



2015 CSR REPORT



Editorial Principle of the Report

This report is the seventh edition of CSR report compiled and released by Pihong Technology Co., Ltd., which mainly illustrates Pihong Technology's persistent efforts and achievements as well as its decision on sustainable development in sustainable aspects such as economy, society and environment etc., so as to comply with international specification and the demand of interested parties concerned.

Topic described in this report, is to measure interests of interested parties concerned, via sustentative analysis, identification and topic analysis, during work group discussion meeting with [Pihong Technology Corporation CSR Committee] as well as negotiation with interested parties concerned, so as to identify and select topics as well as decide priority.

Report Boundary and Data

Boundary of this report covers CSR performance of Pihong Technology Taiwan Headquarters (Linkou Headquarters and Tainan Plant) as well as Dongguan Plant Area (including Dongguan Plant Area and Tiesong Plant Area in mainland) in 2015 (from Jan. 1 2015 to Dec. 31 2015); except that the Tainan Plant Area was formerly founded and launched in Sept., 2015, there's no major change in Pihong's organizational scope, structure, ownership or supply chain. Financial data covers the overall operation performance of parent company and subsidiaries, while the remaining index has not covered other branches, Dahong Plant, Jiangxi Plant and transfer investment companies emerged during 2015.

Financial statement figures in the report shall be calculated in new Taiwan dollar, which are checked and confirmed by Deloitte & Touche on a regular basis. ISO 9001, ISO 14001 and OHSAS 18001 have all been verified by a third party notarization unit, while related performance of environmental safety hygiene will be represented by international norms. Meanwhile, partial details and financial information will also be disclosed in details on the company's website and shareholder's annual report, if there's any prediction or assuming conditions, it will be noted in all related chapters. Compared with the report of the previous edition, any addition in this report will be illustrated in related parts herein.

Compilation Guidelines of the Report

Content architecture of the report adopts the fourth edition of GRI G4 as the basis for compilation, which is issued by Global Reporting Initiative, GRI. It discloses Pihong's main sustainable topics, strategies, goals and measures. The process of discussion and decision in the report compiles with AA1000 requirements, and both Chinese and English versions are prepared in this report, which are also published on Pihong Company's website for browsing and downloading.



Assurance and Confirmation of the Report

In order to promote information transparency and reliability, this report commits the third party unit: AFNOR Group, to make assurance according to AA1000 AS (2008) medium assurance level of Class I as well as GRI G4 core options, with an independent assurance statement attached in Annex I of this report.

Issuing Time

Pihong insists issuing CSR report regularly on a yearly basis, meanwhile, in order to implement environment protection and to promote paperless office, this report is published on the company's website for downloading.

Prevailing issuing edition: Issued in Jul. 2016

The next issuing edition: It is predicted to issue in Jul. 2017 (Previous issuing edition: Aug. 2015)

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Statement of the Operator

To all partners caring about Pihong Technology:

Since its foundation in 1972, Pihong has made great efforts in promotion of three major aspects of economy, environment and society, and it has issued the first CSR Report of the industry since 2009. In order to comply with international tendency and to disclose management performance of Pihong in all aspects and of the organization, CSR Report issued in 2014 adopted GRI G4 index for compilation, which has been certified by a third party notarization company to promote the report's credibility. Meanwhile, it is honorable that this report has obtained the approval of Taiwan Sustainable Energy Research Foundation, and has obtained the Bronze Award.



Director of Pihong Technology Co., Ltd.

Looking back in 2015, the storm of [Red Supply Chain] for sustaining adjustment in China's industrial structure up-rose, which has impacted the future of technology industry in Taiwan, so the enterprise is now facing an extremely severe challenges. There has been reduction in economic performance and Pihong's consolidated revenue, and loss has appeared for the first time, while the overall finance seems not that sound. But for Pihong, economic performance is only one circle in corporate responsibility, especially when the outside is inspecting all orientations and losses of the enterprise based on the severest standards, we still need to integrate expectations of all interested persons such as customers, employees, communities and supply chains etc. into Pihong's operation strategy consideration. In the list of 6%~20% ranking of Pihong in the second session of the company's management evaluation and performance by the stock exchange in 2015, it can be seen that the company focusing on corporate social responsibility and honest operation, has taken an active stance in promoting the company's management, while related effects have been confirmed.

In environment performance, it is our Ideologies and vision to forge a green energy industry with ecological coexistence and co-flourishing. Pihong, based on its world-famous electric energy conversion technology, has implemented its corporate social responsibility starting from its products. From being engaged in R&D and making power supply devices of high efficiency to striding into charging pole products for high-efficiency and energy-saving electric motors in medical and terminal industries, all these efforts are specific actions to reduce environment impact and to implement green energy industry. We're expecting to achieve the goal of environment sustainability while seeking

for economical development.

In social performance aspect, based on the enterprise spirit of [obtain from the society and used in society], Pihong has engaged in social commonweal such as education, sports and medical etc. and has integrated the community's development and harmony all the year round. Inside the company, it cultivates the green life concept among employees, and advocates the importance of environment education and maintenance management; outside the company, it promotes community culture, environment protection and natural ecological conservation, and creates a life and culture heritage of healthy environment protection of the community, to make the company, employees and the community could grow together, so as to implement the corporate social responsibility.

The seeking for corporate sustainability is the ultimate goal for operation of Pihong Technology, so it will take an active stance in research and development as well as technology innovation in future, to maintain the company's growth energy; it will promote low-carbon operation and green energy products, to reduce the impact on environment; it will insist being engaged in social commonweal, to reach harmony and common flourishing with social environment, and to become the benchmark of world-level power supply industry.

2015 CSR Performance Summary



Economy

1. Investment amount of the newly built Tainan R&D Center has reached NTD0.45 billion.
2. R&D investment has increased by 34 million compared with 2014.
3. The signature of Honest Commitment of the supplier has increased by 58.9% compared to 2014.



Environment

1. Environment protection investment has reached NTD27,638,672.
2. Carbon reduction in 2015 has reached 138 metric tons, increasing by 3.8% compared to 2014.
3. Greenhouse gas emission (scope I) has reduced by 40% compared to 2014.



Society

1. It has won the silver medal for TTQS Training Quality Evaluation awarded by the Ministry of Labor of Executive Yuan.
2. CSR report has won the Bronze Prize of Taiwan Sustainability Award.
3. Annual per capita hours for employee training has reached 21.9 hrs.

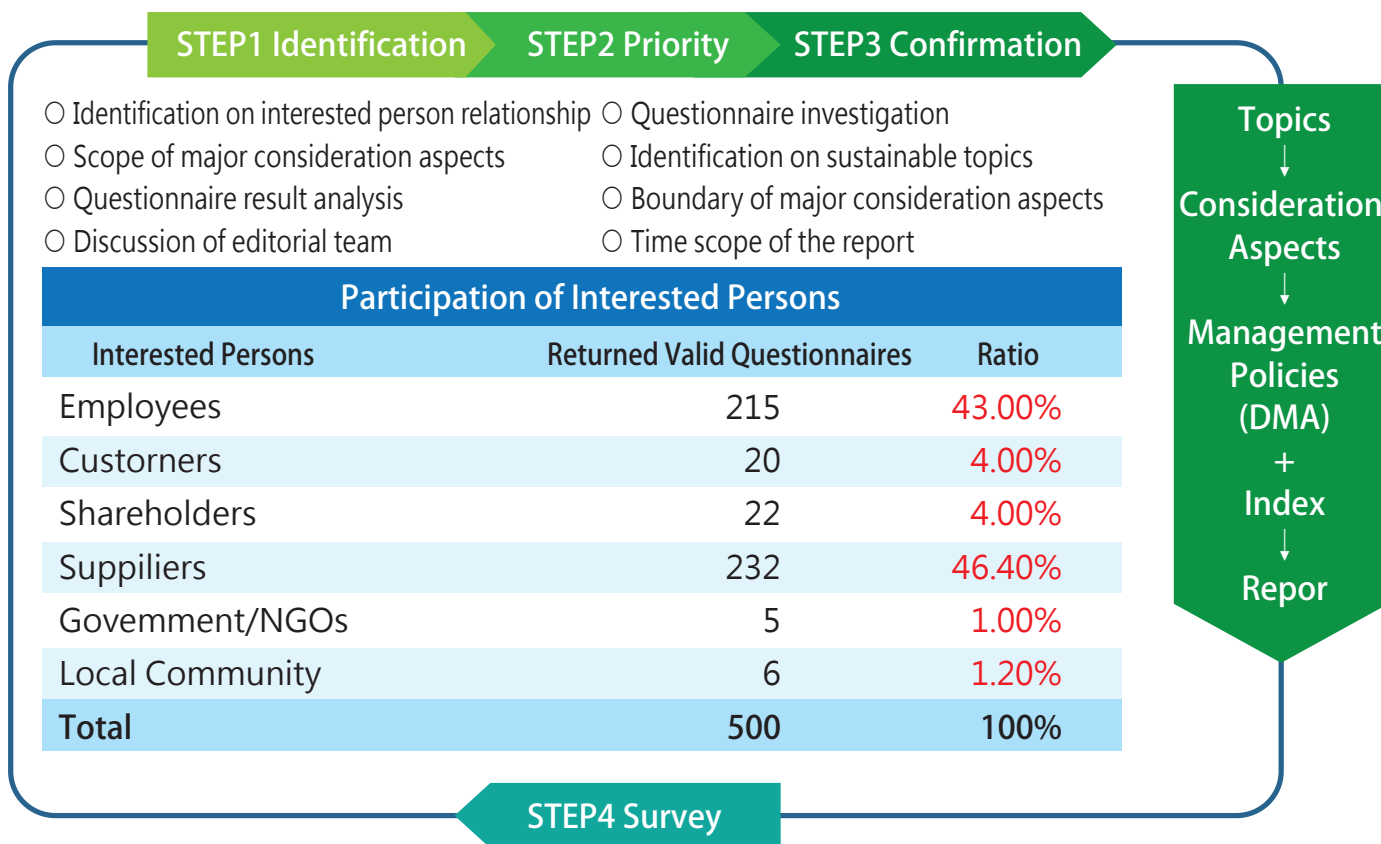




Identification on Major Consideration Aspects & Communication between Interested Persons

Process of Identification on Major Consideration Aspects

Flow Chart for Significant Analysis



Step1 Identification

Understand and listen to the sound from interested persons, is a crucial circle for Pihong to seek for corporate sustainability. For any individual or group with impact on Pihong's operation or impact due to our operation, we will list them as interested persons of Pihong Technology. Via Pihong's Corporate Sustainable Development Committee and CSR Editorial Team, significant analysis on interested persons' attention and impact degree in economic aspect, environmental aspect and social aspect could be identified for Pihong Technology, to be used as evidence for the disclosure of Pihong CSR Report.

Identification of interested persons: firstly, via brainstorm of Pihong CSR editorial team members, 10 interested persons related with the company (media, employees, customers, shareholders/investors, suppliers, consumers, governmental organizations, non-governmental organizations and local community) will be listed out, so as to carry out ranking for interested persons via five major principles (dependability, responsibility, impact, diversified concepts and tension) for AA 1000 SES-2011 interested persons discussion standards of , so as to identify six main interested persons with whom Pihong wants to communicate, including six major groups which are namely customers, employees, suppliers, shareholders/investors, governmental organizations/non-governmental organizations and local community etc.

2015 List of Interested Persons of Phihong Technology

Interested Persons	Proposed Objects
Customers	Existing customers for brands both at home and abroad.
Shareholders	General shareholders (including employee shareholders), legal shareholders and ranking institutions.
Suppliers	Regarding raw material suppliers as major objects, also including partial engineering contractors/cleaning service plants, waste cleaning manufacturers etc.
Employees	Direct/Indirect persons. Indirect persons are main investigation objects in Phihong Taiwan, while direct persons are main investigation objects (including directors and employees on all levels in the organization) in mainland plant areas.
Government/NGOs	Local government authorities and Consortium Corporation Foundation etc.
Local Community	Personnel in Management Center and local people in plant areas

Search for sustainability topics: During the process of disclosing key CSR information, we will refer to specific standard topics of GRI G4 edition, ISO 26000 and Electronic Industry Code of Conduct (EICC). Via discussion among editorial team members, Focusing on core disclosure topics of GRI G4 edition, the questionnaire on attention degree of interested persons has been designed, which includes 46 consideration



CSR Editorial Team Major Topics Identification Meeting

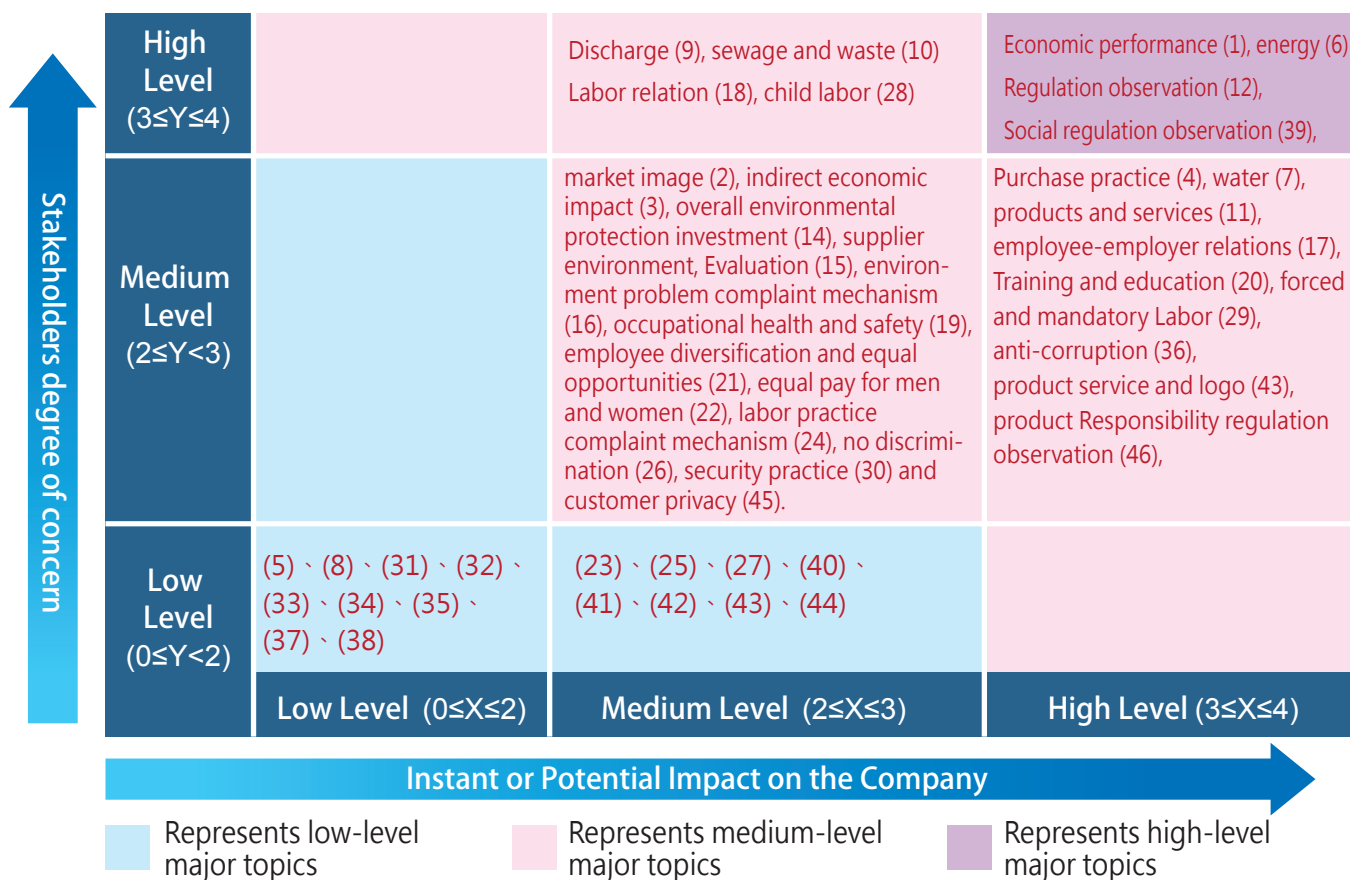
Evaluation and Response on Major Topics

Step2. Sorting

Based on the principle of significant analysis, Pihong Technology complies with G4 guideline of Global Reporting Initiative (GRI) and AA1000 assurance standards as well as principles, and considers the following two important indexes, to identify, execute and disclose significant topics of the company in a systematical manner:

1. Carry out investigation on interested persons (including sending out 500 valid questionnaires with a recovery rate of 100%), to understand topics focused by interested persons and related attention degree, so as to confirm significant topics it concerns, and to classify such attention into high level, medium level and low level according to attention degree of interested persons.
2. 9 organizers or persons in charge of the Business Council for Sustainable Development, have carried out judgment and consideration on the degree of impact on Pihong with respect to 46 consideration aspects, to understand the view of the council about impact on the company brought by all major topics, so as to judge instant or potential impact degree on the company to high level, medium level or low level.

2015 CSR Major Topics Matrix Diagram



Note: For reading convenience, the number in () corresponds with high-level, medium-level and low-level degrees in [2015 CSR Major Topics Matrix Diagram].

Phihong 29 Major Consideration Aspects in 2015

Aspects	NO	Consideration Aspects	Aspects	NO	Consideration Aspects
Economic Aspect	1	Economic performance	Labor Conditions	19	Occupational health and safety
	2	Market image		20	Training and education
	3	Indirect economic impact		21	Employee diversification and equal opportunities
	4	Purchase practice		22	Equal pay for men and women
Environment Aspect	6	Energy		24	Labor practice complaint mechanism
	7	Water	Human Right	26	No discrimination
	9	Discharge		28	Child labor
	10	Sewage and waste		29	Forced and mandatory labor
	11	Products and services		30	Security practice
	12	Regulation observation (environment)	Product Responsibility	36	Regulation observation (society)
	14	Overall environment		39	Product service and logo
	15	Supply environment		43	Product service and logo
16	Environment problem complaint mechanism	45		Customer privacy	
Labor Conditions	17	Employee-employer relations		46	Regulation observation (product responsibility)
	18	Labor relation			

Note: For reading convenience, the number in () corresponds with high-level, medium-level and low-level degrees in [2015 CSR Major Topics Matrix Diagram].

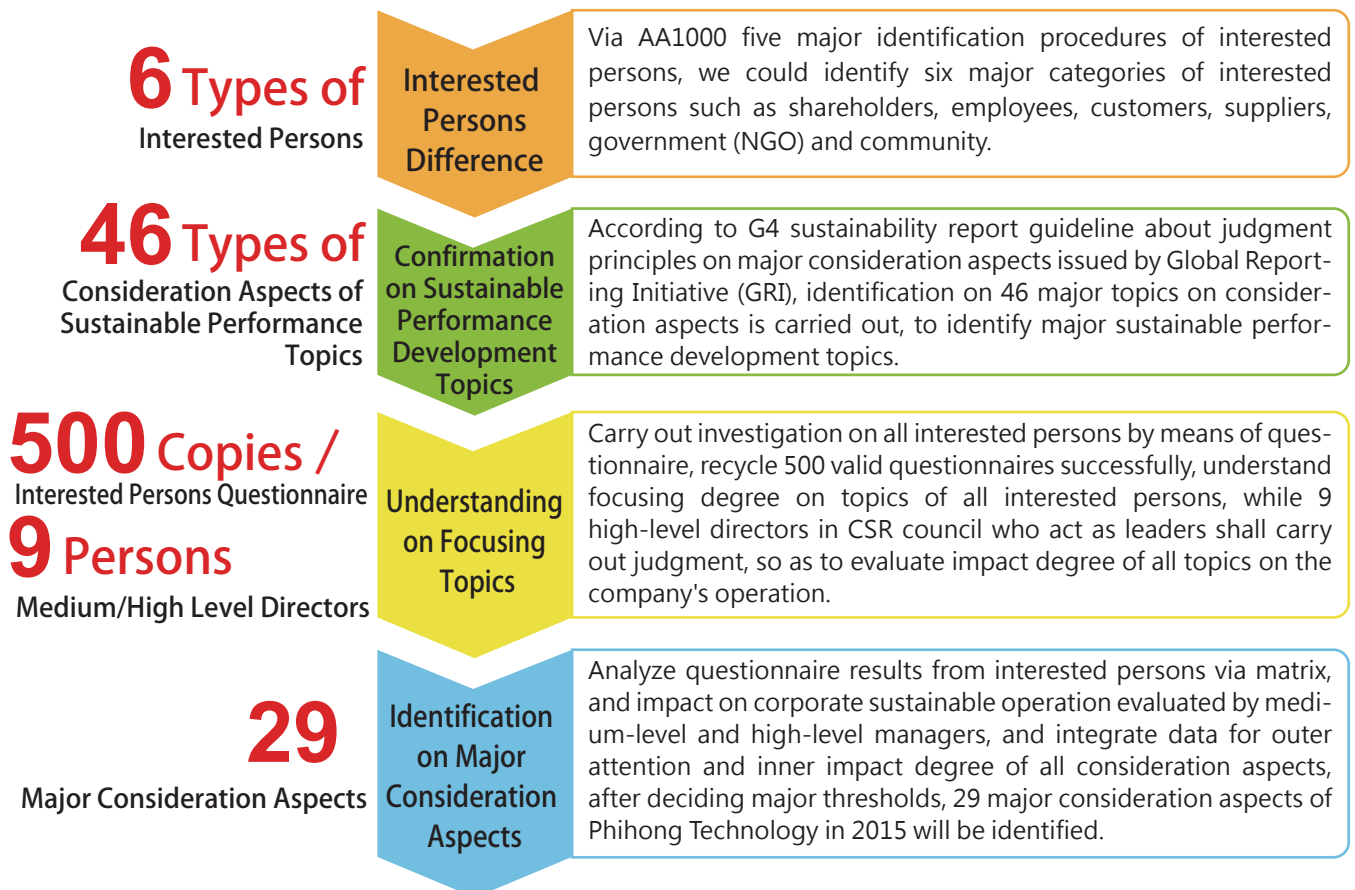
Step3. Confirmation

With respect to identified major topics, Pihong CSR editorial team members shall comply with three principles of scope/consideration aspect boundary/time, to guarantee impact on Pihong, as well as major consideration aspects focused by interested persons, in addition, for each major consideration aspect has multiple indexes, and boundary scope of each index is different, so Pihong shall define boundary scope for each index in details, to guarantee that all aspects of the focused topic have been covered in all chapters of CSR report of this year.

The Pihong organization includes Taiwan Linkou Headquarters (including Tainan plant area) and Pihong Dongguan Plant as well as Tiesong Plant. The rest enterprises belong to plant area or marketing and operating points for small-sized production and operation, for these are not major ones, they are not listed into disclosure objects.

Outside the organization, it includes local community, suppliers and customers, among which local community is defined as: Linkou Huaya Technology Park where Pihong Taiwan locates, and Yanking District where Tainan Plant locates as well as Yahoo Industrial Park where Mainland Dongguan Plant Area locates; supplier definition focuses on raw materials suppliers, which includes partial engineering contracts/cleaning service manufacturers, and waste cleaning manufacturers etc.; however, customers are defined as main objects for international brand customers both at home and aboard.

