

htc
HTC Corporation

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htc

CORPORATE SOCIAL RESPONSIBILITY REPORT

2016

Editorial Principle

Thank you for reading the fifth 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 2016.

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




HTC CSR Website

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

The HTC 2016 CSR Report

is downloadable in PDF format.



HTC CSR Report 2016

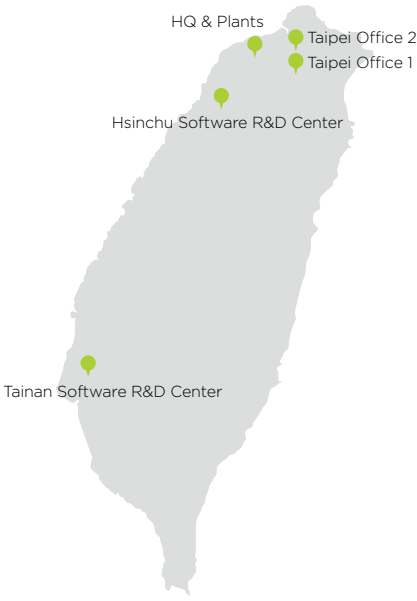
Report Scope and Boundary

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

Geographic Coverage of the HTC CSR Report 2016

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

Note: The disposal of part of the land in Taoyuan had been passed by board of directors in 2016, please refer to annual report 2016 P.219.



Time Coverage of Disclosure

We plan to issue the HTC Corporate Social Responsibility Report annually. This report generally covers the year 2016 from January 1 to December 31. However, in order to provide a more complete picture of all our CSR achievements in various aspects to date, the content and information about some issues refers to work carried out in 2015 to 2017 May, as well as the HTC CSR management policies, key issues, and performance, responses and activities for previous years.

Report Basis

This report has been prepared in accordance with the Global Reporting Initiative (GRI) G4 Core Option and AA1000 (2008) standards and has been confirmed by SGS-Taiwan to be in compliance with AA1000AS Type II top-level assurance and GRI G4 Core option.

Forward-Looking Statements & Statistical Calculations

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

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

Feedback

Should you have any questions about this HTC Corporate Social Responsibility Report 2016, please let us know to help us make continuous progress.

Contact us

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Statement of the management

Thank you for reading the fifth annual HTC CSR report. We continue to follow the information disclosure requirements as specified in the Global Reporting Initiative (GRI) G4 Guidelines and AA1000 Assurance Standard. By this means we are able to let all interested parties as well as the general public know what HTC has been doing with respect to social responsibility and sustainability.

2016 was in many ways a rewarding year for HTC with the fruits of our labour to restructure the Company starting to pay off, not only in terms of the achievements in operating and process efficiency across HTC, but also in terms of the remarkable products we released. Over 2016, HTC streamlined its portfolio and sharpened its focus which, coupled with prudent cost control, led to improved performance over 2015. While the full year results were disappointing, the progress we have made in operating efficiency across the Company has significantly improved our financial position and, more importantly, has created a positive and energetic environment of innovation across all of our business divisions, and a dynamic attitude to product and market development that will stand HTC in good stead in the years ahead.

Over the last year, HTC continued to uphold our brand values, the Pursuit of Brilliance, to encourage our employees implement at both work and daily lives. As a result, in 2016, the HTC 10 premium smartphone and the HTC VIVE virtual reality system clearly demonstrated our extraordinary abilities in innovation, design, R&D and manufacture and took more than 100 international awards and excellent reviews by storm, which has strongly endorsed the efforts we have made to strengthen our innovation capabilities.

Due to the diversification into virtual reality and connected devices, the extensive review of company structure, processes and operations helped to realign resources and provide greater focus for innovation. In 2016, HTC teamed up with academic experts and formed the Dynamical Biomarkers team to participate in the world-famous scientific research competition, Qualcomm Tricorder XPRIZE. This project leveraged HTC's artificial intelligence and big data strengths to design and build "Tricorder", a mobile diagnostic instrument capable of accurately diagnosing 13 health conditions and related risks, and as one of the two finalists, winning out more than 100 groups worldwid. We look forward to develop new markets through team innovation momentum.

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

In every aspect of our operations, we strive to improve ourselves through a comprehensive program of initiatives to minimize our environmental impact and add value to society. HTC continues to seek ways to provide a positive impact on the environment, our employees and the communities around us. From recyclable packaging through enhancing employee welfare to aggressive power management at both factory and product level, HTC strives to improve our carbon footprint and our contribution to society. HTC worked hard at further improving our energy management in our manufacturing facilities in 2016, with an electricity use reduction rate up to 42.26%, compared to 25% for 2015. The corresponding reduction in carbon emissions represented a greenhouse gas emission reduction of up to 42.69%, again comparing favorably to 2015's 26.51%. Progress was also made regarding the green fields and planted areas inside the factories, which are irrigated with recycled sewage water to avoid increasing total water consumption. This contributed to a sewage recycling rate of 72.54% in 2016, up from 68.92% the previous year. The HTC Foundation also had a busy year, supporting schools and teachers in Taiwan through courses to help children and youngsters develop good character and motivation.

Throughout all of our operations and partnerships, HTC seeks to ensure the highest standards of environmental concern as well as quality, consistency and performance, in line with our brand promise to pursue brilliance in all aspects of our business.

HTC Corporation
Chairperson



About HTC

Name

HTC Corporation (TWSE stock symbol 2498)

Address

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

Established

May 15, 1997

Sector

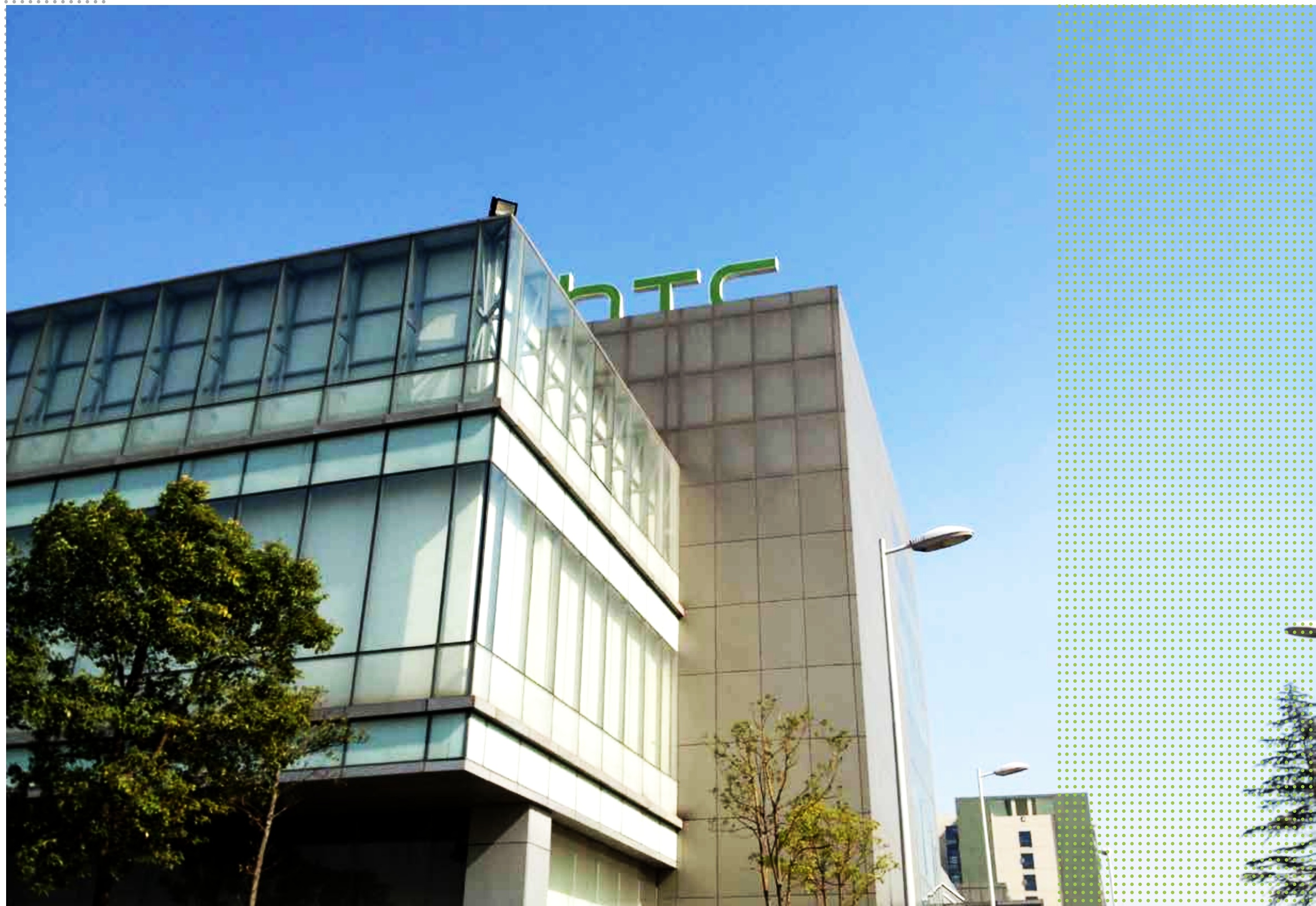
Manufacturer of computers and consumer electronics (handheld smart computers and wireless communication products)

Main business

Smartphone/HTC phones and accessories

Consolidated revenue

NT\$ 8,423,505,380



The global leader in innovative mobile phone design - HTC



The HTC Corporation (HTC) was established in 1997. As a global leader of innovation and design in the smartphone industry, HTC has, since our incorporation, embraced a passion for innovation and a vision of changing people’s lives with smart handheld devices. We started by providing global customers and consumers with the best experience by developing a series of world-class customized and innovative wireless telecommunications products for industry and distributors in Europe, America, and Asia.

HTC is driven by the “The Pursuit of Brilliance” to move forward with innovative and revolutionary mobile devices. HTC explores the unknown and is committed to bringing imaginative and innovative design to life and to devise new ways to link people and their dreams to the world.

HTC is a confident industry leader that continues to provide consumer-oriented innovative technology and superior designs both inside and out. HTC continues to launch refreshing products and continue to invest in branding, marketing, and sales management as well as maintaining active communication with our consumers. HTC is persistent in the sense of caring for colleagues, products, social welfare and environmental protection programs. The HTC philosophy is based on a spirit of “The Pursuit of Brilliance” to move forward continuously and to create a better experience for everyone.

Product

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

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

HTC main Product: Smartphone

Year	Capacity (Thousands)	Output (Thousands)	Output Value (Millions)
2014	37,570	15,623	92,250
2015	20,800	9,364	49,796
2016	18,400	7,910	44,885

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: Smartphone and Others (Accessories)

Year	Domestic Sales		Export Sales	
	Volume (Thousands)	Value (Millions)	Volume (Thousands)	Value (Millions)
2014	2,146	18,797	82,181	166,132
2015	70,424	17,624	60,183	102,464
2016	1,812	9,844	26,833	65,920

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

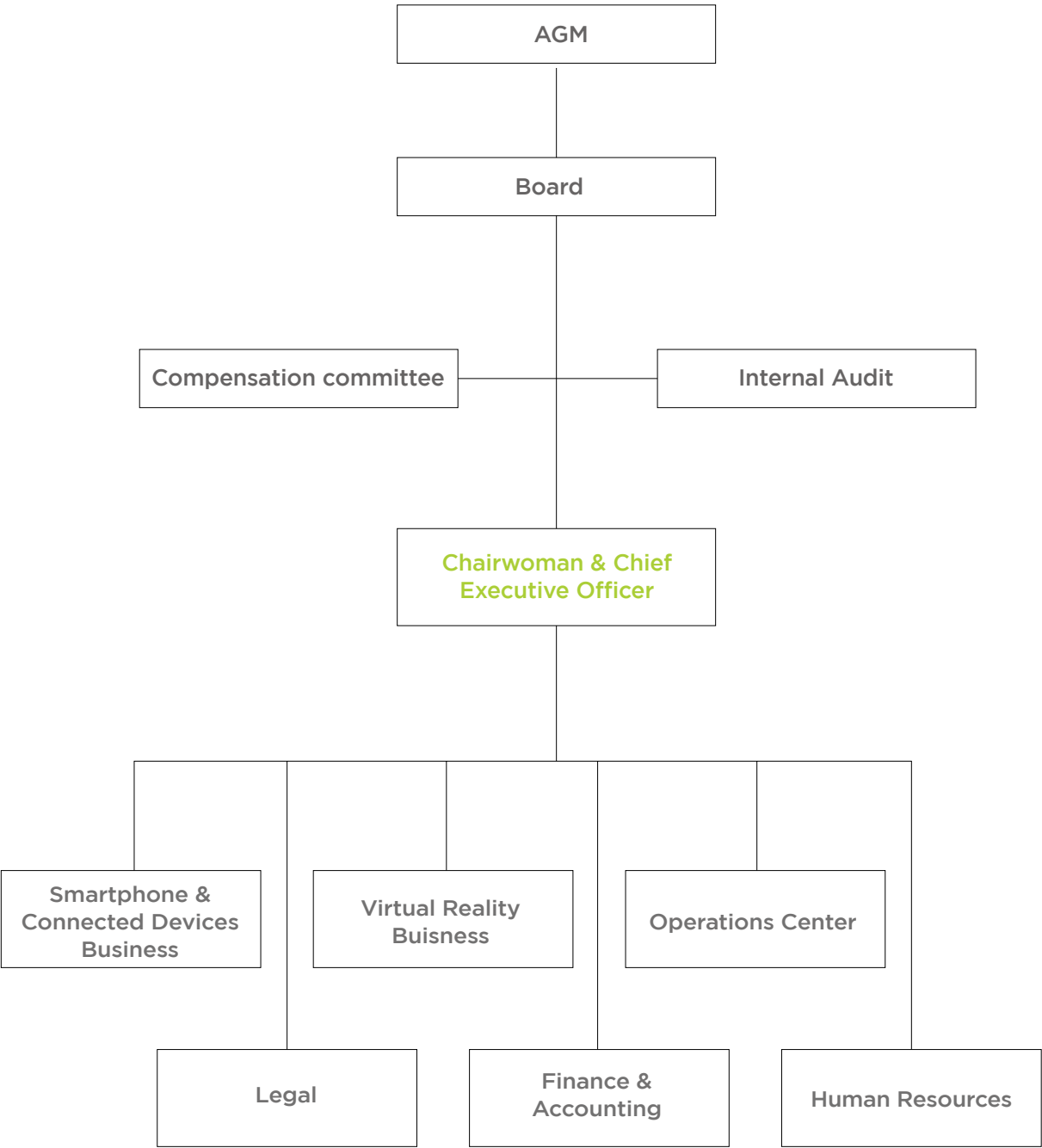
The Smartphone Industry

The boundaries between personal computing devices have become blurred and the concept of the mobile PC has shifted from Notebooks to Chromebooks, phablets and hybrids. A seamless user experience across devices appears to have been the goal for newly as well as traditional hardware device vendors. The industry is about to be revolutionized as we shift from a mobile-centric world to a cloud-centric world. In a cloud-centric world, it is about providing seamless user experiences across devices and, more importantly, across places; to always be where the users are.

To keep the top quality in the competitive market, HTC will continue to demand adequate capacity commitments from all suppliers to ensure on-time delivery of their products. HTC is committed to working closely with suppliers to raise production efficiencies as well as to lower the production costs to enhance mutual competitiveness. In addition, HTC will manage product life cycles jointly with the downstream smartphone agencies and retailers for a more robust and healthy industrial ecosystem to create a win-win prospect.



Organization Structure



Please refer to annual report Page.28

Global Operational Locations



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

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



Re-investment & Affiliated Companies

HTC's reinvestment policy focuses on the core business of the organization and the businesses that are beneficial to long-term development. In 2016, HTC's strategic investment focused on virtual reality with new investments, including game developer Owlchemy Labs, applications developer Modrokk, Radd3, VRChat, and Vivedu for application in VR education. HTC also partnered with world's top-notch leading VR companies to establish Asia-Pacific VR Alliance and implement the VIVE X accelerator program, with participating new ventures ranging from software, hardware, ecological circles, education, medical applications, etc.

Overview of Financial Performance

The fierce competition that continued in 2016 in the worldwide mobile market resulted in lower revenues and gross profits than those of 2015. Also, because of the policy of austerity that effectively lowered operating costs, the difference in operation loss is minor compared to 2015.

Revenues for 2016 totalled NT\$78.2 billion, with gross profit of NT\$9.4 billion and a gross margin of 12.%; however, the operating margin of -18.6% led to a net income of -NT\$10.5 billion, corresponding to an earnings per share of -NT\$12.8. We look forward to the achievement in 2017 coupled with continued progress in operating expenditure control, meanwhile anticipating novel products like virtual reality and connected devices will provide a boost to revenues.

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

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

The Pursuit of Brilliance

Future Goal

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

Current Achievement

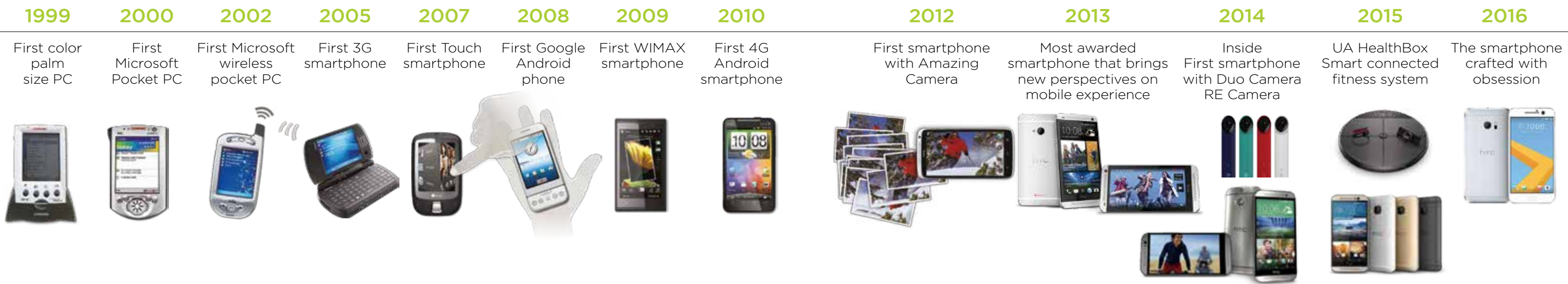
- Creating a global smart phone with excellent design
- The most valuable international brand from Taiwan

HTC's Challenge

How to enhance brand loyalty



Chronicle of HTC Product Development



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

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

An Unending Curiosity

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

An Unyielding Resilience

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

A Refined Approach

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

A Real Impact

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

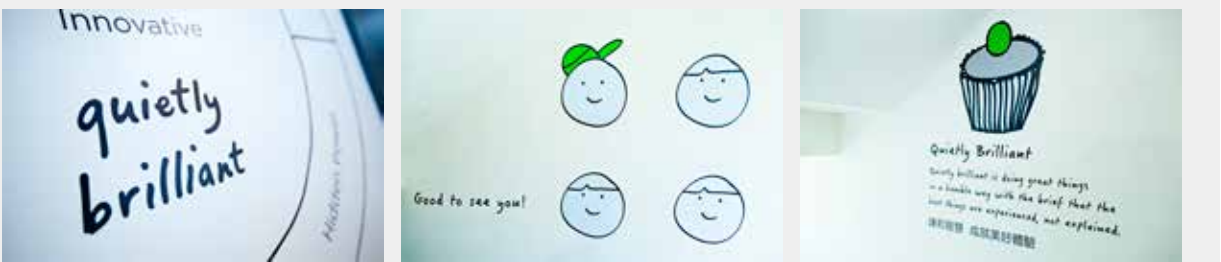
A Greater Purpose

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

A Working Environment Incorporating Brand Spirit

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

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



Innovative R&D

Future Goal

People-oriented:

- Continuous innovation to make the mobile phone function meet every practical need.
- Input from wearable devices and Internet of Things (IoT) devices.
- Changing the way people interact, and the technology around the world.

Current Achievement

- HTC Vive received “Best In Show” from Mobile World Congress (MWC).

HTC's Challenge

Expediting patent layout
Strengthening advertising of
product innovation



Actively conducting innovative R&D

Since our establishment, HTC has invested heavily in cultivating R&D talent and developing technical innovation. Currently, our in-house R&D employees make up 30% of all HTC’s global employees, the investment of which is about 14% of the total operating revenue. 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.

Investment in Innovative R&D

	Unit	2014	2015	2016
Fixed R&D Investment	Million (NT)	13,047	13,728	10,957
Total Revenue	Million (NT)	187,911	121,684	78,161
Percentage	%	7%	11%	14%

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

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. In April 2016, HTC unveiled the new flagship smartphone, the HTC 10. It has been ten years in 2016 since HTC Brand was founded. The HTC 10 just corresponds with ten years of effort and innovation and have fully demonstrated our insistence on product quality, function and excellent user experience. HTC 10 has realized our commitment to consumers and supporters in general and the flagship smartphone meets all the expectations of users.

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



HTC VIVE™

VR (Virtual Reality) is an exciting feature of next generation computing and entertainment. In ordinary VR systems the position of the user is fixed, and movement and hand gestures are limited. HTC Vive allows users to browse through the VR world, move around in a 15-foot square space and use unique hand-simulation controllers to interact with objects.



In the Consumer Electronics Show (CES) in the U.S. in January 2017, HTC debuted two premium accessories, the VIVE Tracker™ and VIVE Deluxe Audio Strap™.

VIVE Tracker™

The VIVE Tracker enables motion tracking for entirely new form factors to be trackable within the VR world. Most important, the VIVE Tracker will integrate with any number of future VR accessories via a simple connection, ensuring developers and consumers will have a single accessory to unlock thousands of new experiences.

