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CORPORATE SOCIAL RESPONSIBILITY REPORT

2017

Editorial Principle

Thank you for reading the sixth Corporate Social Responsibility (CSR) Report issued by the HTC Corporation (HTC). HTC has an open and honest approach to the review and disclosure of our executive performance related to all CSR matters and offers our stakeholders a clear picture of all the related issues. Our aim is to use our brand’s influence to integrate our CSR strategies into the organization, and we start off with a comprehensive response to all these issues.

As a global mobile-device brand, we are ready to confront all the challenges that might present themselves. For each major CSR issue that relates to our future development, we make it clear at the beginning of each section which challenge we are facing, our current achievements, and our goals for future development.

By understanding and commitment to these issues, HTC will define and confirm our direction toward sustainable development, and also let our stakeholders know everything about our performance and the results with respect to CSR in 2017.

This report has been prepared in Chinese and English. Both versions are posted on our official website and are available for download (www.csr.htc.com).



HTC CSR Website

This website is updated annually to inform all stakeholders and the public about HTC CSR activities. Please use the following link to access the HTC website: www.csr.htc.com

The HTC 2017 CSR Report

is downloadable in PDF format.



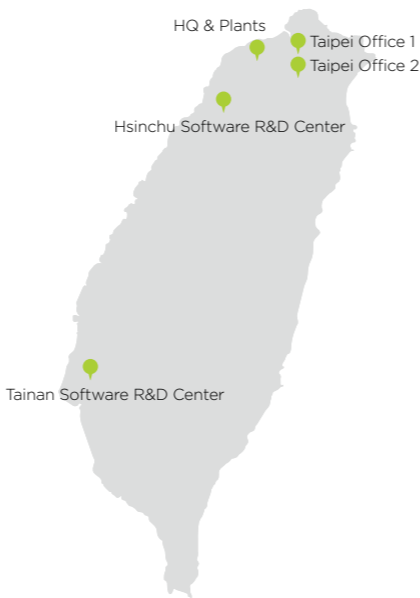
HTC CSR Report 2017

Report Scope and Boundary

The organizational boundary, as mentioned in this annual report, mainly covers the company office buildings and plants in Taiwan: the headquarters in Taoyuan, two office buildings in Taipei, and the Hsinchu and Tainan offices. All HTC business operations in Taiwan are within the boundary.

Geographic Coverage of the HTC CSR Report 2017

| Boundary | Address | Tel |
|-----------------------------|---|-----------------|
| HQ & Plants | No 23, Xinghua Rd., Taoyuan Dist., Taoyuan City 330, Taiwan | +886-3-3753252 |
| Taipei Office 1 | No 88, Sec 3, Zhongxing Rd, Xindian Dist, New Taipei City, Taiwan | +886-2-89124138 |
| Taipei Office 2 | 1F, No 6-3, Baoqiang Rd, Xindian Dist, New Taipei City, Taiwan | +886-2-89124138 |
| Hsinchu Software R&D Center | 8F, No 1, Taiyuan 1st St, Zhubei City, Hsinchu County, Taiwan | +886-3-3753252 |
| Tainan Software R&D Center | 4F., No.701, Sec. 1, Ximen Rd., West Central Dist., Tainan City, Taiwan | +886-3-3753252 |



Time Coverage of Disclosure

We plan to issue the HTC Corporate Social Responsibility Report annually. This report generally covers the year 2017 from January 1 to December 31. However, in order to provide a more complete picture of all our CSR achievements in various aspects to date, the content and information about some issues refers to work carried out in 2016 to 2018 May, as well as the HTC CSR management policies, key issues, and performance, responses and activities for previous years.

Report Basis

This report has been prepared in accordance with the Global Reporting Initiative (GRI) Standards Core Option and AA1000 (2008) standards and has been confirmed by SGS-Taiwan to be in compliance with AA1000AS Type II top-level assurance and GRI Standards Core option.

Forward-Looking Statements & Statistical Calculations

In this report, HTC makes some forward-looking statements about future CSR challenges and developments. However, because some of these issues are uncertain and subject to variable factors (such as policies, laws, and international regulations), it should be noted that they have been made after discussions on current HTC status and are made as forecasts, the purpose being to give our stakeholders a picture of the HTC understanding and realization of CSR issues. The forecasts are not promises by HTC of guaranteed financial, operational, and business performance.

The figures shown in this report are in the metric system and are statistical and calculated results generated according to the related international standards and bases of calculation. In the event that any special calculation methods are implemented for particular indicators, notes are provided below the corresponding tables or graphics.

Feedback

Should you have any questions about this HTC Corporate Social Responsibility Report 2017, please let us know to help us make continuous progress.

Contact us

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Statement of the Management

Thank you for taking the time to peruse the 6th “Corporate Social Responsibility Report” issued by HTC.

In the year that HTC celebrated its 20th anniversary, we’ve been focusing on delivering the innovation and technology that defines HTC and devoting the necessary resources to create great products. We produced another strong year of innovation in 2017, recording more technology firsts and consolidating our position as thought leaders across our product groups. It is also HTC’s first report to adopt the latest “Global Reporting Initiative Standards” and AA 1000 standards. We focus on demonstrating our effort and result in fulfilling social responsibilities and sustainable management to the general public and all stakeholders.

Over 2017, HTC earned NT\$62.1 billion in revenue, with a gross profit of NT\$1.3 billion and a gross margin of 2.16%; however, the operating margin of -28.05% led to a net income of -NT\$16.9 billion, corresponding to earnings per share of -NT\$20.58. While keeping a keen eye on expenditure, HTC continues to invest in key technologies that will enable the Company to leapfrog current generation product trends and drive our vision of VIVE Reality.

In September 2017, we entered a ground-breaking business cooperation agreement with Google, Inc., whereby the ‘Powered by HTC’ engineering and technical teams working on Google’s Pixel smartphones were transferred to Google in a deal worth \$1.1 billion. Building on our decade-long strategic relationship with Google, this agreement allows us to strengthen our HTC branded smartphone business, enabling a more focused product portfolio, greater operational efficiency and financial flexibility. It also enables HTC to continue investing in emerging frontier technologies, including VR, AR, AI, Smart IoT and Blockchain which will be vital across all of our businesses and present significant long-term growth opportunities.

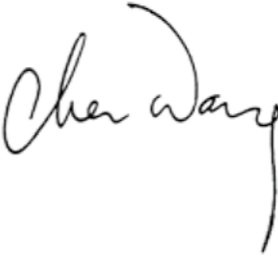
The completion of this agreement, together with the significant efforts we have made over the last twenty years to strengthen and invest in innovation teams, streamline business processes and reduce operating expenses, has laid a solid foundation for HTC’s new chapter. HTC will benefit from innovative products and marketing planning when facing various challenges in the market.

Our vision remains to foster human connectedness, to bring people closer together, and to enable customers around the world access to the digital universe of information, education, entertainment and diverse experiences through our products. The company ethos, Pursuit of Brilliance, not only has rooted in our company culture, but also encourage us to keep creating revolutionary efficacy and smart devices with excellent experience, to enable our customers to share and pursue wonderful lives.

In addition to continuously launching innovative products, we strive to improve ourselves through a comprehensive program of initiatives to minimize our environmental impact and add value to society. HTC continues to seek ways to provide a positive impact on the environment, our employees and the communities around us. We continued to work hard at further improving our energy management at our manufacturing facilities in 2017, achieving an electricity use reduction rate of up to 49.83%, compared to 42.26 % for 2016. The corresponding reduction in carbon emissions represented a greenhouse gas emission reduction of up to 50.20%, again comparing favorably to 2016’s 42.69 %.Progress was also made regarding the green fields and planted areas inside the factories, which are irrigated with recycled sewage water to avoid increasing total water consumption. This contributed to a sewage recycling rate of 73.99% in 2017, up from 72.54% the previous year.

Looking ahead, HTC will continue to uphold the right strategies, world-class talent, innovation and a heritage of innovation that will drive our next stage of growth. Throughout all of our operations and partnerships, HTC seeks to ensure the highest standards of environmental protection as well as R&D and innovation. HTC strives to become a world’s leading brand, for our Pursuit of Brilliance in all aspects of our business is never-ending.

HTC Corporation
Chairperson



About HTC

Name

HTC Corporation (TWSE stock symbol 2498)

Address

No 23, Xinghua Rd, Taoyuan City, Taoyuan County, Taiwan

Established

May 15, 1997

Sector

Manufacturer of computers and consumer electronics (handheld smart computers and wireless communication products)

Main business

Smartphone/HTC phones and accessories

Consolidated revenue

NT\$ 8,215,276,050



The Global Leader in Innovative Mobile Phone Design – HTC



The HTC Corporation (HTC) was established in 1997. HTC brings brilliance to life through leading innovation in smart mobile device and experience design. Beginning with a vision to put a personal computer in the palm of our customers’ hands, we have led the way in the evolution from palm PC to smartphone, and are now applying that same innovative approach to connected devices and virtual reality. To date, our Company has been through four major transformations that have helped us reinvent ourselves and achieve new growth. Starting from the beginning of the company’s professional PDA design, HTC has continued to deepen innovation in R&D technology. HTC’s first major turning point came in 1999, when the Company moved into the telecommunications arena. HTC was the first to integrate Internet, entertainment, video and personal assistant functions into a mobile phone with a large dimension onto high resolution and full-color display panel.

Since 2007, the launch of the HTC brand globally has committed the Company to long-term global brand development. In 2014, HTC began to seek new fields to apply our distinguished heritage in design, engineering and manufacturing excellence as well as innovative thinking.

Global Operation Locations

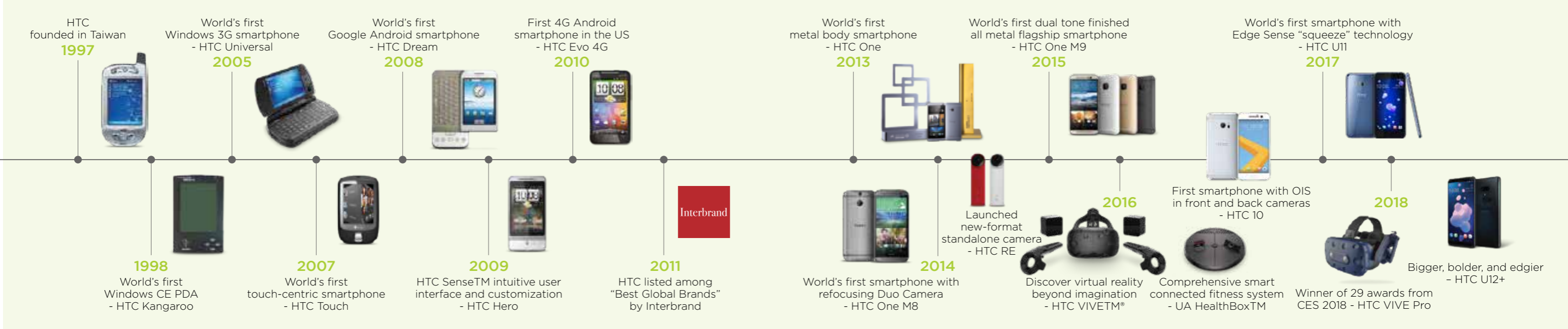


HTC is headquartered in Taiwan. Driven by effective branding, HTC now has operations, sales, and services covering most areas in the world, including Europe, the Americas and Asia. With the coordination and integration of our operational HQ, HTC provides customers with a network of professional services.

HTC stands in the immediate presence of our customers and provides instant service. Offices have been established in all the major markets of the world, including the USA, Canada, the UK, Germany, France, Russia, India, Australia, China, Japan, Hong Kong, Vietnam, and UAE.



Chronicle of HTC Product Development



Product and Industry Overview

Since its establishment, HTC has had very strong R&D capability that has been clearly demonstrated by producing a stream of first-class products for the international market. HTC has persisted in a consumer-oriented approach to continuously provide real cutting-edge smartphones and demonstrate our commitment to both users and shareholders through our growing global marketing and service network.

We believe that only a deep, sincere, innovative, and unique experience can truly stand out in competition. In this regard, HTC mobile phone design extends the texture and craftsmanship of products and integrates the design, hardware, user interface, software, applications programs, and cloud service flawlessly.

HTC Main Product: Smartphone

| Year | Capacity (Thousands) | Output (Thousands) | Output Value (NT\$ Millions) |
|------|----------------------|--------------------|------------------------------|
| 2015 | 20,800 | 9,364 | 49,796 |
| 2016 | 18,400 | 7,910 | 44,885 |
| 2017 | 9,600 | 5,015 | 42,760 |

Note: The term "Capacity" refers to the maximum number of a given product the company can produce with the normal operation of the existing manufacturing facilities after consideration of necessary shutdown and off days.

Product Sales: Smartphone and Others (Accessories)

| Year | Domestic Sales | | Export Sales | |
|------|--------------------|------------------|--------------------|------------------|
| | Volume (Thousands) | Value (Millions) | Volume (Thousands) | Value (Millions) |
| 2015 | 70,424 | 17,624 | 60,183 | 102,464 |
| 2016 | 1,812 | 9,844 | 26,833 | 65,920 |
| 2017 | 1,221 | 6,869 | 23,343 | 52,725 |

Note: The figures for the main products do not include income from maintenance and product development.

HTC VIVE™

VR (Virtual Reality) is an exciting feature of next-generation computing and entertainment. HTC VIVE allows users to browse through the VR world and use unique hand-simulation controllers to interact with objects. In the Consumer Electronics Show (CES) in the U.S. in January 2018, HTC debuted two innovative hardware, the VIVE Pro and VIVE Wireless Adaptor.



VIVE Pro

VIVE Pro is a new head-mounted display(HMD) upgrade from VIVE, bringing top audio and video entertainment for virtual reality enthusiasts and corporate users. The VIVE Pro includes dual-OLED displays for a crisp picture resolution of 2880 x 1660 combined, a 78% increase in resolution over the current HTC VIVE™ HMD. The lifelike images will greatly enhance the overall experience. In addition, it features built-in high-end headphones with an amplifier that provides richer and more vivid stereo. The VIVE Pro's new headstrap was built with enhanced ergonomics and comfort, including a knob to adjust the headband size, reduce the weight of the front of the head-mounted display, and ensure a more even distribution of the overall weight. Other upgrades include dual microphones with active noise cancellation, and dual front-facing cameras designed to empower developer creativity.

VIVE Wireless Adaptor

The VIVE Wireless Adaptor is a wireless transmission accessory that adopts Intel's WiGig technology, which offers HTC's VIVE series to commence wireless connections in the interference-free 60GHz band. The low-latency and high-performance characteristics for the truly wireless VR headset integration for both VIVE and VIVE Pro headsets will bring consumers with the best wireless VR experience.

Industry Overview

Smartphones

HTC designs and manufactures personal computing devices in various form factors, with smartphones being the primary device over the last fifteen years.

Personal computing devices have evolved over time. The implementation of 5G will enable even greater human-machine interactions, and open up endless new possibilities with ubiquitous connections.

Personal Computing Devices Evolving Over Time



HTC’s upstream suppliers provide components parts and operating systems. Downstream channels include telecom service providers, distributors and retailers. HTC has continued to work closely with upstream partners to ensure the high quality of our products, and retains good relationships with traditional telecom partners and distributors around the world. HTC has also put emphasis on online as well as offline retail distribution, reflecting the global trend towards omnichannel sales of consumer goods.

Industry Relationship Chart



Virtual Reality

HTC VIVE first started shipping in April 2016, to unprecedented media and consumer acclaim. In 2017, HTC continued to focus on technological innovation and stable growth in this nascent industry, and explored new ways to develop the virtual reality industry ecosystem.

Re-investment & Affiliated Companies

HTC’s reinvestment policy focuses on the core business of the organization and the businesses that are beneficial to long-term future development. In addition, through appropriate financial assessments and analyses of industry trends, market competition, team experience, businesses models, and risk assessment, strategic investments have been carried out through equity investment or mergers and acquisitions. The specific objectives are to continue to enhance product and service quality, strengthen the development of key technologies, and grasp the future market demand, thereby continuing to enhance the core competitiveness of HTC.

In 2017, the company continued to expand and deepen the ecosystem of virtual reality (VR) and augmented reality (AR), through strategic investment and the VIVE X accelerator program, to partner with incredibly talented and promising teams in VR and AR around the world to solve industry pain-points and improve user experiences across AR and VR and move the whole industry forward. New startups of batch 2 and batch 3 VIVE X Accelerator Program are focusing on foundational technologies and key verticals including enterprise, commerce, healthcare, entertainment, social and eSports. At present, the five VIVE X accelerator centers in the world will cultivate and grow the global VR and AR ecosystems.

Overview of Financial Performance

The fierce competition that continued in 2017 in the worldwide mobile market resulted in lower revenues and gross profits than those of 2016. Also, because of the policy of austerity that effectively lowered operating costs, the difference in operating loss is minor compared to 2016.

Revenues for 2017 totaled NT\$62.1 billion, with gross profit of NT\$1.3 billion and a gross margin of 2.16%; however, the operating margin of -28.05% led to a net income of -NT\$16.9 billion, corresponding to earnings per share of -NT\$20.58. We look forward to the achievement in 2018 coupled with continued progress in operating expenditure control, meanwhile anticipating novel products like virtual reality and connected devices will provide a boost to revenues.

| | Unit | 2014 | 2015 | 2016 | 2017 |
|-----------------------------|--------------|---------|---------|--------|--------|
| Operating Revenue | NT\$ Million | 187,911 | 121,684 | 78,161 | 62,120 |
| Operating Costs & Expenses | NT\$ Million | 187,242 | 135,887 | 92,769 | 79,545 |
| Income Tax | NT\$ Million | 500 | -48 | -24 | -38 |
| Employee Wages | NT\$ Million | 17,485 | 15,781 | 12,451 | 11,825 |
| Dividends | NT\$ | 0 | 314,636 | 0 | 0 |
| Social Investment /Donation | NT\$ Million | 7.01 | 0 | 0 | 0 |

Note: The related figures are those listed in the consolidated statement.

The Pursuit of Brilliance



Future Goal

- To increase market share
- To strengthen the integration of marketing
- To deepen the penetration of our brand

Current Achievement

- Creating smartphones with excellent designs globally
- The most valuable international brand from Taiwan
- The world's first virtual reality system VIVE brings real-world interaction and experience through space-based positioning technology
- Through virtual reality and augmented reality, big data, and artificial intelligence technology, with the goal of developing and providing precision personalized medical products and services to reduce costs and improve the effectiveness of healthcare

**HTC's
Challenge**

**How to enhance
brand loyalty**

The core spirit of the “The Pursuit of Brilliance” inspires us to strive for better performance and to create revolutionary new mobile devices. We explore the unknown and are committed to bringing innovative design into the lives of users and to think of new ways to link people and their dreams to the world.

- An
Unending
Curiosity**

At HTC, we go where others haven't thought to. Breaking down barriers and creating industry firsts is a large part of our history, which is why HTC has become synonymous with innovation, engineering breakthroughs, and designing the future of human communications as we continue to expand into uncharted product territories.
- An
Unyielding
Resilience**

Strong character is at our core. Award-winning vision requires taking risks and challenging convention. From the very beginning, resilience has been at the heart of our creative spirit. To this day, we stay committed to our pursuit, believing that the greatest ideas transcend temporary recognition: they influence behavior, shape lives, and inspire new thinking.
- A
Refined
Approach**

We hold our ideas and our products to a higher set of standards. That is why we design for performance over popularity – and our partners have taken notice. Other industry leaders come to us because they understand that we create great products with an eye for design and mind for engineering that's celebrated by the industry and customers alike.
- A
Real
Impact**

It is our belief that technology's purpose has always been to bring humanity together to overcome and conquer difficult challenges. That is why we always design our technology to generate a real impact – to serve a greater, human purpose that every single human being can benefit from.
- A
Greater
Purpose**

HTC takes a broader approach to serving society and making life better. We believe that we can make more of a difference looking beyond the obvious, reaching out to people and enabling them to make a difference, and in improving the way we do things.

Nowadays, human life is deeply influenced by ubiquitous smart technologies in every aspect. Whether it's for home, car or city, smart devices are indispensable cornerstones. HTC takes this opportunity to integrate talents, resources, and experience for overall arrangement. With outstanding design, hardware and software integration, and R&D abilities, we believe HTC will shape the future with strong capabilities, develop life-connected devices with an ambitious vision and bring a whole new world to consumers.

Corporate Social Responsibility Management

To ensure effective discussion and treatment of CSR issues, HTC has run a CSR Committee since 2012, and has also set up a dedicated team for formulating CSR policies, drawing up related action plans, performing cross-department coordination, and handling communication with, and feedback from, the external stakeholders and our key suppliers.

We use clear organization and work breakdown, through interdepartmental meetings, to integrate CSR work into the management of related departments, such as legal affairs, compliance, environment, procurement, human resources, and marketing, to activate overall CSR and innovation. This ensures that CSR policies and measures are an integral part of the daily operations of the company.



The Mechanism for Committee Operation

The HTC “CSR Committee” convenes annually with each related unit and prepares a report of their CSR practices. The CSR-related work and actions will be expanded to the supply chain in 2013 as planned. In addition to a CSR compliance audit, CSR related education and training would be provided.

In addition, the CSR Department holds periodic meetings with each responsible department where the annual CSR performance results are summarized. A CSR report is then prepared in accordance with the GRI Standard and is signed by the CSR Committee Chairman before publication.

Structure of the HTC CSR Committee



The HTC “Corporate Social Responsibility (CSR) Policy”

HTC is committed to observing all the International and Regional laws in the countries where it operates and to do business with honesty and integrity. We will continue to provide innovative and quality products, protect the environment, care for the health, safety and human rights of our employees, and positively maintain our stakeholders’ rights and interests.

This CSR policy helps HTC maintain social responsibility and realize the vision of sustainable development. All our related business partners advocate and share this policy with us and in this way, we all protect and enhance the rights and interests of our internal and external stakeholders.

- Using Responsible Business Alliance Code of Conduct as a reference for code of conduct, developing HTC as a good corporate citizen and participating in international Initiatives
- Promotion of energy efficiency, carbon-reduction practices and various environmental protection activities
- Sustainable innovation from creation to development
- Sustainable supply chain management
- Be a responsible corporate citizen, with the highest ethical standards

CSR Related Management Procedures and Systems

This HTC CSR report is based on the GRI Standard with a focus on disclosing GRI topics, mainly concerning disclosure of material issues related to action, performance and achievement.

Based on the relevance of the industry, the stakeholders have been identified, and the issues of concern have been included in the major issues. The HTC CSR Committee members met to confirm the impact of the material issues on the internal and external organization. In other words, the positive, negative, or potential impact on the economy, environment and society, taken as a whole in accordance with internal considerations, industrial conditions, industrial chain practice, and stakeholders’ suggestions, as well as to confirm the impact of each issue. At the same time, HTC attaches great importance to communication and interaction with its stakeholders. In addition to setting up various communication channels, we respond to important suggestions or opinions from stakeholders based on their concerns and impact on HTC’s operational impact. The feedback is submitted to the relevant units for response and processing, and regularly disclosed in the CSR report. We will gradually invite and encourage internal and external entities to join the CSR disclosure process in the future.

In addition, to ensure that the policies and decisions of the “CSR Committee” can be put into practice, we have divided CSR activities into four areas, “green products, environmental protection, occupational safety & health, and social responsibility,” and have set up a dedicated management system for each. These have been verified as aligned with the applicable international regulations and standards, and help integrate company policy for sustainability and social responsibility into our daily operations.

CSR – Related Management Systems

The Green Products Management System

Since the end of 2007, HTC’s Taoyuan facility and the Taipei building have regularly passed all audits conducted by the international certification agencies, and obtained and maintained certificates of IECQ QC080000 Hazardous Substance Process Management.

Green Product Verification

In 2013, the HTC One became the world’s first smartphone inspected in accordance with international standards ISO/TS 14067:2013, PAS 2050:2011, ISO 14040:2006, as well as the carbon footprint and life cycle assessment ISO 14044:2006. In 2015, HTC M9 and Desire 820 smartphones completed the carbon footprint and life cycle assessment.

The Environment Management System

We strive to minimize the impact of our operation on the environment. In addition to establishing the ISO 14001 environment management system, and make sure all our manufacturing sites around the world obtain and maintain ISO 14001 certificates. From 2011 to 2017, there were no penalties for breach of regulations or laws.

The Occupational Safety & Health Management System

To reduce the risks of workplace injury and reduce accidents, the Occupational Safety & Health management system has been established according to OHSAS 18001, and make sure all our manufacturing sites around the world obtain and maintain OHSAS 18001 certificates.

The Energy Management System

ISO 50001 inventory the source and amount of greenhouse gas emission according to ISO 14064-1 Standards. The energy management system enables planned energy management to be realized, thereby supporting sustainable operation.

HTC 2017 Material Topics and Boundary

2017 HTC Materiality Matrix



Material Topics and Boundary Identification

| Material Topic | Corresponding Page Number | Within the Organization | | Outside the Organization | | | | | | |
|---------------------------------|---------------------------|-------------------------|------------|--------------------------|---------------------|-----------|----------|----------|------------|-----------------|
| | | HQ | R&D Center | Investor | Corporate Customers | Consumers | Employee | Supplier | Contractor | Local Community |
| Economic Standard | | | | | | | | | | |
| Economic Performance | 14 | V | | V | | | | V | | |
| Anti-corruption | 34 | V | | | | | V | | | |
| Environmental Standard | | | | | | | | | | |
| Energy | 57, 62 | V | V | | | | V | V | V | |
| Emissions | 56 | V | V | | | V | V | V | V | V |
| Effluents and Waste | 66-69, 79, 80 | V | | | | | | | | V |
| Social Standard | | | | | | | | | | |
| Employment | 94, 105-108, 111 | V | V | | | | V | | | |
| Occupational Health and Safety | 113-133 | V | V | | | | V | V | V | |
| Training and Education | 98-104 | V | V | | | | V | V | V | |
| Diversity and Equal Opportunity | 92-94, 105 | V | V | | | | V | | | |
| Non-discrimination | 97 | V | V | | | | V | | | |
| Child Labor | 91 | V | V | | | | V | | | |
| Forced or Compulsory Labor | 43, 91 | V | V | | | | V | | | |
| Security Practices | 113 | V | V | | | | V | | | |
| Customer Health and Safety | 78 | V | V | | V | V | | | | |
| Marketing and Labeling | 83 | V | V | | V | V | | | | |
| Customer Privacy | 50 | V | V | | V | V | | | | |
| Socioeconomic Compliance | 34 | V | V | | | | | V | V | |

Diverse Channels
for Transparent Information Disclosures





The United Nation's Sustainable Development Goals



In 2015, the United Nations passed 17 Sustainable Development Goals (SDGs) aimed at ensuring peace and prosperity for all people. Each goal also details specific goals to be achieved in the next 15 years, thereby establishing the guideline and blueprint of the future sustainable development direction, serving as a global sustainable development agenda and action appeal. In order to achieve a more sustainable future, companies, governments, and society need to fulfill their responsibility and make an effort.

As global citizens, we spare no effort to implement the goals of the United Nations. We are committed to integrating SDGs into corporate operations and business development planning. In addition to establishing gender equality in practice and empowering female employees and providing them with benefits, we also focus on green sustainability in the manufacturing process, achieving responsible consumption and production. Externally, the HTC team has also collaborated with external institutions on the research and development of products and services that enhance healthcare quality, making full use of innovative technologies to promote sound health and well-being of people of all ages, while establishing multiple partnerships with teams from different fields to accelerate the implementation of goals.

In addition, HTC believes its unique virtual reality technology can bring unprecedented change to the world. Through the interactive and immersive experience that HTC VIVE can provide, we hope to change developments in education, health, medical care, art, and many other fields. In response to the United Nation's sustainable development goals of eradicating poverty, protecting the earth, and ensuring peaceful and prosperous life of mankind, HTC announced the VR for Impact Plan in 2017, providing US\$10 million in funding and technology to encourage the development of more virtual reality content and technology that produce a positive impact. Since the release of the plan, we have received much feedback from the media and the industry. So far, more than 800 developers and organizers have expressed great concern, hoping to work with HTC to bring real influence to the world. We firmly believe that the virtual reality importation plan will be a powerful tool for raising awareness for the UN's 17 sustainable development goals.

HTC's Performance in Response to the UN's Sustainable Development Goals



Goal 3: Good Health and Well-being

Through the integration of virtual reality technology and education and with the full range of software and hardware support, VIVE has visualized abstract knowledge, turning learning into an experiential journey immersed in virtual space and comprehensively changing existing forms of education.

The Dr. Mackay APP

HTC DeepQ Healthcare Business and Mackay Memorial Hospital have cooperated to develop the Dr.Mackay APP, allowing patients to use their mobile phone to scan the medicine bag or QR Code on the "refillable prescriptions for patients with chronic illnesses" to complete personal medication setting free of charge. The APP also features medication time notifications, "refillable prescriptions for patients with chronic illnesses" claim reminders, and other functions. In addition, the LINE version of clinic registration for the public and personalized medication information search was released in 2017. Through interaction on LINE, medication photos and related health education are accessible, which greatly enhance patients' medication safety.



The Dr. Mackay APP received the first place in the Young Award-Biotechnology Category in 2016, the Smart City Innovation Application Award-Smart Medicine Field in 2017, and HIMSS AsiaPac17 Outstanding ICT Innovation Award. As of the end of 2017, the APP has had 8,755 downloads and has been promoted in other hospitals that will subsequently go online in 2018.

In the future, the Dr. Mackay APP will continue to deepen patients' interactive care and medication safety and quality, closely link physicians and patients, provide all-around thoughtful care in and out of the hospital, thereby enhancing clinical treatment effectiveness.

AI Medical Service Chat Robot in Taiwan: Wan Xsiao-Fang

HTC DeepQ Healthcare Business and Wanfang Hospital jointly launched Taiwan's first AI medical service chat robot named-"Wan Xsiao-Fang" in 2017. Through the 24-hour online and offline one-stop services available on the LINE platform, general public users may enter their symptoms for Wan Xsiao-Fang to commence machine learning according to the users' region and user characteristics perceived, assist in providing recommended clinic department, provide clinic registration and clinic visit related information search and other medical services, enabling the general public to make speedy clinic registration. The general public may make a speedy clinic registration before a clinic visit, a reminder of the scheduled time will be sent, and real-time clinic visit progress can be looked up, which reduce anxiety from waiting. As of the end of 2017, 3,262 people have used this APP.



In the future, HTC will continue to cooperate with Wanfang Hospital to upgrading the chat robot - Wan Xsiao-Fang's functionalities. Wanfang Hospital will also leverage DeepQ's artificial intelligence technology in conjunction with the App to increase patients' accessibility to medical services; inquire about personal records of physical examination and medication, as well as integrate the hospitalized services in the smart ward and the long-term care service in communities out of hospital., thereby contributing to the new generation of smart medical services.

Smart Epidemic Prevention Chat Robot: Disease Manager

In order for the general public to have instant access to influenza vaccine-related information despite their busy lifestyle, HTC DeepQ Healthcare Business and the Centers for Disease Control (CDC, Taiwan) jointly developed "@LINE chatbot - Disease Manager. With the "Disease Manager" as the imagery, the general public is provided with reliable epidemic prevention information and related consultation functions. The general public may through the chatting window enter their basic information, and the system will automatically reply regarding "public-funded flu vaccination eligibility", as well as further information such as phone numbers and addresses of nearby public flu vaccination contacts. Common questions

related to flu vaccines are also instantly answered, thus substantially reducing the time for people to make inquiries. In addition, the chat robot also sends messages to remind the people eligible for public-funded flu vaccination to go to a nearby contract hospital to receive the vaccination. Compared to the past when people mainly searched public-funded vaccination information through the Epidemic Prevention Hotline: 1922 or the official website of the Centers for Disease Control (CDC, Taiwan), the “Disease Manager” saves about 20% of manpower compared to the Epidemic Prevention Hotline: 1922. As of the end of 2017, “Disease Manager” users reached 62,666 persons.

HTC will cooperate with the Centers for Disease Control (CDC, Taiwan) to keep up with the times, not only from the perspective of technology-based epidemic prevention but also to provide the general public with proper epidemic prevention information in the most convenient and fastest way. Additional services will also be included in the future to achieve the goal of smart epidemic prevention.

DeepQ Medical Encyclopedia

DeepQ Medical Encyclopedia is committed to provide the general public with content that is reliable and easy-to-understand to reduce the general public’s burden from reading medical science related articles. From the needs and perspective of the general public, an encyclopedia consisting of 1,000 articles on diseases has been created to enable the general public to quickly and accurately grasp the definition of the disease, symptoms, etiology, diagnosis, treatment, and medicine references. After the publication of DeepQ Medical Encyclopedia, it received a majority of the public’s response. In the future, it will combine with medical artificial intelligence and medical services to become a medical education platform for interaction between the public and medical personnel.



4
QUALITY
EDUCATION

Goal 4: Quality Education

With quality education, virtual reality technology and education combined and a full range of software and hardware support, VIVE visualizes abstract knowledge, turning learning into an experiential journey immersed in virtual space and fully revolutionizing existing forms of education. HTC has also applied VIVE interactive media features in anatomy, first aid, and other medical education training, turning the human body structure into VR content, breaking the physical constraints, and achieving half the work, twice the learning result.

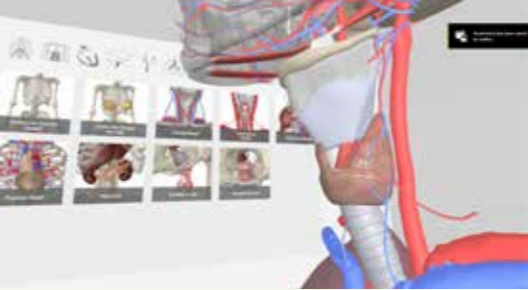
VIVEPORT EDUCATION

In order to expand the depth and breadth of education, HTC has created a VR education content platform that revolutionizes the existing mode of education. In our real education environment, virtual reality technology has been used to create a learning environment with high immersion, thus fully improving learning performance. With the support of the multi-function platform, we will create one-stop VR education services for our partners.

Virtual Reality Anatomy and Physiology Teaching System (3D Organon)

3D Organon is the world’s first virtual reality anatomy teaching APP developed by Australian anatomy professor and physician Dr. Athanasios Raikos. The APP has 4,000 built-in simulated human structures and organs, which can be displayed on a computer or tablet PC and achieve VR interaction, making anatomy learning fun.

After putting on a VR helmet, users can monitor the bones, muscles, blood vessels, organs, and other anatomical structures in the 3D space and examine the structures from all angles, which enable students to better understand the key concepts in anatomy.



VIVEPAPER

HTC DeepQ Healthcare Business has developed an augmented reality system called VIVEPAPER, which presents virtual multimedia content on a piece of physical card. When viewing through the head-mounted device (HMD) display, the card is viewed as a multimedia book. Users can interact with the book through natural gestures and eye positioning, such as swiping to turn pages, clicking or looking at the selected content.



VIVEPAPER turns a regular 2D card into unlimited content provided in 2D, 3D, and VR while retaining the natural interaction between the reader and the book. Since its launch in 2016, VIVEPAPER has been adopted in many fields, including education, training, and tourism to produce rich and immersive interactive media materials.

At present, HTC DeepQ Healthcare Business has collaborated with several medical universities and hospitals to develop surgical training, long-term care, nursing technique training, health education, first aid, and other medical contents into VR interaction contents trough VIVEPAPER, allowing readers to be on the scene to interact with contents and thus substantially enhancing learning interest and effectiveness. In the future, HTC DeepQ Healthcare business unit will work with more hospitals and schools to develop related medical contents for breaking through the bottleneck of traditional medical education.

17
PARTNERSHIPS
FOR THE GOALS

Goal 17: Partnerships for the Goals

Promote partnerships that facilitate goal realization. HTC and many core strategic partners have achieved cross-domain cooperation to further expand the VIVE ecosystem.

2017 VIVE Ecosystem Conference (VEC2017)

Virtual reality industry leaders from all parts of the world have gathered to share and discuss the latest industry insights and development trends. At the conference, HTC and Shenzhen Municipal People’s Government jointly announced the establishment of the Virtual Reality Research Institute. Both parties will jointly commit themselves to achieving breakthroughs in virtual reality related equipment, technologies, industrial, applications, big data, and other fields and promoting the transformation and upgrading of related industries.



As one of the important strategies for the construction of the VIVE ecosystem, the VIVE X Accelerator Plan at VEC2017 released the second batch of listed companies. 30 new companies from Taipei, San Francisco, Beijing, and Shenzhen were selected. Under the support of the plan, global virtual reality and augmented ecosystems have been jointly promoted.

HTC and Warner Bros. reached a global strategic partnership. VIVE will become its exclusive virtual reality partner in all virtual reality content productions and online and offline promotional activities, jointly promoting the much-awaited box office hit “Ready Player One”. In order to continue to boost the VR entertainment industry, VIVE and China’s largest home appliance retailer Gome signed an agreement: VIVE will be Gome’s primary technical partner in the VR movie theater business, providing support of China’s first batch of one hundred VR movie theaters. At the same time, VIVEPORT M has also signed mutual agreements with six VR glasses manufacturers.

VIVEPAPER has co-constructed the “VR reading and innovation education display platform” with Qingdao Publishing Group. In the next few years, it will enter key schools in major cities. The platform will fully mobilize the content and channel resources of Qingdao Publishing Group and industrial collaborators and distribute VR education contents and services in schools, libraries, and Xinhua Book City, including VR technology and platform, VIVEPAPER included, which will be an important way for realizing contents and services.