Analysis Results on Major Consideration Aspects



Major Consideration Aspects and Boundaries Focused by Interested Persons

Aspect	Major Consideration Aspects	Corresponding Indexes	Inside		Outside				
			Phihong Taiwan	Dongguan Plant Area Suppliers	Suppliers	Customers	Local Community	Shareholders	Non-profit Units
Economic Aspect	Economic Performance	EC1 Yield and distribution of direct economic value	•	•				•	•
		EC3 Welfare plan and commitment made by the organization	•	•					
		EC4 Financial subsidies provided by the government	•					•	•
	Market Image	EC5 Proportion of starting salary based on gender to the lowest local salary.	•				•		•
		EC6 Local hiring ratio of qualified management level.	•						•
	Indirect Economic Impact	EC7 Investment on developing infrastructure and supporting service and its impact	•				•	•	•
		EC8 Important indirect economic impact, including impact degree	•				•	•	•
Purchase Practice	EC9 Local suppliers' purchase ratio of important operation bases.	•	•	•					
Environmental Aspect	Energy	EN3 Energy consumption inside the organization.	•	•					•
	Water	EN8 Total water consumption indicated according to source.	•	•					•
	Emission	EN15 Total emission of direct greenhouse gas (scope 1).		•					•
		EN16 Total emission of indirect greenhouse gas (scope 2).		•					•
	Sewage and Waste	EN22 Classify sewage emission according to water quality and emission destination.	•	•					•
		EN23 Total waste, outlined according to category and handling methods (scope 2)	•	•					•
	Products and Services	EN27 Reduce impact on environment brought by products and services.	•	•					•
	Regulation Observation	EN29 Total penalty for breaching environment decrees, and the frequency of punishments beyond money	•	•					•
	Overall Environmental Protection Investment	EN31 Total environmental protection expenditure and investment classified according to category	•	•					•
	Supplier Environment Evaluation	EN32 Proportion of new suppliers monitored according to environmental norms.	•	•	•				
Appeal Mechanism for Environmental Issues	EN34 The quantity of labor appeals submitted, handled and solved via a formal appeal mechanism	•	•			•	•	•	

Social Aspect	Employment Relation	LA1 Calculate newly recruited employees and ratio as well as resigning employees and separation rate according to age, gender and region.	•	•		•			
		LA2 Welfare provided for full-time and formal employees in main operation bases.	•	•		•	•		•
		LA3 Make statistics on the proportion of reinstatement and retention after parental leave according to gender.	•	•					•
	Labor Relation	LA4 With respect to the shortest announcement period for operation change in the group's contract content.	•	•					•
	Occupational Health and Safety	LA6 Work-related injury ratio, occupational disease ratio, loss day ratio, absence ratio and mortality related to work by gender and region	•	•					•
		LA7 Employees exposed to high risks and health hazards	•	•					•
		LA8 Subjects related to health and safety in the formal agreement reached with the Labor Union.	•	•					•
	Training and Education	LA9 Annual average training hours of single employee calculated according to employee category and gender	•	•		•			•
		LA10 Enhance employee's ability of being employed, assist management on skills for transferred employees, and learning projects or courses.	•	•		•			•
		LA11 The proportion of employees accepting regular performance and career development review by category and gender	•	•		•			•
	Social Aspect	Employee diversification and equal opportunity	LA12 According to gender, age, group and minority members as well as other diversified indexes, classify members of managing institutions and composition of various employees.	•	•		•		
Equal pay for men and women		LA13 Classify basic payment and salary proportion for men and women according to employee category and important operation location.	•	•		•	•		•
Labor practice problem complaint mechanism		LA16 The quantity of labor problem complaints submitted, processed and solved by formal compliant mechanism.	•	•		•			•
No discrimination		HR3 discrimination events and correction measures	•	•		•			•
Child labor		HR 5 Identify the child labor risk for organizations and suppliers; in order to eliminate child labor, measures taken by organizations.	•		•	•			•

Social Aspect	Forced and mandatory labor	HR6 identifies the risk of forced labor for organization and suppliers; methods implemented to eliminate forced labor organizations.	•	•	•	•			•
	Security practice	HR 7 The percentage of security personnel accepting trainings in human rights policy and procedure aspect related to operation.	•	•	•	•			•
	Anti-corruption	SO3The total number and percentage of institutions	•	•		•		•	•
		SO4 Communication and training on anti-corruption policies and procedures	•	•		•		•	•
		SO5 Validated corruption events and adopted actions.	•	•		•		•	•
	Regulation observation	SO8 Total currency penalty and non-currency major penalty due to violation of laws and regulations	•	•		•		•	•
	Product service and logo	PR4 According to result type, clarify total events of products and services information as well as logo violation of laws and regulations as well as voluntary specification.	•	•		•		•	•
		PR5 The investigation result on measuring customer satisfaction.	•	•		•		•	•
	Customer privacy	PR8 Total events of customer complaint about privacy right intrusion, as well as material disclosure etc.	•	•		•		•	•
	Regulation observation	PR9 Monetary value of major penalty due to violation of laws and regulations caused by provision and usage of products and services.	•	•		•		•	•

Step4. Examination

After the report is issued, during the preparation for the report of the next year, Pihong will recheck whether consideration aspects disclosed by previous reports are of great importance, and consider feedback from interested persons, so as to guarantee the spirit disclosed by rationality and balance of the report. Except for maintaining interaction with interested persons in all forms for daily affairs, there's also a complaint mailbox configured on the official website for interested persons (CSR@phihong.com.tw), as the most basic communication channel of the company for interested persons.

Pihong Technology also communicates with topics in different consideration aspects and various interested persons, except that the [Customer Feedback Handling Procedure] is for feedback and communication with customers of Pihong Technology, [Environment Safety Management and Communication Procedure] and [Information Communication and Control Procedure] are also prepared, which are handled by managers in all responsible departments and communication channels for interested persons in an appropriate way, except for inviting interested persons to participate in discussion and communication, in case of any complaint event, it shall be executed according to external regulations, internal existing specifications and related procedures or methods of all management systems. Such as public and employees' opinion handling procedure, environment, safety hygiene education training and communication consultancy participation methods etc. When it is required to handle as a special case under special or important situations, related responsible departments shall also notify the council to hold a project meeting to respond if necessary.

Communication between Interested Persons

Objects	Communication Channel/Frequency	Communication Key Points
Shareholders and investors	<ol style="list-style-type: none"> 1. Annual shareholder meeting/once per year 2. Issue yearly (quarterly) financial statement regularly according to regulations / 4 times per year 3. Speech system response or EMIAL inquiry / irregular 4. Important information disclosed on the company's website / irregular 5. CSR questionnaire investigation / once per year 	<ul style="list-style-type: none"> • Company management • Industry competition situation • Business development and performance • Risk management • Dividend policy
Customers	<ol style="list-style-type: none"> 1. Customer service hotline / website public information / irregular 3. Email, regular meeting and audit / irregular 4. CSR questionnaire investigation / once per year 	<ul style="list-style-type: none"> • Environmental protection regulation observation • Products and services • Greenhouse gas emission • Customer privacy • Forced labor
Employees	<ol style="list-style-type: none"> 1. Internal publication / irregular 2. Pihong Technology e report / irregular 3. Electronic bulletin board / irregular 4. Employee satisfaction survey / once per year 5. Employee compliant mailbox 6. Employee communication conference (Dongguan plant area) / once per year 7. Employee welfare Committee Meeting / once per month 8. CSR questionnaire investigation / once per year 	<ul style="list-style-type: none"> • Occupational health and safety • Labor employment • Labor / management relationship • Training and education • Human rights complaint mechanism • Assembly freedom and negotiation • No discrimination
Suppliers	<ol style="list-style-type: none"> 1. Website public information / irregular 2. Supplier conference / once per year 3. Supplier audit and interview / irregular 4. CSR QUESTIONNAIRE INVESTIGATION / ONCE PER YEAR 	<ul style="list-style-type: none"> • Energy and water resource management • Supplier environment evaluation • Supplier social impact evaluation • Supplier human rights evaluation • Raw material management
Governmental organization / Non-governmental organization	<ol style="list-style-type: none"> 1. Recover related materials according to requirements of governmental organizations regularly. 2. Appoint persons to audit onsite according to regulations / irregular 3. Academic research cooperation / irregular 4. CSR WEBSITE AND REPORT / ONCE PER YEAR 	<ul style="list-style-type: none"> • Observation of related regulations on products and services • Observation of local regulations • Anti-corruption
Local Community	<ol style="list-style-type: none"> 1. Routine meeting in park zone management center / once per year 2. Public hearing / irregular 3. CSR questionnaire investigation / once per year 	<ul style="list-style-type: none"> • Sewage discharge and waste disposal • Environmental protection topics such as air pollution etc.



Company Profile

Vision, Operation Ideologies and Core Policies

Vision:

Design high efficiency energy conversion products and become [the most excellent power supply manufacturer and supplier].

Operation Ideologies:

The operation Ideologies of Pihong Technology is integrity, innovation and challenge, among which integrity is the corporate core of Pihong Technology, and central thinking to implement all activities, in order to implement this ideology and to make all colleagues execute, it is advocated in new employee training digit classes of Pihong Technology, and listed into compulsory courses, so the training proportion could reach 100%.



Integrity : It is the corporate core of Pihong, and is the central thinking to implement all activities.

Innovation : It is the competitive advantage to implement Pihong sustainable operation, and to set foot on the world stage.

Challenge : It is the most important power for Pihong to promote reform and to seek for excellence.

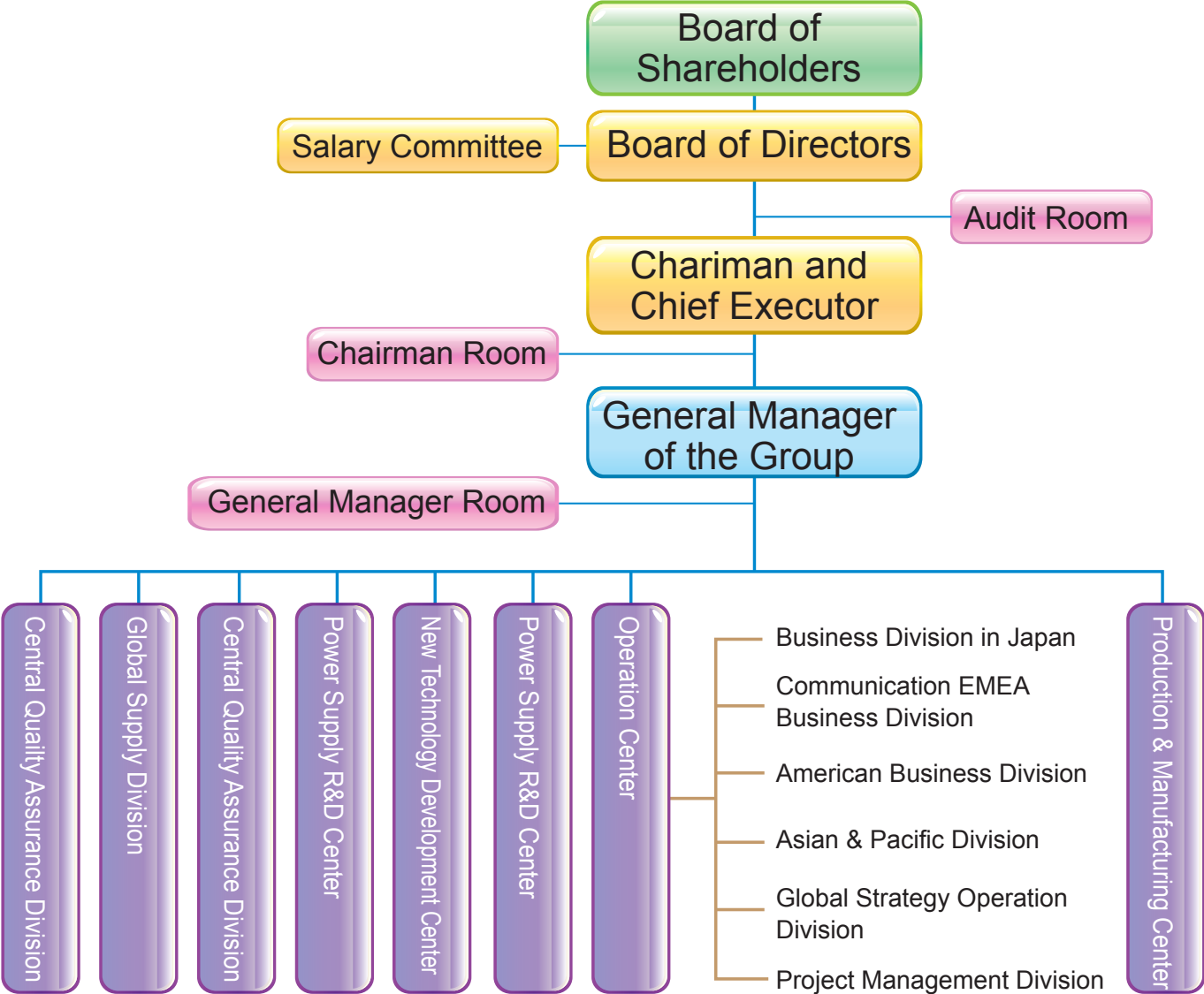
Quality Policies



Occupational Safety and Hygiene Policies



Company's Organizational Structure



Green Products and Services

Pihong Technology is a power supply manufacturer with an experience of nearly 45 years, and the [PHIHONG] brand has obtained the trust of customers in the globe. Products include power supply adapter/charger, LED power supply (LED driver), Ethernet power supply (PoE), electric motor charging products, wireless chargers and electronic parts such as wires etc. Although Pihong Technology is not a terminal product manufacturer, it assists customers to produce products of high quality which comply with environment protection and the vision of sustainable coexistence with environment, which is one of the most important ideologies of Pihong in operation. In order to meet the need of energy saving and carbon reduction as well as environmental protection in the world, we have developed a series of green products, including energy-saving large-power server power supply of high efficiency, large-power charging power supply for tooling machines, solar energy inverters, large capacity battery energy storage, as well as electric motor charging solutions. Among these, electric motor charging solutions have significant efficiency and contributions to carbon emission reduction; in adapter/charger aspect, research and development has been carried out in an active stance to meet efficiency regulation DOE6 issued by Department of Energy, USA and EU CoC tier 2, to promote efficiency and reduce electricity leakage.

Taking product safety into consideration, although Pihong Technology has never produced any final product of its own brand, so there's no direct consideration on safety for customers or consumers, however, in order to guarantee that products provided by Pihong to customers could meet international environment protection regulations and customer demand, Pihong has established a cross-departmental harmful substance management committee inside the company, so as to promote management efficiency of green products, and to complete the harmful substance process management system. When departmental materials are approved, a report on harmful substance content for laboratory product detection which is notarized by a third party for all departments, to guarantee that products complying with EU RoHS directives and requirements on harmful substances controlled by customers are provided.





Electric Motor Charging Poles

Main product manufactured by Pihong Technology is power supply, however, there're numerous power supplies manufactured both at home and abroad, if estimated according to market scale of switching power supplies in the world, the market scale of switching power suppliers in 2015 is about 32.406 billion US dollars, while market share of power supplies manufactured by Pihong Technology is about 1.37% in the world. Customers are leading manufacturers from all industries of the globe, including industries such as communication, personal electronics, network communication, industrial/Ethernet network power supply, lighting and electric motor charging etc. Distribution areas cover five continents in the world, in order to provide local special demand and real-time service, Pihong has set R&D laboratories and business sales/service points in California, New York, Holland, China, Japan and Taiwan.

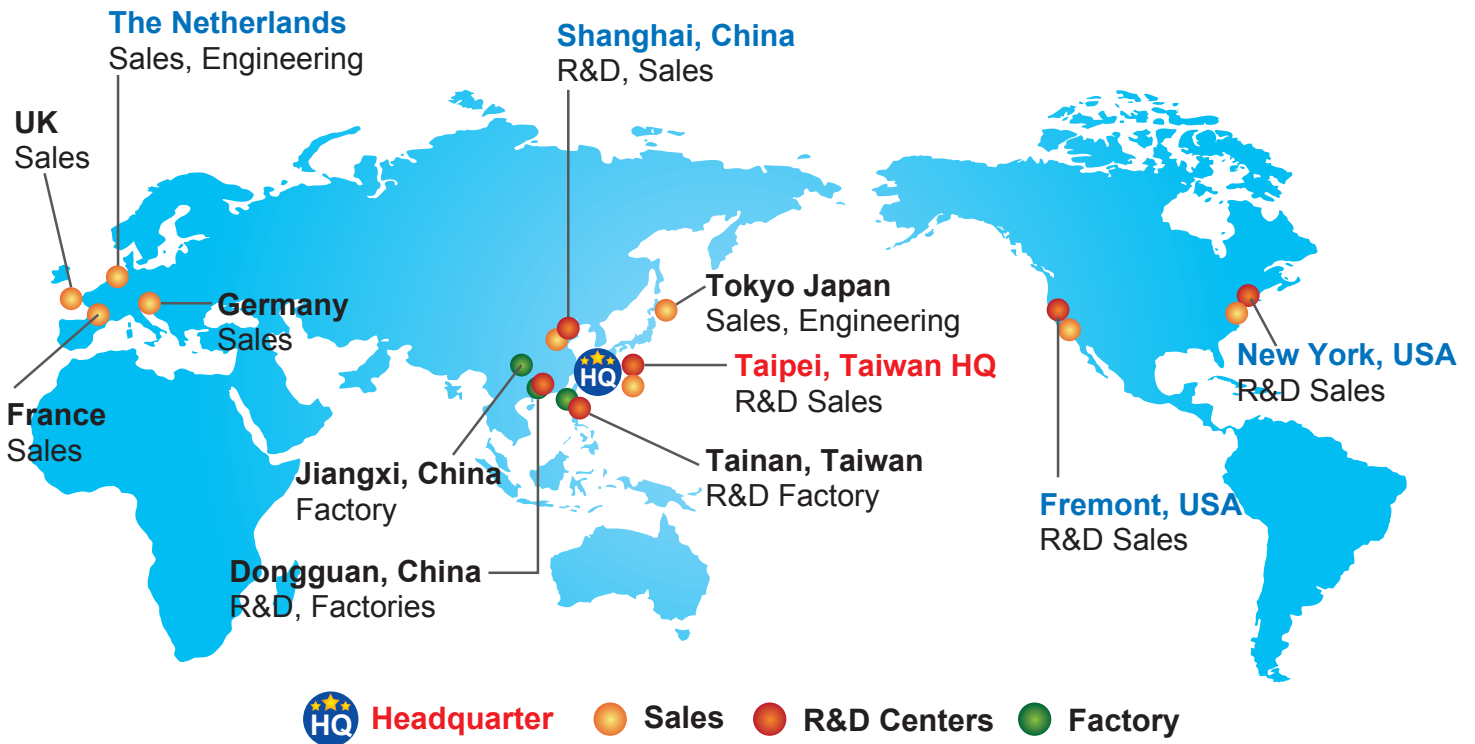
Technologies and Products Successfully Developed in 2015

R&D Product

1. Full series power supply update DoE Level 6 energy efficiency regulations.
2. Quick Charger 2.0 quick charging power supply.
3. USB 3.1 Power Delivery series power supply.
4. LED phase modulation power supply with high compatibility.
5. Medical power supply.
6. Electric motor charging solution.

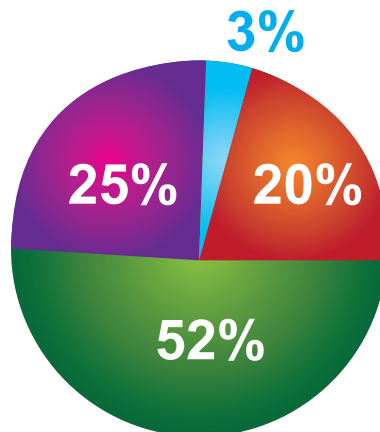
Operation Base and Global Layout

Pihong Technology is a listed company in Taiwan Stock Exchange, with its operation headquarter located in Taoyuan, and manufacturing subsidiaries distributed in Guangdong Dongguan, Jiangsu Suzhou and Jiangxi Fengcheng, in addition, it also sets subsidiaries in California, USA and Tokyo, Japan, providing customers with instant business and technology services. (During reporting, there's no major change in the scope, ownership, organization and supply chain of Pihong Technology and its subsidiaries.)



Domestic and Export Sales Areas for Main Products

■ Domestic Sales ■ America ■ Asia ■ Europe



Operation Performance and Enterprise Development

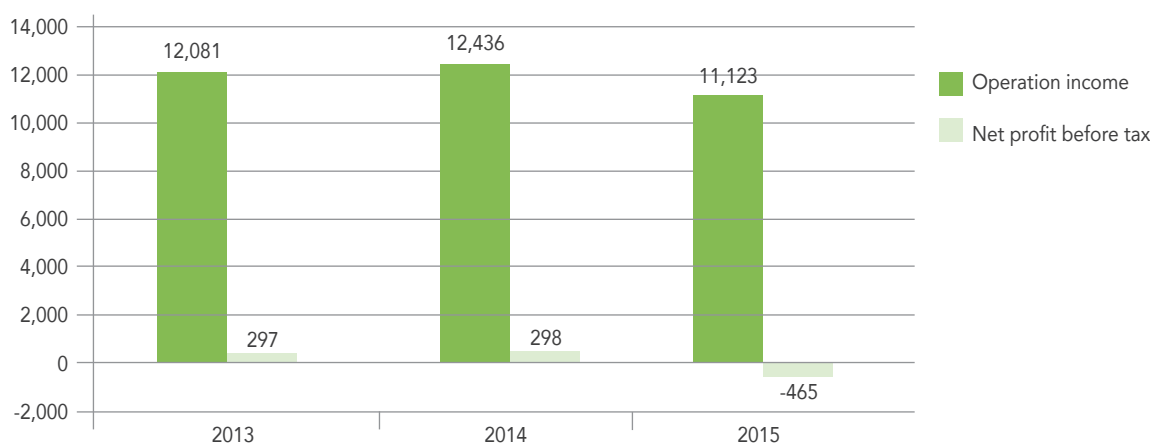
In 2015, in face of the impact and challenge of unstable major economic entities and red supply chain in the world, the operation and growth performance of Phihong Technology in 2015 fails to meet the expectation, with an annual turnover of NTD11.123 billion (during this period, there's no any financial subsidy provided by the government), decreased by 10.56% compared to 2014, with net loss of NTD 465 million before tax, net loss of NTD 512 million after tax, and gross profit of 9%. The combined financial performance in 2015 is shown in the following table:

Unit: NTD million

Items	2013(IFRS)		2014(IFRS)		2015(IFRS)	
	Year	100.00%	Year	100.00%	Year	100.00%
Operation Revenue	12,081	100.00%	12,436	100.00%	11,123	100.00%
Operation Gross Profit	1,853	15.34%	1,731	13.92%	1,011	9.09%
Operation Expense	1,700	14.07%	1,714	13.78%	1,629	14.65%
Operation Net Profit	153	1.27%	17	0.14%	-618	-5.56%
Non-operating Income and Expenses	143	1.19%	281	2.26%	153	1.38%
Net Profit before Tax	297	2.46%	298	2.40%	-465	-4.18%
Income Tax Expenses	146	1.21%	150	1.21%	47	0.42%
Net Profit of Current Period	151	1.25%	148	1.19%	-512	-4.60%
Total Employees	8,636		8,648		8,685	

Operation Income and Net Profit before Tax

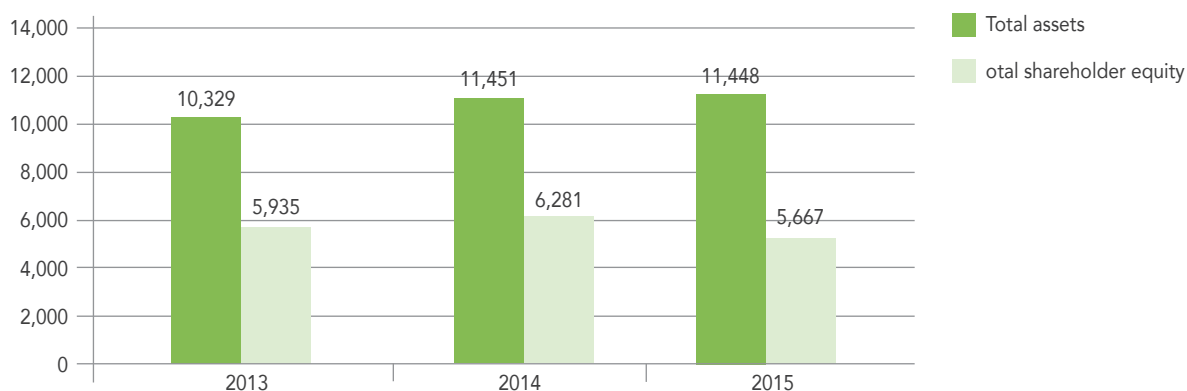
Unit: NTD million



1. The chart indicates Phihong's emerge operation revenue, gross profit and net profit, detailed operation situation and financial performance. Please refer to Phihong's 2015 Annual Report disclosed on the company's website <http://www.phihong.com.tw/>
2. For the company's assets and liabilities, equity as well as product related data, please refer to 2015 Annual Report, p. 67 and p. 54.
3. For retained earnings related information, please refer to 2015 Annual Report p. 71.

