



# PHIHONG TECHNOLOGY CSR REPORT 2014





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# Phihong Technology CSR Report Introduction

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This report is the sixth edition of CSR report compiled and released by Phihong Technology Co., Ltd. (hereinafter referred to as Phihong Technology), which mainly illustrates Phihong 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 [Phihong 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 Phihong Technology Taiwan Headquarters (PHT) as well as two major production bases Dongguan Plant Area (PHC) and Tiesong Plant Area (PHCJ) in mainland in 2014 (from Jan. 1 2014 to Dec. 31 2014); financial data covers the overall operation performance of parent company and subsidiaries, while the remaining index has not covered other branches, plants and transfer investment companies.

In this report, figures in financial statement are calculated in new Taiwan dollar, which are checked and confirmed via Deloitte & Touche Account Office regularly, while passed ISO 14001 and OHSAS 18001 via verification of a third party notary unit, besides, performance related to environment protection, safety & health are represented with universal indexes. Partial details and financial information are also disclosed on the company's website as well as on shareholder annual report in more details, if there's any prediction or assumption condition, it will be indicated in related chapters.

## Report Compilation Guideline

Content structure of the report is compiled via adopting the 4th version sustainability reporting guidance (GRI G4) issued by a global sustainability reporting initiative organization (Global Reporting Initiative, GRI), to disclose Phihong Technology's main sustainable topics, strategies, goals and measures. Content of this report discusses and defines whether the process complies with AA1000 requirements, and this report has two versions (Chinese and English), which are publicized on official CSR website of Phihong Technology.

## Report Guarantee and Confirmation

In order to promote information transparency and reliability, SGS Taiwan Ltd. has been consigned to complete GRI G4 guarantee confirmation on Aug. 5 2015 and to pass verification (for details about Verification Statement, see page 81) on of the same year, according to AA1000 AS(2008) Type I medium guarantee level and GRI G4 core observation options.

## Issuance Date

Phihong Technology issues Enterprise CSR Report on a persistent and regular basis every year, while it is not required to rewrite content in reports issued previously, and there's no major change in boundaries on

scope and consideration aspects. Meanwhile, in order to implement environment protection and paperless office, this report will be published onto the Company's website which is provided for downloading.

**Current issuance version: It is planned to issue in Oct. 2015 (previous issuance version: July 2014)**







## Words from Chairman



Phihong Technology Co., Ltd.  
Chairman

Since the establishment of Phihong Technology in 1972, till now enterprise operation has changed according to times, environment protecting ideology has improved, and enterprise responsibility has promoted etc. Phihong Technology does not only provide customers with excellent quality and perfect service, grows together with customers, understands customers' requirements in advance, and provides differential service & products timely etc., but adheres to the ideology of technology core and technology innovative development, and regards green energy, carbon emission, as well as environment protection as important mission reduction for the company to develop enterprise CSR.

Since Phihong Technology founded the [Enterprise CSR Committee] in 2009, all CSR reports report information disclosure according to the latest global sustainability reporting guideline, while adhering to the operation ideology of [integrity, creation, challenge], participating into social activities, caring the society and joining the crowd, and establishing a sound relationship of reliance with the government, to understand their interested topics and trend, and to create the greatest benefits for interested parties concerned. For Phihong Technology, enterprise CSR is not only its responsibility and core value, but the key for Phihong Technology to carry out sustainable operation.

Looking back into 2014, the recovery from disasters occurred in 2008, as well as financial storm in Europe, plus food safety storm in 2014, public security, student movement, Ebola etc., caused sustained depression in global economy, and slow recovery in global economy, which also indicates the importance of enterprise responsibility and sustainable operation.

In 2014, although there's no great growth in the overall operation revenue of Phihong Technology, despite of benefiting status of the company, it persisted the enterprise's CSR mission, and devoted to developing/manufacturing high-efficiency power supply products, while keeping products complying with requirements for high quality/safety standards.

Following the tendency of international energy saving and carbon emission reduction, based on its power energy conversion technology over 40 years, Phihong Technology has researched and developed a series high-efficiency energy-saving LEDs, electric charging solutions etc. successfully. Under the premise that Phihong Technology's consciousness on Corporate Social responsibilities keeps increasing, our mid-term target is to improve the level of CSR internal administrative members, expecting to integrate more thoughts on strategy, and to guide Phihong Technology to an operational direction with more sustainability steadily, while our long-term target is to expand operational thoughts and strategies guided by CSR to all global operational bases for implementation.

In 2014, based on the principle of integrity, transparency and openness, Phihong Technology CSR Report demonstrated its efforts and implementation achievements in Corporate Social responsibilities. In 2014, Phihong Technology adhered to the company's operation ideology, while regarding Corporate Social responsibilities as its operation blueprint, and devoted to developing diversified green products, while making great efforts to promote energy-saving products, so as to jointly create a bright future of multiple patterns.



# About Pihong

Pihong Technology is a listed company in Taiwan Stock, with its operational headquarters established in Taoyuan, and subsidiaries for production & manufacture established namely in Dongguan, Guangdong, China mainland, Suzhou, Jiangsu and Fengcheng, Jiangxi, in addition, subsidiaries are also set in California, USA and Tokyo, Japan, to provide customers with real-time business and technology services.(During reporting period, there's no major change in the scope, ownership, organization structure and supply chain of Pihong Technology and its subsidiaries.)

## Main Products and Services

As a power supply manufacturer with professional experience over 40 years, the brand of Pihong Technology has won the trust of global customers.

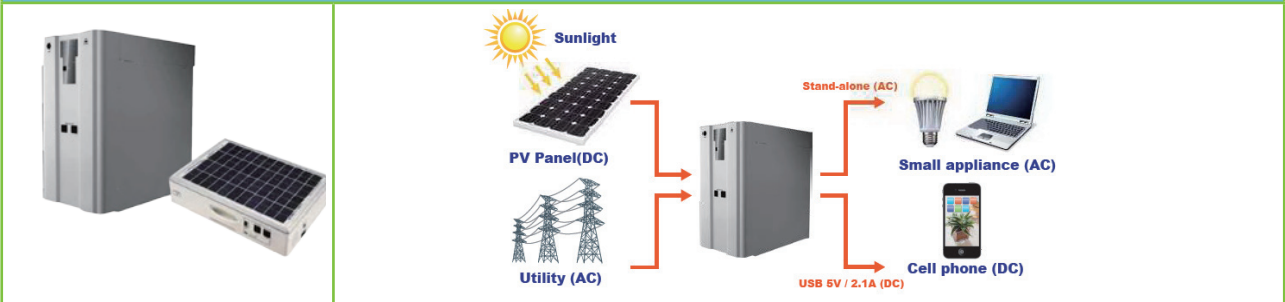
Pihong Technology product line includes power adapter/charger, LED power (LED driver), Ethernet power supply (PoE), backup energy storage products, electric vehicle charging column, wireless charger, electronic parts i.e. wire parts and network filters etc., solar inverters etc. In addition, a sub-brand N-Lighten under Pihong Technology devotes to designing ultra-large multi-point contact screen as well as backstage management software.

Main Products	Functions and Applications
1. Power Supply	
<p><b>Adapter</b></p> 	<p>Mobiles/Notebooks/Pads/Printers/Network communication</p> 
<p><b>Charger</b></p> 	<p>Digital cameras/Household appliances/Electric tools/Chargers</p> 
2. Power over Ethernet (PoE)	
<p><b>PoE</b></p> 	<p>Monitoring cameras/Broadband telephones/Broadband wireless base station</p> 

## Main Products

## Functions and Applications

### 3. Energy storage equipment

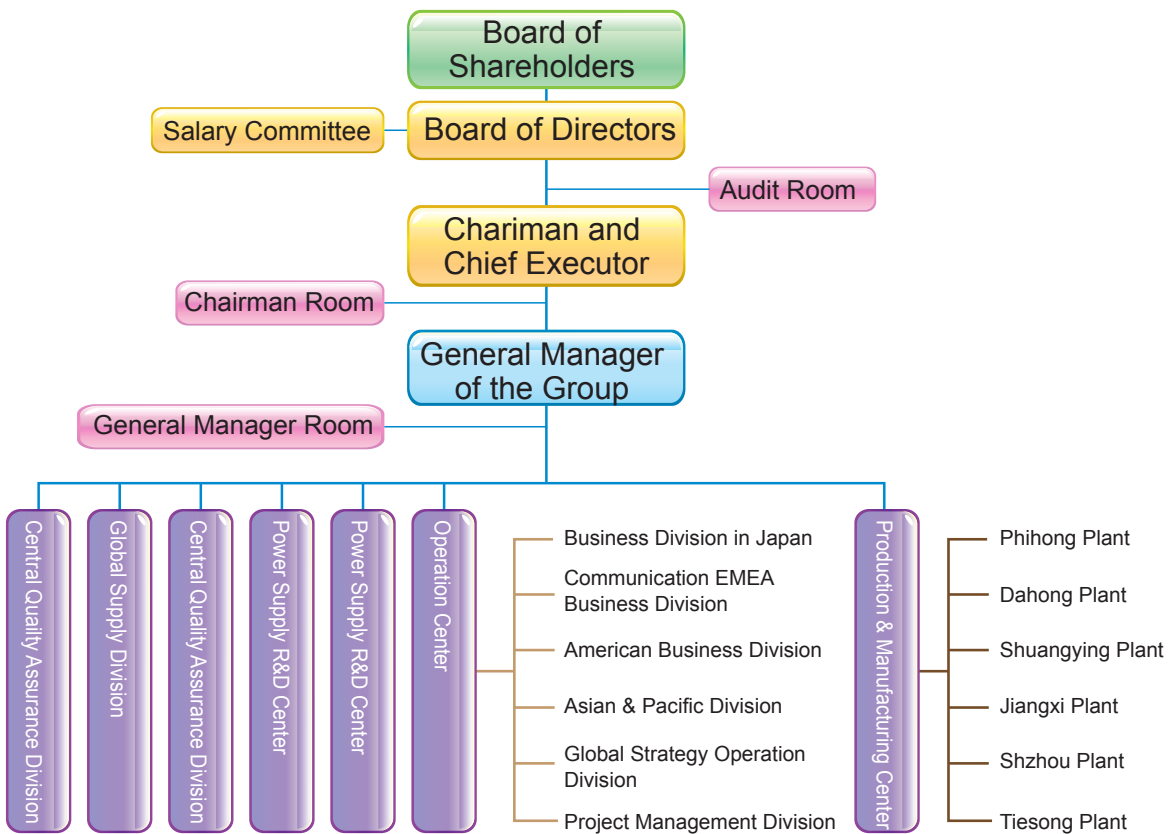


### 4. Mobile heating devices



Other products include electronic parts such as electronic ballast, construction site stereo, micro-inverter, wire, transformers etc.

## Company Organization Structure



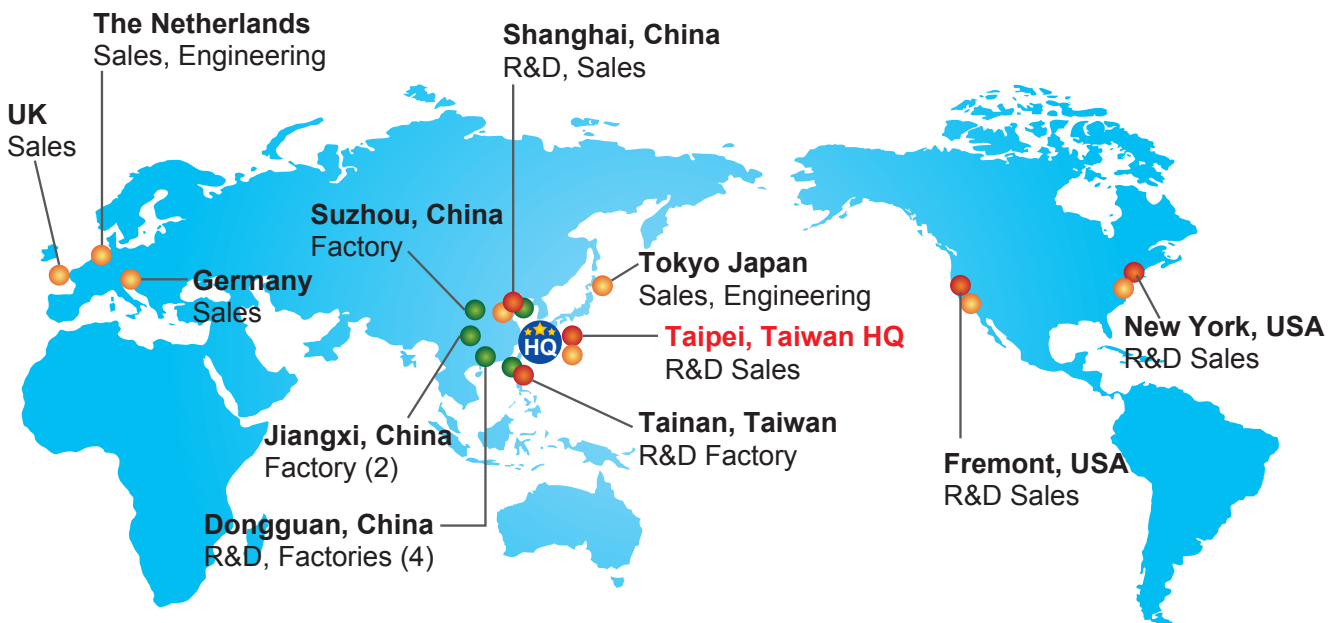
## Responsible business of All Departments:

Department	Responsible Business
Chairman Room	<ul style="list-style-type: none"> <li>■ Executing important resolutions of the Board of Directors, and leading managers to make important decisions of the company.</li> </ul>
General Manager Room	<ul style="list-style-type: none"> <li>■ Making various business plans and developing strategies according to market situation and competition status.</li> </ul>
Audit Room	<ul style="list-style-type: none"> <li>■ Auditing the execution of various rules and regulations of the company.</li> <li>■ Providing improvement opinions on administrative and executive units etc.</li> </ul>
Financial & Administrative Management Centre	<ul style="list-style-type: none"> <li>■ Supervising the effect of execution of various functional organizations, as well as operation performance evaluation.</li> <li>■ Utilization and deployment of group short/middle/long term funds obtaining.</li> <li>■ Accounting fund management and control.</li> <li>■ Group human resource cultivation, development and management.</li> <li>■ Group information operating integration, various operating computers, working efficiency promotion.</li> <li>■ Promotion of social responsibility business.</li> </ul>
New Technology Development Centre	<ul style="list-style-type: none"> <li>■ New technology product design planning.</li> <li>■ Development evaluation on new products in future market.</li> <li>■ New product research &amp; development and technology importing.</li> </ul>
Power Supply Research & Development Centre	<ul style="list-style-type: none"> <li>■ Design and development on various power products.</li> <li>■ Technology importing and support of power supply products.</li> <li>■ Development and improvement of existing products.</li> </ul>
Operation Centre	<ul style="list-style-type: none"> <li>■ Planned revision on operational policy.</li> <li>■ Responsible for business exploration and sales operation of the company, able to turn plans into results in a powerful manner.</li> <li>■ Customer development and management.</li> <li>■ Full control on orders and receivable accounts.</li> </ul>
Production & Manufacture Centre	<ul style="list-style-type: none"> <li>■ Complying with operational targets instructed by plan executing operators.</li> <li>■ Manufacturing products to customers' satisfaction according to production specification and standard operating procedure on schedule.</li> <li>■ Maintenance and planning on production machines and plant facilities.</li> <li>■ Implementing according to quality policy and quality target, and coordinating related departments to solve quality issues.</li> <li>■ Manufacture procedure design and improvement.</li> <li>■ Outsourcing manufacturers management.</li> <li>■ After-sales service management.</li> </ul>
Global Supply Dept.	<ul style="list-style-type: none"> <li>■ Coordinating manufacturers management.</li> <li>■ Purchasing materials and components complying with quality specification.</li> <li>■ Managing entry/exit as well as storage of materials and finished products.</li> <li>■ Making and executing annual materials price reduction strategy.</li> <li>■ Comparing and analyzing market prices.</li> <li>■ Participating in new product development, providing resources and negotiating price.</li> </ul>
Central Quality Assurance Dept.	<ul style="list-style-type: none"> <li>■ Testing and verifying new products.</li> <li>■ Making testing standards on reliability.</li> <li>■ Promoting, maintaining, supervising and executing ISO9001 and TL9000 quality administration system.</li> <li>■ Promoting, maintaining and supervising ISO14001 environment administration system.</li> <li>■ Assisting making (revising) and integrating on quality/environment administration system of various departments in the group.</li> <li>■ Quality prevention, warranty and execution of products manufactured by the company.</li> </ul>

## Operational Base and Global Layout

Main products of Pihong Technology are power supplies, while there're numerous manufacturers for this product both at home and abroad, if predicted according to global switching power supply market scale, market scale of global switching power supply in 2014 is about 30.379 billion USD, while power vendors from Pihong Technology accounts for about 1.37% of the global market. Distribution area of Pihong Technology covers five major continents in the world, in order to provide special and real-time services for local users, Pihong Technology has set up R&D laboratories and sales/service spots in California, New York in USA, Holland, China, Japan and China Taiwan. Customers of Pihong Technology are manufacturers on leadership level coming from all industries of the globe, including communication, personal electronics, network communication, industry/Ethernet network power supply, lighting and electric vehicle etc.

In 2015, Pihong Technology will continue to adopt diversified operational strategy, introduce new products timely according to market demand as well as explore new markets, and step into large-watt power supply field in an active stance, especially for green energy and energy-saving & carbon emission reduction products such as energy storage system, solar inverter and electric vehicle charging columns etc. On the other hand, with respect to Pihong Technology's original products power supply adapter/charger, these will be promoted to be used in application fields beyond mobile devices, i.e. network communication, medical, industrial computers and tool machines etc. In this way, both parties could march forward together, which is expected to improve benefiting capacity and to create max. shareholder value. Looking into 2015 annual business objectives, it is predicted that the growing energy of 2014 will be sustained.



 **Headquarter**

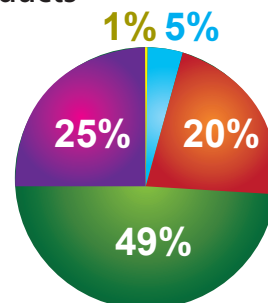
 **Sales (8)**

 **R&D Centers (5)**

 **Factory (8)**

### Domestic and Foreign Sales Regions of Main Products

■ Domestic  
■ America  
■ Asia  
■ Europe  
■ Others



## Vision and Mission

The vision of Pihong Technology is to design a high-efficiency energy conversion product, and to become "the best power supply manufacturer and vendor in the world", while keeping focusing on environment and topics of people closely concerned, so as to fulfill Corporate Social responsibilities, and become the best enterprise citizen.

Management principle of Pihong Technology is integrity, innovation and challenge, among which integrity is not only Pihong Technology's enterprise core, but central thought for it to implement all activities, in order to implement this concept and to make all colleagues execute, instructions are carried out in Pihong Technology's new employee digital training courses, which has become mandatory courses for new employees of Pihong Technology, and the ratio of accepting training is 100%.

## Management Principle

### Integrity

Is Pihong's enterprise core, and the central thinking to implement all activities as well.

### Innovation

Is the competitive strength to implement Pihong's sustainable operation, and to take hold in the world stage.

### Challenge

Is the most important motivation for Pihong to promote reform and seek for excellence.



## Quality Policy





## Long/Short Term Business Development Plan

### Short Term Development Plan:

o enroll excellent R&D talents with different backgrounds, enhance R&D team and to jointly develop standard design architecture for low-cost materials with vendors, provide development on high quality commodities, and to enhance the development on automation production technology.

#### Marketing Strategy Aspect:

To shorten the cycle for products to come into the market, participate into customers' product development in advance, carry out sound interaction to grasp customers' pulsation, provide customers with more complete product service, and guarantee order sources to promote product market share. To continue expanding marketing bases, so as to serve nearby customers and develop markets.

#### Production Strategy Aspect:

To promote production efficiency and import automation production equipment, coordinate with customers' product requirement and service, improve manufacturing procedure's design, planning and management in an active stance, and keep carrying out quality improvement, so as to guarantee quality system via standardized management. To vertically integrate supply chain, targeting to self-sufficiency, to reduce inventory and material cost.

### Long Term Development Plan:

#### R&D Strategy Aspect:

Wide application of portable information devices, will promote further integration between power supply and battery, together with the need for information, household electric appliances and energy, R&D on smart power supply technology of high efficiency, high density and low voltage has become one goal of development. Power supply will develop towards a standardized, modulated and volume reduced direction, while the design on power control IC, combined with micro-electronics, will develop towards technology integration focusing on power supply. It could also set green products saving energy and reducing carbon emission as developing goal of various application products, promote product and enterprise image, so as to comply with customer's need on a green supply chain.

#### Marketing Strategy Aspect:

To construct global operation administration system regarding core products as main axis, meet overall needs of customers, promote global marketing system, and to establish a long-term and solid international marketing network.

#### Production Strategy Aspect:

To coordinate business growth and demand both at home and abroad, purchase pollution-free and automated production equipment, according to international environment protection trend, and development new manufacturing procedures etc., so as to reach the goal of enlarging production capacity and promoting output value.

## Industry Current Situation and Development

Nowadays, technology development regards cloud information network, Internet of things, photoelectric application, smart device application (i.e. wearing device) as well as green energy as main developing axis, while power electronics is also one key technology among these. Power supply technology, except for integrating high-frequency switching to carry out power energy handling, for the tendency of saving energy and reducing carbon emission, the design on power supply regards [slim, high efficiency, high reliability] as its goal, emphasizing to minimize the consumption of raw materials, exert max. utilization of efficiency, and to comply with requirements in various environment protecting regulations, so as to be widely used in various electronic products, so it is closed related to personal computer (PC), notebook computer (NB), crystal TV, mobile industry as well as consumptive electronic industry, besides, according to Power Supply Manufacturing Industry Climate Dynamic Report in Mar. 2012 of Taiwan Institute, among the top 15 power supply manufacturers in the world, those in China accounts for about 1/3 of the global market, indicating that under the advantage of China being a major production country for global IT and numerous consumptive electronic products, China enjoys a strong competitiveness in power supply industry.

Under the tendency of "saving energy and reducing carbon emission", the application of power supply will become

wider and wider, which, combined with system applications, will become an industry crossing field knowledge and technology, so application fields involved by Pihong Technology in an active stance include:

- Power supply for cloud information network
- Power supply for battery energy storage.
- Power supply for panel display.
- Power supply for lighting.
- Power supply for wearing products & movable consumptive electronic products.
- Wireless charger.
- Light control system software integration.
- Electric vehicle charging solution.

## **Operation Policy**

- Enhancing design and distribution on green and high-efficiency products.
- Sustaining investment on automated production, to improve production efficiency, and to develop towards lean manufacturing procedure.
- Developing power supplies of high power so as to comply with industrial requirements.
- Sustaining improvement on process, enhancement on organization structure, information ability and management efficiency.
- Reviewing global market dynamics, and deeply devoting to power supplies for hand-held devices (pads, smart phones etc.), wearing devices and network communication devices, meanwhile, regarding leading manufacturers for electric tools and power supply for energy-saving lighting as target, and sustaining enlarging market share of various series of products.
- Developing power supplies used by alternative energies of the new century i.e. solar power etc., new energy products i.e. electric vehicles charging products.

## **Important production and marketing policies**

- Coping with market competition, while regarding improving market share and sales profit as major operation policies.
- Deepening investment on automated production, to improve production efficiency, and to develop towards lean manufacturing procedure.
- Vertically integrating lean production with inner manufacturing of components, to reduce production cost, and to eliminate production consumption.
- Innovating design originality and improving product appearance, to promote product competitive strength.
- Participating in development on products related to new energy in an active stance, according to market demand.
- Aliasing with vendor strategy, reducing cost and enhancing raw material quality.
- Sustaining exploring emerging market demand, and creating more operation revenue sources.

## **Future Developing Strategy**

- Sustaining developing design and promoting green and high-efficiency products.
- Improving manufacturing procedures, lean production, and promoting automation proportion.
- Enhancing quality standards, and providing safe products making customers believed.
- Improving capacity of innovation, originality and creation, according to future trend.

## **Impact from external competition environment, regulatory environment and overall operation environment:**

### **External competition environment:**

For relatively low threshold of power supply market, there's a fierce competition, which is becoming more and more obvious because of the trend of centralization in the mobile industry, while business of original mobile customers of Pihong Technology have also been impacted, which indicates a greater importance on the development of customer group products. In addition, Pihong Technology has also participated into the research and development of green and

energy-saving and new energy products actively, promoting product and brand image, so as to attract support from more international plants.

## Regulatory Environment

In environment protection regulations aspect, Phihong Technology has imported identification on various regulations since the origin of R&D design, and its products could all comply with rules such as RoHS, Pb-free, Halogen-free, HSF etc., with slight impact. In safety regulations aspect, it also complies with updating decrees. In addition, Phihong Technology has passed certifications such as ISO 9001, ISO 14001, OHSAS 18000 etc., and possesses complete management on aspects such as product quality, environment protection, employee labor safety and health etc., which also comply with requirements of international customers. In future, Phihong Technology will regard development and design to obtain patents as its goal, especially, its new technology and design on energy-saving products also need to comply with various energy-saving standards in the world, so as to improve product competition threshold.