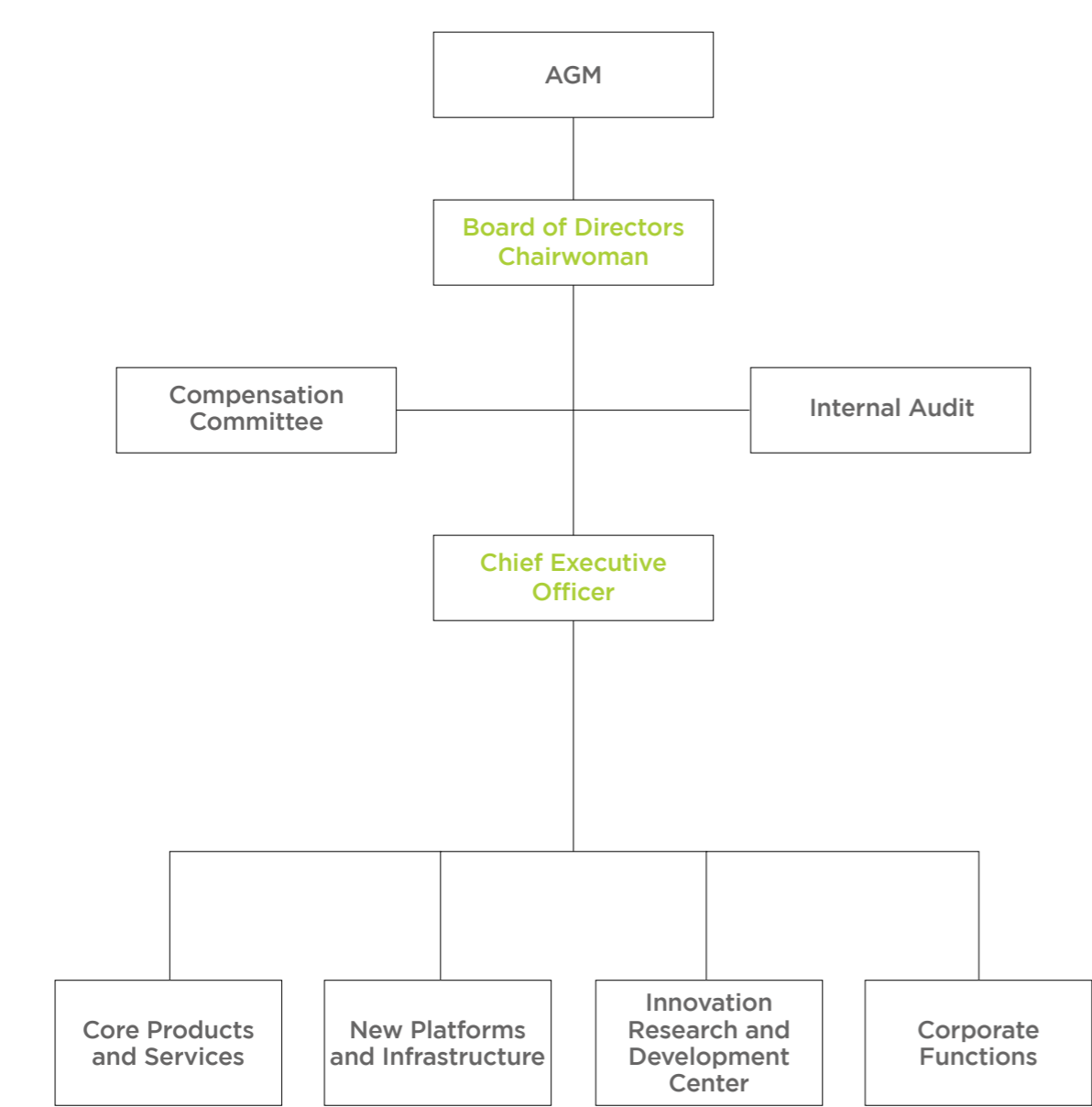
Responsibility Management



Corporate Governance

We place great importance on corporate governance and operational transparency, and have formulated and implemented corporate governance guided by the Company Law, Taiwan’s Securities Exchange Act, and other relevant laws to continue improving our management performance, and protect the interests of our investors and other stakeholders through the comprehensive and systematic implementation of CSR.

Organization Structure



Please refer to annual report Page.28

To achieve this high standard, we formulated the HTC Corporate Governance Framework in 2014, which has been approved by the Board of Directors and complies with the Corporate Governance Practice Principles for all the TWSE/GTSM Listed Companies. The objectives being:

- 1. To appropriately and effectively divide authority and responsibility amongst the Board of Directors, the Executives, and the shareholders, and to build a management team that is fully responsible to our shareholders;
- 2. To build up a system where the Executives and the Board of Directors are enabled to review the company’s operations and achieve its goals;
- 3. To cultivate and sustain a corporate culture that advocates accountability and diligence and maintain the highest ethical standards; and
- 4. To encourage the effective and responsible use of resources.

Board of Directors

There are six directors on the HTC Board (including two independent directors) and two supervisors. The group of directors and supervisors includes one female director and is primarily responsible for setting and monitoring management goals and long-term business strategy. They are also responsible for maintaining an internal financial and accounting inspection system, assessing operating risks, and proposing strategies for the reduction of such risks.

Independent Directors

HTC believes that good corporate governance is critical if a business is to gain the long-term funding that underlies further investment and growth. We recognize that to achieve good corporate governance, it is necessary to widen the scope of independent viewpoints in order to win the trust of the public and the shareholders. During the election of board members (directors and supervisors) in 2007, two independent directors were elected according to the provisions set forth in the Securities and Exchange Act. This action served to solidify our corporate governance, strengthen the independence and functions of the directors, and improve the general performance of the Board of Directors.

Compensation Committee

The Compensation Committee is set up under the HTC Board of Directors. The committee is comprised of an independent director, and two independent external experts. The Compensation Committee assesses the salary remuneration policies and system of the Company directors, supervisors, and managers from a professional and objective viewpoint. The committee also makes suggestions to the Board of Directors for discussing. For HTC corporate governance organization and members, please refer to Page. 26 in 2017 Annual report.

Supervisors

HTC has an appropriate number of supervisors. These supervisors quarterly review material issues, such as financial, legal statements and internal audit. To ensure reasonable and proper expression of HTC financial statements, the supervisors are also responsible for verification of risk management, key stakeholder transactions, fluctuation in accounting policy, risk assessment in Intellectual property right litigation and to ensure the internal control system has been designed and executed effectively.

The Composition of HTC Management (Directors/ Supervisors) by Age & Gender

| Breakdown by Age | Male | Female | Total |
|--------------------|------|--------|-------|
| <30 (Excluding 30) | 0 | 0 | 0 |
| 30 ~ 50 | 0 | 0 | 0 |
| >50 (Excluding 50) | 5 | 1 | 6 |
| Total | 5 | 1 | 6 |

Complete Disclosures

HTC is committed to real-time and transparent information disclosure. In addition to regular information disclosure, HTC also participates in investment forums and investor conferences held by domestic and international brokers to explain details of the HTC financial data, business performance, and other published information to give investors as much information about the HTC financial and business situation as possible. The meeting provides expected data for the next quarter’s operating revenue, gross profit and operating profit, so that investors can instantly understand the company’s operational information.

Real-time and transparent information disclosure by HTC has been regularly affirmed by the competent authorities with an A+ rating. This was received for the first time in the 6th information disclosure assessment of the Securities and Futures Institute and the A+ rating has been awarded for three consecutive terms, including A++ ratings in the 9th, 10th, 11th and 12 th terms. HTC took part in the 1st and 2nd “Corporate Governance Evaluation” held by the Securities and Futures Institute and was ranked amongst the top 20% of companies with excellent performance.

We disclose our practice of corporate governance and legal compliance on the company website. For more information about HTC governance policy and other related guidelines, please visit <http://tw-investors.htc.com>

Diverse Channels for Transparent Information Disclosure

| | |
|---|--|
| Spokesperson & Deputy Spokesperson | A spokesperson (and a deputy spokesperson) has been assigned for communication with the media, investors, and analysts according to “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies.” |
| Press Release, Press Conference & Media Interview | The company’s latest developments are also communicated to our investors and the public through press releases, press conferences, and media interviews. |
| Website Platform | <div>1. HTC has established an Investor Relations Website (in both Chinese and English) through which the investors can access and download the company’s financial statements, annual reports, other financial news, information about investor conferences, and correspondence with shareholders. In the “Investor Service” section, contact information and electronic forms are provided for investors to make contact with the Investor Relations Division by phone or by email.</div> <div>2. The Investor Relations Website is continuously maintained and updated with the latest HTC Company development information.</div> <div>HTC will continue maintaining and updating relevant and material company information, so that investors can get the latest news.</div> |
| Investor Conference & International/Domestic Investor Forum | HTC regularly holds investor conferences and from time to time participates in international and domestic forums held by foreign brokers. Details of these are provided to explain company operation, financial profile, strategic development, and business policies to the investors. |

Strict Mechanisms for Avoiding Conflicts of Interest

To prevent potential risk of corruption and being unethical, in addition to “Anti-corruption and Bribery Statement “ passed by the chairman of the board, HTC has established “Rules for Derivatives Transaction,” “Credit Policy & Operational Procedure,” and “Regulations for the Appointment of Directors/Supervisors in Re-investment” and has revised the “Operational Procedures for Transactions of Specific Companies, Business Conglomerates, and Parties,” “Regulations for Budget Management,” “Regulations for Management of Subsidiaries,” and “Operational Procedures for Processing Internal Material Information and Preventing Insider Trading” as bases for internal operations.

After the establishment and subsequent revision of the “Operational Procedures for Processing Internal Material Information and Preventing Insider Trading,” the company makes internal announcements to all employees through e-mail, and also posts related information to our Intranet website. Furthermore, the latest version of the rules is always accessible for immediate reference on the corporate website and on the Intranet.

In addition, as clearly set forth in the HTC Employee Manual, involvement in fraud, bribery, embezzlement, and violation of business competition limitation may lead to a punitive dismissal. Any reports about the above offenses may be sent to the heads of the related departments, the Human Resources Division, or the auditing unit. The Human Resources Division is responsible for disciplinary action. A dedicated reporting channel (anti-corruption@htc.com) has also been established for employees to expose any improper behavior that comes to their attention. There were no corruption related events in 2017.

Internal Audit System

HTC has set up our internal audit unit as subordinate to the Board of Directors. The internal unit is responsible for assisting the Board of Directors and management in checking any defects in internal control and in the assessment of operational efficiency and performance, as well as the accuracy of the financial statements and compliance with the related laws. The unit also addresses areas that need improvement in a timely manner to ensure internal control is continuously and effectively implemented. The audit results are used as a basis for the review and amendment of the internal control system to advance sound management in HTC. There were no anti-corruption related risks in 2017.

Risk Management



HTC manages corporate risk with a focus on sustaining value for the shareholders and stakeholders. We have established an appropriate control mechanism after careful consideration of all the various operational uncertainties that ensures a rapid response to uncertainty, as well as to any attendant risks and opportunities. Such careful risk management enhances our ability to create value.

Management of Operating and Financial Risks

HTC has never made high-risk, high-leverage investment, yet, as a part of our long-term business strategy, we are still positively evaluating the risks and benefits of introducing new technology. To remain responsive to the potential risks caused by increased costs as a result rapid industrial development, we control operating cost risks by strengthening the functions of our products, reducing overall costs, and strictly controlling expenses.

Due to fast and fiercely changing global financial markets, foreign exchange movements will trigger the challenge of business operation and thus influence shareholder’s rights. As a result, HTC has adopted relevant risk management policies and standards for measurement of risk. In this regard, we have set up the funds management practice, which clearly stipulates the tools and decision-making processes.

In 2017, HTC foreign exports accounted for around 84.88% of our total business revenues. HTC’s revenue is mainly based on the US dollars and Euros, the manufacturing costs are also based on US dollars, so the significant fluctuations in the international exchange rates may affect the operating income, operating costs and operating net profits in foreign currency denominations. In addition to strengthening the control of quality and collection cycle of foreign currency accounts receivable, we also mainly avoid the operational risk of operations with the Foreign Exchange Forward Contract. In the future, we will strengthen the automatic hedging effect of foreign currency claims and liabilities offset, using auxiliary tools such as derivative financial products to conduct hedging under the appropriate risk guidelines.

Management of Climate Change Risk

As an answer to requests from customers, HTC joined the Carbon Disclosure Project (CDP) in 2008. We voluntarily disclose information about our climate risks, future development opportunities, emissions, and strategic management mechanisms.

| | Risk Factor | Resulting Risk or Impact | Opportunity |
|--------------------------------------|--|---|--|
| Operational Risk from Climate Change | Unstable or limited power supply Power supply may become unstable or limited due to peak demand for electricity in the summer | <ul style="list-style-type: none">● Shut down in production lines● Shortened life or immediate damage to instruments and devices due to unstable room temperatures | Adjusting and optimizing production processes in advance, to improve efficiency and reduce energy consumption |
| | Regional natural disaster The increasingly extreme climate can bring about floods, super typhoons, super downpours, or even drought | <ul style="list-style-type: none">● Grounded flights impacting transportation● Increased shipping time and costs | Planning how to work with our suppliers to improve the efficiency of packing and transportation |
| Legislative Risk from Climate Change | Laws and standards for energy efficient products (e.g. California Energy Law, Energy Star, ErP, etc.) | <ul style="list-style-type: none">● Increased costs for materials and parts | Introduction of a green supply chain Looking for green innovation business (e.g. reduced packing and recycled packing materials) |
| | The Taiwan Draft Greenhouse Gas Reduction Act Customer guidelines The customer may ask for our regular disclosure of carbon emission | <ul style="list-style-type: none">● Since power consumption is still the main source of greenhouse gas in the ICT industry, the total emission of greenhouse gas must increase with the growth of business and production | Providing KPIs (Key Performance Indicators) for evaluating design simplification and standardization, and manufacturing and testing efficiency |

Innovative R&D Management



Future Goal

People-oriented:

— Changing the way people interact, and the technology around the world.

Current Achievement

- Innovative accessories “VIVE Tracker” won the 2017 Best Game Product Award at the Consumer Electronics Show (CES) in the United States
- HTC VIVE received 29 Awards from CES in January 2018.

HTC's Challenge

Expediting patent layout
Strengthening advertising of product innovation

Since our establishment, HTC has invested heavily in cultivating R&D talent and developing technical innovation. Currently, our in-house R&D employees make up 37% of all HTC's global employees, the investment of which is about 17% of the total operating revenue. With this strength of innovation, HTC has special insight into industry trends and the outstanding capability for meeting consumer demand. This puts HTC always in the lead.

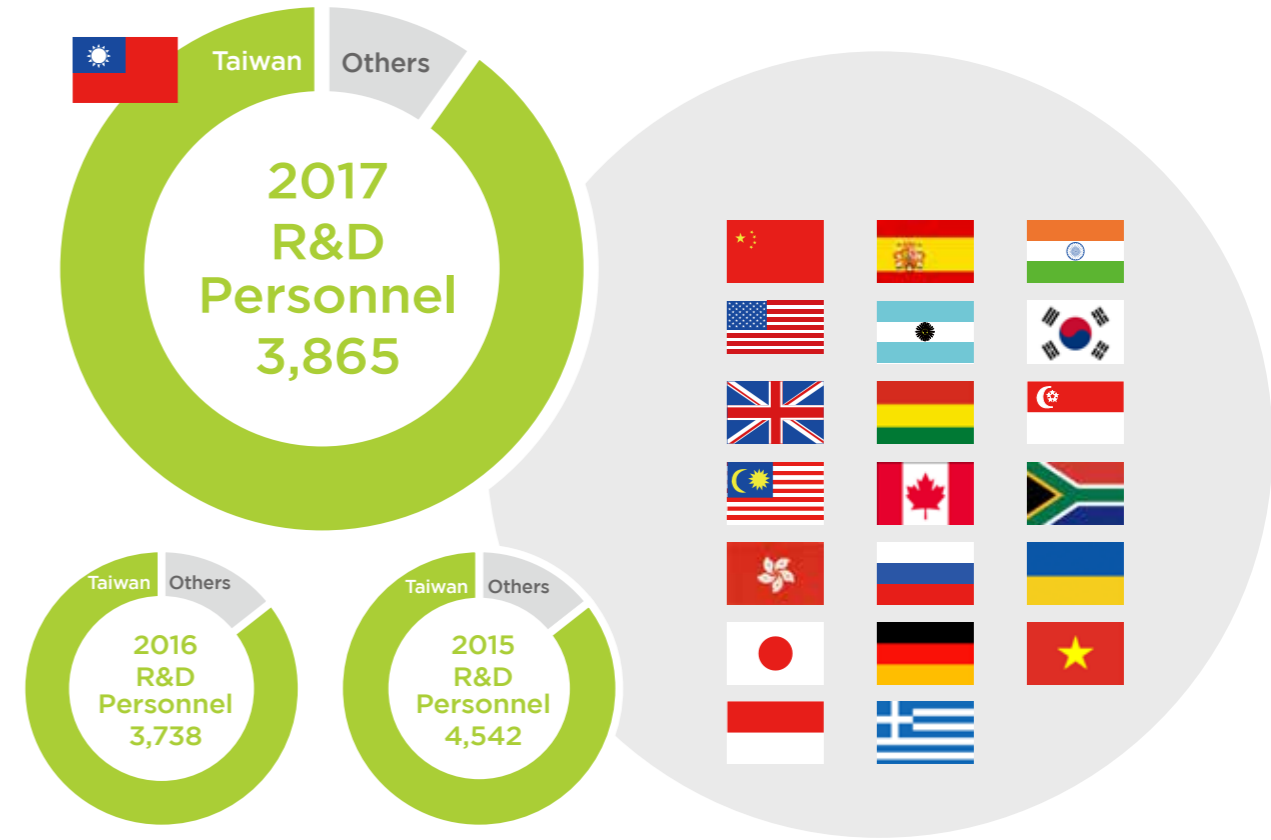
Investment in Innovative R&D

| | Unit | 2015 | 2016 | 2017 |
|----------------------|--------------|---------|--------|--------|
| Fixed R&D Investment | Million (NT) | 13,728 | 10,957 | 10,440 |
| Total Revenue | Million (NT) | 121,684 | 78,161 | 62,120 |
| Percentage | % | 11 | 14 | 17 |

Note: The related figures are those listed in the consolidated statement.

Engaging Diverse R&D Talent

In 2017, a total of 3,865 R&D workers joined HTC globally. In addition to those in Taiwan, we have many R&D personnel coming from, or based in, other countries, such as Europe, America, and Asia. We expect that the different cultural backgrounds of our diverse employees will fuse and fuel innovative thinking, so as to support HTC in the development and launch of products that meet consumer needs in different regions and with different cultural characteristics.



Smart Innovative Products

With this strength of innovation, HTC has special insight into industry trends and the outstanding capability for meeting consumer demand. This puts HTC always in the lead. In 2017, HTC employed “You” as the concept behind its design to launch the brand-new HTC U Ultra, continuing with HTC U11 and HTC U11+. In addition to Edge Sense, HTC has also developed even more sophisticated functions to introduce the next dimension in touch interaction. With customer feedback an integral part of the development process combined with an obsessive attention to detail, HTC delivers everything that consumer would want.

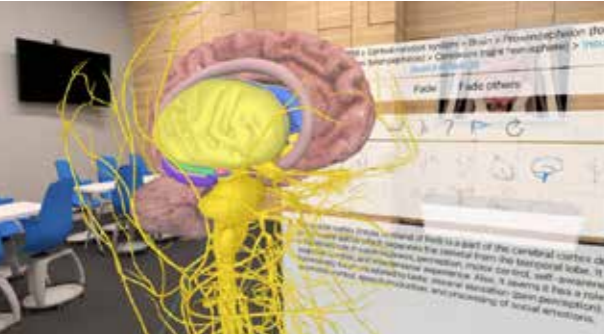
Furthermore, HTC also devotes to the wisdom of the medical field by creating HTC Healthcare business unit through virtual reality / augmented reality, big data and artificial intelligence technology, with the goal of developing and providing precision personalized medical products and services to reduce costs and improve the effectiveness of healthcare.

2017 WORLD CONFERENCE on INFORMATION TECHNOLOGY

WORLD CONFERENCE on INFORMATION TECHNOLOGY (WCIT) drew domestic and foreign information and communication companies, nearly 700 booths exhibit the world’s world technological trends, HTC’s Health and Medical Business Department exhibited the results of medical AI and applications of virtual reality in medicine. The DeepQ Mobile Health Care Tester has won second place at the global Qualcomm XPRIZE Tricorder and the latest release of a high-accessibility and high-usability platform that can assist in establishing cost-effective neural model training, thus enhancing AI research efficiency.

In terms of VR medical applications, the Surgical Theater VR medical surgery simulation training system and 3D Organon VR anatomy teaching system, the world’s first VR anatomy teaching APP, were experienced at the site. It has 4000 built-in simulated human body structures and organs, which are presented in VR 3D images. This APP is said to be the best teaching tool for experiential learning.

As for the progress of augmented reality, VIVEPAPRE that integrates VR and AR provides readers with a brand new immersive reading experience.



DeepQ Receives the Honor of Second Place in Tricorder XPRIZE

Qualcomm Tricorder, the world’s largest international medical care contest was held by the XPRIZE Foundation. In 2016, HTC in support of The DBG (Dynamical Biomarkers Group) participated in this contest. The contest theme was to produce a mobile device weighing less than 5 pounds, used for home monitoring and health status diagnostics, required to perform 24-hour continuous monitoring of vital signs and complete diagnosing 12 diseases within 90 minutes.

The XPRIZE Foundation announced the results of the finals on April 12th, 2017. The DBG team co-led by HTC’s Prof. Chih-Wei Chang and Harvard Medical School Associate Prof. Chung-Kang Peng stood out from the 312 teams from around the world to win the second place and a cash prize of US\$1 million.

HTC’s capabilities and experience in software and hardware development, industrial design, system integration, user experience, and big data AI made the selection plan a reality. This cross-domain, inter-school, and cross-industry teamwork has provided a good testimony to the strength of Taiwan’s medical community and industry.



Introduction of DeepQ Mobile Healthcare Detector

DeepQ Mobile Healthcare Detector is a medical device that weighs less than 5 pounds (2.3kg). It can correctly diagnose 12 diseases and continuously monitor five vital signs. In a home environment without the assistance of medical personnel, the device intended to improve medical quality in regions devoid of resources can be operated even by users without medical knowledge. DeepQ covers five major diagnosis and treatment systems, including eye examination, hematuria diagnosis, respiratory diagnosis, life diagnosis, and consultation. In particular, HTC is mainly responsible for big data learning and metastasis learning, integration of traditional dipstick techniques in hematuria, development of respiratory diagnostic techniques, heart rate, respiratory rate, body temperature, oxygen saturation, blood pressure, and high blood pressure monitoring, as well as interface design and APP development. In 2017, HTC continued to improve accuracy through AI technology, and the disease diagnosis items increased from 10 to over 100.



Protection of IP Rights

HTC regards R&D and innovation as an essential force needed for the company to remain sustainable and competitive. In particular, the protection of intellectual property rights is a key to maintaining our brand value. The protection we put on our intellectual property rights covers four areas: patents, trademarks, copyright, and trade secrets. Of these, patent protection is particularly valued and is realized at two levels:



In terms of patents, HTC has not only actively defended patent lawsuits against patent trolls, as well as filing an infringement lawsuit against HTC in courts in America, China and countries in Europe in order to protect the rights of HTC. In order to strengthen the competitive advantage of products, HTC has also obtained patent authorization from major international companies in order to rule out obstacles of patents.

In terms of trademarks, HTC has actively applied for trademark registration in various countries in order to acquire important trademark rights. HTC has also actively and closely worked with customs and local police agencies in various countries to crack down on counterfeited goods and protect HTC's business reputation. HTC has also actively investigated the situation of HTC's registered trademark abuse in various countries, and actively took legal actions with law enforcement agencies in various countries to protect the company's rights and interests.

Additionally, in terms of copyrights and business secrets, HTC clearly stipulates employees' intellectual property rights in the employment contract and demands employees to comply with HTC's intellectual property related regulations. The Ministry of Justice also collaborated with the Information Center, strictly restricting employees' internal data access authorization, such as software program codes, R&D data, unlisted product business information, etc. In addition, in order to prevent leakage of business secrets, program codes, or confidential Information, HTC has also set up relevant regulations for the management and has signed a confidentiality contract with specific persons in order to protect business secrets.

Contractor and Supplier Management

Contractor Partners

HTC focuses on industrial technology and works in collaboration with different professional contractors to jointly develop the industry. In addition, HTC has passed the OHSAS18001: 2007 version of the Occupational Health and Safety Management System. Newly recruited construction workers receive safety and health education before they start on their jobs. They are given all necessary information about the working environment and the relevant safety regulations. They all know the location of fire-fighting facilities and how to use it.

The HTC Family was created in cooperation with the Taoyuan City Government in 2014. The City organized the safety and health seminars and field trips and also shared actual case studies with the contractors every year. This caused small and medium-sized enterprises to work for occupational safety just like a mother hen leads her children. From 2015 to 2017, the contractor's injury rate (IR) was 0*.

* Note:

1. The total number of working days for men is 5,406 days, and the total working hours is 43,248 hours.
2. The total number of working days for women is 165 days and the total working hours is 1,320 hours.
3. IR rate = total number of work injuries / total work hours × 200,000* (*: 50 weeks in a year, 40 working hours per week, the ratio for every 100 employees.)

| Measure of Contractor Construction Management | Contractors Health and Safety Audit |
|---|--|
| <ul style="list-style-type: none">● The provision of site safety induction sessions at construction sites.● Verifying the information about construction workers and vendors.● Monitoring high-risk operations.● Maintaining facility access control.● Ensuring construction site safety.● Conducting safety and health management for new facility construction.● Obtaining the required insurance for contractor employees. | <ul style="list-style-type: none">● Incorporating requirements for safety & health management in the written agreements with all contractors according to the applicable regulations to clearly define contractor obligation and responsibility, and evaluate all the risks in the working environment including that from dangerous machines, so as to have proactive control and eliminate potential hazards.● Formulating a system for on-site patrols and inspections according to the applicable regulations and contractual requirements about labor safety & health. The performance of regular patrols, inspections and audits, working precaution, records of the safety & health education of the workers, and all safety requirements to be met before, during and after the use of machines, tools and equipment. |

Supply Chain Partners

Suppliers are a vital factor for the continued success of HTC, we were founded in Taiwan and are a Taiwanese company whose operations and procurement drives the development of the related sectors. Except for certain key parts and components, it is a general procurement policy to use raw materials and equipment that originates in Taiwan to the greatest extent possible. We not only require our suppliers to provide quality services and products, but also measure our supply chain against stringent ethical and environmental standards.

HTC is a member of the Responsible Business Alliance (RBA) and has formulated an “HTC Supplier Code of Conduct” according to Responsible Business Alliance Code of Conduct, with the aim of working with our supply chain partners to protect the environment, uphold the human rights of our workers, their safety and health, and extend this social responsibility to the supply chain system.

HTC Supplier Code of Conduct

The HTC Supplier Code of Conduct details the responsibilities and regulations that have to be followed by all suppliers doing business with HTC. In addition, HTC also conducts a regular assessment of the implementation of the Code as the basis for our further selection of business partners. The supplier’s code of conduct reaches 100%.

The provisions about labor issues, health and safety, and ethics were framed with reference to Responsible Business Alliance Code of Conduct and the related documents issued by the United Nations Universal Declaration of Human Rights. For more information about the “HTC Supplier Code of Conduct,” please see: <http://www.csr.htc.com>

Supplier Management

| | 2016 | | | 2017 | | |
|-----------------------|--------------------------|---|---|--------------------------|---|---|
| | Amount (NT\$ Million) | Percentage of Total Purchase Amount (%) | Interests with HTC's Stockholders | Amount (NT\$ Million) | Percentage of Total Purchase Amount (%) | Interests with HTC's Stockholders |
| Supplier Code A | 7,301 | 15 | None | 7,462 | 19 | None |
| Supplier Code B | - | - | - | 4,821 | 12 | None |
| Others | 40,782 | 85 | None | 27,830 | 69 | None |
| Total Purchase Amount | 48,043 | 100 | None | 40,113 | 100 | None |

The Green Supply Chain Management System



HTC has had a green supply chain management platform since 2006 to assist R&D engineers to select green materials from the product database that comply with both International regulations and customer requirements. Green materials are used from the start of design to significantly enhance the reliability and related validation process and schedule of green products.

HTC has, since the fourth quarter of 2016, added the HSF performance appraisal in the Supplier Performance Management System. At the supplier quarterly meeting, improvement effectiveness was confirmed with the suppliers.

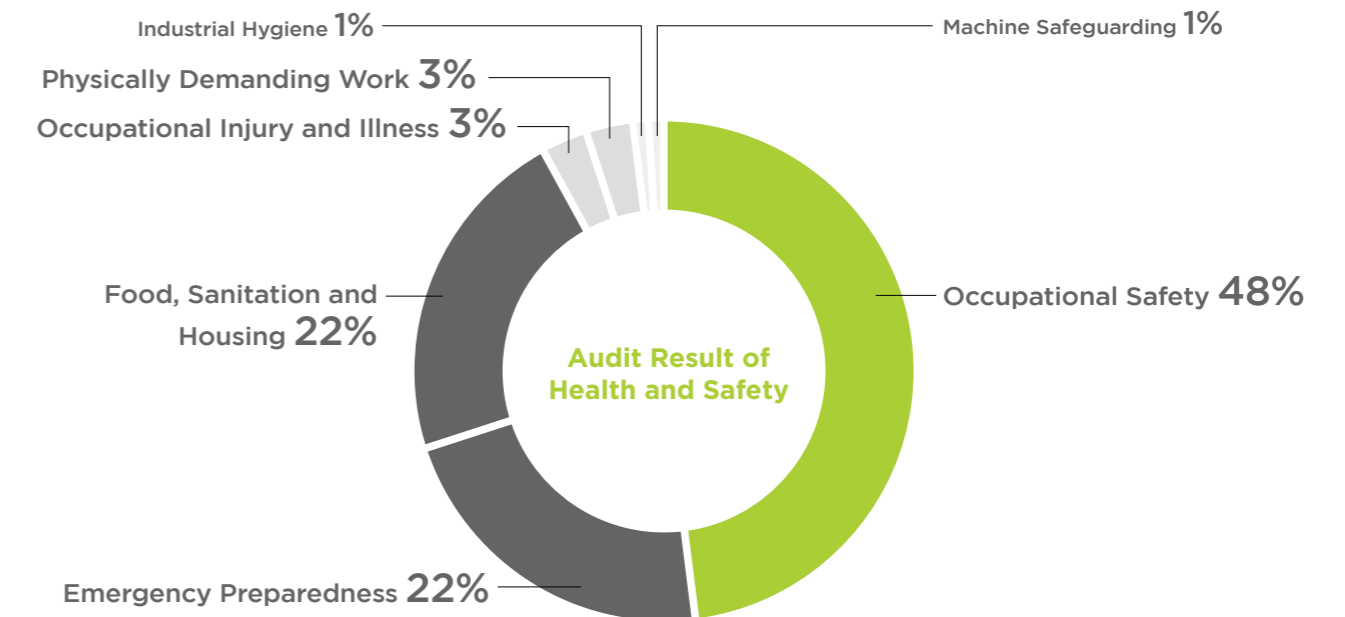
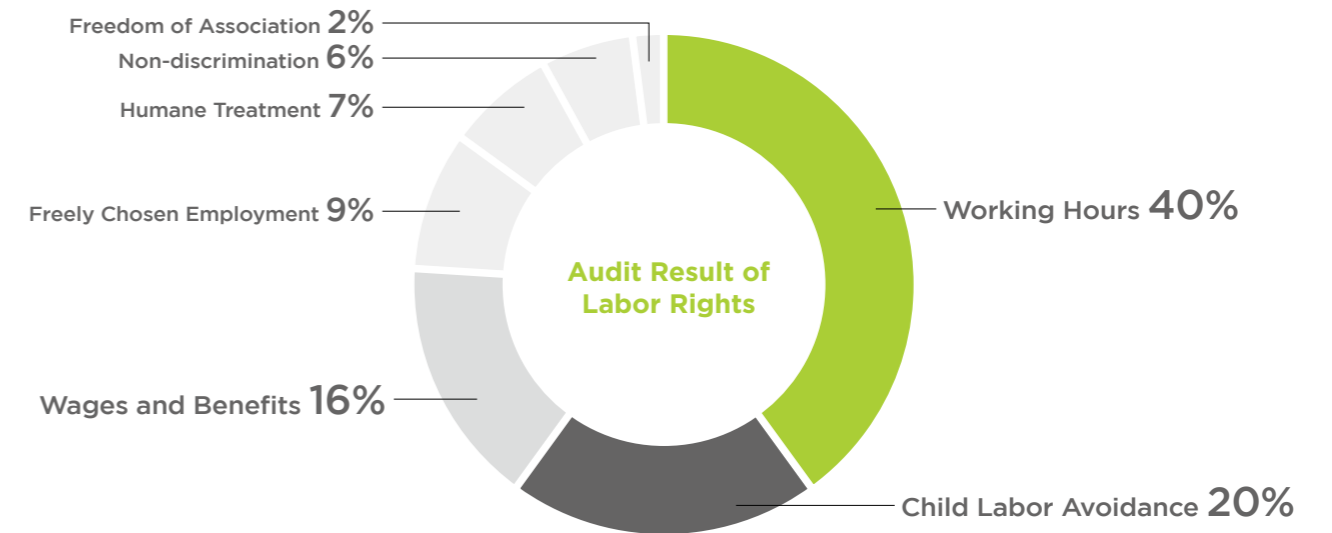


The HTC Supplier CSR Assessment and Audit

In addition to implementing corporate social responsibility of our own brand, HTC also delivers the concept and requirements of CSR to the supply chain. We established the CSR unit in 2010 and then initiated investigations of those suppliers who had implemented CSR.

A Quick Look at the HTC Supply Chain Management

| | | |
|---|-------------------------|--|
| Definition of HTC Critical Supplier | | Owing to differences of industry characteristics and supplier category, HTC identifies critical supplier and major audit for reference by following two principles: 1. Suppliers' annual amount of transaction representing more than 10% of total purchase. 2. According to the mechanical components which vary based on technology, markets and purchase annually, CSR and sourcing departments define critical suppliers of current year based on different situations every year. |
| Management Mechanism | Self-assessment Survey | <ul style="list-style-type: none"> Weights of CSR-related issues in the supplier's self-assessment form have been raised 2016. |
| | On-site Audit | <ul style="list-style-type: none"> "Supply Chain CSR Compliance Audit " has been implemented since 2011. 20 suppliers will be chosen every year to check compliance with the "HTC Supplier Code of Conduct". In 2017, an addition was made in the manufacturing process. According to the RoHS and REACH directives, hazardous substances subject to control are required to be audited. On-site audit for 20 suppliers had been planned in 2017. (Note: 9 suppliers had been completed audited and the other 11 suppliers will be completed in May 2018 as planned.) |
| On-Site Audit Results (Total of 175 Noncompliance Items) | Labor Rights | 55 cases, mainly about overtime. |
| | Health and Safety | 81 cases, mainly about lack of protective facilities and equipment and insufficient first-aid. |
| | Environment | 33 cases, mainly about Inadequate chemical and hazardous waste management measures, followed by inadequate air emission, wastewater and waste management measures and failure to conduct no greenhouse gas inventory and energy-saving measures. |
| | Ethics | 6 cases, mainly about the failure to establish the management procedures for employees accepting inappropriate payments and gifts. |
| | Treatment and Responses | In response to the above findings, in addition to the request to the suppliers to respond with improvement measures, we also provided the experience of introducing and implementing the management system for the suppliers' reference. |





Responsible Procurement of Minerals

HTC has responded to the global boycott of conflict minerals, supports the Conflict-Free Smelter Program , has promised not to use conflict minerals, and refuses to accept primary ore material from the Congo and the neighboring Central African countries in conflict.

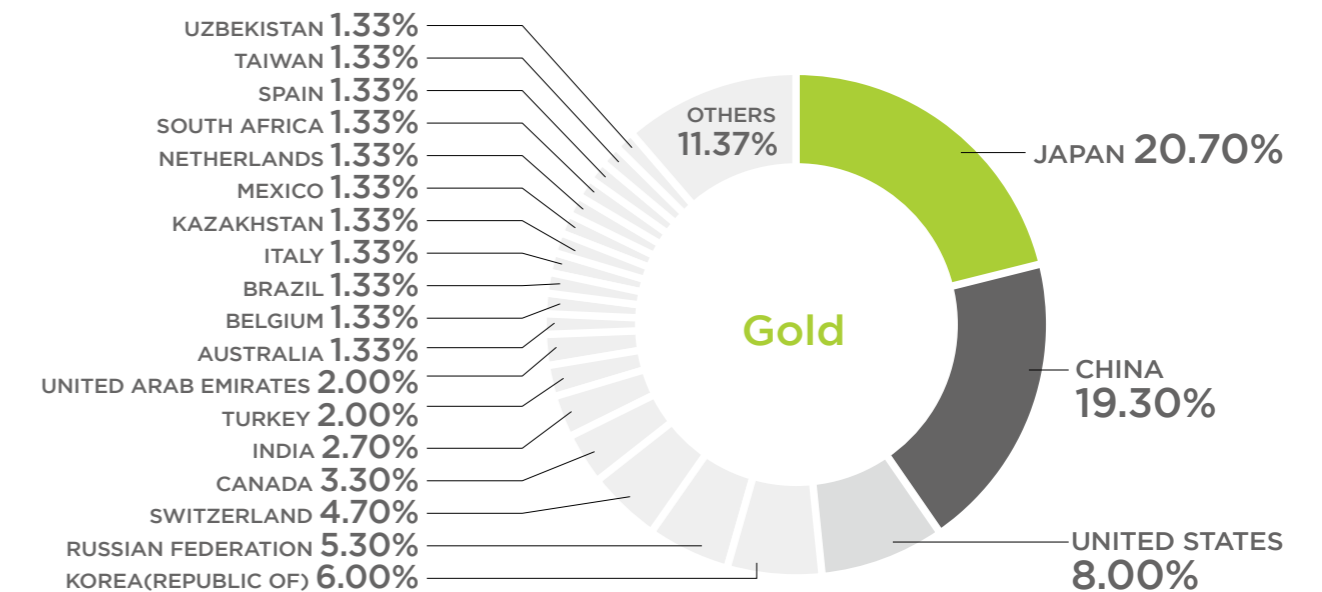
In addition, through a responsible procurement practice, our suppliers and we shall comply with the “HTC Conflict Minerals Procurement Policy” and reply the “CMRT” and “Conflict Free Minerals Statement” in a concerted effort to avoid all use of conflict minerals. HTC has not only monitored and managed its supply chain and prohibited the use of electronic parts produced with the minerals but also supports the audit and certification process of the minerals to ensure all the minerals HTC uses are conflict-free.

Based on Conflict Minerals Reporting Template, HTC set up KPI, tracking the progress of sign-back, in order to effectively manage the supply chain and reduce the risk of breaching the contract. We have completed the development of products using conflict-free minerals in 2016. All 3TG used in our products are CFSI qualified smelters as of the end of 2017.