VIVE Deluxe Audio Strap™

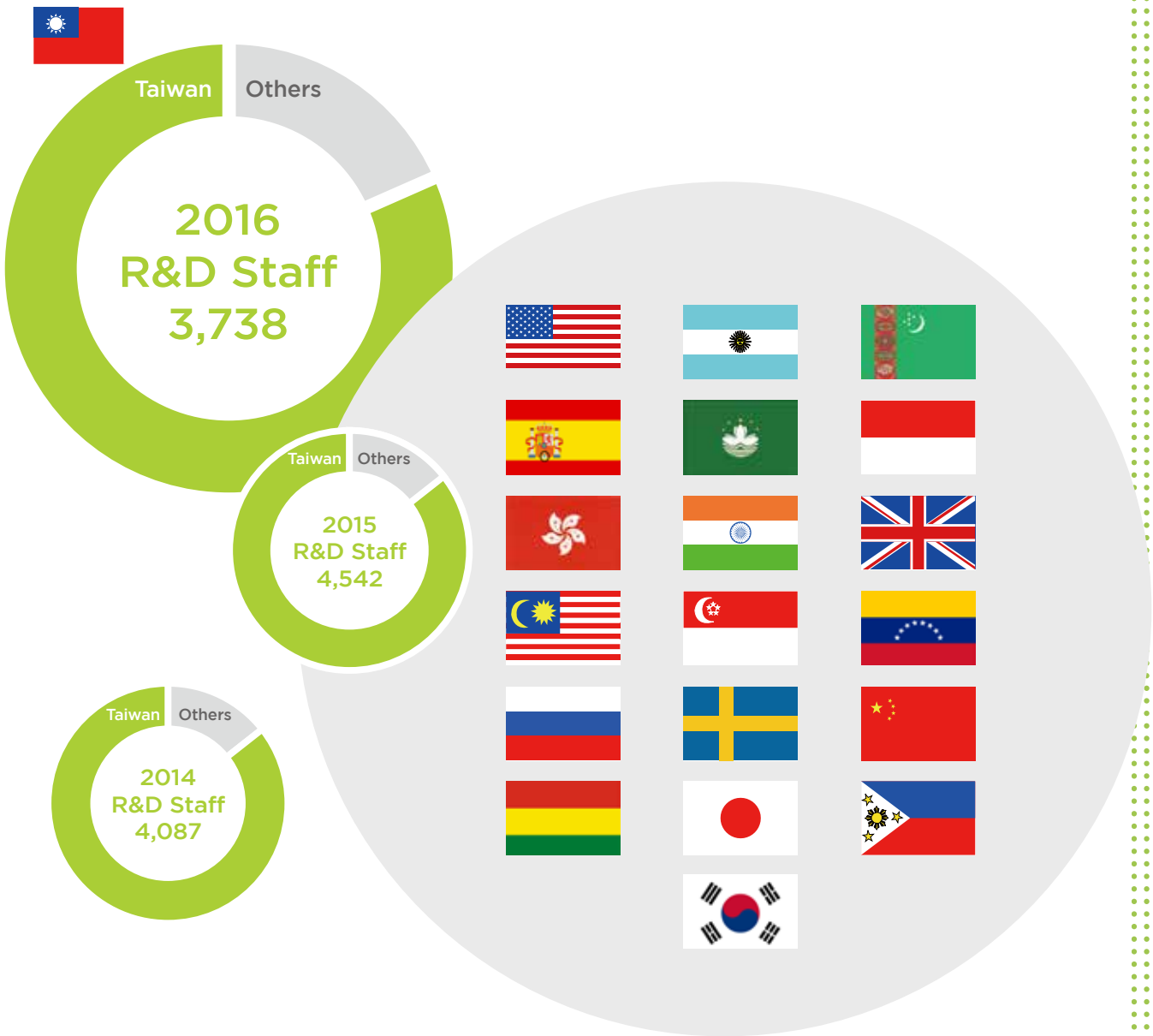
The headstrap eadstraptluxe Audio Strap is designed with adjustable headphones, allowing you to enjoy 360-degree VR headstrap, ensuring a tighter and more comfortable fit.

In addition, to prompt the promoting the eco-development of virtual reality, HTC has built industry alliances, such as the Asia-Pacific Virtual Reality Industry Alliance in April of 2016 and also launched an accelerator program called VIVE X to lead and ensure the robust and sustainable development of global ecosystem of virtual reality.



Engaging Diversified R&D Talent

We have a talent-based recruitment policy and engage R&D talent available in the local labor markets wherever we operate. In 2016, a total of 3,738 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 Europe, America, and Asia. We expect that the different cultural backgrounds of our diverse employees will fuse and fuel innovative thinking, so as to support HTC in the development and launch of products that meet consumer needs in different regions and with different cultural characteristics.



Responsibility Management

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



Corporate Governance

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

- 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;
- 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;
- To cultivate and sustain a corporate culture that advocates accountability and diligence and maintain the highest ethical standards; and
- To encourage the effective and responsible use of resources.

Board of Directors

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

Independent Directors

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

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

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



Compensation Committee

The Compensation Committee is set up under the HTC Board of Directors. The committee is comprised of an independent director, and two independent external experts. The Compensation Committee assesses the salary remuneration policies and system of the Company directors, supervisors, and managers from a professional and objective viewpoint. The committee also makes suggestions to the Board of Directors for discussing. For HTC corporate governance organization and members, please refer to Page. 49 in 2016 Annual report.

Supervisors

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

Complete Disclosure

HTC is committed to real-time and transparent information disclosure. In addition to regular information disclosure, HTC also participates in investment forums and investor conferences held by domestic and international brokers to explain details of the HTC financial data, business performance, and other published information to give investors as much information about the HTC financial and business situation as possible.

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

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

Diversified Channels for Transparent Information Disclosure

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

Strict Mechanisms for Avoiding Conflicts of Interest

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

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

In addition, as clearly set forth in the HTC Employee Manual, involvement in fraud, bribery, embezzlement, and violation of business competition limitation may lead to a punitive dismissal. Any reports about the above offenses may be sent to the heads of the related departments, the Human Resources Division, or the auditing unit. The Human Resources Division is responsible for disciplinary action. A dedicated reporting channel (anti-corruption@htc.com) has also been established for employees to expose any improper behavior that comes to their attention.

Internal Audit System

HTC has set up our internal audit unit as subordinate to the Board of Directors. The internal unit is responsible for assisting the Board of Directors and management in checking any defects in internal control and in 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.

Risk Management



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

Management of Financial Risks

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

In 2016, HTC foreign exports accounted for around 87.01% of our total business revenues. HTC’s revenue is mainly based on the US dollars and Euros, the manufacturing costs are also based on US dollars, so the significant fluctuations in the international exchange rates may affect the operating income, operating costs and operating net profits in foreign currency denominations. In addition to strengthening the control of

quality and collection cycle of foreign currency accounts receivable, we also mainly avoid the operational risk of operations with the Foreign Exchange Forward Contract. In the future, we will strengthen the automatic hedging effect of foreign currency claims and liabilities offset, using auxiliary tools such as derivative financial products to conduct hedging under the appropriate risk guidelines.

Managemet 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

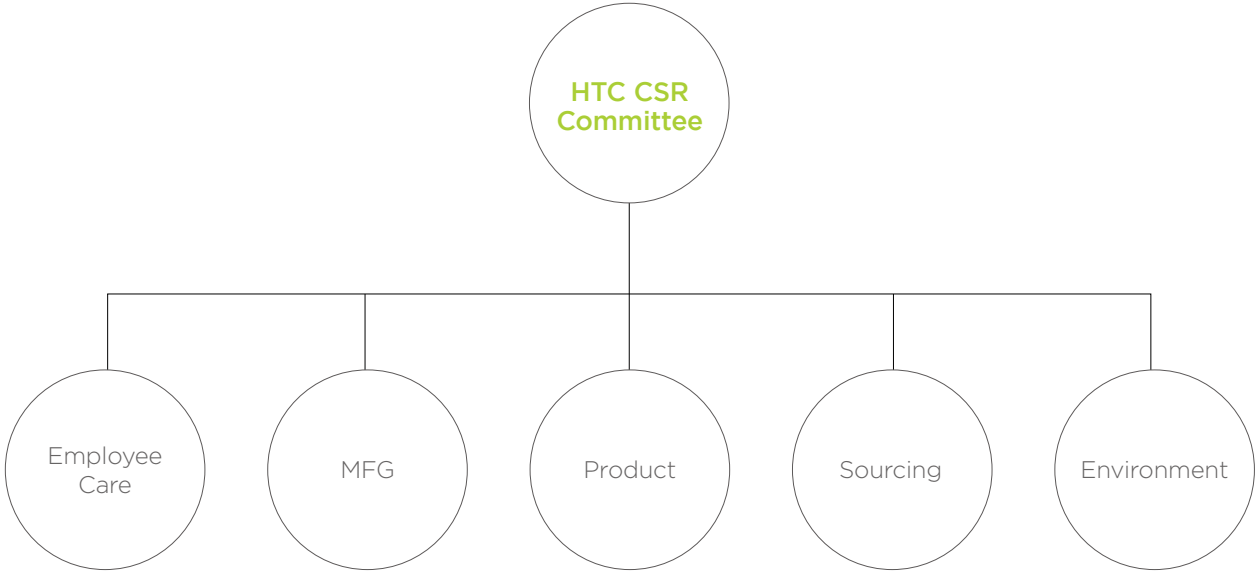
As an answer to requests from customers, HTC joined the Carbon Disclosure Project (CDP) in 2008. We voluntarily disclose information about our climate risks, future development opportunities, emissions, and strategic management mechanisms.

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

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.

Structure of the HTC CSR Committee

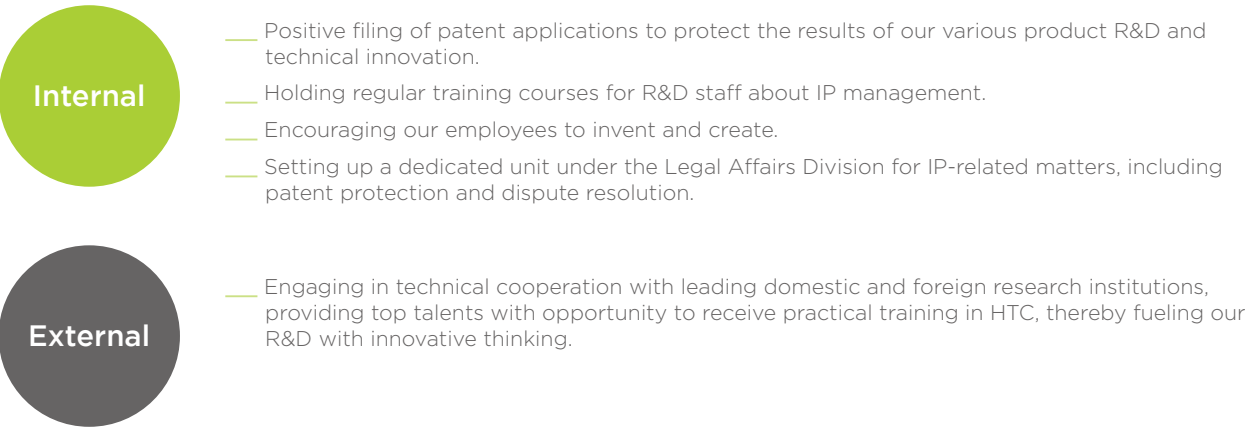


We use clear organization and work breakdown, through interdepartmental meetings, to integrate CSR work into the management of related departments, such as legal affairs, compliance, environment, procurement, human resources, and marketing, to activate overall CSR and innovation. This ensures that CSR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

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 (e.g. HTC One), and the names of various parts and technologies (HTC Sense, HTC BOOMSOUND, 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.

Mechanism for Committee Operation

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

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

The HTC “Corporate Social Responsibility (CSR) Policy”

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

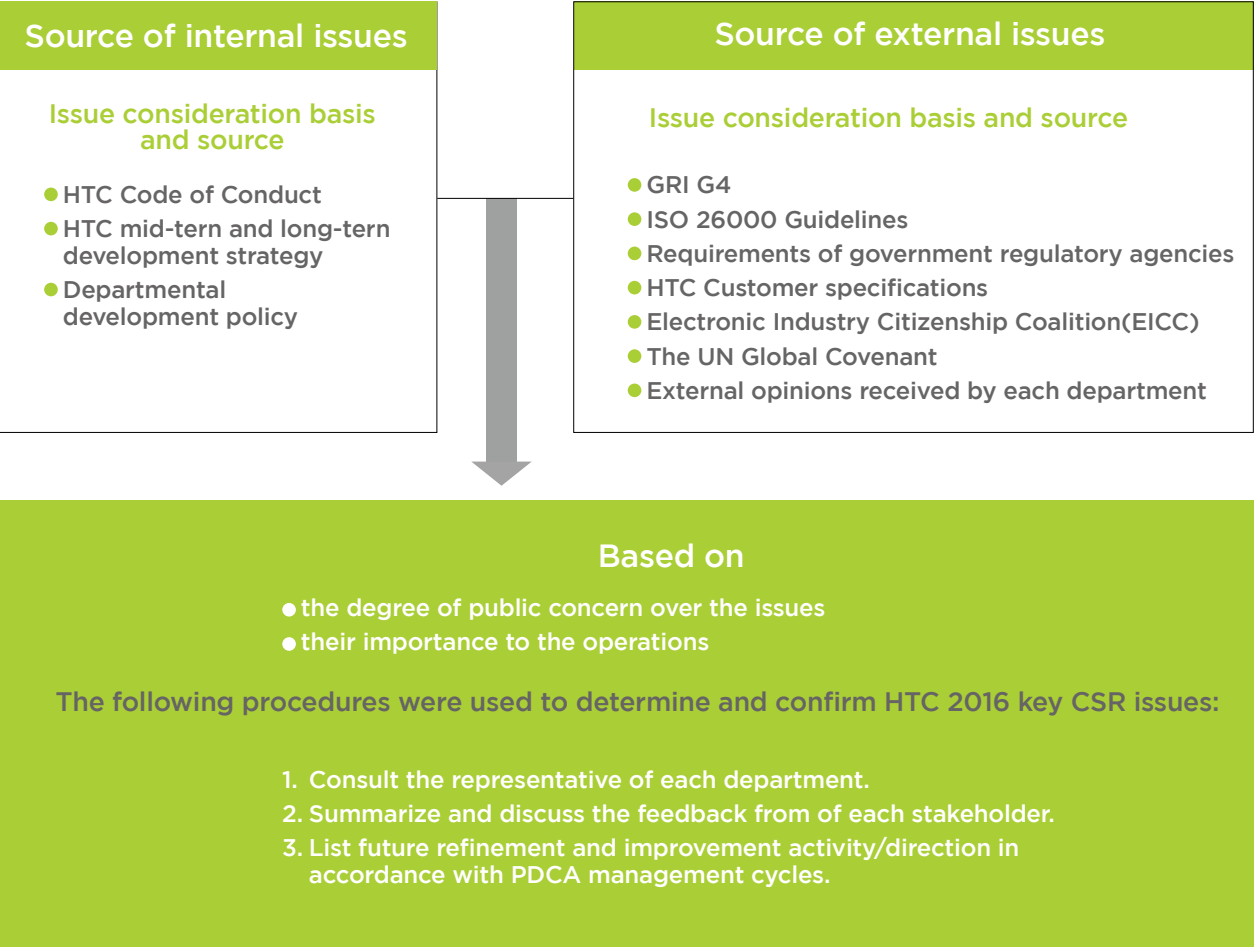
This CSR policy helps HTC maintain social responsibility and realize the vision of sustainable development. All our related business partners advocate and share this policy with us and in this way we all protect and enhance the rights and interests of our internal and external stakeholders.

- Using EICC® as a reference for Code of Conduct, Developing HTC as a good corporate citizen and Participating to international initiatives
- Promotion Energy Efficiency, Carbon-Reduction Practices and Various Environmental Protection activities
- Sustainable Innovation from Creation to development
- Sustainable Supply Chain Management
- Be a Responsible Corporate Citizen, with the Highest Ethical Standards

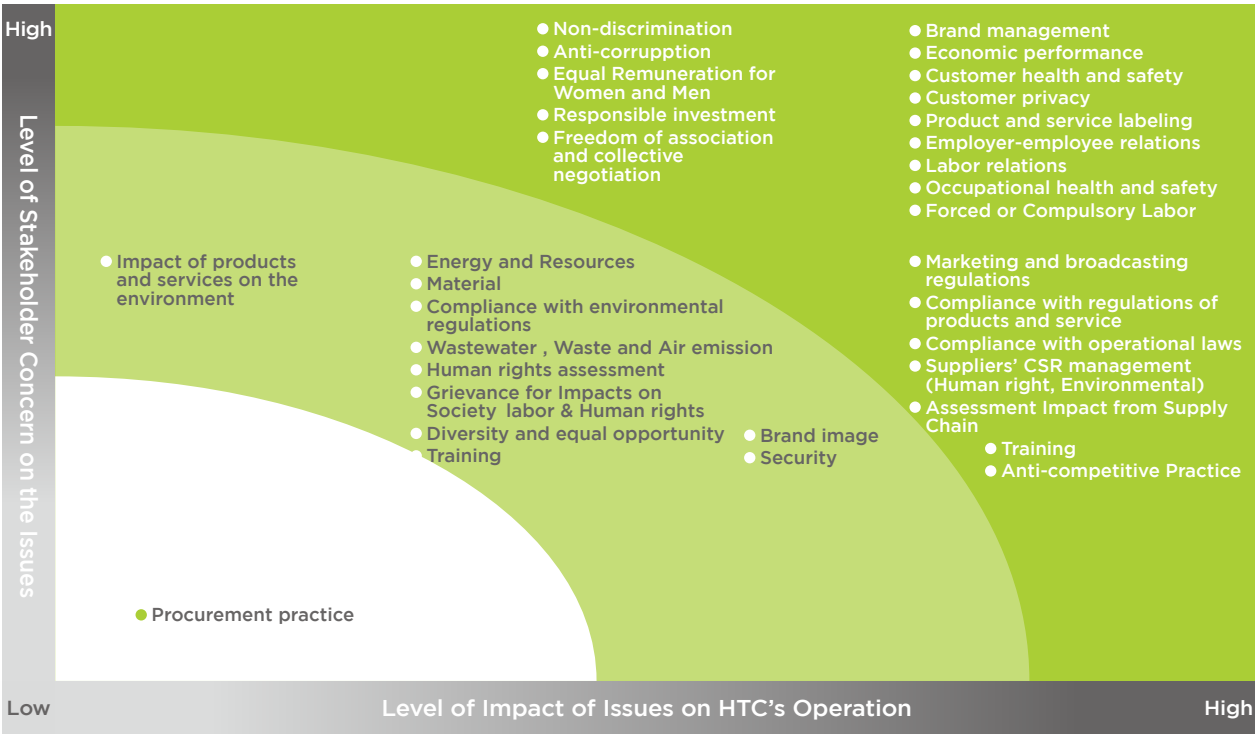
CSR management procedures

This HTC CSR report is based on the GRI G4 guidelines with a focus on disclosing G4 considerations, mainly concerning disclosure of material issues related to action, performance and achievement.

The HTC CSR Committee members met to confirm the impact of the material issues on the internal and external organization. In other words, the positive, negative, or potential impact on the economy, environment and society, taken as a whole in accordance with internal considerations, industrial conditions, industrial chain practice, and stakeholders’ suggestions, as well as to confirm the impact of each issue. We will gradually invite and encourage internal and external entities to join the CSR disclosure process in the future.



2016 HTC Material Issues Matrix



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

CSR – Related Management Systems

The Green Products Management System	Since the end of 2007, HTC’s Taoyuan facility and the Taipei building have regularly passed all audits conducted by the international certification agencies, and obtained and maintained certificates of IECQ QC080000 Hazardous Substance Process Management.
Green Product Verification	In 2013, the HTC One became the world’s first smartphone inspected in accordance with international standards ISO/TS 14067:2013, PAS 2050:2011, ISO 14040:2006, as well as the carbon footprint and life cycle assessment ISO 14044:2006.
The Environment Management System	We strive to minimize the impact of our operation on the environment. In addition to establishing the ISO 14001 environment management system, and make sure all our manufacturing sites around the world obtain and maintain ISO 14001 certificates. From 2011 to 2016, there were no penalties for breach of regulations or laws.
The Occupational Safety & Health Management System	To reduce the risks of workplace injury and reduce accidents, the Occupational Safety & Health management system has been established according to OHSAS 18001, and make sure all our manufacturing sites around the world obtain and maintain OHSAS 18001 certificates.
The Energy Management System	ISO50001 inventory 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.

G4 Material Issues and Boundary

Economy	Within the organization			Outside the organization		
Scope	HQ	R&D Center	Local community	Suppliers	Corporate customers	Consumers
Economic performance	Material			Material		
Market image	Material					
Procurement practice	Material					

Environment	Within the organization			Outside the organization		
Scope	HQ	R&D Center	Local community	Suppliers	Corporate customers	Consumers
Energy	Material			Material		
Water resources	Material					
Emission (Greenhouse gas)	Material			Material	Material	
Sewage and waste	Material		Material			
Impact of products and services on the environment	Material	Material			Material	Material
Regulatory compliance	Material			Material		
The overall environmental situation	Material					
Supplier Environmental impact assessment	Material			Material		
Environmental complaints mechanism	Material			Material		

Labor conditions	Within the organization			Outside the organization		
Scope	HQ	R&D Center	Local community	Suppliers	Corporate customers	Consumers
Employer-employee relations	Material	Material				
Occupational Health and safety	Material	Material				
Employee training	Material	Material				
Diversity and equal opportunity	Material	Material				
Supplier’s labor assessment	Material			Material		
Working conditions complaint mechanisms	Material	Material		Material		

Human rights	Within the organization			Outside the organization		
Scope	HQ	R&D Center	Local community	Suppliers	Corporate customers	Consumers
Anti-discrimination	Material	Material		Material		
Freedom of association and collective negotiation	Material	Material		Material		
No child labor	Material	Material		Material		
Forced labor	Material	Material		Material		
Human rights assessment	Material	Material		Material		
Suppliers human rights assessment	Material	Material		Material		
Human rights complaints mechanism	Material	Material		Material		

Community	Within the organization			Outside the organization		
Scope	HQ	R&D Center	Local community	Suppliers	Corporate customers	Consumers
Anti-corruption	Material	Material		Material		
Regulatory compliance	Material	Material		Material		

Product liability	Within the organization			Outside the organization		
Scope	HQ	R&D Center	Local community	Suppliers	Corporate customers	Consumers
Customer health and safety	Material	Material		Material		Material
Product and service labeling	Material					Material
Marketing and broadcasting	Material					Material
Customer privacy	Material	Material		Material	Material	
Regulatory compliance	Material			Material		

Others	Within the organization			Outside the organization		
Scope	HQ	R&D Center	Local community	Suppliers	Corporate customers	Consumers
Conflict minerals	Material			Material	Material	
Brand management	Material					
Character education	Material	Material	Material			

Value Stakeholders

HTC places great value on our communication and interaction with all other stakeholders. In addition to the various communications channels to maintain good interaction, the relevant units are responsible for collecting suggestions from stakeholders according to their relevance and potential impact on HTC operations. The suggestions and responses are regularly disclosed in the CSR reports.



