

Here's To Commitment



HTC 2012
Corporate Social Responsibility Report



2012 HTC CSR Highlight



1 Taiwan's **ONE** and only international Smartphone brand enterprise

2 **5.4%** of revenue invested in innovation and R&D



3 More than **5,300** employees hired in Taiwan. Named as one of the **Top-10** constituents of the TWSE RA Taiwan Employment Creation 99 Index



4 Uses **100%** recyclable packaging material

5 Headquarters building rated as **LEED** Gold

6 English learning resources for employees of **4,831** hours

7 Handicapped employees exceed the mandatory **21%** minimum rate

8 Salary for newly hired student workers NT\$ **20,600** per month, after one year of service NT\$ **21,600**

9 **30** first tier suppliers passed CSR compliance audit, a pass rate of **100%**

10 Established **4** Character & English Institutes in Taiwan, where **65,494** persons received character education, and **768** schools and related institutions joined the Cornerstone Education Project

Editorial Principle

Thank you for reading the first “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 2012.

This report has been prepared in Chinese and English. Both versions are posted on our official website and are available for downloading (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 2012 CSR Report (HTC CSR Report 2012) is downloadable in PDF format.)



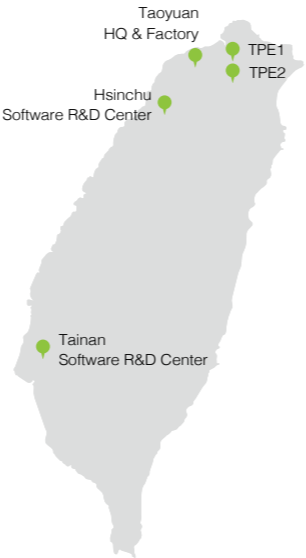
HTC 2012 CSR Report

Report Scope and Boundary

The boundary of this report covers the HTC operations in Taiwan, including the Taoyuan Headquarters and factories, Taipei Building One, Taipei Building Two , Hsinchu office and Tainan office, representing all HTC operations in Taiwan. In the future, we will expand the coverage of our CSR report to make more complete and effective disclosure.

Geographic Coverage of the HTC CSR Report 2012

| Boundary | Add | Tel |
|-----------------------------|---|-----------------|
| HQ & Factory | No 23, Xinghua Rd, Taoyuan City, Taoyuan County, Taiwan | +886-3-3753252 |
| Taipei Building 1 | No 88, Sec 3, Zhongxing Rd, Xindian Dist, New Taipei City, Taiwan | +886-2-89124138 |
| Taipei Building 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 |



Information Disclosure Period

We plan to issue the HTC Corporate Social Responsibility Report annually. This report has a time coverage of year 2012 from January to December, but since this is the first one, as full a picture of all our CSR achievements in various aspects to date, will be given. The content and information about some issues refers to work carried out in 2010 and 2011, as well as the HTC CSR management policies, key issues, and performance, responses and activities for previous years.

Report Basis

This report was composed according to the GRI G3.1 Guidelines issued by the Global Reporting Initiative (GRI), and verified by SGS-Taiwan (an independent third party) as meeting the GRI G3 B+ Application Level according to AA1000 Assurance Standard.

Correspondence with Global Regulations & Guidelines

- 1. UN Global Compact:** Although Taiwan is not a member of the United Nations, HTC, as a global brand, is committed to act as a responsible business that follows the Ten Principles of the UN Global Compact 2001. For a comparison of HTC work with the Ten Principles, please refer to Page 124 of this report.
- 2. ISO 26000 Principles:** For guidance on social responsibility established by the International Standards Organization (ISO), this report also provides a comparison between HTC work and the seven core CSR matters as set forth in the ISO 26000 Standards, including corporate governance, human rights, labor practices, the environment, fair operating practice, consumers issues, and community involvement & development. For a comparison of HTC work with the ISO 26000 Principles, please refer to Page 124 of this report.

Forwards-Looking Statements & Statistical Calculations

In this report, HTC makes some forwards-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

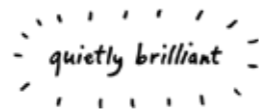
Should you have any questions about this HTC Corporate Social Responsibility Report 2012, please let us know to help us make continuous progress.

Contact us

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Message from the Chairperson

I am excited to introduce the first HTC "Corporate Social Responsibility Report". This report was made in accordance with the internationally recognized sustainability reporting guidelines and standards for information disclosure, and has passed external verification. It is an honest and transparent communication to the public, and all our stakeholders, of the HTC engagement and achievements in social responsibility and in the pursuit of sustainable operations in 2012.

The year 2012 was one in which there was a tremendous surge in the Smartphone industry and also one that saw many revolutionary changes in the global ICT industry in general. Smartphones are enriching our lives, improving our work efficiency, and making our professional and personal lives totally different. This is an age of mobility, and we can expect this new age to have significant impact on the development of the Smartphone industry.

2012 is also the year HTC celebrates its 15th birthday. The diligent efforts made by HTC in the Smartphone market have not only resulted in excellent financial return but also in international recognition for the company by several well known ranking organizations. These include the Men's Journal that awarded HTC the "Best Android Smartphone Award", the Laptop Magazine that awarded HTC the "Best Smartphone of MWC", Tom's Hardware that awarded HTC with "Best in Show", and in addition we received the "Taiwan Excellence Silver Award".

To take the opportunities and face the challenges that are coming along with industrial progress we are strengthening our core competence by keeping a focus on R&D, technical innovation and market maneuvers. We are also working with several leading players in related sectors and are "joining forces to create shared value" to fire up more innovative energy through strategic alliances and technical exchange.

We are absolutely committed to change. HTC formed the CSR Committee in 2012 chaired by me with the mission of internalizing CSR in respect to management, branding, partnership, and social participation. We have carried out CSR audits over the entire HTC supply chain, and have encouraged our suppliers to acknowledge and implement the HTC "Supplier Code of Conduct." This combination of CSR action with respect to branding, governance, employees, partners and the supply chain, with day to day operations management, has created a positive CSR circle.

We are also committed to innovation as well as the integration of the concept of environmental protection into our daily operations and products. To this end we have launched the HTC Agenda of Sustainability, covering the four levels of sustainable environment, sustainable design, sustainable processes and sustainable packaging. This agenda also serves as a guide for HTC to implement sustainable practice in terms of the facility environment, manufacturing process, design, packaging and supply chain management. Soon after it was completed in 2012, the new HTC Headquarters Building in Taipei was rated as LEED Gold. The excellent environment of the new HQ is conducive to creativity, enthusiasm and ambition. It serves all the needs of the HTC employees with respect to comfortable low-carbon surroundings and includes many well thought out facilities for leisure and health activities.

We are committed to caring for, and the cultivation of local talent, and have established a sound compensation and welfare system. We also help employees from foreign countries fit into our corporate culture and create diversified products. As for social care, the HTC Social Welfare and Charity Foundation has long sponsored social welfare organizations and the disadvantaged, supported education projects in Taiwan and other countries, and granted scholarships to disadvantaged students around the world. The HTC Education Foundation has also promoted various civic and character education projects. In addition to the donation of teaching materials, the Foundation works with educational institutions in Taiwan and other countries to plan education projects and originates stimulating educational projects to advance overall character education.

In 2012, the HTC Foundation signed a 30-year MOU with the Taitung County Government for the founding of the Taitung Character & English Institute. Chair professors of character education from the Education School, at the University of Missouri-St Louis, have been invited to come to Taiwan to lead character education in the domestic schools. This Institute will help local schools build up leading teams that will promote and deepen civic and character education in Taiwan and cultivate more local talent.

We are also committed to persistence and will face the increasingly competitive global Smartphone market with zeal and vitality. We will start with humanism, to proactively anticipate coming trends and customer needs. We will also keep working on innovation, technology and brand development. We are a positive and optimistic company and will translate our abundant resources and strength into more and much stronger momentum, and focus on increasing our core competence in business development and enhance our market strategies for global success.

The success of HTC is underlain by our experience and continuous feedback from customers which has a profound influence on HTC thinking and behavior. I believe that the care and input from various stakeholders will further fuel our progress towards a more sustainable future and enable us to operate introspectively and make changes and take action that will add value for shareholders, customers, employees and the public. HTC is a responsible corporation that advocates both innovation and sustainability and we hope to have your long-lasting support, encouragement and advice in our future endeavors.

HTC Corporation
Chairperson



Message from the CEO & President

HTC has published its first "Corporate Social Responsibility Report (CSR Report)" to showcase details of its proactive sustainable business operations and results. A unique feature of this report is that details of some of the opportunities and challenges we will be facing in the future have also been included. This gives the public and our stakeholders' information about how HTC will continue to contribute to sustainable development for our employees, our community and the industry chain.

Taiwan occupies a very important place in the world technology industry and the country is OEM and ODM-centric... and thus faces intense competition from newly emerging countries. Every industry is focused on creativity and innovation, but they are still prioritizing international innovation, technical excellence, product quality and branding. However, there are many challenges and difficulties which need to be faced in these areas.

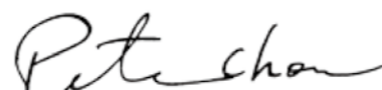
HTC is headquartered in Taiwan and has a strong sense of belonging to the country. This plays a very important role in HTC goals and visions and in the development of technological and industrial value as well as the attraction of top talent and the globalization of our business. HTC aims to leverage its global brand to push Taiwanese talent onto the global stage and be competitive on a world wide scale. All these actions will transform our local talent and add to the value of our products. This is our responsibility and promise.

The rapid and dynamic development of the mobile Internet industry and smart devices is driving work, people and industrial development. The smart device industry integrates computing, communications, software, hardware, mechanical function and design, aesthetics and audiovisual technologies. We need to attract diverse talent to HTC and design new products that will fulfill the needs of the users. Human experience and value plays a very important role and HTC will continue to steadily uphold its human-centered design vision.

This promise is easier said than done, but if HTC does not do it, there will be no chance of success. HTC will continue to uphold the ideal of innovation, and by profit sharing with employees through the various performance bonus and welfare programs, we will stimulate HTC employees to work harder. This first CSR report is all about our valuable employees and we want the public and stakeholders to understand the importance HTC places upon them. This is the HTC understanding and commitment towards sustainable development. We want to help Taiwanese talent shine on the global platform and also create more value-added products and services.

For me, this first HTC CSR report is just the start. We will continue operating our business with the highest ethical standard and reduce negative impact on the environment as much as possible, and we will also continue to give back to society in many different ways. Product technology development will be focused on the value chain and we will continue our efforts to ensure efficient resource utilization, avoid the use of hazardous materials and reduce electronic waste. Our fine HTC products and services will continue to attractive those users who are satisfied they are using not only most technologically advanced products, but also products that come from properly sustainable production. We welcome any support and feedback that will help us in our endeavors towards further sustainable operations.

HTC Corporation
CEO & President



The HTC Expectation for Excellent CSR Fulfillment

Corporate Social Responsibility (CSR) is a matter that involves almost every aspect of company operation, from corporate governance, to the employees, the environment and society, and almost everything else. This is the first published HTC CSR report. My personal belief is that this has been done from the right perspective simply because it is right and proper for a business to fulfill its social responsibility. As a next step, HTC will promote strategic improvement and learn how to do its own job well, continue to communicate openly with the public and accumulate the power needed for continuous progress from the feedback and suggestions we get and from our giving back to society.

I believe that CSR is a job that has to be done from a very basic level, to be led by members of senior management who share a common vision and teach by personal example. It should be managed through a well-planned process that enables our well trained people to internalize all the values we respect. Only when the foundation of CSR is well set, and it is has become an integral part of company culture, included in design, manufacture and personnel management, will it be possible to maintain the kinetic energy needed for continuous advancement. To achieve this, we have devised a three stage strategy:

1. Communication: making good use of promotion and communication to ensure all employees realize the importance of CSR;
2. Conduct: understanding how to embed CSR concepts into designing and making HTC products through communication and benchmarking, and taking positive action;
3. Internalization: integrating CSR into daily HTC operations and management systems.

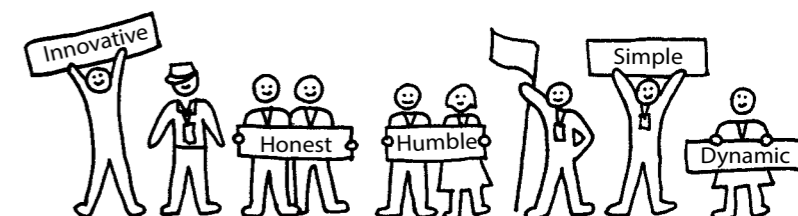
In addition to the internalization of CSR, I would also like to encourage all our HTC employees to engage in social work. By complete planning and training, we can all contribute to volunteer work that benefits the public and matches their individual interests. This is not simply good for the HTC Education Foundation, but is the right thing to do from the perspective of CSR. With a well-built corporate volunteer system we can inspire HTC employees to help others. This will improve their quality of life and also make the world we live in a better place.

This report is merely the beginning. I urge everyone in HTC to stand firm on this matter, starting with communication and implementation, to ensure that CSR is substantially internalized. In addition to full communication, discussion and promotion inside the CSR Committee, we will all need to work hard to expand our influence to our supply chain partners, and create a sustainable mechanism that supports continuous growth inside and around HTC. I look forward to the future fulfillment of CSR with all of you at HTC.

Director
HT Cho



About HTC



Name: HTC Corporation (listed on 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: Smartphones/HTC phone accessories

A Global Leader of Innovation and Design in the Mobile Phone Industry- HTC

The HTC Corporation (HTC) was established in 1997. As a global leader of innovation and design in the smart phone industry, we believe in the power of being quietly brilliant, and maintain a modest and amiable attitude while creating good things for the world.

It is our belief that a consumer's good experience can say more than a thousand promotional words. This is also the core principle HTC follows when acting as a company, an innovator and a partner. We are devoted to creating excellent personal user experience. HTC's thinking about product design and manufacturing is based not only on our survey of user's needs, but also our long understanding about the interaction between humans and technology.

HTC believes that instead of letting customers search for products, each mobile device should be designed especially for its target user. For this reason, we continue to deepen our passion for innovation, with the assurance that smart handheld devices can provide people with a better life. This is the gist of the HTC innovative design.

Since the birth of the brand in 2007, HTC has developed one of the Top 5 Smartphone brands by the industrious accumulation of experience and the pursuit of innovative technology. In 2011, HTC was ranked #98 in the Interbrand 100 Best Global Brands. HTC took a global market share of 4% for smart phones in 2012, making it one of the top ten mobile phone brands. HTC is also one of the Taiwanese brands that is growing most rapidly on the International market.

Looking into the future, HTC is committed to continuously make full use of its limitless creative capacity to integrate innovative design and brand spirit into our mobile devices for a better customer experience. We shall base our innovative products on customer satisfaction and persist in our consumer-oriented business principle to provide more satisfying products and services. We will continue to strengthen our global management, and expand further into the international market to make HTC a first choice for users of Smartphones.

Products

HTC currently focuses on Smartphones, including Smartphones and tablets using the Android and Windows Phone operating systems. In view of the increasing popularity of smart devices, we are devoting much effort to innovation, and have launched a wider range of products to meet the various needs of diverse user groups.

We believe that audio and video content are important requisites for modern lifestyles, so we continue to develop innovative products to match the lifestyles of the different consumer groups. In this way more people can experience the enhanced performance and multimedia functions of our smart mobile devices.

Mobile communications technology has now entered the high-speed 4G era, and HTC has taken the lead in launching the first GSM/WiMAX 4G smartphones and 4G LTE Windows Phones. This serves to firmly endorse the leading HTC position in Smartphone technical development.

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

Award-Winning Products

- The HTC One X was rated as the best Android phone in 2012 by many leading publications. Forty-nine of these gave this phone an average score of 89.4%, higher than any other Smartphone on the market.
- The HTC One X and One S were both nominated for Taiwan Excellence Awards in 2012, and in 2013 won the silver and HTC One S won the gold awards respectively.
- The HTC Windows Phone 8X and DROID DNA were both listed in the Top-10 Smartphones of 2012 by LAPTOP. The HTC Windows Phone 8X was named by ZDNet as the best Windows Phone of 2012. The HTC DROID DNA was the first smartphone equipped with a 1080p HD screen on the US market, and was praised by ZDNet as having the best screen seen in 2012. CNET also recognized the DROID DNA as one of the Top-5 mobile phones.
- The HTC Butterfly led sales in the Asian market and won very positive response with a more than 90% weighted rate as the "Recommended Model" (Bazaarvoice, March 2013)
- According to Hall & Partners, 48% of global Smartphone users are considering an HTC as their next phone, evidencing the fact that HTC is excellent in providing quality smartphones for consumers who zealously search for hi-tech products.

Main HTC Product: Smartphones

| Year | Capacity (thousand) | Output (thousand) | Output Value (NT\$ Million) |
|------|---------------------|-------------------|-----------------------------|
| 2011 | 49,470 | 46,571 | 263,261 |
| 2012 | 59,517 | 32,863 | 168,434 |

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

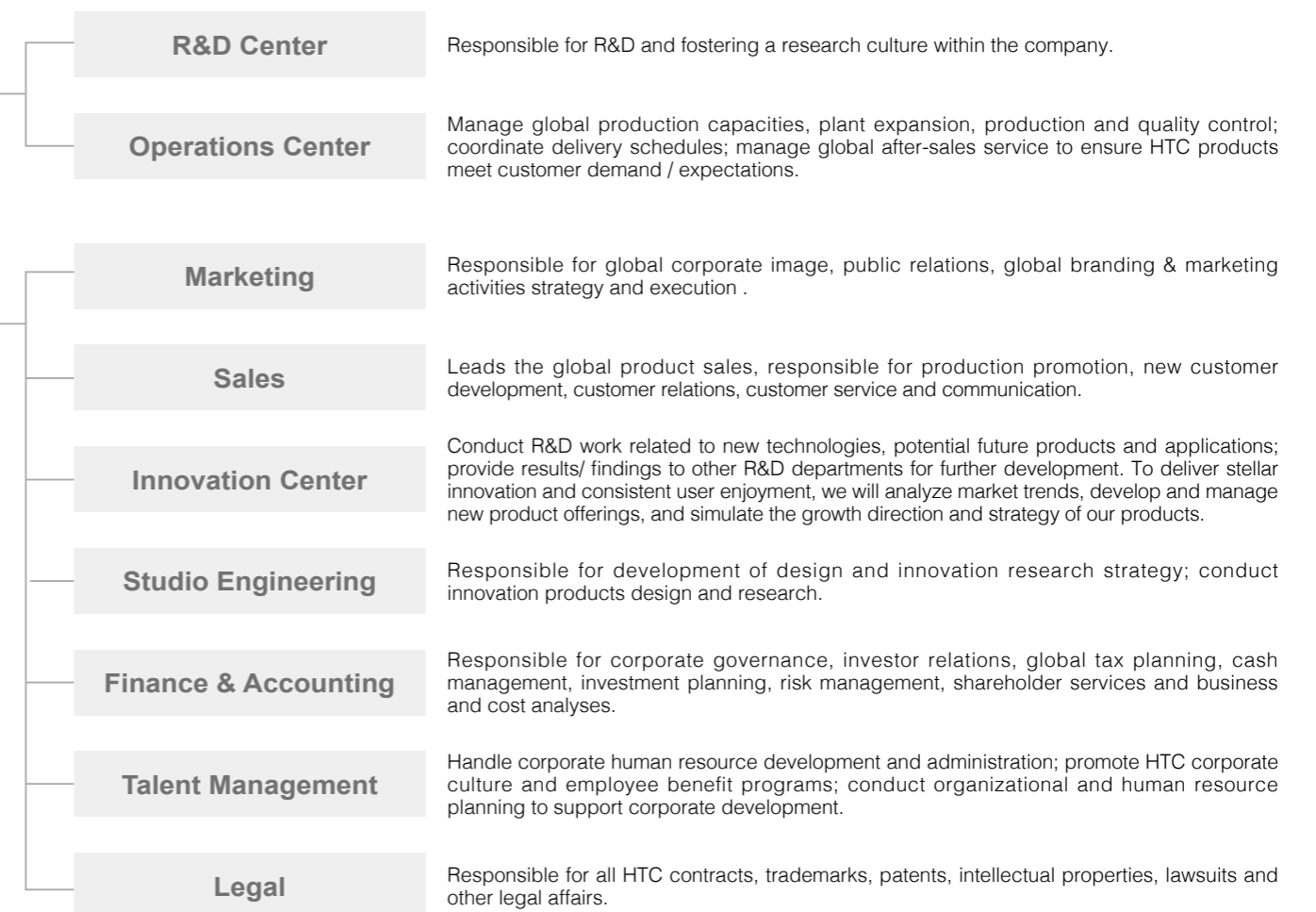
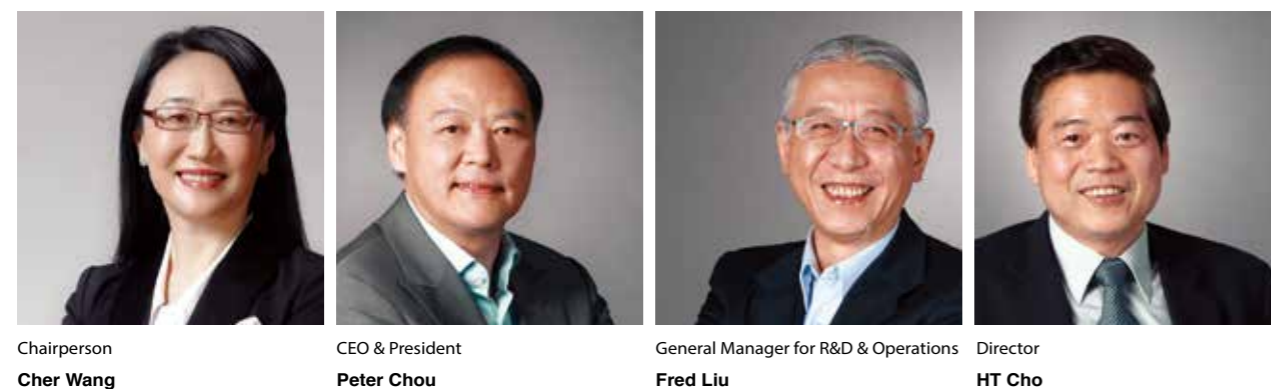
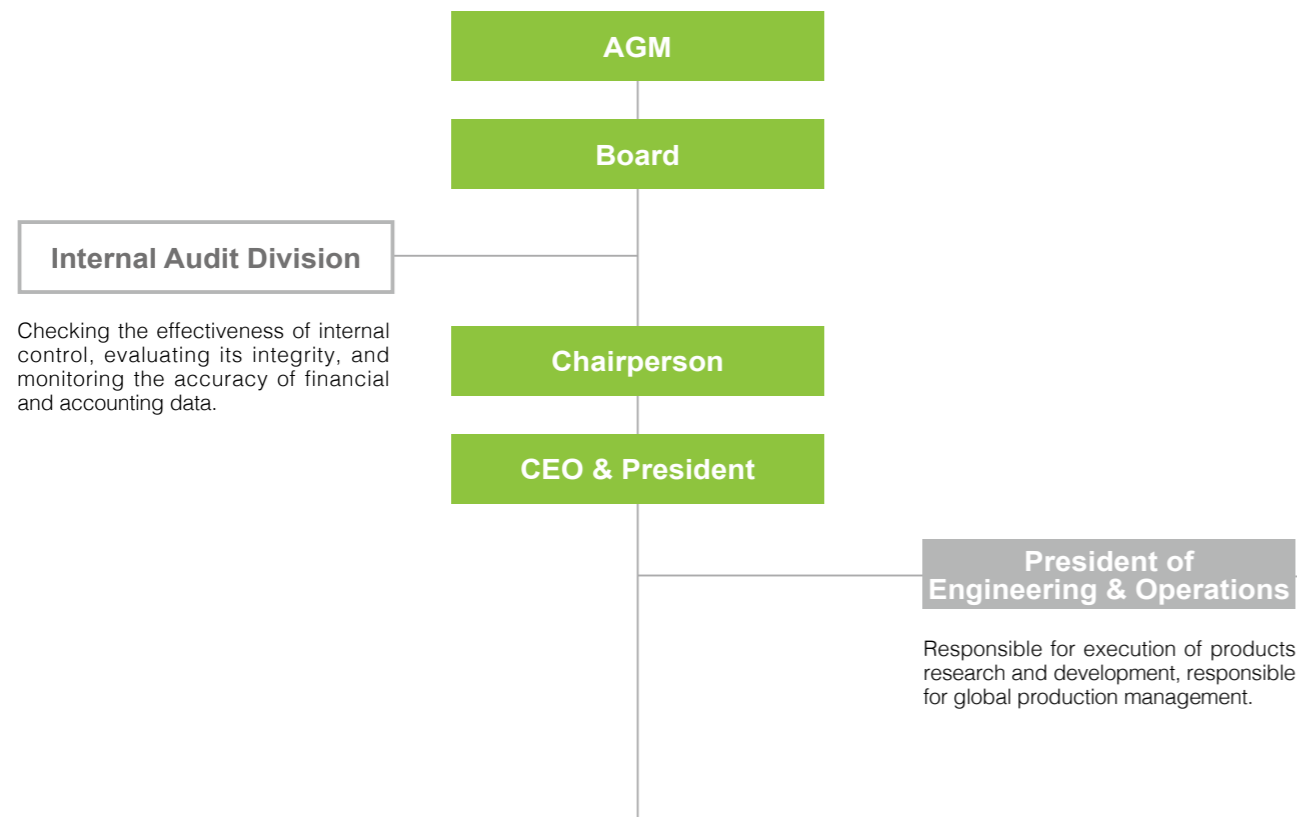


Product Sales: Smartphones & Others (Accessories)

| Year | Domestic Sales | | Export Sales | |
|------|----------------|--------|--------------|---------|
| | Volume | Value | Volume | Value |
| 2011 | 12,630 | 20,056 | 146,899 | 443,823 |
| 2012 | 7,545 | 20,338 | 139,070 | 262,577 |

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

Organization Structure



Global Operational Locations



HTC is headquartered in Taiwan. Driven by effective branding work, 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 the operational HQ, HTC provides the customer with a network of professional services.

HTC stands in the immediate presence of its 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, Mainland China, Japan, Korea, Italy, the Netherlands, Belgium, Greece, Spain, Poland, Denmark, Russia, Singapore, Thailand, the Philippines, Indonesia, India, Malaysia, Australia, UAE and Brazil.

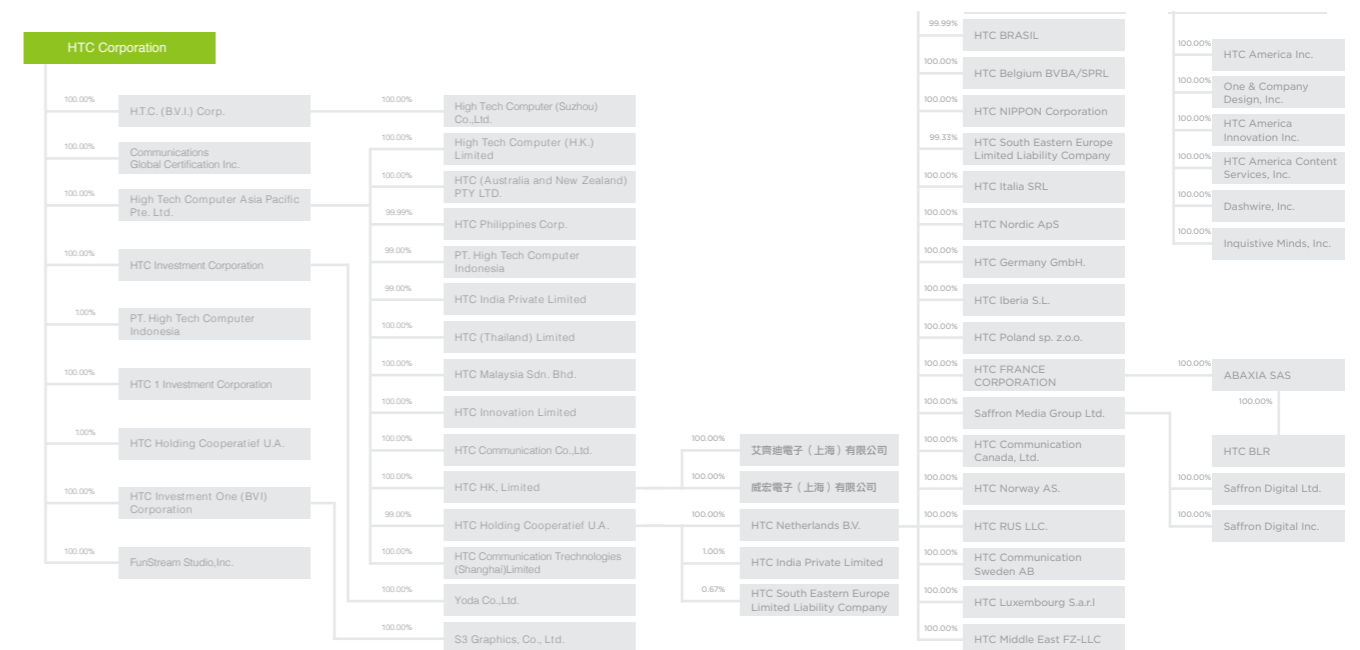


Re-investment & Affiliated Companies

The HTC re-investment policy focuses on businesses within its industry, and particularly on the sectors that relate to its core services and are regarded as beneficial to long-term development. The aim being the continuous improvement of product and service quality, the strengthening of the development of key technologies, and to always keep an eye out for possible future market demand, to maintain and enhance core competitiveness.

