VIVE
hTC

2018

hTC
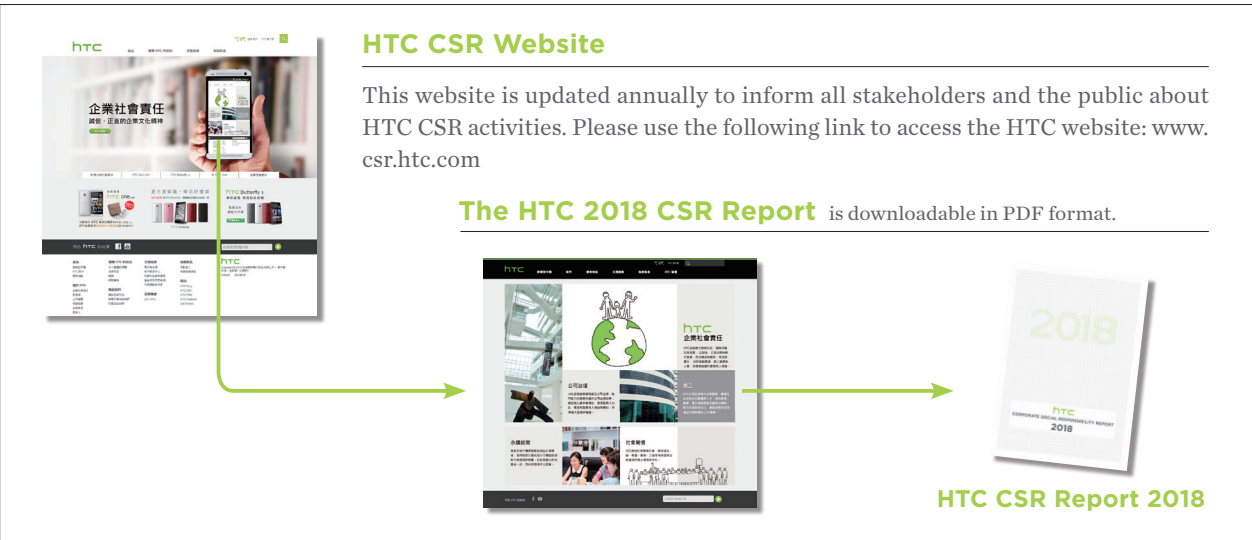CORPORATE SOCIAL RESPONSIBILITY REPORT
2018

Editorial Principle ____

Thank you for reading the seventh 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 2018.

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 2018 CSR Report is downloadable in PDF format.

HTC CSR Report 2018

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 2018

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

HQ & Plants
Taipei Office 1
Taipei Office 2
Hsinchu Software R&D Center
Tainan Software R&D Center
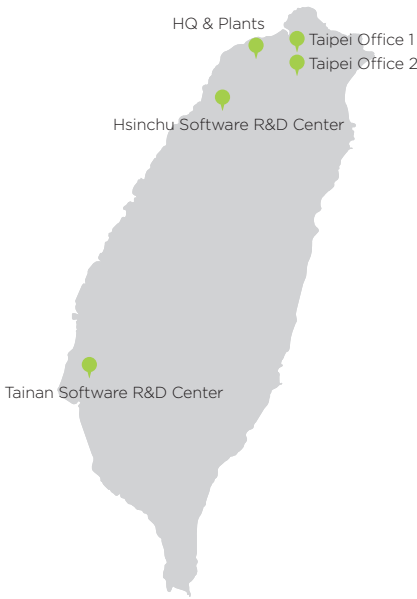
Time Coverage of Disclosure

We plan to issue the HTC Corporate Social Responsibility Report annually. This report generally covers the year 2018 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 2017 to 2019 May, as well as the HTC CSR management policies, key issues, and performance, responses and activities for previous years.

Report Basis

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

Forward-Looking Statements & Statistical Calculations

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

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

Feedback

Should you have any questions about this HTC Corporate Social Responsibility Report 2018, please let us know to help us make continuous progress.

Contact us

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CSR URL: www.csr.htc.com

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Statement of the Management ____

Thank you for taking the time to peruse the 2018 "Corporate Social Responsibility Report" issued by HTC.

We continue to follow the latest "Global Reporting Initiative Standards" and AA 1000 standards Type II High Level of Assurance to report information disclosure to the general public and all stakeholders. The relationship communicates with HTC's commitment and achievements in reflecting social responsibility and moving towards sustainable development.

In the past year, we have promoted two major changes to provide new impetus to the company, and to make all teams move in the same direction, making HTC an innovative company with dynamism. First of all, for the new vision set last year: VIVE Reality, we have made relevant adjustments for the company as a whole. VIVE Reality is the integration of cutting-edge technologies such as virtual reality (VR), augmented reality (AR), artificial intelligence (AI), 5G high-speed connectivity and other emerging technologies such as blockchain, creating rich and profound the immersive experience realizes the pursuit of creating a better life for mankind. We continue to integrate the development of these cutting-edge technologies into our product, while HTC will also focus on investing in innovative technologies and talent development.

The second shift is to make HTC a complete ecosystem company. We not only integrate our expertise in hardware and software integration, but also actively extend our content creation and platform activities to provide our virtual partners with high value-added services to our important partners. It also accelerates the popularization of these technologies. In order to maintain an absolutely critical role in the advancement of VIVE Reality, HTC is creating many opportunities to increase revenue and profit in the medium to long term.

To achieve this goal, we have redesigned the hardware development process and combined our optimization of software, platforms and services to increase our knowledge base to provide the necessary resources for key fields.

In 2018, we also had a bumper year in the HTC VIVE virtual reality business, presented in many of our revolutionary hardware, application content services and platforms. In terms of enterprise users, we launched VIVE Pro at the Consumer Electronics Show (CES) in 2018, and pushed VIVE Pro Eye one year later. This is a VR head-mounted display designed for high-quality professional users. It has precise eye tracking and gaze point rendering to provide better display performance, and get more feedback in the developed content.

The HTC DeepQ Healthcare business unit consists of interdisciplinary experts and engineers, such as computer science software engineering, medicine, regulations, user experience and design, through virtual reality, augmented reality, big data and artificial intelligence technologies. Develop and deliver products and services that are accurate and personalized, and thereby achieve cost control and quality improvement in health care. In recent years, we have also announced several innovative technologies for artificial intelligence, including medical service chat robots for general health care, epidemic prevention and disease management.

5G is a new generation of high-speed wireless connectivity technology, and our smart phone and connected devices team continues to invest considerable research and development resources. The high bandwidth and low latency of the 5G ultra-high speed network will revolutionize industrial and home applications. HTC's advanced development capabilities in communications technology have been widely recognized around the world and can be demonstrated by many of the initiatives we have created in the mobile communications industry. The first product in this new series, the HTC 5G Hub, was first released at the end of 2018 and publicly displayed at the Mobile World Congress (MWC) in 2019, and has attracted many of the world's leading telecom operators to join the common published partners. This innovative 5G mobile smart hub delivers an all-new user experience that is more intuitive and convenient for families, business users and out-of-home needs. With the launch of the HTC 5G Hub worldwide, we are excited and look forward to building deeper partnerships with global carriers.

HTC continues to focus on the automation of production and testing of all product lines, while continuing to improve customer satisfaction with high-quality products while changing the structure of business costs. In the second half of 2018, manufacturing cost reductions have comfortably exceeded strict target levels. Now, the cooperation between the manufacturing department and the R&D team is closer, optimizing production and continuously improving the manufacturing process.

In addition to the continuous introduction of innovative products, HTC has long been committed to bringing positive impact to our environment, communities and colleagues, and strictly requires all operating units to reduce their environmental impact and actively contribute to society. HTC continues to work to improve energy management. Planting in the plant is based on recycling water for irrigation, which reduces overall water use by increasing wastewater use. In 2018, a total of 60.13% of electricity consumption was saved in the manufacturing plant, a significant improvement compared with 49.83% in 2017; GHG emission reductions also increased from 50.20% to 60.36%.

Looking ahead, HTC will continue to uphold the brand spirit of "Pursuit of Brilliance", the right strategies, world-class talent, innovation and a heritage of innovation that will drive our next stage of growth.

Throughout all of our operations and partnerships, HTC seeks to ensure the highest standards of environmental protection as well as R&D and innovation. HTC strives to become a world's leading brand, for our Pursuit of Brilliance in all aspects of our business is never-ending.

HTC
Chairwoman & Chief Executive Officer

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$ 8,188,134,550

The Global Leader in Innovative Mobile Phone Design – HTC

The HTC Corporation (HTC) was established in 1997. HTC brings brilliance to life through leading innovation in smart mobile device and experience design. Beginning with a vision to put a personal computer in the palm of our customers' hands, we have led the way in the evolution from palm PC to smartphone, and are now applying that same innovative approach to connected devices and virtual reality. To date, our Company has been through four major transformations that have helped us reinvent ourselves and achieve new growth. Starting from the beginning of the company's professional PDA design, HTC has continued to deepen innovation in R&D technology. HTC's first major turning point came in 1999, when the Company moved into the telecommunications arena. HTC was the first to integrate Internet, entertainment, video and personal assistant functions into a mobile phone with a large dimension onto high resolution and full-color display panel. Since 2007, the launch of the HTC brand globally has committed the Company to long-term global brand development. In 2014, HTC began to seek new fields to apply our distinguished heritage in design, engineering and manufacturing excellence as well as innovative thinking. In 2015, we began to enter the virtual reality industry, and explore and create a new real experience with HTC VIVE.

In 2018, HTC set a new vision: VIVE Reality, cutting-edge technology such as virtual reality (VR), augmented reality (AR), artificial intelligence (AI), 5G high-speed connection and blockchain. Integrate humanity and humanities to achieve a richer enjoyment of a better life.

Global Operation Locations

Denmark: Heisler
United Kingdom: Slough*
France: Upper Seine
Belgium: Brussels
Germany: Frankfurt
Spain: Madrid
Dubai

Europe, Middle East, Africa

Mainland China: Beijing*
Japan: Tokyo
Mainland China: Shanghai*
Mainland China: Suzhou
Hong Kong
Taiwan: Taipei*, Taoyuan*, Hsinchu, Tainan, Kaohsiung
India: Gurgaon
Vietnam: Saigon

Asia-Pacific

Canada: Vancouver
United States: Seattle*
United States: San Francisco
United States: Houston
Mexico

America

Australia: Sydney

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

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

Note: The * is main operating base of HTC, of which "Important Operations Base" is Taiwan.

Chronicle of HTC Product Development

1997
HTC Founded in Taiwan

1998
HTC Kangaroo
World's first Windows CE PDA

2005
HTC Universal
World's first Windows 3G smartphone

2007
HTC Touch
World's first touch-centric smartphone

2008
HTC Dream
World's first Google Android smartphone

2009
HTC Hero
HTC Sense™ intuitive user interface and customization

2010
HTC Evo 4G
First 4G Android smartphone in the US

2011
HTC
Listed among "Best Global Brands" by Interbrand

2013
HTC One
World's first metal body smartphone

2014
HTC RE
Launched new-format standalone camera

HTC One M8
World's first smartphone with refocusing Duo Camera

2016
HTC 10
First smartphone with OIS in front and back cameras

HTC VIVE™
Discover virtual reality beyond imagination

VIVEPORT
First VR app store that curates content for exploration and creation in VR

2017
VIVE Tracker
Transforms real-world objects into VR accessories

HTC U11
World's first smartphone with Edge Sense "squeeze" technology

VIVE Focus
First all-in-one VR system with "world-scale" 6DoF tracking

2018
VIVE Pro
The enterprise-grade PC VR with unrivaled graphics, audio and tracking accuracy

VIVE Wireless Adapter
Untethers PC VR systems for true freedom to roam

HTC U12+
Bigger, bolder, and edgier

HTC EXODUS
First native Web3 blockchain phone

HTC EXODUS with **Zion** Vault
First all-in-one private vault on the blockchain

VIVE Pro Eye
The VR system that enhances commercial VR applications via eye-tracking

2019
VIVEPORT Infinity
First unlimited subscription service for VR content

HTC 5G Hub
First smart hub with 5G speeds for homes, businesses and on the move

VIVE Focus Plus
First all-in-one VR system with 6DoF tracking in headset and controllers

Product and Industry Overview

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

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

HTC Main Product: Smartphone

Year	Capacity (Thousands)	Output (Thousands)	Output Value (NT$ Millions)
2016	18,400	7,910	44,885
2017	9,600	5,015	42,760
2018	7,200	1,673	16,137

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

Product Sales: Smartphone and Others (Accessories)

Year	Domestic Sales		Export Sales	
	Volume (Thousands)	Value (Millions)	Volume (Thousands)	Value (Millions)
2016	1,812	9,844	26,833	65,920
2017	1,221	6,869	23,343	52,725
2018	791	3,432	14,917	19,552

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

HTC VIVE™

VR (Virtual Reality) is an exciting feature of next-generation computing and entertainment. HTC VIVE allows users to browse through the VR world and use unique hand-simulation controllers to interact with objects.