## Overall Economic Environment

Under global economic environment impact, growing strength slows down, although application scope of power supplies is very wide, and predicted market demand may still keep growing, however, the rise of labor cost and sustaining shortage of raw materials have made operational environment still arduous, so Phihong Technology will persist on taking care of employees, to promote central force; implement design standardization, materials consistency, and flexible purchase strategy, so as to reduce cost; enhance risk control, so as to prevent major financial risks; devote to developing high value-added products, so as to promote benefiting ability of the whole, expecting to march towards sustainable operation goal, according to change in overall environment.

## 2014 Operation Performance

In 2014, although facing the impact and challenge of unstable economic entities in the world, staff in Phihong Technology adopted the three-shi (pragmatic, practical and earnest) concept, and reached an annual turnover of 12.436 billion new Taiwan dollars, achieving a growth of 2.94% in stability compared to 2013, net profit before tax was 298 million new Taiwan dollars, while net profit after tax was 148 million new Taiwan dollars, with a gross profit rate of 14%.

Subsidiaries listed into combined financial statement of Phihong Technology are as follows:

Investment Company Name	Subsidiary Name	Business Nature
Phihong Technology (Shareholding) Company	Phihong International Corp. (hereinafter referred to as PHI Company)	Transfer investment business
	Phitek International Co., Ltd. (hereinafter referred to as PHK Company)	Transfer investment business
	Ascent Alliance Ltd. (hereinafter referred to as PHQ Company)	Transfer investment business
	Phihong USA Corp. (hereinafter referred to as PHA Company)	Distributing power supply products
	American Ballast Corp. (hereinafter referred to as PHAB Company)	Distributing electronic ballasts
	Phihong Technology Japan Co., Ltd. (hereinafter referred to as PHJ Company)	Distributing power supply components and parts
	Guanglai Investment Corporation (hereinafter referred to as Guanglai Company)	Normal investment business
PHI COMPANY	Phihong Technology (Dongguan) Electronic Co., Ltd.	Producing power supplies and half-finished products
PHI COMPANY	Dahong (Tianjin) Electronic Co., Ltd.	Producing power supplies
Investment Company Name	Subsidiary Name	Business Nature

PHI COMPANY	Phihong Technology Electronic (Suzhou) Co., Ltd.	Researching & developing, producing power supplies, chargers, electronic ballasts, electronic transformers etc. as well as related products
PHI COMPANY	Value Dynamic Investment Ltd. (hereinafter referred to as PHVD Company)	Normal investment business
PHI COMPANY	N-Lighten Technologies, Inc. (hereinafter referred to as N-Lighten Company)	Normal investment business
PHVD Company	Yanghong Trading (Shanghai) Co., Ltd.	Distributing lighting products
N-Lighten Company	N-Lighten Trading (Shanghai) Co., Ltd.	Researching & developing, manufacturing and distributing photoelectric
Phihong Technology Electronic (Suzhou) Co., Ltd.	Suzhou Xinhuihong Electronic Co., Ltd.	equipment and displays
PHK Company	Dongguan Dahong Electronic Co., Ltd.	Producing and distributing lighting products
PHK Company	Suzhou Xinhuihong Electronic Co., Ltd.	Producing and distributing lighting products
PHQ Company	Dongguan Shuangying Electronic Co., Ltd.	Manufacturing and distributing of electronic materials
PHQ Company	Jinshenghong (Jiangxi) Electronic Co., Ltd.	Manufacturing and distributing transformer combined wire
Guanglai Company	N-Lighten Company	Normal investment business

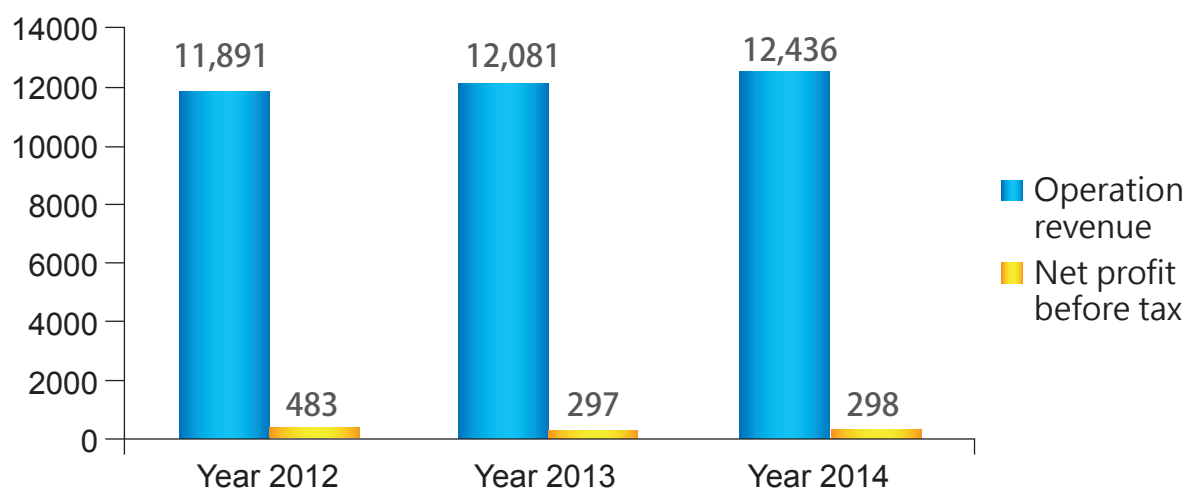


## Phihong Technology Combined Financial Performance

Item	Year	2012 年 (IFRS)		2013 年 (IFRS)		2014 年 (IFRS)	
Operation revenue		11,891	100.00%	12,081	100.00%	12,436	100.00%
Operation gross profit		2,303	9.36%	1,853	15.34%	1,731	13.92%
Operation expenses		1,812	15.24%	1,700	14.07%	1,714	13.78%
Operation net profit		490	4.12%	153	1.27%	17	0.14%
Non-operating revenue and expenses		-7	-0.06%	143	1.19%	281	2.26%
Net profit before tax		484	4.06%	297	2.46%	298	2.40%
Income tax expense		186	1.56%	146	1.21%	150	1.21%
Current term net profit		297	2.5%	151	1.25%	148	1.19%
Total employee number		9,416		8,636		8,648	

## Operation revenue and Net Profit before Tax

Unit: New Taiwan Dollars

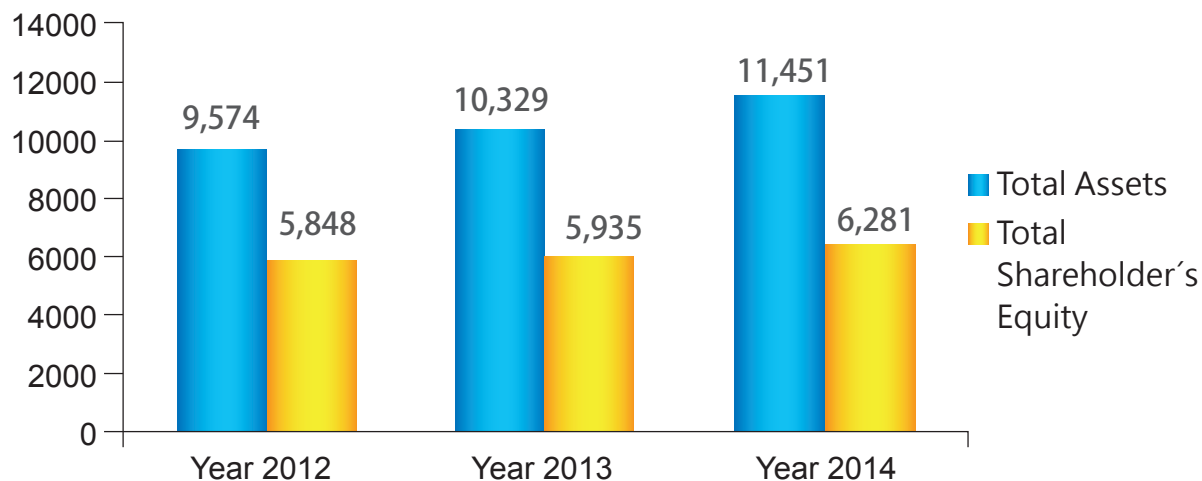


### Note

1. The chart includes figures about Phihong Technology combined operation revenue, gross profit and net profit.
2. For detailed operation situation and financial performance, please refer to Phihong Technology Annual Report disclosed on the company's website <http://www.phihong.com.tw/>.
3. For company assets liabilities and rights, please refer to Phihong Technology 2014 Annual Report, page 69.
4. For related product data of the company, please refer to Phihong Technology 2014 Annual Report, Page 54.
5. For related information on retained earning, please refer to 2014 Annual Report, Page 69.
6. For employee salary expense, please refer to 2014 Annual Report, Page 127/for residential quarters investment, please refer to Page 69 of this report, Chapter Social Participation.

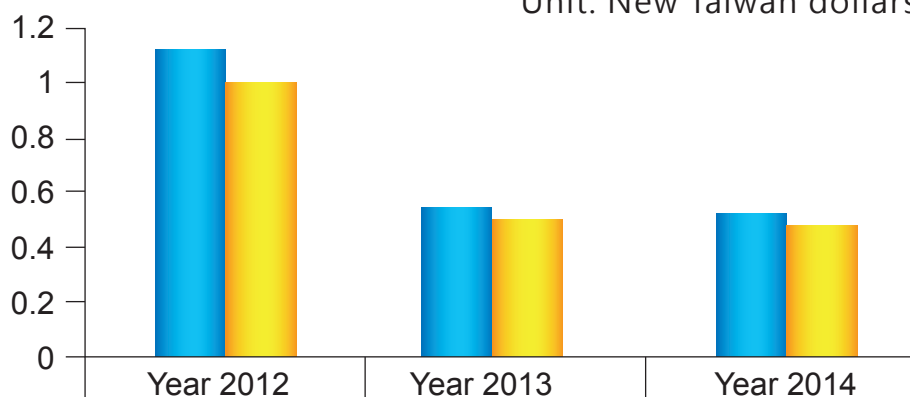
## Overall Assets and Shareholder's Equity

Unit: Million New Taiwan Dollars



## Earnings per Share and

Unit: New Taiwan dollars



Basic earnings per share	1.13	0.55	0.53
Cash dividends	1	0.49	0.47
Stock dividends	0	0	0





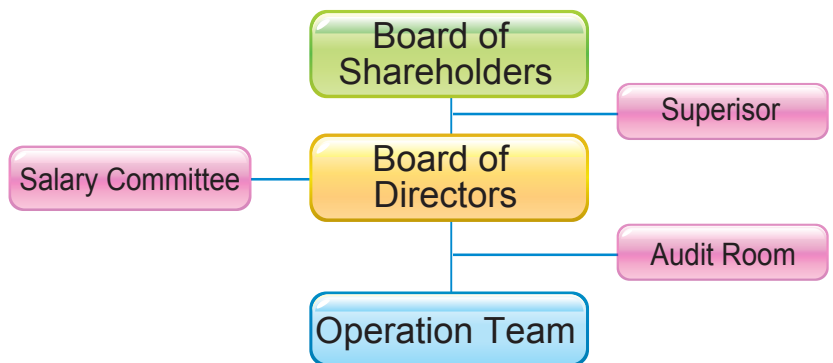
# Company Control

Since its establishment, Phihong Technology has been adhering to the management principle of integrity, innovation and challenge, as well as insisting on honesty and lofty moral integrity, so as to provide customers with products and services of the best quality. All persons executing business on behalf of the company, should understand and observe all convictions and policies described in the "Enterprise Ethics and Business Conduct Code" released by the company. It is not allowed to change Phihong Technology's basic concept because of the change in time, product, employees and customers, nor compromise in face of environment pressure.

The ownership of Phihong Technology shall be mastered by the board of shareholders, while members and supervisors of the board of directors shall be selected via shareholder meeting on Jun. 19, 2014. There're 7 directors and 3 supervisors in all, and 1 woman director and 1 woman supervisor legal representative are included in director supervision members. Over these two years, Phihong Technology has carried out numerous reforms and modifications based on the spirit of company control, i.e.: voting result on all proposals from the board of directors disclosed on official website in 2014, proposals voted one by one, for electronic voting system has been implemented in shareholder routine meetings in 2015;

This is to provide diversified channels for shareholders to participate in major operation decisions of the company.

For related background information about all directors and supervisors, please refer to Company Control in Investment Field on official website <http://172.1.1.11/reports/cr1.pdf>



On company control, managers of Phihong Technology are appointed by the Board of Directors, and the salary of manager shall be decided by the Salary Committee appointed by the Board of Directors, while the remaining supervisor positions shall be transacted by authorized manager. The Board of Directors meeting shall be held at least once every quarter, to supervise inner control policies and procedures, audit operation performance and to discuss important strategy topics; if there's any conflict on benefits, withdrawal shall be adopted, and a complete record on withdrawal proposal content, director name, benefit name and voting participation situation, expecting to comply with the greatest benefits of the company's operation. The Board of Directors will submit to the Board of Shareholders to decide how to distribute, according to the company's surplus of the previous year annually, so salaries of members of the Board of Directors are closely related to the company's operation performance. Three supervisors are set in Phihong Technology, aiming to jointly check important subjects in financial statement with visa accountants every quarter, and to check visa accounts' independence, execution effectiveness of internal control system. The Board of Directors of Phihong Technology has set the Salary Committee under it, purpose of which is to assist the Board of Directors to execute and assess the company's overall salary and welfare policies, as well as salary of directors, supervisors and managers. The Salary Committee holds routine meeting at least twice a year. There're three committee members in the Salary Committee of Phihong Technology with voting right, and Mr. Hong Yuyuan has been selected as the Chairman of the Committee.

## Morality Management

Integrity has always been the most important core value in the company's culture over forty years since the establishment of Phihong Technology, and Phihong Technology has promised that it will adhere to integrity when engaged to all business activities, and will keep alerting itself all the time, to implement deeds said and done by Phihong Technology, based on integrity, honesty and transparency. In order to maintain core value of the company's culture, based on the management principle of honesty, transparency and responsibility, Phihong Technology, has made the Enterprise Ethics and Business Conduct Code since 2009, requiring each member of the group to maintain Phihong Technology's moral value and reputation, and to observe important liabilities regulated by decrees. All colleagues, managers and directors of the company shall comply with this specification, while it is also expected that customers, vendors, contractors, consultants and others with contractual relationship with Phihong Technology could understand and respect moral standards and culture of Phihong Technology. In order to promote and advocate this behavior code, except for publicizing related specification onto the company's intranet website for colleagues to inquire at any time, Phihong Technology also proposes the company's core value and policy observation among newly enrolled colleagues as well.

## **I. Taiwan:**

Trainings on electronic industry code of conduct (EICC):

- Via carrying out basic recognition trainings of 7 hours on main objects which are namely quality assurance department, purchase department as well as training department via video online with mainland, related key advocacy or training on EICC will be held irregularly in Taiwan in future, so as to improve the scope of employees accepting training.
- Issue the "Phihong Technology E-report" via a digital learning platform, and irregularly provide information such as related lectures with respect to Corporate Social responsibilities, and recruitment on employees for participating public benefit activities etc., so as to enhance employees' recognition on related topics on Corporate Social responsibilities.

## **II. Dongguan Plant Area:**

Trainings on electronic industry code of conduct (EICC):

This has been integrated into actual training courses for newly enrolled employees, expecting that newly enrolled employees could experience Phihong Technology's decision on implementing EICC.

### **[Training Effects]:**

- In 2014, there were 6,305 newly enrolled employees, and those accepting EICC training (including human rights policy training as well as anti-corruption policy training) account for 100%.
- In 2014, overall training hours of newly enrolled employees accepting EICC training (also including human rights policy training and anti-corruption policy training) are 6,305 hours, while overall hours of on-the-job employees are 42 hours.
- A award knowledge contest on Corporate Social responsibilities will be held once a year, while the content of knowledge contest covers issues related to human rights, anti-corruption and honest operation etc., which has improved employees' understanding on social responsibilities in an effective way.

All employees recruited by Phihong Technology parent company in Taiwan, include personnel dispatched to stay in plants in mainland, shall sign the [Intelligent Property Right Confidential Agreement], to guarantee keeping faithful in the discharge of his or her duties, if there's any violation which has been verified by the company, he or she shall compensate for all losses as well as undertake all legal responsibilities to the company.

With respect to important topics related to ethical behaviors, i.e. corruption prevention and intelligent property right protection, while related educational training courses are also provided irregularly for all colleagues. Meanwhile, [Persons Closely Concerned & Employee Complaint Mailbox] has been set on the company's website, to make interested parties concerned & employees could transmit opinions in a safe and confidential manner, via a strict and safe reporting system. In the year of 2014, among vendors conducting business with the company, 39% have signed the [Honesty Commitment], and it is planned to ask all vendors to sign the [Honesty Commitment] in 2015.

Except for the above standards regulating all employees to provide customers with products and services of the best quality based on their persistence on honesty and lofty moral integrity, Phihong Technology has also signed the [Code of Honest Operation], so as to establish an enterprise culture of honest operation, improve company operation, prevent related dishonest behaviors, and implement the execution of moral integrity policy. Besides, performance examination on [Code of Conduct] as well as regulations concerning rewards and penalties has also been made to examine employees, so as to make them know the code of conduct, and when employees conduct deeds deserving encouragement or those to be punished, rewards and penalties shall also be made according to regulations.

In addition, Phihong Technology treats its cooperation partners, vendors and subcontractors in a just and honest manner, without any discrimination. It is not possible for Phihong Technology to conduct business with companies and individuals which may damage Phihong Technology's reputation, nor companies violating laws repeatedly. These laws include local regulations about environment, employment, safety and anti-corruption. All transactions with any third party shall comply with laws as well as code of business conduct of Phihong Technology. Phihong Technology will not perform any law via any third party nor behaviors forbidden by code of business conduct of Phihong Technology. Phihong Technology has been always complied with all adaptable decrees and regulations in business conducting place (country), meanwhile, it also adopts [Anti-unfair Competition Management Procedure] and [Anti-monopoly Management Procedure] to regulate all transactions conducted by itself. Observing the law is the responsibility of each employee in Phihong Technology, as a citizen with a sense of responsibility, observing the law is the duty of Phihong Technology.

So Phihong Technology has not sold products prohibited to sell or those with disputes in 2014, nor conducted any behavior violating related rules on anti-marketing promotion as well as any voluntary violating behavior.

And has complied with market fair competition regulation in aspects such as advertisement, propagation, exhibition, press release or sponsorship, while legal department has also carried out trainings on units related to marketing and business in particular, to make them recognize the necessity of conducting business in a legal way, and to remind them not to obtain sales performance via illegal ways, or produce illegal market barriers via malignant merger and predatory pricing etc.

## Participation in External Organization and Advocation

With respect to external organizations participated by Phihong Technology, except for Taiwan Motor Electronics Industry Association related to the industry, in order to make contribution to the society, it also participates the Friends of Police Association in Taoyuan County, to make contributions to residential quarters with regular donations. During operation in the industry, it also keeps establishing an internal administration system to support and implement the international proposal of Corporate Social responsibilities in mind, i.e. SA 8000, GRI G4 and AA1000 (2008) principle of responsibility, are guidelines constantly obeyed by Phihong Technology, which are expected to make Phihong Technology achieve a win-win situation between enterprise and society on sustainable operation concept.

## Risk Early-warning and Operational Continuity Management

Except for Phihong Technology's making inner control policy and setting an audit room belonging to the Board of Directors according to laws, audit director also attends the Board of Directors reporting, reports audit business to supervisor regularly, helps to guarantee design and execution of inner control policy effectively constantly, and promotes Phihong Technology to perfect operation, so as to guarantee achieving the following goals in a reasonable manner:

- Effect and efficiency of operation.
- Reliability of financial statements.
- Observation of related decrees.

Responsibility of the audit room is to check the execution of Phihong Technology's rules as well as provide improving opinions to administrative authorities etc., in the year of 2014, Phihong Technology has executed 52 audit operations in all, and carried out tracking audit on missed operations by quarters, till improvement has been done 100%.

In addition, in order to perfect financial risk management mechanism of the group, for all businesses which may cause financial risks during operation, [Financial Risk Management Methods] is also expressly compiled, to make routine operations have guideline to follow. When such risk occurs, it could also reduce damages to the lowest level.

Besides, Phihong Technology also founded the risk management mechanism in Oct. 2009, and compiled the [Risk Management Manual] to follow. Risk management policy of Phihong Technology, is to reduce impact brought by various risks, improve risk management ideology of the company and to enhance risk management, which is used as the principle during risk identification, analysis, evaluation, handling, supervision and improvement, so as to reach the purpose of reducing risks, and to make the company avoid impact brought by various risks, thus to reduce operation cost, and to reach the company's goal.

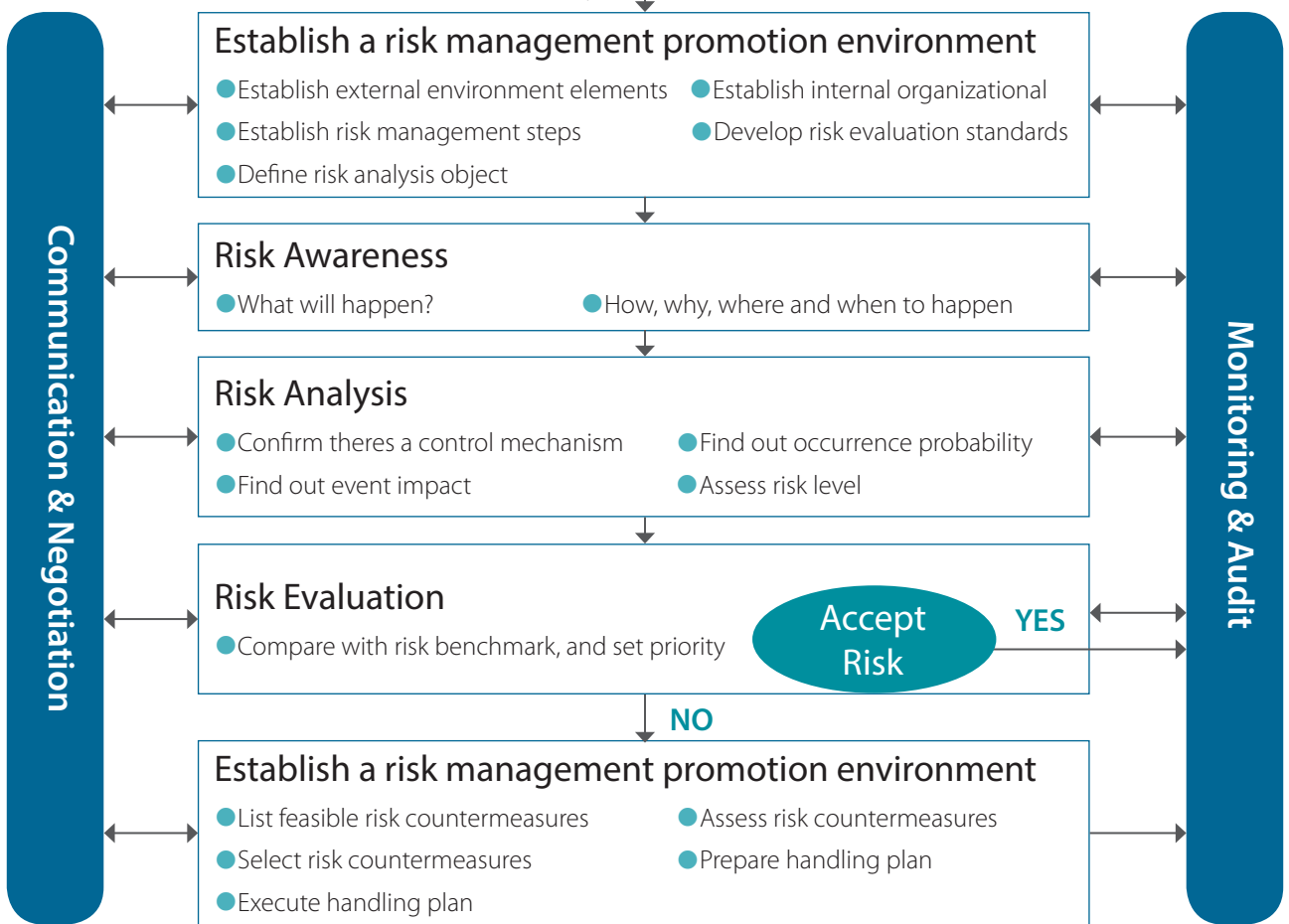
In order to guarantee the company could put forward effective and timely management and operation when encountering related risks which may possibly pause operation, [Business Continuity Plan Operation Procedure] as well as [Emergency Treatment and Disaster Recovery Management Procedure] have been made additionally, as evidence to follow, when there're operation risks which may suspend the company's operation, i.e. natural disasters or unexpected accidents or operation risks of vendors, related operation plans on such potential risks shall be prepared by the company in advance, expecting to recover normal operation in the shortest time.