Before making any investment, we carefully evaluate and analyze the industrial trends, market competition, our teams' experience, business patterns and risks. We then make strategic investment by the purchase of stock or through merger or acquisition.

In 2012, HTC took a positive position in strategic investment. In the western world, HTC incorporated a trend-setting earphone maker, Beats; an on-line AV provider, the Saffron Media Group; and an interactive gaming company, Onlive; and provided a synchronized platform for Dashwire and a learning application platform for children in 'Zoodles'. In China, HTC incorporated its competitor in mobile financial services, F-ROAD, to further enhance overall business competitiveness.



Overview of Financial Performance

2012 was a year of the fiercest competition in the history of Smartphones with the global Smartphone market being oligopolized by Samsung and Apple. However, HTC was still able to maintain the capability of making a profit since it is the third biggest profit-making mobile phone company in the world.

The consolidated revenue of HTC in 2012 was NT\$ 289 billion, with a consolidated gross profit rate of 25.23%, and a consolidated net profit rate at 6.51%. The consolidated net profit after tax (of the parent company) was as high as NT\$ 16.8 billion, and earnings per share over the year was NT\$ 20.17, demonstrating HTC's excellent financial performance which is the result of a diligent focus on the core business.

| | 2010 | 2011 | 2012 |
|---|---------|---------|---------|
| Operating Revenue | 278,761 | 465,795 | 289,020 |
| Operating Costs & Expenses | 234,629 | 397,007 | 270,200 |
| Operating Net Profit | 44,132 | 68,788 | 18,820 |
| Non-Operating Revenue & Profit | 1,143 | 2,783 | 2,240 |
| Non-Operating Costs & Losses | 311 | 147 | 1,610 |
| Profit before Tax | 44,964 | 71,424 | 19,450 |
| Income Tax | 5,449 | 9,125 | 1,861 |
| Consolidated Profit | 39,515 | 62,299 | 17,589 |
| Net Income/Loss-Parent Company Shareholders | 39,534 | 61,976 | 16,781 |
| Employee Wages | 19,424 | 24,194 | 18,076 |
| Social Investment /Donation | 305.5 | 378.58 | 25.15 |

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

Cash Donation

| | 2010 | 2011 | 2012 |
|---|-------------|-------------|--|
| HTC Education Foundation | 150,000,000 | 150,000,000 | Building donation was made in place of cash. |
| HTC Social Welfare and Charity Foundation | 150,000,000 | 150,000,000 | |
| Total | 300,000,000 | 300,000,000 | |

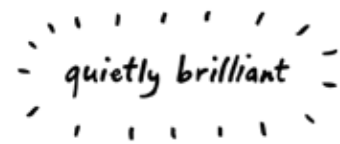
The 2nd & 3rd Floors of the Taipei Headquarters were donated to the HTC Foundation

| Floor | Space Usage | Area (ping) |
|-------|----------------|-------------|
| 3F | HTC Foundation | 923.98 |
| 2F | HTC Foundation | 701.84 |

Awards Earned



| Award Giving Body or Name of Competition | Award or Title Won |
|--|---|
| J.D. Power and Associates | HTC had the second highest rate of customer satisfaction amongst US Smartphone manufacturers. |
| Taiwan Stock Exchange Corporation | HTC was listed amongst the Top-10 on the TWSE RA Taiwan Employment Creation 99 Index. |
| Laptop Magazine | The HTC One X was named the Best Smartphone by Laptop Magazine at the International Conference on Communications. |
| Tom's Hardware | The HTC One X was given first place by Tom's Hardware at the International Conference on Communications. |
| Ministry of Economic Affairs, R.O.C. | HTC One S won Taiwan Excellence Awards Golden Prize |
| Ministry of Economic Affairs, R.O.C. | HTC One X won Taiwan Excellence Awards Silver Prize. |
| Ministry of Economic Affairs, R.O.C. | HTC won NO.1 on Branding Taiwan Top 20 in succession. |
| Ministry of Economic Affairs, R.O.C. | HTC was given Award for International Trade. |
| PC Magazine | HTC won the Consumer-Voted Best Mobile Phone Award. |
| red dot | The HTC EVO 4G won Best of the Best. |
| IDEA 2011 | The HTC Droid Incredible won the Gold Prize in Communication Tools. |
| IDEA 2011 | The HTC EVO 4G won the Silver Prize in Communication Tools. |
| IDEA 2011 | The HTC Legend won the Bronze Prize in Communication Tools. |
| CTIA Wireless | The HTC Thunderbolt won Emerging Technology Awards in the Smartphone Category. |
| Notebooks.com | The EVO View 4G won the CTIA Best Smartphone Award. |
| CNET | The HTC EVO 3D won the CTIA Honor Award. |
| PhoneArena.com | The HTC EVO 3D won the CTIA Consumer-Voted Best Smartphone Award. |
| Gazelle.com | The HTC EVO 3D won the CTIA First Prize. |
| PhoneArena.com | The HTC EVO 3D won the CTIA Best Product Award. |
| Laptop Magazine | The HTC EVO 3D won the CTIA Best Product Award and Best Smartphone Award. |
| PC World | The HTC EVO View 4G won first prize at the CTIA wireless show. |
| BGR | The HTC EVO View 4G won the CTIA First Prize. |
| T3 | The HTC Flyer was recognized as the world's 10 th most popular tool. |
| Mobile World Congress | HTC was recognized as the Best Mobile Phone Manufacturer of the Year. |
| Ministry of Economic Affairs, R.O.C. | HTC topped number One on Branding Taiwan Top 20. |



Brand Introduction



Future Goal Achievement

HTC's Challenge

Current Achievement



HTC works hard to make things simple and natural, device operation is always centered around human interaction and HTC make the impossible possible. HTC is devoted to creating individualized experience for our users and that is why we can continue to make breakthroughs that surprise our customers. We believe that users should not be limited by the product, the mobile device should be designed with all user needs in mind. When a device is designed and produced, in addition to consumer surveys, HTC also bases the design on long-term observations and analyses of the interaction between the individual and technology.

We strive to create amazing experience, and "being quietly brilliant" is deeply rooted into the HTC corporate culture. We continue to launch innovative mobile phones to meet the different needs of the consumers, and to help people enjoy trouble free mobile communications and entertainment. Our human-centered product design, HTC Sense™ brings an extraordinary and amazing humanized user experience to realize a closer-to-life design concept.

Today, taking pictures of things has become one of the most important every day functions of a mobile phone. In view of this, HTC has introduced new camera functions that allow a user to record audio and take pictures at the same time to capture each and every wonderful moment. The new camera also supports wireless transmission so that a user can share the images with friends through a TV set. HTC mobile phones can also extend your mobile life into a vehicle audio/ visual entertainment system by receiving radio channels all over the world. Furthermore, HTC provides cross-screen integration. HTC Sense TV™ uses cloud technology to turn the New HTC One into a remote control that works with most TV sets, set-top boxes and receivers, allowing consumers to watch their favorite TV programs and sports at will.



HTC is a brand particularly favored by adventurous young people. To such an independent, self-challenging consumer group, ever-innovating HTC holds a leading position that is worthy of their admiration and recognition.

Despite the ever increasing advertising by Apple and Samsung in certain markets, HTC still fills the budget gap with unique innovation and earns consumer hearts in a positive way. Currently, HTC is the No 3 "Most Desired" Smartphone brand. This is particularly the case amongst 18 to 29 year old users. HTC is a rising brand that "makes continuous progress" (Hall & Partners, 2013/Q1).

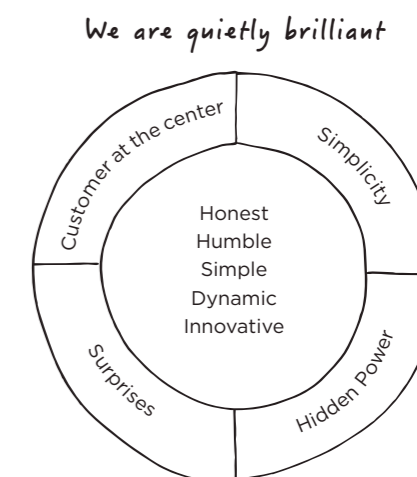
HTC has set new standards for the camera functions and audio performance of mobile phones. The new HTC One has introduced an unprecedented way of using mobile phones. This has been realized by HTC BlinkFeed™ that provides a real-time, dynamic home screen, HTC Zoe™, that has a dynamic display and allows very easy image sharing. It has an integrated HTC UltraPixel camera that represents a new level of picture taking in mobile phones. In addition the HTC BoomSound™ and Sense Voice™ audio innovations add further intense user experience to the use of the phone.

Since its establishment, HTC has always followed the same principle: being brave to pursue innovation, keeping trying to have more people experiencing its extraordinary smartphones, and consistently realizing its brand philosophy of "being quietly brilliant" as the company's internalized culture.

Brand's Core Principle

The HTC brand value is human-centered and this drives us to continuous thought about how to make things simpler and more natural, and also to make the impossible possible. We have realized this human-centered philosophy in product designs with more natural user interfaces and a concept that is closer to life. We bring our consumers extraordinary and amazing experience.

At HTC we believe that great things can be done in a modest and humble way. Wonderful things are better experienced than expressed. At HTC, our achievements do not depend on slogans, but are built up by positive user experience. We receive excellent feedback from all our users without the need for prompting.



Our Success Comes from the Praise of Our Users

At HTC we put the user first and work hard in the pursuit of innovative design that will enhance personal user experience. It is the real experience and the references from users that drives the sale of HTC products, the identity of the brand, and the continuous growth of HTC.

We Evolve Ultimate Personalized User Experience

HTC pays extra attention to detail to enable consumers to experience the most advanced technology in the simplest way. We encourage the feedback of user experience. By listening to what the user has to say we can learn and grow and our global R&D team can keep evolving the using experience to the maximum.

Our Product Design is Interaction and Experience Value

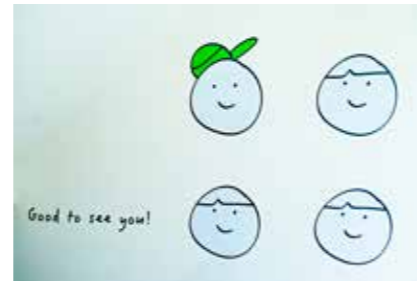
To give HTC products a simple yet outstanding style, and provide excellent user experience, we design well engineered, capable and durable products that have a human oriented interface.

HTC has achieved much in terms of innovation, including the excellent press-and-shoot picture taking function that is comparable to that of mainstream digital cameras. Our products have HD recording and playback functions that turn an HTC mobile device into a personal mobile theater. By incorporation of the advanced audio technology from Beats, we give our consumers the most authentic sound. The HTC Smartphone picture taking function and audio performance have become new benchmarks in the mobile phone industry.

HTC believes that a mobile device should be more than a just Smartphone, and should meet all user needs for personal audio/visual entertainment and social communication and be a universal mobile device that also represents its user's image.

Multilateral Cooperation Leads to Innovation

To provide our users with more complete and comprehensive mobile services, HTC has long-term strategic partnerships with many industry leaders, such as Google, Microsoft and Qualcomm. Through collaboration in research and development, we continuously create innovation that enables us to integrate hardware, software, content and operating systems more effectively for enhanced human interaction.



A Working Environment Incorporating Brand Spirit

The design of the new HTC R&D facility at Taipei HQ is based on the HTC brand spirit and displays the four concepts of “Customer at the Center”, “Simplicity”, “Surprise”, and “Hidden Power”.

HTC regards the creativity that stems from brainstorming as one of our most valuable assets. To promote interpersonal communication, the new facility is configured with many staff areas that allow our people to interact and talk, this includes the interlacing sky bridges between the buildings that link departments together, and the 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 that sharing is the best kind of interaction. When the space layout at the new facility was being decided, our senior managers, who love innovation and advocate the arts, expressed the intention of sharing the lobby on the ground floor with the public. They planned the area as space for art exhibition, where young local artists could show their creative work and in turn enhance interaction between HTC and the community. This art space is called the “HTC Gallery” and is open to the public as a space where different organizations and artists can exhibit cultural and artistic work. The gallery brings art and culture closer to the public and especially to school children and students. Working in this facility is like working in a world of art, and this stirs creativity and contributes to better and more impressive HTC products.

In June 2012, to celebrate completion of the building and the 15th anniversary of HTC, we invited Ju Ming, Taiwan’s most famous and world renowned sculptor, to exhibit his “Taichi Series” in the HTC Gallery. His large work “Single Whip” was set at the center of the lobby and perfectly represented the HTC wisdom of modesty and amiability, and the momentum that overcomes all challenges.

Honors and Awards

HTC has industriously cultivated the smartphone market around its consumer-centered design philosophy and has received many prestigious awards. After being recognized by the Global System for Mobile Association (GSMA) as the “Best Mobile Phone Company” in 2011 and listed amongst the Best 100 Global Brands in 2011, HTC once again won first place in the “Survey of the Top Taiwan Global Brands” in 2012. Many of its excellent mobile phones received awards in the categories of advanced technology, product design and innovation.

Proof of the Reputation of the New “HTC One”

- Evidence of the quality and reputation of the new HTC One is reflected in “The Best New Mobile Phone, Device or Tablet Award 2013” received from the Global System for Mobile Communications Association (GSMA).
- The New HTC One was recognized by Tech Radar as the Best Phone and the Best in Show at the International Conference on Communications.
- The new HTC One was ranked as the Best Smartphone by Mobile Geeks.

Additionally, the Windows Phone 8X and Windows Phone 8S won the “Red Dot Award: Product Design 2013 ®)”, clearly showing that HTC has passed its competitors in innovation and design.

The awards won over the last few years are clear evidence of the HTC capability of refining user experience and making innovative changes to its products. They are also witness to many breaks-through and also the HTC commitment to keep improving.

*Note: The Red Dot Design Award is one of the world’s most influential and creditable awards for industrial design.

Chronicle of HTC Product Development





Innovative Research & Development



Future Goal Achievement

Continued innovation with the human-centered concept to make use satisfaction with mobile phones better

HTC's Challenge

Expediting patent layout
Strengthening advertising of product innovation

Current Achievement

New HTC ONE setting new innovation standards for high-end mobile phones

Actively Conducting Innovative R&D

Since its establishment, HTC has invested heavily in fostering R&D talent and developing technical innovation. The annual R&D investment is about 4-5% of the total operating revenue. Currently, our in-house R&D employees make up 30% of all HTC's global employees. With this strength of innovation, HTC has special insight into industrial trends and outstanding capability for meeting consumer demand. This puts HTC always in the lead.

HTC is the first brand to introduce both Windows and Android mobile phones, and this gives the company a head start in mobile communication applications. Our observations on industrial trends, insight into consumer needs, and strength in innovation have made it possible for us to take the lead in the Smartphone market.



- The First Windows Mobile phone
- The First Android mobile phone
- The First Dual-Mode GSM/WiMAX mobile phone
- The First 3G/4G Android mobile phone
- The First 4G LTE Android mobile phone

Engaging Diversified R&D Talent

HTC Sense® introduced in 2009 provides unheard-of mobile phone user experience. After this we launched a series of clouding and AV services in 2011, including HTC Watch and Beats Audio, allowing the users to enjoy more brilliant personal entertainment through HTC mobile phones.

In 2011, when 4G high-speed mobile communications started, HTC led the way in introducing HTC Thunderbolt, the first LTE Android smartphone, and HTC Titan II, the first LTE Windows Phone, to bring high-speed wireless broadband technology into the daily lives of users; and HTC took the lead in the field of 4G mobile phones.

To further satisfy regional markets with differing needs, HTC launched several more high- performance and human oriented Smartphones in 2012, and has partnered with technology leaders all over the world to provide users with more options.

| | |
|---|---|
| HTC One™ Series Smartphones | This series incorporates amazing camera and authentic sound and comes with the exclusive ImageSense™ that provides superb image functions. Sales of this model took off globally soon after launch. |
| HTC TITAN II | This was the world's first 4G LTE Windows Phone, and is a popular entry-level model. |
| Windows Phone 8X by HTC & Windows Phone 8S by HTC | These Smartphones were launched jointly with Microsoft and received Red Dot Awards. |
| HTC Desire Family & 5" Full HD high-end products working with Android | |
| DROID DNA by HTC launched jointly with the US carrier Verizon & HTC J Butterfly launched jointly with the Japanese carrier KDDI | |
| HTC Butterfly marketed across Asian markets such as China and Taiwan | |

The new HTC One is HTC's flagship smartphone designed to give hitherto unknown user experience. New HTC One has a seamless and smooth metal back, while featuring innovative functions that include:

- The even more innovative HTC Sense® includes HTC BlinkFeed™ Homescreen, which is a brand new dynamic homescreen allowing users to easily keep up with the world and get the latest personalized news updates from their social network;
- HTC Zoe™ records images captured by the HTC UltraPixelcamera as a living album, this redefines the way people take, view and share photos;
- HTC BoomSound™ delivers the best audio performance of all existing mobile phones. With its frontal stereo speakers powered by built-in amplifiers and its amazing Full HD screen, users can enjoy music, films or games with the ultimate AV experience;
- HTC Sense TV™ turns the new HTC One into a remote control working with most TV sets, set-top boxes and receivers. Through cloud technology, this allows consumers to watch TV programs and search for their favorite TV programs in an intuitive way.

HTC operates globally. To support the rapid growth of our business, we continuously engage talent in various fields through diverse recruitment channels. We create jobs locally to develop our cross-culture and cross-discipline knowledge and experience.

We have a talent-based recruitment policy and engage R&D talent available in the local labor markets wherever we operate. In 2012, a total 3,526 R&D workers joined HTC globally. In addition to those in Taiwan, we have many R&D employees coming from, or based in, other countries, such as the US, China, the UK, Belorussia and Japan. 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.

Over recent years HTC has engaged an average of one thousand new employees annually. We recruit capable and potential talent through fair and open recruitment channels. To ensure the talent has the knowledge and skills that suit the needs of the company, HTC regularly participates in on-campus recruiting activities and employment seminars. Moreover, HTC also co-organizes communications competitions with the Ministry of Economic Affairs, to attract the excellent workforce required in the world of innovative R&D, and identify those who have the skills and professionalism we need.



Investment in Innovative R&D

| | Unit | 2010 | 2011 | 2012 |
|----------------------|--------------|---------|---------|---------|
| Fixed R&D Investment | Million (NT) | 12,940 | 16,295 | 15,490 |
| Total Revenue | Million (NT) | 278,761 | 465,795 | 289,020 |
| Percentage | % | 4.6% | 3.5% | 5.4% |

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



Responsible Management



We place great importance on corporate governance and operational transparency, and have formulated and implemented corporate governance according to company law, the 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.

The management of HTC thinks highly of the internal auditors and has given them adequate authority to encourage the proper review and identification of shortcomings in our internal control system and to measure operation efficiency as well as to ensure the system is effectively implemented. They also assist the Board of Directors and management in the conscientious execution of their duties and in the practice of responsible corporate governance.

Corporate Governance

HTC is committed to maintaining a perfect corporate governance framework, which protects the rights and interests of our vast number of shareholders through strengthening the competence of the Board of Directors, developing the functions of supervisors and respecting all the stakeholders' rights and interests. In addition, we also closely observe and adapt ourselves to the latest world trends and progressively implement various systems to continuously enhance the quality of our corporate governance.

Over recent years, as our business model has been transformed, the scale of our operations has grown and overseas subsidiaries have been added, we have continued to review, amend and supplement (where needed) all the related measures, processes, and implementation rules for our internal operations. This has been done to improve the operating efficiency and enhance corporate governance.

To achieve this high-standard, we formulated the "HTC Corporate Governance Framework", which has been approved by the Board of Directors, and complies with the Corporate Governance Best-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 foster and sustain a corporate culture that advocates accountability and diligence and maintains the highest ethical standards; and
4. To encourage the effective and responsible use of resources.



Board of Directors

The HTC Board of Directors is composed of members that are elected by the shareholders. The Board is responsible for supervision and management, ensuring the long-term interests of the shareholders, and caring for the rights and benefits of our vast number of stakeholders, including the employees, the customers, the suppliers, the government and the public, as well as for the realization of fully responsible governance.

Currently, there are seven 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 the evaluation of the CEO’s performance, overseeing CEO succession planning, 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 to win the trust of the public and the shareholders. To this end, when the terms of some directors and supervisors expired in 2010, 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

A compensation committee has been established under the Board of Directors and is composed of three directors, including one independent director. The committee is responsible for assisting the Board in the supervision of the company compensation system. The committee also sets annual and long-term performance goals for directors, supervisors and executives as well as the compensation policy, system, standards and structure from a professional and objective viewpoint. The committee also regularly evaluates the achievement of set goals by directors, supervisors and executives to help determine the content and level their compensation.

The compensation committee collects the latest compensation-related changes in the industry, sets compensation policies for the CEO, the senior heads and employees and assesses the annual performance of the CEO, the members of the Board of Directors and the supervisors.

Supervisors

HTC has an appropriate number of supervisors. These supervisors regularly review the accounting of the quarterly financial statements with Certified Public Accountants, to ensure their reasonable and proper expression. In addition, the Supervisors are also responsible for verification of the independence of the Certified Public Accountants and key stakeholder transactions and to reasonably ensure the internal control system has been designed and executed effectively. HTC has an appropriate number of supervisors. These supervisors regularly review the accounting of the quarterly financial statements with Certified Public Accountants, to ensure their reasonable and proper expression. In addition, the Supervisors are also responsible for verification of the independence of the Certified Public Accountants and key stakeholder transactions and to reasonably ensure the internal control system has been designed and executed effectively.

Members of the HTC Governing Team

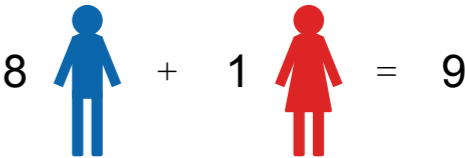
| Name | Position |
|--------------------|---|
| Cher Wang | Chairperson |
| HT Cho | Director; Compensation Committee Member |
| Wen-Chi Chen | Director |
| Tan Ho-Chen | Director |
| David Bruce Yoffie | Director |
| Chen-Kuo Lin | Independent Director; Compensation Committee Chairman |
| Josef Felder | Independent Director |
| Huang-Chieh Chu | Supervisor |
| Shao-Lun Lee | Supervisor on behalf of Way-Chih Investment Co.,Ltd. |
| Jerry H.C. Chu | Supervisor |

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

>50

30-50 (0)

<30 (0)



Complete Disclosure

HTC is committed to real-time and transparent information disclosure. In addition to disclosing all the major financial and business information on the TWSE open information website (<http://newmops.twse.com.tw>) as regulated, we also hold online investor conferences quarterly, where the predictive figures for operating revenue and gross and net operating profits for the coming quarter are given so that investors can be continuously aware of company operations.

In addition to regular information disclosure, HTC also participates in investment forums and investor conferences held by domestic and international brokers, and visits our major investors in Taiwan or other countries, 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 fact that HTC regularly disclosures information in a real-time and transparent manner has been recognized by the competent authorities. In 2012, HTC was ranked as A+ and listed in the TOP-10 & A++ Listed Companies in the 9th Securities & Futures Institute Information Transparency and Disclosure Ranking and received several awards.

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

Diversified Channels for Transparent Information Disclosure

| | |
|---|--|
| Spokesperson & Deputy Spokesperson | A spokesperson (and a deputy spokesperson) have 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 | <p>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.</p> <p>The Investor Relations Website is continuously maintained and updated with the latest HTC company development information. This includes annual reports, quarterly reports and the announcements of key events.</p> |
| 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

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 made internal announcements to all employees through e-mail, and has also posted 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 has also been established for employees to expose any improper behavior that comes to their attention.

Internal Audit System

The design and implementation of the HTC internal control system and the implementation of the internal audit are performed according to the provisions as set forth in the Standards for Publicly Held Companies for Internal Control Systems and the related laws.

HTC has set up its 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 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.

The HTC internal audit unit has an appropriate number of competent internal auditors chosen according to company scale, the business situation, management needs and the provisions of the related laws. At present there is senior auditor at the head of the unit and six dedicated internal auditors.

The internal auditors are qualified as required by statute, and they are required to pursue regular compulsory advanced study for a set number of hours. Information that includes the name, age, education, experience, seniority and training received by each auditor is submitted in the required format to the Financial Supervisory Commission through the Internet Information System at the end of January every year for record. The appointment or termination of the Head Internal Auditor must be approved by the Board of Directors, and submitted via the Internet Information System for record by the 10th of the month following the approval of such appointment or termination by the Board of Directors.

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.

We have set up a complete organization for risk management and a well designed standard operational process and regulations are in position. An internal management and training system, guides our employees towards the correct concepts, and proper approach to the implementation of all risk management. We also use the internal audit system to regularly check the performance of various risk management measures, to ensure proper operation of the risk managing mechanism.

| Responsible Body | Item | Description |
|---|--|---|
| Legal Affairs | Risks involving contracts and legal matters | Managing all the risks connected with company contracts |
| Finance & Accounting | Business decisions & financial risk management | Allocating and managing funds, planning investment, controlling customer credit, and conducting operational analysis as well as cost analysis |
| Internal Audit | Risks about internal control | Evaluating the soundness and effectiveness of the internal control system |
| Global Products | Risks about product trends | Identifying future trends for products and customer needs |
| R&D Center | Risks about product design quality | Ensuring the design quality of products in terms of hardware and software, as well as safety |
| Operation Center | Control of manufacturing quality risk | Improving the manufacturing quality of our products |
| Customer Service & Quality Assurance Division | Risks about product quality | Providing after-sales service and improving the quality of the after-sales services. |

Management of Financial Risks

The high volatility of the global financial market and the dramatically changing exchange rates put great pressure on management and have an adverse effect on shareholder interests. As a counter to this HTC has formulated a capital management scheme in which the tools, decision making and approval processes are clearly defined and documented.

In 2012, exports accounted for about 93% of the total HTC operating revenue. As product export sales and the cost of materials purchased from other countries were both quoted and accounted for in US dollars, partial write-off between the purchasing and selling accounts in foreign currency serves as an automatic hedging mechanism. The rest of the revenue is then partially converted into NT\$ according to the existing capital need. In the future, we intend to enhance the automatic hedging of foreign currency debit/credit offsets, by using tools such as derivatives under the applicable risk-control rules.

Management of Operating Risk

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.