● VIVE Pro Eye

The VIVE Pro for professional VR users has evolved. It is equipped with the VIVE Pro Eye that enables the eye tracking feature to provide a more intuitive way of interaction, including visual control menu navigation and controller-free mode. With the eye tracking feature, corporate users as well as developers can improve training simulation scenarios, facilitate computer and VR performance optimization, and provide deeper feedback to product design and research teams through the collection of adequate usage data.

VIVE Pro Eye will bring several immediate benefits to corporate users, including performance, convenience and training application content enhancements, while helping developers to significantly reduce the computing resources required for processing high-level VR content.

● VIVE Cosmos

VIVE Cosmos is the first VIVE head-mounted device equipped with the "VIVE Reality System" for new VR experience. It is the latest head-mounted display product in the VIVE series to provide maximum comfort, easy installation and great operation experience, allowing users to quickly enter the VR world anytime and anywhere. VIVE Cosmos does not require any external positioning device, and can utilize the physical space with maximum flexibility. It can be used at home or on the go. It also provides a computing power alternative other than gaming computers. Through the launch of Cosmos, we will redefine VR in terms of installation and operation environment convenience.

Industry Overview

___ Smart phone industry overview

HTC designs and manufactures personal computing devices in various form factors, with smartphones being the primary device. Personal computing devices have evolved over time. The implementation of 5G will enable even greater human-machine interactions, and open up endless new possibilities with ubiquitous connections.

Personal Computing Devices Evolving Over Time

1960s
Real-time display

1980s
Mouse & GUI

2000s
Touch screen & gesture

Future
Ubiqutious computing

HTC's upstream suppliers provide components parts and operating systems. Downstream channels include telecom service providers, distributors and retailers (see Figure 2). HTC has continued to work closely with upstream partners to ensure the high quality of our products, and retains good relationships with traditional telecom partners and distributors around the world. HTC has also put emphasis on online as well as offline retail distribution, reflecting the global trend towards omnichannel sales of consumer goods.

Industry Relationship Chart

Upstream suppliers	Manufacturers	Downstream channels
· Components/parts suppliers · Operating systems suppliers		· Telecom service providers · Distributors · Retailers
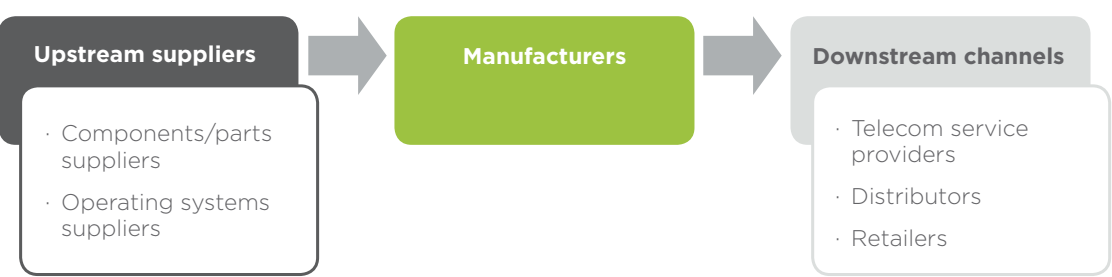
___ Virtual Reality

HTC VIVE first started shipping in April 2016, to unprecedented media and consumer acclaim. In 2018, HTC continued to focus on technological innovation and stable growth in this nascent industry, and explored new ways to develop the virtual reality industry ecosystem. Looking forward to 2019, the trend of the all-in-one will be more accepted by the market. On the other hand, the VR industry will enter the 5G VR first year, and the future VR equipment will be lighter, more convenient and cheaper.

___ Re-investment & Affiliated Companies

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

In 2018, the company continued to expand and deepen the ecosystem of virtual reality (VR) and augmented reality (AR), through strategic investment and the VIVE X accelerator program, to partner with incredibly talented and promising teams in VR and AR around the world to solve industry pain-points and improve user experiences across AR and VR and move the whole industry forward. Currently, VIVE X operates in six major cities: Taipei, Beijing, Shenzhen, San Francisco, Tel Aviv, and London being the newest addition to the VIVE X program in 2018 with a focus on helping European developers, VIVE X is designed to provide funding, training, and resources to help newcomers from around the world to build and improve the ecosystem of virtual reality (VR). In 2018, VIVE X recruited 17 startups for its forth batch, making a total of 97 teams since the initial launch of the VIVE X Accelerator Program.

Overview of Financial Performance ___

In 2018, the competition in global mobile phone market continued to be intense, resulting in reduced revenue and gross profit as compared to those in 2017.

In 2018, HTC's consolidated revenue was NT$23.7 billion, consolidated gross profit was NT$515 million, consolidated gross profit margin was 2%, operating profit margin was -58.8%, net profit after tax was NT$12.0 billion, and earnings per share after tax (LPS) was NT$14.72. We look forward to the results of our lean operation planning in 2019. We also expect that our new products such as virtual reality and smart-life connecting devices can make significant contribution to HTC's revenue and profitability in the coming future.

	Unit	2016	2017	2018
Operating Revenue	NT$ Million	78,161	62,120	23,740
Operating Costs & Expenses	NT$ Million	92,769	79,545	37,704
Income Tax	NT$ Million	-24	-38	5,204
Employee Wages	NT$ Million	12,451	11,825	8,730
Dividends	NT$	0	0	0
Social Investment /Donation	NT$ Million	0	0	0

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

The Pursuit of Brilliance ____

Future Goal

— To increase market share

— To strengthen the integration of marketing

— To deepen the penetration of our brand

Current Achievement

__ Creating a global smartphone with excellent designs

__ The most valuable international brand from Taiwan

__ The world's first virtual reality system VIVE brings real-world interaction and experience through space-based positioning technology

__ Through virtual reality and augmented reality, big data, and artificial intelligence technology, with the goal of developing and providing precision personalized medical products and services to reduce costs and improve the effectiveness of healthcare

HTC's Challenge

How to enhance brand loyalty

HTC is an innovation company, creating powerful new products, solutions, and platforms in mobile computing and immersive technologies. Beginning with a vision to put a personal computer in the palm of our customers' hands, we have led the way in the evolution from palm PC to smartphone, and are now applying that same innovative approach to connected devices and virtual reality.

At the heart of this is a bold entrepreneurial spirit of pushing new boundaries, while leveraging the capabilities we have developed in our history in the pursuit of brilliance.

The notion of Dare to Dream is at the heart of our daily ambitions. We ask fundamental questions at the intersection of customer aspirations and our capability to delight and surprise with innovative solutions. We challenge ourselves and our customers to achieve their full human potential. What's your dream? Can you visualize it? Will it shift our perspective? Will we feel it? The future belongs to the dreamers to power creation and innovation. Because our dreams power the future. Dare to Dream.

As we live this philosophy of Dare to Dream, we employ powerful technologies and combine them in creative new ways in order to deliver this. At this time in history, mobile, VR, AR, 5G, AI, and blockchain are evolving and coming together with the potential to deliver utility and experiences previously unavailable. We call this VIVE Reality.

Our future is enhanced in a world where HTC innovation and VIVE experiences blend to create a new reality.

There are three important pillars to ensuring our approach is true to our intentions:

Humanity

For HTC, our innovation is human-centered in the broadest sense.

We endeavor to expand our vision to impact people's lives in ways never before considered.

Technology

Our history and commitment to technology excellence is the great enabler of our pursuits.

We strive for a world in which customers, large and small, have access to the most powerful hardware, platforms, tools, and services.

Imagination

Imagination is one of the most powerful tools we know, and one we seek to unlock.

A world where a continuum of immersive realities is possible, and experience is unbounded.

This Dare to Dream philosophy and approach are reflected in a steady stream of world-class innovation, as we continue to advance new products in VR, mobile, and 5G with greater capability and convenience. We also continue to advance our societal, environmental and cultural initiatives, and our support of education. From our people to our products, Dare to Dream represents a guiding philosophy that energizes HTC as a global organization.

