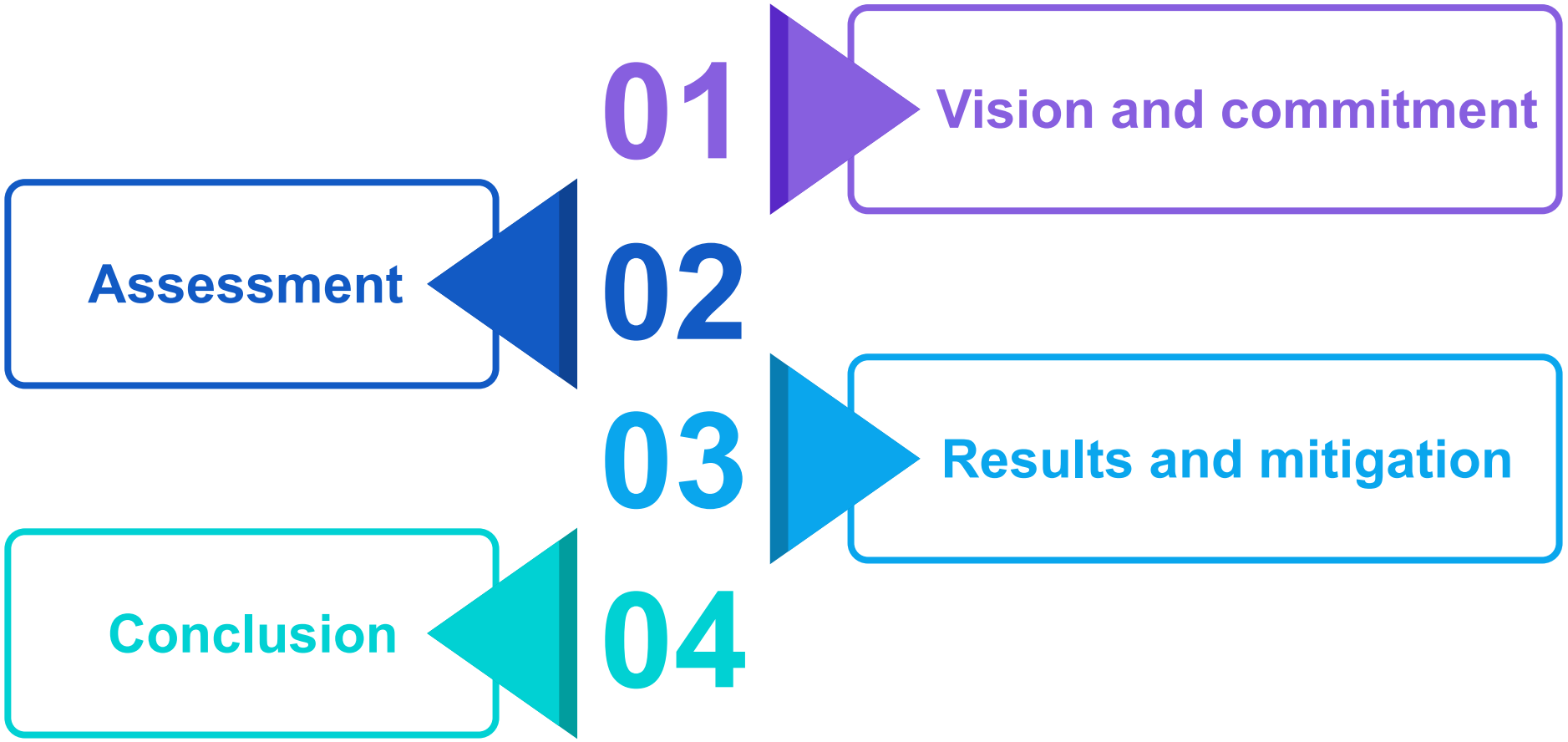
LITE-ON Technology Corporation

Biodiversity Risk Assessment Report

Biodiversity Risk Assessment Structure



Vision and commitment

Our Vision

Earth's biodiversity is of immense value, particularly in addressing the challenges posed by climate change. At LITEON, we recognize the significance of conserving natural habitats and ecosystems for sustainable development. By endorsing the United Nations Convention on Biological Diversity and Sustainable Development Goals, we are dedicated to the preservation of both aquatic and terrestrial environments. We collaborate with stakeholders to promote ecological conservation and uphold the integrity of biodiversity.