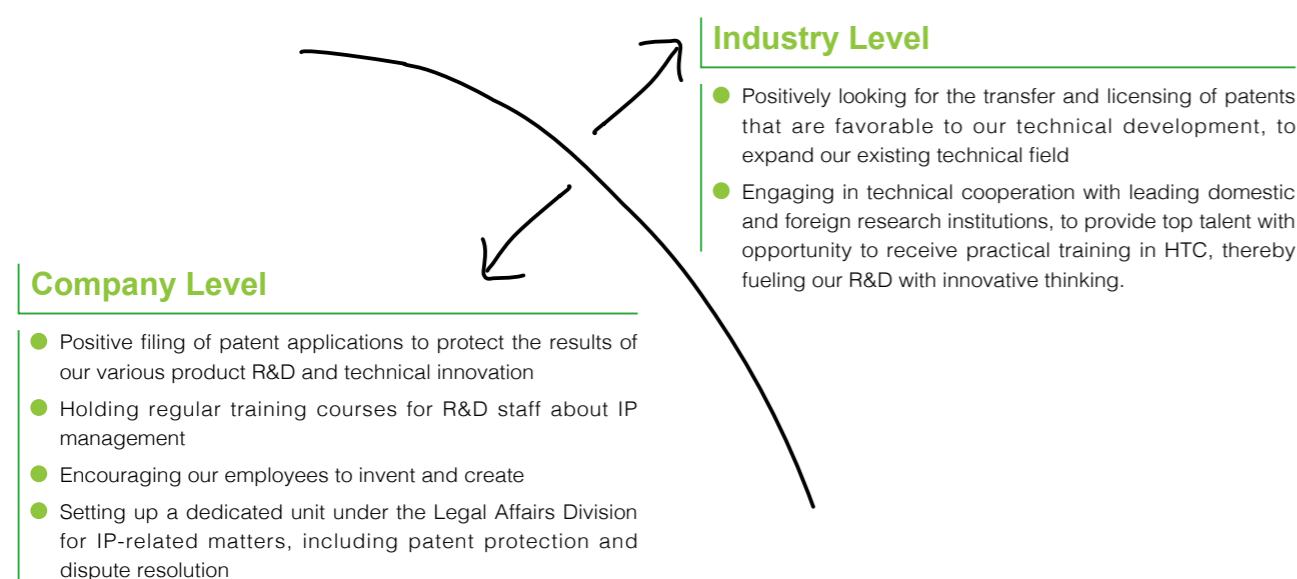
Management of Climate Change Risk

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.

| | Cause | 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. | ● 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. | ● 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.) | ● 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. | ● 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. |

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:



HTC has an active attitude with respect to the enforcement of our patent rights and deals with any infringement immediately to protect the IP-related rights and interests of the company. For example, to protect our reputation HTC works closely with the customs department and the police in many different countries to investigate and eliminate imitations and unauthorized products being sold on the market.

We also actively seek trademark protection all over the world and have registered all the HTC marks, in more than one hundred countries. This includes all HTC brands, product names (eg HTC One, etc), and the names of various parts and technologies (HTC Sense, HTC Zoe, etc). When imitations or unauthorized use of our trademarks is found, HTC takes legal action together with the local law-enforcement agencies to protect our rights and interests.

In addition, HTC also has regulations in position to protect the commercially valuable information that is not covered by trademark or patent protection, such as copyright of program code, product photos and images, and other trade secrets and information about products to be launched. We use strict employment contracts and non-disclosure agreements to limit the disclosure of confidential information, and protect our R&D results from disclosure.

The company has a positive attitude and employs mature strategies to protect all kinds of intellectual property rights that set a firm foundation on which first class HTC brand value can be developed all around the world.

Patent-Related Litigation and Results

1. In April 2008, ICom GMBH & CO., KG ("ICom") filed a multi-claim lawsuit against the Company with the District Court of Mannheim, Germany, alleging that the Company infringed ICom's patents. In November 2008, the Company filed declaratory judgment action for non-infringement and invalidity against three of ICom's patents with the Washington Court, District of Columbia.

In October 2010, ICom filed a new complaint against the Company alleging patent infringement of patent owned by ICom in District Court of Dusseldorf, Germany.

In June 2011, ICom filed a new complaint against the Company alleging patent infringement of patent owned by ICom with the High Court in London, the United Kingdom. In September 2011, the Company filed declaratory judgment action for non-infringement and invalidity in Milan, Italy. Legal proceedings in above-mentioned courts in Germany and the United Kingdom are still ongoing. The Company evaluated the lawsuits and considered the risk of patents-in-suits are low. Also, preliminary injunction and summary judgment against the Company are very unlikely.

In March 2012, Washington Court granted on the Company's summary judgment motion and ruled on non-infringement of two of patents-in-suit, ICom has filed motion for reconsideration on the two patents with the Appeal court. In December 2012, the district court has granted a stay on case currently in the US pending appeal decision.

As of March 15, 2013, the date of the accompanying independent auditors' report, there had been no critical hearing nor had a court decision been made, except for the above. 2. From March 2010 onwards, Apple Inc. ("Apple") and the Company have filed patent infringement actions against the other respectively in the U.S. International Trade Commission ("ITC"), U.S. District Court for the District of Delaware, German district courts, and English High Court. On November 11, 2012, the two companies have reached a global settlement that includes the dismissal of all current lawsuits and a ten-year license agreement. The scope of this license agreement covers both the current and future patents held by the parties as agreed upon and specifically set forth in the agreement, with royalties payable as prescribed.

3 In January 2012, Eastman Kodak ("Kodak") filed a lawsuit against the Company concurrently with the ITC and U.S. District Court of Western District of New York ("New York court"), alleging that the Company infringed its patents. Kodak requested ITC and New York court to prevent the Company from exporting to and selling in United States devices made using Kodak's patents and damage compensation, respectively. In January, 2013, a U.S. bankruptcy judge presently approved the sale of 1,100 Kodak digital image patents including the patents-in-suit to a third party. All litigation procedures involving HTC have been stayed.

2. In May 2012, Nokia Corporation ("Nokia") filed a lawsuit against the Company, HTC America, Inc. and Exedeia, Inc. ("the Company") concurrently with the ITC, Delaware court and the District Courts of Mannheim, Munich and Dusseldorf in Germany ("German courts"), alleging that the Company infringed its patents. Nokia requested ITC to prevent the Company from exporting to and selling in United States devices made using Nokia's patents and requested Delaware court and German courts to grant damage compensation upon Nokia. The Company subsequently filed revocation actions against Nokia's asserted patents in London High Court. The Company evaluated that there is no direct relation between the associated technology used in the Company's devices and patents claimed by Nokia. The Company believes the lawsuits have limited impact on its financial results or sales activities.

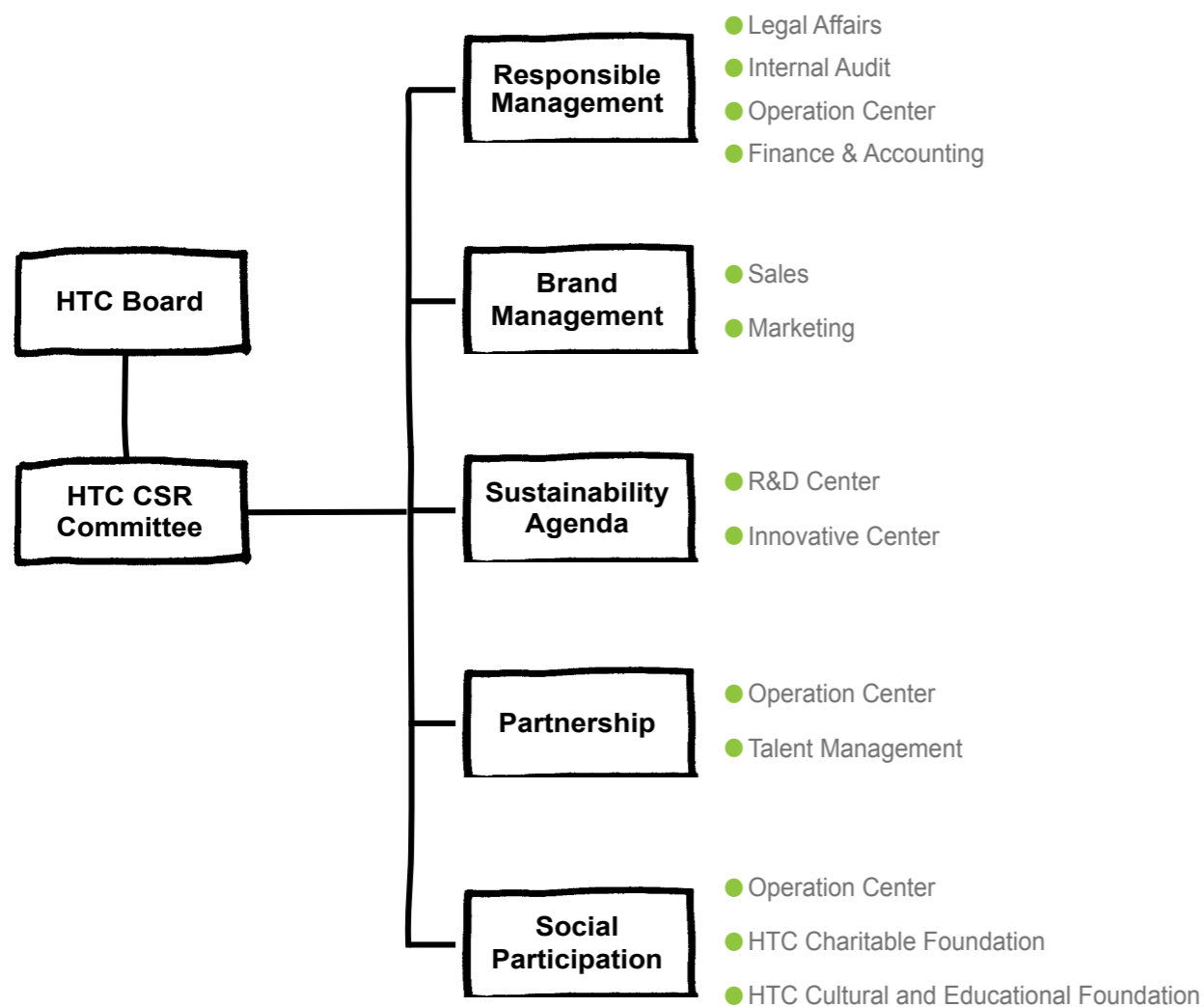
4. As of March 18, 2013, the date of the accompanying independent Auditors' report, there had been no critical hearing nor had a court decision been made, except for the above.

Management of Corporate Social Responsibility

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.

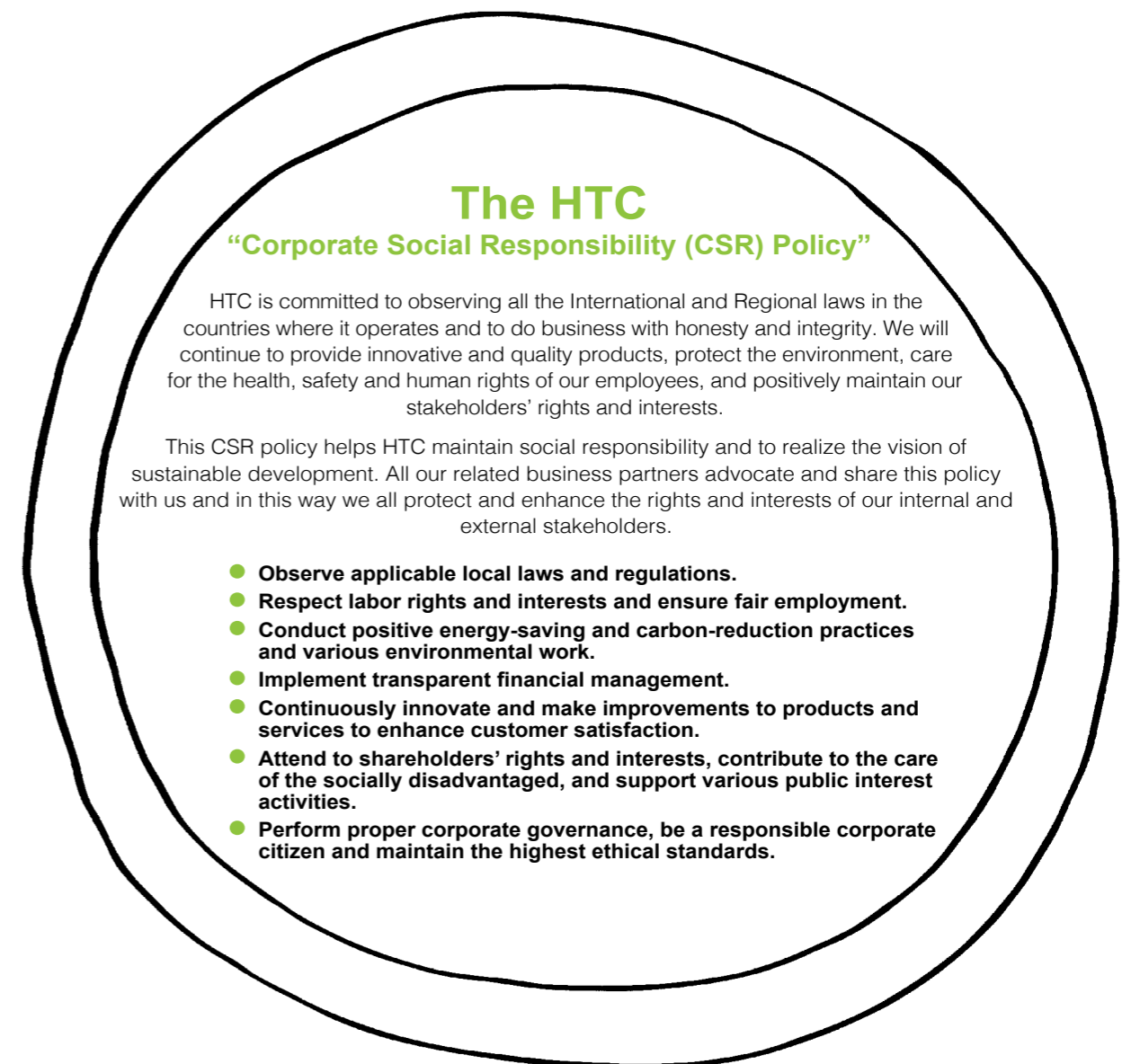
We use clear organization and work breakdown, through interdepartmental meetings, to integrate CSR work into the management of related departments, such as legal affairs, compliance, environment, procurement, human resources, and marketing, to activate overall CSR and innovation. This ensures that CSR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

Structure of the HTC CSR Committee

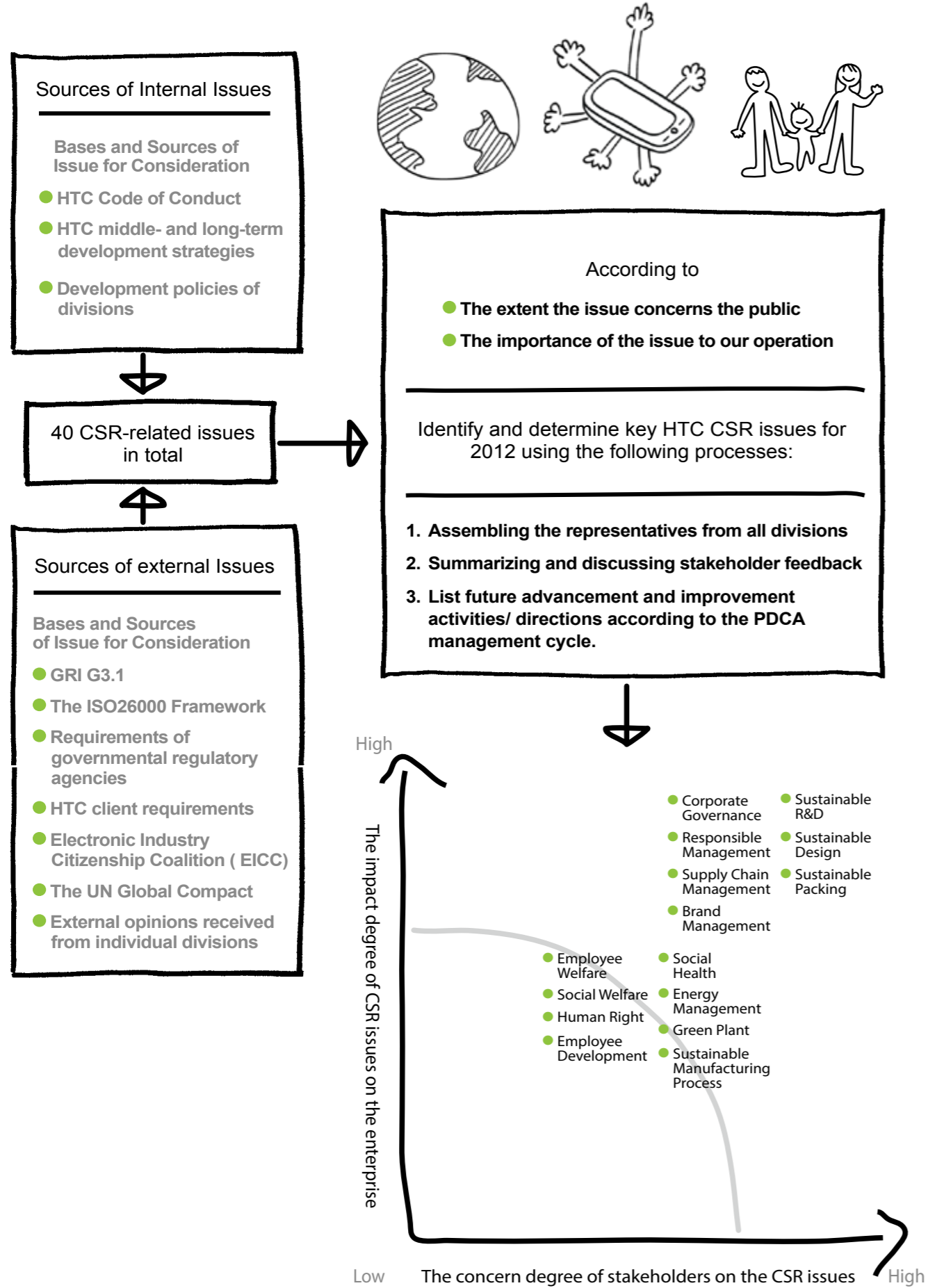


Mechanism for Committee Operation

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 will be provided.



Management Process for CSR Issues



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 to 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 has regularly passed all audits conducted by the international certification agencies, and obtained and maintained certificates of IECQ QC080000 Hazardous Substance Process Management.

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, we have made sure that all our manufacturing sites around the world regularly pass the audits conducted by international certification agencies, and obtain and maintain ISO 14001 certification. In 2010, there were no penalties for any breach of regulations or laws.

The Occupational Safety & Health Management System

To reduce the risks of workplace injury and reduce accidents, an occupational safety & health management system has been established according to OHSAS 18001, and we have made sure that all our manufacturing sites around the world regularly pass the audits conducted by the international certification agencies, and maintain OHSAS 18001 certification.

The Energy Management System

ISO50001 examines the source and amount of greenhouse gas emission according to ISO14064-1 Standards. The energy management system enables planned energy management to be realized, thereby supporting sustainable operation.



Partnership










HTC believes that good CSR partnerships are essential for good joint performance and result in much better corporate social responsibility. Such relationships also provide us with the opportunity for self-examination and create better things for contribution to society.

HTC treats communication and interaction with our employees, customers, foreign labor, student workers, suppliers, and external stakeholders very seriously. We hope to create a close understanding with our CSR partners through engagement, cooperation and interaction, and to have an influence on society through sharing and learning.

In addition to the various hardware and software that provides convenience for our partners, HTC has also established a number of communications channels to maintain good interaction, and the relevant units are responsible for collecting suggestions from stakeholder according to their relevance and potential impact on HTC operations. The suggestions and responses are regularly disclosed in the CSR reports and incorporated in our future plans for improvement.



Emphasis on the Interaction with Stakeholders

| | <div></div> <div>Investors</div> <div>General Shareholders Corporate Shareholders Rating Agencies</div> | <div></div> <div>Corporate Customers</div> <div>Major Telecommunication Operator Information and Communication Technology Operator</div> | <div></div> <div>General Consumers</div> <div></div> | <div></div> <div>Employees</div> <div>General Employees Contingent Workforce Student Workers & Trainees Foreign Employees</div> | <div></div> <div>Suppliers</div> <div>Raw Material Suppliers</div> | <div></div> <div>Contractors</div> <div>Construction Contractors Cleaning/ Maintenance Service Providers Waste Disposal Vendors</div> | <div></div> <div>Local Communities</div> <div>Local Community Associations Local Civic Organizations Local Governmental Agencies Local Media</div> |
|--------------------------------------|--|--|---|---|---|--|--|
| Concerned Issues | <ul style="list-style-type: none">● Information disclosure (finance, business)● Compliance with laws and regulations● Operation Status● Strengthening corporate governance● Strengthen risk management● Key shareholder shareholding rates | <ul style="list-style-type: none">● Product quality● Service quality● Price competitiveness● On-time delivery● Green products● Carbon footprint/ carbon disclosure● Restricted substance management | <ul style="list-style-type: none">● Pre-sales consulting● After-service● Product quality● Service quality | <ul style="list-style-type: none">● Learning & growth● Working environment / labor conditions● Wage/welfare● Health & safety● Career development● Work-life balance | <ul style="list-style-type: none">● Raw material quality● Price competitiveness● Continuously stable supply● Supply chain management● Compliance with various regulations● Technical capability● Cooperation with logistics/ transportation providers to conduct effective packing (eg packing reduction and reuse)● Working environment & health● Machine/equipment safety● Carbon management training and contests | <ul style="list-style-type: none">● Construction safety & health | <ul style="list-style-type: none">● Environmental impact (air pollution, sewage discharge, etc.)● Compliance to laws and regulations● Shaping the Corporate image● Economic contribution● Social concerns● Social Participation● Cultivation of talent |
| Communication Channels and Frequency | <ol style="list-style-type: none">1.Board of Directors meeting/ 4 times per year2.Shareholder conference/ Once per year3.Annual report/ Once per year4.Investor Conference/ Quarterly5.Monthly revenue statement/ Once per month6.Visiting investors/ Standing7.Investor Relationship Website/ Standing8.Spokesperson/ Standing | <ol style="list-style-type: none">1.Business review with key customers (QBR meeting)/ Quarterly2.Reply to customer inquiries/ Whenever necessary3.Customer audit and replies to customers questionnaires/ As required by the customer4.Meeting the customer requirements about environmental and social responsibilities/ As required by the customer | <ol style="list-style-type: none">1.Local service hotlines in 75 countries to provide customers with real-time communication and assistance/ Daily ongoing2.Websites in different languages for customers to give feedback and to access information in a real-time manner (50 established, continuously increasing)/ Daily ongoing3.Dedicated email boxes for different functions (PR, Service, Copyright, Security, etc) to provide convenient customer contact with HTC/ Daily ongoing4.Postal service survey for investigating customer satisfaction/ Daily ongoing5.Contactting customers who give negative feedback in the satisfaction surveys to address their concerns/ Daily ongoing | <ol style="list-style-type: none">1.Department quarterly meeting/ Quarterly2.One-on-one interview with supervisors/ Irregularly3.Annual performance appraisal/ Interview/ Annually4.New employee seminar/ Weekly5.Employee assistance hotline and mailbox, Health Center, Employee Aid Scheme/ Anytime necessary <p>Labor-management meeting/ Bimonthly</p> | <ol style="list-style-type: none">1.Supplier communication activity/ Irregularly2.Supplier annual conference/ Annually3.Guidance and audit for suppliers/ Annually4.Cooperation project with suppliers for addressing CSR and greenhouse gas issues/ Two projects in 2013 (supplier CSR audit and carbon footprint check) | <ol style="list-style-type: none">1.Induction training/ Weekly2.Patrol inspection in facility/ Daily | <ol style="list-style-type: none">1.Positive employee engagement in public interest activities/ Monthly2.HTC cooperation with governmental agencies and non-profit organizations in eco, environmental and other public welfare activities/ Monthly |



Corporate Customers

"Customer First" is an HTC core philosophical value and also the foundation of the HTC business. 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. We have established close relationships with many major carriers, including those Telecom companies that dominate the US and European markets as well as with some that are growing fast in the Asian markets. This way we can present our products to large numbers of customers all around the world.

To create and foster a culture where honesty is valued, we have formulated the "HTC Code of Conduct" and "CSR Policy", in which all our expectations about employees' ethical behavior are documented in detail.

We respect and strictly observe our agreements with corporate customers. In addition to maintaining absolute confidentiality and integrity throughout our facilities, we also maintain strict external control by means of carefully worded contracts and non-disclosure agreements with all our key suppliers. We ensure that both internal and external staff and vendors match the highest ethical business standards.

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 2012.

Corporate Customer Satisfaction Management

Because customer satisfaction is our top priority, we have formulated the "HTC Customer Satisfaction Management Process" as a basis for quality customer service to help us provide services that exceed the best expectations of our customers.

To ensure that customer needs and expectations are regularly reached, we review the customer satisfaction in quarterly business reviews. Each business unit is required to devise measures for the improvement of any areas that are lacking in this respect and to follow progress of these improvement measures until customer satisfaction reaches 100%.

Our indicators for managing customer satisfaction, in addition to product quality, delivery and after-service, also include CSR performance. In particular, as mentioned in EICC, human rights, environment and energy management have become new concerns for corporate customers and affect the global supply chain. For this, we have established a dedicated team that regularly collects CSR information and remains in regular contact with our corporate customers.



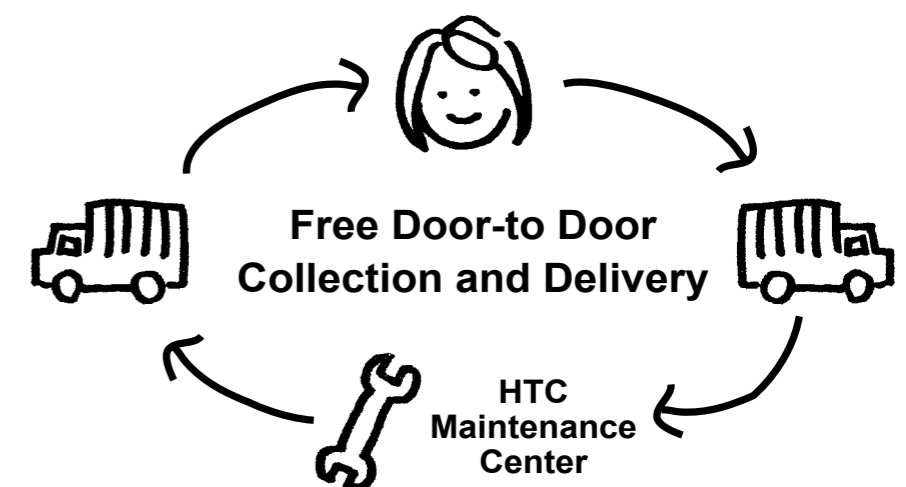
General Consumers

The transformation of HTC from a mobile phone maker to a brand company has resulted in the expansion of our customer base from a limited number of telecom carriers to vast numbers of consumers all over the world. Our customers are our most precious property and this concept forms the basis of HTC corporate service philosophy. When serving our customers, we treat them as the very center and essence of our business. We think from the viewpoint of a customer and always make such efforts that our products will not only satisfy, but also surprise the user.

HTC has set up local service lines in 75 different countries that provide direct communication and assistance, around the clock, seven days a week. Currently, our help desk can serve customers in 42 different languages, allowing people from far corners of the world to contact HTC and speak in a familiar tongue. We have several other channels through which customers may contact HTC: email, SMS and social network sites. We have also set up websites in 50 different languages that allow our customers to easily obtain information and give feedback without delay.

To provide more convenient maintenance services, we have agreements with some local logistics companies for the provision of door-to-door express courier services to collect and deliver mobile phones for repair. We have also set up E-Care service centers in some major countries in Asia, where face-to-face consultation and maintenance is available. Customers in Taiwan and Hong Kong can also make on-line reservations for free instruction sessions in the use of their HTC mobile phones. We are currently assessing the effectiveness of these instruction sessions, and planning this service in some other countries.

In order to get information about consumer satisfaction, each time a customer uses our services, they are invited to participate in a service satisfaction survey. This gives the customer a chance to give positive or negative feedback and address any concerns they might have. This one of the ways we are able to achieve our goal of customer satisfaction.





Student Workers Partners



As a company deeply rooted in Taiwan, HTC is devoted to the provision of a fair and efficient environment where employees can bring their talents into full play. We are happy to open all our many diversified jobs to local people and foster talent from Taiwan. We take positive social responsibility by engaging in co-operative education programs in which we provide a real life working environment for school students to extend their education through practical training. This not only helps students develop special skills and future employment capability, but also provides the company with an important talent pool.

In 2012, HTC worked in co-operative education programs with the Nan Chiang Industrial and Commercial Senior High School, Kao Yuan College, the Kao Ying Industrial Commercial Vocational High School, Da Der Commercial and Technical Vocational School, Huade Vocational High School of Technology & Home Economics and the Fan Shu Vocational School. A total of 417 student workers were hired and took part. This represented 2.89% of all company employees. We treat the students, who take part in this vocational training program, as important HTC coworkers. In addition to the well established practical training plans approved by the Ministry of Education and supported by the hosting schools, we also provide the students with social coaching programs to help them cope with work, life and education. This comprehensive system gives the students labor rights and their interests are secured, while their living and educational needs are satisfied.