Corporate Social Responsibility Management ___

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

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

The Mechanism for Committee Operation ____

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

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

Structure of the HTC CSR Committee

```
                    HTC CSR Committee
   ┌──────────┬──────────┬──────────┬──────────┐
Employee Care   MFG     Product   Sourcing  Environment
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The HTC "Corporate Social Responsibility (CSR) Policy"

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

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

—— Using Responsible Business Alliance Code of Conduct as a reference for code of conduct, developing HTC as a good corporate citizen and participating in international Initiatives

—— Promotion of energy efficiency, carbon-reduction practices and various environmental protection activities

—— Sustainable innovation from creation to development

—— Sustainable supply chain management

—— Be a responsible corporate citizen, with the highest ethical standards

CSR Related Management Procedures and Systems ____

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

Based on the relevance of the industry, the stakeholders have been identified, and the issues of concern have been included in the major issues. In 2018, online survey questionnaires were sent out extensively and a total of more than 70 responses were received. The HTC CSR Committee members met to confirm the impact of the material issues on the internal and external organization. In other words, the positive, negative, or potential impact on the economy, environment and society, taken as a whole in accordance with internal considerations, industrial conditions, industrial chain practice, and stakeholders' suggestions, as well as to confirm the impact of each issue. At the same time, HTC attaches great importance to communication and interaction with its stakeholders. In addition to setting up various communication channels, we respond to important suggestions or opinions from stakeholders based on their concerns and impact on HTC's operational impact. The feedback is submitted to the relevant units for response and processing, and regularly disclosed in the CSR report. We will gradually invite and encourage internal and external entities to join the CSR disclosure process in the future.

In addition, to ensure that the policies and decisions of the "CSR Committee" can be put into practice, we have divided CSR activities into four areas, "green products, environmental protection, occupational safety & health, and social responsibility," and have set up a dedicated management system for each. These have been verified as aligned with the applicable international regulations and standards, and help integrate company policy for sustainability and social responsibility into our daily operations. CSR annual performance and next year's operational targets will be reported to the supervisor of the board of directors at least once a year.

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. In May 2017, IECQ officially released the fourth edition of the international standard (IECQ QC080000:2017 edition 4.0). We have completed the educational training and the internal audit process for the latest edition of the international standard in 2018. It is expected that the certificate of the latest hazardous substance process management system can be obtained in 2019.
Green Product Verification	To comply with the Restriction of Hazardous Substances (RoHS) of EU, HTC products are sent to third-party international verification institutions for chemical analysis, ensuring that the products are free of concerning heavy metals, bromine-containing flame retardants and plasticizers. The verification on products' energy consumption in compliance with the US Department of Energy's battery charging and energy consumption requirements is performed. Verification on power supply's energy efficiency is conducted to ensure that the energy conversion efficiency of products is higher than the standards in various countries.
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 2018, 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.

HTC 2018 Material Issues and Boundary ____

2018 HTC Material Issues Matrix

2018 HTC Material Issues Matrix

- ● Compliance with Socioeconomic Regulations
- ● Occupational Health and Safety
- ● Customer Health and Safety
- ● Customer Privacy
- ● Economic Performance
- ● Labor/Management Relations
- ● Training and Education
- ● Wastewater and Waste
- ● Supplier environmental assessment
- ● Supplier social assessment
- ● Employment
- ● Market Presence

High → Level of Stakeholder Interest ← Low

Level of Impact of Topics on HTC's Operation (Low → High)

● Economic　● Environment　● Social

___ Material Topics and Boundary Identification

Material issue	Corresponding page number	Within the Organization		Outside the Organization						
		HQ	R&D Center	Investor	Corporate Customers	Consumers	Employee	Supplier	Contractor	Local Community
Economic Standard										
Economic Performance	16, 114	V		V				V		
Market Presence	114	V	V				V			
Environmental Standard										
Wastewater and Waste	73-74, 85-87	V								V
Supplier environmental assessment	48, 50	V						V	V	
Social Standard										
Employment	101, 114-118, 120	V	V				V			
Labor/Management Relations	121	V	V				V			
Occupational Health and Safety	124, 141-143	V	V				V	V	V	
Training and Education	105-113	V	V				V			
Customer Health and Safety	83	V	V		V	V				
Customer Privacy	56	V	V		V	V				
Supplier social assessment	48, 50, 53-55	V						V	V	
Compliance with Socioeconomic Regulations	39-40, 47, 56, 79-81, 88, 97, 123	V	V					V	V	

Diversified Channels for Transparent Information Disclosure

Investors
General Shareholders
Corporate Shareholders
Rating Agencies

Enterprise Customers
Corporate Customers
Telecom Distributors

General Consumers

Employees
General Employees
Dispatch manpower
Vocational Students & Trainees
Foreign Labor

Suppliers
Raw material suppliers
(including Direct/ Indirect/ General Service & Facilities/ Staff Clinic/hospital)

Contractors
Construction Contractors
Cleaning/ Maintenance Service Providers
Waste Disposal Vendors

Local Communities
Local Community Associations
Local Civic Organizations
Local Governmental Agencies
Local Media

Concerned Issues

Investors
- Information disclosure (finance, business)
- Compliance with laws and regulations
- Operation Status
- Strengthening corporate governance
- Strengthen risk management
- Key shareholder share-holding rates

Enterprise Customers
- Product quality
- Service quality
- Price competitiveness
- On-time delivery
- Green products
- Carbon footprint/ carbon disclosure
- Restricted substance management
- Corporate social responsibility

General Consumers
- Pre-sales consulting
- After-service
- Product quality
- Service quality

Employees
- Learning & growth
- Working environment / labor conditions
- Wage/welfare
- Health & safety
- Career development
- Work-life balance

Suppliers
- 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

Contractors
- Construction safety & health

Local Communities
- Environmental 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

Investors
1. Board of Directors meeting 4/year
2. Shareholder conference 1/year
3. Annual report 1/year
4. Investor Conference 1/season
5. Monthly revenue statement 1/month
6. Visiting investors Standing
7. Investor Relationship Website Standing
8. Spokesperson Standing

Enterprise Customers
1. Business review with key customers (QBR meeting) Quarterly
2. Reply to customer inquiries From time to time
3. Customer audit and replies to customers questionnaires As required by customers
4. Meeting the customer requirements about environmental and social responsibilities As required by customers

General Consumers
1. Local service hotlines in 70 countries to provide customers with real-time communication and assistance As required by customers
2. Websites in different languages for customers to give feedback and to access information in a real-time manner (20 established) Daily ongoing
3. Dedicated email boxes for different functions (PR, Service, Copyright, Security, etc.) to provide convenient customer contact with HTC Daily ongoing
4. Postal service survey for investigating customer satisfaction Daily ongoing
5. Contacting customers who give negative feedback in the satisfaction surveys to address their concerns Daily ongoing

Employees
1. Department quarterly meeting Quarterly
2. One-on-one interview with supervisors Irregularly
3. Annual performance appraisal/ interview 2/year
4. New employee seminar Weekly
5. Employee assistance hotline and mailbox, Health Center, Employee Aid Scheme From time to time
6. Labor-management meeting Quarterly

Suppliers
1. Supplier communication conference Irregularly
2. Guidance and audit for suppliers Annually
3. Cooperation project with suppliers for addressing CSR and greenhouse gas issues Projects issued in 2018 include supplier CSR audit/ GHG disclosure (Including CDP questionnaire replied)/ investigation of toxicological and allergenic substances

Contractors
1. Induction training Weekly
2. Patrol inspection in the facility Daily

Local Communities
1. Positive employee engagement in public interest activities Irregularly
2. HTC cooperation with governmental agencies and non-profit organizations in eco, environmental and other public welfare activities Monthly

The United Nation's
Sustainable Development Goals ____

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

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

VR for Impact Project

HTC believes its unique virtual reality technology can bring unprecedented change to the world. Through the interactive and immersive experience that HTC VIVE can provide, we hope to change developments in education, health, medical care, art, and many other fields. In response to the United Nation's sustainable development goals of eradicating poverty, protecting the earth, and ensuring peaceful and prosperous life of mankind, HTC announced the VR for Impact Plan in 2017, providing US$10 million in funding and technology

to encourage the development of more virtual reality content and technology that produce a positive impact. Since the release of the plan, we have received much feedback from the media and the industry. So far, more than 800 developers and organizers have expressed great concern, hoping to work with HTC to bring real influence to the world.

