



PHIHONG

飛宏科技股份有限公司

PHIHONG TECHNOLOGY CO., LTD.

Corporation Sustainable Report 2013

CSR Report 2013





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■ Introduction

Report category

This is Phihong Technology's corporation sustainable report to present our strategy, goals, measures, performance, and future direction in corporate social responsibility and sustainability to follow the needs of international standards and our stakeholders. The information is mainly for 2013 (from Jan 1st to Dec 31st, 2013) and includes the regions of our Taiwan HQ and greater China, excluding divert investments. The data presented reflects the financial, environmental, and societal performance of Phihong Technology.

Report principle

The issues are selected and ranked based on the results of discussion by the CSR committee and are chosen for the benefits of stakeholders. Issues will be detailed in each chapter of the report. Certain details and financial status will be further revealed on the corporate website and annual shareholders report.

Report structure

The structure of this report is framing based on the guidelines of GRI's (Global Reporting Initiative) G4.0, and this report is continuously published annually.

Report distribution and consultation

To enforce environmental friendly paperless practices, this report is published on and available for download on the company website. Welcome to propose your comments or inquiry through the contacts given as below.

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Words from chairman



Chairman of Pihong
Technology



Since the foundation of Pihong Technology in 1972, for over forty years, it has continually been growing up in economic cycles, not only due to its good quality on products and perfect clients' service, but its growing up together with clients so as to see through clients' demands beforehand, thus to provide differentiation service and products and win deep trust from clients. Pihong, besides its constancy on the core principles on products and techniques, further makes green energy deeply rooted, as an important task in its CSR development. We established the "CSR Management Committee" in 2009, upholding the business philosophy "Integrity, Innovation and Challenge", positively participating in activities of giving back to society, showing care for society and the masses, establishing good trusting relationships with employees, customers, stakerholders, investors, communities, suppliers and governments, knowing their concerned topics and trends, and building well-being for interested parties. CSR means not only responsibility, but also a core value of Pihong, as well as the key element for its perpetual operation.

world, the economy, and people's well-being. And have influenced the development and perpetual operation of enterprises. In 2013, our overall income has not risen up greatly, but the management level and the staff have still been giving all their best diligently to create the most benefits for the company and shareholders. They have been exhausting all their energies to open sources and save unnecessary expenses, but the corresponding corporation social responsibilities such as social obligations, educational donations has been growing more and more.

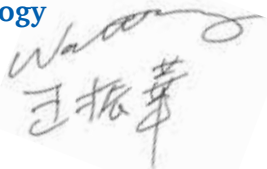
Pihong Technology elaborated its effort and performance results also with integrity, transparency, openness in the CSR report in 2013. In 2014, we will still hold our operational principles, make CSR as our operational blueprint, devote to developing diversified green products, to respond to the global trend of energy-saving and carbon emission reduction, thus to create win-win and wonderful future.



Words from general manager



General manager of Phihong Technology



(CSR) starting with research and development, carry out environmental protection policy, and comply with the world trend.

In recent years, the issue of environmental protection has been talked widely in the world. In 2013, a documentary film about environment named "Beyond Beauty-Taiwan from Above", which is produced by a Taiwan team, first ran. In this film, it analyzes the impact of climatic change on Taiwan in future, and reminds the public of the crisis will be caused by environmental destruction; temperature in many regions of the world becomes high in summer and severely low in winter, which result in crop failure, and natural disasters happen around the world. In addition, the nuclear issue caused by the 311 Tsunami and the rise of the oil price caused by oil shortage also indicates that these issues must be solved from the source of electricity consumption. The R&D of the Home and Building Energy Management System make the electricity consumption can be monitored and managed so as to reach the purpose of energy saving and reduce the demand for investment in nuclear plants. Thus, research and development of power management products and enhancement of product efficiency not only can reduce electricity consumption but also can reduce carbon emission, and environmental protection is then promoted. As one of us living in the earth, we should take the responsibility to protect the earth.

The topic of global warming is highly talked continuously. We have been taking environmental protection as our first mission, including lead-free products, halogen-free products and products made of non-hazardous raw materials, and even the development of energy-saving products such as LED series energy-saving products and power converter for solar renewable energy. We have improved power adaptor's efficiency through design, focused on research and develop products meeting DOE Level 6 formulated in 2006. All what we have done is to contribute to environmental protection, perform the corporation social responsibility

Also, we expand our business to the entire supply chains. Since 2013, Phihong has introduced the "Industry Sustainable Development and Tutoring Program for International Environmental Protection Standard" for suppliers. Besides the previous trade terms, we also commit ourselves to respect human rights and improve working environment. We expect that all supply chains of Phihong and related activities can be executed.

In addition to attaching importance to environmental protection and supply chain, Phihong will still uphold its consistent business philosophy, and actively consider combination of the corporation social responsibility and the operating strategy. On the one hand the commitment of Phihong to CSR can be reached, but on the other hand new chances can be looked for from CSR so that Phihong can continue to provide customers with the best service, create the most benefits for shareholders, build the most friendly working environment, help suppliers to grow together, comply with laws and regulations, care for disadvantaged groups, and bring benefit to society and public.

As far as the commitment is concerned, what we want to do is to change CSR to the code of conduct of our company, show care constantly, think deeply at any time, expect ourselves to be the best enterprise citizens, make joint effort to protect global environment against climatic change, and win trustness of interested parties to create a multi-win situation.



■ About Pihong

Company name: PHIHONG TECHNOLOGY CO., LTD.

Chairman: Mr. C.M. Lin

Date of foundation: Dec. 12, 1972

Capital: NTD 2.7716391 billion

Address: No. 568, Fuxing 3 Rd, Huaya Industrial Park, Guishan Township, Taoyuan County

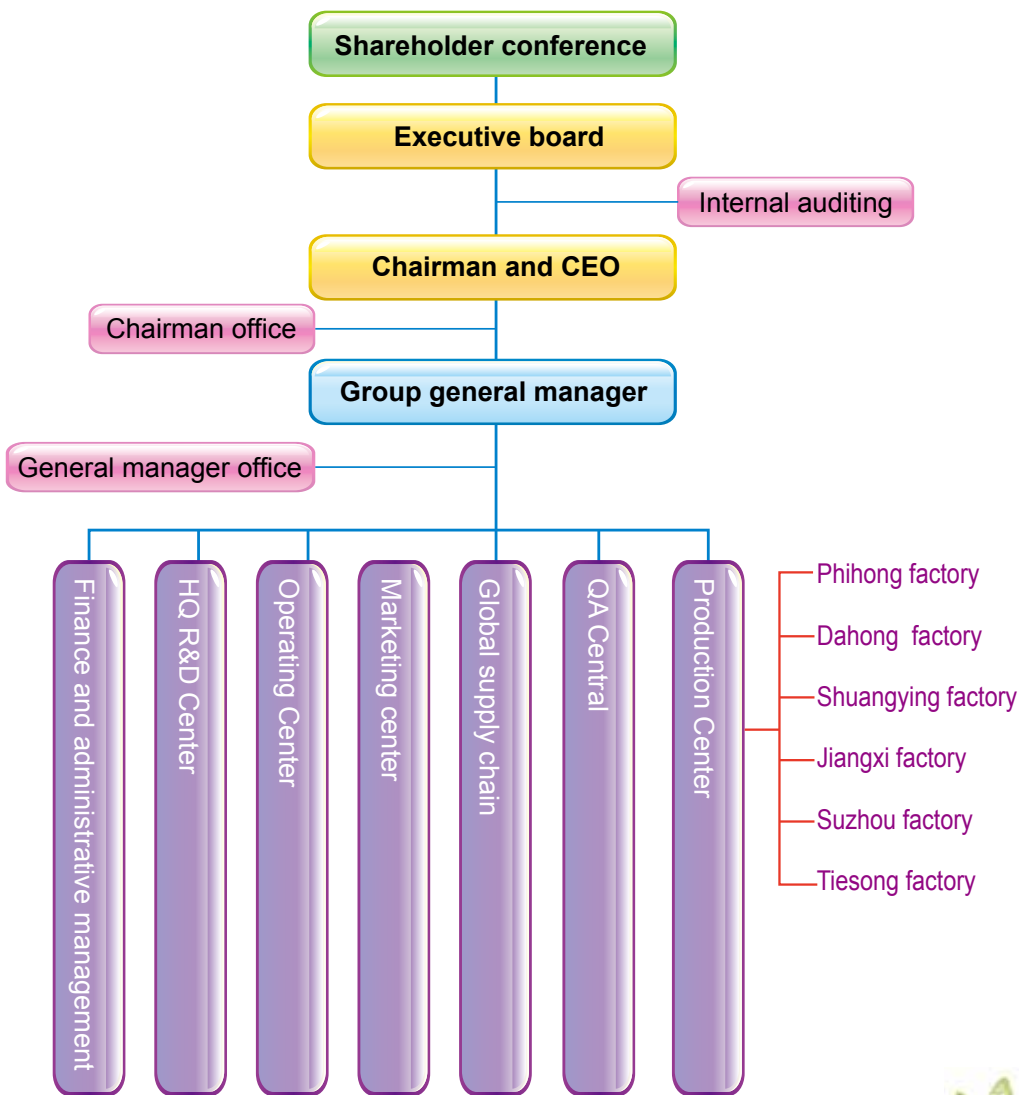
Tel: (03)327-7288

Website: www.phihong.com.tw

Core Business: Research, develop, and manufacture switching power sources, chargers, charging stands, network power supplies (PoE), electronic stabilizers, LED drivers, LED energy-saving lights, innovative touch interactive products and develop relevant software, etc.



■ Organization chart



■ Departments particular portfolio

Dept	Job description
Internal auditing	<ul style="list-style-type: none"> • Audit execution of company rules and regulations. • Provide improvement opinions for administrative authority.
Finance and administrative management center	<ul style="list-style-type: none"> • Supervise work effectiveness of functional organizations of the group. • Execute business plan, project and work improvement. • Stipulate personnel rules and regulations, appoint and dismiss staff, assess salary, transfer, award and punish, dismissal transaction, and education and training. • Manage and control accounting funds, analyze and plan finance, and manage fixed assets. • Establish, analyze, trace and audit financial statement, and formulate short, medium and long-term fund acquisition, use and operation plan.
Operating center	<ul style="list-style-type: none"> • Prepare and correct business system. • Responsible for business expansion, sales operation, and reaching business target. • Develop and manage customers. • Full control of orders and receivables.
Marketing center	<ul style="list-style-type: none"> • Prepare marketing strategy. • Collect and analyze product market information. • Help management level to formulate company development strategy. • Responsible for planning company sales target and program.
HQ R&D center	<ul style="list-style-type: none"> • Design and develop various products, and develop new products by market demands. • Introduce and support various R&D technologies, research and develop new products, and improve existing products. • Recognize components, control technical documents, and prepare, establish and maintain material tables. • Prepare and test samples, apply for and manage product UL.



Dept	Job description
<p>Product center</p>	<ul style="list-style-type: none"> • Execute operating target specified by operator according to plan. • Make products meeting customer requirements according to production specifications and standard operating procedures. • Calibrate, maintain and plan production instruments and equipment. • Execute by quality policy and target, and coordinate related departments to solve quality problems. • Design and improve processes, and manage outsourcing vendors and after-sales service.
<p>Global supply chain</p>	<ul style="list-style-type: none"> • Manage suppliers. • Purchase materials and components meeting quality standards. • Manage input, output and storage of materials and finished products. • Stipulate and execute annual price reduction strategy of material. • Compare and analyze market price. • Participate in development of new products, and provide resources and bargain.
<p>QA central</p>	<ul style="list-style-type: none"> • Test and verify new products. • Formulate reliability test and verification standard. • Drive, maintain, supervise and execute ISO9001/ISO14001. • Prevent, guarantee and execute quality of product produced by our company.



■ Vision and mission

Our vision is to design products with high energy conversion and become “one of the five most superior power supply manufacturers and suppliers while continuing to watch issues relating to our stakeholders to uphold the promises of CSR and become the best corporate citizens.

■ Business philosophy

Integrity

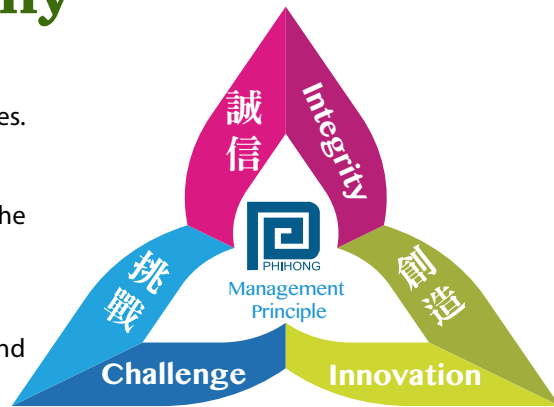
Phihong's corporation core, central thinking of all activities.

Innovation

Phihong's competitive advantage in sustainability and the global stage.

Challenge

Phihong's greatest motivation in promoting change and excellence.



■ Quality policy

Leading Designs

Outstanding Quality

Timely Delivery

Reasonable Prices

Satisfactory Services



■ Long-term, Short-term Business Development Plans

Short-term development plan

1. R&D strategies

Seek R&D elites and introduce foreign professionals. Strengthen R&D teams and develop low-cost materials together with suppliers, develop high-quality products and strengthen the development of automation production technologies.

2. Marketing strategies

Shorten the period for products entering the market and actively channel them. Participate earlier in the product development from the clients. Interact well with clients and master their pulses. Provide clients with more comprehensive product service. Guarantee the sources of orders and enhance the market share of products. Continually expand marketing spots to serve clients and develop markets nearby.

3. Production strategies

Improve product efficiency and introduce automatic production equipment. Catering for clients' demands on products and service, we actively improve the design, plan and management of the processes, continually improve quality, and guarantee quality system with standardized management. Vertically integrate supply chains into the direction of self-sufficiency, in order to reduce stock and material costs.

Long-term development plans

1. R&D strategies

The extensive application of portable information equipments will bring the further integration of power supplies and batteries. Together with the need for information, household appliances, photoelectric and energy, R&D on intelligent power technology with high power, high density and low voltage is one of the development aims for Pihong. The power supplies are developed into the direction of standardization, modularity and integration. The design of power supply control IC is developed into the direction of skill integration, connecting microelectronics, with the power supplies as axis. Green products saving energy and reducing carbon emissions are the aim for kinds of applied products, enhancing the images of products and the enterprise, catering for clients' requirements for green supply chains.

2. Marketing strategies

Structured global operational management system with core products is used as the axis. Fully satisfy comprehensive requirements of the clients, promote global marketing system, and establish long, stable international marketing network.

3. Production strategies

Matching business growth and requirements at home and abroad, catering for the international trend of environmental protection, we purchase non-polluted, automated and precise product devices, and research and develop new processes, etc., reaching the aim to amplify production capacity and promote output value.



■ 2013 award list

Certification and award result

Verification	Customer confirmation
<ul style="list-style-type: none"> ● Pass ISO9001 ● Pass ISO 14001 ● Pass OHSAS 18001 	<ul style="list-style-type: none"> ● Obtain SONY Green Partner certificate ● Obtain certificate of Windows 7 and 30" multi-point touch screeny
Award	<ul style="list-style-type: none"> ● Awarded with the non –disaster man-hour record: maintain zero disaster man-hour for 3329052 hours continuously (Jan. 8, 2009 to May 31, 2013). ● Awarded with the Information Disclosure Ranking A+ by the Securities and Futures Commission in 2013. ● Awarded with the Annual 10 Excellent Enterprises & Annual Innovative Design Gold Torch Award. ● Awarded with the Badge of Accredited Healthy Workplace by the Bureau of Health Promotion, Department of Health, Executive Yuan (Nov. 1, 2012 to Dec. 31, 2015) ● Awarded with the TTQS Silver Medal by the Council of Labour Affairs, Executive Yuan (Business enterprise version)

Awards of 2013 – TTQS award description

Phihong always views talents as the most important resource, and actively integrates and uses governmental resources to train talents in order to ensure reliability and correctness of the training flow. Since 2009, Phihong has participated in the TTQS (Taiwan Training Quality System) tutoring program held by the Council of Labor Affairs, Executive Yuan, and obtained accreditation. After obtaining the copper medal in both 2010 and 2011, it was awarded with the silver medal in 2013.

To continue strengthening Phihong’s talent competitiveness and ensure reliability and correctness of the training flow, and enhance education and training quality and result,

We will continuously improve internal existing system and method

so as to be the TTQS benchmarking enterprise, and continuously enhance employee quality and working skills, and then increase the competitive capacity of enterprise.



■ Important milestone

<p>2013</p>	<ul style="list-style-type: none"> ■ Applied for change to Lloyd's to include lighting products into ISO 9001 certified products in April 2013. ■ Employees subscribed 65,000 shares in Jan. 2013, and the paid-up capital was increased to NTD 2,771,089,100. ■ Employees subscribed 55,000 shares in April 2013, and the paid-up capital was increased to NTD 2,771,639,100. ■ In June 2013, Pihong Technology Japan Co., Ltd. (PHJ) was moved to Koto-ku, Tokyo ° ■ Dongguan Dahong Electronic Co., Ltd (PHP) was moved to Tiesong Village, Qingxi Township Oct. 2013 ■ PHP factory passed OHSAS18001 in Dec. 2013
<p>2012</p>	<ul style="list-style-type: none"> ■ PHC factory passed examination of the OHSAS18001 change, and PHCJ factory passed OHSAS18001 and obtained the new certificate. ■ Employees subscribed 1,926,000 shares in April 2012, and the paid-up capital was increased to NTD 2,768,589,100. ■ Employees subscribed 185,000 shares in July 2013, and the paid-up capital was increased to NTD 2,770,439,100. ■ Pihong Group passed examination of ISO14001 change and obtained the new certificate in Dec. 2012. ■ Ranked the 267th in 1000 manufacturing enterprises listed in the Commonwealth Magazine.
<p>2011</p>	<ul style="list-style-type: none"> ■ Employees subscribed 172,000 shares in Jan. 2011, and the paid-up capital was increased to NTD 2,725,489,100. ■ Pihong Group passed examination of ISO9001:2008 change and the DLP HDTV product passed the quality management system certification in April 2011 ■ Employees subscribed 2,258,000 shares in May 2011, and the paid-up capital was increased to NTD 2,748,709,100. ■ Employees subscribed 64,000 shares in July 2011, and the paid-up capital was increased to NTD 2,748,709,100. ■ Employees subscribed 62,000 shares in Sept. 2011, and the paid-up capital was increased to NTD 2,749,329,100. ■ PHC/PHCJ factory passed ISO14064-1:2006 in Oct. 2011. ■ Ranked the 242nd in 1000 manufacturing enterprises listed in the Commonwealth Magazine.