Wage and Welfare for HTC Student Workers

| Aspect | Description |
|---|---|
| Educational Training | <ul style="list-style-type: none">● The accumulated training hours for 2012 was 178 hours, more than the 108-hours minimum threshold required by Ministry of Education.● The courses were designed by HTC and the teachers were from the cooperating schools.● The courses treat theory and practice as equally important and include in-position practice (for learning practical operations) and supplementary education (for understanding technical theory as a basis for practice).● HTC engineers gave face-to-face teaching in our professional laboratories and classrooms.● HTC additionally provided evening training hosted by our excellent engineers and supervisors focused on character education, safe browsing and other moral topics. |
| Wage | <ul style="list-style-type: none">● The initial monthly salary for each student workers was NT\$20,600.● Upon completion of the 3-month working term and before returning to school, each student workers was given gift coupons for a chain convenience shop (7-11) amounted NT\$ 500.● The monthly salary for each student workers after his/her first year service was NT\$21,600, higher than the minimum wage of NT\$18,780 as set down by the Labor Standards Act. |
| Welfare | <ul style="list-style-type: none">● Labor Insurance, National Health Insurance, Group Insurance, board, lodging, annual leave and books gift coupons were all provided for every student workers.● HTC provided transport for students to and from their schools during rotation intervals, to ensure their safety.● HTC provided meal subsidies (NT\$30 for breakfast, NT\$50 for lunch, NT\$50 for dinner).● HTC provided gyms and held sporting events. |
| Working Hours | <ul style="list-style-type: none">● The working time for student workers was seven hours a day, from Monday to Saturday (as opposed to full working days of 8 hours).● 84 working hours per 2weeks● Daily overtime hours was less than 2 hours.● 45 minutes for lunch break. |
| Lodging | <ul style="list-style-type: none">● Free dormitories were provided with free water, power and 24-hour air conditioning.● A NT\$700 subsidy for bedding was given when student worker are on board to factory. |
| Consultation & Communication | <ul style="list-style-type: none">● Student guidance was performed by in-factory teachers.● Hotline 8585 was answered by dedicated staff to communicate with Student HTC.● HTC provided life services, including counseling performed by mental health counselors.● HTC built up a long-term interaction network with schools, in-factory teachers and students.● HTC worked with the Ministry of Education to complete annual appraisal and visits.● HTC reported to the competent authorities according to law (Labor and Human Resources Bureau, Taoyuan County) |

Shift Schedule for HTC Student Workers

| Shift | On-duty time (From) | Off-duty time (To) | Working Hours per Day | Break Times |
|----------------------------|---------------------|--------------------|-----------------------|---------------------------------------|
| Day-Shift A for 6-Day Term | 07:50 | 16:05 | 7 | 09:50-10:05, 12:00-12:45, 14:45-15:00 |
| Day-Shift B for 6-Day Term | 08:00 | 16:15 | 7 | 10:00-10:15, 12:15-13:00, 15:00-15:15 |
| Day-Shift C for 6-Day Term | 08:10 | 16:25 | 7 | 10:10-10:25, 12:25-13:10, 15:10-15:25 |



Industry-Academic Hand-in-Hand Project

In 2012, HTC worked with the Fan Shu Vocational School, the Lunghwa University of Science and Technology, the Kuang-Fu High School and the Minghsin University of Science and Technology in "Industry-Academic Hand-in-Hand" Project, providing 100 job shadowing opportunities in total. The graduated student workers followed a training program of 4-days work, 2-days school and 1-day off and are positioned to enter one of the Universities cooperating with HTC. The benefits of this Hand-in-Hand Project include:

1. Accumulating early practical experience and preparation for employment.
2. Developing professional skills.

This provides disadvantaged students with opportunities to receive an education in a co-operation project where industry and schools execute education programs and promote a spirit of vocational education in a pragmatic and practical way. The "learning by doing" Dual System of Vocational Training Project also assures students of future employment by teaching them high-tech skills and even training them in interpersonal relationships and workplace adaptability. HTC and the Bureau of Employment and Vocational Training work together to promote this program for students in four-year universities, as an alternative to the Industry-Academic Hand-in- Hand Project. In 2012, the Lunghwa University of Science and Technology enrolled 68 students and Hsing Wu University of Science and Technology enrolled 50 students under this project.

Dual System of Vocational Training Project, Bureau of Employment and Vocational Training

Cooperation with the China University of Technology

The China University of Technology opened a special class in 2012 and enrolled 86 students for this class. These students work at HTC from Monday to Friday, and go to school on the weekends so they can attend to both work and study. This gives the student workers working for HTC an alternative channel for further education, and helps them to complete their studies without monetary concerns.



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.

HTC provides complete orientation training for new foreign employees, including an introduction to wages and welfare, explanations about the manufacturing process, environmental safety and health, work rules, dormitory regulations and daily life management, etc. We also value and listen to the voice of our employees. In addition to making detailed records of their feedback about their life and work, we communicate our concepts about sharing love and respect also teach them to review themselves honestly, love themselves and respect others.

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 follow up after the health examination, to ensure the state of health of the foreign employees.

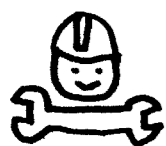
In addition, we engage "interpreters", "managers" and "consultants" proficient in the different languages to give our foreign employees assistance in their daily lives, language, culture and mental needs. The HTC dormitories have 24 hour air conditioning; the living quarters have well equipped gyms, reading rooms, prayer rooms and even free Internet access. Regular activities are held exclusively for foreign employees, such as NYR parties, annual travel arrangements are made and regular labor-relations meetings are held to allow feedback about work and living conditions to ensure their physical and mental well-being.

Regarding management: In addition to professional skills, we also provide education in character development and communication skills, to build and strengthen good labor-management communications. For those foreign employees who have expressed an intention to quit, in addition to respecting their will, we also arrange interviews to assist in their future career planning and provide them with appropriate assistance.



Care Measures for Foreign Employees

| | |
|--|--|
| Listening to the voice of the employee | ● Recording employee feedback ● Holding quarterly labor-management meetings ● Forwarding employee opinions ● Following up handling results ● Respecting employee decisions |
| Leisure life measure | ● Free wireless Internet ● Comfortable dormitory environment with air-conditioning all day ● Sound Gym environment and equipment ● Library, Prayer room |
| Sound health exam program | ● Aligning the welfare system with the requirement of health exam for foreign labor as provided by the applicable laws ● Biennial health exam for employees ● Follow-up of health exam results ● Entry health exam (general physical exam, general health exam as designated by the Council of Labor Affairs, check for intestinal parasites, chest X-ray exam, check for dengue fever, check for Hansen's disease) |
| Reasonable agency fees | ● Fees determined according to the cost of the foreign labor coming to Taiwan from their respective countries ● Established charging standards for the exporter countries of foreign labor ● Punitive provisions for overcharges agreed with foreign worker agencies ● Requiring the foreign worker agencies to clearly list the total charge amount ● Verifying employee household certificates upon signing agreements ● A first questionnaire survey before visa is issued ● Second questionnaire survey 3 months after entry |
| Tax refund tracking | ● Explaining tax policies to the employees ● Giving advanced notice about the tax refund period ● Encouraging employees to actively track the tax refund process ● Asking employees to sign a "Proxy Statement for Claiming Tax Refund" before leaving Taiwan ● Tracking foreign worker agencies for the tax refund check ● Announcing the tax refund date ● Allowing employees to sign and receive their tax refund checks by presenting their employee badges |
| Physical & mental health-promotion activities | ● NYE celebrating activities ● Annual travel (3 days during Chinese New Year Holiday) ● Cultural trips throughout Taiwan ● Trips to leading amusement parks |



Contractor Partners

HTC focuses on its core technical ability and works with contractors leading their respective professions to jointly promote industrial development. When working with contractors who have a long relationship with HTC, we not only value the mutual experience, but also the job safety at their end. We believe that only when full protective measures have been secured will the contractors and HTC both bring their full strength into play to create a win-win situation. HTC draws up a comprehensive plan for safety and health management every year in consideration of the S&H management of the contractors to prevent occupational accidents.

Our initiatives for promoting safety and health management at the contractor include: compliance with S&H regulations, hazard identification to lower risk, the management of controlled, hazardous or dangerous materials and communication of S&H information, to improve management and reduce S&H risk by engagement of all the employees of both the contractor and HTC. In addition, HTC has also obtained OHSAS18001:2007 Occupational Health & Safety Management System Certification. All new construction workers have to receive full training about safety and health management, and become acquainted with the work environment and safety rules for all processes, and also be familiar with the use of fire-fighting equipment.

Construction management measures to be conducted by Contractors

- 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; and
- Obtaining the required insurance for contractor employees.

Safety and health audit to be conducted by Contractors

- 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; and
- 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.



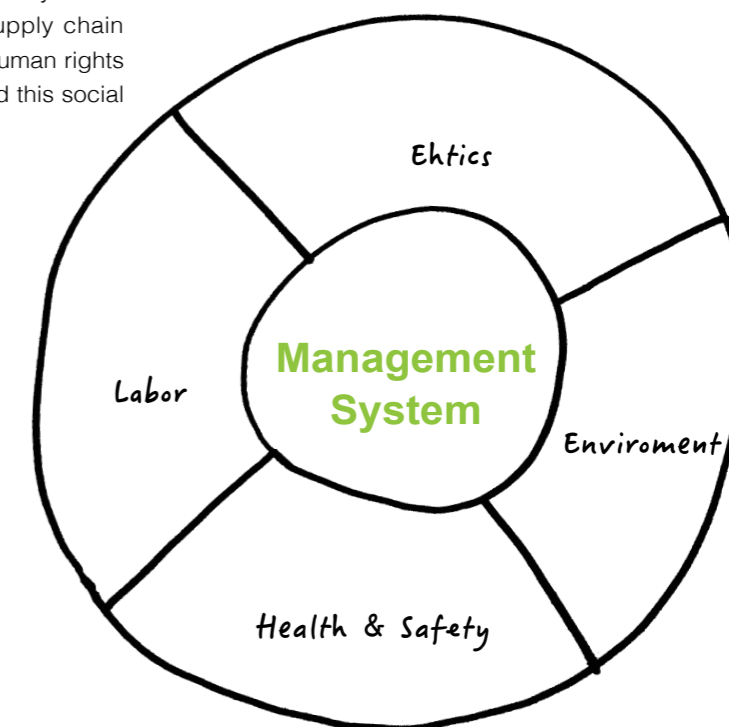
Supply Chain Partners

Suppliers are a vital factor for the continued success of HTC and also are important partners that support our sustainable development. HTC is committed to fairness and legal compliance in all its conduct towards both consumers and suppliers, and has invested consistently in building a win-win partnership with suppliers through mutual sharing, learning and growth.

HTC was founded in Taiwan and is a Taiwanese company whose operations and procurement drives development of the related sectors. Except for certain key parts and components, it is 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.

| Supplier Code | Amount | Percentage of Total Purchase Amount (%) | Interests |
|-----------------------|---------|---|-----------|
| A | 20,780 | 13 | None |
| Others | 139,025 | 87 | |
| Total Purchase Amount | 159,805 | 100 | |

HTC is a member of the Electronic Industry Citizenship Coalition (EICC) and has formulated an "HTC Supplier Code of Conduct" according to the Electronics Industry 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.



The HTC Supplier SR Compliance Audit Includes Five Stages



Undertaking Responsibility as an EICC Member

After joining the Electronic Industry Citizenship Coalition (EICC) in December 2010, HTC soon established the "HTC Supplier Code of Conduct" according to the Electronic Industry Code of Conduct issued by EICCE for all its suppliers to observe. We will continue to fulfill the responsibilities of EICC membership and conduct regular supply chain audits, participate in EICC activities and perform all the required information disclosure.

We conduct annual SR compliance audits on our suppliers according to the "HTC Supplier Code of Conduct", and the applicable laws in force at the suppliers' factory locations, to ensure our suppliers all conform to their social responsibilities. The audit covers labor conditions, environmental issues, Health and safety, honest and ethical practices and the related management systems. In addition to the on-site audit, our auditing team also offers coaching and consultation, and provides the suppliers with all the latest information and knowledge during the audit process, to give them every opportunity for growth.



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 regular assessment of implementation of the Code as the basis for our further selection of business partners.

The provisions about labor issues, health and safety, and ethics were framed with reference to the related documents issued by the EICC and United Nations Universal Declaration of Human Rights. For more information about the "HTC Supplier Code of Conduct", please see: www.csr.htc.com

CSR Assessment & Audit

In 2010, under the direction of the Fred Liu the President of Engineering and Operations we established a dedicated team to be in overall charge of CSR affairs. The team very soon started an investigation into CSR implementation by suppliers. In June 2011, 20 key suppliers received audits in terms of CSR compliance. During the audits, the team verified that the partners understood the HTC Supplier Code of Conduct, and also provided all the audited suppliers with consultation and coaching. In 2012, 30 key suppliers were audited for CSR compliance, making the audit rate is 100%.

| Indicator | 2011 | 2012 | 2013 (Goal) |
|--|------|------|-------------|
| No. of Audited Vendors | 20 | 30 | 40 |
| Completed rate : (No. of Audited Vendors/Total No. of selected suppliers) | 100% | 100% | 100% |

According to the results of the supplier audits in 2012, health and safety (including employee dormitories and restaurants) and working conditions were identified as the major issues. HTC addressed the identified issues and the supplier partners made adequate improvements.

| Rank | Issue | Description of Non-Compliance |
|------|----------------------|---|
| 1 | Health & Safety | Workers not wearing personal protective equipment, incomplete patrol and inspection, and lack of emergency lighting in public areas. |
| 1-1 | Employee Dormitories | Lack of clothes hangers in dormitory shower rooms, broken shower nozzles, and lack of emergency lighting equipment or substitutes in rooms. |
| 1-2 | Employee Restaurant | Catering staff not wearing masks during catering, plates for cooked food not well prepared during catering, and incomplete specimen sampling. |
| 2 | Working Conditions | No one day off per 7 working days, young workers on duty not wearing identity marks, and overtime exceeding the statutory limit. |

CSR Educational Training

It is HTC's expectation that our compliance audit would help our business partners to recognize the importance of corporate social responsibility and in turn integrate CSR components into their operation. For ensuring suppliers' support to HTC's CSR policy, in the future we will also organize and hold CSR training sessions that meets individual suppliers' states and levels to help our supply chain to develop their capability of fulfilling CSR.



Responsible Procurement of Minerals

The Democratic Republic of Congo and the surrounding Great Lakes Region of Central Africa possess significant mineral resources, including gold (Au), Tantalum (Ta), Tin (Sn), and Tungsten (W), all of which are necessary raw materials for electronic equipment (“conflict minerals”). The mining and extraction process in this area is rife with violence and other breaches of human rights used to generate extortionate profits through an illegal mineral trade, which has even led to massacres and other extreme violations of human rights in recent years.

As part of a global effort to combat the trade of such conflict minerals, HTC supports Dodd-Frank Wall Street Reform and Consumer Protection Act(H.R.4173) and the Conflict-Free Sourcing Initiative's Conflict-Free Smelter (CFS) Program and endeavors to avoid using any conflict minerals or any raw mineral materials mined in the “conflict” countries in Central Africa. Specifically, HTC has committed to work with our suppliers to ensure that they employ responsible procurement practices. We require suppliers to only use minerals from conflict-free smelters recognized by EICC or an equivalent certifying body as conflict-free, to the greatest extent possible. By 2016, we plan to utilize only certified conflict-free minerals in our products.

To ensure conflict-free sources of Gold (Au), Tantalum (Ta), Tin (Sn), and Tungsten (W) during this transitional period, HTC currently avoids, and asks its suppliers to avoid, any minerals from mining operations in Africa's Great Lakes regions. Our suppliers are required to follow the “HTC Policy for Procurement of Conflict Minerals,” and to answer the “EICC Conflict Minerals Reporting Template” and sign the “Conflict-Free Material Assurance Letter.”

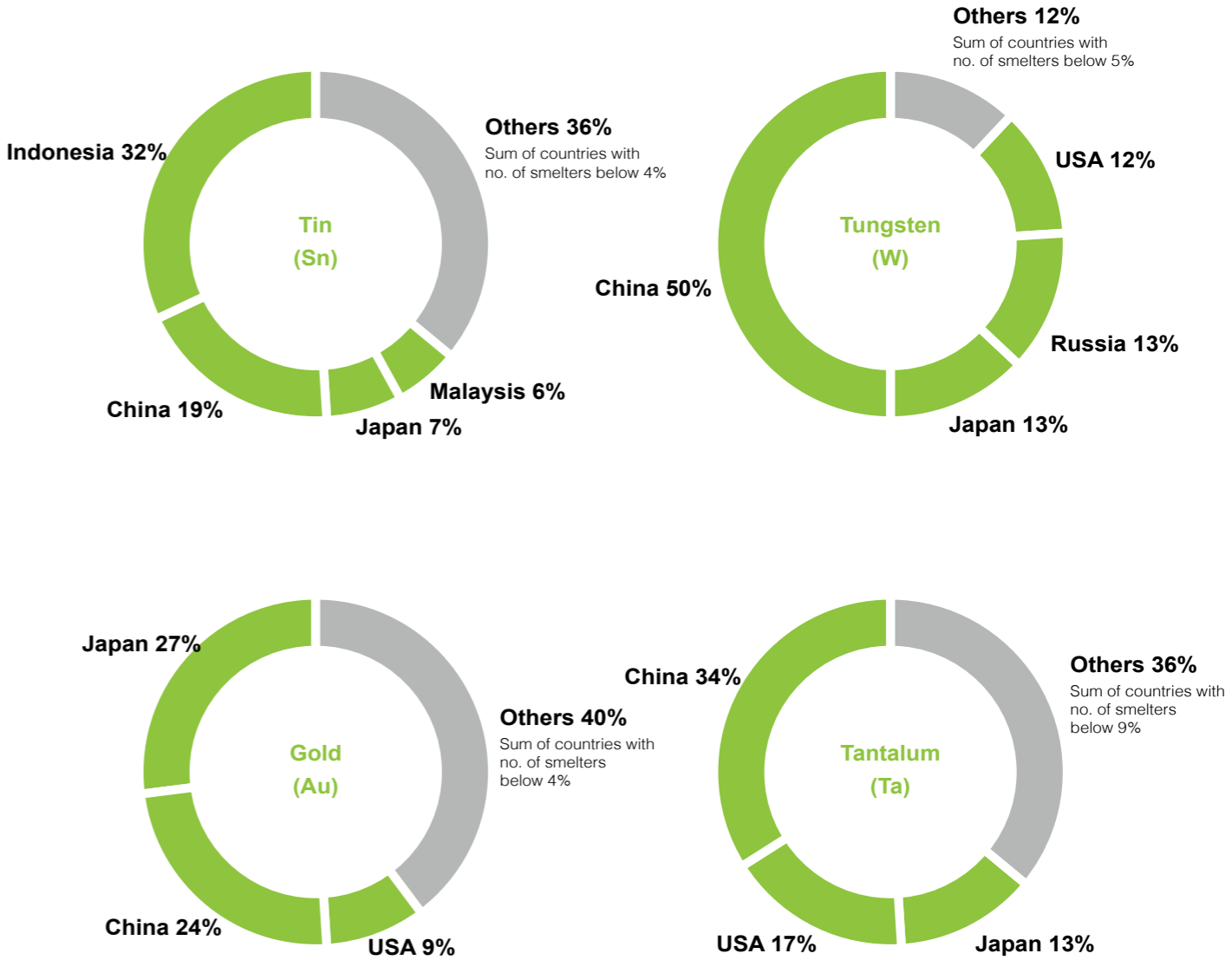
In 2012, we incorporated conflict minerals compliance into HTC's suppliers Social Compliance audit and documented the requirements for supplier management. In addition, we made random visits to the metal smelters working for HTC to confirm the sources of metals and the smelting process. In the future, our audits of smelters will delve deeper into issues related to conflict minerals to achieve stricter and more prudent control.

We utilized the EICC-GeSI Conflict Minerals Reporting Template to survey all suppliers that provide the related materials to HTC, with a response rate as high as 92.54%. According to the survey, HTC currently uses metals primarily from mines in China, Japan, the US and India, demonstrating that HTC's policies aimed at avoidance of the use of conflict minerals are having a positive impact.

The smelters in the HTC supply chain are listed in the table below. HTC not only asks its suppliers not to use electronic components made with minerals from conflict areas, but also uphold certification of conflict-free-minerals operation, with the hope of eliminating all use of conflict minerals.

| Item | Gold | Tantalum | Tin | Tungsten |
|-------------------------------------|------|----------|-----|----------|
| No. of countries | 20 | 12 | 18 | 9 |
| No. of smelters | 111 | 31 | 115 | 40 |
| No. of EICC CFS Identified smelters | 12 | 11 | -- | -- |

¹ Electronic Industry Citizenship Coalition Conflict-Free Smelter (the abbreviation is CFS) Program website: <http://www.eicc.info/CFSPProgram.shtml>
² HTC will develop conflict-free mineral products according to the Conflict-Free Smelter List (CFS List) issued by Electronic Industry Citizenship Coalition. To date, the list includes qualified smelters for Gold and Tantalum only. HTC will continuously track the progress and take responsive measures and action.



³ In order to protect the suppliers' information, the data are expressed in percentages. For more details, please contact HTC CSR contact window – Grace Huang.
⁴ In the charts, HTC shows the 4 source countries of 3TG metals are listed in the category of Others as below in alphabet order.
(1) Gold : Australia, Canada, Germany and Switerland. .
(2) Tantalum : Australia, Brazil, India, and Thailand. .
(3) Tin : Brazil, Korea, Peru and USA.
(4) Tungsten : : Australia, Canada, Korea and Germany.



HTC People



In HTC, we believe that “the key to maintaining the momentum of innovation in a company lies in its having competent and talented employees”. HTC has presence in many countries around the world, and recruits local talent who reflect our Brand spirit which is the idea of “being Quietly Brilliant”. In recent years, we have fused the strengths of both Western and Eastern talent, held onto our dreams and passionately faced all the challenges to realize innovation and create the challenging HTC working environment that presents diversity and vitality as well as enthusiasm.

- **HTC was awarded “Employment Contribution Award 2010” .**
- **HTC was recognized as an “Employer Adequately Hiring Handicapped Workers in Taoyuan-Hsinchu-Miaoli Region” in 2011.**
- **In 2012, HTC hired more than 5,300 employees in Taiwan, and was one of the Top-10 Companies in the TWSE RA Taiwan Employment Creation 99 Index.**

HTC added more than one thousand newly recruited employees in both 2011 and 2012. Through fair and open selection, we positively recruit talent that has capability and potential. To ensure that the recruits are professionally aligned with the needs of the company, in addition to subjective interviews, we also use objective tests to evaluate language ability (English), logic, aptitude and professional skills. In this way we can select professional and talent oriented people for the company.

HTC actively builds close relationships with schools and institutions. In practice, we regularly take part in school campus recruiting events, and we hold symposia to provide a platform where school students and HTC can interact and exchange ideas. We also open standing jobs and summer-vacation jobs to school students to give them opportunities to learn and fit into our corporate culture at an early stage in their careers. We train students and give them the competence required for the workplace, and discover the talent that deserves further cultivation along the way.

In addition to recruitment it is also a strategy of HTC Human Resources to retain talent. HTC HR has a retention program in place to encourage talented employees to remain with us and continue to contribute to the company. As a part of this program, annual long-service award ceremonies are held and awards are given to employees who have worked for HTC for 5 years, 10 years and 15 years. In addition, we have established an internal transfer system that assists employees with transfer between departments as needed for job enrichment and career planning.

Overview of Manpower Structure

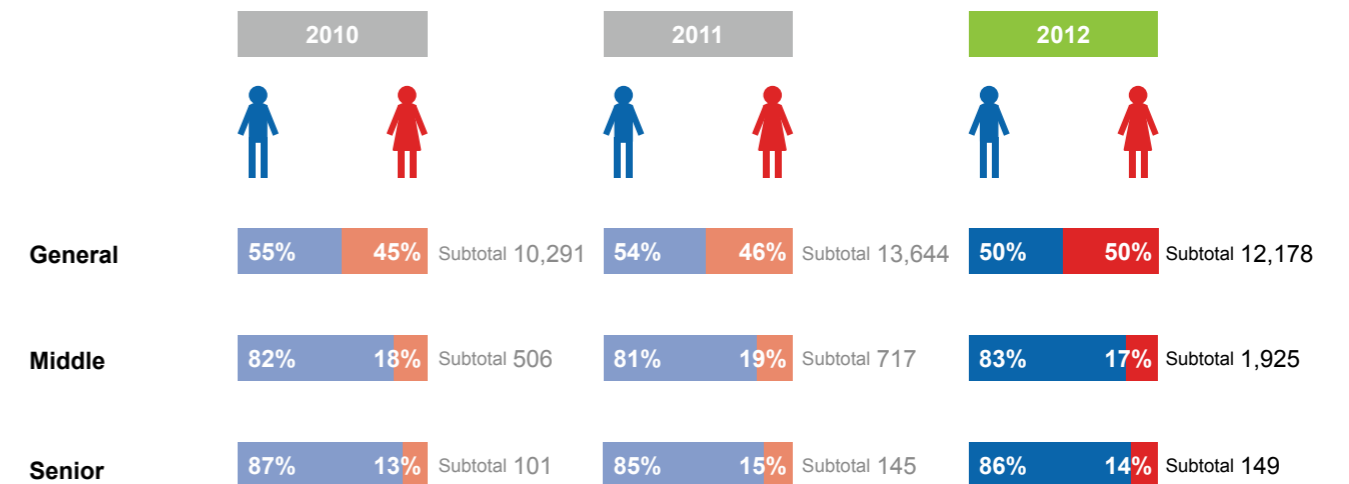
HTC has always regarded employees as its most important property. HTC recruits talented people from around the world who have the same goals as the company. This is particularly important for jobs involving product design, the user interface, the Brand and Marketing. We have engaged many professionals in Europe and in the US. As of December 2012, the total number of personnel across HTC global operations is 17,575, including 468 foreign department heads that represent 31.77% of all global department heads. Foreign department heads and professionals equals 15.35% of the total global number of department heads and professionals. Furthermore, amongst the 1,473 HTC supervisors, 21.32% are female.