HTC VIVE partnered with the World Economic Forum (WEF) to promote the initiative and development of the VR/AR for Impact Project and showcased its latest achievements at the WEF 2018 United Nations (UN) Sustainable Impact Hub in Davos. We strongly believe that the virtual reality introduction program will be a powerful tool to raise the awareness of 17 UN sustainable development goals. The end of 2018 is the transition period for the VR for Impact Project. We evaluate carefully various projects, identify the advantages, and dedicate to carry out improvements. In 2019, we continue to bring innovation to accelerate our development.

For more information on VR for Impact, please visit our website: https://vrforimpact.com/

| SDGs Item	Corresponding project	Description
SDG 13: Climate Action	Tree	Allow the audience to experience the virtual reality of deforestation in tropical rain forest, hoping to raise the attention of the public on global climate change.
SDG 15: Life On Land	The Extraordinary Honey Bee	Through the perspective of bees, we can learn more about the challenges faced by bees, and understand the potential harm to human caused by the endangering of bees around the world. We hope that virtual reality can be used to cultivate next-generation bee protectors in making changes to save bees.
SDG 3: Good Health and Well-Being	OrthoVR	Through virtual reality and 3D production tools, prosthetic orthotists around the world can utilize their practical experience and skills in the digital environment to improve the capability of clinical staff without compromising quality, thereby enhancing the usability of prosthetic limbs in developing countries.
	LIFE (Life-saving Instruction For Emergencies)	It is a new mobile VR platform developed by the University of Oxford. The personalized simulation training and advanced learning analysis allow all types of health-related workers to become more familiar with the medical treatments in emergencies, improving the capability and possibility of expanding life-saving knowledge in low-income countries.
SDG 4: Quality Education	ElectroVR	It is the VR Physics Lab developed by the MIT Media Lab. Users can experiment, explore, and discover the principles of static electricity, concretizing the traditional concept of static electricity which is intangible. Moreover, the interaction of users can be recorded which can be used as reference for individual user model creation or teaching purposes.

3 GOOD HEALTH AND WELL-BEING

Goal 3:
Good Health and Well-being

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

The first AI personalized caring Chat Robot in Taiwan - "Wan Xiao-Fang"
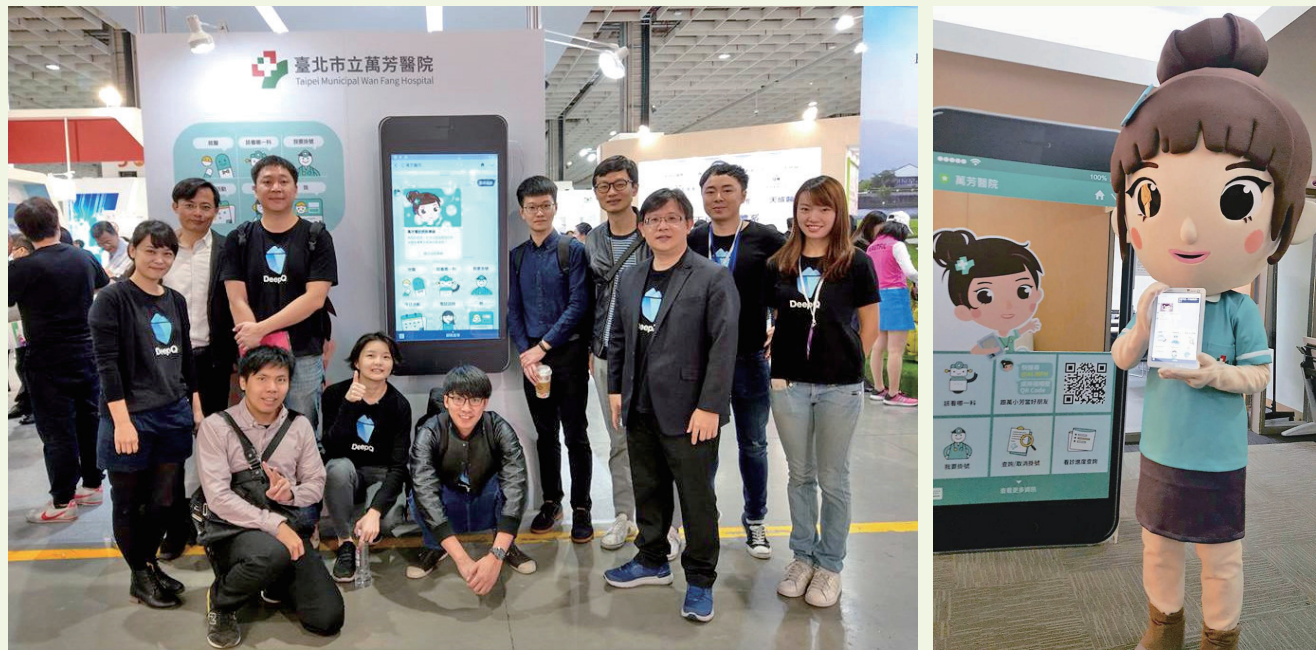
Following the collaboration of HTC DeepQ and Taipei Municipal Wanfang Hospital to launch the first artificial intelligence (AI) medical service Chat Robot Wan Xiao-Fang in 2017, HTC announced in 2018 that it will be upgraded to AI personalized caring Chat Robot "Wan Xiao-Fang 2.0", which is the first Chat Robot in Taiwan with complete medical care services. Its features include:

- AI hospital division guidance: Guiding users to register appropriate division in the hospital for diagnosis and treatment, offering caring services.
- Pre-diagnosis notes: Systematically ask questions about patients' previous visits to the hospital, improving the efficiency of patient-doctor communication and the quality of diagnosis as well as treatment.
- Post-diagnosis care management: Allow user to intelligently manage personal medication records, remind them when to take their medication, and enable them to search for their blood testing reports. Wan Xiao-fang will also ask patients actively to find out if their symptoms have been improved, and recorded the changes in symptoms, which will serve as reference for the next visit.

By the end of 2018, the total number of users has reached 13,246 person-time.

The Upgraded Disease Manager Chatbot-UP UP 2.0

In 2017, HTC DeepQ partnered with the Centers for Disease Control to develop a disease prevention chatbot and released a 2.0 upgraded version of the chatbot in September 2018. In addition to the original feature of flu vaccination service, the 2.0 version mainly expands the inquiring services of more than 90 infectious diseases, including the prevention of Dengue fever, the understanding of Enterovirus symptoms, and the searching of nearby hospitals. Before travelling abroad, users can also consult the Disease Manager to learn about related information on epidemics and epidemic prevention; information such as whether vaccination or preventive medication is needed before travelling abroad and checking the nearby hospitals in the travelling destination. In addition, when the users sets the trip dates, the Disease Manager will take the initiative to remind the user of epidemic prevention precautions and protective measures within 45 days of going abroad, and will notify them of take self-health management tips after returning from their trip.

The "Disease Manager- UP UP 2.0" achieves enhanced language interaction through the use of medical natural language processing (MNLP) and artificial intelligence training. With the thoughtful user experience design, the Disease Manager can become smarter as more and more questions have been asked. Through the personalized epidemic prevention services provided by the Disease Manager, users can be guided to acquire complete and accurate information on infectious diseases.

By the end of 2018, the total number of users has reached 78,789 person-time.

Virtual Clinic to Emphasize the Doctor-Patient Shared Decision Making

HTC DeepQ is committed to creating a virtual clinic that implements Shared Decision Making (SDM). Besides the opening of the virtual clinic in the Tri-Service General Hospital, we will also collaborate with Taipei Municipal Wanfang Hospital to create the "VR Group Health Education Clinic" in 2019.

By adopting the VIVE Focus in the clinic and using the VR human body model to communicate diagnosis and treatment content, doctors and family members can break the limitations of time and space. After wearing the VIVE Focus, users can enter the same virtual reality world to hear doctor explaining about organ structures and surgical methods. With this advanced VR technology and the interactive interpretation by the doctor, the best communication and diagnostic/treatment results can be achieved.

DeepQ Medical Encyclopedia

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

![Goal 4 Quality Education icon]

Goal 4:
Quality Education

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

HTC Partnered with National Taiwan University to Organize the First DeepQ Deep Learning Competition

The artificial intelligence platform, DeepQ AI Platform, developed by HTC DeepQ Health and Medical Division is provided free of charge for the artificial intelligent related courses in the Department of Electrical Engineering and the Department of Computer Science & Information Engineering in National Taiwan University (NTU), and the Department of Electrical Engineering in National Tsing Hua University (NTHU). The goal is to accelerate and systematically train the depth of networking. It is expected to help reducing students' model training time, allowing them to concentrate on learning. In addition, the on-demand feature of DeepQ also meets the requirements of students to share computing resources in the class, allowing students to have flexible and sufficient computing resources while learning.

In addition, we also held the first DeepQ Deep Learning Competition in 2018. This competition is based on the two major themes of Medical Image Analysis and Augmented Reality, hoping that accurate medical annotations can be generated automatically, and the challenge of insufficient data during training can be solved, respectively. Under the participation of more than 70 NTU students in nearly 20 groups, a total of 27 students won the award.

Making Virtual Reality Medical Teaching Materials with VIVEPAPER

1. Advanced Cardiovascular Life Support

HTC collaborated with the Center for Education in Medical Simulation, Taipei Medical University to produce the virtual reality teaching materials for Advanced Cardiovascular Life Support (ACLS). With the help of panoramic film, users can choose different perspectives via scenario design and simulation, clearly observe how the emergency team can work together smoothly cooperate and successfully to rescue patients who have lost their pulse due to myocardial infarction.

HTC DeepQ uses the VIVEPAPER platform to create the teaching materials without the need of a joystick. The system can be operated directly by using hand gestures, allowing users to experience reading that is different from traditional way. The editor used in the production also supports all kinds of media including photos, videos, music and 3D models. The characteristics include easy-

to-use interface, instant preview of the VR effects, one-click publishing to a dedicated bookshelf, and support for both Windows and Mac systems.

2. Central Taiwan University of Science and Technology Established the First VR Self-Learning Center in Taiwan

Following the establishment of Taiwan's first virtual reality anatomy and physiology laboratory in 2017, HTC DeepQ and Central Taiwan University of Science and Technology (CTUST) further established the first VR Self-Learning Center in Taiwan in 2018. By adopting the HTC VR head-mounted display with VR medical education application, students can learn independently and "walk into" human anatomical models, overcoming the bottleneck of traditional learning of anatomical model.

In addition, VR Self-Learning Center also organizes teaching materials production courses through VIVEPAPER, allowing teachers and students to produce VR teaching materials easily by using different materials, such as photos, 360 panoramic videos, 3D models, texts, etc. The produced teaching materials can also be published on the online library of VIVEPAPER, serving as the VR online learning platform for the next generation.

In the future, a multi-user version will be built, allowing teachers and students to break the space limitation, and teach/learn in the same virtual reality classroom through VR. Users can also bring home the wireless version, VIVE Focus, for studying before class or review after class.

Combined with the Anatomy and Physiology Teaching System – Launching of the 3D Organon in Fu Jen Catholic University Medical Camp

The "Fu Jen Catholic University Medical Camp" jointly organized by the College of Medicine of Fu Jen Catholic University (FJCU), TVBS Health 2.0, and Taiwan Health Education Association, is the first virtual reality (VR) medical camp with anatomy course in Taiwan. Here, the world's first fully functional VR anatomy and physiology teaching system – 3D Organon is introduced to the education of general science through the medical camp.

