

# 3.1 Environmental Sustainability Commitment and Policy



LITEON strives to improve corporate governance mechanisms in the company for a better sustainable management. As the highest authority in LITEON's sustainable operation, the Corporate Sustainability Committee reports directly to the board of directors. In the environmental aspect, the Environmental Sustainability Sub-committee under the Corporate Sustainability Committee is chaired by the head of manufacturing and responsible for green operations at the factories. The Green Design Sub-committee is chaired by the head of RD and responsible for the design and development of low carbon products. We aim to improve environmental management performance and risk management to achieve our environmental sustainability vision and to respond to the Sustainable Development Goals (SDGs).

To fulfill our environmental commitment, LITEON adheres to the responsible production strategy in the Sustainability Strategy and Blueprint, and develops environmental sustainability strategies around green operations and low carbon products. Meanwhile, LITEON continues to take actions on climate change and energy management, water resource management, waste recycling and reuse, and green product design and management, to increase resource utilization efficiency, reduce the environmental impact of production activities, and build up LITEON's climate resilience and environmental sustainability.

## 2020 Achievement

- 2020 CDP Supplier Engagement (SER) Leaderboard
- Climate Leadership Award from Taiwan Corporate Sustainability Awards (TCSA) (2 years in a row)
- Industry leader in climate strategy on the Dow Jones Sustainability Index (DJSI) (5 years in a row)
- GHG emission aligned with SBT reduction target pathway
- 2<sup>nd</sup> Taiwan Circular Economic Awards Product Award
- 2020 PwC's CSR Impact Awards Gold Prize
- Product Carbon Footprint Verification for LED Car Lighting Module (ISO 14067:2018)



## Key sustainable environmental-related results and targets



## 3.1.1 Green Operations Action Plans

### Circular economy

- In support of SDG 14, LITEON starts to reduce marine pollution by working with social enterprises in helping the Penghu County Government. The campaign has removed a total of 35 tonnes of Styrofoam marine waste since 2018. Meanwhile, the recycled Styrofoam is sent to ITRI for mixing and modification operations. The modified recycled plastics are used to make keyboards and mice. LITEON is the world's first manufacturer to introduce Styrofoam marine waste into electronic products.
- In 2020, LITEON finished developing containers that can reduce the volume of Styrofoam marine waste onsite. The company donated to the Penghu County Government and the Kinmen County Government the world's first containers that can process Styrofoam marine waste onsite and reduce its transportation volume significantly by 90%. These containers had processed 20 tonnes of Styrofoam marine waste by the end of 2020. The project also won the 2nd Taiwan Circular Economic Awards Product Award and the 2020 PwC's CSR Impact Awards Gold Prize.



### Internal carbon pricing

- LITEON has adopted the shadow carbon pricing methodology, and considered the carbon trading regulations in Taiwan and the market prices in Mainland China to determine internal carbon prices for main operation sites in Taiwan and Mainland China since 2018. The approach serves to reinforce the decision-making on the energy efficiency and carbon reduction measures and policies in the company
- As part of the strategy to reduce carbon emissions to fulfill our SBT promise, LITEON passed a new internal carbon pricing management policy in 2020. Starting in 2021, LITEON will charge internal carbon tax at USD 1/tonnes CO<sub>2</sub>e from business units that exceed their annual emission caps. This policy aims to reinforce the carbon reduction investment action for business units. LITEON also expects to raise the rate gradually in the future and invest the funds in carbon reduction technologies or renewable energies.

### Product green design

- The LITEON CSR code of conduct is based on life cycle thinking. With the 3Rs rule added to the product development process, the company engages in green product design, and develops nontoxic, easy to assemble/disassemble, and environmentally friendly products.
- AC metering IC integration technology is used in server power products to reduce the use of resistors, multilayer ceramic capacitors, metal-oxide-semiconductor field-effect transistors, and other active/passive components. The technology also reduces power consumption by 0.034W while metering IC is working, and reduces 51.81 tonnes of carbon emissions during the acquisition of raw materials and the use of products.

### Reducing the environmental impact of own business activities

- LITEON continues to develop optimized production processes and better plant operations. The aim is to enable more efficient energy and water utilization throughout the process of development, production, consumption, and disposal. The company also tries to achieve minimum waste and maximum resource recycling and reuse.
- Implementation of the energy recycling system (ERS) enables power consumed by burn-in processing to be recycled and reused. The system helps us to reduce power consumption by 5.8 GWh per year, which is the equivalent of reducing 4,853 tonnes of carbon emissions per year.
- LITEON was not involved in any significant environmental violation event in 2020.