Value Stakeholder Engagement

	Investors	Enterprise Customers	General Consumers	Employees	Suppliers	Contractors	Local Communities
	General Shareholders Corporate Shareholders Rating Agencies	Corporate Customers Telecom Distributors		General Employees Dispatch manpower Vocational Students & Trainees Foreign Labor	Raw material suppliers (including Direct/ Indirect/ General Service & Facilities/ Staff Clinic/hospital)	Construction Contractors Cleaning/ Maintenance Service Providers Waste Disposal Vendors	Local Community Associations Local Civic Organizations Local Governmental Agencies Local Media
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 share-holding 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 Corporate social responsibility 	<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 (e.g. packing reduction and reuse) Raw material selection 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"> Environnemental impact (air pollution, sewage discharge, etc.) Compliance with laws and regulations Shaping the Corporate image Economic contribution Social concerns Public welfare Cultivation of talent
Communication Channels and Frequency	<ol style="list-style-type: none"> Board of Directors meeting 4/year Shareholder conference 1/year Annual report 1/year Investor Conference 1/season Monthly revenue statement 1/month Visiting investors Standing Investor Relationship Website Standing Spokesperson Standing 	<ol style="list-style-type: none"> Business review with key customers (QBR meeting) Quarterly Reply to customer inquiries From time to time Customer audit and replies to customers questionnaires As required by the customers Meeting customer requirements about environmental and social responsibilities As required by the customers 	<ol style="list-style-type: none"> Local service hotlines in 70 countries to provide customers with real-time communication and assistance Daily ongoing Websites in different languages for customers to give feedback and to access information in a real-time manner (20 established) Daily ongoing Dedicated email boxes for different functions (PR, Service, Copyright, Security, etc.) to provide convenient customer contact with HTC Daily ongoing Postal service survey for investigating customer satisfaction Daily ongoing Contacting customers who give negative feedback in the satisfaction surveys to address their concerns Daily ongoing 	<ol style="list-style-type: none"> Department quarterly meeting Quarterly One-on-one interview with supervisors Irregularly Annual performance appraisal/ interview Annually New employee seminar Weekly Employee assistance hotline and mailbox, Health Center, Employee Aid Scheme From time to time Labor-management meeting Bimonthly 	<ol style="list-style-type: none"> Supplier communication conference Irregularly Guidance and audit for suppliers Annually Cooperation project with suppliers for addressing CSR and greenhouse gas issues Projects issued in 2016 include supplier CSR audit/ carbon footprint validation/ water footprint validation/ Beryllium copper (Pneumoconiosis) 	<ol style="list-style-type: none"> Induction training Weekly Patrol inspection in facility Daily 	<ol style="list-style-type: none"> Positive employee engagement in public interest activities Irregularly HTC cooperation with governmental agencies and non-profit organizations in eco, environmental and other public welfare activities Monthly Clean the beach Quarterly

The Customer

Corporate Customers

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

Protection of Customer Confidentiality

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

The HTC privacy policy is also incorporated in the orientation training of new employees. Every employee is trained in all aspects of maintaining confidentiality when working with customers. Under our solid control mechanism, there was no damage to the rights or interests of any customer caused by a breach of privacy or from lost data in 2016.

Corporate Customer Satisfaction Management

HTC has established regulations governing the management of customer satisfaction to meet the specific needs of all our customers and to respond to customer expectations and requests. A Quarterly Business Review is made to determine customer satisfaction. Each Business Unit proposes corrective action for any nonconforming project and follows up any action taken to ensure that the customer has been perfectly satisfied.

The HTC customer satisfaction management index, in addition to product quality, delivery, and after-sales service, includes evaluation of corporate social responsibility. The issues of employee human rights, environmental management, and energy management targeted by the global supply chain activated by EICC, are especially important. These have also become matters of concern and requests by our corporate customers. In this respect, we have designated a department to regularly aggregate HTC CSR information for communication and response.

Participation in CSR program offered by client

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

HTC has promoted 18 CSR projects in 2016. After persistent effort over the past year, HTC has received a Gold Award from Deutschen Telekom AG for its performance in the program for two consecutive years(2015-2016).



2015 SDP Program Gold Award



2016 SDP Program Gold Award

General Consumers



HTC has set up local service lines in 70 different countries that provide direct communication and assistance, around the clock, seven days a week. Currently, our help desk can serve customers in 20 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 20 different languages that allow our customers to easily obtain information and give feedback without delay.

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 addresses any concerns they might have. This one of the ways we are able to achieve our goal of customer satisfaction.

Foreign Employees



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

In addition to providing comprehensive orientation, we also emphasize life care for foreign employees. Apart from hiring translators, administrators and counselors who are skilled in native languages, providing life, language, culture and mental health assistance, as to daily living, free Internet access, air conditioned dormitories, libraries, prayer rooms are also provided. Exclusive events for foreign employees, such as New Year’s Eve celebration, annual company outing and labor-relations meetings, are held on a regular basis as feedback channels and to enhance physical and mental development.

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



Value and Listen to The Voice of Our Employees	<ul style="list-style-type: none">● Making detailed records of their feedback● Quarterly labor-relations meetings
Life & Leisure	<ul style="list-style-type: none">● Lending mobile phones to new foreign workers and later return when departing● Offer CHT mobile phone subscription and discounting rate plan● Comfortable dormitories (24-hour air conditioning)● 24-hour hot water supply● Free Lesson of learning Chinese
Proper Health Examination Program	<ul style="list-style-type: none">● Biennial Health Examination Once● Health Examination Follow Up
Tax Refund Check	<ul style="list-style-type: none">● Provide clear information of taxation principles and period of tax refund in advance● Encourage to keep following tax refund● Follow up of tax refund check
Enhancing Physical and Mental Health Activites	<ul style="list-style-type: none">● NYR parties● Annual travel arrangements● Insight Guides Taiwan travels● Counseling station held every two weeks



Contractor Partners

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

The HTC Family was created in cooperation with the Taoyuan City Government in 2014. The City organized the safety and health seminars and field trips and also shared actual case studies with the contactors every year. This caused small and medium sized enterprises to work for occupational safety just like a mother hen leads her chicks.

Measure of Contractor Construction Management

- 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.

Contractors Health and Safety Audit

- Incorporating requirements for safety & health management in the written agreements with all contractors according to the applicable regulations to clearly define contractor obligation and responsibility, and evaluate all the risks in the working environment including that from dangerous machines, so as to have proactive control and eliminate potential hazards.
- Formulating a system for on-site patrols and inspections according to the applicable regulations and contractual requirements about labor safety & health. The performance of regular patrols, inspections and audits, working precaution, records of the safety & health education of the workers, and all safety requirements to be met before, during and after the use of machines, tools and equipment.

Supply Chain Partners

Suppliers are a vital factor for the continued success of HTC, we were founded in Taiwan and are a Taiwanese company whose operations and procurement drives 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.

2016 Supplier Management

Supplier Code	Unit	Amount	Percentage of Total Purchase Amount (%)	Interests
A	NT\$ Million	7,301	15	None
Others	NT\$ Million	40,782	85	None
Total Purchase Amount	NT\$ Million	48,083	100	None

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.

HTC Supplier Code of Conduct

The HTC Supplier Code of Conduct details the responsibilities and regulations that have to be followed by all suppliers doing business with HTC. In addition, HTC also conducts 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: <http://www.csr.htc.com>

The green supply chain management system



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

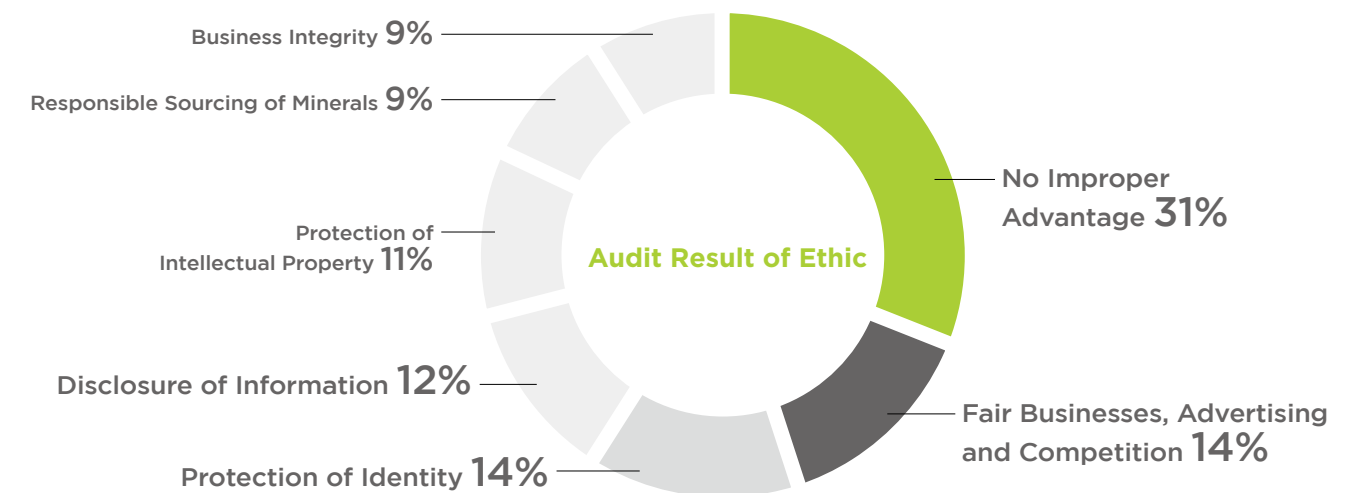
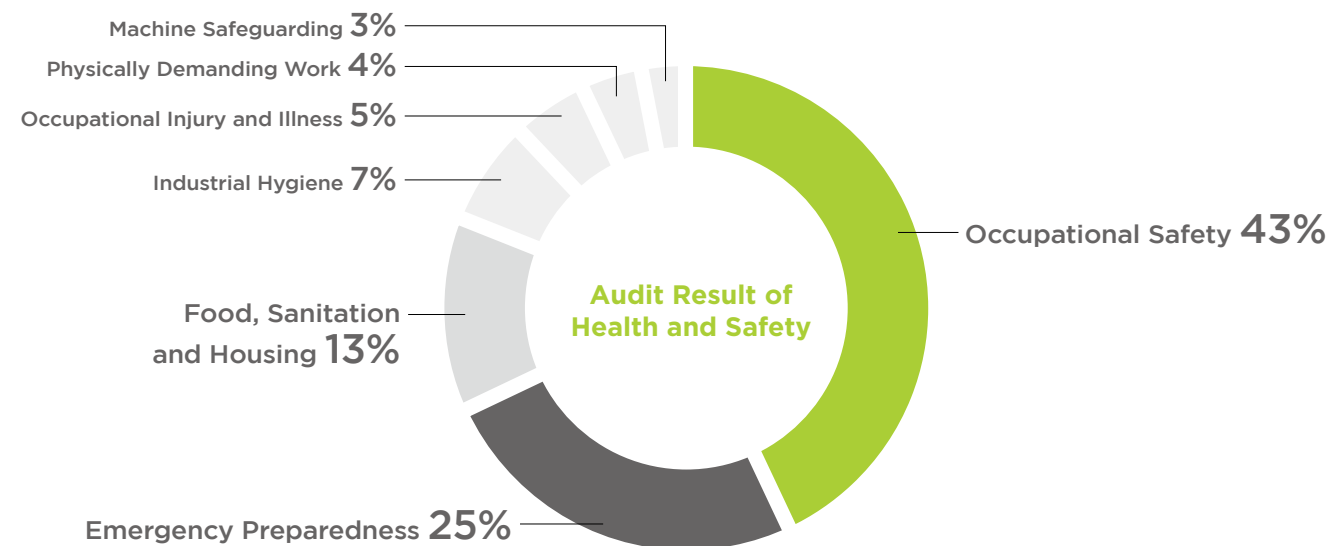
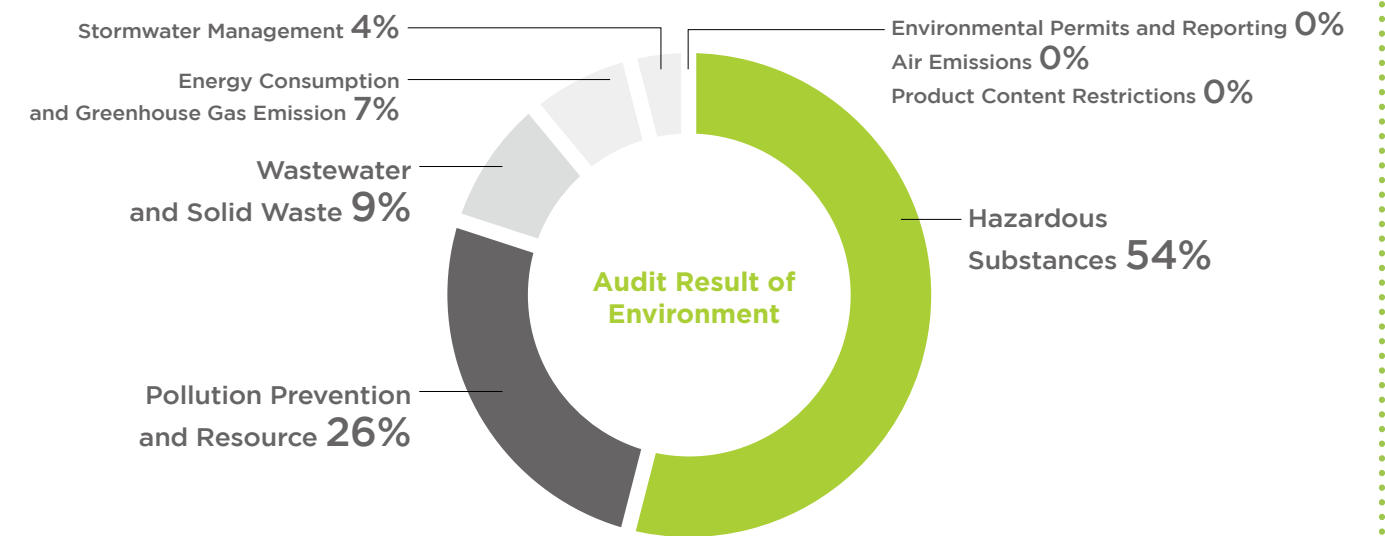
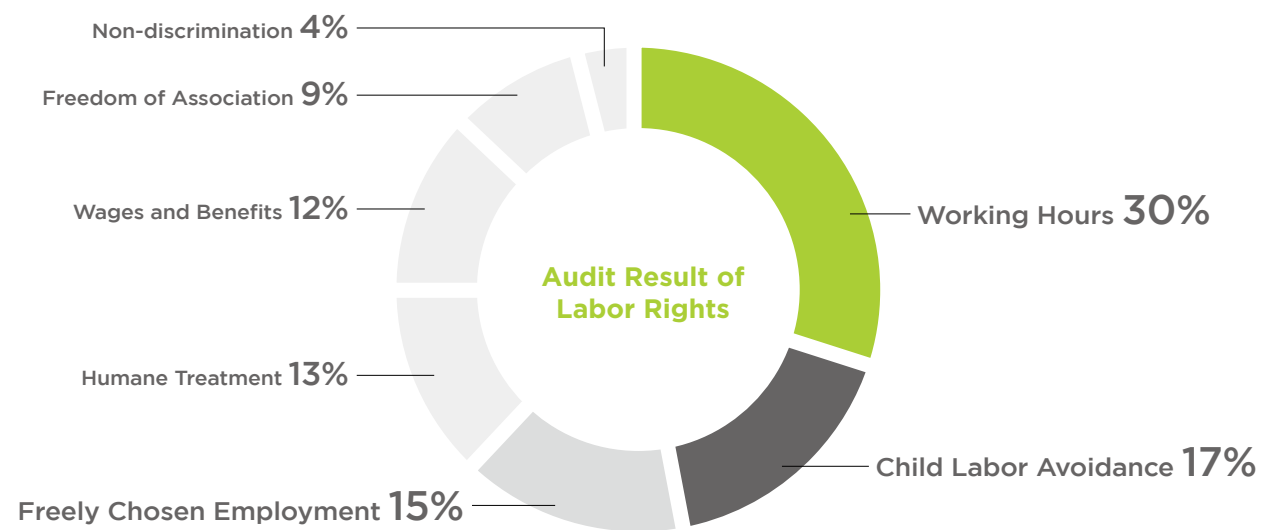


The HTC Supplier CSR Assessment and Audit

In addition to implementing corporate social responsibility of our own brand, HTC also delivers the concept and requirements of CSR to the supply chain. We established the CSR unit in 2010 and then initiated investigation of those suppliers who had implemented CSR. This was not only to verify their understanding of the HTC Supplier Code of Conduct, but also to provide them with consultation and counseling. We hope to build and promte concept and actions of CSR with our suppliers.

A Quick Look at the HTC Supply Chain Management

Definition of HTC Critical Supplier		Owing to differences of industry characteristics and supplier category, HTC identifies critical supplier and major audit for reference by following two principles: 1. Suppliers' annual amount of transaction representing more than 10% of total purchase. 2. According to the mechanical components which vary based on technology, markets and purchase annually, CSR and sourcing departments define critical suppliers of current year based on different situations every year.
Management mechanism	Self-assessment survey	● Weights of CSR-related issues in the supplier's self-assessment form have been raised 2016.
	On-site audit	● "Supply Chain CSR Compliance Audit " has been implemented since 2011. 20 suppliers will be chosen every year to check compliance with the "HTC Supplier Code of Conduct". ● On-site audit for 20 suppliers had been planned in 2016. (Note: 18 suppliers had been completed audited and the other two suppliers will be completed in May 2017 as planned.)
On-site audit results (total of 315 non-compliance items)	Labor Rights	108 cases, mainly about overtime.
	Health and Safety	126 cases, mainly about lack of protective facilities and equipment and insufficient first-aid.
	Environment	46 cases, mainly about Inadequate chemical and hazardous waste management measures, followed by inadequate air emission, wastewater and waste management measures and failure to conduct no greenhouse gas inventory and energy-saving measures.
	Ethics	35 cases, mainly about failure to establish the management procedures for employees accepting inappropriate payments and gifts
	Treatment and Responses	In response to the above findings, in addition to the request to the suppliers to respond with improvement measures, we also provided the experience of introducing and implementing the management system for the suppliers' reference.





Responsible Procurement of Minerals

HTC has responded to the global boycott of conflict minerals, supports the Conflict-Free Smelter Program¹, has promised not to use conflict minerals, and refuses to accept primary ore material from the Congo and the neighboring Central African countries in conflict.

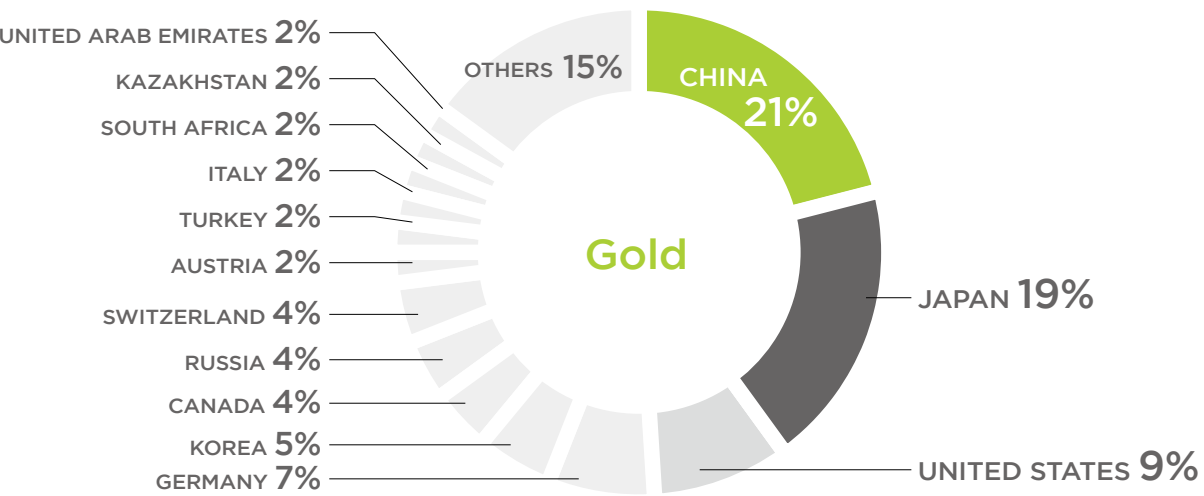
In addition, through a responsible procurement practice, our suppliers and we shall comply with the “HTC Conflict Minerals Procurement Policy” and reply the “CMRT” and “Conflict Free Minerals Statement” in a concerted effort to avoid all use of conflict minerals. HTC has not only monitored and managed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

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

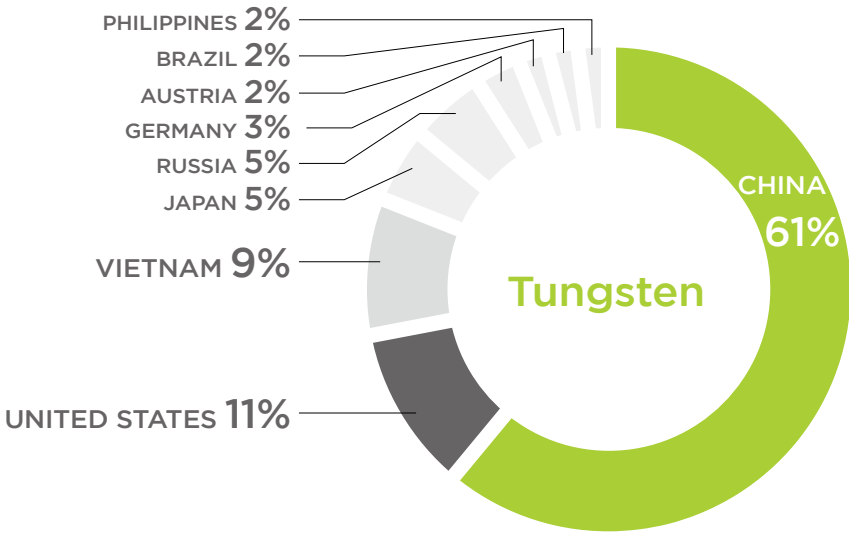
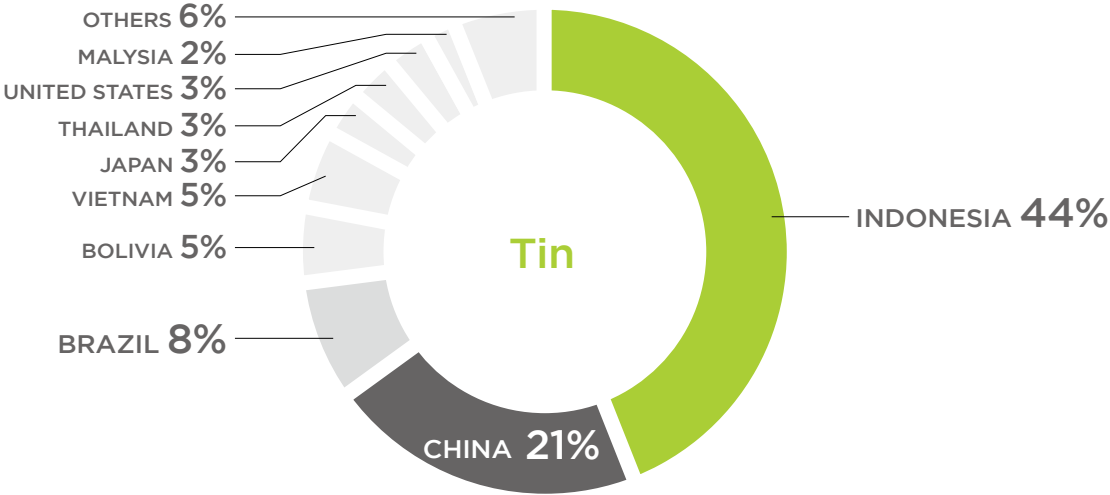
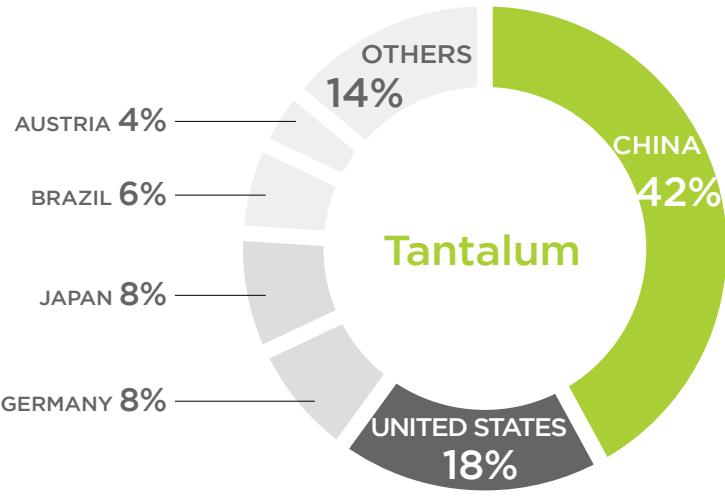
The intended use of conflict minerals

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

Result as follows:



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



Employee Relations

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





Overview of Manpower Structure

HTC recruits promising talent from all around the world. In the end of 2016, HTC global employee workforce totaled 10,929. Of these, 338 were foreign supervisors, accounting for 22.76% of the total number of executives worldwide; foreign supervisors and professionals together accounted for 18.23% of the total number of executives and professionals worldwide and 18.92% of the 1,485 supervisors were women.