Compared with the traditional 2D films or plan drawings, the 3D Organon VR anatomy and physiology teaching software can disassemble and rotate more than 4,000 body structures. It enables users to adopt different viewing modes, allowing users to go around, disassemble, and even penetrate the human body structures in a virtual world. It also allows the users to sense directly the relative position between tissues and organs, and contains other related courses including VR, electrocardiogram, sphygmomanometer, ultrasound, first aid, etc. Surveys show that up to 98% of the elementary school students agree to use VR in classes which can enhance their interest in learning. This not only makes the enrollment of the class full instantly by parents, but also makes the VR course ranking first among the favorite courses of elementary school students.

Goal 17:
Partnerships for the Goals

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

HTC Partnered with Taipei Medical University to Establish the World's First and Largest VR Anatomy Classroom

HTC has reached cross-border cooperation with Taipei Medical University to establish the world's first and largest VR (virtual reality) anatomy classroom. The classroom is equipped with 10 sets of VR head-mounted display VIVE Pro and VR anatomy teaching software. Besides self-learning for individual person, multiple users can be connected to the same virtual reality space simultaneously to hear teacher's lecture about the anatomical structure. The breakthrough technology of virtual integration has completely changed the traditional anatomy course, overcoming the challenge of students in learning Stereoscopic anatomy.
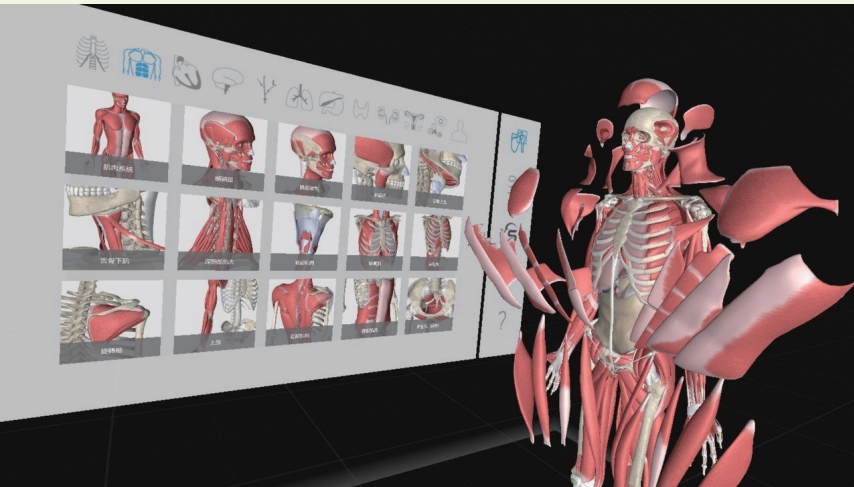
Through using the VR anatomy teaching software, a unique immersive learning environment can be created to improve student participation. The software can be applied for various learning methods and it can support multi-user simultaneous connection for up to 300 people. While in the VR environment, the users can disassemble and rotate more than 4,000 body structures.

The medical equipment certification license that the DeepQ team is applying for will be obtained in 2019. It is expected that the software will be introduced into the VR application training program for the clinical skills of domestic medical institutions in the second half of 2019.

HTC Collaborated with the National Defense Medical Center to Establish the Precision Anatomy Education Innovation Lab

In 2018, HTC signed a MOU with the National Defense Medical Center, hoping to strengthen the development of medical education technology and cultivate medical innovation internship talents. The establishment of the Precision Anatomy Education Innovation Lab allows the transformation of cadaver into virtual reality and 3D printing model, which enables medical students and doctors to accurately study the anatomical parts, achieving the goal of virtual integrated innovative teaching. Furthermore, through the use of the virtual reality anatomical teaching system, 3D Organon, students can learn the correct Chinese and English anatomical terms and pronunciations, improving medical quality to create Asia's top Precision Anatomy Education Innovation Lab.

In order to cultivate next-generation medical talents in Taiwan, HTC DeepQ started the medical innovation internship program in 2016. The National Defense Medical Center took the initiative in establishing a teaching and learning cooperation program with HTC DeepQ. Through this student internship program the academic and industrial digital medical applications were connected. Participants of this program also involved in the creation of the DeepQ Medical Encyclopedia plan, helping more patients.

2018 VIVE Ecosystem Conference (VEC2018)

The 2018 VIVE Ecosystem Conference (VEC2018) not only showcased the seamless connection between mobile devices and immersive experiences, but also announced a number of HTC's cross-industry strategic partnerships:

- Major League Baseball (MLB): The baseball-themed VR park and reality show will be launched in China. The application of VR not only will increase the interest of teenagers in sports, but also help the users to improve their training skills.
- Formula One (F1) Team McLaren: HTC collaborated with F1 Team McLaren to build VR products and VR/AR content, bringing a new viewing and interactive experience to more than 500 million fans around the world. Moreover, the world's first VR competition with real professional sports will be jointly organized.
- iQiyi: VIVE Focus users can comprehensively experience the immersive iQiyi VR applications, including popular variety shows, movies, and videos.

In addition, it is announced at the Conference that VIVEPORT platform will offer 100% of the profit to content developers, which is the only platform ever to give the content owners 100% of the profit. It is hoped that through the VIVE X accelerator program, not only professional knowledge and resources can be provided to VR startups, but the development of the VR ecosystem can be further promoted. By integrating the advantages of VR, AR, 5G and AI technologies, HTC will work with global partners to create a richer ecosystem and realize the beauty of VIVE Reality!

VIVE Arts Uses Cutting-Edge Technology to Create Unique Cultural Experiences that Everyone Around the World Can Enjoy

VIVE Arts is designed to promote, preserve, and advocate the use of innovative technology in art creation, and promote the appreciation and understanding of cultural heritage from audiences around the world with diverse backgrounds through digital technology. Through the use of VIVE ecosystem, the audience is expanded and the human cultural heritage is preserved and interpreted, enriching public and educational activities and making it easier for viewers who are financially or physically difficult to appreciate the artwork or cultural experience. In 2018, VIVE Arts collaborated with museums and artists around the world, including the National Palace Museum in Taipei, the Musée de l'Orangerie in France, and the Art Basel in Hong Kong.

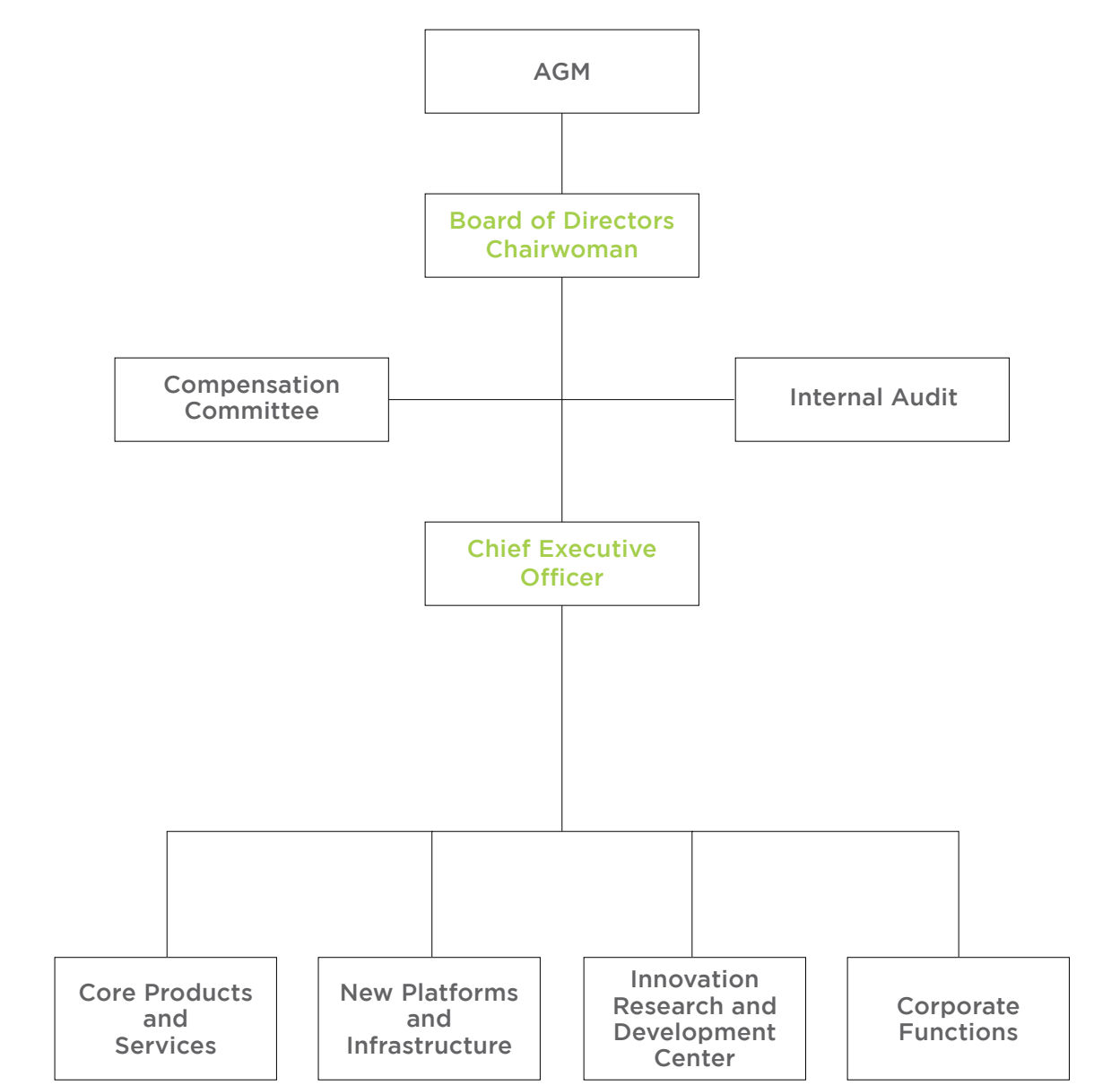For more information on VIVE Arts please visit our website: https://arts.vive.com/tw/
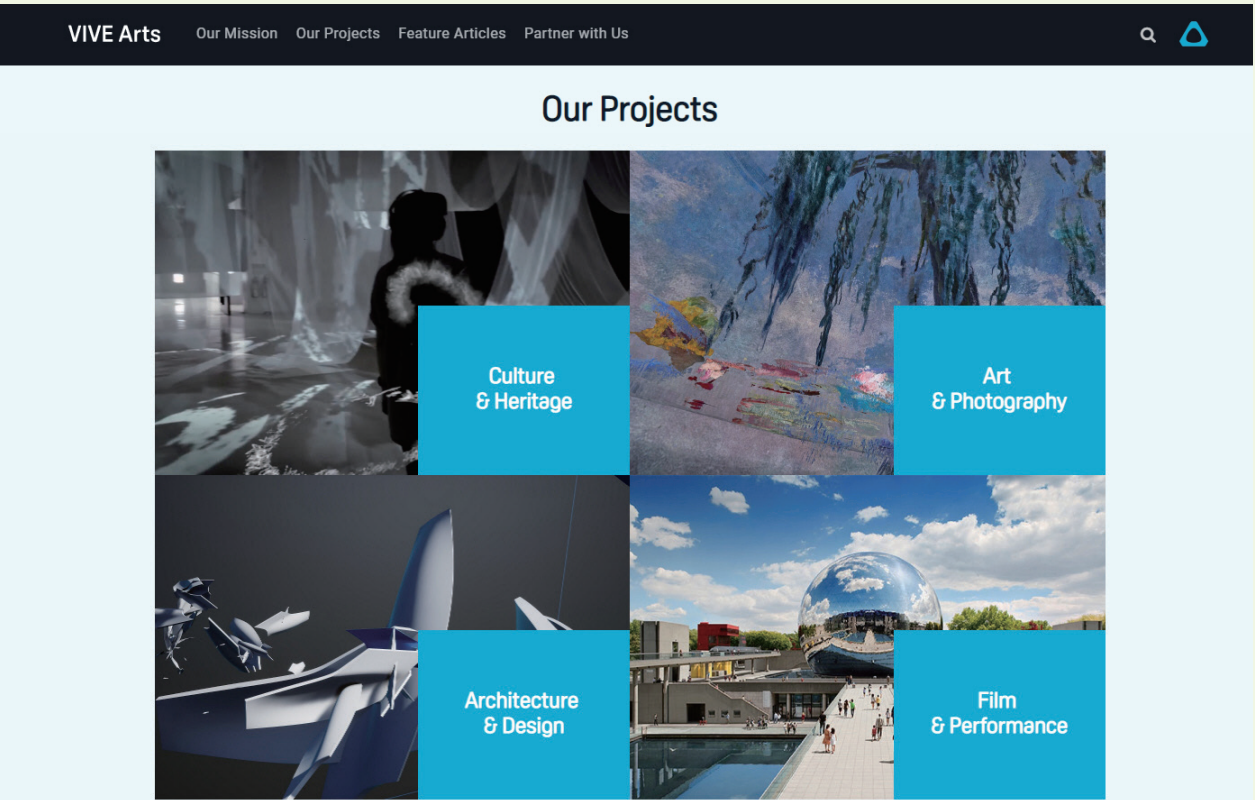
Responsibility
Management ___

Corporate Governance ____

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

Organization Structure

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                    ┌─────────────┐
                    │     AGM     │
                    └─────────────┘
                           │
              ┌────────────────────────┐
              │   Board of Directors   │
              │      Chairwoman        │
              └────────────────────────┘
                           │
   ┌──────────────┐        │        ┌──────────────┐
   │ Compensation │────────┼────────│Internal Audit│
   │  Committee   │        │        │              │
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│Products│Platforms│Research and│ │Functions │
│and   │ │and   │  │Development│ │          │
│Services│Infrastructure│Center │ │          │
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Please refer to annual report Page.28

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

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

___ Board of Directors

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

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

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

___ Independent Directors

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

___ Compensation Committee

The Compensation Committee is set up under the HTC Board of Directors. The committee is comprised of an independent director, and two independent external experts. The Compensation Committee assesses the salary remuneration policies and system of the Company directors, supervisors, and managers from a professional and objective viewpoint. The committee also makes suggestions to the Board of Directors for discussing. For HTC corporate governance organization and members, please refer to Page 28 in 2018 Annual report.

___ Supervisors

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

Complete Disclosures

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

Real-time and transparent information disclosure by HTC has been regularly affirmed by the competent authorities with an A+ rating. This was received for the first time in the 6th information disclosure assessment of the Securities and Futures Institute and the A+ rating has been awarded for three consecutive terms, including A++ ratings in the 9th, 10th, 11th and 12th 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 Statement " passed by the chairman of the board, HTC has established "Rules for Derivatives Transaction," "Credit Policy & Operational Procedure," and "Regulations for the Appointment of Directors/Supervisors in Re-investment" and has revised the "Operational Procedures for Transactions of Specific Companies, Business Conglomerates, and Parties," "Regulations for Budget Management," "Regulations for Management of Subsidiaries," and "Operational Procedures for Processing Internal Material Information and Preventing Insider Trading" as bases for internal operations. Also, in its Rules of Procedure for Board of Directors Meetings, it has duly set out a system for recusal and avoidance of conflicts of interest by directors, for compliance in the operations of the board of directors.

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

In addition, as clearly set forth in the HTC Employee Manual, involvement in fraud, bribery, embezzlement, and violation of business competition limitation may lead to a punitive dismissal. Any reports about the above offenses may be sent to the heads of the related departments, the Human Resources Division, or the auditing unit. The Human Resources Division is responsible for disciplinary action. A dedicated reporting channel (anti-corruption@htc.com) has also been established for employees to expose any improper behavior that comes to their attention. There were no corruption related events in 2018.

When signing procurement contract or engineering contract with the suppliers or manufacturers, HTC will require its suppliers or manufacturers to sign the "Integrity Policy Statement" or the Letter of Integrity Commitment which specifies that the cooperating partners should abide by the national laws and shall not acquire business or work advantages through improper conduct (such as offering kickbacks, banquets, or other improper interests). The contract clearly states that HTC will take the initiative to terminate any collaboration with suppliers or manufacturers who violate the "Integrity Policy". If damage has been occurred due to violation of the Integrity Policy, reimbursement shall be provided by the violating party to ensure that both parties are in line with the Integrity Policy.