## Risk Management

	<p><b>Group General Manager</b></p>	<ol style="list-style-type: none"> <li>1. To promise and support risk management.</li> <li>2. To act as or appoint risk management executor.</li> <li>3. To design risk management policy guidelines.</li> <li>4. To communicate and decide risk priority and tolerance degree.</li> <li>5. To ascertain proper person(s) to participate into resource distribution.</li> <li>6. To participate constantly and to reward appropriately.</li> </ol>
	<p><b>Risk Management Executor</b></p>	<ol style="list-style-type: none"> <li>1. To promote the director's risk management ideology.</li> <li>2. To develop risk image.</li> <li>3. To provide execution methods and suggestions on reform management strategy.</li> <li>4. To promote the making of organization risk policy.</li> <li>5. To guarantee educational trainings comply with requirements.</li> <li>6. To supervise and discuss execution performance on corresponding risks.</li> </ol>
	<p><b>Executive Secretar</b></p> <p><b>Director of Groups / Divisions</b></p> <p><b>Director of Depts</b></p>	<ol style="list-style-type: none"> <li>1. To participate in assessing whether the organization is ready and recognize organization risks.</li> <li>2. To participate in assessing inner risk management energy.</li> <li>3. To check environment, recognize opportunities and threats.</li> <li>4. To understand and communicate organization risk management guidelines and suggestions from organization employees.</li> <li>5. To provide strategic suggestions.</li> <li>6. To confirm and manage risks in a systematic way and guarantee implementation and execution of risk management.</li> <li>7. To implement necessary trainings and activities, and to reach learning effect.</li> <li>8. To execute or make related risk management methods according to duties of all departments, please see Table 8, Risk Management Authority and Responsibility Table Risk Management Authority and Responsibility Table</li> <li>9. To put forward risk handling plan execution report.</li> </ol>
	<p><b>Staff</b></p>	<ol style="list-style-type: none"> <li>1. To understand and execute risk management responsibilities supposed to be undertaken by individuals.</li> <li>2. To pay attention to risk topics.</li> <li>3. To understand organization guidelines and to provide suggestions.</li> <li>4. To provide risk management contributions.</li> </ol>



## Risk Management Execution Strategy



## CSR Management

### Composition of CSR Committee

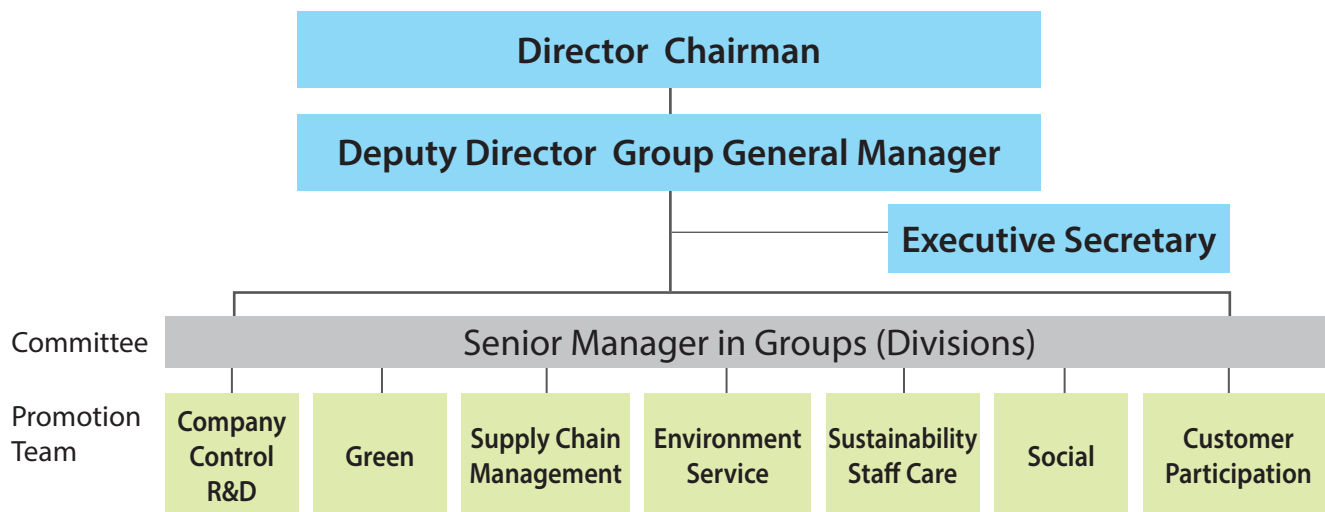
In order to implement and promote Pihong Technologys goal and developing direction in Corporate Social responsibilities and comprehensive sustainable operation, the [Setting Methods on Corporate Social Responsibilities Management Committee] is especially made, to form planning decision and promote organization [CSR Management Committee] (hereinafter referred to as the Committee), and the Chairman as well as committee members shall check the performance of all promotion topics and target achieving degree. And a Corporate Sustainability Reporting (hereinafter referred to as CSR report) shall also be issued on a yearly basis.

Operation of the Committee is based on [Setting Methods on CSR Management Committee], while [Corporate Social Responsibilities Manual] and [CSR Management Procedure] are also compiled, which lists GRI (Global Reporting Initiative) [G4 Sustainability Reporting Guidance] and AA1000 (2008) into indexes for annual disclosure after identifying them as principles of responsibility, and these will then be listed management content to be discussed via judgment, which will be listed into management on related topics on annual major sustainable indexes. Authorities and responsibilities undertaken by high-level directors in Pihong Technology are namely:

- Group Chairman: The President of CSR Management Committee as well as the highest leadership, in charge of the planning on Pihong Technology's corporate social responsibilities strategy and performance supervision.
- General Manager of the Group and the highest Director in all plants: One member in CSR Management Committee, in charge of the promotion on Pihong Technology's corporate social responsibilities, supervision on achievements, as well as making of strategies and plans.
- The highest Directors in all plants: In charge of promotion, supervision and execution of social responsibilities administration system SA 8000 in all plant areas.
- Director of the Administration Department in all plants (administration representative): In charge of promotion, supervision and execution on ISO 14001 environment administration system in all plant areas, as well as those of OHSAS 18001 Occupational Health and Safety Administration System.
- Director of the Quality Assurance Department in all plants (administration representative): In charge of promotion, supervision and execution on ISO 9001 quality administration system in all plant areas.

Seven teams which are namely [Company Control], [Green R&D], [Supply Chain Management], [Environment Sustainability], [Customer Service], [Staff Care] and [Social Participation] have been set under the Committee, to be responsible for promoting related topics, while functions and purposes of all teams are described in the following:

## Phihong Technology Corporation Social Responsibilities Committee



Promotion Team	Functions and Purposes
Company Control	To assist and enhance functions of the Board of Directors, focus on rights of shareholders and interested parties concerned, and integrate related departments to make various rules and policies related to company management, while help to complete and implement corporate inner control system, and guarantee transparency of information disclosure as well as related decree observation, to exercise core value of the company's integrity, information transparency, and management principle focusing on shareholders' rights with sound inner control.
Green R&D	To regard green design as the core value for product R&D of Phihong Technology, sustain researching and developing innovative design and green manufacturing procedure, produce green environment protecting products, and reduce negative impact on environment generated by life cycle, while improve market competitiveness at the same time.
Supply Chain Management	To be responsible for establishing a safe and healthy supply chain enjoying sustainable development which protects environment, focuses on social responsibilities and labor human rights, and to establish a long-term partnership with vendors in all aspects such as quality capacity, cost advancing capacity, delivery capacity, service team capacity and sustainable capacity etc.
Environment Sustainability	Be responsible for integrating environment protection and safety & health management work throughout the company, making environment safety & health performance index, promoting various waste reductions which includes resource reutilization, and greenhouse gas reduction etc., and promoting various green manufacturing procedures as well as supply chain management activities under the cooperation of the Green Production Committee.
Customer Care	To think in the customer's point view, provide customers with higher quality, lower cost and faster products & services, so as to reach the administration target of creating the highest value for customers.
Staff Care	To focus on employee communication and functional development, provide salary benefits with competitive strength, engage to perfect and diversified life balancing measures, and to create a friendly, safe and harmonious occupational environment.
Social Participation	To promote the communication between the entire company and external quarters as well as the society, combine external public resources, regard [education], [art & culture], [public welfare] and [environment protection] as the main axis, and keep devoting in scientific research & development cooperation, long-term education assistance, as well as promotion of social public activities such as art and culture etc.



## Interested Parties Concerned Issues

With respect to essentiality of topics related to sustainable operation of Pihong Technology and interested parties concerned, shall be identified via the Committee according to Corporate Social Responsibilities Manual. Inner layer considered includes direct financial influence, brand risk and impact of commercial opportunities and operation performance, as well as strategic opportunities to improve competitive advantages. External principles include coverage scope of application media, complaint or feedback frequency, opinion survey result, mentioned times by interested parties concerned, however, in order to reflect the impact on operation by interested parties concerned, Pihong Technology divides those closely concerned into the following two types:

- Entities or individuals predicted to be severely impacted by activities or services of the company, i.e. customers, local residents and employees etc.
- Entities or individuals whose actions may impact the company's promotion strategies as well as its capacity to reach targets in reasonable prediction, i.e. the Board of Directors, shareholders, competent authorities, nonprofit institutions or groups and media etc.

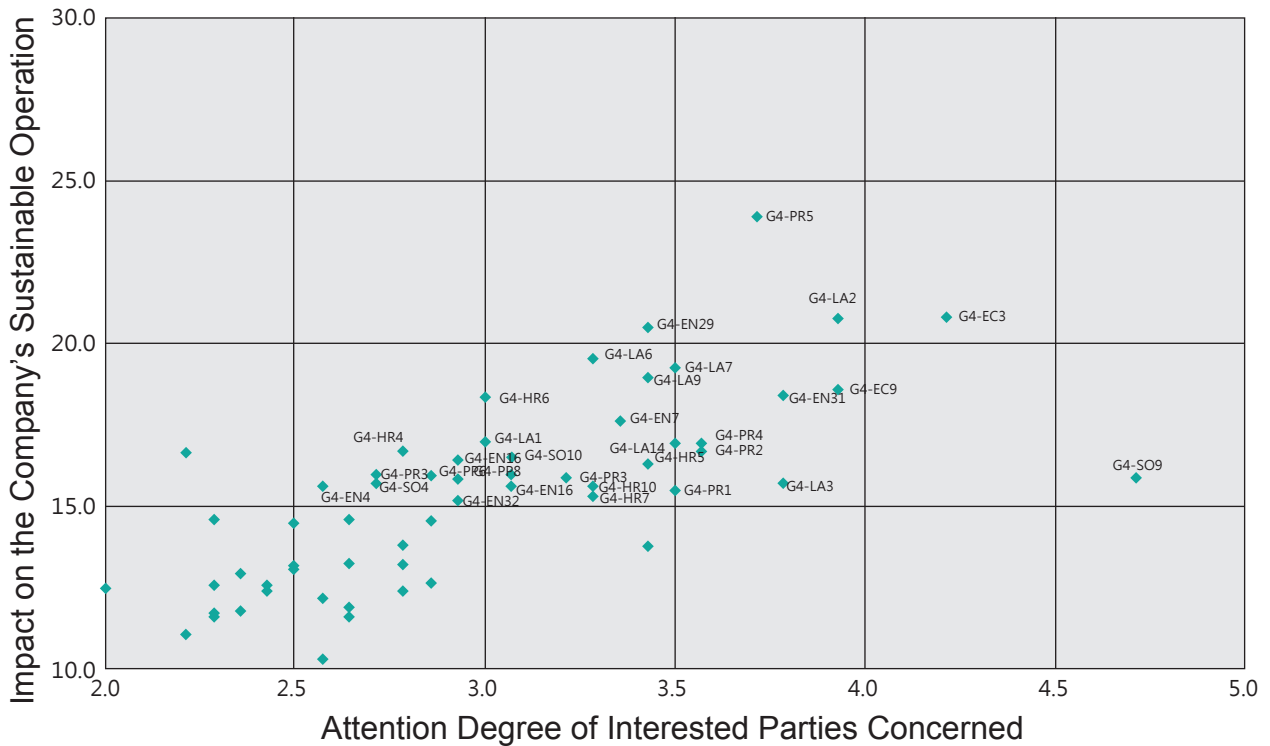
The Committee will integrate information via channels or methods of communication of interested parties concerned (see page 26 Communication Channels of Interested Parties Concerned and Frequency Table), and designated persons in charge of promotion teams and representatives to hold a meeting once a year, while team members under it shall go to business units to carry out onsite survey and collect data, after that, representatives of all promotion teams will provide appropriate channels for interested parties concerned to participate and discuss, meanwhile, to carry out communication about interested topics, investigate and collect information of the year, as well as fill in identification and communication table of interested parties concerned. The table contains objects, interested topics, communication channels and methods as well as topic significance analysis, while different weights are given to different interested parties concerned and topics, so that the Committee could define and check its essentiality as well as topic boundary and response priority, while respond interested topics of those closely concerned respectively according to communication channels, or disclose in this report.

The decision on Pihong Technology's topics with essentiality, should be achieved via statistic analysis in the identification and communication table of interested parties concerned, while topics in all consideration aspects, after being scored by all members, if "Attention Degree on Topic of Interested Parties Concerned" is scored above 2.5 points; while "Topic Impact on the Company's Sustainable Operation" is scored above 1.5 points, topics in all consideration aspects have topic essentiality for Pihong Technology.

Finally, the Committee will call members of all promotion teams, to hold a Report Edit Meeting, and to carry out discussion and review according to the principle of inclusiveness, materiality and completeness, if any conflict occurs, a common recognition or voting manner shall be adopted, which could be absorbed into the CSR Report of the company for editing only after being reviewed, to display the skeleton of sustainability to disclose to outside.

Substantial topics of Pihong Technology in 2014 identified by the Committee are as shown in the following figure:

## Substantial Topics Matrix



### Consideration Aspect Boundary of Substantial Topics

Substantial Topics Consideration Aspects and Indexes		Inside Organization		Outside Organization				
		PHT	Dongguan Plant	Vendor	Customers/Consumers	Local Residential Quarters	Governmental Authorities	Investors
<b>Operation Performance</b>								
G4-EC1	Direct economic value of output and distribution	●	●					●
G4-EC3	Commitment scope of welfare plan prepared by organization	●						
<b>Purchase Policy</b>								
G4-EC9	Policy, practice and expenditure ratio to local vendors in all major operation locations.	●	●	●				
<b>Energy</b>								
G4-EN3	Energy consumption inside organization.	●	●	●	●		●	
<b>Emission</b>								
G4-EN15	Overall direct emission of greenhouse gas (scope1)		●	●	●		●	
G4-EN16	Overall indirect emission of greenhouse gas (scope2)		●	●	●		●	
<b>Environmental Compliance</b>								
G4-EN29	Sum of huge penalty caused by violating environment decrees, as well as punishment frequency beyond money.	●	●	●			●	

Substantial Topics Consideration Aspects and Indexes		Inside Organization		Outside Organization				
		PHT	Dongguan Plant	Vendor	Customers/Consumers	Local Residential Quarters	Governmental Authorities	Investors
<b>Overall Environment Protection Investment</b>								
G4-EN31	Overall environment protection expenses and investment classified according to type.	●	●					
<b>Vendor Environment Assessment</b>								
G4-EN32	New vendor ratio supervised according to environmental principles.	●	●	●	●			
<b>Employment</b>								
G4-LA1	Calculate newly enrolled employee number, proportion and employee resignation number and resignation ratio according to age, gender and region.	●	●			●		
G4-LA2	Welfare provided to full-time and formal employees in major operational bases.	●	●					
G4-LA3	Calculate reinstatement and retention ratios after parental leave according to gender.	●	●					
<b>Occupational Health and Safety</b>								
G4-LA6	Injury ratio, occupational disease ratio, lost day ratio, absence ratio as well as demise number related to work related to region and gender.	●	●		●		●	
G4-LA7	Employees with high emergency risks and health risks.	●	●		●		●	
G4-LA8	Topics related to health and safety, in a formal agreement reached with the Labor Union.	●	●		●		●	
<b>Training and Education</b>								
G4-LA9	Average training hours received by every single employee annually calculated according to employee category and gender.	●			●			
G4-LA10	Vendor's Labor Practice Assessment	●						
<b>Vendor's Labor Practice Assessment</b>								
G4-LA14	New vendor ratio supervised according to labor practice principle.	●	●	●	●			
<b>Union Freedom and Collective Negotiation</b>								
G4-HR4	If operations identified during operation activities of organization or by vendors may endanger or violate employees' union freedom or common agreement, what kind of actions could be taken to support such human rights.	●			●		●	
<b>Prohibition on Child laborers</b>								
G4-HR5	Dangers identified during operation activities of organization and by vendors, and effective actions are taken to prohibit child laborers.			●	●		●	
<b>Forced Labor</b>								
G4-HR6	Forced or mandatory labor risks identified during operation activities of organization or by vendors, and actions are taken to eliminate forced labors in all forms.	●		●	●		●	

Substantial Topics Consideration Aspects and Indexes		Inside Organization		Outside Organization				
		PHT	Dongguan Plant	Vendor	Customers/Consumers	Local Residential Quarters	Governmental Authorities	Investors
<b>Vendor's Human Rights Assessment</b>								
G4-HR10	New vendors ratio supervised according to human rights principle	●	●	●				
<b>Corruption Prevention</b>								
G4-SO4	Percentage of employees accepting anti-corruption policy and procedure training of the organization.	●	●	●	●			
<b>Vendor's Social Impact Assessment</b>								
G4-SO9	New vendors ratio supervised according to social impact principle	●		●				
G4-SO10	Major substantiality in supply chain and potential social adverse impacts as well as taken actions.	●		●				
<b>Customer Health and Safety</b>								
G4-PR1	Assess impact on safety and health during each stage of the life cycle in order to improve products and services, as well as the percentage of major products and services to accept such assessment.	●			●			
G4-PR2	Frequency of violating related regulations about impact on health and safety during product and service life cycle as well as voluntary conventions, when divided according to result category.	●			●		●	
<b>Product and Service Labels</b>								
G4-PR3	Classify products and services required by label according to program, as well as the percentage of important products and services complying with such information.	●	●		●		●	
G4-PR4	When classified according to result category, the frequency of violating regulations on regulatory products and service information labels as well as voluntary conventions.	●	●		●		●	
G4-PR5	Practice about customer satisfaction degree, including customer satisfaction degree survey result.	●	●		●			
<b>Marketing Communication</b>								
G4-PR6	Prohibit to sell products with disputes	●	●		●		●	
G4-PR7	When classified according to result category, the frequency of violating regulations related to marketing promotion (including advertisement, sales promotion and sponsorship) as well as voluntary conventions.	●	●		●		●	
<b>Customer Privacy Right</b>								
G4-PR8	Overall frequency of actual complaints about infringement on customer privacy right and missing customer information.	●	●	●	●			
<b>Compliance</b>								
G4-PR9	Total amount of major penalties for violating provision of products/ services as well as related laws/ regulations applied.	●	●	●	●		●	

## Communication Frequency and Channels of Interested Parties Concerned

Phihong Technology's communication with different consideration aspects as well as various interested parties concerned, except for feedback communication with respect to customers of Phihong Technology according to [Customer Feedback Handling Procedure], [Environment Safety Management Communication Procedure] and [Information Communication Control Procedure] are also worked out additionally, while all responsibility departments will act as channels and appropriate methods for communication with interested parties concerned, except for inviting those closely concerned to participate in discussion and communication, if any complaint is encountered, it shall be executed according to external regulations, Phihong Technology's internal specification, related procedures of all administration systems or methods. For example handling procedure on opinions of the public and employees, environment, safety and health education and training as well as communication consultancy participation methods etc. Under any special or important situation required to be handled via special procedure, related responsibility department shall inform the Committee immediately to hold a project meeting when necessary to respond.

**Table of Communication Channels and Frequency of Interested Parties Concerned**

Interested Parties Concerned	Communication Channels	Communication Frequency
Shareholders, investors	<ol style="list-style-type: none"> <li>1. Annual meeting of the Board of Shareholders.</li> <li>2. Issuing financial statement (Quarterly/Yearly) regularly according to regulations.</li> <li>3. Reply from speech system or EMAIL inquiry.</li> <li>4. Major information disclosed on the company's official website.</li> </ol>	<ol style="list-style-type: none"> <li>1. Once a year.</li> <li>2. Four times a year.</li> <li>3. Irregular, at anytime.</li> <li>4. Irregular, at anytime.</li> </ol>
Customers/Consumers	<ol style="list-style-type: none"> <li>1. Customer service hotline/Website public information.</li> <li>2. Questionnaires</li> <li>3. Visit friends and relatives.</li> </ol>	<ol style="list-style-type: none"> <li>1. Irregular, at anytime.</li> <li>2. Once a year.</li> <li>3. Irregular, at anytime.</li> </ol>
Employees	<ol style="list-style-type: none"> <li>1. Internal announcement.</li> <li>2. Phihong Technology e-report.</li> <li>3. Electronic bulletin.</li> <li>4. Employee opinion survey.</li> <li>5. Employee complaint mailbox.</li> <li>6. Irregular communication meeting.</li> <li>7. Employee welfare committee meeting.</li> </ol>	Irregular, at anytime.
Vendors	<ol style="list-style-type: none"> <li>1. Website public information.</li> <li>2. Vendor meeting.</li> <li>3. Vendor auditor's visiting.</li> </ol>	<ol style="list-style-type: none"> <li>1. Irregular, at anytime.</li> <li>2. Irregular.</li> <li>3. Once a year.</li> </ol>
Government and Competent Authorities/ Financial Supervision Committee	<ol style="list-style-type: none"> <li>1. Official document.</li> <li>2. Reply inquiry from competent authorities and supplementary instructions.</li> <li>3. Disclose monthly turnover/transaction of those closely concerned/loans and endorsement guarantee/quarterly report/annual report/important information etc. on public information observation station of stock exchange and the company's official website.</li> </ol>	Irregular/if required.
Nonprofit organizations	<ol style="list-style-type: none"> <li>1. Taiwan Economic Journal credit risk index etc. (TCRI)</li> <li>2. Evaluation on information disclosure of stock/future market development foundation.</li> <li>3. Labor Union/Association.</li> </ol>	<ol style="list-style-type: none"> <li>1. Once a quarter.</li> <li>2. Once a year.</li> <li>3. Regular meeting.</li> </ol>
Local residential quarters	Hearings	Irregularly/if required.



# Supply Chain Management

Corporate social and environment responsibilities are focused by major plants, according to [Electronic Industry Code of Conduct (EICC)], its content covers standards on labor rights, safety and health, environment as well as commercial ethics etc., which are also used by Phihong Technology to check and require vendors' behaviors in the above aspects, so as to guarantee high quality and low risk of commodities delivered by vendors, and to list the result among considerations for vendors' selection.

## Source Flow Management

With respect to supply chain's management, Phihong Technology, via a common platform inside the group, formed a project team including related departments such as business, human resource, purchase and plant affairs etc., which not only carries out evaluation on items such as major vendors' price, quality, technology, delivery status and service etc. regularly, but focuses on managing supply & demand of key components and parts, so as to reduce risks. Phihong Technology's management key points for vendors are as follows:

- Selection and confirmation of components and parts.
- Audit on vendors.
- Development on new vendors.
- Quality management on vendors.
- Technology management on components and parts.
- Cost management on components and parts.

Phihong Technology, via the idea of [Source Flow Management], carries out control on RoHS, and completely grasps RoHS schedule on manufacturing procedure and materials management, while purchase unit shall require vendors to carry out control, and send to an external third party institution with international credibility for examination, sign an RoHS guarantee and audit, so as to guarantee materials used by Phihong could all comply with related specifications and requirements of customers. Carry out management on RoHS high, medium and low risk classification on materials, components and parts delivered by vendors, so as to seek for the most effective usage of resources; for materials, components and parts delivered by vendors, Phihong Technology has set up an Environment Management Substance (HSF) Detection Laboratory (environment protecting courses) in all plants in China, it possesses complete instruments and devices including XRF, XRI, ICP-OES, GC-MS, UV/VIS spectrometer, IC (Ion Chromatography) etc., to check whether materials, components and parts comply with regulations of Phihong Technology and customers, and to provide complete operation trainings on detectors; The Purchase Dept. will transmit the latest Phihong environment management substance standards and related requirements of customers in a real-time manner via any communication method, and the SQE Dept. will make evaluation standards on vendors' material environment quality guarantee system.

New vendor could become a qualified vendor only after being evaluated by QSA. During evaluation, it shall be carried out according to [Vendor Information Survey] and [Vendor Quality/Environment Protection System Evaluation Sheet]. Evaluation items are as follows:

Quality Management Requirements:	Design Management Requirements:	Supply Chain Management Requirements:
Quality system requirements	Design management	Purchase
Document management and quality record.	Change management	Raw materials vendors quality management vendors.
Unqualified product control (abnormal quality)	Training and education	Materials management
Check and test management	Product identification and traceability management	Production scheduling management
Environment associated substance management	-----	Occupational safety
-----	-----	Customer Care
-----	-----	Risk management



During evaluation, environment protecting regulations and environment substance HSF requirements (RoHS requirements) of the company or customers, [Conflict Minerals Commitment], [Conflict Minerals Survey (EICC)] will all be listed into keys and items for evaluation.