HTC Manpower Overview

| | Unit | 2010 | 2011 | 2012 |
|---|-------------|--------|--------|--------|
| Male Taiwanese employees | Individuals | 6,138 | 8,079 | 7,768 |
| Female Taiwanese employees | Individuals | 4,760 | 6,427 | 6,484 |
| Male full-time workforce | Individuals | 6,110 | 8,035 | 7,757 |
| Female full-time workforce | Individuals | 4,749 | 6,362 | 6,477 |
| Male direct employees | Individuals | 3,215 | 4,002 | 4,107 |
| Female direct employees | Individuals | 3,777 | 5,044 | 5,304 |
| Male indirect employees | Individuals | 2,923 | 4,077 | 3,661 |
| Female indirect employees | Individuals | 983 | 1,383 | 1,180 |
| Male contingent workforce | Individuals | 335 | 1,400 | 1,701 |
| Female contingent workforce | Individuals | 263 | 1,157 | 1,335 |
| Male employees under fixed-term contracts | Individuals | 28 | 42 | 24 |
| Female employees under fixed-term contracts | % | 11 | 62 | 32 |
| Percentage of employees younger than 30 years old | % | 57.84% | 57.07% | 59.09% |
| Percentage of employees aged 30 to 50 years old | % | 40.61% | 41.40% | 39.41% |
| Percentage of employees older than 50 years old | % | 1.55% | 1.54% | 1.50% |

Note: The above figures are all annual averages

The Proportion of Male and Female of all ranks, 2010-2012

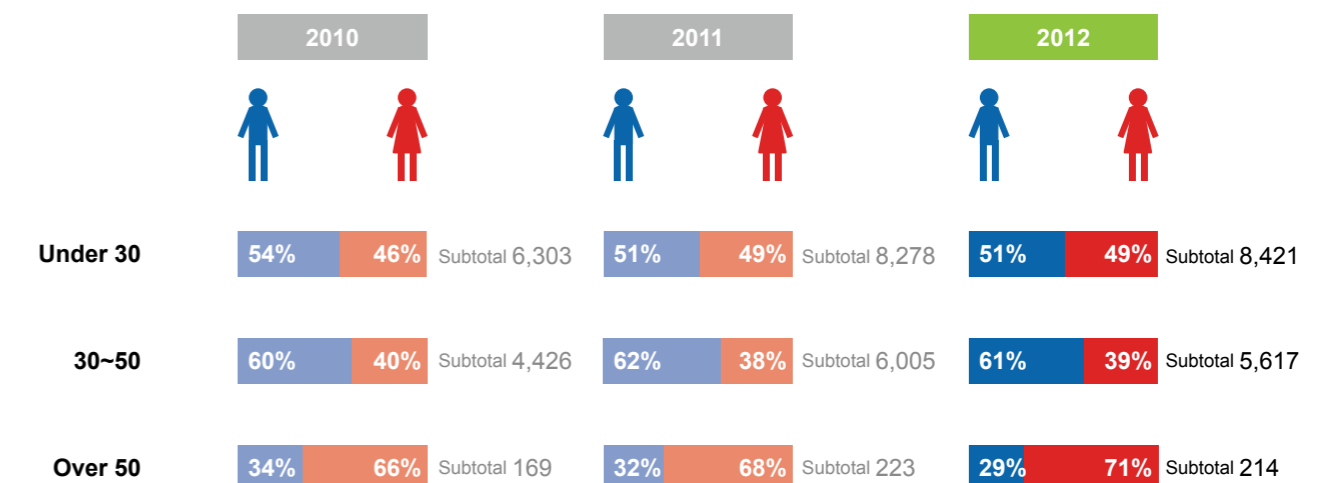


Note: Senior: CEO, CMO, CFO and other executive positions above Vice GM

Middle: Department Heads, Managers, Section Chiefs

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

The Proportion of Male and Female by Age , 2010-2012



Sound Wages and Welfare System

It's our commitment to create an innovative, challenging, and profit-sharing workplace. We provide an attractive wages and welfare scheme that allow employees using their strengths to their fullest potential, continuous their development as well as participating in the profit-sharing plan alongside with the company's growth.

HTC work environment is fun, dynamic, progressive, and full of energy. We continue promoting various employee-caring programs to assure our concerns of employee welfare, creating more harmonious working relationships, and maintaining the effective communication between employee and management. In addition to meet the legislative mandates and regulation, HTC contributes significant time and resources to promote a wide range of welfare benefits programs to meet our employees' individual needs.

HTC employee compensation package includes a base salary, short-term and long-term incentive. For new employees, we offer a competitive pay based on job responsibility, education, work experience and the market benchmark. We are committed to non-discrimination hiring policy. All applicants are assessed on the basis of their qualification without regard to gender, race, nationality, age, religious belief, or political affiliation.

In addition, employee performance appraisals are conducted annually to assess employee's commitment, performance and contribution. Employee's performance result, potential development and compensation market benchmark will be the reference for employee's merit increase, promotion, career development, incentive and bonus. By doing so, we are confident that the compensation scheme and employee development are aligning with company's financial performance and motivate employees' continuous innovation and contribution.

Diversified Employee Welfare



*Quietly brilliant is doing
great things in a humble way
with the belief that the best things
are experienced, not explained.*

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

In accordance to legislative mandates, HTC offers a pension plan that deposits pension reserve fund regularly to a dedicated bank account governed by the Supervisory Committee of the Workers' Retirement Reserve Fund.



Valuing 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 EICC (to view the EICC membership list please visit <http://www.eicc.info/MEMBERSHIP.htm>), HTC strictly follows the related regulations and as a responsible employer incorporates care for human rights into all aspects of daily operations.

Non-Discrimination and Harassment

Diversity of Nationality is one of the characteristics of HTC staff and the principles of equality and non-discrimination are core company values. We are an equal opportunity employer and do not discriminate in employment and personnel practices on the basis of race, sex, age, physical or mental disability, religion, national origin or any other characteristic protected by Law.

No Child Labor

HTC strictly prohibits the use of under-aged 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.

Our Supplier Code of Conduct for manufacturing suppliers restricts any form of unfair labor practices and clearly articulates our expectation that all factory workers are of legal working age.



People are the most important asset

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 employ, in any of our branches and subsidiaries, no matter their position, level and location, must comply with these ethical standards.

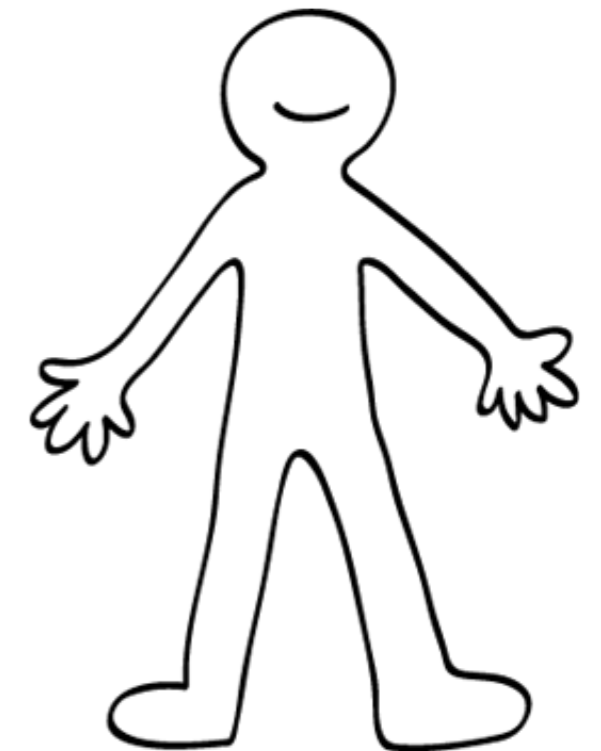
Particular clauses are set out in the HTC Code of Conduct, including those related to secrecy, corporate property, protection of corporate and personal information, employees and their direct relatives, consumers, vendor relationships and business etiquette, business travel, conflicts of interest, external part time jobs, insider trading and so on, to place strict curbs on any kind of dishonest activity. HTC has introduced procedures for donation by providing principles for their approval and handling.

All HTC employees are required to understand and observe the employee rules and other policies of the company. The related supervisors are responsible for verifying that employees fully understand the contents of this code, and regularly (at least once a year) review the code.

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.

The "HTC Code of Conduct" has provisions that give clear directions for employees who face conflicts of interest. In all countries where HTC operates the Code shall take precedence over any local regulations unless there is direct conflict between the HTC code and the laws and regulations proclaimed by the local government.

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.



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:

- The provision of female-specific cancer screening every year, including pap smears and breast sonography ;
- Satisfying the female physiological needs by maintaining a comfortable rest environment, lending heating pads for free use, providing assessment of dysmenorrhea, giving the related health education, and arranging medical consultation and referral; and
- Creating a breastfeeding-friendly environment by providing facilities superior to those set out by legislation. These include warm and comfortable breastfeeding spaces, UV feeding bottle sterilizers, microcomputer electric thermos, comfortable sofas, refrigerators for storing breast milk, baby and breastfeeding posters and light music. HTC has 27 breastfeeding rooms, which in 2012 were used 35,839 person-times.

We provide employees with opportunities to have enriched professional life in HTC. We encourage and support employees to give birth and raise children. In addition to providing full support for pregnant employees, we also have an application mechanism for parental leave in place, so that the postpartum employees can have parental leave and take care of their babies with their future working rights fully assured.

Employees applying for Family Care Leave, 2010 to 2012

| Year | 2010 | 2011 | 2012 |
|--------|------|------|------|
| Male | 9 | 9 | 56 |
| Female | 27 | 41 | 86 |
| Total | 36 | 50 | 142 |

Employees applying for Unpaid Parental Leave and Resuming Duty after Leave, 2010 to 2012

| Year | | Male | Female | Total |
|------|--|--------|--------|--------|
| 2012 | Employees applying for Unpaid Parental | 32 | 88 | 120 |
| | Employees supposed to return after Unpaid Parental | 12 | 51 | 63 |
| | Employees supposed to return and those resuming duties after Unpaid Parental (B) | 2 | 31 | 33 |
| | Rate of return after Unpaid Parental (B/A) | 16.67% | 60.78% | 52.38% |

Note: 1. Employees qualified to apply for Unpaid Parental Leave: Employees having been on Maternity or Paternity Leave
2. Employees applying for Unpaid Parental Leave: Employees on Unpaid Parental Leave
3. Employees returning after Unpaid Parental Leave: Employees applying for Unpaid Parental Leave- Employees having filed return applications



Employment of the Disabled and an Accessible Working Environment for the Handicapped

In HTC, we recognize that the basis for fulfilling our corporate social responsibility is to accord good treatment to our employees. To this end, the creation of more job opportunities and work of a diverse nature is a very good starting point. In 2012, HTC hired 168 handicapped people and this exceeded the mandatory minimum number by 23. (The above-mentioned numbers have been 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. Thorough education and training is also provided to allow the handicapped to make a contribution to society and enhance their own quality of life.

In addition to maintaining a handicap-accessible environment for our employees and visitors, we also have employee volunteers who act as “Angels” to help handicapped coworkers handle the basic necessities of life and work.

Actual Hired Disabled Employees vs. Mandatory Minimum Number

| Year | 2010 | 2011 | 2012 |
|-------------------------------------|------|------|------|
| Average of Actual Hired Number | 71 | 151 | 170 |
| Average of Mandatory Minimum Number | 91 | 122 | 140 |
| Difference in Percentage | -22% | +24% | +21% |

Valuing Employee Health

HTC regards employees as its most valuable property. 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 development of the company will HTC succeed as a corporation and enjoy sustainable development. HTC continues to help our employees maintain a proper life-work balance as well as their mental and physical health.

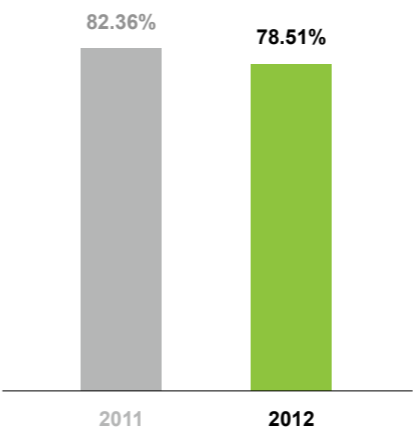
Ensuring the health of our employees has the highest priority and we strive to provide all employees with a healthy and comfortable working environment. We pay particular attention to four areas: “health management”, “health enhancement”, “vocational health” and “employee assistance”. HTC has also established a response mechanism at management level for all notifiable infectious diseases to ensure the effective use of support resources and safeguard the health of our employees.

Health Enhancement Scheme for HTC Employees

| Area | Work |
|---------------------|--|
| Health Management | <div>● Health center for managing and planning affairs related to employee health</div> <div>● MRI health exam and management for senior executives</div> <div>● Health exam and management for direct staff</div> <div>● Health exam and management for foreign employees</div> <div>● Health exam and management for special-operations staff</div> <div>● Health information webpage</div> <div>● Attending physicians</div> <div>● Health exam and management for indirect staff</div> <div>● Health exam and management for new employees</div> <div>● Health exam and management for catering staff</div> <div>● Management/tracking for abnormal HE results</div> |
| Health Enhancement | <div>● Comfortable breastfeeding rooms</div> <div>● A pressure-releasing site for employees</div> <div>● Breast sonography</div> <div>● Smoking cessation courses</div> <div>● Flu shots</div> <div>● Colorectal cancer screening</div> <div>● Monthly topic seminars</div> <div>● Pap smears</div> <div>● Oral cancer screening</div> |
| Vocational Health | <div>● Establishment and maintenance of HE Database for Special-Operation Staff</div> <div>● Management of work-related injuries</div> <div>● First-aid training</div> <div>● Prevention of vocational diseases</div> |
| Employee Assistance | <div>● Mental consultations</div> <div>● EAP promotion activities and leaflets for new employees</div> |

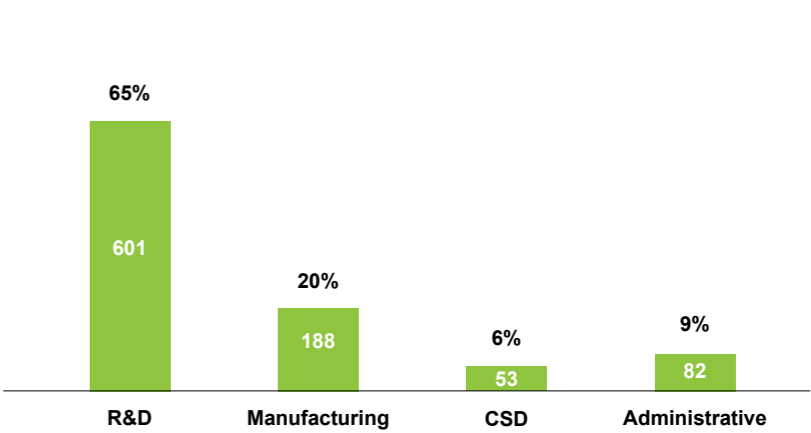


2012 IDL Examined Rate



Note: 1. IDL means indirect labor
2. CSD means customer service department

2012 Breakdown of IDL Unexamined Staff by Department



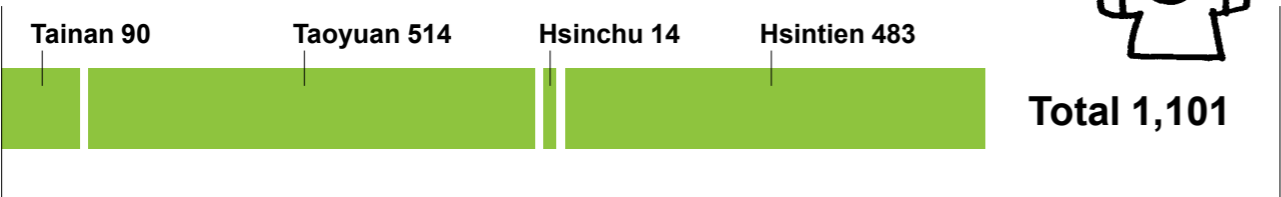
As a principle of health management in HTC, indirect staff must have a health exam at the end of their first year of service, and after that once every two years. Direct staff are required to have a health exam every two years.

In 2012, the examination rate for indirect staff was 78.51%, less than for 2011. An investigation revealed that this discrepancy was the result of delays caused by the employee's concentrating on their work. We have taken corrective actions to address this problem, such as issuing notification to individuals and asking department heads to urge indirect staff to have health examinations. A 100% examination rate is expected for 2013.

Health Consultation

Because people who work in the technology industry are often under great pressure and ignore their personal health, HTC has arranged a comprehensive health-care mechanism, and our health centers work closely with medical services to give follow-up care and treatment to high-risk groups based on the results of health exams. We also try to instill proper health-care habits in our employees by holding health courses to encourage a good healthy lifestyle.

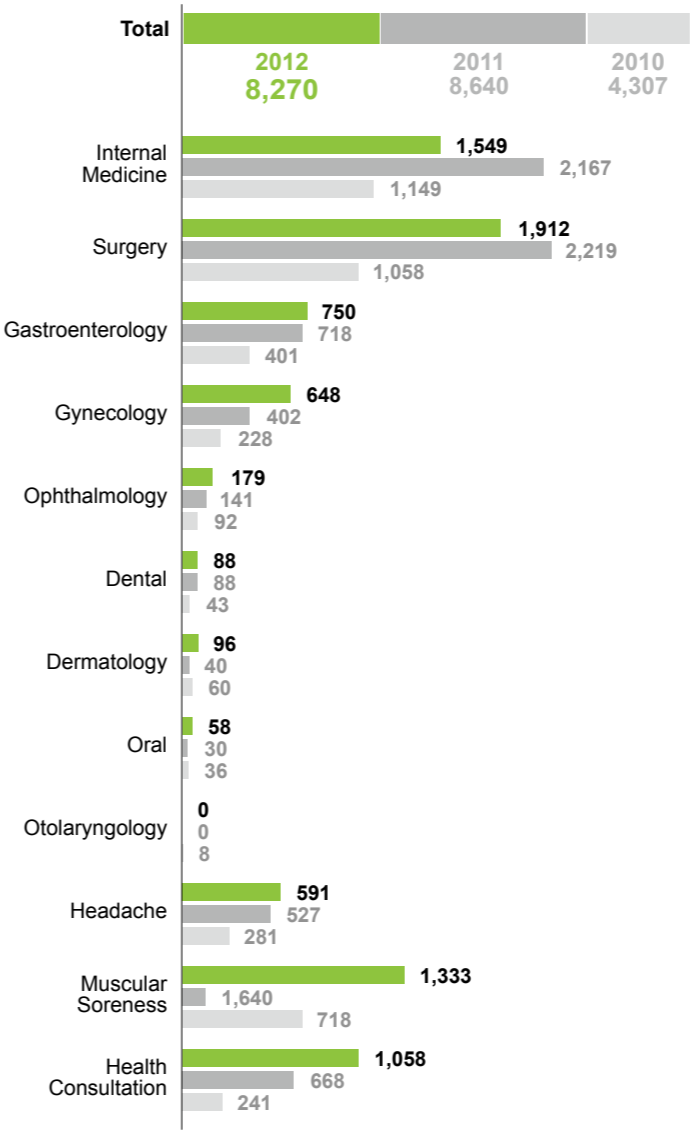
Participants in Health Courses in 2012



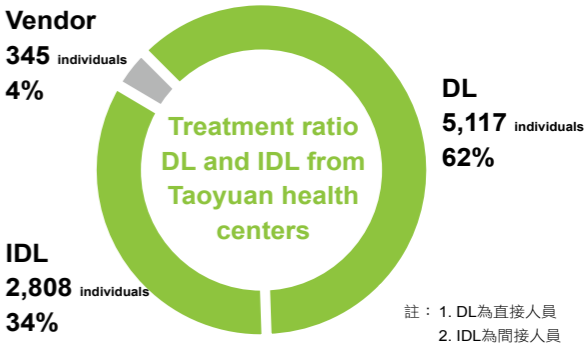
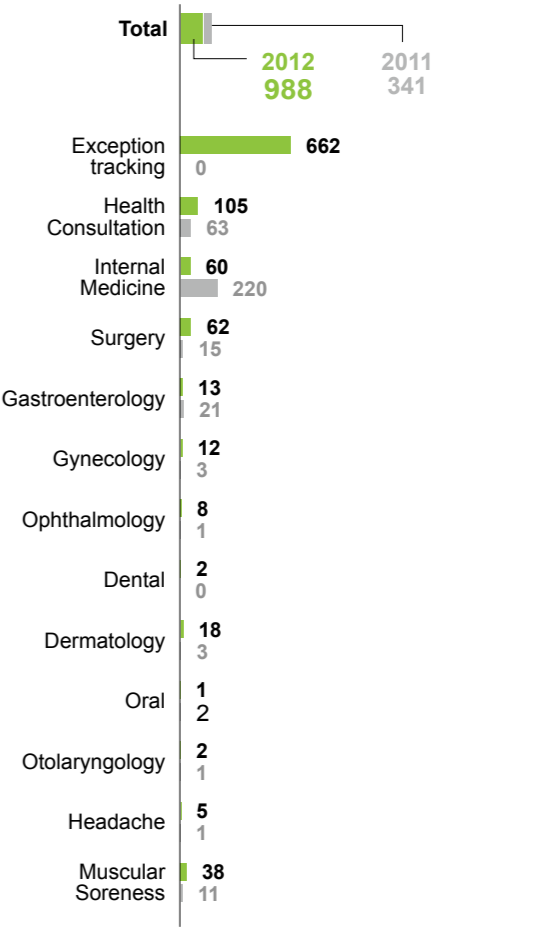
| Course | No. of Sessions | No. of Participants |
|--|-----------------|---------------------|
| First aid | 9 | 60 |
| Smoking cessation | 13 | 374 |
| Prevention of infectious diseases and cancer | 7 | 127 |
| Exercise and losing weight | 4 | 28 |
| Healthy vision | 2 | 327 |
| A healthy alimentary canal | 3 | 58 |
| Parent-children interaction | 1 | 33 |
| Easy wound treatment | 3 | 94 |
| Total | 42 | 1,101 |



Statistics on Outpatients of Taoyuan Health Center



Statistics on Outpatients of Taipei Health Center



Creating a Great Working Environment and Enabling Employees to Work Happily

HTC has always pursued the enhancement of employee health and the maintenance of a happy and congenial work environment. Two floors in the HTC headquarters building in Taipei, with the best views, have been turned into a multi-function recreation center. Our spacious staff restaurant on the 9th floor engages state-dinner-level chefs who design menus that integrate both Western and Eastern food. The results are very healthy and nutritionally well balanced meals and delicacies. The gym is on the 10th floor, which is the only floor in the building with French windows, where our people can work out and also enjoy the wonderful views. The gym is open 24 hours a day and has 74 exercise machines and other equipment. Fitness trainers provide coaching and consultation at scheduled times. The gym also holds pressure-releasing training courses that include Yoga and boxing. The 17th floor is the 'stadium' which has a ceiling height of 10 meters and can be used as an indoor court for basketball, tennis or badminton.



Gallery-like environment

The ground floor lobby in the HTC headquarters building in Taipei, is used as a gallery for art exhibitions. Many famous and potentially famous Taiwanese artists are able to show their work to the more than 2,000 employees, customers and business partners who pass through the lobby each day. In addition, the 2nd and 3rd floors are used by the HTC Education Foundation, that is focused on character education. The foundation runs training classes to foster domestic and foreign character education teachers who help children in remote villages to expand their life experience and broaden their horizons.

The central staircases in our buildings are decorated with paintings made by members of the company painting club and photographs taken by enthusiasts from the photography group. One work is displayed on each landing and there is a text introduction to each. Green decorating ideas are also used, and there are plants in plots and hanging baskets. Background music is played and the stairwells are transformed into galleries with diverse aesthetic elements. The fresh and interesting atmosphere helps to release both physical and mental stress.

The Sense Academy

The HTC Sense Academy provides courses that help to develop and foster an appreciation of art and form in our employees. An aesthetic sense to life and design work helps every employee to experience the beauty of life, and the pleasure they get from the courses has a positive effect on both their personal and professional lives.

Achievements of the Sense Academy

| Course | Lecturer | No. of Participants |
|--|--------------|---------------------|
| Contemporary art and fashion esthetics | Rongdi Lu | 82 |
| Spatial revolution in new age art museums | Chingchih Li | 107 |
| Ancient aroma and modern charm- Porcelain | Liheng Chen | 81 |
| Chiang Hsun – Awakening of Aesthetics | Chiang Hsun | 198 |
| Talking to the world through services | Stanley Yen | 157 |
| Finding Passion | Weiwen Li | 123 |
| Living seriously, thinking randomly, doing carefully | Hwaimin Lin | 164 |



Physical and Mental Pressure-Releasing Mechanism

The technology industry is always changing and is very competitive. People working under pressure can often become very highly stressed. In recent years, there have been many news reports about the disorderly behavior of fatigued and over-stressed technical people. These reports urge us to arrange working and leisure time in ways that help employees release pressure.

HTC has worked with the Hsinchu City Lifeline Association since 2009 to provide counseling for our employees that includes such matters as work and career, interpersonal relationships, family and parenting, and mental and physical health. Every HTC employee is entitled to have six free counseling sessions. By the end of 2012, the service had been used 204 person-times.

In addition, for encouraging our employees to take regular exercise, we have established a well-equipped fitness center that is currently operated by a professional fitness company and provides various programs, including body shaping, muscle stiffness improvement, aerobics, yoga and freewheel training. We have also signed a contract with the Eden Social Welfare Foundation for the services of their blind masseurs in the gym as a relaxation option.

We provide our employees with a pressure interface and provide subsidies and awards for employees who participate in these social activities. We encourage them to use their leisure time for exercising and enriching recreation. We also hold events like family days, sporting events and literary contests, to give further encouragement to employees to have a healthy social life.



Upholding Healthy Catering

To ensure our employees have "healthy and satisfying food", we have engaged experienced licensed chefs and dietitians to design and produce healthy, nutritional and delicious meals using ingredients from reputable and certified 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.

Our restaurant staff works under strict rules of hygiene and safety. Check lists are used to manage environmental hygiene, kitchen staff attire, kitchen waste control, the temperature of refrigerators and freezers and energy use. The preparation of different foods, that includes cutting, washing, storing and cooking, are performed as regulated by Hazard Analysis and Critical Control Point (HACCP) and are closely monitored.

In addition, to promote the concept of a healthy diet, and answer the trend of light eating, the staff restaurant has launched healthy meals, slimming meals and other healthy light dishes. The meals are marked with Red, Yellow or Green labels which give quantitative information about nutritional content. This makes it very easy to select a meal according to personal needs and health considerations.

Smoke-Free Workplace

HTC positively advocates the government policy of a smoke-free workplace. Tobacco control rules have been established and there is an absolute ban on indoors smoking at all our facilities. In addition, we hold smoking-cessation courses for employees who smoke. These courses are planned by physicians, social workers and nurses, and family members are invited to join. Tracking and follow-up coaching is done during and after the courses. We also provide pressure release massage as an incentive for successful smoking cessation to encourage employees to quit smoking on their own.

These efforts resulted in HTC receiving the "Excellent Healthy Workplace Award" in 2009, and in 2012 our HQ building in Taipei successfully passed the Self-Certification of Healthy Workplace held by New Taipei City Government.



Listening to Voice of the Employee

HTC employs more than 17,000 people around the world and a sound internal communication mechanism is vital to our operation and growth. For this reason, HTC pays serious attention to ensuring proper internal communications and endeavors to maintain good harmony between the employee and management based on mutual trust.

To maintain and improve labor-management communications, HTC has free and open channels and platforms for employees to express themselves. We hold labor-management meetings every two months which are attended by seven employee-elected representatives and seven members assigned by management. Open and unlimited discussion is held on such matters as the management system and employee welfare issues. The minutes are recorded and filed to track improvements.

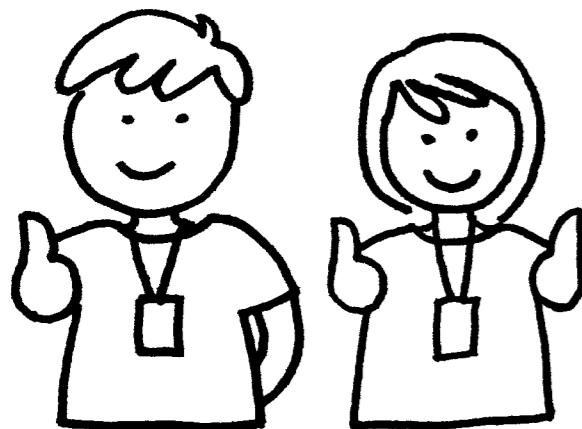
At labor-management meetings, pending issues not resolved in the last meeting are discussed first. The heads of related departments are invited to attend and propose practicable improvement measures. In the event that any matter requires negotiation, the results are only valid if 75% of the attending representatives come to a properly negotiated agreement.

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 maintain diversified feedback channels, including the Grievance Hotline, Suggestion Box, Suggestion Email, and Sexual Harassment Complaints. In addition, we also hold surveys amongst our employees to gather useful information for further improvements in leadership, internal operations, and employee working satisfaction and engagement. HTC is proud of this communications mechanism and harmonious labor-management relationship, and has suffered no losses resulting from any labor-management dispute.

Employee Satisfaction Survey

To understand employee feelings about work and determine the extent employees engage with the company, uncover any factors that can improve employee engagement with their work and with the company, and develop plans of action, HTC will hire Aon Hewitt in 2013 to make an employee voice survey of its global operations. The results of the survey and subsequent action plans will be published in the second half of 2013.