Total Assets and Shareholder Equity

Unit: NTD million



Short, Medium and Long Term Business Development Plan

1. Short-term Development Plan (1-2 years):

- (1) Research and develop small power chargers and adaptors fully complying with new energy efficiency regulations, expecting to promote efficiency by 3~5%. The expected annual reduction of consumption power is 15MW, while product standardization and automation production technology are also introduced to shorten development period by 25%.
- (2) Enhance trainings on production and quality assurance personnel, reduce heavy industry and waste product yield, and reduce annual waste product yield. With respect to large power products such as electric motor etc., new energy recycling product burning equipment is introduced, to reduce consumption power and to decrease carbon emission.
- (3) Develop products with market competition for medical and automobile industries etc., and combine with standard products to promote the company's gross profit by two times above. For short term R&D plan, please refer to the company's 2014 Annual Report p. 53.

2. Medium and Long Term Development Plan (3-5 years):

- (1) Comprehensive application of portable information devices, to develop towards standardization, modularization and efficiency promotion, as well as minimum volume. Regarding energy-saving and carbon reduction green products as its main R&D target, promote product image, to meet customers' demand for a green supply chain.
- (2) The global operation management system regarding core product as its main architecture, could fully meet customers' overall demand, promote global marketing system, and establish a long-term and solid international marketing network.
- (3) Cooperate with growth momentum of domestic and foreign business, conform to international environmental protection tendency, purchase no pollution and automation precise production equipment, research and develop new manufacture procedures etc., to reach the goal of increasing capacity and output value.

Product R&D Development Direction and New Product Development List

Development Direction for Future R&D	Related R&D Products
1. Development and application of soft switching PWM line	Server power supply
2. Development of single stage power supply circuit with PFC of low cost	LED LIGHTING POWER SUPPLY
3. Voltage conversion - quick charger	High-speed battery charger QC 3.0 charger
4. Low current leakage power supply technology	Medical power supply and networking power supply
5. High Watt industrial power supply	Automation equipment power supply
6. Automation equipment power supply	Dimming LED drive power
7. Network equipment power supply	POE power supply
8. High efficiency and low stand-by power technology (DOE 6.0)	High efficiency and low stand-by power supply
9. Development application of solar energy charging power supply	Solar energy charging/energy storage system
10. Development application of charging power supply for electric motors and motorcycles	EV MOTOR CHARGER
11. Resonance - wireless charging technology	Wireless charger

Guild Association Organization and Participation

Pihong Technology, based on corporate sustainability, takes an active stance in participating international/national/regional advocating organizations, and attending meetings to express opinions, expecting to cohere strength of the industry, promote industrial communication, and to meet the expectation of non-profit organizations and the society. The company participates in associations and national or international advocating organizations in the name of organization, to indicate its participation or support for economic, environmental and social charters, principles or other avocations launched by the outside. The following is a schedule of organizations participated by Pihong:

Aspect	Advocating Organizations or Conventions	Title / Advocating Actions
Economic Aspect	Taiwan Electrical and Electronic Manufacturers' Association	Member
	Taiwan Lighting Fixture Export Association	Member
	Association of small and medium enterprises of the Republic of China	Member
	Association for the Management of Outstanding Enterprises of the Republic of China	Member
	Taiwan Federation of Industrial and Commercial Enterprises	Member
	Computer Business Association	Member
	Internal Audit Association of the Republic of China	Member
	Association for the Development of Cultural and Creative Industries across the Taiwan Strait	Member
	Global Reporting Initiative (GRI)	Advocator
	Electronic Industry Code of Conduct (EICC)	Advocator
Environmental Aspect	Taiwan Marine Environmental Education Promotion Association	Advocator
	Taoyuan County Police Association	Consultant
Social Aspect	Consortium Corporation Eden Social Welfare Foundation	Advocator
	Consortium Corporation Taiwan Fund for Children and Families	Advocator
	Consortium Corporation Down's Syndrome Foundation of the Republic of China	Advocator
Total Expenditure in 2015 (NTD)		68,750

Main Avocation and Participation

Phihong Technology takes an active stance in participating in CSR, sustainable development and industry-related public policies, in order to fully implement corporate sustainability and social responsibility as well as complete organization information disclosure, we insist communication with interested persons about policies and performance on corporate social responsibility on a yearly basis with two international standards and guidelines of Global Reporting Initiative (GRI) global sustainable reporting guideline G4 (2013) and AA 1000 (2008) as responsibility principles and standards.

Response to Conflicting Mines Policy

Phihong Technology has been engaged in complying with Electronic Industry Code of Conduct (EICC) and regarding it as only standard, while supporting and responding contradiction to conflicting mines. It has promised to comply with the use precipitation for conflicting mines policy in EICC, without accepting mines (Au, Ta, Sn and W) used to subsidize armed conflicts directly or indirectly from Democratic Republic of the Congo and surrounding countries. Meanwhile, it also requires suppliers to use non-conflicting mines, and all sign [EICC Conflicting Mines Questionnaire] and [Guarantee for Not Using Conflicting Mines].

Advocacy on Education Activity of [Marine Ecological Environment Conservation]

In Nov. 2015, Pihong Technology invited the Secretary General, Guo Zhaowei of Taiwan Marine Ecological Environment Education Association, to give an excellent lesson about marine environment [The Ocean is There] to all employees in Pihong. The subject of environment education is serious, which needs deep study and discussion; However, the methods for environment education could be easy, interesting and diversified. This speech makes Pihong employees learn a lot, except for knowing how to distinguish the sound of male and female owls; they also find that the proportion of [people eaten by shark] to [shark eaten by people] is 5:4000; besides, they get to know the so-called [Groin Effect]; since the coastal crisis is found; what's more important is that we've found a group of people engaged in ocean environment education. As a citizen of the globe Pihong could not neglect. The most beautiful scenery in Taiwan is people. During the listening course, we've experienced that. It is expected that this small step, does not only represent Pihong's advocacy on ocean ecological conservation, but makes employees participating the activity have achievements. We also hope that every one of us would like to make certain contribution to the environment we're now living in. Ocean Ecological Environment Conservation Advocacy



Ocean Ecological Environment Conservation Advocacy

Products Complying with RoHS Standards

Except for the self-expectation of undertaking social responsibility, Pihong also engages itself in developing lead-free products, and has taken an active stance in implementing global layout strategy in recent years. It is known that environmental protection is the tendency of market, in order to Integrate with the world and to meet customers' demand, Pihong needs to synchronize with international major factories, engage in environmental production, and to produce environmental protective products.

As a leading manufacturer in power supply industry, Pihong takes the lead to follow the Restriction of the Use of Hazardous Substance (RoHS) advocated by EU, produce products complying with RoHS standards, and to implement EU environmental protection policies validated since Jul. 2006, while products manufactured by it have achieved certification, and have been supplied to international major factories both at home and abroad.



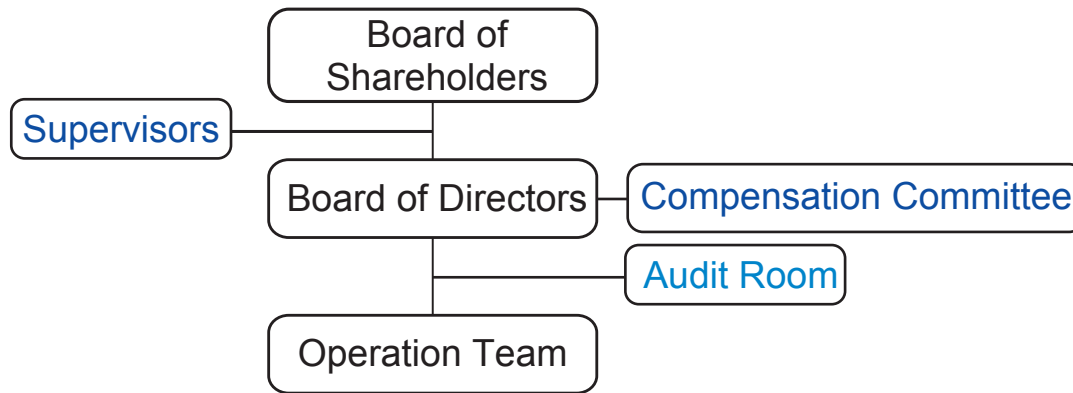
Pihong Technology makes great efforts in focusing and investing on social public affairs. We hope to integrate resources from government, corporate and individuals to make contributions to Taiwan society or related industries. Via participating and investing in national (i.e.: Taiwan Electrical and Electronic Manufacturers' Association, Taiwan Federation of Industrial and Commercial Enterprises, Association for the Development of Cultural and Creative Industries across the Taiwan Strait), and regional associations (Taoyuan County Police Association, functional associations) or environment safety and hygiene organizations, as well as public welfare organizations etc.) We hope to act as strength for positive promotion, and to improve the rise of society and industry, via utilizing resources of corporate and individuals.



Company Management and Risk Control

High-level Operation Management

Phihong Technology's Company Management Architecture



Board of Directors

Phihong Technology engages itself in establishing a sound company management system, with the company's ownership controlled by the Board of Shareholders, while board members and supervisors are selected by the Board of Shareholders on Jun. 19, 2014. There're 7 directors and 3 supervisors in all. Board members include 1 female director and 1 female supervisor and legal representative. The supervisors will check important items in financial statement together with visa accountants on a quarterly basis, and check the independency of visa accountants as well as the execution effect of inner control system.

Since 2015, the Board of Shareholders has implemented electronic voting system, with proposals voted one by one, providing shareholders with diversified channels to participate in major operation decision making of the company. On Dec. 18, 2015, the Board of Directors promotes the formal integration into company management with respect to topics in three major aspects of economy, environment and society, via Phihong's [Configuration Methods for Business Council for Sustainable Development] and establishing the [Corporate Sustainable Development Committee].

The Board of Directors is an important core for Phihong Technology's company management, and is held at least once per quarter, which not only provides strategic guidance for the company's operation, but supervises operation performance of the company's management level, so it is the highest management organization. Unless otherwise specified by related decrees or charters, items shall be decided by the Board of Directors instead of the Board of Shareholders. In case of benefit conflict, avoiding policy shall be adopted, while complete records on avoided proposal content, director name, benefit reasons and voting participation shall also be made. The Board of Directors shall indicate calling reasons, and shall inform all directors and supervisors 7 days in advance. Call at any time during an emergency. Compensation Committee and Internal Audit etc. shall be set under the Board of Directors, which assist the Board to implement supervision responsibility, and to execute all operation activities effectively, so as to create maximum benefits for shareholders. For background of directors and supervisors as well as responsibility related to issues, please refer to the company's website (Investor Field>Company Management>Board of Directors).

Compensation Committee

In order to implement company management and to complete compensation system for the company's directors, supervisors and managers, Pihong Technology establishes the [Compensation Committee] under the Board of Directors, according to regulations in [Measures for the Establishment and Exercise of the Remuneration Committee of the Company's Remuneration Committee on the Stock Market or in the Business Premises of the Securities Firm] and [Rules of Organization for Compensation Committee]. There're three members in this committee, who are designated by resolution of the Board, and one of them is the convenor. Pihong Technology's Compensation Committee holds the regular meeting at least twice every year, to assist making, evaluating and reviewing performance on directors, supervisors and managers, as well as policies, systems, standards and structures for compensation. For members of the company's Compensation Committee and their attendance in the 2015 Committee as well as important resolutions, please see details on the company's website (Investor Field>Company Management>Functional Committee).

Honest Operation and Moral Management

Integrity is the most important core value for the company since the foundation of Pihong Technology. It engages in all business activities based on an honest and transparent spirit. The company established the [Corporate Moral and Code of Business Conduct] since 2009, while such principle was converted into digital courses in 2015 and became a compulsory course for the staff in Pihong Taiwan. The purpose is to make all colleagues understand and maintain Pihong Technology's moral value and reputation, while comply with important responsibilities regulated by laws and regulations. All colleagues, managers and directors of the company must comply with this specification, while all customers, suppliers and contractors of the company shall also understand and respect Pihong Technology's moral standard and culture.

Pihong Taiwan requires all its employees sign the [Intellectual Property Rights Confidentiality Agreement]. With respect to topics related to ethical issues in the work, such as anti-corruption or intellectual property rights protection, irregular education and training are carried out for advocation among the staff. Meanwhile, complaint mailboxes for interested persons and employees are also set on the company's website, to enable interested persons to convey opinions under a safe and confidential situation based on a strict and safe reporting mechanism.

In addition, Pihong Technology treats its partners, suppliers and subcontractors equally and honestly, without discrimination, while Pihong Technology would by no means to have business transaction with companies, individuals or companies breaching the law which may impair Pihong Technology's reputation. In 2015, 62% of suppliers with actual transaction signed the [Honest Commitment], increasing by 58.9% compared to 2014. Pihong Technology insists observing all applicable legal regulations in the region (nation) for business activities, while using [Anti-improper Competition Management Procedure] and [Anti-monopoly Management Procedure] to standardize all transaction activities of it. Obeying the law is unshrinkable responsibility of employees in Pihong Technology. As a citizen with a sense of responsibility, obeying the law is the obligation of Pihong Technology.



Corporate Social Responsibility Practice

Corporate Social Responsibility Promotion Organization

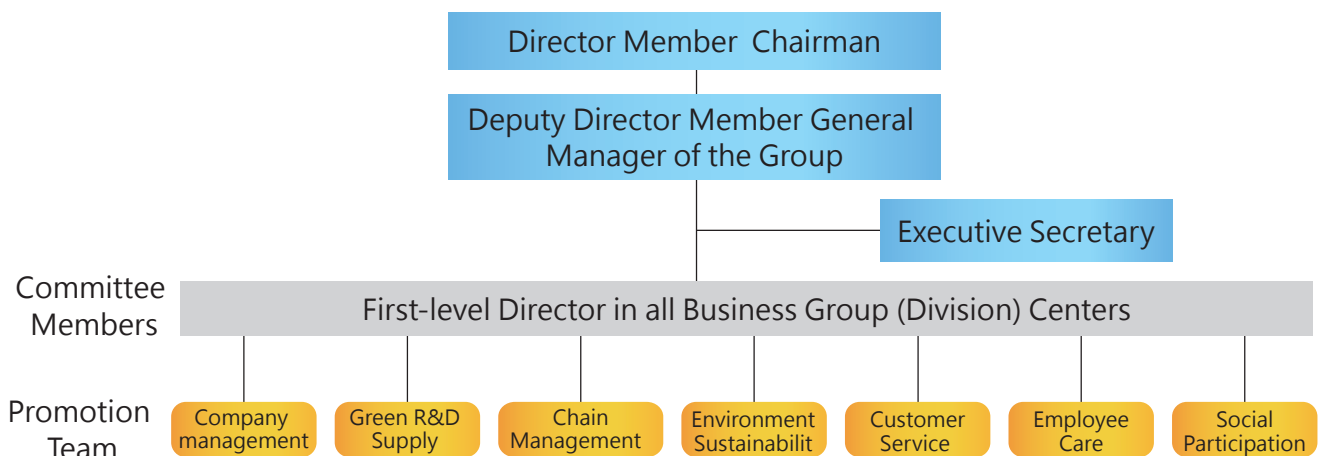
Implementing corporate social responsibility is one of the spirits of Pihong Technology’s enterprise culture, which has promoted the practice of corporate social responsibility over the years. In order to expand depth and width of corporate social responsibility, and to arrange sustainable operation target and developing direction, Pihong Technology made the [Configuration Methods for Business Council for Sustainable Development] in 2014, to form a planned decision and to organize the [Business Council for Sustainable Development], while director committees and other committees shall review performance and target fulfillment for all promoting topics. Meanwhile, it shall issue the Corporate Social Responsibility Report every year.

For the operation of Pihong’s Business Council for Sustainable Development, the [Corporate Social Responsibility Manual] and [Corporate Social Responsibility Management Procedure] are also compiled, which list Global Reporting Initiative (GRI) [G4 Sustainable Report Guideline] and AA1000(2008) into indexes disclosed on a yearly basis as responsibility principles after identification, while management content listed into discussion via arbitration, shall be listed into management on related topics on annual major sustainable indexes.

Seven teams of [Company Management], [Green Research & Development], [Supply Chain Management], [Environment Sustainability], [Customer Service], [Employee Care] and [Social Participation] are also set under the committee to be responsible for promotion of related topics, while functions and aims of all teams are described in the following:



Pihong Technology Sustainable Development Committee



Promoting Teams	Functions and Aims
Company management	Assist to enhance the Board's functionality, focus on rights and interests of shareholders and interested persons, integrate related departments to make various rules and policies related to company management, responsible for completing and implementing corporate inner control system, guarantee transparency of information disclosure and related decree observation, to implement the company's core value on integrity, and information transparency as well as the operation ideology focusing on shareholders' rights and interests with sound internal control.
Green R&D	Regarding a green design as core value for Pihong Technology's product R&D, insist researching and developing creative design and green manufacture procedures, produce products complying with green environmental protection, reduce adverse impact on environment brought by product life cycle, meanwhile promote market competitive strength.
Supply Chain Management	Responsible for establishing a safe and healthy supply chain with sustainable development which protects environment, and focuses on social responsibility and labor human rights. Establish a long-term partnership with suppliers in aspects such as quality ability, cost leadership ability, delivery and supply ability, group service ability and sustainability ability etc.
Environment Sustainability	Responsible for integrating environmental protection and safety & hygiene management throughout the company, making performance indexes for environment safety and hygiene, promoting items such as waste reduction (resource reuse), and greenhouse gas reduction etc., while promoting all green manufacture procedures and supply chain management activities under the cooperation of green production committee.
Customer Service	Think in the stance of customers, and provide customers with products and services of higher quality and lower cost at a faster speed, to reach management target of creating the highest value for customers.
Employee Care	Focus on employee communication and functionality development, provide salary and welfare with competitive strength, and engage in complete and diversified life balancing measures, to forge a sound, safe and harmonious workplace environment.
Social Participation	Promote the company's communication with outside communities and society, and combine external commonweal resources, regarding [education], [arts & culture], [public welfare] and [environmental protection] as the themes, insist being engaged in social public welfare activities such as scientific and technological research and development cooperation, long-term education assistance and arts & culture etc.

Corporate Social Responsibility Commitments of Pihong Technology

Corporate social responsibility undertaken by Pihong Technology covers three major fields of company management, environmental protection and social participation, as for interested persons such as shareholders, customers, suppliers, employees, governmental organizations, operation communities and social public etc., it has made great efforts to demonstrate achievements over a long period of time, and to fulfill its commitments for all interested persons:

- (1) Maintain sound company management, and observe corporate moral and code of business conduct.
- (2) Comply with requirements in local laws and regulations.
- (3) Provide employees with safe and healthy working environment, to make them fully exert talents, as well as reasonable salary and welfare.
- (4) Create company value and promote shareholders' rights and interests.
- (5) Research, develop and manufacture environmental protective and energy-saving products complying with HSF, and implement environment management system, to alleviate impact on environment.

The above commitments are target and direction for Pihong to implement corporate social responsibility, establish various indexes on the depth and width for expanding related activities during daily operation, track performance as improving reference regularly, and to real-timely disclose related information, so as to guarantee the quality of communication between internal and external of the organization.

CSR and EICC Education Advocation

In order to guarantee the staff could understand corporate social responsibility and perform EICC responsibility terms, since 2015, Pihong Taiwan has integrated the subject of [Pihong Corporate Social Responsibility Practice] into compulsory courses for pre-service training and carried out after-class estimation. In addition, it has also utilized a digital learning platform to issue the [Pihong Technology e Report], and held lectures related to corporate social responsibility irregularly, advocating and encouraging employees to participate in social public welfare activities etc., to enhance recognition of employees on topics related to corporate social responsibility.

In Dongguan plant area, a 7-hour basic recognition training on [EICC Education Advocation] was carried out regarding all newly recruited persons, quality control and purchasers as main objects. Trainings of 56 hours in all were held for serving employees in 2015; while man-hour for newly recruited persons reached 8,830 hours, with a participation rate up to 100%. Meanwhile, a competitive knowledge contest on corporate social responsibility is also held every year, covering issues related to human rights, anti-corruption and honest operation etc., so as to improve employees' recognition on corporate social responsibility and EICC. During 2015, no event was proved to be corruption throughout Pihong Technology.



Taiwan Pihong – CSR Education Advocation



Dongguan Plant Area – EICC Education Training



Dongguan Plant Area - Competitive Knowledge Contest

Operation Risk Alarming Management

In order to establish a perfect risk management system, Pihong Technology complies with existing management organization system and internal control circulation, and faces risks to be considered during operation control in an active stance, to enable us to grow stably, and to reach sustainable operation of the enterprise. To identify division of labor, so as to carry out risk control on different levels, and to summarize into three major categories of [financial risk], [information risk] and [operation risk]. Via strict internal control system, Pihong Technology hopes to guarantee efficacy and efficiency of operation, to make the company's system able to comply with related specifications, and guarantee observation of the company's related laws and regulations. Meanwhile, via the audit system, guarantee sustaining validity of internal control system.



Financial Risk Control

In order to guarantee shareholders' rights and interests, Pihong Technology regards focusing on the industry and steady operation as its principle, while avoiding investment activities of high risk and high lever. However, it still takes an active stance in evaluating risks and efficiency brought by introducing new technologies, which will be used as operation strategy for long-term development in future. For exchange risk, natural avoiding methods will be adopted, while investment on short-term idle capitals shall focus on currency funds and periodic savings with liquidity, principal and income as well as safety. In addition, financing limit applied to financial institutions, convertible bonds and corporate bonds by private offering to capital market could be used to support operation capital and long-term capital expenditure.

Information Risk Control

To protect information of the company and individuals, protect inner/outer communication system, avoid any loss caused by human factors such as leakage, theft, damage etc. as well as that caused by natural disasters, and to reduce impact on operation. Our methods for information risk management include:

Remote drills: Carry out two information system remote restore drills every year, to guarantee that system operation could be restored in the shortest time if subject to data damage, during occurrence of natural disasters (i.e. earthquake, flood, fire etc.).