Audit items in vendor's social responsibility:

Labor	Health and Safety	Environment	Environment Safety/ Morality Management System
Freedom of Employment	Mechanical Protection	Chemical harmful substances	Abidance by law
No child laborers	Industrial health	Waste water and solid waste	Management duty and responsibility
Work time	Occupational safety	Air emission	Legal and customer requirements
Salary and welfare	Emergency management	Environment permit and report	Implementation plan and performance target
Humane treatment	Occupational health	Pollution prevention and resource saving	Training
No discrimination	Physical labor	Product content limit	Communication
Freedom of assembly and association	Dormitories and canteens	----	Employee opinions and participation
Operation integrity	----	----	Audit and Assessment
Information publicity	----	----	Corrective measures procedure
Intellectual property right protection	----	----	Documents and records

New vendors of 2014 will all receive evaluation, which is 25 in all, as shown in the following:

	Qualified Vendors	Unqualified Vendors
Number	23	2
Subsequent actions	List into approved vendor list	Required to be reviewed again after training.

## Vendor Quality Guidance

Phihong Technology shall also carry out quality audit training and evaluation on qualified vendors as well as newly developed vendors on a regular basis, so as to guarantee product quality of manufacturer could reach quality requirements of the company. Training team is composed of members from SQE Dept., Technical Dept. and Purchase Dept.; to execute evaluation on newly developed vendors, SQE Dept. shall carry out audit/training/evaluation on vendors according to actual situation; audit could be classified into five parts as follows:

- Quality system audit (QSA)
- Manufacturing procedure audit (QPA)
- RoHS audit
- Manufacture trainings on level C and D.
- Improvement on countermeasures

When auditing vendors, training team shall execute referring to [Quality Process Audit Check List]/QPA/QSA Checklist; for materials without prepared QPA/ QSA Checklist, it is required to carry out audit referring to control items on manufacturer's QC engineering drawings. All vendors need to carry out product environment substance management, and its management standards shall comply with requirements on Phihong Technology's product environment substance management standards, and shall execute strictly according to environment management substance control standards.

## Core Vendors Assessment & Comparison

In order to improve management performance on supply chain, Phihong Technology will carry out vendor evaluation (Vendor Score Card) on core vendors every quarter, to be used as reference evidence for making purchase strategy; till 2014, 186 vendors have been listed as core vendors, while the proportion of domestic to overseas is 78:22.





For core vendors with an annual trading volume above 10 million Taiwan dollars, the Quality Assurance Dept. shall prepare an annual qualified vendor re-evaluation & audit plan, which contains six major items:

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

In particular, evaluation on corporate social ethical items, has covered those such as obvious impact of vendors on environment, labor practice principle and human rights principle etc. The Global Supply Dept. will submit annual vendors with excellent performance for appraisal, according to evaluation result; for those evaluated as grade D for consecutively 3 quarters, the Global Supply Dept. will freeze vendor brands, according to core vendors' abnormal process operation. In 2014, about 25% core vendors have completed the Qualified Vendors Re-evaluation & Audit Plan, the number of which is 47, while this number will be increased continually in 2015.

	Quarter I	Quarter II	Quarter III	Quarter IV
The Number of Core Vendors	153	138	165	186
The Number of Those Participating QBR Review Meeting	10	8	8	8

Train vendors to improve effect:

Proposal Dept.:	Case	Executor:	Xiong Xuexue / Deng Zihao	Completion Date:	8/31 (Completed)	Proposal Dept.:	Case	Executor:	Xiong Xuexue	Completion Date:	9/21 (Completed)
<b>Before</b>		<b>After</b>		<b>Before</b>		<b>After</b>					
<b>Operation Description</b>	1. No discharge device has been connected to the baking equipment, and smoke generated during baking could not be discharged which is harmful to human.	<b>Operation Description</b>	1. Four workshop fans have been moved into the impregnation room, while piping of six impregnation ovens has been completed, and 4 10P air conditioners have been added, to beautify impregnation room and exhaust smell out of the room.	<b>Operation Description</b>	Now smell of alcoholic varnish and paint thinner still exist in impregnation room, which may cause expiratory dyspnea for long stay and headache, so it is required to add exhaust facilities.	<b>Operation Description</b>	1. Now smoking cover has been added to all impregnation machines, among which 2 have been completed till 9/2. 2. This has all been completed till 9/2, via adding a cover, smell could be exhausted out of the room, to improve indoor air.				

Proposal Dept.:	Management Dept.	Executor:	Zhang Baojun	Completion Date:	9/30	Proposal Dept.:	Management Dept.	Executor:	Xiong Xuexue	Completion Date:	9/30
<b>Before</b>		<b>After</b>		<b>Before</b>		<b>After</b>					
<b>Operation Description</b>	1. No protective gloves, mask, or goggles are provided for impregnation room operators during operation, causing hidden dangers.	<b>Operation Description</b>	Impregnation room operators wear protective gloves, mask and goggles for protection during operation..	<b>Operation Description</b>	Ceiling of dormitory bathroom fell, causing hidden danger to personal safety of employees.	<b>Operation Description</b>	All have been fixed.				

## Vendor Regular Quality Assessment & Comparison

As for vendors not belonging to core vendors, the Quality Assurance Dept. of Phihong Technology will regard evaluation on supply & delivery quality per month as evidence for rewarding/punishing vendors, while referring to feedback problems on poor manufacturing procedures as well as customer complaint feedbacks of the month. For vendors evaluated as grade C for consecutively 3 months or grade D for consecutively 2 months in vendor quality monthly score chart, the Quality Assurance Dept. shall give a penalty of deferred payment; for those evaluated as grade C for consecutively 5 months or grade D for consecutively 3 months in vendor quality monthly score chart, the Quality Assurance Dept. shall suggest forbidding this vendor to provide new models or materials, as a warning.

## Vendor Trading Overview

Till the end of 2014, vendor training overview is as follows:

Vendor Type	Raw Materials and Equipment Vendors	Labor Outsourcing Manufacturers	Service Outsourcing Manufacturers
Definition	Manufacturers providing product manufacturing materials	Human intermediary agents and human dispatching companies	Manufacturers providing plant-stay service. i.e. security, cleaning and catering companies etc.
Vendor number	540	14	5
Trading volume (NTD)	8,309,812,270	Unable to disclose for salary concerns.	Unable to disclose for salary concerns.
With potential risk of environment impact	<ul style="list-style-type: none"> <li>● No permit or registration document has been achieved.</li> <li>● Failing to operate according to permit.</li> </ul>	None	None
With potential risk of labor impact	<ul style="list-style-type: none"> <li>● Over-time work</li> <li>● Prohibition on child laborers, pregnant women or under-age workers engaged in night work or special work.</li> </ul>	<ul style="list-style-type: none"> <li>● Over-time work</li> </ul>	<ul style="list-style-type: none"> <li>● Over-time work</li> </ul>
With potential risk of human right impact	<ul style="list-style-type: none"> <li>● Person in charge has not received sufficient training on human rights.</li> <li>● Certificates of foreign laborers have been detained.</li> <li>● Foreign laborers have been overcharged for agency fee.</li> <li>● Salary deduction as punishment.</li> </ul>	<ul style="list-style-type: none"> <li>● Certificates of foreign laborers have been detained.</li> <li>● Foreign laborers have been overcharged for agency fee.</li> </ul>	None
Forced labor	<ul style="list-style-type: none"> <li>● Noise and smell</li> <li>● Causing local traffic jams.</li> </ul>	None	None



# Research & Development Innovative Management

Phihong Technology mainly engages in R&D as well as manufacturing of power supplies, so with requirements on efficiency and standby power of power supplies becoming more and more strict in Europe and America, as well as Phihong Technology's response to developing trend of power supply products, a brand new ASIC power circuit technology which could produce power supply products with smaller volume, higher efficiency and longer life has been developed, indicating Phihong Technology does possess certain importance in the market. In order to get the advantage of coming into the market, Phihong Technology has introduced a series of power supplies complying with 2016 New Energy Regulations DoE6.0 Specification, a series of power supplies complying with quick charger QC2.0 specification, chargers complying with WPC wireless charging specification, energy storage system, industrial power supply, charging products for electric vehicles as well as high-density and small-sized power supply development etc., so as to promote Phihong Technology's industrial competitiveness via strong R&D capacity, meanwhile, it has set up R&D centers in New York, California, Dongguan and Shanghai etc., via a complete global R&D layout, and established Tainan R&D Center to undertake design directly, during shortening product development, it also introduces excellent talents of different backgrounds into R&D Center in Taiwan Headquarters, to provide customers with real-time services.

Phihong Technology deems that only via investing equipment, labor and funds for automated production constantly, could they accumulate technical strength, cultivate technology and innovate, so as to meet requirements of global customers. For this, based on the strategy of setting foot on Taiwan, while arranging a global layout, Phihong Technology has allocated R&D bases in China, America, Taiwan Headquarters and Tainan Branch, except for engaged itself in introducing automated advanced equipment and recruiting excellent R&D talents from all walks of life, the company has also invested lots of R&D funds, in 2014, R&D funds invested by Phihong Technology has reached 434,525,000 new Taiwan dollars, which is about 3.49% of the annual turnover.

## Research & Development Current Situation

### Engaged in Development Design on Green Efficiency Products

With the constantly spreading of global warming issue, in response of environment protection, Phihong Technology has been regarding environment protection as its primary task over the years, from production of lead-free and halogen-free products as well as those prohibiting to use harmful substances, to development on energy-saving products at present, i.e. LED series energy-saving products, solar renewable energy power adapter, energy storage systems, electric vehicle charging solutions etc., and improved power charger efficiency from design, while focusing on efficiency specification complying with 2016 new energy-saving regulations DOE Level 6 of the American government, so as to make contributions to environment protection, perform corporate social responsibility (CSR) from R&D source, and implement the execution of environment protection policy, which complies with the world trend.

In addition, the nuclear disaster caused by 311 Tsunami in Japan, has made it clear that improvement shall be achieved from power consumption source, while the engagement in R&D in home energy management system (HEMS), has made power be controlled and managed to reach the purpose of saving energy, and reducing investment on nuclear power plants, therefore, R&D on power management products as well as improvement on product efficiency could not only reduce power consumption, but reduce carbon emission, thus to further promote environment protection, which is an indispensable duty for every citizen on the earth.

### Promote the Capacity of Developing New Technologies

Except for recruiting high-tech talents in Taiwan constantly, so as to inspire products with more innovative thoughts, via talents with different R&D design backgrounds, Phihong Technology also pays more attention to R&D design on new technologies related to slim, energy-saving & carbon emission-reducing products, which focusing on product appearance design etc., while optimizes various products in a simulation way, and imports 3D printing technology into sample manufacturing process, to shorten design cycle, promote development capacity, and provide optimized products needed by customers quickly.

- Innovative technologies.
- International talents, to integrate different ideas and inspire common innovations.
- Focusing on product innovation, to create products of the highest efficiency, with optimal design.
- Enhancing product functions, to create wireless technology to replace wired energy transportation, reach a safe energy management, and to create a higher product added value.

- Enhancing design acceleration, and importing 3D printing technology as well as design simulation to accelerate design speed so as to reach mass production.
- Design automation, regarding future automated production as its direction, and importing innovative automation technology as main axis at early stage of design, while transferring automated production mode to manufacturing plants to reduce cost.

## Enhancing Procedures and Complying with Regulations

Making a comprehensive survey on products of Pihong Technology, from R&D design to production, there're strict internal specifications and operating procedures, to implement Pihong Technology's product policy, as shown in the following:

- Guaranteeing the safety of users.
- Products are made via strict design & verification procedures.
- Product design complies with safety regulations.
- Reducing impact on environment.
- Products meet requirements of environment specification.

So, in order to match international or domestic regulations about energy saving as well as related environment protecting requirements of customers, it is required by Pihong Technology to focus on energy saving and high efficiency in product design aspect, which means the promotion in product power efficiency shall comply with related environment protecting requirements or environment goals and targets made inside Pihong Technology. Packing materials used in product design shall comply with related environment protecting regulations as well as requirements of customers, and it is required to use renewable packing materials or environment-protective packing materials.

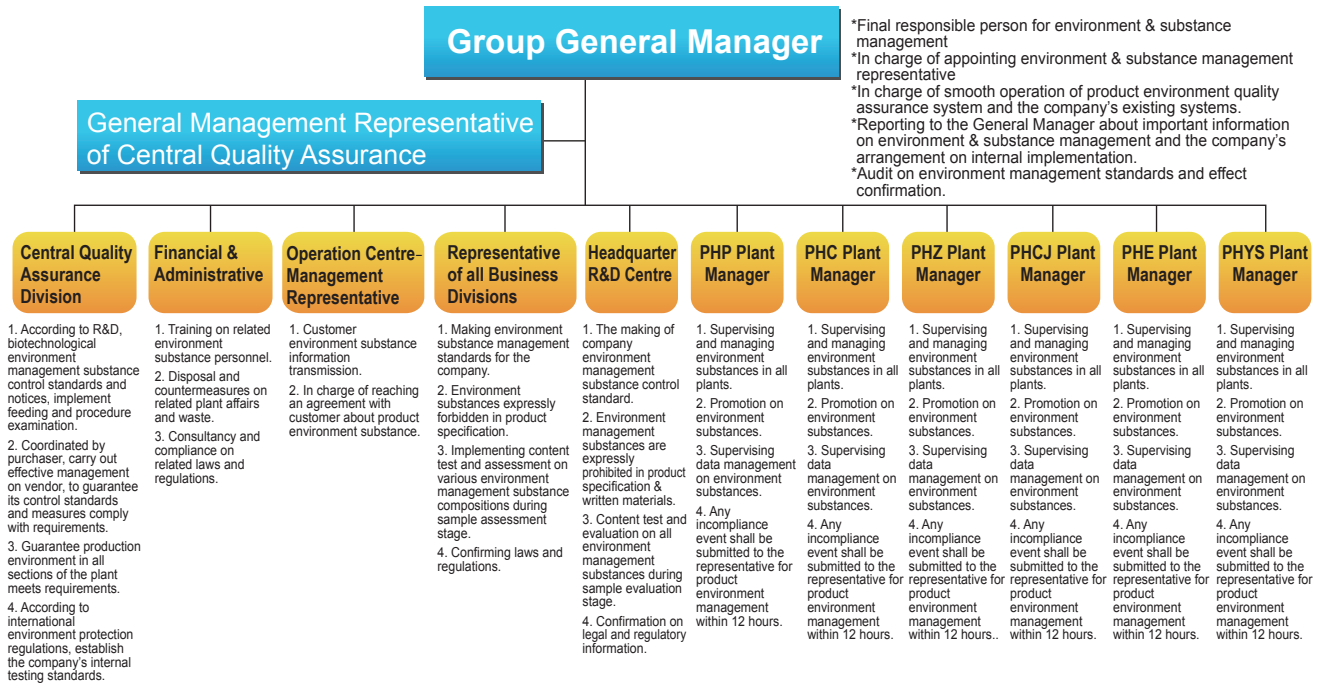
In order to guarantee product quality during operating processes like assessment, planning, design, verification, sample trial-run, engineering technology transfer and trial-production etc., [Product Design Control Procedure] is used to clearly define development schedule, responsibilities and risk management, verification as well as audit for each stage.

Meanwhile, in order to establish a life cycle mode system for Pihong Technology's products as well as major work items in every stage, while management activity in a full life cycle regarding "product" as its thinking target, is also made especially for product life process to guarantee the operation of quality management system, and to reach Pihong Technology's quality (including HSF) goal, so as to keep improving quality management system as well as quality requirements of customers, and the [Product Quality and Life Process Planning Procedure] is also made for this. In the face of product liability issue, in order to guarantee Pihong Technology could handle or prevent any unreasonable danger which may do harm to human body and property in an effective and real-time manner, when any human injury or other property losses except defective products, producer or seller of defective products shall undertake legal responsibility. In addition, the [Product Liability Operation Procedure] is also made as the evidence for observation.

Besides, for management on the use of hazardous substance free (HSF, which is called environment management substances by Pihong Technology), in order to reduce the content of environment hazardous substances in Pihong Technology's products, and to reach requirements expected by laws and regulations or customers, product design shall regard green design as its direction and starting point, while combining related environment protection regulations, customer requirements and environment management substance RoHS (HSF, hazardous substance free), set target according to rules, and carry out supervision and measurement timely, to guarantee these could coordinate with Pihong Technology's management system smoothly, meanwhile the [Environment Management Substance Control Procedure] is also established in particular. This procedure adapts to Pihong Technology Group's all materials, half-finished products, finished products, sub-materials (i.e. molding tools, consumerables, chemicals, glues etc.) as well as all management activities involved in product environment substance during manufacturing process, including materials environment substance management for vendors in source flow management system, which classifies vendors complying with requirements on production of environment protecting commodities into green partner of components & parts and green partner of raw materials. In addition, according to [Identification Procedure on Environment Safety Regulations and Other Requirements], R&D Dept. in all plants shall collect regulations or environment safety requirements related to product design,

For example: Safety regulation standards, EU RoHS Directive, WEEE Directive, Eup Directive, lead-free and halogen-free requirement, green design information, product output/input packaging, transportation and permit etc. Business Dept. in all plants shall transfer environment management substance control requirements from clients (i.e. SONY SS-00259 and MOTO. W18 etc.) and related environment safety and agreement requirements, to related departments such as R&D and Quality Assurance etc. for confirmation or signing and approving.

# Environment Substance Management Committee Organization Diagram



\* With the progress of the times, in order to meet the demand of users, electronic products continue to bring forth the new through the old; while the quantity of throw-away electronic devices in the world is increasing rapidly, which is predicted to reach 6.54 million tons in 2017. According to related research, the predicted information indicates that in China, 22.88kg electronic waste has been produced per person in 2012, which is about 3 times of the average value (7kg) of the world, compared with advanced countries with a higher GDP, 23.23kg, 29.78kg and 21.49kg electronic waste have been produced per person in Germany, America and Japan. These abandoned electric devices have a complicated composition, including shells, drive components or motor plastics, glass, wires and circuits, basic metals, i.e.: Copper, iron, aluminum, heavy metals such as gold, silver, platinum, as well as rare metals such as In, La and Ce etc.

In another word, most waste electronic products are hazardous waste, while with recycling value, thus these have received international attention. In 1988, with respect to electronic waste issue, EU launched environment protection and put forward WEEE draft, in Feb. 2003, EU collected related information, and announced validation of WEEE Directive (Directive 2002/96 / EC), purpose of which is to promote recycling and reuse of waste electronic devices. Class III products: Information and telecommunications devices and Class IV products: Equipment requirements of consumers are Recovery(%) 65% and Re-use and recycled(%) 75%. In Dec. 2008, EU proposed a revision directive, to deal with waste flow undergoing a rapid increase; researched and planned a new WEEE Directive 2012/19/EU, which was issued on Aug. 13, 2012 and took into effect on Feb. 14, 2014. Class III products: Information and telecommunications devices and Class IV products: Equipment requirements of consumers are Recovery(%) 80% and Re-use and recycled(%) 70%.

For increasingly rising number of waste electronic devices, while regarding environment friendly as its goal, Pihong Technology, at early stage of product design and development, has engaged itself in ideology design on promoting product recycling rate; so product recycling rate designed and developed by Pihong Technology could reach above 75%, meanwhile, it also kept progressing constantly, while regarding development on environment friendly materials as its appeal, to make contributions to the earth.

\* Extracted from Science & Technology Report, Science & Technology Monthly Issue. 201404-388 /StEP



## Green Design Cherishing Environment

[Environment Protection, Energy Saving, Loving the Earth] has become one purpose of Pihong's corporate social responsibility, while Pihong Technology Taiwan Headquarters as well as plants in China mainland have all been certificated and passed ISO 14001 environment management system. In recent years, they have been engaged in promoting energy and resource saving, while achieved sound effect in environment protecting measures on energy-saving and carbon emission reduction as well as waste reduction. Later, the energy and resource consumption guideline will be introduced, which objectively displays environment performance of Pihong in future, to be used as an evidence for later review and improvement. To promote environment management, reduce and prevent generation of environment impact with a spirit of planning, implementing, checking, improving ACTION (PDCA) and confirming. To promote environment performance via a systematic management so as to save energy, keep improving and prevent pollution.

Pihong Technology, constantly adhering to the green design idea covering the product life cycle, designs and develops green products, from the source of raw materials (hazardous substance free), vendor manufacturing procedure, product design, in-plant manufacturing procedure, product packaging/transportation, environment protection consideration among customers and consumers to dismantling and recycling at product end of life etc. Completeness evaluation on products of all types from the company has also been carried out against related regulations, which shall meet regulations in sales regions as well as customers' requirements for safety regulations on products, and application for such safety regulations shall be made and approved according to rules, with respect to use safety of products or services, all products of Pihong Technology comply with related information and labeling regulations, so Pihong Technology has not violated any information on products and services or related labeling directive, nor been fined for violating laws/regulations related to provision and use of products/services in 2014.

Safety certification labels in various countries obtained by Products of Pihong Technology, as well as sales countries are as shown in the following:

COUNTRY List	AGENCY	SAFETY Logo	COUNTRY List	AGENCY	SAFETY Logo	COUNTRY List	AGENCY	SAFETY Logo
ACLA-Portuguese	(CB)		Nigeria	SON (SONCAP)	N	Israel	MOIT	SII
ACLA-Spanish	(CB)		Norway	GS (NEMKO)		Italy	(CB)	
Argentina	IRAM		Sweden	GS (SEMKO)		Japan	PSE	
Australia/New Zealand	AS & C-Tick		Denmark	GS (DEMKO)		Philippines	(CB)	
Belgium	(CB)		Finland	GS (FIMKO)		Poland	(CB)	
Brazil	(CB)		U.K	(CB)		Romania	(CB)	
USA	UL		Ukraine	DERZH		Russia	CU/ EAC	
Canada	UL		Vietnam	(CB)		Saudi Arabia	SASO	N
Canada	NRCan(UL)		Cambodia	ISC		Singapore	PSB	
Chile	(CB)		Czech	(CB)		Slovenia	SIQ	N
China	CQC		Eastern Europe	(CB)		Croatia	(CB)	
China	CECP		France	GS (FIMKO)		South Africa	SABS	N
Cyprus	(CB)		Taiwan	BSMI	BSMI	Spain	(CB)	
Korea	KTC		Germany	GS		Switzerland	(CB)	
K-MEPS	MKE		Greece	GS		Thailand	(CB)	
Swiss	(CB)		Holland	GS		Trukey	(CB)	
Luxembourg	(CB)		Hong Kong	(CB)		UAE	(CB)	
Malaysia	STCOA	No logo	Hungary	(CB)				
Mexico	NOM		India	(CB)				
Middle East	(CB)		Indoneasia	N/A				
Morocco	(CB)							



Regulations and standards as evidence for products of Pihong Technology to pass certification.

**USA:** UL 60950-1 、 UL 60065 、 UL 8750 & FCC Part 15B

**Canada:** C22.2 No. 60950 、 C22.2 No. 60065 、 ICES-003 、 BETS-7

**Europe:** EN 60950-1 、 EN 60065 、 EN 61347 、 EN 301489-1 、 EN 55022 、 EN 55024 、 EN 55013 & EN 55020

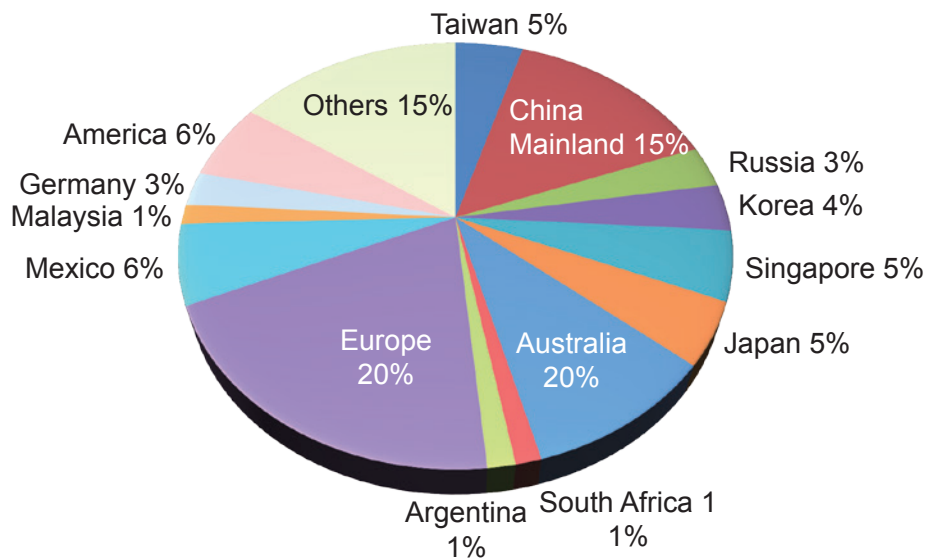
**Taiwan:** CNS 14336 、 CNS 14408 、 CNS 13438 & CNS 13439

**Australia:** AS/NZS 60950 、 AS/NZS 60065 、 AS/NZS CISPR22 & AS/NZS CISPR13

**China:** GB 4943 、 GB 8898 、 GB 9254 & GB 13837

**Japan:** J60950 、 J60065 、 V-3 & V-4 & J55013

Proportion of products from Pihong Technology passing national certification.





