waste. As part of our commitment to the community and to environmental protection, LITE-ON works with social enterprises that process styrofoam marine waste, the Environmental Protection Bureau of Penghu County (Taiwan), and our suppliers in finding effective solutions to processing and reuse of styrofoam marine waste. The objectives are to develop a circular economy and to fulfill corporate social responsibility.

Activities and achievements

"Penghu Coastal Styrofoam Waste Cleanup Launch Ceremony" - LITE-ON invited representatives of the Environmental Protection Bureau of Penghu County (Taiwan), and used the launch ceremony to show the two partners' commitment to clean up coastal styrofoam waste together. To extend the reach of the campaign and to organize more coastal cleanups, LITE-ON teamed up with international environmental NGO in 2018. LITE-ON also invited stakeholders such as suppliers, subsidiaries, and research institutions to join the effort and support the idea, "less plastic on the ground, less plastic all around". Coastal cleanups have taken place on beaches in the domestic cities, such as New Taipei City, Hsinchu, Tainan, and Kaohsiung, and removed more than 2 tons of ocean waste.

"Penghu Coastal Styrofoam Waste Cleanup and Processing" - A total of 5 tons of waste has been removed since October 2018. The cleanups will continue with a target at 20 tons per year in the future. Waste is given to suppliers that use a special solvent process to reduce volume and turn the waste into recycled plastic resin for further use.

"Promotion of technologies for recycling, modification, and reuse of styrofoam marine waste" - Recycled styrofoam marine waste can be used as materials for product development. So far, plastic recycled and modified from styrofoam marine waste has been successfully turned into computer peripherals, keyboards and mice. LITE-ON will continue to work with more partners in order to develop more recycled materials and find more uses in products.



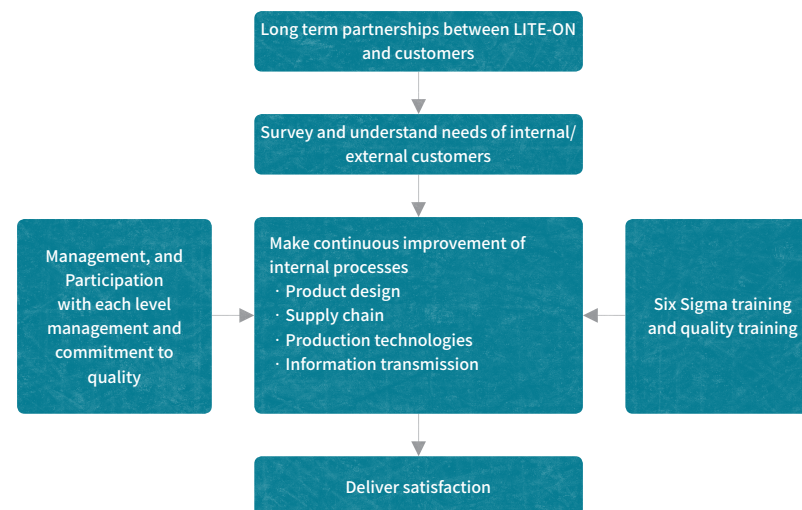
1.2.2.2 Customer Service and Satisfaction



Customer service

LITE-ON's each business unit has 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.

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.

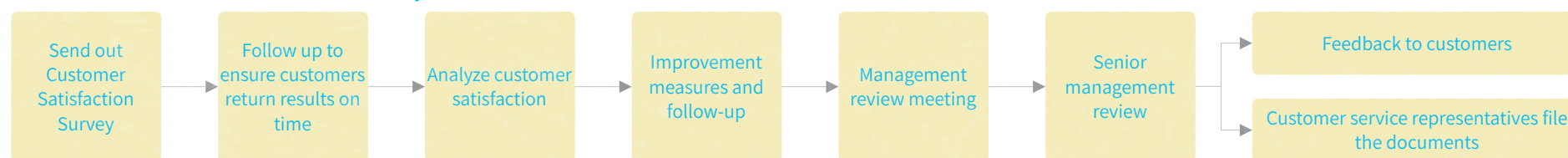


Customer satisfaction

"Customer Satisfaction" is one of the important bases of product and service improvement for LITE-ON. 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.

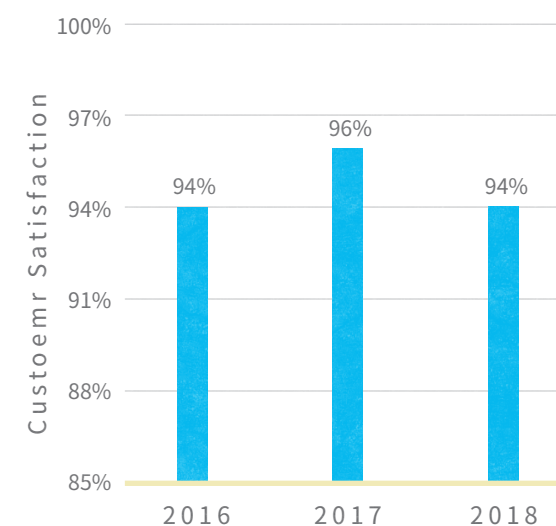
Process of customer satisfaction survey:



Below are the results of Customer satisfaction survey conducted by LITE-ON's core business in 2018:

		Satisfaction Survey Items						Overall satisfaction
		Green Compliance	Quality	Purge	Delivery Time	Technology	Response	
Average Satisfaction	Score (out of 5)	4.9	4.8	4.8	4.8	4.3	4.7	4.7
	Satisfaction (%)	98	96	96	96	86	94	94
Satisfaction >4.5	Percentage	86%	86%	93%	93%	36%	71%	86%
Satisfaction <4.5 ~>4.0	Percentage	14%	14%	7%	7%	64%	7%	14%
Satisfaction <4.0	Percentage	0%	0%	0%	0%	0%	0%	0%

*1: Main Customers are defined as the group of top 20 customers



1.2.3 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, and 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 serves also as a comprehensive review of business performance.



Identification

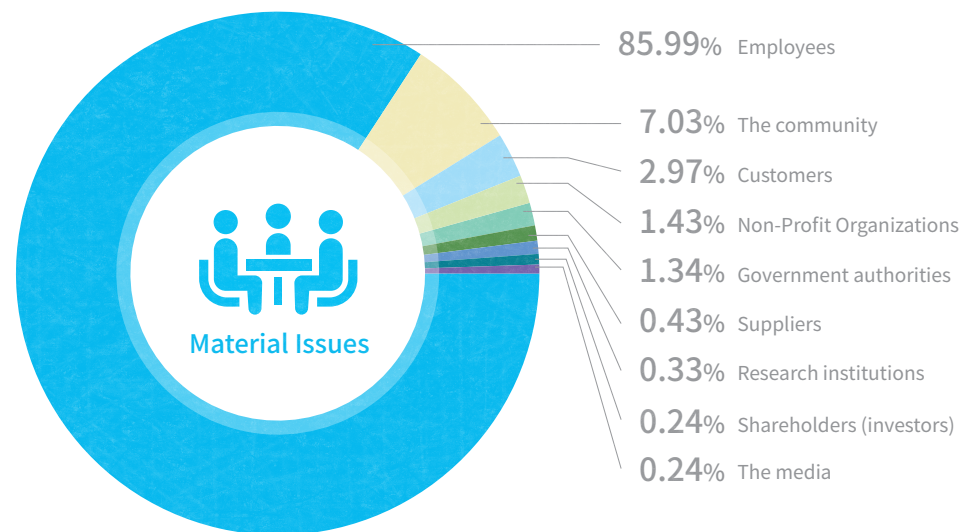
A list of 20 sustainability issues was compiled through the channels below to provide the scope of material issue identification in the report.

- List sustainability issues that would be of interest to different stakeholders based on experience of employees from everyday business activities and previous assignments
- Review critical concerns of leading competitors around the world and international trends in sustainability
- Look back on the material issue matrix in the previous report in order to maintain the objectivity, integrity, and inclusiveness of material issues.

Prioritization

The process of sustainability issue prioritization by materiality is described as follows.

- Assess the issues by "the degree of impact of a company on the economy, the environment, and society" and "the degree of influence over stakeholders' assessment and decision making processes".
- Use external questionnaires again this year to collect opinions from key stakeholders in order to make the data more representative. The company received 2,091 valid replies, including opinions from employees (1,798) and from external stakeholders in the other eight categories (293).
- Analyze the influence and degree of impact of individual issues and generate the preliminary material issue matrix through the statistical techniques and quantitative data.



Validation

- To ensure compliance with the GRI integrity and stakeholder inclusiveness principles, results of the preliminary identification of material issues are reviewed by the LITE-ON CSR Committee, and the degree of materiality is increased for the four issues, "green product design", "corporate governance", "climate change and energy management", and "development and application of innovations", based on results of international benchmarking analysis, trends in sustainability, and LITE-ON's business development strategies.
- The adjusted results were reviewed by the GCEO, and the material issue matrix was discussed and validated.

Compared to the results from last year (2017), 2 issues, which are "information security and personal information protection" and "talent attractive and retention", out of the 20 issues are new additions to the major impact issues, and make a total of 8 issues in the category. There are 8 significant impact issues and 4 moderate impact issues. Following examples of benchmark firms in and outside Taiwan and for consistency of terms in and outside the company, LITE-ON changed "product or service life cycles" to "green design"; merged "climate change strategies" and "energy efficiency" into "climate change and energy management"; merged "privacy and data security" and "data security and client privacy" into "information security and personal information protection"; merged "labor relations and fair treatment of employees" and "diversity and inclusion" into "labor relations and friendly workplace"; and added "development and application of innovations".

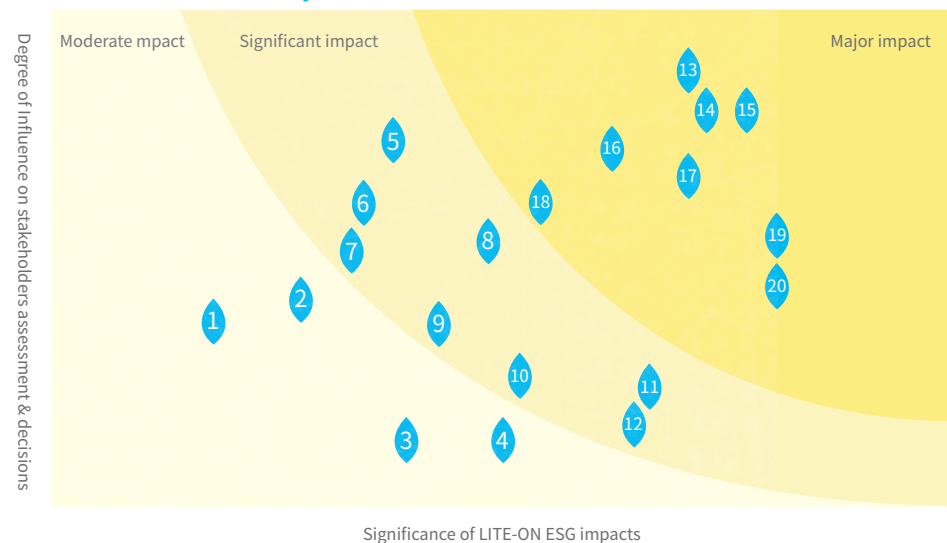
11 LITE-ON specific issues were summarized from "major impact issues" and "significant impact issues" to provide the scope of material disclosure in the report. The moderate impact issues were deemed nonmaterial issues, and would not be disclosed in the report, except where non-material issues would affect the presentation of material issues. Such non-material issues would be described and disclosed in the report as appropriate.

Furthermore, we identified the GRI topics corresponding to the material issues and provided answers in the report.

Review

In the next report, we will review the material issue matrix, and engage stakeholders in further communication to determine if the material issue matrix for the coming year is reasonable or in need of adjustment.

LITE-ON materiality matrix in 2018



Moderate impact

1 Social engagement	2 corporate image	3 raw materials management	4 water resource management
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Significant impact

5 Supply chain management	6 risk management	7 customer relationship management	8 climate change and energy management
9 product quality and safety	10 talent training and education	11 waste management	12 development and application of innovations

Major impact

13 Corporate governance and operations	14 integrity and complianc	15 human rights	16 information security and personal information protection
17 green product design	18 occupational safety and health	19 talent recruitment and retention	20 labor relations and friendly workplace

Implications of material issues for LITE-ON

Category	Material issue	Implications for LITE-ON
Environmental concerns	Climate change and energy management	LITE-ON sees climate change as a major risk and an important opportunity. In addition to setting aggressive carbon reduction targets and adaptation and mitigation strategies, LITE-ON makes use of energy creation, conservation, and conversion products and solutions to counter the implications and challenges of climate change.
	Waste management	LITE-ON understands the responsibility of a business to the environment. Through ongoing improvement of the environmental management system and setting environmental management targets, LITE-ON strives to achieve low pollution, low energy consumption, easy recycling and similar environmental friendliness targets.
Governance	Corporate governance and operations	LITE-ON follows the vision of being "the best partner in optoelectronics, energy conservation and smart technologies", and conducts its business by sound business practices and the principles of honesty and integrity. Meanwhile, a complete corporate governance framework is being developed, and campaigns are organized to raise awareness of related tasks in order to protect the rights of stakeholders.
	Integrity and compliance	
	Information security and personal information protection	LITE-ON values the privacy and safety of its stakeholders, including employees, business partners (customers, suppliers, and consultants), and shareholders, and of operation related information assets.
	Risk management	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.
	Customer relations management	Customers dominates LITE-ON's revenue. By listening to customers and their needs, monitoring industry trends closely and providing professional services, LITE-ON meets the customers' standards and keeps abreast with the latest developments.
	Supply chain management	LITE-ON views the supply chain as an important partner on the path to sustainability. Achieving sustainable supply chain management to reduce business risks and costs is the only way to continue to provide responsible and high quality services for our customers.
Product concerns	Green Product Design	LITE-ON's approach to green design begins with the product life cycle and follows the principles such as reducing the environmental impact, making more efficient use of energy, and improved ease of disassembly and recycling. In addition, LITE-ON works with suppliers to become the clients' best allies 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.
	Product quality and safety	
	Development and application of innovations	
Social concerns	Human rights	Employees are LITE-ON's most important partners. We pay a lot of attention to the working conditions, development, and care of our employees. LITE-ON has a number of communication channels in place inside the company. There are ongoing campaigns to promote employee relations programs aimed at creating a workplace conducive to "happiness, growth, health, and balance".
	Labor relations and friendly workplace	
	Occupational safety and health	
	Talent cultivation and training	
	Talent attraction and retention	

1.2.4 Impact Scope of Material Topics

○ Indirect impact ◎ Business impact ● Direct impact

						Involvement and Impact Scope								
Materiality	Material topics	GRI disclosure	Report Chapter		Page	Employees	Customers	Suppliers	Shareholders (Investors)	Government authorities	Non Profit Organizations	Research Institutions	The Media	The community
Major impact	Green Product Design	GRI 302 : Energy LOT-EN2 : Energy efficiency improvement LOT-EN3 : Material resources saving LOT-EN4 : Reduction use of hazardous substance	3.1	Product Green Design	44	●	●	◎				◎		
Major impact	Corporate governance and operations	GRI 201 : Economic Performance	2.2	Company Overview	29									
		GRI 205 : Anti-Corruption	2.5	Compliance, Ethics and Anti-corruption	40									
		GRI 405 : Diversity and Equal Opportunity	2.3.1	Board of Directors	33									
			3.3.3.1	Sustainable Supply Chain Guidelines	54									
			4.2	Climate Change and Energy Management	59									
			5.2.1	Employee Structure and Distribution	70	●	◎		◎	○			○	
			5.2.4	Responsible Business Alliance, RBA (formerly EICC) Code of Conduct Committee	77									
		5.4	Protection of Employee Interest	81										
			5.6	LOHAS LITE-ON	86									
Major impact	Integrity and compliance	GRI 205 : Anti-Corruption	2.5	Compliance, Ethics and Anti-corruption	36									
		GRI 206 : Anti-Competitive Behavior	2.6	Information Security and Privacy Management	42									
		GRI 307 : Environmental Compliance	3.1.3	Product Certification	48									
		GRI 416 : Customer Health and Safety	4.1.2	Green Operations Action Plans	58									
		GRI 417 : Marketing and Labeling	5.4.4	Violation of Labor Standards Act and Others	83	●	●	◎	◎	○			○	
		GRI 418 : Customer Privacy GRI 419 : Socioeconomic Compliance												
Major impact	Occupational safety and health	GRI 403 : Occupational Health and Safety	5.6.3	Occupational Safety and Health Management (OSHM)	90	●	◎	◎		○				
Major impact	Labor relations and friendly workplace	GRI 202: Market Presence	3.3	Sustainable Supply Chain	52									
		GRI 402: Labor / Management Relations	5.2.1	Employee Structure and Distribution	70									
		GRI 407: Freedom of Association and Collective Bargaining	5.2.4	Responsible Business Alliance, RBA Code of Conduct Committee	77									
		GRI 409: Compulsory Labor				●	◎	◎		○			○	
			5.4	Protection of Employee Interest	81									
			5.5	Employee Relations	84									
		5.6.2	Diverse Recreational Activities	88										

1.2.4 Impact Scope of Material Topics (Cont'd)

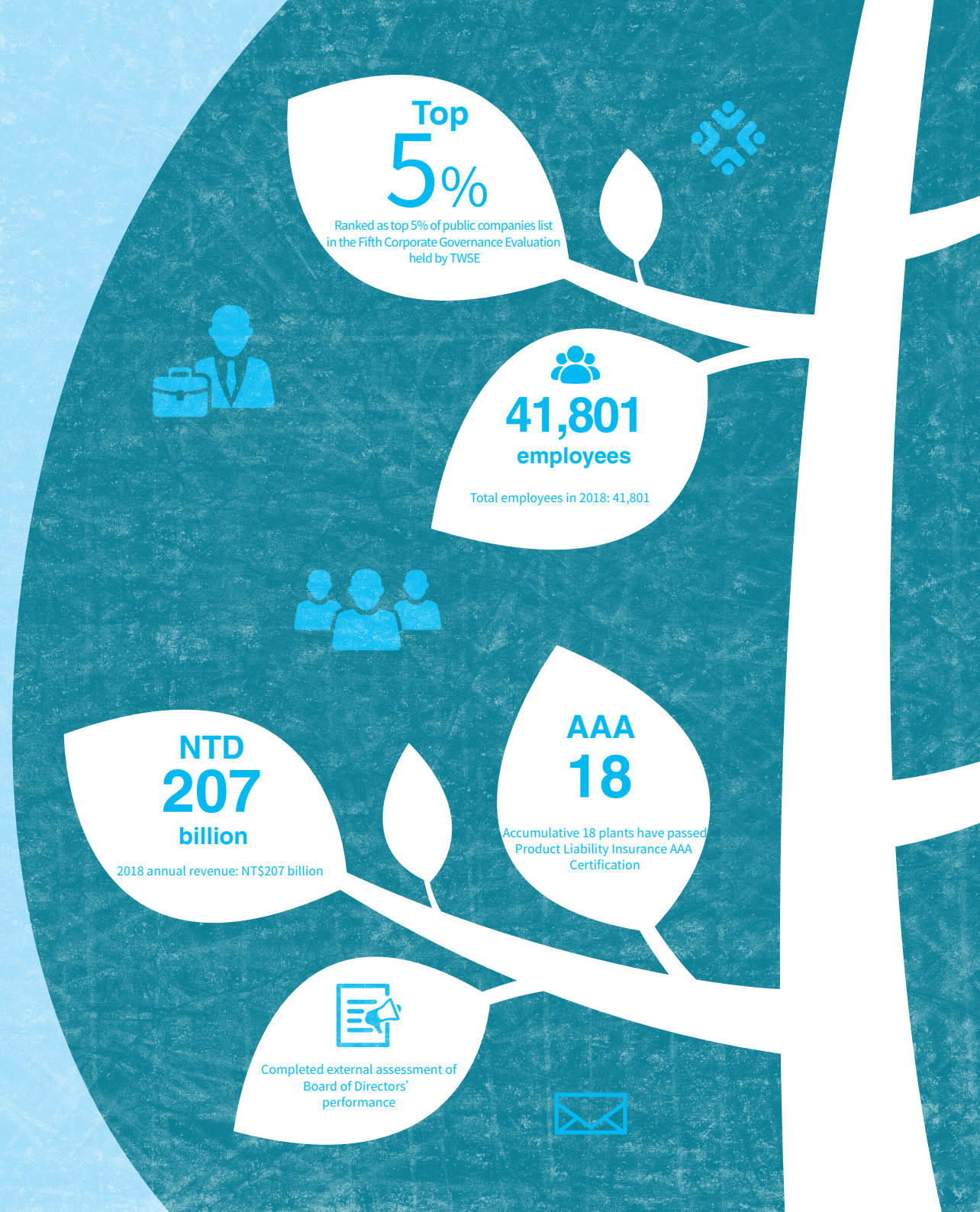
○ Indirect impact ◎ Business impact ● Direct impact

						Involvement and Impact Scope							
Materiality	Material topics	GRI disclosure	Report Chapter	Page	Employees	Customers	Suppliers	Sharehold-ers (Investors)	Govern-ment authorities	Non Profit Organiza-tions	Research Institu-tions	The Media	The com-munity
Major impact	Human rights	GRI 405: Diversity and Equal Opportunity	2.3.1 Board of Directors	33									
		GRI 406: Non-Discrimination	5.2.1 Employee Structure and Distribution	70									
		GRI 408: Child Labor	5.4 Protection of Employee Interest	81									
		GRI 407: Freedom of Association and Collective Bargaining	5.5 Employee Relations	84									
		GRI 409: Compulsory Labor	3.3.3.3 Supplier Management Mechanisms	55	●	◎	◎		○	○		○	○
		GRI 412: Human Rights Assessments	5.2.3 Personnel Recruitment	76									
			5.2.4 Responsible Business Alliance, RBA Code of Conduct Committee	77									
			5.3 Employee Development and Training	78									
Major impact	Talent attraction and retention	GRI 202: Market Presence	5.6.2 Diverse Recreational Activities	88									
		GRI 401: Employment	5.2.1 Employee Structure and Distribution	70									
		GRI 404: Training and Education	5.3 Employee Development and Training	78	●								○
			5.4 Protection of Employee Interest	81									
Major impact	Information security and personal information protection	GRI 417: Marketing and Labeling	5.6 LOHAS LITE-ON	86									
		GRI 418: Customer Privacy	2.6 Information Security and Privacy Management	42									
		GRI 419: Socioeconomic Compliance	3.1.3 Product Certification	48	●	◎	●		○			○	
Significant impact	Supply Chain Management	GRI 204: Procurement Practices	3.2 Limiting Use of Hazardous Substances	51									
		GRI 308: Supplier Environment Assessment	3.3.2 Supply Chain and Localized Purchasing	52									
		GRI 414: Supplier Social Assessment	3.3.3.1 Sustainable Supply Chain Guidelines	54	●	◎	●						
			3.3.3.2 Identification of Supply Chain Risk	54									
			3.3.3.3 Supplier Management Mechanisms	55									
Significant impact	Climate change and energy management	GRI 201: Economic Performance	4.1 Commitment to Environmental Sustainability and Policy	58									
		GRI 302: Energy	4.2 Climate Change and Energy Management	59	●	◎	◎		○	○	◎	○	
Significant impact	Waste management	GRI 305: Emissions											
		GRI 306: Effluents and Waste	4.1 Commitment to Environmental Sustainability and Policy	58	●		◎		○	○		○	○
		GRI 307: Environmental Compliance	4.4 Waste management, Recycling and Reuse	66									

2

Corporate Governance

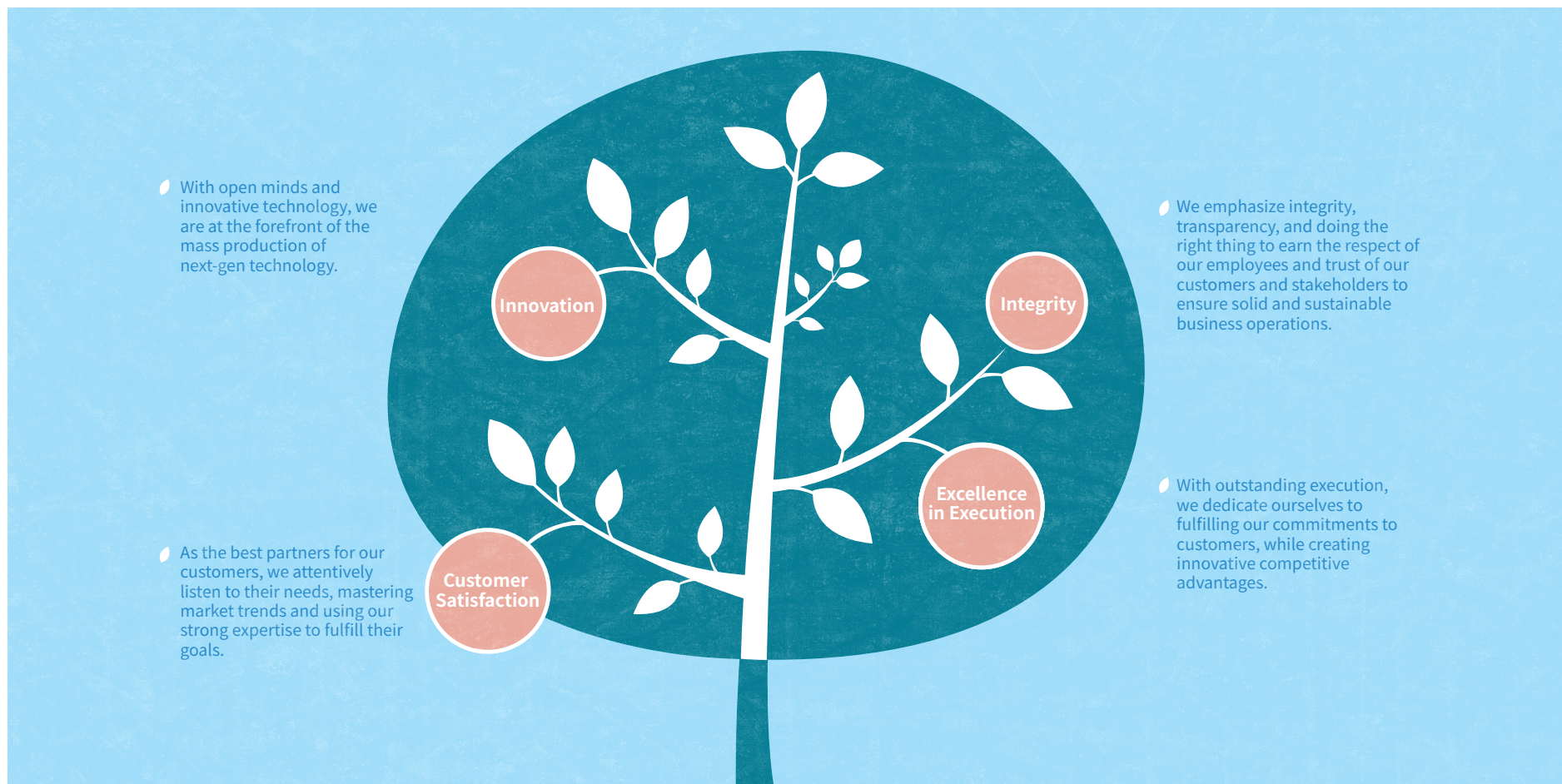
Innovation, Integrity,
Excellence in Execution,
Customer Satisfaction



2.1 LITE-ON Corporate Values and Governance

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.



Actions and results

LITE-ON develops effective corporate governance and implements 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.

2018 Targets	Actions	Results
Maintain top performance in Corporate Governance Evaluation (Top 5% TWSE-listed companies)	<ol style="list-style-type: none"> 1. Appoint a full-time corporate governance staff 2. Hire an independent external agency to evaluate performance (and achievement) of the board of directors 	TWSE Corporate Governance Evaluation <ul style="list-style-type: none"> · Top 5% in the fourth year · Top 5% in the fifth year
All factories received Product Liability Insurance AAA Certification	HIS Shijie Plant and Storage Hsinchu Plant received Product Liability Insurance AAA Certification from the ACE Group in 2018	A total of 18 factories received Product Liability Insurance AAA Certification
Provide corporate governance (refresher) courses for all indirect employees of Lite-On in Taiwan	<ol style="list-style-type: none"> 1. Online courses were revamped in June to include more interactive elements and encourage more frequent use by employees. 2. Ask the head of the Legal Department to explain antitrust case studies to salespersons and employees in direct contact with clients or suppliers 	Completion rate of corporate governance refresher course in Taiwan: 76% ^{note}

note: 1. Awareness campaigns: To encourage voluntary participation, Lite-On makes plans for regular campaigns to raise awareness of these courses in 2019 and to increase the participation rate by prompting employees and departments that have not completed the courses.
 2. Multiple channels: To make it easier for employees to take online courses, Lite-On started offering the courses through a mobile app in 2019. They are now available via multiple channels (offline, online, and mobile app). In addition, discussion groups are organized as part of refresher training to increase the participation rate.

Future goals

Items	Completion
Maintain top performance in Corporate Governance Evaluation (Top 5% TWSE-listed companies)	Ongoing
Increase the completion rate of refresher training on corporate governance course* for indirect workers in Taiwan to 99%	2019 90% 2020 95%

* Insider information handling process and international antitrust regulations courses (primary and advanced)

2.2 Company Overview



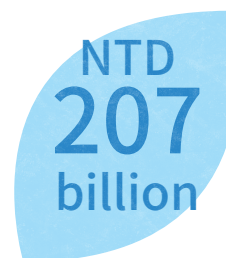
Company Name: LITE-ON Technology Corporation

Stock code : 2301

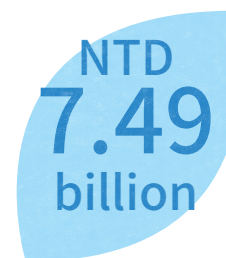
Founded in 1975, LITE-ON embraces being “Best Partner in Opto-Electronic, Eco-Friendly and Intelligent Technologies” as its vision to focus on the development of optoelectronics and key electronic components, and strives to build up competitive edge through resource integration and optimized management. 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, and storage devices. Now LITE-ON is one of the worldwide top 2 Power Supplies suppliers*.

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 profitable growths. 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 shareholder value to lay 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/lighting, automotive electronics, smart manufacturing, and IoT 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.