Special line redundancy: Outer special lines are rented from 2 telecommunication companies, so that when one line fails, the other could substitute, to guarantee normal operation.

Password management: For password to login the company's entry platform, users are required to replace password every quarter to login the platform, so as to reduce password theft risk.

Operation Risk Control

Phihong Technology knows that uncertain risk items such as natural disasters and unexpected events etc., would have a huge impact on the company's production and operation, as well as the safety of employees, so it takes an active stance in preventing and managing disaster risks, as well as seeking for reaching the highest safety standard in power supply industry, via implementation and management on strict risk management plans and safety specifications. In order to guarantee the company could quickly recover normal operation after disasters (including fire, earthquake, typhoon, water and power supply cut-off, war, political unrest, terrorist attacks, food poisoning, notifiable diseases and environmental pollution etc.), so as to reduce property loss of the company and customers, and to maintain the company's reputation and the safety of employees. We utilize insurance to cope with and avoid risks. In 2015, Phihong has insured as for business fire, cargo transportation, product responsibility and public accidents etc., so as to guarantee transfer operation risks and to reduce possible losses to the lowest extent, for risks of damage or loss of insured properties due to sudden or unexpected accidents via insurance planning and fixed insurance premium.

Insurance Planning	Product Liability Insurance	Cargo Transportation Insurance	Business Fire Insurance	Property All Risks Insurance
Scope	Phihong Taiwan and Dongguan Plant Area		Phihong Taiwan	Dongguan Plant Area
Amount of Insurance	NTD 180~ 360 million	NTD 14 billion	NTD 993 million	NTD 7.1 billion
Total premium	NTD 3.306 million			



Response to Climate Change Risk

In Mar. 2016, a risk report issued by Zurich Insurance Group Ltd. with respect to Asian-Pacific region pointed out that, for the impact brought by climate change, the crisis of water resource and food in Asian-Pacific region will lead to more conflicts and non-voluntary immigration. Natural disasters, man-made disasters and extreme climate are risk topics focused by enterprises in Asian-Pacific region. With respect to the climate change risk, Pihong Technology takes an active stance in preparation for creating value, to turn crisis into opportunities, while impacts brought by related risk topics and potential opportunities are listed in [Climate Change Risk Evaluation Table] on the next page.

Climate Change Risk	Impacts or Threats	Potential Opportunities
<p>Energy Supply</p> <ul style="list-style-type: none"> High rise of energy price Energy supply interruption 	<p>Manufacture procedure, operation and assets: Higher energy cost, energy demand peak, easy to cause production interruption.</p> <p>Supply chain: Carbon price causes the rise in raw material price and increase in transportation cost.</p> <p>Market: The increase in operation cost will impact market share, so existing energy-intensive products are not that popular.</p>	<ul style="list-style-type: none"> Promote green products or renewable energy to alleviate climate change. Excavate opportunities derived by regulations, rather than only see costs and risks.
<p>Resource shortage and investment cost</p> <ul style="list-style-type: none"> No water impact High rise in water price High rise in material price 	<p>Manufacture procedure, operation and assets: Obtaining of water resource reduces, impacting procedure operation.</p> <p>Supply chain: Main procedure cost increases due to restricted water resource of supplier.</p> <p>Market: Increase in operation cost will impact market share.</p>	<ul style="list-style-type: none"> Regard climate change strategy as key competitive advantage Product replacement caused by natural disasters requires addition.
<p>Days of extremely high temperature increase</p> <ul style="list-style-type: none"> Increased load on cooling system Overheated electrical equipment Hot wave impacted attendance 	<p>Manufacture procedure, operation and assets: Accelerating damage to assets, and operation of electrical equipment. Temperature sensitive equipment with low efficacy is damaged, extra cooling equipment causes increase in cost, impacting product quality.</p> <p>Supply chain: Product quality is impacted.</p> <p>Labor and human resource: Absence of employee increases, overheated workplace, decrease in productivity, labor maintenance and skill training become more difficult.</p>	<ul style="list-style-type: none"> Obtain support from investors, customers and interested persons via open disclosure.
<p>Extreme climate events</p> <ul style="list-style-type: none"> Coping ability of infrastructure Disaster emergency rescue Whether insurance is sufficient for loss caused by disasters. 	<p>Manufacture procedure, operation and assets: operation interruption caused by assets damages and unstable energy supply.</p> <p>Supply chain: Transportation of raw materials and cargos is impacted, causing delay in transportation.</p> <p>Labor and human resource: Extra management cost, and los caused by absence of employees.</p>	

Regulation Observation

Phihong Technology pays great attention to various regulations, and deems itself a law-abiding enterprise. It reaffirms moral rules such as business moral, company management and employee ethics etc. irregularly every year. Meanwhile, it complies with various regulations in operation location based on the principle of integrity operation. This is the role and responsibility of Phihong Technology as a world citizen. A Legal Room is set in Phihong Taiwan, to assist employees clarifying doubts on various regulations. If any employee violates the law, labor safety rules or regulations, labor contract or business moral etc., Phihong Technology will track and handle according to related regulations and disciplinary measures, which will also impact the result on employees' performance evaluation in a reasonable manner.

Observation of Environmental Protection Regulations

In 2015, there's no major leakage accident in Phihong Technology, nor any major event violating environment regulations, environmental protection punishment or penalty.

Observation of Regulations on Product Marking and Marketing etc.

Phihong Technology shall make great efforts on environmental protection for green products, according to various international regulations or customers' requirements, i.e. EU REACH and RoHS etc., the compliance ratio of which is 100%.

- (1) Events related to regulations on health and safety impact of products and services as well as voluntary principle.
- (2) Events related to regulations on information and marking of products and services as well as voluntary principle.
- (3) Events related to market promotion (including advertisement, promotion and sponsorship) and customer privacy as well as voluntary principle.

Observation of Basic Laws Regarding Labor

Phihong Technology observes basic laws regarding labor, and there's no child labor event occurred in 2015. There's no case involved in discrimination, aboriginals rights and human rights affirmed by formal mechanism. Each employee shall sign a written labor contract according to the law during employment, while the contract shall indicate that the employment relationship is established under mutual agreement between both parties, which shall be inspected and controlled regularly. There's no related violating or penalty event in 2015; nor audit related to human rights which may impact evaluation.

Anti-competition Behaviors, Antitrust and Monopoly

In 2015, Phihong Technology had no lawsuit involved in anti-competition behaviors, antitrust and monopoly.



Green Design and Environment Sustainability

Green R&D Environmental Protection

The source of Pihong Technology's R&D design is to import identification on various regulations, to make products comply with regulations in RoHS, Pb-free, Halogen-free and HSF, furthermore, control on RoHS is carried out via system's [source management], to master the schedule of RoHS in manufacture procedure and material management in an all-round way. Based on the obtaining of certification such as ISO9001, ISO14001 and OHSAS18000, the company implements complete management on various aspects such as product quality, environment protection, employee labor safety and hygiene etc., not only to make all products pass related safety certification, comply with requirements in EU RoHS directive, but to import new design gradually to comply with the standards of energy star. In addition, with respect to EU WEEE directive and EuP directive (product energy efficiency standard), the company also makes great efforts to promote and execute, so as to provide customers with products of more environmental protection and higher quality.

Pihong takes [environmental protection, energy saving and love for the earth] as its aim, complies with various environmental protection decrees and restriction on harmful substances, and promotes the policy and concept of green environmental protection to the entire supply chain; it also promotes recognition on green environment among the staff, implements and participates in green environment work, including greenhouse gas inventory plan and the environmental protection subject of whole staff participation in green competitiveness etc.; during product development design stage, it is required to prevent any damage or unsound impact on environment caused by product, and to develop green energy-saving product to reduce environment impact and to improve resource utilization; make great efforts to promote products of high quality and high reliability, so as to promote the product's environmental protection performance, and to develop more environment-friendly products.

Pihong Technology is mainly engaged in R&D and manufacturing of power supply devices, so with increasing strictness on power supply device's efficiency and standby power in European and American countries, the company shall develop a brand new ASIC power circuit technology with smaller volume, higher efficiency and longer life based on developing tendency of power products, to indicate certain level of the company's technology on the market. In order to get the advantage of product introduction, the company has invested on series power supply complying with USA 2016 new energy regulation DoE6.0, series power supply of quick charger QC2.0 and QC3.0, WPC wireless charger, energy storage system, industrial power supply, electric motor charging products and high density small-sized power supply development etc., so as to promote the company's industrial competitiveness via strong research and development capacity. Besides, via complete global R&D layout, it has set up R&D centers in New York, California, Dongguan and Shanghai etc., and established Tainan R&D center to undertake design directly. While shortening product development schedule, it has also introduced excellent talents with different backgrounds in the R&D center in Taiwan headquarter, to provide customers with more real-time services.

Pihong Technology thinks that technology strength could be accumulated only by keeping introducing automation production equipment, manpower and funds, so as to be engaged in technology and innovation, and to meet the needs of global customers. Therefore, based on the strategy of setting foot on Taiwan and global layout, Pihong Technology has set R&D bases in China, USA, Taiwan headquarter and Tainan branch, except for introducing advanced automation equipment and collecting excellent R&D talents in all walks of life, it has also invested plenty of R&D expenses. In 2015, R&D expenses invested by Pihong Technology reached NTD 468,364,000, accounting for 4.21% of the turnover, and increasing by 1.2% compared to 2014, which was about NTD 34 million.

Green Design Cherishes the Earth

[Environmental protection, energy saving and love for the earth] is one of the aims for Pihong Technology's social responsibility, while plant areas in Pihong Taiwan and Dongguan have passed ISO 14001 environment management system certification. In recent years, environmental protection measures engaged in promoting energy saving, carbon reduction and waste reduction have achieved sound effects. In the following, the energy resource consumption indicator will be introduced, to display environment performance of Pihong in future, and to act as the evidence for following review and improvement. Promote environment management based on the spirit of Plan, Do, Check and Action (PDCA), to reduce and prevent the occurrence of environment impact. Promote environment performance with institutional management, to save energy, keep improving and prevent pollution.

Pihong Technology keeps inhering a green thinking on design which covers the product's life cycle, to design and develop green products from cycles ranging from the source of raw materials (excluding harmful substances), supplier manufacture procedure, product design, plant manufacture procedure, product package/ transportation, customer and consumer's environmental protection consideration to disassembling and recycling at the end of life. For different types of products of the company, it is required to carry out completeness evaluation on related regulations, so as to meet regulations in distribution areas and to meet safety requirements of customers. Besides, it is required to apply for safety pass. With respect to use safety of products or services, all products of Pihong Technology shall fully comply with related information and marking regulations.

Unit: NTD thousand

Items	Year	Combined Financial Stateme	
		103	104
R&D Expense		434,525	468,364
Operation income		12,435,980	11,123,315
Percentage of operation income		3.49%	4.21%



Research, Develop and Innovate, to Set Foot on Taiwan

Corresponding to global environmental protection and energy saving tendency, Pihong Technology invested NTD 450 million to purchase lands in Yongkong District, Tainan City, to build a R&D building mainly engaged in developing green energy products, and the building was completed in Sept. 2015 after three years, and was put into mass production since then. The new R&D building covers an area of 5,218 square meters, adjacent to Southern Taiwan University, which will become an important base for Pihong Technology to research and develop high-efficiency and energy-saving electric motor charging poles (EV). Except for diversified laboratory equipment such as separate product show room, environment testing laboratory, burn-in room etc., the whole building also provides employees with canteen, gym, Breastfeeding Room, dormitory and multi-functional audio visual conference center with complete equipment.

The new R&D building integrates with R&D Center in Linkou Headquarter of Pihong Technology, and transfers advanced R&D technology to Tainan R&D Center to enter mass production period, to enhance competitiveness for customers of Pihong. After initiation of Tainan R&D Building, it would hold more than 150 employees, most of whom are R&D engineers, except for stimulating local economic development, it also creates more employment opportunities for southern Taiwan. The founding of the new R&D Center has fully shown the firm commitment of Pihong Technology's deep ploughing in Taiwan.





Plant Area Environment of Tainan R&D Building

Energy & Resource Carbon Reduction Management

Energy consumption in Pihong Taiwan and Dongguan Plant Area is mainly power consumption, while fossil energy (i.e. diesel) is also used in Dongguan Plant Area, to guarantee natural gas reserve during any abnormality for power and daily usage. Pihong Taiwan built and completed the Tainan R&D Building in 2015, while invested up to NTD 5.53 million to install energy-saving equipment such as evaporation type air conditioner host, LED lighting and intelligent power management system etc. to save power consumption, based on the green design ideology of energy-saving and carbon reduction. Dongguan Plant Area also invested funds equal to about NTD 4.05 million to carry out energy-saving technology reform, and completed the motor system update with a total power of 771.2KW, increasing the total efficiency by above 2%. In this way, hot water is provided by means of waste heat recovery and utilization by air compressor in dormitory, saving energy consumption of 21,081KWH throughout the year, and reaching carbon reduction of 118.33 tons, which is obvious in efficiency.

Energy and Resource Consumption Table

Unit: GJ

Energy Type	2014		2015	
	Pihong Taiwan	Dongguan Plant Area	Pihong Taiwan	Dongguan Plant Area
Power	7,124	74,834	9,134	75,966
Diesel	-	604	-	138
Natural Gas	-	17	-	91

Water supply in Pihong Taiwan and Dongguan Plant Area comes from waterworks, while water resource consumption is mainly domestic water. Dongguan Plant Area is risky manufacturing industry with low pollution. For no water is required by manufacture procedure, so no measures for water resource recycling has been taken. However, in face of global water resource shortage, all plant areas still insist on correct water use habits and measures to report any abnormality etc., to reduce consumption of water resource.

Water Resource Consumption Table

Energy Type (Unit)	2014		2015	
	Pihong Taiwan	Dongguan Plant Area	Pihong Taiwan	Dongguan Plant Area
Water Use (ton)	9,742	529,497	11,455	610,334
Number of Employees	436	4,447	514	3,709
Water Use Intensity (tons/person)	22	119	22	165
Waste Water Discharge (ton)	8,768	476,547	10,310	549,301

Note: Waste water discharge coefficient is 90% of water use.

Energy-saving Practice & Carbon Reduction Measures

In order to alleviate global warming, environment sustainability and corporate competitiveness, Pihong Taiwan invited the [Taiwan Energy Conservation Patrol Alliance] founded with Association for the Sustainable Development of Enterprises in the Republic of China, which copied the successful experience from its parent company [Shinshu Energy Conservation Patrol] in Japan in May, 2015, to carry out energy-saving diagnosis service in Linkou Headquarter. The diagnosis team is composed of six volunteer workers with professional background in motor, air conditioner and electric power etc., to carry out energy-saving diagnosis of about half a day. These persons provided diagnosis suggestions in aspects such as mechanical engineering, lighting, air conditioner and elevator etc. Based on this, understanding on current energy use inside the plant area is achieved, so as to reduce unnecessary energy waste.

Measure I: With respect to important reasons for load of air conditioner in summer caused by roof large glass radiation and heat conductivity, the diagnosis team suggested to adopt the measures of exhausting heat and reducing temperature via opening/closing the vent, currently, roof pre-cooling air conditioning box has changed to exhaust fan function, without needing to connect ice water pipes to reduce energy consumption of the ice water host, when indoor temperature is controlled above 30°C, open the exhaust fan and the window opposite to it, open two-way window and close the exhaust fan when outdoor temperature is lower than 23°C, to allow external air to flow into the room for cross-ventilation to reduce energy consumption. The annual average air conditioning energy saving, according to estimation, could reach 3~5%.



Measure II: The open canteen on the fifth floor, for large heat in summer, short cycle return at the outlet of air conditioner is easy to caused for ceiling separation, and it is suggested by the diagnosis team to change the outlet to blow type under the grille, so as to shorten the cooling time when the air conditioner is turned on, and to promote the efficiency of air conditioner to rescue invalid energy consumption.



Via diagnosis report of the energy-saving diagnosis team, 11 energy-saving suggestions are listed, by the end of 2015, 9 have been completed, and its estimated energy-saving efficient is as follows:

Suggested Items	Estimated Max. Efficiency		
	Energy-saving Rate	Energy-saving amount (KWH/year)	Amount NTD 3.7 /KW H (NTD / year)
Energy-saving suggestions for air-conditioning system	11%	217,668 KWH / year	805,371 / year
Power and general energy-saving suggestions	1%	19,788 KWH / year	128,215 / year
Total estimated max. efficiency	12%	237,456 KWH / year	933,586 / year
Reduced CO2 emission		123.95 metric tons of CO2 / year	

Greenhouse Gas Emission Management

In order to reduce greenhouse gas emission and to alleviate global warming in an effective way, Phihong Technology makes great efforts to reduce impact on environment and climate caused by carbon emission from factory, so as to fulfill its corporate social responsibility. Via operational control law, Dongguan Plant Area carried out GHG inventory, expecting to understand the current situation of carbon emission of the company, and to carry out energy-saving and emission-reduction activates based on this. For no biomass fuel has been used in Dongguan Plant Area, there's no carbon dioxide energy of such emission. Discharge amount within the boundary in 2015 Annual Report of GHG Scope 1 & Scope 2 is shown in the following table (GHG discharge unit: T-CO₂e), among which direct carbon discharge (scope 1) has decreased by 19% compared to 2014, achieving a remarkable effect.

Items		Scope 1 (Percentage)	Scope 2 (Percentage)	Total
Discharge Amount (T-CO ₂ e / year)	2015	650 (3.24%)	19,378 (96.76%)	20,028
	2014	1,084 (5.34%)	19,204 (94.66%)	20,288

Type / Unit	Dongguan Plant Area	
	2014	2015
	1,084	650
Indirect Discharge (Scope 2) T-CO ₂ e	19,204	19,378
Total Discharge T-CO ₂ e	20,288	20,028
Number of Employees	4,099	3,709
Discharge Intensity (T-CO ₂ e/ person)	4.95	5.4

Greenhouse Gas Type (Percentage)		CO ₂	CH ₄	N ₂ O	HFCs	PFCs	SF ₆
Discharge Amount (T-CO ₂ e / year)	2015	19,475 (97.24%)	550 (2.75%)	3 (0.01%)	0	0	0
	2014	19,497 (96.07%)	552 (2.73%)	3 (0.01%)	241 (1.19%)	0	0

Note: 1. Discharge coefficient of scope 1 comes from the fourth evaluation report of IPCC (2007).

2. Discharge coefficient of scope 2 comes from the National Development and Reform Commission, but for Phihong Taiwan has not imported GHG inventory, there's no related data.

Environmental Protection Expenses and Benefits

Over the years, Phihong Technology has focused on environment topics, and has engaged itself in reducing impact on natural environment possibly caused by enterprise operation, with its impacting capacity as a world citizen. According to related local regulations and requirements on environmental protection of customers, we've installed environmental protective equipment required and applied for related certificates for pollution emission, to prevent and reduce unsound environment impact, reduce impact on environment caused by the company's activities, and to make periodic statistics on expenses related to environment, so as to understand expenditures in environmental protection aspect. In 2015, environmental protection expense in Phihong Taiwan is NTD 7,698,344 in total; that in Dongguan Plant Area is equal to NTD 19,940,328; environmental protection efficiency is mainly benefits from industrial/commercial waste recycling, while statistics on environmental protection expense and efficiency is as follows:

Environmental Protection Expenditure Breakdown	Description	2014 年		2015 年	
		Phihong Taiwan	Dongguan Plant Area	Phihong Taiwan	Dongguan Plant Area
1. Direct cost alleviating environment load.					
(1) Pollution prevention cost	Prevention and treatment fees for air pollution, water pollution and other pollutions.	51,965	3,056,460	31,864	4,423,033
(2) Save resource consumption cost	Cost for saving resources (i.e. water and electricity).	0	14,350,000	6,893,135	9,665,500
(3) Disposal and recycling of business waste and normal office waste.	Cost for business waste disposal (mud cleaning fee, waste solvent, waste water and normal waste).	118,856	477,875	185,258	2,999,160
2. Indirect cost alleviating environment load (environmental protection related management fee).					
	(1) Environmental protection education expenditure.	998,371	1,199,730	562,413	345,705
	(2) Environment management system and certification fees.				
	(3) Environment load monitoring fee.				
	(4) Related human resource fee for environmental protection specialists.	38,505	190,265	23,075	2,506,930
	(5) Added fees for purchasing environmental protection products.	0	0	0	0
3. Other environmental protection related costs					
	(1) Fees for soil arrangement and natural environment recovery etc.	0	0	0	0
	(2) Environment pollution premium and environmental tax collected by the government etc.	0	0	0	0
	(3) Environmental issue reconciliation, compensation, penalty and lawsuit fees.	0	0	0	0
Total		1,207,697	19,274,330	7,695,745	19,940,328

Environmental Protection Efficiency Statistics

Items	Description	2014		2015	
		Phihong Taiwan	Dongguan Plant Area	Phihong Taiwan	Dongguan Plant Area
Business Waste Recycling	i.e. Benefits from scraps of electronic parts, and waste computers etc.	NTD 26,935	NTD 17,355,83	1NTD 4,505	NTD 9,108,727
Environment Impact Efficiency	Reduction of CO2		133 tons		138 tons





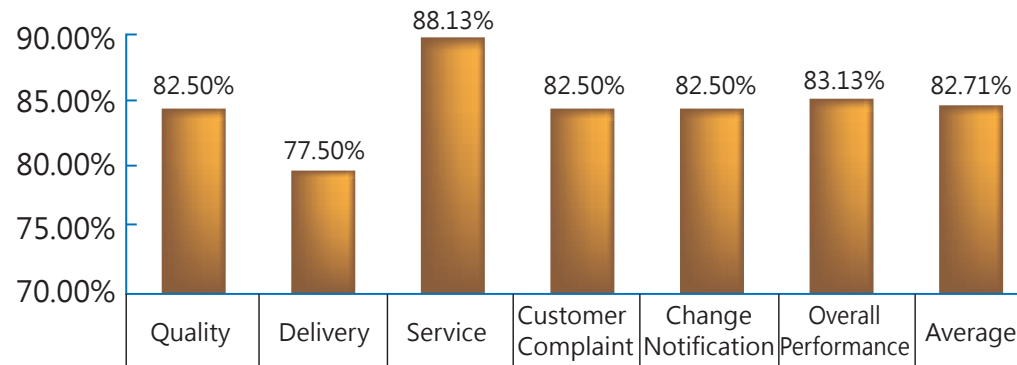
Cooperative Cooperation and Value Sharing

Customer Service and Satisfaction

Phihong Technology regards becoming the best business partner of customers as its target for sustainable operation, engages itself in providing customers with the best service, and firmly believes that customer service is the key to consolidate customer satisfaction and loyalty, while customer loyalty has an extremely important impact on stabilizing current customers, attracting new customers and enhancing customer relationship. Phihong Technology has formed a hard-working customer service team as the window for coordination and communication, to make great efforts to provide customers with world-level, high-quality and high-efficiency services, create the best customer service experience, and obtain customer's trust so as to realize long-term benefits of the company.

The recovery rate of 2015 customer satisfaction questionnaire is 96.97%, while the overall average customer satisfaction is 82.71%. In a word, customers feel very satisfied and satisfied in items such as quality, service and overall performance etc. However, there're 2 questionnaires indicating dissatisfaction with product delivery time of the company's product. The reasons lie in that new product, new machine type and customized product centralize in the same period, together with factors like rush delivery of the customer and delivery time of new materials cannot match real timely etc., failing to meet customer's expectation. With respect to this issue, customer service team has carried out deep review and communication with related departments of the factory, and held procurement and production and marketing coordination meeting once a week. So as to shorten development for new products and new machine types, as well as to enhance communication with suppliers to shorten delivery time of materials.