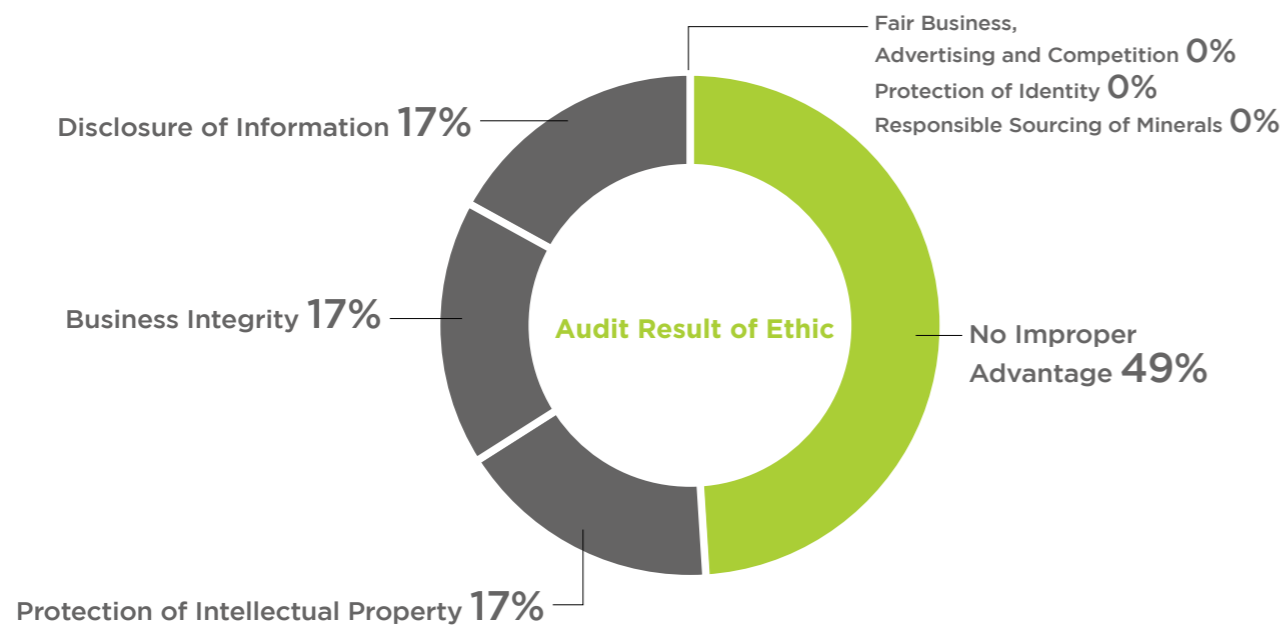
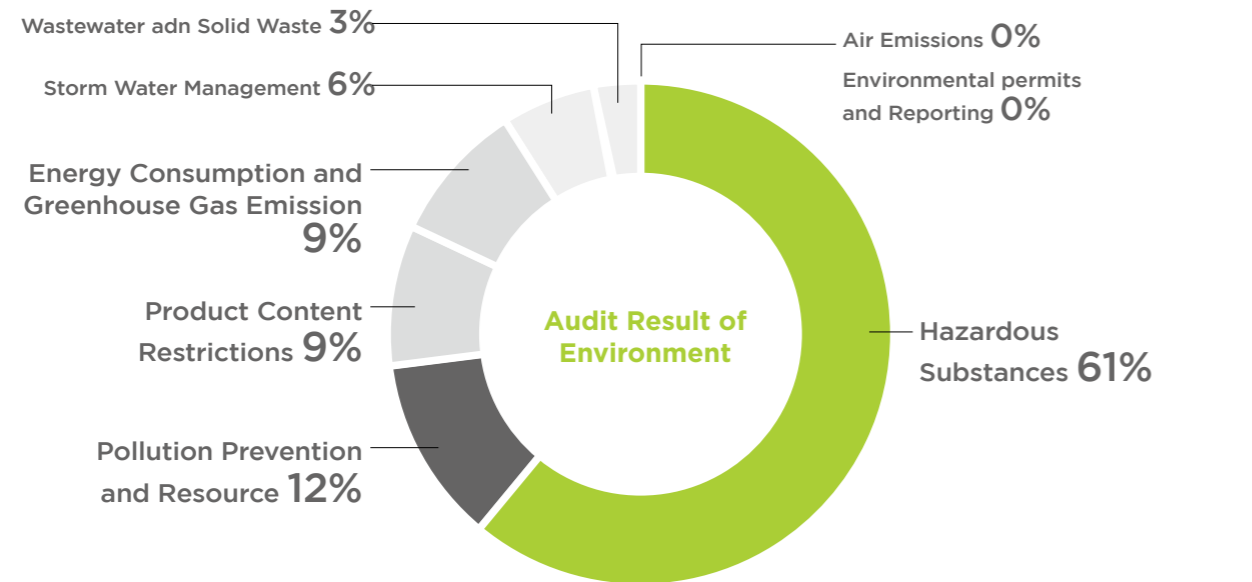
The Intended Use of Conflict Minerals

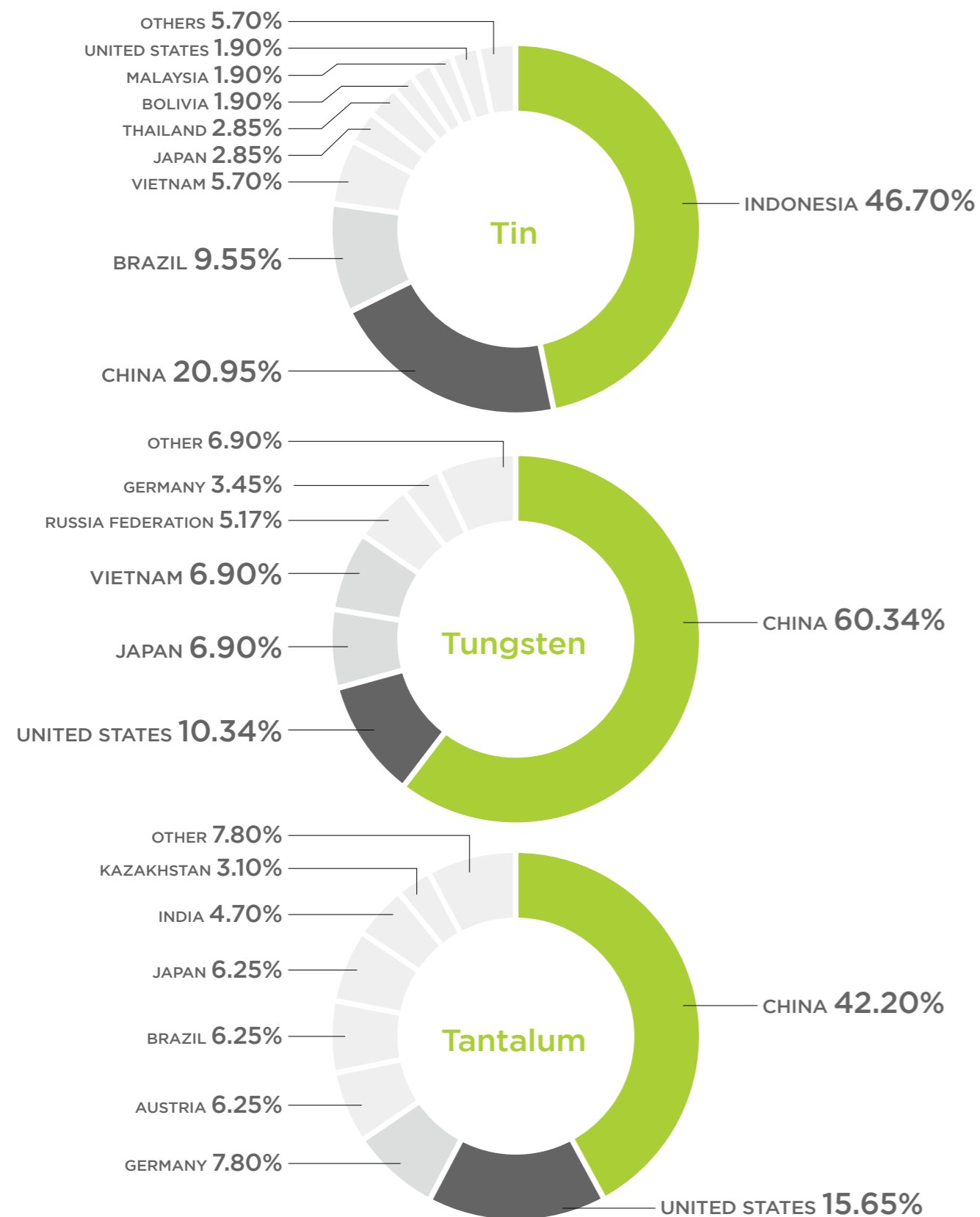
| | Au | Sn | W | Ta |
|--------------|--|--|---|---|
| Point of Use | Contact in the circuit boards | Soldering in the circuit boards | Tungsten Alloy used in Vibrator | Tantalum-Capacitor |
| Intended Use | As circuit board contacts to ensure proper connection. | Solder to mount circuit board electronic components. | Tungsten alloy used in the phone vibration motor. | An element used in tantalum capacitors. |

Result as follows:



¹ The Conflict-Free Smelter Program website of the Electronic Industry Citizenship Coalition is <http://www.eicc.info/CFSPProgram.shtml>





Customer Relations

While HTC makes mobile phones bearing our own brand, we also work with the world's leading ICT dealers in the development of customized handheld devices for them, or in the launching of 'co-brand' handheld devices to further present our products to mass market around the world.

Protection of Customer Confidentiality

HTC makes a promise of "Strict observation of contractual obligations and confidentiality commitment" to all customers. All information we provide to our customers is subject to clear policies and a system of strict internal control. In addition to technical data and hardware and software, information related to patents and other intellectual property rights of customers may be incorporated into our controlling system. We complete confidentiality agreements with all customers and suppliers in advance to maintain the absolute security of all the confidential information belonging to our corporate customers.

The HTC privacy policy is also incorporated in the orientation training of new employees. Every employee is trained in all aspects of maintaining confidentiality when working with customers. Under our solid control mechanism, there was no damage to the rights or interests of any customer caused by a breach of privacy or from lost data in 2017.

Corporate Customer Satisfaction Management

HTC has established "Customer Satisfaction Management Procedure" to meet the specific needs of all our customers and to respond to customer expectations and requests. A Quarterly Business Review is made to determine customer satisfaction. Each Business Unit proposes corrective action for any nonconforming project and regularly track any action taken to ensure that the customer has been perfectly satisfied.

The HTC customer satisfaction management index, in addition to product quality, delivery, and after-sales service, includes evaluation of corporate social responsibility. We have designated a department to regularly aggregate HTC CSR information for communication and response.

Participation in CSR Program Offered by the Client

In 2015, we took part in the CSR program that Deutschen Telekom AG provided to suppliers. The program, aimed at enhancing supplier social responsibility, includes ten principles: corporate governance, anti-corruption, supply chain management, environmental protection, production operation, safety and sanitation, salary and benefits, employee satisfaction and turnover rate, improvement of the working environment, and employee relations.

HTC has promoted 14 CSR projects in 2017. After persistent effort over the past year, HTC has received a Gold Award from Deutschen Telekom AG for its performance in the program for two consecutive years.

Sustainable Agenda

As a global leader in the innovative design of mobile phones, HTC recognizes that by minimizing the environmental impact of our manufacturing processes we, and our vast number of consumers, can make a contribution to the well-being of our planet.

To this end, HTC has set up a “Sustainable Agenda” from five aspects: “a sustainable environment, design, processes, packing, and product,” we have put this concept of environmental sustainability into action, have positive control, and are reducing the impact of our operations on the natural environment.



HTC provides and maintains a safe and healthy working environment as part of our environmental protection, safety and health, and energy management efforts. In order to achieve our commitment to protect the safety and health of our employees, HTC has established the ESH Departments of Labor and Social Security in accordance with the law, and are responsible for the implementation of the entire safety, health and energy management system. It also assists the various factories in continuing to promote occupational safety and health management and environmental management systems and promotes environmental protection in an all-around way, the fundamental work of safety and health management and pollution prevention.

Every year, we also formulate an occupational safety and health management plan based on the state of safety and health management. The implementation focuses include: compliance with safety and health regulations; hazard identification to reduce risks; standardization of hazardous chemical labeling and general rules; the promotion of occupational safety and health information; and the establishment of a system to manage contractors. All these measures are aimed at reducing risks.

We have emergency response plans that will be implemented in the event of an emergency caused by human error or natural disasters, such as fire, explosion, typhoon, an accidental leak, mechanical injury, infectious disease, or an earthquake. As identification of the nature of the emergency, taking the necessary measures and examination of standard operating procedures. We hold fire all measures impact on the health and safety of the workers and also try to least damage or company property.

HTC has introduced the ISO 14001 Environment Management System and verified by third-party authorities. To implement and be in accordance with environmental policy, relevant targets are set up and the systematic measure of environment management in the daily management.



HTC ESH Policy

HTC continues to provide safe and healthy working conditions for employees while also continuing comprehensive environmental protection and efficient energy management. With this fundamental commitment in mind, we abide by the following basic principles to provide our employees, customers, suppliers, and contractors with the best quality-working environment that makes an ample contribution to sustainable development.

1. We place equal importance on environmental protection, safety and hygiene and health, production, quality, and energy efficiency.
2. We also place equal importance on the safety and health of our employees, customers, suppliers, and contractors.
3. We require our employees to comply with regulations and operation standards on environmental protection, safety and hygiene and health, and the proper use of energy.
4. We are committed to avoiding foreseeable dangers and we conduct loss control.
5. We comply with the requirements set forth in all applicable laws and regulations.
6. We shall use, maintain, and continuously improve our management systems for environmental protection, safety and hygiene and health, and energy efficiency.



Sustainable Environment

HTC smart mobile devices help reduce the transportation and travel previously needed for communication, and consequently the carbon footprint of the user as well. New combinations and new patterns of operation, livelihood, work, study, and travel involving smart mobile devices help users save energy and reduce carbon emission.



To this end, we have devised a dual-aspect strategy composed of “adopting an energy management system” and “performing energy-saving practice.” On one hand, we strive for optimizing our management system to reduce energy consumption, and on the other, we use energy-saving technology to improve the energy efficiency of our products.

By positive management of the supply chain and refining the green design of its products, HTC tries to minimize hazardous substances in its products and reduce the use of packaging material. It is our mission to be a positive influence and help the users of our mobile devices around the world have a smarter work and lifestyle with less carbon.

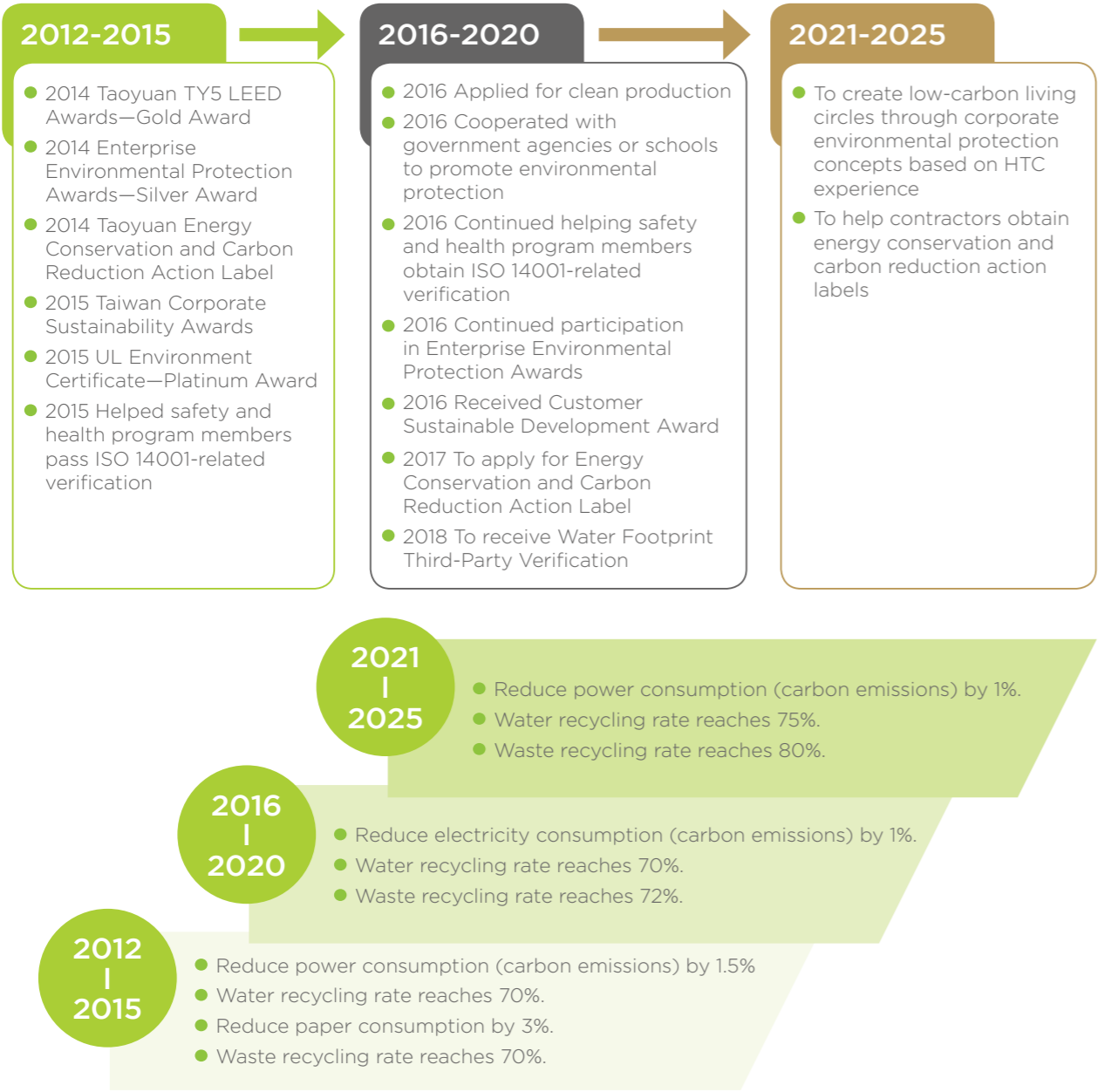
A Quick Look at HTC Management of Energy and Climate Change

- As a response to the issue of greenhouse gases and global warming, HTC implemented the ISO 14064-1 Greenhouse Gases Emissions Inventory Program and has an ISO 14064-1 Greenhouse Gases Emissions Verification Opinion Statement for the planning of energy strategy and action.
- All the HTC plants have been included in the Taiwan organizational boundary area and have been subject to inspection since 2009.
- Between 2010 and 2015, the HTC plants in China were also included in the scope of inspection and disclosure and external verification was launched. Electric power was found to be the main source of emission.
- After joining the Carbon Disclosure Project (CDP), HTC is obliged to regularly report its plans, systems, and achievements regarding carbon risk and carbon management.
- The ISO 50001 Energy Management System, based on ISO 14064-1 standards, is used to check the greenhouse gas emissions and emissions source of a company. With the help of energy management systems, the ISO 50001 can achieve energy management according to plan. HTC has implemented the system since 2011 in an effort to reach the goal of sustainable management.

Sustainability Management Vision

HTC will reach their short-, medium-, and long-term goals of sustainable development by the performance, management mechanism promotion and system establishment, as well as by cooperation with society and other enterprises in environmental protection.

Green Management Vision and Mid-term and Long-term Planning



Energy-saving and Carbon Reduction

HTC introduced an energy management system as per ISO 50001 to gain a full picture of internal energy use. The applicable regulatory requirements and energy benchmarks were implemented and HTC set energy performance indicators, and short-, middle-, and long-term improvement goals. A progressive action plan was set up to eliminate the waste of energy caused by bad habits or incorrect information.

GHG Emission and Reduction

Total greenhouse gas emission by HTC was 34,807.02 t-CO₂e in 2017. 2013 continues to be the base year, and the greenhouse gases inventory in 2017 didn't exceed over 3% of significance threshold. The majority of emitted gas was CO₂. It is notable that HTC's GHG emissions contained little percentage of CH₄, N₂O and HFCs. Besides, we have extended greenhouse gas emission investigation and external verification scope 3 to include control over subsidiaries, including comprehensive statistics, and the monitoring of greenhouse gas emissions to improve the overall energy use efficiency and create better energy revenue since 2014. HTC's GHG emissions contained no PFCs, SF₆, NF₃, SO_x or other waste gases, and HTC does not use any substances that might endanger the ozonosphere. Moreover, the cooling and air-conditioning systems in HTC's buildings all use environment-friendly coolant R-134a to further preserve the ozonosphere.

HTC GHG Emissions

| Total Emission | Unit | 2015 | 2016 | 2017 |
|---------------------------|---|-----------|-----------|-----------|
| Total Emission Scope 1 | t-CO ₂ e | 2,346.95 | 2,140.06 | 3,409.39 |
| Total Emission Scope 2 | t-CO ₂ e | 40,142.93 | 33,298.31 | 29,972.28 |
| Eco-Efficiency Value | NT\$ | 2.86 | 2.21 | 1.78 |
| Total Emission Scope 3 | t-CO ₂ e | 446.44 | 297.17 | 1,425.35 |
| Emission:CO ₂ | t-CO ₂ e | 40,897.51 | 33,995.25 | 30,636.69 |
| Emission:CH ₄ | t-CO ₂ e | 1,171.74 | 1,012.36 | 882.44 |
| Emission:N ₂ O | t-CO ₂ e | 1.86 | 1.19 | 1.25 |
| Emission:HFCs | t-CO ₂ e | 418.77 | 429.57 | 1,861.30 |
| Emission coefficients | 1. Power Conversion CO ₂ equivalent emissions are calculated in accordance with the power emission coefficient of the year announced by the Bureau of Energy 2. GHG Emission Coefficient Table, version 6.0.3 3. The scope includes HTC Taoyuan Plant and Taipei Headquarters Building | | | |
| Global warming potential | 2016-2017 based on IPCC 2007 4th Assessment Report. 2013-2015 based on IPCC 1995 2nd Assessment Report. | | | |

Note : 1. Eco-efficiency value (revenue generated from each unit of greenhouse gas emission) = Operating revenue (in millions) / greenhouse gas emission (Scope 1+Scope 2).
2. Scope 3 emissions originate from gases emitted by shuttle buses for employees and vehicles for the transportation of domestic waste.
3. 2013 continues to be the base year because the greenhouse gases inventory 2016 in Taiwan didn't change over 3% of significance threshold.
4. Greenhouse gas emissions 2016 in Taiwan were lower 35.13% than that in 2015.



Energy Saving and Carbon Reduction Results in 2017

| Taoyuan | | | | | | |
|--|---------------------------------|------------------------------|-------------------------------|--|---|-------------|
| Program | Projected Energy Savings in kWh | Actual Energy Savings in kWh | Amount of Money Saved in NT\$ | Projected Carbon Emission Reduction in CO ₂ e/kwh | Actual Carbon Emission Reduction in CO ₂ e/kwh | Saving Rate |
| Energy-saving and enhancing project of refrigerated air dryers in Building H | 16,128 | 12,096 | 36,288 | 8,531.712 | 6,398.784 | 75% |
| TY3 air compressor energy enhancing project | 172,800 | 131,400 | 394,200 | 91,411.2 | 69,510.6 | 76.04% |
| Energy saving measures for the water heater of the gym in Building P | 284 | 225 | 675 | 150.236 | 119.025 | 79.23% |
| Energy saving measures for the water Heater of the gym in Building P | 23,280 | 23,310 | 69,930 | 12,315.12 | 12,330.99 | 100.13% |
| T8 lightings in the hallway through Building C of 2 Dazhi Rd have been replaced by LEDs | 749 | 748.8 | 2,246 | 396.221 | 396.1152 | 99.97% |
| Turn off the lighting of the storehouse in Building C of 2 Dazhi Rd for 2 hours a day in rest time | 1,265 | 1,264.8 | 3,794 | 669.185 | 669.0792 | 99.98% |
| Turn off the lighting of the storehouse in Building B of 2 Dazhi Rd for 2 hours a day in rest time | 2,170 | 2,169.6 | 6,509 | 1,147.93 | 1,147.7184 | 99.98% |
| Mercury street lamps at the parking lot of the company's factory on Taoyin Road have been replaced by metal halide lamps | 13,860 | 13,860 | 41,580 | 7,331.94 | 7,331.94 | 100% |
| The motor fan energy saving solution in TY3 C/T | 54,839.1 | 56,757 | 170,271 | 29,009.8839 | 30,024.453 | 103.5% |
| Elevator room cooling improvement plan in Building P | 28,408 | 28,845 | 86,538 | 15,027.832 | 15,259.4811 | 101.54% |
| Exhaust windmill upgrade and update in Building H | 36,808.8 | 52,100 | 156,300 | 19,471.8552 | 27,560.9 | 141.54% |
| Rainproof PI lights changed to LED lights in Building H | 1,037 | 1,036 | 3,110 | 548.573 | 548.4672 | 99.98% |
| Lights changed to LED lights in Building P | 9,720 | 9,720 | 29,160 | 5,141.88 | 5,141.88 | 99.97% |
| T8 lights on 4F&5F changed to LED lights in Building H | 349,056 | 349,056 | 1,047,168 | 184,650.624 | 184,650.624 | 100% |
| T8 lights on 4F changed to LED lights in Building TY3 | 31,104 | 31,104 | 93,312 | 16,454.016 | 16,454.016 | 100% |
| Mercury Lights in a Warehouse in Building C, No. 2, Dazhi Rd., Changed to Compound Metal Lights | 43,560 | 43,560 | 130,680 | 23,043.24 | 23,043.24 | 100% |
| Condenser inlet temperature to save energy | 117,225 | 362,393 | 1,087,179 | 62,012.025 | 191,705.897 | 309.14% |
| Total | 902,294 | 1,119,647 | 3,358,941 | 477,313 | 592,293 | -- |

| Taipei | | | | | | |
|---|---------------------------------|------------------------------|-------------------------------|--|---|-------------|
| Program | Projected Energy Savings in kWh | Actual Energy Savings in kWh | Amount of Money Saved in NT\$ | Projected Carbon Emission Reduction in CO ₂ e/kwh | Actual Carbon Emission Reduction in CO ₂ e/kwh | Saving Rate |
| Lighting in all offices on different floors changed to a full installation of infrared switches | 2,032 | 2,032 | 6,096 | 1,074.93 | 1,074.93 | 100% |
| Electric room temperature setting increased from 24 degrees to 26 degrees in TPE1 | 301,190 | 301,190 | 903,570 | 159,329.51 | 159,329.51 | 100% |
| Replace old chillers with new ones in TPE2 | 570,672 | 570,672 | 1,712,016 | 301,885.49 | 301,885.49 | 100% |
| Total | 873,894 | 873,894 | 2,621,682 | 462,290 | 462,290 | -- |

- Note : 1. The money saved through energy conservation is calculated on a basis of the industrial electricity price announced by the Taiwan Power Company in 2017: NT\$3/kWh.
2. The CO₂ carbon emission coefficient is calculated on a basis of the 0.529 kg/kWh standard announced by the Bureau of Energy.
3. The effects achieved through the replacement or removal of lamps are figured out through power conversion.
4. The effects achieved by switching off lights at night and in the holidays is calculated through power conversion.
5. The effects achieved by reducing power consumed by water fountains are calculated through time control and power conversion.
6. The effects achieved through controlling air conditioning system temperature is calculated on the basis of saving ration and power conversion standard announced by the Bureau of Energy.
7. The effects achieved through process optimization and two plants merged is calculated on a base of the actual used amount in the same period of 2013.

Energy Consumption Analysis

The power used by HTC is mainly electricity. To decrease the use of electricity, we persistently promote various kinds of energy efficiency management. We achieve energy savings through the improvement of the lighting and air conditioning systems, and the installation of renewable energy equipment.

The design on energy efficiency contributed to 1,993,540.9 kWh (7,176.74 GJ) of reduction, and the total amount of reduction in carbon emission was 1,054 tons of CO₂e which translates into a saving of NT\$5,980,623 during 2017. The electric power factor of the HTC buildings was 98.85% on average. Taipei headquarters outperformed the others by means of power factor adjustment, refrigeration and air-conditioning cost saving, and reached a final electric power factor of 100%.

Energy Saving and Carbon Reduction Results of Office buildings and Factories

| 2017 | Total Use of Electricity (kW) | Total Energy Consumption (GJ) | Total Amount of Electricity Bill (NT\$) | Average Electric Power Factor (%) | Total Amount of Savings (NT\$) | Cold Storage Reduction |
|--------------|-------------------------------|-------------------------------|---|-----------------------------------|--------------------------------|------------------------|
| TY3 Building | 9,946,800 | 35,808.48 | 27,193,466 | 99.58 | 657,783 | - |
| H+P Building | 27,630,400 | 99,469.44 | 68,459,158 | 98 | 2,557,928.1 | - |
| DaZhi Plant | 3,839,200 | 13,821.12 | 10,145,060 | 96.67 | 143,229.6 | - |
| TPE1 | 7,970,800 | 28,694.88 | 19,473,503 | 100 | 294,505 | 740,031 |
| TPE2 | 3,734,400 | 13,443.84 | 10,187,975 | 100 | 153,281 | - |
| Others | 3,536,782 | 12,732.42 | 9,489,547 | 95.19 | 2,165.86 | |
| Total | 56,658,382 | 203,970.18 | 144,948,709 | 98.85 | 3,808,892.56 | 740,031 |

- Note : 1. Others includes Hsinchu and Tainan Software R&D Centers offices.
2. The electric power factor refers to the ratio of the effective current to the total current. By using capacitors, etc., the electrical power factor can be set to an appropriate standard. The electricity industry can reduce the cost of power supply. If more than 80% of the power supply exceeds 1%, the monthly electricity bill will be reduced by 0.15%.

The Eco-efficiency Value of HTC

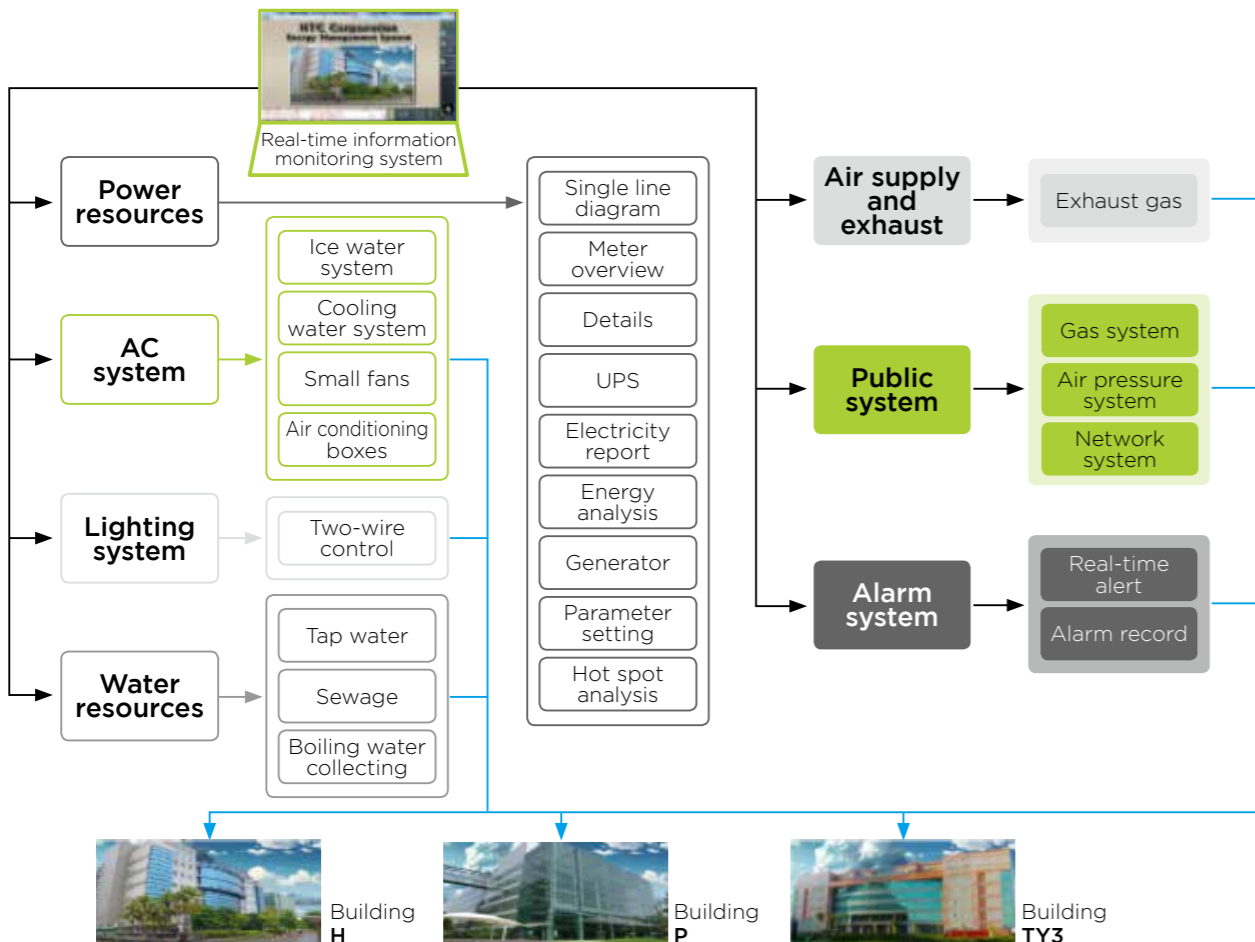
| Environmental Indicator | Unit | 2015 | 2016 | 2017 |
|-------------------------|----------------|----------|--------|--------|
| Electricity | 1,000 kWh/Year | 62,276.8 | 62,482 | 56,658 |
| Operating revenue | Million(NT\$) | 121,684 | 78,161 | 62,120 |
| Eco-efficiency value | NT\$ | 1.95 | 1.25 | 1.11 |

Note1: The eco-efficiency value (revenue generated from each electricity consumption unit) = Operating revenue (millions) / electricity consumption

Energy-saving Actions

Since large manufacturing centers are where the employees and the equipment consume energy most, we focus our energy-saving efforts on the energy management of the large manufacturing centers, and carry out different energy-saving strategies and measures according to the individual states of our respective facilities. In order to effectively import relevant energy-saving measures, in 2017, TPE2 applied for the Performance Guarantee Plan of the Bureau of Energy, Ministry of Economic Affairs, R.O.C. (Taiwan) and obtained a subsidy in the amount of NT\$1,300,000 in order to accelerate the energy conservation and carbon reduction goal. The project axis is to replace high-efficiency pumps and chillers. Compared to the total energy saved in 2016 total thermal units, the actual total energy saved in 2017 accounted for 18.11%, equivalent to NT\$1,573,655 energy costs saved per annum.

Targeting the Taoyuan plant area, HTC plans to build a new energy management system. Through the additional monitoring system, the energy-consuming equipment inside buildings can be monitored. Through monitoring, control, management, analysis, and other steps, an insight is gained into equipment operations and energy consumption situations. Then, based on the judgment made through the comparative analysis of the monitoring system big data, continuous energy conservation improvement can be made. In addition, according to the equipment deployment and operation time during factory working hours and off-work hours, the equipment is turned on and off according to the automatic scheduling. This project is expected to be completed in the third quarter of 2018.



The Use of Green Energy

To create a low carbon life, we use only green energy, which includes the use of solar panels, eco-cooler air conditioners, and other low carbon emission sources like electric cars.

| Energy-Saving Program | Descriptions |
|---------------------------------|---|
| Solar panels | <ul style="list-style-type: none"> Taipei headquarters has solar panels that generate electricity used for lighting the staircases and basement in 2012. The cumulative total number of solar panels since it was built has reached 78,718 kWh. HTC has installed solar panels on the rooftop of Hsinhua Dormitory for the water heating system. Heat generated in this way can be stored in tanks to provide hot water for washing facilities, which reduces the use of natural gas and carbon emission. The solar-powered equipment that HTC uses saved 173,826 cubic meters of natural gas in 2017, this translates into an equivalent of \$1,686,112 cost saving and a reduction of 328 kilograms of CO₂e. <p>Note: 1. One cubic meter of natural gas costs NT\$9.7. 2. The carbon emission coefficients of natural gas is calculated in accordance with Version 6.0.3 of the Greenhouse Gases Emissions Management Chart (1.888 kgCO₂e/m³).</p> |
| Heat pumps for air conditioning | <ul style="list-style-type: none"> Taipei Headquarters are equipped with cold air heat pump systems for shower water for the employees and other uses. The design concept is to absorb heat from the atmosphere or water and store it in water through a heat exchanger. The water, after absorbing the heat, raises the temperature of a hot water tank to provide a great amount of highly efficient and low-cost hot water. The air released during the process becomes the dry cool wind of an air conditioner. The system can generate hot water, cool air, and cold water at the same time. |
| Electric vehicles and bicycles | <ul style="list-style-type: none"> Taipei headquarters has installed an ample number of power-charging sockets for electric vehicles and bicycles to encourage employees to use low pollution and high-energy efficient means of transport. |



Power charging sockets for electric vehicles



Solar panels at Taipei headquarters

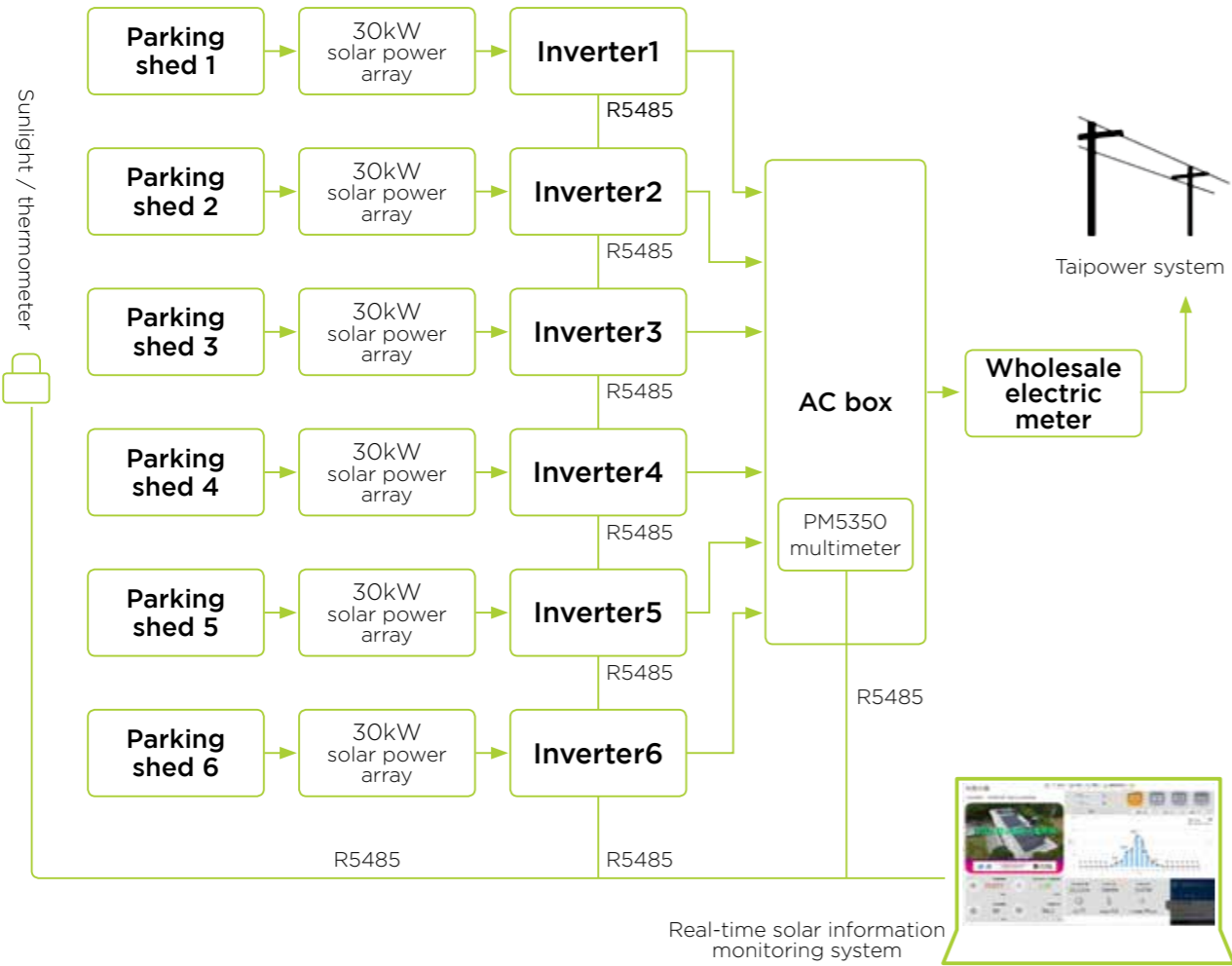


Free bicycles for rides

Setup of Renewable Energy Devices

Targeting the construction of a new parking shed in the Taoyuan plant area, HTC planned to use its roof to build a solar power generation system, replacing the metal roof of the parking shed with solar panels, a total generating capacity of 180KW. By means of internal line parallel series, the power was sold in bulk and included in Taiwan Power Company’s power supply system, thereby relieving Taiwan’s power load and supply constraints and reducing carbon dioxide emissions. The devices are expected to be completed in the fourth quarter of 2018

180kW Solar Power Generation System



Resource Consumption Statistics in 2017

| Green Plant | Unit | 2015 | 2016 | 2017 |
|--|---------------------|---|-----------|-----------|
| City water consumption | degree/year | 553,732 | 482,277 | 441,856 |
| Wastewater | River | Dongmen Creek + New Taipei City dedicated sewer | | |
| Total city water discharge | Tonnes | 111,755 | 73,750 | 63,988 |
| The amount of rainwater recycled | Tonnes/year | 12,596.295 | 5,686 | 9,080 |
| Total amount of water recycled/reused | 1,000 liter /year | 247,869 | 194,868 | 182,002 |
| The ratio of water recycled/reused to total amount of water consumed | %/Year | 44.76% | 40.41% | 41.19% |
| Total amount of waste recycled | Kg/ year | 2,994,625 | 3,450,697 | 2,434,060 |
| Total amount of waste reused | Kg/ year | 3,260 | 0 | 0 |
| Total amount of waste incinerated | Kg/ year | 1,468,849 | 1,248,555 | 781,240 |
| Waste disposal expense | NT\$ thousand /year | 5,484,338 | 6,880,479 | 4,216,638 |
| Environmental management and recycling amount | NT\$ thousand /year | 13,086.363 | 6,838,640 | 5,194,508 |

Note : 1. Waste materials, as put into statistical data, are divided into categories ranging from plastic, paper, scrap iron, scrap aluminum, scrap galvanized iron, waste edge board, scrap computer products, waste wood (pallets), miscellaneous types of plastic, scrap parts, kitchen refuse, recycled domestic material and general rubbish.
2. Because Hsinchu and Tainan Software R&D Centers are offices, the consumption of those two is not significant. In this regard, the consumption of those isn't included in the above.
3. In 2015, the reused waste was mobile phone screens. Starting in 2016, mobile phones were classified as materials. Hence, there was no reusable waste volume.
4. The relatively heavy rain in 2016 made the rainwater recovery tanks to be unable to continuously store water, thus the reduced recycling efficiency.
5. Domestic garbage at Taipei’s headquarters building consists partly of recycled cartons that are unquantifiable. A recycling company has been commissioned for handling.