Internal Audit System

HTC has set up our internal audit unit as subordinate to the Board of Directors. The internal unit is responsible for assisting the Board of Directors and management in checking any defects in internal control and in the assessment of operational efficiency and performance, as well as the accuracy of the financial statements and compliance with the related laws. The unit also addresses areas that need improvement in a timely manner to ensure internal control is continuously and effectively implemented. The audit results are used as a basis for the review and amendment of the internal control system to advance sound management in HTC. There were no anti-corruption related risks in 2018.

Risk Management ____

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

Management of Operating and Financial Risks

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

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

In 2018, HTC foreign exports accounted for around 82.36% of our total business revenues. HTC's revenue is mainly based on the US dollars and Euros, the manufacturing costs are also based on US dollars, so the significant fluctuations in the international exchange rates may affect the operating income, operating costs and operating net profits in foreign currency denominations. In addition to strengthening the control of quality and collection cycle of foreign currency accounts receivable, we also mainly avoid the operational risk of operations with the Foreign Exchange Forward Contract. In the future, we will strengthen the automatic hedging effect of foreign currency claims and liabilities offset, using auxiliary tools such as derivative financial products to conduct hedging under the appropriate risk guidelines.

Management of Climate Change Risk

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

In the 2018 CDP Supplier Engagement Rating (SER), HTC was rated as level B (international average is level C). The Supplier Engagement Rating uses the responses of the company's CDP climate change questionnaire in terms of governance, objectives, scope 3 emissions, and value chain participation to evaluate the performance of supplier engagement.

In addition, HTC has officially become a CDP supply chain program member since 2018, and has required its major suppliers to respond to the CDP questionnaire, actively contributing its corporate influence, and calling on its supply chain partners to work together in carrying out further assessments and actions for climate change.

	Risk Factor	Resulting Risk or Impact	Opportunity
Operational Risk from Climate Change	• Unstable or limited power supply. • Power supply may become unstable or limited due to peak demand for electricity in the summer.	• 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.
Operational Risk from Climate Change	Regional natural disaster The increasingly extreme climate can bring about floods, super typhoons, super downpours, or even drought.	• Grounded flights impacting transportation. • Increased shipping time and costs.	Planning how to work with our suppliers to improve the efficiency of packing and transportation.
Legislative Risk from Climate Change	Laws and standards for energy efficient products. (e.g. California Energy Law, Energy Star, ErP, etc.)	• Increased costs for materials and parts.	Introduction of a green supply chain. Looking for green innovation business (e.g. reduced packing and recycled packing materials).
Legislative Risk from Climate Change	The Taiwan "Greenhouse Gas Reduction and Management Act". Customer guidelines. The customer may ask for our regular disclosure of carbon emission.	• Since power consumption is still the main source of greenhouse gas in the ICT industry, the total emission of greenhouse gas must increase with the growth of business and production.	Providing KPIs (Key Performance Indicators) for evaluating design simplification and standardization, and manufacturing and testing efficiency.

Carbon Disclosure and Innovative Supply Chain Carbon Management Meeting

"Supply Chain ESG Management" has become a key concern of corporate social responsibility in recent years. In May 2018, HTC was invited to participate in the "Carbon Disclosure and Innovative Supply Chain Carbon Management Meeting" held by the Sustainable Alliance for Low-Carbon Economy. During the Meeting, the "Carbon Disclosure Project" (CDP) representatives shared with each other on how to extend corporate carbon management strategies and actions to the supply chain, and internalize them into corporate products and services. Through effective supply chain management, the sustainability labeling of products and services is implemented to improve the communication with internal and external stakeholders.

HTC took the initiative to propose the concept of "Sustainable Agenda" which turns the concept of environmental sustainability into action through the five supporting elements of "sustainable environment, sustainable design, sustainable process, sustainable packaging and sustainable products". We are committed to regulate and reduce the impact of operations on the natural environment, and further integrate them with the applications of VIVE product, responding to the UN Sustainable Development Goals through the VR for Impact program.

Innovative R&D Management ____

Future Goal

People-oriented:

—— Combining cutting-edge technologies such as VR, AR, AI, 5G, and Blockchain with arts and humanities to unleash people's imagination.

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

Current Achievement

—— VIVE Pro Eye eyeball tracking upgraded; set a new standard for high-end VR HMD(Head-Mounted display).

—— The subscribed VIVEPORT Infinity contents and services are unlimited; the contents to be experienced can be selected freely anytime.

—— The VIVE COSMOS and the VIVE Reality System has unleashed the unlimited imagination of the VR world.

—— HTC collaborated with content developing partners to create a new pattern of VR content.

—— VIVE FOCUS won the gold medal of IDEA 2018 (2018 International Design Excellence Awards).

—— In January 2019, the HTC VIVE team won 36 global awards at the Consumer Electronics Show (CES) in the United States, an increase of 14 awards from last year.

HTC's Challenge

Expediting patent layout

Strengthening advertising of product innovation

Engaging Diversified R&D Talent

In 2018, a total of 1,821 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.

Investment in Innovative R&D

	Unit	2016	2017	**2018**
Fixed R&D Investment	Million (NT)	10,957	10,440	7,070
Total Revenue	Million (NT)	78,161	62,120	23,741
Percentage	%	14	17	30

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

Since our establishment, HTC has invested heavily in cultivating R&D talent and developing technical innovation. Currently, our in-house R&D employees make up 37.86% of all HTC's global employees, the investment of which is about 30% of the total operating revenue. With this strength of innovation, HTC has special insight into industry trends and the outstanding capability for meeting consumer demand. This puts HTC always in the lead.

2018 R&D Personnel 1,821

Taiwan | Others

2016 R&D Personnel 3,865

2016 R&D Personnel 3,738
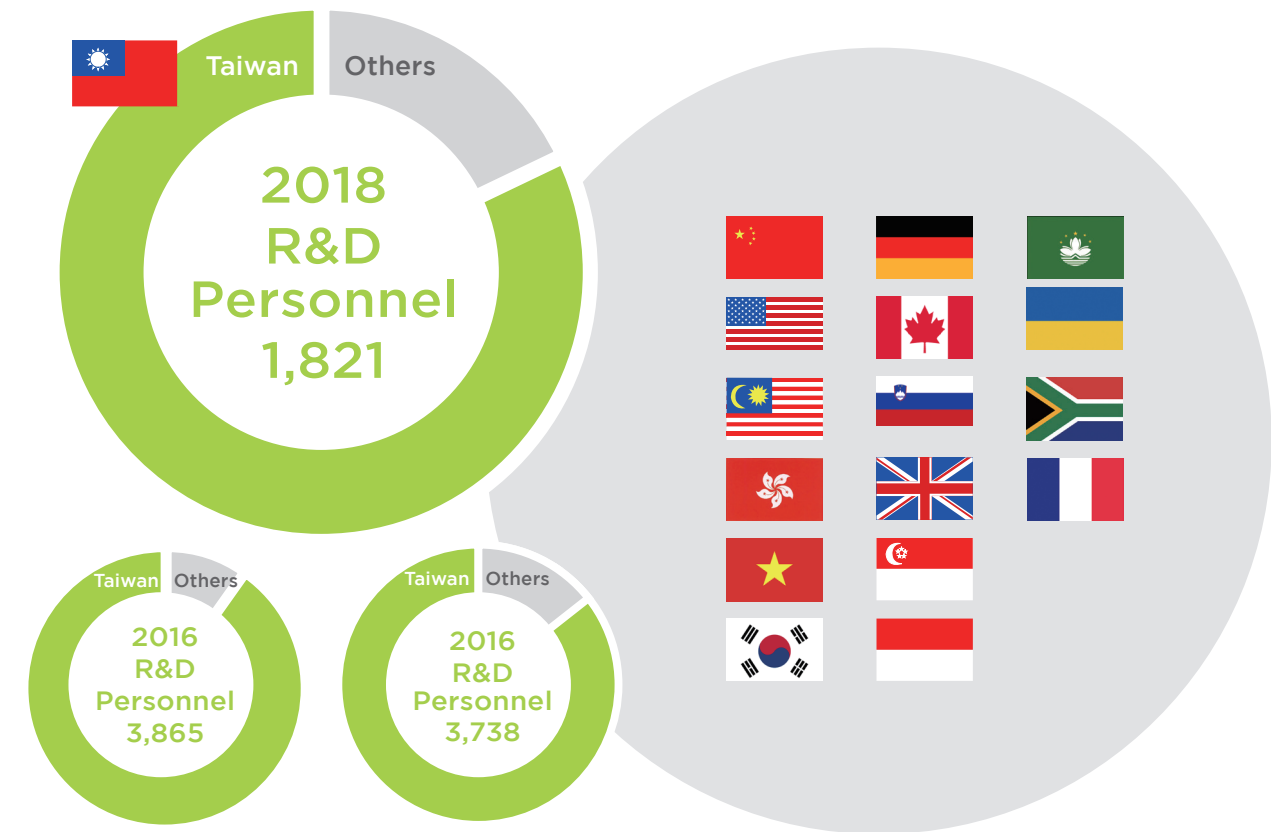
Smart Innovative Products

With this strength of innovation, HTC has special insight into industry trends and the outstanding capability for meeting consumer demand. This puts HTC always in the lead.

In 2018, HTC have released a number of smart phones, covering all market segments and price bands: HTC U12+ with flagship, HTC U12 life with high-end, and HTC Desire 12 | 12+ with National Machine. With customer feedback an integral part of the development process combined with an obsessive attention to detail, HTC delivers everything that consumer would want.

First Blockchain Mobile Phone – HTC EXODUS

HTC Project EXODUS is a smart phone solution that will support decentralized networks. For more than 20 years, HTC has laid a solid foundation for global smart mobile devices and virtual reality technologies. Through HTC EXODUS, we are committed to investing in the development and application of blockchain technology, leading the safe storage and trading of data into new fields, and taking the lead in introducing blockchain technology into smart mobile devices.

In October 2018, HTC released the first blockchain smart phone HTC EXODUS 1, equipped with HTC flagship class performance and high quality design, combined with cutting-edge blockchain technology and necessary application software, built-in security structure (Secure Enclave) independent of the Android operating system, fully securing user's secret key. Whether it is currency or non-replaceable tokens (NFTs), or digital electronic data in mobile phones, there is security. HTC EXODUS 1 is also the world's first Web 3.0 blockchain mobile phone, fully utilizing the advantages of the Web 3.0 network, and equipped with HTC's self-developed hardware wallet - Zion Vault. The Zion Vault provides users with a secure and convenient private vault on the blockchain, keeping everyone's personal information and privacy in their hands.
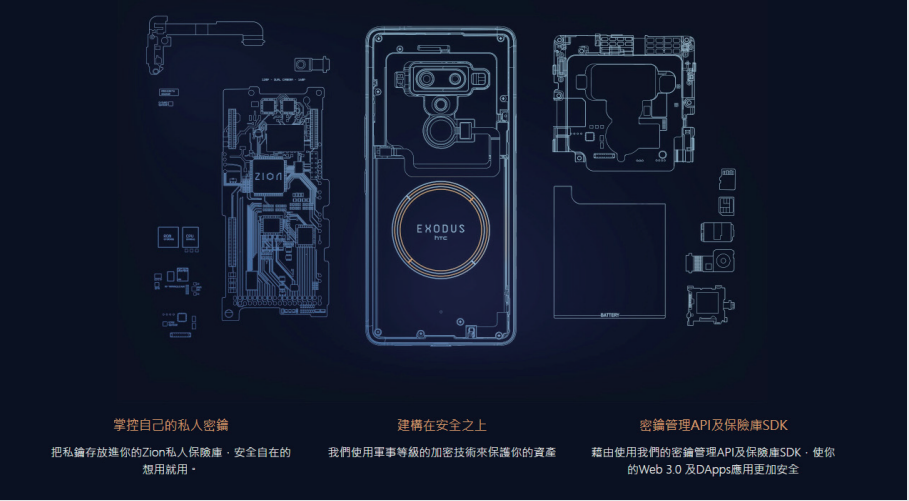
Furthermore, HTC also devotes to the wisdom of the medical field by creating HTC Healthcare business unit through virtual reality / augmented reality, big data and artificial intelligence technology, with the goal of developing and providing precision personalized medical products and services to reduce costs and improve the effectiveness of healthcare.

HTC Launched the DeepQ AI Platform

In May 2018, HTC's Health and Medicare Division, DeepQ, released the artificial intelligence (AI) platform – DeepQ AI Platform, which provides a fast, easy and efficient solution for problems encountered during the deployment of artificial intelligence (AI), stimulating more innovative AI applications.

The DeepQ AI Platform can dramatically reduce the learning thresholds and the cost of AI training models through optimized training environment, built-in multiple AI models, fully automated parameter adjustments, and simple user interface. Different from the AI training platforms and services available on the market, the users of DeepQ AI Platform can quickly convert their own tagged data into deployable AI models without having to write and design deep learning programs.

The DeepQ AI Platform not only allows general users and business users to operate easily, but also effectively reduces the labor and time costs for developers who have AI related expertise and experience.

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:

Internal
— Positive filing of patent applications to protect the results of our various product R&D and technical innovation.
— Holding regular training courses for R&D staff about IP management.