# Customer Relationship Management

Phihong Technology adheres to the management principle - [integrity, innovation, challenge], and our company is the one trusted by [customers, manufacturers, employees] (three confidences), while realizing quality policy's commitment of Phihong Technology – [outstanding design], [sound quality], [accurate delivery], [reasonable price], [satisfactory service] are important cycles of Phihong quality management system., How to understand and meet customer requirements as well as [keep improving constantly] is Phihong Technology's commitment on customers. In order to achieve sustainable operation, Phihong Technology is encouraged to reform, grasp change in market and environment acutely and cope with it. Via internal effective communication, sufficient authorization as well as closely cooperation, it keeps innovating and developing new products with competitiveness. Directors of all business groups via various source data such as user opinion surveys, loss business analysis, appraisals, agency reports etc. or by means of visiting or meeting etc. to monitor and understand customers' feeling and demand. Meanwhile, with respect to major customers, [customer satisfaction degree survey] is also carried out, which will be made into a feedback improvement report via statistic analysis. Phihong Technology has been always focusing on the development in customer relationship, listening to customers' voice and integrating customers' opinions into quality planning activities, while adopting related measures and improving activities on communication results, to make customers satisfied. So about management policy on communication channels with customers as well as customer satisfaction degree, the [customer feedback handling procedure] is specially made, when encountering complaint and return of goods from customers, or callback, Phihong Technology could provide real-time handling and countermeasures, and analyze reasons, while take precautions to avoid such issues from happening again, and to improve Phihong Technology's quality via investigating customers' satisfaction degree on Phihong Technology's products and services, meanwhile, to make customers become confident and satisfied with Phihong Technology's products, while analyze and assess performance of quality management system, to be used as the evidence for the company's sustaining improvement.

In order to obtain customer information sufficiently, and to understand customers' requirements on Phihong Technology's product quality, delivery, price, technology and service as well as other related requirements and to implement customer satisfaction degree, Phihong Technology pays great attention to any feedback (voice) from customers, listens to customers' voice and quickly responds to customers' expectation, which is a key factor for creating operation revenue and sustainable operation. Phihong Technology regards customers' demand as its orientation, and takes imitative to handle customers' complaints and suggestions, while carries out real-time and effective communication with customers, to provide Phihong Technology with a chance of constant improvement.

## Customer Comments Feedback Handling

- Outside: Phihong Technology has smooth communication and feedback channels, to guarantee important information from customers could be transmitted to related department and management level.
- Inside: The company, via complete handling process and response mechanism, quickly responds customers' demand, and regards serving customers as purpose.

About customer opinion response and handling (VOC) practice, Phihong Technology listens to customers' voice with patience via the following methods:

1. Customers feed back opinions or complaints to the company's business undertakers or business directors via E-Mail, telephone, telegraph etc.
2. Business persons understand customers' requirements or suggestions, via visiting customers personally.
3. Customers put forward feedbacks, requirements or suggestions by means of holding a meeting with the company.
4. Customers put forward problems and improving suggestions to the company by means of visiting plants and auditing etc.
5. The company summarizes customers' requirements or suggestions and carries out improvement, via using annual customer satisfaction degree survey.
6. Customers reflect complaint points to the company's business department, which will feed these back to related departments such as the quality assurance department etc. to carry out real-time and effective handling, and reply handling results to customers.
7. Any request for repair or returning (replacing) goods, could be handled via the company' s business department, which will handle within a limited time and respond to customer, according to the company's RMA process or replacing process.
8. If customers have any doubt on products or technical enquiry, they could seek for solutions via the company's Business Department, R&D Dept. and Quality Assurance Dept.

## Customer Satisfaction Degree Result Solution



1. Customer suggestions
2. Unsatisfactory information
3. Improving countermeasures and feedback report

1. Hold review meeting
2. Root cause analysis
3. Put forward improving countermeasures report

1. Quality assurance management system summarization.
2. Data statistics and analysis.

1. Announce the whole group.
2. Feed back to customers.

1. ISO management audit. Meeting review.
2. Submit to management level.
3. Improving results track

Handling Process	Receiving Channels/ Detailed Actions	Operation Procedure	Response to Customers
Customer complaint receiving and handling	<ol style="list-style-type: none"> <li>1. Receiving customer E-mail/ phone call/return notification</li> <li>2. Open a &lt; Customer Complaint Handling Sheet &gt; in customer complaint management system.</li> <li>3. Customer complaint sample obtaining and registration.</li> </ol>	<ul style="list-style-type: none"> <li>• Customer feedback handling procedure</li> <li>• Customer complaint handling sheet</li> <li>• Customer complaint handling schedule</li> </ul>	<ol style="list-style-type: none"> <li>1. Collect customer complaint case information, and understand unsound situation and customer requirements.</li> <li>2. If no unsound sample has been obtained, ask the customer to send back.</li> </ol>
Complaint situation grasping and handling	<ol style="list-style-type: none"> <li>1. Collect customer complaint case information, and understand unsound situation and customer requirements.</li> <li>2. If no unsound sample has been obtained, ask the customer to send back.</li> </ol>	<ul style="list-style-type: none"> <li>• Customer feedback handling procedure</li> <li>• Unqualified products control procedure.</li> <li>• 8D operation management methods.</li> </ul>	<ol style="list-style-type: none"> <li>1. Handle according to the 227 time-effect principle regulated by the procedure, and make initial response to customers within 2hr, for non-in-plant issues, inform the customer and negotiate with him or her.</li> <li>2. If it is confirmed to be an HSF (hazardous substance free) complaint, it is required to inform the customer within 12 hrs initially.</li> </ol>
Real cause analysis and initial countermeasures	<ol style="list-style-type: none"> <li>1. Root cause analysis.</li> <li>2. Initial countermeasures planning.</li> </ol>	<ul style="list-style-type: none"> <li>• Customer feedback handling procedure</li> <li>• Quality abnormality handling procedure</li> </ul>	<ol style="list-style-type: none"> <li>1. The Quality Assurance Dept., will carry out real root cause analysis, together with related responsible departments such as the Engineering Dept. and the R&amp;D Dept. etc.</li> <li>2. First, provide initial countermeasures or plans to customers within 2 days, according to the 227 response time-effect principle regulated by the procedure.</li> </ol>

Handling Process	Receiving Channels/ Detailed Actions	Operation Procedure	Response to Customers
Improving countermeasures/ correction and precautions (reply 8D correction action report))	<ol style="list-style-type: none"> <li>1. Track and monitor in-plant handling and response time effect.</li> <li>2. Review and confirm with respect to response of responsible department, and transform into the format required by customer (if any); otherwise, response according to the &lt;8D Correction Action Report&gt; required by the company.</li> </ol>	<ul style="list-style-type: none"> <li>• Customer feedback handling procedure</li> <li>• 8D operation management methods.</li> <li>• Quality abnormality handling procedure</li> <li>• Correction and precautions management procedure.</li> <li>• Customer complaint management system.</li> </ul>	<ol style="list-style-type: none"> <li>1. Prepare temporary and long-term improving countermeasures, and carry out correction as well as precautions.</li> <li>2. Reply to customer with a &lt;8D Correction Action Report&gt; within 7 days, according to 227 response time-effect principle regulated by the procedure.</li> <li>3. Report at client according to situation.</li> </ol>
Effect track/ Standardization and data management	<ol style="list-style-type: none"> <li>1. Customer complaint improving and correction/precautions effect tracking.</li> <li>2. In-plant SOP/Inspection standardization.</li> <li>3. Customer complaint system data maintenance and management.</li> </ol>	<ul style="list-style-type: none"> <li>• Customer feedback handling procedure</li> <li>• Correction and precautions management procedure.</li> <li>• 8D operation management methods.</li> <li>• Customer complaint management system.</li> </ul>	<ol style="list-style-type: none"> <li>1. Monitor and execute customer complaint correction measures implementation and confirmation.</li> <li>2. Summarize customer complaints and carry out statistic analysis monthly, and carry out analysis review as well as effect tracking confirmation.</li> <li>3. Related customer complaint materials and reports shall be filed in &lt;Customer Complaint Management System&gt;.</li> </ol>

In the year of 2014, recycling rate of questionnaires on customer satisfaction degree sent out by Pihong Technology is 98.3%, while the overall customer satisfaction degree is 84.97%. In a word, for items such as quality, price and service etc., customers feel satisfied very much and satisfied, only part of customers expect to shorten delivery of the company's new products, with respect to this suggestion, business personnel in Pihong Technology have carried out review and communication inside the plant, while related improving countermeasures have been responded to customers in a real-time manner, and customers all feel satisfied.

## Protection on Customer Privacy Right

Pihong Technology has been respecting customer privacy all the time, and has made the [Company Information Handling and Customer Data Protection Operation Procedure] for this, so as to maintain sound and close communication channels with customers, for data provided by customers routinely, systematic registration and control shall be carried out on external files, to prevent data loss. Appropriate confidentiality and protection measures are adopted for all confidential technical data and files provided by customers, and only those authorized could have the right to view; any flow-out of customer data is absolutely forbidden, if customer has any agreement or order with non-disclosure requirement, a non-disclosure agreement shall be signed with the customer according the company's regulations, while all agreements shall be planned as a whole by the company's Legal Dept. in the system, which will then carry out non-disclosure management, to prevent disclosure of customer privacy.

For all high-level persons, purchase persons or those regarded by Business Director as special persons newly employed by Pihong Technology, the Human Resource Dept. shall carry out verification on qualification of recruited persons during entering, according to regulations in [Personnel Appointment Guarantee Operation Specification], and return the result to the person in charge of the department for recruiting reference. For positions taking responsibilities or keeping public properties, the Human Resource Dept. shall ask this newly recruited employee to complete the operation procedure guarantee, and sign an [Employee Guarantee], to take responsibilities of confidentiality and custody. So in the year of 2014, there's no complaint on customer privacy right infringement or customer information missing in Pihong Technology.



# Sustainable Environment

In order to implement environment safety protection, improve environment safety quality and energy efficiency inside the company as well as surrounding areas, it is required to observe and understand national or local (regional) environment safety/energy directives indeed, so [Identification Procedure on Environment Safety Regulations and Other Requirements] shall be made with respect to environment safety/energy directives, customer requirements or related environment protection requirements (i.e. EU Directive RoHS, WEEE, Eup etc.) related to Pihong Technology as well as other required issues, to carry out collection, identification and audit on regulations. Products, activities and services of various entities of Pihong Technology Group or national environment safety/energy regulations, regional (local) regulations, international regulations/standards as well as client related environment protection requirements etc. associated with in-plant or surrounding environment; identify whether the collected regulations and client related environment safety/energy information requirements shall be observed by in-plant products, activities and services, and record in [Regulation Collection Identification Schedule], if required, carry out further classification, number, and record in [Regulatory Compliance Audit Schedule], while advocate, train and transmit to related departments or employees for understanding, via all internal communication methods (i.e.: Electronic bulletin, posting contact, meeting etc.) timely, to be used as the evidence for execution. So in the year of 2014, Pihong Technology has not been fined for violating environment decrees.

## Saving Energy and Loving Our Earth

In order to avoid energy (resource) waste and adhere to corporate conscience environment policy, Pihong Technology has made the [Energy (Resource) Saving Management Method] for all energy uses, to effectively control energy (resource) utilization, including water, electricity, diesel, gas, office printing (photographing) paper, industrial/commercial wastes, telephone rate and renewable living goods in surroundings etc., so as to reach the purpose of reducing expenditures and safety equipment usage. When engaged in providing high-efficiency power supply products, it also makes efforts to save energy required by industrial/commercial operation, to reduce energy consumption, protect environment and environment protection ideology of sustainable development. Keep reforming manufacturing plants under the control of operation via energy-saving technology, i.e. generate hot water via using air compressor waste heat recycling etc.

With respect to recycling and reuse of product packaging materials, in order to enable system management to reduce resource usage and to minimize waste production, as well as to prevent impact caused by this on environment, it promotes recycling and reuse of packaging materials together with customers, expecting to reduce waste production. In 2014, Pihong has carried out recycling and reuse of packaging materials together with two customers, among which customer A's packaging materials' total recycling weight reached 1019.288 T, while recycling rate reached 56.46% (packaging materials recycling rate = Recycled packaging materials weight / delivered packaging materials weight = 1019.288/1805.274 × 100%=56.46%); customer B's packaging materials' total recycling weight reached 24.360T, while recycling rate reached 51.74% (packaging materials recycling rate = Recycled packaging materials weight / delivered packaging materials weight = 24.360/47.082 × 100%=51.74%).

In addition, about energy consumption, in 2014, Pihong Technology Taiwan Headquarters mainly focused on power energy, while energy consumption in plants in China mainland also focused on power energy, using petrochemical energy – diesel as a supplement, to guarantee plant operation and domestic hot water for employees during power abnormality. In 2014, domestic hot water for employees in Pihong Technology (Dongguan) Electronics Co., Ltd. (PHC) all came from recycling and reuse of waste heat, while diesel consumption was only used for generation.

Unit: GJ (1Cal=4.1868J)

Plant Category Energy Type	PHC	PHCJ	PHT
Electricity	58147.20	16686.33	7123.68
diesel	197.01	407.04	-
LNG	16.99	-	-

Note: ○ 1. Electricity data comes from electricity bills, while diesel data comes from daily electric meter readings.

○ 2. Unit: GJ, unit exchange, diesel :10200kcal/kg, natural gas: 9310kcal/m<sup>3</sup>, electricity: 3600000J/kw.h

In order to adhere to the management principle of saving energy and reducing consumption, Pihong Technology used diesel as the fuel for combustion boiler in Dongguan plant, while started to carry out assessment on how to reduce energy consumption in 2013, and finally decided to set a hot pump additionally. The company invested 3.24 million Yuan (RMB) in all to reduce combustion of diesel used by boilers, and to reduce air pollution as well as diesel consumption.

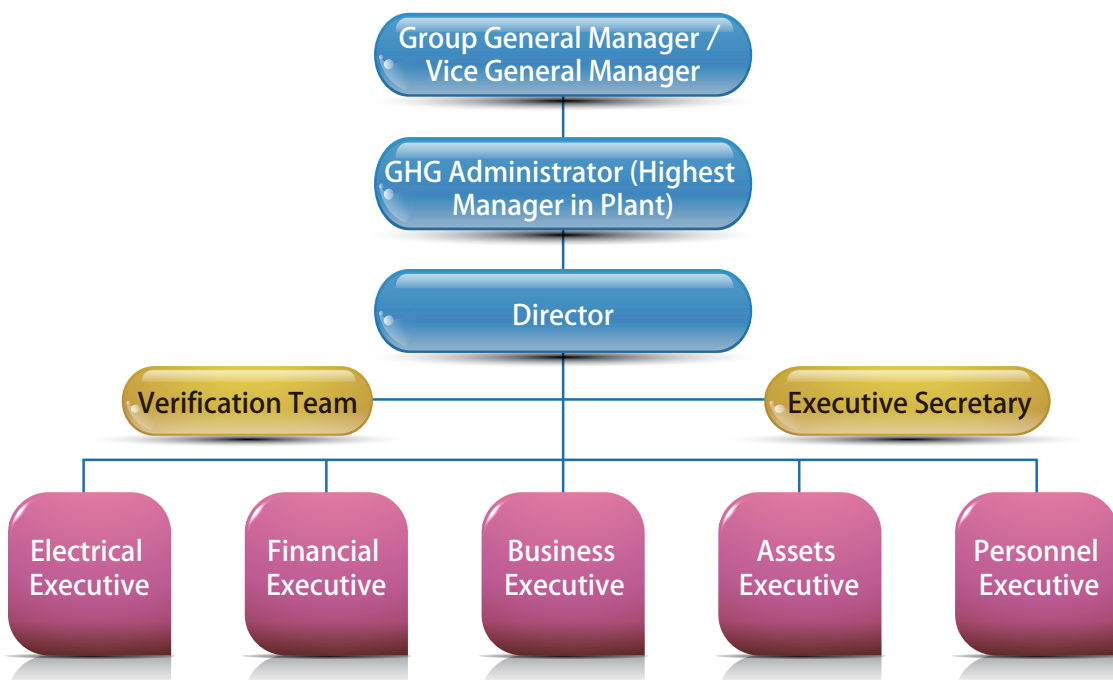
Estimate based on actually used 39,906L diesel in Pihong Technology (Dongguan) Electronics Co., Ltd. (PHC) from Jan. 1 2013 to Jul. 31 2013, diesel usage reduced via using air compressor waste heat recycling and reuse system in Pihong Technology (Dongguan) Electronics Co., Ltd. (PHC) in 2014 was about 39,906L, equal to reducing about 105.04 kT of CO<sub>2</sub>-e. Air compressor system waste heat recycling and reuse system in Pihong Technology Qingxi Tiesong Plant (PHCJ) was formally launched on Oct. 11, 2014, estimating according to the same period in 2013, diesel usage reduced in 2014 is 14,894L; referring to statistics of the whole year, it is predicted that annual diesel usage reduction will reach 54,279L.

Plant Category	Dongguan Plant	
	PHC	PHCJ
Reduced diesel usage in 2014	39,906L	16,256L
Diesel usage expected to reduce in 2015	71,996L	54,279L

## Reduce Greenhouse Gas Emission to Protect Atmosphere

Meanwhile, Pihong Technology promises to carry out control on energy consumption in operation control area, which is to check greenhouse gas emission according to [Greenhouse Gas Checking Management Procedure], and to promote continuous improvement plan and activities on greenhouse gas emission reduction measures in an active stance according to check results, so as to reduce environment and climate impact caused by global warming because of greenhouse gas emission, while engages in implementing the sustainable development environment protection ideology of saving energy/resource, and protecting environment, as well as complete corporate social responsibility.

### Organization Diagram of Greenhouse Gas Inspection and Voluntary Emission Reduction Promotion Committee





In order to implement the corporate management principle of saving energy and reducing emission, Pihong Technology has reduced carbon emission's impact on environment and climate, so as to take obligatory responsibility of the corporate. Pihong Technology carries out greenhouse gas checking via operation control right law and according to quantitative methodology of ISO 14064-1, expecting to understand current situation of carbon emission, and to carry out energy saving and carbon emission reduction activities based on this. During reporting period, there's no carbon dioxide discharged via using biomass fuels in Pihong Technology. Emissions of Dongguan Plant GHG Scope 1 & Scope 2 in this report are as shown in the following table (GHG emission unit: KT CO2-e):

	Scope	Scope 1	Scope 2	Total
Dongguan Plant	Emission ( kt CO2-e)	1,084.315	19,204.408	20,288.723
	Percentage	5.344%	94.656%	100%

Emission of non-FC greenhouse gas	CO2	CH4	N2O	HFCs	PFCs	SF6	總計
Emissions (kt CO2-e)	19,491.800	551.720	3.751	241.452	-	-	20,288.723
Percentage	96.072%	2.719%	0.018%	1.190%	0.000%	0.000%	100%

Note:

1. Scope 1 emission coefficient comes from 2006 IPCC Guidelines for National Greenhouse Gas Inventories.
2. Scope 2 emission coefficient comes from China National Development and Reform Committee; Southern Power Grid electric discharge coefficient is 0.9183 kgCO2-e/kWh.
3. GWP value is IPCC' s fourth assessment report (2007).



## Environment Protection Investment not to Lag Behind

In addition, other detailed behaviors as well as overall expenses related to environment protection of Pihong Technology about environment aspect are as follows:

- Instructions on application, payment or establishment of polluting facilities:  
Pihong Technology has always been focusing on environment protection, and has successfully applied for related certificates such as pollutant discharge permit etc., while operated according to related local regulations.
- Investment on anti-pollution equipment as well as its purposes may generate benefits:  
Pihong Technology has also applied for pollutant discharge permit according to related local regulations, however, in order to guarantee maintenance on surroundings as well as employee health, it has also set up related anti-pollution equipment including central exhaust system, central air-conditioning system, mobile vacuum cleaner, sedimentation tank and simple sewage disposal equipment etc.

In 2014, Taiwan Headquarters has spent 1,207,697 new Taiwan dollars in environment protection; while plants in China mainland has spent 3,854,866 Yuan (RMB), meanwhile, the environment protection audit management procedure was also made via environment management system (ISO 14001) for execution, while improvement and tracking have also been done with respect to lacking parts.

Environment Protection Costs Classification	Expenses	
	Taiwan Currency: NTD	Dongguan Currency: RMB
1. Reduce direct cost of environment load.		
(1) Sewage disposal fee	51,965	611,292
(2) Save resource consumption cost (investment on air compressor system waste heat recycling system)	0	2870,000
(3) Industrial/Commercial wastes and office general wastes disposal and recycling fees	118,856 元	95,575
2. Industrial/Commercial wastes and office general wastes disposal and recycling fees (Environment protection fee)	998,371	239,946
	38,505	38,053
3. Other environment protection costs	0	0
Total	1,207,697	3,854,866
Environment Protection Benefits Statistics		
Item		
Industrial/Commercial wastes recycling	26,935	3,471,167
Environment impact benefits	0	38,829

**8,648** persons

By the end of 2014, total employees in Pihong Technology Group are 8,648.



## Employment Relationship, Making the Most Use of Things

Talents is the key to success for the enterprise in global market competition, Pihong Technology makes labor policy, and constructs equal, safe and stable employment and development environment, according to local labor decrees in operational bases, while combing international standards and specifications such as global customers and electronic industry code of conduct etc. In recent years, the number of employees in all regions has kept increasing stably, which has created and provided stable employment opportunities.

Till the end of 2014, total number of employees in Pihong Technology has reached 8,648, among which 472 are from Taiwan, 4,080 from Dongguan, and the rest 4,096 are distributed in plants located in China mainland as well as other overseas plants. Pihong Technology engages itself in recruitment, cultivation and development on excellent talents, while demission rate of key talents in Taiwan Operational Headquarters is lower than 2% on average, making Pihong Technology keep a sound competitiveness.

### Pihong Technology human resource policy:

- Human-oriented management
- Respecting professional managers.
- Reasonable salary and welfare measures.
- Cultivating talents both inside and outside the plant.
- Marching towards applicable targets in an active stance.

Except for steady development of sustainable operation of the company, intimate and friendly workplace environment is also a chasing goal for Pihong Technology, via constructing a fair workplace in an all-round way, it makes all colleagues could reach a balance between work and family without fear of an attack from the rear, to realize the win-win mission in labor and management.

Pihong Technology also pays great attention to salary and welfare of its employees, and adopts the competitive integrated salary policy and year-end bonus to attract excellent talents to participate in Pihong Technology, and to create a bright future. Employee salary depends on education background, position and market as well as personal work performance, which varies according to difference in gender, race, religion, political standpoint and marital status. The Human Resource Dept. will carry out salary market survey irregularly on a yearly basis, which covers various data including salary level of the industry inside this region, or outside this region, salary level of related industry inside this region, salary level in normal labor market, salary level of each session of the graduates, annual salary adjustment level and overtime payment level, min. salary, allowance and welfare etc., so as to understand supply and demand situation in the overall talent market, and to maintain competitiveness of the company's recruitment. In 2014, average salary adjustment range in Taiwan is 3.26%, the Board of Directors issued 23,951,209 new Taiwan dollars to employees in 2013, accounting for 16.20 % of net profit after tax.