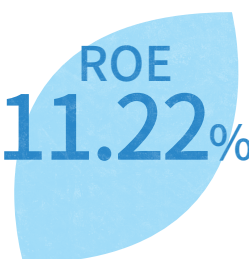
2018 Revenue: NT\$207.1 billion
2017: NT\$215 billion
2016: NT\$230 billion



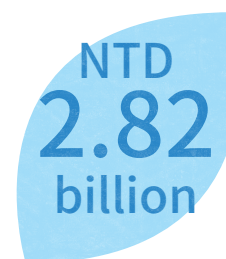
2017 Operating Income: NT\$7.49 billion
2017: NT\$8.34 billion
2016: NT\$12.71 billion



2018 Earning per Share: NT\$3.42
2017: NT\$1.13
2016: NT\$4.05



2018 Return on Equity: 11.22%
2017: 3.59%
2016: 12.40%



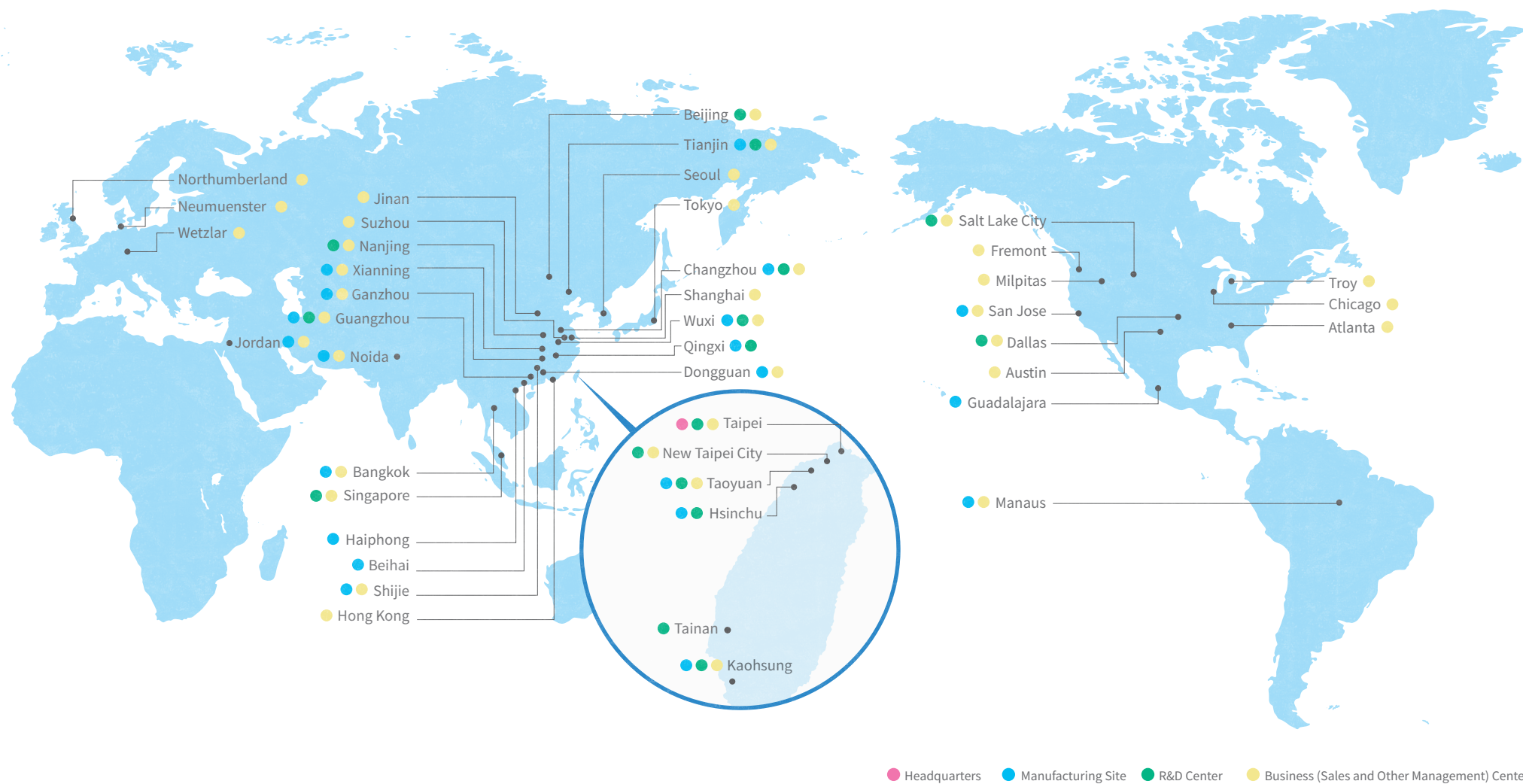
2017 Tax Expense: 2.82 billion
2017: NT\$0.74 billion
2016: NT\$3.27 billion



2018 WW Top 2 Power Supplies Supplier
2017 : Top 2
2016: Top 2

1. For more details on business performance including financial statement, liabilities, shareholders' equity, and retained earnings etc. please refer to LITE-ON's Annual Report published on the company website: [HTTPS://WWW.LITEON.COM/EN-US/INVESTOR/FINANCIALREPORTS/9](https://www.liteon.com/en-us/investor/financialreports/9)
2. For information of LITE-ON's product development, please refer to following company webpage: [HTTPS://WWW.LITEON.COM/EN-US](https://www.liteon.com/en-us) , For production volume and sales value, please refer to LITE-ON 2018 Annual report Page 90
3. For Dividend policy with execution status and compensation for employees and board of director, please refer to please refer to LITE-ON 2018 Annual report Pages 72-73
4. * Source: 2018 Micro-Tech Consultants Report

2.2.1 LITE-ON'S Major Operations Locations Worldwide 2018



2.2.2 List of Top Shareholders

April 23rd, 2019

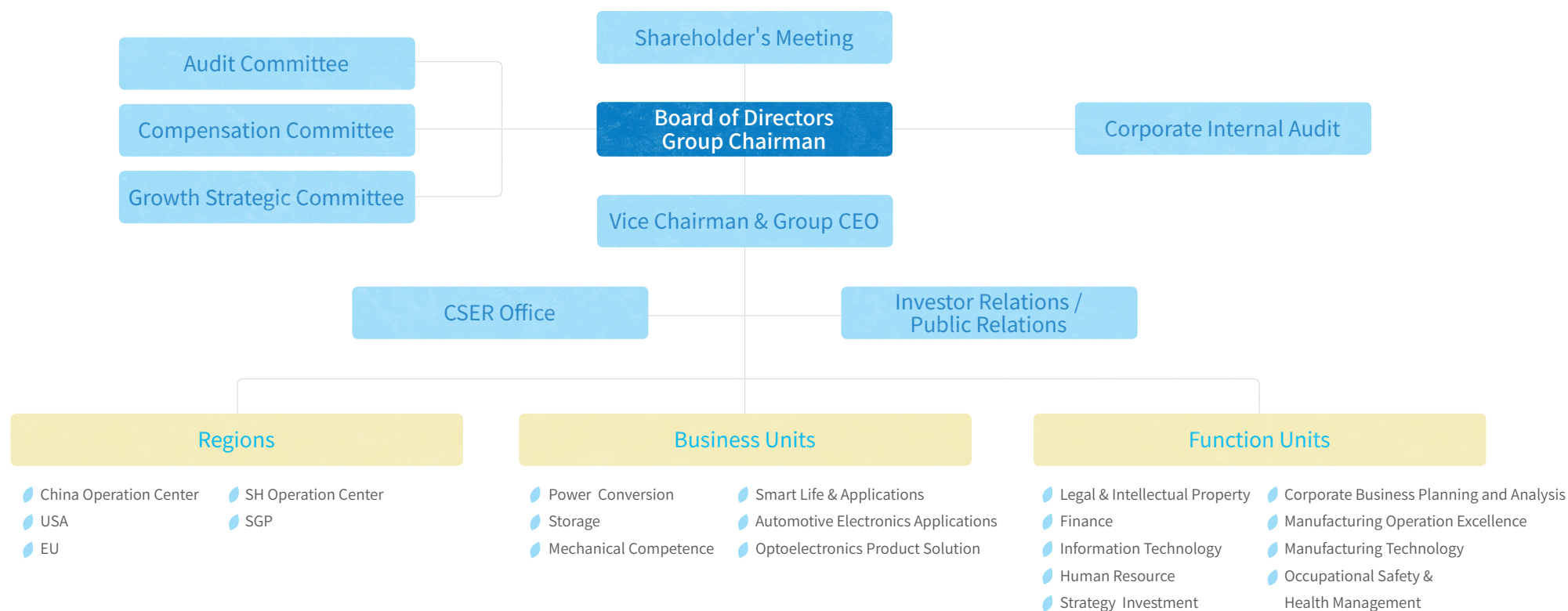
Name of Shareholder	Number of Shares held	Shareholding%
1. Ta-Rong Investment Co. Ltd.	85,402,698	3.63%
2. Raymond Soong	79,302,560	3.37%
3. Taiwan Bank in custody for Silchester International Investors International Value Equity Trust	69,935,857	2.98%
4. Taiwan Bank in custody for Hermes Investment Funds Public Limited Company	58,159,000	2.47%
5. Ming-Hsing Investment Co., Ltd.	47,326,330	2.01%
6. Ta-Sung Investment Co. Ltd.	47,088,399	2.00%
7. Fubon Life Insurance Co., Ltd.	46,000,000	1.96%
8. Yuan Pao Development & Investment Co. Ltd.	39,473,599	1.68%
9. New Labor Pension Fund	36,496,142	1.55%
10. Taiwan Bank in custody for Silchester International Investors International Value Equity Group Trust	36,355,953	1.55%
11. Government funds and shareholders		
• New Labor Pension Fund	36,496,142	1.55%
• Labor Insurance Fund	28,688,982	1.22%
• Public Service Pension Fund	18,386,131	0.78%
• National Annuity Fund	13,545,712	0.58%
• Chunghwa Post Co., Ltd.	11,396,973	0.48%
• Labor Pension Fund	8,155,462	0.35%
• Department of Government Employees Insurance, Bank of Taiwan	3,164,846	0.13%
• BankTaiwan Life Insurance Co., Ltd.	2,350,000	0.10%
• National Culture and Arts Foundation	1,617,004	0.07%
Total shares held by government funds	123,801,252	5.27%

2.2.3 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	<ol style="list-style-type: none"> 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; AIoT) 10. Taipei Electronic Components Suppliers' Association 11. Taiwan Telematics Industry Association 12. Taiwan Transportation Vehicle Manufacturers Association 	<ol style="list-style-type: none"> 1. International Solid State Lighting Alliance 2. China Solid State Lighting Alliance 3. Electronics & Communications Association of Guangzhou (Development District) 	<ol style="list-style-type: none"> 1. Electronic & Computer Employers' Association (Thailand) 2. Chai-Klong Personnel Management (Thailand) 3. SEMI
R&D and Technology	<ol style="list-style-type: none"> 1. Taiwan information Storage Association 2. Taiwan IoT Technology and Industry Association 	<ol style="list-style-type: none"> 1. Anti-Static Equipment Branch of China Electronic Instrument Industry Association 2. Open Data Center Committee 	<ol style="list-style-type: none"> 1. Open Compute Project 2. Wi-Fi Alliance 3. High Definition Multimedia Interface Inc., HDMI 4. Wireless Power Consortium
Others	<ol style="list-style-type: none"> 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 	<ol style="list-style-type: none"> 1. Jiangsu Association for Quality 	

2.3 Organization Structure of Corporate Governance



- Compared with organization structure in 2017, to focus on transformation development, LITE-ON has sold and transferred Camera Module business and Mobile Mechanics business, and established Automotive Electronics Application Business Group by combining all the automotive electronics related business in order to actively develop the automotive applications industry.
- For detailed functional description, please refer to 2018 LITE-ON Annual report page12

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 started appointing a head of corporate governance in 2018. The head of corporate governance is responsible for promoting and implementing corporate governance practices in the company. The results in 2018 and the plans for 2019 are available on the company website: [HTTPS://WWW.LITEON.COM/EN-US/GLOBALCITIZENSHIP/275](https://www.liteon.com/en-us/globalcitizenship/275) .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, and following are the responsibilities and related descriptions:

2.3.1 Board of Directors

1. The company's directors are elected according to its "Rules of 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.

2. 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 different core competences, 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 (including anti-

corruption courses). Details regarding directors' ongoing education have been published onto the Market Observation Post System and in 2018 LITE-ON Annual report Page 60.

3. 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 eight board meetings were held in 2018 with 100% attendance at board meetings (including personal and proxy attendance).
4. Major key events, such as major investments, annual financial statements, donations and other events that are required by law to be passed by the board of directors before proceeding, are discussed and passed by the board of directors and then announced on the Market Observation Post System and disclosed on the company website and in the annual report as required by law. A total of 16 major key events were submitted to the board of directors in 2018. Detailed information can be found in the annual report (Page 57 of the 2018 Annual Report). Important board resolutions can be found on the company website: [HTTPS://WWW.LITEON.COM/STORAGE/DOCUMENT/DOCUMENT/%E8%91%A3%E4%BA%8B%E6%9C%83%E9%87%8D%E8%A6%81%E6%B1%BA%E8%AD%B0_20190705E.PDF](https://www.liteon.com/storage/document/document/%E8%91%A3%E4%BA%8B%E6%9C%83%E9%87%8D%E8%A6%81%E6%B1%BA%E8%AD%B0_20190705E.PDF).
5. Where a director or a juristic person that the director represented was an interested party in relation to an agenda item, the director followed Article 15 of the Regulation and Procedure for Board of Directors Meetings and stated the important aspects of the interested party relationship at the respective meeting. The director shall recuse himself or herself from the discussion or the voting on the item, and may not exercise voting rights as proxy for another director. Detailed information of directors absenting themselves due to conflict of interest can be found in the annual report (Page 32 of the 2018 Annual Report).

			Competences							Sustainability Development Management
LITE-ON Board Members			Gender	Finance	Business	Investment	Information	Communication	Risk Management	Operation Management
Chairman	Raymond Soong		Male		V	V		V	V	V
Vice Chairman	Warren Chen, Representative of LITE-ON Capital Inc.		Male		V	V		V	V	V
Director	Keh-Shew Lu, Representative of Ta-Sung Investment Co., Ltd.		Male		V	V	V	V	V	
	Tom Soong, Representative of Ta-Sung Investment Co., Ltd.		Male		V		V	V	V	
	Joseph Lin, Representative of Dorcas Investment Co., Ltd.		Male		V	V	V		V	
	C.H. Chen, Representative of Yuan Pao Development & Investment Co., Ltd.		Male		V	V			V	V
	David Lee, Representative of Yuan Pao Development & Investment Co., Ltd.		Male	V	V	V			V	V
Independent Director	Harvey Chang		Male	V	V	V	V	V	V	V
	Edward Yao-Wu Yang		Male	V	V	V	V	V	V	V
	Albert Hsueh		Male	V	V		V		V	V

2.3.2 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:
 - The Chief Audit Officer reported to the Audit Committee on the establishment and amendment to the internal control system.
 - The Chief Audit Officer reported to the Audit Committee on the annual self- assessment of the implementation and results on the internal control systems.
 - The Chief Audit Officer reported to the Audit Committee on the annual audit plan and the implementation results.
 - The Chief Audit Officer reported to the Audit Committee on the findings of each audit and the tracking of corrective actions and preventive actions.
 - The Chief Audit Officer provided information on the addition or amendment of laws governing securities and exchange to the Audit Committee.
 - The Chief Audit Officer presented to the Audit Committee the report on the conduct of special audits prescribed by the committee and the findings.
 - 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 in 2018 are listed on the company website:
[HTTPS://WWW.LITEON.COM/ZH-TW/GLOBALCITIZENSHIP/481](https://www.liteon.com/zh-tw/globalcitizenship/481)
According to LITE-ON's "Audit Committee Organizational Rules," the Audit Committee meets at least once every quarter. A total of eight Audit Committee meetings were held in 2018, and the members' attendance rate (including attend in person and by proxy) is 100%.
3. Highlights of the meetings of the Audit Committee can be found on the company website:
[HTTPS://WWW.LITEON.COM/EN-US/GLOBALCITIZENSHIP/482](https://www.liteon.com/en-us/globalcitizenship/482).

2.3.3 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.

Duties of the Compensation Committee extend beyond employees' incentives and bonuses, to cover performance appraisals and remuneration of directors and executive managers as well. LITE-ON's Compensation Committee consists of 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 remuneration policies and plans on a regular basis to ensure that they sufficient to attract, motivate and retain talent. The committee reviews the performance and remuneration of directors, the CEO and managers, and evaluates employee bonuses on a yearly basis. To ensure that its compensation packages reasonable and competitive as a whole, the company regularly invites professional consultants to conduct overall comparison and analysis of the company's compensation packages and market rates. The results are duly submitted to the Compensation Committee.

Remuneration of directors, LITE-ON's highest level of governing body, is distributed according to the duties and independence of the directors and the duties associated with serving concurrently as the committee chairman. Furthermore, the total amount paid to the directors is linked to business performance by a percentage and subject to a maximum. The amount will be reviewed by the Compensation Committee, and may not be implemented without the board's approval.

According to LITE-ON's "Compensation Committee Organizational Rules", the Compensation Committee convenes at least twice every year. A total of three Compensation Committee meetings were held in 2018.

Locations	Ratio of highest compensation to the median %	Ratio of salary increase for highest compensation to the median%
Taiwan	9,311%	0%
Brazil	81,263%	0%
Mainland China	44,714%	0%
Thailand	56,590%	0%

Note: Definition of annual salary: to be based on base salary and all bonuses in the year

Highlights of the meetings of the Compensation Committee can be found on the company website: [HTTPS://WWW.LITEON.COM/EN-US/GLOBALCITIZENSHIP/484](https://www.liteon.com/en-us/globalcitizenship/484).

2.3.4 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

1. 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

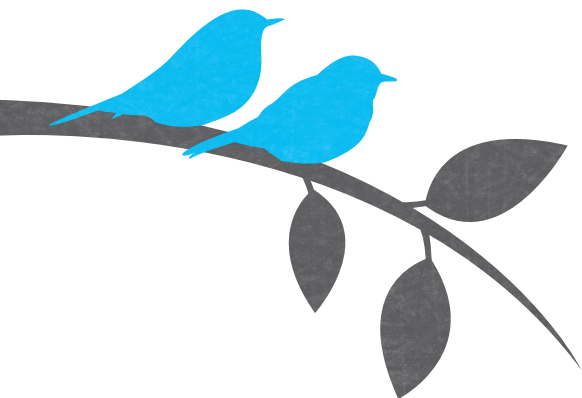
2. The Growth Strategy Committee meetings should be held at least once every six months in accordance with LITE-ON "Growth Strategy Committee Organizational Rules." A total of two Growth Strategy Committee meetings were held in 2018, the members' attendance rate including attend in person and by proxy) is 100%.
3. Highlights of the meetings of the Growth Strategy Committee can be found on the company website: [HTTPS://WWW.LITEON.COM/EN-US/GLOBALCITIZENSHIP/483](https://www.liteon.com/en-us/globalcitizenship/483).

2.3.5 Evaluation of Performance of the Board of Directors and Functional Committees

1. 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 evaluation results for performance in 2017 can be found on the company website: [HTTPS://WWW.LITEON.COM/EN-US/GLOBALCITIZENSHIP/477](https://www.liteon.com/en-us/globalcitizenship/477).

Note: The Rules for Evaluating Board of Directors and Functional Committee Performance are published on [HTTPS://WWW.LITEON.COM/EN-US/INVESTOR/CORPORATEGOVERNANCE](https://www.liteon.com/en-us/investor/corporategovernance)

2. In 2018, LITE-ON hired an external independent agency, Taiwan Corporate Governance Association, to perform external evaluation of board performance (and achievement). The aspects of the evaluation and the final comments and recommendations have been submitted to the board of directors in the first quarter of 2019 to provide a basis for strengthening the board's role and responsibilities. More information is available on the company website: [HTTPS://WWW.LITEON.COM/EN-US/GLOBALCITIZENSHIP/478](https://www.liteon.com/en-us/globalcitizenship/478).

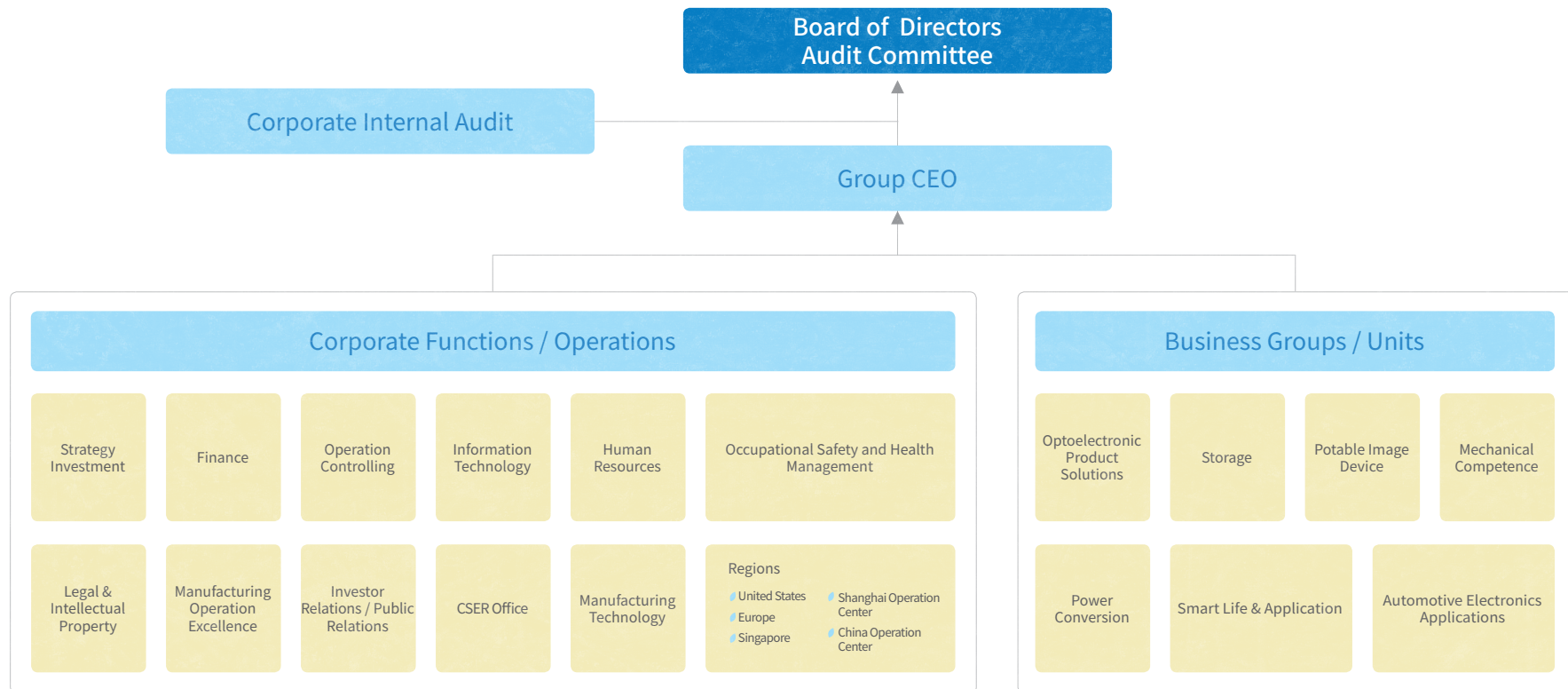


2.4 Corporate Risk Management

To counter the challenges of a fast changing global economy and the sustainability risk, LITE-ON adopts a robust risk management framework and an effective implementation roadmap that approach in four aspects, which are the environment, operation, strategy, and internal control, to identify and manage potential risks that may have an impact on a company's sustainable development. In addition, LITE-ON implements management strategies and takes measures to transfer, mitigate, minimize, or even eliminate risks entirely and turn them into business opportunities.

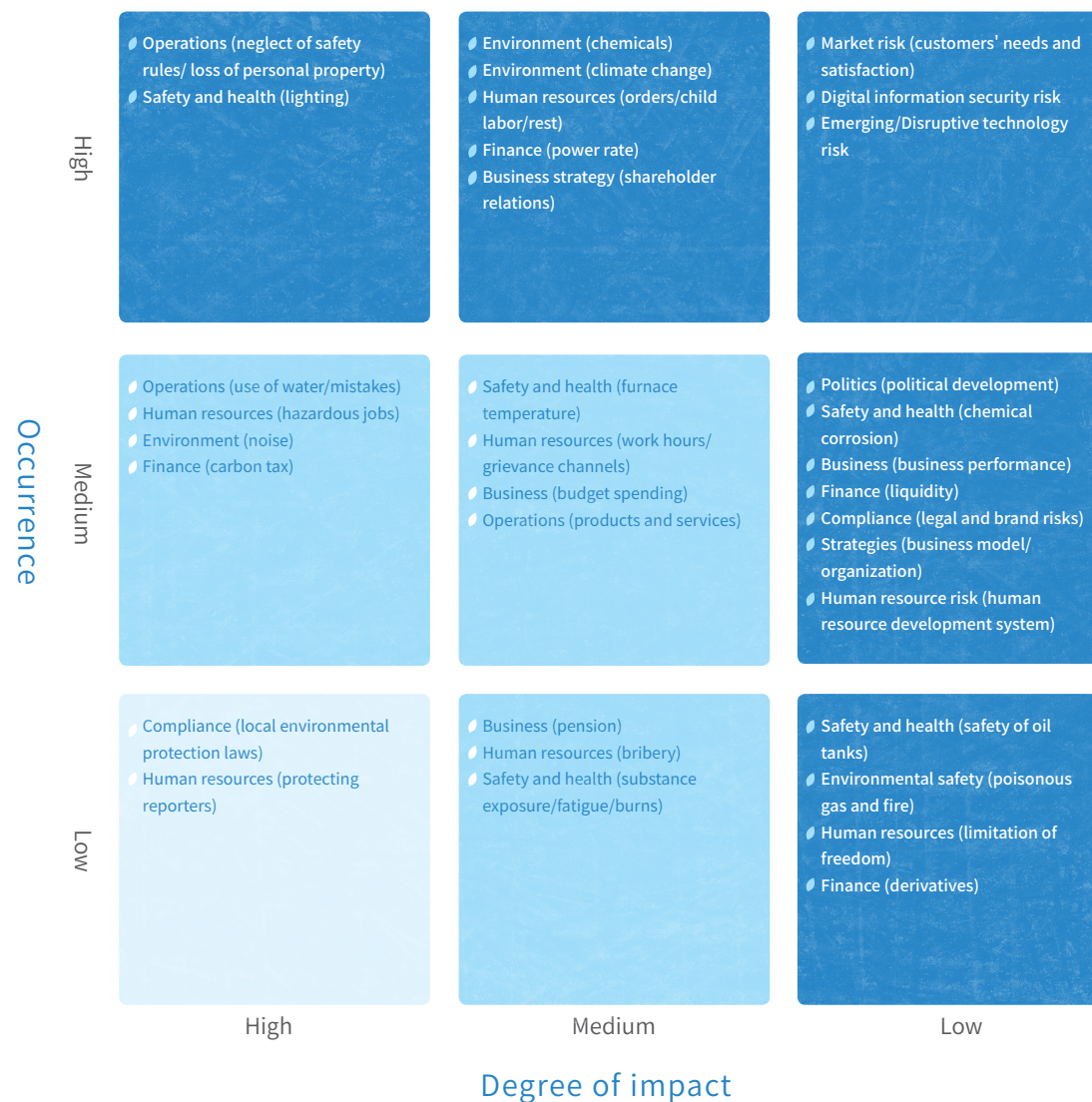
2.4.1 The Risk Management Framework

LITE-ON's risk management framework and internal controls allow it to take the initiative and respond to the risks associated with its operations in the most cost-effective manner. The GCEO serves as the highest ranking officer in the risk management framework, and oversees departments including strategic investment, finance, business management, and human resources as well as the risks facing these departments in the four aspects. Risk considerations in these areas are made part of various management reports to be discussed in quarterly business strategy meetings. Furthermore, in the event of a major incident regarding the environment, operation, or strategy, the GCEO will call a meeting of the board of directors to formulate the appropriate response and countermeasures. Regarding internal controls, the Audit Office supervises and performs risk management, and reports regularly to the board of directors.



2.4.2 Risk Management 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. Each risk is further evaluated by probability and severity to determine key material risks, and then 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 (Plan-Do-Check-Act) cycle, 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. Furthermore, as more categories are being added to emerging risks around the world and the probabilities keep rising, we have also made identification and management of long-term emerging risks part of the enterprise risk management plan. In 2018, we identified new key material risks including (1) disruptive technology risk; (2) digital information security risk; and (3) human resource risk (human resource development system).



2.4.3 Risk Management Projects

In order to address high probability high impact external and operational risks, LITE-ON has made the risk management plan an integral part of the risk culture. The plan focuses on "raising safety awareness", "improving critical asset protection", and "establishing safety systems and rules", all of which are interconnected.

• Raising safety awareness

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

• Improving critical asset protection

Important equipment, logistics processes, and final products are inspected every year in order to examine the practices at individual business units from product design and production to liability risk management after sales.

• 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.

2018 Risk Identification and Control Measures

Concerns	Risk identification	Risk control measures
Financial concerns	Finance	<ul style="list-style-type: none"> The information can be found in Section 6 "Analysis of Risk Management" in Chapter 7 "Review of Financial Conditions, Financial Performance, and Risk Management" of the 2018 Annual Report. HTTPS://WWW.LITEON.COM/EN-US/INVESTOR/FINANCIALREPORTS/9
	Business management	
	Legal	
	Audit	
	Corporate investment	
	Public/Investor relations	
	Supply chain management	<ul style="list-style-type: none"> Ensure products and supply chains do not contain conflict minerals Guidelines for selecting new suppliers Supplier training Differentiate management and assistance for suppliers by characteristics and by risk attributes
	Ethics and anti-corruption	<ul style="list-style-type: none"> Establish the Group Code of Conduct, the Ethical Management Principles, and the Ethical Procedures and Code of Conduct Provide training on ethics and anti-corruption campaigns on an ongoing basis Implement complaint and reporting channels that bypass the management

Concerns	Risk identification	Risk control measures
Financial concerns	Disruptive technology risk	<ul style="list-style-type: none"> Complete business self-transformation by change of operating model and product portfolio
	Digital information security risk	<ul style="list-style-type: none"> Create a cross-departmental and cross-functional information security committee to support information security management tasks Follow ISO27001: 2013 standards to implement information security management documents Use the PDCA cycle to create, implement, maintain, and improve information security management systems Perform regular internal information security audits in order to confirm the status of information security management practices Implement InfoSec technology controls to prevent external hacker attacks and internal confidential information leakage Provide InfoSec education and training and raise awareness
Environmental concerns	Climate change risks	<ul style="list-style-type: none"> Develop green, innovative, and energy efficient products Develop green, advanced production techniques Establish a green factory management system Conduct energy-saving and carbon emission reduction project Take energy consumption inventory and perform traceability management
	Increasingly strict environmental regulations	<ul style="list-style-type: none"> Comply with the regulations and establish operations management guidelines The Workplace Health and Safety Committee regularly reviews compliance with environmental regulations.
Social concerns	Human resource risk management	<ul style="list-style-type: none"> Perform regular human resource inventory and audits Design and implement employee training and career development Devise competitive compensation and benefit packages Formulate plans for full training and cultivating local talent
	Product quality and safety management	<ul style="list-style-type: none"> Design product by international standards and brand name clients' specifications Strengthen teams' technical ability

Details of risk management in terms of financial, environmental, and social concerns above are shown in the annual report and appropriate chapters of this report.