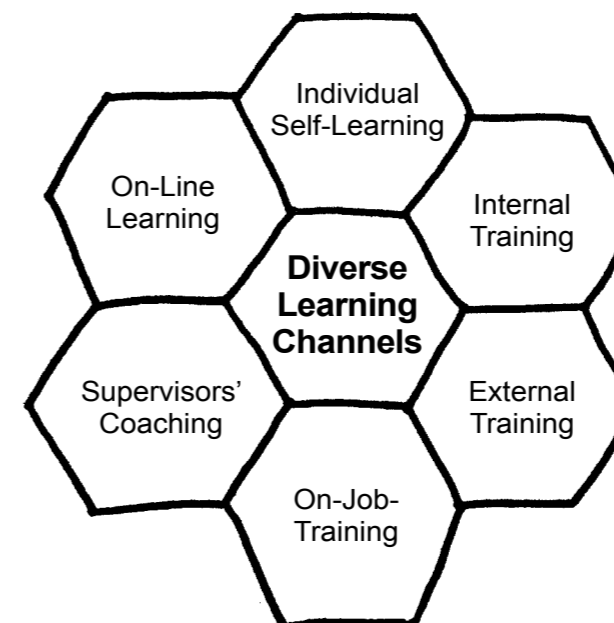
A Complete Talent Cultivation and Career Development Plan

Talent cultivation lays the foundation for a sustainable company operation. While HTC continues to pursue profitable growth, it provides a supportive environment for employee's continued learning and development along with the company's success. Taking into consideration of company's talent development strategy and employees' leaning needs, HTC offers a systematic talent development plan and career development opportunities in order to strengthen employee's professional skills and advance to career success. That is, talent development is regarded as one essential management indicator to ensure HTC employee's continuing growth as the company's success.

Diverse Learning Opportunities

To deliver our commitment of supporting employee's continuous growth as company's success, in addition to actively recruit talent from all areas, HTC schemes a comprehensive learning roadmap that strengthen the professional skills and knowledge and at the same time develop employee's leadership competencies and immerse in a diverse learning context. HTC learning roadmap covers the following areas of learning and development including: HTC Newcomer Orientation Program, the essential skills and professional training courses provided by the individual department and Online English learning programs, the individual contributor training series based on HTC core values and competencies, and HTC Global Leadership Program to cultivate the next generation HTC leaders.

Other than the traditional training and learning programs designed and offered by the company, in order to provide the employees with the flexibilities in learning and development, HTC has implemented one customerized HTC e-learning management system available for all HTC employees to enjoy learning at their pace and has a variety of tuition subsidies programs to encourage employees taking part the training and skill development programs provided by the professional groups outside the company. In the year of 2010-2012, the budget and resources allocated for training and development is about NT\$32 million, a total number of 150,000 employees has participated in training program with the total of training hours of about 550,000 hours. That is, it is about the average of 29.27 hours per participant



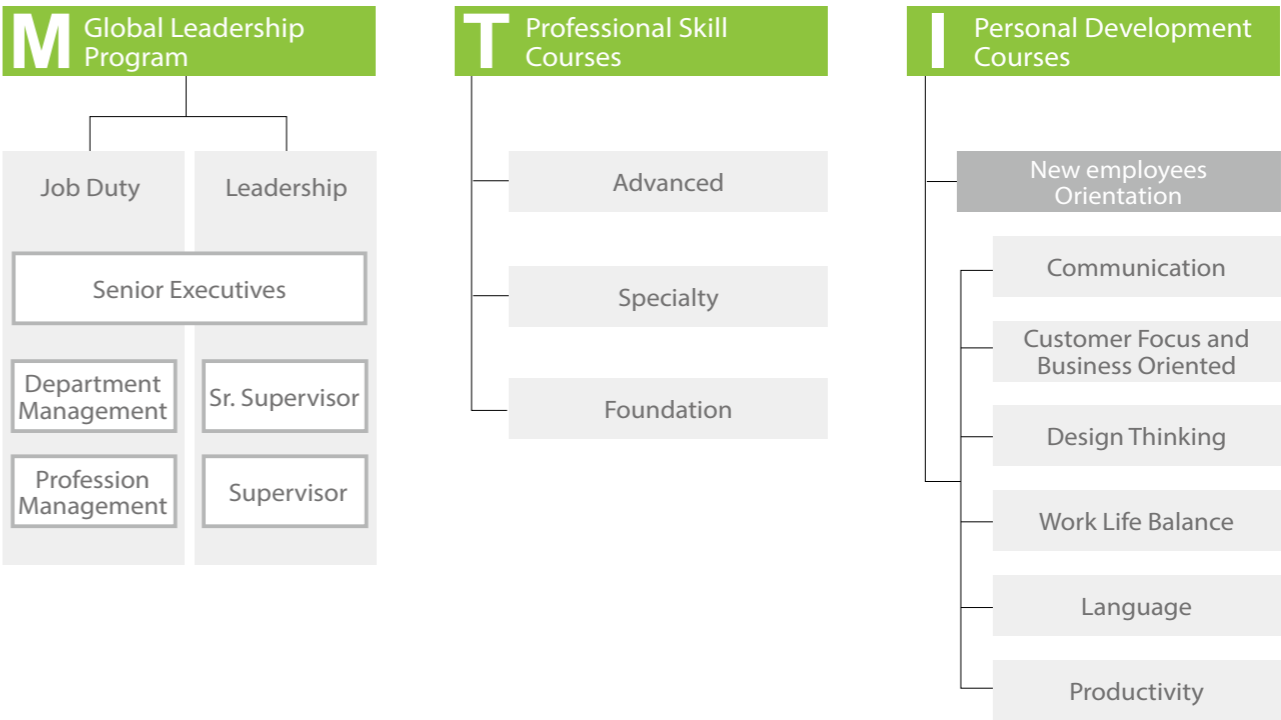
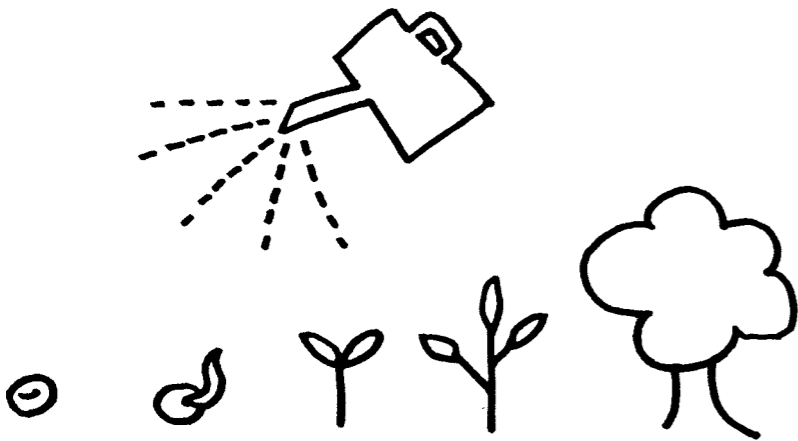
| Item | Year | 2010 | 2011 | 2012 |
|----------------------------------|------|--------|---------|---------|
| Time (Hours) | | 89,550 | 170,459 | 297,728 |
| No. of Participants | | 26,159 | 52,457 | 63,689 |
| Per-Capita Training Time (Hours) | | 7.20 | 11.19 | 17.66 |

Note: Total training time for the year / Total employees for the year = Per-capita training time for the year.

Complete Education and Training Plan

As the organization continues success and growth, HTC become larger and are more dynamic than ever. To make sure all employees ride the same wave and are ready for all sorts of changes, HTC devise a comprehensive learning roadmap that provide a clear guideline and steps to help employees development themselves and prepare for al the challenges in the fact of changes

| | |
|--|---|
| All Employees (including Indirect Staff) | <ul style="list-style-type: none">● Training courses based on five core values delivered via series of diverse learning methods● On-the job training and skill training and practices through on-line courses● Thinker Forum sets up a stage for world-leading professionals sharing experiences and research with HTC employees● Sense Academy offers a place for employees immersing in aesthetics, humanities and art while reflecting on the meaning and promises of HTC brand● Addition learning resources such as various online course and a great collection available in HTC library |
| New Employees | A complete new hire onboard program with the clear purposes of: be welcomed, be informed and be supported helps newcomers fit into HTC workplace quickly and smooth the transition and comprehend the HTC philosophy of being "Quietly Brilliantt". |
| Leadership | HTC Global Leadership Program is designed based on HTC leadership competency requirements that stress the importance of HTC core values and focuses on organizational development strategies and leadership and management functions. |
| Direct Staff | Provides direct employees with skill and technical training in accordance with one's job function, responsibilities and experiences (i.e. basic-professional-advanced). |



- 1. HTC Global Leadership Program:** HTC Global Leadership Program: the program is designed based on HTC leadership competency requirements and HTC leadership pipeline. Two levels of leadership program are available for the managers based on the title, years of services at HTC. In addition, managers are required to complete the enter level before taking part the advanced leadership program series.
- 2. Professional Skill Courses:** Technical and specific skill training programs are available for employees who want to advance and improve the professional skills and knowledge.
- 3. Personal Development Courses:** To cultivate a true HTCer, we have deign a series of individual contributor training and development courses that are based on HTC 5 core values and the promise of HTC brand.
 - Communication: Enhancing personal and team communications skills
 - Customer Focus and Business Oriented: business etiquette, culture differences, and service attitude
 - Design Thinking Program: design thinking and innovation & creativity
 - Productivity: MS Office Program Training, time management, and database program
 - Work-Life Balance: Employee healthy & safety workshop, stress management, and various fitting programs.
 - Language Program: 24-7 Online English learning program and classroom-based business English workshop
 - New hire on board Program: Onboard Day Orientation and Brand & Culture Orientation Workshop

Training Program Aligned with Performance Appraisal Management Program

HTC implements performance management that requires each employee sets personal performance objectives and goals annually and conducts self-appraisal review 2 times a year to ensure the employee's personal growth is aligned with the company missions and objectives and to ensure the employee's continuous improvement throughout the year. In addition, HTC annual training program plan is developed in accordance with company's objectives to help the employees improve and advance their skills and knowledge necessary for accomplishing their performance objectives.

Foster Future Leaders

Facing globalization and ever increasing competition in today's business world, HTC believes its leaders' qualities cannot be limited the professional excellence. Instead, having the global mindset and the ability to build the effective partnership across functions and groups are more important than ever. Only leaders with the abilities from both scopes are able to create a innovative operation and steer the teams and company towards a continuous success and promising future.

To prepare HTC managers for the future challenges, HTC provides a series of leadership and management program based on HTC leadership competency requirements. The program content and components cover: HTC core values, business strategies, leading change and effective teams. In addition, to make sure all the skills are applied to day-to-day practices. The activities such as post-training assignments, observation and feedback, coaching guidance and form,...etc. are used as a means to evaluate the effectiveness of the program. In 2012 a total of 1479 trainees are completed the leadership program.

English Learning Resources

For being a multi-national corporation with the employees working together around the world, HTC employee requires not only the professional skills and knowledge, but also the sufficient English skills to work effectively with teams from different cultures and regions of the world. To encourage the employees to improve their English skills and ability, HTC provides different subsidy programs for employees to take part of English learning program and provide one 24-7 online English program, which has set up different level standard for employees' assessing their lingual skill level in order to apply for the tuition subsidy. In 2012, a total of 429 employee participated in online English subsidy program and accumulated learning hours are 4,831.

In 2012, there were 429 person-times using the on-line learning program, and HTC granted subsidies of NT\$705,500. The accumulated number of training hours reached 4,831.

| Year | 2011 | 2012 |
|--------------------------------------|----------------|----------------|
| | 2010/11~2011/9 | 2012 /6~2013/1 |
| No. of Participants | 480 | 429 |
| Total training Hours | 4,627 | 4,831 |
| Total Amount of HTC Subsidies (NT\$) | 1,243,000 | 705,500 |

Featured Workshops

Periodically, HTC invites world-class scholars and researchers coming to HTC to share their researches and introduce the latest technology trends and business forecast with all HTC employees. In addition, the special workshop aligned with brand promises brings unique learning experiences to all employess regarding to aesthetics and developing the ability of appreciating beauty, nature and sensitivity. All the efforts are in hope of providing a holistic development programs that cover all required skills and abilities to success and compete in a rapid developing and changing business world.

IDL New Employee Orientation for Legal Affairs

In 2012, we enriched the orientation training program for new employees with content related to some issues of the Personal Data Protection Law, particularly

- Privacy and Security and Prevention of Insider Trading - introducing the HTC confidentiality clause and promoting the prevention of insider trading;
- Intellectual Property Rights - introducing basic knowledge of the patent system and introducing HTC patent applications/ incentive policy ; and
- US Patent Litigation - providing information about the US patent litigation involving HTC and the related legal knowledge.

Legal education and communication privacy and security in 2012

| Course | No. of Participants | Time |
|--|---------------------|---------|
| IDL New Employee Orientation for Legal Affairs- US Patent Litigation | 188 | 35 min. |
| IDL New Employee Orientation for Legal Affairs- Intellectual Property Rights | 193 | 40 min. |
| IDL New Employee Orientation for Legal Affairs- Secrecy Obligation and Prevention of Insider Trading | 187 | 35 min. |
| US Patent Litigation | 18 | 35 min. |
| Intellectual Property Rights | 23 | 40 min. |
| Secrecy Obligation and Prevention of Insider Trading | 18 | 35 min. |

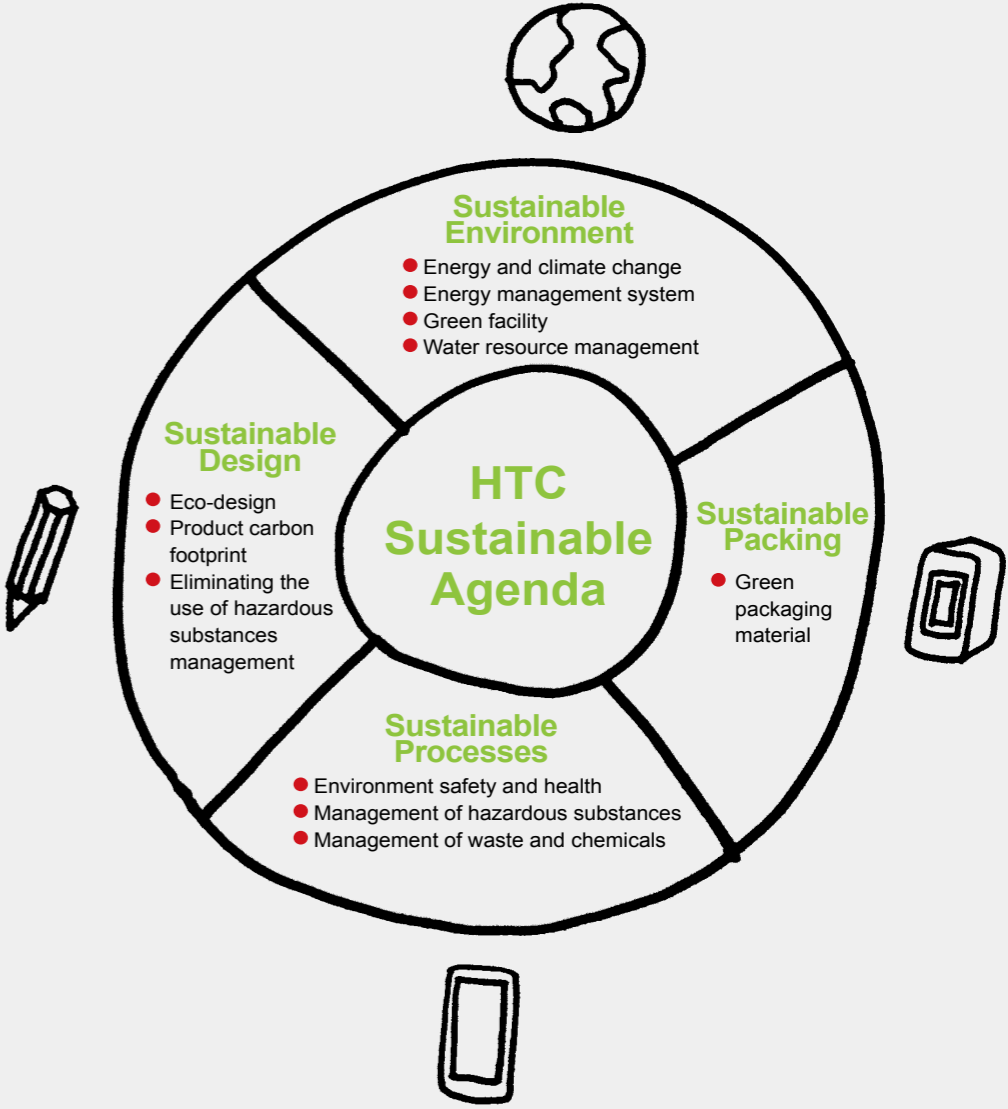


Environmental Sustainability Agenda



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

For this reason, HTC has set up its “Sustainable Agenda” from four aspects: “sustainable environment, sustainable design, sustainable processes and sustainable packing”, we have put our concept of environmental sustainability into action and are positively controlling and reducing the impact of our operations on the natural environment.





Sustainable Environment

Response to Climate Change

Smart mobile devices have significantly changed the lifestyle, working patterns, learning ways and even the entertainment of modern people. These devices have become an indispensable part of daily life. When these products are manufactured, the energy consumption goes up in proportion to the output quantity and the greenhouse gas (GHG) emission rises as a consequence. Nevertheless, smart mobile products are helpful in that they reduce the amount of transportation and travel that is traditionally required for communication. This helps reduce the mobile user's carbon footprint. The use of mobile devices combines many of the aspects of daily life (work, leisure, learning, travel) and results in the creation of a whole new integrated lifestyle that is energy saving and carbon emission reducing.

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.

Overview of HTC Energy and Climate Change Management

- To address the issues of greenhouse gas and global warming, HTC introduced GHG inventories as per ISO 14064-1, and obtained an ISO14064-1 Greenhouse Gases Verification Statement. Through this system, HTC monitors energy use, and has set up the necessary energy-saving strategies and actions.
- Starting in 2009 all the HTC facilities in Taiwan have been successively included in the organizational boundary for inventory.
- The HTC facilities in China have also been taken into the boundary for inventories and disclosure since 2010. According to external verification, the use of electricity is the major emission source.
- HTC is a member of the Carbon Disclosure Project (CDP) and regularly reports on carbon risk and planning and the results of carbon management.
- In the future HTC will incorporate all the subsidiaries under its control into the GHG emission inventories (and ensure they receive external verification) to continuously monitor and control the overall GHG emissions.

Adopting the Energy Management System

To gain a full picture of its internal energy use, HTC introduced an energy management system as per ISO 50001 in 2011. The applicable regulatory requirements and energy benchmarks, were implemented and HTC set the energy performance indicators, and short-, middle-, and long-term improvement goals. Systematic management allows HTC to properly manage energy consumption to reduce costs and GHG emission and other environmental impact. A progressive action plan was set up to eliminate the waste of energy caused by bad habits or incorrect information.

GHG Emission and Reduction

HTC has complied with GHG emission inventories and disclosure for its facilities and office buildings in Taiwan since 2009. In 2010, the HTC facilities in China were also included in the scope of inventory and disclosure, and the work has received third-party verification.

In addition to Taoyuan and Taipei, the HTC offices in Hsinchu and Tainan are also included in the scope of the inventory. According to the inventories, the use of electricity is the major source of GHG emission in all HTC operations, with fugitive GHG emission taking a meaningful part.

Total GHG emission by HTC came to 45,658.61 tons of CO₂e in 2012. In the future, we will continue to expand the scope of GHG emission inventory and external verification to the subsidiaries under our control, so as to have overall surveillance and management of GHG emission. We shall also go on promoting the energy management system as per ISO 50001 and other effective energy-saving measures, to improve the overall energy-using efficiency and create better eco-efficiency for energy revenue.

Overall, CO₂ accounts for the major part of HTC GHG emission, while CH₄, N₂O and HFCs together are a minor component. The emission of Scope 1 is mainly from fugitive methane, natural gas for kitchen use, coolant and fuel for emergency generators.

The HTC GHG emission contained no PFCs, SF₆, SO_x and other waste gas, and HTC does not use any substances that might endanger the ozoneosphere. The cooling and air-conditioning systems in HTC's new building all use environmental friendly coolant R-134a, as our effort to preserve the ozoneosphere.

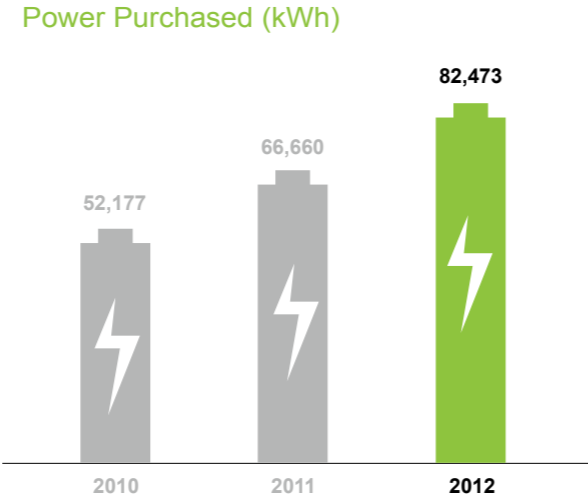
HTC GHG Emission

| Total Emission | Unit | 2010 | 2011 | 2012 |
|------------------------|---------------------|-----------|-----------|-----------|
| Total Emission Scope 1 | t-CO ₂ e | 1,811.56 | 1,664.57 | 1782.79 |
| Total Emission Scope 2 | t-CO ₂ e | 31,944.55 | 40,796.16 | 43,875.82 |
| Total | t-CO ₂ e | 33,756.11 | 42,460.73 | 45,658.61 |
| Eco-Efficiency | NT\$ | 8.26 | 10.98 | 6.33 |

Note: Eco-Efficiency (revenue created by per unit GHG emission) = Operating Revenue (NT\$ Million)/GHG Emission

Energy Consumption Analysis

The energy used in HTC operations is mainly derived from electricity. Between 2010 and 2012, the total power consumption showed an increase as we expanded our facilities. For example, the 2012 power consumption increase over that of 2011 was the result of the completion and commissioning of Facility B.



HTC Power Usage

| Environment Indicator | Unit | 2010 | 2011 | 2012 |
|-----------------------|--------------|---------|---------|---------|
| Electricity | MWh /year | 52,197 | 66,660 | 82,473 |
| Operating Revenue | NT\$ Million | 278,761 | 465,795 | 289,020 |
| Eco-Efficiency | NT\$ | 5.34 | 6.99 | 3.5 |

Note: Eco-Efficiency (revenue created per unit GHG emission) = Operating Revenue (NT\$ Million)/Power 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.

| Energy-Saving Efforts | Action |
|--------------------------|---|
| Power Management | <ul style="list-style-type: none">● T5 and LED power- saving lamps● Infrared sensor switches for lighting |
| Air-Conditioning Control | <ul style="list-style-type: none">● Improvements of AC system● Environmentally friendly coolant and energy- saving high- performance machines |
| Energy Efficiency | <ul style="list-style-type: none">● Refined mode settings of refrigerated air dryers● Gearless permanent magnet synchronous motors for elevators |
| Use Habit | <ul style="list-style-type: none">● Using both sides of copy paper● Turning lights off |

Summary of Energy Consumption in 2012

| Environment Indicator | Unit | 2010 | 2011 | 2012 |
|-------------------------------|-----------|-----------|-----------|-----------|
| Power Usage | | | | |
| Electricity | MWh /year | 52,197 | 66,660 | 82,473 |
| | GJ | 187.84 | 239.98 | 296.90 |
| Gasoline (both 92 and 95) | kl/year | 4.4 | 21.2 | 23.31 |
| | GJ | 144.74 | 697.37 | 661.18 |
| Diesel | kl/year | 1.2 | 2.9 | 5.86 |
| | GJ | 43.58 | 105.32 | 116.21 |
| LPG for kitchen and dormitory | kg/year | 0.0082 | 0.0039 | 0.0072 |
| | GJ | 0.32 | 0.15 | 0.28 |
| LNG | MWh | 258.8 | 263.2 | 326.1 |
| | GJ | 10,095.79 | 10,267.43 | 12,725.06 |

| | | | | |
|---|-------------|----------------|----------------|----------------|
| Water | | | | |
| Tap water | degree/year | NA | 340,537 | 393,208 |
| Emission-receiving river | River Name | Dongmen Stream | Dongmen Stream | Dongmen Stream |
| Total displacement of tap water | | NA | 102,407 | 216,430 |
| Total recycled /reused water | 1,000L/year | NA | 45,646 | 119,324 |
| Percentage of recycled /reused water in total water consumption | %/year | | 12.9% | 30.35% |

| | | | | |
|--------------------------------|--------------------------|-----------|-----------|------------|
| GHG Emission | | | | |
| Direct GHG emission (Scope1) | t-CO ₂ e/year | 1,811.56 | 1,664.57 | 1,782.790 |
| Indirect GHG emission (Scope2) | t-CO ₂ e/year | 31,944.55 | 40,796.16 | 43,875.821 |
| CH ₄ emission | t-CO ₂ e/year | 143.02 | 1,112.48 | 1,099.701 |
| N ₂ O emission | t-CO ₂ e/year | 0.62 | 2.07 | 2.369 |
| HFCs emission | t-CO ₂ e/year | 1,170 | 0 | 0 |

| | | | | |
|----------------------------------|------------------|----|----|-----------|
| Waste Treatment | | | | |
| Total recycled and treated waste | kg/year | NA | NA | 2,764,799 |
| Total incinerated waste | kg/year | NA | NA | 1,522,195 |
| Waste Treatment Cost | NT\$ 10,000/year | NA | NA | 3,888,625 |

Energy-Saving Measures

| Item | Description |
|-------------------------|---|
| Air-Conditioning System | <ul style="list-style-type: none"> ● Setting up Energy-Saving Operation and Management Rules for Air-Conditioning Equipment for managing maintenance and performance and the evaluation and review of efficient use of air-conditioning equipment and piping. ● Using environmentally friendly coolants and energy-saving high-performance machines in chiller units. ● Improving low-performance chiller systems by adding frequency conversion control. ● Replacing manually-controlled fan motors for cooling towers with those using enthalpy-based energy-saving control. ● Incorporating all air-conditioning systems into energy-saving management, and monitoring and controlling air-conditioning systems in terms of frequency conversion, timing and CO₂. ● Integrating air-conditioning systems, replacing low-efficiency chillers, setting up a dedicated control room to perform unified management, to improve the efficiency of air-conditioning systems from 1.2 - 1.5 kW/RT to an average of 0.8 - 0.9 kW/RT, equaling to 2.95Mhw saving, and 1,581.2 ton CO₂e emission-reduction per year, recognized as "Model Project for Energy-Saving and Carbon-Reducing Program, Manufacturing Sector" by Industrial Development Bureau, Ministry of Economic Affairs. |
| | |
| | |
| | |
| | |
| | |
| Lighting System | <ul style="list-style-type: none"> ● Progressively replacing traditional high-consumption T8/T9 fluorescent lamps with T5 and LED power-saving lamps, thereby effectively reducing 94.18 ton CO₂e emission in 2012. ● Implementing time-based control for lighting equipment in offices, linking infrared sensors to lighting switches in some areas, thereby using automatic sensing and time-based control measures to save power effectively. |
| | |
| Air Compressor | <ul style="list-style-type: none"> ● Taking different in-process energy-saving measures for different air compressors used in the buildings, wherein the schemes conducted in 2012 include closing refrigerated air dryers, refining operating modes and lowering operation parameters, leading to power savings of 136,000kWh and carbon reduction of 72.9 ton in 2012. |
| | |
| Elevator | <ul style="list-style-type: none"> ● Using gearless permanent magnet synchronous traction motors that are more powerful in terms of torque than gear-based traction motors, and eliminating ineffective power consumption caused by gears, leading to a power save of 30 - 40% as compared to the conventional traction motors. ● Adopting "ReGeNelevator energy-regenerating driving devices" that use innovative green technology to integrate energy regenerating modules on the inverters, so that the potential energy and kinetic energy generated during the operation of elevators can be converted into electricity. ● Using power feedback of no-load ascending and full-load descending (The weight difference between the cabin side and the counterweight side of an elevator come to peaks when the cabin is fully loaded or empty. At this time, the elevator consumes the most energy and has the highest power feedback efficiency. The larger the travel, the more conversion to electricity, with the maximum rate of 70%. The generated electricity is fed back to the grid for use by other devices in the building.) |
| | |
| | |
| Others | <ul style="list-style-type: none"> ● Adding production lines with automated assembly and testing robots, so as to significantly reduce average power consumption per production unit. ● Establishing heat recovering installations for supplying substitute electricity. ● Replacing old power-consuming drinking fountains. ● Adding inverters to pump motors. |
| | |
| | |
| | |



Energy-Saving Schemes and Results

| Programme | | "Projected" Performance for Year | Accumulated Result | Unit | Percentage of Power Saved in Total Power Consumption of 2012 |
|--|----------------|----------------------------------|--------------------|--------------------------|--|
| H-1F LED lighting | Power Saved | 1,558.00 | 67,908.40 | kWh | 0.089% |
| | Carbon Reduced | 835.09 | 36,398.90 | Kg-CO ₂ e/kWh | |
| | Cost Saved | 3,895.00 | 203,725.20 | NT\$ | |
| Underground Parking Lot, H+TY3 LED lighting | Power Saved | 73,851.67 | 107,801.10 | kWh | 0.141% |
| | Carbon Reduced | 39,584.49 | 57,781.39 | Kg-CO ₂ e/kWh | |
| | Cost Saved | 184,629.17 | 323,403.30 | NT\$ | |
| Underground Parking Lot, P Time-based lighting control | Power Saved | 31,755.00 | 32,016.00 | kWh | 0.042% |
| | Carbon Reduced | 17,020.68 | 17,160.58 | Kg-CO ₂ e/kWh | |
| | Cost Saved | 79,388.00 | 96,048.00 | NT\$ | |
| Kitchen, Unit H Lowering frequency of 30HP added/ injection fan | Power Saved | 8,280.00 | 8,370.00 | kWh | 0.011% |
| | Carbon Reduced | 4,438.08 | 4,486.32 | Kg-CO ₂ e/kWh | |
| | Cost Saved | 20,700.00 | 20,925.00 | NT\$ | |
| Unit H Energy-saving setting of chiller | Power Saved | 293,760.00 | 146,880.00 | kWh | 0.193% |
| | Carbon Reduced | 157,455.36 | 78,727.68 | Kg-CO ₂ e/kWh | |
| | Cost Saved | 734,400.00 | 367,200.00 | NT\$ | |
| Kitchen, Unit H Lowering frequency of 60HP exhaust fan | Power Saved | 3,780.00 | 1,890.00 | kWh | 0.002% |
| | Carbon Reduced | 1,013.04 | 1,013.04 | Kg-CO ₂ e/kWh | |
| | Cost Saved | 9,450.00 | 4,725.00 | NT\$ | |
| 3F, Unit H Lowering operating parameters of air compressor | Power Saved | 18,297.80 | 18,297.78 | kWh | 0.024% |
| | Carbon Reduced | 9,807.62 | 9,807.61 | Kg-CO ₂ e/kWh | |
| | Cost Saved | 45,744.50 | 45,744.45 | NT\$ | |
| Unit TY3 Turning off one 700 ton Centrifugal Chiller at night | Power Saved | 46,800.00 | 241,500.00 | kWh | 0.317% |
| | Carbon Reduced | 25,084.80 | 129,444.00 | Kg-CO ₂ e/kWh | |
| | Cost Saved | 1,170,000.00 | 3,018,750.00 | NT\$ | |
| Unit TY3 Lowering DC chiller load of clean room | Power Saved | 28,080.00 | 32,400.00 | kWh | 0.042% |
| | Carbon Reduced | 15,050.88 | 17,366.40 | Kg-CO ₂ e/kWh | |
| | Cost Saved | 70,200.00 | 81,000.00 | NT\$ | |
| 1F, TY5 Turning off refrigerated air dryers in air compressor room | Power Saved | 25,842.00 | 25,842.00 | kWh | 0.034% |
| | Carbon Reduced | 13,851.31 | 13,851.31 | Kg-CO ₂ e/kWh | |
| | Cost Saved | 64,605.00 | 64,605.00 | NT\$ | |
| #2 Dachi Rd. Machine and pressure adjustment for air compressor | Power Saved | 23,689.00 | 23,689.02 | kWh | 0.031% |
| | Carbon Reduced | 12,697.30 | 12,697.31 | Kg-CO ₂ e/kWh | |
| | Cost Saved | 59,223.00 | 59,222.55 | NT\$ | |

Green Plant

All the facilities and offices we took into the organizational boundary for disclosure this year are located in Industrial Park and Business areas that have passed Environmental Impact Assessment, and we perform all environmental protection work as required by the local regulations, and provided in our internal environment policy, to ensure that our operations do not represent a significant impact on the local ecosystem, animals and plants. Nevertheless, we still encourage our operations to actively green and beautify the surroundings. Also, in the process of designing our new buildings and facilities, the concept of "green building" is introduced, to refine the working environment quality for our employees.