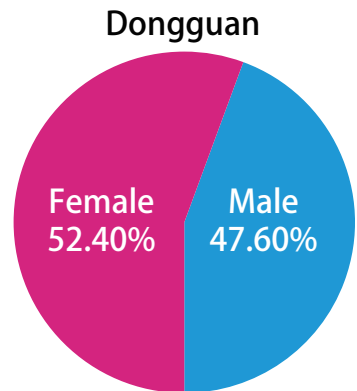
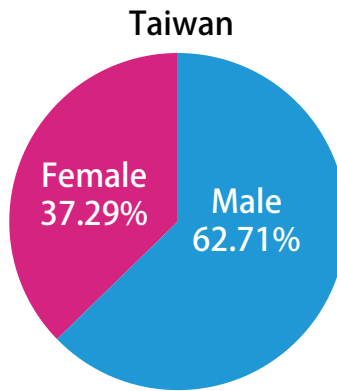


2014 Total Number in Taiwan + Dongguan	Periodic Agreement		Non-periodic Agreement	
	Male Employees	Female Employees	Male Employees	Female Employees
4552	1569	1263	858	862



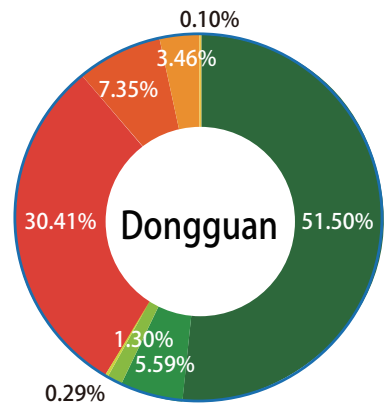
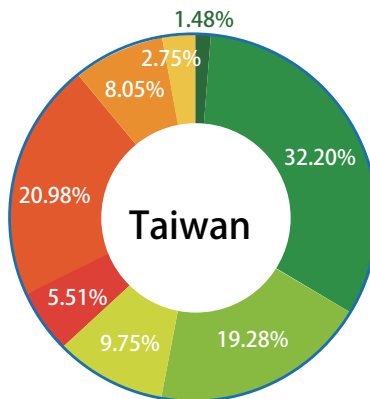
[Distribution by Area and Gender in 2014]

Gender / Area	Taiwan	Dongguan
Male	62.71%	47.60%
Female	37.29%	52.40%
Subtotal	100%	100%



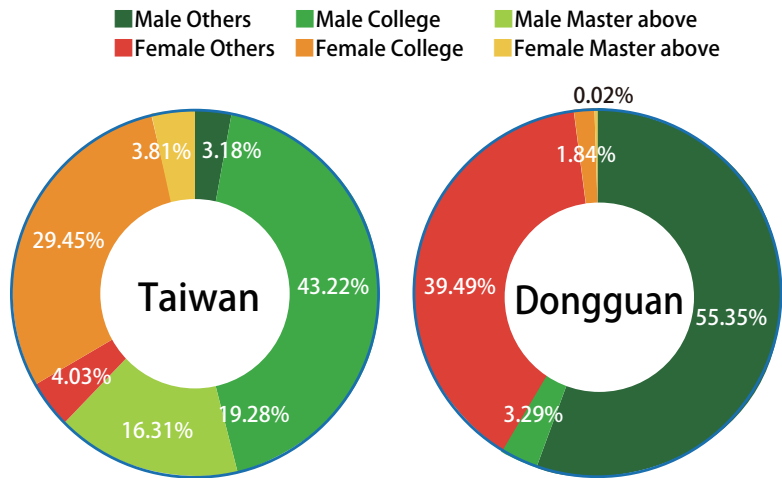
[Distribution by Area, Gender and Age]

■ Male < 30    ■ Male 30-40    ■ Male 40-50    ■ Male > 50  
■ Female < 30    ■ Female 30-40    ■ Female 40-50    ■ Female > 50





### [Distribution by Area, Gender and Education]



2012-2014 <Taiwan + Dongguan > Male-Female Ratio in Management Staff

Year / Rank	Year 2012					Year 2013					Year 2014				
	Male	Ratio	Female	Ratio	Total	Male	Ratio	Female	Ratio	Total	Male	Ratio	Female	Ratio	Total
Grass-root - Section	41	73%	15	27%	56	52	74%	18	26%	70	60	71%	24	29%	84
Middle class - Sub-level	56	86%	9	14%	65	61	88%	8	12%	69	80	92%	7	8%	87
Middle and high class - Section	11	100%	0	0%	11	13	93%	1	7%	14	14	88%	2	13%	16
High class - Deputy General above	5	86%	2	14%	7	6	86%	1	14%	7	6	86%	1	14%	7
<b>Total</b>	<b>113</b>	<b>86%</b>	<b>26</b>	<b>14%</b>	<b>139</b>	<b>132</b>	<b>85%</b>	<b>28</b>	<b>15%</b>	<b>160</b>	<b>160</b>	<b>84%</b>	<b>34</b>	<b>16%</b>	<b>194</b>

Note: Calculation on male-female ratio on all management levels = The number of male or female on all management levels / The total number of male and female on all management levels \* 100%.

**13,721**  
persons  
2In 2014, Over 13,721 new employees were employed.



Phihong Technology pays great attention to female's value in job market, but for the number of female directors is relatively low because of industrial and work structure factors, Phihong Technology has to promote gender equality in an active stance, and encourage selecting female colleagues for appropriate positions to exert and grow; viewing from the past three years, the number of female directors is now indicating an increasing trend, rising from 26 in 2012 to 34 in 2014.

Phihong Technology, via sound employment plan, could achieve the most instant information interaction between Phihong Technology and candidates, which keeps transmitting and absorbing fresh blood sharing the same ideology with the company in an open and fair recruiting manner, to stimulate new energy. Phihong Technology has a complete set of standard procedures on talent recruitment: It includes man power requirements, position description, job specification and interviewing process, and every colleague coming to Phihong Technology is guaranteed to [be well suited with one's place], via personal traits, TOEIC and professional capacity examination, and to find a proper stage.



Phihong Technology adopts the fair appointment principle on all employees, for each colleague newly recruited, an experienced tutor will be arranged to help to adapt to the company's environment and culture quickly, and take proper care, if any colleague feel uncomfortable in work, Phihong Technology will [teach according to one's ability] or consider transferring to another department to make everyone well suited with one's place.

## Human Structure of Newly Recruited Employees in 2014

Technology's adhering ideology, and Phihong Technology attends and supports various plans promoted by the government in an active stance, promotes employment market for the aged and middle age, provides job opportunities, and helps women group obtaining employment for the second time return to their workplace to exert their advantages, and to jointly seek for a sound and outstanding technology life of high quality with Phihong Technology team.

- By the end of 2014, newly recruited female workers of Phihong Technology Group has accounted for 40% of the total number of employees.
- Parent company of Phihong Technology in Taiwan, in order to promote job opportunities for the aged and middle age, as well as to promote second-time employment of women, the number of newly recruited employees above 45 accounts for 13% of the total number of employees of the year.

Year 2012-2014 < Taiwan + Dongguan > Newly Recruited Employees Age and Gender Distribution

Year / Plant	Year 2012		Year 2013		Year 2014	
	Taiwan Headquarters	Dongguan Plant	Taiwan Headquarters	Dongguan Plant	Taiwan Headquarters	Dongguan Plant
Total newly recruited employees	54	11,887	76	10,108	149	13,572
Below 30	29.63%	79.72%	21.05%	83.82%	19.46%	83.59%
30-40	40.74%	18.95%	52.63%	14.78%	60.40%	13.13%
40-50	16.67%	1.28%	11.84%	1.39%	12.08%	3.25%
Above 50	12.96%	0.05%	14.48%	0.01%	8.06%	0.03%
Male ratio	75.93%	52.97%	72.37%	48.10%	59.73%	63.38%
Female ratio	24.07%	47.03%	27.63%	51.90%	40.27%	36.62%
The percentage of newly recruited persons accounting for total number of employees	13.08%	255.14%	18.18%	256.03%	31.57%	332.65%

Note: Calculation on male-female ratio on all age levels = Male/Female number on all age levels / Total newly recruited employees \* 100%.





## Human Structure of Resigning Employees in 2014

Viewing from the past three years, demission rate of employees in parent company of Phihong Technology in Taiwan is maintained under 2%, which is very rare for technology industry, only viewing from 2014, average demission ratio in Phihong Technology is 1.9%; among male 1.14%; female employees is 0.76%.

Year 2012-2014 < Taiwan + Dongguan > Total Resigning Number and Male-Female Ratio

Year / Plant	Year 2012		Year 2013		Year 2014	
	Taiwan Headquarters	Dongguan	Taiwan Headquarters	Dongguan	Taiwan Headquarters	Dongguan
Average demission ratio	1.30%	18.15%	1.40%	20.80%	1.90%	27.42%
Total demission	69	10,140	69	11,196	96	13,424
Male	43	5,356	49	5,714	55	8,341
Female	26	4,784	20	5,482	41	5,083
Below 30	20.29%	79.27%	14.49%	82.18%	13.54%	83.68%
30-40	40.58%	19.40%	56.52%	16.43%	69.80%	13.56%
40-50	23.19%	1.29%	17.39%	1.38%	13.54%	2.75%
Above 50	15.94%	0.04%	11.60%	0.01%	3.12%	0.01%
Male ratio	62.32%	52.82%	71.01%	51.04%	60.00%	59.98%
Female ratio	37.68%	47.18%	28.99%	48.96%	40.00%	40.02%
The percentage of resigning employees accounting for the total employees	16.71%	217.64%	16.51%	283.59%	20.34%	329.02%

Note 1: Average demission ratio equals to average demission ratio of every month = (sum of resigning employees from month 1 to 12 / sum of on-the-job employees at then end of month 1-12).

Note 2: The main reason for relatively high demission ratio among employees in Dongguan plant is the lack of employees in local place.

## Notification Term for Job Transfer

Notification term of demission is definitely pointed out in demission regulations in employee manual in Taiwan parent company, and demission notification dates are as follows:

- (I) Employees covering six positions and above, shall be notified 30 days in advance.
- (II) Those with a continuous working period above 3 months but fewer than 1 year, shall be notified 10 days in advance.
- (II) Those with a continuous working period above 1 year but fewer than 3 years, shall be notified 20 days in advance.
- (IV) Those with a continuous working period above 3 years shall be notified 30 days in advance.

keep one copy of the labor contract, while the employee shall keep one either. It is definitely regulated in 4 of Article VIII Contract Dissolution and Termination that: If this contract is dissolved by Party B (employee), it shall inform Party A in a written form thirty days in advance; for those within the probation, inform Party A three days in advance, and the company will release an employee manual to all newly recruited employees, in the demission regulations of which demission notification term has also been figured out clearly.

## Comprehensive Performance Management

Phihong Technology performance system is executed via the company's organization and individual target setting, and <Mid-year and Year-end> performance evaluation is held twice a year, which is mainly used for sustaining communication and improvement, and to develop potential of colleagues, meanwhile, via interaction and communication between directors and colleagues, career planning could be adjusted in a reasonable manner.

Year 2012-2014 (Taiwan + Dongguan) Ratio of Male-Female Receiving Examination

年度／性別 考核項目	2012 年		2013 年		2014 年	
	Male	Female	Male	Female	Male	Female
Mid-year examination	1,546	1,470	1,511	1,559	1,616	1,453
Year-end examination	1,484	1,711	1,813	1,750	735	1,386

Male-Female Ratio in 2014

A donut chart showing the gender ratio of employees receiving examinations in 2014. The chart is divided into two segments: a green segment representing Male at 54.1% and a red segment representing Female at 45.9%.



Note: Employees with a working history under three months could not participate in annual examination.






## Perfect Welfare Measures

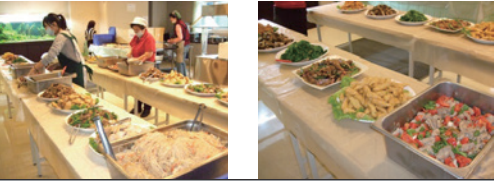

Phihong Technology firmly believes that, the corporate success needs to be achieved via joint efforts of all colleagues, so [employees] have always been the most precious property of Phihong Technology. Except for providing salary and welfare with competitive advantage, Phihong also pays special attention to staff care, development and working environment improvement, to provide colleagues with the most comfortable and safest working environment of the best quality; regarding harmonious and human management as its goal, Phihong does not only comply with specification in all labor decrees, but adheres to the management principle of Phihong Technology, to create better performance, and promises to maintain Phihong Technology's property, rights and image via complying with laws and moral principles, to guarantee and to promote the company's advantages in an all-round way, as well as to construct a sustainable corporate responsible for the society.

Note: For related information about retirement reserve, please refer to Phihong Technology 2014 Annual Report Page 121.

Welfare Items	Brief Introduction
<b>Colleague pressure soothing arrangement – Eden obscuration (Taiwan)</b>	<p>A professional massagist will be arranged by the company to provide massage service for colleagues in the plant, to make them feel relaxed, and service time for each colleague is 10 min, while the payment is also a charitable donation.</p> <p>The images show a sign for '讓EYE看見 視障按摩最FUN影' (Let EYE see, Blind Massage is the most FUN shadow) and three photos of a person in an orange shirt providing a massage to a colleague in a wheelchair.</p>
<b>Complete group insurance (Taiwan + Dongguan)</b>	<p>Total guarantee amount reaches 2.5 million ~ 6.5 million, and guarantee includes: Term life insurance, accident insurance, injury medical insurance, hospitalization medical insurance, cancer prevention health insurance, overseas travel insurance etc., and this is one of welfares provided by the company for employees, which coheres the company's central force better.</p>

Welfare Items	Brief Introduction
Free physical examination ( Taiwan )	Health is an important element for life balance, and the company insists on holding a physical examination on all employees as well as carrying out diversified care plans, to create a healthy and happy workplace.
External training subsidy ( Taiwan )	To encourage advantage studies among colleagues and to provide full subsidy.
Marriage & death subsidy of colleagues ( Taiwan )	For marriage & death events among employees, according to those involved, the company will prepare a gift bonus of 10000~12,000.
Marriage&death subsidy ( Taiwan )	Every year, according to the number of the Dept., a fellowship allowance will be applied, which is used to support and promote friendship among colleagues.
Annual department association party ( Taiwan )	Salary adjusting review will be carried out every year, and salary adjustment in 2014 is 3.26 % There's a year-end bonus either.
Annual department association party ( Taiwan )	When the company has earnings during year-end settlement, cash or shares will be issued to on-the-job employees of that year, to be jointly possessed and shared by them.
Substantial salary ( Taiwan + Dongguan )	<p>To encourage colleagues to found a community and provide subsidy (2,000 Yuan per month), and to hold various activities spontaneously on a regular basis, at present, communities already founded include badminton community, riding community, climbing community, bowling community, billiards community, remote control model etc., which could provide colleagues with legal recreational activities, and could enhance friendship among colleagues from different departments, to enjoy colorful life.</p> 
Employee bonus distribution ( Taiwan )	cash of 500~9,000 or equivalent shopping gift for renowned corporate shopping website will be issued during the Dragon Festival, the Mid-autumn Day and the Spring Festival, while a birthday cash gift of 1,200+200 will be issued on the birthday of a colleague.
Diversified community ( Taiwan + Dongguan )	<p>For annual domestic tourism, the company will carry out unified planning and undertake group activities via selecting a scenic spot, while provide full subsidy; in addition, the company will also provide an annual tourism allowance, which could be planned by colleagues freely on family parties or travels, and the amount is 2,000~8,000 Yuan per year per person.</p> 

Welfare Items	Brief Introduction
<b>Vehicle</b> ( Taiwan )	<p>For energy-saving and carbon emission reduction, the company has planned vehicle Service, to solve traffic connection for colleagues.</p> 
<b>Employee Restaurant</b> ( Taiwan + Dongguan )	<p>An employee restaurant is set in the company, providing employees with diversified buffet and comfortable dining environment, while a dining satisfaction electronic opinion platform is also set, and a team communication meeting is also carried out monthly, to understand employees' views and suggestions on meals, so as to improve dining service quality.</p> 
<b>Company Recreational Facilities</b> (Taiwan)	<p>Devices for pressure relieving such as fitting center, squash court, employee restaurant, audiovisual laboratory and electric massaging seat etc. have also been set.</p> 
<b>Christmas activities</b> <b>Annual evening party</b> <b>Experience senior and excellent employee rewarding</b> ( Taiwan + Dongguan )	<p>Annual evening party, is the biggest one for appreciating employees efforts of the year, and the company plans and provides high lottery awards, as well as rich delicacies and hot programs, to meet the new year with joint efforts. Via annual evening party. rewards are also presented to excellent and experienced senior employees, except for appreciating their efforts, via participation in this activity, recognition on employees has also been promoted.</p> 
<b>May day model employee selection</b> ( Dongguan )	<p>In order to create a progressive and active working atmosphere, the company will hold a selection for model employees during the May Day period, and 80 model employees were selected in the year of 2014, which were rewarded with prizes and bonuses, to appraise those colleagues and to establish sound examples.</p> 

Welfare Items	Brief Introduction
<b>Birthday dishes</b> ( Taiwan )	<p>Every Friday of the last week of the month, a birthday party will be held, providing rich buffet dishes, for employees to enjoy.</p> 
<b>Convenient service</b> ( Taiwan )	<p>Convenient service booths have also been arranged in plants regularly (bread shops, leisure food, living goods, communication goods, banks and insurances), to meet living demand of colleagues.</p> 
<b>Preferential of related enterprises – The Spring Hotel</b> ( Taiwan )	<p>Festival preferential (Spring Festival dishes and season tickets)            Wedding feast preferential of relatives            80% discount preferential for employees, free of service fee.            Preferential of other related facilities</p>
<b>Other welfares (Welfare Committee)</b> ( Taiwan )	<p>Marriage: 2,000 gift cash            Child-bearing of employee or his spouse: 2,000 gift cash            Hospitalization: 2,000 consolation money            Injury or death of relatives: 1,500~2,100 consolation money            Discounts in several appointed stores.</p>

## All-round Insurance Plan

Phihong Technology has clean and transparent financing policy, and Taiwan employees will be insured (labor and health) by the company since the reporting day, to make them free of fear of an attack from the rear. In employee retirement policy aspect, according to labor law and retirement pension rules, certain reserved pension will be designated to legal retirement accounts, to make employees guaranteed after retirement.

Except for purchase workers' compensation insurance according to laws, national health insurance and employee retirement pension promotion, Phihong Technology has also planned employees' group medical insurance, which is one of welfare measures for the company to care employees, to make colleagues devote whole-heartedly to [doing everything best], so as to cohere the company's central force in a better way.



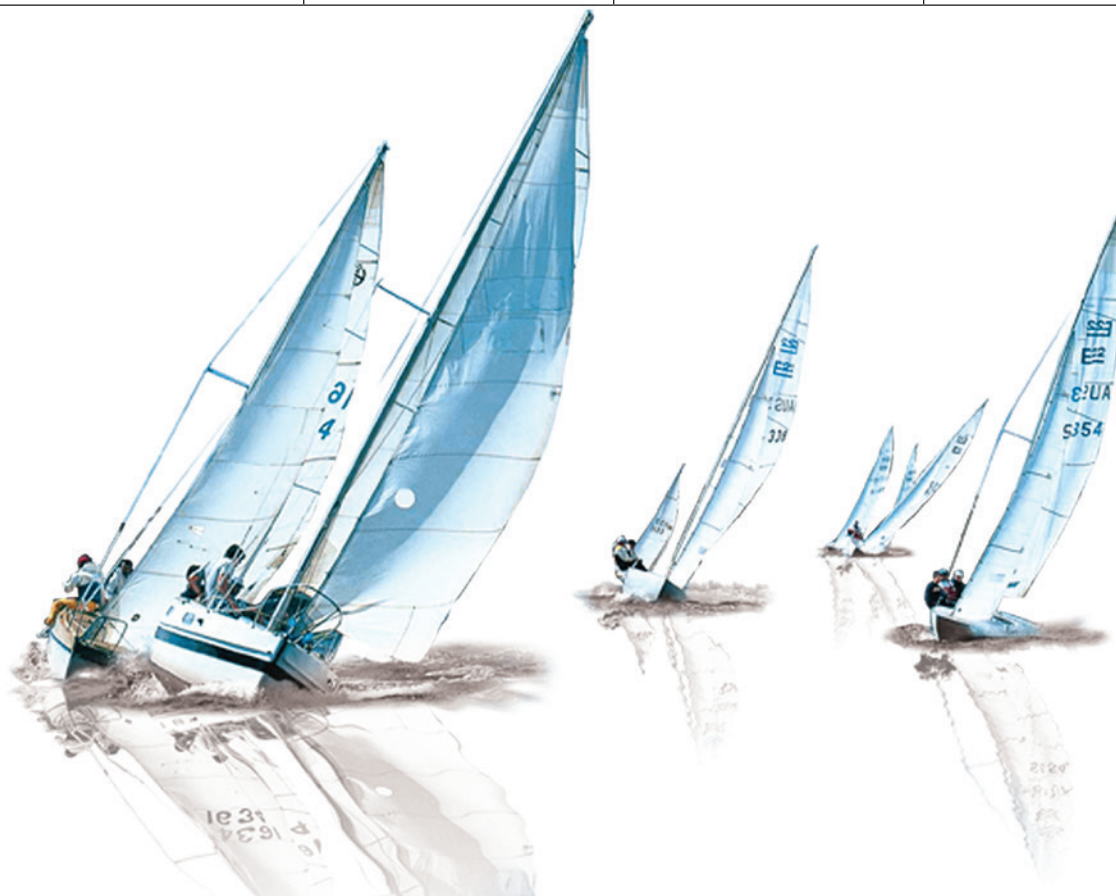
## Phihong Technology Parent Company Taiwan Welfare Committee

Phihong Technology, adhering to the principle of caring colleagues and sharing profits, while regarding promoting colleagues' life quality as its purpose, founded the employee welfare committee, according to [employee welfare decree], to allocate expenses according to the company's operation revenue, so as to provide colleagues with welfares.

The Welfare Committee will issue gift cash and birthday allowance on each May Day Festival, the Dragon Boat Festival, the Mid-autumn Festival and the Spring Festival. Actual subsidized expenses in 2014 was 11,075,255 new Taiwan dollars in total; among which employee travel allowance and the gift cash for three major festivals as well as the May Day are as shown in the following:

Taiwan / Item	Applicable Amount NTD/ Person	Total Subsidized Persons	Total amount approved and allocated
Employee travel - allowance	2,000 ~ 8,000	386	2,903,500
Gift cash for three festivals as well as the May Day (the Spring Festival, the Dragon Boat Festival and the Mid-autumn Festival))	500 ~ 9,000	1,613	6,810,700

Dongguan / Item	Applicable Amount RMB/Person	Total Subsidized Persons	Total amount approved and allocated (RMB)
Family reunion dinner	75	2,070	155,250
Gift expenses for the Dragon Boat Festival and the Mid-autumn Festival	23.2 ~ 26	9,690	238,808







## Focusing on Balance between Male and Female

Phihong Technology also coordinates with the government's population policy, and encourages childbearing, and it implements the policy of parental leave without pay according to Gender Equality in Employment Law. In order to encourage female colleagues to feed with breast milk, and coordinate with health and welfare ministry's policy as well as the Gender Equality in Employment Law, a safe and comfortable lactation space is especially set up for mothers. Meanwhile, considerate facilities have also been provided, to meet the need of female colleagues, including a lactation ice box, special resting room with excellent privacy which is also spacious and comfortable, air conditioner, and warm light, which creates a warm atmosphere, for mothers to feel at ease and appreciated. While lactation time could be adjusted by colleagues freely according to a human-oriented manner.

If colleagues do have a baby stay need, the company could understand and provide assistance timely, meanwhile, colleagues are also encouraged to return to work, giving consideration to both career and family.

The company has signed an agreement with a baby farm (Huaya Kindergarten) in Huaya Science & Technology Zone, which has been evaluated as Excellent Kindergarten by the government, to provide colleagues with a comfortable nursery environment.

## All colleagues are equal in gender – the following are leave applications in Phihong

Technology Taiwan parent company in 2014, including rest of tocolysis leave, menstrual leave, family care leave, paternity leave, parental leave without payment etc.:

- When female employees apply for the rest of tocolysis leave, colleagues could ask for a leave with payment, and the company could also help to designate the employee with easier work, so that pregnant employees could wait for delivery at ease.
- Consideration on female employees of Phihong Technology could be executed according to laws and regulations as well as rules of the company for menstrual leave, while leave application is normal and stable; while application for menstrual leave among female employees in 2014 is 131 persons in all, which is 11 persons/ month, while female number was 176, accounting for 6.25% of application.
- Employees have to apply for a family care leave, and execute according laws and regulations as well as the company's rules, while application situation is normal and stable; in 2014, the number of persons applying for a family care leave was 93 in all, which were 8 persons per month for family care leave on average.
- Paternity leave is also provided to male employees according to law, while the company's Welfare Committee will also provide fertility congratulation cash additionally.
- Parental leave without payment application is also provided to employees according to law, in 2014, there were 5 persons in all, including 2 male employees, and 3 female employees, among which 2 employees have resumed his/her post, and 1 is still on leave, while the return rate reaches 50%.

Male and Female Employees Applying for Gender Equality in Employment Law Leave in Year 2012-2014

Item	Gender	Year 2012	Year 2013	Year 2014
Maternity leave	Female	56	58	76
Paternity leave	Male	68	66	69
Menstrual leave	Female	81	98	131
Family care leave	Male	21	23	60
	Female	12	21	33



## [Colleagues Applying For Baby Stay and Returning to Post Statistics]

Male-Female Ratio Applying for Baby Stay in Year 2012-2014

Item	Gender	Year 2012	Year 2013	Year 2014
The number of persons qualified to apply for a baby stay of the year	Male	9	9	14
	Female	11	5	15
	Total	20	14	29
The number of persons applying for a baby stay of the year	Male	0	0	2
	Female	0	2	3
	Total	0	2	5
The number of persons planned to return to post from baby stay of the year (A)	Male	0	0	1
	Female	0	1	3
	Total	0	1	4
The number of persons returning to post of the year (B)	Male	0	0	0
	Female	0	1	1
	Total	0	1	1
Returning to post rate (B/A)	Male	0%	0%	0%
	Female	0%	100%	33%
The number of persons returning to post from baby stay (C)	Male	0	0	0
	Female	0	1	1
	Total	0	1	1
The number of persons working for 1 year after returning to post from baby stay in previous year (D)	Male	0	0	0
	Female	0	0	1
	Total	0	0	1
Retention rate ( D/C )	Male	0%	0%	0%
	Female	0%	0%	0%

Note 1: Retention rate = The number of persons working more than 1 year after returning to post from bay stay without payment / The number of persons returning to post in the previous year.