2.4.4 Management of Long Term Emerging Risks

Disruptive technology risk

To adapt to emerging/disruptive technologies and create good sources of profits, LITE-ON continues to complete business transformation by change of operating model and product portfolio. In addition, the group transformation project focuses on five areas of IoT application. They are cloud computing, LED and outdoor lighting, auto electronics, industrial automation, and smart healthcare, all of which are aimed at creating a safer, friendlier, and more energy efficient user experience. Regarding storage devices, for example, as the data oriented ODD gradually becomes obsolete, LITE-ON turns to invest in the silent, low power consumption SSD. In addition to SSD for personal computers, LITE-ON has succeeded in pushing for its use in cloud storage. SSD has now become one of LITE-ON's core products. Please see 4.2. Climate Change and Energy Management and 4.5 Green Factory for more details on strategies and response measures.

Digital information security risk

While driving digital transformation in the company, LITE-ON came to identify digital information security as a major risk and an important opportunity. It has created a cross-departmental and cross-functional InfoSec organization to performs InfoSec tasks. The Information Security Policy has been implemented to provide the basis for management and compliance with ISO 27001: 2013 standards. Meanwhile, InfoSec tools and ongoing improvements are being introduced alongside regular internal InfoSec audits and training to ensure effective information security and privacy protection. Please see 2.6. Information Security and Privacy Management for more details on strategies and response measures.

Climate change risk management

LITE-ON sees climate change as a major risk and an important opportunity. The Climate Change Risk Task Force is in place to identify potential physical risks and transformation risks for LITE-ON to arise from climate change. We take further steps to analyze climate related risks and opportunities and assess the probability and severity of each. We also follow the Task Force on Climate-related Financial Disclosures (TCFD) and disclose climate change data and the associated risks and opportunities. Please see 4.2. Climate Change and Energy Management for more details on strategies and response measures.

Supply chain risk management

As part of its effort to build a sustainable supply chain, LITE-ON performs supplier sustainability risk survey 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 critical suppliers and first tier suppliers, and require critical 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 critical 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 (SAQ) 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.

Human resource risk management

According to reports released by research institutions, the changing global environment and the rise of social enterprises are transforming the labor market and altering the landscape in human capital. For example, employers have to recruit through a wider range of channels, provide more comprehensive training, and offer more flexible and more competitive benefit and compensation packages. LITE-ON is aware of the importance of the current transformation. For recruitment, we have started exploring talent through industry-academia cooperation in addition to the conventional recruitment channels. Please see 6.3 Supporting Internships for more details. The training system is built on four tiers, new employees, field of training, level of authority, and self-development. The learning blueprint consists of 12 modules aimed at helping employees to improve and adapt to a company's constantly changing social role. Please see 5.3 Employee Development and Training for more details.



2.5 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 has deployed regulation identification with training programs 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 regularly monitors changes in domestic and foreign regulations that may have a potentially impact on the company's business operations. In the presence of such changes, 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. A major key event in terms of compliance is defined as it is in the Procedures for Verification and Disclosure of Material Information of Companies with Listed Securities. A single event on which a total amount of no less than NT\$1 million has been imposed in penalties is a major event. Major events, if any, are disclosed in the appropriate chapters of this report.

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 established explicitly and strictly adhered to 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 every operational levels of the business activities, such as product design, procurement procedures, 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 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 56 for results of internal control in 2018 Annual

Reporting mechanisms

LITE-ON upholds honesty and integrity in business management, and complies with the laws and ethical standards of the countries in which it conducts business. To strengthen compliance and corporate governance practices, the board of directors passed the Corruption Reporting Guidelines. The guidelines require that the Office of Chairman handle reports in accordance with the guidelines and related procedures. Details of the reporting mechanisms and processes are as follows:

1. Ethics complaint filing and reporting channels

The LITE-ON reporting channels are monitored by a dedicated staff responsible for accepting and processing reports. The staff also makes regular status reports to the Audit Committee. LITE-ON keeps informants' identities and their reports confidential, and takes action to investigate and handle the cases.

Discovery of any unethical behavior or violation of the code of conduct may be reported by using one of the hotline and mailboxes below.

Telephone: +886-2-8793 6833

By email: ETHIC.HOTLINE@LITEON.COM

Mailbox: Office of Chairman Reporting Mailbox at PO Box 156-21, Jiangnan Post Office, Neihu District, Taipei City 11499. Other channels available to employees in the company are the existing internal reporting extension at 1234 and the email address 1234@LITEON.COM.

2. Process

Reports that are accepted by the task force will be assigned to the appropriate units for review 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. Employees who are confirmed to have violated the ethical corporate management best practice principles will be subject to administrative disciplinary action, recourse against unlawful gains, or further legal actions as appropriate.

3. Internal controls

Regular internal audits and training are performed to strengthen internal control. Furthermore, 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.

(1) A campaign to raise awareness of the LITE-ON Ethical Management Policy takes place every year. The objective is to ensure the directors, managers, and employees understand fully and adhere to the ethical management regulations. Related training courses are also organized to reinforce compliance awareness.

(2) To raise awareness of integrity and self discipline, 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.

Complaints received in 2018

In terms of complaints received in 2018, nine complaints were received through the channels, including one submitted by mail and eight by email. The Office of Chairman report investigation task force received the reports and promptly followed the procedure and launched an investigation each time. So far, five of the cases were closed in 2018. Two of the five involved corruption, one called for administrative disciplinary action, and two were found to be unsubstantiated. The results were submitted to the Audit Committee according to the Corruption Reporting Guidelines.

Case studies in lawsuits involving employee corruption

Case 1: A plant manager under a certain business unit was suspected of having an affair and accepting bribes from a supplier. The case was investigated and the result was made known to the head of business unit. The plant manager was dismissed given the severity of the case.

Case 2: A senior procurement manager under a certain business unit solicited bribes from the supplier every month. The fact was confirmed to be true, and the manager was dismissed.

The cases above were summarized and 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.

For effective implementation of sound ethical management practices, LITE-ON created the Integrity Management Team in 2017. The team is responsible for formulating, implementing, and supervising the ethical management policy and prevention plans. A full-time unit is in place to report the results from the past year and the work plans for the coming year to the board of directors every year. The Integrity Management Team established the Ethical Management Policy in 2017. It is listed as one of the mandatory courses for new employees. It is also often referred to in meetings inside the company to raise awareness. The Employee Code of Conduct was amended in 2018. It provides a basis for ethical management behaviors. Courses aimed at strengthening ethical management practices are also made part of the mandatory annual training for all employees in 2019.

2.6 Information Security and Privacy Management

LITE-ON values the privacy and safety of its stakeholders, including employees, business partners (customers, suppliers, and consultants), and shareholders, and of operation related information assets. The Information Security Policy has been implemented to provide the basis for management, while a cross-departmental and cross-functional InfoSec organization performs InfoSec tasks and promotes compliance with ISO 27001:2013 standards. Meanwhile, InfoSec tools and ongoing improvements are being introduced to maintain effective information security and privacy protection. No complaint regarding invasion of client privacy or loss of client data was received in 2018.

Information security organizational structure

The cross-departmental and cross-functional Information Security Committee was created in 2018. The CEO serves as the convener of the committee, and appoints the Information Security Department and the InfoSec task forces to continue to promote InfoSec management practices and ensure effectiveness of the InfoSec management mechanisms.

Information security management mechanisms

To achieve information security and ensure the confidentiality, integrity, and availability of all information, LITE-ON follows the ISO27001:2013 standards to implement information security management documents, and uses the PDCA cycle to create, implement, maintain, and improve information security management systems.

Information security audit mechanisms

The InfoSec Audit Team works with external consultants and performs regular internal information security audits in order to confirm the status of information security management practices. The team also makes improvements based on audit results in order to maintain an effective information security management system at LITE-ON on an ongoing basis.

Implementation of InfoSec technology controls

1. 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,

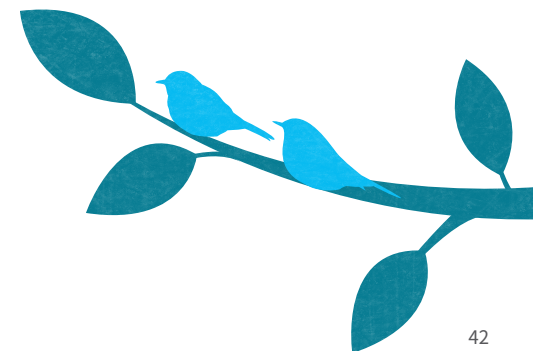
such as desktop computers, notebooks, tablets, and smartphones. The controls are intended to ensure personal information, internal confidential information, and customer and supplier information are effectively protected.

2. The Azure Information Protection (AIP) service has been introduced to use digital cloud tools, such as Microsoft Office 365, and encryption, identification and authorization rules to protect employee information and confidential business documents.

InfoSec education and training

To raise awareness of information security among its employees, LITE-ON implemented the Personal Information Security Requirements and Training Administration Procedures to provide a basis for management.

1. InfoSec awareness campaigns: Information security related information is announced via various channels as needed to raise awareness of information security in the workforce.
2. InfoSec education and training:
 - (1) To give them a better understanding of its information security policy, LITE-ON requires new employees sign an employee code of conduct agreement and receive information security training on the same day when they join the company.
 - (2) LITE-ON provides routine information security training for employees every year. All employees are required to complete a minimum of one hour of information security training every year. Information security courses on different topics are organized for employees based on their roles and responsibilities. A minimum of six information security courses have been created this year. 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.



3

Product Green Design and Sustainable Supply Chain

To achieve product 3R (Reduce, Reuse, Recycle) goals
through green design and cooperating with suppliers
To strengthen supply chain sustainability by
Identifying and managing ESG risks from suppliers



3.1 Product Green Design

3.1.1 Product Green Design and Strategies and Goals



LITE-ON continues to build on the cradle to grave approach in product life cycle thinking. The company approaches green product design by applying the concept of reduce, reuse, and recycle to product design, raw material procurement, production, distribution and shipping, product application, and waste recycling. The process takes into account the effects of products on the safety of the human body and of the environment. In addition to adhering strictly to the applicable international regulations and guidelines, LITE-ON actively seeks to obtain safety certification for its products in order to provide safe, reliable products for its customers and users while expecting to carry out the circular economy.

• Reduce

- Energy conservation: Develop more energy efficient products and reduce energy consumption during production
- Volume reduction: Reduce the volume or weight of products and packaging materials
- Material reduction: Reduce the usage or weight of materials for products and packaging materials
- Low toxicity: Reduce the toxic effects of product materials on the human body or the environment
- Smart logistics: Reduce carbon emission during shipping

• Reuse

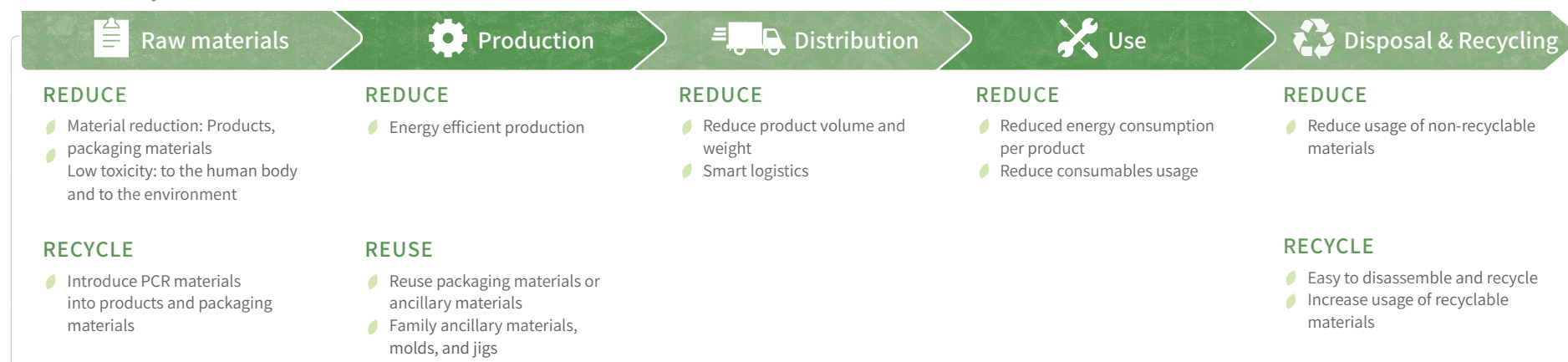
- Reuse packaging materials (e.g. cardboard boxes, trays, plastic bags, turnover boxes, and pallets) or ancillary materials to avoid generating waste.
- Increase the reuse rate through family ancillary materials, molds, and jigs.

• Recycle

- Design for ease of disassembly and recycling
- Introduce post-consumer recycled (PCR) plastics and pulp into products or packaging materials, such as styrofoam marine waste transformed into high impact polystyrene (HIPS) material to reduce virgin plastics usage.

Following the principles of green product design, LITE-ON works with upstream business partners in developing more environmentally friendly parts or materials in order to produce low carbon products and create a circular economy; and becomes the best partner for downstream customers in low carbon emission, environmentally friendliness, and sustainable value chain in order to achieve future goals. It is LITE-ON's mission to enable users to live a safer, more comfortable, and more energy efficient lifestyle.

Product life cycle



2018 Results

2018 Targets	Strategies and actions	Results
Continued effort to make raw materials and other supplies 100% compliant with the EU's RoHS and REACH restricted substance guides.	Inspection and update of LITE-ON LS301 for compliance with EU's RoHS and REACH banned/restricted substance guides; and extended accountability management in the green supply chain to banned substance control.	100% compliant
Improved energy conversion efficiency for power supply products compared to 2016	Improved energy saving circuitry and component design	1.19% improvement
Luminous efficacy of LED lighting and sensor components up by 25% compared to 2014	Improved light extraction efficiency of chips through packaging materials and the refractive index matching procedure	by 27.7% or more
Increased the percentage of PCR resin in enclosure products by 25% or more.	Reduced the percentage of virgin plastics in products	Increased PCR content by 28%

Future goals

Items	Goals	Completion
Raw materials compliant with international restricted substance guides	100% compliant	Ongoing
Reduction of plastic in packaging	20%(1,000 tonnes per year down to 800 tonnes)	2025
Improved energy conversion efficiency for power supply products compared to 2016	2% improvement	2023
Improved energy efficiency in LED	30% (up from 180lm/w to 235lm/w)	2025

Note: The target was initially set to be a 2% increase in energy conversion efficiency for server power management systems by 2023 compared to 2016. Given the scope of target products has been expanded to include all power supply products, the future goal is extended to "a 2% increase in energy conversion efficiency for power supply products compared to 2016".

3.1.2 2018 Green Designs and Achievements



1. Raw materials

- Reduce
 - Since the LS301 standards were implemented in 2010, LITE-ON has been keeping up-to-date on restricted substances under international guidelines and brand name clients' requirements. The LS301 standards currently list 218 substances. In addition, the company requires that upstream suppliers submit evidence to prove that their materials comply with the requirements for LITE-ON certified suppliers and for LITE-ON to complete acknowledgment and internal control procedures. LITE-ON takes an active approach to reduce the toxic effects of products on the human body or the environment and ensure effective management and utilization of environmentally friendly materials.
 - Green product volume, material, and weight reducing designs for LITE-ON products (e.g. power supply units, road lighting and traffic signals, and enclosure products) work with packaging material allocation and logistics optimization to reduce not only use of materials and the impact on the environment, but also carbon emissions during shipping. For power supply products for laptop computers, for example, LITE-ON works with upstream IC suppliers to develop a new generation of synchronous rectification IC. It combines components including resistors, multilayer ceramic capacitors (MLCC), and metal-oxide-semiconductor field-effect transistor (MOSEFT) in one unit to cut 33 million or more pieces of active and passive components and reduce carbon emissions from raw materials by 1000 tonnes CO₂ or more at the same time.
- Recycle
 - The PCR content in products and packaging materials (e.g. switching power supplies, PC and server enclosures, and street lighting products) was increased to reduce use of crude materials. The cumulative carbon reduction in 2018 was 1,660 tonnes CO₂e. A number of products have also helped brand name clients obtain the EPEAT label.

- Plastics in products: PCR usage reached 170 tonnes or above, and carbon reduction reached 1,430 tonnes CO₂e.
- Cardboard boxes: Recycled pulp usage reached 51 tonnes or above, and carbon reduction reached 274 tonnes CO₂e.
- LITE-ON works social enterprise and collaborates with industry and academia in innovative technologies to recycle and transform Styrofoam marine waste and develop new PCR materials. LITE-ON also develops applications in sample products manufactured in large quantities (e.g. keyboard and mouse) and completes successful tests. Moreover, as part of its medium- and long-term goals toward a circular economy, LITE-ON tries to encourage downstream brand name clients to switch to these products.

2. Production

The 3Rs design principles are used to optimize the packaging material input during and after production or to reuse or recycle the materials in order to reduce one-time packaging material and supplies input and achieve waste and carbon reduction during production at the same time.

- Reduce: Improvements on energy efficiency are made to air conditioning, compressor and boiler systems that share production processes.
- Reuse: For example, for cardboard boxes used for energy saving LED streetlight products, the same cardboard boxes are consistently used throughout from production, installation to recycling waste products to reduce consumption of cardboard boxes, and total carbon reduction of 4.2 tonnes CO₂e achieved.

3. Shipping and distribution

Following the product design principles of volume, material, and weight reduction, LITE-ON self-developed smart logistics management system to increase quantity and efficiency of shipping and reduce carbon emissions in the process.

- Smart logistics: LITE-ON developed the in-house MFG Portal system based on years

of experience in making shipping decisions. Big data analytics enables the system to automatically recommend suitable models and vehicles. The MFG Portal system and SAP shipping documents are combined to effectively manage packaging and logistics. The integration also improves dispatch efficiency in shipping, and increases 20% to 50% loading on trucks to 90% or higher. It helps reduce energy consumption and carbon emissions during distribution and shipping.

- Volume reduction design: The packaging volume of multi-functioned peripheral products, is made smaller to reduce the use of materials for cardboard boxes and dividers by 34.8% and total carbon emissions by 1.83 tonnes CO₂e.
- Weight reduction design: Parts integration and system microminiaturization reduces product volume and weight in order to lower shipping load and carbon emissions. For power supply products, for example, LITE-ON works with upstream IC suppliers to combine resistors, MLCC, and MOSEFT and create a new generation of ICs. The result reduced component usage and product weight by 38.1%, which, based on the shipping data in 2018, translates to a weight reduction of 81 tonnes or more and lower carbon emission during shipping.

4. Product application

Energy efficiency is the inevitable end to electronic products. LITE-ON, as an electronics manufacturer, continues to work on the reduce principle and develop more energy efficient and more environmentally friendly products.

- World's first battery free wireless keyboard: The latest radio frequency identification (RFID) technology and independent built-in antennas offer the following features:
 - Perpetual use of products: Reduced use of consumables extends the life of products.
 - Zero power consumption and battery free: Approximately 4 million wireless keyboards are shipped worldwide every year. Compared to the traditional wireless keyboards that require 2 AAA batteries each, carbon reduction allowed by the new keyboard is estimated at 680 tonnes CO₂e.
 - 100% waterproof: The microcurrent circuit prevents malfunction due to water induced short circuiting.

- Power supply products: Collaboration with upstream IC suppliers to develop a new generation of synchronous rectification IC that combines resistors, MLCC, and MOSEFT and improvement of existing integrated circuits have improved energy conversion efficiency. Compared to the previous generation, the new generation consumes at least 20.5% less energy on standby. Based on the total shipment of more than 8 million units in 2018, power consumption can be reduced by 10.9 GWh and carbon emissions by 6,000 tonnes CO₂e.
- LED lighting and sensor components: Enhancement of wall plug efficiency (WPE) and refractive index matching between packaging materials and chips optimize first order optics and increase luminous efficacy by 27.7% or more (based on products and technologies in 2014). Based on the total shipment of 200 million units in 2018, power consumption can be reduced by 105.7 GWh and carbon emissions by 58,500 tonnes CO₂e.
- Energy efficient LED streetlights: Provided luminous flux is identical, LED lighting is used to replace traditional fluorescent lighting. Products are used in streetlights and traffic signals. Energy efficiency is improved significantly by 54% or more. For example, the TM series offer an energy saving of 63.3%, which, based on the total shipment of 230,000 units in 2018, translates to 254.9 GWh in power saving and 141,200 tonnes CO₂e in carbon emissions a year.

5. Waste disposal

ODM products are recycled at the end of their lives with brand name clients' products. Nevertheless, LITE-ON adheres to the reduce principle in product development in order to reduce electronic waste.

- Waste reduction design: For power supply products for laptop computers, for example, LITE-ON works with upstream IC suppliers to develop a new generation of synchronous rectification IC that improves the average energy conversion efficiency by 1.31% and reduces full load loss by 7.69%. As a result, less heat is generated during use, and the use of non-recyclable heatsink paste is reduced by 34.4% per unit and the number of components by 4 pieces. Based on the total shipment of more than 8 million units in 2018, heatsink paste consumption can be reduced by 37.3 tonnes and electronic component waste by 33 million pieces or more. Products are made more recyclable, while the total carbon reduction rose to 360 tonnes CO₂e or more.

- Design for disassembly: For example, the removal of complex structures such as 2.5" hard disk driver (HDD) caddy, optical disk drive (ODD) latch, and headwall rotation bay and the adoption of tool-less thumb screws or snap-fits in PC or server enclosures allow tool-less disassembly and easier sorting and recycling.

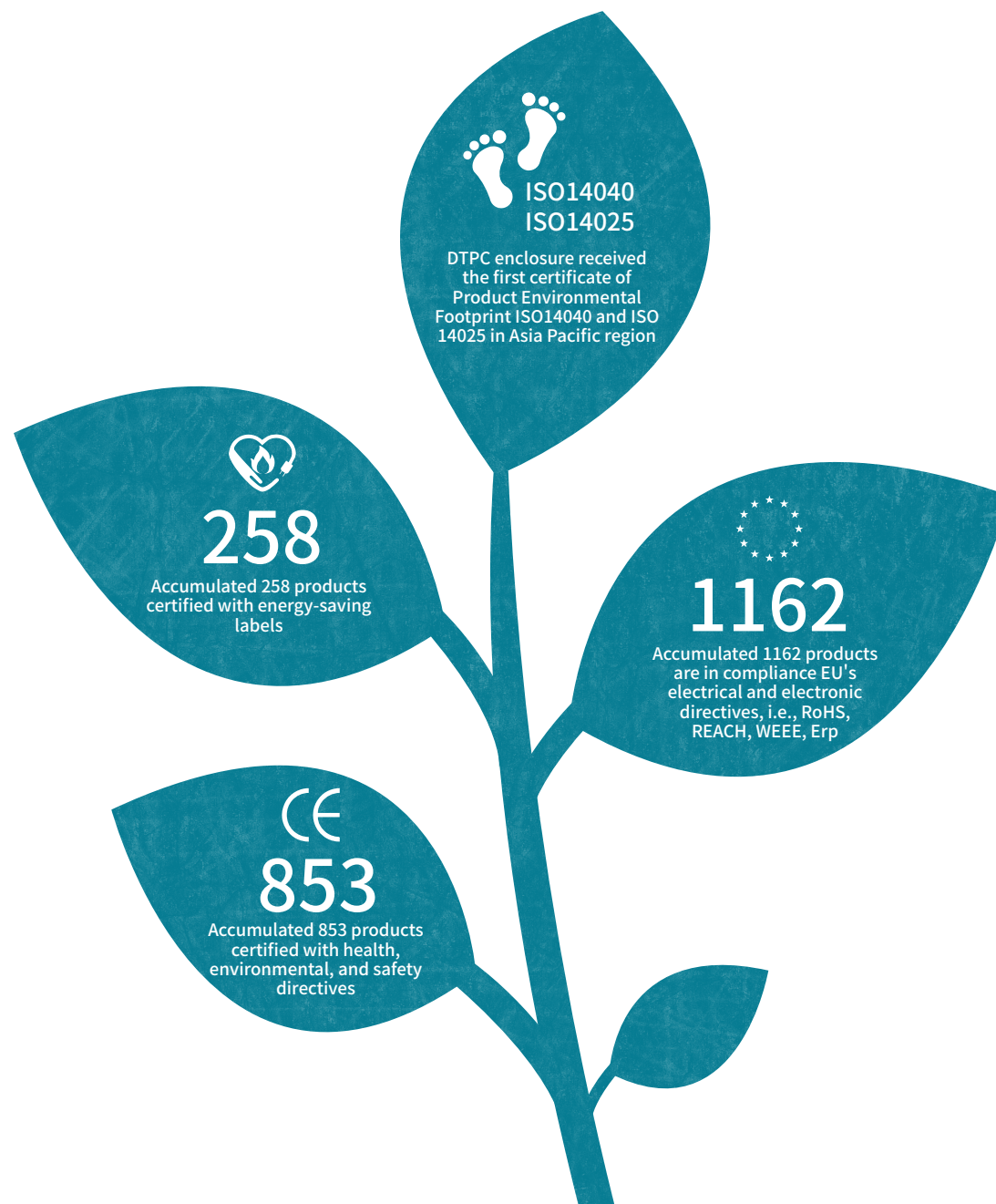


3.1.3 Product Certification

LITE-ON not only commits itself to complying with product safety and environmental policies of local governments, but also makes an active effort to obtain product certification.

- Product environmental footprint: LITE-ON completed Asia Pacific's first set of product category rules (PCR), "The Chassis for Products of Information and Communications Technology", in December 2018. The rules are released on the Green Electronics Portal's EuP integrated platform ([HTTP://WWW.EUP.ORG.TW/NOTICE/NEWSDISPLAY.JSP?NO=21293](http://www.eup.org.tw/notice/newsdisplay.jsp?no=21293)). Later in January 2019, LITE-ON G558L07B desktop PC enclosure passed third party certification and received statements of compliance with ISO14040 and ISO 14025. It was also the first product in Asia Pacific in this category to achieve the feat. LITE-ON will build on the impartial LCA data and identify environmental impact hotspots in order to make further improvement.
- Automotive Product Specification: The LTX-353 Optocoupler passed the AEC-Q102 LED Qualification Review by the Automotive Electronics Committee (AEC). The review covers more than 20 rigorous tests, including temperature cycling between -55 °C and 125 °C , environmental stress, and sulfurization. The product meets the automotive aftermarket requirements. By being first to receive certification, LITE-ON becomes the world's first Optocoupler manufacturer.

All LITE-ON products are consistent with their respective descriptions and comply with the labeling requirements. In 2018, LITE-ON did not violate any product or service information or labeling regulations or receive any customer complaint regarding health and safety regulations for products and services.



3.1.4 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, according to the actual demand, 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.



3.1.5 Main Raw Materials Utilization and Management



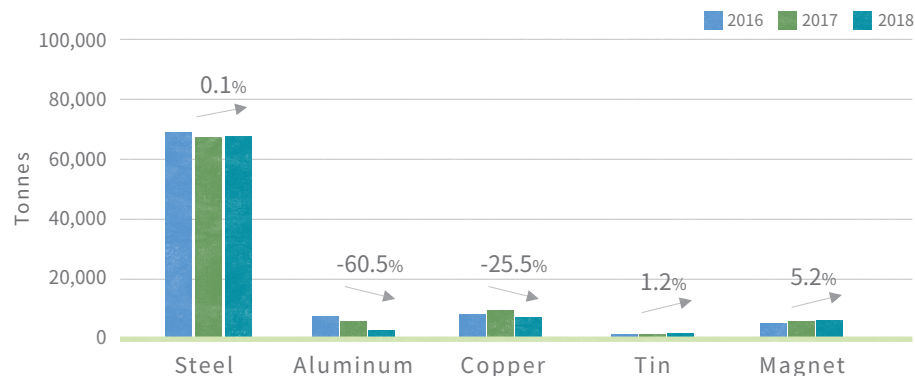
LITE-ON records materials used in product and packaging in order to assess the efficiency of raw material usage. This result can be used to maximize resource utilization and reduce the necessary amount of packaging and shipping materials. It can help us to achieve the win-win situation of economic growth and better environment for creating the power of moving forward corporate sustainability.

LITE-ON's major products include optoelectronics, electronic components, as well as module components, and the raw 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.

Metallic Materials

- Steel : Mainly used in enclosure, 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

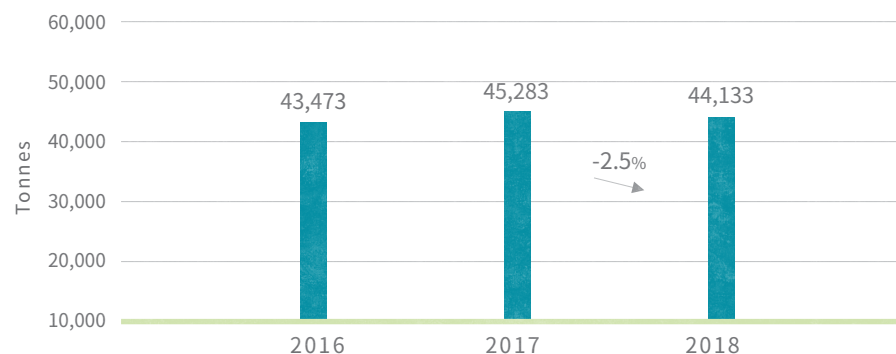


Note: Aluminum consumption decreased mainly due to significant reduction of mobile mechanical product shipment

Non-metallic Materials

Plastic materials were mainly used in external casing, insulation, and socket, etc., for all products.