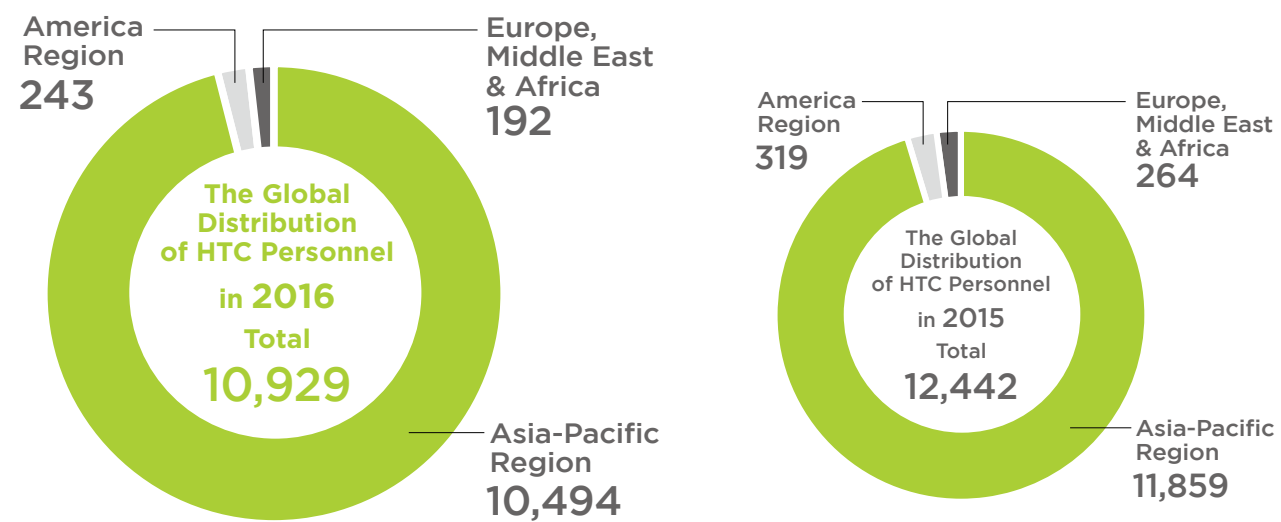
HTC’s turnover rate of direct workers in 2016 was 20.6%, with the statistical frontier encompassing the Taiwan region (including students involved in industry-university cooperation programs, interns, and foreign workers). The indirect workers turnover rate was 19.68%, with the statistical frontier covering the world. To calculate the turnover rate, divide the number of employees leaving the company by the total number of employees during the same period. The figure does not include employees who were dismissed for cause.

HTC Manpower Overview

	Unit	2014	2015	2016
Global Employee (Male)	Individuals	8,699	6,524	5,531
Global Employee (Female)	Individuals	8,201	5,918	5,398
Full-time workforce (Male)	Individuals	8,655	6,,493	5,509
Full-time workforce (Female)	Individuals	8,149	5,885	5,369
Direct employees (Male)	Individuals	5,131	4,466	1,659
Direct employees (Female)	Individuals	3,568	1,768	3,841
Indirect employees (Male)	Individuals	2,091	2,058	3,872
Indirect employees (Female)	Individuals	6,110	4,150	1,557
Employees under fixed-term contracts (Male)	Individuals	44	31	22
Employees under fixed-term contracts (Female)	Individuals	52	33	29
Percentage of employees younger than 30 years old	%	55.70	47.32	39.69
Percentage of employees aged 30 to 50 years old	%	42.25	49.84	56.27
Percentage of employees older than 50 years old	%	2.05	2.84	4.04

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

		Unit	2014	2015	2016
Taiwan	Contingent workforce (Male)	Individuals	328	0	79
	Contingent workforce (Female)	Individuals	232	0	49



Year		≤ 29	30-50	≥ 51	Total
2014	Male	4,153	4,411	135	16,900
	%	47.74%	50.71%	1.55%	
	Female	5,261	2,729	211	
	%	64.15%	33.28%	2.57%	
2015	Male	2,592	3,802	130	12,442
	%	29.80%	43.71%	1.49%	
	Female	3,296	2,399	223	
	%	40.19%	29.25%	2.72%	
2016	Male	1,633	3,736	162	10,929
	%	29.52%	67.55%	2.93%	
	Female	2,705	2,414	279	
	%	50.11%	44.72%	5.17%	



Level		Senior	Middle	General	Total
Year	Male	72	2,580	6,047	8,699
	%	0.83%	29.66%	69.51%	100%
2014	Female	11	661	7,529	8,201
	%	0.13%	8.06%	91.81%	100%
	Sum	83	3,241	13,576	16,900
2015	Male	84	2,477	3,963	6,524
	%	1.29%	37.97%	60.74%	100%
	Female	15	661	5,242	5,918
	%	0.25%	11.17%	88.58%	100%
2016	Sum	99	3,138	92,05	12,442
	Male	85	2,330	3,116	5,531
	%	1.54%	42.13%	56.34%	100%
2016	Female	14	654	4,730	5,918
	%	0.26%	12.12%	87.63%	100%
	Sum	99	2,984	7,846	10,929

Note: Senior: CEO, CMO, CFO and other executive positions above Vice GM.
Middle: Department Heads, Managers, and Section Chiefs.
General: Engineers, Overseers, Foremen, Administrators, Assistant Technicians, Trainees, Student workers, and foreign employees.

A Sound Wage and Welfare System

HTC is committed to fulfilling the needs of our employees and provide all kinds of appropriate welfare measures as well as attractive and motivating compensation and benefits programs. We encourage our employees to do their best and share the growing profits with the company. For new employees, we provide competitive salary based on positions, educations and experience, seniority and no discrimination based on gender, ethnicity, nationality, age, religion or political affiliation.

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

HTC salary ratio for men and women in Taiwan

	Management salary ratio (male: female)		General staff salary ratio (male: female)				New recruits basic pay and Taiwan minimum wage rate		
	Male	Female	Indirect labor		Direct labor		Type	Basic pay (direct)	Minimum wage
			Male	Female	Male	Female			
2016	110	100	121	100	100	100	1	109	100
							2	125	100

Note: 1. Equation = (Average monthly pay for male / Average monthly pay for female) * 100%
2. Type 1—five-day workweek scheme. ; Type 2—monthly rotating shift scheme.

Employee salary and benefit increase ratio

Item Description	2014	2015	2016	Comparison of 2015 to 2016
Total employee salary and benefits expenses (NT\$)	11,126,516,000	10,133,909,000	8,704,953,000	86%

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

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

Diversified Employee Welfare

In addition to providing Labor and National Health Insurance, a pension fund, commercial group insurance, meal allowances, annual travel subsidy, physical exams, department’s dinner subsidy, monetary assistance on the Dragon Boat, Mid-Autumn, and Chinese New Year holidays, the HTC’s Welfare Committee is responsible for all employee benefit matters, including education scholarships for children, festival gifts, , department travel subsidies, activity subsidies, and group insurance. The committee is also responsible for the gymnasium and outdoor playgrounds.

Employee Recognition Program

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

Group Insurance

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

Activity Groups

The available clubs are: Badminton, Puzzle Board Games, Orphanage, Hawaiian Guitar, Leisure Fun, Yuan-Men Tai-Chi, Creative Volunteer, Melody Health, Basketball, Table Tennis, Creative Aesthetics, Cycling, Music, Photography, Fashion & Beauty, Tai-Chi, Ukulele, HTC Run, and Wine Tasting.





Education Scholarships for Children

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

Staff Emergency Relief

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

Multiple Communications channels

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

Free Dormitory for Students

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

Transportation Vehicles

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

The Meal Subsidy Program

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

HTC Family Day 2016

HTC not only values their employees, but also places great value on family relationships. Family Day events are held annually and all employees and their families are invited to participate. The mission is to bring the Company and the family closer through the Family Day events and HTC takes this opportunity to show their appreciation for the loyalty and support of all their employees.

On the 2016 Family Day, in addition to DIY activities for children and parents, HTC scheduled fun and interesting amusement park events for the employees and their family members. HTC Vive Experience Zone was also designed and given positive feedback by family of employees, which made a wonderful and interesting memories for employees and their family members. 4,404 employees attended family day and 8,668 families participated in the event.

Chairwoman Cher Wang stated in the opening speech: “Thanks to the support of employees and family members, we can take the lead in the field of mobile phone and visual reality and be honored with numerous awards, showing our infinite potential in the future. But for the strong support of family members, we would not have so many progress. We will keep promoting the spirit of The Pursuit of Brilliance, embrace our dream together and hand in hand carve out a new future’.

Many charity groups and non-profit group such as the Chinese Christian Relief Association, Qi Zhi Vocational Training Center, the 1919 Chinese Christian Relief Association and Syin-Lu Social Welfare Foundation, etc were invited so that during this event our employees and their family members could show their support and voluntarily devote some care for many more under-privileged groups through actual participation or donations.

Travel subsidy

Based on seniority

Employee tenure Basedate: 2016/12/31	Unit	2016 The HTC Employee Welfare Committee	2016 HTC	2016 Total
Over five year tenure	NTD	4,000	4,100	8,100
Over three year tenure but less than five year tenure	NTD	4,000	1,800	5,800
More than a year tenure but less than three year tenure	NTD	4,000	900	4,900
More than six months but less than a year tenure	NTD	4,000	0	4,000
More than one month but less than six months	NTD	2,000	0	2,000
Less than one month	NTD	0	0	0

Labor-management agreement and employee rights

HTC is committed to creating an atmosphere of mutual trust between employer and employees while also focusing on internal communications. HTC convenes labor-management meetings every two months and at least six meetings are held every year. Seven representatives are elected by employees for the meetings while seven others are designated by the company. The minutes of these meeting are referred to in the resulting follow-ups, which include any necessary corrective action. In addition to these regular meetings, employees may also reflect their opinions through various communication channels.

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

No Child Labor

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

HTC Code of Conduct

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

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

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

In 2016, HTC hired 142 handicapped people and this exceeded the mandatory minimum number by 44. (The number of people involved was weighted.) As a responsible employer, HTC is willing to hire disabled people. In addition to relying on talent-job matching conducted by the supportive or sheltering bodies, we also allocate jobs in consideration of the characteristics of individual handicapped worker. 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.



Valuing Female Employees

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

- A female cancer-screening program is part of the annual health check. This includes the choice of a Pap smear, a breast ultrasound exam, or a mammogram.
- Consideration for the physiological needs of female workers, providing a comfortable environment for rest, the loan of free hot pads, menstrual pain assessment, health knowledge and education, physician consultation or referrals and so on.
- We provide a warm and comfortable nursing environment, ultraviolet milk bottle disinfection devices, microcomputer thermos, comfortable sofa, refrigerator for breast milk storage, and infant breast-feeding-related publications and light music. HTC has 21 Breast feeding room in Taiwan that were visited 54,100 times in 2016.

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

Year	2014	2015	2016
Male	98	91	56
Female	132	151	144
Total	230	242	200

Employees applying for Unpaid Parental Leave and Resuming Duty after Leave in 2016

	Male	%	Female	%	Total
The Number of Qualified for UPL for Raising Children in 2016	841	62.2	511	37.8	1,352
The Number of Person Actual Applied UPL in 2016	40	23	137	77	177
The Number of Reinstatement-to-be in 2016	51	28	131	72	182
The Number of Application for Reinstatement in 2016	35	28	88	72	123
Reinstatement Rate in 2016					68%
The number of application for reinstatement in 2015	32	25	98	75	130
The Number of Retention Over 1 Year After Reinstatement in 2015	12	14	76	86	88
Retention Rate in 2016					68%

Note: 1. The “number of qualified for UPL for raising children in 2016” was based on the number of employees who had taken maternity or paternity leave within 3 years (2014-2016).
2. The “number of reinstatement-to-be in 2016” includes applied in 2014 and should reinstate in 2016, applied in 2015 and should reinstate in 2016, applied in 2016 and should reinstate in 2016.
3. The “number of application for reinstatement in 2016” includes applied in 2014 and reinstate in 2016, applied in 2015 and reinstate in 2016 and applied in 2016 and reinstate in 2016.
4. The “Reinstatement Rate in 2016” = Number of employees reinstated in 2016 / Number of employees that should have been reinstated in 2016
5. The “Retention Rate in 2016” = Number of employees who had worked one year consecutively after being reinstated in 2015 / Number of employees reinstated in 2015
6. The “number of application for reinstatement in 2015” includes applied in 2013 and should reinstate in 2015, applied in 2014 and should reinstate in 2015 and applied in 2015 and should reinstate in 2015.

Valuing Employee Health

HTC regards employees as its most valuable property. HTC pays particular attention to four areas: “health management,” “health enhancement,” “vocational health,” and “employee assistance.” to ensure the effective use of support resources and safeguard the health of our employees.



Health Enhancement Scheme for HTC Employees

Area	Actions
Health Management	<ul style="list-style-type: none">● Health center for managing and planning affairs related to employee health.● General and outpatient rehabilitation services.● Health exam and management for staffs.● Management/tracking for abnormal HE results, Special care and case follow-up management.● Health information webpage.
Health Enhancement	<ul style="list-style-type: none">● Comfortable breastfeeding rooms, Smoking cessation promotion, Weight-loss Classes, Topic seminars, Blood donation activity.● Influenza vaccination, Cancer screening, Infectious disease control and treatment.● Outdoor fitness equipment settings, Health steps (pictures /music), Aerobics● Family Day.● CPR & AED course design.
Vocational Health	<ul style="list-style-type: none">● Establishment and maintenance of HE Database for Special-Operation Staff.● First-aid training, Prevention and treatment of occupational injuries and illness, Workers return to work management.
Employee Assistance	<ul style="list-style-type: none">● Mental consultations, Special counseling.● EAP promotion activities and leaflets for new employees, EAP advocacy monthly newsletter.

Health management

HTC has established a “Staff Clinic” . Professional medical counseling is available for staff and there are resident doctors in the clinic. There is also excellent physical therapy and health management service. Health check services for employees cover the divisions of general medicine, family medicine, rehabilitation medicine, physiotherapy, and radiographic screening. HTC employees are not required to pay a registration fee at the staff clinic. The dependents of employees and suppliers (stationed at HTC to provide service) can be treated at the staff clinic and enjoy the same benefits and services as HTC employees.

Approximately 8,802 people attended the clinic in 2016. Besides, 698 people attended Taoyuan Health Center and 4,285 people attended Xindian Health Center.

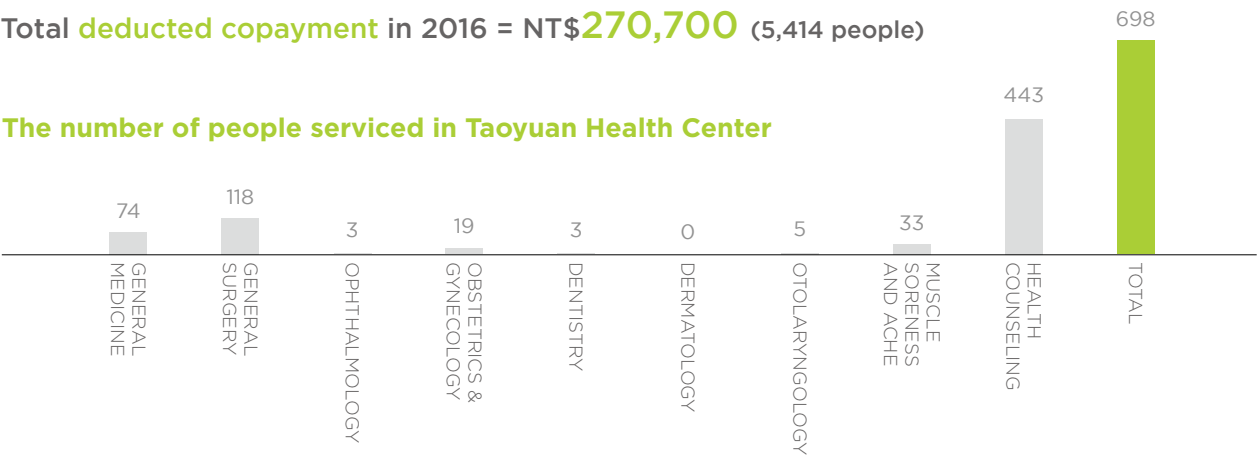
The number of people treated in the Taoyuan company infirmary in 2016

	Category	People
Outpatient service	General staff	3,458
	Dependents	50
	Suppliers	17
Consulting		2,852
Trauma treatment		339
Occupational hazards and job placement		130
Physiotherapy		1,956
Total		8,802

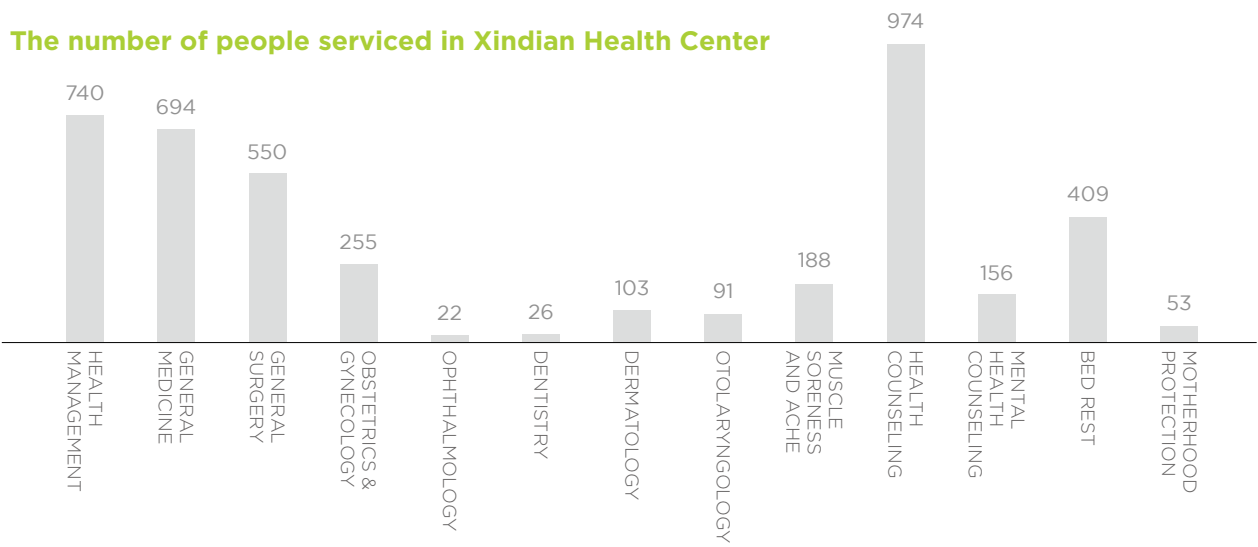
Total deducted registration fees in 2016 = NT\$175,400 (3,508 people)

Total deducted copayment in 2016 = NT\$270,700 (5,414 people)

The number of people serviced in Taoyuan Health Center



The number of people serviced in Xindian Health Center



Annual Health Check Subsidies

HTC provides health check subsidies to its employees in Taiwan according to job title and grade. The dependents of the employees also have access to health checks at any of the HTC contracted medical institutions. In 2016, HTC spent NT\$7,400,000 on subsidized health checks for indirect employees. There were 1,836 benefited employees. Among them, 79.01% of indirect employees completed health checks and 2,314 direct employees had received the health check services. Health management and a health education and counseling service were arranged and employees needing further attention met with a physician so that more comprehensive health care and treatment could be arranged.

Health check follow-up and statistics in 2016

The number of new recruits with physical abnormalities follow-up.	2,745
The number of employees with physical abnormalities follow-up.	1,893
Number of injuries due to fatigue	0

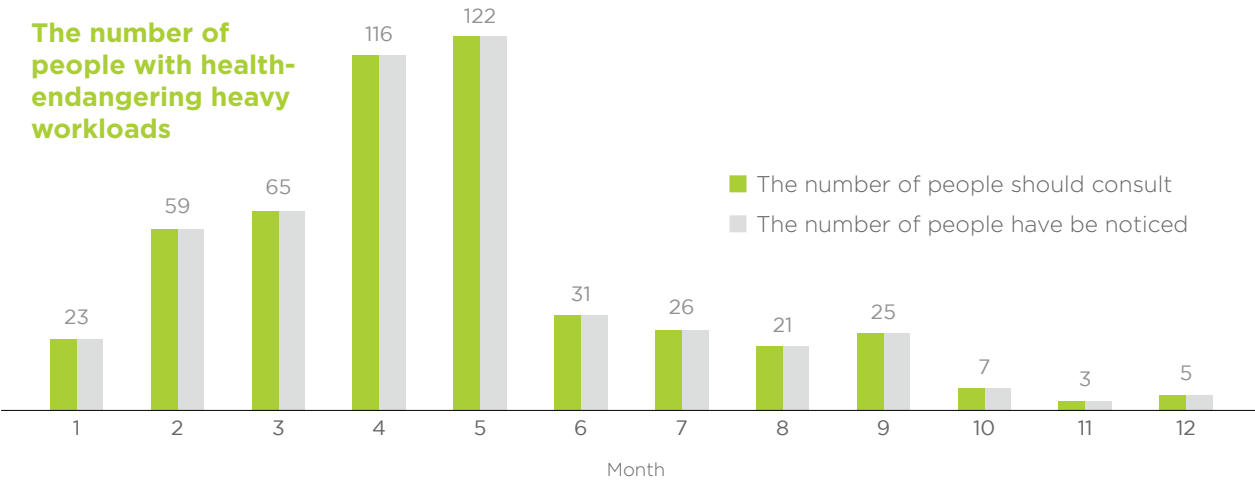
HTC Health Check Regulations

Frequency	Direct : biennial Indirect : with one-year seniority and once every two years
Regulations	Article 20 and 46 of the “Occupational Safety and Health Act” (OSHA) and Articles 13-15 of the “Labor Health Protection Regulations “
Way	Direct : Implemented by staff clinic Indirect : Staff can have health check in numerous hospitals cooperated with HTC.
Last check date	Direct : Arranged by deparments since July 2015 Indirect : to be continued

Preventive measures against health-endangering heavy workloads

According to related regulations, employers have the obligation to plan and take the necessary safety and health measures for employees taking rotational shifts, night shifts or who work for long hours, in case medical conditions might occur which are related to an unusually heavy workload. Appointments are made with medical doctors, or health consultants for employees should a medical check find them to have a health problem. A change of work or the adjustment of working hours is usually recommended.