Note 2: The number of persons applying for a baby stay: The number of persons still in a baby stay.





## Communicating without Barrier and Cohering Consensus

Listening to the voice of employees is an important subject for human-oriented management in Pihong Technology, only via smooth communication channels, could a close and transparent interaction between the company and colleagues be achieved, to create the maximum benefits and harmony between labor and management, so it is required to insist on dual-way communication method, transmitting the company's policy and ideology, and listening to employees' voice, so as to enhance staff central force constantly, realize coexistence, co-prosperity, and ideology sharing, between labor and management, to achieve the mission of win-win situation, and to make the company march towards a better prospect. Any policy of the company is established according to decrees, various regulations and policies, employee code, and various welfare measures about the company are publicized to all colleagues via a special electronic platform of [Human Resource Service Center] for understanding; if there's any suggestion on employee welfare measures, employee moral behavior, workplace management and any suggestion helpful to the company's development etc., could be reported via employee appeal system.

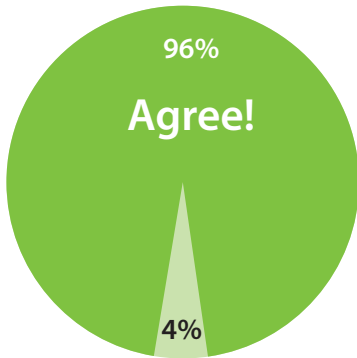


In 2014, there's no appeal about human right in Pihong Technology (Taiwan), with respect to government labor inspection, Pihong Technology has carried out complete coordination, without any breach of laws. Appeal cases about human rights in China mainland have all been handled and settled roundly.

Since Jul, 2014, a questionnaire survey on satisfaction degree has been carried out among newly recruited colleagues – Pihong Technology Parent Company in Taiwan

- Survey objects: Colleagues on board within three months
- Survey time: Jul. – Dec. 2014
- Effective questionnaires: 68 in all, effective 68
- Overall satisfaction degree: 9.0 points (total 10 points)

Average satisfaction degree among newly recruited employees



**Normal, work harder!**

- Above 8 points: Agree!
- Above 6 points: Normal, work harder!
- Above 5 points: Welfare needs to be improved!

Among the above items, above 96% received a satisfied and positive response, meanwhile, newly recruited colleagues reaching three-month work time will be invited to participate a face-to-face interview to understand problems and opinions of each newly recruited colleague, and to carry out solution and assistance timely, from which it could be seen that colleagues are adapted to workplace environment and get on well with managers and colleagues, as well as their support on the company's regulations and welfares, while employees with higher expectations on the company also put forward suggestions, Phihong Technology will refer to opinions of colleagues, submit to related departments to carry out an overall planning, and to improve.

## Annual Satisfaction Survey - Dongguan

Phihong Technology collects employees' satisfaction on the company's policy via survey on annual working satisfaction, and reflects the company's operation management situation, via professional and scientific data statistics and analysis in a realistic manner, as the most objective reference for management decision. Meanwhile, it could also help to cultivate the sense of recognition and belonging to the company among colleagues, and enhance central force as well as coherence among them. Questionnaire survey on employees' satisfaction in Apr. 2014, and survey objects are divided into direct part and indirect part, while related statistic data is analyzed in the following:

Type	Item	Questionnaires Issued	Questionnaires Returned	Valid Questionnaires	Valid Return Ratio	Survey Ratio	Overall Satisfaction (10-point System)	Survey Period (Year 2014)
	Direct	462	434	432	93.51%	10.35%	6.3	4/2~4/22
	Indirect	113	112	112	99.11%	13.18	6.58	4/2~4/22



Related survey results will be provided to related departments to carry out overall review and to develop improving countermeasures, i.e. it is reflected that the employee dormitory is too hot during satisfaction survey of this year, after assessment of the company, 1,367,777 Yuan has been invested consecutively, to install air conditioners in all dormitories in Dongguan plant, which not only solved the issue, but obtained appraisal among colleagues.

## Holding of Employee Representatives Meeting – Dongguan

In order to establish a harmonious communication channel, and to provide colleagues in Dongguan as well as leadership level of the company with the most direct face-to-face communication opportunity, each year an employee representative meeting will be held, on this meeting, all representatives of employees could express their own opinions, and communicate about various topics cared by all employees. 63 topics have been collected in the employee representative meeting of 2014, and improvements as well as countermeasures have also been carried out to respond.

## Talent Training and Diversified Development

Phihong Technology devotes itself to creating a learning environment for all employees, and to providing diversified learning resources and various trainings, while certifications and on-the-job trainings are all implemented according to local labor law, so as to construct a safe and health working environment, and to provide employees with a learning and growing space; so except for providing full subsidy for external training, management development/subject training, Chinese courses and living common knowledge lectures, learning resources such as mathematics learning etc. have also been imported, for all employees to learn and grow.

Via complete education training development system and learning platform, trainings during employees' career development process are not only limited to basic annual education training, and exercising development system courses, but training plan adjustment and arrangement are also carried out according to the company's vision as well as the need of operation strategy, so that not only related education course could meet the need of employees' self-promotion, but the overall human resource quality of the corporate could be promoted, thus to deepen the company's market competitive strength.

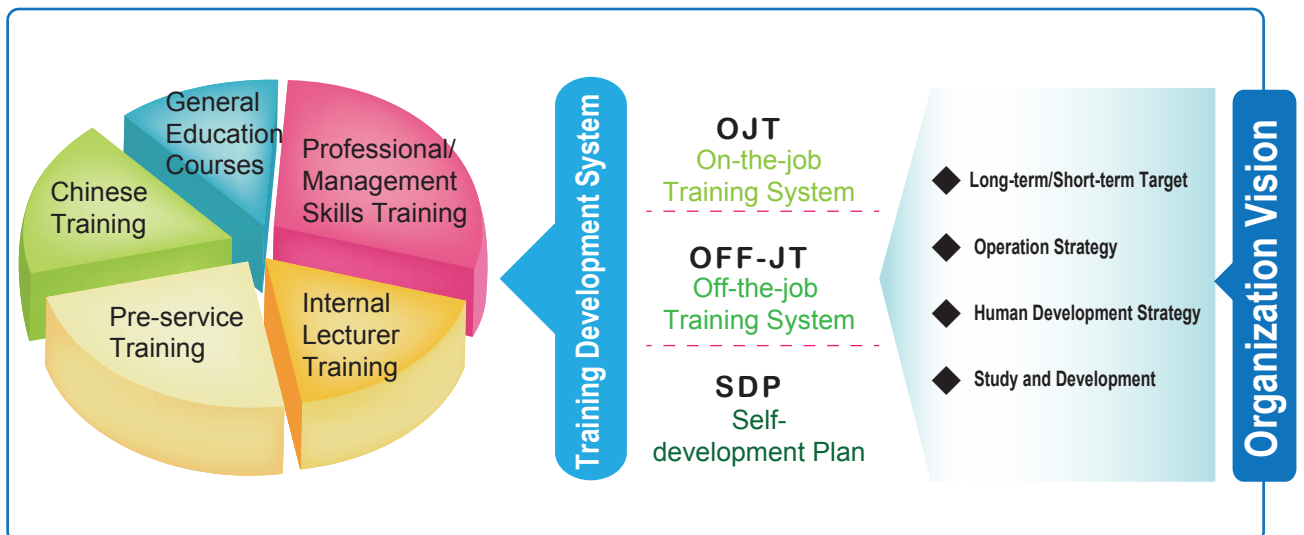
In addition, Phihong Technology's promotion management policy is also combined with education training intelligent development, which means except for employee's work performance and contributions, its vocational learning planned growth hours will also be integrated into consideration on promotion, so as to promote and cultivate learning atmosphere among the company's employees and to improve the development of the company's learning environment.

### Training Policy and Commitment of Phihong Technology:

**Regarding TTQS as the pole of training quality while combining the company's vision and target strategy.**

**Adhere to the ideology that talents is the enterprise's root, and construct a training system with diversified development.**

**Promote human resource quality and corporate competitiveness, to reach the company's sustainable operation goal.**





## Pay Attention to Pre-service Trainings on Newly Recruited Employees

Before the entry of newly recruited employees in Taiwan, direct manager of related department will arrange a life instructor and a work instructor, the former is mainly to assist newly recruited employees to integrate into the company's culture, policy specification and environment quickly; while the latter is mainly to help newly recruited employees understand work responsibilities and related majority, quality and various practical trainings, so as to shorten exploration period and enhance central force on the company's organization.

On the day of entry, instructions on company introduction, welfare policy, education training specifications/systems etc. will be carried out, later, learning on mathematics course will also be arranged for newly recruited employees, while basic mandatory courses are trainings on newly recruited colleagues (including corporate management principle, policy specification, rights and obligations), labor safety and health education, as well as necessary special courses of the department of the newly recruited employees, so as to accelerate newly recruited employees to be familiar with working post.

Pre-post Training Statistics on Newly Recruited Employees in 2012~2014:

Item / Year	2012	2013	2014
Total course hours of pre-post trainings	834	1,211	2,617
Total number of newly recruited employees	39	63	119
Average training hours	21.37	19.22	21.99

\* Newly recruited employees without mathematics learning hours as well as those resigned within 3 months after entry.



### TTQS- Training Quality

Phihong Technology integrates and utilizes government resources to transact talent cultivation, in order to guarantee reliability and correctness of training process, Phihong Technology has participated in the guidance of Administrative Ministry Labor Committee Vocational Training Bureau's [TTQS (Talent Quality Administration System)] and obtained certification, after obtaining its copper medal in 2010 and 2011 respectively, the company also obtained the honor of silver medal in 2013, in the same year, it has reached a high standard of 80% return rate in the on-the-job training [Charge and Takeoff Plan] organized by the corporate under the cooperation of the Labor Ministry. For these two excellent achievements, Phihong has been invited by the National Industrial Union, and a TTQS example visit has also been held in Phihong Technology, expecting to reach the purpose of promoting and advertising TTQS training quality evaluation system's functions!

In order to keep enhancing Phihong Technology's talent competitive strength, guarantee reliability and correctness of training process, and to enhance quality and achievements of education and training, Phihong Technology will insist on improving internal exiting systems and methods, expecting to become a model corporate of TTQS, and to improve corporate human resource quality and working skills constantly, thus to further deepen its market competitiveness.

In order to cope with rapid change in industrial technology development and to guarantee employees' talent development, so as to reach the company's common goal, Phihong Technology tries hard to provide all employees with complete education and training, as well as development courses, expecting to help employees promote professional ability and self-growth, so except for providing full subsidy on external training, professional training, Chinese courses and life common knowledge lectures, learning resources such as mathematics learning platform etc. are also imported, providing all employees in Phihong Technology with a chance of learning and growing.



Chinese Course category	2012 English & Chinese	2013 English	2014 English & Japanese
Total participations	29	18	53
Total course hours	144	96	192
Total course hours	144	96	192

\* Not including online English, Chinese course data prepared by the department independently.

\* Total course hours = Course hours (48 hours) \* course number

Employees applying for a post transfer no matter for job rotation or career planning inside Phihong Technology, in order to avoid wasting too much time on exploration because of unfamiliar with business, which may increase employees' working pressure directly or indirectly, so the company will coordinate and prepare the [Training and Promotion System Structure] via on-the-job training (OJT) to carry out related training courses and plan arrangements, to shorten working and productivity reduction time, and to help employees enhance its related skills and to improve work engagement as well as confidence.

Training and Promotion System Structure Table:

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	Chief Specialist	Special Assistant	Executive Secretary	Chief Sales Representative	Project Leader Engineer	MTP Mid-Level Management Training			Dispatched Personnel Pre-Training	Internal Lecturer Training			
5	Project Manager, Deputy Manager						Management Basics							
6	Section Manager	Senior Specialist			Senior Sales Representative	Senior Engineer	Work Improvement							
7	Deputy Section Manager						Work Control							
8	Supervisor	Specialist		Secretary			Work Coordination			Job Profession Training				
9	Deputy Supervisor				Sales Representative	Engineer	Subordinate Development							
10	Foreman					Deputy Engineer	TWI Supervisor Training							
11	Deputy Foreman	Administrator					Work Education	OJT Basic Job Training						
12							Work Method	Specific Individual Training						
13		Assistant				Senior Technician	Work Relations							
14						Technician	Work Safety							
15		Temporary				Operator								

Management principle of Pihong Technology is integrity, innovation and challenge, among which integrity is not only Pihong Technology's enterprise core, but central thought for it to implement all activities, in order to implement this concept and to make all colleagues execute, instructions are carried out in Pihong Technology's new employee digital training courses, which has become mandatory courses for new employees of Pihong Technology, and the ratio of accepting training is 100%.



Colleagues in Pihong Technology in Taiwan, no matter male or female, all have equal opportunities to receive trainings, so average training hours without gender discrimination in 2014 will be disclosed completely in the 2015 annual report; the ratio of male receiving training in China mainland is about 61%, and the ratio of female receiving training is about 39%. In addition, in 2014, the normal employee average training hours of colleagues in Pihong (Taiwan) has increased by 32%, while average training hours of high-level persons in charge has increased by 71%, and a constant learning and growing from top to bottom has been sustained.

Level / Area	2014							
	Taiwan				China Mainland			
	Total training hours	Total training persons	Number of participants	Average training hours	Total training hours	Total training persons	Number of participants	Average training hours
Normal employees	7,685.2	4,156	319	24.1	136,178.5	18,468	3841	58
Grass-root persons in charge	1,102.2	522	47	23.5	4,416.5	2,070	237	18.6
Middle class persons in charge	1,588.6	685	83	19.1	14	3	4	3.5
Middle and high-level persons in charge	141.9	53	16	8.9	—	—	—	—
High-level persons in charge	71	33	7	10.1	—	—	—	—
Total data	Annual accumulated total hours	The number of employees (not including leadership in Taiwan)		Annual accumulated total hours	The number of employees (including leadership in Taiwan)			
	10,589.1	436		140,609	4402			
Per capita	24.3				31.9			

\* Normal employees – All indirect in Taiwan area; for China mainland, it is the sum of direct and indirect employees.

\* Total training hours – Taiwan area includes internal / external training, e-Learning online training; China mainland includes internal/external training.

\* Average training hours = Total training hours / Number of participants °

\* Per capita = Annual accumulated total hours / employees.

Item	2014 Investment	
	Taiwan (NTD)	China Mainland (RMB)
Internal training	\$ 168,183	\$ 34,610.5
External training	\$ 618,960	\$ 41,204
Chinese training	\$ 297,600	—
Online courses	\$ 100,000	—
Sum	\$ 1,184,743	\$ 75,814.5

Year 2012~2014 Chinese Training Statistics:

Item / Year	2012	2013	2014
Chinese course category	English & Chinese	English & Chinese	English & Japanese
Total participations	29	31	53
Total course hours	130	110	192
Investment	\$227,200	\$181,200	\$297,600

\* Not including online English, Chinese course data prepared by the department independently.

\* Total course hours = Course hours (48 hours) \* course number (Chinese course: Year 2012 – 34 hours / Year 2013 – 14 hours)



## **Emphasizing Human Rights without Discrimination**

In order to guarantee employment right of employees not infringed, Phihong Technology complies with related labor laws on both sides of Taiwan Straits and requirements on social responsibility, while forbidding any discrimination on race, skin color, age, gender, sexual orientation, nationality, disabled, pregnant, belief, political party, community member or marital status etc., to guarantee everyone could enjoy equal and just treatment.

## **Focusing on Human Right and Forbidding Forced labor**

Guaranteeing employees' basic rights and interests is a basic key point of human resource management of Phihong Technology. Phihong Technology advocates opportunity equality in workplace and employee diversification, respecting and maintaining international human right and labor standards, forbidding child workers and forced labor, as well as employment discrimination in any form, and there's no improper issue infringing human right in 2014. Phihong Technology also implements related local labor regulations, sign related labor contract with employees, standardize labor contract management, and respect individual's dignity and freedom. Income of all employees shall not be below the lowest salary in local place, while both male and female shall receive the same pay as others doing the same work, and shall a growing platform for employees. Phihong Technology respects employees' freedom, guarantee employee's legal rights an interests, and plants in China mainland also organize a labor union according to law, so that employees could participate in the union freely and have the right of Collective Bargaining, or report in a written form, or write a letter of complaint, suggestion, opinion or reach the purpose of Collective Bargaining by adopting methods put forward via employees job satisfaction survey etc. Meanwhile, child workers under 16 years old are also forbidden, and those under 18 are not allowed to be appointed to areas which may impact their physical or physiological health. And forced labor is also forbidden. Any action of enslaving employees by means of threat, imprison, monitoring as well as mortgage shall be forbidden.

### **Anti-discrimination measures:**

Phihong Technology's recruitment, selection, employment, distribution, deployment, examination or promotion etc. on job seekers or employees, shall not be treated differently because of race, class, language, thought, religion, party, nationality, birth place, gender, sex orientation, age, marriage, facial features, physical and mental disorders.

### **No discrimination**

Phihong Technology respects difference among individuals from different places of the globe. At anytime, Phihong Technology will treat others with a respectful and just attitude. Phihong Technologys employment policy is based on the companys need, while adopting an open selection method regarding working experience, potential and achievement as considerations, which does not vary with race, gender, age, religion, nationality or political standpoint etc.

### **Forbid Illegal Punishment Behaviors**

Phihong Technology does not permit any physical or metal abuse, harassment in language or body, or attack, or any threat or violence etc.

### **Freedom of Association and Right of Collective Bargaining**

At present, there's no labor union in Phihong Technology, only following the right of self-organization and collective bargaining among colleagues. Phihong Technology promises that, such employee representatives will not be discriminated and could keep contact with employees represented by them in workplace. If related rights are restricted by local regulations, Phihong Technology supports any other substitute mechanism, i.e.: The Welfare Committee.



## Social Responsibility and EHS Contest with Award

In order to encourage colleagues to pay more attention to corporate social responsibility and occupational health and safety, Phihong Technology holds a Corporate Social Responsibility and EHS Knowledge Contest with Award every year, in 2014, the company prepared 1,000 exquisite gifts, provided for colleagues participating in the contest, to promote employees' social responsibility and EHS ideology energy among colleagues via such activities.



## Forge a Friendly Workplace and Comfortable Environment

For above 80% colleagues in Phihong Technology Taiwan Parent Company, their working hours are flexible, so as to reach balance between their life and work, and work time could be adjusted by them freely. Making diversified vacation plans, could help employees take care of family, arrange leisure life as well as engage in social participation.

Annual special vacation of employees could be deferred to the first quarter of the next year, so as to make employees able to arrange their lunar Spring Festival period, and get together with their families using this period of time for vacation. Foreign employees also enjoy annual free air tickets and return home leave with pay, with respect to family care, relatives could be arranged to live in Taiwan for free while related assistance could also be provided.

## Phihong Art Corridor

Creation and art is one indispensable element in the design and development of Phihong Technology, in order to cultivate art among colleagues as well as to develop art works, Phihong Technology has planned this art garden, carries out organization monthly, and holds joint exhibitions with artists both at home and abroad, while placing these works in art corridor of Phihong Technology, for colleagues' appreciation, so as to improve cultural quality, and to reach the ideology of art life.





## Barrier-free Measures

Barrier-free slope is set at the front gate of the company as well as interior floors, while both two internal elevators are provided with sufficient space for wheelchair. Phihong Technology pays attention to diversification and culture among employees, hires and provides those with physical and mental disorders with long-term and stable working opportunities, so those from weak groups in Taiwan are welcomed to participate in Phihong Technology, and current employment number has completely complied with regulations in Article 17 in Welfare for the Disabled Law.

## Work Space Design and Comfort Degree

All plants of Phihong Technology, no matter administrative offices or production lines all comply with the 5S principle, to establish a principled work environment and to further guarantee working safety, and then to promote from post-processing management, to the level of beforehand prevention.



## Workplace Safety and Health Promotion

To [Provide Employees Safe and Healthy Work Environment] is one of Pihong Technology's most fundamental obligations as a corporate citizen, which is to provide a safe and healthy work environment, and adopt effective measures to reduce danger potential in work environment, so as to avoid causing any danger in work or accidents related to work. ISO 14001 Environment Management System and OHSAS18001 Occupational Safety and Health Management System have been promoted and verified in main production plants in China mainland. Key points for the promotion of environment safety and health management system include: Complying with safety and health regulations, advocating environment safety and health information, realizing participation of the whole staff, reducing occupational risks, standardizing dangerous products management, promoting zero-disaster activity, keeping reorganization, and creating a safe and healthy environment together.

Production lines in all plants of Pihong Technology needs irregular motive adjustment according to need, or re-plan space to achieve the most appropriate utilization. Except for re-identifying environment safety risks on a regular basis, operation environment detection shall also be carried out on hazardous factors possibly existing in operating place of employees, to guarantee density of hazardous substances will not exceed allowable density regulated by laws, so as to guarantee health of operators. Meanwhile, partial exhaust equipment have also equipped in operating place, to exclude hazardous substances out of the operating environment before expanding, and to prevent employees from contacting such hazardous substances. With respect to emergencies derived from omission or natural disasters, i.e. fire, explosion, water, typhoon, accidental leakage, intoxication, mechanical injury, infectious disease, earthquake, thunder strike, electric shock etc., except for the plant's making plans, establishing beforehand environment health & safety emergency identification, accident handling & emergency management, post review feedback according to its own conditions, fire drills and emergency management drills, to reduce impact on human health & safety as well as on the company's property to the lowest extent during emergency.

In order to prevent occupational danger in plant operation, and to guarantee operators' safety and the company's benefits in the plant, it is required to carry out identification and evaluation on dangerous sources in all activities, products and services in plant area, to define important occupational safety & health risks, and make control measures on occupational safety & health risks, as well as evidences for target plans, so as to reach optimal effect of occupational safety prevention. When major changes (i.e. plant reconstruction, plant equipment update, plant equipment reconstruction change, company product change, legal major dangerous source etc.) occurred in the company's activities, products and services, or regulations or other requirements need updating, all departments shall carry out supplementary identification on dangerous source, and report to administrative division to carry out risk assessment, so as to re-define important occupational safety & health risk and to carry out risk control planning.

## Safe and LOHAS Work

Physical and mental health of colleagues are important elements for the balance between work and life, which is also the motivation for the company's sustainable operation, Pihong Technology, via diversified health activity plans, reminds all colleagues to pay attention health, meanwhile, it also organizes staff physical examination regularly every year, and appoints special physicians and professional nursing workers to site to guard employees' health in an all-round way, while holding lectures on health irregularly, to create a healthy and happy workplace

Pihong Technology holds onsite physical examination for normal and special operations yearly, while examination items and frequency all superior to those required by law, and normal examination items include: Normal check, eyesight check, urine, blood, liver function, renal function, renal function, out, diabetes, blood fat, cancer screening, body fat, Department of Ophthalmology, abdominal ultrasound, chest X ray etc., while special examination items will be planned according to operational function environment features, and other specific options will also be provided by persons in charge. Pre-job, on-the-job and post-job health examinations on employees in China mainland engaged in posts which may generate occupational dangers.

Physical Examination Table				
Item	Examination Objects	Category	Implementation Methods	Remarks
1	Newly recruited colleagues	Normal physical examination	To be completed during probation.	1. When employees are found not suitable for certain work by physical examination, election work assessment will be executed. 2. Examination record shall refer to format and storage years regulated in labor health protection rules. 3. Examination fee: Max. subsidy is 600 Yuan.
		Special physical examination	Since 2012, lead-free welding solder operation has been adopted, and now there's no special operation environment which may endanger health.	
2	Normal on-the-job colleagues	Normal on-the-job health examination	Superior to regulations; once a year	1. When employees are found not suitable for certain work by physical examination, election work assessment will be executed. 2. Examination record shall refer to format and storage years regulated in labor health protection rules. 3. Examination fee: Max. subsidy is 600 Yuan.
		Special health examination	Operation environment without special danger to health.	
3	Dedicated Health Examination	Dedicated physical examination	Normal health examination + dedicated options; Once a year	Examination fee: To be paid by the company in full.

Health examination service statistics shall take the year of 2014 as an example, and subsidy provided by the company for health examination has reached 422,000 new Taiwan dollars.

Taiwan Area	Year 2012	Year 2013	Year 2014
The number of employees with qualification to be examined.	334	353	314
The number of employees being examined actually.	310	330	302
Examination Rate (%)	93%	93%	96%



The rate of participation in health examination in 2014 reaches 96%, indicating colleagues' recognition on health examination organized by the company.