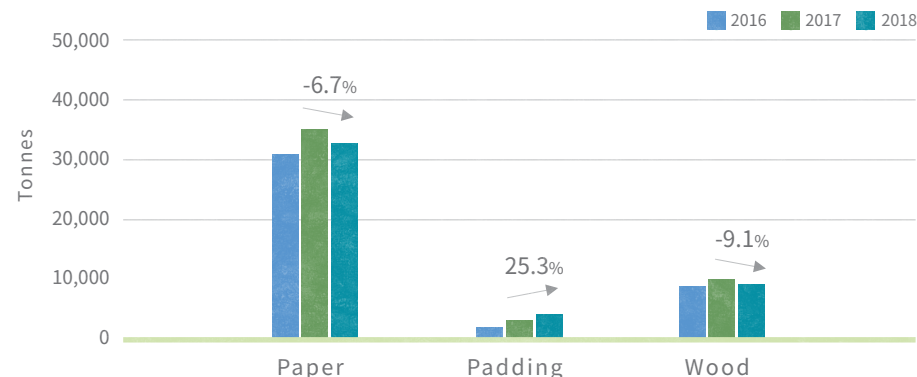
Volume of Plastic Used in Core Business



Packaging and Shipping Materials

For "local shipments," LITE-ON uses reusable packaging materials as much as possible. The usages* of padding (foam and bubble wrap) increased in 2018, mainly due to a packaging change of new products in Mechanical Competence business group.

Volume of Packaging and Shipping Materials Used in Core Business



*Raw material usage volume is calculated according to annual procurement.

3.2 Restriction on the Use of Hazardous Substances



To reduce the toxic effects of product materials on the human body or the environment, LITE-ON started developing the LS301 standards in 2010, and has been keeping up-to-date on international banned/restricted substance regulations and guides and brand name clients' restricted substance guidelines and requirements. In addition, LITE-ON updates the rationale of restricted substances as needed. Meanwhile, the company has implemented the Green Procurement Guidelines, and requires that each upstream supplier (or contractor) submit the Supplier Statement of Restricted Substances Compliance for material acknowledgment and internal control. In addition, LITE-ON states explicitly in all procurement contracts that the materials, parts, or semi-finished goods must comply with the LS301 standards for effective upstream green supply chain management.

The LS301 standards classify restricted substances into three categories: Banned, Restricted, and Potentially Restricted (including REACH substances of very high concern). The LS301 standards currently list 218 substances: 24 Banned substances that are prohibited, 26 Restricted substances that are allowed with restrictions, and 168 substances that are observed on an ongoing basis for the potential hazards that they pose but have not been listed as banned/restricted substances by the law. With the implementation of green supply chain management, we hope to bring customers low-toxicity and low-pollution products to minimize any harmful impact they may have on the human body or the environment, and achieve the goal of being environmentally friendly through material selection.

In addition to implementing the LS301 standards and the Green Procurement Guidelines, LITE-ON installed the Green Management System (GMS) to effectively review and manage compliance with the LS301 standards for raw materials, parts, or semi-finished goods provide by the suppliers. The GMS platform combines material requirements, international laws and guides, customer policies, and supplier information. Suppliers file product testing and analysis results and current compliance with the applicable guidelines and instructions. The business units will summarize and analyze the data, and check the degree of compliance with the LS301 standards. Requirements of international clients are also available on the platform. The platform not only actively offers information on green product management at LITE-ON to external parties, but also builds customers' environmental requirements or provisions for green products such as ErP, 3R and WEEE into the GMS to provide a basis for green product management in the company.

The GMS makes a more efficient, friendly, and rigorous green product management system at LITE-ON. It has become a contributing element to LITE-ON's green competitiveness. The GMS enables LITE-ON to manage the supply chain more efficiently and select qualified suppliers with the appropriate management capabilities to supply LS301 compliant substances, parts, or semi-finished goods on an ongoing basis. It allows LITE-ON to produce low-toxicity and low-pollution green products that reduce the harmful impact on the human body or the environment, and achieve the goal of being environmentally friendly through material selection.

LITE-ON Restricted Substances 218 items



Possibly prohibited substances 168 items

REACH Group 1 - Group 20 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.



Restricted substance 26 items

BFRs/PVC, Arsenic and its compound (As), Arsenic and its compound (As)(Nickel (Ni)), Trichloroethylene, Phthalates DEHP/DBP/BBP/DINP/DIDP/NOP) 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

Inspection and Review



Suppliers

Provide green acknowledgement information for supplies and parts

Upload



LITE-ON (RD/PM/ Procurement)

Inspection and review acknowledge data uploaded by suppliers

Output



Clients

Search and download green parts and green BOM

3.3 Sustainable Supply Chain



3.3.1 Supply Chain Management Policy and Targets

Procurement decision is not only based on the production, service and operational concerns, but also needs to be in response to corporate social responsibility. Thus, LITE-ON considers the compliance with its regulatory obligations as the foundation of supply chain management, 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 and to reduce business risks and costs for both LITE-ON and its suppliers and develop sustainable partnerships.

Vision

LITE-ON views the supply chain as an important partner on the path to sustainability. With equal emphasis on quality, costs, delivery, and service, Lite-On works with the supply chain to fulfill corporate social responsibility and increase sustainable competitiveness for a sustainable future.

Strategy and policy

- Ensure effective identification and management of ESG risks to enhance sustainability of the supply chain
- Strengthen management of conflict minerals to ensure minerals from conflict-affected areas are not used and responsible procurement practices are in place
- Promote a green supply chain and encourage suppliers to develop business models with a lower environmental impact

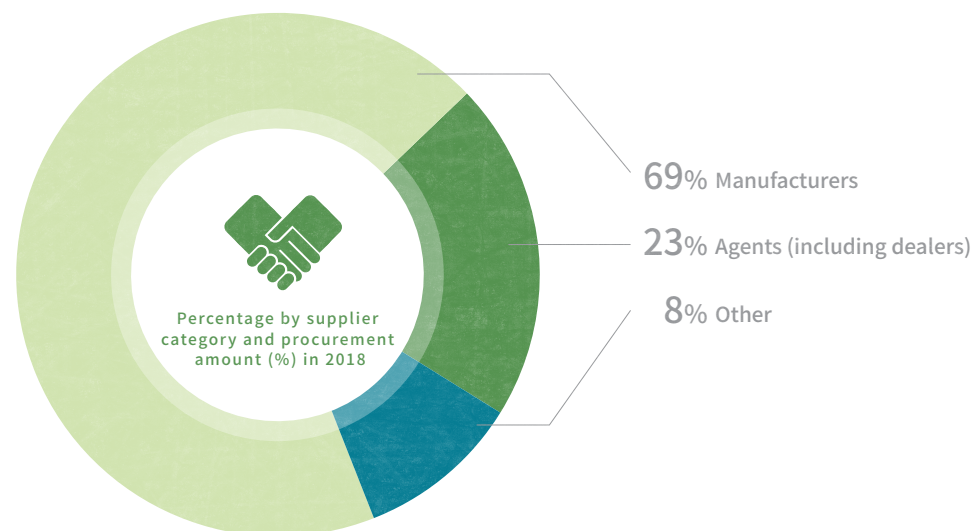
2018 Targets	Strategies and actions	Results
100% conflict mineral free	<ul style="list-style-type: none"> • Required suppliers to commit to procurement of conflict free minerals • Proceeded according to the OECD Due Diligence Guidance 	100% compliant
Supply chain sustainability - 100% compliance with the LITE-ON LITE-ON code of conduct regarding labor, human rights, and environmental issues	<ul style="list-style-type: none"> • Conducted supplier assessments and audits, and followed up until key areas were improved • Provided supplier training 	100% compliant

Future Goals

Items	Completion
100% conflict mineral free	Ongoing
Supply chain sustainability - 100% compliant with the LITE-ON LITE-ON code of conduct regarding labor, human rights, and environmental issues	Ongoing

3.3.2 Supply Chain and Localized Procurement

LITE-ON offers a diverse range of flexible products that are used widely in communications, computers, consumer electronics, automotive electronics, LED lighting, cloud computing, and industrial automation. As a result, the supply chain is large and extensive with many sources. LITE-ON works with more than 1,600 suppliers of raw materials worldwide. They are categorized into direct material suppliers and indirect material suppliers based on the counterparty in the transaction. Direct material purchases have been the bulk of all procurements most of the time over the years. Direct material procurement was 91.8% of total procurement in 2018. An analysis is shown in the figure below.



Identification of critical suppliers

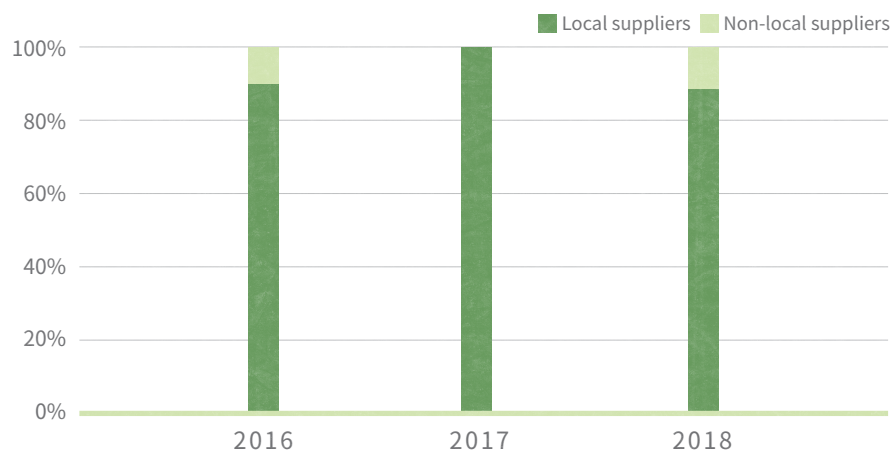
To ensure effective management of suppliers, LITE-ON focuses its efforts on the critical suppliers. In 2018, these critical suppliers represented 27% of the total suppliers, and accounted for 78.8% of LITE-ON's procurement amount. In particular, in 2018, the percentage of critical suppliers who were also local suppliers was 58% in China, 20% in Thailand, and 88% in Taiwan. Critical suppliers are identified based on the following criteria:

- High proportion to total revenue
- Critical parts
- Exclusive or nonsubstitutable
- Highly polluting production processes

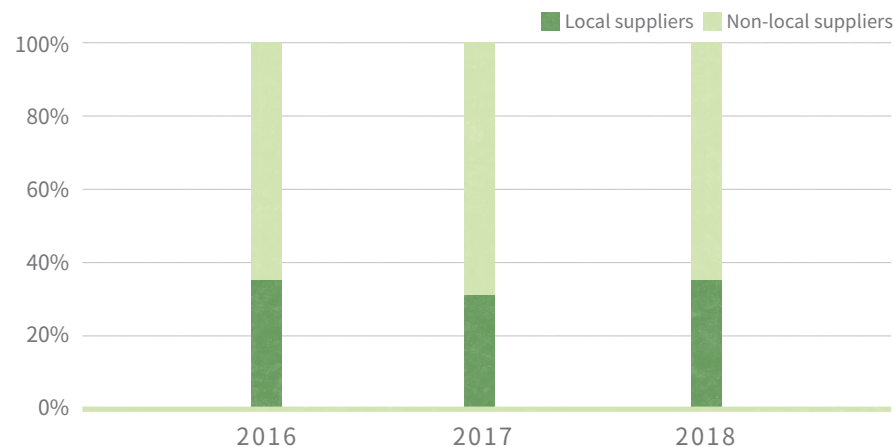
Localized procurement

Most of LITE-ON's production sites are in Taiwan, China, and Thailand. The percentages of local procurements are shown in the figure below. In particular, the percentage of local procurement was 88% in Taiwan in 2018. The percentage was below the average over past years due to a change of shipping origin by the client's chosen supplier.

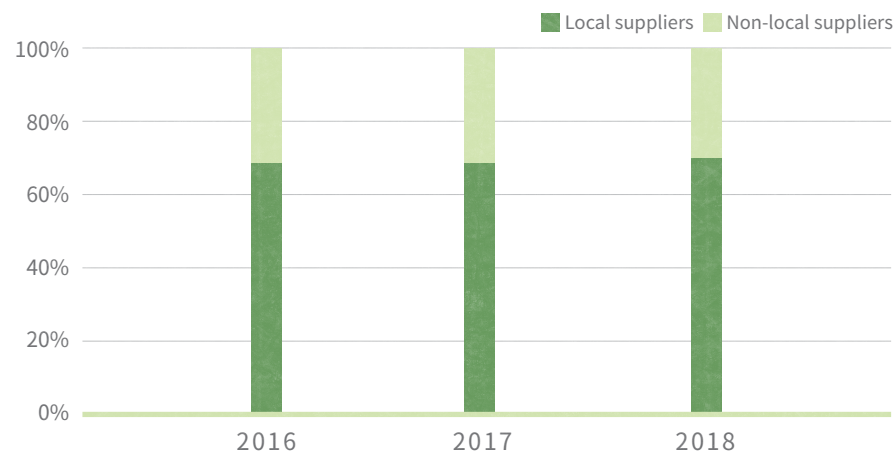
Taiwan



Thailand

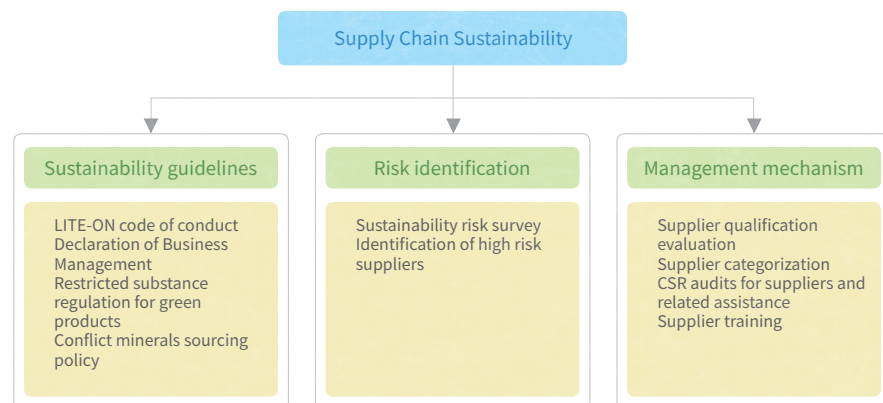


Mainland China



3.3.3 Supply Chain Sustainability Management

Supply chain sustainability management framework



3.3.3.1 Sustainable Supply Chain Guidelines

LITE-ON has implemented the Supplier's Declaration of Business Management by adopting the Responsible Business Alliance (RBA) Code of Conduct and considering international regulations including the United Nations Guiding Principles on Business and Human Rights, the International Labour Organization's Declaration on Fundamental Principles and Rights at Work, and the Universal Declaration of Human Rights. The declaration requires suppliers conduct all business activities in compliance with the rules therein regarding workers, health and safety, the environment, business ethics, and management structures. It also requires suppliers comply fully with the laws and regulations in the countries/regions where they operate their businesses. Meanwhile, LITE-ON requires first tier suppliers impose the same guidelines on suppliers on the next tier.

3.3.3.2 Identification of Supply Chain Risk

Risk assessment process

LITE-ON considers supply chain risk management as one of a company's competitive advantages. The process begins with assessing the place of manufacture and nature of service to determine critical supplier or otherwise. The preliminary supplier assessment assigns key control points to workers' rights, environmental conservation, and health and safety practices along the supply chain, and conducts a sustainability risk survey on critical suppliers. At the end, high risk suppliers are identified when the survey is completed. Onsite audits will be performed first on high risk suppliers. Improvement measures are implemented and followed up to ensure errors are corrected adequately to reduce risks.

Aspects of risk assessment

LITE-ON assesses risks in three aspects: economy, environment, and society. The factors in the risk assessments include the following.

Economy	Environment	Society
<ul style="list-style-type: none"> Quality, costs, delivery date, services and technical capabilities Business Ethics Business integrity Exclusive or critical source Supplier's automation capability 	<ul style="list-style-type: none"> Environmental law compliance Environmental management systems Climate change Water resource management Waste and air pollution management 	<ul style="list-style-type: none"> Employee health and safety Human rights Labour Practices Conflict minerals management Work hours

High sustainability risks in 2018

	The economy · Exclusiveness · Supplier's automation capability · Business integrity	The environment · Environmental law compliance · Water resource management · Climate change	Society · Employee health and safety · Work hours
Category of high risk supplier	IC	Printed circuit board/power supply products/cables/enclosure	Printed circuit board/power supply products/cables/enclosure

3.3.3.3 Supplier Management Mechanisms

Supplier screening and green procurement

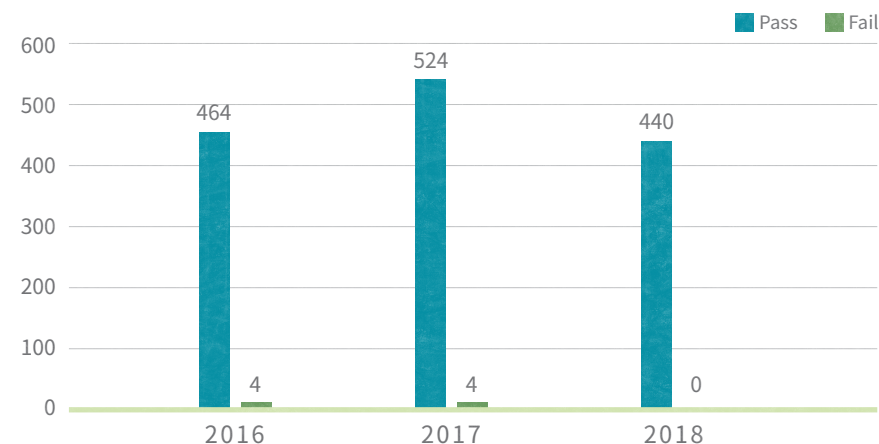
In order to build a green supply chain, LITE-ON has adopted the following principles to evaluate suppliers in addition to the criteria for quality, cost, timely delivery, service, and technological capability.

- LITE-ON's material suppliers must fully comply with local laws and regulations, and have risk control practices in place to ensure compliance.
- LITE-ON's suppliers must adopt management practices that ensure protection of the environment and health and safety of employees, and the absence of hazardous substances in the goods they supply.
- Meet LITE-ON's "Concentration Restriction of Hazardous Chemical Substances n Prohibited Materials" (LS-301)
- Provide adequate and regularly updated declarations or proofs as required under LITE-ON's Restricted Substance Management Program

Audit and Guidance - 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 2018, LITE-ON performed audits on 440 critical 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.

Audit results



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

In 2018, LITE-ON added 211 companies (excluding suppliers specified by clients) to its suppliers list. 100% of the new suppliers passed LITE-ON's RBA audit, and met the standards for human rights, environment, safety, health, and management systems. Meanwhile, 2 suppliers were removed from the list due to a change of supplier name.

- **Non-first-tier supplier management**

In addition to our requirements for first tier suppliers, we also require that our suppliers manage their first tier suppliers in business activities involving workers, health and safety, environmental concerns, business ethics, and management structures in order to create a more reliable supply chain.

Supplier conference on "CSR Enforcement"

4 conferences and workshops on "CSR Enforcement" were held in 2018 to explain the company's CSR commitments. Executive management of suppliers were requested to sign "Management Commitments" that require them to comply with "RBA standards".



3.3.4 Conflict Minerals Management

Procurement policy regarding conflict minerals (metals)

As a responsible corporate citizen of the world, LITE-ON has declared and committed to refrain from the use of metals sourced from conflict mines. The company also requires that all its suppliers comply with LITE-ON's procurement policy regarding conflict minerals (metals):

- (1) Ensure the absence of "conflict minerals" from Congo and surrounding countries and regions in their products, and adhere to the applicable regional and international laws for the conflict mines.
- (2) All suppliers are required to complete a questionnaire to trace sources of all gold (Au), tantalum (Ta), tin (Sn), and tungsten (W) in the products, and follow the OECD Guidance to complete a survey to avoid directly or indirectly financing armed groups in conflict-affected regions.
- (3) The requirement should be conveyed to their upstream suppliers.

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

Conflict minerals management process

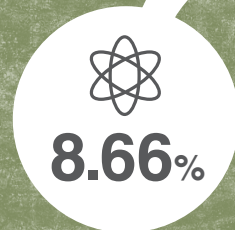
LITE-ON has imposed full restrictions against the use of minerals sourced from conflict mines in Africa since 2010, and adopted the tools recommended by the Responsible Minerals Initiative (RMI) to manage its commitments. Meanwhile, LITE-ON has implemented a due diligence structure in compliance with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



4

LITE-ON and the Environment

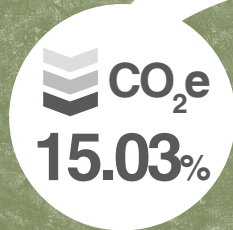
Developing Green Design, Green Factory, Energy Management as well as High Power Efficiency Products and Solutions as responses to climate change impacts and challenges



Power consumption reduced 8.66% compared to the base year



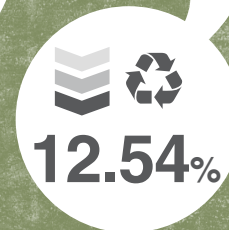
Waste generation decreased 12.54% Y-o-Y



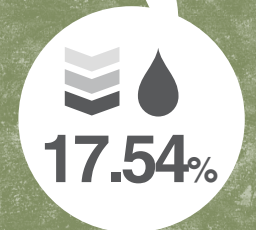
Greenhouse Gas (GHG) emission reduced 15.03% compared to the base year



CDP (formerly Carbon Disclosure Project) Supplier Engagement Ranking A-



54.98% renewable energy used in Taiwanese plants



Water consumption reduced 17.54% Y-o-Y

4.1 Commitment to Environmental Sustainability and Policy



4.1.1 LITE-ON's Commitment to Environmental Sustainability

LITE-ON reformulated its low carbon strategy after the Paris Agreement to achieve environmental sustainability through low-carbon products and green operations. The company continues to improve its green design, climate change and energy management, water resource management, waste and resource management, and green factory abilities in order to respond appropriately to stakeholder expectations on environmental issues and build up LITE-ON's resilience in sustainability issues.

We commit to adopting science-based targets (SBTs) in the calculation of reasonable emissions for LITE-ON given the Global Carbon Budget. In 2018, we set a target to reduce carbon emission per unit of revenue by 39.3% by 2025 and to increase the energy conversion efficiency of our power supply products by 2% by 2023. We performed a SBTi compliance review on the target to support the Paris Agreement goal of keeping a global temperature rise this century well below 2 degrees Celsius.

We commit to supporting the Task Force on Climate-Related Financial Disclosures (TCFD) and follow the TCFD framework to disclose climate change information and related risks and opportunities. The commitment is made also in support of the Commit to Action campaign launched by the CDP (formerly Carbon Disclosure Project) and We Mean Business Coalition.

4.1.2 Green Operations Action Plans

To achieve green operations and counter the uncertainty created by climate change, LITE-ON works on improving environmental management performance and environmental risk management. The goals include reducing the impact of manufacturing activities on the environment and facilitating the development of a circular economy so to counter the challenges of global climate change risks and emerging technologies. In 2018, LITE-ON spent NT\$352 million on environmental protection, and did not encounter any major incidents of environmental pollution.

The green operations action plan includes

Setting aggressive carbon reduction targets

- We adopt the Sector Based Approach of the SBT setting approach and use the Sectoral Decarbonization Approach (SDA) Tool to calculate our carbon emission allowance given the two-degree scenario (IEA 2DS). We have set a target to reduce carbon emission per

unit of revenue by 39.3% by 2025 with 2014 as the base year.

- We identify and quantify emission sources on the GHG value chain, and set carbon reduction targets for emission hotspots on the value chain. We have set a value chain carbon reduction target of a 2% improvement of energy conversion efficiency for power supply products by 2023 which is equivalent to a 28.8% reduction of GHG emissions per unit product, with the products and technologies developed in 2016 as the baseline.

Reducing the environmental impact of own business activities

- As part of the effort to improve environmental management performance, LITE-ON continues to develop optimized production processes and better plant operations. The aim is to improve energy efficiency and the effective use of water resources throughout the process of products development, production, consumption, and disposal. The company also tries to achieve minimum waste and maximum resource recycling and reuse in order to achieve low pollution, low energy consumption, easy recycling, and other environmental-related targets.
- As part of the commitment to better transparency in environmental information, LITE-ON expanded the scope of the environmental information disclosure to include the LITE-ON (Longtan) Leotek Lighting Department and the LITE-ON (Guangzhou) Auto Electronics Department in 2018. The disclosure covers 24 main operation sites in Taiwan, Mainland China, and Thailand, which were generated 95% of LITE-ON's total revenue in 2018.

Promoting circular economy

- As a responsible corporate citizen, LITE-ON also supports SDG 14, which calls for reduction of marine pollution. The Penghu Coastal Styrofoam Waste Cleanup, organized in partnership with the Penghu County Government, was launched in 2018. The campaign expects to remove 20 tonnes or more of Styrofoam marine waste every year and transform the recycled polystyrene (PS) materials from the waste into high impact polystyrene (HIPS). The campaign also involves developing products that use these raw materials.
- Based on the removal of 20 tonnes of Styrofoam marine waste from incineration in Penghu every year, it is estimated that the campaign will reduce carbon emissions by 2.5 tonnes CO₂e. Going forward, the campaign may proceed in the direction of making a contribution in Taiwan by treating all 100 tonnes of Styrofoam marine waste generated across the island every year and reducing carbon emissions by 12.5 tonnes CO₂e.

4.1.3 Environmental Management Goals

LITE-ON set new short, medium, and long-term environmental management targets for use of energy and resources and discharge of pollutants in 2018. LITE-ON submitted the carbon reduction targets for a formal SBT compliance review to demonstrate its support for the effort to keep global temperature increase below 2 degrees Celsius. The waste reduction targets include a long-term target to reduce waste by 3,300 tonnes on an absolute basis by 2025. It is consistent with LITE-ON's campaign for a circular economy.

Latest progress*

Goals		2018 Result
Carbon reduction target	Reduce carbon emission per unit of revenue by 39.3% by 2025 compared to the base year 2014	-15.03%
Energy conservation target	Reduce power consumption by 6% on an absolute basis by 2020 compared to the base year 2017	-8.66%
Waste reduction target	Reduce waste by 6% on an absolute basis by 2020 compared to the base year 2017; reduce waste by 3,300 tonnes on an absolute basis by 2025 compared to the base year 2017	-12.54% -3,952 tonnes
Water conservation target	Reduce water consumption by 6% on an absolute basis by 2020 compared to the base year 2017	-17.54%
Product energy efficiency target	Increase energy conversion efficiency of power supply products by 2% by 2023 based on products and technologies developed in 2016	+1.19%
Renewable energies	100% renewable energy used in Taiwanese plants	54.98%

Note: 1. Given ownership of LITE-ON's camera modules department and mobile devices department were transferred in 2018, the environmental data for the camera modules department are available up to the end of June 2018, and those for the mobile devices department are available up to the end of October 2018.
2. Product energy saving efficiency measures and practices are disclosed under 3.1.2 2018 Green Designs and Achievements

4.2 Climate Change and Energy Management



4.2.1 Climate Change Policy

Having identified climate change as one of the major sustainability issues and key risks, LITE-ON pays close attention to climate change developments around the world and to reactions to this phenomenon in other countries. LITE-ON continues to monitor and analyze the issues, and works on adaptation and mitigation to greenhouse gases.

For climate change mitigation, we continue to follow the SBT approach for carbon reduction and analyze and manage internal energy consumption. Meanwhile, we rely on green design, green factory, energy management, and high performance energy creation, conservation, and conversion products and solutions to meet aggressive GHG emission reduction targets and challenges of climate change.

For climate change adaptation, we observe the 2 degrees Celsius scenario released by the International Energy Agency, and identify potential short-, medium-, and long-term risks arising from climate change based on international research, industry trends, and results of internal and external studies as well as our own decisions and judgments. We also follow the Task Force on Climate-Related Financial Disclosures (TCFD) framework to disclose climate change information and related risks and opportunities. We make climate related financial statements one of the means of stakeholder communication.

4.2.2 Overall Impact and Challenges of Climate Change

LITE-ON sees climate change as a major risk and an important opportunity. The Climate Change Risk Task Force is in place to identify LITE-ON's exposure to potential physical risks and transformation risks arising from climate change. The risks and opportunities identified are analyzed further in terms of probability and severity. The task force assesses the probability and severity of each risk and appropriate countermeasures before proceeding to implement climate change adaptation and mitigation strategies and policies.

In 2018, we identified the major climate risks of climate change, mainly from the requirements of key stakeholders such as clients and investors to reduce greenhouse gas emissions and comply with product energy efficiency standards. The opportunities brought about by climate change mainly appeared in our green products and services that respond to the trend of sustainability. In the climate change risk and opportunity management, we follow the PDCA cycle on ISO 14001 Environmental Management System to each operation sites and set the key performance indicators based on unit revenue to reduce the environmental impact.

4.2.3 Climate Change Response Measures

In terms of its climate change response 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 climate change mitigation and adaptation strategies:

Climate change mitigation strategies:

Energy creation

- Develop renewable energy and increase the energy use from renewable sources

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 impact of product use on the environment
- Continue to encourage suppliers to explore innovative means of operation that have less impact on the environment

Renewable energy development

LITE-ON supports the development of renewable energies. In addition to purchasing rooftop solar power systems and international green power certificates for raising the volume and percentage of renewable energies consumption every year, this company is seeking suitable renewable energy suppliers for power purchase agreements or charity for green power to achieve low carbon manufacturing. In 2018, LITE-ON consumed 1,447 MWh of solar power that it generated, and purchased international renewable energy certificates for 19,000 MWh. Total renewable energy consumption reached 20,447 MWh, which was 5.05% of LITE-ON's total power consumption.

Year	2015	2016	2017	2018
Renewable energy consumption (mwh)	6,684	14934	16030	20447
Renewable energy percentage	1.57%	3.38%	3.61%	5.05%

Energy management strategy

LITE-ON continues to implement energy management system, and has obtained ISO 50001: 2011 certification in five operation sites such as Hsinchu Science Park Plant, LITE-ON (Guangzhou). LITE-ON (Dongguan) has received Level A certification for energy management in Dongguan, which enables it to monitor 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.