— Encouraging our employees to invent and create.
— Setting up a dedicated unit under the Legal Affairs Division for the protection and dispute resolution of intangible assets such as patents, trademarks, copyrights and business secrets.

External
— Engaging in technical cooperation with leading domestic and foreign research institutions, providing top talents with the opportunity to receive practical training in HTC, thereby fueling our R&D with innovative thinking.
— Mergers and acquisitions company to obtain key technologies and patents to speed up research and development.

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

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

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

Supplier Management

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

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

HTC Supplier Code of Conduct

The HTC Supplier Code of Conduct details the responsibilities and regulations that have to be followed by all suppliers doing business with HTC. In addition, HTC also conducts a regular assessment of the implementation of the Code as the basis for our further selection of business partners. In 2018, the supplier's code of conduct reaches 100%.

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

2018 Supplier Management

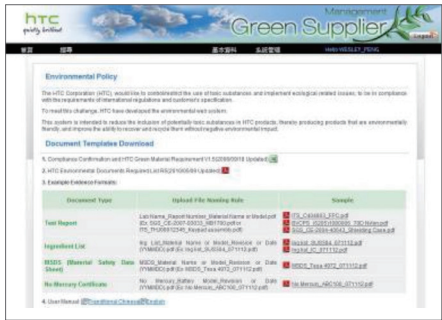|	Amount (NT million)	Percentage of Total Purchase Amount (%)	Interests with HTC's stockholders
Supplier Code A	2,104	16	none
Others	10,945	84	-
Total Purchase Amount	13,049	100	-

Note: Supplier Code A is a supplier whose purchase amount accounts for more than 10% of the total purchase amount.

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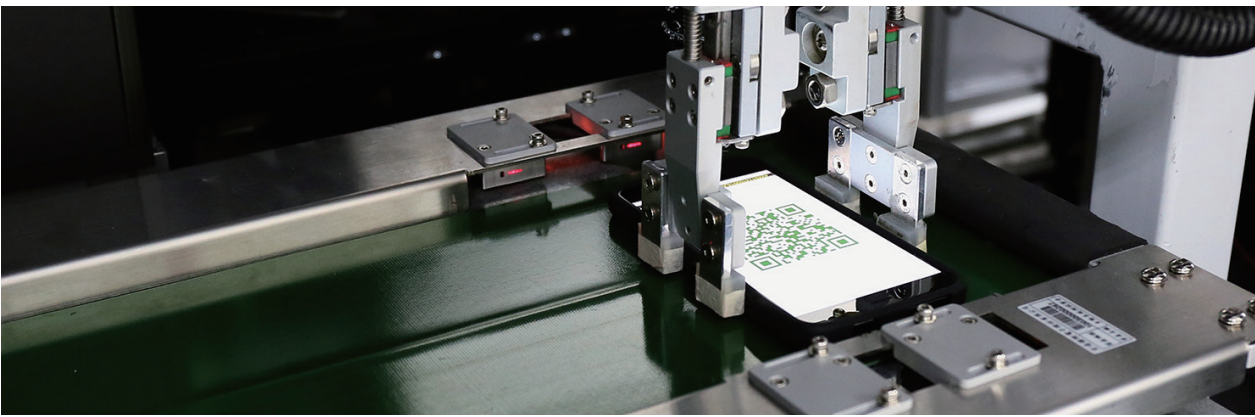
HTC has had a green supply chain management platform since 2006 to assist R&D engineers to select green materials from the product database that comply with both International regulations and customer requirements. Green materials are used from the start of design to significantly enhance the reliability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

The survey of new suppliers shall comply with the HSF scoring standard. As for the existing suppliers, the HSF performance evaluation was added to the Supplier Performance Management System since 2016. Improvements are reviewed and checked via the implementation of the quarterly supplier meeting. All suppliers achieved their targeted performance in 2018.

___ The HTC Supplier CSR Assessment and Audit

In addition to implementing corporate social responsibility of our own brand, HTC also delivers the concept and requirements of CSR to the supply chain. We established the CSR unit in 2010 and then initiated investigations of those suppliers who had implemented CSR. This was not only to verify their compliance of the HTC Supplier Code of Conduct, but also to provide supplier consulting and coaching functions to build and enhance CSR concepts and actions with.

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	● All candidate suppliers are required to fill in the Self-assessment. Since 2016, the weight of CSR-related questions in the Self-assessment survey for new suppliers was increased. During each quarterly supplier review meeting, the CSR-related performance of major suppliers will be check and the results will act as the reference for the supplier screening process.
	On-site Audit	● "Supply Chain CSR Compliance Audit" has been implemented since 2011. 20 major component suppliers will be chosen every year to accept "Supply Chain CSR Compliance Audit" based on initial risk determination (including geographic, location, products, news, etc.) ● In 2017, an addition was made in the manufacturing process. According to the RoHS and REACH directives, hazardous substances subject to control are required to be audited. ● On-site audit for 20 suppliers had been completed in 2018, and 15 suppliers were scheduled for on-site audit at the end of the year, which will begin in 2019.
On-site Audit Results (Total of 401 Noncompliance Items)	Labor Rights	119 cases, mainly about overtime, wage and benefit related issues.
	Health and Safety	183 cases, mainly on insufficient occupational safety measures in the operating environment, and inadequate emergency response measures.
	Environment	83 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	16 cases, mainly about the failure to establish the management procedures for employees accepting inappropriate payments and gifts.
	Treatment and Responses	In response to the above findings, besides requesting the suppliers to respond with improvement measures, HTC also provided management system and implementation experience to suppliers for reference and put them in the priority list for on-site audit in 2019 in order to prevent similar incidents from happening.

Audit Result of 2018

Labor Rights

- Freedom of Association **2%**
- Non-discrimination **5%**
- Humane Treatment **8%**
- Freely chosen Employment **13%**
- Child Labor Avoidance **15%**
- Wages and Benefits **23%**
- Working Hours **34%**

Environment

- Environmental permits and Reporting **1%**
- Product Content Restrictions **5%**
- Wastewater adn Solid Waste **6%**
- Air Emissions **7%**
- Storm Water Management **7%**
- Energy Consumption and Greenhouse Gas Emission **10%**
- Pollution Prevention and Resource **17%**
- Hazardous Substances **47%**

Health and Safety

- Physically Demanding Work **2%**
- Occupational Injury and Illness **2%**
- Industrial Hygiene **2%**
- Machine Safeguarding **9%**
- Food, Sanitation and Housing **14%**
- Emergency Preparedness **22%**
- Occupational Safety **49%**

Ethics

- Responsible Sourcing of Minerals **6%**
- Protection of Identity **6%**
- Fair Business, Advertising and Competition **6%**
- Disclosure of Information **6%**
- Business Integrity **6%**
- Protection of Intellectual Property **13%**
- No Improper Advantage **56%**

No conflict minerals product used at HTC in
2018

Responsible Procurement of Minerals

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

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

Based on Conflict Minerals Reporting Template, HTC set up KPI, tracking the progress of sign-back, in order to effectively manage the supply chain and reduce the risk of breaching the contract. We have completed the development of products using conflict-free minerals in 2016. All minerals used in HTC products from the end of 2017 are CFSI qualified smelters. At the end of 2018, all suppliers also signed an agreement to ban the use of conflict minerals, which will be updated annually.

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:

Gold

- UNITED ARAB EMIRATES **1.3%**
- SINGAPORE **1.3%**
- TURKEY **1.7%**
- SOUTH AFRICA **1.7%**
- AUSTRALIA **1.7%**
- BRAZIL **2.1%**
- TAIWAN **2.1%**
- ITALY **3.0%**
- CANADA **3.0%**
- RUSSIAN FEDERATION **5.1%**
- KOREA, REPUBLIC OF **5.7%**
- SWITZERLAND **6.4%**
- GERMANY **7%**
- OTHERS **11.9%**
- JAPAN **25.9%**
- CHINA **12.7%**
- UNITED STATES OF AMERICA **7.5%**

Tin

- POLAND **1.5%**
- TAIWAN **1.5%**
- BELGIUM **2.3%**
- PERU **2.5%**
- UNITED STATES OF AMERICA **2.6%**
- JAPAN **3.2%**
- MALAYSIA **3.3%**
- THAILAND **3.7%**
- BOLIVIA **3.7%**
- BRAZIL **7.8%**
- CHINA **16.2%**
- PHILIPPINES **1.1%**
- OTHERS **1.4%**
- INDONESIA **49.2%**

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

Tungsten

CHINA **59.1%**

PHILIPPINES **1.2%**
KOREA, REPUBLIC OF **1.0%**
BRAZIL **1.5%**
AUSTRIA **2.4%**
RUSSIAN FEDERATION **4.0%**
GERMANY **5.8%**
JAPAN **5.9%**
VIETNAM **8.6%**
UNITED STATES OF AMERICA **10.5%**

Tantalum

CHINA **35.4%**

INDIA **1.9%**
MACEDONIA, THE FORMER YUGOSLAV REPUBLIC OF **1.1%**
MEXICO **2.0%**
ESTONIA **2.2%**
RUSSIAN FEDERATION **2.4%**
THAILAND **3.5%**
KAZAKHSTAN **3.5%**
BRAZIL **5.6%**
GERMANY **10.6%**
JAPAN **13.1%**
UNITED STATES OF AMERICA **18.7%**

Customer Relations ____

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

Protection of Customer Confidentiality

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

The HTC privacy policy is also incorporated in the orientation training of new employees. Every employee is trained in all aspects of maintaining confidentiality when working with customers. Under our solid control mechanism, there was no damage to the rights or interests of any customer caused by a breach of privacy or from lost data in 2018.

In response to the EU General Data Protection Regulations (GDPR) requirements that came into effect in May 2018, HTC promoted the Personal Information Management System within the organization to achieve goal of protecting personal information set for products and internal management processes.

Corporate Customer Satisfaction Management

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

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

Participation in CSR Program Offered by the Client

In 2015 to 2018, we took part in the CSR program that Deutschen Telekom AG provided to suppliers. The program, aimed at enhancing supplier social responsibility, includes 10 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. After persistent effort over the past year, HTC won the Gold Award of the Deutsche Telekom Supplier Development Program for two consecutive years in 2016-2017.

In September 2018, HTC participated in the Joint Audit Cooperation (JAC) Supplier CSR Best Practices Award, which identifies best practices and leadership in the health, safety and welfare of the supply chain. The actions we have taken and the results we have achieved are highly recognized by the reviewers.

Sustainable Agenda ___

As a global leader in the innovative design of mobile phones, HTC recognizes that by minimizing the environmental impact of our manufacturing processes we, and our vast number of consumers, can make a contribution to the well-being of our planet. To this end, HTC has set up a "Sustainable Agenda" from five aspects: "a sustainable environment, design, processes, packing, and product," we have put this concept of environmental sustainability into action, have positive control, and are reducing the impact of our operations on the natural environment.

HTC Sustainable Agenda

Sustainable Environment
- Energy and climate change
- Energy management system
- Green facility
- Water resource management

Sustainable Design
- Eco-design
- Eliminating the use of hazardous substances

Sustainable Processes
- Environment safety and health
- Management of hazardous substances
- Management of waste and chemicals

Sustainable Packaging
- Green packaging material

Sustainable Product
- Product Carbon Footprint

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

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

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

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