<p>2010</p>	<ul style="list-style-type: none"> ▪ Pihong Technology Japan Co., Ltd. was established in April 2010. ▪ Employees subscribed 4,167,000 shares in May 2010, and the paid-up capital was increased to NTD 3,717,549,100. ▪ Employees subscribed 622,000 shares, and the paid-up capital was increased to NTD 3,723,769,100. ▪ Reduced 100,000,000 shares by cash in Sept 2010, and the paid-up capital was reduced to NTD 2,723,769,100. ▪ In Nov. 2010, quality management system of every factory was replaced, and the new ISO9001:2008 certificate was obtained. ▪ Ranked the 213rd in 1000 manufacturing enterprises listed in the CommonWealth Magazine.
<p>2009</p>	<ul style="list-style-type: none"> ▪ In June 2009, cancelled 16,463,000 treasury stocks and handled the capital reduction registration, and the paid-up capital was reduced to NTD 3, 675, 8799,100. ▪ Ranked 209th in 1000 manufacturing enterprises listed in the CommonWealth Magazine. ▪ In Mar. 2009, Pihong (Dongguang) Electronic Co., Ltd. obtained OHSAS18001:2007 certificate. ▪ In May 2009, Suzhou Xin Hui Hong Electronic Co., Ltd. was established. ▪ In Nov. 2009, Quality management system of every factory was replaced, and the new ISO9001:2008 certificate was obtained.
<p>2008</p>	<ul style="list-style-type: none"> ▪ Surplus and employee bonus were changed to NTD 352,223,230 by capital increase, and the paid-up capital was increased to NTD 3,840,509,100. ▪ Ranked the 205th in 1000 manufacturing enterprised listed in the CommonWealth Magazine. ▪ In April 2009, quality management system of every factory was replaced, and the new ISO9001:2000 certificate was obtained. ▪ Through subsidiaries like Pihong International Co., Ltd and Guanglai Investment Co., Ltd., it indirectly shifted investments to the subsidiary nLighten Trading(Shanghai) Co., Ltd.
<p>2007</p>	<ul style="list-style-type: none"> ▪ In Jan. 2007, transferred 10,000,000 treasury stocks to employees. ▪ Ranked the 209th in 1000 manufacturing enterprises listed in the CommonWealth Magazine. ▪ Surplus and employee bonus were changed to NTD 189,447,580 by capital increase, and the paid-up capital was increased to NTD 3,488,285,870. ▪ In Oct. 2007, certificate was examined and replaced, and the 5-in-1 TL9000-HW R4.0/R4.0 certificate was obtained. ▪ In Dec. 2007, Yanghong Lighting Trade (Shanghai) Co. Ltd. was established. ▪ In Dec. 2007, the subscription right warrant was issued to employees.



<p>2006</p>	<ul style="list-style-type: none"> ▪ In Feb. 2006, cancelled 5,565,000 treasury stocks and handled capital decrease registration. ▪ Jin Sheng Hong (Jiangxi) Electronic Co., Ltd. was established. ▪ Ranked the 224th in 1000 manufacturing enterprises listed in the Commonwealth Magazine. ▪ In June 2006, factories (PHT/PHC/PHP/PHTJ/PHZ) updated the environmental management system ISO14001:2004. ▪ Surplus and employee bonus were changed to NTD 258,343,470 by capital increase, and the paid-up capital was increased to NTD 3,398,838,290. ▪ In Dec. 2006, cancelled 10,000,000 treasury stocks and handled capital decrease registration, and the paid-up capital was reduced to NTD 3,298,838,290.
<p>2005</p>	<ul style="list-style-type: none"> ▪ Surplus and employee bonus were changed to NTD 85,432,190 by capital increase, and the paid-up capital was increased to NTD 3,196,144,820. ▪ Ranked the 208th in 1000 manufacturing enterprises listed in the Commonwealth Magazine. ▪ In April 2005, TL9000-HW R3.0/R3.5 and ISO9001:2000 were updated (5-in-1 certificate) ▪ In Oct. 2005, the Liody's carried out periodic review at the 1st time and the certificate was replaced (6-in-1 certificate). ▪ In Nov. 2005, Merger of Guanglai Investment Co., Ltd. and Hongshen Investment Co., Ltd was approved; Guanglai Investment Co., Ltd. is the remainder company.
<p>2004</p>	<ul style="list-style-type: none"> ▪ Surplus and employee bonus were changed to NTD 171,823,340 by capital increase, and the paid-up capital was increased to NTD 3,103,389,870. ▪ Ranked the 206th in 1000 manufacturing enterprises listed in the Commonwealth Magazine. ▪ In April 2004, Tianjin factory (PHTJ) and Suzhou factory (PHZ) passed environmental management system certification, and meanwhile Pihong factory (PHC) and Dahong factory (PHP) updated ISO14001 certificate, and changed the original ISO14000 certificate to a new 5-in-1 ISO14001:1996 certificate.
<p>2003</p>	<ul style="list-style-type: none"> ▪ Issued ECB USD 30 million and the paid-up capital was increased to NTD 2,923,815,630. ▪ Ranked the 198th in 1000 manufacturing enterprises listed in the Commonwealth Magazine. ▪ In May 2003, moved to Linkou HQ Operating Center. ▪ In June 2003, renamed as Pihong Technology Co., Ltd.



<p>2002</p>	<ul style="list-style-type: none"> ▪ Issued ECB USD 50 million and the paid-up capital was increased to NTD 2,571,194,740. ▪ Ranked the 167th in 1000 manufacturing enterprises listed in the CommonWealth Magazine. ▪ Started to build Linkou HQ Operating Cente. ▪ Pihong (Suzhou) Electronic Co., Ltd. was established.
<p>2001</p>	<ul style="list-style-type: none"> ▪ Dahong (Tianjin) Electronic Co., Ltd. was established. ▪ Officially listed on Sept. 17, 2001. ▪ Surplus and employee bonus were changed to NTD 425,900,000 by capital increase, and the paid-up capital was increased to NTD 1,960,500,000. ▪ Guanglai Investment Co., Ltd. was established ▪ Hongshen Investment Co., Ltd. was established. ▪ Invested in Zhuohong Electronics Technology (Shenzhen) Co., Ltd. ▪ Ranked the 189th in 1000 manufacturing enterprises listed in the CommonWealth Magazine. ▪ Bought factory building in Huaya Industrial Park, covey a land of 1,499 ping and factory of 2,702 ping, as the HQ Operating Center of Pihong.
<p>2000</p>	<ul style="list-style-type: none"> ▪ Pihong Japan Co., Ltd. was established. ▪ Officially listed on Feb. 15, 2000. ▪ Ranked the 217th in 1000 manufacturing enterprises listed in the CommonWealth Magazine. ▪ Surplus and employee bonus were changed to NTD 464,000,000 by capital increase, and the paid-up capital was increased to NTD 1,534,600,000. ▪ Pihong Electronic (Shanghai) Co., Ltd. was established. ▪ Set PHIHONG PWM BRASIL LTDA with PWM BRASIL LTDA through joint venture.
<p>1999</p>	<ul style="list-style-type: none"> ▪ Bought a land in Huaya Industrial Park, covering an area of 4540 ping, as the need for building factory in future. ▪ Surplus and employee bonus were changed to NTD 420,000,000 by capital increase, and the paid-up capital was increased to NTD 1,070,000,000. ▪ Ranked the 252nd in 1000 manufacturing enterprises listed in the CommonWealth Magazine. ▪ Went public after being approved by the Treasury Securities and Futures Management Council. ▪ Dahong International Co., Ltd. and Dongguang Dahong Electronic Co., Ltd. were established.



<p>1998</p>	<ul style="list-style-type: none"> ▪ Honored with the 7th National Award of Outstanding SMEs. ▪ Ranked the 248th in 1000 manufacturing enterprises listed in the Commonwealth Magazine. ▪ Ranked the 6th in 50 companies with the best operating performance listed in the Commonwealth Magazine. ▪ Ranked the 30th in 50 companies with the rapidest growing speed listed in the Commonwealth Magazine. ▪ Ranked the 7th in 50 companies that are worth for investment listed in the TOP 500 by the China Credit Information Service Ltd. (ranking of net value per NTD). ▪ Ranked the 11th in the top 50 as for the operating performance of TOP 500 companies listed by the China Credit Information Service Ltd. ▪ Surplus was changed to NTD 277,368,590 by capital increase, and the paid-up capital was increased to NTD 650,000,000. ▪ Dongguang factory passed ISO-14001 certification. ▪ Financed to buy IBM RS 6000 to update information system.
<p>1997</p>	<ul style="list-style-type: none"> ▪ Increased capital NTD 100,000,000 by cash, and surplus was changed to NTD 42,731,410 by capital increase, and the capital was increased to NTD 372,631,410. ▪ The USA subsidiary was established to be responsible for marketing, R&D and service. ▪ Dongguang factory passed ISO-9002 and Japan T-MARK certifications. ▪ Sanchong factory passed ISO-14001 certification.
<p>1996</p>	<ul style="list-style-type: none"> ▪ 日商尼密克蘭達(股)公司 joined the operation team and set Phihong International Co., Ltd. and Phihong (Dongguan) Electronics Co., Ltd., engaged in production of power supplies. ▪ An office was set in Japan to be responsible for marketing. ▪ Ranked the 435th in 1000 manufacturing enterprises listed in the Commonwealth Magazine.
<p>1995</p>	<ul style="list-style-type: none"> ▪ Obtained the Japan T-MARK certificate, and ranked the 881st in 1000 manufacturing enterprises listed in the Commonwealth Magazine.
<p>1994</p>	<ul style="list-style-type: none"> ▪ Passed ISO-9001 certification, and product quality was highly accepted in market, directors were increased from 3 to 7, and the management team was strengthened.
<p>1991</p>	<ul style="list-style-type: none"> ▪ Surplus was changed to NTD 20,900,000 by capital increase, and the capital was increased to NTD 229,900,000.






1990	<ul style="list-style-type: none"> Increased capital NTD 48,000,000 by cash, and surplus was changed to NTD 16,800,000 by capital increase, capital reserve was changed to NTD 4,200,000 by capital increase, and the capital was increased to NTD 209,000,000. In October of the year, it became a public company approved by SEC, Ministry of Finance.
1989	<ul style="list-style-type: none"> Increased capital NTD 68,000,000 by cash, and surplus was changed to NTD 12,000,000 by capital increase, and the capital was increased to NTD 140,000,000.
1987	<ul style="list-style-type: none"> Increased capital to NTD 60,000,000, and set a marketing base in California.
1986	<ul style="list-style-type: none"> Entered a period of computer management.
1985	<ul style="list-style-type: none"> Capital was increased to NTD 40,000,000.
1983	<ul style="list-style-type: none"> Capital was increased to NTD 30,000,000.
1981	<ul style="list-style-type: none"> Company was changed to a limited liability company, the capital was increased to NTD 20,000,000, company and factory were moved to Zhongzheng North Road, Sanchong City, factory building was expanded to 1,400 ping, and the switching mode power supply was produced.
1980	<ul style="list-style-type: none"> Sold 800,000 CB power supplied to every corner of the world.
1977	<ul style="list-style-type: none"> Capital was increased to NTD 3,000,000.
1973	<ul style="list-style-type: none"> Set factory to produce power transformers, auto-transformers and linear power supplies.
1972	<ul style="list-style-type: none"> Established on Dec 12, 1972, capital was NTD 200,000, located in Taipei City. Company is a limited company. It mainly introduced hi-tech apparatuses at the initial stage.



■ Core products and services

Core products and application

Phihong Technology's core business is supplying various types of power supplies and is the main supplier for major global corporations. To carry out multiple business strategy, Phihong has actively entered such fields as LED lightning, PoE power supplies, energy storage devices and mobile heating system in recent years. Whether for production innovation, quality, capacity, cost control, Phihong is widely recognized by customers all over the world.

Core product	Function and application
1. Power supply	
<p>Adapter</p> 	<p>Mobile phone/Notebook/Tablet/Printer/Network communication devices</p> 
<p>Charger</p> 	<p>Digital camera/Small appliances/Electric tools/Charger stand</p> 



Core product	Function and application
<p>Car Charger</p> 	<p>Car charger /GPS/Car recorder</p> 
<p>Open Frame Power</p> 	<p>Industrial computer/TV</p> 
<p>Wireless Charger</p> 	<p>Mobile phone/Tablet</p> 
<p>2. LED Driver</p>	
<p>LED Driver</p> 	<p>LED Lighting</p> 

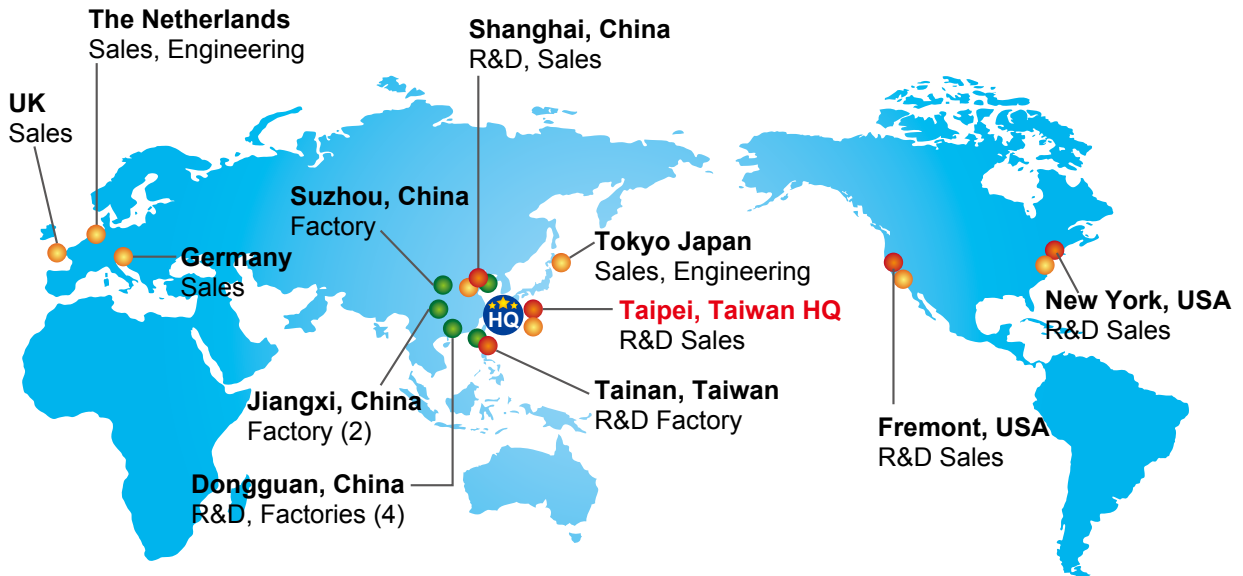


Core product	Function and application
3. Power over Ethernet (PoE)	
<p>PoE</p> 	<p>Monitoring camera/Broadband phone/Broadband wireless base station</p> 
4. Energy storage device	
	
5. Mobile heating device	
<p>行動發熱模組</p> 	<p>Heating clothing/Heating waist support/Heating insole</p> 
<p>Other products include electronic stabilizer, speaker for construction site, micor inventer, cable, power transformer.</p>	



Business base

Global strategy



HQ Headquarters

● Sales (8)

● R&D Centers (5)

● Factory (8)

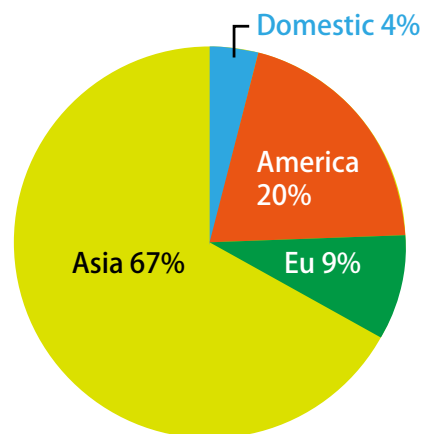


Financial performance of 2013

Sales region

In 2013, the international political and economy were highly impacted by US debt ceiling, EU debt crisis ripple effect, planned slowdown of Chinese economy and overflow of Japan Abenomics policy, so the global economy slows down and final consumption is not high. As a result, profit of 2013 is less than that of 2012. Although the application scope of power supply is widely used and the estimated market demand can still grow continuously, the labor cost raises and the raw material is in short supply continuously so that

The economic environment is still in crisis. Pihong will continue looking after employees to enhance the centripetal force; will use flexible purchase strategy to reduce cost; will strengthen risk control to prevent severe financial risk; will make efforts to develop high value-added products to enhance the entire profitability, and expects to march towards the sustainable operation target in order to adapt to the change in total environment.