### Resident Physician and Nursing Worker Service Mechanism:

Phihong Technology, according to regulations on labor health protection rules and human resource deployment as well as in-plant service frequency, designates one professional nursing worker and arranges one physician to carry out special service onsite once a month, to provide employees with various medical consultancy, visit working environment, and track health examination results of all colleagues, while arrange recheck on abnormalities 6 months after health examination, cultivating colleagues' ability of independent health management constantly.



### Other health promotion activities:

Arrange other diversified health promotion activities, including weight reducing activity, female healthcare, massage to soothe pressure, influenza vaccine injection service, as well as hold various health lecturers irregularly which are well welcomed by colleagues, meanwhile irregularly release the latest health information on electronic bulletin board inside the company for reminding, to provide colleagues with diversified channels to understand new knowledge about health.

### Colleagues Safety Protection

Implement and execute safety protection on employees, eliminate unsafe environment and behaviors, avoid repeated accidents, and enhance training and safety advocacy.

2014 External Training Subsidy in Taiwan Person / Amount		
Total number of persons	237	
Total amount	NTD 618,960	
Course Name	Total number of trained persons	Total accumulated hours
Safety education lecture on self-defense fire personnel	62	186
CPR+AED practice course	112	224
Normal safety & health education training	3,235	470.95

2014 External Training Subsidy in Dongguan Plant Persons / Amount		
Total number of persons	95	
Total amount	RMB 44,574	
Course name	Total number of trained persons	Total accumulated hours
Fire lecture	10,764	5,432
Emergency care personnel	105	210
Newly recruited safety & health education training	10,664	10,664

[Zero Disaster] is the goal of Phihong Technology in occupational safety aspect, and the company complies with related regulations in labor safety & health, in order to prevent any occupational disaster from occurring effectively, except for all plants reporting injured number every month according to decrees, the major plant in Dongguan also records related events and data independently on a monthly basis.

If any injury occurs, except that security persons shall ask accidental department to carry out cause analysis, and to prepare improving measures, related persons shall also be informed to raise awareness, and adopt corresponding measures; in addition, we also carry out statistical analysis on injury accidents, increase safety & health examination items in plant, and keep adopting correction and preventions, via engineering improvement and educational training, to prevent similar problems from occurring again.

Working rate loss/absence rate/accident number of employees in Taiwan:

Item	Year 2012		Year 2013		Year 2014		Formula
	Male	Female	Male	Female	Male	Female	
Work-related injury rate	1.12	1.23	1.08	0.00	1.39	2.34	(Disabled) The number of work-related injuries / Total working hours *218,400
Working day loss rate of employees	10.68	15.08	66.24	0.00	72.43	160.04	Total work-related injury application days of the year / Total employee attendance days of the year *218,400
Employee absence rate	0.01	0.01	0.01	0.01	0.01	0.01	Total absence days of the year / total attendance days of the year (absence rate takes work-related injury leave, business leave and sick leave as statistical scope)
Accident number of employees	3	2	3	0	4	4	The number of work-related injuries of the year.

GRI: 218,400 coefficient, means to calculate based on every 100 employees work 52 weeks every year, and work 42 hours every week.

Working rate loss/absence rate/accident number of employees in Dongguan:

Item	2012 年		2013 年		2014 年		計算公式
	Male	Female	Male	Female	Male	Female	
Injury rate	0.40	0.20	0.54	0.21	0.62	0.25	(Disabled) The number of work-related injuries / Total working hours *218,400
Working day loss rate of employees	39.18	9.30	41.17	106.69	141.90	55.18	Total work-related injury application days of the year / Total employee attendance days of the year *218,400
Employee absence rate	0.03	0.04	0.69	0.05	0.74	0.04	Total absence days of the year / total attendance days of the year (absence rate takes work-related injury leave, business leave and sick leave as statistical scope)
Accident number of employees	11	5	16	6	19	6	The number of work-related injuries of the year.

GRI: 218,400 coefficient, means calculation based on every 100 employees work 52 weeks every year, and work 42 hours every week.



# Social Participation

Pihong Technology cares for the society whole-heartedly based on the feedback of extracting from the society and using for the society, engages in social participations related to education and culture, and integrates into development and harmony of the residential quarter, meanwhile, it also takes an active stance to promote environment education, cultivates green life concept among employees inside, and advocates the importance of environment education and maintenance management, while promotes culture of the residential quarter, environment protection and natural ecological conservation, so as to create a healthy and environment protecting life and culture inheritance, to make Pihong Technology grow together with the residential quarter, and to implement corporate social responsibility.

## Take Care of the Week and Social Public Welfare Activities

### Promote social services, spread love and care

In order to take care of kids from poor families, Pihong Technology launched the [ ] in 2013 inside the company, to call on employees participating into public welfare, and it used donations as economic subsidy for schoolings of kids from poor families, so as to cultivate talents for the nation, and encourage study as well as feedback to society. Nearly half of the employees responded and participated every month, who provided help to these kids via deduction from their salary every month, and monthly donation was about 20 thousand new Taiwan dollars. Since 2010 when Pihong Technology launched the invoice donation at year-end dinner party for public welfare, this activity has been appraised by leadership and colleagues, adhering to the original intention of spreading love and care, On 2014 year-end dinner party, Pihong Technology launched the [Let EYE see the endless love] public welfare activity, to help those with physical and mental disorders in a private Christian Nursery in Zhanghua County while enjoying delicious food, to light up the hope for life. Meanwhile, it also held the [Pihong Technology 100 Yuan Club, Student Care Plan] on the 2013 year-end party, to encourage colleagues donating above 100 Yuan every month to participate the money grabber activity, under the stimulation of love and young passion, up to 50% colleagues participated. Nearly 20 thousand Yuan has been collected from donation every month, which was given to legal person of the foundation – Taiwan Fund for Children and Families, to help the week and promote social service, as well as spread love and care, and to create a friendly society without barriers.

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



## Educational Donation and the Establishment of Qinghan Scholarship

Adhering to the original intention of implementing corporate social responsibility and paying back to founder's school, since 2012, scholarship for poor students donated to the National Chia-yi Industrial Vocational High School has accumulated to reach 360 thousand Yuan, meanwhile, materials such as rice etc. have also been donated to Tainan Home of Love, to promote school development and teaching quality, as well as to encourage students from poor families, or those raised by unemployed parents, or those from single-parent families to study hard, cultivating excellent talents for the nation and society.

## Aid to Kids Suffered Congenital Heart Disease

Since 2008, donations have been made to the NTU Hospital or other medical institutions as R&D funds, which have accumulated to reach 430 thousand new Taiwan dollars, expecting to seek for more dedicated and perfect medical service via new medical treatments or drugs developed via scientific manners, so as to make more patients suffered congenital heart disease could accept more advanced diagnosis and therapy, and to safeguard health.



## Police-People Cooperation to Maintain Social Security

For limited police power and unlimited civilian resources, in order to guarantee safe life of the people, Friend of Police Associations have been set up all over the nation, which focus on promoting safety in residential quarters such as caring for the aged, youngsters and preventing crimes. Members are composed of warm-hearted corporate or people from all walks of life, who provide money and efforts, focusing on police power, while regarding civilian resources as auxiliary, to make joint efforts to maintain security, and to establish a safe society. Therefore, Pihong Technology, since 2007, has donated a fixed fund to Guishan Office of the Friend of Police Association in Taoyuan County every year, which has accumulated to more than 2.1 million, while Chairman Lin from Pihong Technology has also been invited to act as consultant. By this means, partnership between police and residential quarter and the people could be enhanced, under the combination of police and citizen resources, crimes could also be cracked down, and the security in Taiwan could be expected to be similar to that in America and Japan.

### Jointly create safety in residential quarters via cooperation between police and people:

In 2014, Dongguan plant took part in the safety corporate creation activity organized by Safety Supervision Branch and Police Station Branch led by local government, to establish corporate safety administration policy in an active stance, create environment safety in residential quarters combining police and people, and to pass acceptance of safety corporate creation activity of the government, thus, Pihong Technology has been authorized with the honor of [Safety Corporate].



## Rural Education Rooting and Industry-University Cooperation Promotion :

In order to help schoolchildren in rural areas unable to enjoy convenient education resources like those living in urban rears, because of factors such as geographic environment, family and economy etc., Pihong Technology has planned the [plain kids view Taipei with feet] together with Yuancheng Primary School in Yuli Town, Hualian County in Apr. 2014, expecting to enable these schoolchildren from grade four to six to have a chance of contacting new technology tools and interactive education, giving them a completely different new experience, and to make a foundation for these kids' lifetime capacity and future achievements. On that day, Chairman Lin Zhongmin also met these kids out of his busy schedule, and all kids felt appreciated, and presented their graduation works to the Chairman as a memorial.

In addition, in order to make students leaving school recognize expectations from job market, and to adjust their learning direction and attitude during their stay in school according to such expectations. Pihong Technology has jointly held multiple production and cooperative communication activities with numerous colleges in China (business visits and career forums), i.e. Soochow University, Jingwen University of Science and Technology, Taichung Guanghua Engineering High School, National Chia-yi Industrial Vocational High School and Penghu Educational Network Center etc., by means of sharing and consultation, made students understand advanced products and operation situation of science and technology industry onsite, expecting to increase students' recognition and application after entering the industry, and to promote communication and cooperation between education field and corporate field, implement education cooperation and social service, and cultivate students' professional skills in practice aspect, so as to achieve the benefits in the cooperation of production and education.





## Annex I GRI Index Comparison Table

Consideration Aspects	General Standard Disclosure		Page No.	External Guarantee
<b>Strategy and Analysis</b>	G4-1	To Provide the statement of the highest decision maker of the organization (i.e. CEO, Chairman or equivalent high-level post), including judgment on sustainable topics about the organization, as well as sustainable strategy with respect to aspects with relativity with the organization.	4	✓
<b>Organization Overview</b>	G4-3	Institution name	3	✓
	G4-4	Main brands, products and/or services.	5	✓
	G4-5	Location of institution headquarters	3	✓
	G4-6	The number and the name of nations in which the organization operates (including main operating nation or nation related to sustainable development topics)	8	✓
	G4-7	Nature of ownership and legal forms	5	✓
	G4-8	Served market by the institution (including region distribution, served industry, customer/beneficiary type)	8	✓
	G4-9	Describe organization scope, including: <ul style="list-style-type: none"> <li>• Total number of employees</li> <li>• Total number of operational bases</li> <li>• Net sales amount (for private departmental organization) or net income (for public departmental organization).</li> <li>• Capital sum distinguished according to debt and equity (for private departmental organization).</li> <li>• The quantity of provided products or services.</li> </ul>	8,13,43	✓
	G4-10	a. Total number of employees classified according to employment contract and gender. b. Total number of formal employees classified according to employment contract and gender. c. Total labor force classified according to formal employees and informal employees as well as gender. d. Total labor force classified according to region and gender. e. Whether most major posts of the organization are undertaken by personnel self-employed recognized by law, or undertaken by non-employees or informal employees (including forma and informal employees of the contractor). f. Any major change in the quantity of employees (i.e. the quantity of employees will vary with the season, in tourism or agriculture industry)	44~47	✓
	G4-11	The percentage of employees guaranteed by an agreement from collective discussion	53,63	✓
	G4-12	To describe supply chain of the organization.	27	✓
G4-13	Any major change related to organization scope, structure, ownership or supply chain during reporting period, including: <ul style="list-style-type: none"> <li>• Any change in location or operation, including the use of plants and equipment, closing and expansion, change in capital structure, and the composition of other capitals, change in possession and operation (for private departmental organization), location of suppliers, supply chain organization, or change in the relationship with suppliers (including selection and termination).</li> </ul>	5	✓	

	G4-14	To explain whether the institution have any guideline or principle on how to handle early warnings.	18	✓
	G4-15	List out economic, environmental and social regulations, principles or other suggestions made externally, which have been signed and approved by organization.	18	✓
	G4-16	List out associations (i.e. industrial associations) participated by the organization, and membership of nation or international promotional organizations, and participating methods include: <ul style="list-style-type: none"> <li>• Occupying a seat in management institutions.</li> <li>• Participating in projects or committees.</li> <li>• Providing large funds except for paying membership fee periodically.</li> <li>• Membership possessing strategic significance.</li> <li>• Here it mainly means membership kept under the name of organization.</li> </ul>	18	✓
<b>Identification on Actual Consideration Aspects and Boundaries</b>	G4-17	a. List out all entities in organization combined financial statements or those contained in equivalent files. b. Indicate whether there' s any entity in the organizational combined financial statement or equivalent files not contained in this report. c. Information in combined financial statements or equivalent files which is open and could be quoted by organization, to report disclosure items in this standard.	3,12	✓
	G4-18	a. The process of defining report content and consideration aspects boundary. b. How the organization observes the [Principle of Defining Report Content].	22	✓
	G4-19	Consideration Aspects	24	✓
	G4-20	With respect to each major consideration aspect, indicate the boundary inside the organization above consideration aspect, as follows: <ul style="list-style-type: none"> <li>• Indicate whether the consideration aspect inside the organization is major or not</li> <li>• If this consideration is important not for all entities inside the organization (as described in G4-17), select one of the following methods to report: <ul style="list-style-type: none"> <li>• For entities or groups of entities contained in G4-17, this consideration aspect is not important, or</li> <li>• For entities or groups of entities contained in G4-17, this consideration aspect is important.</li> </ul> </li> <li>• Indicate special restriction on this consideration aspect boundary inside the organization.</li> </ul>	24	✓
	G4-21	With respect to each major consideration aspect, indicate the boundary outside the organization above consideration aspect, as follows: <ul style="list-style-type: none"> <li>• Indicate whether the consideration aspect outside the organization is major or not</li> <li>• If this consideration aspect is major outside the organization, identify for which entities, groups of entities or elements, this consideration is important, and describe geographical position of these entities.</li> <li>• Indicates special restriction on this consideration aspect boundary outside the organization.</li> </ul>	24	✓
	G4-22	Indicate any impact of recompilation on any information provided in previous reports and indicate reasons.	3	✓
	G4-23	Indicate when compared with previous reporting period, obvious change on scope and consideration aspect boundary.	3	✓

<b>Discussion of interested parties concerned</b>	G4-24	List out interested parties concerned for the organization to carry out discussion.	26	✓
	G4-25	With respect to interested parties concerned for discussion, indicate methods for identification and selection.	22	✓
	G4-26	Indicate method adopted to discuss with interested parties concerned, including discussion frequency according to different interested parties concerned and forms, and indicate whether any discussion procedure is specially compiled for this report.	26	✓
	G4-27	Indicate key topics and focusing items put forward via discussion of interested parties concerned, as well as how the organization will respond to these key topics and focusing items, including indicating interested parties concerned who put forward each key topic and focusing issue.	22,23	✓
<b>Report parameters</b>	G4-28	Reporting period of information provided (i.e. accounting year or calendar year)	3	✓
	G4-29	Date of previous report (if any).	3	✓
	G4-30	Reporting cycle (i.e. every year, every two years etc.)	3	✓
	G4-31	Provide a contact who could respond to report or issues about the content.	3	✓
	G4-32	a. Indicate the [Observe] option selected by the organization. b. Indicate GRI content index of the selected option. c. If the report has been guaranteed / confirmed externally, please quote the external guarantee / confirmation report.	3,81	✓
	G4-33	a. Indicate policy and prevailing methods for the organization to seek for external guarantee / confirmation. b. If no additional guarantee / confirmation report has been attached to sustainable report, indicate evidence and scope provided for any external guarantee / confirmation. c. Indicate relationship between the organization and guarantee/ confirmation. d. Indicate whether the highest management institution and the management level have participated in the procedure of seeking for external certification on sustainable report.	3,81	✓
<b>Organization treatment</b>	G4-34	Indicate the organization's management structure, including the committee of the highest management institution. Identify which committees will be responsible for decision making in impact on economy, environment and society.	6,21	✓
<b>Morality and integrity</b>	G4-56	Describe the organization's value, principle, standard and behavior norms, i.e. code of conduct and code of ethics.	16	✓



		Special Standards Disclosure	Page No.	External Guarantee
Operation performance	G4-DMA		9~12	✓
	G4-EC1	Direct economic value of output and distribution	13	✓
	G4-EC3	Commitment scope of welfare plan prepared by the organization.	49	✓
Purchase Policy	G4-DMA		27	✓
	G4-EC9	Policy on local vendors on all major operation sites, practice and expense ratio.		✓
Energy	G4-DMA		39	✓
	G4-EN3	Energy consumption inside the organization.	39	✓
Emission	G4-DMA		41	✓
	G4-EN15	Total direct emissions of greenhouse gas (scope 1)	42	✓
	G4-EN16	Total indirect emissions of greenhouse gas	42	✓
Compliance	G4-DMA		39	✓
	G4-EN29	Total amount of huge penalty caused by violating environmental decrees, and frequency of punishment beyond money.	39	✓
Overall environment protection investment	G4-DMA		41	✓
	G4-EN31	Overall environment protection expenses and investment classified according to type.	41	✓
Vendor environment assessment	G4-DMA		26	✓
	G4-EN32	New vendor ratio supervised according to environment principle.	27	✓
Employment	G4-DMA		45	✓
	G4-LA1	Calculate newly recruited employees by age, gender and region, ratio and employee demission number and demission rate	45~47	✓
	G4-LA2	Welfare provided to full-time and formal employees in major operational bases.	49~54	✓
	G4-LA3	Ratio of return to retention after parental leave according to gender.	54	✓
Occupational Health & Safety	G4-DMA		66,69	✓
	G4-LA6	Injury rate, occupational disease rate, day loss ratio, absence rate and death number related to work by region and gender.	69	✓
	G4-LA7	Employees with high accident risk and health risk.	69	✓
	G4-LA8	Topics related with health and safety, among formal agreements reached with the labor union.	66,69	✓
Training and Education	G4-DMA		58	✓
	G4-LA9	Average training hours received by single employee every year calculated by employee type and gender. Instruction: In this report, for human resource statistic system could not calculate average training hours by gender, which, after system update, will be disclosed according to gender in the next version of report.	62	✓
	G4-LA10	Enhance employees'sustaining employment capacity, and help them develop transfer skills management, as well as cases or courses for life-time learning.	60	✓

Vendor labor Practice assessment	G4-DMA		27	✓
	G4-LA14	Proportion of new vendors supervised according to labor practice principle.	29	✓
Vendor labor Practice assessment	G4-DMA		63	✓
	G4-HR4	Operation activities of the organization and those identified by vendor may endanger or violate employees' freedom of association and jointly agreed operation, and adopt which actions to support such human rights.	63	✓
Prohibition on Child laborers	G4-DMA		63	✓
	G4-HR5	Operation activities of the organization and those identified by vendor may endanger child workers, and adopt effective actions to prohibit child workers.	63	✓
Forced labor	G4-DMA		27,63	✓
	G4-HR6	Operation activities of the organization and those identified by vendor to be forced or mandatory labor risk and adopt actions to eliminate forced labor in all forms.	27,63	✓
Vendor human right assessment	G4-DMA		27	✓
	G4-HR10	New vendors ratio supervised according to human rights principle	29	✓
Corruption Prevention	G4-DMA		17	✓
	G4-SO4	Anti-corruption policy and procedure training of organization accepted	17,62	✓
Vendor social impact assessment	G4-DMA		27	✓
	G4-SO9	New vendors ratio supervised according to social impact principle	29	✓
	G4-SO10	ajor substantiality in supply chain and potential social adverse impacts as well as taken actions.	27	✓
Customer health and safety	G4-DMA		32	✓
	G4-PR1	Assess impact on safety and health in each stage of its life cycle so as to improve products and services, and the percentage of important products and services to receive such assessment.	32	✓
	G4-PR2	When classified according to result type, related regulations impacted by violating health and safety during product and service life cycle, and the frequency of voluntary conventions.	34	✓
Product and service Label	G4-DMA		34	✓
	G4-PR3	Percentage of important products and services regulated by this information. When classified according to result type, regulations violating regulatory product and service information label and the frequency of voluntary conventions.	35	✓
	G4-PR4	Marketing Communication including survey result on customer satisfaction degree.	34	✓
	G4-PR5	Prohibit to sell products with disputes	36	✓
Practice about customer satisfaction,	G4-DMA		17	✓
	G4-PR6	Prohibit to sell products with disputes	17	✓
	G4-PR7	Breach of marketing (including advertisement, promotion and sponsorship), if classified according to result.	17	✓
Customer Privacy Right	G4-DMA			
	G4-PR8	Total complaints about infringing customer privacy right and missing customer information.	38	✓
Compliance	G4-DMA		17,34	✓
	G4-PR9	Total amount of major penalty for violating product/service provision as well as related laws/regulations in use.	34	✓



## ASSURANCE STATEMENT

### **SGS TAIWAN LTD.'S REPORT ON SUSTAINABILITY ACTIVITIES IN THE PHIHONG TECHNOLOGY CO., LTD.'s CORPORATE SOCIAL RESPONSIBILITY REPORT FOR 2014**

#### **NATURE AND SCOPE OF THE ASSURANCE/VERIFICATION**

SGS Taiwan Ltd. (hereinafter referred to as SGS) was commissioned by Pihong Technology Co., Ltd. (hereinafter referred to as Pihong) to conduct an independent assurance of the Corporate Social Responsibility Report for 2014 (hereinafter referred to as CSR Report). The scope of the assurance, based on the SGS Sustainability Report Assurance methodology, included the text, and data in accompanying tables, contained in this report.

The information in the Pihong's CSR Report of 2014 and its presentation are the responsibility of the directors and the management of Pihong. SGS has not been involved in the preparation of any of the material included in Pihong's CSR Report of 2014. Our responsibility is to express an opinion on the text, data, graphs and statements within the scope of verification with the intention to inform all Pihong's stakeholders.

The SGS protocols are based upon internationally recognized guidance, including the Principles contained within the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines (2013) for accuracy and reliability and the guidance on levels of assurance contained within the AA1000 series of standards and guidance for Assurance Providers.

This report has been assured using our protocols for:

- evaluation of content veracity at a moderate level of scrutiny for Pihong and moderate level of scrutiny for subsidiaries and applicable aspect boundaries outside of the organization covered by this report;
- AA1000 Assurance Standard (2008) Type 1 evaluation of the report content and supporting management systems against the AA1000 Accountability Principles (2008); and
- evaluation of the report against the Global Reporting Initiative Sustainability Reporting Guidelines (G4 2013).

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

#### **STATEMENT OF INDEPENDENCE AND COMPETENCE**

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

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

#### **VERIFICATION/ ASSURANCE OPINION**

On the basis of the methodology described and the verification work performed, we are satisfied that the information and data contained within Pihong's CSR Report of 2014 verified is accurate, reliable and provides a fair and balanced representation of Pihong sustainability activities in 01/01/2014 to 12/31/2014.

The assurance team is of the opinion that the Report can be used by the Reporting Organisation's Stakeholders. We believe that the organisation has chosen an appropriate level of assurance for this stage in their reporting. In our opinion, the contents of the report meet the requirements of GRI G4 Core Option and AA1000 Assurance Standard (2008) Type 1, Moderate level assurance.

#### **AA1000 ACCOUNTABILITY PRINCIPLES (2008) CONCLUSIONS, FINDINGS AND RECOMMENDATIONS**

##### **Inclusivity**

Pihong has demonstrated a good commitment to stakeholder inclusivity and stakeholder engagement. A variety of engagement efforts such as survey and communication to employees, customers, investors, suppliers, governmental authorities, NGOs, and community are implemented to underpin the organization's understanding of stakeholder concerns. Pihong may proactively consider having more direct engagements with stakeholder in the future.

##### **Materiality**

Pihong has identified stakeholders and those issues that are material to each group and the report addresses these at an appropriate level to reflect their importance and priority to these stakeholders. In the future, the significance of sustainability issues among the sector may be taken into account when evaluating material aspects.

##### **Responsiveness**

The report has demonstrated its responsiveness to the identified material issues, which includes coverage given to the communication channels for stakeholder.

#### **GLOBAL REPORTING INITIATIVE REPORTING GUIDELINES (G4 2013) CONCLUSIONS, FINDINGS AND RECOMMENDATIONS**

##### **Principles**

The report, Pihong's CSR Report of 2014, is adequately in line with the GRI G4 Core Option. The material aspects and their boundaries within and outside of the organization are properly defined in accordance with GRI's Reporting Principles for Defining Report Content. Disclosures of identified material aspects and boundaries, and stakeholder engagement, G4-17 to G4-27, are correctly located in content index and report.

##### **General Standard Disclosures**

Disclosure on G4-2 and more CSR governance GSDs may be considered in future reports. In corresponding to the company strategy and issues among the sector, it is recommended to evaluate the aspects of Market Presence, Effluents and Waste, as well as (Environmental) Products and Services as material in future reports.

##### **Specific Standard Disclosures**

Disclosures on the goals and targets, as well as the performances may be further enhanced in next report. It is encouraged to have more disclosures on EN4~EN7, EN33 and supply chain related indicators.

**Signed:**

**For and on behalf of SGS Taiwan Ltd.**



**Dennis Yang, Chief Operating Officer**  
Taipei, Taiwan  
30 October, 2015  
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**PHIHONG TECHNOLOGY**  
**CSR REPORT 2014**

Phihong Technology Corporate CSR Report

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