Green Plant

The factories and offices disclosed in the boundary organization report this year have been established in industrial and commercial areas after environmental consideration and evaluation. The relevant environmental protection has been implemented in compliance with local regulations and internal environmental policies and specifications that have no significant impact on the local ecosystem and animal and plant species.

However, we still encourage all our plants and offices to go on with their efforts to beautify the environment. As for the new buildings, we aim to improve the employee working environment through the introduction of green building design.

An Office Environment with Plants and Green Landscaping

We uphold the concept of environmental sustainability and we regularly increase our green space in Taipei headquarters and Taoyuan. The HTC outdoors green area now totals 30,700 m² and the TPE1 building horticulture planning adhered to the concept of environmental protection and open parks. The planting area on the first floor reached 41% of the total base area. According to the topographic planning, large trees totaling 260 were planted, including camphor trees, Liquidambar, Podocarpus, Decathlon, and cherry trees. Additionally, the plan designated eight shrub planting areas and one ecological pool area to plant about 3,200 plants. In Taoyuan area, there are around 500 tree species native to Taiwan on the grounds, such as Camphor, Yellow Cypress and the Taiwan Golden-rain Tree. Our employees can enjoy the lush green surroundings of their work environment.

Taipei’s headquarters building planning covers B1 to 17F. In every floor, the indoor foliage was widely planted, totaling 450 pots. Different plants such as eucalyptus, Dracaena, Coarse, and White Crane are also added for different festive holidays in order to enhance different festive atmospheres. To improve air quality, we have planted trees extensively inside the factories and offices buildings to purify the indoor air by reducing CO₂ concentration. In the office areas, we set the potted plants every 20 to 50 meters and replace them regularly. The annual management fees for our green environment amounts to NT\$2.06 million which is used to provide our offices with green areas to help reduce indoor air pollution (dust, carbon dioxide, and VOCs). In addition, a hanging garden on the seventh floor of Building H will undergo planning in 2018.



HTC’s Taipei Headquarters, The Golden LEED Certified Green Building

In 2013, HTC’s Taipei headquarters office received the green building mark from Ministry of the Interior and the golden LEED (Leadership in Energy & Environmental Design) certification from the U.S. Green Building Council (USGBC), offering its employees an excellent and comfortable low-carbon and take the responsibility of environmental sustainability. The fully-integrated energy management system was utilized to attain a full real-time management and enhance the efficiency of energy use. The total amount cumulated for the reduction in carbon emission since the inauguration of the building has reached 11,163.7 tons of CO₂e.



The fully-integrated energy management system is constructed in the Taipei headquarter, which covers over 7,000 spots of on-site monitoring, total monitored spots amounted to 20,000. Under the effective control and analysis, the EUI (Energy Usage Intensity) of Taipei headquarters amounted to only 93.98 kWh per meter square annually in 2017, which was quite a marvelous result.

| Building | Unit | 2014 | 2015 | 2016 | 2017 |
|---------------------------|---------------|--------|--------|--------|--------|
| TPE1 | EUI (average) | 90.12 | 88.8 | 92.88 | 93.98 |
| TPE2 | EUI (average) | 270.84 | 265.2 | 263.56 | 223.14 |
| Taoyuan(P, H, TY3, DaZhi) | EUI (average) | -- | 394.76 | 302.13 | 262.53 |

Green Procurement

Our strategy is to buy environmentally friendly products to substantiate our environmental protection concept of “recyclable, low pollution, and resource-saving.” We express the purchase of environmentally friendly products as a priority in our procurement specifications to firmly integrate the concept into our daily operations.

Purchase amount in 2017 is NT\$4,776,000. Between 2012 and 2017, procurement with green product mark totaled NT\$24.43 million.

Water Resource Management

The water source at the HTC facilities is tap water. The production line processes at our facilities do not use any water, so there is no industrial wastewater generated. The wastewater generated by our facilities is mainly domestic sewage from the washroom and for other cleaning uses and restaurant wastewater that contains no process wastewater. Domestic wastewater is discharged into the sewage system, which will not have the negative impact on any neighboring water body.

In 2017, the total domestic sewage treatment volume was 245,990 tons, and the recovered treated domestic sewage volume was 182,002 tons, accounting for 73.99% of the total sewage treatment volume. The recovered volume exceeded the 2017 goal of 70% and is higher than the 72.54% swage recovery rate in 2016.

Office/Facility Water Use and Water

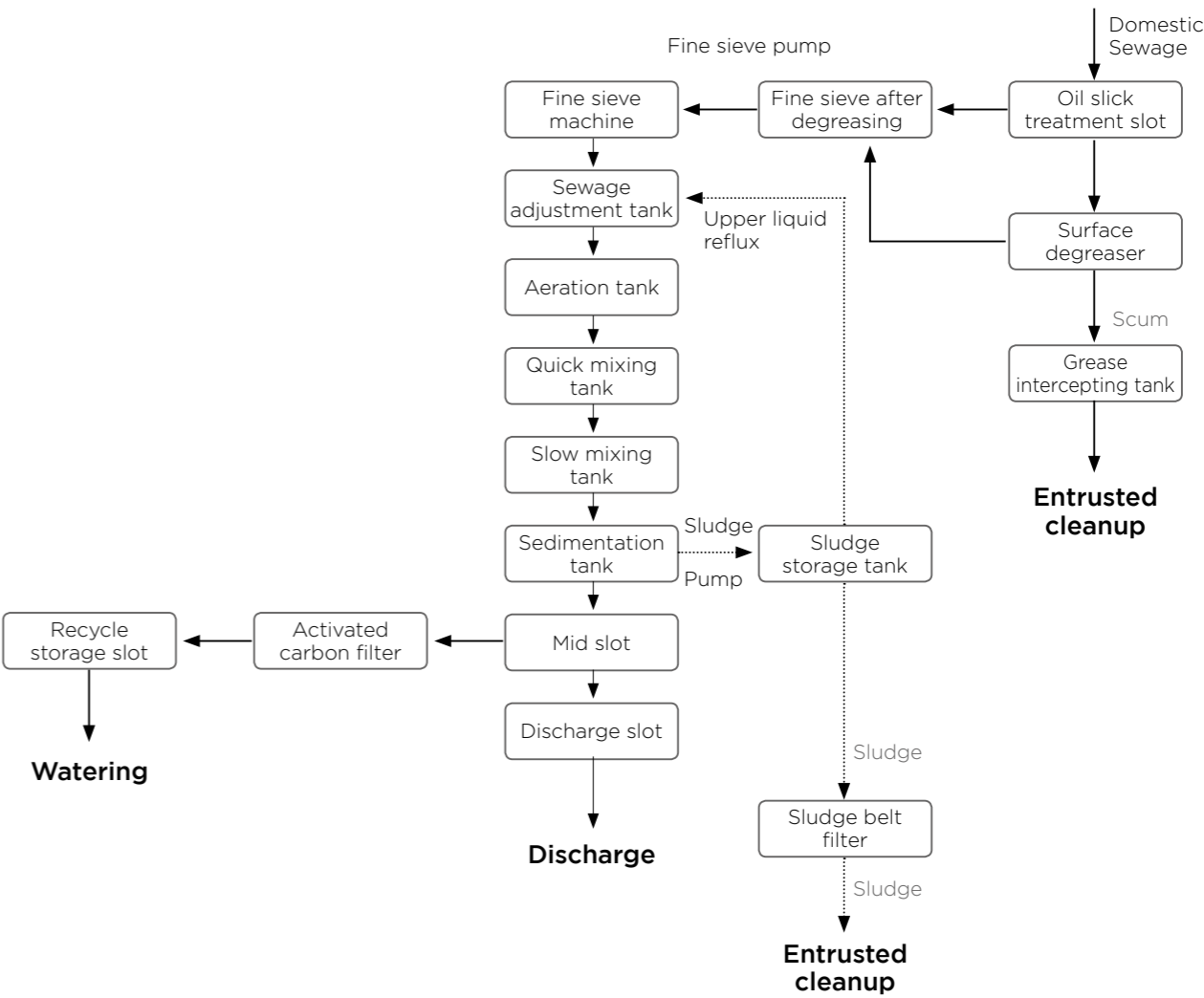
| Plant | Usage in 2017 (Unit:ton) | Water Saving Measures |
|---------------------|--------------------------|---|
| Taoyuan | 384,558 | Utilizes 70% of the sewage for watering through water recycling |
| Taipei Headquarters | 47,347 | The Taipei headquarters building selected water-saving water equipment, using air conditioning condensate and recovered rainwater. The overall daily water-saving rate was 66% (including toilets, urinals, faucets and showerheads). |










Sewage Treatment



The wastewater generated by our facilities is mainly domestic sewage from the washroom and for other cleaning uses and restaurant wastewater that contains no process wastewater. We invested NT 27,760,000 dollar in building sewage treatment equipment in 2010 and spent NT 1,627,872 dollar on operation and maintenance in 2017.

Description of Sewage Treatment Unit Facilities



Description of Sewage Treatment Unit Facilities

| Sewage Treatment Facility | Description | |
|---|--|---|
|  | Oil tank | Using the scum pump, regularly pump oil to the grease retainer to facilitate the removal of grease and scum at regular intervals, so as to achieve the primary treatment function and avoid the load on the sewage plant. |
|  | De-oiled screening slot | Remove coarse solids from the wastewater to avoid pump water pipe and valve blockage. |
|  | Adjustment slot | Control and adjust water or water quality variation. The function of stirring is achieved through the use of blower aeration. The pH value in the water is adjusted to reduce the required chemicals, reduce flow changes, and ensure the processing system runs normally. |
|  | Aeration tank | Through the use of the honeycomb contact filter in the aeration tank, after a period of aeration, the contact material starts to grow and attach to biological sludge, forming a biofilm. The biofilm removes and oxidizes organic substances in wastewater under aerobic conditions. The two aeration blowers in alternating operation every six hours, operates 24 hours a day. |
|  | Quick mixing/floc slot | Through the chemical coagulation method, the suspended particles in the wastewater can be easily precipitated to improve the clarity of the water and reduce pollution. A pH meter is used to set the pH (about 7.0) and link with the dosing machine. |
|  | Sedimentation tank | Suspended substances are removed by sedimentation. When the water stream enters the large section tank, the water flow rate is reduced, separating the suspended particles and water and forming sludge precipitates. Then, the sludge is scraped using a scraper and is pumped to the sludge concentration tank through the sludge pneumatic pump. |
|  | Sludge storage tank and dewatering equipment | This unit is used for sludge storage and subsequent sludge dewatering. The sludge produced by the sedimentation tank is discharged into the sludge storage tank and dehydrated after the addition of chemicals. The treated sludge cakes are then handed to a qualified disposal agency for disposal. |

| Sewage Treatment Facility | Description | |
|---|------------------|--|
|  | Filtering system | The sand filtration inflow pump is automatically controlled by pressure, and the suspended solids in the water are separated by filtration. The treated sewage is sent to the filter tower for filtering through a filter pump. After filtration, the water is discharged into the recovery tank for watering and utilization. |
|  | Discharge slot | The treated wastewater is discharged after being sent to a discharge poof for disinfection. Through the discharge pump, it is discharged here for sampling use. |

To substantiate sewage control, we have implemented daily maintenance and inspection in accordance with the “Procedures for Sewage System Operation, Repair, and Maintenance.” We abide by all the laws and regulations and the sewage is tested every six months by an institution authorized by the Environmental Protection Administration. The final test results are published on the Internet and show that the effluent and recycled water are in full compliance with all the standards.

Domestic sewage is discharged into the sewage sewer. Based on the average concentration of effluent BOD and COD from 2015 to 2017, there will be no adverse effects on the nearby water bodies. Since 2017, a self-initiated test of effluent heavy metals has shown ND or lower than the test value. Starting January 2013, the average daily treatment capacity of the sewage treatment plant reached 600 tons, sufficient to replace the use of tap water for park landscape irrigation and for toilet water use.

Water Discharge and Recycled Water Amount, and the Average Concentration of BOD

| | Amount of Water Discharge (tonnes) | Amount of Recycled Water (tonnes) | Average Concentration of BOD (mg/l) | Average Concentration of COD (mg/l) | The Suspended Solids (mg/l) | Test of Effluent Heavy Metals |
|------|------------------------------------|-----------------------------------|-------------------------------------|-------------------------------------|-----------------------------|-------------------------------|
| 2015 | 111,755 | 247,869 | 15.7 | 100.05 | 21.05 | - |
| 2016 | 73,750 | 194,868 | 14.95 | 42.95 | 10.05 | - |
| 2017 | 63,988 | 182,002 | 16.6 | 50.85 | 22.35 | None |

NOTE: tested items of heavy metals: Cd, Cr, Cr+6, Cu, Zn, Ni.

Sewage Recycling

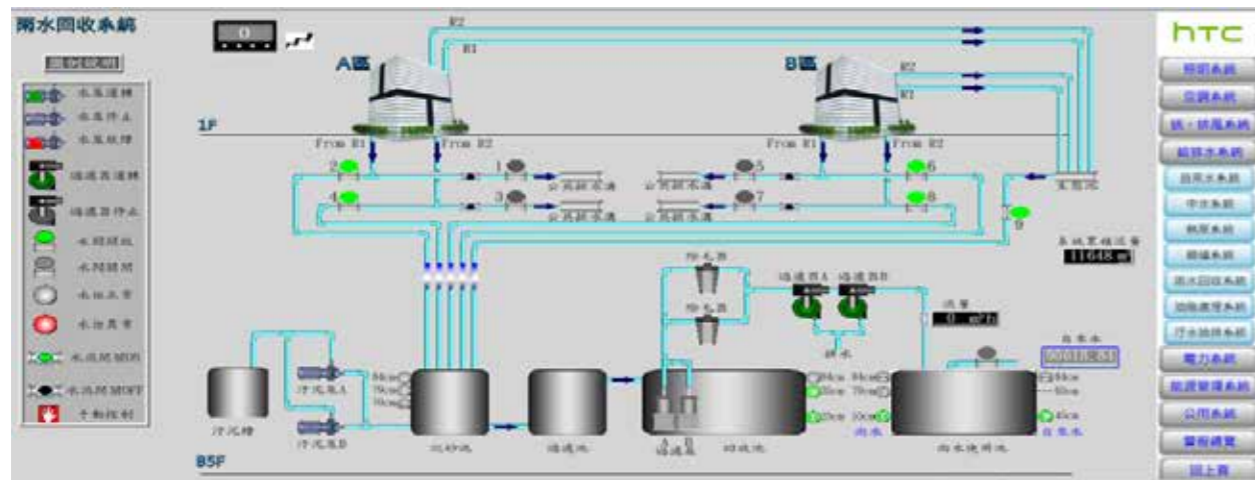
The green fields and planted areas inside the factories are irrigated with recycled sewage water without increasing the total amount of water consumed. Starting from 2012, HTC drafted and implemented water conservation plans. We examine results each year to examine whether or not to adjust the goals. The actual recovery ratio of wastewater in 2017 was 73.99%. From 2014 to 2017, 858,383tons of wastewater had been reclaimed for watering purposes.

Sewage Recycling Strategy and Effectiveness in 2017

| Strategy and Effectiveness | Sewage Recycling |
|--|------------------|
| Annual target | 70% |
| Recycled water for irrigation (tonnes) | 182,002 |
| Sewage water output (tonnes) | 63,988 |
| Amount saved (NT\$) | 2,366,026 |
| Actual wastewater recycling rate | 73.99% |

Rainwater Storage and Recycling System

HTC has established a rainwater storage and recycling system to collect rainwater for flushing toilets and watering plants. In 2017, the Taoyuan plant recycled a total of 6,524 liters of rainwater and the Hsintien office recycled 2,556 liters for a grand total of 9,080 liters of effectively saved water resources.



Rainwater monitoring system

Water-saving Sanitation Equipment

HTC gives top priority to the use of sanitary equipment with a water-saving label. The faucet device installed with water-saving spiral allows the faucet to reduce the amount of water outflow and each faucet can save 77 liters of water a day. Since established in October More than 7,276,500 litres of water have been saved since installation in October 2012. All the toilets and urinals in the bathrooms should be energy efficient and have the WaterSense Label of the United States Environmental Protection Agency and Water Label of water resource agency, MOEA.

NOTE: For a total of 63 months from October 2012 through December 2017, 231 liters of water were saved every month. With the total number of taps of 500, the formula is $63 \times 231 \times 500 = 7,276,500$ liters.

Photocopying Paper Management

HTC aims to reduce photocopying paper consumption by 1% per year and bring the use of paper down to an absolute minimum.

By the end of 2017, cumulative savings of 9,626,500 sheets of paper had been achieved by optimal paper-saving management. Renegotiations with the photocopy suppliers in 2017 resulted in a unified unit price which would help save \$12,125 (2%) compared with 2016.



| | |
|--------|--|
| Print | <ul style="list-style-type: none"> ● Use photocopying papers with carbon footprint labels to support green, low-carbon products ● Link the computer with the employee number, the employee card must be sensed in front of the business machine before printing, effectively reduces the unclaimed printed documents |
| Fax | <ul style="list-style-type: none"> ● Unified management in the entire factory area, select fax function to send faxes with the employee's computer to eliminate the paper waste with paper fax in the past |
| Screen | <ul style="list-style-type: none"> ● Documents can be scanned after the employee card is sensed and reply to the employee's email immediately after the scan is completed |

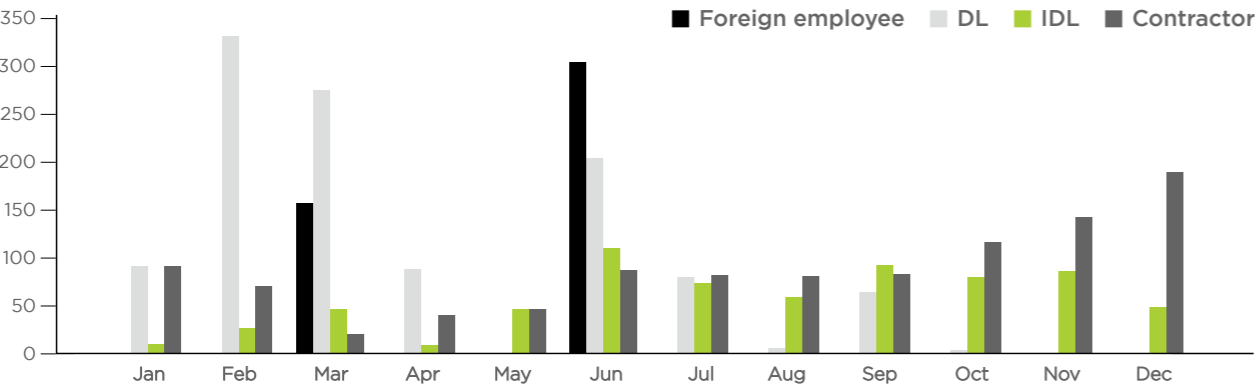
HTC Paper-Saving Performance

| Year | 2013 | 2014 | 2015 | 2016 | 2017 |
|----------------------|------------|------------|-----------|-----------|-----------|
| Paper use (Piece) | 12,345,000 | 10,640,000 | 9,112,500 | 5,102,500 | 5,027,500 |
| Paper saving (Piece) | 2,309,000 | 1,705,000 | 1,527,500 | 4,010,000 | 75,000 |
| Paper saving target | 10% | 10% | 3% | 1% | 1% |
| Achievement rate | 16% | 14% | 11% | 44% | 1% |
| Amount saved (NT\$) | 312,960 | 150,965 | 191,960 | 533,435 | 12,125 |

Environmental Protection Education and Promotion

HTC continues to promote and enhance environmental protection consciousness and awareness in employees using a diversified interface. Employees can display a sustainable environmental protection message each day via the HTC employee Service App as a daily routine. New recruits education and training was given to 2,268 employees in 2017. The training material includes the environmental protection concept of the plant and a policy card is distributed that can be retrieved easily from the corporate identity system.

Number of New employees and Contractor Education Trainees in 2017



Garbage classification promotion



APP Software “Employee Services” and computer screen saver program promotion of environmental information



Environmental Policy Card

Environmental Protection and Safety and Health Education

In the annual Family Day event, we show the results of environmental protection and energy conservation of Taipei headquarters in the Green Energy Hall, and let employees experience the company’s environmental protection measures in an interactive way. The implementation of environmental protection concepts within the company is quite diverse and is actively implemented.

Education and Training statistics for New and On-the-job Employees in 2017

| Course | Hours | Trainee |
|---|-----------------|--|
| Environmental protection and safety and health education training | 3 hours | New employees |
| Hazardous substance use | 3 hours | New employees |
| Operational equipment hazard notifications | 3 hours | New employees / Change operations (operators with access to equipment) |
| General labor safety and health in-service education training | 1 hour per year | On-the-job employees |
| Hazardous chemical use notice | 1 hour per year | On-the-job employees (with alcohol and chemical use in processes) |
| Environmental education | 4 hour per year | On-the-job employees |

Encourage Employees to Carpool

HTC runs a shuttle bus service on many commuting routes with a daily capacity of 1,520 passengers. This transportation arrangement together with car-pooling makes it easy for employees to move to and from work. By cutting down on the number of vehicles travelling to and from the plant the amount of greenhouse gas emitted, in the form of vehicle exhaust, can be significantly reduced.

Annual Gasoline Consumption and Carbon Emissions of Shuttle Buses in 2017

| | HTC Shuttle Bus Route | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|--|-----------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Miles per month (km) | Wenn-chin | 19,875 | 18,955 | 25,645 | 20,030 | 22,135 | 24,490 | 23,415 | 25,645 | 23,415 | 21,020 | 20,645 | 18,800 |
| | Taoyuan Bus | 6,094 | 4,709 | 4,986 | 5,817 | 5,540 | 5,540 | 6,094 | 5,817 | 6,371 | 5,053 | 5,817 | 6,094 |
| | total | 25,969 | 23,664 | 30,631 | 25,847 | 27,675 | 30,030 | 29,509 | 31,462 | 29,786 | 26,073 | 26,462 | 24,894 |
| Monthly oil consumption (litres) | Wenn-chin | 3,313 | 3,158 | 4,273 | 3,338 | 3,690 | 4,082 | 3,904 | 4,273 | 3,904 | 3,505 | 3,441 | 3,133 |
| | Taoyuan Bus | 1,016 | 785 | 831 | 970 | 923 | 923 | 1,016 | 970 | 1,062 | 842 | 970 | 1,016 |
| | total | 4,329 | 3,943 | 5,104 | 4,308 | 4,613 | 5,005 | 4,920 | 5,243 | 4,966 | 4,347 | 4,411 | 4,149 |
| Monthly carbon emissions (KgCO ₂ e) | Wenn-chin | 11,430 | 10,895 | 14,742 | 11,516 | 12,731 | 14,083 | 13,469 | 14,742 | 13,469 | 12,092 | 11,871 | 10,809 |
| | Taoyuan Bus | 3,505 | 2,708 | 2,867 | 3,347 | 3,184 | 3,184 | 3,505 | 3,347 | 3,664 | 2,905 | 3,347 | 3,505 |
| | total | 14,935 | 13,603 | 17,609 | 14,863 | 15,915 | 17,267 | 16,974 | 18,089 | 17,133 | 14,997 | 15,218 | 14,314 |





Note : 1. Kilometers per month=kilometers per ride* total rides per month
2. Fuel consumption calculated as 6km per liter (km per month/6km)
3. Carbon emissions per km calculated using the coefficient of diesel fuel of 3.45 L/Kg CO₂e (mobile source) according to “information disclosure on the carbon footprint calculation service platform”.

Sustainable Design



HTC assesses the sustainability of products by an examination of the entire product lifecycle. A complete life cycle assessment and a detailed analysis of the flow of a product help the R&D team understand all the complex environmental factors. Different criteria and measures are applied at each stage of the process, especially at the product development and design stage. Great care is taken to ensure that the materials used in production have low environmental risks and all comply with internationally accepted regulations on banned substances in accordance with the Precautionary Principle. HTC makes sure that all the mobile devices they design and manufacture meet the expectations of their consumers and in particular have a very low impact on the environment.

Green Marks Obtained by HTC

| Green Mark | Description | Applicable Area |
|---|---|--|
|  | Verified by a third-party verification company (UL) as meeting North American (US and Canada) energy efficiency requirements. | Power supply units |
|  | Verified by a third-party verification company (UL) as satisfying UL sustainability standard for mobile phone, and rated as Platinum. | Mobile phones, accessories (including shipping packaging) |
|  | Verified by a third-party verification company (UL/TUV/ITS) as complying with California appliance efficiency regulation. | Mobile phones, including Accessories with rechargeable batteries, etc. |
|  | Working with RBRC to properly recycle used batteries in North America. | Batteries |

UL Environment Certificate Platinum Rating



In 2017, HTC has received UL Environment certification for the following two mobile phones, which were all, awarded the highest “Platinum” certification after rigorous verification procedures.

- HTC U11
- Co-production of mobile phone A

In order to conduct thorough evaluations in every aspect, six factors are considered in the UL110 standard for sustainability of mobile phones, including materials used, health and environmental impact assessment, end of life management and extension of useful life, packaging design, manufacturing management and innovative measures.

These products received “Platinum” certificates for the use of non-toxic and environmentally friendly materials and no material used in their manufacture originates in conflict mineral regions. High-efficiency low-power-consumption chargers and the unified global charging plug are used to ensure compatibility with other mobile phones. The mobile phone surface material has been rigorously tested and contains no restricted heavy metals, PVC or plasticizer. Product recycling assessment is conducted at an early stage of development and the amount of packaging material used and consumed during packaging has been reduced. Natural fiber used in packaging is of a kind that grows rapidly and recycled paper is also used. The ISO environmental management system has been implemented in the manufacturing process.

Material

No PVC, plasticizer and materials from mines in conflict areas.

Charging connector

High-performance and low energy consumption charger with universal connectors.

Phone surface material

Only environment-friendly materials that have not been found to contain any controlled heavy metal.

Packaging

Less use of paper. Only paper made from fast-growing trees or recycled paper is used.

Recycling

Recycling 80% of reclaimed materials.

Manufacturing

Adoption of the ISO environment management systems.



We work diligently to reduce the use of environmentally harmful substances, to increase recyclability, improve the reuse of resources, and reduce the adverse effects our products have on the environment. HTC’s sustainable design concept is reflected in three areas:

- 1. Increased energy efficiency
- 2. Recyclability
- 3. Reducing hazardous substances with the serious intention of making our products really green and competitive

Enhancement of Energy Efficiency

An analysis of energy efficiency starts with the raw material used to produce the electronic telecommunications product, its manufacture, life cycle and disposal. The mobile phones raw material carbon footprint is low, as is that of the manufacturing process as well as usage, when most of the greenhouse gas is emitted. We concentrate on energy saving from the early design and research and development phase. All power supply devices used for HTC products must comply with the relevant international energy consumption specifications: US Energy Star, California Energy Commission, the EU Code of Conduct, the EuP, and Energy Efficiency Certification (EEC) with third-party verification. The power supply devices used for all specific models meet the 0.03W standby power minimum energy consumption standard.

According to the simulation calculation, the annual power consumption is about 6 kilowatts per hour, including the use of chargers with a standby power of less than 0.03w. Compared to chargers with a standby power of 0.15W, power consumption is reduced by approximately 5.5%. °

The HTC R&D team has developed excellent power management modes that allow the phone (depending on user habit) to automatically enter Standby mode to extend battery life. Some of our phones have an ambient light sensing function that controls the LCD backlight according to the ambient light level in order to provide a comfortable reading environment and also to save power.

Rapid and High Energy-efficiency Charger



For issues related to charging the cell phone, we have launched HTC Rapid Charger 3.0, a rapid-charging device with high energy-efficiency, whose charging speed is faster than used to be. In only 30 minutes would the new HTC 10 be charged up to 50% of its power. Its energy-efficiency has also reached the highest standard currently set internationally, including Energy Efficiency Level VI and EU CoC Tier 2, whose energy consumption during no-load standby is lower than 0.03W and has reached the highest 5-star level. In terms of design, its volume has also seen 25% of reduction compared to its predecessors. In addition to reducing the use of resources, it is also more convenient to carry.

Participation in the Foreign Service Carriers' Eco-rating Program



HTC assisted in the “Forum for the Future” to integrate the different plans of several industries to launch “Eco-rating 3.0” and continued to participate in the Eco-rating programs promoted by several foreign telecommunications companies in 2017.

The grading category includes life cycle assessment, product eco-design, and corporate social responsibility. The overall assessment results are graded between 1 and 5 points. This allows a consumer to make rapid comparisons at the time of purchase and also encourages the design and manufacture of products in an environmentally friendly way.

Recyclability

We start a full evaluation of a product for recyclability at an early stage of the R&D process. To do this we conduct a simulation of disassembly and analyze the material composition of the product and relative recycling rate. In addition, we carry out a series of strategies such as material marking (as per the standards of ISO 11469 and ISO 1043) and component simplification and degree of ease of disassembly. Then feedback is given to the R&D team about any useful and valuable strategies. Currently, HTC product could meet the present and future requirements for recycling.

We consider material recyclability in the selection of all materials and product disassembly and analysis is carried out by an impartial third-party. All current products such as the HTC 11 or HTC U11 EYEs, allow 80% up material recovery. This significantly exceeds the EU WEEE Directive on the mobile phone material recovery standard which is 70%.



HTC U11

Material recovery rate:
83.3%



HTC U11 EYEs

Material recovery rate:
80.1%

Phone and Battery Recycling

To properly fulfill their responsibilities as a manufacturer, HTC, which is 100% in line with EU WEEE requirements, has also promoted the US and Canadian mobile phone recycling program. Old mobile phones, up to a value of US\$499.99, can be traded in to reduce the undue disposal or handling of old mobile phones and the impact of this upon the environment.

1. HTC promotes cell phone trade-in program (<http://www.htctradeup.com/>) , through filling out the basic information online to allow the customer to receive the old cell phone recycling offer without limitations in cell phone brand, and acceptable as long as the old cell phone is still operable. The check will be mailed to the customer after the new cell phone is purchased and the old cell phone is mailed back. In 2017, the total cumulative units of devices were 9,763 units with the value of US\$146,445.
2. HTC also participates in the industrial management program Call2Recycle that is currently implemented in the United States and Canada. The program provides for the collection and recycling of batteries, including cell phone lithium-ion batteries, as well as the recycling of cell phones in Canada. We pay a fee to Call2Recycle for every mobile sold in the United States and Canada. A total of 63 million kilograms of mobile phones batteries, was recovered through this program in 2017. As a result of raising customer awareness and the availability to recycle, the weight of recycling has increased by 12% as compared with 2016.
3. HTC takes part in the state-owned e-waste programs of more than 20 states in the US, responsible for recycling Nexus-9 Tablet PC. Due to different recycle mechanism of life cycle termination determined by each state, many states establish the weight of the Company’s annual recyclable electronic products by market share, some states charge the cost to the manufacturer based on the price of unit weight of the recycled products, while the remaining states allow the mail recycle plan, and pay the annual registration fee, without having to set the recycling target. For example, in Washington State, we pay a certain percentage of expenses according to the market share of the tablet PCs, the local government is responsible for the recycling collection operations across the entire state, and the recycle firms legally registered with the state ecological department recycle the electronic products to ensure that the recycling operation is held responsibly and appropriately. From 2009 to 2017, there was a total of 167,375.58 metric tons of electronic waste recycled in the Washington state area.

Actively Reduce Hazardous Substance

HTC unveiled the world’s first mass-produced RoHS-compliant PDA mobile phone. Today we require that all parts, components, modules, materials, and so on delivered to HTC meet a set of requirements, which are even stricter. The HTC Substance Control List not only restricts the six substances controlled by RoHS, but also others restrained by international environmental regulations and customer requirements, such as polyvinylchloride (PVC), Brominated Flame Retardant, and Phthalates listed by RoHS 2.0 are prohibited.

In addition, we established a platform for unified management of our entire green supply chain to help our R&D engineers select green materials that meet international environmental regulations and customer requirements from the HTC product database in 2006.

The platform had been revised in 2008 to enhance the overall control of the harmful substances through more convenient and simple user interface. During the selection of materials in 2015, we replaced the beryllium copper alloy used for contact points in a mobile phone with other safer materials. Although beryllium copper alloy is safe in itself, it can produce beryllium oxide during the recycling process that is harmful to human health. We have thus decided not to use the material in any of our products since 2016.

In response to the international greening trend, HTC introduced halogen-free materials in 2009. After requesting suppliers to provide halogen-free reports simultaneously, setting up halogen machines (i.e., halogen-free process auxiliary equipment/supplies inventory), and other stages, the “HTC’s new models are all halogen-free” quality claim was proposed in 2012, with 100% qualified HSF sampling.

Compliance with Standards

All HTC mobile phones are verified by international public certification companies, such as SGS, TUV, and ITS. Chemical analysis is carried out to ensure compliance with the EU environmental directives. HTC also cooperates with their customers in green-related certification plans such as the ULE and ecological scoring systems and this ensures that all products comply with customer green specification. Among the SAR regulations currently in force, FCC (US) and CE (EU) are the strictest, and all HTC products satisfy meet these requirements.

Sustainable Manufacturing Process

Management of Waste and Hazardous Substances

The major manufacturing operation at HTC is the assembly of Smartphone, so the only waste is gas produced by welding, without NOx or SOx emission. We handle and dispose of waste according to our self-regulated “Process for Removal and Handling Business Waste,” and practice good resources recycling to ensure cleanliness of the working environment and reduce environmental impact.

Regarding management measures, besides entrusting legal disposal authorities to properly dispose of the waste in accordance with the government policy, we also follow disposal trucks to check and confirm their cleaning status on site from time to time. Regarding plants, we inspect waste storage and temporary storage zones through inspection checklist regularly, and request corrections for non-compliance within a limited time. We also establish environmental safety and health self-assessment form and perform audits, to accomplish effective management and evaluation mechanism. In the event of environmental concerns, HTC can be reached via the information on the company’s website to ensure that we respond and handle it promptly.

| Measures | Methods |
|--|--|
| Set up recycling bins and commission manual sorting of domestic waste. | Set up recycling bins and encourage and propagandize staff to sort domestic waste. The employees recycled 26,000 kg of domestic waste in 2017. |
| Used batteries, light tubes and information technology objects must be recycled. | We have recycling stations for used batteries and light tubes available to the employees |

In the process of mobile phone assembly and manufacturing, HTC inevitably generates general business waste and small amounts of harmful business waste. HTC upholds and implements proper disposal of waste, commissioning legal waste removal and processing companies and choosing the best handling approach based on the nature of waste. In 2017, HTC’s waste disposal methods consisted of four types, including general business waste recycling, general business waste incineration, and general business waste (waste bakelite) burial. The kitchen leftover was used as feed in legal livestock farms.

| | 2015 | 2016 | 2017 |
|---|--------|--------|--------|
| Waste weight of each mobile phone manufacturing (kg/unit) | 0.0565 | 0.0721 | 0.0785 |
| Weights of each mobile phone recycled (kg/unit) | 0.2408 | 0.3628 | 0.4037 |

HTC Waste Statistics

| Treatment | Unit | 2015 | 2016 | 2017 |
|--|------|-----------|-----------|-----------|
| Recovery (General) | kg | 3,037,885 | 3,450,697 | 2,434,060 |
| Incineration (General) | kg | 1,257,469 | 1,143,555 | 660,540 |
| Burial: Waste bakelite | kg | 0 | 0 | 69,960 |
| Chemical treatment: Harmful waste liquid containing copper | kg | 0 | 2,860 | 0 |
| Other (Such as livestock husbandry): kitchen leftover | kg | 381,968 | 400,489.1 | 324,077.5 |

Note : 1. General business waste recycling category includes Tray plate, foam, miscellaneous plastic, waste wood pallets, etc. General business waste incineration category includes domestic waste.
2. Waste bakelite had been produced in 2017, none of which was produced from 2015 to 2016.
3. The chemical treatment shall be conducted once every two years for the treatment of the copper-containing waste liquid according to Article 7 of the Waste Disposal Treatment and Facilities Standard for Business Waste.
4. The amount of leftover is calculated on a barrel of 189 kilograms.