Combined financial performance

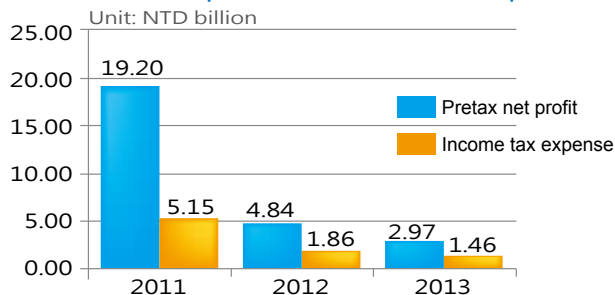
Unit: NTD million

Item	2011		2012		2013	
	Year	(ROC)	(IFRS)	(IFRS)	(IFRS)	(IFRS)
Operating revenue	14,386	100%	11,891	100%	12,081	100%
Operating cost	10,796	75%	9,589	81%	10,228	85%
Operating margin	3,590	25%	2,302	19%	1,853	15%
Operating expense	2,135	15%	1,812	15%	1,700	14%
Operating net profit	1,455	10%	490	4%	153	1%
Non-operating income and expenditure	465	3%	-7	0%	144	1%
Pre-tax net profit	1,920	13%	483	4%	297	2%
Income tax expense	515	3%	186	2%	146	1%
Net profit of the term	1,405	10%	297	2%	151	1%
Total employees	8,394		9,416		8,636	

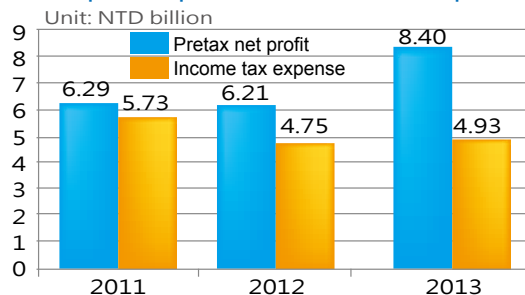


● Important financial performance indicator over the years

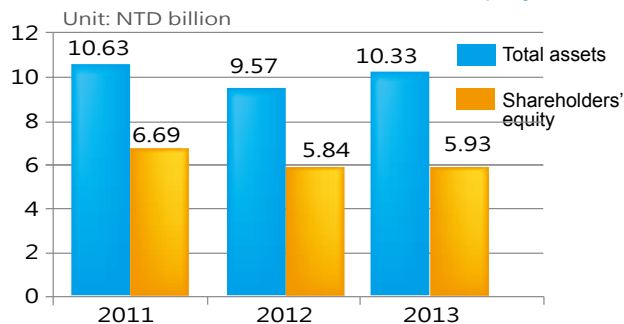
Pre-tax net profit and income tax expense



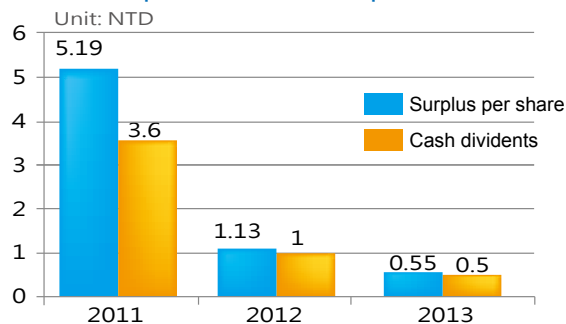
Capital expenditure and R&D expense



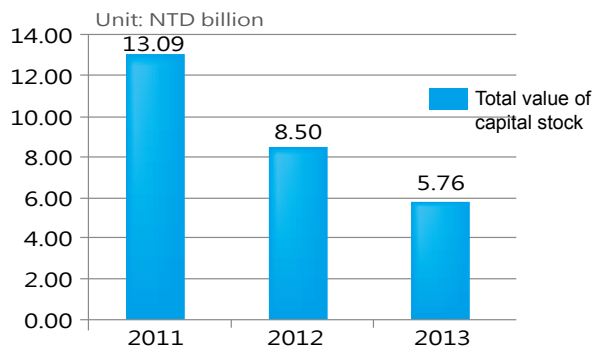
Total assets and shareholders' equity



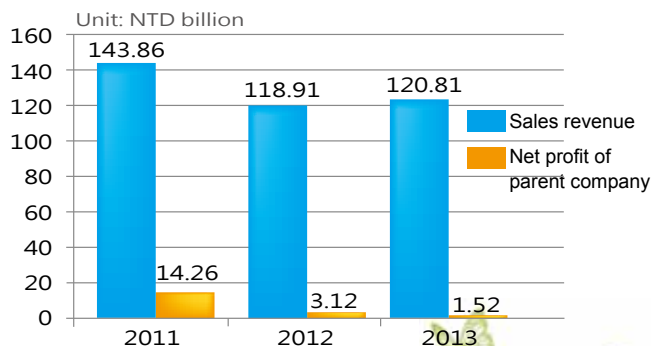
Surplus and dividend per share



Total value of capital stock



Sales revenue and net profit of parent company



Note 1: Data and information from finance statement; IFRS data has been used since 2012.

Note 2: See Stock Exchange website to know share prices.



■ Sustainable management

In face of the global CSR topic, as a part of enterprises, the active and effective management action is the key to sustainable development. We expect to make a positive contribution to sustainable operation and CSR program, and create core value for society, enterprises, customers and other interested parties. To enhance the understanding of employees and interested parties to sustainable management, Phihong carries out sustainable management through management communication. The sustainable management defined by us includes:

- ▶ R&D innovative management
- ▶ CSR management Company control
- ▶ R&D innovative management
- ▶ Morality management
- ▶ Risk and operational continuity management
- ▶ R&D innovative management

Phihong thinks that only the continuous investment in automatic production equipment and manpower, and fund can accumulate technical strength, deeply rooting in technology and innovation can meet demands of global customers. Based on the strategy of establishing ourselves in Taiwan and distributing globally, we built R&D bases in China, USA, Taiwan HQ and Tainan branch. In addition to work hard to introduce automatic advanced equipment and enlist excellent talents from various areas, we invested a large amount of research funds. In recent years, the R&D funds invested by Phihong are about 4% of the annual turnover.

Phihong innovative R&D investment (by data from combined financial statement)

Item	Unit	2011	2012	2013
R&D expense	Million (NT)	573	475	493
Total revenue	Million (NT)	14,386	11,891	12,081
Proportion	%	3.98	3.99	4.08

● Number of patents applied

(1) Patent obtained (power supply, circuit, touch, lighting and other)

No.	Name	Approval No.	Domicile	Patent life
1	Enclosure for a Switching Power	US D454537 S	US	2002/3/19~2015/2/20
2	Modified plug structure	215228	Taiwan	2003/9/21~2014/9/16
3	A power-factor correction circuit within wide voltage	ZL 03114927.8	China	2007/1/31~2023/1/15
4	FLUORESCENT LAMP END-OF LIFE PROTECTION CIRCUIT	US 6828732 B2	US	2004/12/7~2023/6/9
5	ELECTRONIC BALLAST USING CUT AND SAVE TECHNOLOGY	US 6933684 B2	US	2005/8/23~2023/4/17

No.	Name	Approval No.	Domicile	Patent life
6	Power Source Protection Circuit for Car Charge	Nr 20 2007 000 184.3	Germany	2007/1/5~2017/1/4
7	Electric device with rotatable and receivable plug	I356547	Taiwan	2012/1/11~2027/10/3
		ZL 200710163856.0	China	2011/3/30~2017/10/8
8	Electric Device with Rotatable and Receivable Plug	US 7628621 B2	US	2009/12/8~2027/10/8
		481824	Japan	2011/9/9~2017/12/5
9	Laser diode drive circuit and its method	ZL 200710188052.6	China	2011/3/30~2017/10/8
		I355784	Taiwan	2012/1/1~2027/10/18
10	Rotatable plug with fixable converter	M334545	Taiwan	2008/6/11~2017/11/25
		ZL200720310992.3	China	2008/10/1~2017/12/19
11	Rotatable Plug with Fixable Converter	US 7481660 B1	US	2009/1/27~2027/12/21
		4690384	Japan	2011/2/25~2027/12/27
		EP 2083488 B1	EU	2010/8/11~2028/1/22
12	Dimmable LED Device with Low Ripple Current and Driving Circuit Thereof	8193738 B2	US	2012/6/5~2029/8/7
13	Power supplies system for reducing revers current	I390834	Taiwan	2013/3/21~2029/7/27
14	Power Supply System for Reducing Reverse Current	US7817448B1	US	2009/10/7~2029/10/7
15	Power adapter with replaceable plug	M436247	Taiwan	2012/8/21~2022/2/22
16	Route device with control lamp	M443998	Taiwan	2012/12/21~2022/4/17
17	Non-contact transformer	M446403	Taiwan	2013/2/1~2022/7/24
18	Non-Contact Transformer	3181263	Japan	2013/1/9~2018/11/14
19	Wireless controllable LED bulb and wirelss control method (Utility model)	ZL201320004839.3	China	2013/1/6~2023/11/14
20	Wirelessly Controllable LED Bulb and Wireless Control Method thereof (Utility model)	3183284	Japan	2012/11/19~2022/11/19
21	Power unit for controlling lighting (Utility model)	M458504	Taiwan	2013/8/1~2023/10/10
		ZL201220645700.2	China	2012/11/29~2022/11/28
22	Large-sized and multi-point touch screen	M458606	Taiwan	2013/8/1~2022/11/28
		ZL201220610881.5	China	2013/8/7~2022/11/15
23	Large-sized and multi-point touch screen can use dual system	M456505	Taiwan	2013/7/1~2022/11/7
		ZL201220610674.X	China	2012/11/16~2022/11/15



(2) Patent pending

No.	Name	Domicile
1	Dimmable LED device with low ripple current and its driving circuit	Taiwan · China
2	Dimmable LED Device with Low Ripple Current and Driving Circuit Thereof	EU
3	Power supply system for reducing reverse current	China
4	Power Supply System for Reducing Reverse Current	Japan
5	Combinative power device	Taiwan
6	Combinative Power Device	Japan · US · EU
7	Touch control presentation system and its method	Taiwan · China
8	Touch Control Presentation System and the Method thereof	US
9	Method for multiple touch control virtual objects and its system	Taiwan · China
10	Method for Multiple Touch Control Virtual Objects and System thereof	US
11	Method for operating computer object and its program product	Taiwan
12	Method for operating computer objects and its programming product	China
13	Method for Operating Computer Objects and Programming Product Thereof	US
14	Power supply circuit for driving LED	Taiwan
15	Power supply circuit for driving LED	China



No.	Name	Domicile
16	Power Supply Circuit for Driving Light Emitting Diode	US、Japan、EU
17	Route device with lamp control function (Utility model)	Japan
18	Non-Contact Transformer	US
19	Non-contact transformer systmer	Taiwan
20	Non-Contact Transformer System	US、Japan
21	Wireless controllable LED bulb and its wireless control method	Taiwan、China
22	Wirelessly Controllable LED Bulb and Wireless Control Method thereof	Japan、US、EU
23	Controller with quasi-resonant mode and continuous conduction mode and operating method	Taiwan
24	Controller with Quasi-Resonant Mode and Continuous Conduction Mode and Operating Method Thereof	US、Japan
25	Power supply apparatus for controlling lighting fixtures	Taiwan、China
26	Power Supply Apparatus for Controlling Lighting Fixtures	Japan
27	Power Supply Apparatus for Controlling Lighting Fixtures (新型)	Japan
28	Large and multi-touch screen	Taiwan、China
29	Large Multi-touch Electronic Whiteboard	US
30	Large and multi-touch screen for using dual system	Taiwan、China
31	Large Multi-touch Displayer for Using Two Systems	US



● Tax breaks and amount of R&D in 2013

According to the industry innovative regulation, the tax breaks of R&D items that are applicable to investment in 2013 are as follows:

Item	Deductible amount (Unit: NTD thousand)
Salaries of full-time staff specialized in R&D.	67,124
Expenses of consumables, raw materials, materials and samples for R&D departments.	7,999
Reduction: Governmental grants	-
Total	75,123

※ In 2013, there were no governmental awards and subsidies as for items like R&D, equipment, and industry-academy cooperation.

► CSR management

CSR includes aspects of corporate operation such as the coexistence and prosperity of self management and stakeholders, while also care towards the world. As a good corporate citizen, we promise:

1. To maintain good company control, adhere to corporate morals and business actions.
2. To follow local laws and regulations.
3. To provide our employees with safe working environments for their health and safety, allow employees to perform to their abilities with reasonable compensation and benefits
4. To create organizational value, increase shareholder benefits.
5. To research and manufacture green products those adhere to HSF (non-toxic materials) and execute environment management systems to reduce impact on the environment.

The promises above are the goals and direction of Pihong's CSR. Pihong will expand the depth and broadness of related activities in daily operations and establish indexes to track performance for assessment with the timely release of related information to ensure internal and external corporate communication quality.

● CSR Management Committee and job position



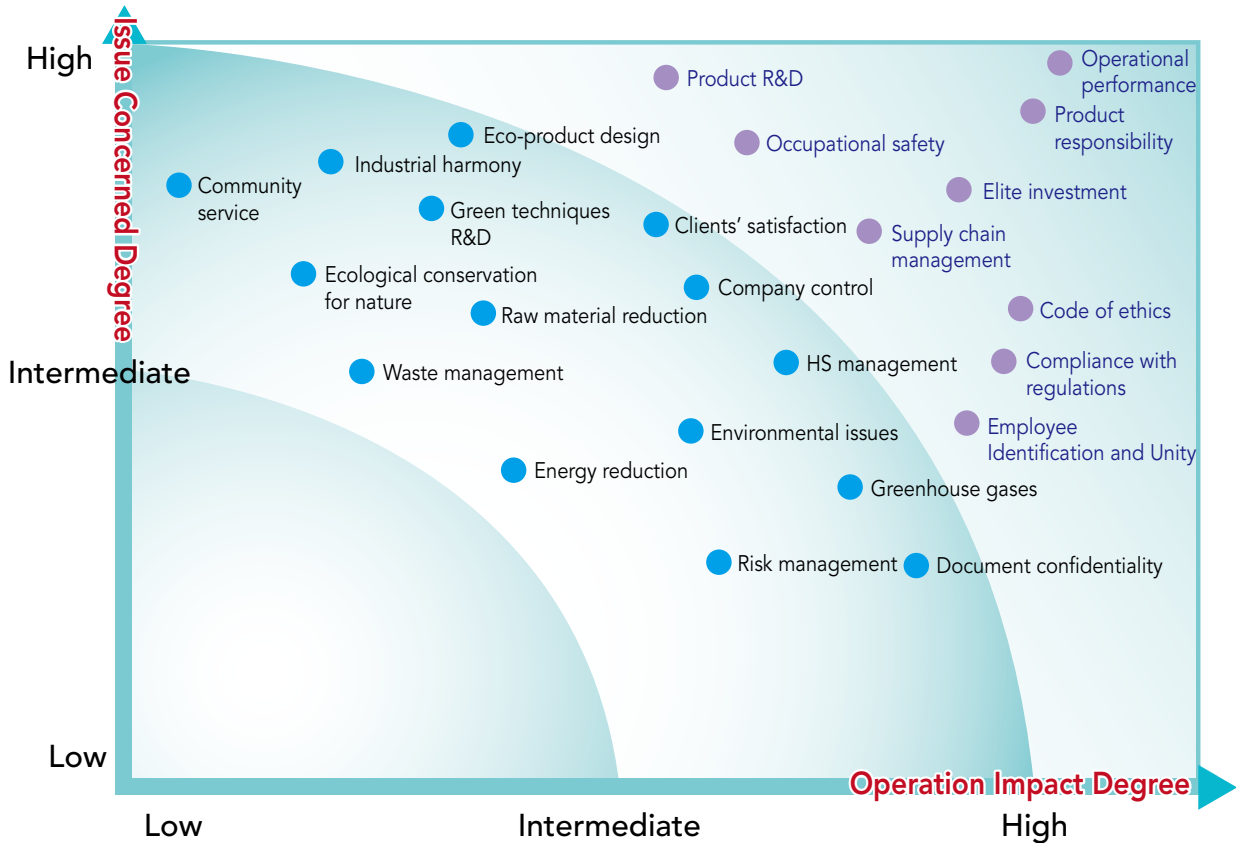
● CSR implementation result of 2013

About	CSR topic	Target of 2013	Achieved situation	Result and description	
Result and description	Company control	Revise methods and improve works by EICC.	●	※ Set internal CSR audit ※ Revised SOP for supplier management ※ Strengthened man-hour monitoring mechanism and statistic	
	Customer relation	Audit and tutoring of customer CSR.	●	Conducted CSR audit in 23 enterprises in Taiwan by written form and onsite examination.	
	Code of conduct	Execute online training of CSR and work ethics.	●	All employees have received new program training.	
	Risk management		Suppliers sign CSR agreement to comply with commitment.	●	Totally 164 suppliers signed the agreement.
			Check the situation that suppliers carry out CSR.	●	Totally 20 enterprises finished it.
		Suppliers receive EICC training.	◎	20% of suppliers have finished so far.	
Society	Labor-capital relationship	Add employee health promotion activities.	●	Totally 117 people participated in weight-losing management activity, and they lost weight 187.1kg.	
	Occupational safety and health	Execute education and training about nvironmental safety and health.	●	Courses of 2013 are totally 79.5 hours.	
	Labor rights	Strengthen expression mechanism of employee opinions	●	Revised complaint and sexual harassment treating method, and add anonymous complaint mechanism.	
	Social participation	Employees participate in public benefit activities.	●	Transacted NTD 100 club care plan, and more than 50% employees participated in.	
Environment	Energy and resource management	Carry out project to reduce carbon emission.	●	Introduced smart power energy management system, the lowered fines was 95.5% less than the previous year, and reduced carbon emission.	
	Pollution controll	Reduce wastes.	●	998 tonnes of general wastes was recycled.	
	Green operation	Promote green purchase.	●	Released green purchase and banned the use of conflict metals.	



Sustainable management

Management of key CSR topics



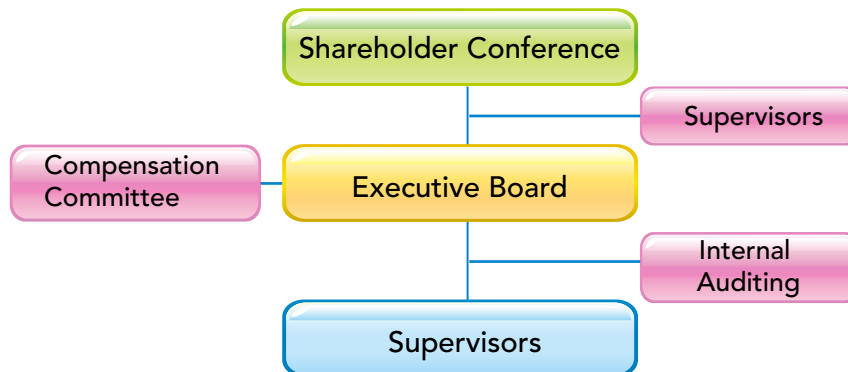
Interested party management and negotiation

Interested party	Class	Communication method	Communication frequency
Shareholder and investor	Shareholder	<ol style="list-style-type: none"> 1. Annual general meeting 2. Release financial quarterly report/annual report by requirements. 3. Reply by phone or email. 4. Issue important messages in company website. 	<ol style="list-style-type: none"> 1. Once per year 2. Four times per year 3. At any time 4. At any time
	BOD	<ol style="list-style-type: none"> 1. Operation survey report 2. Audit report 3. Internal control declaration 4. Compensation committee 	<ol style="list-style-type: none"> 1. At least once per quarter, and 6 times in 2013. 2. At least once per quarter. 3. Once per year 4. At least twice per quarter, and 5 times in 2013.
Government and competent authorities	Financial supervisory commission	<ol style="list-style-type: none"> 1. Official document 2. Reply inquiries of competent authorities and additional remarks. 3. Issue monthly revenue/deal of interested parties/fund loan and endorsement guarantee /product revenue/Report to shareholders/quarterly report/annual report/important messages in the public information observation station of the Stock Exchange and company website. 	At any time
NPO	Non-profit organization	<ol style="list-style-type: none"> 1. Taiwan Corporate Credit Risk Index (TCRI) 2. Information exposure and rating of the Securities and Futures Market Development Foundation 	<ol style="list-style-type: none"> 1. Once per quarter, and rating was 5 in Q4 of 2013. 2. Once per quarter, and rating was 5A+ in Q4 of 2013.