2015 Customer Satisfaction Survey Result



Survey Result on Customer Satisfaction in Recent Three Years

Year	2013	2014	2015
Questionnaire Recovery Rate	100%	98.33%	96.97%
Overall Average Satisfaction	81.95%	84.97%	82.71%

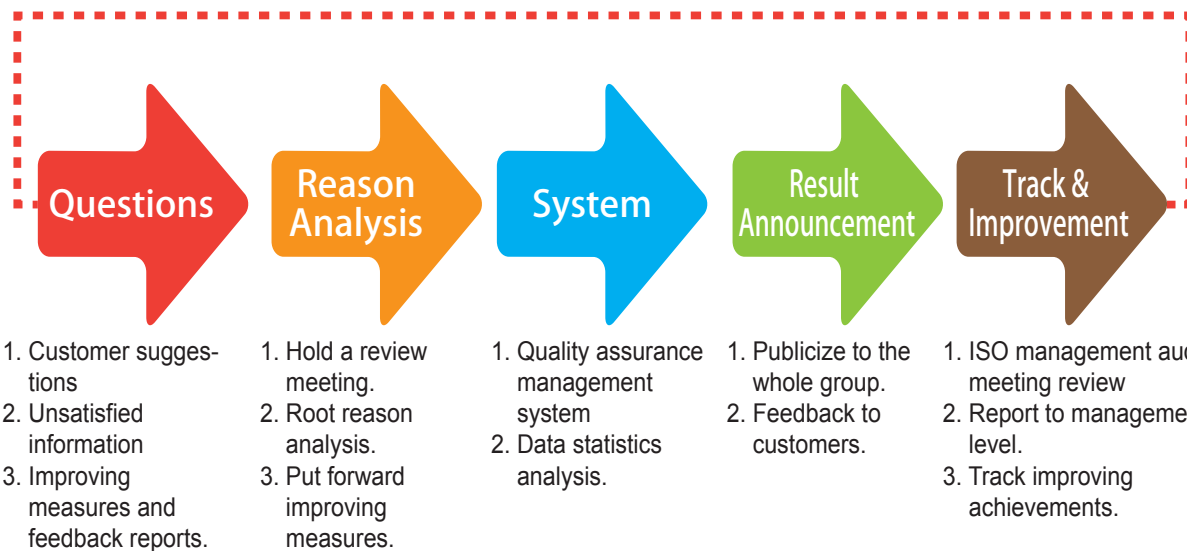
Via analyzing survey result on customer satisfaction in recent three years, customers have a high expectation on shortened delivery time for new products and new machine types. This is a market tendency, so Phihong R&D Team and Customer Service Team shall have the responsibility to improve and challenge in an active stance. In positive aspect, most customers give high appraisal on the company's quality, environment, occupational safety and hygiene system's management performance. Meanwhile, green energy power supply products of high efficacy, have also been developed and provided by the company according to requirements in new energy-saving regulation (DOE LEVEL 6), which have obtained high appraisal from the market.

Active Respond to the Voice of Customers (VOC)

Listen to the voice of customers and quickly respond to questions of customers. Pihong Technology has made the [Customer Feedback Transaction Procedure], to provide proper solution via units with definite rights and responsibilities. In order to obtain customer's requirements on product quality, delivery time, price, technologies and services as well as other related requirements, we communicate with customers via adopting the following methods:

1. Set a special quality service window for customers.
2. Form a customer service team composed of experts in business, quality assurance and technology etc., to provide customer complaint response, repair RMA and technology support service.
3. Communicate with customers by means of irregular meetings, interview, factory visits of customers, telephone/ E-mail, international exhibitions etc.
4. Carry out customer satisfaction survey questionnaire every year.

Corresponding Solution to Customer Satisfaction Result



Handling Process	Detailed Actions	Operating Procedures	Responding to Customers
Customer complaint receiving and handling	<ol style="list-style-type: none"> 1. Customer email/telephone/ mailing/returning notification 2. Opening a [Customer Complaint Handling Form]. 3. Obtaining and registering of customer complaint sample. 	<ul style="list-style-type: none"> • Customer feedback handling procedure. • Customer complaint handling form. • Customer complaint handling schedule. 	<ol style="list-style-type: none"> 1. Collect customer complaint information, and understand situation and customer requirements. 2. If no poor sample is obtained, ask the customer to mail.
Mastering and disposal of customer complaint status.	<ol style="list-style-type: none"> 1. Customer complaint review. 2. Initial disposal for minor, severe, major customer complaints. 	<ul style="list-style-type: none"> • Customer feedback handling procedure. • Unqualified products management and control procedure. • 8D operating management method. 	<ol style="list-style-type: none"> 1. Respond to customers within 2 hrs, according to the 227 prescription principle. 2. If it is an HSF (hazardous substance free) related customer complaint, inform the customers within 12 hrs.
Real reasons analysis and initial countermeasures.	<ol style="list-style-type: none"> 1. Analysis on real reasons. 2. Preparation on initial countermeasures. 	<ul style="list-style-type: none"> • Customer feedback handling procedure. • Quality abnormality handling procedure. • Correction and prevention measures management procedure. • Customer complaint management system. 	<ol style="list-style-type: none"> 1. The quality assurance shall carry out root reasons analysis together with engineering and R&D units. 2. According to 277 prescription principle, provide initial countermeasures or plans to customers within 2 days.

Improving countermeasures / Correction & Prevention	<ol style="list-style-type: none"> 1. Track and monitor plant handling and response prescription. 2. Responsible unit shall reply with an [8D Correction Action Report]. 	<ul style="list-style-type: none"> • Customer feedback handling: 8D operation management methods. • Quality abnormality handling procedure. • Correction and prevention measures management procedure. • Customer complaint management system. 	<ol style="list-style-type: none"> 1. Prepare temporary and long-term improving countermeasures, to carry out correction and prevention measures. 2. According to the 227 prescription principle, reply with an [8D Correction Action Report] within 7 days. 3. Report on the client according to situation.
Effect Tracking / Standardization and Data Management	<ol style="list-style-type: none"> 1. Customer complaint improving and correction / prevention measures effect tracking. 2. Plant SOP / verification standardization. 3. Customer complaint system data maintenance and management. 	<ul style="list-style-type: none"> • Customer feedback handling procedure • Correction and prevention measures management procedure. • 8D operation management methods. • Customer complaint management system. 	<ol style="list-style-type: none"> 1. Monitor and execute customer correction measures implementation and confirmation. 2. Summarize, make statistics and analyze customer complaint data every month, while carry out analysis review and effect tracking confirmation. 3. Save customer complaint and report in the [Customer Complaint Management System].

Customer Privacy

Phihong Technology pays great attention to customer privacy, and maintains sound communication channels with customers. For confidential technology documents provided by customers, proper confidential and protection measures shall be taken, and only authorized persons have the permission to browse. Customer's confidentiality requires a contract or order, which shall be the [Confidential Contract NON-disclosure Agreement] signed with the customer according to [Contract (Order) Management Procedure] of the company. The contract shall be collected by the Legal Room in the system to carry out contract confidentiality management, to prevent any disclosure of customer's confidentiality.

In addition, qualification check on high-level persons, purchasers and specific persons newly recruited by the company shall be carried out by the Human Resource Dept. according to [Personnel Appointment & Guaranteed Operation Standards], while check results shall be fed back to the Director of the company as recruiting reference. For responsible posts or posts for keeping public properties, the newly recruited employee shall be required by the Human Resource Dept. to transact the guaranteed operation procedure, and to sign an [Employee Guarantee] to be responsible for confidentiality and storage.

Green Partner

In order to guarantee environment-related substances contained in Phihong Technology's products comply with international rules and regulations as well as customers' requirements, reduce product's impact on environment and to promote product's competitiveness, in 2015, Dongguan Plant Area imported the green product management system, and obtained the green partner from SONY GP(Green Partner) in Japan as well as quality certification of RICOH CMS(Chemical Substances Management System).It is shown that Phihong Technology has possessed R&D production capacity for providing green products and services for international customers, so as to reach customer satisfaction, including constant improvement of system methods and compliance with customer's requirements and applicable regulations, to guarantee providing products of safety and high quality to end users, and to avoid damages to health safety or environment.



Green Supply Chain Management

Corporate social responsibility and environment responsibility are key points focused by customers like major factories on world level, according to [Electronic Industry Code of Conduct] (EICC), its content covers labor rights and interests, safety hygiene, environment and business ethics etc., which are also widely used by Phihong Technology to check and require suppliers' performance on the above aspects, so as to guarantee high quality and low risk for suppliers, and to list results as one important consideration for suppliers' selection.

Source and Course Management

Via the thinking of [Source and Course Management], Phihong Technology has carried out control on RoHS, and grasped the schedule of RoHS in manufacture procedure and material management. The purchase unit shall require the supplier to control, to guarantee all materials used by Phihong could comply with related standards and customers' requirements.



Carry out RoHS high, medium and low risk classification management on materials and parts delivered by suppliers, to achieve the most efficient utilization of resources; for materials and parts delivered by suppliers, Pihong Technology has set a detection laboratory for environment management substances (HSF) in Dongguan Plant Area, which is equipped with complete instruments and equipment such as IC (Ion Chromatography), ICP-OES, XRF, XRI, GC-MS and UV/VIS Spectrometer etc., to check whether materials and parts comply with standards regulated by Pihong Technology and customers.



Ion Chromatography



ICP-OES

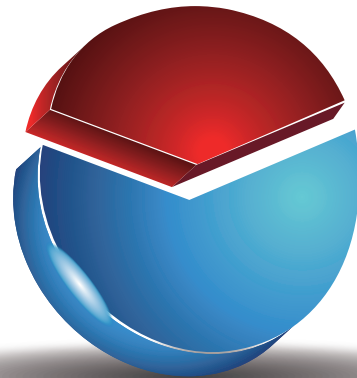
New suppliers will become formal and qualified suppliers after evaluation by Quality System Audit (QSA). Carry out evaluation according to [Supplier Data Survey Table] and [Supplier Quality / Environmental Protection System Scoring Table]. Meanwhile, environmental protection regulations and harmful substances [HSF Requirements (RoHS)], [Conflicting Mine Commitment] and [Conflicting Mine Survey Table (EICC)] are listed into key points and items for evaluation.

In 2015, there're 551 management suppliers, which all accept conflicting mine survey, and the survey result is as follows:



Items	Qualified Suppliers	Core Suppliers	Under Survey
Number	214	189	148
Follow-up practice	Survey completed	Survey completed	Continuous follow-up

In 2015, there're 20 new suppliers, which all accept QSA evaluation, and the evaluation result is as follows:



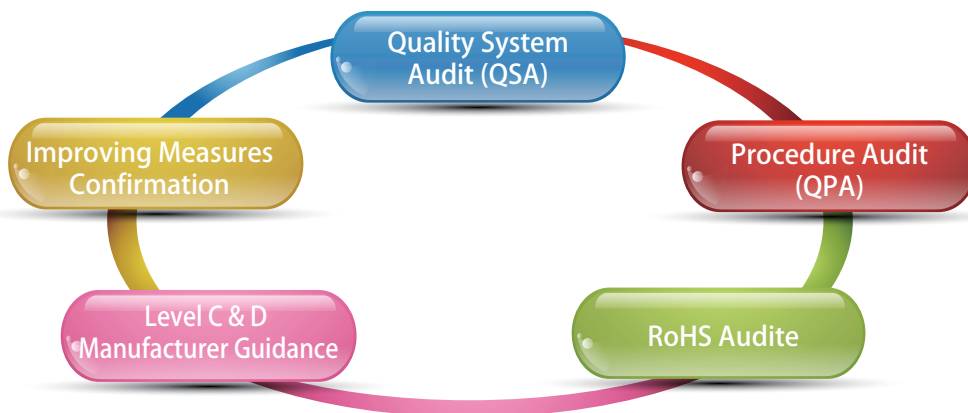
QSA Evaluation Supplier

- Qualified
- Unqualified

Items	Qualified Suppliers	Unqualified Suppliers
Number	14	6
Follow-up practice	Listed into approved vendor list	Recheck is required after guidance

Supplier's Quality Guidance

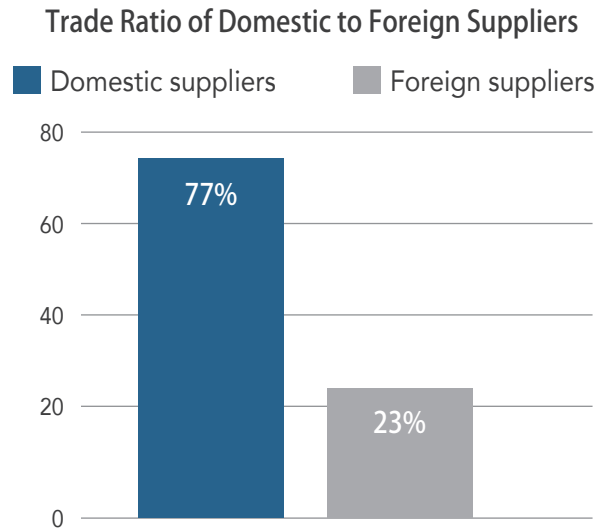
Phihong Technology also carries out quality audit guidance evaluation on qualified suppliers and newly developed suppliers on a regular basis, to guarantee product quality of manufacturer could reach quality requirements of the company. Guidance team shall be composed of persons appointed by three units of Supplier Quality Engineer (SQE), Technology and Purchase, to execute evaluation on newly developed suppliers, while SQE unit shall carry out audit/guidance/evaluation on suppliers according to actual situation.



To carry out supplier audit, the guidance team shall execute according to [Quality Process Audit Check List]/QPA/QSA Check list; for materials without making QPA/ QSA Checklist, audit shall be carried out according to control items on QC engineering drawing of the manufacturer. All suppliers shall carry out product environmental substance management, and its management performance shall comply with Phihong Technology's product environmental substance management standard requirements, and shall execute strictly according to environment management and substance control standards.

Evaluation on Core Suppliers by Comparison

In order to promote supply chain's management performance, scoring on core suppliers (Vendor Score Card) is carried out on a quarterly basis, to be used as reference evidence for making purchase strategy; till 2015, there're 192 core suppliers, and the ratio of domestic suppliers to foreign suppliers is 77:23.

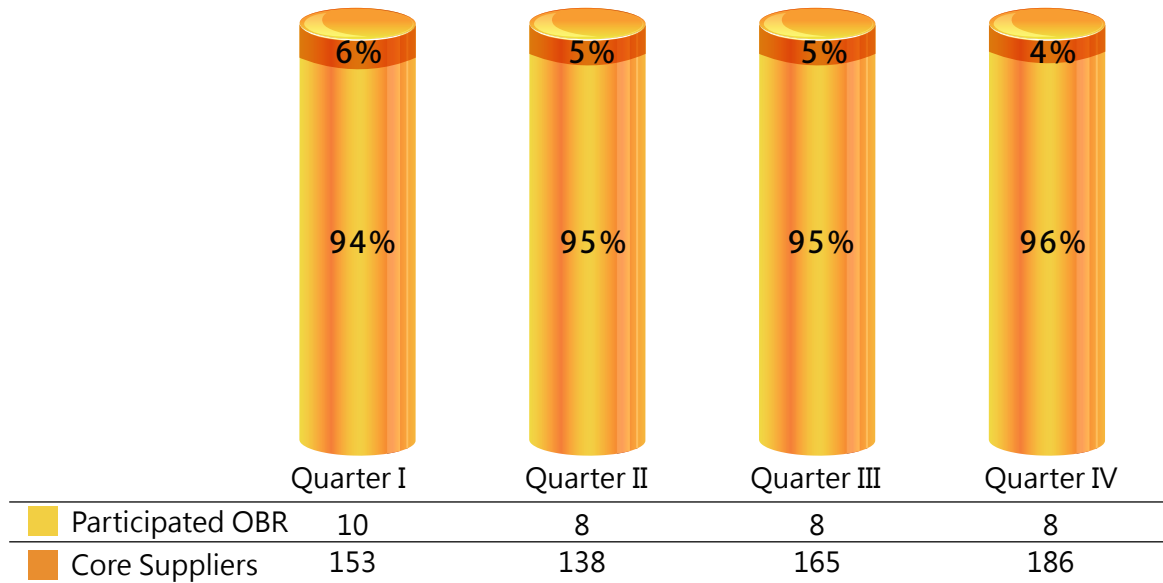


For core suppliers with an annual trading amount larger than NTD 10 million, the Quality Assurance Unit shall make a re-evaluation and audit plan for qualified suppliers, and audit items shall contain six major ones:

- Quality Performance
- Delivery Rate
- Supply Flexibility and Execution
- Technology Support and Service
- Price and Long-term Competitiveness
- Corporate Social Responsibility Management

Corporate social ethics items evaluation, covers items such as obvious impact on environment of suppliers, labor practice guidelines and human rights standards etc. Global Supply Dept. shall report suppliers with excellent performance for praise according to evaluation result; for those evaluated as Level D for consecutively 3 quarters, Purchase Unit shall eliminate or freeze such suppliers, according to core suppliers' abnormal flow operation. In 2015, about 25% core suppliers have completed re-evaluation and audit plan for qualified suppliers, and the number of it is 47. However, in 2016, this figure will increase constantly.

The Number of Suppliers Participating Evaluation & Audit Plan



Guide Suppliers to Improve Effect:

Periodic Quality Appraisal among Suppliers

For non-core suppliers, the Quality Assurance Unit shall carry out appraisal on delivery quality, and shall refer to unsound issues in production line and customer feedback in manufacture procedure of that month as evidence for rewarding suppliers. If supplier's monthly quality scoring has been evaluated as level C for consecutively three months or level D for consecutively two months, the Quality Assurance Unit shall provide punishment on payment delay; if supplier's monthly quality scoring has been evaluated as level C for consecutively five months or level D for consecutively three months, the Quality Assurance Unit shall forbid the manufacturer to provide new machine types or new materials, for warning.

Trading Situation of Suppliers

By the end of 2015, trading situation of suppliers is as follows:

Supplier Types	Raw Materials and Equipment Suppliers Outsourcing Manufacturer	HR Outsourcing Manufacturer Service	Outsourcing Manufacturer
Definition	Raw material manufacturer	Human agency & human appointment company	Onsite manufacturers who provide services. i.e. security, cleaning and group meals etc.
Supplier Quantity	540	14	5
Trade Amount (NTD)	7,649,554,886	Involved in salary, unable to be disclosed	Involved in salary, unable to be disclosed
With potential risk of environment impact	<ul style="list-style-type: none"> Failing to obtain permits and registration documents. Not operating or recording according to permits. 	None	None
With potential risk of labor impact	<ul style="list-style-type: none"> Overtime work Violating the prohibition on child labor, pregnant women or mornitor workers and making them work at night or engaged in special work. 	Overtime work	Overtime work
With potential risk of human rights impact	<ul style="list-style-type: none"> The director has not received any educational training on human rights. Foreign worker's certificate is detained. Foreign worker is charged with agency fee. Punishment deduction of salary. 	<ul style="list-style-type: none"> Foreign worker's certificate is detained. Foreign worker is charged with agency fee. 	None
Forced labor	<ul style="list-style-type: none"> Noise and smell Causing local traffic jam 	None	



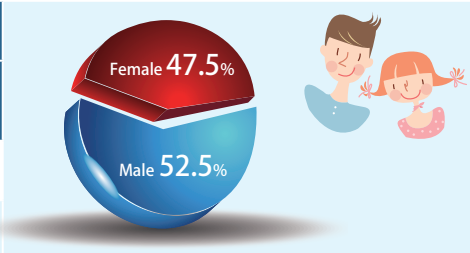


Happy Enterprise and Friendly Workplace

Performance Management and Appropriate Law

Annual Evaluation Proportion of Male to Female Employees

Year/Gender	Items	2015	
		Male	Female
Mid-year Examination		1,571	1,267
Year-end Examination		1,199	1,238



Note: Employees not reaching three months need not to participate in yearly examination.

8,696 persons
By the end of 2015, total number of employees of Pihong Technology Group



Talents is the key to success in the global market competition for Pihong Technology. The company makes labor polices according to labor decrees in operation site, while coordinating with international standards and specifications such as code of conduct for global customers and electronic industry etc., so as to construct an equal, safe and stable employment and development environment. In recent years, the number of employees in all areas displays a steady growth, creating and providing stable employment opportunities in local place. By the end of 2015, the total number of employees in Pihong Technology is 8,696, among them, 514 employees are located in Pihong Taiwan, 3,962 employees in Dongguan Plant Area, and the rest 4,734 employees are located in other plant areas in mainland and other countries. Pihong Technology is engaged in collecting, cultivating and developing talents, while average separation rate of key talents in operation headquarter in Pihong Taiwan is 2%, making Pihong Technology maintain a sound competitive power.

Human Resource Policy in Pihong Technology

- Human-based Management
- Respect professional managers
- Reasonable salary and welfare measures
- Talents cultivated by vocational training inside and outside the factory
- March towards human-based and adaptive targets

In employee recruitment and appointment, diversified recruitment plans are used, advocating to provide job opportunities to local labor and vulnerable groups, to make contribution to employment market and social stability. Furthermore, based on the mission of giving back to society, it promotes the development of industrial employment market, to make the employment market more flexible, and to create technology life of high quality together with Pihong Technology Team.

Perfect Welfare Measures

Phihong Technology firmly believes that, the success of enterprise depends on joint efforts of its staff, so [employees] have always been the most precious assets of Phihong Technology. Except for providing compensation benefit with considerable advantages, Phihong pays special attention to care on employees, development and working environment improvement, and provides the staff with comfortable and safe working environment of the highest quality; Regarding harmonious and human-based management as its target, Phihong does not only observe standards in various labor decrees, but create better performance based on Phihong Technology's operation ideology, meanwhile, Phihong Technology's assets, rights and interests as well as image are maintained via complying with laws and moral principles, so as to guarantee and promote the company's advantages in an all-round way, and to construct a sustainable enterprise responsible for the society.

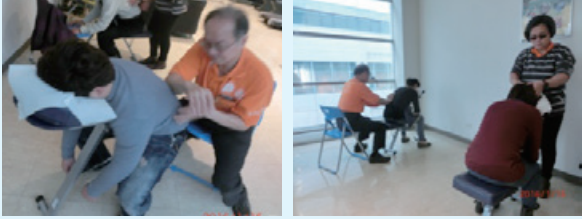


Note: For information about retirement reserve, please refer to Phihong Technology 2015 Annual Report p. 119.



In addition to sustainable operation and stable development of the company, intimate and friendly workplace environment is also a target sought by Phihong Technology, via building a fair working environment in an all-round way, Phihong makes its staff have no worries about the rear, and achieve balance between work and life, realizing the win-win mission for labor and capital.

Phihong Technology also pays great attention to salary and benefits of its staff, and adopts competitive compensation system and year-end bonus to attract excellent talents to join the big family of Phihong Technology, and to create a bright future. The salary depends on education background, position and market situation as well as individual's working performance, which shall not vary with difference in gender, race, religion, political stand and marital status etc. The HR Dept. carries out irregular market survey on salary every year, to understand supply and demand situation of the overall talent market, and to maintain the competitiveness of the company's recruitment.