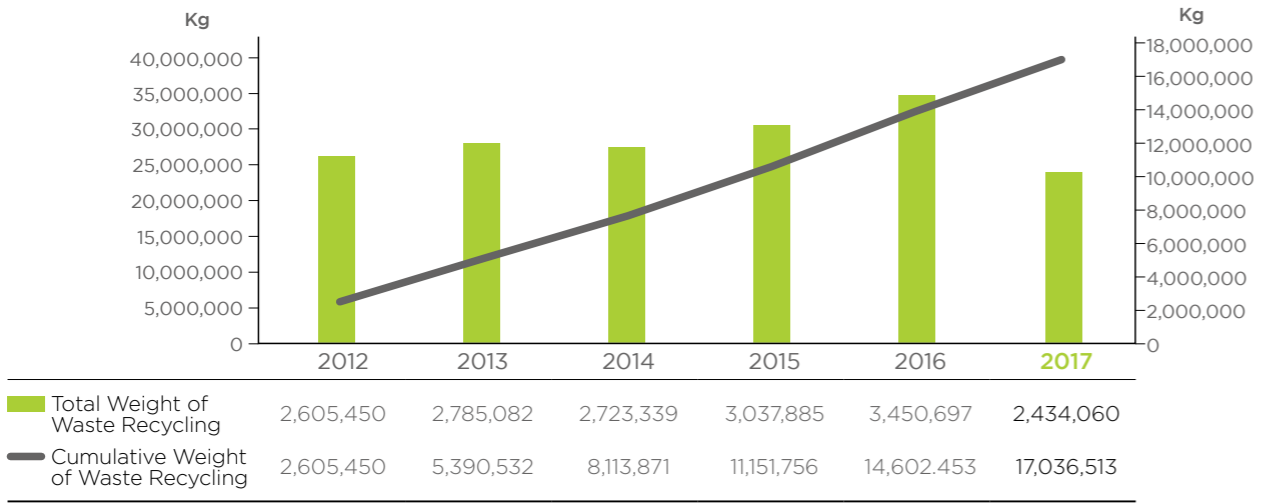
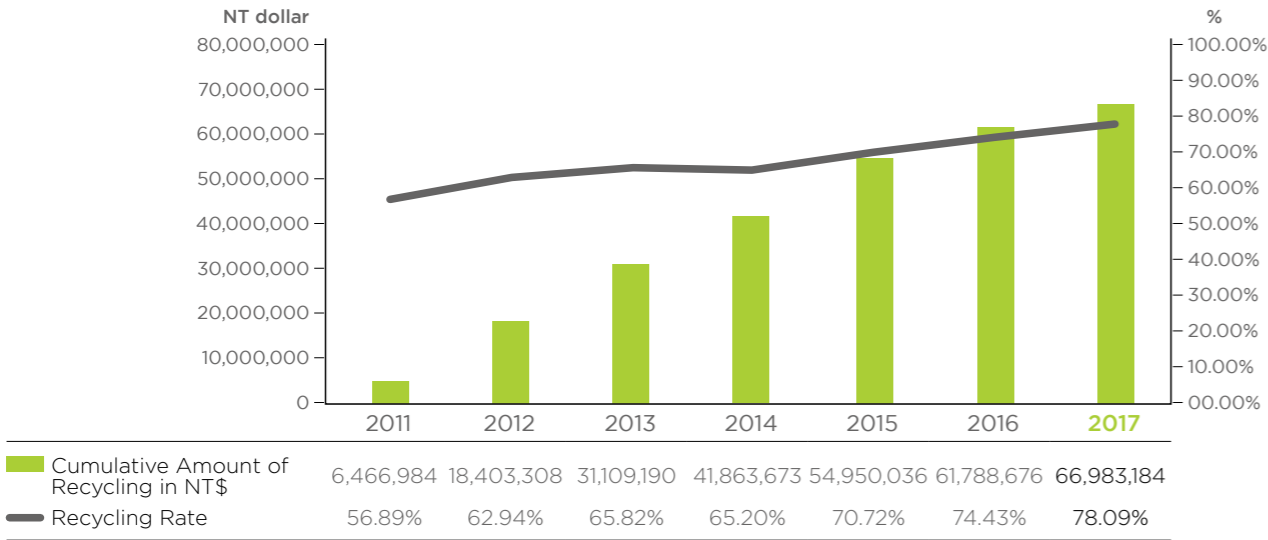
Waste Reduction, Recycling and Reuse

HTC waste reduction strategy involves the reduction of the generation of waste from the source by means of sorting and advocacy. The reuse of waste is also a priority and is essential for an increase in resource recycling efficiency.

We have been taking steps to handle the treatment of waste materials according to type. As an example, we commission contractors to collect and recycle waste trays. In addition, a number of other licensed contractors are employed to recycle other material and much of the waste is purified and turned into industrial raw material. Other waste goes through physical classification which increases reusability. For example, the source control strategy is adopted when the recyclable plates and sponges can be recycled to the production line for reuse. the material that is not recyclable goes to a final destination. We also publish the condition of temporarily stored waste material on the Internet. Our recycled resources reached 2,434.06 tons in 2017.

Between 2011 and 2017, the money earned or saved by recycling waste rose year by year to reach NT\$5,194,508 by 2017. The waste recycling rate increased from 56.89% in 2011 to 78.09% by 2017 to pass our long-term goal of 80%. By 2017 the accumulated savings and earnings from the recycling of waste had reached NT\$66,983,184.

Waste Recycling Effect and Rate



2017 HTC Weight of Wastes Recycling

| Type | Unit: Kg | Type | Unit: Kg |
|-----------------------|-----------|-----------------------------|----------|
| Paper | 1023,362 | Wasted board edges | 39,890 |
| Miscellaneous plastic | 445,981 | Domestic recycled weight | 26,000 |
| Plastic | 335,447.6 | Scrap iron | 24,095 |
| Kitchen leftover | 324,077.5 | Scraped galvanized iron | 3,410 |
| Wasted wood (Board) | 147,180 | Wasted information products | 1,763 |
| Scrap parts | 42,524.7 | Wasted aluminum | 1,330 |

HTC Hazardous Substance Management Policy

HTC analyzes the international environmental protection regulations and complying with the environmental protection requirements of international customers, with reference to the relevant international technical standards, and then establishing the IP-00000106-01 Toxic Substance Control List, and holding suppliers meeting regularly to work with parts suppliers together seeking for the use of non-toxic materials under the Company’s hazardous substance control policy with green supply chain management, so that the procurement of raw materials, that is, using the principle of the source management to conduct strict control of hazardous substances. In the product development stage, the R & D department will deliver the relevant parts materials to the ISO 17025 qualified laboratories, such as SGS, TUV, to ensure that the materials used in the product conform to the international environmental protection specifications.

In the aspect of production management, the manufacturing department has also set up the hazardous substances testing standards to ensure that all products of mass production are non-toxic non-hazardous green products.

Hazardous Substances and Chemical Control

HTC understands that in the green competition between corporations around the world, the active management of harmful substances and chemicals is the only way to ensure the reliability of the manufacturing process and product compliance with the standards of the different countries and customers. In so doing, we reduce the legal risks that our products might suffer. We completely banned four chemical substances, including n-hexane, n-heptane, benzene, and toluene. According to customer requirements, international standards, and domestic regulations, we restricted the use of 527 chemical substances such as hydrazine and dichlorobromomethane. Besides, we take the following measures to control the condition of chemicals used during the manufacturing of components and parts. These include:

1. The designated employees make an inventory of the chemicals in the plant on a regular basis. They also have to inspect the chemicals and ascertain their condition. Including:
 - Use types, quantities and the storage status of the chemicals (includes storage container management)
 - Whether the chemicals label of the use unit is complete
 - Whether the information about the chemicals is complete, such as the safety data sheet (SDS, Safety Data Sheets)
 - Personnel are required to wear basic safety protective gears when using the chemicals
 - Use types, quantities and the storage status of the chemicals (includes storage container management)
 - Whether the chemical’s label of the using unit is complete
 - Whether the information about the chemicals is complete, such as the safety data sheet (SDS, Safety Data Sheets)
 - Personnel are required to wear basic safety protective gears when using the chemicals
2. Compressed gas fire extinguishers should contain safe eco-friendly agents:
Replace CO₂ fire extinguishers with safe halogen compound fire extinguishers.
3. Emergency lights should be powered by eco-friendly batteries:
Replace lead-acid batteries with nickel-cadmium batteries.
4. Set up regulations for the management of chemical agents for cooling water towers:
Choose cleaning solutions with safety certification.
5. Make sure that suppliers and contractors properly manage the chemicals they sell: The chemical management that suppliers enforce covers aspects ranging from environmental protection, safety and health, to corporate social responsibility. This must include the investigation and auditing of supplier internal management systems and an assessment of the risk levels.

Sustainable Packaging

HTC mobile phone products are packed using materials that make transportation safe and add aesthetics to the products upon delivery. We also consider the impact the packaging materials will have on the environment when they are discarded. The materials we use must be compliant with the regulation, environmentally friendly, and sustainable. In packaging design, consideration is given to the following:

- 1. Reduction of the amount of material used;
- 2. The use of biodegradable raw material;
- 3. Printing with environmentally friendly ink (soy ink);
- 4. The facilitation of shipment;
- 5. Mark following recycling symbols on the box to show the consumers recycling packaging material.



All the packaging materials for HTC products are compliant with the EC directive on packaging (EU 94/62/EC) and the US requirement on packaging (Model Toxics in Packaging Legislation of USA). The printing ink used on the packaging material is low-volatility ink or soy ink certified by the American Soybean Association. These efforts minimize the impact of our product packaging materials on the environment.

HTC specially selects mobile phone cases that are integrally formed and lightweight. Formed by 65% sugar cane bagasse and 35% bamboo pulp, and is 100% recyclable and biodegradable. Compared to regular boxes made of wood, these boxes made of sugar cane residues and rapid-growing bamboos are more environment-friendly and are also lighter than regular boxes.






When the HTC mobile phones are shipped, in addition to the product information labeling according to the requirements of customers and relevant regulations, HTC has elaborated the energy-saving and power-saving functions in the colored mobile phone box and manual. The HTC mobile phone box is made with environmentally friendly materials as well as fully recyclable and biodegradable paper. Furthermore, “Forest Stewardship Council” certified paper, is printed on the box to alert the consumer to the concept of environmental awareness.

History of HTC “Sustainable Packaging”



Packaging Material




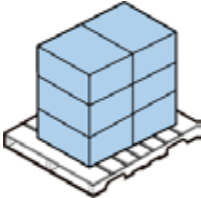
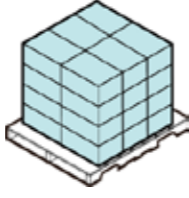
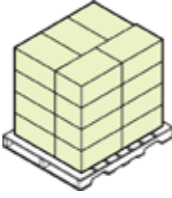
Through continuous efforts, in 2017, HTC’s generation of the carbon footprint from the mobile phone package during transport decreased by 13.94% compared to 2009. With HTC’s U11 product as the basis, compared to other flagship brands in the same year, other brands’ transport carbon footprint increased by 12-28%.

| 2009 | | 2013/2014 | | 2015 | 2016 | 2017 |
|---|--|---|--|--|---|---|
| Hero Box | | M7 Box/M8 Box | | M9 Box | M10 Box | U11 Box |
|  | |  | |  |  |  |
| Dimensions | | 183x89x60mm | | 160x160x28mm | 180.5x150.5x33.5mm | 202x165.5x34.5mm |
| Total Weight | | 170g | | 95g | 111g | 149.2g |
| Transportation Carbon Footprint (kg CO ₂ eq) | | 1.59 | | 0.89 | 1.04 | 1.4 |
| ECO Features | | <ul style="list-style-type: none">● Package volume reduced by 50%.● Soy ink used for printing. | | <ul style="list-style-type: none">● Materials consist of current fast renewable plants.● Fewer colors, less ink used for printing● No other glazing processing is used for printing.● Top label: from 5 colors to 1 color printing. | | <ul style="list-style-type: none">● Materials consist of current fast renewable plants.● Reduce the printing area, printing color.● Do not use glazing plastic. |
| | | <ul style="list-style-type: none">● This box is 98% composed of recyclable paper and material.● It is made at least 75% from fast-growing bagasse (a sugar cane product and bamboo).● It was printed using vegetable-based ink rather than petroleum-based ink. | | | | <ul style="list-style-type: none">● Packing materials are completely changed to fast-growing materials to reduce the use of paper packaging.● Direct stamping on the box top reduces the printing area and printing color and ink use.● Glazed plastic is not used. |

Note: Calculate the distance: from HTC factory Airport (by air) customer's distribution center

The Material of VR Packaging

Utilize recyclable packaging materials and lightweight design, details as shown below:

| | 2015 Rigid Box | 2016 Rigid Box | 2017 Pizza Box |
|---|---|--|--|
| |  |  |  |
| Dimensions | 574x420x212mm | 415x295x181mm | 532x344x185mm |
| Weight | 3,000g | 1,800g | 2,250g |
| The Number of Pallets |  6pcs |  24pcs |  20pcs |
| Transportation Carbon Footprint (kg CO ₂ eq) | 28.14 | 16.88 | 21.11 |
| ECO Features | <ul style="list-style-type: none">Printed with two colors and reduce the ink use. | <ul style="list-style-type: none">Volume reduced by 55%.Weight loss by 40%.Printed with two colors and reduce the ink use. | <ul style="list-style-type: none">Reduce printing with ink.Share packaging to reduce the generation of new packaging materials. |

HTC's Product Packaging Carbon Footprint Reduction Ratio in 2017

| Item | 2017 (U11) | Other Flagship Mobile Phone A | Other Flagship Mobile Phone A |
|---|---|--|-------------------------------|
| Material | Fast-growing material (Such as sugar cane product and bamboo) | Brand management-forest, bamboo, waste bamboo shoot and recycled papermaking | 50% Recycled paper |
| Weight (g) | 149 | 167.3 | 192.1 |
| Transportation Carbon Footprint (kg CO ₂ eq) | 1.40 | 1.57 | 1.80 |
| Increase in Packaging Transport Footprint | 0 | 12.13% | 28.75% |

Note: "Additional items of package transport carbon footprint" assumes that under the same transport conditions, HTC's products and the other two brands were compared. Thus, with U11 in 2017 as the benchmark, the value was 0.

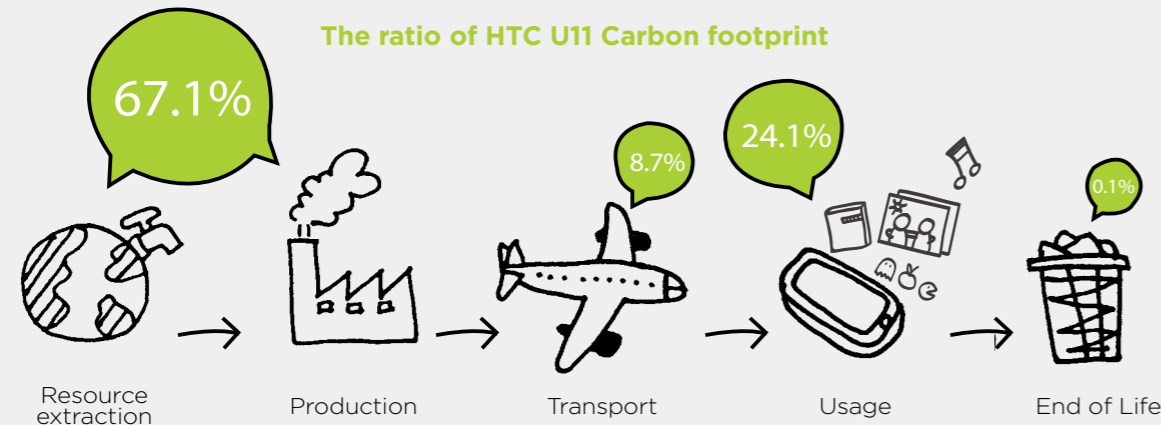
Sustainable Products

In response to the global warming crisis, HTC constantly looks for ways to reduce the impact and influence of manufacture, production, and consumption by users, on the environment. The concept of life-cycle time (LCT) is our way of thinking about this and we start with R&D. The R&D engineers are provided with quantified and fully comprehensive green information for the initiation of life-cycle- investigation (LCI) on the supply chain to establish a database of the key parts and components and their environmental impact.

The HTC product carbon footprint is measured in accordance with ISO 14040 and ISO 14044 standards. It involves direct data provided by the HTC plants and upstream suppliers. The data are put into internationally accepted life cycle assessment software and databases like SimaPro and Ecoinvent, which are also fed with indirect data. The data, after passing third-party verification, is made public as a carbon footprint report or Eco Declaration that gives transparent environmentally related product information to the relevant clients.

International Standards for Product Carbon Footprint

The product carbon footprint standard ISO/TS 14067 was announced in May 2013. It specifies the principles and guidelines for the calculation and disclosure of lifecycle carbon emissions of a product from the design phase. It can also serve as the basis for finding out the carbon footprint of various kinds of products and services and has become a global standard for the calculation and communication of the carbon footprint of a product.



Plans and Actions for Carbon Reduction

The carbon footprint analysis measures the impact of a product on the global climate from the aspect of its total life cycle starting from the production of raw material, manufacture of the product, its distribution, delivery to the customer, to its end-of-life disposal. Such analysis finds that the carbon footprint of a smartphone is most obvious during the mining of the raw materials and the consumer use phases. HTC will spend more effort on reducing carbon emission during these two phases.

Carbon Footprint Related Plans and Reports over the Years

HTC has been conducting product environmental impact investigation and analysis in accordance with life cycle assessment methods since 2010. The annual action plans are set out below:

1. In 2010, we participated in the Product Environmental Information Disclosure Program of the Industrial Development Bureau MOEA and completed the Environmental Protection Declaration (EPD) with 19 suppliers.
2. In 2011, we participated in the Low Carbon Product Design Program of the Industrial Development Bureau MOEA, and completed carbon footprint analysis and low carbon design counseling with 15 major suppliers.
3. In 2013, we cooperated with 11 suppliers to complete the ISO/TS14067 product carbon footprint inspection.
4. In 2014, our main action plan is to establish carbon reduction targets and action programs by providing the major suppliers with detailed life cycle investigation data analyses.
5. In 2015, cooperated with 8 suppliers in 2015, fulfilled two products carbon footprint inspection.
6. In 2016, 2water footprint inspection and third-party verification have been accomplished.



Friendly Workplace



Staff Management

Human Rights and a High Standard of Professional Ethics

HTC values human rights and equal compensation and does not tolerate gender discrimination. As an international corporation, and a member of Responsible Business Alliance (to view the RBA’s membership list please visit <http://www.responsiblebusiness.org/about/members/>), HTC strictly follows the related regulations and as a responsible employer incorporates care for human rights into all aspects of daily operations

No Child Labor

HTC strictly prohibits the use of child labor in our own manufacturing facilities as well as those of our manufacturing suppliers. We mandate proof of age for employment to ensure we meet all local labor laws and the requirements of the jurisdictions where we operate. Even student workers need to be 16 years old.

HTC Code of Conduct

We place great importance on employee integrity and uphold high ethical standards. The company has established the “HTC Code of Conduct” as the prime directive that directs all our employees in the performance of their work. Every person in our employment, in any of our branches and subsidiaries, no matter their position, level and location, must comply with these ethical standards.

New employees undergo an orientation training session on the same day they report for duty. They learn about the HTC corporate policy, the Code of Conduct for employees, ESH policy and corporate social responsibility. An e-learning program for new employees is also provided that explains the HTC corporate principles using exemplary cases. There are physical and online courses for retraining for all employees every year. In any case of conflict with the laws in force in places where HTC operates, the local HTC HR team shall submit the context of the laws at issue to HTC HQ for review. Except for a case such as the above, any violation of the “HTC Code of Conduct” can lead to serious disciplinary action, including the termination of employment.

Human Resource Structure

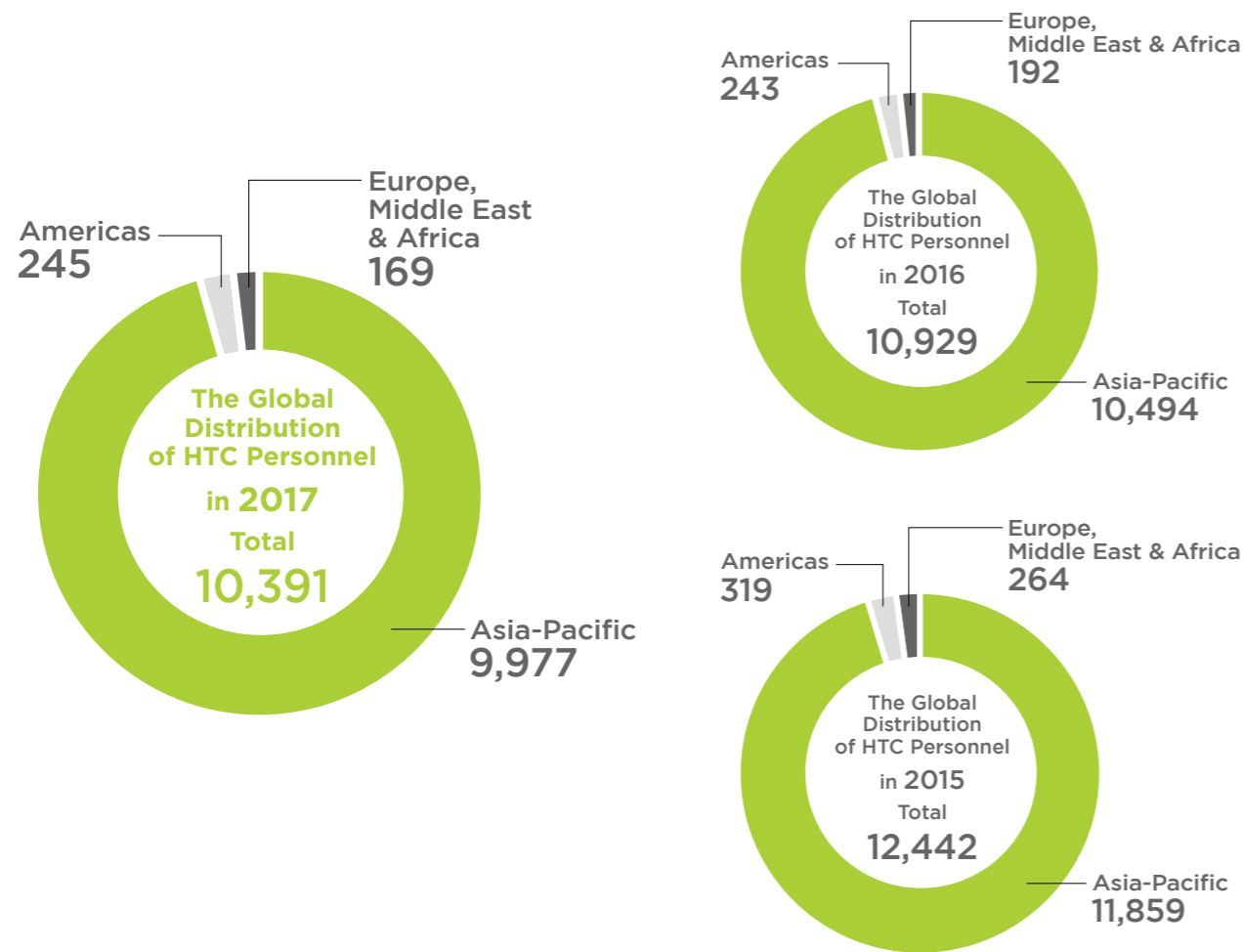
HTC recruits promising talent from all around the world. At the end of 2017, HTC global employee workforce totaled 10,391. Of these, 310 were foreign supervisors, accounting for 19.28% of the total number of executives worldwide; foreign supervisors and professionals together accounted for 16.38% of the total number of executives and professionals worldwide and 18.53% of the 1,608 supervisors were women.

HTC’s turnover rate of direct workers in 2017 was 11.3%, with the statistical frontier encompassing the Taiwan region (including students involved in industry-university cooperation programs, interns, and foreign workers). The indirect workers turnover rate was 17.04%, with the statistical frontier covering the world. To calculate the turnover rate, divide the number of employees leaving the company by the total number of employees during the same period. The figure does not include employees who were dismissed for cause.

HTC HR Structure Overview

| | Unit | 2015 | 2016 | 2017 |
|---|--------|-------|-------|-------|
| Global Employee (Male) | Person | 6,524 | 5,531 | 5,151 |
| Global Employee (Female) | Person | 5,918 | 5,398 | 5,240 |
| Full-time workforce (Male) | Person | 6,493 | 5,509 | 5,113 |
| Full-time workforce (Female) | Person | 5,885 | 5,369 | 5,204 |
| Direct employees (Male) | Person | 4,466 | 1,659 | 1,279 |
| Direct employees (Female) | Person | 1,768 | 3,841 | 3,697 |
| Indirect employees (Male) | Person | 2,058 | 3,872 | 3,872 |
| Indirect employees (Female) | Person | 4,150 | 1,557 | 1,543 |
| Employees under fixed-term contracts (Male) | Person | 31 | 22 | 38 |
| Employees under fixed-term contracts (Female) | Person | 33 | 29 | 36 |
| Taiwan dispatch personnel (Male) | Person | 0 | 79 | 8 |
| Taiwan dispatch personnel (Female) | Person | 0 | 49 | 3 |
| Taiwan part-time personnel (Male) | Person | 50 | 26 | 28 |
| Taiwan part-time personnel (Female) | Person | 29 | 38 | 36 |
| Percentage of employees younger than 29 years old | % | 47.32 | 39.69 | 38.76 |
| Percentage of employees aged 30 to 50 years old | % | 49.84 | 56.27 | 56.63 |
| Percentage of employees older than 51 years old | % | 2.84 | 4.04 | 4.61 |

Note: the full-time workforce includes general employees, foreign employees, R&D substitute service, interns, student workers and consultants.



| | Domestic personnel (male) | Domestic personnel (female) | Foreign employees (male) | Foreign employees (female) |
|------|---------------------------|-----------------------------|--------------------------|----------------------------|
| 2017 | 4,416 | 2,899 | 735 | 2,341 |

| Female | | | | | | | | |
|--------------|--------------|--------------|--------------|--------------|-------------------|--------------|-------------------|-------------|
| Age | DL | % | IDL | % | Middle Supervisor | % | Senior Supervisor | % |
| ≤29 | 2,193 | 21.1 | 391 | 3.76 | 21 | 0.2 | 0 | 0 |
| 30-50 | 1,261 | 12.14 | 440 | 4.23 | 631 | 6.07 | 7 | 0.07 |
| ≥51 | 243 | 2.34 | 25 | 0.24 | 22 | 0.21 | 6 | 0.06 |
| Total | 3,697 | 35.58 | 856 | 8.24 | 674 | 6.49 | 13 | 0.13 |
| Male | | | | | | | | |
| Age | DL | % | IDL | % | Middle Supervisor | % | Senior Supervisor | % |
| ≤29 | 566 | 5.45 | 815 | 7.84 | 42 | 0.4 | 0 | 0 |
| 30-50 | 671 | 6.46 | 623 | 6 | 2,203 | 21.2 | 48 | 0.46 |
| ≥51 | 42 | 0.4 | 16 | 0.15 | 98 | 0.94 | 27 | 0.26 |
| Total | 1,279 | 12.31 | 1,454 | 13.99 | 2,343 | 22.55 | 75 | 0.72 |

| Year | Level | Senior | Middle | General | Total |
|------|--------|--------|--------|---------|--------|
| 2015 | Male | 84 | 2,477 | 3,963 | 6,524 |
| | % | 0.68 | 19.91 | 31.85 | 52.44 |
| | Female | 15 | 661 | 5,242 | 5,918 |
| | % | 0.12 | 5.31 | 42.13 | 47.56 |
| | Total | 99 | 3,138 | 92,05 | 12,442 |
| 2016 | Male | 85 | 2,330 | 3,116 | 5,531 |
| | % | 0.78 | 31.32 | 28.51 | 48.78 |
| | Female | 14 | 654 | 4,730 | 5,918 |
| | % | 0.13 | 5.98 | 43.28 | 54.15 |
| | Total | 99 | 2,984 | 7,846 | 10,929 |
| 2017 | Male | 75 | 2,343 | 2,733 | 5,151 |
| | % | 0.72 | 22.55 | 26.30 | 49.57 |
| | Female | 13 | 674 | 4,553 | 5,240 |
| | % | 0.13 | 6.49 | 43.82 | 50.43 |
| | Total | 88 | 3,017 | 7,286 | 10,391 |

Note: Senior: CEO, CMO, CFO and other executive positions above Vice GM.

Middle: Department Heads, Managers, and Section Chiefs.

General: Engineers, Overseers, Foremen, Administrators, Assistant Technicians, Trainees, Student workers, and foreign employees.

HTC's Turnover Rate of Employees in 2017

| Year | Unit | 2015 | 2016 | 2017 |
|---|--------|-------|-------|-------------------------|
| Total number of new recruits (Male) | Person | 901 | 714 | 676 |
| Total number of new recruits (Female) | Person | 723 | 371 | 256 |
| Percentage of employees under the age of 29 | % | 79.74 | 49.68 | Male 37.55 Female 13.41 |
| Percentage of employees aged between 30 and 50 | % | 19.77 | 49.03 | Male 33.69 Female 13.73 |
| Percentage of employees over the age of 51 | % | 0.49 | 1.29 | Male 1.29 Female 0.32 |
| The ratio of newly-recruited employees to total employees | % | 13.05 | 9.93 | 8.97 |

Note: The formula is the total number of employees at the end of the year as the denominator and the number of newly-recruited employees from different ages, levels and genders are used as a numerator.

HTC's turnover rate of employees in 2017

| Year | Unit | Male | Female |
|--------------------------------|--------|-------|--------|
| Total workers turnover | Person | 1601 | 1237 |
| Workers turnover rate | % | 56.41 | 43.59 |
| Total workers turnover (≤29) | Person | 817 | 691 |
| Workers turnover rate (≤29) | % | 28.79 | 24.35 |
| Total workers turnover (30-50) | Person | 756 | 514 |
| Workers turnover rate (30-50) | % | 26.64 | 18.11 |
| Total workers turnover (≥51) | Person | 28 | 32 |
| Workers turnover rate (≥51) | % | 0.99 | 1.13 |

Note: The formula is the total number of employees at the end of the year as the denominator and the number of newly-recruited employees from different ages, levels and genders are used as a numerator.



Care for Foreign Employees



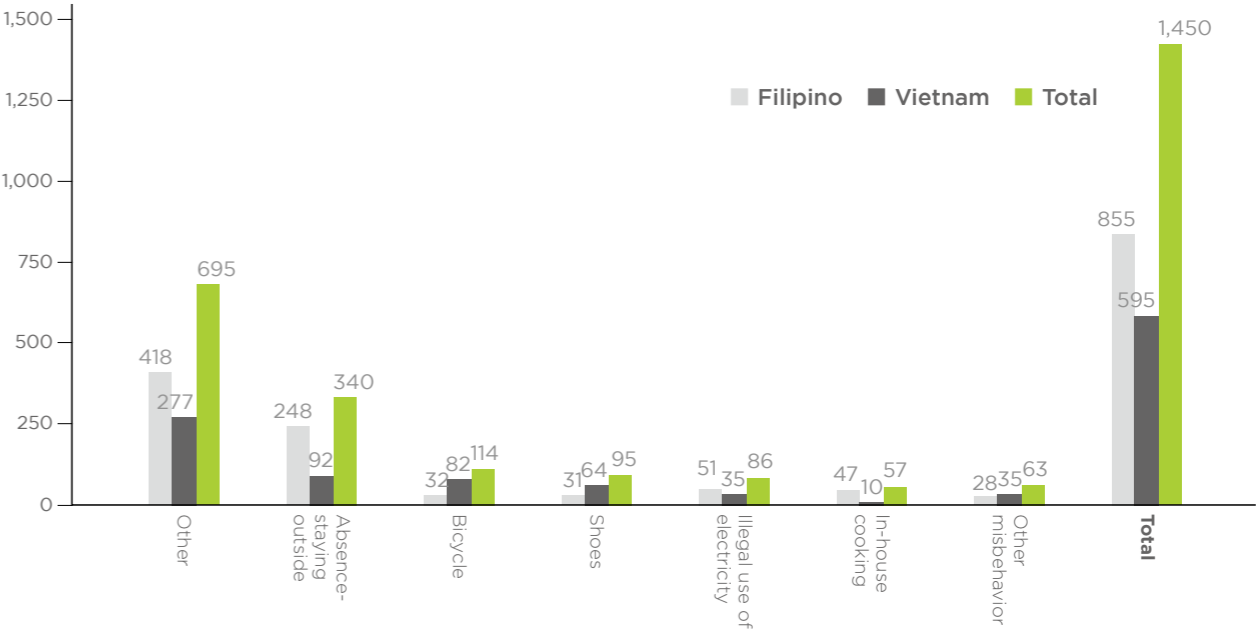
The top priority for HTC when dealing with foreign employees is to raise the awareness of anti-discrimination regulations, to eliminate repulsion harassment and the lack of proper discipline in the workplace. The provision of an open communications channel and an appeals system is also necessary to ease the disquiet many foreign employees feel when working and living abroad in Taiwan and to allow them to concentrate on their work.

In addition to providing comprehensive orientation, we also emphasize life care for foreign employees. Apart from hiring translators, administrators and counselors who are skilled in native languages, providing life, language, culture and mental health assistance, In 2017, a total of 1,450 foreign employees were counseled. Most issues were related to living regulations, such as accommodation, transportation, etc.

As for daily living, free Internet access, air-conditioned dormitories, libraries, prayer rooms are also provided. The public space in the dormitory provides a cleaning unit that cleans the dorm around the clock. Regularly cleaning, disinfection, and environmental hygiene implementations are also done. We also re-planned the dormitory space on Xinghua Road, adding a library, gym, reading room, Chinese classroom, employee gathering room, and other facilities. Activities for foreign employees, labor management meetings, New Year and annual company trips, etc. are also regularly held. For example, during the Lunar New Year holidays in 2018, an ecological navigation event was held in Pushin Ranch, which served as a channel for feedback and for promoting physical and mental development.

The health examination program for foreign workers is managed under a dedicated system and is identical to that for Taiwanese employees without any different treatment. We also manage to follow up after the health examination, to ensure the state of health of the foreign employees.

Record of Number of Foreign Employees Receiving Counseling and Problem Analysis in 2017



| | |
|---|--|
| Value and listen to the voice of our employee | <ul style="list-style-type: none"> ● Making detailed records of their feedback ● Labor-relations meetings per two months ● Express ideas and thoughts of workers ● Keep track of follow-up effects ● Respect workers' decisions |
| Life & leisure | <ul style="list-style-type: none"> ● Offer CHT mobile phone subscription and discounting rate plan ● Comfortable dormitories "24-hour air conditioning" ● a cleaning unit that cleans the dorm around the clock. ● 24-hour hot water supply ● Free Lesson of learning Chinese |
| Proper health examination program | <ul style="list-style-type: none"> ● Adjust the welfare and foreign laborers' health inspection frequency regulated by related laws and regulations ● Biennial Health Examination Once ● Health Examination Follow Up ● Entry health check (General physical examination, general items designated by the Council of Labor, intestinal parasites, chest X-ray examination, dengue fever, Han disease check) |
| Tax refund check | <ul style="list-style-type: none"> ● Provide clear information on taxation principles and period of tax refund in advance ● Encourage to keep following tax refund ● Follow up of tax refund check ● Departing before filling out "Receipt Authorization Letter" ● Tracking intermediate rebate cheques ● The announcement of tax-receiving time ● Tax receipts with identification |
| Enhancing physical and mental health activities | <ul style="list-style-type: none"> ● NYR parties ● Annual eco-travel arrangements ● Insight Guides Taiwan travels ● Counseling station held every two weeks |

Talent Attraction & Retention

HTC deeply understands that “The key to maintaining the momentum of innovation in a company lies in its having competent and talented employees”. In addition to encouraging our employees to explore the unknown and commit to bringing innovative designs to daily life, HTC remains committed to providing a multi-cultural, highly challenging and vital working environment. In this way, talented people from both the East and the West can try their best and play to their strengths.

We have a talent-based recruitment policy and engage R&D talent available in the local labor markets wherever we operate. To ensure the knowledge and skills of talents meet HTC’s requirements, we regularly hold talent recruitment activities and seminars held by schools. In 2017, HTC attended six campus talent recruitment expos held in National Taiwan University, National Chiao Tung University, Tsinghua University, and National Cheng Kung University to openly recruit outstanding domestic talents and recruit talents from product design, art design, R&D technology, engineering expertise, business management, international marketing and sales, e-commerce, digital marketing, and relate fields. At the expos, there were job vacancies for graduates seeking a job, general public job seekers, interns, and R&D individuals rendering alternative military service. 1,752 resumes were received at the six expos.

HTC Campus Talent Recruitment Welcomes Cross-domain New Graduates; Recruitment of Talents as well as Innovative Teams

HTC’s campus talent recruitment activities, in addition to recruiting general employees, also welcome innovative teams. At the site, small product shows were also held for graduating students to have the opportunity to experience HTC’s newly released smart mobile phone U Ultra and U Play, as well as the highly acclaimed HTC VIVE that brings in-depth and immersive VR enjoyment. At the site, a number of activities were also provided such as innovative team consulting, VR interactive contest, and the “Fill out a resume for a chance to win a mobile phone” activity.



Engaging Diverse Talent

HTC offer job opportunities for diversified talents. In 2017, HTC hired 130 handicapped people and this exceeded the mandatory minimum number(95 people) by 35. (The number of people involved was weighted.) As a responsible employer, HTC is willing to hire disabled people. In addition to relying on talent-job matching conducted by the supportive or sheltering bodies, we also allocate jobs in consideration of the characteristics of individual handicapped workers. We can also tailor job descriptions and the working environment, to allow the handicapped to have the opportunity to prove their abilities. Through education and training is also provided to allow the handicapped to make a contribution to society and enhance their own quality of life.

| Year | 2015 | 2016 | 2017 |
|-----------------------------|------|------|------|
| Disabled employees (Male) | 78 | 64 | 54 |
| Disabled employees (Female) | 47 | 43 | 42 |

Complete Education and Training Plan

The cultivation of talent is the foundation of a going business concern. HTC, while engaged in the pursuit of growth and profit, is also committed to helping employees grow with the company. The creation of an environment that will help them continue to do this is very important. HTC is guided by business needs as well as personal career development. The company strives to provide employees with enhanced professional skills, in addition to assisting them to seek a good career development direction; HTC has classified talent management and development as an important management indicator. Employees should improve and grow with the company.

Diversified Learning Channel, Providing a Comprehensive Learning Environment

- The design of the internal training courses is centered on the five core occupational functions and the learning effect is substantiated through a series of diversified channels.
- There are physical and online courses for learning skills and drills.
- Experts in various fields are invited from around the world to share industry trends and future technology blueprints in creative thinking forums.
- Learning tools, such as a mobile library and online learning platforms, are provided to encourage employees to study voluntarily.



Comprehensive Education and Training

To develop employee capability to meet global technology challenges and grasp the movement of the industry, we construct a complete education and training system coupled with internal and external training, providing employees with professional and life skills. The design of the internal training courses is centered on the five core occupational functions and the learning effect is substantiated through a series of diversified channels.



Newcomer Training Courses

HTC provides a complete training system for new recruits. Starting from their reporting, we assist newcomers in quickly integrating into HTC’s culture and develop a full range of knowledge and skills through a variety of physical and online courses. On the day of reporting to work, new employees undergo Buddy activities. Newcomers are encouraged to share all kinds of matters taking place at HTC with a senior employee, thereby helping newcomers to quickly blend into the HTC family.



Cultivating Key Leaders

HTC actively promotes company culture in the face of rapid changes in the global industry and new patterns of global enterprise competition and cooperation. HTC quickly adapts to a constantly changing environment and cultivates management talent with an international vision, expecting their excellent managers to become present and future drivers who will continuously lead HTC towards steady growth and development in times of hardship and challenge. In 2017, leadership-training courses were given to 300 people.

In order to enable executives to learn new viewpoints, new ideas, and change their inherent thinking patterns from the best practices of the industry, to have new behaviors or practices in their work or management, we also promote Manager Week activities, and share the management articles with all executives regularly each week with more than 51 articles shared in 2017.

Training and Performance Integration

HTC is expanding and moving steadily forwards. We hope that our employees will grow with the company. This is why we enforce the performance evaluation system and hope that every employee has a very clear career goal that will both improve their own job performance and coincide with company business policy for the achievement of better performance. This mechanism allows employees to become more proficient at their work through their own efforts to create a brighter future for both themselves and the company.