► **Company control**

Operational team of directors and supervisors:



Executive board

Background information, education background, situation of taking part time in other companies, attendance of executive board and further education of members from Phihong executive board will be published in company annual report and can be searched in the public information observation station and the company website.

By the Phihong's "Discussion Standard for Executive Board", the board conference should be held at least once per quarter. 6 board conferences were held in 2013.

Compensaiton committee

The executive board of Phihong's Compensation Committee hired 3 committee members to supervise and examine the company's overall compensation and plans. Its supervisory range includes rewards of directors and supervisors, managers' performance evaluations and compensations, annual salary adjustment and employees' dividends of managers. It is independent, professional and impartial, and avoids the risk of interest conflict between committee members and company.

The professional and independent information of members of Phihong Compensation Committee, number of members taking part time in other companies' Compensation Committees, attendance and important dicisions will be published in the company annual report, and can be searched in the public information observation station and the company website. By requirements, at least two sessions should be held per year. 5 sessions were held in 2013. In these sessions, rewards of directors and supervisors, annual salary adjustment range, managers' appointed cases, and employees dividends of managers. The total attendance of the Compensation Committee is 73% in 2013.

Supervisor system

The executive board of Phihong has supervisors who have years of experience in finance and tax management and are very familiar with company management. They are resposnible for supervising implementation of various businesses, peridocidally examining examination report issued by the audit department, timely giving various suggestions, attending the board meeting, and understanding operation of the executive board.

Internal audit

Phihong set the internal auditing managed by the executive board. The audit leader reports to the executive board, and periodically report the auditing situation to the supervisors, assist in ensuring the design and the implementation of the internal control system continue becoming effective, and facilitate our company to well operate so as to reasonably guarantee items as below:

1. Operational effect and efficiency
2. Reliability of financial report
3. Compliance of related laws and regulations



The internal auditing examines implementation of our company's rules and regulations and provides the competent authorities with improvement suggestions. In 2003, Phihong implemented 52 auditing operations as listed in the following table. The missing items for auditing should be tracked seasonally until they are 100% improved.

Auditing frequency	Auditing item
1 time/month	Investment of derived commodities
1 time/quarter	Endorsement guarantee, fund loan and other
1 time/year	<ol style="list-style-type: none"> 1. Transaction management of interested parties 2. Budget 3. Supervision of subsidiaries 4. Management applicable to international accounting standards 5. Management of discussion in board meeting 6. Accounting transaction and data retention – Accounting professional judgement program, and flow management of accounting policy and estimation change 7. Management preventing inside trading 8. Safety of information and communication 9. Acquisition or disposal of assets 10. Operation management of Compensation Committee 11. Sales and collection cycle 12. Purchase and payment cycle 13. Wage cycle 14. Fixed assets cycle 15. Financing cycle 16. Investment cycle 17. Electronic calculator processing cycle 18. R&D cycle
Total of missing items in 2013	Tracked and improved result is 100%.

Information transparency

Based on transparency of information, the financial department has full-time workers and provides real-time and detailed important messages in the public information observation station of the Stock Exchange and our website (www.phihong.com.tw). All interested parties can find the latest operation survey of our company, financial statement and other important messages. Phihong was ranked as A+ in the "Information Exposure and Rating" of the 2013 Securities and Futures Market Development Foundation. We will continue to work hard to ensure information transparency become more complete.



► **Morality management**

Since the foundation of Pihong, it has persisted in the business philosophy of integrity, innovation and challenge, and insisted on honesty and lofty morality to provide customers with the best products and services. All people who carry out businesses on behalf of company must understand and observe all faiths and policies stated in the standard. Our fundamental philosophy will not be varied with time, products, employees and customers, and we never compromise even if we are challenged with pressurement from environment.

We equally and cordially treat with our partners, suppliers and sub-contractors. We will never trade with companies and individuals that may impair our reputation, as well as companies violating laws. These laws include regulations related to local environment, employment, safety and anti-corruption. All transactions with third parties must comply with laws and Pihong's standards of business conduct. We will not implement any action prohibited by any law or Pihong's standard of business conduct with the help of third parties. Pihong always follows all laws and regulations applicable to regions (countries) where business activities are held. Abiding by the law is responsibility of any employee of Pihong. As a responsible citizen, it is our obligation to comply with laws.



► Risk and operational continuity management

Phihong's understanding of the scope of risk management covers activities and businesses of all factories. Its main purpose is to use a systematic management mechanism to maintain vigilance and continuous supervision and eliminate possible risk factors through advanced evaluation and analysis, as well as factors and signs may change (including expectable and unexpected risks).

In addition, we built emergency team for dealing with uncertain risks that may happen, and planned emergency measures that can be taken in advance. We also covered relevant insurances against risks that company may encounter during development so that the company financial loss can be compensated when risks happened. We increased transparency, realized business target, maintained continuous operation of company, and enhanced Phihong's enterprise value through communication of risk information.



Risk factor	Prevention maeasure	Emergency planning team
Single customer demand	Expand core and strategical customers Expand production line, plan and evaluate	General manager of every division organizes the execution team.
Single supply factory	Allocate capacity in many factories Arrange in many places	General manager of every division organizes the execution team.
Single material supply	Introduce new suppliers , and use quality management system to replace material management system Safety stock Pull-in system management	Global supply office organizes the execution team Leader of supply section Leader of business/QC/production management Core suppliers
Fund flow risk	Asset and investment management Receivables/payables management Short &long-term bank loan	Vice general manager of finance and administration center organize emergency team.
Force majeure (e.g. natural disaster)	Environmental safety policy Fire/earthquake training Governmental contagion standard Information notification and communication	Vice general manager of finance and administration ceter organize emergency team. Factory managers and leaders of factory safety and environmental safety Leaders of HRs

Build Operational conintuity management mechanism

To prevent signle suppliers from supply suspension due to force majeure or quality problem, Pihong started to consider and constructed more complete "operational continuity management mechanism" in 2013, and listed risks and conducted complete evaluation, starting with company to part of levels, and meanwhile constructed part No. management and derived the execution method for the 2nd layer of quality tracking system, and actively certified the 2nd suppliers to ensure operation is carried out continuously through internal cooperation.



■ Sustainable environment

Environmental sustainability

In order to effectively and accurately control the continuously changed environmental topics such as energy and climatic change, greenhouse gas emission and investigation, increasing energy and resource efficiency and complying with control of non-hazardous substance, we will bring the environmental sustainable development strategy into the management system, and expect that our environmental sustainability promise and environmental policy can be deeply implemented to reduce impact of design processes and production activities to environment and make contributions to social development and human living quality.

Direction of environmental sustainable development

1. Supply high-class green products: non-hazardous substance control -> green design -> green purchase and manufacture -> supply energy-saving power supply.
2. Construct green humanism environment: environmental education and training of internal staff -> customer/suppliers environmental protection forum -> green humanity and art promotion.
3. Create sustainable environmental development: energy saving and carbon reduction -> green factory -> zero pollution emission

Phihong environmental policy

Environmental safety and health management policy

We support various green environmental protection activities, cherish resources, make various environmental management requirements for internal greening work and training humanistic quality, and carry out environmental safety and health management policy to take "sustainable environment development" as a long-term target and formulate environmental safety and health policy as below:

1. Environmental policy:

Environmental philosophy:

Phihong Group provides various power supplies and relevant products globally in aspects of R&D, manufacture, sales and service. To obtain sustainable operation, we will adhere to enterprise conscience, and take the responsibility as a citizen of the earth to avoid pollution. Promises of Phihong are as below:



Environmental management policy:

1. Use the spirits of PLAN, DO, CHECK, ACTION (PDCA) and CONFIRM to drive environmental management so as to reduce and prevent impact to environment.
2. Use systematic management to facilitate environmental performance so as to save energy, improve continuously and prevent pollution.
3. Comply with environmental laws and regulations and customer requirements in relation to waste (polluted water, waste gas, wastes, noise, chemicals, and RoHs environmental management substances (HSF), and advocate implementation.
4. Design and manufacture shall comply with laws and regulations as well as green products of environment management substances (non-hazardous substances HSF).
5. Periodically examine environmental target and object, and publish environmental result.

Declaration: Global co-existence, green earth

2. Occupational safety and health policy:

**Observe various safety and health requirements, and strengthen communication of internal management;
Continue improving working and living environments, and prevent various dangerous events from occurring;
Reduce risks of occupational safety and health, and fully guarantee employee health and safety.**

Environmental safety and health management mechanism

Phihong's environmental sustainable affairs are charged by the "Environmental Management System Promotion Committee", "Product and Environmental Substance Management Committee" and "Occupational Safety and Health Management Committee" under the "Corporate Social Responsibility Management Committee" lead by the chairman and the general manager. It is responsible for promotion of ISO14001, HSF control and occupational safety and health management. Workers of all departments shall take responsibilities to ensure the implementation is complete, and expect that all employees can surely perform various environmental sustainable and friendly actions through solid management mechanism and PDCA cycle.

The chair of the committee is held by the chairman of board, and committee members include the general manager of Phihong Group, and the highest levels of management in China and USA who are responsible for Phihong's CSR strategy formulation and performance supervision.



Job position of promotion organization

Department	Main job position
Environmental Management System Promotion Committee	<ol style="list-style-type: none"> Promote, execute and supervise ISO14001. Formulate (revise) environmental policy and target. Save energy and resource, reduce carbon emission, investigate greenhouse gas and prevent pollution. 环保法令 / 法规遵守、客户相关环保要求之符合性查核
Product and Environment Substance Management Committee	<ol style="list-style-type: none"> Formulate (revise) Phihong environmental substance management standard, execute relevant training, and confirm conformance of customer-related environmental substance standards and requirements. Manage and confirm suppliers' environmental substances.
Occupational Safety and Health Management Committee	<ol style="list-style-type: none"> Promote, execute and supervise OHSAS18001. Formulate (revise) occupational safety policy and target Conintue improving working and living environments, prevent various occurrence of various danagerous events, reduce risks of occupational safety and health and fully guarantee employees' health and safety.

Medium and long term targets of Phihong environmental sustainability

In order to appropriately plan the environmental sustainable items, Phihong formulated the “medium and long term environmental sustainable targets” as a reference for various action plans. We expect to design more diversified and advanced low-energy new products from green humanistic environment so as to reach the purpose of living together with environment and the target of saving energy and reducing carbon emission.

Target and result of 2013

Environmental sustainable topic	Target of 2013	Result and decription
Energy and resource management	Implement power saving item to reduce carbon emission	Introduced smart power energy management system, the lowered fines was 95.5% less than the previous year, and reduced carbon emission.
Pollution control	Liquid waste treatment of chemical agent	In 2013, non-hazardous liquid waste treatment of chemical agent was 1200kg.
	Treatment of wastes and waste water	In 2013, waste leftovers recycled were 121780kg, and there was no waste water because of the process characteristic.
Green operation	Promote green purchase.	All competent suppliers were required signing questionnaire /letter of commitment about conflict mineral products, and banned the use of conflict metals.



Energy and climatic change

After all countries signed the Kyoto Protocol in 1997, it confirmed that greenhouse gas emission may affect climatic change and impact, which is becoming the important issue faced by all countries and enterprises. In addition, various climatic abnormal conditions have occurred globally in recent years, so Pihong more deeply realizes the greenhouse gas emission due to the use of energy has a significant impact to the global climatic change, environment and ecology.

Based on the above-mentioned concept and the promise of Pihong to environmental sustainability, we work together and coordinate with global suppliers' demands to actively push various energy and resource investigations and managements, and carry out various actions of energy saving and carbon emission reduction.

Energy and resource management:

The global warming results in climatic change and the petrochemical energy price highly rises, all countries actively implement energy-saving measures, international market also bring a tide of green consumption, and international enterprises continuously formulate various green purchase standards to require supply chain system to meet the green market demands. In face of the impact of the low-carbon time, reducing energy cost and managing greenhouse gas emission have become an essential strategy for enterprises pursuing sustainable development currently.

99% of energies depend on import in Taiwan, and the international fuel prices rise continuously, so we can estimate that energy (oil, electricity) prices of Taiwan will increase gradually. We think that energy saving not only can help to slow down the greenhouse effect, but also can effectively increase production efficiency and reduce cost.

Pihong factories currently have fully pushed the energy and resource management action. Under the effective supervision of the "Pihong's energy-saving and carbon-reducing team", they implement the energy-saving and carbon-reducing program of every relevant department and the office environmental protection action. From large to small, and from process to factory area, all employees of Pihong are carrying out the energy-saving and carbon-reducing strategy.



Greenhouse gas investigation of 2013

Greenhouse gas management

We are devoting ourselves to lower the greenhouse gas emission in Pihong Donguang factory by 10% before (based on gas emission of 2010), and set a functional department to manage greenhouse gas. The database will be set to statistically analyse all emission sources and formulate the emission reduction plan every year according to ISO14064-1.

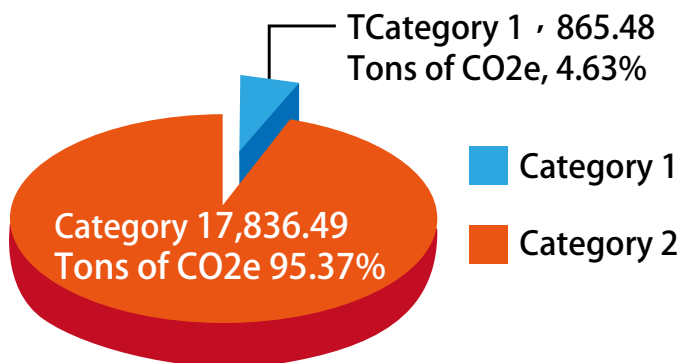
The energy use, and direct and indirect greenhouse gas emission of 2013 are analyzed as follows:

Factory	Category 1 (direct) emission source (Ton of CO2e)				Category 2 (indirect) emission source (Ton of CO2e)	Total direct and indirect emission (Ton of CO2e)
	Diesel	Gasoline	Other source	Total	Outsourced electricity emission	
Dongguan	108.13	87.88	342.06	538.07	13705.35	14243.42
Tiesong	146.90	9.30	171.21	327.41	4131.14	4458.55
Total	255.03	97.18	513.27	865.48	17836.49	18701.97

Note 1: Direct greenhouse gas emission (category 1): it includes the burning of fuel for fixed equipment, process emission, burning of vehicle during movement, and dissipative emission sources (e.g. fire fighting equipment, coolant). Total emission: 865.48 tons of CO2e/year, accounting for about 4.63% of the total emission.

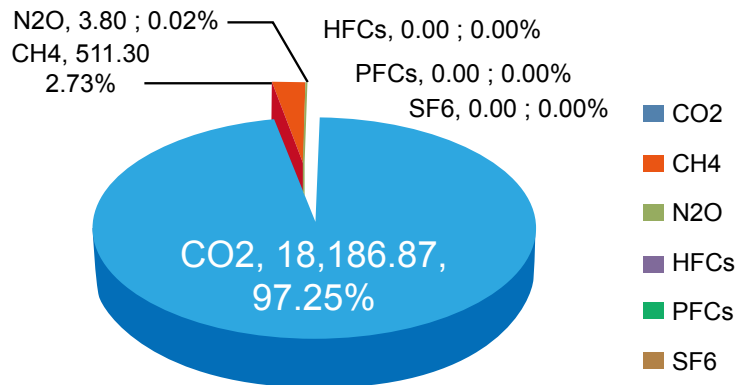
Note 2: Indirect greenhouse gas emission (category 2): main emission is the outsourced electric power, and the total emission is 17,836.49 tons of CO2e/year, accounting for 95.37% of the total emission.

Note 3: In 2013, the indirect greenhouse emission of other energies only has the emission sources identified and not collected the actual emission data of every emission source yet.



Greenhouse gas emission of 2013

Type	Carbon dioxide (CO2)	Methane (CH4)	Nitrous oxide (N2O)	hydrofluorocarbons (HFCs)	Perfluorocarbon (PFCs)	Sulfur hexafluoride (SF6)
Equivalent	18,186.87	511.30	3.80	0.00	0.00	0.00
(Ton of CO2e)	97.25%	2.73%	0.02%	0.00%	0.00%	0.00%
Total: 18,701.97 tons of CO2e						



Greenhouse gas emission statistical table of 2011~2013

In 2013, Pihong's greenhouse gas emission is 18,701 tons of CO2e totally, of which the emission of category 1 is 865 tons of CO2e; in 2012, the emission is 18,404 tons of CO2e totally, of which the emission of category 1 is 1,033 tons of CO2e.

The emission of category 1 in 2013 is 16% lower than that of 2012. The investigation result shows that the outsourced electricity and diesel for hot water are our main sources of the greenhouse gas emission, so our specific greenhouse gas reduction strategy is mainly to use the electricity consumption management, electricity consumption reduction and diesel reduction as our core implementation policy.



(Table 1) Greenhouse gas emission

Category \ Year	2011	2012	2013
Greenhouse gas emission (category 1), Tons of CO2e	1,464	1,033	865
Greenhouse gas emission (category 2), Tons of CO2e	14,435	17,371	17,86
Greenhouse gas emission (category 3), Tons of CO2e	NA	NA	NA
Base year emission (category 1) ,Tons of CO2e (2013)	1,695		
Base year emission (category 2) ,Tons of CO2e (2013)	14,825		
Base year emission (category 3) ,Tons of CO2e (2013)	NA		

(Table 2) Greenhouse gas emission intensity

Year	2011	2012	2013
Total output value (RMB)	1,173,132,172.18	1,296,039,062.52	1,477,673,666.37
Total CO2e emisison (Tons)	15,899	18,404	18,701
Emission of million revenue (Tons CO2e/million)	13.55	14.20	12.66

Electricity consumption

Quantitative index	Unit	2011	2012	2013
Electricity consumption	Megawatter hour/year	19,523	22,261	26,590
CO2 emission	Ton/year	17,315	19,297	22,871
Ecological benefit ratio	Annual million revenue/ electricity consumption	0.74	0.53	0.45
Turnover of current year	NTD million/year	14,386	11,891	12,081



Pihong has been focusing on environmental protection and energy conservation and carbon reduction, and is one of the enterprises that actively respond to carry out actions such as energy conservation, carbon reduction and ecosystem conservation in Taiwan. Although climatic change does not greatly affect our business range, as citizens of the earth, we should take the responsibility to carry out environmental protection policy starting from equipment energy management to office energy saving.

As a responsible enterprise, we will continue to make efforts to reduce possible impact to environment, and we will dedicate ourselves to enhance energy efficiency, reduce consumption of energy, paper and water resources so as to implement our responsibility for treating environment friendly through various spontaneous actions and improvement items.