The number of people with health-endangering heavy workloads

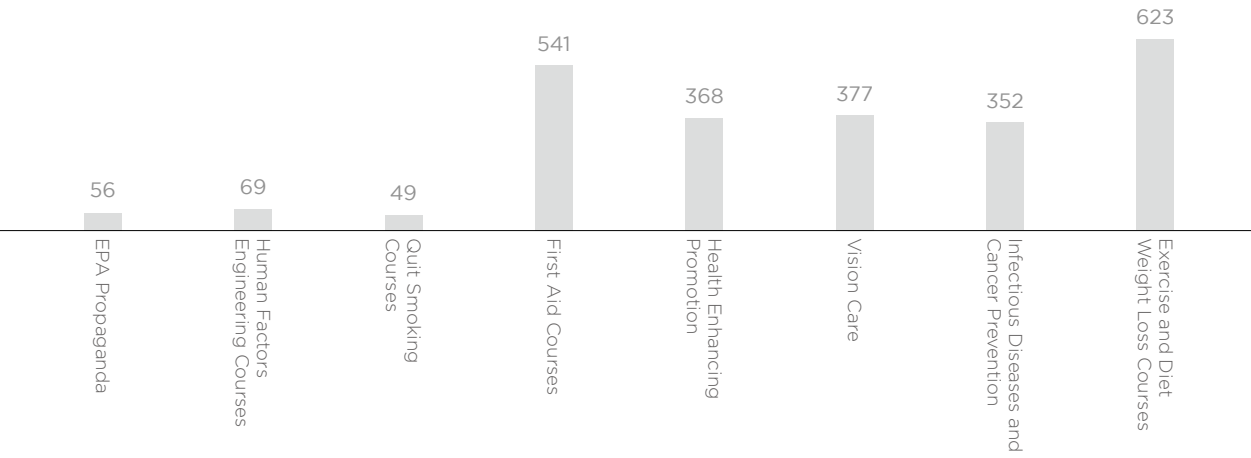


Health Promotion Programs

It is a well known fact that the pressure of a technology industry tends to cause employees to neglect the importance of their health. For this reason HTC, in addition to providing employees with an additional comprehensive health care service, also promotes relevant health care programs to provide employees with accurate health management information and also to give staff the necessary self-health management capabilities. A total of 91 health promotion events, attended by 2,435 persons, were held in 2016. The average level of satisfaction achieved was 94.31%.

HTC staff clinic FB Fans Website:<https://www.facebook.com/HTC.EmployeeClinic>

The number of staff members who attended the 2016 Health Promotion Course



Staff Clinic and Family Day

On Family Day in 2016 the HTC employee staff clinic designed three main themes activities with the aim of guarding your health.

The “Health Gate Keeper” activity was offered by Taoyuan General Hospital, Ministry of Health and Welfare , providing screening tests for oral cancer, colon cancer and blood sugar.

“Report body fat” activity was offered by physiotherapist in the staff clinic, providing the analysis of body composition and exercise guidelines tailored for the needs of everybody.

“Healthy bone” activity was offered by Taoyuan Min-Sheng general hospital, providing bone mas measurement, to identify the potential danger in advance and encourage everybody to exercise more in order to boost the bone mass.

Occupational Health

The work environment at the HTC Taoyuan Plant is carefully tested and monitored. In 2016, all 92 workers engaged in operations that might endanger their lives, such as those involving ionizing radiation, must receive a thorough health checkup. The number of workers put under Grade 1 Control was 29; Grade 2 Control was 61; Grade 3 Control was 2. In compliance with Articles 13-15 of the Labor Health Protection Regulations, workers subject to Grade 2 Control were sent individually to the company infirmary for health consultation with a doctor, who gave instructions on personal health and how to prevent further problems. The workers under Grade 3 Control, was rechecked by a specialist and found to have recovered enough to be put under Grade 4 Control. All cases have been finished follow-ups, reasons and we will keep track of managing the health of employees.

Maternal Health Protection Plan

In 2016, we promoted the “Maternal Health Protection Program” to include female colleagues who are pregnant, who are within one year of delivery or who continue to breastfeed as the objectives of protection. According to the plan to conduct each step of list survey, risk identification, individual medical counseling and fitness for work, return to work, as of December 31, 2016, there were 91 employees who completed the risk classification and protection measures, all objects of protection are low risk, showing the environment and content of work are quite safe, and indeed eliminate the safety and health hazard factors for the female employees.

Employee Assistance Program(EAP)

The constant challenge and rapid changes in technological industry result in rather high job stress. The avoidance of stress is a major concern at HTC and we pay constant attention to employee working hours to steer clear of disorder and the attending stress and fatigue. HTC has been working with the Hsinchu Lifeline Association since 2009 to provide employees with psychological counseling and guidance with respect to working career, relationships, family and parenting, gender sentiments, mental illness, and physical and mental stress. All employees are entitled to six free counseling sessions per year at the expense of the Company. In 2016, 190 people had taken advantage of counseling.

- Appointment Hours: Monday ~ Friday 9am ~7pm
- Reservation Tel: Mobile: 03-260415

The Employee Assistance Program (EAP) interviews

	2014	2015	2016
Number of Telephone Counseling (Free)	82	120	111
Number of Interviews	70	78	79
Hours of Interviews	79	91	106
Number of Interviews (Male)	38	38	46
Number of Interviews (Female)	21	40	33
Number of Interviews (Direct Staffs)	16	11	3
Number of Interviews (Indirect Staffs)	54	67	76
Invested expense (NTD)	401,200	434,800	443,000

Drinking water quality control allows employees to drink without reservation

The drinking water quality directly affects the health of employees and drinking water management is closely related to water quality. Therefore, it is an indispensable part of daily life.

HTC has set up a comprehensive water fountain inspection plan to ensure the standard of purity of drinking water. Regular maintenance, water sample testing, and records disclosure is done according to drinking water regulations. The maintenance and care of the drinking fountains is carried out by a professional company and testing of water purity is carried out by an environmental testing agency that is authorized by the EPA to take regular samples and perform the tests. The results of the water quality tests are published and the records are also posted in a prominent position close to the drinking fountains.

A quality workplace to keep employees happy at work

HTC has set up a fully equipped gymnasium inside the office building in order to encourage and advocate sportsmanship. For the sake of providing employees with better fitness advice service and environment, HTC has commissioned professional fitness management consulting firms and professional suppliers to manage the gym and to provide on-site instructions, fitness curriculum planning, and advice about the prevention of sports injuries. Employees get help for the establishment of positive sports safety and healthcare. Courses are planned and arranged on various health topics and activities and employees can participate according to their preferences.

In addition, HTC has planned two-month aerobic programs throughout the year and diverse courses, such as yoga, Pilates, dynamic pop dance, spinning bikes, TRX, are offered based on employees’ interest and need. The employee service APP system is intimately developed for the employees to click on the phone to register, save the time of waiting in line.

Use of the Gymnasium

Location	Number of users
Taoyuan	37,237
Xindian	35,020

Participation in aerobic classes

Location	Number of users
Taoyuan	1,655
Xindian	6,254



Food Safety, HTC healthy meals

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

In order to meet the needs of employees enjoying exotic cuisines without away from home, and take the foreign employees missing their home meals into consideration, we provide a variety of home-style meals for the foreign colleagues with multinational classical dishes as the main menu scheme in particular, the served meals include the Spanish cuisine of the Mediterranean flavor, Italian cuisine, American cuisine, European style delicacies and serve steak meals, showing an enriched exotic food styles.

Food safeguards



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

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

Following a string of food safety incidents involving the adulteration of cooking oils and the addition of illegal substances to food in recent years, HTC has taken the initiative to study the feasibility of producing health tea drinks for employees. In November 2014, retort pouch drinks and other beverages offered free at the office kitchens were replaced by tea prepared by the staff restaurant. Employees can now enjoy a cup of healthy fresh tea. HTC also works with professional restaurants, meaningful and seasonal activities will be lunched on holidays to celebrate and enjoy the atmosphere of holidays with our co-workers.



“Café Bar” & “Bakery One” food safety

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

- 1. Only natural ingredients are used. The cafeteria boils its own sugar and ensures the safety of additions.
- 2. Café Bar uses pure coffee beans to make coffee for those who are lactose intolerant.
- 3. Soybean milk is made with non-GM soybeans for safety.

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



Smoke-Free Workplace

HTC positively advocates the government policy of a smoke-free workplace. In compliance with the Tobacco Control Act, smoking inside company premises is prohibited. Quit Smoking Clinic has been started at the Employee’s Clinic since May 2016 to conduct quit smoking treatment through professional physicians, pharmacists, quit smoking health teachers, to allow the participating 61 employees to quit smoking successfully.



An Office Environment with Plants and Green Landscaping

We uphold the concept of environmental sustainability and we regularly increase our green space in Taipei and Taoyuan headquarter. The HTC outdoors green area now totals 30,700 m² and there are many tree species native to Taiwan on the grounds, such as Camphor, Yellow Cypress and the Taiwan Golden-rain Tree. Our employees can enjoy the lush green surroundings to their work environment.

To improve air quality, we have planted trees extensively inside the factories and offices to purify the indoor air by reducing CO₂ concentration. The annual management fees for our green environment amounts to NT\$2.36 million which is used to provide our offices with green areas to help reduce indoor air pollution.



Green landscaping inside and outside the plants and ecological pool

Listening to Voice of the Employee



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

HTC convenes labor-management meetings every two months and at least six meetings are held every year. Before the meetings, we will discuss previous unsettled and newly added issues. In addition to inviting the head of related units to participate in, the minutes of meetings will be disclosed on the intranet for review by employees. According to the internal statistics, the most frequently discussed issues in the labor-management meetings are “working environment”, “parking and transportation” and “catering management.” Apart from holding labor-management meetings regularly, we also set up diverse ways to collect opinions, including service line, service suggestion box, service email and sexual harassment complaints box. HTC holds labor-management meetings and employee surveys on a regular basis, as reference for the leadership, internal operation, enhancement of employee satisfaction and improvement of work engagement. A good communications mechanism results in harmonious labor relations and any labor disputes will be handled properly.

Note: HTC's labor union was established in 2015, but until the end of 2016 no collective agreement has so far been made.

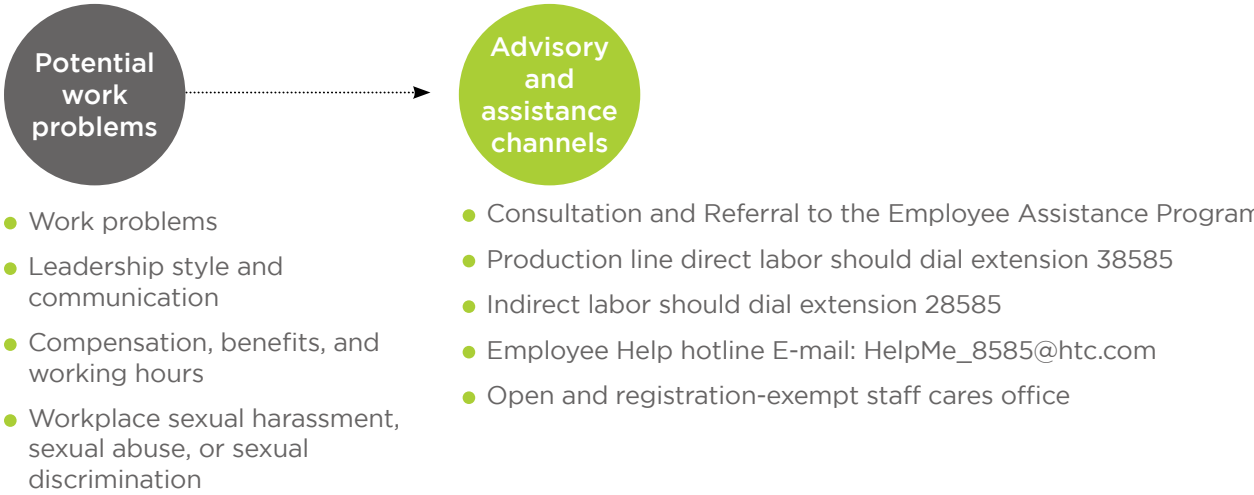
Employee Satisfaction Survey

Out of consideration for employees’ feeling towards HTC and their willingness to dedicate themselves to the company, we are searching for factors that could enhance employee willingness to devote themselves to corporate operations. HTC launch a survey of the opinions of its employees around the world in 2016. The survey covered many aspects, which included reward and remuneration, training and education, promotion, audit, learning and communication. The survey results were given to management for review and have become a reference for planning the business goals for next year.

In 2014, we offered employees 1 day paid leave(birthday leave) and getting off work at 3pm the days before 3-major holidays. Until 2016, these happiness measures continue to bring small happiness for the employee’s body and mind.

Smooth advisory and assistance channel

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



HTC Employees Notification System APP

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

- Mobile Appeals channel: Employees can download an internal mobile phone application developed by HTC to take photos instantly and reflect opinions that will then be handled by the relevant units.
- Operating procedures: The APP received 194 employee reports in 2016. In addition to responding to employee opinions, information about improvements made, or which are pending, will be sent to the employee who made the report. Pending matters will be followed up and monitored on a weekly basis.

Employee Services Feedback in 2016

Category	Number of cases
Others	53
Cleaning	7
Repair	107
Restaurant	27
Total	194

Complete Education and Training Plan

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

Diversified learning channel, providing a comprehensive learning environmeny

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



Comprehensive Education and Training

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

E-learning Platform

The HTC e-Learning platform gives employees a range of learning tools and more flexibility to study according to their needs and without the limitations of time, location, and the associated stress. They can also watch and listen to recordings made by experts or browse the rich collection of books in the library online. It is very easy and convenient to learn professional and occupational skills without unnecessary interruption.

E- Library

HTC helps staff develop good reading habits mainly by the provision of a wide range of reading activities and a rich collection of library resources; employees can enjoy a rich literary atmosphere and reading environment. Electronic magazine services are also made available for employees so they can view and read the current editions on their computers or mobile phones anytime anywhere. he number of people subscribing to our electronic magazine reached 22,034 in 2016. We continue holding reading workshops for writers to share the new knowledge and life experience they put into their books. In 2016, we initiated the free request for back issues of magazines program, which also involves an exchange of books. Old books and magazines are given new life and the HTC reading culture has also been given a boost. Starting from the fourth quarter of that year, we introduced "a quarterly selection of good books," providing excerpts of the best parts of books to allow the readers to quickly become members of the informed reading public.

English Leadership Resource and On-job Training Grants

As an international brand, HTC provided "Online English Learning" to encourage staff to learn continuously and spontaneously. The choice of sessions, the grade of difficulty and the learning hours and objectives are designed to match the abilities of students at different competence levels. We also offer on-job graduate study grants and a scholarship program to encourage employees to continuously absorb professional knowledge and match their studies to their work for further growth. In 2016, online English language training course participants numbered 160 persons and NT\$208,000 in grants was paid by HTC.

In addition, HTC encourages employees to continue to absorb professional knowledge and to match their study program to their work to ensure growth. We have an on-the-job graduate study grants program and 87 employees have taken advantage of this since 2011.



Cultivating Key Leaders

HTC actively promotes company culture in the face of rapid changes in the global industry and new patterns of global enterprise competition and cooperation. HTC quickly adapts to a constantly changing environment and cultivates management talent with an international vision, expecting their excellent managers to become present and future drivers who will continuously lead HTC towards steady growth and development in times of hardship and challenge. In 2016, leadership-training courses were given to 331 people.

In order to enable executives to learn new viewpoints, new ideas, and change their inherent thinking patterns from the best practices of the industry, to have new behaviors or practices in their work or management, we also promote Manager Week activities, and share the management articles with all executives regularly each week with more than 30 articles shared in 2016.

Training and Performance Intergration

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

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

Special Training Courses

In order to help our employees grasp new knowledge and expand their perspective, we launched Thinker Forum in 2016 and invited experts and specialists to hold 10 seminars in different fields from around the world to share industry trends, novel technologies and technological blueprints. Also, HTC has held 5 lectures of personal development learning since. Employees will cultivate more smooth and efficient way of working from the practical cases and experiences sharing.

New Employee Training Courses

New employees receive comprehensive training from the day they first report for duty through several different learning communication channels. These include new recruit monthly sessions and a variety of practical and online courses to help new employees adapt to HTC culture and develop a full range of knowledge and skills in the shortest possible time. In addition, the Buddy campaign encourages new employees to talk to their predecessors to share information about the company and to help them join and quickly fit into the HTC family.

HTC new recruits statistics

	Unit	2014	2015	2016
Total number of new recruits (male)	Individuals	1,167	901	714
Total number of new recruits (female)	Individuals	560	723	371
Percentage of employees under the age of 30	%	74.29	79.74	49.68
Percentage of employees aged between 30 and 50	%	25.01	19.77	49.03
Percentage of employees over the age of 50	%	0.69	0.49	1.29

New employee legal training

HTC emphasizes legal training and we list the legal training for new recruits as necessary lectures. To prevent insider trading and ensure security and IP rights etc, we invite legal experts to give special training to company management personnel. The number of employees completed the training courses in 2016 as follows.

Course Contents	Numbe of participants	Course hours
IDL new employee legal training - confidentiality and anti-insider trading	493	35 min.
IDL new employees legal training – intellectual property rights	493	40 min.
IDL new employees legal training – US patent litigation	493	35 min.

Training Result

Between 2014 and 2016, HTC invested nearly NT\$31,455,000 in employee training-related programs. Training hours totaled 665,000 and there were nearly 240,000 attendees, each person receiving 49.55 training hours.

In 2016, HTC male employees received 108,578.91 hours of training and female employees received 84,734.1 hours of training. General staff received 138,304.89 hours of training, supervisors received 54,686.25 hours and management 321.87 hours. The table below lists staff training over the years:

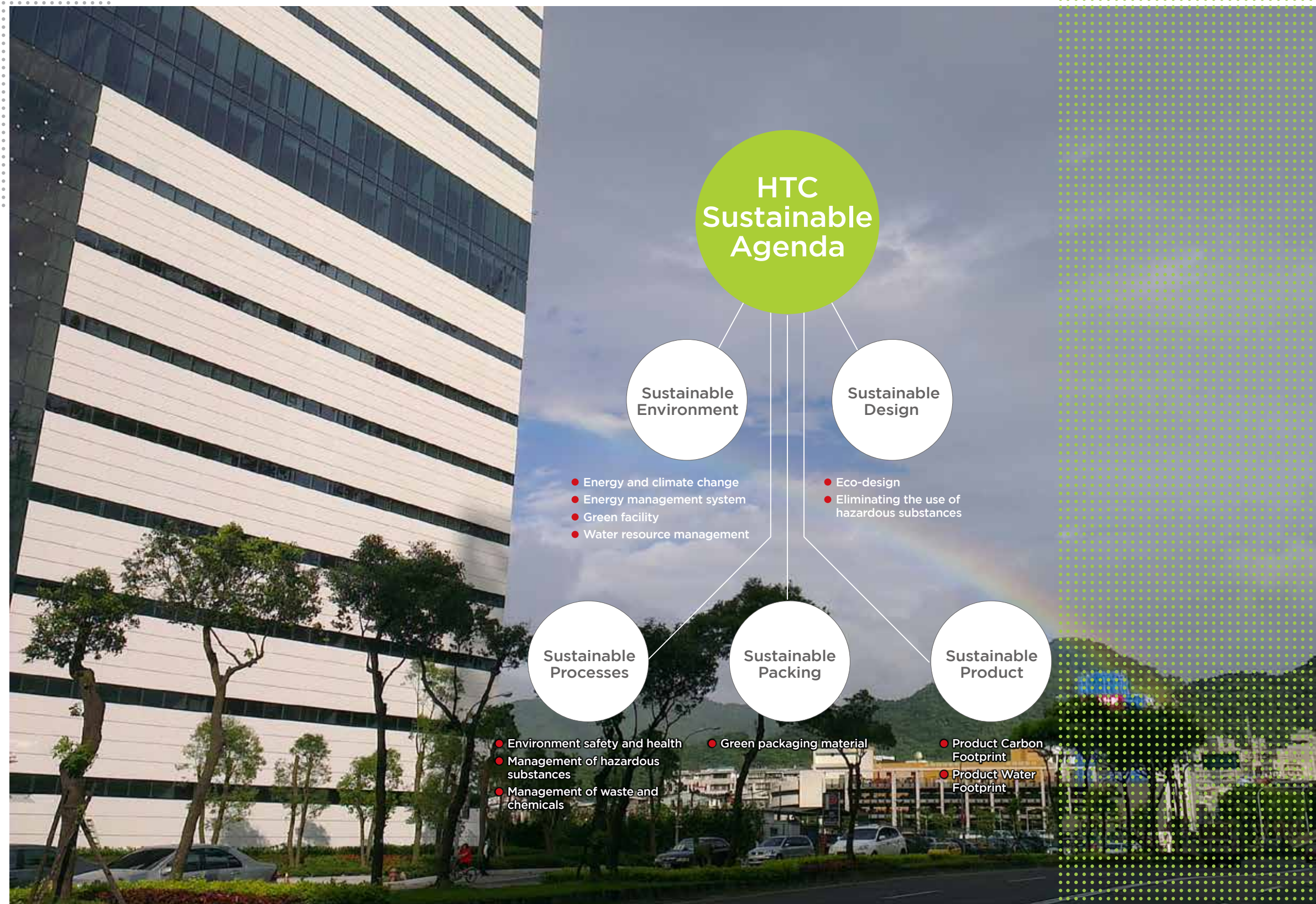
Year	Course (hours)	Number of participants	Average training hours
2014	213,658	98,587	12.64
2015	258,245	62,235	20.75
2016	193,313	78,627	17.69

Note: Total number of training hours of the year / total number of employees of the year = average number of training hours per person of the year. Average number of training hours per person in 2014-2016 = total training hours in 3 years / average number of employees in 3 years.