Production process optimization and plant operation improvement

LITE-ON plants have proposed energy saving and improvement plans focusing on four areas. The areas are air conditioning improvement, production line improvement, lighting improvement, and power system improvement. The emphasis is on better efficiency and investment. In 2018, LITE-ON plants implemented 83 energy saving projects, and saved power consumption by 14,279,407 kWh. In particular, air conditioning and production line improvement showed excellent results. For air conditioning improvement, maintenance of air conditioning pipework, improvement of cooling tower design, modification of compressor scheduling, and change to electrical heating contributed to energy conservation and pollution reduction. New magnetic levitation chillers continue to be installed and compressor modules upgraded along the production lines. Furthermore, the machines are scheduled to operate in a way that leads to fewer modules on standby. Regarding lighting, LITE-ON replaces traditional fluorescent tubes with LED tubes to significantly reduce energy consumption while increasing the useful life. For power systems, transformers are adjusted to reduce waste.

Climate change adaptation strategies

- Develop and expand the range of low carbon products and services
- Developing automated energy saving technologies and clean energy innovations
- Identification and financialization of climate change risks and opportunities

Developing and expanding the range of low carbon products and services

To counter the threat of climate change, LITE-ON devotes itself to developing low carbon products and services and related innovations. By reducing energy consumption and cutting waste, LITE-ON enables itself and its customers to make more efficient use of energy resources, thereby achieving higher energy conversion efficiency, reduced material use and weight for products, and reduced waste. For example, the energy saving chip, one of the results from this R&D process, when compared to products in the past, has achieved (1) 38.1% weight reduction per unit or 81 tonnes in total and (2) 34.4% reduction in the use of non-recyclable heatsink paste. Both contribute to a lower environmental impact.

Developing automated energy saving technologies and clean energy innovations

LITE-ON reconstructs quality manufacturing through automation and digital transformation. In 2015, the company was the first manufacturer in the country to introduce the first unmanned LED lighting production line. In 2017, it started implementing big data and IoT remote monitoring, and installed a large number of smart manufacturing systems. The shift toward the use of family materials, family molds, and family jigs in production also help to reduce the energy and resource input per unit product. In 2018, LITE-ON Smart Life and Applications Division has installed part of a smart production line to provide line sharing in a small volume and achieve the objective of fast line changing for fast production. Mobile phone chargers also benefited from the introduction of smart manufacturing. It doubles the hourly production capacity, and reduces power consumption per unit product by 6% to 8%.

Identification and financialization of climate change risks and opportunities

We make a commitment to follow the TCFD framework to disclose climate change information and related risks and opportunities. The Climate Change Risk Task Force has been put in place in 2018. It is charged with identifying LITE-ON's exposure to potential physical risks and transformation risks arising from climate change and assessing the financial impact of likely climate related risks and opportunities. Furthermore, LITE-ON continues to follow international carbon trading issues. The company has also started formulating internal carbon pricing plans for its own science based targets to internalize costs of carbon emission. It adopts the shadow carbon pricing methodology, and takes into account the carbon trading regulations in Taiwan and the prices in Mainland China to determine carbon prices for main operation sites in Taiwan and Mainland China. The concept of total emission control will be applied in the future to set reduction targets for individual business units as part of LITE-ON's effort to start early in anticipation of changes in the energy market after new carbon reduction and carbon trading regulations and in mitigation of business risks.

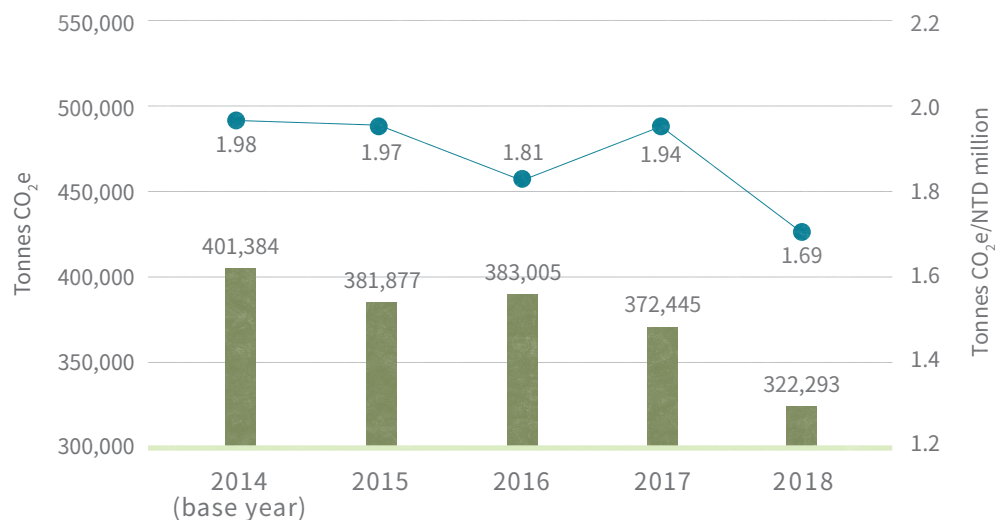
4.2.4 Greenhouse Gas Mitigation

4.2.4.1 Greenhouse Gas Inventory

LITE-ON continues to work on transformation and upgrade of low carbon products and improvement of renewable energy utilization in order to fulfill the promise of greenhouse gas reduction. LITE-ON has been passing third party (SGS Taiwan Ltd) certification standards and performing on greenhouse gas emission verification (reasonable level of assurance) since 2007 in accordance with the carbon management strategy. In 2018, LITE-ON's Scope 1 and Scope 2 GHG emissions were 322,293 tonnes. The CO₂ emission reduction was 50,152 tonnes CO₂e (13.47%) compared to 2017 or 79,091 tonnes CO₂e (19.70%) compared to 2014 (base year). The carbon intensity was 1.69 tonnes CO₂e/NTD million, 15.03% lower than in 2014.

2018 LITE-ON Greenhouse Gas Emission Inventories

Greenhouse gas emissions and intensity 2014-2018



Greenhouse Gas Emissions 2014-2018

	2014(base year)	2015	2016	2017	2018
Greenhouse gas emission (Scope 1), Tons of CO ₂ e* ¹	15,925	17,206	19,493	17,756	12,933
Greenhouse gas emission (Scope 2),Tons of CO ₂ e* ²	385,459	364,671	363,512	354,689	309,360
Greenhouse gas emission intensity tonnes CO ₂ e / NTD million	1.98	1.97	1.81	1.94	1.69
Volume of Scope 1 and Scope 2 emissions - by gas type* ³	CO ₂ : 392,139 CH ₄ : 7,740 N ₂ O: 61 HFCs: 1,471	CO ₂ : 371,025 CH ₄ : 7,047 N ₂ O: 60 HFCs: 3,745	CO ₂ : 369,219 CH ₄ : 8,048 N ₂ O: 55 HFCs: 5,684	CO ₂ : 359,944 CH ₄ : 8,421 N ₂ O: 38 HFCs: 4,034	CO ₂ : 313,363 CH ₄ : 7,261 N ₂ O: 7.3 HFCs: 1,661
Percentage of Scope 1 and Scope 2 emissions - by gas type	CO ₂ : 97.69% CH ₄ : 1.93% N ₂ O: 0.02% HFCs: 0.37%	CO ₂ : 97.43% CH ₄ : 1.70% N ₂ O: 0.01% HFCs: 0.86%	CO ₂ : 96.40% CH ₄ : 2.10% N ₂ O: 0.01% HFCs: 1.48%	CO ₂ : 96.64% CH ₄ : 2.26% N ₂ O: 0.01% HFCs: 1.08%	CO ₂ : 97.23% CH ₄ : 2.25% N ₂ O: 0.002% HFCs: 0.52%
Biomass emissions (Scope 1), Tons of CO ₂ e	745	532	280	0	0
Standards and methodology	ISO 14064-1	ISO 14064-1	ISO 14064-1	ISO 14064-1	ISO 14064-1
Source of emission coefficient	IPCC 2006	IPCC 2006	IPCC 2006	IPCC 2006	IPCC 2006
Operational/financial control (Scope 1 and Scope 2)	Operational control	Operational control	Operational control	Operational control	Operational control

*¹ Direct greenhouse gas emissions (Scope 1): fuel combustion in fixed equipment, production activities, fuel combustion in transportation equipment, and diffusion (e.g. fire extinguishers and refrigerants).

*² Direct greenhouse gas emissions from energy use (Scope 2): purchased electricity and steam.

*³ The emissions of Perfluorocarbons (PFCs), Sulfur hexafluoride (SF6), Nitrogen trifluoride (NF3) are 0

4.2.4.2 Greenhouse Gas Reduction Measures (GHG Scopes 1 and 2)

LITE-ON continues to work on improving the efficiency of energy saving and business equipment in plants and offices. LITE-ON focused its efforts on upgrading and improving management of the lighting systems at the plants; improving production processes; upgrading air conditioning units; and improving management systems and other energy saving measures in 2018. The total GHG emission reduction was 11,914 tonnes CO₂e. The energy and carbon saving measures at individual plants and offices are as follows:

Site	Carbon reduction measures	Reduction (Tonnes)
Taiwan	- Upgrade and improvement of lighting systems - Improvement of management systems - Improvement of production processes - Improvement of production equipment	496
Mainland China	Northern Mainland China	1,637
	Eastern Mainland China	1,216
	Southern Mainland China	7,943
Thailand	- Improvement of management systems - Improvement of production equipment - Replacement of A/C units	623
Total		11,914

4.2.4.3 Greenhouse Gas Value Chain Inventory (GHG Scope 3)

To maximize the value of the LITE-ON value chain and to identify key factors in slowing down climate change, LITE-ON takes inventories of emissions from its own business activities as well as those from its entire GHG value chain. LITE-ON adopted the GHG Protocol Evaluator Tool to identify Scope 3 emissions in 2017. The company also followed the GHG Protocol Scope 3 Standard to establish related inventory methodologies. GHG emissions were quantified by category in 2018. The plan was to identify emission hotspots in the value chain, set reduction targets, and start implementing reduction measures.

Regarding the use of products sold from Emission Source Category 11 on the value chain, for example, LITE-ON set the target to be a 2% improvement of energy conversion

efficiency for power supply products by 2023 with the products and technologies developed in 2016 as the baseline. Through green design, LITE-ON worked with upstream IC suppliers to develop a new generation of synchronous rectification ICs for higher efficient power conversion. The company achieved a 1.19% improvement in conversion efficiency and 108,577 Tonnes CO₂e in emission reduction in 2018.

Scope 3 Categories	Category	Source identification	Scope of verification	Emission (TonnesCO ₂ e)
01	Purchased Goods and Services	○	Emissions from the products purchased by LITE-ON Power Conversion SBG and Mechanical Competence SBG, Image BU.	11,203,774
02	Capital Goods	○	Emissions from the computer related office equipment purchased by LITE-ON Global Headquarter (Neihu).	8
03	Fuel- and Energy-Related Activities Not Included in Scope 1 or Scope 2	○	Emissions related to the production of fuels and energy purchased and consumed by major operations' contractors.	4,855
04	Upstream Transportation and Distribution	○	Upstream transportation and distribution of products purchased by Mechanical Competence SBG, Enclosure BU, GuangZhou plant.	1,250
05	Waste Generated in Operations	○	Emissions at major operations from third-party disposal and treatment of waste generated.	10,307
06	Business Travel	○	Emissions at Taiwan's operations from the transportation of employees for business related activities in aircraft	4,111
07	Employee Commuting	○	Emissions at major operations from the transportation of employees between their homes and worksites.	3,666
08	Upstream leased assets	-		
09	Downstream Transportation and Distribution	○	Downstream transportation and distribution of sold products by Mechanical Competence SBG, Enclosure BU, GuangZhou plant.	44,762
10	Processing of Sold Products	○	Emissions from electricity consumption at Power_LSE (Hui Zhou) from processing of sold intermediate products by third parties	102
11	Use of Sold Products	○	Emissions from the use of server powers and laptop powers sold	9,015,532
12	End-of-Life Treatment of Sold Products	○	Emissions from the waste disposal and treatment of server powers, desktop powers, notebook adaptors and phone chargers sold	342,640
13	Downstream Leased Assets	○	Emissions from electricity consumption at LITE-ON Global Headquarter (Neihu) from tenants	1,183
14	Franchises	-		
15	Investments	○	Emissions from subsidiaries which are not including in the operational control scope	3,627
Total		○		20,635,817

4.2.4.4 Direct and Indirect Energy Consumption

1. Direct energy

LITE-ON consumed 63,228 GJ in fossil fuels in 2018. It was a 19.72% reduction compared to 2017. The consumption intensity was 0.33 GJ/NTD million, 19.35% lower than in 2017.

Below are details regarding the company's use of fossil fuel:

- 287.6 kiloliters of diesel were used in 2018, which was 20.1% less than in 2017.
- 415.4 kiloliters of gasoline were used in 2018, which was 27.3% lesser than in 2017.
- 806.5 cubic meters of natural gas were used in 2018, which was 9.9% less than in 2017.
- 220.6 tonnes of LPG were used in 2018, which was 29.9% less than in 2017.
- 76.8 tonnes of alcohol liquids were used in 2018, which was 11.3% less than in 2017.

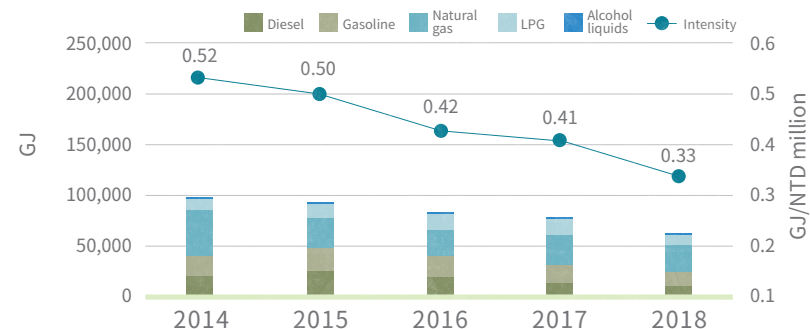
2. Indirect energy

LITE-ON's indirect energy includes purchased electricity and steam. The electricity consumption was 405,249 MWh or 1,458,896 GJ in 2018. It was 18,885 MWh or 67,986 GJ or 4.45% less than in the 2017 consumption and the electricity intensity fell by 4.01%. Compared to the year of 2014 (base year), the electricity consumption was 8.69% lower and the electricity intensity fell by 3.37%. The steam consumption is 3,656 MWh or 13,162 GJ, which is 515 MWh or 1,858 GJ or 12.37% lower than in the 2017 consumption.

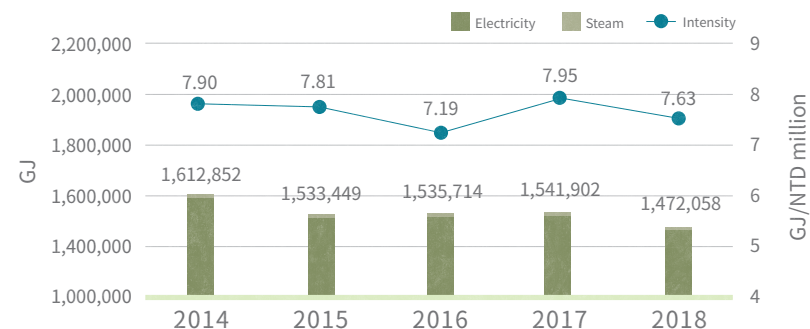
3. Total energy consumption

LITE-ON consumed a total of 1,535,286 GJ in energy in 2018. It was 90,136 GJ lower than in 2017. The consumption intensity was 8.03 GJ /NTD million, 5.11% lower than in 2017 or 5.46% lower than in 2014 (base year).

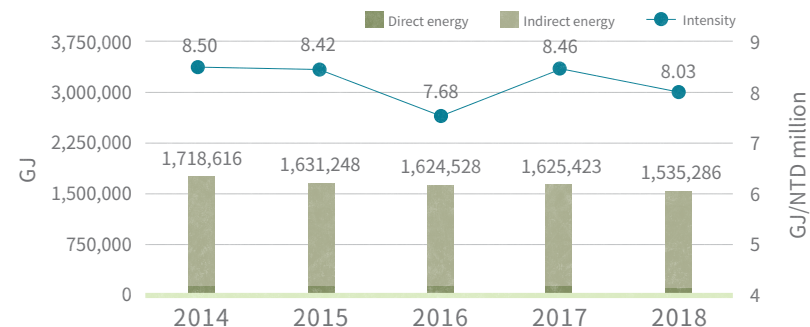
Fossil fuel consumption and intensity 2014-2018



Power Consumption and Intensity 2014-2018



Energy consumption and intensity 2014-2018



4.3 Water Resource Management

4.3.1 Water Resource Conservation

LITE-ON builds its water resource management system on ISO 14001 standards. A central control system monitors factory data in real-time, and tracks water management performance at main operation sites around the world. LITE-ON is constantly trying to implement more water resource conservation measures. The intensity of water consumption by LITE-ON in 2018 was 17.16% lower than it was in 2017. The total water consumption was 17.54% lower, reaching the target of 6% water consumption decrease by 2020 ahead of schedule.

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 incorporated 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 part of the cost management practice by the departments for achieving more efficient water resource conservation.

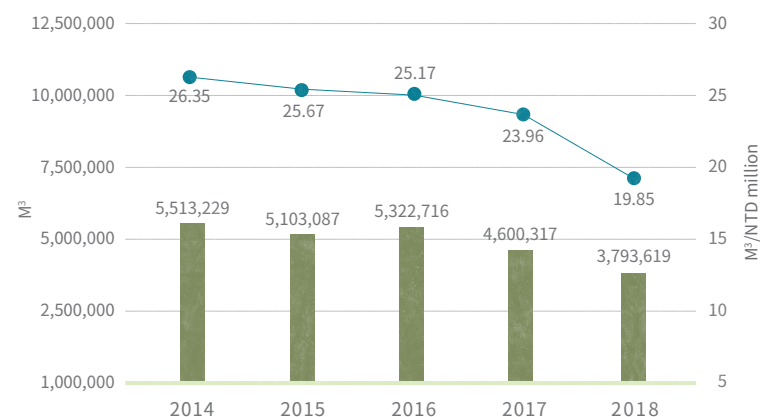
In 2018, LITE-ON's total water consumption was 3,793,619 M³ and the intensity of water consumption was 19.86 M³/NTD million, decreased 17.54% Y-o-Y and 17.16% Y-o-Y respectively.

4.3.2 Wastewater Treatment and Resourcization

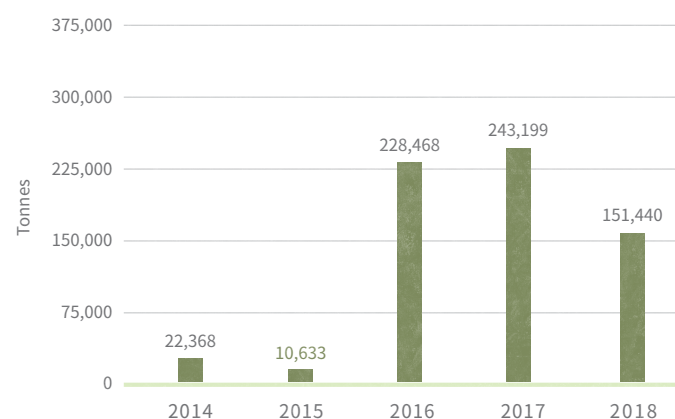
Water consumption at LITE-ON plants was used primarily for employees' life-sustaining needs and for plant equipment. All wastewater produced is either properly treated or discharged into water treatment plants as required by law. A small amount of industrial wastewater is treated by the wastewater treatment facilities inside the plants (by methods such as sedimentation or chemical coagulation), and discharged when the treated wastewater meets the local regulatory requirements. The total volume of wastewater discharged, based on the urban sewage discharge coefficient under Mainland China's code for urban wastewater and stormwater engineering planning, is estimated at 3,224,576 Tonnes.

To ensure effective wastewater treatment and resourcization, we took inventory of water resources in the plants that could be recycled and reused in 2015. We also started adding facilities for recycling and reuse of air conditioning condensation water and RO wastewater, recycling and reuse of pure water from shop facilities, and rainwater harvesting. LITE-ON practices water saving and water recycling and reuse on an ongoing basis. LITE-ON Changzhou Plant, for example, used a water recycling system for saw cutting to recycles 30 Tonnes of water resources a day. However, the total volume of water recycled in 2018 fell to 151,440 Tonnes, or 3.99% of total water consumption, as a result of the sale of the Mobile Imaging and Mobile Mechanics Division.

Water Consumption and Intensity 2014-2018



Water Recycling 2014-2018



4.4 Waste Management, Recycling and Reuse

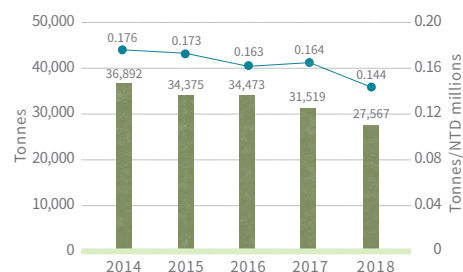
LITE-ON follows the ISO 14001 procedures and sets up a special management unit to be responsible for efficiently monitoring and managing waste production by source. To achieve effective management and waste reduction, we adopt the principles of minimum waste and maximum recycling and reusing, and selects qualified recycling service providers for waste treatment. Total waste was 27,567 tonnes in 2018, down by 3,952 tonnes (12.54%) compared to 2017. Waste intensity fell by 12.14%, reaching the target of 6% reduction by 2020 compared to 2017 ahead of schedule.

LITE-ON continues to promote source management, increase reuse of consumables and scrap, improve the design requirements for raw materials, production processes, and products, reduce material input and waste output, perform classification and management of hazardous waste from scraps, and reduce the output of untreatable hazardous waste. In addition, the company performs regular onsite audits to ensure effective waste reduction. We continue to implement reuse, optimized packaging materials, reduction at sources, and hazardous waste management throughout the production process in order to increase reuse of consumables and scrap. Acetone recyclers and explosion proof solvent recyclers are installed in all five Changzhou plants. The equipment recycles up to 60% of acetone and 90% of alcohol solutions, and reduces the output of waste organic solutions by 20,685 liters. Regarding optimized packaging materials, LITE-ON continues to improve the packaging design, uses more reusable packaging materials, extends the useful life of packaging materials, and promote recycling of waste packaging materials. Packaging materials have been reduced by 34.8% for projectors and 50% for LED streetlights. Regarding reduction at sources, LITE-ON improves the design requirements for raw materials, production processes, and products, and reduces material input and waste output. Integration and optimized design of synchronous rectification ICs have reduced use by 33.36Mpcs. Regarding hazardous waste management, LITE-ON monitors online collection and delivery of hazardous chemicals and controls entry/exit to the warehouse. Specific controls are in place to manage hazardous chemicals in the plants.

2017-2018 Total waste by category

	General industrial waste (incineration)	General industrial waste (landfills)	Hazardous industrial waste	Recyclable Waste	Total waste
2017	306	5,982	3,206	22,025	31,519
2018	300	4,510	2,631	20,126	27,567

2014-2018 Total waste and waste intensity



4.5 Green Factory



4.5.1 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 implements invested in the large-scale infrastructure, introduced ECM energy management systems in various areas, and reduces fuel consumption through maintenance of air conditioning pipework, improvement of cooling tower design, modification of compressor scheduling, and change to electrical heating. Regarding lighting, LITE-ON replaces traditional fluorescent tubes with LED tubes to significantly reduce energy consumption while increasing the useful life. Recycled water for cooling towers is implemented to provide cooling for the plants and reduce use of refrigeration equipment during winter.

4.5.2 Prevention and Control of Air pollution

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 production process for pollution control to reduce VOC emission.

LITE-ON has started implementing stronger outdoor air pollution emission controls at its plants in Mainland China since 2017. Measurement data from the plants, actual factory conditions, and local environmental policies were taken into account in the design for the comprehensive and reasonable emission treatment systems. The LITE-ON Enclosure (Guangzhou) Plant, for example, adopts a three phase control system with precipitators, UV photocatalysis, and activated carbon based absorption. The system works with an electronically controlled emission treatment system to perform the inspection, control, optimization, management, and decision making in the emission management process. The approach satisfies a range of requirements, including removal of VOC pollutants, optimized control, reduced consumption, and safety.

The key preventive controls and pollution control measures are summarized as follows:

	Preventive management	Pollution control
Indoor air quality management	<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> Reduce or cease polluting processes. Use fuels with low sulfur content. Apply centralized management of corporate vehicles and reduce the number of trips taken. 	<ul style="list-style-type: none"> Install two phase VOCs comprehensive and reasonable emission treatment system such as photocatalytic and activated carbon absorption. Use wet scrubbers for inorganic waste air. Install flue gas desulfurization equipment for diesel-based power generation (for emergencies).

4.5.3 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.

Cleaner production, reduced environmental impact

The Cleaner Production initiative helps LITE-ON reduce direct or indirect energy and resource consumption in the production process. Production efficiency is constantly being improved, while the use of chemicals and discharge of waste are reduced. LITE-ON Technology (Changzhou), for example, installed acetone recyclers and explosion proof solvent recyclers in late 2017. The equipment recycled up to 60% of acetone and 90% of alcohol solutions, and reduced total output of waste organic solutions by 20,685 liters. Furthermore, LITE-ON Technology (Changzhou) installed



LITE-ON Technology (Changzhou) A6 substrate water based washer

automatic water based substrate washers and automatic water based wire washers, and replaced existing solvent cleaners with water based cleaners. The effort effectively reduced VOC emission generated during tin furnace welding and substrate production, and reduced the impact on the environment and on the human body.

Production efficiency through automation

LITE-ON reconstructs quality manufacturing through automation and digital transformation. In 2015, the company was the first manufacturer in the country to introduce the first unmanned LED lighting production line. In 2017, it started implementing big data and IoT remote monitoring, and installed a large number of smart manufacturing systems. The shift toward the use of family materials, family molds, and family jigs in production also help to reduce the energy and resource input per unit product. In 2018, LITE-ON Smart Life and Applications Division has installed part of a smart production line to provide line sharing in a small volume and achieve the objective of fast line changing for fast production.

Regarding the 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. LITE-ON will go on to combine automation and smart operations in order to achieve high speed unmanned operations in the future. Results so far include:

- For magnetic components and PC enclosures, automated production is introduced to shorten the production hours by one third or more. In addition to increased production capacity, the system reduces power consumption per unit product during production, thereby reducing product carbon footprint.
- Smart manufacturing is introduced for mobile phone chargers. It doubles the hourly production capacity, and reduces power consumption per unit product by 6% to 8%.



5

LITE-ON and Employees

A workplace culture with
Passion, Excellence,
Innovation and Growth



Employee frequency of disabling injuries rate decreased 38% Y-o-Y and severity of disabling injuries rate decreased 14% Y-o-Y



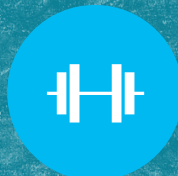
Employee remuneration and benefits 2018: NT\$25.11 billion, 12.1% of total revenue



Total of 988 new jobs were created in Taiwan



100% of employee grievance cases were resolved



Sports Company Certification by the Sports Administration of the Ministry of Education



81 of employees used the one-on-one external professional consulting services in the Employee Assistance Programs (EAP)



Average training 32 hours per employee



5.1 Employee Policy



Employee Remuneration and Benefits

NTD
25.11
billion

2018 NT\$25.11 billion
2017 : NT\$26.12 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.

2018 Targets	Results
30 training hours per person on average	31.8 training hours per person on average
Continue to develop 15 digital courses via industry-academia cooperation	25 courses completed under industry-academia cooperation
Hire quality experts to teach 25 in-house courses	29 courses completed
Disability frequency and severity reduced by 10% each compared to previous year	Disability frequency reduced by 38% Disability severity reduced by 14%
Monthly average rate of critical position retention at 97% or higher	critical position retention rate 86.8%*

*Note : 1. Key positions are those exposed to key manufacturing technologies in plants in Mainland China and Thailand. Such positions are reported by heads of the manufacturing and IE departments, reviewed by the quality control, engineering, and management departments, and approved by the highest-ranking management of the respective plants.
2. The retention rate failed to reach the target due to a shortage of tech talent and fierce competition among companies.

Future goals

Items	Completion
30 training hours per person on average	2019
Continue to develop 18 digital courses via industry-academia cooperation	2019
Hire quality experts to teach 30 in-house courses	2019
Disability frequency and severity reduced by 10% each compared to previous year	2019
Monthly average rate of critical position retention at 97% or higher	2019

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.

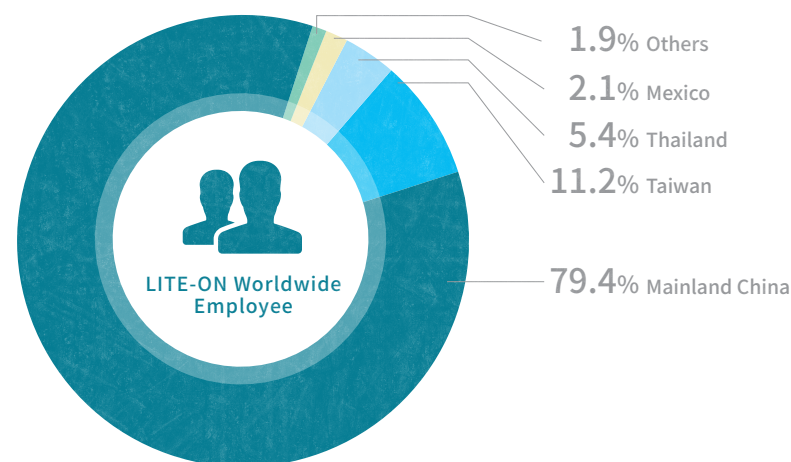
All LITE-ON's human resource policies have been based on "passionate, motivating, innovative, and growing", and are designed to give employees optimal care in work, life, and health. Treating every employee as a best partner, LITE-ON wishes to see employees enjoy their work and their goals are aligned 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 2018, LITE-ON had 41,801 employees worldwide; 55.9% of whom were male and 44.1% were female. There were 4,682 employees in Taiwan, while the remaining 37,119 were located throughout Mainland China and other overseas (including Thailand, Mexico, Brazil, Vietnam, Singapore, Europe and USA etc.). 97% of employees were in Asia.