Environmental policy

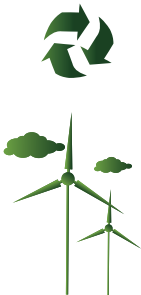



We will reduce influences of operation and business implementation on environment through "reduction of energy in buildings", "resource recycle", "conversion of paper culture", "promotion of environmental awareness".

Specific energy-saving action

1. Lighting by stages and zones: In the daytime, let natural light in through the patios. Thus it will not only reduce electricity consumption on lighting, but also the electricity consumption on air-conditioning to drive away heat radiation from lighting devices.
 2. Replace with energy-saving lights: Replace with energy-saving lights completely in the group, as well as in factories. Till the end of 2012, PHC has replaced 4,331 sets, saved power high up to 82,429 kw and reduced carbon emissions 77.02 metric ton.
 3. The Dongguan factory actively introduced the energy-saving heat pump project in 2013. The heat pump project was officially started in August of the year. Its purpose is to reduce CO2 emission with a more responsible attitude, and to use the heat pump system to recycle the heat resource to supply hot water for the employee dormitory building of the factory. The waste ice water generated can partly replace the air condition in the building to give full play to the environmental effectiveness of recycling and reusing. At the end of 2013, NTD 2.55 million was saved in energy cost.
 4. In March 2013, the smart power management system was introduced. It uses the "power monitoring function" of the system to accurately analyze electric power and find out equipment with higher power consumption. Furthermore, the optimal contract capacity can be achieved so as to avoid the demerit of being fined by Taipower due to excessive power consumption and reach the purpose of reducing the signed value of the contract capacity.
- **In 2013, the powersaving result showed that its fine is significantly reduce by about NTD 150,000 compared to the previous two years.**

Year \ Item	Contract capacity	Capacity beyond contract	Fine (May~Sept.)
2011	600KW	656KW	\$154,672
2012	600KW	636KW	\$157,635
2013	600KW	608KW	\$7,155

5. Pihong technology building and factory energy-saving measure

	Air condition	1	Use efficient energy devices and air-conditioning isolation facilities to avoid leakage of cool air.
		2	Inlet and outlet of cooling tower and air conditioning unit have been cleaned, and ventilation has been kept.
		3	Periodically check air conditioning system to ensure its running efficiency normal.
		4	Temperature of cool air in office and other air-conditioning areas is kept 26°C above.
		5	Set cooling tower's water temperature limit to control windmill's operation.
		6	Use fans to speed air flow so as to lower set temperature of air condition.
		7	Use curtains or heat insulation stickers to reduce outdoor radiant heat.
		8	Ceiling fans are installed to the ceiling of the office area to strengthen cooling effect of air condition.
		9	Adjust chiller's outlet and return water temperatures according to outdoor air temperature of every season.
	Electricity	1	Annual average power factor is 95% (including) above.
		2	Indoor illuminance complies with national illuminance standard.
		3	Introduce smart electric energy monitoring management to realize optimized application of contract capacity.
		4	Set time controller for electric equipment
		5	Time management or CO concentration control is implemented for exhaust fan of parking lot.
		6	Monitor power consumption monthly, and shall investigate source of power consumption if any abnormality is found.
	Lighting	1	LED energy-saving lamps shall be used in factories and offices.
		2	Indoor illuminance shall meet CNS standard.
		3	Daylighting is introduced from courtyard for arcase and factory in daytime.
		4	Action detectors are used in common corridors and washrooms.
		5	Emergency escape indicator lamp shall be LED lamps.
		6	Common corridors and areas with lower walking frequency use interval lighting.
		7	Adjust outdoor night auto lighting according to seanson.
	Water	1	Additionally install water saving marking devices and water-saving closetool and urine funnels
		2	Water discharged from cooling tower shall be recycled.
		3	Water-saving gasket and shower head shall be added to the tap of wash basin.
		4	Monitor water consumption monthly, and shall investigate source of water consumption if any abnormality is found.

Compliance of laws and other

We periodically search and review environmental protection related laws and regulations, which are used as a reference for promoting environmental management so as to meet requirements of environmental protection laws.

Emission of consumed substance in ozone sphere

Phihong headquarters and factories' coolant is mainly used for offices and factory air-conditioning system, so there has no related substance emission.

Emissions of nitric oxide, sulfur oxide and other important gases

Internal combustion engine is not used in production processes of Phihong headquarters and factories, so there has no related substance emission.

Severe leakage incident

There was no any chemical leakage incident in 2013.

Water resource management

Water for Phihong is mostly used for cleaning work, cooling tower, gardening and sanitation, and water is not used in production processes. In face of shortage of water resources in the earth, Phihong considers it as a valuable resource. Therefore, we monitor the water consumption of the Group every month, and try to save water. The total water consumption of 2013 is about 3.87% lower than that of 2012.

Water consumption statistical table:

Quantitative index	Unit	2011	2012	2013
Tap water consumption	Kiloton /year	434.65	484.85	466.1
CO2 emission	Ton/year	482.60	482	427.6
Ecological benefit ratio	Annual 10 million revenue / water consumption	3.31	2.45	2.59



Wasterwater treatment:

In Pihong and its factories, there are various waste water treatment devices. Before discharging, all waste water is completely treated to ensure the water quality reaches the national discharge standard, and passes the inspection body approved by the environmental protection organization. Waste water is discharged directly to the waste water treatment system or governmental sewage system by laws, and meanwhile the waste water discharge of 2013 is 3.21% lower than that of 2012.

Wastewater discharge statistical table:

Quantitative index	Unit	2011	2012	2013
Wastewater discharge	Ton/year	0	0	0
Domestic sewage water discharge	Ton/year	379,903	422,493	408,895

Pollution control

We comply with laws and regulations to set various pollution control devices, and also give detailed consideration and design for environmental impact possibly caused by life and work risk in the early time of factory planning based on the idea of pollution prevention, and we devote ourselves to set various operation procedures in order to reduce improper environmental influence caused by personal errors due to misoperation.

Control and monitoring

1. The administrative department shall self check pollution control devices to see if they run normally every day.
2. EHS department shall ask external organizations to check twice every year according to laws and regulations related to air pollutant.
3. EHS department check indoor air quality and occupational hazard factors twice according to requirements.



Waste management

Phihong follows the principle of "mass balance" to manage wastes. Wastes are divided into two types. One is the general wastes and the other is the hazardous wastes. The general wastes have 998 tons recycled totally.

We carry out the action of reducing wastes, including that the raw material package is recycled, and the close-distanceshipment packing is delivered by using plastic box to realize reuse of outer packing boxes of finished products.

As for waste management, Phihong firstly attaches importance to reduction of business wastes, and strictly follows laws and regulatins in relation to removal of wastes and pollution sources to thoroughly implement waste management. In addition, internal advection is carried out in all factories to implement concepts of resource recycle and reduction, and based on practicable technology and economic cost, the principles of reduction, recycle and reuse are insisted on to reach the purpose of waste reduction.

Waste management status analytical table

Description	Class	Treatment method	Unit	2011	2012	2013
General waste: EPA declarant code is D, E, R	Reuse	Not incinerate and bury	Ton/Year	846.48	989.59	999.50
	Cannot reuse	Incinerate and bury	Ton/Year	28.65	28.54	28.60
Total				875.13	1018.13	1028.1
Hazardous waste: EPA declarant code is A, B, C	Reuse	Not incinerate and bury	Ton/Year	0	0	0
	Cannot reuse	Incinerate and bury	Ton/Year	20.73	20.69	30.61
Total				20.73	20.69	30.61

Phihong is not engaged in waste treatment and recycle, and we have a good relationship with external departments to treat and recycle wastes efficiently. In factories of Phihong, the production departments classify waste copper, waste aluminum, waste cable, waste plastic, and waste PP and PE and hand them over to the management department to sell. As for the domestic waste reduction and recycling measures, it uses advacation and clear indication like beverage can, waste tube, waste paper, waste iron, waste plastic bucket, and waste PP and PE to recycle resources and reach the target of garbage reduction. Based on the spirit of resource recycle, it promotes actions such as waste recycle and garbage classification, extends the service life of production equipment, and remove and regenerate usable parts of production equipment.

Phihong has additionally set the target of waste recycle, and currently set the recycling station in all floors



of the headquarters to sort out residual wastes and then carry out incineration or landfill.

Our target is that the recycling proportion shall reach 50% for buildings, and will continue to strengthen training of cleaning workers and advocate waste sorting and recycling to let waste management performance can be continuously implemented and increased.

Office environmental protection action

Since 2006, we have promoted many specific activities on sustainable environmental protection as follows, in order to reduce pollution, emissions and waste.

- The 【disposal personal items reduction】 measure is comprehensively implemented. In the café for employees, environmentally friendly tableware is provided for all and annually it will reduce the usage of bamboo chopsticks by 80,000 pairs, equivalent to the reduction of 0.5 metric ton waste, or the reduction of 4.16 metric ton of CO2 emissions. It will hugely reduce waste and effectively protect the environment.
- In all factories, the wastes are classified, waster paper is collected, rechargeable batteries and packed pens are used, and the fridges are shared, etc.
- As to office machines, "paperless, less paper" is introduced on fax receiving. Offices on the same floor share a photocopier and a network printer, in order to reduce electricity consumption of office machines.
- Personal dustbins in office zones and set up public classified dustbins are comprehensively reclaimed in accordance with classification principle issued by EPA, in order to "classify and recycle resources, and reduce waste".
- The activity of "recycle of office stationery" is started to recycle or donate stationeries and office supplies that individuals or departments are not to use to charities according to conditions; the stationery common area is set in every floor to reduce waste so as to reach the purpose of resource recycle.

Implement e-administration, introduce electronic check system and promote digital signature. All documents on policies and announcements are issued via e-mail, reducing unnecessary paper waste. Colleagues are required to reuse paper, to reduce tree cutting and show more care on the earth.

These specific green and low-carbon measures are demonstrations of Phihong in its social responsibility. We try our best to improve in hardware, and all staff coordinates on policies. As long as we are sincere, small changes will make great difference. Let's together infuse more hope in keeping the sustainability of the earth.



Statistics on environmental protection expenditure in 2013

Item of environmental protection cost	Description	Expenditure (NTD)
1. Reduce direct costs of environmental load		
(1) Pollution control cost	Fees on prevention and improvement of air pollution, water pollution and other pollutions	2,696,029
(2) Save costs on resource consumption	Costs to save resources (such as water, electricity)	1,859,000
(3) Treatment and recycling fees on waste in business and in offices	Fees on treatment of waste in business (mud removal, waste solvent, waste water and general wastes)	1,237,994
2. Reduce indirect costs of environmental load (management fees on environmental protection)	(1) Expenditure on environmental protection education (2) Fees on obtaining environmental management system and certification	744,132
	(1) Fees on inspecting environmental load (2) Fees on organizing relevant personnel by those in charge of environmental protection	1,410,419
	(3) Added fees on purchasing products on environmental protection	
3. Other costs related to environmental protection	(1) Fees on soil treatment and natural environment restoration	156,681
	(2) Insurance on environmental pollution damage, taxes and fees on environmental protection imposed by government	1,628,595
	(3) Reconciliation on environmental problems, compensation, fine and lawsuit fees	0
Total		9,732,850

Statistics on Environmental Benefits

Item	Description	Benefit
Waste recycling in business	Offcuts of electronic components, disabled computers	10,953,459(NTD)
Benefits from environmental influence	CO2 emission reduction	133.24 T

Data listed in the tables cover Pihong's factories in Taiwan, Dongguan and Suzhou.



■ Positively performing product responsibility

In order to comply with requirements of EU RoHs, we built the green product management system to inspect product life cycle and define the management system again. We took effective control actions from design, manufacturing, test to supply chain management to establish a corresponding management system to ensure products comply with laws and regulations as well as requirements of customers to green products from R&D, acquisition of raw materials to product packaging and shipment.

As for hazardous substances in products, we established the "control standard for environmental hazardous substance" which contains EU RoHs, halogen-free requirements, and registration, evaluation, authorization and restriction of chemicals (REACH), and we used the control procedure for products without hazardous substances to ensure components and substances for products comply with environmental requirements of customers, and laws and regulations. From R&D to supply chain management, we strictly require suppliers to restrict or ban controlled hazardous chemicals according to stage so as to reduce environmental pollution and influence on human health caused by waste electronic products.

Reducing impact of raw material to environment

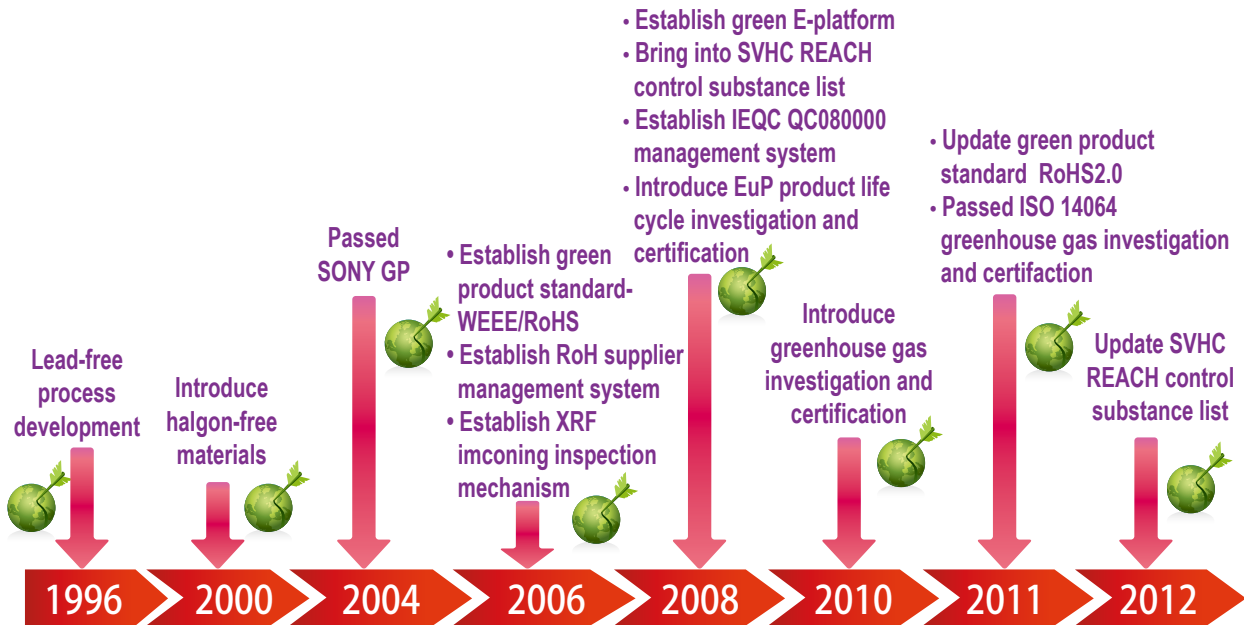
Based on ISO 14001 (environmental management system, EMS) and IECQ QC080000, Phihong established the Environmental Substance Management Committee, and stipulated substance control standard quality policy and target for environmental management to introduce the green workflow into the systematic management. It mainly controls the supply sources of suppliers, and strengthens management capability of upstream manufacturers to green components in order to let production comply with EU laws, like RoHS2 and customers required green products. Through strict green component recognition and management mechanism, we designed green products complying with relevant green laws and regulations, formulated control standards and flows for banned/restricted substances. Currently Phihong's products with green requirements like raw material purchase of capacitors, resistors, IC, plastics and wires have 100% complied with RoHS requirements.

Since 2006, Phihong has comprehensively introduced RoHS and WEEE, and coordinated with recent news of international laws to update the standard for environment control substance list to RoHS2.0, and also add 151 (Dec. 17, 2013) management substance lists to SVHC REACH; in 2008, Phihong introduced EuP product life cycle investigation and certification; in 2010, Phihong introduced ISO 14064 and obtained certificate in 2011.

Phihong supplies excellent product quality and implements impact of low-price raw materials to environment, constantly self check standards and specifications, and requires the raw material suppliers to provide greener and excellent raw materials.



Phihong's green product milestone



EICC implementation

In order to ensure all product supply chains' work environments are safe to respect labors and ensure work and human rights, Phihong surely observes EICC, labor's right, health and safety, environmental standards and relevant business ethics, and actively audits and guides all suppliers of supply chains to jointly undertake more social and environmental responsibilities.

In 2012, we started to inspect the EICC compliance situation, and we have audited 168 main raw material suppliers so far. Totally 70% of auditing work has been finished. As for noncompliance or suppliers falling behind, we required them to given improvement plans. In the future, we will provide suppliers with EICC education and guidance in due time depending on the auditing condition, and suppliers and us will work together to implement the EICC.



Devote to reduce hazardous substances

In order to comply with the international environmental laws and regulations and customers' green purchase requirements, Phihong established the hazardous substance list to ban using raw materials not meeting international environmental laws and regulations, and has always taken the environmental protection trend that finished products can meet green products as target.

Supplier ROHS/HSF investigation

In order to ensure raw materials supplied by suppliers meet international requirements, Phihong periodically implements RoHS examination for suppliers, and requires suppliers to improve continuously. In order to strengthen suppliers' green and environmental awareness, and risk management concept, our QC and purchase departments will hold supplier conference monthly to communicate with suppliers face to face except for RoHS examination. Issues to communicate are as below:

- **Hazardous substance management requirements, shipment report requirements**
- **RoHS/HSF management keypoint description**
- **RoHS/HSF case advocacy description**

Conflict metal and management

Phihong entirely prohibits the use of "conflict minerals" and brings it into the supplier management policy, and work together with customers to ensure our products will not use "conflict minerals" like tinstone, tungsten, tantalite and gold from Congo and its surrounding countries and regions (These metals may be used in information and communication technology products) so as to avoid serious human rights and environmental problems caused in exploitation process. We promise that we will not use metals from armed conflict, illegal mining and poor work environments, and we demands suppliers to fulfill their social responsibilities. As for suppliers, sources of all products containing Co, Au, Pd, Ta, Sn and W shall be traced to ensure these metals are not from the "conflict mine lots". We also demand suppliers must pass the information on prohibiting conflict minerals to upstream suppliers.

In 2012, we investigated the "conflict minerals" as for suppliers, and demended the metal suppliers to sign the letter of commitement (business ethics/social responsibility/declaration of not using illegally exploited raw materials/non-infringement guarantee declaration), and attached the certificate of origin, conflict mineral investigation list. At the end of 2013, the proportion of signing the letter of commitement has reached 100%.