Our commitment

- LITEON is committed to reducing environmental impacts within its own operations and throughout the value chain, with the goal of achieving **No Gross Deforestation**, **no net loss (NNL)** of nature and biodiversity, and **net positive impact (NPI)** by 2050.
- LITEON will follow the **mitigation hierarchy**, including Avoidance, Minimization, Restoration, and Offset, to reduce the impact on biodiversity.

Assessment Framework

- LITEON adopted the **Taskforce on Nature-related Financial Disclosures (TNFD)** framework Beta v0.4 which released the **LEAP** (Locate, Evaluate, Assess, and Prepare) to provide guidelines for identifying the nature-related dependencies, impacts, risks, and opportunities across our value chain.
- The biodiversity risk identification and procedure by LEAP is shown below:

Locate
Interface with Nature

- Prioritize location Identification, including our business footprints as well as value chains
- Find out the relationship between these sites and the ecosystem

Evaluate
Dependencies & Impacts

- Identify the dependencies and impacts in between

Assess
Material Risks & Opportunities

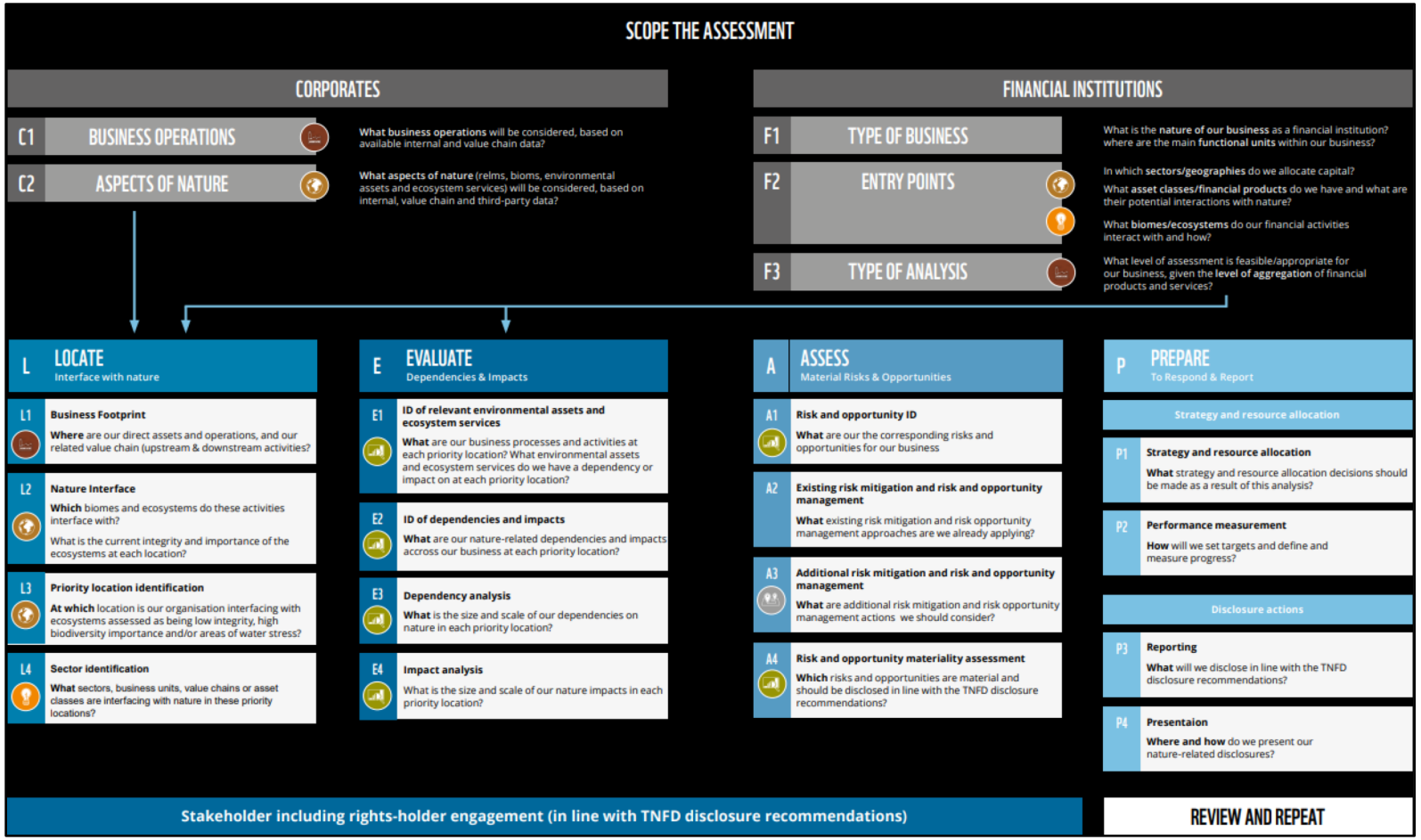
- Risk and opportunity assessment

Prepare
To Respond & Report

- Strategy and resource allocation
- Performance measurement
- Reporting

Tool of Assessment

- In terms of a more objective evaluation, LITEON applied the World Wide Fund For Nature (WWF) Biodiversity Risk Filter (BRF) in risk identification and analysis.