Sustainability Agenda

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

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



Sustainable Environment

Response to Climate Change

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

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

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

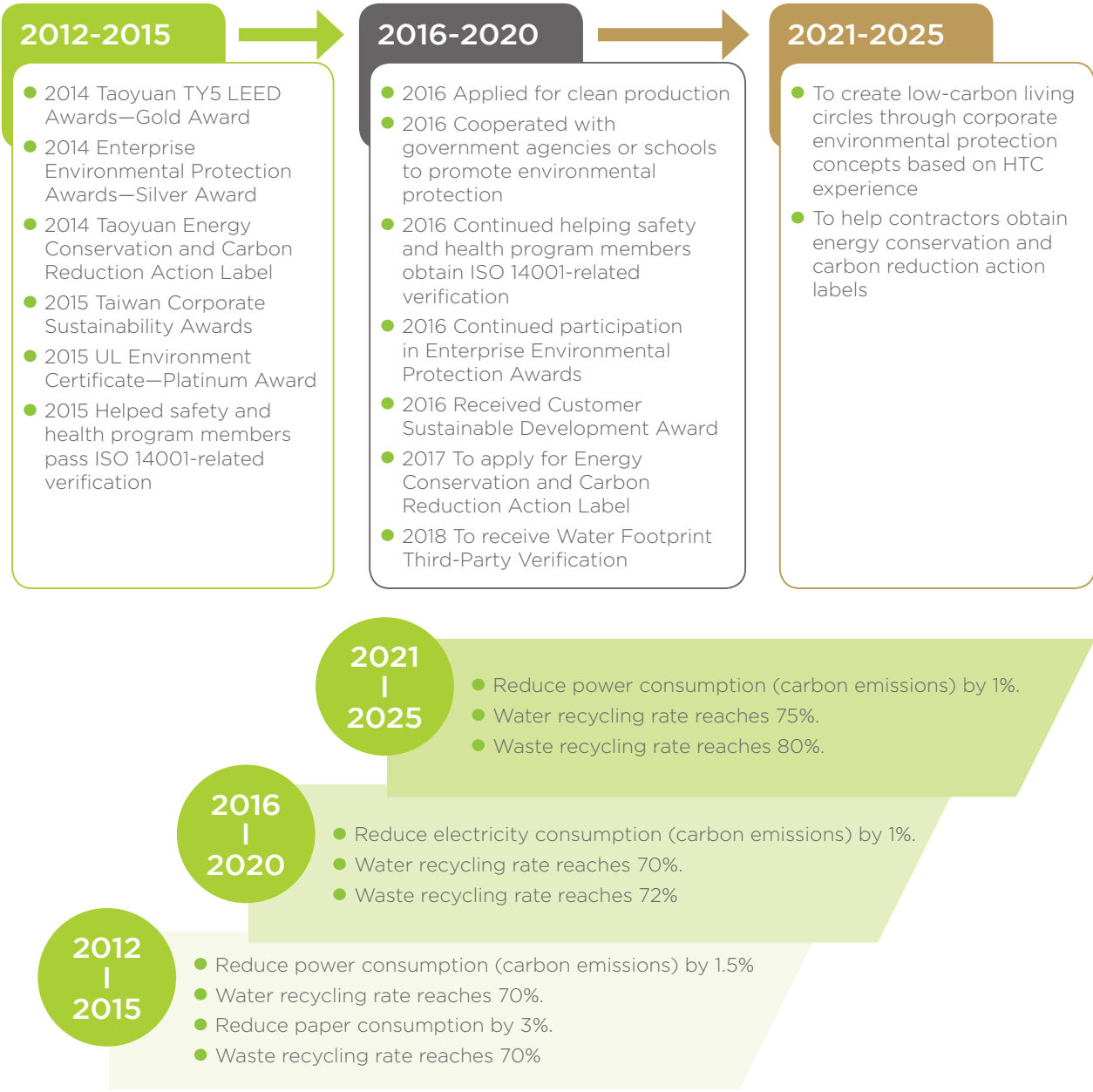
A quick look at HTC management of energy and climate change

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

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

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

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



Energy-saving and Carbon Reduction

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

GHG Emission and Reduction

Total greenhouse gas emission by HTC was 35,438.37 t-CO₂e in 2016. The majority of emitted gas were CO₂. It is notable that HTC's GHG emissions contained little percentage of CH₄, N₂O and HFCs. Besides, we have extended greenhouse gas emission investigation and external verification scope to include control over subsidiaries, including comprehensive statistics, and the monitoring of greenhouse gas emissions to improve the overall energy use efficiency and create better energy revenue since 2014. HTC's GHG emissions contained no PFCs, SF6, SOX or other waste gases, and HTC does not use any substances that might endanger the ozonosphere. Moreover, the cooling and air-conditioning systems in HTC's buildings all use environment friendly coolant R-134a to further preserve the ozonosphere.

HTC GHG Emission (TW)

Total Emission	Unit	2015	2016
Total Emission Scope 1	t-CO ₂ e	2,346.95	2,140.06
Total Emission Scope 2	t-CO ₂ e	40,142.93	33,298.31
Eco-Efficiency Value	NT\$	2.86	2.21
Total Emission Scope 3	t-CO ₂ e	446.44	297.17
Emission:CO ₂	t-CO ₂ e	40,897.51	33,995.25
Emission:CH ₄	t-CO ₂ e	1,171.74	1,012.36
Emission:N ₂ O	t-CO ₂ e	1.86	1.19
Emission:HFCs	t-CO ₂ e	418.77	429.57
Emission coefficients	1. Power Conversion CO ₂ equivalent emissions are calculated in accordance with the power emission coefficient of the year announced by the Bureau of Energy 2. GHG Emission Coefficient Table, version 6.0.3 3. Shanghai plant power emissions coefficient is in compliance with the 2014 China regional power grid baseline emission factor announcement		
Global warming potential	2016 based on IPCC 2007 4 th Assessment Report. 2013-2015 based on IPCC 1995 5th Assessment Report.		

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

Energy Consumption analysis

The power used by HTC is mainly electricity. To decrease the use of electricity, we persistently promotes various kinds of energy efficiency management. We achieve energy savings through the improvement of the lighting and air conditioning systems, and the installation of renewable energy equipment. The design on energy efficiency contributed to 815,754 degree of reduction, and the total amount of reduction in carbon emission was 431 tons of CO₂e which translates into a saving of NT\$2,447,263 during 2016. The electric power factor of the HTC buildings was 98.38% on average. Taipei headquarters outperformed the others by means of power factor adjustment, refrigeration and air-conditioning cost saving, and reached a final electric power factor of 100%.

Energy saving and carbon reduction results of office building and factory in 2016

2016	Total use of electricity (degree)	Total amount of electricity bill (NTD)	Average electric power factor (%)	Total amount of savings
TY3 building	13,116,800	35,335,258	99.25	2,163,600.00
H+P building	27,145,600	67,371,610	98.17	258,564.00
Tachih plant	4,374,400	11,410,199	96.92	25,099.20
TPE1	7,877,200	19,176,675	100.00	0.00
TPE2	4,411,000	11,761,630	100.00	0.00
Total	59,455,200	114,934,483	98.38	2,447,263

Environmental Indicators	Units	2015(TW)	2016(TW)
Electricity	1,000 kWh/Year	62,276.8	62,482
Operating revenue	Million(NT\$)	121,684	78,161
Eco-efficiency value	NT\$	1.95	1.25

Note : 1. The eco-efficiency value (revenue generated from each electricity consumption unit) = Operating revenue (millions) / electricity consumption
2. Because Hsinchu and Tainan Software R&D Centers are offices, the electricity consumption of those two is not significant. In this regard, the consumption of those isn't included in the above.



The Use of Green Energy

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

Energy-saving program	Descriptions
Solar panels	<ul style="list-style-type: none">Taipei headquarters has solar panels that generate electricity used for lighting the staircases and basement in 2012.HTC has installed solar panels on the rooftop of Hsinhua Dormitory for the water heating system. Heat generated in this way can be stored in tanks to provide hot water for washing facilities, which reduces the use of natural gas and carbon emission. The solar-powered equipment that HTC uses saved 200,840 cubic meters of natural gas in 2016, this translates into a reduction of 379 kilograms of CO₂, and saved NT\$1,948,147. <p>Note: 1. One cubic meter of natural gas costs NT\$9.7. 2. The carbon emission coefficients of natural gas is calculated in accordance with Version 6.0.3 of the Greenhouse Gases Emissions Management Chart (1.888 kgCO₂e/M³).</p>
Cold air heat pumps for air conditioning	<ul style="list-style-type: none">Taipei Headquarters are equipped with cold air heat pump systems for shower water for the employees and other uses.The design concept is to absorb heat from the atmosphere or water and store it in water through a heat exchanger. The water, after absorbing the heat, raises the temperature of a hot water tank to provide a great amount of highly efficient and low cost hot water. The air released during the process becomes the dry cool wind of an air conditioner. The system can generate hot water, cool air, and cold water at the same time.
Electric vehicles and bicycles	<ul style="list-style-type: none">Taipei headquarters has installed an ample number of power charging sockets for electric vehicles and bicycles to encourage employees to use low pollution and high-energy efficient means of transport.

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 and carbon reduction results in 2016

Program		Projected results	Actual Results	Unit	Savings
Switch off TY3 support chiller air conditioningsystem's iced water (December-February)	energy savings rate	432,000.00	283,200.00	kWh	65.56%
	energy savings in kWh	228,096.00	149,529.60	Kg CO ₂ e/ kWh	
	amount of money saved	1,290,000.00	849,600.00	NT\$	
Energy-saving and enhancing project of refrigerated air dryers in Building H	energy savings rate	49,056.00	32,648.00	kWh	66.55%
	energy savings in kWh	25,901.57	17,238.14	Kg CO ₂ e/ kWh	
	amount of money saved	147,168.00	97,944.00	NT\$	
TY3 Air compressor energy enhancing project	energy savings rate	525,600.00	438,000.00	kWh	83.33%
	energy savings in kWh	277,516.80	231,264.00	Kg CO ₂ e/ kWh	
	amount of money saved	1,576,800.00	1,314,000.00	NT\$	
Energy saving measures for the water heater of gym in Building P	energy savings rate	923.52	574.00	kWh	62.15%
	energy savings in kWh	487.62	303.07	Kg CO ₂ e/ kWh	
	amount of money saved	2,770.00	1,722.00	NT\$	
Energy-saving measures havebeen taken for the exhaustwindmills of Building P	energy savings rate	49,728.00	33,562.00	kWh	67.49%
	energy savings in kWh	26,256.38	17,720.74	Kg CO ₂ e/ kWh	
	amount of money saved	149,184.00	100,686.00	NT\$	
T8 lightings in the hallway through Building C of 2 Taichi Road have been replaced by LEDs	energy savings rate	1,498.00	1,497.60	kWh	99.97%
	energy savings in kWh	790.94	790.73	Kg CO ₂ e/ kWh	
	amount of money saved	4,494.00	4,492.80	NT\$	
Turn off the lighting of storehouse in Building C of 2 Taichi Road for 2 hours a day in rest time	energy savings rate	2,530.00	2,529.60	kWh	99.98%
	energy savings in kWh	1,335.84	1,335.63	Kg CO ₂ e/ kWh	
	amount of money saved	7,590.00	7,588.80	NT\$	
Turn off the lighting of storehouse in Building B of 2 Taichi Road for 2 hours a day in rest time	energy savings rate	4,339.00	4,339.20	kWh	100.00%
	energy savings in kWh	2,290.99	2,291.10	Kg CO ₂ e/ kWh	
	amount of money saved	13,017.00	13,017.60	NT\$	
Mercury street lamps at the parking lot of the company's factory on Taoyin Road have been replaced by metal halide lamps	energy savings rate	8,316.00	19,404.00	kWh	233.33%
	energy savings in kWh	4,390.85	10,245.31	Kg CO ₂ e/ kWh	
	amount of money saved	24,948.00	58,212.00	NT\$	

Note : 1. The money saved through energy conservation is calculated on a basis of the industrial electricity price announced by the Taiwan Power Company in 2016: NT\$3/kWh.
2. The CO₂ carbon emission coefficient is calculated on a basis of the 0.528 kg/kWh standard announced by the Bureau of Energy.
3. The effects achieved through the replacement or removal of lamps are figured out through power conversion.
4. The effects achieved through switching off lights at night and in the holidays is calculated through power conversion.
5. The effects achieved through reducing power consumed by water fountains are calculated through time control and power conversion.
6. The effects achieved through controlling air conditioning system temperature is calculated on the basis of saving ration and power conversion standard announced by the Bureau of Energy.
7. The effects achieved through process optimization and two plants merged is calculated on a base of actual used amount in the same period of 2013.

Resource Consumption Statistics in 2016

Green Plant	Unit	2013 (TW+KQ)	2014 (TW+KQ)	2015 (TW)	2016 (TW)
City water consumption	degree/year	1,413,340	1,133,697	553,732	482,277
Waste water	River	TW: Dongmen River + New Taipei City dedicated sewer KQ: Shanghai City Bailong Harbor sewage treatment plant		Dongmen River + New Taipei City dedicated sewer	
Total city water discharge	Tonnes	59,445	98,999	111,755	73,750
The amount of rainwater recycled	Tonnes / year	6,630,400	13,705	12,596,295	5,686
Total amount of water recycled/reused	1,000 liter /year	160,985	247,349	247,869	194,868
Ratio of water recycled/ reused to total amount of water consumed	%/Year	23.76%	21.82%	44.76%	40.41%
Total amount of waste recycled	Kg/ year	3,618,398	2,723,338.5	2,994,625	3,450,697
Total amount of waste reused	Kg/ year	0	0	3,260	0
Total amount of waste incinerated	Kg/ year	2,385,210	1,454,435	1,363,849	1,143,555
Waste disposal expense	NT\$ thousand /year	17,630	4,362	5,154.338	6,550,479
Environmental management and recycling amount	NT\$ thousand /year	257,260	95,714	13,086.363	6,838,640

Note: 1. Waste materials, as put into statistical data, are divided into categories ranging from plastic, paper, scrap iron, scrap aluminum, scrap galvanized iron, waste edge board, scrap computer products, waste wood (pallets), miscellaneous types of plastic, scrap parts, kitchen refuse, recycled domestic material and general rubbish.
2. Because Hsinchu and Tainan Software R&D Centers are offices, the consumption of those two is not significant. In this regard, the consumption of those isn't included in the above.

Green Plant

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

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

HTC's Taipei headquarters, the golden LEED certified green building

In 2013, HTC's Taipei headquarters office received the green building mark from Ministry of the Interior and the golden LEED (Leadership in Energy & Environmental Design) certification from the U.S. Green Building Council (USGBC), offering its employees an excellent and comfortable low-carbon and take the responsibility of environmental sustainability. The fully-integrated energy management system was utilized to attain a full real-time management and enhance efficiency of energy use. The total amount ccumulated for reduction in carbon emission since inauguration of the building has reached 9,316 tons of CO₂e.

The fully-integrated energy management system is constructed in the Taipei headquarter, which covers over 7000 spots of on-site monitoring, total monitered spots amounted to 20,000. Under effective control and analysis, the EUI (Energy Usage Intensity) of Taipei headquarters amounted to only 92.9 kWh per meter square annually in 2016, which was quite a marvelous result.



Building	Unit	2011	2012	2013	2014	2015	2016
TPE1	EUI (average)		8.60	7.72	7.51	7.4	7.74
TPE2	EUI (average)	25.40	21.57	23.97	22.57	22.1	21.96



Water Resource Management

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

Sewage Treatment

The wastewater generated by our facilities is mainly domestic sewage from washroom and for other cleaning uses and restaurant waste water that contains no process wastewater. We invested NT 27,760,000 dollar in building sewage treatment equipment in 2010 and spent NT 1,627,872 dollar on operation and maintenance in 2016.

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

Water discharge amount, amount of recycled water and average concentration of effluent biochemical oxygen demand (BOD)

	Unit	2014	2015	2016
Amount of water discharge	Tonnes	98,999	111,755	73,750
Amount of recycled water	Tonnes	233,644	247,869	194,868
Average concentration of BOD	mg/l	16	15.7	14.95

List of the sources of waste water to be discharged according to the water body that is to receive the waste water and also provide the source

Plant	Receiving water body
Taoyuan	Tungmen Creek
TPE1	the New Taipei City custom-built sewage system
TPE2	the New Taipei City custom-built sewage system

Office/Facility Water Use and Water Conservation Measures

Plant	Use in 2016 (Unit: ton)
Taoyuan	417,622

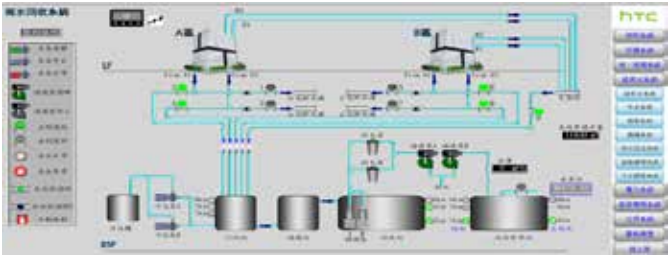


Sewage Recycling

The green fields and planted areas inside the factories are irrigated with recycled sewage water without increasing the total amount of water consumed. Starting from 2012, HTC drafted and implemented water conservation plans. The achievement rate was raised to 60% in 2013, while that for 2014 was the same. The actual recovery ratio of waste water in 2016 was 72.54%. From 2014 to 2016, 676,629 tons of waste water had been reclaimed for watering purposes.

Sewage recycling strategy and effectiveness in 2016

Strategy and effectiveness	Sewage recycling
Annual target	70%
Recycled water for irrigation (Tonnes)	194,868
Sewage water output (Tonnes)	73,750
Amount saved (NT\$)	2,533,284
Actual waste water recycling rate	72.54%



Rainwater Recycling Systems

Rainwater storage and recycling system

HTC has established a rainwater storage and recycling system to collect rainwater for flushing toilets and watering plants. In 2016, the Taoyuan plant recycled a total of 3,318 liters of rainwater and the Hsintien office recycled 2,368 liters for a grand total of 5,686 liters of effectively saved water resources.

Water-saving Sanitation Equipment

HTC gives top priority to the use of sanitary equipment with a water-saving label. The faucet device installed with water-saving spiral allows the faucet to reduce the amount of water outflow and each faucet can save 77 liters of water a day. All the toilets and urinals in the bathrooms should be energy efficient and have the WaterSense Label of the United States Environmental Protection Agency.

Photocopying paper Management

HTC aims to reduce photocopying paper consumption by 1% per year and bring the use of paper down to an absolute minimum. By the end of 2016, cumulative savings of 9,551,500 sheets of paper had been achieved by optimal paper-saving management. Renegotiations with the photocopy suppliers in 2016 resulted in a unified unit price which would help save \$533,435 (46%) compared with 2015.

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

HTC paper-saving performance

Year	2013	2014	2015	2016	Total (Cumulative saving)
Paper Use (piece)	12,345,000	10,640,000	9,112,500	5,102,500	-
Paper saving (piece)	2,309,000	1,705,000	1,527,500	4,010,000	9,551,500
Paper saving target	10%	10%	3%	1%	-
Achievement rate	16%	14%	11%	44%	-
Amount saved (NT\$)	312,960	150,965	191,960	533,435	-

Note: Due to the change of stastical logics, the data has been adjusted.

Environmental Protection Education and Promotion

HTC continues to promote and enhance environmental protection consciousness and awareness in employees using a diversified interface. Employees are encouraged to appreciate company efforts towards environmental protection using clear, convenient and interactive presentation of information. New recruits education and training was given to 3,427 employees in 2016. The training material includes the environmental protection concept of the plant and a policy card is distributed that can be retrieved easily from the corporate identity system.

1. Using a mobile phone APP to share environmental protection philosophy

The HTC Employee Services App installed on employee mobile phones displays a sustainable environmental protection message each day as a friendly reminder.



APP Software "Employee Services" and computer screen saver program promotion environmental information

2. Green Energy Pavilion energy-saving and carbon reduction activities

The annual HTC Family Day event at the Green Pavilion presents the environmental protection and energy-saving achievements of headquarters and allows those attending to appreciate both the company's concept of environmental protection and their efforts through interaction.

3. Encourage Employees to Carpool

HTC runs a shuttle bus service on many commuting routes with a daily capacity of 1,380 passengers. This transportation arrangement together with car-pooling makes it easy for employees to move to and from work. By cutting down on the number of vehicles travelling to and from the plant the amount of greenhouse gas emitted, in the form of vehicle exhaust, can be significantly reduced. Fewer vehicles on the road also save congestion and speeds up the movement of traffic



Environmental Policy Card



Carbon reduction activities on Family Day

Sustainable Design

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

UL Environment certificate Platinum Rating

In 2016, HTC has received UL Environment certification for the following four mobile phones, which were all, awarded the highest “Platinum” certification after rigorous verification procedures.

- HTC 10
- HTC 10 evo
- HTC Desire 630
- HTC Desire 530



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

Materials

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

Charging connector

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

Phone surface materials

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

Packaging

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

Recycling

Recycling 80% of reclaimed materials.

Manufacturing

Adoption of the ISO environment management systems.

Green Marks obtained by HTC

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

Hearing aid compliance

HTC meets and exceeds the US Federal Communications Commission (FCC) specification for hearing aid compliance. The FCC requires that at least one third of a company’s mobile phone products be hearing aid compatible. All the Smartphones sold by the HTC in the US in 2016 were 100% hearing aid compatible.

Please click on the hearing aid compliance page at:
<http://www.htc.com/us/accessibility/hearing-aid-compatibility/>

Electromagnetic Compatibility

Among the SAR regulations currently in force, FCC (US) and CE (EU) are the strictest, and all HTC products satisfy meet 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.

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

1. increased energy efficiency
2. recyclability
3. reducing hazardous substances

with the serious intention of making our products really green and competitive



Enhancement of Energy Efficiency

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

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

Rapid and high energy-efficiency Charger



For issues related to charging the cellphone, we have launched HTC Rapid Charger 3.0, a rapidcharging device with high energy-efficiency, whose charging speed is faster than used to be. In only 30 minutes would the new HTC 10 be charged up to 50% of its power. Its energy-efficiency has also reached the highest standard currently set internationally, including Energy Efficiency Level VI and EU CoC Tier 2, whose energy consumption during no load standby is lower than 0.03W and has reached the highest 5-star level.

In terms of design, its volume has also seen 25% of reduction compared to its predecessors. In addition to reducing use of resource, it is also more convenient to carry.

Participation in the Foreign Service Carriers' Eco-Rating Program



HTC assisted in the "Forum for the Future" to integrate the different plans of several industries to launch "Eco-rating 3.0" and continued to participate in the Eco-rating programs promoted by several foreign telecommunications companies in 2016.

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

Recyclability

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



Phone and vattery recycling

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

1. HTC promotes cell phone trade-in program (<http://www.htctradeup.com/>), through filling out the basic information on line to allow the customer to receive the old cell phone recycling offer without limitations in cell phone brand, and acceptable as long as the old cell phone is still operable. The check will be mailed to the customer after the new cell phone is purchased and the old cell phone is mailed back. In 2016, the total cumulative units of devices was 19,025 units with the value of US\$279,788.
2. HTC also participates in the industrial management program Call2Recycle that is currently implemented in the United States and Canada. The program provides for the collection and recycling of batteries, including cell phone lithium-ion batteries, as well as the recycling of cell phones in Canada. We pay a fee to Call2Recycle for every mobile sold in the United States and Canada. A total of 6.3 million kilograms of mobile phones batteries, was recovered through this program in 2016. As a result of raising customer awareness and the availability od recycle, the weight of recycle has increased 12% as compared with 2015.
3. HTC takes part in the state-owned e-waste programs of more than 20 states in the US, responsible for recycling Nexus-9 Tablet PC. Due to different recycle mechanism of life cycle termination determined by each state, many states establish the weight of the Company's annual recyclable electronic products by market share, some states charge the cost to the manufacturer based on the price of unit weight of the recycled products, while the remaining states allow the mail recycle plan, and pay the annual registration fee, without having to set the recycling target.

For example, in Washington State, we pay a certain percentage of expenses according to the market share of the tablet PCs, the local government is responsible for the recycling collection operations across the entire state, and the recycle firms legally registered with the state ecological department recycle the electronic products to ensure that the recycling operation is held responsibly and appropriately. From 2015 to 2016, there was a total of 34,000 metric tons of electronic waste recycled in the Washington state area.

Material Recovery Rate Assessment

We consider material recyclability in the selection of all materials and product disassembly and analysis is carried out by an impartial third-party. All current products such as the HTC 10 or Desire 10 lifestyle, allow 80% up material recovery. This significantly exceeds the EU WEEE Directive on the mobile phone material recovery standard which is 70%.