Welfare Measures	Pihong Taiwan	Dongguan Plant Area	Content
Pressure Relief	✓		<p>Massagers with visual disorders are arranged by the company to come to the plant to provide massage service for colleagues, to make every colleague ease its body, while donating for public welfare.</p> 
<p>Tainan Club</p> 	✓		<p>In order to encourage colleagues participating proper recreational activities, the company provides employees and their relatives with tourist commendation using Tainan plant area and employee dormitory in free time.</p> 
Complete Group Insurance	✓	✓	<p>The insurance coverage reaches NTD 2 million ~ 6.5 million, including: Periodic life insurance, accident insurance, medical insurance for injuries, medical insurance for hospitalization, health insurance against cancer and overseas business trip insurance etc., this is one of welfare measures provided by the company for employees, to further cohere the company's centripetal force.</p>
Free Health Examinations	✓		<p>Health is an important element for life balancing, and the company insists holding physical examination every year and adopts diversified caring plans, to forge a healthy and happy workplace.</p>
External Training Subsidy	✓		<p>Encourage colleagues engaged in advanced studies, and provides a full Subsidy (100%).</p>
Marriage & Funeral Subsidies	✓		<p>For marriage or funeral of colleagues, the company will prepare NTD 10,000~12,000 as a gift for marriage / funeral according to related persons</p>
Annual Departmental Dinner Party	✓		<p>A departmental subsidy by application Dept. could be obtained every year, to be the subsidy for promoting friendship among colleagues.</p>
Sound Salary	✓	✓	<p>Salary structure review will be carried out every year, although the company was faced with severe operation challenges in 2015, it still distributed a year-end bonus of 2.11 months on average to its colleagues.</p>

<p>Dividend Distribution</p>	<p>✓</p>	<p>When there're earnings during annual settlement, the company will issue cash or shares to all colleagues in-service, to make each one of them share, enjoy and proud of this.</p>
<p>Diversified Communities</p> 	<p>✓</p>	<p>Encourage to found communities and provide certain subsidies, while hold various activities regularly. Communities such as badminton community, iron horse community, climbing community, snooker community, and remote control model community etc. have been founded, so as to cultivate colleagues to participate in proper recreational activities, meanwhile to keep friendship and enjoy colorful life under balance.</p> 
<p>Festival / Birthday Gift Money</p>	<p>✓</p>	<p>Gift money or equivalent purchase money will be issued during the Dragon Boat Day, Mid-Autumn Day or Spring Festival. Issue NTD 1,200 as gift money or birthday cake to colleagues during birthday month.</p>
<p>Tourism Subsidy</p>	<p>✓</p>	<p>Domestic tourist activities shall be uniformly planned and subsidized by the company; an additional annual tourist allowance is also provided, so that colleagues could plan family tourist activities freely, and those working for 1 year could obtain a tourist subsidy of NTD 8,000 every year.</p> 
<p>Shuttle Bus</p>	<p>✓</p>	<p>Rideshare is encouraged to respond to energy-saving and carbon reduction, while four routes for shuttle bus and OT bus are planned, to bring more safety and convenience for colleagues.</p> 

<p>Recreational Facilities</p> 	<p>✓</p>	<p>✓</p>	<p>Gym, squash court, audio library, and electrical massage chairs are provided.</p>  
<p>Christmas Activities Year-end Party</p> 	<p>✓</p>	<p>✓</p>	<p>The Year-end Party provides lottery draw, rich dishes and passionate fun activities.</p>  
<p>Awarding Ceremony for Excellent Employees</p>	<p>✓</p>	<p>✓</p>	<p>Meanwhile, awarding ceremony will also be held for rewarding excellent employees, so as to improve recognition on the company among colleagues.</p>  
<p>May Day Model Employee Selection</p>		<p>✓</p>	<p>Dongguan Plant will carry out an evaluation to select May Day model employees, in 2015, 80 model employees were selected, who had been rewarded with a diploma (bonus).</p>
<p>Birthday Party Dishes</p>	<p>✓</p>		<p>Birthday party will be held every month providing buffet for the staff.</p>
<p>Convenient Service Arrangement</p>	<p>✓</p>		<p>Convenient services are provided in the plant (bakery, leisure food, daily goods, communication items, bank and insurance) to meet daily demand of colleagues.</p>
<p>Preferential Provided by Spring City Resort</p>	<p>✓</p>		<p>Festival preferential (year-end dinner group by and season tickets) / marriage preferential / employee meal could enjoy a 80% discount, and no service charge / other preferential for facility use.</p>
<p>Other Welfares (Welfare Committee)</p>	<p>✓</p>		<p>Discounts in several dozens of appointed stores as gift money or consolation money for marriage, breeding, hospitalization or funeral etc. are provided.</p>

All-round Insurance Plan

Except for handling labor insurance, national health insurance and labor retirement according to the law, Phihong Technology also makes plans on medical insurance for employees, which is one welfare measures of the company, to make its staff contribute more in [try everyone's best to do everything], so as to cohere the company's centripetal force.

Employee Welfare Committee

Based on the principle of staff care and profit sharing, aiming to improve the staff's life quality, Phihong established the Employee Welfare Committee according to the [Employee Welfare Decree], to allocate funds regularly according to revenue status of the company, so as to provide its staff with various welfare measures.

The Welfare Committee will give out cash gift in major festivals such as the Labor Day, the Dragon Boat Festival, the Mid-autumn Day and the Spring Festival etc., as well as birthday gift in the month of employee's birthday. For welfare distribution of Phihong Technology in 2015, that in Phihong Taiwan reached NTD 11,095,410; that in Dongguan Plant Area was equal to NTD 1,555,625.

Gender Equality and Human Rights Orientation

Via a sound employment plan, the most instant information interaction relationship between Phihong Technology and its applicants could be reached, so as to transmit and absorb new blood with the same ideology with the company in an open and fair manner, and to inspire innovative energy. Phihong Technology has a standard process with respect to talent recruitment: It includes manpower demand, job description, job specifications and interview process, and adopts examination and evaluation on human characteristics, TOEIC and professional ability etc.

Phihong Technology adopts a fair appointment principle for all employees, for every newly recruited colleague, a life counselor and work instructor would be appointed to assist the employee adapting to the company's environment and culture quickly. If any colleague is found inadaptable to work, the transfer mechanism set by Phihong could provide necessary assistance, to guarantee its staff could [], and find a suitable stage for everyone.

Manpower Structure

Implementing corporate social responsibility and promoting social employment and stability is Phihong Technology's constant ideology, and Phihong Technology also takes an active stance in participating and supporting various plans promoted by the government, to improve employment market for the middle aged, providing job opportunities, and to assist re-employed women returning to work for making contributions, so as to create a high-quality technology life seeking for brilliance and excellence together with Phihong Technology team.

- By the end of 2015, the number newly recruited female employees in Phihong Technology Group has exceeded 40% of the total employment of the year.
- In order to provide more job opportunities for the middle aged and to promote re-employment of women, among newly recruited employees, those above 45 years old reached 8% of the total employment in Phihong Taiwan.



Age Classification, Total Dimission and Gender Distribution in 2015

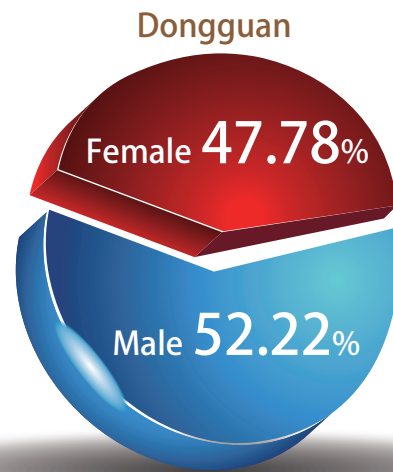
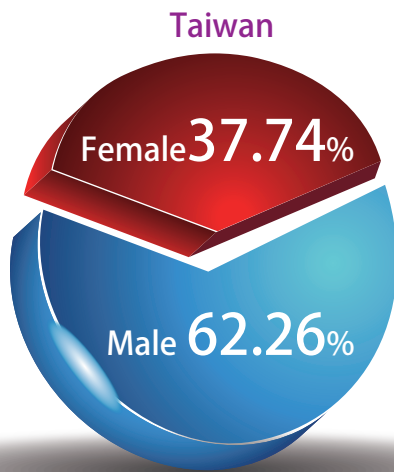
Factory	Phihong Taiwan		Dongguan Plant Area	
	In-service	Dimission	In-service	Dimission
Total	155	120	11,232	11,613
Male	91	68	6,614	6,836
Female	64	52	4,618	4,777
Under 30	23.87%	6.67%	85.86%	84.61%
30-40	57.42%	53.33%	11.04%	11.49%
40-50	15.48%	33.33%	3.03%	3.81%
Above 51	3.23%	6.67%	0.07%	0.09%
Male proportion	58.71%	56.67%	58.89%	58.87%
Female proportion	41.29%	43.33%	41.11%	41.13%
Total In-service	514		3,962	
Staff Ratio	30.16%	23.35%	283.49%	293.11%

Note 1: Calculation on male-female proportion on all age levels = Male and female on all age levels / Total In-service (dimissioned) * 100%

Note 2: The high demission rate in Dongguan Plant mainly lies in the impact of worker shortage in local places

[Human Resource Structure of Phihong Technology in 2015]

Category	Group	Male		Female		Group Subtotal & Rat	
		Persons	Group Persons Ratio	Persons	Group Persons Ratio	Persons	Staff Ratio
Title	Managers	157	80.5%	38	19.5%	195	4.36%
	Other persons	2,232	52.1%	2,049	47.9%	4,281	95.64%
Work Sites	Phihong Taiwan	320	62.3%	194	37.7%	514	11.48%
	Dongguan Plant Area	2,069	52.2%	1,893	47.8%	3,962	88.52%
Age	Under 30	1,705	53.6%	1,476	46.4%	3,181	71.07%
	31~40	447	49.2%	462	50.8%	909	20.31%
	41~50	169	58.1%	122	41.9%	291	6.50%
	51 above	68	71.6%	27	28.4%	95	2.12%
Education	Doctor	6	100%	0	0%	6	0.13%
	Master	81	78.6%	22	21.4%	103	2.30%
	Bachelor	387	57.0%	292	43.0%	679	15.17%
	Others	1,915	51.9%	1,773	48.1%	3,688	82.39%
Employment Typ	Irregular	1,100	57.0%	831	43.0%	1,931	43.14%
	Regular	1,289	50.6%	1,256	49.4%	2,545	56.86%
Gender Subtotal		2,389	53.4%	2,087	46.6%	-	
Total		4,476					



Gender Ratio of Management Personnel

Year / Title	2013					2014					2015				
	Male	Ratio	Female	Ratio	Total	Male	Ratio	Female	Ratio	Total	Male	Ratio	Female	Ratio	Total
Base – section level (Deputy)	52	74%	18	26%	70	60	71%	24	29%	84	63	73%	23	27%	86
Manager	61	88%	8	12%	69	80	92%	7	8%	87	77	87%	12	13%	89
Middle and High-level - Division Chief	13	93%	1	7%	14	14	88%	2	13%	16	11	85%	2	15%	13
High-level - Deputy General	6	86%	1	14%	7	6	86%	1	14%	7	6	86%	1	14%	7
Total	132	85%	28	15%	160	160	84%	34	16%	194	157	83%	38	17%	195

Note 1 Calculation on male-female ratio on all management levels = Male or female on all management levels / Sum of Male and Female on all management levels * 100%.

Note 2: Local recruitment for management levels in Dongguan Plant Area also displays an increasing tendency

Phihong Technology pays great attention to the value of female, however, the number of female directors is relatively small for industry and work structure, fortunately, in recent three years, the number of female directors displays an increasing tendency, which has increased from 28 in 2013 to 38 in 2015.

In addition, Phihong Taiwan also implements the policy of parental leave based on gender equality in work, and encourages them back to work while taking care of both work and family. Besides, in order to encourage breastfeeding among female colleagues, and to comply with policies of the Ministry of Health and Welfare of the Executive Yuan and the spirit of gender equality in work, a safe and comfortable space for breastfeeding with an area up to 22 pings is specially provided for female colleagues. Special refrigerator for breastfeeding, air conditioner and special space with privacy are provided indoors, creating a warm atmosphere with gentle light, to make female colleagues use with ease.



Well-appointed Breastfeeding Room with Comfortable Space

Application of Gender Equality Leave – Pihong Taiwan



The Number of Persons Applying for Gender Equality Leave

Items	Gender	2013	2014	2015
Maternity Level	Female	58	76	175
Paternity Leave	Male	66	69	68
Menstrual Leave	Female	98	131	111
Family-care Leave	Male	23	60	66
	Female	21	33	28



[Statistics on Application for Parental Retention and Reinstatement of Colleagues]

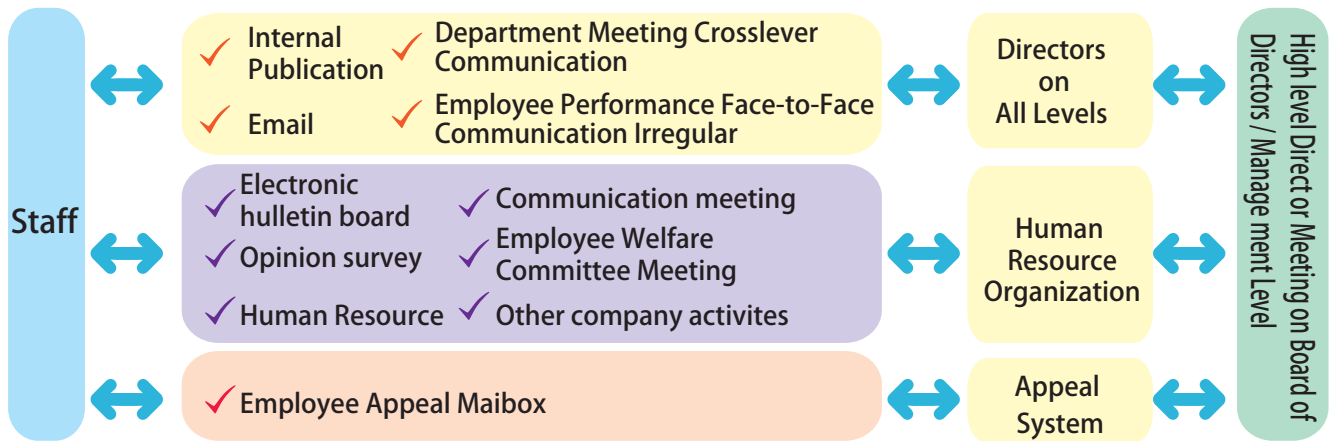
Items	Gender	2013 年	2014 年	2015 年
The number of employees qualified for parental retention application of the year	Male	9	14	38
	Female	5	15	28
	Total	14	29	66
Actual persons applying for parental retention of the year	Male	0	2	2
	Female	2	3	2
	Total	2	5	4
Persons predicted to reinstate after parental retention of the year (A)	Male	0	1	1
	Female	1	3	1
	Total	1	4	2
Reinstatement persons after parental retention of the year (B)	Male	0	0	1
	Female	1	1	1
	Total	1	1	2
Reinstatement Rate (B/A)	Male	0%	0%	100%
	Female	100%	33%	100%
Actual reinstatement persons after parental retention (C)	Male	0	0	1
	Female	1	1	1
	Total	1	1	2
Persons working for 1 year since reinstatement after parental retention in previous year (D)	Male	0	0	0
	Female	0	1	1
	Total	0	1	1
Retention Rate (D/C)	Male	0%	0%	0%
	Female	0%	100%	100%

Note 1: Retention rate = Persons working for more than 1 year since reinstatement after parental retention / Actual reinstatement persons of the previous year.

Note 1: Persons applying for parental retention: Persons still in parental retention

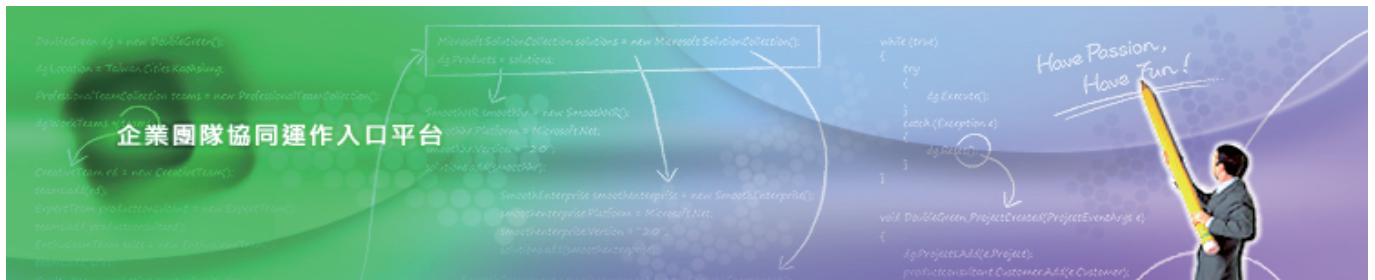
Zero-distance Communication among Employees

Listening to the voice of employees is an important subject of Pihong Technology's human-based management, only via sound and smooth communication channels, could a close and transparent interaction relationship between the company and the staff be reached, creating maximum benefits and harmony between labor and management. Various rules and regulations, code of conduct, and various welfare measures of Pihong Taiwan are publicized via the electronic platform of [Human Resource Service Center]. Suggestions about employee welfare measures, employee moral behavior report, workplace management and other suggestions good for the company's development could be submitted via the appeal system for employees.



Innovative Human Resource Service

Besides, in order to reach the best operation performance with the most precise manpower, Pihong Taiwan manages materials related with human resource service via using technology. It imported and established the [Entrance Platform for Corporate Team Collaboration] in 2015, achieving a centralized management on human resource operation such as employees' attendance, leave application, salary and performance examination as well as director's interview and appointment etc., to replace manual operation process. Employees could also search in the knowledge base for solutions, improving solution efficiency, which could not only reduce manpower cost, but improve satisfaction among employees. So as to reach the level of excellent administrative management.



EPM企業入口

提供系統整合與全面性的功能服務，也是連結所有功能模組的重要機制設計。基礎應用功能像是個人化的服務機制、安全控管、授權管理以及系統管理服務等，配合流程管理模組的系統主體核心機制，提供連接相關模組的流程服務，加上時間管理與知識管理，作為員工每天所需仰賴的協同作業平台。

- 最新訊息與公告
- 我的工作小幫手
- 權限管理
- 內容管理
- 流程管理

HRM人資管理

企業人資 E 化管理的基礎建設，透過系統化的作業管理，協助解決人資部門繁瑣的行政事務，從人才召募、組織管理、出勤排班、保險退休與薪酬所得等，簡化繁複的作業程序，降低人為的疏失，確保資料的即時性與有效性，並提供相關決策人員自助式的資料查詢與決策管理服務，快速提升決策效能。

- 我的員工管理
- 我的出勤排班
- 我的薪酬保險
- 履歷管理

HRD發展管理

協助企業建立人才培育與發展計畫的 E 化管理平台，是以「職能」為基礎的發展管理解決方案，可依照企業的人力發展需求，設定所需的職務與職能，並結合訓練管理系統，滿足企業訓練與學習的多元需求，深化企業培育發展的應用，提升員工訓練績效與行政作業效率，落實組織的發展規劃，健全員工的職涯發展。

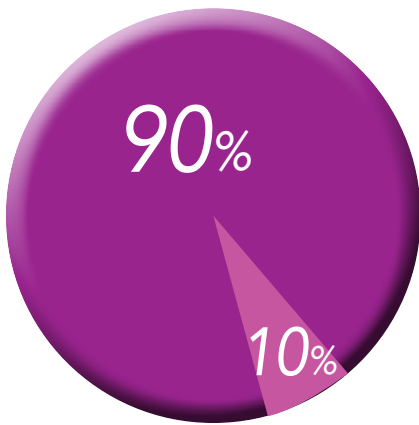
- 我的績效與獎懲
- 績效管理

Employee Satisfaction Survey

With respect to newly recruited colleagues, after a three-month period, Phihong Taiwan will carry out a face-to-face interview and satisfaction survey among them, to understand work adaptability and opinions in details, so as to provide help in time. The overall satisfaction among newly recruited employees in 2015 reaches above 90% (very satisfied), which is a positive affirmation, meanwhile, the parking lot usage and group meal quality frequently questioned among newly recruited employees, have been improved.

Satisfaction Survey among Newly Recruited Employees (Phihong Taiwan)

- Survey object: Newly recruited colleagues after a three-month period
- Survey period: Jan. to Dec., 2015
- Valid questionnaires: 88 copies, with a recovery rate of 100%.
- Overall satisfaction degree: 8.9 points (total score 10 points)



Average employee satisfaction

- Agree!
- Normal, do more!

Satisfaction index

- 8 and above: Agree!
- 6 and above: Normal, do more!
- 5 and above: Welfare needs to be improved!



Add Parking Lots for Employees to Solve the Parking Problem

Promotion in Group Meal Quality for Employee Canteen



Dongguan Plant Area collects employees' satisfaction on various measures of the company via annual employee satisfaction survey, and uses this as improving evidence for management decision. This helps to improve staff's centripetal force and cohesive force for the company. The 2015 employee satisfaction survey was held in April. Survey objects are classified into two parts, while related statistic analysis is as follows:

Type \ Items	Questionnaire Distribution	Questionnaire Recovery	Valid Questionnaires	Valid Recovery Rate	Survey Ratio	Overall Satisfaction Degree (10 points)	Survey Period (2015)
Direct Persons	529	471	459	86.77%	12.70%	6.45	4/15~5/7
Indirect Persons	101	92	92	91%	12.42%	6.82	4/15/5/7

It is found via the satisfaction survey in April, 2015, for the dormitory usage in plant area asked by employees, the company allocates a special budget equal to NTD 500 to subsidize employees for house rental outside, till the end of 2015, 1,044 employees have applied for such benefit.

Employee Representative Conference

In order to build a harmonious communication channel, and to provide the most direct communication opportunity between employees and management level in Dongguan Plant Area, Employee Representative Conference is held every year. 124 employee representatives will be appointed by the labor party, among which basic-level employees account for up to 81.45%. Communication topics involve in working environment, meals, accommodation, salary and welfare etc., in the 2015 Employee Representative Conference, 38 topics have been collected, which have been improved one by one and confirmed by employee representatives to publicize to the staff.



Human Rights Orientation and No Discrimination

In order to prevent employment rights and interests from being invaded, Pihong Technology insists on observing labor decrees across the Taiwan straits and social responsibility requirements, and prohibits any discriminating behavior on ethnic group, skin color, age, gender, sexual inclination, nationality, disabled, pregnancy, belief, political group, community membership or marital status etc., to guarantee equality and fair treatment among them.

Guaranteeing basic rights and interests of employees is the key point of human resource management for Pihong Technology. The company advocates equal job opportunities and diversification of employees, respects and maintains international human rights and labor standards, rejects child labor and forced labor, and forbids employment discrimination in any form. In 2015, there's no human rights intrusion. Respect local labor decrees and sign a labor contract with employees according to the law. Pihong Technology respects employee freedom, and guarantees legal rights and interests of employees, while Dongguan Plant Area organizes the labor union according to the law, and employees could participate in the union freely and possess a collective bargaining power, or reach the purpose of collective bargaining in a written form or via employee satisfaction survey. Meanwhile, child labor under 16 years old or colleagues under 18 years old are not allowed to work in areas dangerous for their body or spirit health (the prohibition of child labor is an important subject for international customer audit). Forced labor shall be forbidden. Any behavior of enslaving employees by threat, poisoning, monitoring or detention shall not be allowed.