The HTC training and development system is closely linked to performance management. Each employee sets their own performance goal at the start of the year. They can provide updates about progress any time over the following months. However, at mid-year and at the end of the year their performance is evaluated by an immediate superior, in terms of how much of their set goal has been achieved. On the basis of this evaluation, they are required to set a goal for the next year as well as a focus for learning and development.

Learning Management System(LMS)

The HTC Learning Management System(LMS) gives employees a range of learning tools and more flexibility to study according to their needs and without the limitations of time, location, and the associated stress. They can also watch and listen to recordings made by experts or browse the rich collection of books in the library online. It is very easy and convenient to learn professional and occupational skills without unnecessary interruption. In addition, an extra after-course interactive discussion area assists employees in exchanging learning experiences, browsing and reviewing substantive courses and highlights of celebrity lectures, continuously strengthening learning skills, and demonstrating professional performance.



Special Training Courses and Resources

Legal Training

HTC emphasizes legal training and we implement prevention and anti-corruption training and anti-corruption training for middle and senior level executives. Besides, we list new recruits as necessary lectures of legal compliance. To prevent insider trading and ensure security and IP rights etc, we invite legal experts to give special training to company management personnel. In addition, HTC also includes newcomers’ training courses when employees join the company, and enumerates examples in the online course of the Employee Code of Conduct.

Anti-corruption Training Rates for All Levels of the Workforce in 2017

| | General Workforce | Middle Supervisors | Senior Supervisor | Highest Governing Institution |
|----------------|-------------------|--------------------|-------------------|-------------------------------|
| Recipient rate | 9.09% | 5.20% | 10.23% | 75% |

HTC New Employees Legal Training in 2017

| Course Content | Number of Participants | Course Hours |
|--|------------------------|--------------|
| IDL new employee legal training - confidentiality and anti-insider trading | 819 | 36 |
| IDL new employees legal training - intellectual property rights | 819 | 38 |
| IDL new employees legal training - US patent litigation | 819 | 38 |

In order to help our employees grasp new knowledge and expand their perspective, we launched Thinker Forum in 2017 and invited experts and specialists to hold 13 seminars in different fields from around the world to share industry trends, novel technologies and technological blueprints. Also, HTC has held 10 lectures on personal development learning since. Employees will cultivate more smooth and efficient way of working from the practical cases and experiences sharing. After the speech, employees are encouraged to share their experiences on the learning platform (LMS) and social media (Facebook, Line) so that learning resources can be more effective.



Personal Development Seminar-Deng Hui-Wen’s “Learning from Work with Joy”

HTC invited Deng Hui-Wen to share his expertise in psychology, social observations, as well as workplace cases’ workplace pressure and self-realization. 175 people participated in the event, at the end of which experience sharing and social group activities were held to encourage employees to apply what they had learned in work and life.



English Leadership Resource and On-the-job Training Grants

As an international brand, HTC provided “Online English Learning” to encourage staff to learn continuously and spontaneously. In 2017, a weekly English-language business English course is set up to provide themes needed for work so that employees can improve their English proficiency. A total of 38 courses were held and a total of 611 people participated in the learning course in 2017. The choice of sessions, the grade of difficulty and the learning hours and objectives are designed to match the abilities of students at different competence levels. We also offer on-job graduate study grants and a scholarship program to encourage employees to continuously absorb professional knowledge and match their studies to their work for further growth. HTC provides grant up to NT4,000 for the training.

In addition, HTC encourages employees to continue to absorb professional knowledge and to match their study program to their work to ensure growth.

e-Library

HTC helps staff develop good reading habits mainly by the provision of a wide range of reading activities and a rich collection of library resources; employees can enjoy a rich literary atmosphere and reading environment.

Electronic magazine services are also made available for employees so they can view and read the current editions on their computers or mobile phones anytime anywhere. the number of people subscribing to our electronic magazine reached 28,795 in 2017. We continue holding reading workshops for writers to share the new knowledge and life experience they put into their books.

Through organizing “Enjoy Reading,” providing employees with a platform for discussion and enhancing knowledge in various fields. “HTC library book release activities” and Each season’s “Selected Good Book” allows employees to quickly absorb the essence of the book. In conjunction with the lectures held, there were 5 Book Fair held in 2017. Starting monthly in 2016, the e-newsletter “HTC Learning Charging Station” will be launched, integrating all training resources and information so that employees can grasp all kinds of learning information at the first time, explore learning horizons, and plan for self-learning.



Training Results

In order to cultivate HTC employees to quickly respond to fierce challenges from global technology and grasp the industrial pulse, in addition to upgrading the professional technical annual training courses and department professional courses, in conjunction with HTC’s policy, organizational learning planning was conducted, coupled with external training subsidies and other measures.

Between 2015 and 2017, HTC invested nearly NT\$24,848,000 in employee training-related programs. Training hours totaled 606,700 and there were nearly 215,000 attendees, each person receiving 53.91 training hours.

In 2017, HTC male employees received 65,240.12 hours of training and female employees received 89,948.34 hours of training. General staff received 108,867.52 hours of training, supervisors received 46,135.99 hours and management 184.95 hours. The table below lists staff training over the years:

| Year \ Item | Course (Hours) | Number of Participants | Average Training Hours |
|-------------|----------------|------------------------|------------------------|
| 2015 | 258,245 | 62,235 | 20.75 |
| 2016 | 193,313 | 78,627 | 17.69 |
| 2017 | 155,188 | 74,425 | 14.93 |

Note: Total number of training hours of the year/total number of employees of the year = average number of training hours per person of the year.
The average number of training hours per person in 2015-2017 = total training hours in 3 years / average number of employees in 3 years. (11,524)

Male and Female Employees’ Training Hours at All Levels in 2017

| Level \ Sex | Total Training Hour (Male) | Total Training Hour (Female) | Average Training Hour (Male) | Average Training Hour (Female) |
|-------------------|----------------------------|------------------------------|------------------------------|--------------------------------|
| General workforce | 52,325.4 | 56,542.12 | 19.15 | 12.52 |
| Supervisor | 37,473.22 | 8,662.77 | 15.99 | 12.85 |
| Manager | 149.72 | 35.23 | 2.00 | 2.71 |

A Sound Wage and Welfare System

HTC is committed to fulfilling the needs of its employees and provides all kinds of appropriate welfare measures as well as attractive and motivating compensation and benefits programs. We encourage our employees to do their best and share the growing profits of the company.

HTC hires new employees through open selection procedures, with candidates offered positions and appropriate wages based on academic background, professional years and market standards. We promise no discrimination based on ethnicity, skin color, social status, language, religion, political affiliation, country/region of origin, gender, sexual orientation, marital status, appearance, disability, professional association membership or other similar considerations not relevant to job performance.

What’s more, the performance evaluation system is implemented yearly. Wage will be adjusted and bonuses will be given based on employees’ performance, work commitment, accountability, level of dedication and development in the future. In this way, employees’ wage and development will be assured. Performance evaluation system can be integrated into corporate finance to encourage employee’s persistent devotion and innovation.

HTC Salary Ratio for Men and Women in Taiwan

| General Staff Salary Ratio (IDL) | | General Staff Salary Ratio (DL) | | Mid-Level Management Salary Ratio | | High- Level Management Salary Ratio | | New Recruits Basic Pay and Taiwan Minimum Wage Rate | | |
|----------------------------------|--------|---------------------------------|--------|-----------------------------------|--------|-------------------------------------|--------|---|----------------|--------------|
| Male | Female | Male | Female | Male | Female | Male | Female | Type | Basic Pay (DL) | Minimum Wage |
| 105 | 100 | 98 | 100 | 112 | 100 | 100 | 100 | 1 | 103 | 100 |
| | | | | | | | | 2 | 119 | 100 |

Note: 1. Equation = (Average monthly pay for male / Average monthly pay for female) * 100%
2. Type 1—five-day workweek scheme. ; Type 2—monthly rotating shift scheme.
3. Middle-rank male supervisors are mostly male R&D personnel, while female employees are mostly engaged in administrative work, thus the varied basic salary ratio.

HTC Average Compensation Ratio for Men and Women in Taiwan

| General Staff Average Compensation Ratio (IDL) | | General Staff Average Compensation Ratio (DL) | | Mid- Level Management Average Compensation Ratio | | High- Level Management Average Compensation Ratio | |
|--|--------|---|--------|--|--------|---|--------|
| Male | Female | Male | Female | Male | Female | Male | Female |
| 105 | 100 | 98 | 100 | 115 | 100 | 124 | 100 |

Note: 1. Equation = (Average monthly pay for male / Average monthly pay for female) * 100%
2. Type 1—five-day workweek scheme. ; Type 2—monthly rotating shift scheme.
3. Middle-rank male supervisors are mostly male R&D personnel, while female employees are mostly engaged in administrative work, thus the varied basic salary ratio.



Employee Salary and Benefit Increase rate

| Item description | 2014 | 2015 | 2016 | 2017 | Comparison of 2016 to 2017 |
|--|----------------|----------------|---------------|---------------|----------------------------|
| Total employee salary and benefits expenses (NT\$) | 11,126,516,000 | 10,133,909,000 | 8,704,953,000 | 8,703,019,000 | 99.98% |

Note: Total employee salary and benefits (proprietary financial statements)

In addition to rewards on remuneration, HTC also plans to implement incentives and retention bonuses for employees based on the concept of profit sharing and talent retention. We’ve designed a bonus system for patents, and competitions for quality improvement issues, with competition bonus programs offered.

HTC has an official and lawful retirement and pension plan that was established when the company was incorporated. An amount equivalent to 2% of the monthly salary has been appropriated in the retirement reserve since November 1999. An amount equivalent to 8% of the monthly salary has also been appropriated as a retirement reserve by the Labor Pension Committee since 2004. After implementation of the new pension plan on July 1, 2005, in addition to the legal reserve for those employees who selected the new pension contribution system, those employees with the old seniority system, after presenting the actuarial results to the competent authorities for approval, have their appropriation rate adjusted from 8% to 2%.

Diverse Employee Welfare

We provide all employees a wide range of employee welfare and benefits programs, including Labor and National Health Insurance, department’s dinner (event) subsidy, and company club activities, free on-site gym and fitness training courses, massage and bookstore gift coupons, etc. Our full-time employees receive other benefits including a pension fund, commercial group insurance, meal allowances, annual travel subsidy, physical exams, monetary assistance on the Dragon Boat, Mid-Autumn, and Chinese New Year holidays, and for personal events, like wedding and dependents’ funerals.

The HTC’s Welfare Committee is responsible for all employee benefits matters, including education scholarships for children, festival gifts, department travel subsidies, activity subsidies, and group insurance. The committee is also responsible for the gymnasium and outdoor playgrounds.

Employee Recognition Program

In addition to bonuses, the company also focuses on talent retention. We recognize outstanding employees with an Employee Recognition Program initiated by funds set aside quarterly for individual units. This allows them to publicly recognize outstanding employees and teams each year and bring them to headquarters from around the world in recognition of their contribution and for the presentation of incentive bonuses. In addition, trophies are presented in recognition of service to employees who been with the company for five, ten and fifteen years. HTC also has an internal replacement system to provide the necessary assistance to staff needing to be transferred, or to those making application for transfer, or who are seeking job enrichment or a change of career.



Group Insurance

HTC and the Welfare Committee buy group insurance for employees with a maximum coverage of 60 times the monthly salary, so that an employee who is hospitalized for sickness, injury, or who dies, can still provide some security and protection for their families.

Activity Clubs

The available clubs are Badminton, Puzzle Board Games, Orphanage, Hawaiian Guitar, Yuan-Men Tai-Chi, Creative Volunteer, Basketball, Table Tennis, Cycling, Music, Photography, Tai-Chi, Ukulele, HTC Run, and Wine Tasting.

Education Scholarships for Children

The HTC Employee Welfare Committee provides scholarships for the children of employees from elementary school to college: NT\$800 for elementary school students, NT\$1,600 for junior high school students, NT\$2,000 for high school and vocational education students, including first, second and third year college students; and NT\$3,000 for college students in their fourth and fifth year.

Staff Emergency Relief

Employees who become victims of an occupational accident that causes death, disability, injury, or an illness are entitled to receive compensation from HTC in accordance with the Compensation Act. In cases where compensation has already been received by the company in accordance with the Labor Insurance Act or other laws and regulations, this can be offset by the company. The company and the Employee Welfare Committee also offer group insurance coverage.

2017 Year-end Party

The 2017 year-end Party was held at the National Taiwan University Stadium, with “The Pursuit of Brilliance” as the event theme and love, solidarity, and conviction as the elements of the entire program. In 2017, HTC celebrated its 20th anniversary. At the evening event, in addition to awarding 58 senior employees in service for 15 years, 17 senior employees in service for more than 20 years were also invited to accept their award on stage. The Chairman gave these employees a hug as a token of appreciation. For the program opening part, Japanese Troupe “Enra” was invited to lead the audience through HTC’s smartphone and VIVE’s establishment through creative 3D projection technology and dances, opening the door to the future at the evening party. The midfield video series led by Grace Pump Crew and performer group performances conveyed the program theme “Love and Future”, creating a lively and warm atmosphere.



Free Dormitory for Students

HTC has given in-depth consideration to accommodation space and other needs of students. Living and entertainment facilities, such as a gym, library, reading and common rooms, as well as the provision of full-time administrators and guards who form a joint force with the police and citizens to ensure the safety and security of the residents.



Multiple Communications Channels

Employee complaints system that has a complaint hotline, suggestion and complaint boxes, a complainant e-mail service, and a sexual harassment complaint mailbox. Labor meetings and employee opinion surveys are held regularly for reference by supervisors in such matters as leadership, internal operations, enhancing employee satisfaction, and work input improvement.



Transportation Vehicles

HTC offers employees many different means of transportation on several different routes for commuting to and from work. The vehicles provided ensure safety and peace of mind as well as being very convenient.



The Meal Subsidy Program

Meal subsidies of NT\$55 for lunch, NT\$75 for dinner, and NT\$100 during holidays are offered to indirect labor. Meal subsidies of NT\$50 for lunch and dinner are available for direct labor working during regular office hours. HTC also offers afternoon tea from 3 pm to 5 pm.



Travel Subsidy

Travel subsidies are provided based on seniority, details are shown below:

| Employee tenure (base date:2016/12/31) | Unit | 2017 The HTC Employee Welfare Committee | 2017 HTC | 2017 Total |
|--|------|---|-------------|---------------|
| Over 5-year tenure (Before 2011/12/31) | NT\$ | 2,000 | 4,100 | 6,100 |
| Over 3-year tenure but less than 5-year tenure (2012/1/1-2013/12/31) | NT\$ | 2,000 | 1,800 | 3,800 |
| More than 1- year tenure but less than 3-year tenure (2014/1/1-2015/12/31) | NT\$ | 2,000 | 900 | 2,900 |
| Less than 1-year tenure (later than 2016/1/1) | NT\$ | 2,000 | 0 | 2,000 |

Creating a Happy Workplace

A Working Environment Incorporating Brand Spirit

HTC regards the creativity that stems from brainstorming as one of our most valuable assets. To promote interpersonal communication, the R&D headquarters in Taipei is configured with many staff areas that allow our people to interact and talk, this includes interlacing sky bridges between the buildings that link departments together and interaction rooms that project from the floors like transparent boxes. We hope that these interaction-oriented spaces will encourage and promote cross-department synergism and cooperation, supporting the free extension of creativity.

HTC believes sharing is the best kind of interaction. To this end we will share the lobby on the first floor of the R&D Building with the community, This HTC Gallery will help young local artists show their creativity and work, promoting social and community interaction. In addition, the HTC Gallery will cooperate with different institutions and artists to regularly showcase new cultural and artistic works. It will be open to the community schools, groups, and the public. Let us all get closer to the arts. All the people who work in this building can also appreciate being in an “art gallery” that will inspire creativity and help HTC launch better and more amazing products.

HTC Gallery & Sense Arena

In addition to holding cloth painting exhibitions, photography exhibitions, and oil painting exhibitions of creations by Ling Yu-Ying, Lu Chia-Ying, and other artist at gallery in 2017. The HTC employees also exhibited Father’s Day painting creations and photography works.

The “Taipei Symphony Orchestra-Your Favorite Music Theatre” held at Sense Arena, the “Life Blind Jazz Band-Jazz Papa’s Concert” held on Father’s Day, and other activities brought arts and culture into employees’ daily lives.

Valuing Female Employees

HTC regards the female workforce as very important. In view of the increasingly large number and influence of working women, we have continued to improve our software and hardware, in the hope that a diverse culture based on gender equity will help HTC become more competitive. The physical and mental caring mechanisms we provide for our female employees include:

- A female cancer-screening program is part of the annual health check. This includes the choice of a Pap smear, a breast ultrasound exam, or a mammogram.
- Consideration for the physiological needs of female workers, providing a comfortable environment for rest, the loan of free hot pads, menstrual pain assessment, health knowledge and education, physician consultation or referrals and so on.
- A friendly environment for breastfeeding. We provide a warm and comfortable nursing environment, ultraviolet milk bottle disinfection devices, microcomputer thermos, comfortable sofa, refrigerator for breast milk storage, and infant breast-feeding-related publications and light music. HTC has 17 Breastfeeding room in Taiwan that was visited 60,738 times in 2017.



Work-life Balance Support

In addition, in order to encourage and support employees to raise the next generation with confidence, HTC has a perfect application system for parental leave to protect employees’ work rights so that parents can take care of their newborns with ease.

Employees Applying for Family Care Leave

| Year | 2014 | 2015 | 2016 | 2017 |
|--------|------|------|------|------|
| Male | 98 | 91 | 56 | 66 |
| Female | 132 | 151 | 144 | 143 |
| Total | 230 | 242 | 200 | 209 |



Family Fun Day

HTC not only attachés importance to employees, but also takes care of family relations. Every year, Family Day activities are held, and all employees and their family members are invited to attend. Through the Family Day, the families and HTC are brought closer together. We would like to take this opportunity to thank the employees and their families for their commitment and support, which contribute to the employees’ corporate cohesion.

HTC’s 2017 Family Day was themed “Happy Family Fun”. In addition to preparing fun and entertaining theme park activities for the employees and their families, the H building was designed into the VIVE experience area, allowing families and children to enter different scenes and rich game themes. Many non-profit organizations, such as Chinese Rock Leadership Association, Chinese Christian Relief Association, Man Fair Sheltered Workshop, Genesis Social Welfare Foundation, and so on, were also invited for employees and their family to show more support to disadvantaged groups through actual participation or donations and take the initiative to show concern with disadvantaged groups while participating in Family Day activities. The rich cuisines, children contests and games, and cultural art creation attracted 4,646 employees and 4,659 family members to take part.

At the same time, the staff clinic held the “Baby Sports Day”, featuring baby crawling and baby rolling ball contests. 35 baby players joined the competitions, and the families had a good time together and cheering and laughing at the scene. The Taoyuan Fitness Center also held sports safety screening, cardiovascular exercise, aerobics classrooms-parent-child jumping, massage drums, flywheel classrooms, abdominal muscle training experience, interactive boxing, and self-paid TANITA test activities. Through raffle draws every hour, the atmosphere of the scene was successfully lit up. 201 people participated in the day.

In addition, the headquarters building’s environmental protection and energy conservation results are displayed at the Green Energy Hall every year. By interactive means, the employees can personally experience HTC’s environmental protection practices. The company interior’s implementation protection concepts are quite diverse and continue to be promoted. The many events left wonderful memories of the 2017 Family Fun Day.

Employees Applying for Unpaid Parental Leave and Resuming Duty After Leave in 2017

| | Male | % | Female | % | Total |
|---|------|----|--------|----|-------|
| The number of qualified for UPL for raising children in 2017 | 717 | 61 | 457 | 39 | 1,174 |
| The number of person actual applied UPL in 2017 | 27 | 19 | 115 | 81 | 142 |
| The number of reinstatement-to-be in 2017 | 35 | 23 | 117 | 77 | 152 |
| The number of application for reinstatement in 2017 | 20 | 17 | 98 | 83 | 118 |
| Reinstatement rate | | | | | 78% |
| The number of application for reinstatement in 2016 | 35 | 28 | 88 | 72 | 123 |
| The number of retention over 1 year after reinstatement in 2016 | 23 | 25 | 69 | 75 | 92 |
| Retention rate | | | | | 75% |

Note: 1. The “number of qualified for UPL for raising children in 2017” was based on the number of employees who had taken maternity or paternity leave within 3 years (2015-2017).
2. The “number of reinstatement-to-be in 2017” includes applied in 2015 and should reinstate in 2017, applied in 2016 and should reinstate in 2017, applied in 2017 and should reinstate in 2017.
3. The “number of application for reinstatement in 2017” includes applied in 2015 and reinstated in 2017, applied in 2016 and reinstated in 2017 and applied in 2017 and reinstated in 2017.
4. The “Reinstatement Rate in 2017” = Number of employees reinstated in 2017 / Number of employees that should have been reinstated in 2017
5. The “Retention Rate in 2017” = Number of employees who had worked one year consecutively after being reinstated in 2016 / Number of employees reinstated in 2016
6. The “number of application for reinstatement in 2016” includes applied in 2014 and should reinstate in 2016, applied in 2015 and should reinstate in 2016 and applied in 2016 and should reinstate in 2016.

A Five Star Gym

In order to encourage and promote the sports atmosphere and allow employees to develop good exercise habits, HTC has set up a fully equipped professional fitness space in office buildings. Various modern fitness equipment and coaches are available on schedule to provide guidance and advice.

HTC has commissioned professional fitness management consulting firms and professional suppliers to manage the gym and to provide full-time services. These include onsite fitness instruction, fitness curriculum planning, and advice about the prevention of sports injuries. Six coaches with an emergency card or sports injury protection license were on shifts at the site. This provides employees with the best health consulting services and the environment. Employees get help for the establishment of positive sports safety and healthcare. Courses are planned and arranged on various health topics and activities and employees can participate according to their preferences. In addition, the employee service Application system is intimately developed for the employees to click on the phone to register, save the time of waiting in line.

In addition, HTC plans two-month aerobic courses throughout the year to provide a diverse curriculum for employees. There are yoga, boxing, cardio and other stress relief courses available. Another spectacular sports facility is to be found on the 17th floor. It is a large hall, practically a stadium, with a 10-meter-high ceiling that can be used for basketball, tennis or badminton. The gym also commenced additional sports massage classes sold at NT\$600-\$800/30 minutes were available to employees at NT\$400. Through professional sarcolemma stretch, the employees enjoyed a more comfortable exercise experience.

Use of the Gym

| Location | Number of Users in 2017 |
|----------|-------------------------|
| Taoyuan | 37,297 |
| Xindian | 52,543 |

Participation in Aerobic Classes

| Location | Number of Users in 2017 |
|----------|-------------------------|
| Taoyuan | 2,588 |
| Xindian | 8,562 |

Occupational Health and Safety

All our facility management systems comply with the OHSAS 18001 standard for Occupational Health and Safety Management. Every new employee is given complete safety and health education training upon entry. We have also published the “ESH Management Manual” and “Safety and Health Rules” which have also been posted on our Intranet website for employees to consult at any time.

Occupational Safety and Health Committee

The Occupational Safety and Health Committee has 21 members. Among them, there are 7 labor representatives, which accounted for 1/3 of the total number, 1 healthcare professional, 1 labor safety related engineer technician and 9 department managers, supervisors and directors. We work out an occupational safety and health plan each year according to the relevant problems that need to be addressed. The focus is on asking all the people involved to follow occupational safety and health rules; to identify hazards to lower risks; to set up rules for the labeling of dangerous chemicals and a general understanding of them; the promotion of occupational safety and health information; and the establishment of a system to manage contractors. All these measures are aimed at reducing risks.

We have emergency response plans that will be implemented in the event of an emergency caused by human error or natural disasters, such as fire, explosion, typhoon, an accidental leak, mechanical injury, infectious disease, or an earthquake. As identification of the nature of the emergency, taking the necessary measures and examination of standard operating procedures. We hold fire all measures impact on the health and safety Of the workers and also try to least damage or company property.

Professional Security Service Team

At HTC, the mission of security guards is not only to maintain security, but also to uphold a service-oriented work attitude. With regard to the handling of and responses to all matters, they need to maintain HTC’s assets and equipment as if they were family property, while all employees and visiting VIPs and manufacturers should be seen as relatives and friends in order to demonstrate that it is a trustworthy and professional security service team.

The salary of security guards must not be deducted for any cause other than their due labor insurance and National Health Insurance (family members included). For labor insurance and National Health Insurance, employees should be insured according to the salary level. In addition, according to the provisions of Article 8-2 Security Service Contract, pre-employment education training, three-day symposiums (36 hours), and Party A hazard notification course must be completed before being allowed to be stationed. The course content includes security guard duty principles and special response methods, such as the pregnant women screening procedure requiring pregnant women’s label to be checked while refraining from contacting or holding a security bar during the inspection.

Food Safety - Hearty and Healthy Meals at HTC

To ensure our employees have “healthy and satisfying food,” we have engaged experienced licensed chefs from five-star hotels and dieticians to design and produce healthy, nutritional, and delicious meals using local ingredients from reputable and certified local food suppliers. The meals are nutritionally balanced and the number of calories is controlled, giving HTC employees the opportunity to enjoy high quality and healthy food. HTC cafeterias are operated by the company and the ingredients and cooking oil used are purchased by the company and not outsourced. To safeguard the food safety and health of employees, we avoid all questionable ingredients and insist that all purchases have CAS, TQF, ISO and HACCP food certification. Branded food commodities are given top priority and we always support the local agricultural producers.

Food Safeguards



Checklists are used to control environmental disinfection, the dress code, waste food control, refrigeration storage temperatures, and the use of energy. Strict audits and checks are carried out and all activities are strictly managed from the sorting of ingredients, to their cutting, cleaning, storage and processing.



In addition, a light food cooking counter conveys the concept of healthy eating. The importance of not over-cooking or frying food too long is stressed. Meals low in sugar, salt and seasoning are advocated and even texting to have a food order prepared for collection is possible, all these are matters that have been given careful attention. The dining environment is well styled with full view curtain walls, designer furniture, green plants, and artistic decoration.

At the same time, the Taipei headquarters building employees’ canteen not only commences “dish tasting” every month, in consideration to foreign employees’ hometown food, Taoyuan plant’s restaurant also prepares cuisine that suits the tastes of foreign employees and irregularly holds “dish tasting” for four consecutive months, serving four Filipino dishes, four Vietnamese dishes every time. After the dish tasting, a questionnaire survey is conducted to collect employees’ comments. Then, based on survey results, the taste of food is slightly adjusted to increase meal satisfaction. At present, the H Building B1 food court serves exotic cuisine every Tuesday and Friday during breakfast, lunch, dinner, and midnight snack hours.

HTC has taken the initiative to study the feasibility of producing health tea drinks for employees so that they can now enjoy a cup of healthy fresh tea. For employees’ convenience, vending machines are also placed for dairy products, snacks, and other beverages to meet various needs at different times. HTC also works with professional restaurants, meaningful and seasonal activities will be launched on holidays to celebrate and enjoy the atmosphere of holidays with our co-workers.

More choices - “Café Bar” “Bakery ” & “Tea drinks”

The HTC cafe and juice bar uses only the freshest high-quality natural ingredients. HTC has strict safeguards for all food served and provides employees with healthy meals without any additions in accordance with the concept of healthy nutrition and “cooking for families.”

The 1F Coffee Lounge and Juice Bar insist on selecting fresh and high-quality natural ingredients. This year, teas were added at Taipei headquarters building 1F. The main constituents of the teas are catechins, anthocyanins, minerals, amino acids, and vitamin E, B, C, K. Catechins, in addition to being an antioxidant, also reduces free radicals, strengthens fat utilization, and promotes metabolism. Adhering to the concept of health and nutrition, raw materials are carefully selected to provide employees with the enjoyment of hygienic and tasteful foods. Soybean milk is made with non-GM soybeans for safety. Soybean milk is made with non-GM soybeans for safety. Bread is made from natural non-toxic ingredients, and tea culture is taught.

In addition, as a response to caring for the earth, kitchen utensils and all the cups used at meetings are reusable. The counter drinks are offered at a discount to discourage the use of disposable drinking cups.



Drinking Water Quality Control

The drinking water quality directly affects the health of employees and drinking water management is closely related to water quality. Therefore, it is an indispensable part of daily life. HTC has set up a comprehensive water fountain inspection plan to ensure the standard of purity of drinking water. Regular maintenance, water sample testing, and records disclosure are done according to the Drinking Water Management Act. The maintenance and care of the drinking fountains are carried out by a professional company and testing of water purity is carried out by an environmental testing agency that is authorized by the EPA to take regular samples and perform the tests every 3 months. The results of the water quality tests are published and the records are also posted in a prominent position close to the drinking fountains. The total bacteria count of drinking water and E. coli colonies have passed the test in 2017.

Smoke-Free Workplace

HTC positively advocates the government policy of a smoke-free workplace. In compliance with the Tobacco Control Act, smoking inside company premises is prohibited. There are outdoor smoking areas. Quit Smoking Clinic has been started at the Employee’s Clinic since May 2016 to conduct quit smoking treatment through professional physicians, pharmacists, quit smoking health teachers, to allow the participating 65 employees to quit smoking successfully.

Environmental Sanitation Agents

To ensure the quality of life and comfort of our employees as well as that of nearby residents, HTC takes measures against dengue fever and carries out pest and rodent control on a quarterly basis. Standing water pools near the plant are sprayed to reduce mosquito population density.

Environmental Expenditures

| Year | 2014 | 2015 | 2016 | 2017 |
|------------------------|---------|--------|--------|---------|
| Environmental expenses | 131,550 | 80,743 | 68,737 | 103,913 |

Environmental Maintenance Expenditures in 2017

| Item | Taipei Headquarters | Taoyuan Plant |
|--------------------------|---------------------|---------------|
| Plant cleaning | 19,396,155 | 22,606,733 |
| Restaurant cleaning | | 10,674,878 |
| Pest disinfection | 21,943 | 102,967 |
| Rodent control | 38,325 | 33,249 |
| Sofa cleaning | 24,340 | - |
| Elevator ladder cleaning | 219,400 | - |
| Water tower cleaning | - | 218,642 |
| Exterior wall cleaning | 388,000 | - |
| Gardening | 20,057,503 | 1,461,200 |
| Cleaning supplies | 1,695,520 | 6,805,698 |
| Total | 41,841,186 | 41,903,367 |
| Total Expenditure | 83,744,553 | |



Valuing Employee Health

HTC regards employees as the most critical element for its success and sustainable development. For this reason, we strive to create a working environment that is safe, comfortable and which inspires creativity. We always care for employee working needs and try our best to satisfy them. In HTC, we know that only when all our employees maintain their professional strength and engage themselves fully in the development of the company will HTC succeed as a corporation and enjoy sustainable development.

HTC pay particular attention to four areas: “health management,” “health enhancement,” “vocational health,” and “employee assistance program(EAP).” to ensure the effective use of support resources and safeguard the health of our employees.

Health Enhancement Schemes for HTC Employees

| Area | Actions |
|---------------------|---|
| Health Management | <ul style="list-style-type: none">● Health center for managing and planning affairs related to employee health.● General and outpatient rehabilitation services.● Health exam and management for staffs.● Management/tracking for abnormal HE results, special care and case follow-up management.● Health information webpage. |
| Health Enhancement | <ul style="list-style-type: none">● Comfortable breastfeeding rooms, smoking cessation promotion, weight-loss classes, topic seminars, blood donation activity.● Influenza vaccination, cancer screening, infectious disease control and treatment.● The “health ladder”(picture/music), aerobics.● The Family Day.● CPR & AED course design. |
| Vocational Health | <ul style="list-style-type: none">● Establishment and maintenance of HE database for special-Operation staff.● First-aid training, prevention and treatment of occupational injuries and illness, workers return to work management. |
| Employee Assistance | <ul style="list-style-type: none">● Mental consultations, special counseling.● EAP promotion activities and leaflets for new employees, EAP advocacy monthly newsletter. |

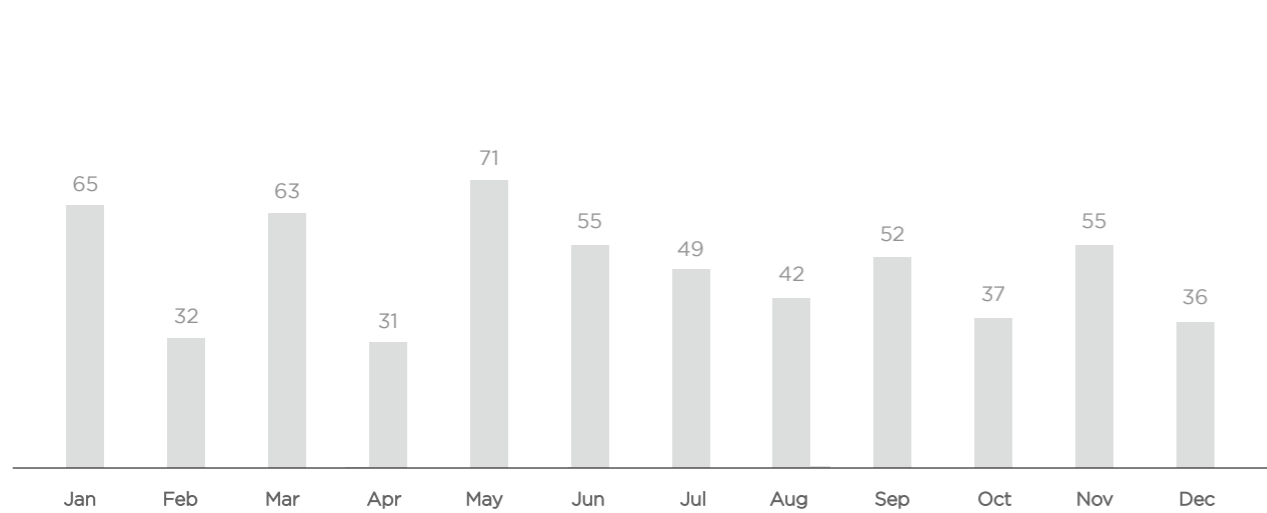
Health Management

HTC has established an “Employee Clinics.” Professional medical counseling is available for staff and there are resident doctors in the clinic. There is also excellent physical therapy and health management service. Health check services for employees cover the divisions of general medicine, family medicine, rehabilitation medicine, physiotherapy, and radiographic screening. HTC employees are not required to pay a registration fee at the employee clinic. The dependents of employees and suppliers (stationed at HTC to provide service) can be treated at the employee clinic and enjoy the same benefits and services as HTC employees. At the end of 2015, the Taoyuan plant’s full-time medical specialist reported to work. Through his long stay in the Taoyuan plant area, he fully understood the operating conditions of the plant area and became familiar with the employees’ issues, which provided extra protection of the plant staff’s occupational safety and health. The health center at Taipei headquarters building provides doctor health services every Thursday and every other Friday, including occupational medicine and family medicine divisions. There are also physicians specialized in baby-friendliness, health policy and management, labor health service and health checkup and promotion. Approximately 7,588 people attended the clinic in 2017. Besides, 588 people attended Taoyuan Health Center and 6,256 people attended Xindian Health Center. With a one-time entry fee of NT50, the total amount of deducted registration fees for the year 2017 was NT139,050, which was equivalent to 2,781 persons, and the total deducted copayment was NT223,800, which is equivalent to 4,476 persons.

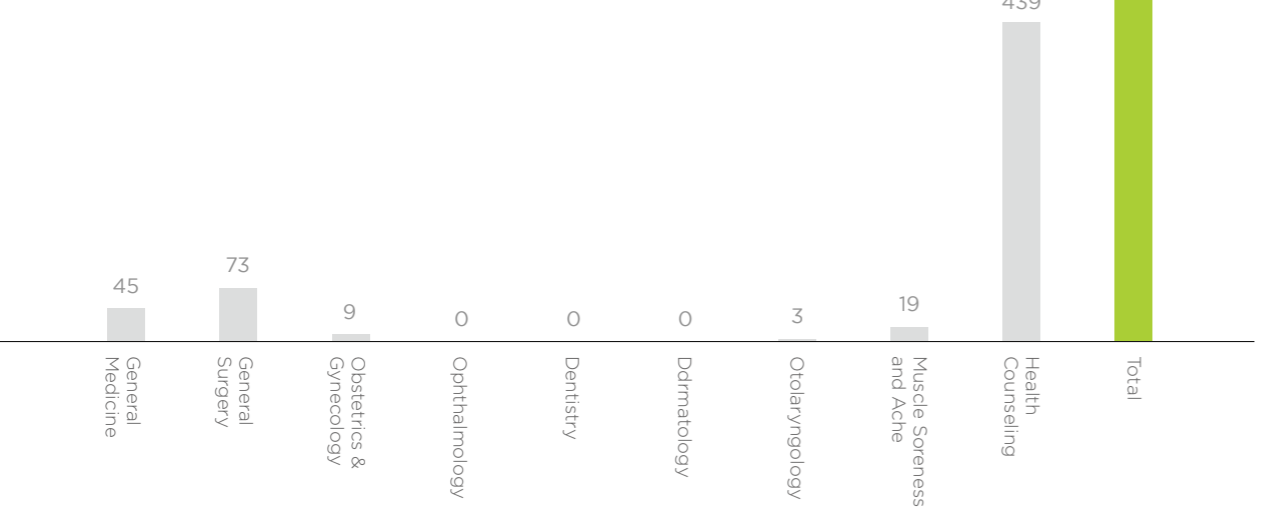
The Number of People Treated in 2017

| Category | | Persons |
|--|---------------|---------|
| Outpatient service | General staff | 2,774 |
| | Dependents | 6 |
| | Suppliers | 10 |
| Consulting | | 2,193 |
| Trauma treatment | | 248 |
| Occupational hazards and job placement | | 106 |
| Physiotherapy | | 2,251 |
| Total | | 7,588 |

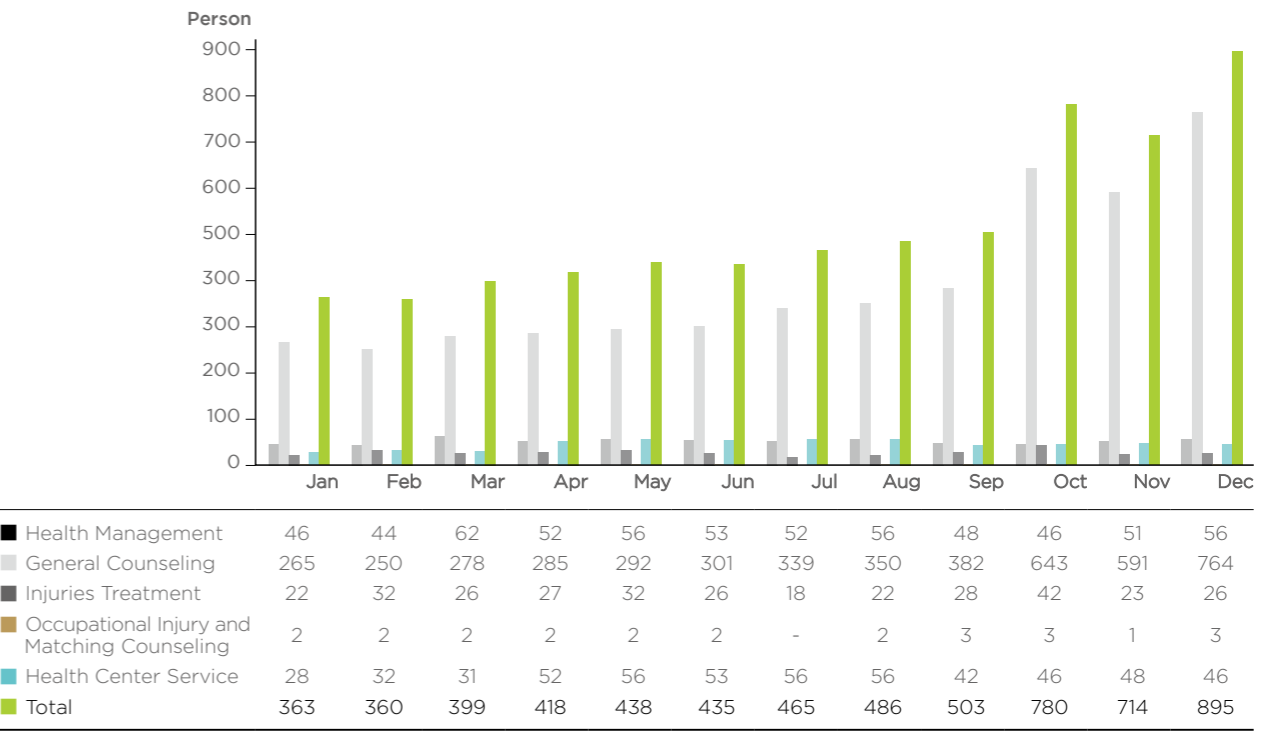
The Monthly Number of People Serviced in Taoyuan Health Center



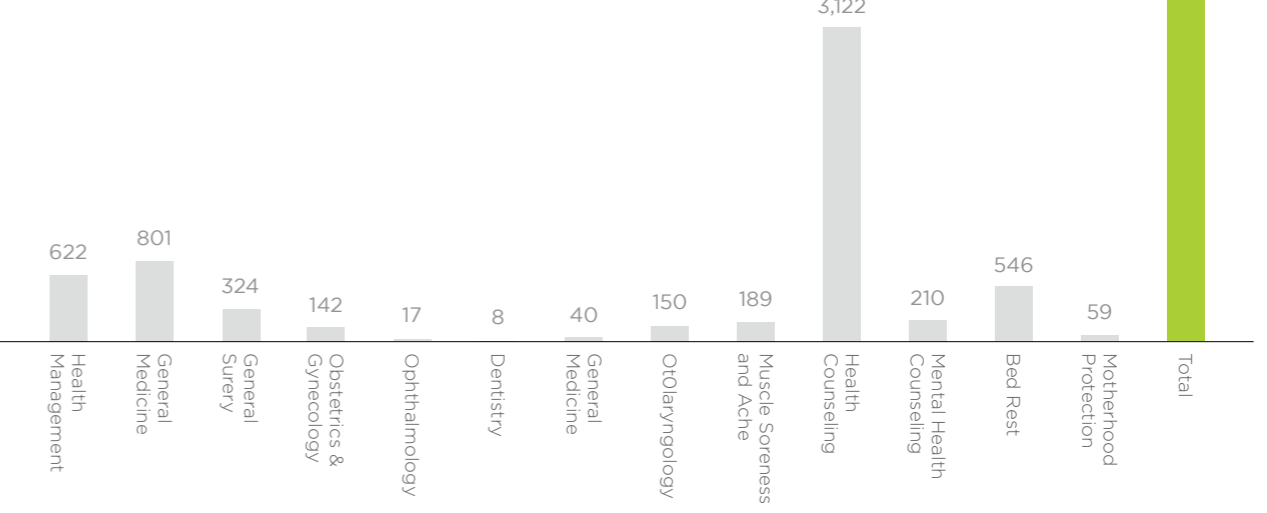
The Number of People Serviced in Taoyuan Health Center by Category



The Monthly Number of People Serviced in Xindian Health Center



The Number of People Serviced in Xindian Health Center in 2017 by Category



Annual Health Check Subsidies

HTC provides health check subsidies to its employees in Taiwan according to job title and grade. The dependents of the employees also have access to health checks at any of the HTC contracted medical institutions.