In addition, we use the influence of the supply chain and encourage suppliers to join EICC / GeSI non-conflict smeltery plan to perform our commitment through practical action.



Expand purchase influence

Phihong takes necessary measures with our upstream suppliers in regards to issues such as HSF, risk management mechanism, and environmental sanitation to establish a complete green supply chain for our green products. As to recruiting procedure in supply chains, we based on the future product trend and outsourcing strategy, conduct surveys whether potential suppliers' management system including production capability, technical innovation, quality and service complies with the requirements as future cooperated suppliers. When Phihong evaluates new suppliers, an evaluation team will be established including outsourcing, QA, R&D and engineering departments. It will audit the overall capabilities of suppliers and finally review and approve the qualified ones. Only those passing the review of the evaluation team are qualified to be Phihong's suppliers and then start testifying new products. The reviewed aspects on suppliers consists of: basic data of the company, product information, major clients and financial status, Outsourcing Obligations with Phihong and other relevant contracts, suppliers' green control procedures and green product promise, as well as survey on their social responsibility and environmental safety and sanitary.

In terms of outsourcing strategy, Phihong shortens material delivery and lowers inventory to increase our competitive advantage while advises local suppliers to increase outsourcing ratio to provide more local employment opportunities and enhance local economic development.

Purchase percentage of raw materials by region in 2013:

Region	2011	2012	2013
Domestic	78.28%	80.19%	89.65%
Abroad	21.72%	19.81%	10.35%

In addition to recruiting procedure for suppliers, Phihong periodically evaluates competent suppliers, and guides and encourages them to fulfil CSR well.



■ Sustainable society

Customer relation

As the world-class supplier of power supply, charger, and LED driver, Phihong's main customers are international enterprises widely located in Europe, America, and Asia. We view being the best business partner of customers as the sustainable operation target, and provide customers with excellent green products. We also focus on developing customer relation, attentively listen to our customers, and bring customer's opinions into planning activities. As for the commucated result, we take relevant measures and improvement actions to satisfy with customers.

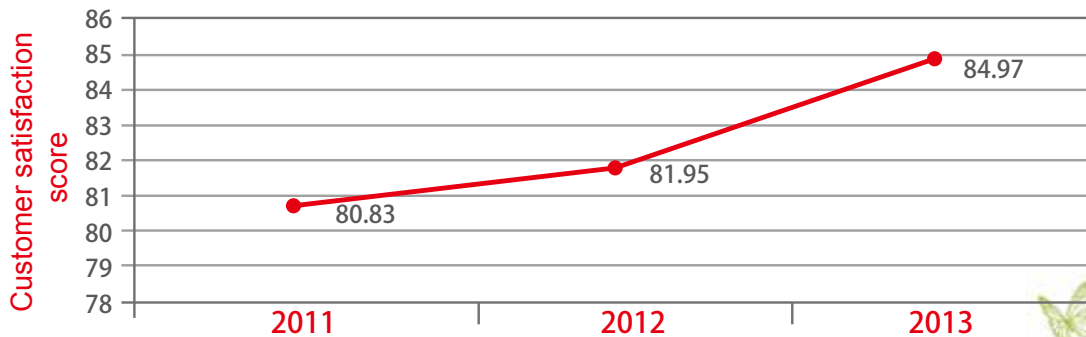
Customer communication channel and satisfaction management

Clear customer communication channel

In order to fully obtain customer information, understand demands of customers to our product quality, lead time, price, technology and service, and others, we communicate with customer through methods as below:

1. Customer quality service window is set in headquarters.
2. Elite customer service teams of factories – members include business, QC and technology — to deal with customer complaint, repair RMA and other related technological and support services.
3. Communicate with customers through non-periodic meeting, visit in person, visit factory, telephone/email, and international exhibition at any time.
4. Customer questionnaire survey is conducted every year.

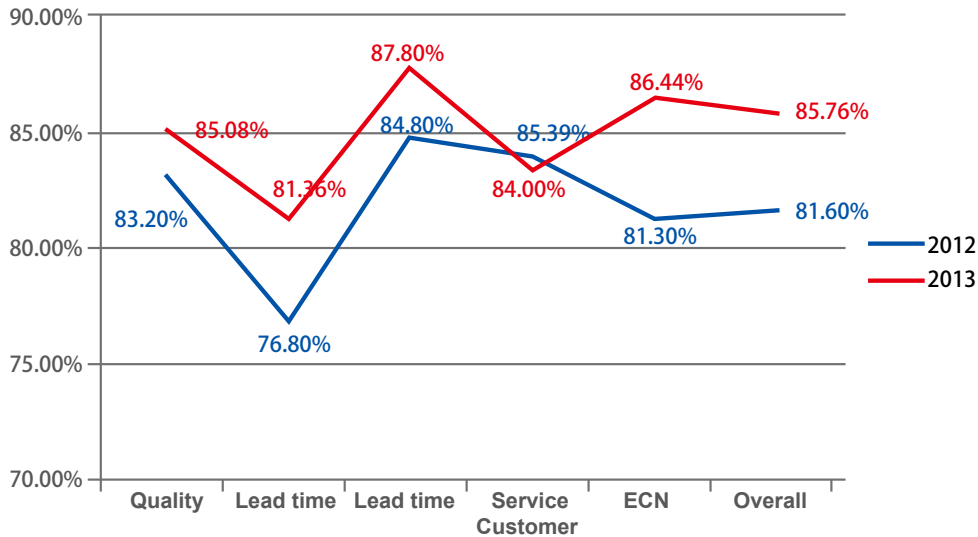
Average customer satisfaction in 2013



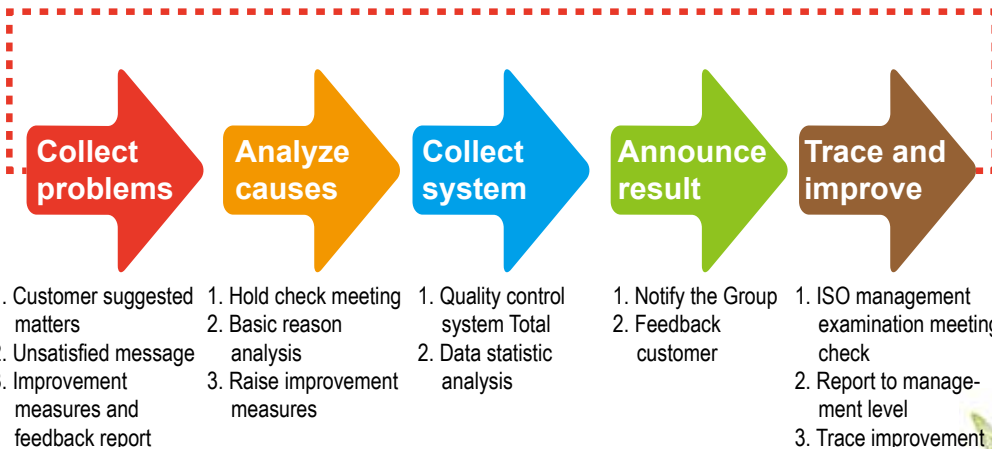
Note:

1. Customer satisfaction survey item: quality, lead time, customer complaint, engineering change and overall evaluation.
2. Satisfaction: very satisfied, satisfied, average, unsatisfied and very unsatisfied.
3. Scoring item: satisfaction score of individual items (single item) and overall items

In 2013, totally 60 questionnaires were sent out, and 59 questionnaires were effectively returned. The return percentage is 98.3%, and the overall customer satisfaction is 84.97%. In 2013, customer satisfaction was increased by 3% to 5% as for quality, lead time and service compared to 2012.



Program for customer satisfaction result



Voice of customer (VOC)

In order to carry out customer satisfaction requirements, Phihong takes any feedback from customers very seriously, listens attentively to customers and rapidly responds to customer's expectations, which are the key to create revenue and sustainable operation. We are customer-oriented, listen to customer complaints and suggestions, change from being passively to being actively, and communicate with customers in real time and effectively to provide Phihong with chances to improve continuously. Externally we have smooth communication and opinion feedback channels to ensure customer's important messages can be passed to relevant departments and management levels; internally we use complete treatment flow and response mechanism to rapidly respond to customer demands and serve customers as our purpose. We patiently listen to customers through methods as below:

1. Customers often reflect complaints through company's business sector, which will send to quality control sector to treat in timely and effectively. The treatment report and result will be sent back to customers. Business people often visit customers in person to understand customer's demands and suggestions.
2. Customers raise feedback opinions, demands or suggestions through company meeting.
3. Customers raise questions or improvement proposals to company through factory visit, audit, etc.
4. Company will make improvements after collecting customer's demands or suggestions through annual customer satisfaction survey.
5. Customers often reflect complaints through company's business sector, which will send to quality control sector to treat in timely and effectively. The treatment report and result will be sent back to customers.
6. If customers have products to be repaired and returned (replaced), they can reflect to company business sector. It will be responded to customers after treating in due time according to RMA flow or goods exchange flow.
7. If customers have any question about products, they can get solutions through company business sector, R&D sector, and quality control sector.



Treatment flow	Receiving channel/ specific action	Operation procedure	Respond to customer
Reception and treatment of customer complaint	<ol style="list-style-type: none"> 1. Get customer's E-mail/phone/return notice 2. Issue a customer complaint treatment document from customer complaint management system 3. Acquire and register customer complaint samples. 	<ul style="list-style-type: none"> • Customer feedback treatment procedure • Customer complaint treatment document • Customer complaint treatment list 	<ol style="list-style-type: none"> 1. Collect customer complaint information and understand badness situation and customer requirements. 2. If no bad samples are obtained, ask customers to send back.
Control and dispose customer complaint situation.	<ol style="list-style-type: none"> 1. Customer complaint check. 2. Minor, severe, and major customer complaint, and preliminary disposal. 	<ul style="list-style-type: none"> • Customer feedback handling procedure • Rejected goods control procedure • 8D operation management method 	<ol style="list-style-type: none"> 1. Handle by the 227 principle specified by the procedure, and respond preliminarily to customer within 2hrs. If not factory problem, tell customer and contact customer. 2. If it is complaint of HSF problem, shall inform customer preliminarily within 12hrs.
Root cause analysis and preliminary measure	<ol style="list-style-type: none"> 1. Root cause analysis 2. Formulate preliminary measure. 	<ul style="list-style-type: none"> • Customer feedback handling procedure • Quality abnormality handling procedure 	<ol style="list-style-type: none"> 1. QC works with engineering and R&D depts. to analyze root causes. 2. By the 227 principle, submit preliminary measure or plan 2 to customer within 2 days.
Improvement measure/correction and prevention (Reply 8D correction action report)	<ol style="list-style-type: none"> 1. Trace and monitor factory treatment and response time. 2. Check and confirm contents replied by responsible dept. If customer requires systematic format, convert to required format; if not, reply according to company requirement <8D correction action report. 	<ul style="list-style-type: none"> • Customer feedback handling procedure • 8D operation management method • Quality abnormality handling procedure • Correction and prevention measures management procedure • Customer complaint management system 	<ol style="list-style-type: none"> 1. Formulate tentative and long-term improvement measures to correct and prevent. 2. By the 227 principle, send "8D correction action report" to customer within 7 days. 3. Report in customer place depending on situation.
Effect tracing / Standardization and resource management	<ol style="list-style-type: none"> 1. Trace improvement and correction/prevention measures for customer complaint. 2. Factory SOP/standardization of inspection specification. 3. Maintenance and management of customer complaint system information. 	<ul style="list-style-type: none"> • Customer feedback handling procedure • Correction and prevention measures management procedure • 8D operation management method • 8D operation management method 	<ol style="list-style-type: none"> 1. Monitor and conduct implementation and confirmation of correction measures for customer complaint. 2. Collect and statistically analyze customer complaint information monthly, and confirm analysis and check and effect tracing. 3. Save relevant customer complaint information and report in <customer complaint management system >.



Information safety management

Information (tangible or intangible) such as information assets, real assets, software assets, service assets, files, and personnel are assets of our company; as for safety, it uses active or passive methods to protect or conserve an environment so that its activities will not be disturbed. Therefore, information safety uses a set of appropriate control measures, including policies, practices, steps, organization structures and software functions to ensure company assets are well protected in order to avoid risks such as man-made negligence, deliberate or natural disaster.

Phihong information safety strategy

1. Organize information safety promotion team to be in charge of promoting information safety of our company.
2. Information safety range covers computer technologies and personnel management.
3. Prudently evaluate appointment and dismissal of personnel, duty assignment, and shall control and human power support system for people who leave the company, ask for leave, are suspended or transferred.
4. Periodically hold information safety education and training as well as advocacy to enhance cognitive level of information safety of our company.
5. Establish a storage system for information assets, and effectively distribute, use and manage information resource of our company.
6. Consider designs of risk prevention and thief prevention of buildings, and control of important facilities and special sites shall be strengthened.
7. Enhance computer network defense technology, and timely isolate invasion and destruction from the outside world.
8. Evaluate safety level of information assets, and endow relevant personnel with appropriate access permission.
9. Various additions or changes to computer system shall have a control system and be completely recorded for future reference.
10. Establish information safety incident first aid mechanism and post-disaster reconstruction plan, and repeatedly drill and test.
11. Stipulate information safety auditing system to periodically or aperiodically audit computer room of our company, and computer system safety of factories and subsidiaries, and strictly prohibit deleting and modifying various auditing records.
12. It is required that employees should comply with various operation specifications and relevant information laws and regulations.



To ensure business secrets of company and customers safe, keypoints and items of Pihong information safety management are as below:

Maintenance of network system:

1. Information dept shall daily check network server, database server, and OA server of the computer room.
2. Maintain Internet server, monitor external access and access to outside, and shall handle timely if any safety problem is found.

Manage and control use of computer by user:

1. Personal password shall not be used by others, and password shall be changed periodically.
2. Back up company data and information in email of employees who left the company, and delete account information of these employees.

Management of system and software:

1. People of information dept shall timely download patching programs of system and relevant software, and manage and use together with the original system.
2. Record programs and results for problem handling, the administrators of information dept shall communicate periodically to collect various software problems in order to improve software, accumulate experience and enhance technical level of problem handling.

Data backup and storage management:

1. System shall be backed up periodically, and the backup date and contents shall be recorded in detail. Backup of system update shall have the same work done.
2. Data shall be backed up circularly. There are two tapes seperatedly saved in differenct locations.

Computer virus prevention:

1. Install virus auto detection program and anti-virus software in server and client computer.
2. To avoid virus invasion, employees and people from information department shall not download games and software irrelevant to work from Internet.

System recovery plan and emergency management:

1. When system software has problems (e.g. data is incorrect or application fails to normally work), the information department shall be informed immediately to receover it.
2. If data is seriously damaged, the latest backup software file shall be saved again.
3. Firewall interrupts its connection for abnormal network detection, and automatically dials the default beeper to infrom network administrator.
4. If occurrence of natural disaster results in damage of data, the data shall be backed up and restored according to the system recovery plan.
5. The differential data between backup timepoint and natural disaster occurring timepoint shall be entered manually.



System confidential system:

1. The system administrator shall be approved by the leader of information department, and users with system administrator's permissions shall be responsible for safety of system managed.
2. The system administrator shall not arbitrarily disclose username and password of other users, and shall not search for information of others and confidential information of company.
3. If it is required by job and after the leader of information dept approves, the system administrator can search and print company information for users, but shall properly keep the printed file and destroy the invalid contents.
4. The system administrator shall not randomly modify identities of legal users, and shall be approved by the leader of information dept if it is required by job.
5. The system administrator shall observe the confidential system and shall not disclose company information.
6. Users shall keep their passwords and change them every 3 months to ensure data is safe.



Use, management and safety maintenance of company network resource:

1. Maintain use quality and safety of network resource.
2. Actions using network resource to impair company and infringe personal legal interest shall be prevented.
3. In the information computer room, there are devices such as UPS (uninterrupted power supply) and fire detection system periodically maintained by people other than our company shall be maintained every half a year. These devices shall be maintained by competent contractors after signing a contract, and the maintenance shall be carried out according to record management procedure.
4. If other devices of information computer room are damaged, you can ask the contractors to repair them at any time, and save the repair report for future reference.
5. Our company uses citrix thin client file centralized management structure. Files in the private cloud of the company cannot be copied to PC's hard disk or USB in order to avoid data leakage unless download is applied in advance.



■ Employee relation

By the end of 2013, we have 8,636 employees, with 418 in Taiwan. 8,218 employees are in China mainland and other overseas factories. Our company devotes to recruit, cultivate and develop excellent talents. The separation rate of core talents of the operation headquarters is less than 2% so that we always keep a good competitiveness.

Phihong coordinates with global customers and international standards and specifications such as EICC to stipulate labor policy, and build equal, safe and steady employment and development environment according to the local labor laws and regulations of business offices. In recent years, employees in Taiwan grow steadily, and employee mobility ratio also decreases year by year. This shows that Phihong creates and provides stable employment opportunity.

Phihong HR policy

- ※ Human-based management
- ※ Respect professional managers
- ※ Reasonable salary and welfare measures
- ※ Talent training in and out of factory
- ※ Actively stride forward towards appropriate targets

On employee recruitment and appointment, what Phihong provides is not just a working opportunity, but a mission that seek excellent and wonderful qualified technical life together with Phihong's team. Phihong, with the attitude that we take it from the society and will contribute to the society, advocates providing working opportunities to local labor force and vulnerable groups. At present, under the overall economic depression, we are still willing to contribute a bit to the working market and social stability. We actively apply diversified recruiting approaches, offering internship opportunities and prompt the uplifting of HR development in the industry.



Phihong has a complete set of talent recruitment procedure, including: manpower budgeting、job description, vacancy specifications and interview flow, and ensures employees hired by Phihong can get "job positions appropriate to their capabilities" through personality trait, TOEIC and professional ability test.



Recruitment channel

We are looking for a more effective way to recruit talents and timely use the following channels in the annual recruitment according to characteristics of job positions.