	Taiwan	Mainland China	Thailand	Mexico	Others	Total
Male	7.1%	45.6%	1.1%	0.9%	1.2%	55.9%
Female	4.1%	33.7%	4.3%	1.2%	0.7%	44.1%

Employee composition contract type

Gender & Type Region	Male			Female			Total
	Full Time	Part Time	Subtotal	Full Time	Part Time	Subtotal	
Taiwan	2,931	17	2,948	1,729	5	1,734	4,682
Mainland China	16,990	2,087	19,077	12,526	1,567	14,093	33,170
Thailand	460	0	460	1,803	0	1,803	2,263
Mexico	129	264	393	148	334	482	875
Others	487	15	502	307	2	309	811
Worldwide total	20,997	2,383	23,380	16,513	1,908	18,421	41,801

Note : 1. Full Time are permanent employees and Part Time are contracted employees

2. The data excluding 90 dispatch employees

Disabled and foreigner employment

Gender & Type Region	Disabled			Foreigner		
	Male	Female	Total	Male	Female	Total
Taiwan	28	18	46	16	220	236
Mainland China	219	105	324	11	3	14
Thailand	0	0	0	0	0	0
Mexico	0	0	0	0	0	0
Others	0	0	0	1	0	1
Worldwide total	247	123	370	28	223	251

Recruiting local residents in high-level management

	Taiwan	Mainland China	Thailand	Mexico	Other
High-level management employees	4.6%	1.7%	1.9%	0.0%	17.1%
Percentage of local residents recruited in high-level management positions	98.6%	97.8%	100.0%	0.0%	100.0%

Notes: 1. Director & above are defined as High-level management positions in Taiwan

2. Deputy Manager & above are defined as high-level management positions in Mainland China, Thailand, Mexico and other regions which are mainly manufacturing sites

Employee structure

Gender and age distribution by region

Gender & Type Region	Male					Female				
	<30	30-40	41-50	>50	Total	<30	30-40	41-50	>50	Total
Taiwan	13.2%	21.1%	22.4%	6.2%	63.0%	8.7%	14.1%	10.8%	3.4%	37.0%
Mainland China	39.5%	14.2%	3.5%	0.3%	57.5%	23.5%	13.8%	5.0%	0.2%	42.5%
Thailand	8.3%	6.6%	4.7%	0.8%	20.3%	26.1%	27.1%	23.5%	3.0%	79.7%
Mexico	25.5%	12.3%	5.5%	1.6%	44.9%	22.6%	21.3%	9.7%	1.5%	55.1%
Others	33.5%	14.5%	7.0%	6.8%	61.9%	14.7%	12.7%	6.0%	4.7%	38.1%
Worldwide total	34.5%	14.5%	5.8%	1.1%	55.9%	21.8%	14.7%	6.8%	0.8%	44.1%

Gender and education distribution by region

Gender & Type Region	Male			Female		
	Masters & above	Bachelor	Others	Masters & above	Bachelor	Others
Taiwan	34.7%	27.1%	1.2%	7.0%	23.8%	6.2%
Mainland China	0.3%	9.7%	47.5%	0.2%	6.0%	36.3%
Thailand	0.1%	11.7%	8.5%	0.3%	16.2%	63.2%
Mexico	0.1%	13.4%	31.4%	0.0%	3.4%	51.7%
Others	6.3%	27.9%	27.7%	1.6%	16.0%	20.5%
Worldwide total	4.2%	12.2%	39.5%	1.0%	8.7%	34.4%

Employee grade distribution

Grade and Gender		2016		2017		2018	
Executive management	Male	38	97.4%	30	96.8%	55	94.8%
	Female	1	2.6%	1	3.2%	3	5.2%
	total	39	100.0%	31	100.0%	58	100.0%
Senior manager	Male	209	89.7%	216	88.5%	165	87.3%
	Female	24	10.3%	28	11.5%	24	12.7%
	total	233	100.0%	244	100.0%	189	100.0%
Mid-level manager	Male	1,993	77.9%	2,119	77.6%	1,867	76.5%
	Female	567	22.1%	610	22.4%	574	23.5%
	Total	2,560	100.0%	2,729	100.0%	2,441	100.0%

Note : 1. Executive management are Associate Vice President and above
2. Senior manager are Director and above
3. Mid-level manager are D. Manager, Manager, and Sr. Managers

Grade and Gender		2016		2017		2018	
General employees (indirect labor, IDL)	Male	9,674	66.1%	9,685	66.4%	8,301	65.4%
	Female	4,970	33.9%	4,896	33.6%	4,387	34.6%
	Total	14,644	100.0%	14,581	100.0%	12,688	100.0%
General employees (direct labor, DL)	Male	19,323	50.4%	19,279	51.7%	15,079	51.8%
	Female	19,000	49.6%	18,019	48.3%	14,034	48.2%
	Total	38,323	100.0%	37,298	100.0%	29,113	100.0%
All employees	Male	28,997	54.7%	28,964	55.8%	23,380	55.9%
	Female	23,970	45.3%	22,915	44.2%	18,421	44.1%
	Total	52,967	100.0%	51,879	100.0%	41,801	100.0%

Note : Indirect labor includes all Managers and all executive management members

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

2018 Monthly average turnover rate (including voluntary and involuntary departures) - by age and region

Type & Age Region	Direct Labor (DL)								Indirect Labor (IDL)							
	<30	%	30-40	%	41-50	%	>50	%	<30	%	30-40	%	41-50	%	>50	%
Taiwan	73	2.5%	42	1.9%	7	0.9%	3	0.8%	329	3.3%	531	2.9%	363	2.0%	89	1.8%
Mainland China	58,626	25.3%	9,519	13.5%	1,848	7.3%	78	5.5%	2,994	6.4%	1,519	3.6%	228	2.3%	18	2.4%
Thailand	717	7.4%	345	3.9%	52	0.9%	7	1.3%	35	5.3%	34	2.9%	16	0.9%	3	0.8%
Mexico	38	1.0%	26	1.0%	9	0.8%	0	0.0%	0	0.0%	0	0.0%	1	0.3%	0	0.0%
Others	364	18.6%	61	5.2%	5	1.4%	0	0.0%	29	2.4%	19	1.6%	4	0.5%	3	0.3%
Worldwide total	59,818	23.9%	9,993	11.7%	1,921	5.8%	88	3.3%	3,387	5.7%	2,103	3.3%	612	2.0%	113	1.5%

2018 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	37	4.9%	88	1.6%	969	2.6%	343	2.3%
Mainland China	46,331	25.4%	23,740	16.2%	3,287	5.2%	1,472	4.1%
Thailand	153	3.9%	968	4.6%	38	2.1%	50	2.4%
Mexico	33	1.3%	40	0.8%	1	0.0%	0	0.0%
Others	258	16.5%	172	8.8%	31	1.2%	24	1.4%
Worldwide total	46,812	24.5%	25,008	13.9%	4,326	4.1%	1,889	3.4%

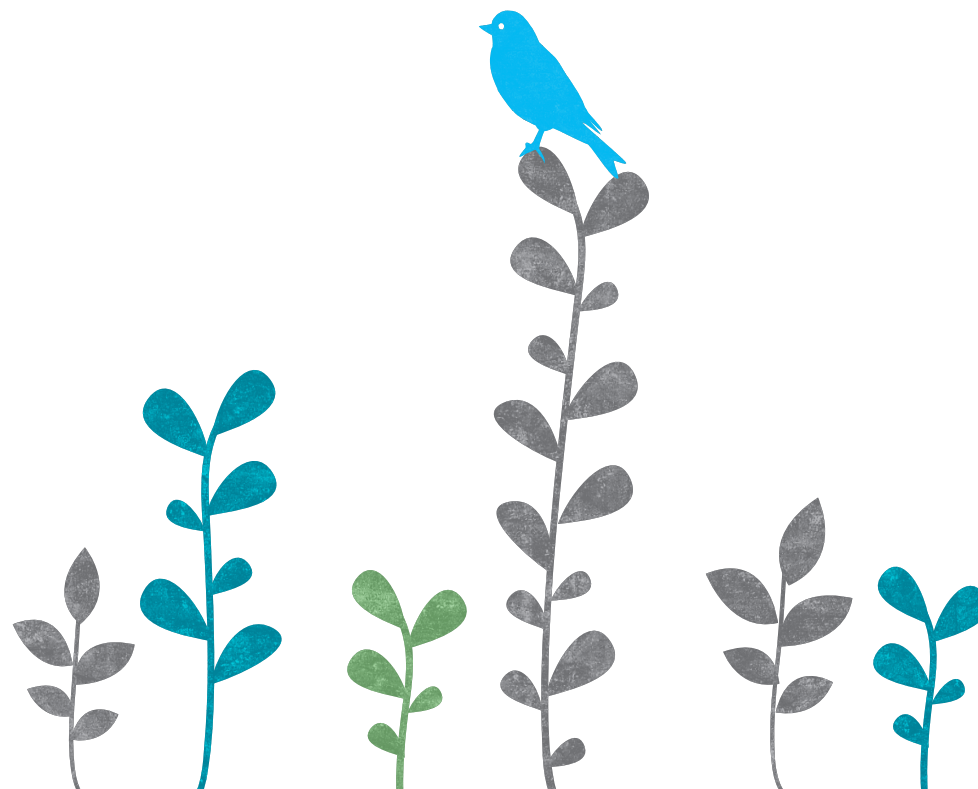
Notes: 1. The calculation of monthly average turnover rate: (monthly average number of departed employees in 2018) / (sum of month-end employee count from Jan to Dec/12)*100%.

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

2. Analysis of 2018 Employees on child care long-term leave (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 39 employees applied the child care long-term leave, and 71% of those who did come back to job in 2018. This is a testament to how employees approve of LITE-ON's policies.

Items	Male	Female	Total
Number of employees eligible for childcare leave in 2018 (A)	506	303	809
Actual number of applicants in 2018 (B)	13	26	39
Expected number of reinstatements in 2018 (C)	5	19	24
Actual number of reinstatements in 2018 (D)	2	15	17
Actual number of reinstatements in 2017 (E)	4	18	22
Number of people who continued to work for one year or more after reinstated from childcare leave in 2017 (F)	2	9	11
Retention rate after parental leave (F/E)	50%	50%	50%
Reinstatement rate after parental leave (D/C)	40%	79%	71%



5.2.3 Employee 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%.

2018 Monthly average new hire rate - by age

Region	Type & Age		Direct Labor (DL)						Indirect Labor (IDL)							
	<30	%	30-40	%	41-50	%	>50	%	<30	%	30-40	%	41-50	%	>50	%
Taiwan	64	2.2%	27	1.2%	6	0.8%	0	0.0%	352	3.6%	356	1.9%	162	0.9%	21	0.4%
Mainland China	55,712	24.0%	8,943	12.7%	1,594	6.3%	11	0.8%	2,013	4.3%	640	1.5%	72	0.7%	2	0.3%
Thailand	604	6.2%	226	2.6%	11	0.2%	0	0.0%	51	7.7%	53	4.5%	12	0.7%	0	0.0%
Mexico	331	8.5%	212	8.3%	95	7.9%	20	7.6%	74	6.3%	57	5.8%	25	6.3%	4	6.7%
Others	351	18.0%	93	8.0%	8	2.2%	0	0.0%	44	3.7%	37	3.2%	15	1.8%	1	0.1%
Worldwide total	57,062	22.8%	9,501	11.2%	1,714	5.1%	31	1.2%	2,534	4.3%	1,143	1.8%	286	0.9%	28	0.4%

2018 Monthly average new hire rate - by gender

Region	Direct Labor (DL)		Indirect Labor (IDL)					
	Male	%	Female	%	Male	%	Female	%
Taiwan	2	0.3%	95	1.7%	616	1.7%	275	1.8%
Mainland China	44,582	24.4%	21,678	14.8%	1,843	2.9%	884	2.5%
Thailand	114	2.9%	727	3.5%	64	3.6%	52	2.5%
Mexico	246	10.0%	412	8.6%	123	5.5%	37	3.7%
Others	262	16.8%	190	9.7%	69	2.6%	28	1.7%
Worldwide total	45,206	23.6%	23,102	12.9%	2,715	2.6%	1,276	2.3%

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

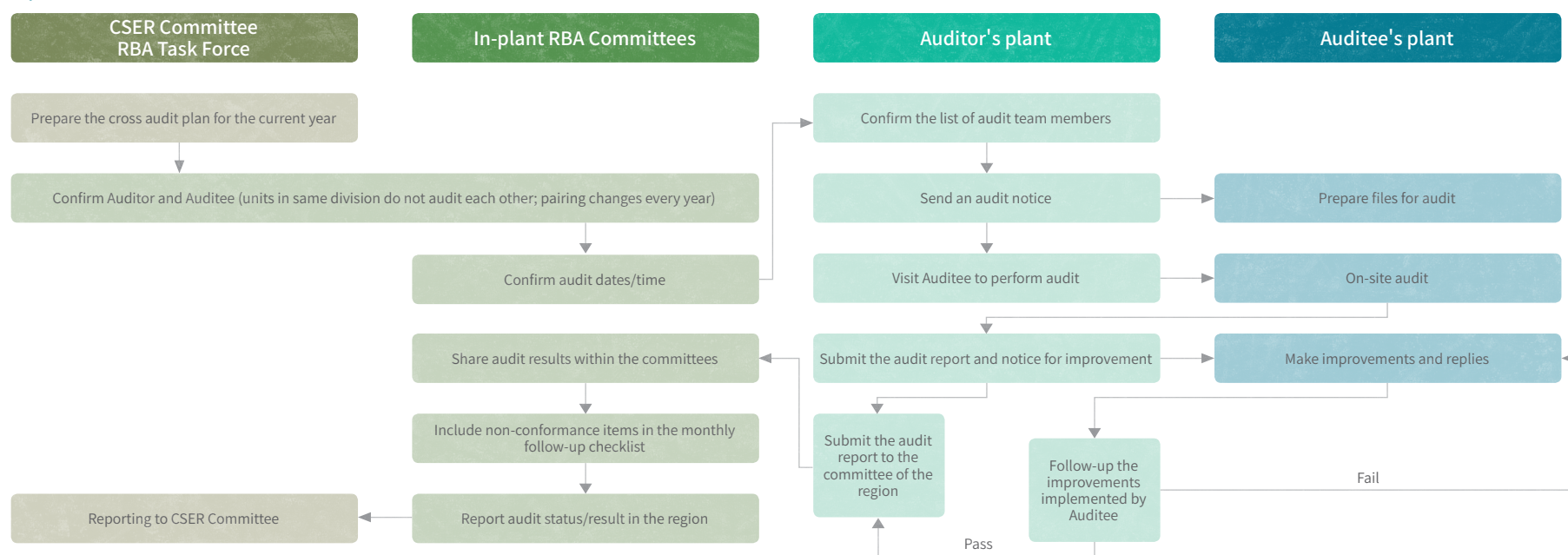


LITE-ON has established its own RBA Code of Conduct audit procedures to ensure the adequacy, effectiveness and appropriateness of its CSR framework, and to monitor how progress complies with prescribed guidelines, goals and regulations. The audit procedures clearly outline the responsibilities, processes, 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 Mainland 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.

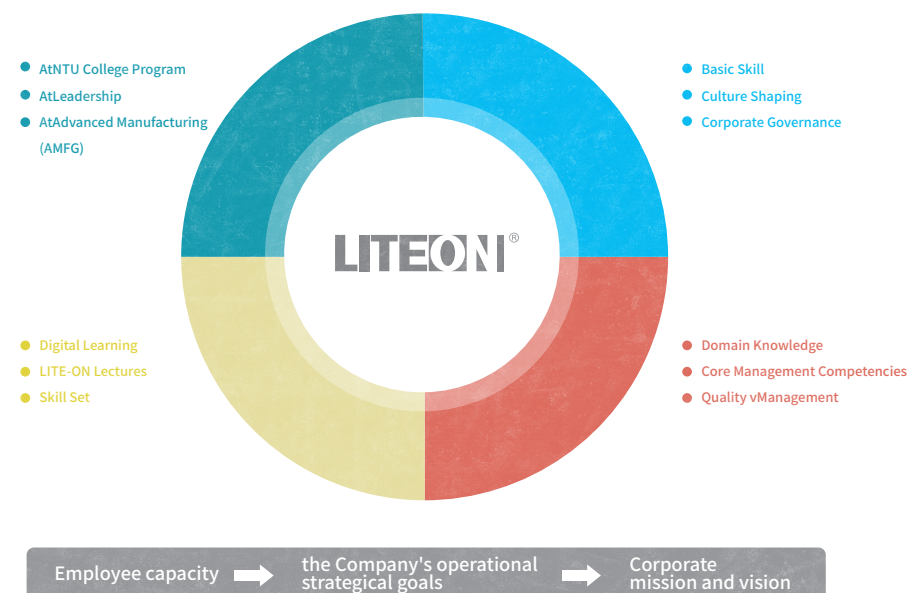
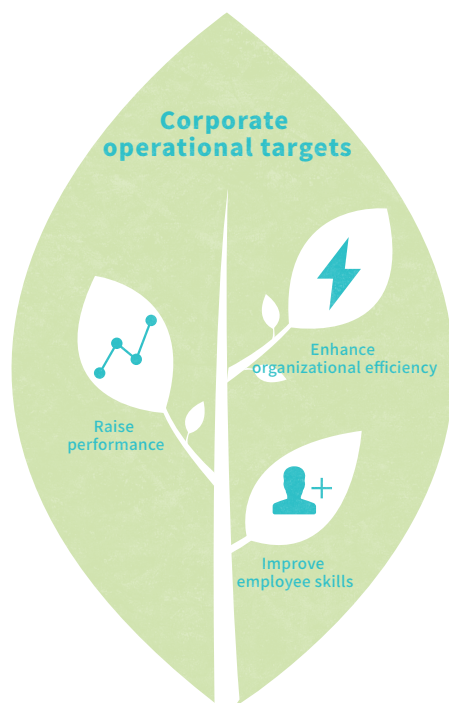
LITE-ON's learning structure and roadmap

LITE-ON's learning structure is founded on the organization's strategy, vision, and values. Through comprehensive curriculum planning, a 12-module learning roadmap has been established and based on new employee orientation, specialized training, strata training, and self-development.

The 12-module learning roadmap covers

- Basic skills, Culture shaping, and Corporate governance modules for new employees;
- Digital learning, LITE-ON Lectures, and Skill set modules focusing on self-learning;
- Domain knowledge, Core management competency, and Quality management modules to improve professional skills;
- NTU College program, Leadership, and advanced manufacturing modules designed for the management.

These modules allow employees at every level to set goals for self-development. The organization operates more efficiently with a positive training cycle, and thereby achieves the operational goals and fulfills the mission and vision of sustainability.



LITE-ON comprehensive learning and development strategies and plans

The LITE-ON 12-module roadmap is based on personal skills and works with the company's business strategies and targets in order to create a program that contributes to the realization of the company's mission and vision. First, we help employees learn and understand LITE-ON and the Company's direction of future development. Then we provide self-learning resources, including digital learning and LITE-ON Lectures. For professional training, specialized courses are offered to individual departments as needed. Training in core management competency and quality management is also provided to employees. Finally, we provide advanced management and leadership programs for managers to enable them to combine theory and practice and continue to apply and improve their training in practice. The modules are described in more detail as follows:

Basic skills/Culture shaping/Corporate governance

In order to quickly familiarize new employees with LITE-ON's corporate culture, in addition to training on their first day of work, new employees are required to complete orientation training within three to six months. Orientation training is designed to convey the company's vision, mission, and regulations and help new employees quickly assimilate to the LITE-ON organization. The courses are summarized as follows:

- **Basic skills**
The courses include "Introduction to Human Resources Regulations," "On-the-job Occupational Health and Safety Training," and "Guide to Product Showrooms." They help new employees familiarize themselves with the new environment and adapt accordingly.
- **Culture shaping**
The courses include "The LITE-ON Vision, Mission, Beliefs, and Philosophy," "Corporate Social and Environmental Responsibility (CSER)," and "LITE-ON Corporate Identify System." They are intended to give employees a better understanding of the LITE-ON culture and increase loyalty.
- **Corporate governance**
The courses on the "LITE-ON Human Rights Policy and Ethical Corporate Management Principles," the "Procedures for Handling Material Insider Information," the "Anti-trust and Compliance Guidelines," and the "LITE-ON InfoSec Awareness Campaign" help new employees quickly become familiar with the rules and regulations in the company.

Digital learning/LITE-ON lectures/skill set

The company offers different learning environments to encourage self-learning among employees. The company designs practical online courses, invites industry experts to speak in LITE-ON Lectures, provides Office software training courses that improve work efficiency and

language courses that improve language skills, offers employees different learning resources outside of the office, and helps employees increase their soft power.

- **Digital learning**
In addition to in-house digital courses and e-newsletters, LITE-ON introduced Commonwealth Leader Academy courses in 2018. The list includes more than 900 finance and management courses that provide a rich variety of micro-learning resources for LITE-ON employees.
- **LITE-ON lectures**
The lectures offer a wide range of topics. Some focus on product trends and some explore tech trends in new technologies. There are also softer topics, such as health and lifestyle, art appreciation, and other cultural seminars. Most speakers are university professors or industry experts. LITE-ON managers or representatives send invitations, and discuss course details with the guest speakers in order to provide new work or life related knowledge for employees.
- **Skill set**
The courses focus on software applications and languages: such as 5 Office 365 tools (Teams, OneDrive, Skype Business, Planner, and Forms), useful Excel tips for the office, PowerPoint presentation preparation and practical tips, and online language courses throughout the year. All courses are intended to help employees improve personal skills.

Domain knowledge/Core management competency/Quality management

To realize its vision and strategy, LITE-ON makes specialized courses on professional training, management, and quality available to employees to help employees gain management skills and professional knowledge.

- **Domain knowledge**
Courses are designed by individual departments, and on-the-job training is provided by specialization. The courses cover products, quality, and practical training. Some are converted into the digital format, allowing employees to learn beyond the constraints of space and time; employees can adapt quickly to their new environments and positions and make contributions.
- **Core management competency courses**
The courses cover routine management, project management, target management, communication and coordination, problem analysis and decision making, and business management. Employees and managers nominated for promotion in a year are required to complete this mandatory course in order to ensure that they possess the necessary core management competencies for their intended positions.
Executive management: bargaining and business negotiation, business management and similar courses

Middle management: target management, internal control, and control procedures courses
Base level: routine management, project management and similar courses

• **Quality management**

Quality is the first step toward value and respect. LITE-ON follows the constant rule of quality first, delivery second, and cost third. The emphasis on quality is reflected in the "General Quality" courses as well as in the "Advanced Quality" and compliance and audit courses designed to meet product and production requirements. These courses help employees meet client-specific quality requirements and comply with the applicable regulations.

LITE-ON & NTU college/Leadership/Advanced manufacturing

To build a high performance management and business model, the company has created a series of management and quality courses. This series brings theory deeper into practice, and creates a common language between managers and project team members. The approach shortens the time to manage and adapt in the organization, thereby achieving a high performance management and business model.

• **NTU college program**

LITE-ON works with the top school to offer a management training program designed specifically for LITE-ON (NTU Elite Program) and a division management training program/Lead Program.

• **Leadership**

Courses such as team accountability courses (basic/advanced/workshop) and high efficiency team building courses are offered to create a common language in the team and build team spirit.

• **Advanced manufacturing**

The courses are offered as workshops for the departments. The advanced manufacturing courses are based on different stages of product development, and proceed from theory to practice, in four stages.

Stage 1: Basic theory

Stage 2: Product engineering to material engineering

Stage 3: Material engineering to manufacturing engineering

Stage 4: Implement LITE-ON advanced manufacturing

2018 LITE-ON's major operation sites (Taiwan + Mainland China + Thailand) Total 40,115 employees, total training 1,277,150 hours, and average training 31.8 hours per employee

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
		Mail	Female	Overall		Mail	Female	Overall		Mail	Female	Overall		Mail	Female	Overall	
Practical training	Executive management	12.8	18.0	13.1	719	0.0	0.0	0.0	0	0.0	0.0	0.0	0	12.8	18.0	13.1	719
	Senior Manager	19.1	19.0	19.1	3,032	10.2	1.5	9.4	103	0.0	0.0	0.0	0	18.5	18.3	18.4	3,135
	Mid-level Manager	24.0	26.6	24.6	42,660	14.4	13.7	14.2	7,693	48.5	65.2	56.0	2,354	22.1	24.8	22.7	52,707
	Indirect Labor	24.9	25.2	25.0	54,389	11.8	12.8	12.2	85,710	10.6	14.1	12.5	3,357	14.8	15.7	15.1	143,456
	Direct Labor	5.0	2.2	2.6	1423	39.2	25.5	33.2	848,264	79.0	94.1	91.7	178,944	39.9	33.0	36.6	1,028,631
e-learning	Indirect Labor	6.0	5.7	5.9	24,369	1.0	1.6	1.2	9,475					2.9	2.9	2.9	33,844
External online courses																	14,657
Total		29.5	22.9	27.0	126,593	32.6	23.3	28.7	951,245	59.3	87.3	81.6	184,655	32.8	29.8	31.8	1,277,150
No. of indirect labor		4,124				7,582				311				12,017			
No. of direct labor		558				25,588				1,952				28,098			
Total employee		4,682				33,170				2,263				40,115			

Notes: 1. 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.
2. Internal e-learning are currently unavailable in Thailand
3. Calculations have changed from using the number of completions to the number of people. Therefore, the data on the number of people show only the data from 2018 (as shown in the table above) and no comparison with the data from 2016 or 2017. The total number of training hours is shown side by side for the three years (as shown below).

5.4 Protection of Employee Interest



5.4.1 Protection of Interests of Employment

To ensure protection of employees' interest, LITE-ON sets 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.

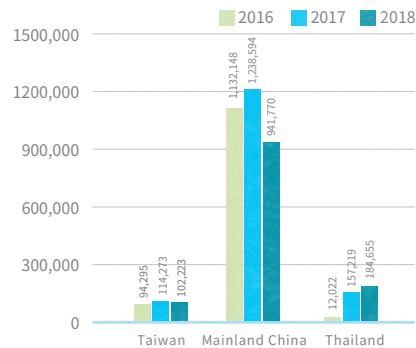
LITE-ON's performance appraisal cycle for indirect labor (excluding new hired employee)



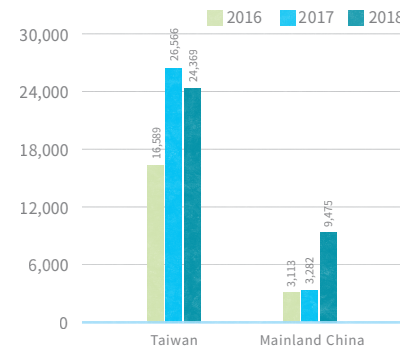
* The minimum notice periods for plants in Taiwan governed by the Labor Standards Act are as follows:

1. Those who have been in employment for three months or more but less than one year should be given a ten-day notice.
2. Those who have been in employment for one year or more but less than three years should be given a twenty-day notice.
3. Those who have been in employment for three years or more should be given a thirty-day notice.

Total number of hours (offline training)



Total number of hours (online courses)



2018 RBA code of conduct course

Locations	Total of employee	Number of attendees (Male)	Number of attendees (Female)	Total of attendees	Percentage of total employee	Total training hours
Taiwan	4,682	2,453	1,108	3,561	76.1%	7,313
Mainland China	33,170	16,982	10,917	27,899	84.1%	135,752
Thailand	2,263	386	1,573	1,959	86.6%	15,868
Total	40,115	19,821	13,598	33,419	83.3%	158,933

Note: 1. The courses cover the Responsible Business Alliance (RBA) Code of Conduct, the LITE-ON Human Rights Policy and Ethical Corporate Management Principles, internal audit and control courses, occupational health and safety courses, and energy conservation and carbon reduction campaigns.

2. Awareness campaigns: To encourage voluntary participation, LITE-ON made plans for regular campaigns to raise awareness of these courses in 2019 and to increase the participation rate by prompting employees and departments that have not completed the courses.

2018 Anti-Corruption including material insider information, anti-trust and compliance courses

Locations	Total of employee	Number of attendees (Male)	Number of attendees (Female)	Total of attendees	Percentage of total employee	Total training hours
Taiwan	4,682	2,367	1,070	3,437	73.4%	3,295
Mainland China	33,170	14,644	9,404	24,048	72.5%	120,505
Total	37,852	17,011	10,474	27,485	72.6%	123,800

Note: Multiple channels: In addition to reiterating the policy, to make it easier for employees to take online courses, LITE-ON started offering the courses through a mobile app in 2019. They are now available via multiple channels (offline, online, and mobile app). In addition, discussion groups are organized as part of refresher training to increase the participation rate.

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

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 1.03 times the minimum wage in Taiwan, 1 time in Mainland 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.

The gender pay gaps by pay grade are shown in the table below

Grade	Annual salary		Monthly base salary	
	Male	Female	Male	Female
Department heads (G26 and above)	1	0.88	1	1.00
Managers (G16-G24)	1	0.85	1	0.85
General employees (G14 and below)	1	0.83	1	0.88
Direct labor (DL)	1	1.00	1	0.97
Average	1	0.89	1	0.93

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

The average and median of annual salaries for full-time employees not in a management position are shown in the table below

Year	2018(NTD)	2017(NTD)	Growth
Median	245,217	225,393	8.8%
Average	392,355	357,169	9.9%

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

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

5.4.3 Pension System

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 Mainland 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.

5.4.4 Violation of Labor Standards Act and Other Information

Date	Site	Unit of labor inspection	Violated article(s)	Fine
2018/4/24	Zhonghe	Labor Affairs Bureau, New Taipei City Government	Article 30, Paragraph 6 of the Labor Standards Act	NTD 150,000
2018/6/6	Neihu	Department of Labor, Taipei City Government	Article 70 of the Labor Standards Act Article 30, Paragraph 6 of the Labor Standards Act	NTD 40,000
2018/7/12	Hsinchu	Hsinchu Science and Industrial Park, Ministry of Science and Technology	Article 30, Paragraph 5 of the Labor Standards Act	NTD 90,000
2018/7/24	Dongguan	Dongguan Intermediate People's Court	Regulation on Work-Related Injury Insurance (Guangdong)	RMB 213,506

Note: While the fines in Cases 1, 2, and 3 did not reach the minimum amount for a major key event, the cases are still ongoing, and, therefore, disclosed in the report accordingly.

Violation explanations are as follows:

Article 30, Paragraphs 5 and 6 of the Labor Standards Act

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.

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. For 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.

Article 70 of the Labor Standards Act

All LITE-ON work rules are filed with the local governments and then released on the LITE-ON Intranet. A change of law kept the filing process from being completed with the local government in a timely manner. The information has since been filed under Taipei City/County Government Taipei-City-Employer-Employee No. 1076063086 dated October 16, 2018.