During the process of planning and building the facility in Taoyuan and the new building for "HTC HQ in Taipei", we have set a goal to be rated by the US Green Building Council (USGBC) as Gold-rated LEED (Leadership in Energy and Environmental Design). We complied with the requirements of LEED from the planning, and design to the construction phase, and required that all contractors fulfill all these specifications in detail as well. After energy simulation analysis, the energy-saving design was found able to reduce power consumption by 11.3% (Taoyuan) and 13.7% (Taipei), respectively, as compared to a baseline scenario.

These two building will serve as new standards for all new HTC facilities. We will accommodate our employees and visitors in a space that is environmentally friendly, energy-saving, water-preserving, comfortable and healthy.

The internationally recognized Gold-ranking green building, is energy-saving and carbon-reducing the whole day long.

"HTC HQ in Taipei" is a green building recognized as Gold-ranking in Leadership in Energy and Environmental Design (LEED), and utilizes a number of energy-saving and carbon-reducing, environmentally protective measures:

- Green lighting: Full use of LED lighting saving 80% power as compared to traditional lighting; solar panels on the roof convert light into electricity for powering lights on staircases and in the basements; movement sensor-based lighting switches in public areas automatically turn off lights when they are not required; energy-saving designs are used such as daylight controls in naturally lit areas and outdoors; lighting schedules are set, and lighting is partially off during the night or on days when the building is not occupied, for effective use of lighting equipment.
- Power-regenerating elevators save 60% of the power: elevators are equipped with energy regenerating systems so that the electricity generated during no-load ascending and full-load descending can be fed into the grid for use elsewhere.
- RFID parking management and electric vehicle charging equipment: RFID equipment serves to effectively manage the use of parking spaces and can save up to a whole floor to reduce impact on the environment; electric vehicle charging equipment supplies power to charge electric cars and motorcycles, catering to the up-coming use of green transportation.
- Smart air-conditioning systems lower peak loads by 1/3: ice-storage air-conditioning systems using excess grid power at night to make ice used for daytime air-conditioning, this reduces the peak daytime power load; 200m3 of ice produced at night can support 70% of the cooling needs of the building in summer; the building has a hollow structure that provides better natural lighting, better ventilation and as a result more efficient energy-saving.
- Simulation analysis of the building's energy-saving design found a saving of 13.7% in power consumption (kWh) as compared to a baseline scenario; from its commissioning to date, the design has been saving an average of 150 tons of CO₂ emission every month. This represents a very big cost saving for the company.

Recycling and Reusing Resources

- › Construction waste rate 87%
- › Recycled construction material 23%
- › Local construction material 32%

Indoor Environment Quality

- › Motoring air quality
- › Increasing ventilation volume of external gas
- › Low-emitting materials
- › Indoor air washing

Energy-Saving Design

- › Energy-saving efficiency up to 11.3%
- › High-performance electric appliances
- › Energy-saving for process exhausting systems
- › Frequency conversion control for chiller towers
- › Energy-saving lighting

Water-Saving Design

- › Domestic water use reduced by 64%
- › Recycling 220,000 ton rainwater every year
- › Water-saving sanitary equipment
- › Reuse of condensed water and recycled water
- › Drought-enduring ornamental protophyte

Sustainable Base

- › Protophyte and multi-level planting
- › Base water-preserving design
- › Bicycle parking space
- › Carpooling parking space
- › Environmental protection parking space





Water Resource Management

Water-Saving Strategies

Water management involves recycling, reuse and conservation, and the steps we have taken include:

- The collection and filtration of rainwater that is used for flushing toilets, irrigation or stored for fire fighting.
- The use of water-saving faucets in washrooms and pantries.
- The use of dual-flushing systems in toilets.

Global warming makes climate change increasingly significant, and this means that water conservation has become an important issue. Although manufacturing at HTC does not involve large water consumption, it is still our responsibility as a world citizen to preserve water resources in our daily operations by reducing water use and encouraging our people to maintain good water management, recycling and reuse.

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. All the water consumed is for office and employee use. In 2012, the total water consumption of our facilities in Taoyuan came to 393208 tons, the output of treated domestic sewage was 216430 tons. Water recycled from treated domestic sewage was 119324 tons, representing 55% of the total treated volume. The amount of water recycled was much higher than the goal of 33% set for the year (2012).

Office/Facility Water Use and Water Conservation Measures in 2012

| Facility | Use (Unit: ton) | Water Conservation Measures |
|----------|-----------------|--|
| Taoyuan | 393,208 | Adding recycled water irrigation; installed water-saving faucets |
| TPE1 | - | TPE1 started using water-saving devices |



HTC has established an emergency response procedure for dealing with sudden interruption of the water supply. When notice of an interruption is received, the first thing to do is call the Water Company and get information about the start time, estimated restoration time and the site that will be involved. This information is then passed on to the responsible supervisors, plus information about how much water is reserved in each tank and in the 1,500 ton tank. In the event that the suspension is expected to last for more than 24 hours, water rationing is first implemented in areas that can stand a limited water supply by closing valves and turning off water pressure pumps. When the water supply is restored, a delegated person will monitor the water inflow and the float valves on the tanks and keep the supervisors informed about the progress, until the water supply has returned to normal.



Sewage Treatment

The wastewater generated by our facilities is mainly domestic sewage from washroom and for other cleaning uses and restaurant wastewater that contains no process wastewater. Such domestic sewage can be directly drained to sanitary sewers without the risk of any adverse effect on nearby waters. Since January 2012, the average output of our sewage treatment plant reached 550 tons, sufficient for replacing tap water for garden irrigation and toilet flushing.

Drained Water, Recycled Water and Average BOD Concentration in Effluent

| Year | Unit | 2010 | 2011 | 2012 |
|---------------------------|------|------|--------|---------|
| Drained Water | N/A | - | 50,260 | 216,430 |
| Recycled Water | N/A | - | 45,646 | 119,324 |
| Average BOD Concentration | mg/l | - | 69 | 69 |

Please provide waste water drainage information by receiving waters

| Facility | Receiving Water |
|----------|---------------------------------------|
| Taoyuan | Dongmen Stream |
| TPE1 | Dedicated Drainage in New Taipei City |
| TPE2 | Dedicated Drainage in New Taipei City |

Sustainable Design



We believe that HTC products are helpful and improve daily life by the provision of efficient communications and also contribute to the overall reduction of GHG (Greenhouse Gas)emission. However, we also recognize that the mass production and shipment of our mobile devices, and the materials and substances we use, all have an impact on the environment. However, we also believe that by careful design of the products from the very beginning of their life cycle, we can minimize the adverse effects on the environment.

We have set about optimizing product design by improving energy efficiency, reducing hazardous substances, refining packaging design and ensuring product recyclability. We work with our R&D team, customers, material suppliers and technical service providers, to set up a systematic platform that ensures smooth communication. We stress innovative thinking and strive to develop sustainable products that pose the least threat to the environment.









Sustainable Design Concept

We go far beyond a consideration of the applicable laws and regulations in the design and development of our sustainable products. Every stage, from the initial proposal and planning, R&D design, experimental, engineering, and preproduction trials, and mass production, all the way to discard of the product, is given full LCA (Life Cycle Assessment)evaluation. We break down the process into very detailed parts, to give our R&D team a complete picture of the complicated environmental considerations.

We believe that the mobile devices we design and make will satisfy our consumers needs while remaining harmless to the environment. To achieve this we make sure, from the earliest design and development stages, that all the materials selected for production of the device have the lowest environmental risk and we ensure that all internationally restricted substances are totally excluded.

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.

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 (e.g. SGS) as the paper meeting FSC (Forest Stewardship Council) Standards | Packaging materials, Paper for printed material, etc. |
|  | 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 | Battery |
|  | Using soy ink recognized by ASA | Packaging materials, paper for printed materials, etc. |

Enhancement of Energy Efficiency

An analysis of the total life cycle of an electronic communication product reveals that the most energy consuming part of the whole carbon footprint is materials and manufacturing, which are also the main sources of GHG emission. HTC therefore pays extra attention to energy-saving at the design stage and requires all power supply units used with HTC products to comply with international energy-consumption regulations, including:

- US Energy Star
- US California Energy Commission
- EU Code of Conduct
- Directive of Eco-design Requirements of Energy- related Products

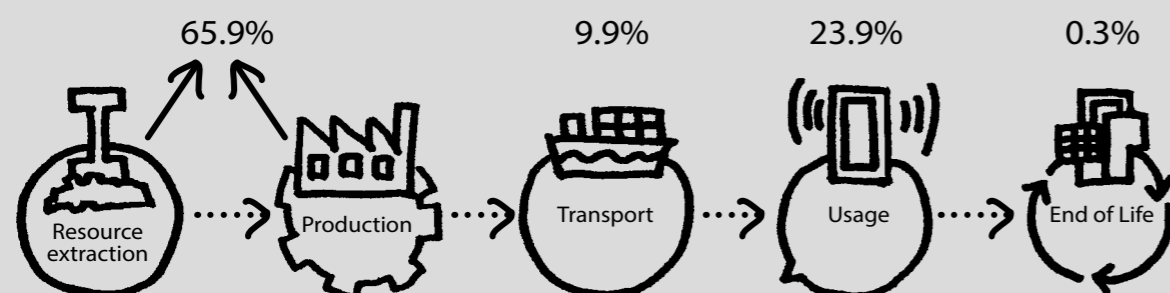
The HTC R&D team has developed excellent power management modes, that allow the phone (depending on user habit) to automatically enter Standby mode to extend battery life. Some of our phones have an ambient light sensing function that controls the LCD backlight according to the ambient light level, to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

Product Carbon Footprint

By integrating the concept life cycle thinking (LCT) into the R&D process, we are able to provide our R&D engineers with quantitative green information, and we also conduct life cycle inventory analysis (LCI) for the supply chain, to build up an environmental load database for our key components and parts.

Evaluation of the HTC product carbon footprint is based on ISO 14040 and ISO 14044. Using internationally recognized LCA software, such as SimaPro, it is possible to obtain figures of high quality. After third-party verification, we have issued an Eco Declaration to provide transparent environmental information about our products for reference.

Carbon Emission of HTC Product throughout the Lifecycle



Positive Response to Product Green Verification

Since 2006, all the mobile phones produced by HTC have been verified by internationally renowned third party verification companies, e.g. SGS, TUV and ITS through chemical analysis, to comply with the EU directives on environmental protection.

In addition, HTC also positively responds to the green verification programs to which our cooperate customers belong, such as ULE and the Eco-rating system, to ensure that all our products meet the green requirements of our customers.



Electromagnetic Compatibility

Among the SAR regulations currently in force, FCC (US) and CE (EU) are the strictest, and all HTC products satisfy these requirements. HTC products also comply with the rules about electromagnetic interference as issued by all nations, with an EMI value 3dB lower than the criteria of the FCC and CE.

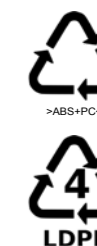
Participation in the Eco-Rating Program

In 2012, HTC took part in the Eco-Rating Programs run by several service carriers. As part of the program, an evaluation of the social responsibility of HTC and the eco-design of products and green production was carried out. Improvements were made to reduce the impact of the production of our mobile phones on the environment and society. This evaluation and ranking has also driven the companies in our supply chain to become green to further ensure the sustainability of our products.



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.



Positively Cutting Hazardous Substance

In 2005, 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.

In addition, we established (as early as 2006) 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. By introducing green materials from the source, we are able to significantly improve the reliability of our green products and shorten the verification time. The management platform was revamped in 2008 to provide a more convenient and simpler user interface, and improve the overall efficiency of hazardous substance control.



Sustainable Manufacturing Process

ESH Management

HTC provides and maintains a safe and healthy working environment as part of our environmental protection, safety and health, and energy management efforts. To fulfill our commitment to securing employee safety, HTC promotes occupational safety and health management systems at all its facilities. A Labor Safety Committee carries out basic work for environmental protection, safety and health management, as well as the prevention of pollution.

Labor Safety Committee

| Facility | Percentage of Labor Representatives |
|----------|---|
| Taoyuan | 27 members in total, 13 being labor representatives |
| TPE1 | Class 3 unit as per SS Regulation, no Safety Committee required |
| TPE2 | Class 3 unit as per SS Regulation, no Safety Committee required |

All our facility management systems comply with the OHSAS18001 standard for Occupational Health and Safety Management. Every new employee is given complete safety and health educational 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.

In addition, we update the occupational accident prevention plans every year according to current safety and health management. The focus is on compliance with S&H laws and regulations, the identification of hazards to reduce risk, management of controlled, hazardous or dangerous material, communication of S&H information, and contractor management.

In addition we have prepared emergency response plans for accidents caused by human error, such as fire, explosion, leakage, mechanical breakdowns, injury to persons, or disease. We are also prepared for natural disasters like typhoons, floods and earthquakes. We react by immediate implementation of the related emergency plan, in-process response measures, and later post reviews and give feedback. We hold regular fire and evacuation drills, to ensure the proper action to secure the safety of personnel and also that of HTC property.

HTC has introduced an environment management system as per ISO 14001 and received third-party verification. The environment policy was formulated by HTC headquarters in Taoyuan and local facilities are required to carry out it out. Goals have been set that are aligned with the policy and systematic implementation has been done. The policy has been incorporated into daily management.



2013 Environment Protection and Occupational Safety and Health Policy

HTC strives to provide a safe and healthy working atmosphere for all of our employees while adhering to sustainability best practices which protect our environment. HTC follows the guidelines below to achieve sustainable development and to ensure a better quality working environment for our employees, customers, suppliers and contractors.

- 1. We regard environment, safety, health, productivity, quality and effective energy management with equal importance.**
- 2. We regard the safety and health of employees, customers, suppliers and contractors with equal importance.**
- 3. We require our employees to observe all guidelines regarding safety, operating procedures, environmental protection, hygiene, health and energy management.**
- 4. We are committed to preventing foreseeable dangers and loss control.**
- 5. We follow required laws and regulations.**
- 6. We will continue to practice and improve on our environment, safety, health and energy management systems.**



Positively Preventing Occupational Accidents

TC 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.

In 2012, our work covered eight aspects: “Safety and Health Organization” , “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”, “Medical Care” and the “Safety and Health Campaign” , for the comprehensive prevention of occupational accidents.

By effectively performing the related measures, in 2012 the HTC employee average injury frequency rate (FR) was 0.17 person-time/ per million hours worked, average injury severity rate (SR) was 2.71days/ per million hours worked, injury severity rate was lower than 1.2 days/ per million hours worked. We failed to achieve the annual goal. In 2012, most occupational injuries were caused by traffic accidents (80 cases) that happened during commutes. Seven others were missteps, falls, clip-and-roll and incised injuries that occurred in the facility.

In the future, we will communicate the importance of commuting and job safety, to lower the injury severity rate.



| Aspect | Measure |
|--|--|
| Safety and Health Organization | When modifying its organizational system or adding a new business body, HTC reports to the related inspection agency according to law |
| Management of Safety and Health | The works include accident statistics, accident investigation analysis, calling meetings of the Labor Safety and Health Committee, patrolling and investigations to prevent accidents as well as contractor access management. |
| Education and Training for Safety and Health | HTC regularly holds ESH training. |
| Standard Operating Procedure and Job Safety Analysis | HTC has formulated operating regulations, maintains these regulations as well as safe working procedure, supplements (amends) S&H Rules, and performs hazard communication and risk assessment. |
| Inspections for Safety and Health | HTC conducts regular inspections of workplaces, vehicles, equipment, facilities and fire fighting apparatus, and also monitors radiation and electromagnetic waves in operating environments. |
| Emergency Response | HTC updates the response plans every year and holds emergency response drills. |
| Medical Care | HTC purchases medical consumables, provides physical exams for new employees and a health check for existing employees, and also holds health exams and management for special hazards. |
| The Safety and Health Campaign | HTC holds and participates in various symposia as required by the regulations, posts promotion marks and slogans, and frequently updates and communicates information about job safety. |

Injury Frequency Rate (FR)

Injury Frequency Rate per Million Hours Worked

| | 2010 | 2011 | 2012 |
|-------------------|------|------|------|
| Taoyuan | 0.1 | 0.21 | 0.17 |
| Management Target | 0.5 | 0.4 | 0.4 |

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

| | 2010 | 2011 | 2012 |
|-------------------|------|------|------|
| Taoyuan | 0.43 | 0.69 | 2.71 |
| Management Target | 1.5 | 1.2 | 1.2 |

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

GRI Injury Indicators

Incidence Rate (IR)

| | 2010 | 2011 | 2012 |
|---------|------|------|------|
| Taoyuan | 0.02 | 0.04 | 0.03 |

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)

| | 2010 | 2011 | 2012 |
|---------|------|------|------|
| Taoyuan | 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)

| | 2010 | 2011 | 2012 |
|---------|------|------|------|
| Taoyuan | 0.09 | 0.14 | 0.54 |

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)



Management of Waste and Hazardous Substances

The major manufacturing operation at HTC is the assembly of Smartphones, 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.

HTC has engaged qualified service providers to properly handle and dispose of our business waste as required by the applicable laws. We also perform irregular trailing audits of the contractors and on-site checks of treatment compliance. In our facilities, a Patrol and Inspection Form is used for regular checks of waste storage and transient areas. A deadline for the correction of any non-compliance found is given. We have also designed an ESH Check and Self-Assessment Form and performance audit, to realize an effective management and assessment mechanism, the related measures include:

Proper Waste Management

- Engaging qualified service providers to properly handle and dispose of our business waste as required by the applicable laws;
- Using a Patrol and Inspection Form for regular checks of waste storage/ transient areas and requiring non-compliance to be corrected by a deadline;
- Using an ESH Check and Self-Assessment Form and audit to perform operation management and risk ranking management;
- Performing irregular trailing audits of the contractors and on-site checks of treatment compliance.

Reducing, Recycling and Reusing

Our waste reducing strategy is to use sorting practices that reduce the generation of waste from the very beginning, and makes reuse a priority, to improve recycling and efficient reuse of resources.

Plastic trays can be taken as an example, we have engaged a service provider to carry out recycling for later reuse. As to other recyclable resources, we entrust several reuse dealers recognized by the government to purify waste and turn it into material suitable for reuse by industry. The annual average HTC recycling rate is as high as 60%. Many waste items are subject to physical sorting to allow reuse and are only finally discarded when further use has become impossible. We also regularly make on-line reports about temporary waste storage and yield according to law.

All our employees are encouraged in recycling and green behavior by regular positive promotion campaigns. They are urged to sort and reduce general domestic and office waste. We also encourage employees, guests and visitors who bring take-out foods and drinks with them, to use environmentally friendly tableware and drinking cups. In addition, we have identified batteries, lamps, and discarded mobile devices etc, as items to be fully recycled.

In 2011, we introduced the “LOHAS Green Week” for the first time. The campaign included a series of events focused on environmental protection, energy-saving and health. In a themed event for “World Environment Day”, we encouraged our employees to bring their own cups and tableware from home, to drive employee to voluntarily reduce the use of disposable tableware.

HTC Waste Statistics

| Treatment | Treated Amount | | |
|--------------|----------------|-----------|-----------|
| | 2010 | 2011 | 2012 |
| Recovery | 1,657,442 | 2,464,345 | 2,930,592 |
| Incineration | 989,996 | 1,802,185 | 1,522,195 |

Weight of Recycled Material

| Category | Paper | PE | Plastic | Waste metal | Waste Computers | Waste Miscellaneous Plastics |
|-----------|-----------|---------|---------|-------------|-----------------|------------------------------|
| Unit (kg) | 1,152,835 | 127,820 | 689,514 | 6,746 | 586 | 85,368 |

| Category | Waste Pallets | Waste Colored Cases | Waste Material Gum | Waste Jigs and Bakelite | Life Resources Recycled |
|-----------|---------------|---------------------|--------------------|-------------------------|-------------------------|
| Unit (kg) | 106,650 | 46,375 | 395 | 5,619 | 36,797 |

Management of Hazardous Substances and Chemicals

In HTC, we recognize that in the new green competition between businesses all over the world, the only way to effectively ensure compliance with the applicable laws and client requirements during manufacturing is positive management of the use of hazardous substances and chemicals. To answer the increasingly strict control placed on the use of chemicals by international regulations, we have taken positive measures to manage and monitor the use of all the different chemicals used in parts, components, and the manufacturing process:

1. We have appointed dedicated staff to regularly inventory, patrol, inspect and verify the management of chemicals in our facilities, including:
 - Recording the type and amount of chemicals used and the storage status of stock chemicals (including storage container management);
 - Checking whether the responsible unit has labeled the chemicals correctly;
 - Check whether the information of chemicals is complete, such as Safety Data Sheets (SDSs) for example;
 - Requiring personnel handling chemicals to wear basic protective gear.
2. Ensuring that gas extinguishing systems use environmentally safe substance: replacing the existing CO2 extinguishing systems with halide extinguishing equipment.
3. Emergency lighting uses environmentally friendly batteries: replacing lead-acid batteries with nickel-cadmium batteries.
4. Setting up a management system for agents used in cooling towers: the use of cleaning agents that have the required safety certificate, or comply with the applicable regulations for cleaning cooling towers.
5. Ensure that suppliers and contractors manage chemicals properly: check the chemical management by the suppliers in terms of environmental protection, safety, hygiene and corporate social responsibility. Investigate and perform audits and checks of the ranking of the internal management system of the vendors.

Building up a Green Supply Chain

To effectively reduce the use of hazardous substance in parts and components, we require all our parts suppliers to pass the HTC green parts verification process, to ensure the parts supplied comply with international requirements for environmental protection.

HTC and our supplier partners have jointly established sound analysis, testing and report collection systems. Through conscious management of our green supply chain, we can ensure that all the materials used in HTC products and all parts and components are environmentally friendly as regulated.

Our internal green design and supplier management ensures HTC products comply with EC directives and all other international environmental requirements, as evidenced by all the related documents and certificates, these include chemical test reports, material composition sheets, SDS, and so on.

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 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.

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.

We use sustainable and recycled materials for packing as far as possible. In the event that it is necessary to use virgin paper in the packaging materials, HTC always asks our paper suppliers to provide paper certified by the Forest Stewardship Council (FSC) or the Program for the Endorsement of Forest Certification (PEFC).

All the packaging materials we use are highly-recyclable, and two main packaging designs are used:



Lightweight folded- paper packaging design

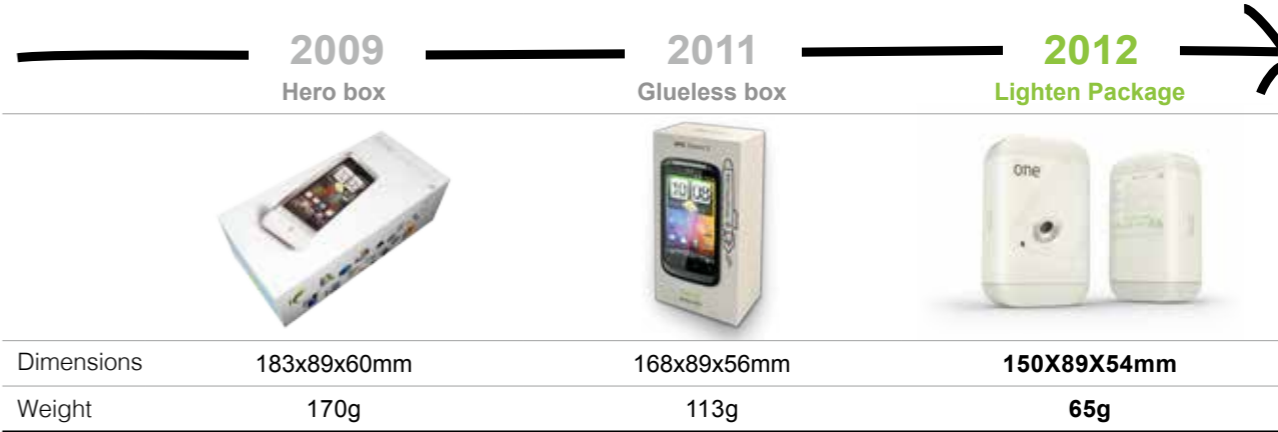
70%~80% from recycled paper pulp, which is 100% recyclable after being discarded.