Item		Recruitment object	Demand	Benefit
Channel	Recruitment platform (104/company website/service station)	All job seekers	Send position vacant information timely Rapidly receives personal resume	Most real-time job seeking information
	Headhunting compny	Professional/medium/high-class job seekers	Special/medium and high-class candidates	Provide medium/high-class and professional candidates with more stable quality.
	Foreign trade association/quality association	Job seekers with special capabilities	Target talent market Publish position vacant informaiton	Get talents with special skills
	Internal recommendation	All job seekers	Rapidly fill a vacancy to reduce the situation that new employees do not adapt to.	Talents with better stability/adaptive capacity



Employment situation of employees:

Employment situation of employees in 2011-2013

Year/factory		2011			2012			2013		
		Taiwan	Mainland	US and Japan	Taiwan	Mainland	US and Japan	Taiwan	Mainland	US and Japan
Total employee qty		424	7,878	92	413	8,917	86	418	8,139	79
Domestic (Taiwan)	Male	240	0	2	242	0	3	254	0	3
	Female	165	0	5	152	0	6	153	0	6
Overseas (Non-Taiwan)	Male	15	2,831	53	15	3,672	52	9	2,897	40
	Female	4	5,041	52	4	5,245	25	2	5,242	30
Direct	Male	0	2,109	0	0	3,012	0	0	2,188	0
	Female	0	4,198	0	0	4,475	0	0	4,437	0
Indirect	Male	255	722	55	257	680	53	263	709	43
	Female	169	849	37	156	770	33	155	805	36

Quantity of resigned employees and ratio of male to female:

Quantity of resigned employees and ratio of male to female in 2011-2013

Year/factory		2011			2012			2013		
		Taiwan	Mainland	US and Japan	Taiwan	Mainland	US and Japan	Taiwan	Mainland	US and Japan
Resigned qty		52	17,320	21	69	18,687	12	69	19,357	19
Male		44.23%	35.03%	71.43%	62.32%	41.84%	66.67%	71.01%	45.40%	57.89%
Female		55.77%	64.97%	28.57%	37.68%	58.16%	33.33%	28.99%	54.60%	42.11%



Quantity of new employees and resignation rate:

Quantity of new employees and resignation rate in 2011-2013

Year/factory	2011			2012			2013		
	Taiwan	Mainland	US and Japan	Taiwan	Mainland	US and Japan	Taiwan	Mainland	US and Japan
New employees	109	16,328	23	54	20,239	14	76	19,045	16
Male resignation rate	5.42%	77.15%	16.30%	10.41%	95.28%	9.30%	11.72%	107.12%	13.92%
Female resignation rate	6.84%	143.10%	6.52%	6.30%	132.47%	4.65%	4.78%	128.80%	10.13%

Ratio of male to female managers:

Ratio of male to female managers in 2011-2013

Year/factory	2011					2012					2013				
	Male	Ratio	Female	Ratio	Total	Male	Ratio	Female	Ratio	Total	Male	Ratio	Female	Ratio	Total
GM level	57	64.04%	15	16.85%	72	51	59.30%	14	16.28%	65	55	59.14%	14	15.05%	69
Dept level	8	8.99%	2	2.25%	10	11	12.79%	2	2.33%	13	13	13.98%	3	3.23%	16
VGM level above	5	5.62%	2	2.25%	7	6	6.98%	2	6.98%	8	6	6.45%	2	2.15%	8
Subtotal	70	78.65%	19	21.35%	89	68	79.07%	18	20.93%	86	74	79.59%	19	20.43%	93



Happy workplace

Pihong deeply believes that the success of a company is created by all colleagues working together, so "employees" has been always the most valuable assets of company. In addition to providing compensation and benefit with considerable competitive advantage, we especially value care, development and working environmental improvement of employees to provide colleagues with the best, comfort and safe working environment. The company aims at harmonious and humane management, obeying all regulations on labor, keeping its management principle and creating better achievements. It promises to keep our assets, rights and images by keeping legal and virtue principles. Thus the company can promote its all-round advantages and become a sustainable enterprise responsible to the society.

Compensation and reward

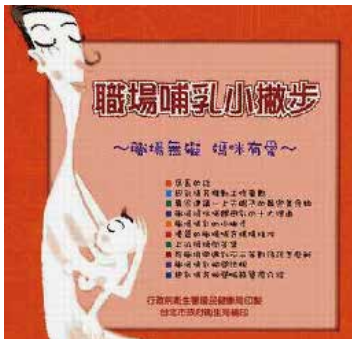
Pihong values employees on their salaries and benefits very much. We adopt a competitive package system better than those in the same industry to attract excellent elites to participate in our big family and create wonderful future together. Employees' salaries depend on their certificates, experience, positions, market quotations and individual working performances, and are not influenced by the differences on gender, races, religions, political stances, marital status. We grant bonuses from profits and year-end bonuses according to annual operational status and individual performance (bonuses are not lower than 10% of shareholder dividends, far beyond the criteria in the same industry).

Parental leave

We actively coordinate with governmental population policy to encourage childbirth, and implement the policy that female employees will keep the position without salaries during their maternity and parental leave according to the Act of Gender Equality in Employment. In order to encourage female colleagues to feed by breast, and coordinate with the policy of DOH, Executive Yuan and the spirit of the Act of Gender Equality in Employment, we especially set a safe and comfortable space for moms. We also plan complete equipment to show consideration for demands of female colleagues, including breast milk collection refrigerator, exclusive rest room where privacy is good and space is spacious and comfortable, air condition of appropriate temperature, and soft light. These measures make mom colleagues feel at ease and praise highly. The nursing time is humanized and can be adjusted by mom colleagues themselves.

If female colleagues indeed need to resign from their work to take care of their babies, the company will also understand it and agree on their applications. We will still keep in touch with them, encourage them to return to their work, and offer help when necessary.

Breast collection room



Our company is located in Huaya Science Park where it has the Huaya Kindergarten so that employees can put their children for good care.



It provide Taiwan employees with miscarriage prevention leave, menstruation leave, family care leave, accompanying maternity leave, , as well as leave without pay for taking care of babies:

When female employees applies for the miscarriage prevention leave, the company will transfer them to an easy position so that they will not feel tired and can wait for delivery with a peace of mind. As for female employees, our company also gives them the menstruation leave. In 2013, there were 98 women applying for menstruation leave, so there were average 8 women every month, and the leave proportion accounts for 5.2% of female colleagues.

If employees apply for family care leave, it will be implemented according to laws and regulations as well as company provisions. In 2013, there were 53 employees applying for family care leave, so there were average 5 employees every month. Male employees can get accompanying maternity leave by laws, so the company will provide them with maternity consolation money. We also provide female employees with leave without pay for taking care of babies. In 2013, there were two women applying for this leave, and one of them is still in the leave without pay, so the rate of reinstatement is 50%.

Leave without pay for taking care of baby in 2011~2013

Year/people	2011	2012	2013
Applicant	2	0	2
Reinstatement	0	0	1



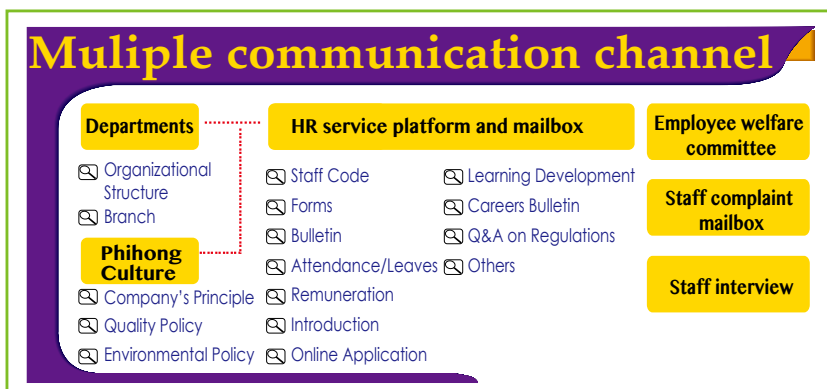
Employee loss work rate / absence rate/accident quantity (Taiwan&PHC) :

Item	2011	2012	2013	Calculation formula
Loss workday rate (%)	0.10	0.04	0.14	Total days applying for occupational injury /total attendance days
Aseence rate (%)	0.73	0.33	0.54	Employees suffering from occupational injury/ number of employees
Number of accidents	26	20	24	Employees suffering form occupational injury

Multiple communication channels

Listening to the voices of employees is an important course in Phihong's humane management. We treat employees with great integrity and respect, thus to create a harmonious and joyful working environment. We unite and step into a more wonderful future. Any standard or practice established adheres to laws and regulations. The company's regulations, systems, employees' rules, benefits are published through a special electronic platform, Human Resources Service Center, for employees to learn about them.

Only through a good communications method can we establish tight and transparent interaction with employees to create the greatest benefit and harmony for both parties. A two-way communication method expresses a corporation's policy and principles and sincerely listens to the voices of employees to strengthen unity and realize a mission based on the principles of co-existence, co-prosperity, and win-win situations.



Smooth complaint channel

Interested parties can make an appeal through the channel the company opens to the outside (such as Pihong's website, investors' mailbox, etc.). Employees can make their appeals through the channels such as department meetings, labor and capital meetings, HR e-platform, face-to-face interviews on employees' performance and employees' complaint mailbox, etc. We have smooth channels for complains.

In Taiwan region, there have been no complaints on human rights. We totally welcome the labor inspection from the government and have never violated any regulations. In the mainland, complaints on human rights have been perfectly solved and finished.

Human rights and prohibition of child labor

Protecting employees' basic rights is the essential point of HR management for Pihong. Pihong advocates that in working, opportunities should be equal and employees should be diversified. We respect and maintain international human rights and labor standards, say no to child labor and forced labor, and prohibit any working discrimination. There was no violation on human rights for the whole year. We comprehensively abide by local regulations on labor, sign contracts with employees legally, and regulate contract management. We respect personal dignity and freedom. The incomes of all employees are not lower than the local lowest salaries. We realize equal pay for equal work for both male employees and female employees, and establish platforms for them to develop.

Pihong's morality policy

- **Prohibit hiring child labor:** It prohibits hiring children who are less than 16 years old, and also prohibits arranging colleague who are less than 18 years old to workplaces where may be harmful to their bodies, mentality or spirit.
- **Prohibit forced labor:** It prohibits forced labor, and any action enslaving employees such as intimidation, imprisonment, monitoring and detention will not be allowed.
- **Pay attention to health and safety:** It promises to provide employees with a healthy and safe environment as the highest standard, all employees are responsible for maintain a safe working environment.
- **Commitment of salary and reward:** It promises that salaries paid to employees comply with the lowest basic salary specified by laws, and can meet basic demands of employees.
- **Working time:** It promises to observe the standard working time specified by laws, and all employees are voluntarily to work overtime and shall be paid by laws.



Anti-discrimination

Pihong will not discriminate employees due to race, class, language, idea, religion, party, native place, birthplace, sex, sexual orientation, age, marital status, appearance, five sense organs, and disability when it recruits, selects, recommends, distributes, deploys, examines or promotes job seekers or employees.

- **Constant respect (prohibit discrimination, recruitment or resignation)**

We respect differences of individuals from the world. We will treat with each other through respectful and impartial attitude at any time. Company's appointment policy is based on organizational demands, and considers work experience, potential, and achievement through open selection, and will not treat differently due to race, sex, age, religion, nationality or political stand.

- **Prohibit illegal punishment action**

Any maltreatment of body and spirit, and harassment or aggression of language and body will not be allowed, and any threat or violence and intimidation of body will be prohibited.

- **Freedom of association and rights of collective negotiation**

We respect our employees and they can establish and join labor union and have rights to negotiate collectively. We promise that employee representative of this kind will not be discriminated, and can contact with employees on behalf of them in the workplace. If the local laws restrict relevant rights, we will support other alternative mechanism such as Welfare Committee.

- **Business ethics and code of conduct**

We must use the highest moral standard and strictly observe items stipulated by the "Business Ethics and Code of Conduct" to take part in any business.

Number of disable employees

The company shall hire disable employees and provide them with a long-term work opportunity according to the number of employees stated in article 17 of the Welfare Act of Disabled.



Club and relevant subsidies

The Welfare Committee will encourage colleagues to actively participate in company's associations to be engaged in team public benefit activities that are good to individual development, and will provide associations with \$2000 to 2500 subsidy every month according to the actual activities. Up to now, we have set badminton club, bowling club, heavy motorcycle club, remote control model club, etc. which can provide employees with diversified leisure activities.

In addition, the Welfare Committee will provide different amounts of allowances for weddings and funerals, inpatients, staff tourism, etc.

Clubs



Remote control model club

Bowling club



Heavy motorcycle club

Badminton club



Actual amounts of subsidies in 2013

Unit: NTD

Item	Amount of subsidy	Number of people	Total
Weddings and funerals	1500~2100	77	140,700
Impatient	200	9	18,000
Travel	1000~8000	380	3,029,837
Club	2000~2500 monthly	Depends on participants of club	103,100





Talent training and pluralistic development

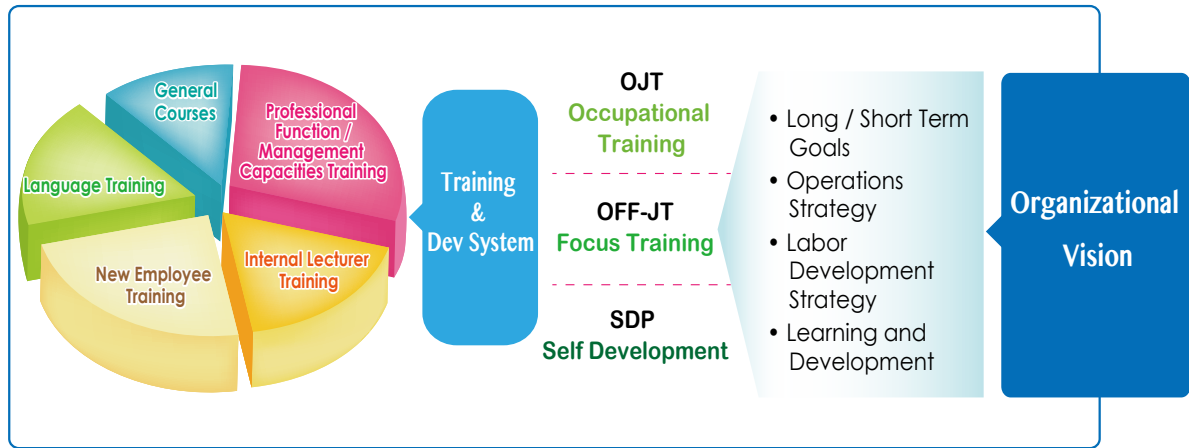
Phihong devotes to create an environment where all employees can learn in it, views employees as the most important assets, and lays emphasis on talent training. Various trainings, licenses and on-the-job training are held according to the local labor law. We not only construct a safe and healthy work environment, but also devote to provide colleagues with learning and growing space, provide full amount of subsidy for external training, management development/theme-based training, Chinese language course and common sense lecture, and introduce digital learning platform so that all colleagues can learn and grow. In the process of career development, we will continuously provide education and training course to meet demands of employees for improving themselves so as to strengthen the competitiveness of company in the market.



Education and training system structure

Level	Management Roles		Advisory / Technical Roles			Training System by Level		Occupational training system		Occupational Pre-Training System		Training System via Category		
1A	General Manager													
1B	Vice General Manager													
2A	BU General Manager													
2B	BU Vice General Manager													
3	Assistant Vice President, (Deputy) Director													
4	Senior Manager													
5	Project Manager, Deputy Manager	Chief Specialist	Special Assistant	Executive Secretary	Chief Sales Representative	Project Leader Engineer	MTP Mid-Level Management Training Management Basics Work Improvement Work Control Work Coordination Subordinate Development			Dispatched Personnel Pre-Training				
6	Section Manager	Senior Specialist		Secretary	Senior Sales Representative	Senior Engineer	Management Capabilities Development Training							
7	Deputy Section Manager													
8	Supervisor	Specialist				Engineer				Job Profession Training				
9	Deputy Supervisor													
10	Foreman	Administrator				Deputy Engineer								
11	Deputy Foreman													
12		Assistant	Chauffeur, Switchboard Operator			Senior Technician								
13														
14														
15	Temporary													

In addition to executing annual education and training plan and training and development system course, we adjust and arrange training plan to enhance enterprise's labor quality so as to continue strengthening enterprise competitive advantage according to company vision and operational strategy.



Average training hours of employees

Item / Year	2011	2012	2013
Total trained hours	17,352	16,305	10,215
Employees	396	382	389
Average trained hours	43.82	42.68	26.26

* All employees in Phihong have equal opportunities to receive trainings regardless of male or female, so there is no special statistics on its average trained hours about gender.





Statistics on training investment cost

Item/Year	2011	2012	2013
Total traing budget (NTD)	\$3,280,000	\$4,000,000	\$2,200,000
Actual expenditure	\$1,774,060	\$1,189,425	\$1,653,330
Employees	396	382	389
Usage rate of training budget	54%	30%	75%
Average cost(NTD/person)	\$4,480	\$3,114	\$4,250

* All employees in Phihong have equal opportunities to receive trainings regardless of male or female, so there is no special statistics on its average trained hours about gender.

New staff training

Before new employees arrive at their posts, the employer's immediate boss will arrange a life tutor and a job instructor to assist these new employees in adapting to company culture, environment and understanding job duties, shortening internship time, and strengthening the centripetal force of company. On that day when new employees arriving at their posts, we will explain company instruction, welfare system, education and traing standard/system, and followed by arranging digital course study.



New Staff Pre-career Training Statistics

Item / Year	2011	2012	2013
Total hours for pre-career training courses	1,481	834	1,211
Total number of new staff	84	39	63
Average trained hours	17.63	21.37	19.22

*Not including new staff with a stay no more than 3 months.

Foreign Language Training

Pihong regards an overall internationalization as its target, except for recruiting

international excellent talents, and gradually using English in internal system and files, it has a method of determination and implementation on English capacity of employees, and will provide related learning courses and subsidy according to requirements regardless of nationality. In order to encourage and make it convenient for colleagues to study, the Company not only cooperates with foreign language institutes, employs tutors to teach in the Company, but provides online method for colleagues to study, in the hope of expanding international perspective of colleagues and enhance workplace competitive advantages.



Chinese Training Statistics

Item / Year	2011	2012	2013
Chinese course category	English	English & Chinese	English
Total number of participants	116	29	18
Course hours	528	144	48
Investment fund	\$1,065,000	\$240,000	\$170,000

* Not including online English, and the Company prepares data for Chinese course by itself.



Excellent Employee Selection

In order to encourage colleagues of the Company to devote themselves to improving work performance, and praise his/her contributions to the whole organization, the Company holds the [Excellent Employees of the Year] selection activity on a yearly basis, and each unit shall report representatives with outstanding work achievements, performance improvement, research deeds or special contributions, who are good enough to be praised, so as to stimulate employees, strengthen team spirit, and improve concentration and recognition on the Company among colleagues.



Employee Care Measures

For the purpose of caring for colleagues and improving life quality of them, the Employee Welfare Committee (EWC) has been established according to [Employee Welfare Act]. The Company will promote funds based on operation revenue, which is mainly used in large-sized yearly activities (i.e.: Year-end dinner party, Christmas Day), three-holiday gift, birthday gift, wedding ceremony and birth allowance, community activities and contests, art corridor, fitting center as well as travel allowance etc.