In 2017, HTC spent NT\$8,305,417 on subsidized health checks for indirect employees. There were 1,732 benefited employees. Among them, 95.95% of indirect employees completed health checks and 2,713 direct employees had received the health check services.

According to the results of the health check, health management and a health education and counseling service were arranged and employees needing further attention met with a physician so that more comprehensive health care and treatment could be arranged. We track the health of these employees on a regular basis according to the severity of their condition, and provide them to receive more comprehensive health care. As a result, no harm caused by overwork occurred in 2017.

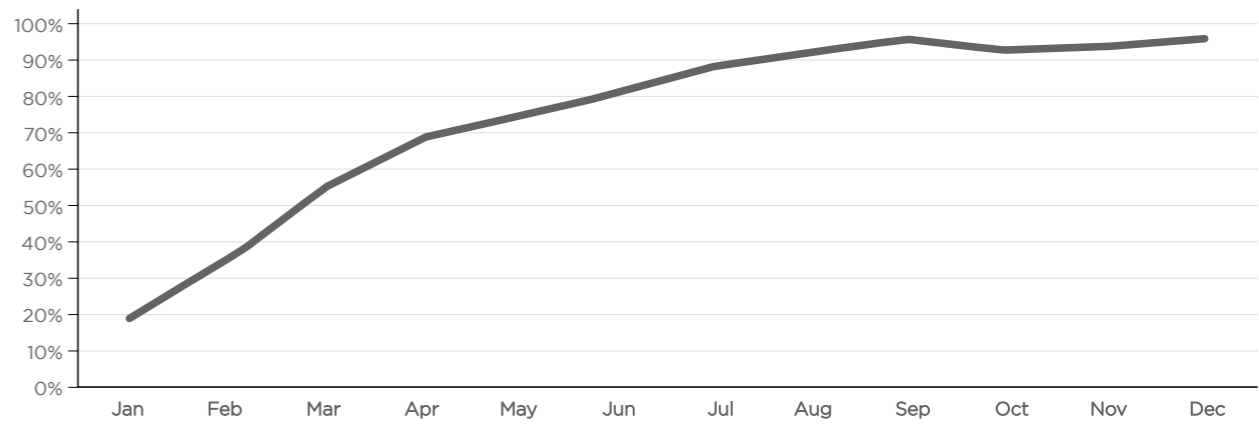
HTC Health Check Regulations

| | |
|-----------------|--|
| Frequency | DL: biannual |
| | IDL: with one-year seniority and once every two years |
| Regulations | Article 20 and 46 of the “Occupational Safety and Health Act” (OSHA) and Articles 13-15 of the “Labor Health Protection Regulations” |
| Way | DL: Implemented by employee clinic |
| | IDL: Staff can have a health check in numerous hospitals cooperated with HTC |
| Last Check Date | DL: Arranged by departments since July 2015 |
| | IDL: In progress |

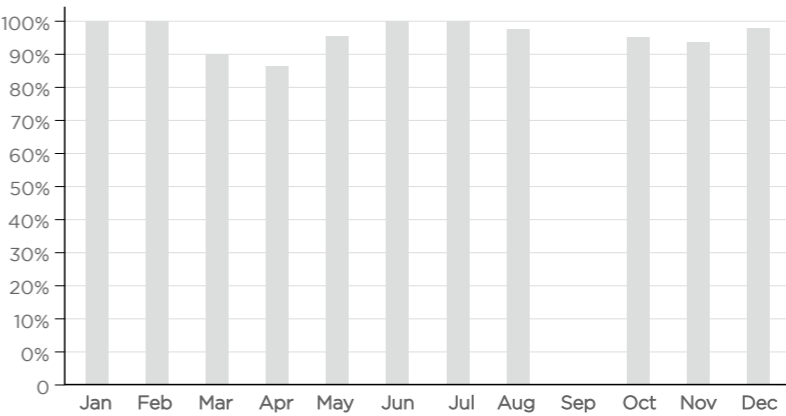
Health Check Follow-Up and Statistics in 2017

| | |
|--|-------|
| The number of new recruits with physical abnormalities follow-up | 486 |
| The number of employees with physical abnormalities follow-up | 2,246 |

The Accumulated Health Check Completion Rate of IDL Employees in 2017



Physical Examination Abnormal Education Rate



Note: In September 2017, there was no case to be tracked, thus the unavailability of completion rate data.

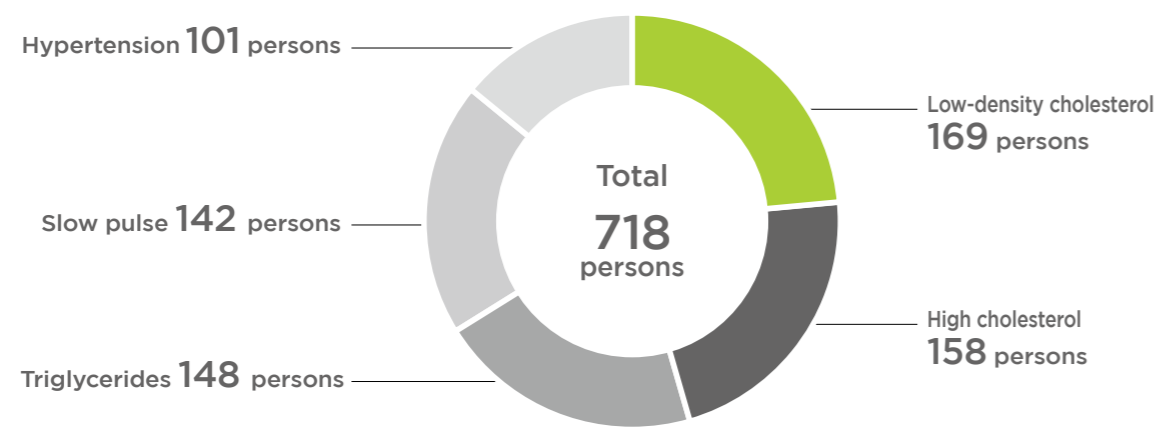
Uncompleted Annual Health Check Tracking Mechanism

On the 11th of every month, employees are notified via email regarding the time of health inspection. Supervisors of the first order will be added to the copy of the letter in 3 months, and the supervisors are requested to assist in supervision. According to the results of the health checkup, management at different levels will be carried out. Employees reaching a certain degree of severity are given health advice and health education.

2017 Indirect Employees Abnormal Items and Number of Persons

895 persons had abnormal health examination results. The top five abnormal items are low-density cholesterol (169 persons), High cholesterol (158 persons), triglycerides (148 persons), slow pulse (142 persons), and hypertension (101 persons).

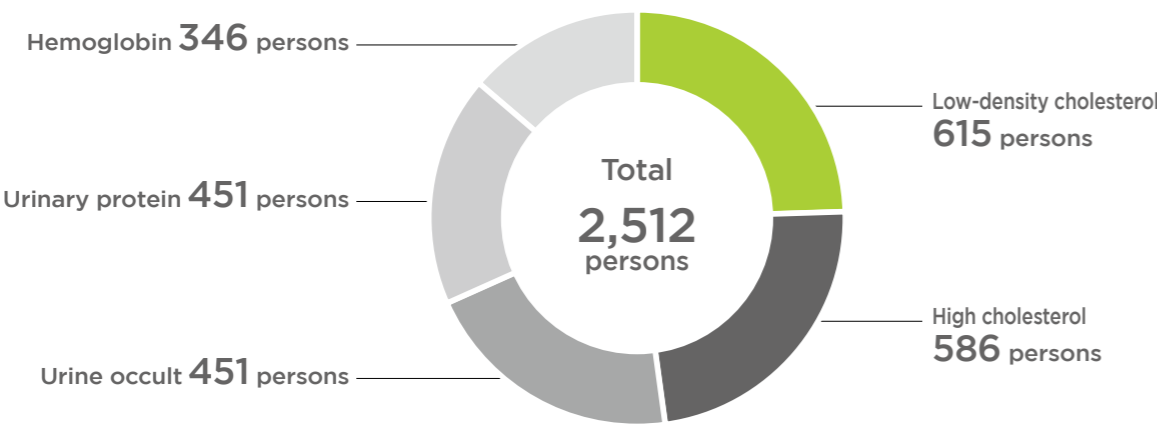
2017 Abnormal Items and Number of Persons for IDL Employees



2017 Direct Employees Abnormal Items and Number of Persons

As for the direct employee’s annual abnormal health check items and the number of persons, 1,448 had abnormal health examination results. The top five abnormal items are: low-density cholesterol (615 persons), total cholesterol (586 persons), urine occult (514 persons), urinary protein (451 persons), and hemoglobin (346 persons).

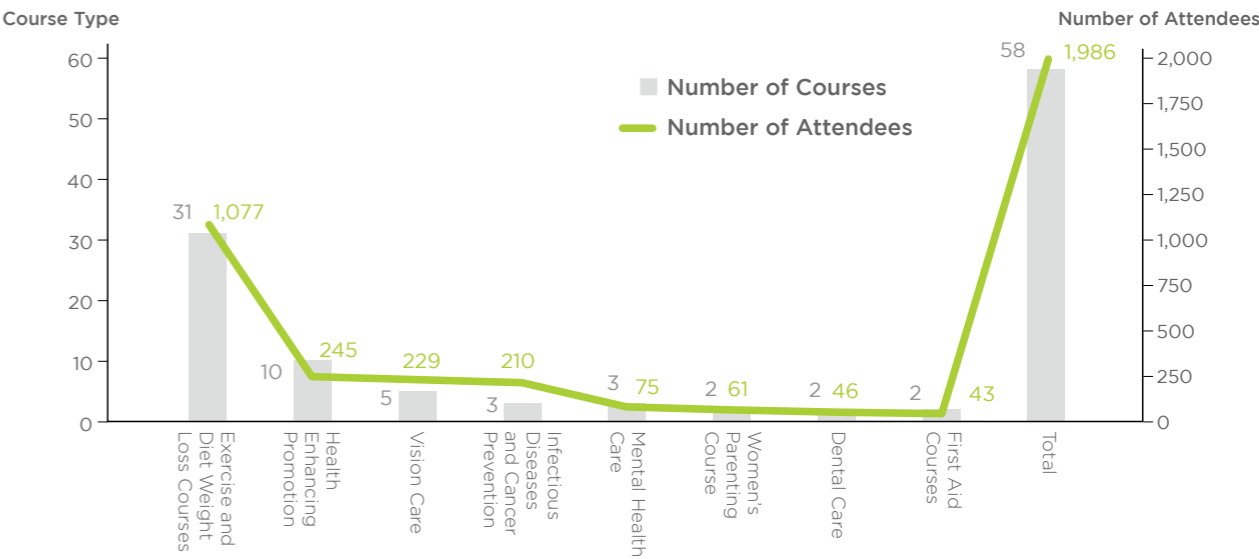
2017 Abnormal Items and Number of Persons for DL Employees



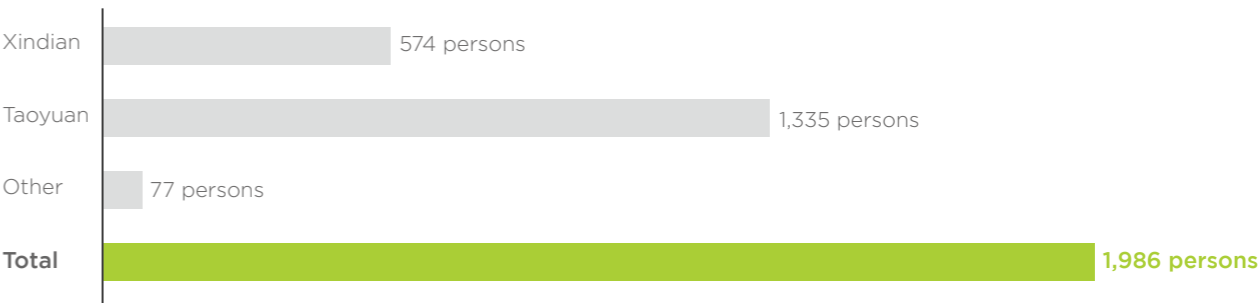
Health Promotion Programs

It is a well-known fact that the pressure of a technology industry tends to cause employees to neglect the importance of their health. For this reason, in addition to providing employees with an additional comprehensive health care service, also promotes relevant health care programs to provide employees with accurate health management information and also to give staff the necessary self-health management capabilities. In 2017, 178 persons participated in the cancer screening activities, and 20 persons needed further health consultation. All have completed tracking. In addition, eye care activities were organized. 150 persons had an eye checkup, 28 persons were willing to undergo further checkup, and 18 persons completed the checkup. 38 persons signed up for the fitness strengthening course, 34 persons participated in the pre-test, 22 persons completed the final course, and 14 persons participated in the post-test. The 8-week cardio-aerobic exercise and muscle training course had 124 attendees. In 2017, 58 classes of the health promotion course were commenced, with 1,968 participants and the average satisfaction of 92.30%.

The Number of Employees Attended the 2017 Health Promotion Course by Type



The Number of Employees Attended the 2017 Health Promotion Course by Location

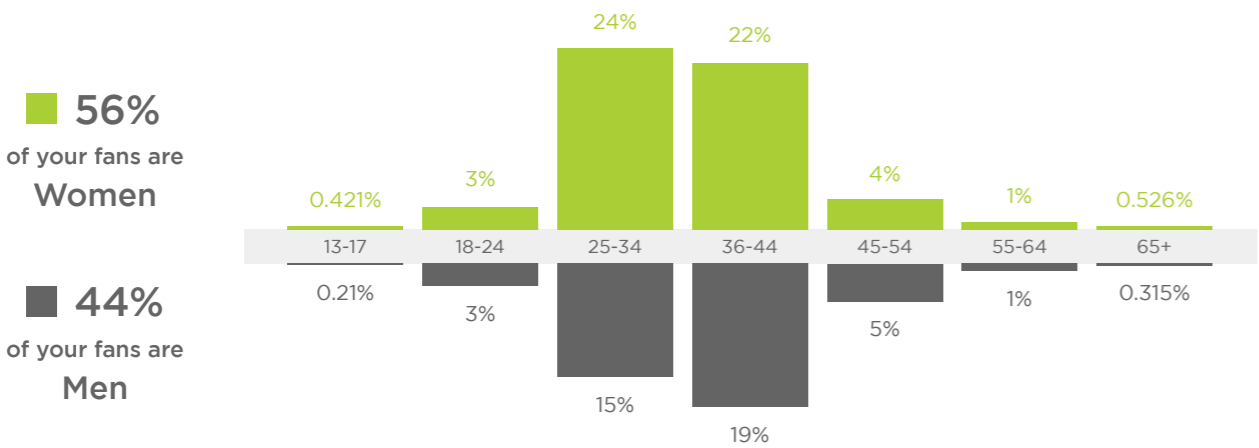


— HTC Employee Clinic Facebook Page

https : //www.facebook.com/HTC.EmployeeClinic

HTC set up an employee clinic Facebook page for employees to provide employees with accurate health management information in multiple channels and to cultivate employees’ self-management capabilities. The fan group consisted of 950 persons, mostly under the 25 years old-44 year’s old age bracket. Among them, women accounted for 56% and men accounted for 44%.

HTC Employee Clinic Facebook Page Usage Analysis



Note: The summary demographic data for the page is based on the age and gender information provided by the users in the profile.



— Occupational Health

1. Specific Health Check

The work environment at the HTC Taoyuan Plant is carefully tested and monitored. In 2017, all 66 workers engaged in operations that might endanger their lives, such as those involving ionizing radiation, dust, MDI and noise must receive a thorough health checkup. In 2017, the total number of persons to be examined was 66, and the number of people examined was 66, reaching 100% completion rate. The number of workers put under Grade 1 Control was 35; Grade 2 Control was 31; Grade 3 Control was 0. In compliance with Articles 13-15 of the Labor Health Protection Regulations, all 31 workers subject to Grade 2 Control were sent individually to the company infirmary for health consultation with a doctor, who gave instructions on personal health and how to prevent further problems.

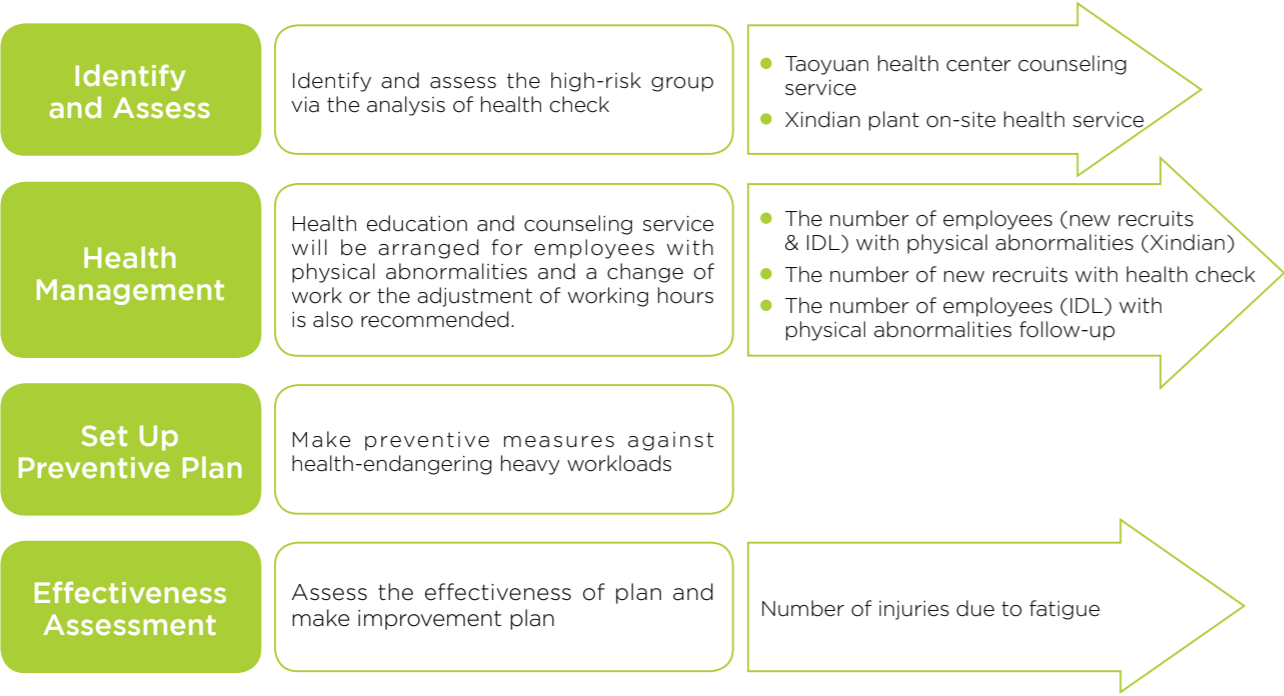
2. Emerging Health Issues

HTC’s employee clinic, environmental safety department, human resources division, and other undertaking units planed the Protection Program in four themes, which was implemented gradually since 2016.

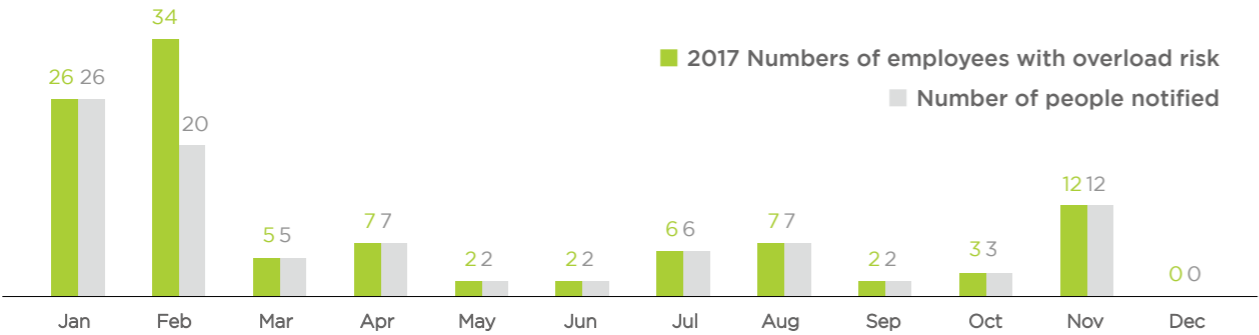
| Topic | Organizer |
|---|-----------------|
| Overload and Health Hazard Operation Prevention | Employee Clinic |
| Maternal Health Protection Plan | Employee Clinic |
| Ergonomics Hazard Prevention | ESH Department |
| Execution Infringement Prevention | HR Department |

(1) Preventive Measures Against Health-Endangering Heavy Workloads

According to related regulations, employers have the obligation to plan and take the necessary safety and health measures for employees taking rotational shifts, night shifts or who work for long hours, in case medical conditions might occur which are related to an unusually heavy workload. Appointments are made with medical doctors, or health consultants for employees should a medical check find them to have a health problem. A change of work or the adjustment of working hours is usually recommended. In the year 2017 screening and notification, 92 risky employees were interviewed by doctors. There was no incident of injury caused by overload.



2017 Employees with Overload Risk Management

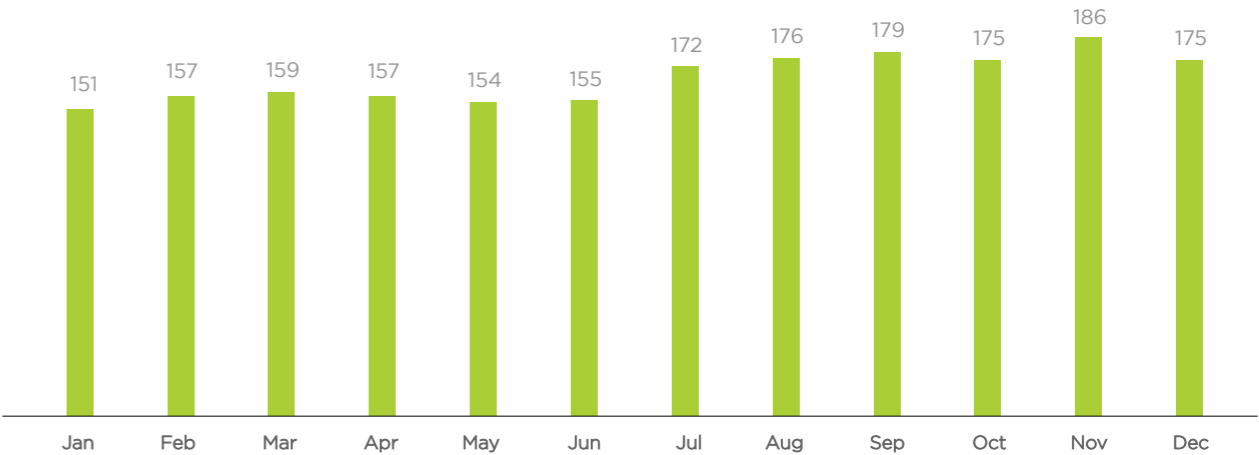


(2) Maternal Health Protection Plan

When safety and health hazard factors exist in the workplace, there may be adverse effects on pregnancy and breastfeeding. When female employees' presence in the workplace is indispensable, the importance of the protection of maternal health is highlighted. HTC has since June 2016 launched the Motherhood Health Protection Program, which includes all female employees one year after childbirth or breastfeeding women as protected subjects. In accordance with the Program, the list survey, risk identification, individual medical consultations, work assignment and work/ return to work, and other procedures were carried out. As of December 31st, 2017, 175 employees completed the risk classification and protective measures. All the protected targets were at low risk (risk level: 1), indicating the considerably safe work enjoyment and contents.

Note: Risk level 1: Evaluated by the doctor as harmless to the mother, fetus, or infant.
Risk level 2: Evaluated by the doctor as possibly harmful to the mother, fetus, or infant.
Risk level 3: Evaluated by the doctor as harmful the mother, fetus, or infant.

2017 Maternal Health Protection Plan Risk Level 1 and Numbers of Employee



Employee Assistance Program (EAP)

The constant challenge and rapid changes in our highly technological industry result in a rather high job stress in our employees. The avoidance of stress is a major concern at HTC and we pay constant attention to employee working hours to steer clear of disorder and the attending stress and fatigue.

HTC has been working with the Hsinchu Lifeline Association since February 2009 to provide employees with psychological counseling and guidance with respect to working career, relationships, family and parenting, gender sentiments, mental illness, and physical and mental stress. All employees are entitled to six free counseling sessions per year at the expense of the Company. In 2017, 130 people had taken advantage of counseling.

- Appointment hours: Monday ~ Friday 9am ~7pm
- Reservation line: 035-260415

Employee Assistance Program(EAP) Results

| | 2013 | 2014 | 2015 | 2016 | 2017 |
|---------------------------------------|---------|---------|---------|---------|---------|
| Number of telephone counseling (Free) | 81 | 82 | 120 | 111 | 141 |
| Number of interviews | 60 | 70 | 78 | 79 | 130 |
| Hours of interviews | 86 | 79 | 91 | 106 | 140 |
| Number of interviews (Male) | 30 | 38 | 38 | 46 | 44 |
| Number of interviews (Female) | 30 | 21 | 40 | 33 | 86 |
| Number of interviews (DL) | - | 16 | 11 | 3 | 6 |
| Number of interviews (IDL) | - | 54 | 67 | 76 | 125 |
| Invested expense (NT\$) | 420,800 | 401,200 | 434,800 | 443,000 | 566,400 |

Positively Preventing Occupational Accidents

HTC has identified the prevention of occupational accidents as a top priority of facility management. By following the “Occupational Accident Prevention and Self-Inspection Plan,” we prevent occupational accidents and perform self-inspection to achieve our zero-accident goal.

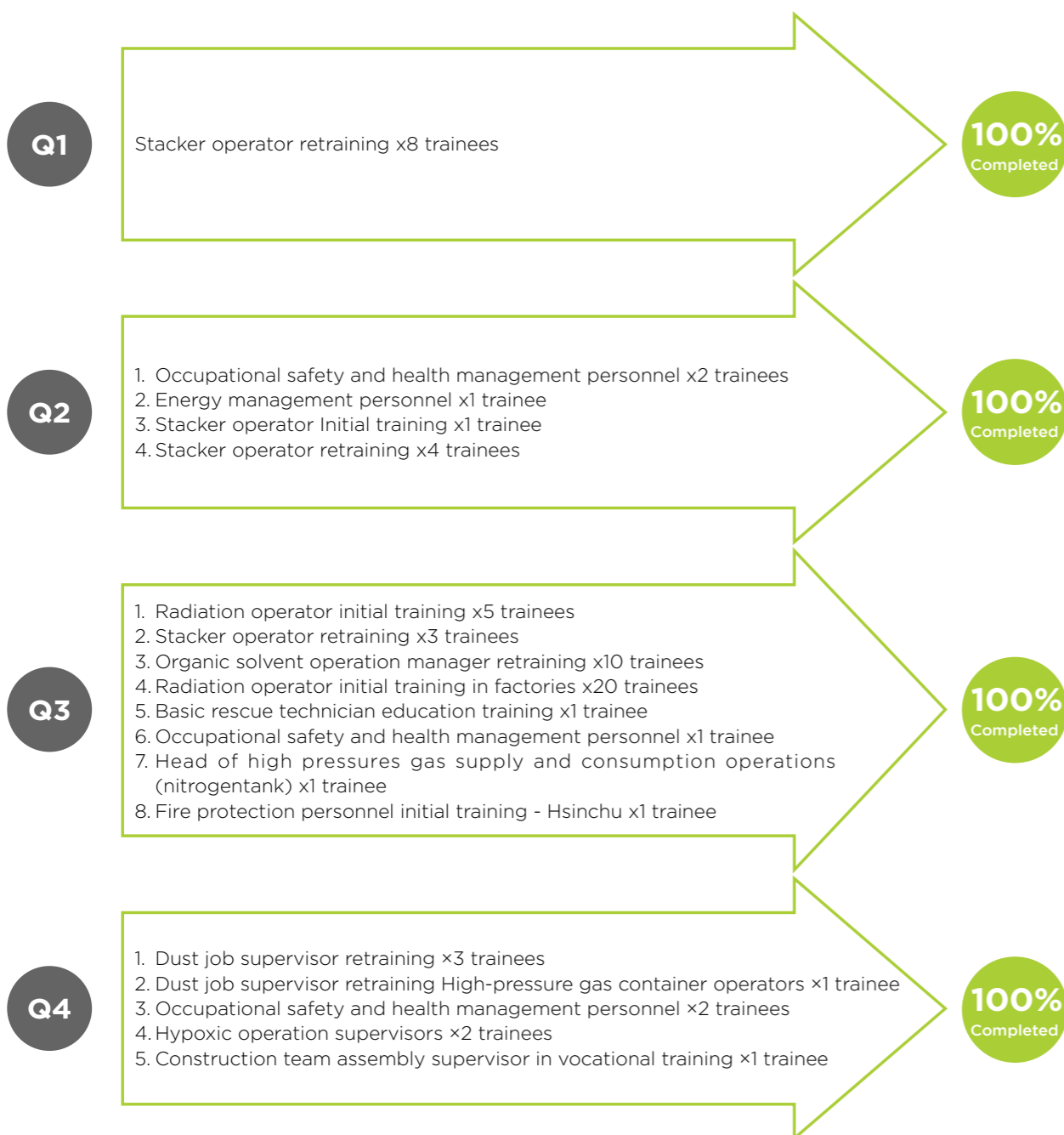
Our work covered seven aspects: “Management of Safety and Health,” “Education and Training for Safety and Health,” “Standard Operating Procedures and Job Safety Analysis,” “Inspections for Safety and Health,” “Emergency Response,” “Health Management and Enhancing,” and “Safety and Health Campaign” for the comprehensive prevention of occupational accidents.

| Aspect | Measure |
|---|---|
| Management of Safety and Health | If there is any change in the organization or addition of new business units, this has to be reported to the authorities concerned. Such information ranges from hazard statistics, hazard investigation analysis, meetings convened by the company occupational safety and health committee, preventive inspections, and the management of the entry of contractors into plants. |
| Education and Training for Safety and Health | Provide occupational safety and health-related courses on a regular basis. |
| Standard Operating Procedures and Job Safety Analysis | Set up rules and procedures for operation, maintenance, and work safety. Amend rules for workplace safety and health, general knowledge of dangerous materials, and the assessment of risk. |
| Inspections for Safety and Health | All kinds of working environments, cars, equipment, facilities, and fire safety systems should undergo regular inspection. The items to be checked include organic solvents in working environments, ionizing radiation exposure, and infrared detection. |
| Emergency Response | Implement an emergency response plan for the year and launch emergency response drills. |
| Health Management and Enhancing | Purchase medical consumables and provide health checks or checks for special health problems specific to both new employees and those already on the job. Track and manage those with unusual results. |
| Safety and Health Campaign | We have done everything legally required in response to all government regulations. We also participate in all kinds of relevant meetings and publish promotional posters, comics, and slogans. We constantly update information and communicate with employees over workplace safety. All these efforts are aimed at improving work efficiency. |



2017 Full-time Environmental Safety and Health Personnel Training

2017 (Re) training for Certificate Training Completion Rate



Comprehensive Emergency Rescue Measures

- A 24-hour emergency rescue Hot Line has been set up as part of a fully comprehensive emergency notification system.
 - Sufficient rescue personnel has been lawfully designated and emergency rescue personnel training courses are held annually.
 - Twelve Automated External Defibrillators (AED) are available at specific places within the company.
 - Emergency evacuation drills are carried out periodically.
- Since 2010, CPR seminars are held regularly each year

These related measures have been effectively carried out at HTC and the average employee injury frequency rate (FR) was 0.61 person-time/per million hours worked, average severe injury rate (SR) was 10.89 days/per million hours worked in 2017. Should the frequency of disability or injury rise higher than 0.30 million person/million working hours and the severe injury rate be higher than 1.8 days/per million working hours, our annual target will have been missed.

In 2017, most occupational injuries were the result of traffic accidents (62 cases) that happened during commutes. There were 11 other injury cases that occurred within the facility. Falls are the most frequently reported incident (6 cases), with 140 days of labor lost. We will promote safety education for employees who commute to and from work in the future and will also provide them with work safety concepts and necessary training. Warning signs are to be placed in conspicuous places to reduce the incidence of accidents.



Average FR in Taiwan Plant in 2017

| | Target | Result |
|----------------------------|--------|--------|
| Injury Frequency Rate (FR) | 0.3 | 0.61 |
| Injury Severity Rate (SR) | 1.8 | 10.89 |

Note: 1. Injury Frequency Rate, FR=person/total time of work*million hours worked
2. average severe injury rate, SR=days/ total time of work *million hours worked
3. Occupational injuries statistics does not include light damages of less than one day of loss, excluding traffic accidents.

Occupational Injuries in Taiwan Plant in 2017

| Case | % |
|---|-------|
| Fall and slip | 30.36 |
| Cut, slit, abrasion | 25 |
| Hit | 8.93 |
| Rolled and clipped | 7.14 |
| Contact with high temperature and low temperature | 5.36 |
| Objects flying | 5.36 |
| Others | 5.36 |
| Dropping, rolling down | 3.57 |
| Pierced | 3.57 |
| Improper action | 3.57 |
| Electric shock | 1.79 |
| Death | 0 |

Note: The percentage of occupational disasters is calculated in counts.

Injury Frequency Rate (FR)

Injury Frequency Rate per Million Hours Worked

| | 2015 | 2016 | 2017 |
|------------------------|------|------|------|
| Taiwan | 0.37 | 0.61 | 0.61 |
| Taoyuan Plant (Male) | 0.63 | 0.98 | 1.82 |
| Taoyuan Plant (Female) | 0.7 | 0.58 | 0.39 |
| Taipei HQ (Male) | 0.19 | 0.21 | 0.21 |
| Taipei HQ (Female) | 0 | 0 | 0 |
| Management Target | 0.36 | 0.3 | 0.3 |

Note: Injury Frequency Rate = Incidence of Lost-Time Injury×1000000/total hours worked

Injury Severity Rate (SR)

Lost Day Injury Frequency Rate per Million Hours Worked

| | 2015 | 2016 | 2017 |
|------------------------|------|-------|-------|
| Taiwan | 2.78 | 13 | 10.89 |
| Taoyuan Plant (Male) | 4.81 | 24.87 | 17.37 |
| Taoyuan Plant (Female) | 5.73 | 12.59 | 16 |
| Taipei HQ (Male) | 0.19 | 0.42 | 1.25 |
| Taipei HQ (Female) | 0 | 0 | 0 |
| Management Target | 2 | 1.8 | 1.8 |

Note: Injury Severity Rate=Days Lost for Lost-Time Injury×1000000/Total Hours Worked

GRI Injury Indicators

Incidence Rate (IR)

| | 2015 | 2016 | 2017 |
|------------------------|------|------|------|
| Taiwan | 0.09 | 0.12 | 0.12 |
| Taoyuan Plant (Male) | 0.13 | 0.2 | 0.36 |
| Taoyuan Plant (Female) | 0.14 | 0.12 | 0.08 |
| Taipei HQ (Male) | 0.04 | 0.04 | 0.04 |
| Taipei HQ (Female) | 0 | 0 | 0 |

Note: Incidence Rate = Total Incidences / Total Hours Worked × 200,000*
(*: adjusted for 50 weeks a year, 40 working hours per week, and per 100 employees)

Occupational Disease Rate (ODR)

| | 2015 | 2016 | 2017 |
|------------------------|------|------|------|
| Taiwan | 0 | 0 | 0 |
| Taoyuan Plant (Male) | 0 | 0 | 0 |
| Taoyuan Plant (Female) | 0 | 0 | 0 |
| Taipei HQ (Male) | 0 | 0 | 0 |
| Taipei HQ (Female) | 0 | 0 | 0 |

Note: ODR = Occupational Disease Cases / Total Hours Worked × 200,000*
(*: adjusted for 50 weeks a year, 40 working hours per week, and per 100 employees)

Day Lost Rate (LDR)

| | 2015 | 2016 | 2017 |
|------------------------|------|------|------|
| Taiwan | 0.55 | 2.6 | 2.18 |
| Taoyuan Plant (Male) | 0.96 | 4.97 | 3.47 |
| Taoyuan Plant (Female) | 1.15 | 2.52 | 3.2 |
| Taipei HQ (Male) | 0.04 | 0.08 | 0.25 |
| Taipei HQ (Female) | 0 | 0 | 0 |

Note: LDR = Total Days Lost/ Total Hours Worked × 200,000*
(*: adjusted for 50 weeks a year, 40 working hours per week, and per 100 employees)

Absence Rate (AR)

| | 2015 | 2016 | 2017 |
|------------------------|------|------|------|
| Taiwan | 0.09 | 0.01 | 0 |
| Taoyuan Plant (Male) | 0 | 0.03 | 0.02 |
| Taoyuan Plant (Female) | 0.01 | 0.01 | 0.02 |
| Taipei HQ (Male) | 0 | 0 | 0 |
| Taipei HQ (Female) | 0 | 0 | 0 |

Note: AR = (Total Days Lost/Total Days Worked) ×100%

In 2017, there were four public injury cases, all male employees. Among them, two were traffic accidents and two were minor accidents in the factory, none of which lasted for more than one day. Therefore, IR, ODR, LDR and AR were all 0.