Men and Women Enjoy Equal Pay for Equal Work

All employees shall enjoy equal pay for equal work despite of gender difference, and the income shall not be lower than minimum salary in local place, only when there's surplus during annual settlement of the company, cash or shares issued to serving colleagues of that year could vary according to performance evaluation result.

Anti-discrimination Measures

The recruitment, selection, enrollment, distribution, deployment, examination or promotion etc. on job applicants or employees in Pihong Technology, shall not vary because of discrimination on race, class, language, thought, religion, party, native place, birth place, gender, sexual inclination, age, marriage, appearance, facial features, physical and psychological disorders etc.

No Discrimination

Pihong Technology respects individual difference all over the world. At anytime, Pihong Technology will treat in a respectful and fair manner. Any appointment policy of Pihong Technology bases on the company's demand, and considers employment history, potential and achievements in an open selection manner, which does not vary for race, gender, age, religion, nationality or political stand etc.

No Illegal Disciplinary Behaviors

Pihong Technology does not allow any physical and psychological abuse, harass in language and body or any aggressive behavior, while any threat or violence and body threat shall all be prohibited.

Freedom of Association and Collective Bargaining Power

Pihong Technology has no labor union, and only respects the freedom of association and collective bargaining power among colleagues in the group. Pihong Technology promises that, such employee representatives shall not be discriminated and could contact with employees they represent in workplace. If related rights are restricted by local regulations, we also support other substitutive mechanisms, i.e.: The Welfare Committee etc.

Security Practice

All security persons are hired from legal and professional security companies, while newly recruited security

persons could work only after receiving complete pre-vocational training and being qualified by evaluation. During pre-vocational training courses of security persons, courses about how to guarantee human rights during service execution are also arranged, duration of which is 6 hours, while Security Management Dept. shall carry out regular supervision and examination according to agreement, to guarantee the staff to execute service according to related operation rules of the company.

Departure Notice Period

According to related regulations in basic laws regarding labor, Phihong Taiwan shall apply for a schedule related to notice period, while application schedule and process are informed in the code of conduct, to guarantee mutual rights and obligations, while related notice days are as follows:

Employees working for above 3 months but less than 1 year, shall notice 10 days in advance.

Employees working for above 1 year but less than 3 years, shall notice 20 days in advance.

Employees continuing to work for above 3 years shall notice 30 days in advance.

In addition, Phihong Dongguan will sign a labor contract with the employee on the day of arrival, while departure notice period shall be clearly identified in the labor contract and employee manual: Employee shall inform his or her departure in a written form 30 days in advance; employee in probation shall inform his or her departure 3 days in advance.

Create a Friendly Workplace

Above 80% of colleagues in Phihong Taiwan adopt flexible working hours, so that they could adjust time freely. Meanwhile, diversified holiday plans are also provided, for employees to take care of families, arrange life and participate in social affairs. The special annual leave could extend to the first quarter of the next year, so that employees could make flexible arrangement during the Spring Festival. For foreign employees, free air tickets and paid home leave are provided during the year, for family care, relatives could enjoy free accommodation in Taiwan as well as related living subsidy. Besides, in order to cultivate arts and culture among colleagues and stimulate aesthetic creation, and to plan an art gallery in Phihong Technology, the appreciation on art works from domestic and foreign artists is held on a dual-month basis, so as to promote culture quality, and to reach the concept of art life.



Barrier-free Measures

Pihong Technology adopts fair appointment principle on all its employees, and pays attention to the employment of venerable groups. In Pihong Taiwan, barrier-free slopes are set at all entries and exits as well as on internal floors, while internal elevators also provide sufficient space for wheel chairs. Pihong Technology also pays attention to diversification of employees and culture, employs and provides those with physical and psychological disorders long-term and stable job opportunities. The participation of those with physical and psychological disorders are warmly welcomed by Pihong Technology. In 2015, the number of employees with physical and psychological disorders in Pihong Taiwan met and exceeded the legal quorum in the Law of Protection of the Rights and Interests of Employees with Physical and Psychological Disorders. There's no employment regulation on those with physical and psychological disorders in Dongguan Plant Area, and there's no employee with physical and psychological disorders hired by far.

Employment of Physical and Psychological Disorders in Pihong Taiwan

Number	Year	2013		2014		2015	
		Male	Female	Male	Female	Male	Female
Number of Workers		4	0	4	0	7	1
Number at the End of the Year		4	0	4	0	7	1



Barrier-free Space Facility

Safety Hygiene and Health Promotion

Provide employees with safe and healthy working environment, and reduce hidden dangers in working environment, to avoid any risk to health. Dongguan Plant Area has promoted and passed the ISO 14001 environment management system and OHSAS 18001 occupational health and safety management systems, and accepts track and check of certification companies. Except for identifying environment, safety and hygiene risks, with respect to harmful factors existing in workplace, Phihong Taiwan implements detection on operation environment every year, and publicize the result, to guarantee health of employees. Meanwhile, local exhaust equipment is set in workplace, to keep employees away from exposure to harmful substances. With respect to emergencies derived from human negligence or natural disasters, except for making plans according to actual situations in all plants, and establishing countermeasures beforehand on any emergency in environment health and safety, emergency drills are also implemented, to reduce impact on personnel health and safety, as well as the company's properties to the lowest extent during any emergency.



Fire Control Lectures & Emergency Drills

Physical and mental health of employees is an important element to reach the balance between work and life, which is also a drive for sustainable development of the enterprise. According to rules on labor health protection, manpower deployment and plant service frequency, Phihong Technology appoints a special plant nurse and arranges physicians to come to the plant for diagnosis every month, while holding health lectures, providing employees with various medical consultancies, and visiting workplace onsite etc. Meanwhile, staff health examination is also held on a yearly basis, while tracking management is also carried out on examination results. Re-check service is also provided for any abnormality after half a year, so as to cultivate the ability of self-health management among colleagues. With respect to operators exposed to general and special dangers, Phihong Technology will arrange them to accept the health examination every year, while examination contents and frequency are prior to requirements of regulations. In 2015, the participation in health examination of employees in Phihong Taiwan reaches 96%, while the overall satisfaction reaches up to 97.5%. High support and affirmation on health examination among employees could be seen obviously.

Examination Objects	Category	Cycle	Implementation Methods	Remarks
Newly recruited colleagues	Normal physical examination	Within probation	Come to medical institutions for examination	<ol style="list-style-type: none"> 1. Work content evaluation shall be carried out when the employed worker is found to be unsuitable for a certain job during physical examination. 2. Examination records shall follow the format and storage life regulated in rules on labor health protection. 3. Examination fee: Max. subsidy is NTD 600.
	Special physical examination	Since 2012, lead-free solder operation has been adopted in an all-round way, without any operating environment endangering health.		
Normal colleagues	Normal health examination	Superior to regulations	Invite a qualified hospital specified by the Ministry of Labor to come to the plant for implementation.	<ol style="list-style-type: none"> 1. Work content evaluation shall be carried out when the employed worker is found to be unsuitable for a certain job during physical examination. 2. Examination records shall follow the format and storage life regulated in rules on labor health protection. 3. Examination fee: Paid by the company in full.
	Special health examination	Operating environment without special impact on health		
Directors on middle and high levels	Exquisite health examination	Normal health examination + Exquisite options; Once per year	Handle with normal health examination.	Examination fee: Paid by the company in full.



Resident Service of Specialists



Annual Health Examination on Employees



Staff weight loss activities

In addition, Pihong Taiwan also hold diversified health promotion activities, including weight loss activities, women healthcare, massage, influenza vaccine injection service, as well as various health lectures held on an irregular basis, all these are very popular among colleagues, meanwhile, the latest health information is also publicized on the internal electronic bulletin board of the company, providing diversified channels for colleagues to understand new knowledge on health.

[Zero Disaster] is the goal for Pihong Technology in occupational safety and hygiene aspect, and the company shall comply with related regulations in labor safety and hygiene, to prevent the occurrence of occupational disasters. All plants shall report work-related injuries according to regulations by laws on a monthly basis, while Dongguan Plant Area shall also record related accidents every month. Meanwhile, guidance on occupational disasters and work-related injuries shall also be carried out for employees, once any injury occurs, security persons shall carry out reason analysis together with related units, and prepare improving measures together, besides, they shall notify related persons to be alarmed and adopt corresponding measures. In addition, it is required to carry out statistic analysis on work-related injuries regularly, increase safety and hygiene examination items in plant area, keep adopting corrections and precautions, and to prevent reoccurrence of similar issues by means of engineering improvement, and educational trainings.

Work Loss Rate / Absence Rate / Accidents of Employees in Pihong Taiwan

Items	2013		2014		2015		Calculation Formula
	Male	Female	Male	Female	Male	Female	
Work-related Injury Rate	1.08	0.00	1.39	2.34	1.40	1.16	Injuries / Total work hours *218,400
Work Day Loss Rate	66.24	0.00	72.43	160.04	42.92	18.88	Total days applied for injury / Total attendance days of the year *218,400
Absence Rate	0.01	0.01	0.01	0.01	0.01	0.01	Absence days of the year / Total attendance days of the year (Absence rate takes injury leave, casual leave and sick leave as statistic scope)
Accidents of Employees	3	0	4	4	4	2	Work-related injuries of the year

Note: The coefficient 218,400 means every 100 employees work 52 weeks per year, and work 42 hours per week.

Work Loss Rate / Absence Rate / Accidents of Employees in Dongguan Plant Area

Items	2013		2014		2015		Calculation Formula
	Male	Female	Male	Female	Male	Female	
Work-related Injury Rate	0.54	0.21	0.62	0.25	1.13	0.18	Injuries / Total work hours *218,400
Work Day Loss Rate	41.17	106.69	141.90	55.18	169.65	37.75	Total days applied for injury / Total attendance days of the year *218,400
Absence Rate	0.69	0.05	0.74	0.04	0.05	0.04	Absence days of the year / Total attendance days of the year (Absence rate takes injury leave, casual leave and sick leave as statistic scope)
Accidents of Employees	16	6	19	6	20	3	Work-related injuries of the year

Note: The coefficient 218,400 means every 100 employees work 52 weeks per year, and work 42 hours per week.

Phihong Technology provides colleagues engaged in operation exposed to high occurrence of occupational diseases and high risks with proper individual protection devices, and arranges health examination to prevent occupational diseases, as well as implements environment monitoring onsite. For example, the cleaning agent containing benzene and hexane was eliminated in 2015. For colleagues with abnormal detection values, tracking management shall be carried out while necessary individual health consultancy, care and guidance shall also be provided, to make such colleagues master health situation of themselves. Till now, no occupational disease has ever occurred in Phihong Taiwan and Dongguan Plant Area.

In order to implement care on employees, OHSAS 18001 occupational hygiene and safety management systems have been established in Dongguan Plant Area, while the third-party certification has also been obtained. Meanwhile, group accidental insurance is also provided for the staff, to avoid any loss from accidental injuries beyond work hours or places, and to provide stronger protection.

For Phihong belongs to electronic assembly industry, it is not necessary to use large quantities of toxic chemicals during manufacture process, while product assembly does not need to operate in a highly cleaned enclosed space, meanwhile, the plant also provides individual protective articles and enhanced ventilation in posts exposed to chemical use, so there's no occupational danger related to chemicals of high risk inside the plant. But for constant improvement in automation in recent years, noise intensity on operation site increases to a certain extent, however, the overall noise intensity will be controlled under 85dB(A), while providing protective articles for colleagues ° .



Employee Occupational Health Knowledge Publicity

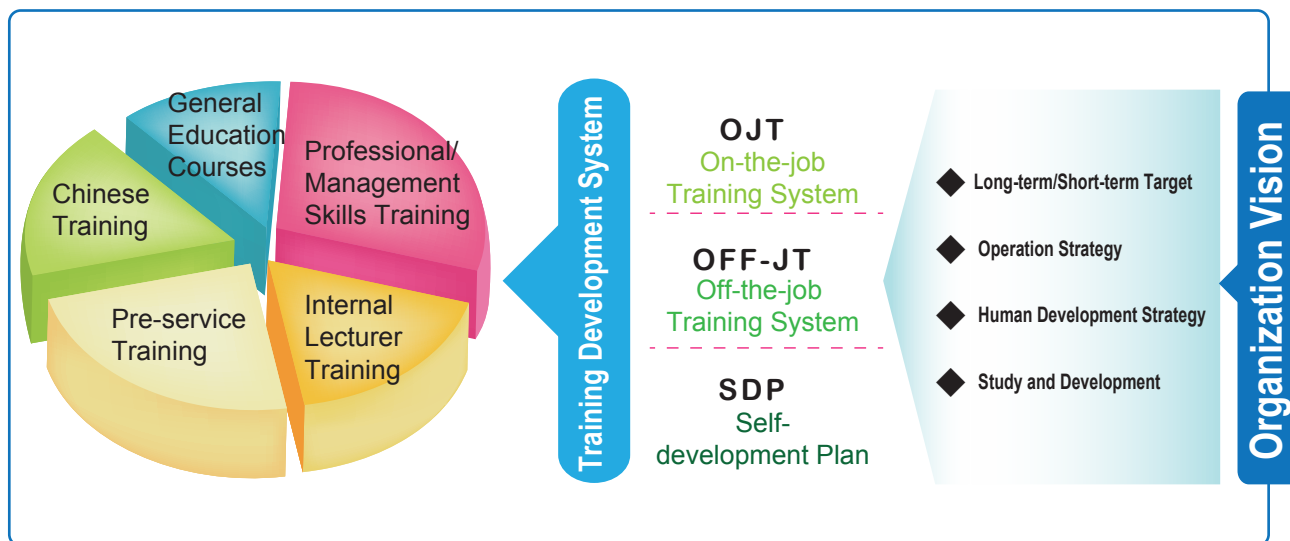
Talent Training and Diversified Development

Phihong Technology's Training Policy and Commitment

- Regard TTQS as the benchmark for training quality, and combine the company's vision and target strategy.
- Inherit the ideology that talent is the root for the enterprise, and construct a training system with diversified development.
- Improve manpower quality and enterprise competitiveness, and reach the goal of sustainable operation of the company.

Phihong Technology engages itself in creating a life-time learning environment for its staff, and providing diversified learning resources. Meanwhile, various trainings, certifications and vocational trainings all comply with local labor laws, which not only construct a safe and healthy working environment, but provide employees with a learning space. Except for providing full subsidy for external trainings, management & development / theme trainings, Chinese courses and lectures on common senses in life, Phihong Taiwan also establishes a complete e-Learning digital platform, which enables employees to arrange learning schedule according to individual time plan in a flexible manner, and to browse knowledge base at anytime. Abundant and diversified internal and external resources make employees possess their own opportunities for self-learning, growth and development.

Via complete educational training & developing system and learning platform, learning and developing of employees does not only include basic annual educational trainings, and training & developing system courses, but adjustment and arrangement on training contents according to the company's vision and operational strategy demand, while related matching educational plans could meet the need for self-promotion of employees, as well as promote the overall manpower quality of the enterprise, so as to enhance the company's market competitive strength.



Pre-vocational Trainings on Newly Recruited Employees

A life counselor and work instructor are allocated by the company for newly recruited employees in Pihong Taiwan, to help them integrate into the company's culture, institutional norms and environment, and to understand job responsibility, related expertise, quality as well as various practical trainings; on the day of arrival, instructions on the company's environment, welfare system, educational training etc. will be carried out, plus digital and physical courses for learning, so that employees could get into gear and exert abilities quickly. Basic training plans on newly recruited employees in Pihong are executed by the company, so the completion rate of training among employees passing probation reaches 100%.

Items / Year	2014	2015
Total number of newly recruited employees	119	115
Total hours for pre-vocational training courses	2,379.5	2,325
Average training hours	20.0	20.2



Function / Management Talent Trainings

Internal experienced employees or experts are invited to give lessons, to carry forward and share expertise and experience, so as to improve employees' skills, promote individual work performance and team competitiveness, while plan different training contents according to function demand on management level, so as to enhance correct self-recognition and leadership skills.



Year / Category	Total Hours in 2014	Total Hours in 2015
Business / Marketing	1,058	1,096
Professional R&D	6,510.5	4,306.5
Quality Assurance / Purchase	177.5	940.5
Administrative / Management	5,772.5	10,567.5
Total Training Hours	13,518.5	16,910.5

* Total training hours – not including e-Learning online training hours

In addition, to cooperate with the industrial talent training plan of the Labor Development Bureau, and correspond to trade liberalization and global economic competition, Pihong Taiwan applies to implement vocational trainings in assistance units for the [Charging Takeoff Plan], and 34 courses were provided in 2014, while 30 courses in 2015, so as to enhance function / management talent training inside the company.



Internal Tutor Trainings

Employee education is the source for enterprise competitiveness, while professional level, vision, teaching attitude and skills of tutors inside the enterprise will deeply impact the growth and work performance of the staff, via trainings of internal tutors, knowledge accumulated during the operation of the company could be carried forward effectively, thus to cultivate the second specialty of employees.

In Oct. 2015, a two-day training course on internal tutors was carried out inside Pihong Taiwan, cultivating 13 internal tutors qualified via internal certification for Pihong Technology. The rate of having lessons among internal certified tutors reaches 100%, and average satisfaction among students rises to 9.2 points, increasing by 0.5% compared to average satisfaction in 2014.



Common Sense Lectures

Except for courses related to labor safety and specialty, a series of lectures are also held with respect to demand in workplace, physical and psychological needs, parent-child relationship as well as social environment, to assist employees achieving a balanced development between workplace and personal life. It is expected to promote employees' sensitivity on topics related to society, economy and environment aspects etc. by arranging lectures on common sense, furthermore, employees are also encouraged to put forward topics improving suggestions or social participation suggestions to the company.

Items	2014		2015	
	Classes	Total Hours	Classes	Total Hours
Health Lecture	4	223.5	4	216
Environment Lecture	2	174	1	68
Parent-child Lecture	1	80	1	68
Special Lecture	3	185	4	243.5
Total	10	662.5	10	595.5



Language Trainings

Due to the strategy for international development, Pihong encourages employees to enhance their abilities in foreign languages, invite foreign teachers to the company for training and provides subsidies such as tuition fee and foreign language examination fee; besides, language examination standards are also made according to rank, while vocational training units will apply for administrative awards according to examination result, so as to encourage employees to keep promoting foreign language ability. In 2015, training participants and class hours increase by above 50% compared to the previous year.

Items	2014	2015
Language	English / Japanese	English / Japanese
Number of Participants	53	80
Class Hours	192	288



Statistics on 2015 Employee Training Hours

Level / Area	2015 年											
	Statistics on 2015 Employee Training Hours						Dongguan Plant Area					
	Annual Accumulated Hours			Employees			Annual Accumulated Hours			Employees		
Total	11,555			514			85,074			3,980		
Per Capita Hours	22.48						21.37					
Male & Female Materials	Female		Average	Female		Average	Female		Average	Female		Average
	Hours	Persons		Hours	Persons		Hours	Persons		Hours	Persons	
Normal Employees	5,244.51	163	32.17	2,992.78	156	19.18	35,073.0	1,706	20.56	33,659.0	1,489	22.61
Basic Directors	1,073.30	63	17.04	518.52	23	22.54	7,250.5	391	18.54	8,424.5	364	21.94
Middle-level Directors	1,181.31	77	15.34	232.83	12	19.40	469.5	16	29.34	107.0	10	10.70
Middle and High-Level Directors	193.25	11	17.57	23.00	2	11.50	90.5	4	22.63	-	-	-
High-level Directors	63.00	6	10.50	32.50	1	32.50	-	-	-	-	-	-

* Normal employees – all indirect in Taiwan area; indirect and direct employees in mainland area.

* Total training hours – Taiwan Area includes internal/external trainings, e-learning online training (not including language training hours, hours of introduction of the company's regulations for employees on board and pre-job training hours for newly recruited employees); mainland area includes internal/external trainings.

Phihong Technology expects that each employee serving the company, could transfer from [person] to [talent] and then to [talent and wealth], so that employees could keep growing during learning and making contributions. The [educational training and promotion architecture structure] is also made to carry out related training courses and plans, so as to help employees enhance related skills and to further improve work involvement and self-worth.

Besides, in order to enhance and promote the quality of training development, Pihong Taiwan adheres to the Talent Quality-management System (TTQS) promoted by the Ministry of Labor of Executive Yuan, and accepts assessment regularly; in 2015, it accepted assessment by TTQS, and won the glory of silver medal again. In future, Pihong will insist on enhancing the demand of organization, to enhance the quality and achievement of the company's educational training!



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		Chief Engineer				
3	Assistant Vice President, (Deputy) Director						
4	Senior Manager						
5	Project Manager, Deputy Manager	Chief Specialist	Executive Secretary	Project Leader Engineer	MTP Mid-Level Management Training Management Basics Work Improvement Work Control	Dispatched Personnel Pre-Training Internal Lecturer Training	
6	Section Manager	Special Assistant	Chief Sales Representative	Senior Sales Representative	Senior Engineer	Management Capabilities Development Training Work Coordination Subordinate Development	Quality Management Training (ISO9001, ISO14001)
7	Deputy Section Manager	Senior Specialist	Secretary	Sales Representative	Engineer	Safety & Sanitation Training/ Fire Seminars and Drill, First Aid Training, Labor Safety & Sanitation Concepts	
8	Supervisor	Specialist			Engineer	Personal Further Education, Subject Lectures, School Education	
9	Deputy Supervisor				Engineer		
10	Foreman				Engineer		
11	Deputy Foreman	Administrator			Deputy Engineer		
12		Assistant	Chauffeur, Switchboard Operator		Senior Technician		
13					Technician		
14					Technician		
15		Temporary			Operator		

Local Care and Social Integration

Weak Care and Community Care

The headquarter of Pihong Technology is located in Huaya Technology Park in Guishan District, Taoyuan City. In local places for operation, the group would participate in care activities in local community, and return back to the community. Pihong takes an active stance in participating activities related to community; furthermore, these are also carried out among different regions and the common people in Taiwan, to deem popularizing education and environmental protection as their duties; In Dongguan Plant Area, it is to respond to related activities in local industrial areas, to cohere centripetal force among local organizations and people.

[Recycling Turns to Love, Love the Earth with Heart] Give Second-hand Bikes to School Children

In order to implement environmental protection and transfer it into love, Pihong Technology recycles official bikes not in use, and consigns local Giant Bicycle Factory to help replace unsound parts for recovery. These bikes are given to poor school children in Da Gang Junior High School in Huaya Park, to make use of resources again, and to reach the purpose of resource recycling, which also benefits the poor and vulnerable groups in the community.



Long-term Support, Cultivate Talents of Judo

Mr. Chen Zaiqi, the aged legend in Judo field, is a senior and loyal shareholder of Pihong Technology, who attends the Shareholder Meeting of Pihong Technology every year. He also encouraged the operation team during decline of the company, forming an extremely deep affection with Pihong. Mr. Chen Zaiqi is not only a wonder in Judo field, but cultivates numerous excellent players in his life time. He is the winner of the first Gold Medal for judo in the Asian Games, who inherits the spirit of Judo. He also founded a dojo to teach judo for free over half a century, who insists training from pupils. He devotes himself to making contributions to judo, and insists that [keep promoting judo in his life time, to fulfill his persistence and ideal!], so he is called the grand master in Taiwan judo field. When credentialism takes the priority, he tries to teach for free as far as possible, however, people learning judo become fewer and fewer. In addition, he also acts as a tutor teaching both English and Japanese, so as to persuade parents to encourage their kids to learn judo. He passed away in Taichung when he was 89 years old in 2010. During his life time, he has held invitational games among school children from Japan and China for 32 years in succession. Pihong appreciates Mr. Chen's contributions to Taiwan judo field over the years, and has sponsored a fixed fund to invitational games on a yearly basis since 2008. The total amount has reached hundreds of thousands by far, playing a part in cultivating excellent judo players in Taiwan.