- The WWF Risk Filter tools are aligned to and support key global initiatives and reporting frameworks such as the TNFD as illustrated.
- The WWF BRF tool assesses two types of business risks related to biodiversity- physical and reputational, which presented as degrees of dependency and impact respectively



Resource: WWF

Scope of Assessment

LITEON's biodiversity risk assessment comprehensively covers its own operations, as well as the adjacent areas, and also covers upstream/downstream activities.

Upstream

Key Suppliers

- Considering the enormous number of our suppliers, we decided to define our key suppliers in the assessment.
- The key suppliers are those with an annual procurement share exceeding 1% for each business unit in 2022.
- In this case, the headquarters locations of 19 suppliers have been identified and evaluated.

LITEON

Global Operations

- LITEON operations are located across the world, including offices and factories.
- In this case, 22 sites with business footprints are identified and evaluated.

Downstream

Key Customers

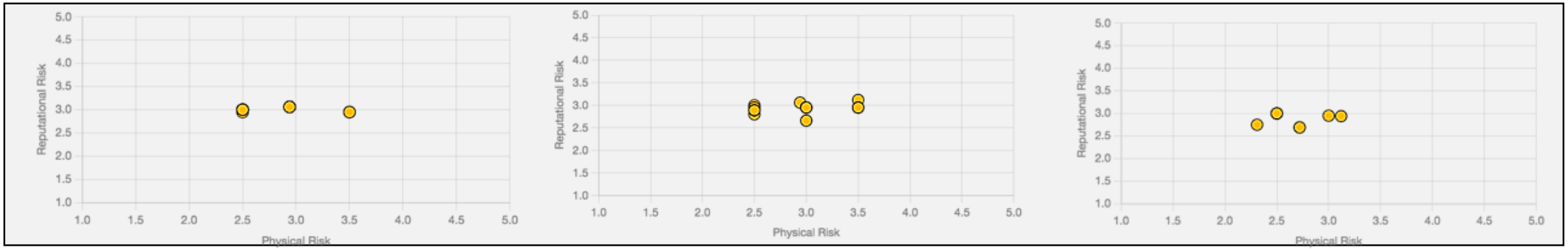
- Similarly, we define key customers as representatives in the assessment.
- Key customers are those with revenue shares, cumulatively ranked from highest to lowest, reaching 50% of the total revenue in 2022.
- In this case, the headquarters locations of 10 customers have been identified and evaluated.