Listening to the Voice of the Employee

HTC employs nearly 10,000 people around the world. The establishment of a sound means of communication between management and employees is vital to the growth of a company. Therefore, HTC pays great attention to internal communication with employees to build mutual trust and create a harmonious atmosphere within the company.

HTC is committed to creating an atmosphere of mutual trust between employer and employees while also focusing on internal communications. The minutes of these meeting are referred to in the resulting follow-ups, which include any necessary corrective action. In addition to these regular meetings, employees may also reflect their opinions through various communication channels.

All responses to proposals and the follow-up progress of these meetings are published on the HTC Intranet website for review by all the employees. According to internal HTC statistics, the issues most frequently discussed in the labor-management meetings are “the working environment,” “parking and transportation,” and “catering management.” In addition to regular labor-management communication meetings, we also set up diversified feedback channels, including setting up grievance lines, appeal boxes, e-mail address for complaints, and sexual harassment complaint mailboxes. Labor-management meetings and employee opinion surveys are held regularly as a reference for supervisors, internal operations, improvement of employee satisfaction levels and improvement of work commitments. A good communications mechanism results in harmonious labor relations. Labor disputes, bad feelings and losses can all be avoided.

Note: HTC's labor union was established in 2015, but until the end of 2017, no collective agreement has so far been made.

Labor-Management Agreement and Employee Rights

HTC is committed to creating an atmosphere of mutual trust between employer and employees while also focusing on internal communications. HTC convenes labor-management meetings every two months and at least six meetings are held every year. Seven representatives are elected by employees for the meetings while seven others are designated by the company. The minutes of these meeting are referred to in the resulting follow-ups, which include any necessary corrective action. In addition to these regular meetings, employees may also reflect their opinions through various communication channels. On the other hand, the shortest notice period for major operational changes shall be handled by HTC in accordance with Article 16 of the Labor Standards Act.

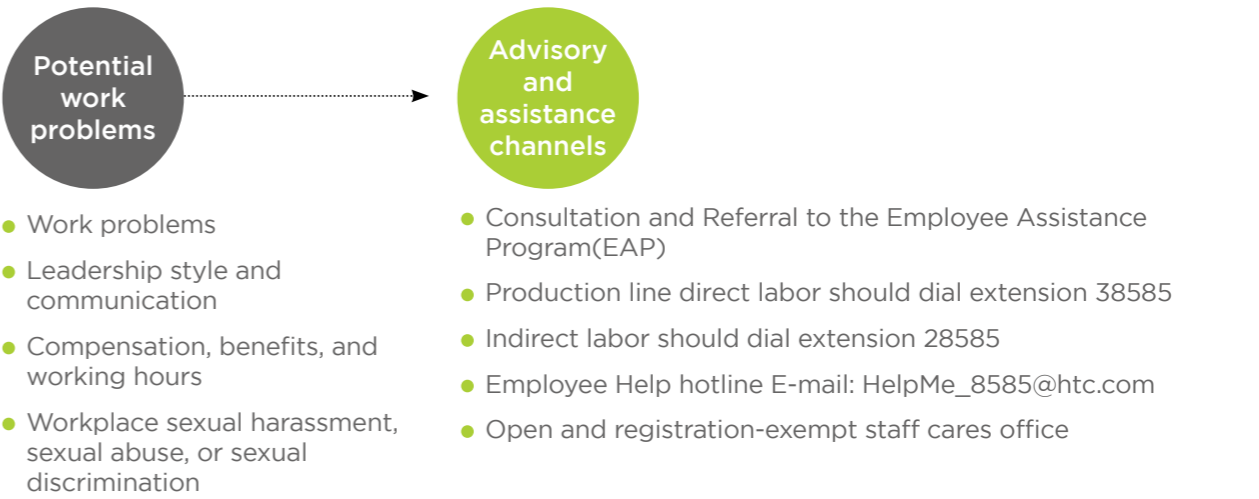
Employee Satisfaction Survey

Out of consideration for employees’ feeling towards HTC and their willingness to dedicate themselves to the company, we are searching for factors that could enhance employee willingness to devote themselves to corporate operations. HTC launch a survey of the opinions of its employees around the world in 2017. The survey covered a total of 6 aspects of work content, which included work environment, salary and benefits, internal communication, gender equality, and corporate identity. The average score of the survey results was 3.95 points (out of 5 points). The survey results were given to management for review and have become a reference for planning the business goals for next year.

In 2014, we offered employees 1 day paid leave (birthday leave) and getting off work at 3 pm the days before 3-major holidays. Until 2017, these happiness measures continue to bring small happiness to the employee’s body and mind.

Effective Advisory and Assistance Channel

To protect the working rights of our employees, we have set up a diversified and smooth communication channel that an employee can use to pass on information about problems and to receive a response without delay. In addition to the employee care office in the major units that provide a relaxing space for communication, timely help with workplace problems can also be sought using the following channels:



HTC Employees Notification System APP

To provide employees with a more convenient information network and services, HTC has built a proprietary company APP to provide staff with readily available services, these include relevant course information, the latest event announcements, staff clinic services, as well as all kinds of reservations such as regular physical examination, gym courses, massage appointments, restaurant bookings, employee issues, and immediate feedback.

- **Mobile APP channel:** Employees can download an internal mobile phone application developed by HTC to take photos instantly and reflect opinions that will then be handled by the relevant units.
- **Operating procedures:** In addition to responding to employee opinions, information about improvements made, or which are pending, will be sent to the employee who made the report. Pending matters will be followed up and monitored on a weekly basis.



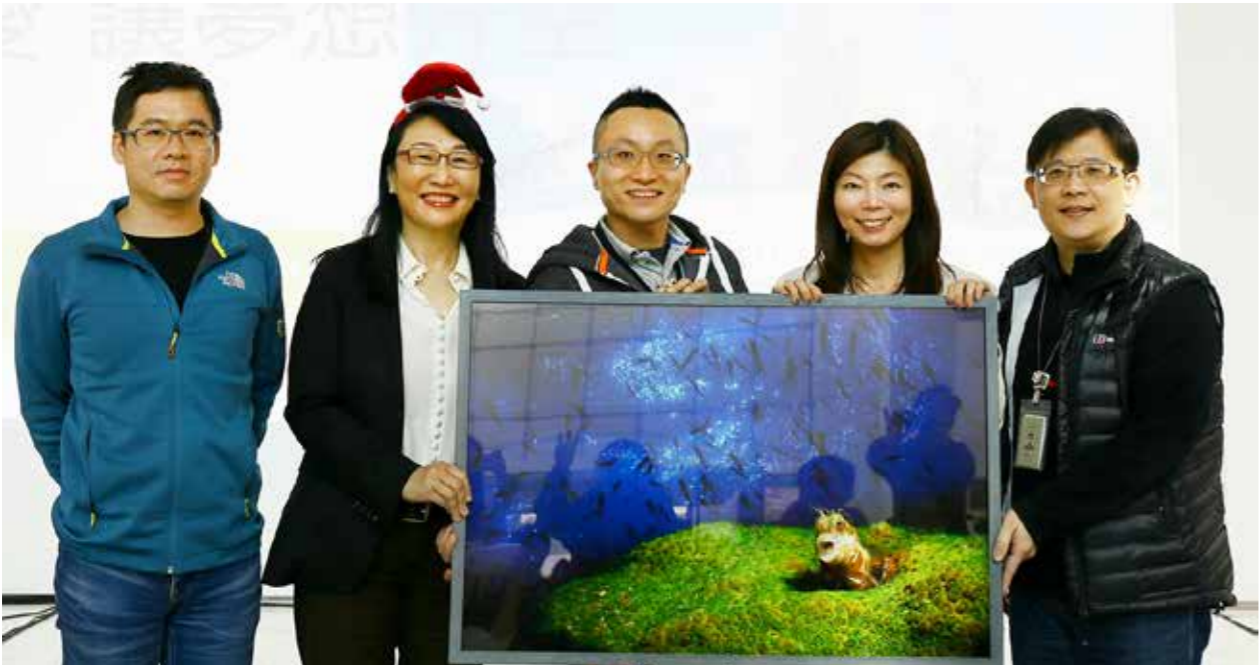
Social Investment and Contribution

HTC has long been committed to the social care and public welfare, and supports and sponsors the “HTC Education Foundation” and the “HTC Social Welfare and Charity Foundation.” HTC advocates humanitarianism and we have developed our company character culture at a local level. While we continue to pursue business growth and technical innovation, we care very much about disadvantaged families, and give their children opportunities to receive the education. This is a distinctive corporate culture of which HTC is rightfully proud.

In the meanwhile, HTC also utilizes the industry characteristic and helps society create more possibility by R&D and innovation. We have devoted to inventing novel products not only with the target of being in accordance with Sustainable Development Goals (SDGs) issued by UN in 2015 but also with the aim of meeting various kinds of needs in the society and implementing social care to actively practice CSR.



HTC Foundation



The HTC Foundation focuses on promoting character education by working to help children and youngsters develop good character by supporting both schools and teachers. We place great importance upon building up moral character and culture for communities and towns in cooperation with local government, care for disadvantaged families, providing their children with opportunities to receive education, and raising funds for environmental and ecological preservation.

We engage in public interest activities to espouse humanitarianism and contribute to a peaceful and harmonious society. The Foundation plays an important part in community engagement and social services to instill the core values of integrity, honesty, care, love, positive thinking, and respect for natural resources. The HTC Foundation invested NT\$9,895,000 on education in 2017, while HTC Social Welfare and Charity Foundation spent NT\$49,445,000 on charity business.

Vision

Everyone has a good personality. People respect and support each other. Let us make the planet lovely together.

Mission

Our mission is to instill core values of integrity, honesty, care, love, positive thinking, and respect for natural resources by untiring efforts to educate.

Objectives

1. To encourage the development of good campus culture by influential education projects and the continuous and systematic encouragement of teachers, parents, and students.
2. To encourage the development of good urban character culture by influential education projects and urging local communities to work towards this end.
3. Care for disadvantaged families and the provision of educational opportunities for young people to give them the knowledge and character that allow them to become contributive members of the society.

Character Statement

1. To actively and enthusiastically influence others with honesty and good character in both personal and professional life and to set a good example with our own conduct;
2. To protect the environment and to develop a cultural and aesthetic disposition through readings; and
3. To be a world citizen, to make reasonable efforts to help the poor and the disadvantaged in the world, and to encourage people to respect and support one another.

We hope through these actions, people can jointly internalize the core values of integrity, honesty, love, mutual respect, caring for one another, and positive thinking.

Many Blessings Courses

The HTC Education Foundation is committed to the development of character education for young people. It hopes to shape character through joint efforts by schools, parents, and society. Following the principle of “lighting a candle rather than cursing the darkness,” the foundation has established the “Many Blessings Course” for junior and senior high school students. These free courses each last for five weeks. They include three hours of training and activity per week. The students get the energy to move forward and make changes inspired by their instructors and volunteers. They are encouraged to become leaders who can actively serve the public and use their own power to change the world.

Summer Institute for Character Education

HTC Foundation has been dedicated to the implementation of character education. For many years, it has been providing high-quality, systematic, and diverse resources for education and training through the “rock education implementation program” to help schools across Taiwan to implement character education more effectively. To help schools cultivate a character-based campus culture, nurture those school practicing character education, promote academic and practical dialogue for the character education to strengthen the ability of the schools’ leadership teams in implementation, the foundation has been inviting Dr. Marvin Berkowitz, lecturing professor on character education from College of Education, the University of Missouri at St. Louis, to give a lecture in the “Summer Institute for Character Education” in Taiwan since 2012. As of 2017, there have been 220 people in total from the leadership teams made up of school principals and administration members from 33 schools who have participated in the five-day intensive immersion training.

This course has been taught in Missouri and other areas for 19 years. According to feedback from the 27 schools that participated in the last 5 years after the course, the course has been beneficial to both the participating teams and their members in core topics of the character education and nature of education or buildup of consensus for the leadership team. HTC Foundation will continue to hold this training course through its summer institute. It hopes that this course would help schools build up their own leadership teams for the character education on their campuses. Through collective efforts by the team members, the campus-based culture of character would be shaped to cultivate students’ growth and development in characters.

Character Town

HTC foundation not only launches character education in schools but also signs “Character Town” with various towns in Taiwan. Character Learning Course is launched every month with a way of character and setting a good example with our own conduct. Group discussion and experience sharing with different themes and related to work will be arranged timely. Participants include township police station public hospital fire department land office & household registration office-affiliated institutes. Parts of institutes turn into membership in the character association. Leaders in the institutes encourage good deed via communication and integration of thoughts, which becomes the internal operating mechanism.

“Character First” course emphasizes the concept definition and operational definition with the core value of nurturing the leader and team work. Besides, it is believed that people can lead in different kinds of situation. The main goal of these courses is to nurture groups of the cadre of basic level equipped with ethics and integrity. Since 2007, the plan has been implemented in 18 institutes in Yuli Hualien, Yuanlin Changhua and Fuli Hualien etc.

Other Social Engagement Activities

In addition to sponsoring the social work upheld by the HTC Foundation, HTC also positively engages in public interest activities through other channels. In 2017, our accomplishments in social works included:

Social Enterprise Marketplace

In response to the multi-employment development program by the Workforce Development Agency, the Ministry of Labor, striving for employment plan and social enterprise development, and further enhancing the unemployed people’s employability and confidence at work, expanding the possibility of local industrial culture, we held seven social enterprise marketplaces in 2017, with a total 38 units participated from the women’s care associations, agricultural producers’ cooperative and all local community development associations, created a total of NTD169,109 benefits, not only to enable employees to understand the services and products from the social enterprise development units through the activities, but also to participate and support with practical actions produce more benefits.



Blood Donations

Eight times every year HTC cooperates with the Hsinchu Blood Center to hold blood donation drives. Many of our kind-hearted employees have developed the habit of regular blood donation since 2006. Every time the mobile vehicle from the Blood Center comes by our employees all line up to make donations to give back to society. HTC is recognized by Hsinchu Blood Center as a standing Honorable Blood Donor Group. The personnel of the Taoyuan and Xindian plants donated 161,750 c.c and 126,750 c.c of blood in 2017.

| | 2015 | 2016 | 2017 |
|---------------------------|---------|---------|---------|
| Number of incumbents | 10,609 | 9,688 | 9,239 |
| Blood Donation | 1,033 | 857 | 748 |
| Donation Rate (%) | 9.74 | 8.85 | 8.10 |
| Total blood donation (ml) | 398,250 | 311,500 | 288,500 |

Sponsorship of Schooling for Disadvantaged Children

For many years, the HTC Foundation has been taking care of disadvantaged, children and providing them with the opportunity to receive the education. The education program highlights continuous learning and HTC plays an active part in community engagement and social services. HTC cultivates communication with the children and the community to pass on the core values of integrity, honesty, care, love, positive thinking, and respect for natural resources.

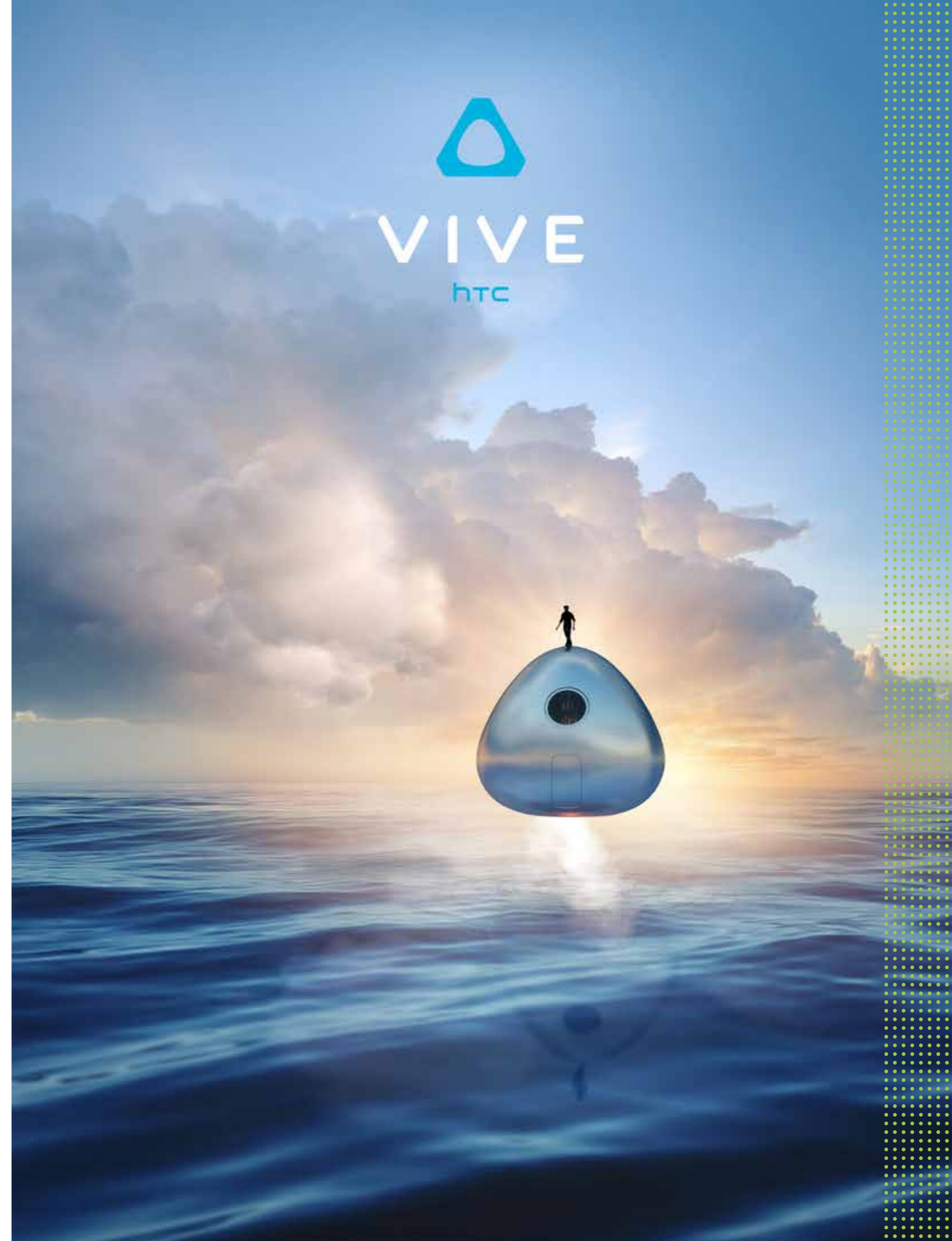
The HTC Child Support Club

The HTC Child Support Club was founded in 2006 as a spontaneous association formed by HTC employees. The members raise money that is donated to the China Children's Fund (CCF) to support the sponsorship of children in need. In 2017, the funds raised by the HTC Child Support Club and the Employee Welfare Committee came to NT\$1,649,440, and was used to sponsor 103 children. Among those, 80 were domestic children, 15 domestic elites, total 95 children. While 8 of these were from foreign countries, including Guatemala, Indonesia, the Philippines, Senegal, Sri Lanka, Qirghiz, and Paraguay.



The Love Makes Dreams Soar Program

Christmas is a season to show gratitude and give mutual blessings. In the Christmas season of 2017, HTC's employees jointly participated in the "Love Makes Dreams Soar" Program to fundraise for "House of Dreams" located in Ximending, the "second home" that helps disadvantaged and lost young people to find their direction again. Each week, nearly 500 young students find support and encouragement in Dream Home, accompanying more than 5,000 disadvantaged young people from schooling through employment. We hope to help disadvantaged young people from Wanhua District through action and provide services to local communities through talent and job training, giving these young people the momentum to pursue dreams towards a different future. All the employees at HTC not only enthusiastically participated in the hot-air balloon subscription event that symbolizes young people's unlimited potential, but also donated their photography works for charity sale in order to encourage these young people to bravely pursue their dreams.





ASSURANCE STATEMENT

SGS TAIWAN LTD.'S REPORT ON SUSTAINABILITY ACTIVITIES IN THE HTC CORPORATION'S CORPORATE SOCIAL RESPONSIBILITY REPORT FOR 2017

NATURE AND SCOPE OF THE ASSURANCE/VERIFICATION

SGS Taiwan Ltd. (hereinafter referred to as SGS) was commissioned by HTC CORPORATION (hereinafter referred to as HTC) to conduct an independent assurance of the Corporate Social Responsibility Report for 2017 (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 HTC's CSR Report of 2017 and its presentation are the responsibility of the management of HTC. SGS has not been involved in the preparation of any of the material included in HTC's CSR Report of 2017.

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 HTC's stakeholders.

The SGS protocols are based upon internationally recognized guidance, including the Principles contained within the Global Reporting Initiative Sustainability Reporting Standards (GRI Standards) 101: Foundation 2016 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 high level of scrutiny for HTC and moderate level of scrutiny for applicable aspect boundaries outside of the organization covered by this report;
- AA1000 Assurance Standard (2008) Type 2 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 Standards (2016)

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 HTC, 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 HTC's CSR Report of 2017 verified is accurate, reliable and provides a fair and balanced representation of HTC sustainability activities in 01/01/2017 to 12/31/2017.

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 Standards in accordance with Core Option and AA1000 Assurance Standard (2008) Type 2, High level assurance.

AA1000 ACCOUNTABILITY PRINCIPLES (2008) CONCLUSIONS, FINDINGS AND RECOMMENDATIONS

Inclusivity

HTC 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, CSR experts, and other stakeholders are implemented to underpin the organization's understanding of stakeholder concerns.

Materiality

HTC has established effective processes for determining issues that are material to the business. Formal review 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.

Responsiveness

The report includes coverage given to stakeholder engagement and channels for stakeholder feedback.

GLOBAL REPORTING INITIATIVE REPORTING STANDARDS (2016) CONCLUSIONS, FINDINGS AND RECOMMENDATIONS

The report, HTC's CSR Report of 2017, is adequately in line with the GRI Standards in accordance with 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, GRI 102-40 to GRI 102-47, are correctly located in content index and report. For future reporting, more descriptions on the evaluation of the performances and specific actions aimed at improving performances are recommended.

Signed:

For and on behalf of SGS Taiwan Ltd.

David Huang, Director
Taipei, Taiwan
08 June, 2018
WWW.SGS.COM



AA1000
Licensed Assurance Provider
000-8

GRI 103:
The Management Approach and Its Components

| Standard | Economic | | | |
|-----------------|---|---|---|--|
| Material topics | ● Economic Performance ● Anti-corruption | | | |
| | How HTC manages the topic | The purpose of the management approach | Related policies | Grievance mechanisms |
| | <ul style="list-style-type: none">Pay attention to corporate governance and operational transparency, and formulate and implement a corporate governance structure in accordance with relevant laws such as the “Company Law” and “Securities Exchange Act”, and continuously improve management performance.For the middle- and high-level executives to implement insider trading prevention and anti-corruption education and training, and legal compliance training as a compulsory new training course.In addition to the “Overview of internal major information processing and prevention of internal transaction management operations,” the company will notify all employees of the subsequent revision process by e-mail and publish it on the company’s website for inquiries. | <ul style="list-style-type: none">Properly and effectively assign the powers and responsibilities of the board of directors, managers, and shareholders to establish and maintain an operating team that is accountable to shareholders.Establish and maintain a corporate culture that promotes due diligence and the highest ethical standards.Protect the rights of investors and other interested parties through a comprehensive and systematic CSR implementation system.Prevent the potential risks of operating caused by corruption and immorality. | <p>“Corporate Governance Practice Principles”</p> <p>“HTC Code of Conduct”</p> <p>“Anti-corruption Declaration”</p> <p>“Rules for Derivatives Transaction”</p> <p>“Credit Policy & Operational Procedure”</p> <p>“Regulations for the Appointment of Directors/ Supervisors in Re-investment”</p> | <ul style="list-style-type: none">Investor Liaison : Telephone: +886-2-8912-4138 E-mail: ir@htc.comCompany spokesperson and investor relations Shen Daobang spokesman@htc.comAnti-Corruption Grievance Units: Department supervisors, Human Resources Division, and Audit Units Anti-Corruption Reporting Mechanism: anti-corruption@htc.com |

| Standard | Environmental | | | |
|-----------------|---|---|--|---|
| Material topics | ● Energy ● Emissions ● Effluents and Waste | | | |
| | How HTC manages the topic | The purpose of the management approach | Related policies | Grievance mechanisms |
| | <ul style="list-style-type: none">The use of energy resources1. Imported ISO 50001, through the introduction of energy management systems to optimize the process management system to reduce energy consumption.2. Use green energyCarbon emissionsImport the ISO 14064-1 Greenhouse gas inventory project.Effluents and waste1. Import ISO 14001 environmental management system and verify it with external third parties.2. Set up sewage treatment equipment in the plant area, and regularly test and report online.3. Entrust lawful disposal agencies to properly dispose of wastes, and carry out irregular inspections4. Periodic inspections of waste storage and temporary storage areas will be conducted through inspection schedules. | <ul style="list-style-type: none">Monitor energy usage.Reducing waste through classification and advocacy, and increasing the efficiency of recycling.Reduce the impact of operations on the natural environment. | <p>“HTC Corporate Social Responsibility Policy”</p> <p>“Process for Removal and Handling Business Waste Manual”</p> <p>“Procedures for Sewage System Operation, Repair, and Maintenance”</p> | <ul style="list-style-type: none">Internal: e-mails, announcement methods, proposal improvement bills, or discussions with the Health and Safety CommitteeExternal stakeholders can file an appeal through Corporate Social Responsibility Corporate_responsibility@htc.com. The case will be transferred internally to the EA. According to the “EP-00000010 Procedures for the Control of Environmental documents” |

| Standard | Social | | | |
|-----------------|---|--|--|---|
| Material topics | ● Employment ● Training and Education ● Non-discrimination ● Forced or Compulsory Labor ● Customer Health and Safety ● Customer Privacy ● Occupational Health and Safety ● Diversity and Equal Opportunity ● Child Labor ● Security Practices ● Marketing and Labeling ● Socioeconomic Compliance | | | |
| | How HTC manages the topic | The purpose of the management approach | Related policies | Grievance mechanisms |
| | <ul style="list-style-type: none">HTC has a well-established parental leave application mechanism to protect the rights of employees.Provide diverse and fair employment opportunities for employees.The board of directors set up a salary compensation committee to assess the salary and remuneration policy and system of the directors, supervisors, and managers and achievement of performance goals.Provide attractive, motivating salary and benefits programs.The company convenes a labor-management conference every two months and records and tracks problems and improves results.The Ministry of Environmental Protection and the Department of Labor and Social Security are responsible for the implementation of the implementation of the occupational safety and health and energy management system and draw up the annual plan.Giving priority to foreign employees' anti-discrimination, refusal of improper workplace harassment and improper discipline.Forbid all global operating locations and related suppliers to employ child laborersRefer to the “Code of Conduct for Responsible Business Alliances” to formulate relevant labor regulations in the HTC Supplier Code of ConductThe security personnel is required to complete pre-employment education training and courses.Build inspection standards for hazardous substances.Mark product information, and add environmental protection material certification on the packaging.Set up internal control mechanisms to control technical data, software and hardware, and customer patents or intellectual property rights. Reference Responsibility Business Alliance Code of Conduct Developing Corporate Social Responsibility Policy. | <ul style="list-style-type: none">Ensure the rights and interests of all employees.Promote good labor relations.Protect the labor rights of multiple employees.Reduce the turnover rate of employees.Reduce the risk of workplace hazards to employees and reduce occupational hazards.Attract and retain outstanding talents.Child labor is prohibited.Reduce the potential risk of excessive use of violence or other human rights violations by security personnel on duty.Ensure that the products are non-toxic and harmless green products and comply with national laws and customer specifications.Protect customer health and safety.Protect customer privacy.Reduce product harmful substances and packages. The use of wood.Conformity to relevant socioeconomic regulations. | <p>“HTC Corporate Social Responsibility Policy”</p> <p>“Quarterly Business Review”</p> <p>“HTC Code of Conduct”</p> <p>“HTC ESH Policy”</p> <p>“ESH Management Manual”</p> <p>“Safety and Health Rules”</p> <p>“HTC hazardous substance management policy”</p> <p>“HTC Supplier Code of Conduct”</p> | <ul style="list-style-type: none">The grievance mechanism includes employee complaint hotline, complaint suggestion box, grievance e-mail, and sexual harassment grievance mail boxDirect employee of the production line company extension 38585Other indirect employee company extension 28585Employee helpline e-mail HelpMe_8585@htc.comEmployee Services APP notification systemCustomer service hotline: 0809-090-166, please call: 02-2162-6788Set up local customer service hotlines in 70 countries around the worldBuild more than 20 websites in different countries and provide PR, Service, Copyright, Security and other different types of e-mail |

GRI 103: Management Approach

| Standard | Material Topic | Mechanism of Evaluation | The Result of Evaluation (referring page) |
|---------------|---------------------------------|---|---|
| Economic | Economic Performance | Independent director, supervisor system, the internal audit system | 31-36 |
| | Anti-corruption | Internal Audit System Corporate Governance Evaluation of TWSE | 33-34 |
| Environmental | Energy | HTC CSR Committee Responsible Business Alliance (RBA) | 19-20, 55-70 |
| | Emissions | ISO 14001 Environmental Management ISO 14064-1 Greenhouse Gases | |
| | Effluents and Waste | ISO50001 Energy Management System Domestic related environmental regulations | |
| | | | |
| Social | Employment | | 21-22, 33, 91, 97-105, 113, 135-136 |
| | Occupational Health and Safety | | |
| | Training and Education | HTC CSR Committee Responsible Business Alliance (RBA) | |
| | Diversity and Equal Opportunity | The Universal Declaration of Human Rights (UDHR) Corporate Governance Evaluation of TWSE OHSAS 18001 Occupational Health and Safety Management System | |
| | Non-discrimination | Labor contract Industry union | |
| | Child Labor | Grievance mechanisms Employee satisfaction survey Labor-management meetings | |
| | Forced or Compulsory Labor | | |
| | Security Practices | | |
| | Customer Health and Safety | HTC CSR Committee Responsible Business Alliance (RBA) IECQ QC080000 Hazardous Substance Process Management System | |
| | | UL Certificate | |
| | Marketing and Labeling | Third-party insitution (TUV/ITS) Meets California Energy Efficiency Regulations Meets the SAR standards of the US FCC and EU CE Customer satisfaction survey | |
| | Customer Privacy | Information security /privacy management Corporate customer satisfaction management | |
| | Socioeconomic Compliance | Other social and economic related regulations (domestic and foreign) | |

GRI Standards Content Index

| GRI | Disclosed Topic | Referring Page | Remark |
|-----------------------------------|---|---|--------|
| GRI 102: General Disclosures 2016 | 102-01 Name of the organization | 7 | |
| | 102-02 Activities, brands, products, and services | 7-12 | |
| | 102-03 Location of headquarters | 10 | |
| | 102-04 Location of operations | 10 | |
| | 102-05 Ownership and legal form | 7 | |
| | 102-06 Markets served | 10, 13 | |
| | 102-07 Scale of the organization | 14, 92 | |
| | 102-08 Information on employees and other workers | 92-94 | |
| | 102-09 Supply chain | 42-49 | |
| | 102-10 Significant changes to the organization and its supply chain | Please refer to Market Observatory Post System | |
| | 102-11 Precautionary principle or approach | 35-36 | |
| | 102-12 External initiatives | 19-20, 42, 48, 53-54, 87 | |
| | 102-13 Membership of associations | 43, 87 | |
| | 102-14 Statement from senior decision-maker | 5-6 | |
| | 102-15 Key impacts, risks, and opportunities | 35-36 | ● |
| | 102-16 Values, principles, standards, and norms of behavior | 15-16, 87 | |
| | 102-17 Mechanisms for advice and concerns about ethics | 34 | ● |
| | 102-21 Consulting stakeholders on economic, environmental, and social topics | 18, 23-24 | ● |
| | 102-22 Composition of the highest governance body and its committees | Please refer to HTC 2017 Annual Report P.53, 73 | ● |
| | 102-23 Chair of the highest governance body | Please refer to HTC 2017 Annual Report P.73 | ● |
| | 102-24 Nominating and selecting the highest governance body | Please refer to HTC 2017 Annual Report P.75 | ● |
| | 102-25 Conflicts of interest | Please refer to HTC 2017 Annual Report P.83 | ● |

| GRI | Disclosed Topic | | Referring Page | Remark |
|---|-----------------|--|--|--------|
| GRI 102: General Disclosures 2016 | 102-36 | Process for determining remuneration | 32 | ● |
| | 102-40 | List of stakeholder groups | 23-24 | ● |
| | 102-41 | Collective bargaining agreements | No agreement | |
| | 102-42 | Identifying and selecting stakeholders | 23-24 | |
| | 102-43 | Approach to stakeholder engagement | 23-24 | |
| | 102-44 | Key topics and concerns raised | 23-24 | |
| | 102-45 | Entities included in the consolidated financial statements | Please refer to HTC 2017 Annual Report P.245 | |
| | 102-46 | Defining report content and topic boundaries | 20-22 | |
| | 102-47 | List of material topics | 20-22 | |
| | 102-48 | Restatements of information | None | |
| | 102-49 | Changes in reporting | None | |
| | 102-50 | Reporting period | 2 | |
| | 102-51 | Date of most recent report | 2017/6 | |
| | 102-52 | Reporting cycle | Once a year | |
| | 102-53 | Contact point for questions regarding the report | 2 | |
| | 102-54 | Claims of reporting in accordance with the GRI Standards | 2 | |
| | 102-55 | GRI content index | 146 | |
| | 102-56 | External assurance | 150-153 | |
| GRI 103: Management Approach 2016 | 103-1 | Explanation of the material topic and its Boundary | 21 | |
| | 103-2 | The management approach and its components | 147-148 | |
| | 103-3 | Evaluation of the management approach | 149 | |
| Topic-Specific Disclosures: GRI 200 (Economic Topics) | | | | |
| GRI 201: Economic Performance 2016 | 201-01 | Direct economic value generated and distributed | 14 | |
| | 201-02 | Financial implications and other risks and opportunities due to climate change | 35-36 | |
| | 201-03 | Defined benefit plan obligations and other retirement plans | 104 | |
| GRI 205: Anti-corruption 2016 | 205-01 | Operations assessed for risks related to corruption | 34 | |

| GRI | Disclosed Topic | | Referring Page | Remark |
|--|-----------------|---|----------------|--------|
| GRI 205: Anti-corruption 2016 | 205-02 | Communication and training about anti-corruption policies and procedures | 34, 43, 101 | |
| | 205-03 | Confirmed incidents of corruption and actions taken | None | |
| Topic-Specific Disclosures: GRI 300 (Environmental Topics) | | | | |
| GRI 302: Energy 2016 | 302-1 | Energy consumption within the organization | 57 | |
| | 302-4 | Reduction of energy consumption | 57-61 | |
| | 302-5 | Reductions in energy requirements of products and services | 75 | |
| GRI 305: Emissions 2016 | 305-01 | Direct (Scope 1) GHG emissions | 56 | |
| | 305-02 | Energy indirect (Scope 2) GHG emissions | 56 | |
| | 305-03 | Other indirect (Scope 3) GHG emissions | 56 | |
| | 305-05 | Reduction of GHG emissions | 56 | |
| GRI 102: General Disclosures 2016 | 306-01 | Water discharge by quality and destination | 62 | |
| | 306-02 | Waste by type and disposal method | 79 | |
| Topic-Specific Disclosures: GRI 400 (Social Topics) | | | | |
| GRI 401: Employment 2016 | 401-01 | New employee hires and employee turnover | 94 | |
| | 401-02 | Benefits provided to full-time employees that are not provided to temporary or part-time employees | 105 | |
| | 401-03 | Parental leave | 110-111 | |
| GRI 402: Labor/ Management Relations 2016 | 402-01 | Minimum notice periods regarding operational changes | 135 | |
| GRI 403: Occupational Health and Safety 2016 | 403-01 | Workers representation in formal joint management-worker health and safety committees | 113 | |
| | 403-02 | Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities | 132-133 | |
| GRI 404: Training and Education 2016 | 404-01 | Average hours of training per year per employee | 104 | |
| | 404-02 | Programs for upgrading employee skills and transition assistance programs | 98-103 | |
| | 404-03 | Percentage of employees receiving regular performance and career development reviews | 100 | |
| GRI 405: Diversity and Equal Opportunity 2016 | 405-01 | Diversity of governance bodies and employees | 32, 92-94, 97 | |
| | 405-02 | Ratio of basic salary and remuneration of women to men | 105 | |

Remark: ● Topics disclosed voluntarily by HTC.

| GRI | Disclosed Topic | | Referring Page | Remark |
|---|-----------------|---|----------------|--------|
| GRI 406: Non-discrimination 2016 | 406-01 | Incidents of discrimination and corrective actions taken | None | |
| GRI 409: Forced or Compulsory Labor 2016 | 409-01 | Operations and suppliers at significant risk for incidents of forced or compulsory labor | 43, 91 | |
| GRI 410: Security Practices 2016 | 410-01 | Security personnel trained in human rights policies or procedures | 113 | |
| GRI 416: Customer Health and Safety 2016 | 416-01 | Assessment of the health and safety impacts of product and service categories | 78 | |
| | 416-02 | Incidents of non-compliance concerning the health and safety impacts of products and services | None | |
| GRI 417: Marketing and Labeling 2016 | 417-01 | Requirements for product and service information and labeling | 84 | |
| | 417-02 | Incidents of non-compliance concerning product and service information and labeling | None | |
| | 417-03 | Incidents of non-compliance concerning marketing communications | None | |
| GRI 418: Customer Privacy 2016 | 418-01 | Substantiated complaints concerning breaches of customer privacy and losses of customer data | None | |
| GRI 419: Socioeconomic Compliance 2016 | 419-01 | Non-compliance with laws and regulations in the social and economic area | None | |