Enhance Relationship between Police and Community – Friends of the Police Association

For limited police force and unlimited people power, in order to guarantee a safe life of the general public, Friends of the Police Associations have been set up throughout the nation, to focus on care of the aged and the youth, and community security against crimes. Its members are composed of ardent enterprises or people from all walks of life, who contribute money and efforts to maintain public security, while depending on police force, under the assistance of people power, so as to establish a safe society. So, Pihong has donated a fixed fund to Guishan Office, Friends of the Police Association, Taoyuan County on a yearly basis since 2007, till now, the total amount has reached more than NTD 2.2 million. Chairman Lin in Pihong has also been invited to act as the consultant. Based on this, the partner relationship between the police and the community as well as the people has been reinforced, so as to fight crimes via combining police force and people power, expecting that the public security in Taiwan could be as good as that in Japan and USA.

Education Donation and Charitable Sponsorship

Based on the original intention of disseminating love and care, Since 2010, Pihong has combined the year-end party dinner with social care, and held multiple related commonweal activities, which has been recognized and appraised by senior officers and the staff. On the eve of 2015 year-end dinner party, we launched the commonweal activity [Make EYE see, Endless Love], and cooperated with Eden Foundation to invite visually impaired massagers to our plant, to make visually impaired friends have an opportunity to get to know Pihong employees, establish confidence and sense of achievement via providing massage service, light up the hope of life and disseminate love and care together, so as to create a barrier-free society full of love.

In addition, in order to care kids from poor families, since 2013 the [Pihong One Hundred Dollars Club, Long-term Assistance Program] has been launched inside Pihong Taiwan, advocating the colleagues to donate more than one hundred dollars on a monthly basis for public good, while all these funds will be used in assistance on school children from poor families, so as to cultivate national talents. Under the promotion of love and young passion, nearly half of the colleagues respond actively and donate for support. On a monthly basis, over NTD 20 thousand has been raised to the Taiwan Foundation for Children and Families (TFCF) of Consortium Corporation, to promote social services.

讓EYE看見

愛永不止息



飛宏將愛心串聯，今年我們與伊甸基金會及家扶中心合作，共同舉辦兩場公益慈善活動：

- ♥ 讓EYE看見視障按摩最FUN鬆
- ♥ 飛宏百元俱樂部·一月一百暖家扶

邀請全體同仁來體驗專業的視障「摩」力或參與長期性小額捐款，一起作愛心，把愛傳出去！

活動名稱	活動時間	活動說明
讓EYE看見 視障按摩最FUN鬆	2015/01/23 (五)	視障按摩讓您能夠活絡筋骨、舒壓解勞外，也幫助視障朋友生活、心靈、職業重建，讓他們能夠靠自己的雙手更積極樂觀的面對未來。
飛宏百元俱樂部 一月一百暖家扶	歡迎隨時加入~ 愛心無期限!!!	百元俱樂部，邀請您小額捐款，幫助國內貧困兒童成長及就學，讓愛心無限擴展，使關懷充滿飛宏的每一個角落，讓愛心永不停歇，並傳達愛永不止息的概念!

- ♥ 凡參加上述活動者，每項活動皆可獲得2/13(五)尾牙年終晚會遊戲闖關券乙張，闖關通過即可參加抽紅包活動，您就有機會抽中老牌好用的大同電鍋等大獎，通通有獎等您來拿!!
- ♥ 詳細活動內容請參閱公告說明。

主辦單位：飛宏科技 協辦單位：伊甸基金會、家扶中心

愛的撲滿 愛心百分百

『飛宏百元俱樂部助學關懷計畫』

- ♥ 受款單位：家庭扶助基金會。
- ♥ 捐款目的：長期幫助貧困兒童成長及就學。
- ♥ 愛心期限：填妥同意書隨時皆可加入。
- ♥ 愛心起跑：繳交同意書次月起薪資代扣捐款正式啟動。
- ♥ 愛心金額：每月最低捐款金額為一百元，愛心無上限！
- ♥ 愛心行動：填寫捐款同意書並繳交至總務部或職訓中心。

備註：相關細節請見愛心捐款同意書，有任何問題歡迎來電詢問謝師屏(Millie)#1372/王彥婷(Ann)#1371

Shoulder Public Welfare and Improve Regional Medical Level

In order to encourage excellent medical persons, research and develop high-end medical, promote international medical communication, and improve medical level of the country, in 2015 Pihong Technology donated NTD 200 thousand to Apricot Green Medicine Foundation of Consortium Corporation as medical development fund, and set bonus, awards or assisted excellent medical persons in the country via the foundation, to promote medical education, research, advocate and improve medical service level.

Willing to Contribute and Help the Mentally Challenged

In order to increase employment opportunities for the mentally challenged, and promote diversified and integrated society, in 2015, Pihong Technology worked with the protective plant of Social Welfare Foundation for the Mentally Challenged, and introduced the delicious handmade cakes with elegant package together with Xihaner Bakery, while providing irregular services in the plant or assisting sales via the company's internal electronic bulletin board, to encourage all colleagues to order, which not only provided gifts for the company and its employees but made contributions to public welfare.



Production Learning & Observation and Experience Communication

In order to make students recognize the expectation on new comers in the job market, and adjust their learning directions and attitudes according to such expectation. Pihong has held multiple enterprise visit and production & study communication activities with universities and colleges, such as Chung Hua University, Kuang-Hwa Senior Industrial Vocational High School, Luoyang Industrial University of Japan, Otsu University etc. Meanwhile, Pihong also cooperated with Tainan Education Cloud which is Action Learning Guidance Group, and jointly held the [Action Learning Software & Hardware Integration Plan] activity during the summer holiday, which included the demonstration of iTS5 interactive educational platform, expecting to deepen the specialty and energy of cloud industry and action learning, by means of professional dialogues.

Via the above sharing and communication, it is to make observing students understand advanced products and current operation situation of the technology industry, expecting to increase recognition and application among students after their entering the industry, promote communication and cooperation between educational circle and the industry, implement cooperation between construction and education, as well as social service to cultivate professional skills among students, so as to reach benefits from cooperation between production and education.

Time	Unit
2015.06.10	Enterprise Management Dept. of Chung Hua University in Hsinchu City
2015.07.23	Education Cloud & Action Learning Guidance Group in Tainan City
2015.11.04	Kuang-Hwa Senior Industrial Vocational High School of Taichung City
2015.11.16	Luoyang Industrial University in the Capital of Japan
2015.12.07	Otsu University in Kumamoto, Japan



Annex

Annex I: Verification Statement



Assurance Statement

On

Phihong Corporate Social Responsibility Report of 2015

AFNOR GROUP was established in 1926. We are the National standardization body of France, a permanent council member in ISO and one of the leading certification bodies in the world. AFNOR ASIA LTD., a subsidiary of Afnor Group, conducted this assignment using a verification team consisting of seasoned professionals highly trained in sustainability-related standards including AA1000AS, AFAQ26000, ISO9001, ISO14001, ISO14064, OHSAS18001 and ISO 50001, and with qualifications as lead auditors, or verifiers. Afnor Group hereby provides a summary of the PHIHONG TECHNOLOGY CO. LTD. Social Responsibility Report of 2015 (hereinafter referred to as "the Report"), but was not involved in any way in its preparation.

Afnor Group and Phihong Technology Co. Ltd. (hereinafter referred to as "Phihong") are independent entities. Afnor Asia Ltd. was commissioned by Phihong to conduct the assessment and assure the Corporate Social Responsibility Report of 2015 was in accordance with AA1000 Assurance Standard (2008) (AA1000 AS 2008) and the Global Reporting Initiative Sustainability Reporting Guidelines (GRI G4).

SCOPE

The activities in the Report mainly covered the operation of Phihong in the aspects of social, environmental, economic and other related business performance. AFNOR Asia is responsible for:

1. Evaluating the accordance of the Report with the Type 1 of AA1000 Assurance Standard (2008) based on the AA1000 Accountability Principles (2008). It does not include the sustainability performance information revealed and data reliability. The verification scopes include sustainability issues, response mechanism, performance information, management systems of information, and the processes of materiality evaluation and stakeholder participation.
2. Evaluating the appropriate option of the Report and its disclosure of materiality topics by GRI G4 Sustainability Reporting Guidelines.

REFERENCES

- AA1000 Accountability Principles Standard (2008) and AA1000 Assurance Standard (2008).
- GRI G4 Sustainability Reporting Guidelines (2013).

METHODOLOGY

- The inclusivity, materiality and responsiveness in the Report were assessed according to the principles of management process against AA1000 Assurance Standard (2008).
- The contents and the level of disclosure of the Report were in accordance with GRI G4 core option and then assessed against requirements of general and specific standard disclosures (including disclosure on management approach and indicators).
- The mechanism of communication and response to the interest of stakeholders was verified through discussion and interview with the management team, however, the assessment team did not make any direct contact with external stakeholders.
- The qualitative and quantitative information produced, collected and disclosed by the Report was reviewed through a validated sampling plan.
- All of documents, data and information that are related to the preparation of the Report has been reviewed and verified by the assessment team via discussions with responsible individuals in Phihong.
- A total of 19 employees, representatives from different departments and different management levels having participated in the sustainability management and preparation of the Report were respectively interviewed.
- The findings of internal audits and the effectiveness of CSR policy have been reviewed.
- All of the supporting material and evidence which were used for the preparation of the Report were reviewed for adequacy and integrity.

Annex II: GRI G4 Pointer Comparison Index

		General Standard Disclosure	Page No.
Strategy and Analysis	G4-1	Provide the announcement of the highest decision-makers of the organization (i.e. CEO, Chairman or equivalent high-level managers), content of which includes judging sustainable topics related the organization, as well as sustainable strategy put forward towards the relevance to the organization	4
	G4-3	Organization Name	2
Organization Introduction	G4-4	Main Brands, Products and/or Services	16~17
	G4-5	Location of Headquarter of the institution	2
	G4-6	The quantity and name of nations undergoing operation of the organization (including main nations for operation and sustainable development)	17~18
	G4-7	Ownership and Legal Nature	2
	G4-8	Serving market of the institution(including region distribution, and types of serving industries, customers/beneficiaries)	17~18
	G4-9	Indicate organization scope, including: Total employees total operation bases/net sales or net revenue capital sum classified by liabilities and rights & interests/the quantity of products or services provided	17~20
	G4-10	<input checked="" type="checkbox"/> Total number of employees classified according to employment contract and gender <input checked="" type="checkbox"/> Total number of formal employees classified according to employment contract and gender <input checked="" type="checkbox"/> Total labor classified according to formal employees and informal employees as well as gender. <input checked="" type="checkbox"/> Total labor classified according to region and gender Whether main positions of the organization are mainly undertaken by self-employed persons according to law, or by non-employees or informal employees (including formal employees and informal employees of the contractor) <input checked="" type="checkbox"/> Any major change in total employment (i.e. tourism or agriculture, whiletotal employment will change with the season)	55~56
	G4-11	The proportion of total employment guaranteed via collective negotiation and agreement	63
	G4-12	Description of Supply Chain of the Organization	44
	G4-13	Report any major change in organization scope, structure, ownership or supply chain, including: <ul style="list-style-type: none"> <input checked="" type="checkbox"/> Change in location or operation, including utilization, closing and expansion of plant and equipment <input checked="" type="checkbox"/> Change in share structure and other changes in capital composition, conservation and operation (applicable private departments and organizations) <input checked="" type="checkbox"/> Change in supplier's location, supply chain structure or relationship with the supplier (including selection and termination). 	2
	G4-14	Explain whether the institution has policies or principles to handle early warnings	23~24 28~29
	G4-15	List economic, environmental and social rules, principles or other proposals confirmed by organization and made externally.	21~22

	General Standard Disclosure		Page No.
Organization Introduction	G4-16	<p>List public associations (i.e. industrial associations) participated by the organization and the membership of national or international advocating organizations, and participating methods include:</p> <ul style="list-style-type: none"> <input checked="" type="checkbox"/> Have a position in managing institutions participate in projects or committees <input checked="" type="checkbox"/> Except for paying the fee regularly, large sum of aid is also provided. <input checked="" type="checkbox"/> Membership has strategic significance Here it mainly refers to membership maintained in the name of the organization. 	21
	G4-17	<ul style="list-style-type: none"> <input checked="" type="checkbox"/> List all entities in the organization's combined financial statement or equivalent documents. <input checked="" type="checkbox"/> Indicate whether there's any entity in organization's combined financial statements or equivalent documents not contained in this report <p>The organization could quote information in publicized combined financial statements or equivalent documents, to report this standard disclosure item.</p>	2~19
	G4-18	<ul style="list-style-type: none"> <input checked="" type="checkbox"/> Determine report content and process of consideration aspect boundary <input checked="" type="checkbox"/> How the organization follow the [Principle of Determining Report Content] 	6~10
	G4-19	List all major consideration aspects identified during determining report content.	8~9
Identification on Actual Consideration Aspects and Boundaries	G4-20	<p>For each major consideration aspect, indicate the boundary on consideration aspect inside the organization, as follows:</p> <ul style="list-style-type: none"> <input checked="" type="checkbox"/> Indicate whether the consideration aspect is major inside the organization. <input checked="" type="checkbox"/> i.e. this consideration aspect is not significant for all entities inside the organization (as described in G4-17), select one of the following methods to report: For those contained in G4-17, this consideration aspect does not have entities or groups of entities of significance, or for those contained in G4-17, this consideration aspect has entities or groups of entities of significance. Indicate special restriction on boundary of this consideration aspect inside the organization 	10~12
	G4-21	<p>For each major consideration aspect, indicate the boundary on consideration aspect outside the organization, as follows:</p> <ul style="list-style-type: none"> <input checked="" type="checkbox"/> Indicate whether this consideration aspect is significant outside the organization <input checked="" type="checkbox"/> If this consideration aspect is significant outside the organization, identify such entities, groups of entities or elements, and describe geographical position of these entities 	10~12
	G4-22	Indicate special restriction on this consideration group outside the organization Indicate the impact and reasons for recompilation on any information provided in previous reports	2
	G4-23	Indicate any obvious change in scope and boundary of consideration aspect, compared to previous reporting	10

	General Standard Disclosure		Page No.
Identification on Actual Consideration Aspects and Boundaries	G4-24	List interested groups of persons for negotiation of the organization	7
	G4-25	With respect to interested persons for negotiation, indicate methods for identification and selection.	6
	G4-26	Indicate the method for negotiating with interested persons, including negotiation frequency of different interested groups and form, and indicate whether any negotiation procedure is carried out specially for compilation of this report	12~13
	G4-27	Indicate key topics and focusing issues put forward via negotiation of interested persons, as well as how the organization responds to such key topics and focusing issues, including indicating interested groups of persons putting forward each key topic and focusing issue.	12~13
Report Parameters	G4-28	Report period of provided information (i.e. fiscal year or calendar year)	2
	G4-29	Date of previous report (if any)	2
	G4-30	Report period (i.e. every year, every dual years etc.)	2
	G4-31	Provide contacts able to answer questions related to report or content.	2
	G4-32	<input checked="" type="checkbox"/> Indicate the [observation] options selected by the organization Indicate GRI content index for selected options. <input checked="" type="checkbox"/> If the report has been guaranteed/affirmed externally, please quote external guarantee/affirmation report.	2
	G4-33	<input checked="" type="checkbox"/> Indicate policies and prevailing deeds of the organization to seek for external guarantee/affirmation for the report. <input checked="" type="checkbox"/> If no guarantee/affirmation report is attached in the sustainable report, it is required to indicate provided evidence and scope of any external guarantee/affirmation <input checked="" type="checkbox"/> Indicate the relationship between the organization and guarantee/affirmation. <input checked="" type="checkbox"/> Indicate whether the highest managing institution and management level would take part in the procedure seeking for external certification on sustainable report.	2
Organization Management	G4-34	Indicate management structure of the organization, including the committee of the highest managing institution. Identify committees responsible for decision making in economic, environmental and social impact.	23~25
Morality and Integrity	G4-56	Describe the organization's value, principles, standards and code of practice, i.e. code of conduct and ethics	24

		Corresponding Indexes of Major Consideration Aspects	Page No
Economic performance		G4-DMA	19~51
		EC1 Yield and distribution of direct economic value	19
		EC3 Welfare plan and commitment made by the organization	51~55
		EC4 Financial subsidies provided by the government	19
Economic Aspect	Market Image	G4-DMA	51
		EC5 Proportion of starting salary based on gender to the lowest local salary.	51
		EC6 Local hiring ratio of qualified management level.	57
Indirect Economic Impact		G4-DMA	32
		EC7 Investment on developing infrastructure and supporting service and its impact	33
Purchase Practice		G4-DMA	46
		EC9 Local suppliers' purchase ratio for important operation bases.	46
Energy		G4-DMA	36
		EN3 Energy consumption inside the organization.	36
Water		G4-DMA	36
		EN8 Total water consumption indicated according to source.	36
Emission		G4-DMA	36
		EN15 Total emission of direct greenhouse gas (scope 1).	38
		EN16 Total emission of direct greenhouse gas (scope 2).	38
Environmental Aspect	Sewage & Waste	G4-DMA	36
		EN22 Classify sewage emission according to water quality and emission destination.	36
		EN23 Total waste outlined according to category and handling methods (scope 2)	39
Products & Services		G4-DMA	36
		EN27 Reduce impact on environment brought by products and services.	36~38
Regulation Observation		G4-DMA	31
		EN29 Total penalty for breaching environment decrees, and the frequency of punishments beyond money	31

		Corresponding Indexes of Major Consideration Aspects		Page No
Environmental Aspect	Overall Environmental Protection Investment	G4-DMA		38
		EN31	Total environmental protection expenditure and investment classified according to category.	38
	Supplier Environment Evaluation	G4-DMA		44
Environmental Aspect		EN32	Proportion of new suppliers monitored according to environmental norms.	45
	Appeal Mechanism for Environment Issues	G4-DMA		31
		EN34	The number of appeals about environmental impact registered, handled and solved via a formal appeal mechanism.	31
Social Aspect	Employment Relation	G4-DMA		50~51
		LA1	Calculate newly recruited employees and ratio as well as resigning employees and separation rate according to age, gender and region.	56
		LA2	Welfare provided for full-time and formal employees in main operation bases.	51~55
		LA3	Make statistics on the proportion of reinstatement and retention after parental leave according to gender.	59
	Labor Relation	G4-DMA		55
		LA4	With respect to the shortest announcement period for operation change in the group's contract content. .	64
Occupational Health & Safety	G4-DMA		65	
	LA6	Work-related injury ratio, occupational disease ratio, loss day ratio, absence ratio and mortality related to work by gender and region	68~69	
	LA7	Employees exposed to high risks and health hazards	69	
Sociforal Aspect	Training & Education	G4-DMA		70
		LA9	Annual average training hours of single employee calculated according to employee category and gender	74
		LA10	Enhance employee's ability of being employed, assist management on skills for transferred employees, and learning projects or courses	73
		LA11	The proportion of employees accepting regular performance and career development review by category and gender	50

		Corresponding Indexes of Major Consideration Aspects		Page No
Socifor al Aspect	Diversification & Equal Opportunities	G4-DMA		55
		LA12	Identify members of managing institutions and composition of various employees according to gender and age groups, minorities and other	56~57
	Equal Pay for Men & Women	G4-DMA		
		LA13	Identify the ratio of basic salary of male to female according to employee category and important operation sites.	63
	Appeal Mechanism Socifor Labor Practice	G4-DMA		59
		LA16	The quantity of labor appeals submitted, handled and solved via a formal appeal mechanism	59
	No Discrimination	G4-DMA		63
		HR3	Discriminative events and corrective measures	31~64
	Child Labor	G4-DMA		44~63
		HR5	Identify child labor risk in the organization and suppliers; to eliminate child labor, measures taken by the organization.	Not found 63
	Forced & Mandatory	G4-DMA		41
		HR6	Identify forced labor risk in the organization and suppliers; method taken by the organization to eliminate forced labor,	44~47
	Security Practice	G4-DMA		63
		HR7	The percentage of security personnel accepting trainings on operation-related human rights policies and program aspect.	63
	Anti- corruption	G4-DMA		64
		SO3	The total number of units implementing anti-corruption checks and related percentage.	23
		SO4	Communication and training on anti-corruption policies and procedures.	23
	Regulation Observation	G4-DMA		24~27
SO8		The sum of currency penalty and non-currency penalty violating laws and regulations.	24	

		Corresponding Indexes of Major Consideration Aspects	Page No	
So cial Aspect	Product Service & Logo	G4-DMA	16	
		PR4	Clarify total events breaching laws for information and logo of products and services and voluntary specifications	31
		PR5	The result on measuring customer satisfaction survey.	40~42
	Customer Privacy	G4-DMA		31
		PR8	Total customer complaints about privacy intrusion, and information leak etc.	31
	Regulation Observation	G4-DMA		31
		PR9	Provision and usage of products and services, and currency value of major penalties for violating laws and regulations	31

Annex III:

UN Sustainable Development Goal (SDG) Comparison Table

Items	Goals	Corresponding Chapters	Pages
Goal 1	Eliminate poverty in any form in all places care for weak groups,	educational donation and charitable sponsorship	76~79
Goal 2	Eliminate hungry, achieve food safety and improve nutrition and promote sustainable	care for weak groups, educational donation and charitable sponsorship	76~79
Goal 3	Guarantee health and promote welfare for all age groups.	Safety, Hygiene and Health Promotion	65~69
Goal 4	Guarantee to make no social distinctions in teaching, fair and high-quality education, and advocate life-time learning.	Diversified development on talent training	60~75
Goal 5	Realize gender equality, and give power to women.	Gender Equality and Focusing on Human Rights	55~57,63
Goal 6	Guarantee all people could share water and hygiene and its sustainable management	Carbon Reduction Management for Energy and Resources	36~39
Goal 7	Guarantee reliable, sustainable and modern energy affordable for all people	Carbon Reduction Management for Energy and Resources	36~39
Goal 8	Promote tolerant and sustainable economic growth, and employment with productivity, to make everyone have a good job	Operation Performance and Enterprise Development	19~20
Goal 9	Establish infrastructure with flexibility, promote tolerant and sustainable industry, and accelerate innovation	Operation Performance and Enterprise Development, green R&D and environmental protection	19~20 32~35
Goal 10	Reduce domestic inequality and that between countries.	Gender Equality and Focusing on Human Rights	63
Goal 11	Promote city and human residence to possess tolerance, safety, flexibility and sustainability	Carbon Reduction Management for Energy and Resources, care for weak groups	36~39 76~77
Goal 12	Guarantee sustainable consumption and production mode	Customer Service and Satisfaction	40~42

Items	Goals	Corresponding Chapters	Pages
Goal 13	Adopt emergency measures to cope with climate change and its impact.	Operation Risk Early-alarming Management	28~29
Goal 14	Preserve and constantly use ocean and ocean resources, to guarantee sustainable development	Society and association organize to participate.	21~22
Goal 16	Promote a peaceful and tolerant society, to implement sustainable development; provide legislative channels to everyone; establish valid, responsible and tolerant policies on all levels.	Communication with Interested Persons	13
Goal 17	Enhance executing methods for sustainable development and activate sustainability to develop global partnership.	High-level operation management, integrity operation moral management, enterprise social responsibility practice	23~27

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