HTC 10
Material recovery rate: **84.0%**



HTC Desire10 lifestyle
Material recovery rate: **81.2%**

Positively Cutting Hazardous Substance

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

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

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

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.



HTC ESH Policy

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

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



All our facility management systems comply with the OHSAS 18001 standard for Occupational Health and Safety Management. Every new employee is given complete safety and health 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.

The Labor Safety Committee

The Labor Safety Committee has 21 members. Among them, there are 7 labor representatives, which accounted for 1/3 of the total number, 1 healthcare professional, 1 labor safety related engineer technician and 9 department managers, supervisors and directors.

We work out an occupational safety and health plan each year according to the relevant problems that need to be addressed. The focus is on asking all the people involved to follow occupational safety and health rules; to identify hazards to lower risks; to set up rules for the labeling of dangerous chemicals and a general understanding of them; the promotion of occupational safety and health information; and the establishment of a system to manage contractors. All these measures are aimed at reducing risks.

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

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

Environmental expenditure

Year	Unit	2013	2014	2015	2016
Environmental expense	NT\$ Thousand	125,700	131,550	80,743	68,737
Green purchasing	NT\$ Thousand	17,199	10,317	302	9,041
Total	NT\$ Thousand	142,899	132,973	81,045	77,778

Note: Due to no new plant construction in 2015, procurement data show a downwards trend.

Environmental sanitation agents

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



Positively Preventing Occupational Accidents

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

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

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

Full-time Environmental Safety and Health Personnel Training in 2016

Courses	Number of trainee	Total training time (hours)
Operation of forklift truck of more than one ton	3	9
Person in charge of organic solvent operations	4	12
Person in charge of organic solvent operations	18	324
Fire protection manager	2	12
Occupational safety and health management personnel	1	6
Occupational health management specialist	1	6
Occupational safety and health affair managers - Class A	1	6
Certificate of completion for occupational safety and health management personnel	1	6

Perfect Emergency Rescue Measures

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

These related measures have been effectively carried out at HTC and the average employee injury frequency rate (FR) was 0.61 person-time/per million hours worked, average severe injury rate (SR) was 13.00 days/per million hours worked in 2016. Should the frequency of disability or injury rise higher than 0.30 million person/million working hours and the severe injury rate be higher than 1.8 days/per million working hours, our annual target will have been missed.

In 2016, most occupational injuries were the result of traffic accidents (52 cases) that happened during commutes. There were 15 other injury cases that occurred within the facility. Falls are the most frequently reported incident (6 cases), with 239 days of labor lost. We will promote safety education for employees who commute to and from work in the future and will also provide them with work safety concepts and necessary training. Warning signs are to be placed in conspicuous places to reduce the incidence of accidents.

Taiwan plant

	Target	Result
Injury Frequency Rate (FR)	0.30	0.61
Injury Severity Rate (SR)	1.80	13.00

Note: Injury Frequency Rate, FR＝person/total time of work*million hours worked
Average severe injury rate, SR＝days/ total time of work *million hours worked



Injury Frequency Rate (FR) Injury Frequency Rate per Million Hours Worked

Year	2014	2015	2016
Taoyuan	0.47	0.37	0.61
Management Target	0.36	0.36	0.30

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

Year	2014	2015	2016
Taoyuan	15	2.78	13.00
Management Target	2	2	1.80

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

GRI Injury Indicators

Incidence Rate (IR)

Year	2014	2015	2016
Taiwan	0.1	0.09	0.12

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)

Year	2014	2015	2016
Taiwan	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)

Year	2014	2015	2016
Taiwan	2.99	0.55	2.60

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

Absence rate (AR)

Year	2014	2015	2016
Taiwan		0.09	0.01

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



Management of Waste and Hazardous Substances

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

Regarding to management measures, besides entrusting legal disposal authorities to properly dispose the waste in accordance with the governant policy, we also follow disposal trucks to check and confirm their cleaning status on site from time to time. Regarding to plants, we inspect waste storage and temporary storage zones through inspection checklist regularly, and request correction for non-compliance within a limited time. We also establish environmental safety and health self-assessment form and perform audits, to accomplish effective management and evaluation mechanism.

Measures	Methods
Setup recycling bins and commission manual sorting of domestic waste.	Setup recycling bins and encourage and propagandize staff to sort domestic waste. The employees recycled 20,000 kg of domestic waste in 2016.
Used batteries, light tubes and information technology objects must be recycled.	We have recycling stations for used batteries and light tubes available to the employees.

HTC Waste Statistics

Treatment	Unit	2014	2014	2016
Recovery (General)	Kg	2,723,338.5	3,037,885	3,450,697
Incineration(General)	Kg	1,454,435	1,257,469	1,143,555
Hazardous - Copper-containing waste (Chemical treatment)	Kg	0	0	2,860

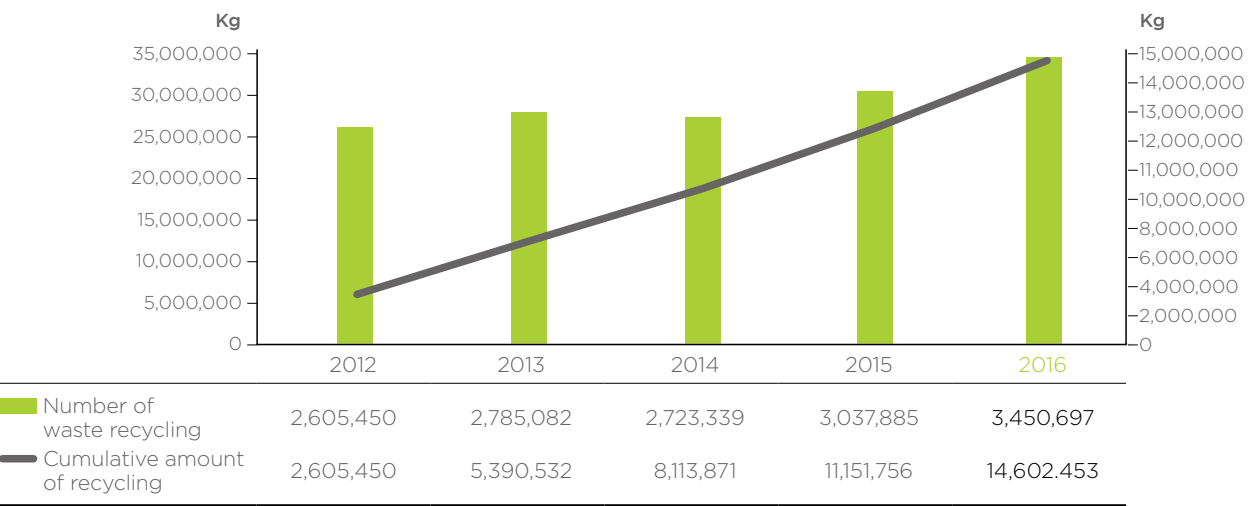
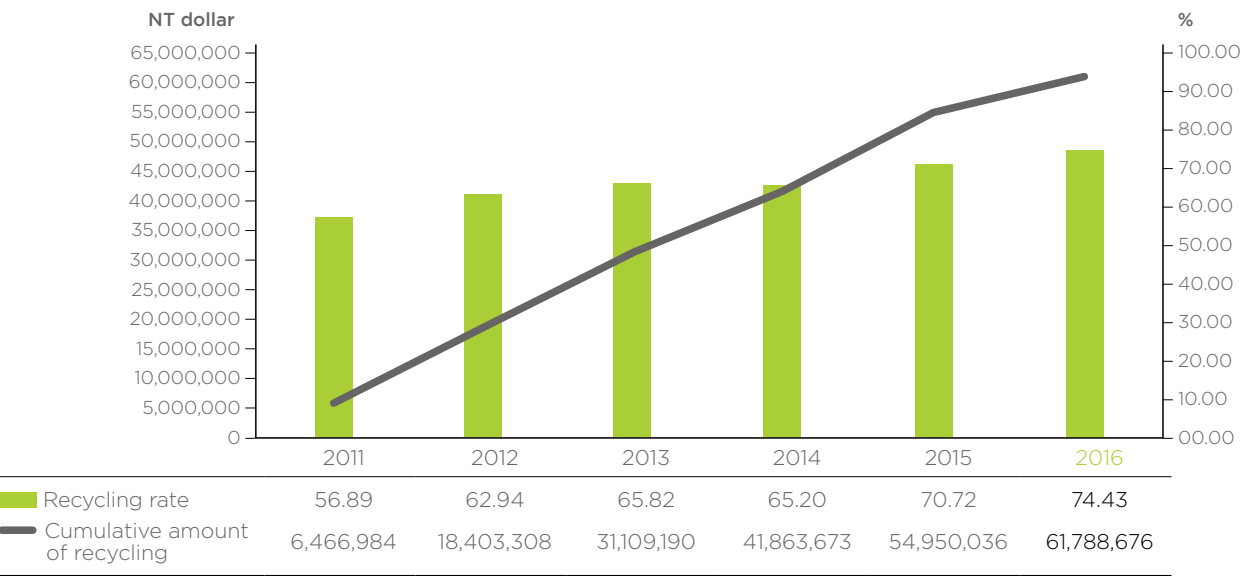
Note: General business waste recycling category includes Tray plate, foam, miscellaneous plastic, waste wood pallets, etc.
General business incineration category includes domestic household wast.

Waste Reduction, Recycling and Reuse

HTC waste reduction strategy involves the reduction of the generation of waste from the source by means of sorting and advocacy. The reuse of waste is also a priority and is essential for an increase in resource recycling efficiency. The recyclability of waste that cannot be reused can be improved by physical sorting and can be stored for later disposal and such output is recorded and regularly published on-line.

We have been taking steps to handle the treatment of waste materials according to type. As an example we commission contractors to collect and recycle waste trays. In addition a number of other licensed contractors are employed to recycle other material and much of the waste is purified and turned into industrial raw material. Other waste goes through physical classification which increases reusability and the material that is not recyclable goes to a final destination. We also publish the condition of temporarily stored waste material on the Internet. Our recycled resources reached 3,450.6977 tons in 2016.

Waste Recycling Effect and Rate



- 1. The TY5 Building in Taoyuan and the Taipei Headquarters building both meet LEED construction standards. As much as 23% of the building material used was recycled and 76% of the waste produced in the construction process, such as steel shuttering, steel rebar, concrete, and epoxy, was recycled.
- 2. In the recycling of plastic trays and sponges, we have adopted a source control strategy. Trays and sponges are now reused on the production line as many times as possible to reduce the waste of material.

Between 2011 and 2016, the money earned or saved by recycling waste rose year by year to reach NT\$6,838,640 by 2016. The waste recycling rate increased from 56.89% in 2011 to 74.43% by 2016 to pass our long-term goal of 80%. By 2016 the accumulated savings and earnings from the recycling of waste had reached NT\$61,788,676.

— Harmful Substances and Chemical Control

HTC understands that in the green competition between corporations around the world, the active management of harmful substances and chemicals is the only way to ensure reliability of the manufacturing process and product compliance with the standards of the different countries and customers. In so doing, we reduce the legal risks that our products might suffer. Given that international regulations on the use of chemicals have become stricter, we take the following measures to control the condition of chemicals used during the manufacturing of components and parts. These include:

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

HTC hazardous substance management policy

HTC analyzes the international environmental protection regulations and complying with the environmental protection requirements of international customers, with reference to the relevant international technical standards, and then establishing the IP-0106-01 Toxic Substance Control List, and holding suppliers meeting regularly to work with parts suppliers together seeking for the use of non-toxic materials under the Company's hazardous substance control policy with green supply chain management, so that the procurement of raw materials, that is, using the principle of the source management to conduct strict control of hazardous substances. In the product development stage, the R & D department will deliver the relevant parts materials to the ISO 17025 qualified laboratories, such as SGS, TUV, to ensure that the materials used in the product conforms to the international environmental protection specifications.

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

Active Response to Green Product Certification

All HTC mobile phones are verified by international public certification companies, such as SGS, TUV, and ITS. Chemical analysis is carried out to ensure compliance with the EU environmental directives. HTC also cooperates with their customers in green-related certification plans such as the ULE and ecological scoring systems and this ensures that all products comply with customer green specifications. Our strategy is to buy environmentally friendly products to substantiate our environmental protection concept of “recyclable, low pollution, and resource-saving.” We express the purchase of environmentally friendly products as a priority in our procurement specifications to firmly integrate the concept into our daily operations.

Purchase amount in 2016 is NT\$**7,792,000**.

Between 2012 and 2016, procurement with green product mark totaled NT\$**26.71** million.



Sustainable Packing

HTC mobile phone products are packed using materials that make transportation safe and add aesthetics to the products upon delivery. We also consider the impact the packaging materials will have on the environment when they are discarded. The materials we use must be compliant with the regulation, environmental 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 environmental friendly ink (soy ink);
- 4. The facilitation of shipment;
- 5. Mark following recycling symbols on the box to show the consumers recycling packaging material.

This packaging is

 98%
recyclable

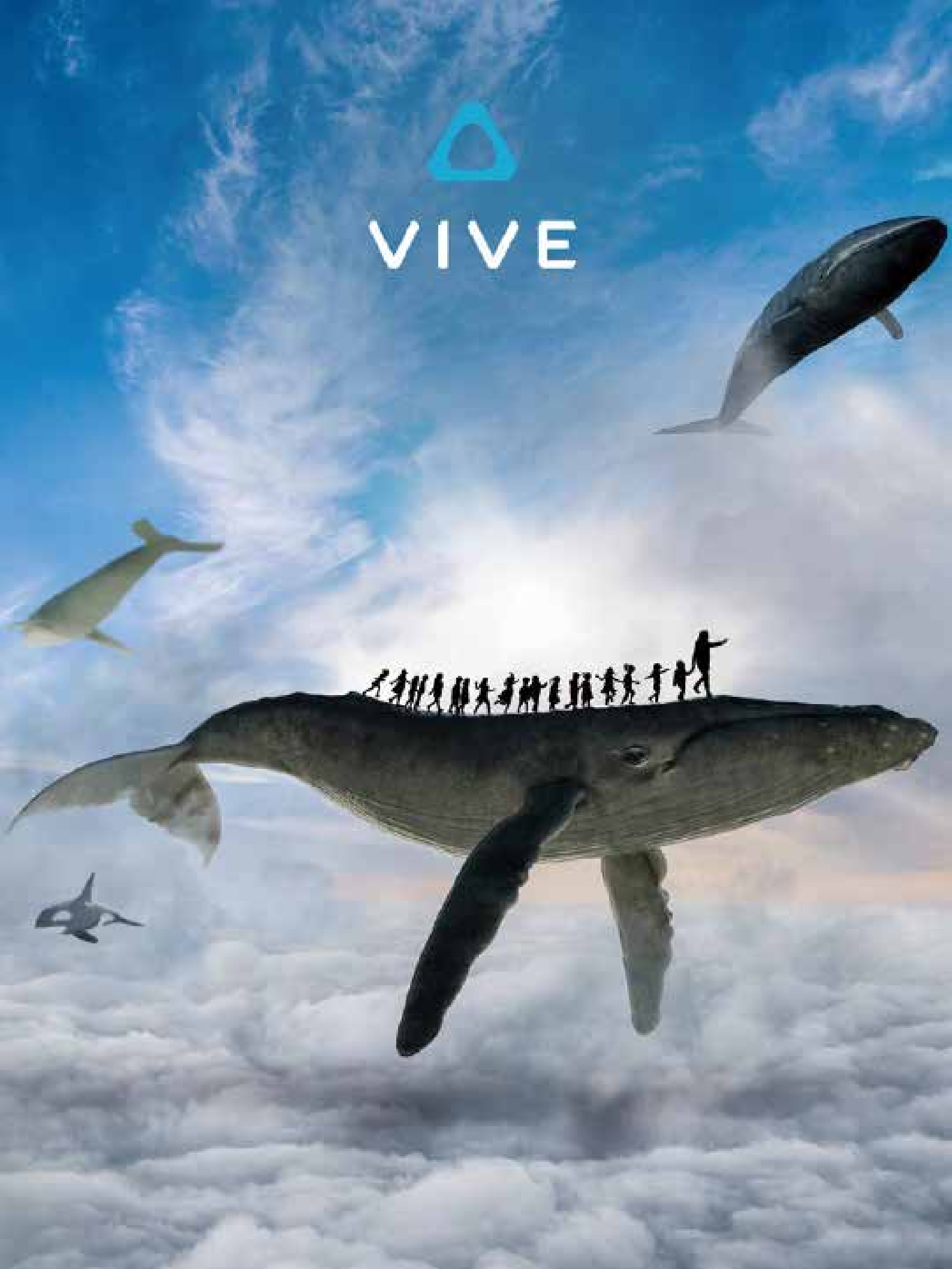
 79%
fast renewable

 PRINTED WITH
SOY INK

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 118 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.

Formed by 65% sugar cane bagasse and 35% bamboo pulp, and is 100% recyclable and biodegradable. Compared to regular boxes made of wood, these boxes made of sugar cane residues and rapid-growing bamboos are more environment-friendly and are also lighter than regular boxes. Comparing between HTC package boxes of 2009 and 2016, the weights have been dramatically decreased from 170 grams to 111 grams, with a decrease of 35% of the weight that contributed significantly to reducing carbon footprint in transportation.

HTC has elaborated the energy-saving and power-saving functions in the colored mobile phone box and manual. The HTC mobile phone box is made with environmentally friendly materials as well as fully recyclable and biodegradable paper. Furthermore, “Forest Stewardship Council” certified paper, is printed on the box to alert the consumer to the concept of environmental awareness.



History of HTC “Sustainable Packaging”

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 and help reduce freight

Material

Fast growing materials (sugar cane, bagasse, bamboo)



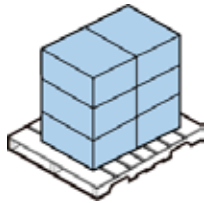
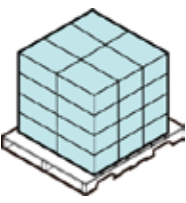
Results

Renewable material; more easily recycled with less CO₂ emission

	2009 Hero box	2013/2014 M7 BOX/M8 BOX	2015 M9 BOX	2016 M10 BOX
				
Dimensions	183x89x60mm	160x160x28mm	160x160x28mm	180.5x150.5x33.5mm
Total Weight	170g	95g	95g	111g
Transportation Carbon Footprint (kg CO ₂ eq)	1.59	0.89	0.89	1.04
ECO Features	<ul style="list-style-type: none">● Package volume reduced by 50%.● Soy ink used for printing.	<ul style="list-style-type: none">● This box is 98% composed of recyclable paper and material.● It is made at least 75% from fast-growing bagasse (a sugar cane product and bamboo).● It was printed using vegetable-based ink rather than petroleum-based ink.	<ul style="list-style-type: none">● Materials is consist with current fast renewable plants.● No lamination in top label.● Less colors.● Top label : from 5 colors to 1 color printing.	<ul style="list-style-type: none">● Materials is consist with current fast renewable plants.● Reduce the printing area, printing color.● Do not use glazing plastic.

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

Material of VR packaging
Utilize recyclable packaging materials and lightweight design

	2015 Rigid BOX	2016 Pizza Box
		
Dimensions	574x420x212mm	415x295x181mm
Weight	3,000g	1,800g
The number of pallets	 6pcs	 24pcs
Transportation Carbon Footprint (kg CO ₂ eq)	28.14	16.88
ECO Features	<ul style="list-style-type: none">● Printed with two color and reduce the ink use.	<ul style="list-style-type: none">● Volume reduced by 55%.● Weight loss by 40%.● Printed with two color and reduce the ink use.

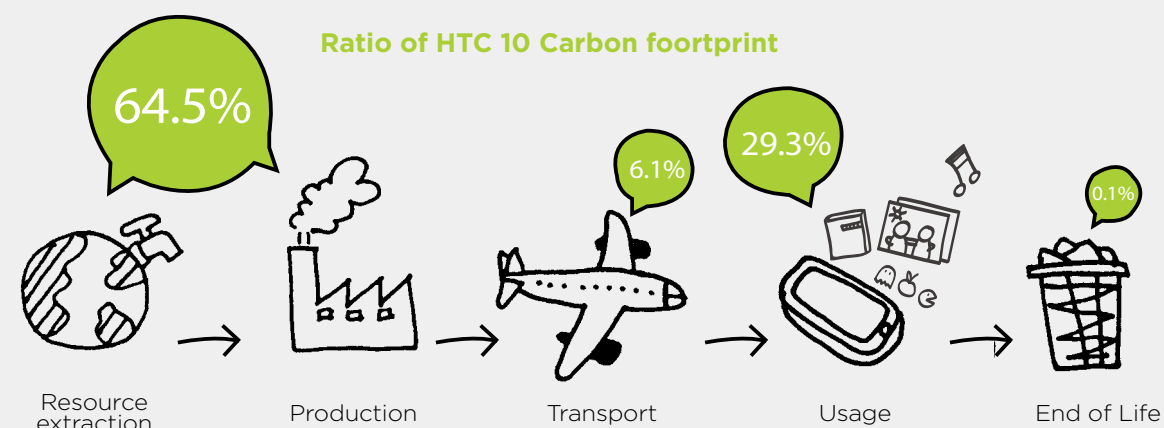
Sustainable Product

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

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

International standards for product carbon footprint

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



Plan and action for carbon reduction

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

Carbon Footprint Related Plans and Reports over the Years

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

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

Product Environmental Declaration (EPD) report:

<http://environdec.com/en/Detail/?Epd=8226#.Uzpg5PmSxMU>

Carbon footprint report:

<http://www.htc.com/assets-desktop/images/csr/tw/download/HTC-One-CFP-report.pdf>



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.

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



Social Innovation Product(1)-Totspace

Children vaccination can produce antibodies to avoid illness. A baby from birth to 5 years old needs to have a total of 23 doses of vaccine. The complicated schedule causes many novice parents much trouble. In order to avoid the novice parents missing the vaccination, HTC healthcare cooperated with Taiwan Disease Control Center to develop a special vaccination application “Totspace”. As long as enter the baby’s birthdate, APP can try to calculate the date of vaccination for each dose of vaccine so that parents master the baby in the growth stage for completing development indicators.



Through a simple user interface and entering the baby’s birthdate, Totspace can automatically calculate the vaccination time, timely reminders, search for the information on the surrounding area for the vaccination contract institution to facilitate the arrangement and reserve the vaccination appointment. In addition, the APP also offers a variety of customized features so that parents capture photos, record growth milestones, but also share with friends and relatives, to create the exclusive growth notes. As of the end of 2016, the number of downloads had been over one million.

Social Innovation Product(2)-Mackay Medical Hall

“Medication taking on time ” is one of the critical priorities for chronic patients to control the condition. Many chronic patients are older, memory is not as good as in the past, and sometimes they forgot to take their medication. In order to solve the problem fro patients, HTC Healthcare cooperated with Mackay Memorial Hospital to develop the “Mackay Medical Hall”APP. The patient can use the mobile phone to scan the QR code on medication bag or chronic prescription to complete personal medication settings, as long as medication taking time is up, APP will regularly ring to remind the patient fro taking medication. If the patient scans chronic disease consecutive prescription, APP will also remind the medication refill.



“Mackay Medical Hall”APP won the first prize of the 2016 Young Award for Healthcare Medicine. This app has been downloaded over six thousands until 2016 and will be extended to other hospitals in 2017.