Regulation on Work-Related Injury Insurance (Guangdong)

The plant operates stamping machines on the premise. It is a manufacturing facility with a relatively high risk of noise hazards. While protection measures are provided, employees failed to wear the appropriate protective gear, and the onsite supervisors failed to supervise and manage the workers. The failure led to damaged hearing among the employees.

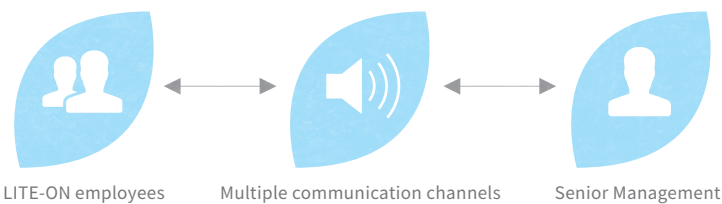
The plant has reiterated the importance of wearing protective gear to its employees and the rules to ensure that onsite supervisors check whether the workers wear protective gear. The plant has also increased the frequency of physical examination for the employees, and arranged for employees and their direct supervisors to work in shifts in order to reduce the risk of hearing loss.

All information above has been published on the LITE-ON website:
[HTTPS://WWW.LITEON.COM/EN-US/JOINUS/490](https://www.liteon.com/en-us/joinus/490)

5.5 Employee Relations

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

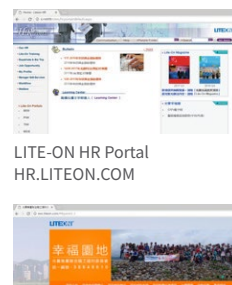
Communication channel



- Internal websites (HR Portal/LITE-ON Homestead)
- Internal bulletins ("ER Team", "HRD Team", "HRM 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
HR.LITEON.COM



LITE-ON Homestead
EWC.LITEON.COM

Internal announcements

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

Internal publications

To 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 2018, a total of 5 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)



LITE-ON Changzhou
Newsletter
East Mainland China
Operation Center



LITE-ON Image
IMG (Guangzhou)



LITE-ON Home
HIS (Shijie, Changzhou)

Two-way communication meeting

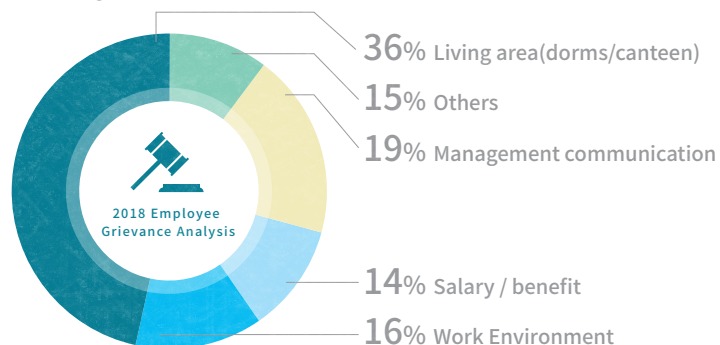
Every business unit at LITE-ON is required to conduct monthly management meetings and organize two-way communication meetings with employees on a regular basis. A total of 11 sessions were held in 2018. In addition to facilitating announcements of important news and business targets from the business 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. Furthermore, LITE-ON invites suggestions from employees, and presents said suggestions regularly in employer-employee meetings and to the union in order to improve employer-employee relations and protect employee rights.

Labor Unions

Each LITE-ON's major plant in Taiwan and overseas is equipped with a union, of which 64.64% of the workers 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. Three employee grievance was received in Taiwan in 2018, and all of them have been resolved. In 2018, 623 cases were received overseas, and 100% 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.



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 2018.

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

Satisfaction survey

LITE-ON conducts employee satisfaction surveys in the form of an online survey or a dedicated printed survey every year. The industry and geographic conditions at the overseas plants vary from plant to plant. Therefore, employee satisfaction surveys are refined and improvements are implemented by individual plants according to independent analysis results. For the Guangzhou Plant, for example, the content can be divided into three scopes and six aspects: 1. Awareness: "Employer's brand appeal" and "workplace and community support" 2. Attitude: "Work satisfaction" and "organizational commitments" 3. Action: "Inclination to resignation" and "work performance" Survey results are sent to the management and the departments to provide a basis for service improvement and other improvements.

In Taiwan, a survey is a means for the company to gather comments and feedback on a large event from its employees. Results of surveys provide a basis for improvement of events and services.

Taiwan event satisfaction survey

Questions	Very good	Good	Subtotal	Fair	Poor	Very poor
1.Sports Day events	41%	41%	82%	14%	2%	1%
2. Facilities in the arena	37%	44%	81%	17%	2%	1%
3. Indoor child care facilities	37%	44%	81%	18%	1%	0%
4. Outdoor space	32%	41%	73%	21%	4%	1%
Overall rating	37%	43%	80%	18%	2%	1%

5.6 LOHAS LITE-ON

The 2018 Guangzhou Plant Satisfaction Survey shows that the plant's average ratings met the theoretical requirements in all aspects.



Aspect	Number of Samples	Average	Standard deviation
Employer's brand appeal	1302	3.36	0.72
Workplace friendship	1302	3.51	0.60
Management support	1302	4.08	1.19
Work satisfaction (importance)	1302	4.67	0.88
Work satisfaction (satisfaction)	1302	4.06	0.89
Work satisfaction (overall)	1302	4.16	0.95
Organizational commitments	1302	4.00	0.87
Inclination to resignation	1302	3.16	1.16

Performance by aspect in Guangzhou



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.



Taiwan Neihu Plant



Zhonghe Plant



Shijie Plant

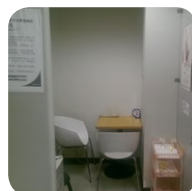


Guangzhou Plant

Establishment of health centers

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

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



Health center



Best Breastfeeding Facility Certificate

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



Neihu headquarters - Fitness center



Zhonghe Plant - Fitness center



Changan Plant: Pool tables



Shanghai Plant: Treadmills

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 2018, a total of 81 LITE-ON employees in Taiwan used the service, 26 of whom used the free 0800 hotline through landlines, and 55 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 were 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

For enrichment of the mind and a work-life balance, LITE-ON pays equal attention to the mind and the soul, and organizes three or more Happiness Seminars in Taiwan every year. The seminars cover topics ranging from everyday law and stress management to health and lifestyle. The topics are aimed at helping employees improve the quality of work and life and maintain a balance and a mutually beneficial relationship.

In 2018, LITE-ON in Taiwan started extending the reach of its efforts to outside the company. The "Best of Taiwan" seminars cover topics such as "What I have learned from the island," "A stroll through the National Palace Museum," and "Taste of Formosa." The 13 sessions that took place were well received by the over 800 participants. Furthermore, the post-event satisfaction surveys returned an average score of 93, showing that the seminars were popular with the employees and had substantial support. In addition, the comment column in the survey reflected an interest among employees in the beautiful island of Taiwan and its culture, history, and cuisine outside of the office. It also suggests that employees enjoyed the different looks and tastes of the local culture.



Happiness Seminars: EDM



Happiness Seminars: Photograph
Session 1: What I have learned from the island (Hsinchu session)



Session 2: Best of National Palace Museum - A stroll through the National Palace Museum (Neihu session)



Session 3: Taste of Formosa (Zhonghe Plant)

Health and charity campaign - Weight loss course

LITE-ON has been holding the Health and Charity campaign - Weight Loss Course in Taiwan every year since 2015. LITE-ON works with regional medical institutions in the campaign, and invites employees whose BMI exceeds the normal range to enroll in the weight loss competition. The campaign follows two approaches, "change of diet" and "healthy exercise," to help employees lose weight in a healthy way and encourage employees to stay fit and enjoy better quality of life. Meanwhile, LITE-ON created a link between the campaign and charity so that its employees not only achieve weight loss, but also contribute to society.

A total of 76 employees took part in the weight loss for charity campaign in 2018. 67% or more of the employees lost 3% or more of their weight. LITE-ON converted weight loss results into actual financial support for the disadvantaged and children in rural areas, including Shuangxi Elementary School, Jinhe Elementary School, and Pingdeng Elementary School. The funds were used to improve education, run charity tours, and improve hardware and facilities. In addition, LITE-ON made donations to the Child Welfare League Foundation to provide meal allowances for schoolchildren in rural areas.

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 announced 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

LITE-ON organizes a variety of employee activities every year to maintain a friendly relationship and interaction between employers and employees and among employees. Large events include large gatherings and parties in appreciation for employees' hard work. The company also organizes sports days to encourage teamwork and family days to invite employees to bring their families along. These events often have all employees in the areas gather in one place to join the celebration. For sports games and competitions, ballgames, such as the basketball tournament and the dodgeball tournament, are held regularly in Taiwan and Mainland China to encourage employees to take on sports and foster a sporting culture in the company.

Furthermore, LITE-ON takes an active approach to building a healthy workplace. The company works with the Ministry of Education to provide sports company certification seminars. The seminars are aimed to give employees more information and resources on a range of sports. LITE-ON has received government approval for its effort to build a healthy workplace. In 2018, LITE-ON was named a certified sports company by the Ministry of Education for the second time. The company was also awarded best work in the Creativity Gold Award - "No Time for Exercise?! A Healthy Workplace" competition.



In addition to encouraging employees to take on sports, LITE-ON hosts talent competitions, such as singing competitions (every two years) and choral competitions (every five years). There are also rewards in place to encourage employees to participate in these competitions. Friendly competition among employees is encouraged to keep employees in contact with one other and enhance team spirit. Group competitions give employees a sense of belonging and increase loyalty.

For recreational activities, LITE-ON plants organize regular hikes, day trips and other recreational activities that invite employees to bring their families along to enjoy a day out on the weekend. These activities offer opportunities to get close to nature and have a great time with their families. To help employees expand their social circles and develop interests and hobbies, LITE-ON encourages personal development and association among employees to form clubs and engage in various activities. The company provides quarterly club allowances every year to encourage employees to participate in club activities. The allowances are also meant to keep the clubs running to enable employees to enjoy different hobbies after work and maintain a body-mind balance. In Taiwan, for example, a total of 67 clubs have been created at the plants. The nature of each club ranges from sports (e.g., basketball, table tennis, badminton, running, biking, aerobics, and yoga) and hobbies (e.g., flower arranging, coffee making, baking, board games, pop music, and

heavy motorcycles) to social services (e.g., English speaking volunteers and charity). There is a wide range of choices, making it easy for employees to meet others with the same hobbies after work.

In 2018, to encourage employees to participate in club activities, LITE-ON organized the first result presentations at the plants in Taiwan. The presentations give the clubs a platform to showcase their achievements and share their experience with other clubs. They are intended to increase employee participation, improve the quality of club activities, and create more ways of maintaining a work-life balance. The first innovative results presentation in 2018 took place in 7 plants. A total of 67 clubs took part in the presentations, and the event proved popular. Therefore, starting in 2018, the result presentation is a routine event held annually as part of LITE-ON's commitment to a friendly company and LOHAS LITE-ON.

Events in Taiwan



Sports Day & Family Day



LITE-ON Dodgeball Tournament



LITE-ON Basketball Tournament



LITE-ON Singing Competition



Neihu Hike



Zhonghe Hike

Events in Mainland China



Changzhou Plant: Tug of War



Changzhou Plant: Suzhou Day Trip



Tianjin Plant: Fun Games



Qingxi Plant: Christmas Sports Day



Shijie Plant: Rope Jumping Competition



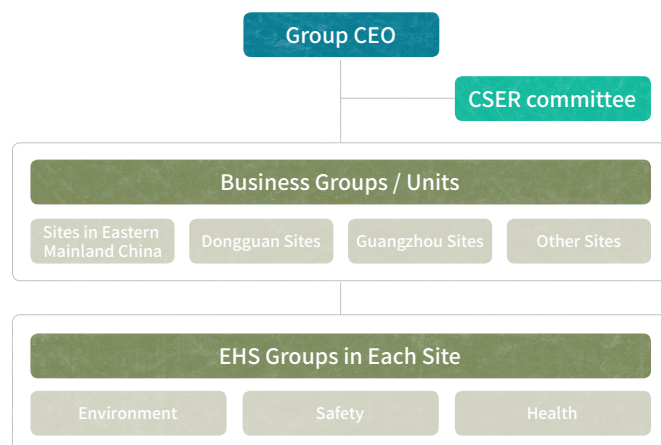
Changan Plant: Table Tennis Games

5.6.3 Occupation Safety and Health Management

LITE-ON places emphasis on its EHS performance management. The company is dedicated to providing safety, comfortable, environmentally friendly, and effective production sites for the benefit of our stakeholders, such as employees, customers, the community, and partners. 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 setting strategic business targets and monitoring 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 safety and healthy as it is comfortable and environmentally friendly.

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



Occupational safety and health committee in Each Site

LITE-ON's production sites are mainly located in Taiwan, Mainland China and Thailand. According to the laws of Taiwan, every company is required to establish a Occupational safety and health committee to promoting worker health and safety affairs. Regular meetings are held to discuss health and safety issues, including health and safety management, education and training programs, health management, prevention of occupational diseases and health facilitation, automated examination and health and safety audits, machines, equipment or raw materials, prevention of material hazards, and occupational accident investigation reports. Though no such requirement exists in Mainland China or Thailand, LITE-ON has nevertheless created similar organizations to involve employees in the company's health and safety affairs. Below is a summary of workers' participation in health and safety organizations throughout LITE-ON's global locations, and the key issues discussed in 2018:

Operating area	Taiwan	Mainland China	Thailand
Percentage of employee representatives in the Occupational safety and health committee	82%	Not applicable	55%
Key issues discussed	<ul style="list-style-type: none"> Occupational Safety and Health Education and Training Implementation of Occupational Safety and Health Management System Maternal health protection assessment Classification of hazardous chemicals 	<ul style="list-style-type: none"> Machinery safety and protective measures Chemical protective measures Safety label identification 	<ul style="list-style-type: none"> Occupational Safety and Health Education and Training Compliance Customer requirement
Note	The committee has 39 members; 32 of whom are employee representatives.	Although no committee has been established, employee representatives are able to get involved in worker health and safety affairs through employee feedback channels	The committee has 11 members; 6 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 safety working environment

LITE-ON actively complies with the requirements of the Occupational Safety and Health Act and its enforcement rules, Occupational Safety and Health Facilities Regulations, Labor Inspection Act and its enforcement rules, Hazardous Work Place Review and Inspection Rules, Labor Standards Act and its enforcement rules, and Occupational Safety and Health Education and Training Rules. LITE-ON provides pre-service health checkups and health and safety training to new employees, and regular health checkups for in-service employees. Meanwhile, for those who perform particularly hazardous work, exposed to lead, ionizing radiation, benzene and hexane, and particularly hazardous processes, LITE-ON provides appropriate safety equipment, 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. For fire safety, the company regularly holds relevant fire drills to enable employees to promote the necessary fire prevention concepts.

In 2018, LITE-ON performed 19,305 health check-ups for employees and there were 123,646 participations in fire prevention, health and safety trainings.

In order to effectively prevent the occurrence of occupational diseases and occupational hazards, each factory has an Environment, Health and Safety (EHS) implementation team cooperating



with internal audit, headquarters audit to conduct annual EHS and fire safety activities. Meanwhile the EHS team supervise the improvement of environmental safety and hygiene to achieve the workplace zero disaster as the company's key indicator of operational management.

In accordance with EHS regulations and its management systems, the company has continued to track statistics on occupational injuries (excluding traffic accidents) in 2018, and the number of occupational injuries in Taiwan increased compared with the previous year. The number of male in Taiwan for 2018 severity of Disabling Injuries Severity Rate is the highest, mainly due to 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

	Disabling Injuries Frequency Rate(FR) (million work hours)			Disabling Injuries Severity Rate(SR) (million work hours)		
	Male	Female	Total	Male	Female	Total
Taiwan	1.72	1.17	1.52	13	2	9
Mainland China	0.26	0.33	0.29	7	6	7
Thailand	0.00	0.00	0.00	0	0	0
Worldwide	0.38	0.34	0.36	7	5	6

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

	Male	Female	Total
Taiwan	0.66%	1.19%	0.85%
Mainland China	3.86%	1.92%	3.04%
Thailand	1.67%	1.69%	1.69%
Worldwide	3.41%	1.78%	2.68%

Formula

1. Disabling injuries Frequency Rate (FR) = number of disabling injuries × 1,000,000 / total work hours elapsed [for statistics presented per million work hours]
2. Disabling injuries Severity Rate (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, Environmental Sustainability



A total of NT\$65.6 million
expended in social inclusion



A total of 10,671
community
volunteers were trained



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



A total of 114
internship jobs offered
to college students



A total of 1,303 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
- Recycling Styrofoam marine waste, "less plastic on the ground, less plastic all around" campaign and other marine sustainability campaigns



2018 Results

	2018 Targets	Results
Community assistance	More than 15,000 participants received enhanced community volunteer training	10,671 people
	More than 7,000 disadvantaged schoolchildren received small group and one-on-one volunteer counseling services	3,702 people
Xinyi Community College	Number of courses and number of students continued to increase in 2017	385 courses, 7,412 students, and a 2.6 % YOY growth
	Consistently named an excellent community college by the Education Department every year	Excellence
Learning platform	Offering more than 100 college internships	114 interns
LITE-ON Award	Promoting sustainable training in technology innovation: More than 2,000 contestants	2,604 contestants
	Raising awareness and participation of training in technology innovation Partners: More than one	2 supply chain partners participated in joint promotion of technology innovation

Future strategies and goals

Items	Completion
Xinyi Community College to be consistently named an excellent community college by the Education Department every year	Every year
Continued offering of more than 100 college internships	2019
Continuing LITE-ON Award to promote sustainable training in technology innovation More than 2,000 contestants with more than 1,000 submissions	2019

2018 LITE-ON's social involvement expenses

Item	NTD million
Charity expenses and donations*	1,478
Education campaign expenses and donations	5,082
Total	6,560

Note: * The expenditure calculation of LITE-ON Cultural Foundation just includes the donation provided from the company

6.2 2018 LITE-ON Award:

Working with suppliers in support of advanced technology innovation and application



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 18 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 2018 LITE-ON Award received more than 1,300 entries from around the world.

For more information, please visit LITE-ON Award website
WWW.LITEONAWARD.COM



2018 Results

Strategy	Targets	Results
1 Promoting sustainable training in technology innovation	<ul style="list-style-type: none"> More than 2,000 contestants More than 1,000 entries More than 1,000 people attended campus innovation seminars 1 innovative startup team recommended 	<ul style="list-style-type: none"> 2,604 contestants this year; 1,303 entries 17 Taiwan Campus Innovation Seminars and 1,195 attendees The Gold Award winner has created a company and started raising funds
2 Raising awareness and participation of training in technology innovation	<ul style="list-style-type: none"> Partners: More than one Partner participation in innovation seminars at 50% or higher Number of attendees in international forums: 250 or more 	<ul style="list-style-type: none"> 2 supply chain partner participates in joint promotion of technology innovation Partners in joint promotion to participate in 50% or more of campus innovation seminars The LITE-ON Award Forum is open to the public. The number of attendees reached 167. Live streaming had 28,000 views

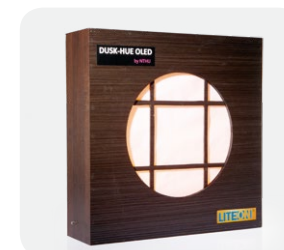
Technology category



Gold Award - Multi-function Flexible Smart Window Film



Silver Award - Ultra-sensitive Biosensor for Ovarian Cancer Diagnosis



Bronze Award - Color Temperature and Brightness Tunable Sunset OLED Window FilmOLED



Merit Award - Application of Solar Photovoltaic Thermal Compound Module for Taiwan Household Electrical Performance and Power Saving Prediction System



Merit Award - MWCNT/Polymer-based Gas Sensor System



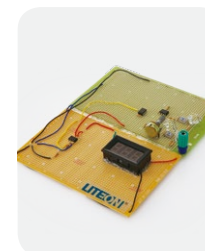
Merit Award - Fabrication of Functional Conductive Ink and the Application on Restorable Electronic Circuits



Merit Award - Perovskite Solar Energy - Electrochromic -Energy Efficient Window with Fabry-Perot Color Selection



Merit Award - Wireless Temperature Sensor



Merit Award - Non-Invasive Blood Glucose Detector



Merit Award - Actively Perceiving and Responsive Soft Robots with Self-powered Robotic Sensing skins

2019 Future goals

Items	Goals
1 Promotion of sustainable training in technology innovation on an ongoing basis	<ul style="list-style-type: none"> • More than 2,000 contestants • More than 1,000 entries • More than 1,000 people attended campus innovation seminars • 1 innovative startup team 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	<ul style="list-style-type: none"> • 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

LITE-ON Award - Both gold prizes went to Taiwanese teams

LITE-ON teamed up with other companies on the supply chain, including Merck Taiwan and Infineon Technologies, to support innovation in digital health, smart living, and other areas of application. The finalists focused on digital health, IoT and big data, and other latest technologies as well as energy saving devices and river cleanup models. The Gold Award in the Technical Innovation category went to the Multifunctional Flexible Intelligent Window Film from National Sun Yat-sen University. This innovative material can be attached directly to glass on buildings or automobiles and set to transparent or opaque through its own mobile phone app. The team is currently raising funds for the window film to go into mass production. In the Design Innovation category, the team from Ming Chi University of Technology won the Gold Award for its Swallow-Swallow, a new portable device designed for VitalStim® Therapy; its intricate design is more an accessory than medical device.

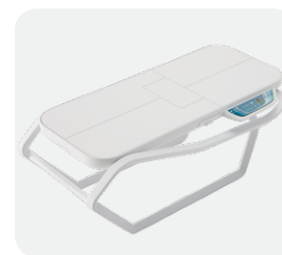
"Innovative dialog between technology and design" to explore development of digital health

Each year, LITE-ON Award invites world class design masters from around the world to be judges and LITE-ON Award Forum speakers. This year, it invited guests to speak on the topic "innovative dialog between technology and design." Speakers included Dr. Brandon Gien, founder of Good Design Australia, long term promoter of quality innovative designs, and BC Ang, a partner at WHBC Architects experienced in sustainable building and urban design. In addition, LITE-ON invited Zhi-Hao Qu, chairman of Vsense Medtech Co. Ltd. and an important promoter of many of Taiwan's medical innovation teams. These lecturers speak to the audience about the innovative influence of blending design, technology, and digital medicine. The LITE-ON Award Forum was livestreamed for the first time. It attracted 28,000 views on the day.

Design category



Gold Award - Swallow



Silver Award - Ripple System



Bronze Award - Scroll-X



Merit Award - Spread



Merit Award - Merck Easyseal



Merit Award - Bed-washing Head Care Basin



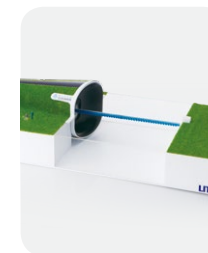
Merit Award - A-ROBOT



Merit Award - Emergency Fire Umbrella



Merit Award - IMPALA - Bicycle Intelligent Components



Merit Award - River Cleaner

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 an all-win situation among general society, schools, corporations, and students.

To effectively encourage students to apply their knowledge and experience in 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 as well as industry-academia collaboration programs. LITE-ON assigns advisors to individual students to advise on project reports or internship performance contents in order to enhance learning results. Meanwhile, interns receive a salary and the same benefits and training as those for full-time employees. Club activities are also open to interns. Moreover, to help students in the overseas summer internship program dedicate themselves to their studies, LITE-ON provides additional travel allowances and accommodation arrangements. Students with outstanding performance during their internship will be offered priority in applying for positions in the company.

2018 Results

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	27	39	35	6	7	114



Training in Neihu and preparing for departure



End of semester result presentation



Advice and encouragement from expert judges



Group photo with previous internship winners and judges for a perfect ending

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

- A good internship program offers an opportunity for learning as well as contributing. I thank LITE-ON for giving me the opportunity.
-Guangzhou Lai
- I am very glad that LITE-ON offered us this opportunity. It exposed me to different cultures and gave me a chance to apply my training in a factory setting. The internship gave me a different perspective on IE as a subject and challenged my ideas. I learned to think differently and look at the bigger picture.
- Shijie Chen
- It was thanks to LITE-ON that I had an excellent opportunity to interact with the local culture while working. The experience eliminated a lot of stereotypes I previously held. I feel I have grown in many ways over the last two months. I have also made many friends.
- Changzhou Chen
- I would like to thank the company for giving us the opportunity to go out and see the world. All of us have changed over these two months.
-Changzhou Liu
- I have gotten better at making reports. The weekly reports and the final competition were great challenges, and I learned a lot.
-Qingxi Liao
- Thank you, LITE-ON, for giving us this opportunity to broaden our horizons. The program is really helpful to people who have a lot of ideas but not a clue about how to implement them.
-Changzhou Li
- I appreciate LITE-ON's contribution to society. It offers a lot of great opportunities and resources to students. This is a well-run program that keeps giving. I am very grateful for this internship and had a terrific time.
-Qingxi Guo
- LITE-ON has turned me from someone without a purpose to someone who plans everyday of his life.
-Changzhou Wang
- I would like to thank LITE-ON for the internship and for giving us a crash course on the industry and its needs.
-Beihai Guo
- I had an excellent time. I am very grateful for the experience.
-Changzhou Jiang

6.4 LITE-ON Volunteers



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

Detailed information about LITE-ON Volunteers activities disclosed in the company web page:
[HTTPS://WWW.LITEON.COM/ZH-TW/GLOBALCITIZENSHIP/504](https://www.liteon.com/zh-tw/globalcitizenship/504)

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 SEA HOPE Day

Charity & sponsorship



Lite-On natural tour guiding activities



Lite-On "Save a Life" Blood Donation campaign



Health and Charity campaign

6.5 LITE-ON Cultural Foundation

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

Vision

The LITE-ON Cultural Foundation was established for the purpose of nurturing cultural character, supporting children's growth, caring for corporate culture, and promoting charitable works. As part of its corporate social responsibility, LITE-ON endeavors to facilitate upward sustainable development in these four aspects in society.

LITE-ON Cultural Foundation website

WWW.LITEONCF.ORG.TW



6.5.1 Community Assistance and Holistic Services



Commitments

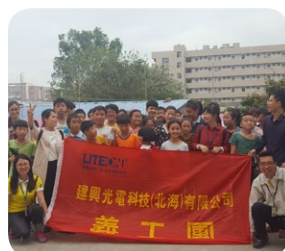
Community assistance proceeds along a specific path: family-school-community. Volunteers are encouraged to get involved and "spread love in the community" by assisting school teachers in reaching out to high risk children who need extra attention and their families and helping children develop self confidence in a healthy environment.

LITE-ON Volunteers Overseas

Community Service



Care visit to Huangpu senior citizen home from volunteers from the Guangzhou Plant



School visit to Fuyin Elementary School from volunteers from the Beihai Plant



Care visit to Qingcheng Social Welfare Institution from volunteers from the Changan Plant

Environmental sustainability



Huangpu Old Port cleanup campaign by the Guangzhou Plant



Huolu Mountain Environment First cleanup campaign by the Guangzhou Plant



Tree planting event at the Guangzhou Plant

Charity & sponsorship



Huadong Operations Center 14th blood drive



Dongguan Plant clothing drive



Guangzhou Plant clothing drive



2018 Results

Strategy	2018 Targets	Actions	Results
Nurturing cultural character	· Community volunteer empowerment	· Ongoing training produced close to 450 community volunteers proficient in holistic services.	· Understanding emotions via brain science. A total of 23 schools and 10,671 volunteers participated in the event.
	· EQ Card workshop	· Offered the use and experience of EQ Cards to school teachers in a campaign to promote preventive measures such as emotion management and character development on a friendly campus.	· A total of 65 school teachers, volunteers, and assistance instructors participated in the event.
	· Mutually beneficial strategic alliances	· LITE-ON Happiness Seminars · Internship platform for universities and colleges · New Taipei City government department courses	· 6 sessions attended by a total of 689 participants · 7 interns from 3 universities and colleges · 2,451 participants from 16 institutions
Supporting children's growth	· Small group and one-on-one volunteer counseling services	· Services ranging from small group to individual counseling services and other (by school as needed, including life education, sex education, diversity education, remedial education, respite care for special education students, and food education)	· 3,702 disadvantaged schoolchildren received services.
	· On-campus counseling and mental health education	· Delivered mental health education through morning sessions and story time in school.	· Close to 37,000 participants received services.
	· Charity donations	· Continued to promote Community Assistance.	· 14 students benefited from Community Assistance Scholarships; and one from third-party designated donations.
Caring for corporate culture	· One big family	· Organized summer camps for children of employees. Continued to offer Brain Science summer camps for children of LITE-ON employees at the Neihu headquarters, Zhonghe plant, and Hsinchu plant in Neihu, Zhonghe, and Hsinchu, respectively.	· A total of 76 participants signed up in Neihu (32), Zhonghe (21) and Hsinchu (23).
Promoting charitable works	· 2018 "A Beautiful Brain" brain science exhibit	· The "A Beautiful Brain" brain science exhibit was held in the National Science and Technology Museum in Kaohsiung between August 3 and August 31, 2018.	· Received more than 7,000 visitors

Highlights of 2018

EQ Card workshop

The use and experience of EQ Cards were offered to school advisors and community volunteers as a form of expressive art media that could be used in practice for counseling. The cards allow users to identify awareness and expression by learning about emotions.



Learning to identify, recognize, and express emotions through EQ Card



How much do you know about brain development? Brain science and EQ campaign



Group photo of LITE-ON Foundation CEO Shun-Liang Chen and school advisors attending the workshop

One big family: "2018 An Emotional Adventure - EQ and the brain"

Summer camps were offered again at Neihu, Zhonghe, and Hsinchu plants, and received 76 participants in total. Brain science helped the children learn about the link between emotions and the brain, learn to identify one's own emotions, get to know one's brain, and manage emotions.

WEBSITE: [HTTP://WWW.LITEONCF.ORG.TW/RECORD_P13.HTML](http://WWW.LITEONCF.ORG.TW/RECORD_P13.HTML)



The simple Monopoly game exposed children to food education and taught them about food and healthy living



The expressive art media used different colored clay to show the brain and a hands-on experience to reinforce memory.



Playing musical chairs with emotions taught children through play about the systems and functions at the edge of the emotional brain.

Emotion Management - EQ series

14 enhancement lessons attended by 5,878 from 25 schools attended in the second semester and 4,793 from 23 schools in the second semester.



EQ Cards were used to categorize emotional languages to make it easier for trainee volunteers to identify with the emotional reactions of their children.



The lessons guide community assistance parents through their own emotions and help them regain the ability to find inner peace.