### 3.1.2 Environmental Management Goals

Latest progress on current management targets\*

Item	Sustainable development target	2018 Result	2019 Result	2020 Result
Carbon emission and energy management targets	Carbon emission (Scope 1+2) per NTD million of revenue to decrease by 39.3% by 2025 compared to the base year 2014 <sup>1,2,3</sup>	-17.19%	-23.07%	-21.07%
	Energy conversion efficiency for power supply products to increase by 2% by 2023 compared to 2016	1.19%	1.80 %	4.56%
	UV-LED energy efficiency to increase by 60% by 2025 compared to 2018	-	21.15%	25%
	Power consumption to decrease by 6% on an absolute basis by 2020 compared to the base year 2017 <sup>1,2,3</sup>	+11.90%	+3.53%	+8.33%
Waste management targets	Waste to decrease by 6% on an absolute basis by 2020 compared to the base year 2017 <sup>1,2</sup>	-2.12%	-14.35%	-11.44%
	Waste to decrease by 3,300 tonnes on an absolute basis by 2025 compared to the base year 2017 <sup>1,2</sup>	-498 tonnes	-3,373 tonnes	-2,688 tonnes
	Plastics in packaging to decrease by 300 tonnes by 2025 compared to the base year 2018	-	31.79 tonnes	195.8 tonnes
Water resource management targets	Water consumption to decrease by 6% on an absolute basis by 2020 compared to the base year 2017 <sup>1,2,3,4</sup>	-1.37%	-2.71%	-0.72%

- Note:
- The Vietnam plant was added to the data in 2020. The data cover a total of 23 bases worldwide.
  - The Solid-State Drive (SSD) Business Unit completed transferring the business in the first half of 2020. For consistency in the calculation, the SSD Business Unit was removed from the 2018-2019 data, which were then recompiled accordingly.
  - LITEON's global power and water resource consumption did not meet the targets as a result of the addition of the Kaohsiung Operations Center and the India plant and the expansion of the Vietnam plant.
  - It was difficult to obtain accurate data on water resource consumption at the India plant given incomplete infrastructures. Therefore, consumption data on the India plant were not added here.
  - While spreading production capacity out across the globe and starting transferring production bases, LITEON will set new renewable energy targets that cover all offices worldwide. The Taiwan plant did not use any renewable energy in 2020.

## 3.2 Climate Change and Energy Management



### 3.2.1 Climate Change Policy

Climate Change and Energy Management is one of the material topics and key risks in LITEON's sustainable development. Therefore, this company monitors and analyzes developments in these areas on an ongoing basis 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 energy creation, conservation, and conversion products and solutions to meet aggressive GHG emission reduction targets. 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 construct countermeasures against potential risks in order to reduce the potential impact of climate risks.

### 3.2.2 Overall Impact and Challenges of Climate Change

Risks arising from climate change and natural disaster issues are one of LITEON's eight categories of sustainability risks. For the potential impact on business activities, LITEON has the internal climate change risk task force to handle the identification of physical and transition risks and opportunities, assessment of possibilities, and analysis of the influence. The task force is also responsible for devising appropriate countermeasures. In terms of climate risk issues, most major climate risks identified by LITEON came from the requirements of clients, investors and other important stakeholders for GHG reduction and compliance with product energy efficiency standards. The main climate opportunities are found in the wide range of green products and services that echo sustainability trends.

In 2020, LITEON assessed risks by probability and impact severity, then, identified that the company might be impacted by net-zero emissions commitments made by EU and Chinese economies and key clients. These commitments may prompt them to impose low carbon or even zero carbon emissions requirements on the company's operation and push up production costs. LITEON pays a lot of the attention to the potential financial implications of climate change risks. The company follows a risk management process (Section 2.3) and the PDCA cycle to monitor climate risks. Measurements are formulated to convert climate risks into financial data, and countermeasures are devised to reduce the probability and severity of these risks. The operation and results will be submitted to the risk management subcommittee to be reported to the Corporate Sustainability Committee and the Audit Committee. The chairman of the Audit Committee will in turn present a report to the board of directors. LITEON adopts a positive attitude to challenges in climate risks and opportunities. The company will perform climate scenario analysis specifically targeting higher climate risk factors and calculate potential financial impacts on an ongoing basis. The practice makes climate risk management part of the business operations.

LITEON strives to improve corporate governance mechanisms in the company for a better sustainable environment. Chaired by the head of manufacturing, the Environmental Sustainability Sub-committee is created to responsible for green operations to improve environmental management performance and environmental risk management. In addition, the internal carbon tax policy was approved in 2020.