Except for caring for physical health of colleagues, we also pay attention to mental health of them, hoping to enable colleagues to find a proper way to mitigate pressure, via various facilities and activities; we do our best to care for colleagues. Except for providing salary higher than market, we also provide other welfares for employees in Taiwan as follows:



- ※ Favorable year-end bonus.
- ※ Yearly earning dividend policy
- ※ Yearly salary review and adjustment
- ※ Arranging employees to accept physical examination on a regular basis.
- ※ Annual vacation / Paid paternity leave
- ※ Three major holidays / International Labor Day / Issuing birthday coupons to employees
- ※ Organizing domestic travels on a regular basis
- ※ Providing quota subsidy for overseas travels on a yearly basis
- ※ Providing multiple insurances: Group insurance / Overseas travel safety insurance / Labor insurance and health insurance
- ※ Fitting center equipment / Racquetball court / Library / Employee rest room
- ※ Providing birth / injury or illness / emergent allowance / wedding subsidy / funeral expenses
- ※ Diversified community / Reading party / Regular culture lecture
- ※ Monthly birthday party / Year-end party
- ※ Yearly commendation on models and senior employees
- ※ Providing traffic vehicle etc.

Balance between Work and Life

In order to enable employees to achieve the balance between life and work, flexible working hours and work arrangement is designed in particular, and over 80% of employees in the Company adopt flexible working hours, so that they could adjust freely, and reach working hours regulated by the Company.

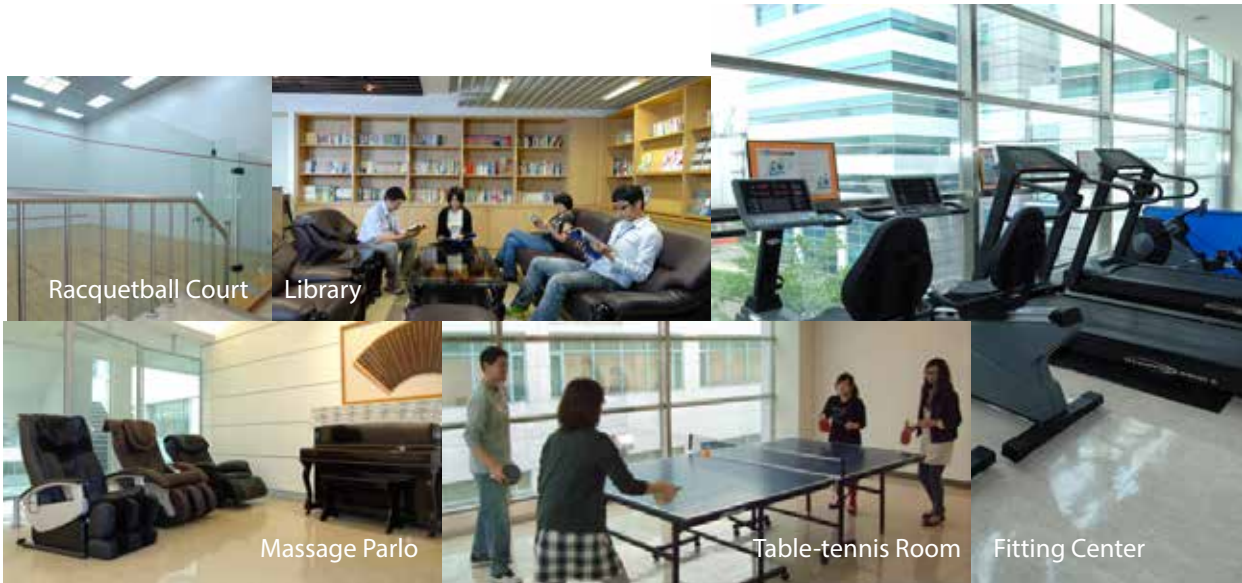
A diversified vacation plan is also made, which is designed for employees to take care of their families, arrange recreation and participate in social activities, while extra yearly vacation could also be used in the first quarter of the coming year, so as to be utilized by employees to get together with family members during the Spring Festival. With respect to foreign employees with a work period reaching two years, they could apply for a flexible vacation of three weeks, and enjoy free air tickets and paid vacation; as for family care, family members could be arranged to visit Taiwan, with free accommodation and related life assistance. On the arriving day of the employee, the Company has insured labor, health, health and medical, life and accident group insurances, so that colleagues could be engaged in work with nothing to worry about. With respect to labor retirement system, the Company has allocated reserves into legal retirement account, according to labor standard law and labor retirement pension regulations, so as to guarantee the life after retirement, and other welfare measures are as follows:



Barrier-free Measures

There're barrier-free slopes set in the Company, as well as two internal elevators with sufficient space to contain a wheelchair.

In order to establish a healthy and happy working environment, there're fitting center, racquetball court, restaurant, library, electric massage chair etc. in the Company for employees to mitigate pressure. In addition, employee welfare is jointly promoted by the Company and Welfare Committee.



Phihong Art Corridor

Creation and art is one of indispensable elements in design and development of Phihong, in order to cultivate art atmosphere among colleagues as well as stimulate research on art creation, the Chairman planned this art garden in particular, which plans on a monthly basis, to jointly hold exhibition and works appreciation with artists both at home and abroad, so as to improve culture quality and achieve the ideology of art life.

All areas in Phihong no matter administrative offices or production lines comply with the 5S principle, to establish a disciplinary working environment so as to further guarantee working safety, and to improve post management to beforehand precaution level.



Physical and Mental Health Promotion System

Healthy employees is the most property of Pihong, which is also the power for sustaining operation of the Company. We focus on physical and mental health of our employees, and implement physical examination on new staff, carry out health examination on all staff on a yearly basis, and employ factory doctors and nurses to take care of employees, while care for colleagues with abnormal results, and provide related health information or help them to find a proper hospital. We make statistic analysis on health examination results of all staff on a yearly basis, and set items with higher abnormality ratio as targets to be improved during employee health promotion activities, hold health lectures occasionally, and improve self-health management concept of colleagues. We also organize weight loss program and physical fitness examination, encourage colleagues to participate, so as to implement the execution of health promotion.

Physical / Health Examination Schedule

Objects	Category	Cycle	Implementation	Notes
new staff	Normal physical examination	To complete within trial period	To qualified medical institute specified by Labor Committee for examination	1. When employed labor is found by physical examination to be inadaptable to work, execute evaluation on selected work. 2. Examination record complies with labor health protection regulated format and storage limit. 3. Examination fee: Upper limit of subsidy: 600 Yuan.
	Special physical examination	Lead-free tin welding operation was launched in 2012, there's no operating environment with special risk on health at present.		
colleagues	Normal health examination	Superior to regulation, once a year	To invite qualified hospital specified by Labor Committee to factory for implementation	1. When employed labor is found by physical examination to be inadaptable to work, execute evaluation on selected work. 2. Examination record, complies with labor health protection regulated format and storage limit. 3. Examination fee: To be paid by the Company.
	Special physical examination	No operating environment endangering health		
High-level supervisor	Exquisite health examination	Once a year	To handle with normal health examination	Examination fee: To be paid by the Company.



Factory Doctor and Nurse Service System

According to labor health protection rules, manpower configuration and factory service frequency rules, the Company provides one factory nurse and one doctor per month, to provide employees with various medical consultancies, working environment site inspection, health examination execution and track, health promotion planning and executing, emergency medical service etc.



Health Promotion Activity

Weight loss plan:

In order to help colleagues to reduce threat from civil diseases such as obesity etc., the Company has formed a healthy workplace promotion plan to respond the government, to promote [Phihong 2013 Weight Loss Fight!], encourage colleagues to participate in weight management, and maintain normal weight, so as to increase workplace health and production force. During this 2-month activity, there're 114 fighters against fat, and they have got rid of 187.1kg fat in all.



Physical Fitness Examination

Physical fitness could be regarded as a comprehensive capacity of the body to adapt to life, movement and environment. During daily life or work, those with better physical fitness are not inclined to feel tired or become weak. In order to make colleagues understand their own physical fitness functionality data indexes (incl.: Height, weight, BMI, softness, muscle force, muscle durability, balance, heart and lung etc.), the Company cooperates with National Taiwan Sport University, and invites them to come to the factory to carry out physical fitness examination on colleagues, and provide suggestions on future self-exercising solution.



Diversified Lecture Activities

We hold various lectures on a regular basis, post the latest health information on internal electronic bulletin of the Company, and provide colleagues with diversified channels to understand new knowledge about health. Except for health lectures, we also cooperate with Governmental Family Education Center in Taoyuan County,, to promote the corporate factory family education course implementation plan, and we've held parenting education lecture [Accompany Children with Their Growth], which has got extremely intense reflection, indicating sound family communication is one of factors making employees engaged in work.



■ Supply Chain Management

With the rise of environment protection ideology, requirements on environment protection of products from international environment protection groups are increasing, while supply chain system has also changed a lot because of this. In the face to changes, the primary subject is to define supply chain, integrate environment issue and environment protection subject into the entire supply chain process, and redefine it as a [Green Supply Chain]. Under the pressure of 2006 EU WEEE and RoHS instructions, many domestic electrical machine OEM (or even ODM) of middle and small sizes kept waiting at first, but later they realized competitive crisis caused by order loss, because of green requirements from upstream and downstream manufactures and clients. For their environment protection concept is not comparable to numerous international famous manufacturers in EU countries, Japan as well as America, they do not know how to deal with orders for environment protection products. Sustaining development of green products is an inevitable trend, and only a green supply chain management mode established on a long-term basis, could meet succeeding green challenging.

Suppliers' Signing on Commercial Morality Compliance and Social Responsibility Declaration

Pihong requires all suppliers for raw materials shall sign a [Letter of Commitment on Environment Protection and Social Responsibility], which shall be made according to related content in EICC, so as to ensure the entire supply chain could comply with international requirements, and to reduce impacts on social environment.

Supplier Category	Signing Ratio
ME Category Material	100 %
EE Category Material	100 %
Other Categories	80 %

Supplier Audit and Guidance

Since the year of 2013, Pihong has implemented corporate social responsibility audit on all suppliers, and audit items include: Five major categories which are namely labor, health safety, environment, moral management, environment safety etc., and carried out CSR audit on suppliers on a yearly basis, as well as guidance on suppliers with relatively weak sense of social responsibility.



Occupational Safety and Health Management

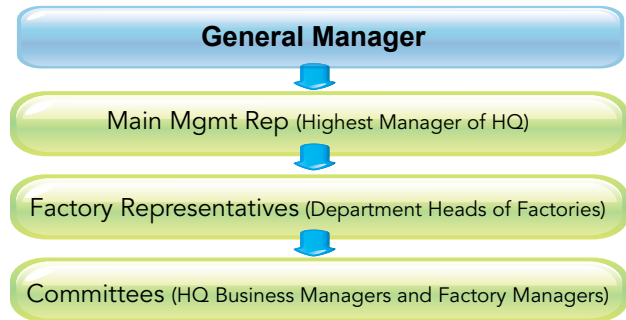
Via making policies on Environment, Health & Safety (EHS) Management System, we indicate Pihong's declaration on principle and intention on environment, occupational health and safety behaviors, show Pihong's overall direction and basic commitment on environment, occupational health and safety protection aspects, and provide employees with a safe, healthy, comfortable and guaranteed working environment, besides, we also pay attention to review on various risk evaluations as well as to improve situation, so fire control lectures and self-protection fire control training are carried out on a yearly basis, via regular training, to improve employees' responding capacity and to confirm whether organization structure is sufficient and complete. Besides, professional safety & health management personnel are also set in all areas, to take charge in safety & health management planning, and execute operation related to audit etc., which complies with governmental regulations and policy requirements of the Company, so as to improve employees' safety ideology and safety during overall corporate establishment.

Phihong Occupational Safety and Health Promotion Achievements and Features

Occupational Safety and Health Organization Operation

Establishing environment safety and health organization to help planning and guide improvement on the Company's workplace environment facilities, to make them comply with related standards. Focusing on general recognition among all staff on workplace safety and health, so as to guarantee safety of all staff; establishing complete workplace safety and health management system to ensure workplace safety, and to achieve the goal of sustaining development of the Company.

Environmental Safety & Sanitation Management Organization in Pihong



Occupational Disaster Prevention and Emergency System

Establishing a safe working environment without disaster for employees, is one important commitment of Phihong. At present, main manufacturing areas of Phihong have all passed OHSAS18001 Occupational Safety and Health management system certification, so that colleagues could operate under a working environment with safety guarantee, and devote themselves to working whole-heartedly.

For those considering about factory operating environment or safety health risks, we will provide perfect personal protection equipment, tools and safety measures, carry out regular measurement and monitoring examination (i.e.: Tin smoke waste gas, indoor air quality, operating environment noise, drinking water quality and lighting etc.), and definite safety symbols and operation SOP (standard operation process) are set on workplaces with high temperature, high voltage, static electricity and flammable danger etc., to guarantee safety of personnel.



Occupational Disaster Data

Since August 2009, we have registered working hours without disaster via online recording and reporting system of Labor

Committee organized by Administrative Council, till 31st Dec. 2013, 3,840,000 hours without disaster have been registered. In future, we will also keep making efforts in this direction to implement labor safety and health management, to avoid disasters during working, and to strive for optimal performance and honor.

In mainland factory, there have been 13 occupational disasters in 2013. We should regard operation HQ in Taiwan as the model, and seek for zero job injury.

Year	Occupational Disasters	Occupational Diseases	Loss Days	Fatal Accident Ratio
2013	13	0	104	0
2012	8	0	19	0
2011	13	0	90	0

Lack of Audit Disclosure of North Labor Examination Institution

In July 2013, the North Labor Examination Institute came to the Company to carry out labor examination, and two major categories of occupational health normal examination, oxygen absence / limited space operating examination that is 8 absent items in all are detected. We learned a lesson from this, and completed related improvement and correction in Sept. of the same year, while informed North Labor Examination Institution of improvement results.



■ Social Participation Actions

Phihong cares for the society, devotes itself to social participation related to education culture, based on the ideology of taking from the society and using on the society, and engaged into development and harmony of community. It promotes environment education in an active stance, cultivates green life ideology among employees inside the Company, advocates importance of environment education and maintenance management; it promotes community culture, environment protection and natural ecological nursing to the outside, to forge a healthy and environmental protective life and culture inheritance; It makes Phihong, employees and community grow together, and undertake social responsibilities.

Taking Care of the Weak and Participating Social Welfare Activities

Promoting Social Service, Spreading Love and Care

Since Phihong launched the activity using year-end dinner invoices for welfare in 2010, it has been well evaluated by superior management and colleagues, with the intention of spreading love and care, Phihong launched the group buy activity of [Phihong One Hundred Yuan Club, Student Care Plan] during Christmas Day in 2013, which helped people with physical and mental barriers in Zhanghua Private Christian Rejoice Nursery by creating job opportunities, and encouraging colleagues to donate more than 100 Yuan on a monthly basis to participate Zhuazhualue, under the promotion of love and young passion, up to 50% colleagues have participated. A total donation of 20 thousand Yuan per month has been given to legal body of financial group – Taiwan Fund for Children and Families, to help the weak, promote social service, spread love and care, and create a society filled with love instead of barriers.





Donation Legal Body of Financial Group – Taiwan Fund for Premature Babies

In Taiwan, there're more than 200 thousand newborns on average per year, among which the proportion of premature babies accounts for 8~10%, so there're nearly 20 thousand premature babies every year, who have to face a hard growing process before well prepared, anxiety of parents as well as an unknown future.

In 2013, Pihong responded charity activity of [Care with Heart, Accompany with Love] organized by Taiwan Fund for Premature Babies, via donation, provided families with premature babies with budget subsidy, medical consultancy, household nursing etc., so as to improve medical care

quality for premature babies as well as promote prevention and education on premature babies.

Education Equipment Improvement Donation and Poor Scholarship Establishment

Based on the original intention of performing corporate social responsibilities and repaying mother school, the Company has donated the Poor Scholarship for National Chiayi Senior High School, as well as rice etc. to Tainan Home of Philanthropy, to promote school development, improve education equipment, improve education quality, and encourage children from poor families, or those with unemployed parents, as well as those from single parent families, so as to cultivate excellent talents for the nation and society.

Aid on Children with Congenital Heart Disease

Since 2008, a donation has been given to Congenital Heart Disease Surgical Department in National Taiwan University Hospital as research & development fund, in the hope that National Taiwan University Hospital could develop new therapies or medicines in a scientific manner, make great efforts to seek for more exquisite and perfect medical service, and make more patients subject to congenital heart disease could be receive advanced diagnosis and treatment on time, and safeguard their health at an early stage.

Enhancing Partnership between Policemen and Community-Friend of Police

For limited police force, and unlimited human force, in order to guarantee a safe life for the public, there're FOPs all over the nation to take care of the old and youth, which focuses on promoting community public security to prevent crimes. The members are composed of warm-hearted enterprises or people from all walks of life, who make great efforts and donate a lot to maintain public security, and establish a safe society. So, Pihong gives a fixed donation to Guishan Office of Taoyuan FOP on a yearly basis, and Chairman Lin of Pihong has been invited to act as consultant, so as to enhance partnership between police and people, and to fight against crimes via combining police force with human force, expecting that public security in Taiwan could be as good as that in Japan and America.



Promoting Cooperative Enterprises to Visit and Communicate

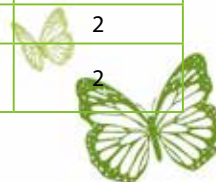
In order to make students stepping out of the campus recognize future expectations on them, and adjust study direction and attitude during studying in university based on these.

As for cooperative communication co-sponsored by Pihong, and sponsored by Deloitte & Touche United Certified Public Accountants, on 23rd Dec. 2013, about 50 students and teachers in Accounting Dept. of Soochow University participated enterprise visiting and career lecture, making students understand employment problems faced by them via experiment sharing, except for understanding industry operation situation and working situation, they also understood actual needs of the industry at present. It is expected that this will enhance recognition and application after students from accounting Dept. entering the industry, so as to implement cooperation and social service, cultivate practical skills of students, and to obtain benefits from cooperation.

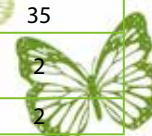


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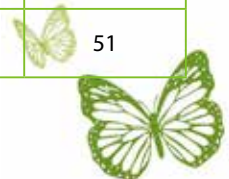
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飛宏科技股份有限公司

PHIHONG TECHNOLOGY CO., LTD.



Phihong CSR Report 2013

Publisher: Phihong Corporate Responsibility Committee

Issuer: Lin Zhongmin

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