The group learning format was intended to encourage every volunteer parent to uncover the secret to their own talent.

2018 "A Beautiful Brain" brain science exhibit

LITE-ON teamed up with the Mental Health Foundation and the National Science and Technology Museum in Kaohsiung to host the month long "A Beautiful Brain" exhibit in summer (August) 2018. The exhibit received more than 7,000 visitors.

WEBSITE: [HTTP://WWW.LITEONCF.ORG.TW/RECORD_P12.HTML](http://WWW.LITEONCF.ORG.TW/RECORD_P12.HTML)



LITE-ON Cultural Foundation helped volunteer guides complete beginner and advanced training



The exhibit used play to guide visitors to experience the wonders of brain science and learn about the importance of protecting the brain.

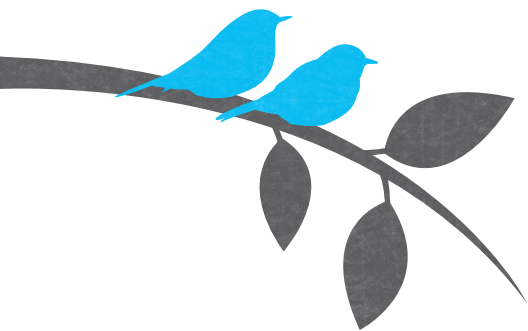


Visitors of all ages participated in the activities and learned about the brain through simple games.

Future strategies and goals

Science has proven that sunlight can inhibit serotonin re-uptake in the synaptic cleft, thereby making serotonin more effective and contributing to emotional stability and a sense of happiness. In the era of artificial intelligence and data explosion, LITE-ON turns to seasons, psychology, food education, and other forms of art and culture to inspire participants to find the beauty in life and seek inner peace.

Items	Goals (2019~)
Nurturing cultural character	<ul style="list-style-type: none">· Community volunteer empowerment to continue in 22 schools· Mutually beneficial strategic alliances to continue to unite resources and develop the internship platform for universities and colleges.· Organization of 8 Community Assistance Living Art Seminars for Parents
Supporting children's growth	<ul style="list-style-type: none">· Small group and one-on-one volunteer counseling services, EQ education in friendly campus to continue in 22 schools· On-campus counseling and mental health education· Continuing promotion of Community Assistance Scholarships for disadvantaged students
Caring for corporate culture	<ul style="list-style-type: none">· Continuing LITE-ON Happy Family - Summer Camp for Children of LITE-ON Employees
Promoting charitable works	<ul style="list-style-type: none">· Website administration and publication of the Community Assistance Biweekly Newsletter: one-stop source of information on community education aimed at members of the community· Continuing partnership with Senior Citizens Center of Yeliou Elementary School in New Taipei City. 12 communities, including Shuangxi Elementary School and Hsinchu Family Education Center, were added.



6.5.2 Taipei Xinyi Community College



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.

Xinyi Community College website
WWW.XYCC.ORG.TW



Four Themes

- To motivate green learning within Xinyi District
- 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



- Bringing culture and aesthetics into the community through teaching of arts and history
- 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

2018 Results

A total of 385 courses were offered this year. The total number of students was 7,412. The college was rated "Excellent" again by the Education Department of Taipei City Government. It also showed significant improvement.

Strategy	2018 Targets	Actions	Results
Environmental sustainability, a green lifestyle	<ul style="list-style-type: none"> 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 To support maintenance of green rooftop at Xinyi Junior High School and create 1 self-governed group 	<ul style="list-style-type: none"> Continued to train teaching assistants via community courses Started teaching and collaboration in community bases in Songyou Village, Futai Village, Xinren Village, and Heng'ai Center Organized Historical Xinyi - Four Beast Mountains tours Created the "A Good Vanilla Time" group 	<ul style="list-style-type: none"> 4 teaching assistants participated in the process, and one has already started teaching half of a class. LITE-ON will continue to add more community teachers to the green living courses. 4 communities started taking action. 12 volunteers helped 360 people. Created 1 public interest group.
Caring for the disadvantaged, diverse education	<ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> Applied for "Senior Academy" courses and service providers for "Service Learning" - collaboration between the college and public services Recreational Camp - LITE-ON CSR collaboration project Angel Garden field trip Recreational Camp - MV Street Dancing presentation 2015 Senior Class - Xinyi Roaming guides 	<ul style="list-style-type: none"> 60 people benefited from the activities 200 people benefited from the activities 42 people benefited from the activities 300 people benefited from the activities 53 people benefited from the activities
Arts, history & community aesthetics	<ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> Organized art exhibits at Xinyi District Office, CPC, and Songshan Land Office Organized "Old Xinyi - Xinyi Art and History Lectures" Offered ongoing guides and tours Created "Old Xinyi - Xinyi culture and history studio - field research team" Organized the Green Light Gallery Project 	<ul style="list-style-type: none"> 7 sessions 14 sessions/448 participants 12 guides involved in various tours Created the field research team 11 courses/group collaboration/22 times

Strategy	2018 Targets	Actions	Results
Public engagement, training and empowerment	<ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> Participated in issues including "BTS - Taipei Railway Workshop experimental learning project" and "Participatory budgeting - rediscovering old river" Held community forums Interviewed the interest groups to find new values and meaning and modify their management policies Organized Xinyi Visions workshops 	<ul style="list-style-type: none"> Completed more than 6 action plans Held 58 community forums The inventory divided the interest groups into 4 public interest groups and 6 voluntary groups Organized 3 Xinyi Visions workshops

Highlights of 2018

"Environmental sustainability and green lifestyle" - Supporting urban farming policy and local involvement

LITE-ON continued to work with the community to develop community oriented urban farming this year. The company also followed the comments of the review panelists from last year: "... connect with local "community based" NGOs or private groups to develop stronger local ties." In addition to reaching out to residents of Futai Village and developing the relationship into a voluntary group, LITE-ON started working with two other community development associations (Songyan and Songyou) to promote and train for community friendly farming.



Facing challenges in Xinren Village



Courses offered in village office



Combining farming in Songyou and results of senior care



Local culture and history through sounds on a journey of Sikkow and Old Songshan



Healthy living for the taste buds



Shaping to stimulate senses and relieve stress

"Caring for the disadvantaged, diverse Education" - Courses on services for the visually impaired

The college, under the leadership of President Yung-Chen Chen, started developing courses on services for the visually impaired in the year before last. The courses combine specialized services provided by the Eden Social Welfare Foundation - Services for the Visually Impaired Office and instructors introduced by the college based on different learning needs. The instructors design the courses and invite students of the college to become part of the courses on services for the visually impaired as teaching assistants or helpers. The practice allows students with normal eyesight to engage the visually impaired in more extended interaction through the courses in order to understand better the needs of the visually impaired.

"Public engagement, training and empowerment" "Arts, history, and community" - Building local knowledge and involvement in local issues

The public interest group, Old Xinyi - Xinyi culture and history studio, was created last year to build up field research capabilities and local knowledge. Instructors and students of trail courses and art, history, and culture courses are brought together to form the field research team. The team respects the independence of individual students and helps support art and history development in Xinyi District. It endeavors to build up a presence in the community and get involved in public issues.



Ailian Building - Xinyi Yixian Space Share - Community knowledge sharing



Exploring old river - Understanding drainage volume



Xinyi Visions workshop - Happiness script co-writing

Future strategies and goals

Items	Goals (2019~)
Environmental sustainability, a green lifestyle	<ul style="list-style-type: none"> To strengthen Xinyi Green Lifestyle - Urban friendly farming, and train 3 teaching assistants and 1 seed instructor To promote Xinyi Green Lifestyle bases and manage 4 community bases To bring together LITE-ON volunteers and develop education of Historical Xinyi - Rural mountain with 10 volunteers and benefiting 280 people To work with partners in the community to organize the "Xinyi Green Lifestyle Conference"
Caring for the disadvantaged, diverse education	<ul style="list-style-type: none"> To support learning needs of different disadvantaged groups, supply innovative learning resources, create a strategic alliance with 2 institutions, and start to offer 1 to 2 new courses To design 1 volunteer care event for the disadvantaged To push for 6 LITE-ON volunteer events to join care for the disadvantaged To offer 2 "Grandma Volunteers - Live stream celebrities in training" workshops To provide 6 classes on the summer schedule for care for the disadvantaged (Lian Village, Jinglian Village, and Songguang Village)
Arts, history & community aesthetics	<ul style="list-style-type: none"> To offer art courses to promote community aesthetics, and participate in 5 community art exhibits/performances To organize 10 Xinyi Art and History Lectures events To team up with district offices in local arts and culture events To operate the field research team on an ongoing basis Expanding art history and culture courses and engaging in 1 interdisciplinary partnership To promote 6 lessons of Green Light Gallery (two parts) To participate in 5 classes for revival of the historic space in Four-Four South Village (Good Cho's Xinyi collaboration project) To innovate window displays
Public engagement, training and empowerment	<ul style="list-style-type: none"> To organize 1 community self-media or community theater workshop Holding 50 community forums Taking inventory of 10 public interest groups To organize the "Liuzhangli in 1940 - White Terror Public Cemetery" course.

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	102-2	Activities, brands, products, and services	2.2 Company Overview	29	
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	102-23	Chair of the highest governance body	2.3.1 Board of Directors	33	
	102-24	Nominating and selecting the highest governance body	2.3.1 Board of Directors	33	
	102-25	Conflicts of interest	2.3.1 Board of Directors 2.3.2 Audit Committee 2.3.3 Compensation Committee 2.3.4 Growth Strategy Committee	33 34 34 35	
	102-26	Roles of highest governance body in setting purpose values, and strategy	1.1 Corporate Sustainability Vision and Commitment 2.3 Organization Structure of Corporate Governance	8 32	
	102-27	Collective knowledge of highest governance body	2.3 Organization Structure of Corporate Governance	32	
	102-28	Evaluating the highest governance body's performance	2.3 Organization Structure of Corporate Governance	32	
	102-29	Identifying and managing of economic, environmental and social impacts	Letter from the Chairman and Group CEO 1.1.1 LITE-ON Corporate Social and Environmental Responsibility Committee 2.3 Organization Structure of Corporate Governance	5 9 32	
	102-30	Effectiveness of risk management processes	2.3 Organization Structure of Corporate Governance 2.4 Corporate Risk Management	32 36	
	102-31	Review of economic, environmental and social Topics	2.3 Organization Structure of Corporate Governance 2.4 Corporate Risk Management	32 36	
	102-32	Highest governance body's role in sustainability reporting	1.1 Corporate Sustainability Vision and Commitment	8	
	102-33	Communicating critical concerns	1.1 Corporate Sustainability Vision and Commitment 2.3 Organization Structure of Corporate Governance	8 32	

GRI Standards Content Index

GRI Standard & Disclosure			Related Report Sections	Page	Omissions
4. Governance	102-34	Nature and total number of critical concerns	1.1 Corporate Sustainability Vision and Commitment	8	
	102-35	Remuneration policies	2.3.1 Board of Directors	33	
			2.3.3 Compensation Committee	34	
	102-36	Process for determining remuneration	2.3.3 Compensation Committee	34	
	102-37	Stakeholders involvement in remuneration	2.3.3 Compensation Committee	34	
	102-38	Annual total compensation ratio	2.3.3 Compensation Committee	34	
	102-39	Percentage increase in annual total compensation	2.3.3 Compensation Committee	34	
5. Stakeholder Engagement	102-40	A list of stakeholder groups	1.2 Stakeholders and Material Issues	14	
	102-41	Collective bargaining agreements	5.5 Employee Relations Note: There is no collective bargaining agreements in LITE-ON yet	84	
	102-42	Identifying and selecting stakeholders	1.2 Stakeholders and Material Issues	14	
	102-43	Approach to stakeholder engagement	1.2 Stakeholders and Material Issues	14	
	102-44	Key topics and concerns raised	1.2 Stakeholders and Material Issues	14	
6. Reporting Practice	102-45	Entities included in the consolidated financial statements	About This Report 2.3 Organization Structure of Corporate Governance	2 32	
	102-46	Defining report content and topic Boundaries	About This Report 1.2 Stakeholders and Material Issues	2 14	
	102-47	List all material topics	1.2 Stakeholders and Material Issues	14	
	102-48	Restatement of information	Note: Nil		
	102-49	Changes in reporting	About This Report	2	
	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 Standards Index	105	
	102-56	External assurance	Third Party Assurance Statement	116	

GRI Standards Content Index

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 Communicatio	14	
GRI 201 Economic Performance	Management Approach 103-2, 103-3	The management approach & its components Evaluation of the management approach	Letter from the Chairman and Group CEO 2.1 LITE-ON Corporate Values and Governance	5 27	
	201-1	Direct economic value generated and distributed.	2.2 Company Overview 5.4 Protection of Employee Interest 5.6 LOHAS LITE-ON 6.1 Social Inclusion Policy	29 81 86 93	
	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 Climate Change and Energy Management	5 59	
	201-3	Defined benefit plan obligations and other retirement plans	5.4.3 Pension Scheme	83	
	201-4	Financial assistance received from government.	2.2.2 List of Top Shareholders	31	
	Management Approach 103-2, 103-3	The management approach & its components Evaluation of the management approach	5.1 Employee Policy	69	
	202-1	Ratios of standard entry level wage by gender compared to local minimum wage	5.4 Protection of Employee Interest	81	
	202-2	Proportion of senior management hired from the local community	5.2.1 Employee Structure and Distribution	70	
GRI 204 Procurement Practices 2016	Management Approach 103-2, 103-3	The management approach & its components Evaluation of the management approach	3.3 Sustainable Supply Chain	52	
	204-1	Proportion of spending on local suppliers	3.3.2 Supply Chain and Localized Purchasing	52	
GRI 205 Anti-Corruption 2016	Management Approach 103-2, 103-3	The management approach & its components Evaluation of the management approach	2.1 LITE-ON Corporate Values and Governance 2.5 Compliance, Ethics and Anti-corruption	27 40	
	205-1	Operations assessed for risks related to corruption	2.5 Compliance, Ethics and Anti-corruption 5.2.4 RBA (formerly EICC) Code of Conduct Committee	40 77	
	205-2	Communication and training about anti-corruption policies and procedures	2.5 Compliance, Ethics and Anti-corruption 3.3.3.1 Sustainable Supply Chain Guidelines	40 54	
	205-3	Confirmed incidents of corruption and actions taken	2.5 Compliance, Ethics and Anti-corruption	40	
	Management Approach 103-2, 103-3	The management approach & its components Evaluation of the management approach	2.5 Compliance, Ethics and Anti-corruption	40	
	206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	Note: Nil		

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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	58	Currently, there is no statistical information about Energy consumption outside of the organization.
			4.2 Climate Change and Energy Management	59	
			3.1.1 Product Green Design and Strategies and Goals	44	
	302-1	Energy consumption within the organization.	4.2.4.4 Direct and Indirect Energy Consumption	64	
	302-2	Energy consumption outside of the organization.			
	302-3	Energy intensity	4.2.4.4 Direct and Indirect Energy Consumption	64	
	302-4	Reduction of energy consumption	4.2.4.2 Greenhouse Gas Reduction Measures (GHG Scopes 1 and 2)	63	
			4.2.4.3 Greenhouse Gas Value Chain Inventory (GHG Scope 3)	63	
			4.2.4.4 Direct and Indirect Energy Consumption	64	
			4.5 Green Factory	66	
	302-5	Reductions in energy requirements of products and services	3.1.2 2018 Green Designs and Achievements	45	
GRI 305 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	58	
			4.2 Climate Change and Energy Management	59	
	305-1	Direct (Scope 1) greenhouse gas (GHG) emissions	4.2.4.1 Greenhouse Gas Inventory	61	
	305-2	Energy indirect (Scope 2) greenhouse gas (GHG) emissions	4.2.4.1 Greenhouse Gas Inventory	61	
	305-3	Other indirect (Scope 3) greenhouse gas (GHG) emissions	4.2.4.1 Greenhouse Gas Inventory	61	
			4.2.4.3 Greenhouse Gas Value Chain Inventory (GHG Scope 3)	63	
	305-4	Greenhouse gas (GHG) emissions intensity	4.2.4.1 Greenhouse Gas Inventory	61	
	305-5	Reduction of greenhouse gas (GHG) emissions	4.1 Commitment to Environmental Sustainability and Policy	58	
			4.2.4.1 Greenhouse Gas Inventory	61	
	305-6	Emissions of ozone-depleting substances (ODS)	Note: LITE-ON does not use any substances detrimental to ozone layer in its production process		
	305-7	Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	4.5.2 Prevention and Control of Air Pollution	66	
GRI 306 Effluents and Waste	Management Approach 103-2, 103-3	The management approach & its components Evaluation of the management approach	4.1 Commitment to Environmental Sustainability and Policy	58	
	306-1	Water discharge by quality and destination	4.3.1 Water Resource Conservation	65	
GRI 306 Effluents and Waste	306-2	Waste by type and disposal method	4.4 Waste management, Recycling and Reuse	66	
	306-3	Significant spills	Note: Nil		
	306-4	Transport of hazardous waste	4.4 Waste management, Recycling and Reuse	66	

GRI Standards Content Index

GRI Standard & Disclosure			Related Report Sections	Page	Omissions
GRI 307 Environmental Compliance 2016	Management Approach	The management approach & its components	Evaluation of the management approach	4.1 Commitment to Environmental Sustainability and Policy	58
	103-2, 103-3			4.2 Climate Change and Energy Management	59
	307-1	Non-compliance with environmental law and regulations	Note: No Significant non-compliance 4.1.2 Green Operations Action Plans	58	
GRI 308 Supplier Environment Assessment 2016	Management Approach	The management approach & its components	Evaluation of the management approach	3.3.1 Supply Chain management Policy and Targets	52
	308-1	New suppliers that were screened using environmental criteria	3.3.3.3 Supplier Management Mechanisms	55	
	308-2	Negative environmental impacts in the supply chain and actions taken	3.2 Restriction on the Use of Hazardous Substances 3.3.2 Supply Chain and Localized Purchasing 3.3.3.3 Supplier Management Mechanisms	51 52 55	
			5.1 Employee Policy	69	
GRI 401 Employment 2016	Management Approach	The management approach & its components	Evaluation of the management approach		
	103-2, 103-3				
	401-1	New employee hires and employee turnover	5.2.2 Employee Retention	74	
	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	5.4 Protection of Employee Interest 5.6 LOHAS LITE-ON	81 86	
	401-3	Parental leave	5.2.2 Employee Retention	74	There are no parental leave regulations in China and Thailand
GRI 402 Labor / Management Relations 2016	Management Approach	The management approach & its components	Evaluation of the management approach	5.1 Employee Policy	69
	103-2, 103-3				
	402-1	Minimum notice periods regarding operational changes	5.4 Protection of Employee Interest	81	
GRI 403 Occupational Health and Safety 2016	Management Approach	The management approach & its components	Evaluation of the management approach	5.1 Employee Policy	69
	103-2, 103-3				
	403-1	Workers representation in formal joint management-worker health and safety committees	5.2.2 Employee Retention	74	
	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 Occupation Safety and Health Management	90	
	403-3	Workers with high incidence or high risk of diseases related to their occupation	5.6.3 Occupation Safety and Health Management	90	
	403-4	Health and safety topics covered in formal agreements with trade unions	5.6.3 Occupation Safety and Health Management	90	
GRI 404 Training and Education 2016	Management Approach	The management approach & its components	Evaluation of the management approach	5.1 Employee Policy	69
	103-2, 103-3				
	404-1	Average hours of training per year per employee	5.3 Employee Development and Training	78	
	404-2	Programs for upgrading employee skills and transaction assistance programs	5.4 Protection of Employee Interest	81	
	404-3	Percentage of employees receiving regular performance and career development reviews	5.4 Protection of Employee Interest	81	

GRI Standards Content Index

GRI Standard & Disclosure			Related Report Sections	Page	Omissions
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	69	
	405-1	Diversity of governance bodies and employees	2.3.1 Board of Directors 5.2.1 Employee Structure and Distribution	33 70	
	405-2	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation	5.4 Protection of Employee Interest	81	
GRI 406 Non-Discrimination 2016	Management Approach 103-2, 103-3	The management approach & its components Evaluation of the management approach	5.1 Employee Policy	69	
	406-1	Incidents of discrimination and corrective actions taken	5.4 Protection of Employee Interest 5.5 Employee Relations	81 84	
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	3.3 Sustainable Supply Chain 5.1 Employee Policy	52 69	
	407-1	Operations and suppliers which the right to freedom of association and collective bargaining may be at risk	3.3.3.3 Supplier Management Mechanisms 5.5 Employee Relations 5.6.2 Diverse Recreational Activities	55 84 88	
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	69	
	408-1	Operations and suppliers at significant risk for incidents of child labor	3.3.3.3 Supplier Management Mechanisms 5.2.3 Employee Recruitment 5.2.4 RBA (formerly EICC) Code of Conduct Committee	55 76 77	
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	69	
	409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	3.3.3.3 Supplier Management Mechanisms 5.2.4 RBA (formerly EICC) Code of Conduct Committee	55 77	
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	69	
	412-1	Operations that have been subject to human rights reviews or impact assessments	5.2.4 RBA (formerly EICC) Code of Conduct Committee	77	
	412-2	Employee training on human rights policies or procedures	5.3 Employee Development and Training	78	
	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 Standards Content Index

GRI Standard & Disclosure			Related Report Sections	Page	Omissions
GRI 414 Supplier Social Assessment 2016	Management Approach 103-2, 103-3	The management approach & its components	Evaluation of the management approach	3.3.1 Supply Chain management Policy and Targets	52
	414-1	New suppliers that were screened using social criteria		3.3.3.1 Sustainable Supply Chain Guidelines	54
	414-2	Negative social impacts in the supply chain and actions taken		3.3.2 Supply Chain and Localized Purchasing 3.3.3.3 Supplier Management Mechanisms	52 55
GRI 416 Customer Health and Safety 2016	Management Approach 103-2, 103-3	The management approach & its components	Evaluation of the management approach	3.1.1 Product Green Design and Strategies and Goals	44
	416-1	Assessment of the health and safety impacts products and service categories		3.1.3 Product Certification 3.2 Restriction on the Use of Hazardous Substances	48 51
	416-2	Incidents of non-compliance concerning the health and safety impacts of products and services		Note: Nil 3.1.3 Product Certification	48
GRI 417 Marketing and Labeling 2016	Management Approach 103-2, 103-3	The management approach & its components	Evaluation of the management approach	3.1.1 Product Green Design and Strategies and Goals	44
	417-1	Requirement of product and service information and labeling		3.1.3 Product Certification	48
	417-2	Incidents of non-compliance concerning product and service information and labeling		Note: Nil 3.1.3 Product Certification	48
	417-3	Incidents of non-compliance concerning marketing communications		Note: Nil 3.1.3 Product Certification	48
GRI 418 Customer Privacy 2016	Management Approach 103-2, 103-3	The management approach & its components	Evaluation of the management approach	2.6 Information Security and Privacy Management	42
	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data		Note: Nil 2.6 Information Security and Privacy Management	42
GRI 419 Socioeconomic Compliance 2016	Management Approach 103-2, 103-3	The management approach & its components	Evaluation of the management approach	2.5 Compliance, Ethics and Anti-corruption	40
	419-1	Non-compliance with laws and regulations in social economic area		5.4.4 Violation of Labor Standards Act and Other Information	83

SPECIFIC STANDARD DISCLOSURES OVERVIEW - OTHERS

Material Topics		Disclosure	Related Report Sections	Page
Conflict Mineral (Metal)-Free Procurement	LOT-EN1	Supplier screening and green procurement	3.3.4 Conflict Minerals Management	56
	LOT-EN2	Energy efficiency improvement	3.1.2 2018 Green Designs and Achievements 4.5.3 Advanced Manufacturing and Green Production	45 67
Research & Development (Products)	LOT-EN3	Material resources saving	3.1.2 2018 Green Designs and Achievements	45
	LOT-EN4	Reduction use of hazardous substance	3.1.2 2018 Green Designs and Achievements	45
	LOT-SO1	Promotion of multicultural humanities and youth education care	6.5.1 Community Assistance and Holistic Services 6.4 LITE-ON Volunteers	98 97
Charity Care	LOT-SO2	Creating learning environments for lifelong learning and disadvantage groups	6.5.1 Community Assistance and Holistic Services 6.5.2 Taipei Xinyi Community College	98 102
	LOT-SO3	The promotion of environmental education and implementation of environmental protection	6.5.2 Taipei Xinyi Community College	102
	LOT-SO4	Talent education by providing the learning environment for students to apply their knowledge	6.3 Supporting Internships	96
	LOT-SO5	Encouraging technological innovation and design talent	6.2 2018 LITE-ON Award	94

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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	14	
		2. Corporate Governance	26	
Human Rights	Due diligence	3.3 Sustainable Supply Chain	52	
		5.2.4 RBA (formerly EICC) Code of Conduct Committee	77	
	Human rights risk situation	3.3 Sustainable Supply Chain	52	
		5.2.4 RBA (formerly EICC) Code of Conduct Committee	77	
	Avoidance of complicity	2. Corporate Governance	26	
	Resolving grievances	2.5 Compliance, Ethics and Anti-corruption	40	
		5.5 Employee Relations	84	
	Discrimination and vulnerable groups	1.1 Corporate Sustainability Vision and Commitment	8	
		5.4 Protection of Employee Interest	81	
		5.5 Employee Relations	84	
	Civil and political rights	3.3 Sustainable Supply Chain	52	
		5.6 LOHAS LITE-ON	86	
Labor Practices	Economic, social and cultural rights	5.4 Protection of Employee Interest	81	
		5.6 LOHAS LITE-ON	86	
	Fundamental principles and rights at work	5.4 Protection of Employee Interest	81	
	Employment and employment relationships	5.4 Protection of Employee Interest	81	
	Conditions of work and social protection	5.6 LOHAS LITE-ON	86	
	Social dialogue	1.2 Stakeholders and Material Issues	14	
	Health and safety at work	5.6.3 Occupation Safety and Health Management	90	
The Environment	Human development and training in the workplace	5.3 Employee Development and Training	78	
		3.2 Limiting Use of Hazardous Substances	51	
		4.5.2 Prevention and Control of Air Pollution	66	
	Prevention of pollution	4.4 Waste management, Recycling and Reuse	66	
		3.1.2 2018 Green Designs and Achievements	45	
	Sustainable resource use	4.5 Green Factory	66	
	Climate change mitigation and adaptation	4.2 Climate Change and Energy Management	59	
	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.

Guidance on Social Responsibility ISO 26000

Core Subjects and Issues		Related CSR Report Section	Page(s)	Explanatory Notes
Fair Operating Practices	Anti-corruption	2.5 Compliance, Ethics and Anti-corruption	40	
	Responsible political involvement	5.6 LOHAS LITE-ON	86	LITE-ON do not involve in any political activities
	Fair competition	2.5 Compliance, Ethics and Anti-corruption	40	
	Promoting social responsibility in the value chain	3.3 Sustainable Supply Chain	52	
	Respect for property rights	2.5 Compliance, Ethics and Anti-corruption	40	
Consumer Issues	Fair marketing, factual and unbiased information and fair contractual practices	2.5 Compliance, Ethics and Anti-corruption	40	
	Protecting consumers' Health and safety	3.1.2 2018 Green Designs and Achievements	45	
	Sustainable consumption	3.3 Sustainable Supply Chain	52	
	Consumer service, support, and complaint and dispute resolution	1.2.2.2 Customer Service and Satisfaction	19	
	Consumer data protection and privacy	2.6 Information Security and Privacy Management	42	
	Access to essential services	1.2.2.2 Customer Service and Satisfaction	19	
	Education and awareness	1.2.2.2 Customer Service and Satisfaction	19	
Community Involvement and Development	Community involvement	6.1 Social Inclusion Policy	93	
	Education and culture	6.2 2018 LITE-ON Award	94	
		6.4 LITE-ON Volunteers	97	
		6.5.1 Community Assistance and Holistic Services	98	
		6.5.2 Taipei Xinyi Community College	102	
	Employment creation and skills development	5.2.1 Employee Structure and Distribution	70	
		5.3 Employee Development and Training	78	
	Technology development and access	2.2 Company Overview	29	
		6.2 2018 LITE-ON Award	94	
	Wealth and income creation	2.2 Company Overview	29	
		2.3.3 Compensation Committee	34	
		5.4 Protection of Employee Interest	81	
	Health	5.6 LOHAS LITE-ON	86	
		6.4 LITE-ON Volunteers	97	
	Social investment	6.1 Social Inclusion Policy	93	
		6.5 LITE-ON Cultural Foundation	98	

Third Party Assurance Statement



ASSURANCE STATEMENT

SGS TAIWAN LTD.'S REPORT ON SUSTAINABILITY ACTIVITIES IN THE LITE-ON TECHNOLOGY CORPORATION'S CORPORATE SOCIAL RESPONSIBILITY REPORT FOR 2018

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 2018 (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 2018 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 2018.

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 moderate level of scrutiny for applicable aspect boundaries outside of the organization covered by this report;
- AA1000 Assurance Standard (2008) Type 2 evaluation of the report content and supporting management systems against the AA1000 Accountability Principles (2008); and
- evaluation of the report against the Global Reporting Initiative Sustainability Reporting Standards (2016)

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

STATEMENT OF INDEPENDENCE AND COMPETENCE

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

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

VERIFICATION/ ASSURANCE OPINION

On the basis of the methodology described and the verification work performed, we are satisfied that the information and data contained within LITE-ON's CSR Report of 2018 verified is accurate, reliable and provides a fair and balanced representation of LITE-ON sustainability activities in 01/01/2018 to 12/31/2018.

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. LITE-ON has implemented high-level engagement of collaboration to undertake a joint project -StyroCycle. The further action and progress of the results are expected to disclose in future reporting.

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 2018, is adequately in line with the GRI Standards in accordance with Comprehensive Option. The material topics and their boundaries within and outside of the organization are properly defined in accordance with GRI's Reporting Principles for Defining Report Content. Disclosures of identified material topics and boundaries, and stakeholder engagement, GRI 102-40 to GRI 102-47, are correctly located in content index and report. For future reporting, it is encouraged to disclose the energy consumption outside of the organization (302-2). In order to perform the commitment of UN SDGs, LITE-ON has collaborated with stakeholders to solve the ocean littering issues. This joint project truly reflects the determination of LITE-ON in its sustainable strategies.

Signed:

For and on behalf of SGS Taiwan Ltd.

David Huang
Senior Director
Taipei, Taiwan
3 May, 2019
WWW.SGS.COM



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