Results and Mitigation Part1

Upstream | LITEON | Downstream

Physical Risk vs. Reputational Risk

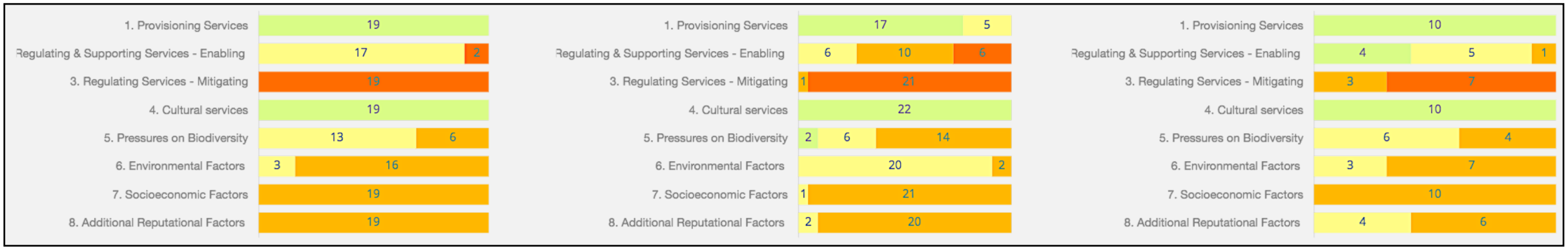
LITEON's value chain was evaluated via the BRF tool, resulting in a medium level overall.



Number of Sites by Risk Category

Physical risk is composed of risk categories 1 through 5.
Reputational risk is composed of risk categories 6 through 8.

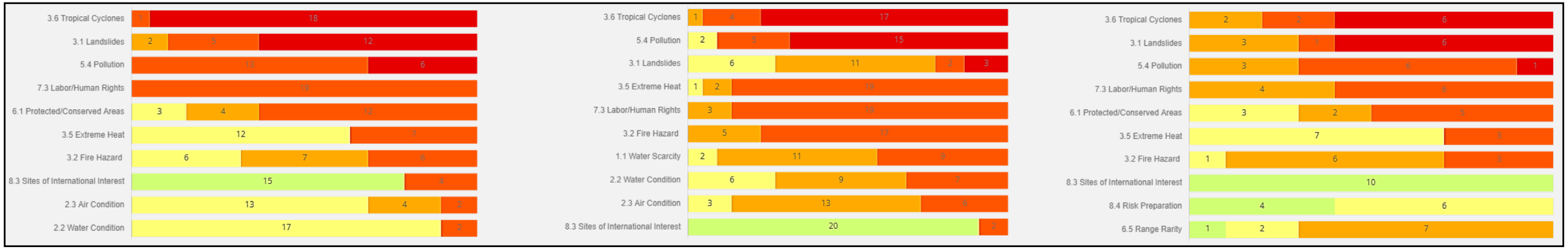
The result indicates that among the risk categories, 3. regulating services-mitigating has the highest number of sites located at the high level.



Results and Mitigation Part2

Upstream | LITEON | Downstream

Number of sites by top 10 risk indicators



- According to the results, risk categories across the value chain overlap significantly in the top 3, 3.6 tropical cyclones,5.4 pollution, and 3.1 landslides.
- **Dependency-related Biodiversity Risks**: The top-ranked risk in the list is 3.6 tropical cyclones, which serves as a highly significant indicator of our reliance on biodiversity. At LITEON, our factories and offices are actively addressing climate-related concerns by formulating emergency response plans to mitigate disaster risks and ensure operational continuity.
- **Impact-related Biodiversity Risks**: The secondary risk in the list is 5.4 pollution, which is a significant indicator that business activities impact biodiversity. At LITEON's factories, we are committed to reducing energy consumption, minimizing water usage, and controlling air pollution. Regarding waste management, we identify opportunities for waste reuse/recycling to reduce waste generation and enhance recycling rates by implementing UL 2799 in our factories.
- For more information regarding above issues , please refer to LITEON sustainability report.

Conclusion

- LITEON assessed its entire value chain for biodiversity risks, revealing insights into dependencies and impact risks. These risks primarily pertain to physical risks, while reputational risks have relatively lower influence, with no key areas overlapping our activities, such as protected/conserved areas, key biodiversity areas, and other important delineated areas across our value chains.

- We have taken the necessary actions to mitigate the risks by implementing relevant measures and setting achievable goals for the ecosystem and biodiversity. Our progress is constantly monitored to ensure adherence to these measures.

- Our next step is to enhance our management continually, fulfill our commitment to biodiversity policy, and reach our ultimate goal of Net Positive Impact (NPI) by 2050.