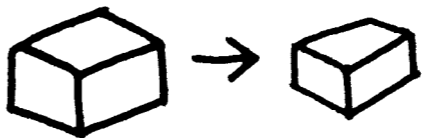
Lightweight integrated packaging design

Formed by 65% sugar cane bagasse and 35% bamboo pulp, and is 100% recyclable and biodegradable.

History of HTC “Sustainable Packaging”



ECO Feature



Volume

Has been reduced year by year, one pallet can carry more packs.



Weight

Has been reduced, helps to reduce CO₂ emission resulting from transportation.



Transportation

One pallet can carry more packs, helps reduce freight.



Material

Fast growing materials (sugar cane (bagasse) bamboo).



Social Investment and Contribution



HTC has long been committed to 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 education. This is a distinctive corporate culture of which HTC is rightfully proud.

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 people in the HTC Foundation believe that “everyone has good personality; mutual respect and support exists between one individual and another and between groups. Entrepreneurs are honest and responsible global citizens; political leaders are capable and willing to strive for the welfare of the people, to help the disadvantaged and to reduce the continuously widening poverty gap. Countries can all get along with each other. To realize this belief we urge all leaders to join forces to encourage a “character culture”. Leading by personal example will influence others to value character in daily life. By good example we can cause others to pass on interest in culture, aesthetics and art, and an appreciation of the serious need and the details of environmental protection. We can beautify the environment, preserve the natural landscape and historical sites, respect the natural resources that are shared by us all, and jointly take better care of our wonderful planet.

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.



Vision

To promote and facilitate the building of good characters so people learn to be respectful and supportive to each others, and together we make the world a better place to live in.

Mission

By providing high quality educational programs for schools, families and communities to facilitate a continuous learning and growing process in character development so together we foster a common and shared values for mankind such as honesty, trustworthiness, love, respect, care, positive thinking and value of the natural resources.

Objectives

- 1. To facilitate and assist schools to develop and implement character education on a continuous basis, and to bring together school principals and teachers to lead character development, set themselves as good models for others, and to cultivate a character culture within the schools.
- 2. To provide high quality educational programs to facilitate and assist the development and building of character cities so the rootage of character culture becomes substance in the character cities.
- 3. To provide educational care and assistance to the youth from disadvantaged families in order to offer them opportunities to grow and develop with good characters, so they lead to have successful lives in the future.



Character Statement

- 1. (To actively and enthusiastically influence others with honesty and good character in both personal and professional life and set a good example with our own conduct;
- 2. To protect the environment and develop a cultural and aesthetic disposition through reading; and
- 3. To be a world citizen, and make reasonable effort to help the poor and the disadvantaged in the world, and 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.



Achievements

Participation of Character Education between 2004 and 2012

| | | Carnegie | Character Education | Excellent Life | Total |
|-------|-----------------|----------|---------------------|----------------|--------|
| Total | No. of Sessions | 669 | 369 | 87 | 1,125 |
| | Person-Time | 34,227 | 26,587 | 4,680 | 65,494 |

2009~2012 Teenager training and Participation lecture courses between 2004 and 2012

| | | Youngster | Character Lecture | Celebrity Lecture | Total |
|-------|-----------------|-----------|-------------------|-------------------|--------|
| Total | No. of Sessions | 29 | 27 | 28 | 84 |
| | Person-Time | 1,087 | 2,062 | 11,698 | 14,847 |

Cooperative Schools in the Cornerstone Education Projectbetween 2004 and 2012

| Kindergarten | Elementary School | Junior High School | Senior High School | Vocational High School | College | Town | Corporate | Total |
|--------------|-------------------|--------------------|--------------------|------------------------|---------|------|-----------|-------|
| 6 | 493 | 136 | 70 | 32 | 12 | 12 | 7 | 768 |

Planned Development for 2013

Character Education in Schools: Implementation of character building education in individual schools and strengthening character networking:

1. Development of Regional Success Mode – Continuous follow-up of the development of highlighted schools and help for them in building up a core model for character education.
2. Development of Partnership with Schools – Giving assistance for the integration of character education schemes according to the development of the schools core teaching framework.
3. Development of Leadership (Professional) Community of Character Education – Developing a community by “Hand in Hand” or “Professional Field” means.
4. Strengthening Regional Strategic Alliances – Strengthening character education networking through integrated courses or large conferences.
5. Link to other Domestic and Foreign Character Education Resources.

Character Education in Villages and Towns

1. Promoting character learning by way of “Character Learning Centers” or a “Character Academy”
 - Scheduling character sharing monthly meetings, two hours a month;
 - Fostering seeded sharing promoters for going to villages and towns to hold character sharing sessions, fostering character education;
 - Calling the existing local resources, woman’s associations, community-building groups etc, to work together;
 - Organizing book clubs/growth groups for promoting continual learning and growth, currently done in the form of a “Celebrity Lecture in Character”.
2. Inspiring active learning and positive engagement
 - Enhancing the function of the “Character Committee”;
 - Fostering seeded sharing promoters for “Character Sharing Sessions”;
 - Planning group activities to promote motivation and engagement within groups;
 - Assisting in producing character websites for towns and villages.
3. Engaging other local organizations
 - Engaging schools, city councils, farmers’ associations, hospitals and other companies or businesses.

Cooperation with Foreign Character Education Institutions

1. “Center for Character and Citizenship”, University of Missouri
 - A ten-year sponsorship fund, from 2012 to 2021, aimed at sponsoring the Center’s character-leading education around the US and other countries.
2. “Center for Character and Citizenship”, University of Missouri
 - A two-year project for the production of character educational training DVDs; and for sponsoring the production of lectures and teaching materials from nine character lecturers of the Leadership Academy in Character Education.
3. “CHARACTERplus Character Education Resources”, Missouri
 - A five-year sponsorship project, aimed at sponsoring Kansas City, Missouri to develop character education resources.

Character and English Institute Rooted in Taitung

After Hualien, Yunlin and Chiayi, the HTC Foundation started a fourth “Character and English Institute” in Taitung. The aim was to encourage and support teaching teams that actively promote character education in Taiwan through a series of courses to deepen character and civil education at the local level. In this way it was hoped that a character nurturing message could be introduced to every remote corner of Taitung County, to cultivate students with good English language ability as well as excellent character.

A “Character Building Family Camp” was held by the HTC Foundation and Hualien Character and English Institute as a joint summer vacation family break. Separate courses were provided for parents and children. That for the parents lasted two days and no lodging was provided. The student’s course spanned five days and four nights, and lodging were provided. Expenses were paid by the HTC Foundation and participation was free.

Character Building Family Camp-Parent Session

The content of the student courses was discussed during the parents’ two-day study, and a session about communications skill entitled “Excellent Life-Expression Skills for Deep Communication” was held. This introduced several important concepts: the importance of values, image and value, the power of words, and tips for effective communication. The intention being that participating parents and students would continue practicing the character pointers and positive thinking they learned, so these would become parts of a character building process in the family.

Character Building Family Camp-Student Session

The 5-day study for the students covered five aspects of behavior: “respect, concentration, honesty, responsibility and gratitude”, and two attitudes: “positive thinking, and self-confidence”, “Character123” about practical conflict-resolving skills, and 10 English language sessions led by foreign teachers were also included.

Five-Day “Character Building Family Camp” and Summer Vacation at the Hualien Character and English Institute



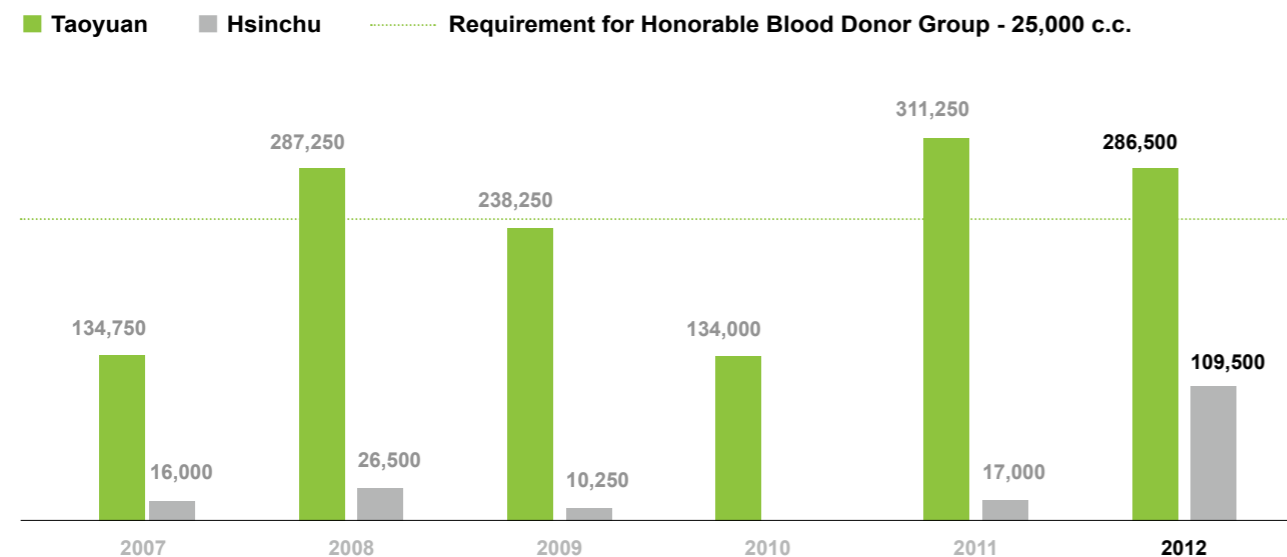
Other Social Engagement Activities

In addition to sponsoring the social work upheld by the HTC Foundation, HTC also positively engages in public interest activities through other channels. In 2012, our accomplishments in social works included:

Blood Donations

Four 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. 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.

Statistics of Blood Donation



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 education. The education program highlights continuous learning and HTC plays an active part in community engagement and social services. HTC fosters 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 Taiwan Fund for Children and Families to support the sponsorship of children in need. In 2012, 321 HTC employees made donations. The funds raised by the HTC Child Support Club and the Employee Welfare Committee came to NT\$3,234,530, and was used to sponsor 254 children. Eight of these were from foreign countries, including Guatemala, Indonesia, the Philippines, Senegal, Sri Lanka, Qirghiz and Paraguay.



ASSURANCE STATEMENT

SGS TAIWAN LTD.'S INDEPENDENT ASSURANCE REPORT ON SUSTAINABILITY ACTIVITIES IN THE HTC CORPORATION'S CORPORATE SOCIAL RESPONSIBILITY REPORT FOR 2012

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 HTC's Corporate Social Responsibility Report of 2012. The scope of the assurance, based on the SGS Sustainability Report Assurance methodology, included the text, and data in accompanying tables, contained in HTC's operational sites in Taiwan of this report.

The information in the HTC's Corporate Social Responsibility Report of 2012 and its presentation are the responsibility of the superintendents, CSR committee and the management of HTC. SGS has not been involved in the preparation of any of the material included in the HTC's Corporate Social Responsibility Report of 2012.

Our responsibility is to express an opinion on the text, data, graphs and statements within the scope of verification set out below with the intention to inform all HTC's stakeholders.

The SGS Group has developed a set of protocols for the Assurance of Sustainability Reports based on current best practice guidance provided in the Global Reporting Initiative Sustainability Reporting Guidelines and the AA1000 Assurance Standard. These protocols follow differing options for Assurance depending the reporting history and capabilities of the Reporting Organization.

This report has been assured using our protocols for:

- evaluation of content veracity at a moderate level of scrutiny;
- evaluation of the report content and supporting management systems against the AA1000 Accountability Principles (2008); and
- evaluation of the report against the Global Reporting Initiative Sustainability Reporting Guidelines(2011).

The assurance comprised a combination of pre-assurance research; interviews with relevant employees at HTC's headquarter 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 affirms our independence from HTC, being free from bias and conflicts of interest with the organization, its subsidiaries and stakeholders.

The assurance team was assembled based on their knowledge, experience and qualifications for this assignment, and comprised auditors registered with SA 8000, EICC, QMS, EMS, SMS, EnMS, GPMS, GHG Verification 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 Corporate Social Responsibility Report of 2012 verified is accurate, reliable and provides a fair and balanced representation of HTC sustainability activities from 01/01/2012 to 12/31/2012.

The assurance team is of the opinion that the report can be used by the Reporting Organization's Stakeholders. We believe that the organization has chosen an appropriate level of assurance for this stage in their reporting. The report is the first to be assured by an independent assurance team and HTC has taken a bold step by offering the report to evaluation against both Global Reporting Initiative's G3.1 guidelines and the AA1000 Assurance standard. This shows a deserved confidence in their reporting process.

In our opinion, the contents of the report meet the requirements of Global Reporting Initiative G3.1 Application Level B⁺ and AA1000 Assurance Standard type 1, moderate level.

AA1000 ACCOUNTABILITY PRINCIPLES CONCLUSIONS, FINDINGS AND RECOMMENDATIONS

Inclusivity

HTC has demonstrated a strong commitment to stakeholder inclusivity and stakeholder engagement. A variety of engagement efforts such as survey and communication to employees, consumers, investors, local communities, suppliers, media, NGOs and other stakeholders are implemented to underpin the organization's understanding of stakeholder concerns. It is recommended to have higher degree of direct involvement of stakeholders during future engagement.

Materiality

HTC has established appropriate processes for determining issues that are material to the organization. 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. It is recommended that the process and criteria applied to assess materiality to be formalized and documented to ensure better consistent result in future reporting.

Responsiveness

The report provides a comprehensive response to the issues and stakeholder concerns relating to HTC's activities. The disclosure on entities owned or controlled by the organization may be increased in next report.

GLOBAL REPORTING INITIATIVE REPORTING GUIDELINES CONCLUSIONS, FINDINGS AND RECOMMENDATIONS

Principles, Standard Disclosures and Indicators

HTC's Corporate Social Responsibility Report of 2012 is adequately in line with the Global Reporting Initiative G3.1 application level B⁺. It is recommended to have more disclosure on the performance of supply chain management.

Signed:

For and on behalf of SGS Taiwan Ltd.

Dennis Yang, Chief Operating Officer
Taipei, Taiwan
25 July, 2013
WWW.SGS.COM



AA1000
Licensed Assurance Provider
000-8

GRI G3.1 Comparison Table

| Aspect | Section | Disclosure Items | page | Disclosure Level |
|---|---------|--|--------------------------------------|------------------|
| Strategy and Analysis | 1.1 | Statement from the most senior decision maker of the organization about the relevance of sustainability to the organization and its strategy. | 6 | ● |
| | 1.2 | Description of key impacts, risks, and opportunities. | 6, 36 | ● |
| Organizational Profile | 2.1 | Name of the organization. | 2 | ● |
| | 2.2 | Primary brands, products, and/or services. | 10, 23~25 | ● |
| | 2.3 | Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures. | 14 | ● |
| | 2.4 | Location of organization's headquarters. | 2 | ● |
| | 2.5 | Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report. | 16 | ● |
| | 2.6 | Nature of ownership and legal form. | 2,17 | ● |
| | 2.7 | Markets served. | 16 | ● |
| | 2.8 | Scale of the reporting organization. | 13,18 | ● |
| | 2.9 | Significant changes during the reporting period regarding size, structure, or ownership. | No significant change | ● |
| | 2.10 | Awards received in the reporting period. | 19,25 | ● |
| Report Parameters | 3.1 | Reporting period for information provided. | 2 | ● |
| | 3.2 | Date of most recent previous report | First publication | ● |
| | 3.3 | Reporting cycle. | Annually | ● |
| | 3.4 | Contact point for questions regarding the report or its contents. | 3 | ● |
| | 3.5 | Process for defining report content. | 42 | ● |
| | 3.6 | Boundary of the report. | 2 | ● |
| | 3.7 | State any specific limitations on the scope or boundary of the report. | 2,3 | ● |
| Governance, Commitments, and Engagement | 3.8 | Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations. | No relevant issues | ● |
| | 3.9 | Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicators and other information in the report. | 2 | ● |
| | 3.10 | Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement. | First Publication | ● |
| | 3.11 | Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report. | First Publication | ● |
| | 3.12 | Table identifying the location of the Standard Disclosures in the report. | 120 | ● |
| | 3.13 | Policy and current practice with regard to seeking external assurance for the report. | 118 | ● |
| | 4.1 | Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight. | 31~33 | ● |
| Governance, Commitments, and Engagement | 4.2 | Indicate whether the Chair of the highest governance body is also an executive officer. | Chairman is not an executive officer | ● |
| | 4.3 | For organizations that have a unitary board structure, state the number of members of the highest governance body that are independent and/or non-executive members. | 32,33 | ● |
| | 4.4 | Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body. | 34,40,47 | ● |
| | 4.5 | Linkage between compensation for members of the highest governance body, senior managers, and executives, and the organization's performance. | 32 | ● |
| | 4.6 | Processes in place for the highest governance body to ensure conflicts of interest are avoided. | 35 | ● |
| | 4.7 | Process for determining the qualifications and expertise of the members of the highest governance body for guiding the organization's strategy on economic, environmental, and social topics. | 32~33 | ● |
| | 4.8 | Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation. | 23,41,57,69 | ● |
| | 4.9 | Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles. | 40~41 | ● |
| | | | | |

● means fully disclosed ○ means partially disclosed – means none disclosure

| Aspect | Section | Disclosure Items | page | Disclosure Level |
|---|---------|---|---|------------------|
| Governance, Commitments, and Engagement | 4.10 | Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance. | 40~41 | ● |
| | 4.11 | Explanation of whether and how the precautionary approach or principle is addressed by the organization. | 36~39,101 | ● |
| | 4.12 | Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses. | 57,60,124 | ● |
| | 4.13 | Memberships in associations and/or national/international advocacy organizations. | 57 | ● |
| | 4.14 | List of stakeholder groups engaged by the organization. | 46~47 | ● |
| | 4.15 | Basis for identification and selection of stakeholders with whom to engage. | 42 | ● |
| | 4.16 | Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group. | 46~47 | ● |
| Economic | 4.17 | Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting. | 42~43 | ● |
| | EC | Disclosure on Management Approach | 9 | |
| | EC1 | Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments. | 18 | ● |
| | EC2 | Financial implications and other risks and opportunities for the organization's activities due to climate change. | 37 | ● |
| | EC3 | Coverage of the organization's defined benefit plan obligations. | 66 | ○ |
| | EC4 | Significant financial assistance received from government. | None | ● |
| | EC5 | Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation. | 66 | ○ |
| Environmental | EC6 | Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation. | 57 | ● |
| | EC7 | Procedures for local hiring and proportion of senior management hired from the local community at locations of significant operation. | 63 | ● |
| | EC8 | Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement. | 24,115 | ● |
| | EC9 | Understanding and describing significant indirect economic impacts, including the extent of impacts. | 29,53,63,71 | ● |
| | EN | Disclosure on Management Approach | 87,103 | |
| | EN1 | Materials used by weight or volume. | 108 | ○ |
| | EN2 | Percentage of materials used that are recycled input materials. | 108 | ● |
| | EN3 | Direct energy consumption by primary energy source. | 91 | ● |
| | EN4 | Indirect energy consumption by primary source. | 90~91 | ● |
| | EN5 | Energy saved due to conservation and efficiency improvements. | 93 | ● |
| Environmental | EN6 | Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives. | 92~95 | ● |
| | EN7 | Initiatives to reduce indirect energy consumption and reductions achieved. | 93 | ● |
| | EN8 | Total water withdrawal by source. | 96 | ● |
| | EN9 | Water sources significantly affected by withdrawal of water. | No significant impact on water sources | ● |
| | EN10 | Percentage and total volume of water recycled and reused. | 95,96 | ● |
| | EN11 | Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas. | All plants are located in the industrial area | ● |
| | EN12 | Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas. | All plants are located in the industrial area | ● |
| | EN13 | Habitats protected or restored. | All plants are located in the industrial area | ● |
| | EN14 | Strategies, current actions, and future plans for managing impacts on biodiversity. | Not applicable | ● |
| | EN15 | Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk. | Not applicable | ● |
| | EN16 | Total direct and indirect greenhouse gas emissions by weight. | 89,91 | ● |
| | EN17 | Other relevant indirect greenhouse gas emissions by weight. | 91 | ● |

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| Aspect | Section | Disclosure Items | page | Disclosure Level |
|---------------------------------|---------|---|---|------------------|
| Environmental | EN18 | Initiatives to reduce greenhouse gas emissions and reductions achieved. | 93,95 | ● |
| | EN19 | Emissions of ozone-depleting substances by weight. | Manufacturing process and product does not use ozone-depleting substances | ● |
| | EN20 | NO, SO, and other significant air emissions by type and weight. | No combustion process | ● |
| | EN21 | Total water discharge by quality and destination. | 97 | ● |
| | EN22 | Total weight of waste by type and disposal method. | 106~107 | ● |
| | EN23 | Total number and volume of significant spills. | No relevant issues | ● |
| | EN24 | Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally. | No relevant issues | ● |
| | EN25 | Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff. | No relevant issues | ● |
| | EN26 | Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation. | 98~101,107 | ● |
| | EN27 | Percentage of products sold and their packaging materials that are reclaimed by category. | No relevant issues | ● |
| Labor Practices and Decent Work | EN28 | Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with environmental laws and regulations. | No fines | ● |
| | EN29 | Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce. | No significant environmental impacts | ● |
| | EN30 | Total environmental protection expenditures and investments by type. | 91 | ○ |
| | LA | Disclosure on Management Approach | 63 | |
| | LA1 | Total workforce by employment type, employment contract, and region. | 64 | ● |
| | LA2 | Total number and rate of employee turnover by age group, gender, and region. | 65 | ○ |
| | LA3 | Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations. | 63,66,70,72~79 | ● |
| | LA4 | Percentage of employees covered by collective bargaining agreements. | No labor union | ● |
| | LA5 | Minimum notice period(s) regarding operational changes, including whether it is specified in collective agreements. | Act in accordance with the Labor Standards Law | ● |
| | LA6 | Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs. | 102 | ● |
| Human Right | LA7 | Rates of injury, occupational diseases, lost days, and absenteeism, and number of work related fatalities by region. | 105 | ○ |
| | LA8 | Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases. | 72~74 | ● |
| | LA9 | Health and safety topics covered in formal agreements with trade unions. | No labor union | ● |
| | LA10 | Average hours of training per year per employee by employee category. | 81 | ○ |
| | LA11 | Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings. | 81~85 | ● |
| | LA12 | Percentage of employees receiving regular performance and career development reviews. | 84 | ○ |
| | LA13 | Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity. | 64,71 | ● |
| | LA14 | Ratio of basic salary of men to women by employee category. | 66,68~69 | ○ |
| | LA15 | Return to work and retention rates after parental leave, by gender. | 70 | ● |
| | HR | Disclosure on Management Approach | 69 | |
| Human Right | HR1 | Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening. | No significant investment in 2012 | ● |
| | HR2 | Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken. | 58 | ● |
| | HR3 | Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained. | 85 | ○ |
| | HR4 | Total number of incidents of discrimination and actions taken. | No relevant issues | ● |

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| Aspect | Section | Disclosure Items | page | Disclosure Level |
|------------------------|---------|--|---|------------------|
| Human Right | HR5 | Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights. | 59,69 | ● |
| | HR6 | Operations identified as having significant risk for incidents of child labor, and measures taken to contribute to the elimination of child labor. | 58 No relevant risk discovered after 2012 audit | ● |
| | HR7 | Operations identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of forced or compulsory labor. | 58~59 | ● |
| | HR8 | Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations. | None | ● |
| | HR9 | Total number of incidents of violations involving rights of indigenous people and actions taken. | No relevant issues | |
| | HR10 | Percentage and total number of operations that have been subject to human rights reviews and/or impact assessments. | None/ Planning to initiate internal mechanism in 2013 | ● |
| | HR11 | Number of grievances related to human rights filed, addressed, and resolved through formal grievance mechanisms. | No relevant issues | ● |
| | SO | Disclosure on Management Approach | 57 | |
| | SO1 | Nature, scope, and effectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating, and exiting. | - | |
| | SO2 | Percentage and total number of business units analyzed for risks related to corruption. | - | |
| | SO3 | Percentage of employees trained in organization's anti-corruption policies and procedures. | 69 | ○ |
| Society | SO4 | Actions taken in response to incidents of corruption. | No relevant issues | ● |
| | SO5 | Public policy positions and participation in public policy development and lobbying. | No relevant issues | ● |
| | SO6 | Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country. | No relevant issues | ● |
| | SO7 | Total number of legal actions for anticompetitive behavior, anti-trust, and monopoly practices and their outcomes. | No relevant issues | ● |
| | SO8 | Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with laws and regulations. | No relevant issues | ● |
| | SO9 | Operations with significant potential or actual negative impacts on local communities. | Our operation activities would not have actual or potential impact on local communities | ● |
| | SO10 | Prevention and mitigation measures implemented in operations with significant potential or actual negative impacts on local communities. | Not applicable | ● |
| | PR | Disclosure on Management Approach | 98 | |
| | PR1 | Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures. | 100 | ○ |
| | PR2 | Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes. | No relevant issues | ● |
| Product Responsibility | PR3 | Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements. | 99~101 | ● |
| | PR4 | Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes. | No relevant issues | ● |
| | PR5 | Practices related to customer satisfaction, including results of surveys measuring customer satisfaction. | 48~49 | ○ |
| | PR6 | Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship. | 48~49 | ○ |
| | PR7 | Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes. | No relevant issues | ● |
| | PR8 | Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data. | No relevant issues | ● |
| | PR9 | Monetary value of significant fines for noncompliance with laws and regulations concerning the provision and use of products and services. | No relevant issues | ● |

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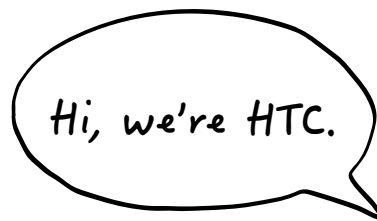
Global Compact and ISO 26000 Comparison Table

Global Compact

| Category | Principles | Page |
|-----------------|--|--------|
| Human Rights | Businesses should support and respect the protection of internationally proclaimed human rights. | 57,68 |
| | Make sure that they are not complicit in human rights abuses. | 57,68 |
| | Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining. | 57,68 |
| Labor | The elimination of all forms of forced and compulsory labor. | 51~59 |
| | Effective abolition of child labor. | 57,68 |
| | Elimination of discrimination in respect of employment and occupation. | 68~71 |
| Environment | Businesses should support a precautionary approach to environmental challenges. | 37,101 |
| | Undertake initiatives to promote greater environmental responsibility. | 87 |
| | Encourage the development and diffusion of environmentally friendly technologies. | 98~101 |
| Anti-corruption | Businesses should work against corruption in all its forms, including extortion and bribery. | 69 |

ISO 26000

| Core subjects | Issues | Pages | Core subjects | Issues | Pages |
|---------------------------|---|----------|---------------------------------------|---|----------|
| Organizational governance | System for making decision and implementation of executing goals | 32,40 | Fair operating practices | Anti-corruption | 57,68 |
| | Due diligence | 57~59 | | Responsible political involvement | - |
| Human rights | Human rights risk situations | 57~59 | | Fair competition | 36,38 |
| | Avoidance of complicity | 57,68 | | Promoting social responsibility in the value chain | 45 |
| | Resolving grievances | 57 | | Respect for property rights | 38,39 |
| | Discrimination and vulnerable groups | 57,69~71 | Consumer issues | Fair marketing, factual and unbiased information and fair contractual practices | 48,49 |
| | Civil and political rights | 57,68 | | Protecting consumers' health and safety | 98~101 |
| | Economic, social and cultural rights | 57,68 | | Sustainable consumption | 101 |
| | Fundamental principles and rights at work | 57,68 | | Consumer service, support, and complaint and dispute resolution | 46~47,49 |
| | Employment and employment relationships | 63 | | Consumer data protection and privacy | 48 |
| Labor practices | Conditions of work and social protection | 66~79 | | Access to essential services | 49 |
| | Social dialogue | 80 | | Education and awareness | 46~47 |
| | Health and safety at work | 102~105 | Community involvement and development | Community involvement | 111,116 |
| | Human development and training in the workplace | 81~85 | | Education and culture | 113~115 |
| The environment | Prevention of pollution | 106~107 | | Employment creation and skills development | 29,63 |
| | Sustainable resource use | 108 | | Technology development and access | 27 |
| | Climate change mitigation and adaptation | 37,88~89 | | Wealth and income creation | - |
| | Protection of the environment, biodiversity and restoration of natural habitats | 94~97 | | Health | - |
| | | | | Social investment | 18 |



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