VIVEPAPER

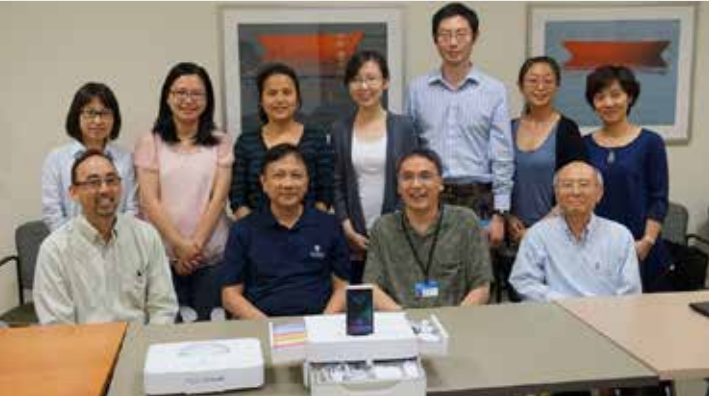
HTC healthcare BU has developed and lauched a novel augmented reality reading system named Vivepaper. Vivepaper renders virtual multimedia content on a piece of physical paper(card stock). The paper then appears as a multimedia book when viewed through the display of a head-mount device (HMD). The rendering pipeline of Vivepaper consists of three main components: an HMD with a frontal camera, a card-stock paper printed with visual fiducial markers, and an HCI module. A user sees a virtual book on the display of a HMD rendered from the physical card stock. The user can interact with the book through natural hand gestures and eye positioning such as swipe for flipping pages, and point-and-click or staring for selectiong content.

Vivepaper turns an ordinary piece of two-dimentional card stock into a doorway to an infinite amount of content in 2D, 3D, VR and any other formant that can be rendered on the HMD display, while preserving the natural ways of human-book interations. Since its lauch in October 2016, Vivepaper has been adopted in several domains including education, training, and tourism for making rich media information immersive and interactive.

Tricoder XPRIZE

Qualcomm Tricorder XPRIZE is the largest international medical competition in history. The 2016 competition title is for designing a mobile instrument below 5 pounds, which can be used to monitor and diagnose health condition at home. The competition stipulates that the instrument must be 24-hour continuously monitor the vital signal and complete the diagnosis of 12 diseases within 90 minutes.

The Dynamical Biomarkers Group (DBG) was co-led by Dr. Edward Chang from HTC and Prof. Chung-Kang Peng from Harvard Medical School, and invited multidisciplinary teams of clinians, scientists and engineers. The device system designed by DBG stood out from the participating 310 international teams, finalists before the dinal two. The XPRIZE Foundation will announce the winner in April 2017, with total prize money of USD 7 million. The organizers also plan to introduce Tricorder into developing countries.



Surgical Theater

HTC and partner Surgical Theater launched products can transfer Computed Tomography and Magnetic Resonance Images into Virtual Reality (Virtual Reality) content for patient engagement, preoperative planning, such as surgical path simulation and surgery with the combination of endoscope image and navigation system.

At present, the Standford, UCLA, Mount Sinai, Mayo Clinic and NYU Langone, five well-known medical canters have used Surgical Theater products. Before surgery, the patient can walk into their own brain to understand how physician plans to operate through the virtual reality of technology. The surgical team can also significantly improve the preoperative patient engagement satisfaction and improve the quality of surgery through the virtual reality planning and simulation of the operation.

In November 2016, HTC held the “International Summit on Healthcare Innovation 2016” and invited Neil Martin, UCLA Neurosurgery Director to Taiwan to share the experience of using VR technology to assit brain surgery. In December 2016, HTC also invited Dr. Joshua Bederson, Mount Sinai neurosurgery director to Taipei to share virtual reality in the application of skull base surgery, how virtual reality technology to contribute to medical teaching, and effective preoperative surgery planning and exercise to help surgeons improve the quality of surgery and patient engagement satisfaction. VR technology not only meets the needs of medical student training, but also display the unexpected situation during the process of operation, which strengthens the medical staff’s capability to crisis and changes.

At present, HTC Healthcare has begun to promote the educational version of Surgical Theater products to the medical schools and medical centers in Taiwan and China, to enhace the resifent doctors and medical students for the brain anatomy of medical education, can significantly shorten the learning time. At the same time, the clinical version is also applied the certification to TFDA in Taiwan for the actual use of the patient engagement, preoperative simulation and surgical navigation system and endoscope, to help improve patient engagement satisfaction and surgical quality.



HTC Foundation



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

We engage in public interest activities to espouse humanitarianism and contribute to a peaceful and harmonious society. The Foundation plays an important part in community engagement and social services to instill the core values of integrity, honesty, care, love, positive thinking, and respect for natural resources. The HTC Foundation invested NT\$4,543,000 on education in 2016, while HTC Social Welfare and Charity Foundation spent NT\$48,012,000 on charity business.

Vision

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

Mission

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

Objectives

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

Character Statement

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

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

Many Blessings Courses

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

Summer institute for character education

HTC Foundation has been dedicated to the implementation of character education. For many years, it has been providing highquality, systematic, and diverse resource for education and training through the “rock education implementation program”to help schools across Taiwan to implement character education more effectively. To help schools cultivate a character-based campus culture, nurture those school practicing character education, promote academic and practical dialogue for the character education to strengthen the ability of the schools’ leadership teams in implementation, the foundation has been inviting Dr. Marvin Berkowitz, lecturing professor on character education from College of Education, University of Missouri at St. Louis, to give a lecture in the “Summer Institute for Character Education” in Taiwan since 2012. As of 2016, there have been 184 people in total from the leadership teams made up of school principals and administration members from 27 schools who have participated in the five-day intensive immersion training.

This course has been taught in Missouri and other areas for 18 years. According to feedback from the 27 schools that participated in the last 5 years after the course, the course has been beneficial to both the participating teams and their members in core topics of the character education and nature of education or buildup of consensus for the leadership team. HTC Foundation will continue to hold this training course through its summer institute. It hopes that this course would help schools build up their own leadership teams for the character education on their campuses. Through collective efforts by the team members, the campusbased culture of character would be shaped to cultivate students’ growth and development in characters.

Character Town

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

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

Other Social Engagement Activities

In addition to sponsoring the social work upheld by the HTC Foundation, HTC also positively engages in public interest activities through other channels. In 2016, our accomplishments in social works included:

Social enterprise marketplace

In response to the multi-employment development program by the Workforce Development Agency, the Ministry of Labor, striving for employment plan and social enterprise development, and further enhancing the unemployed people’s employability and confidence at work, expanding the possibility of local industrial culture, we held two social enterprise marketplace in 2016, with a total 12 units participated from the women’s care associations, agricultural producers’ cooperative and all local community development associations, created a total of NTD 84,310 benefits, not only to enable employees to understand the services and products from the social enterprise development units through the activities, but also to participate and support with practical actions produce more benefits.

Blood Donations

Seven 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. The personnel of the Taoyuan and Xindian plants donated 177,500 c.c and 134,000 c.c of blood in 2016.

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 cultivates communication with the children and the community to pass on the core values of integrity, honesty, care, love, positive thinking, and respect for natural resources.

The HTC Child Support Club

The HTC Child Support Club was founded in 2006 as a spontaneous association formed by HTC employees. The members raise money that is donated to the China Children’s Fund (CCF) to support the sponsorship of children in need. In 2016, 204 HTC employees made donations. The funds raised by the HTC Child Support Club and the Employee Welfare Committee came to NT\$1,862,860, and was used to sponsor 103 children. Among those, 80 were domestic children, 15 domestic elites, total 95 children. While 8 of these were from foreign countries, including Guatemala, Indonesia, the Philippines, Senegal, Sri Lanka, Qirghiz, and Paraguay.



ASSURANCE STATEMENT

SGS TAIWAN LTD.'S REPORT ON SUSTAINABILITY ACTIVITIES IN THE HTC CORPORATION'S CORPORATE SOCIAL RESPONSIBILITY REPORT FOR 2016

NATURE AND SCOPE OF THE ASSURANCE/VERIFICATION

SGS Taiwan Ltd. (hereinafter referred to as SGS) was commissioned by HTC CORPORATION (hereinafter referred to as HTC) to conduct an independent assurance of the Corporate Social Responsibility Report for 2016 (hereinafter referred to as CSR Report). The scope of the assurance, based on the SGS Sustainability Report Assurance methodology, included the text, and data in accompanying tables, contained in this report.

The information in the HTC's CSR Report of 2016 and its presentation are the responsibility of the management of HTC. SGS has not been involved in the preparation of any of the material included in HTC's CSR Report of 2016.

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

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

This report has been assured using our protocols for:

- evaluation of content veracity at a high level of scrutiny for HTC and moderate level of scrutiny for applicable aspect boundaries outside of the organization covered by this report;
- AA1000 Assurance Standard (2008) Type 2 evaluation of the report content and supporting management systems against the AA1000 Accountability Principles (2008); and
- evaluation of the report against the Global Reporting Initiative Sustainability Reporting Guidelines (G4 2013).

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

STATEMENT OF INDEPENDENCE AND COMPETENCE

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

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

VERIFICATION/ ASSURANCE OPINION

On the basis of the methodology described and the verification work performed, we are satisfied that the information and data contained within HTC's CSR Report of 2016 verified is accurate, reliable and provides a fair and balanced representation of HTC sustainability activities in 01/01/2016 to 12/31/2016.

The assurance team is of the opinion that the Report can be used by the Reporting Organisation's Stakeholders. We believe that the organisation has chosen an appropriate level of assurance for this stage in their reporting. In our opinion, the contents of the report meet the requirements of GRI G4 Core Option and AA1000 Assurance Standard (2008) Type 2, High level assurance.

AA1000 ACCOUNTABILITY PRINCIPLES (2008) CONCLUSIONS, FINDINGS AND RECOMMENDATIONS

Inclusivity

HTC has demonstrated a good commitment to stakeholder inclusivity and stakeholder engagement. A variety of engagement efforts such as survey and communication to employees, customers, investors, suppliers, CSR experts, and other stakeholders are implemented to underpin the organization's understanding of stakeholder concerns. In the future, HTC may consider having more direct two-ways stakeholder engagements with documented outcomes.

Materiality

HTC has established effective processes for determining issues that are material to the business. Formal review has identified stakeholders and those issues that are material to each group and the report addresses these at an appropriate level to reflect their importance and priority to these stakeholders.

Responsiveness

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

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

The report, HTC's CSR Report of 2016, is adequately in line with the GRI G4 Core Option. The material aspects and their boundaries within and outside of the organization are properly defined in accordance with GRI's Reporting Principles for Defining Report Content. Disclosures of identified material aspects and boundaries, and stakeholder engagement, G4-17 to G4-27, are correctly located in content index and report. Disclosures on Management Approach components for other material aspects, such as goals and targets, may be further enhanced in next report. Detailed disclosures on LA1 and LA6 are recommended for future reports.

Signed:

For and on behalf of SGS Taiwan Ltd.

David Huang, Director
Taipei, Taiwan
19 June, 2017
WWW.SGS.COM



GENERAL STANDARD DISCLOSURES

Indicator	Disclosure Item	Page Number	Omission and Explanation	External Assurance p.127-128
STRATEGY AND ANALYSIS				
G4-1	Provide a statement from the most senior decision-maker of the organization	5-6		
G4-2	Provide a description of key impacts, risks, and opportunities	5, 31-33		
ORGANIZATIONAL PROFILE				
G4-3	Report the name of the organization	1		
G4-4	Report the primary brands, products, and services	10, 17-18		
G4-5	Report the location of the organization's headquarters	1		
G4-6	Report the number of countries where the organization operates, and names of countries where either the organization has significant operations or that are specifically relevant to the sustainability topics covered in the report	13		
G4-7	Report the nature of ownership and legal form	9		
G4-8	Report the markets served(including geographic breakdown, sectors served, and types of customers and beneficiaries)	13, 14		
G4-9	Report the scale of the organization	9, 14, 59		
G4-10	Report the total number of employees	24		
G4-11	Report the percentage of total employees covered by collective bargaining agreements	75	The union was established in 2015 and there is no collective agreements.	
G4-12	Describe the organization's supply chain	48		
G4-13	Report any significant changes during the reporting period regarding the organization's size, structure, ownership, or its supply chain	2, significant changes		
G4-14	Report whether and how the precautionary approach or principle is addressed by the organization	81-101		
G4-15	List externally developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes or which it endorses	43, 48		
G4-16	List memberships of associations and national or international advocacy organizations	48		
IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES				
G4-17	List all entities included in the organization's consolidated financial statements or equivalent documents	Please refer to annual report p.157		
G4-18	Explain the process for defining the report content and the Aspect Boundaries	36		
G4-19	List all the material Aspects identified in the process for defining report content	37, 38		
G4-20	For each material Aspect, report the Aspect Boundary within the organization	37, 38		
G4-21	For each material Aspect, report the Aspect Boundary outside the organization	37, 38		

Indicator	Disclosure Item	Page Number	Omission and Explanation	External Assurance p.127-128
G4-22	Report the effect of any restatements of information provided in previous reports, and the reasons for such restatements	85, 93		
G4-23	Report significant changes from previous reporting periods in the Scope and Aspect Boundaries	No significant changes		
STAKEHOLDER ENGAGEMENT				
G4-24	Provide a list of stakeholder groups engaged by the organization	41-42		
G4-25	Report the basis for identification and selection of stakeholders with whom to engage	41		
G4-26	Report the organization's approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group, and an indication of whether any of the engagement was undertaken specifically as part of the report preparation process	41-42		
G4-27	Report 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. Report the stakeholder groups that raised each of the key topics and concerns.	41-42		
REPORT PROFILE				
G4-28	Reporting period (such as fiscal or calendar year)	2		
G4-29	for information provided	2016		
G4-30	Date of most recent previous report	Every year		
G4-31	Reporting cycle	2		
G4-32	Provide the contact point for questions regarding the report or its contents	2		
G4-33	Report the 'in accordance' option the organization has chosen	2		
GOVERNANCE				
G4-34	Report the governance structure of the organization, including committees of the highest governance body. Identify any committees responsible for decision-making on economic, environmental and social impacts	12, 34		
ETHICS AND INTEGRITY				
G4-56	Describe the organization's values, principles, standards and norms of behavior	27, 35, 48, 65, 100		

SPECIFIC STANDARD DISCLOSURES

DMA and Indicators	Disclosure Item	Page Number	Omission and Explanation	External Assurance p.127-128
CATEGORY: ECONOMIC				
MATERIAL ASPECT: ECONOMIC PERFORMANCE				
G4-DMA		14		●
G4-EC1	Direct economic value generated and distributed	14		●
G4-EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change	32		●
G4-EC3	Coverage of the organization's defined benefit plan obligations	62-64		●
G4-EC4	Financial assistance received from government	No relevant assistance		●
MATERIAL ASPECT: MARKET PRESENCE				
G4-DMA		61		●
G4-EC5	Ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation	61		●
MATERIAL ASPECT: INDIRECT ECONOMIC IMPACTS				
G4-DMA		117		●
G4-EC7	Development and impact of infrastructure investments and services supported	119-121		●
G4-EC8	Significant indirect economic impacts, including the extent of impacts	125		●
CATEGORY: ENVIRONMENT				
MATERIAL ASPECT: ENERGY				
G4-DMA		85, 86		●
G4-EN3	Energy consumption within the organization	85, 86		●
G4-EN5	Energy intensity	86		●
G4-EN6	Reduction of energy consumption	87, 90		●
G4-EN7	Reductions in energy requirement of products and services	98.110-116		●
MATERIAL ASPECT: WATER				
G4-DMA		91		●
G4-EN8	Total water withdraw by source	91		●
G4-EN10	Percentage and total volume of water recycled and reused	92		●
MATERIAL ASPECT: EMISSIONS				
G4-DMA		83-84		●
G4-EN15	Direct greenhouse gas (GHG) emissions (SCOPE 1)	85		●
G4-EN16	Energy indirect greenhouse gas (GHG) emissions (SCOPE 2)	85		●
G4-EN18	Greenhouse gas (GHG) emissions intensity	85		●

DMA and Indicators	Disclosure Item	Page Number	Omission and Explanation	External Assurance p.127-128
G4-EN19	Reduction of greenhouse gas (GHG) emissions	87		●
G4-EN21	NOX, SOX, and other significant air emissions	No emissions		●
MATERIAL ASPECT: EFFLUENTS AND WASTE				
G4-DMA		90		●
G4-EN22	Total water discharge by quality and destination	91		●
G4-EN23	Total weight of waste by type and disposal methods	107-109		●
G4-EN24	Total number and volume of significant spills	No relevant issues		●
MATERIAL ASPECT: PRODUCTS AND SERVICES				
G4-DMA		115		●
G4-EN27	Extent of impact mitigation of environmental impacts of products and services	115-116		●
MATERIAL ASPECT: COMPLIANCE				
G4-DMA		37		●
G4-EN29	Monetary value of significant fines and total number of significant fines and total number of non-monetary sanctions for non-monetary for non-compliance with environmental laws and regulations	No relevant fines		●
MATERIAL ASPECT: TRANSPORT				
G4-DMA		94, 115		●
G4-EN30	Significant environmental impacts of transporting products and other goods and materials for the organization's operation, and transporting members of the workforce	94, 115		●
MATERIAL ASPECT: OVERALL				
G4-DMA		101-102		●
G4-EN31	Total environmental protection expenditures and investments by type	101-102		●
MATERIAL ASPECT: SUPPLIER ENVIRONMENTAL ASSESSMENT				
G4-DMA		48		●
G4-EN33	Significant actual and potential negative environmental impacts in the supply chain and actions taken	48-54		●
MATERIAL ASPECT: ENVIRONMENTAL GRIEVANCE MECHANISMS				
G4-DMA		75-76		●
G4-EN34	Number of grievances about environmental impacts filed, addressed, and resolved through formal grievance mechanisms	No relevant issues		●
CATEGORY: SOCIAL				
SUB-CATEGORY: LABOR PRACTICES AND DECENT WORK				
MATERIAL ASPECT: EMPLOYMENT				

DMA and Indicators	Disclosure Item	Page Number	Omission and Explanation	External Assurance p.127-128
G4-DMA		55		●
G4-LA2	Benefits provided to full-time employees that are not provided to temporary or part time employees, by significant locations of operation	62-64		●
G4-LA3	Return to work and retention rates after parental leave, by gender	66		●
MATERIAL ASPECT: OCCUPATIONAL HEALTH AND SAFETY				
G4-DMA		101		●
G4-LA5	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		●
G4-LA6	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender	104-105	Not doing statistical analysis by gender	●
G4-LA8	Health and safety topics covered in formal agreements with trade unions	No formal agreements		●
MATERIAL ASPECT: TRAINING AND EDUCATION				
G4-DMA		77		●
G4-LA9	Average hours of training per year per employee by gender, and by employee category	80	Not doing statistical analysis by gender	●
G4-LA10	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	78-80		●
G4-LA11	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category	100%		●
MATERIAL ASPECT: DIVERSITY AND EQUAL OPPORTUNITY				
G4-DMA		24		●
G4-LA12	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity	24, 27		●
MATERIAL ASPECT: SUPPLIER ASSESSMENT FOR LABOR PRACTICES				
G4-DMA		48		●
G4-LA15	Significant actual and potential negative impacts for labor practices in the supply chain and actions taken	50-54		●
MATERIAL ASPECT: LABOR PRACTICES GRIEVANCE MECHANISMS				
G4-DMA		64		●
G4-LA16	Number of grievances about labor practices filed, addressed, and resolved through formal grievance mechanisms	No relevant issues		●
SUB-CATEGORY: HUMAN RIGHTS				
MATERIAL ASPECT: NON-DISCRIMINATION				

DMA and Indicators	Disclosure Item	Page Number	Omission and Explanation	External Assurance p.127-128
G4-DMA		65		●
G4-HR3	Total number of incidents of discrimination and corrective actions taken	65, no relevant issues		●
MATERIAL ASPECT: FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING				
G4-DMA		75		●
G4-HR4	Operations and suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and measures taken to support these rights	75		●
MATERIAL ASPECT: CHILD LABOR				
G4-DMA		64		●
G4-HR5	Operations and suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor	65, no relevant issues		●
MATERIAL ASPECT: FORCED OR COMPULSORY LABOR				
G4-DMA		65		●
G4-HR6	Operations and suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of all forms of forced or compulsory labor	No relevant issues		●
MATERIAL ASPECT: HUMAN RIGHTS ASSESSMENT				
G4-DMA		65		●
G4-HR9	Total number and percentage of operations that have been subject to human rights reviews or impact assessments	65, 100%		●
MATERIAL ASPECT: SUPPLIER HUMAN RIGHTS ASSESSMENT				
G4-DMA		48		●
G4-HR11	Significant actual and potential negative human rights impacts in the supply chain and actions taken	49-54		●
MATERIAL ASPECT: HUMAN RIGHTS GRIEVANCE MECHANISMS				
G4-DMA		76		●
G4-HR12	Number of grievances about human rights impacts filed, addressed, and resolved through formal grievance mechanisms	76, no relevant issues		●
SUB-CATEGORY: SOCIETY				
MATERIAL ASPECT: ANTI-CORRUPTION				
G4-DMA		30		●
G4-SO3	Total number and percentage of operations assessed for risks related to corruption and the significant risks identified	30		●
G4-SO4	Communication and training on anti-corruption policies and procedures	30		●
G4-SO5	Confirmed incidents of corruption and actions taken	No relevant issues		●

DMA and Indicators	Disclosure Item	Page Number	Omission and Explanation	External Assurance p.127-128
MATERIAL ASPECT: COMPLIANCE				
G4-DMA		37		●
G4-SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	No relevant issues		●
SUB-CATEGORY: PRODUCT RESPONSIBILITY				
MATERIAL ASPECT: CUSTOMER HEALTH AND SAFETY				
G4-DMA		95		●
G4-PR1	Percentage of significant product and service categories for which health and safety impacts are assessed for improvement	100, 100%		●
G4-PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services during their life cycle, by type of outcomes	No relevant issues		●
MATERIAL ASPECT: MARKETING COMMUNICATIONS				
G4-DMA		95, 96		●
G4-PR3	Type of product and service information required by the organization's procedures for product and service information and labeling, and percentage of significant product and service categories subject to such information requirements	96, 100%		●
G4-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		●
MATERIAL ASPECT: CUSTOMER PRIVACY				
G4-DMA		43, 44		●
G4-PR6	Sale of banned or disputed products	No relevant issues		●
G4-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		●
MATERIAL ASPECT: CUSTOMER PRIVACY				
G4-DMA		43		●
G4-PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	43, no relevant issues		●
MATERIAL ASPECT: CUSTOMER PRIVACY				
G4-DMA		37		●
G4-PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	No relevant issues		●
MATERIAL ASPECT: CONFLICT MINERALS				
G4-DMA		53		●

DMA and Indicators	Disclosure Item	Page Number	Omission and Explanation	External Assurance p.127-128
MATERIAL ASPECT: BRAND MANAGEMENT				
G4-DMA	Conflicts of interest are disclosed to stakeholders	15-18		●
MATERIAL ASPECT: CHARACTER EDUCATION				
G4-DMA		123-125		●