HTC ESH Policy

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

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

Sustainable Environment ____

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

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

A quick look at HTC management of energy and climate change

- As a response to the issue of greenhouse gases and global warming, HTC implemented the ISO 14064-1 Greenhouse Gases Emissions Inventory Program and has an ISO 14064-1 Greenhouse Gases Emissions Verification Opinion Statement for the planning of energy strategy and action.

- All the HTC plants have been included in the Taiwan organizational boundary area and have been subject to inspection since 2009.

- Between 2010 and 2015, the HTC plants in China were also included in the scope of inspection and disclosure and external verification was launched. Electric power was found to be the main source of emission.

- 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.

- After joining the Carbon Disclosure Project (CDP), HTC is obliged to regularly report its plans, systems, and achievements regarding carbon risk and carbon management. Participate in CDP Supply Chain program members and invite suppliers to participate in the carbon disclosure.

Sustainability Management Vision

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

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

2012-2015
- 2014 Taoyuan TY5 LEED Awards—Gold Award
- 2014 Enterprise Environmental Protection Awards—Silver Award
- 2014 Taoyuan Energy Conservation and Carbon Reduction Action Label
- 2015 Taiwan Corporate Sustainability Awards
- 2015 UL Environment Certificate—Platinum Award
- 2015 Helped safety and health program members pass ISO 14001-related verification

2016-2020
- 2016 Applied for clean production
- 2016 Cooperated with government agencies or schools to promote environmental protection
- 2016 Continued helping safety and health program members obtain ISO 14001-related verification
- 2016 Continued participation in Enterprise Environmental Protection Awards
- 2016 Received Customer Sustainable Development Award
- 2017 To apply for Energy Conservation and Carbon Reduction Action Label
- 2018 To receive Water Footprint Third-Party Verification

2021-2025
- To create low-carbon living circles through corporate environmental protection concepts based on HTC experience
- To help contractors obtain energy conservation and carbon reduction action labels

2021 | 2025
- Reduce power consumption (carbon emissions) by 1%.
- Water recycling rate reaches 75%.
- Waste recycling rate reaches 80%.

2016 | 2020
- Reduce electricity consumption (carbon emissions) by 1%.
- Water recycling rate reaches 70%.
- Waste recycling rate reaches 72%.

2012 | 2015
- Reduce power consumption (carbon emissions) by 1.5%.
- Water recycling rate reaches 70%.
- Reduce paper consumption by 3%.
- Waste recycling rate reaches 70%.

GHG Emission and Reduction

Total greenhouse gas emission by HTC was 24,438.5009 t-CO_2e in 2018. 2013 continues to be the base year, and the greenhouse gases inventory in 2018 didn't exceed over 3% of significance threshold. The majority of emitted gas was CO_2. It is notable that HTC's GHG emissions contained little percentage of CH_4, N_2O and HFCs. PFCs, SF6 and NF3 emissions were maintained at zero.

Besides, we have extended greenhouse gas emission investigation and external verification scope 3 to include control over subsidiaries, including comprehensive statistics, and the monitoring of greenhouse gas emissions to improve the overall energy use efficiency and create better energy revenue since 2014. HTC's emissions contained no Sulfur oxides or other waste gases, and HTC does not use any substances that might endanger the ozonosphere. Moreover, the cooling and air-conditioning systems in HTC's buildings all use environment-friendly coolant R-134a to further preserve the ozonosphere.

HTC GHG Emissions

Total Emission	Unit	2016	2017	2018
Total Emission Scope 1	t-CO_2e	2,140.0604	3,409.3880	2,711.7527
Total Emission Scope 2	t-CO_2e	33,298.3098	29,972.2841	21,027.7191
Eco-Efficiency Value	NT$	2.21	1.78	1.00
Total Emission Scope 3	t-CO_2e	297.1666	1,425.3491	699.0291
Emission:CO_2	t-CO_2e	33,995.2462	30,636.6878	21,421.7374
Emission:CH_4	t-CO_2e	1,012.3600	882.4375	494.8250
Emission:N_2O	t-CO_2e	1.1920	1.2516	0.6854
Emission:HFCs	t-CO_2e	429.5720	1,861.2952	1,822.2240

Emission coefficients	1. Power Conversion CO_2 equivalent emissions are calculated in accordance with the power emission coefficient of the year announced by the Bureau of Energy
	2. GHG Emission Coefficient Table, version 6.0.3
	3. The scope includes HTC Taoyuan Plant, Taipei Headquarters Building, Hsinchu Plant and Tainan Plant
Global Warming Potential (GWP value)	2016-2018 based on IPCC 2007 4th Assessment Report.

Note : 1. Eco-efficiency value (revenue generated from each unit of greenhouse gas emission) = Operating revenue (in millions) / greenhouse gas emission (Scope 1+Scope 2).

2. Scope 3 includes transportation vehicles, global business travel and waste disposal. In 2018, due to the reduction in company's global business travel, emissions were reduced.

Energy Saving and Carbon Reduction Results in 2018

Energy Consumption Analysis

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

The design on energy efficiency contributed to 680,929.64 kWh (2,451.35 GJ) of reduction, and the total amount of reduction in carbon emission was 360,737.36 kg of CO_2e which translates into a saving of NT$2,001,531.92. The electric power factor of the HTC buildings was 98.03% on average. Taipei headquarters outperformed the others by means of power factor adjustment, refrigeration and air-conditioning cost saving, and reached a final electric power factor of 100%.

Energy Saving and Carbon Reduction Results of Office buildings and Factories

2018	Total Use of Electricity (GJ)	Total Amount of Electricity Bill (NT$)	Average Electric Power Factor (%)
TY3 Building	25,106.40	20,342,955	98.92
H+P Building	62,456.18	43,678,231	99.00
Xinghua 18	8,410.68	6,373,034	94.42
DaZhi Plant	10,264.32	8,103,111	96.83
TPE1	23,975.80	15,115,565	100.00
TPE2	5,747.39	4,527,037	100.00
Others	681.45	776,700	93.05
Total	136,642.22	98,916.633	98.03

The Eco-efficiency Value of HTC

Environmental Indicator	Unit	2016	2017	2018
Electricity	1,000 kWh/Year	62,482	56,658	37,956
Operating revenue	Million(NT$)	78,161	62,120	23,741
Eco-efficiency value	NT$	1.25	1.11	0.63

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

Taoyuan						
Program	Projected Energy Savings in kWh	Actual Energy Savings in kWh	Amount of Money Saved in NT$	Projected Carbon Emission Reduction in CO_2e/kwh	Actual Carbon Emission Reduction in CO_2e/kwh	Saving Rate
The C/T motor fan energy saving solution in TY3 building	25,180	26,855	80,565	13,320	14,201	**106.65**
Exhaust System update in H building	7,362	10,021	30,063	3,895	5,301	**136.12**
Entering water temperature control in condenser	18,234	34,633	103,899	9,646	18,321	**189.94**
The exterior wall mercury street lamps replaced by LED lights in TY3 building	11,664	11,664	34,992	6,170	6,170	**100**
Ladder A top floor mercury lamps replaced by LED lights in H Building	11,016	11,016	33,048	5,827	5,827	**100**
The exterior wall lamps replaced by LED lights in H Building	7,500	7,500	22,500	3,968	3,968	**100**
Lighting change from T8 to LED in H- 5F Building	84,744	84,744	254,232	44,830	44,830	**100**
Lighting change from T8 to LED in H- 4F & 5F CDIT Building and other warehouses	26,928	26,928	80,784	14,245	14,245	**100**
The conveyor lighting change from T8 to LED in H- 2F Building (Stocked LED lights)	10,368	10,368	31,104	5,485	5,485	**100**
Lighting change from T8 to LED in H- 2F&7F Building(increasing budget quarterly for implementation)	72,706	72,706	218,117	38,461	38,461	**100**
Lighting change from T8 to LED in H- 2F&4F&5F Building (increasing budget quarterly for implementation)	126,403	126,403	379,210	66,867	66,867	**100**
Lighting change from T8 to LED in H- 2F Building (increasing budget quarterly for implementation)	77,458	77,458	232,373	40,975	40,975	**100**
Setting the inverter in the air handing unit on TY3- 2F building	40,694	37,303	111,910	21,527	19,730	**91.67**
Lighting change from T8 to LED in TY3- 2F & 3F & 4F Back Building	57,024	57,024	171,072	30,166	30,166	**100**
IT computer facility air conditioning energy saving in H- 6F Building	12,888	8,592	25,776	6,818	4,545	**66.67**
Exhaust System update of toilet in H- B2F Building	1,584	1,056	3,168	838	559	**66.67**
Exhaust System update of male toilet in TY3- 1F Building	129	129	386	68	68	**100**
Exhaust System update of female toilet in TY3- 1F Building	129	129	386	68	68	**100**
Taipei						
CO_2 concentration setting increased from 800ppm to 1,000 ppm in TPE1	76,402	76,402	187,949	40,951	40,951	**100**
Total	**668,413**	**680,931**	**2,001,533**	**354,124**	**360,738**	**101.87%**

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 2018: NT$3/kWh.

2. The CO_2 carbon emission coefficient is calculated on a basis of the 0.529 kg/kWh standard announced by the Bureau of Energy.

3. The effects achieved through the replacement or removal of lamps are figured out through power conversion.

4. The effects achieved by switching off lights at night and in the holidays is calculated through power conversion.

5. The effects achieved by reducing power consumed by water fountains are calculated through time control and power conversion.

6. The effects achieved through controlling air conditioning system temperature is calculated on the basis of saving ration and power conversion standard announced by the Bureau of Energy.

7. The effects achieved through process optimization and two plants merged is calculated on a base of the actual used amount in the same period of 2013.

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.

Targeting the Taoyuan plant area, HTC plans to build a new energy management system. Through the additional monitoring system, the energy-consuming equipment inside buildings can be monitored. Through monitoring, control, management, analysis, and other steps, an insight is gained into equipment operations and energy consumption situations. Then, based on the judgment made through the comparative analysis of the monitoring system big data, continuous energy conservation improvement can be made. In addition, according to the equipment deployment and operation time during factory working hours and off-work hours, the equipment is turned on and off according to the automatic scheduling. This project is expected to be completed in the third quarter of 2019.

Building H
Building P
Building TY3
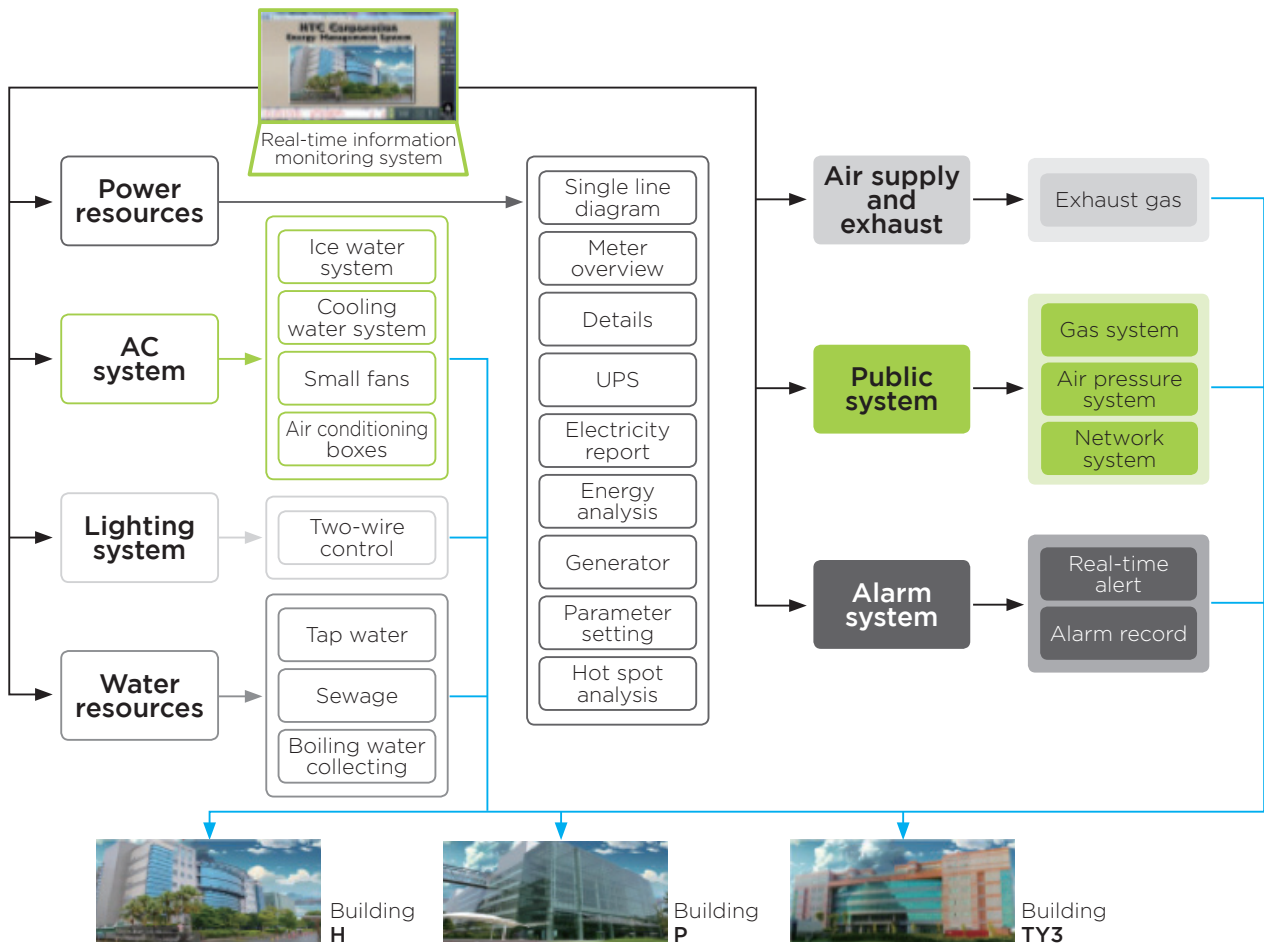
The Use of Green Energy

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

Energy-Saving Program	Descriptions
Solar panels	1. Taipei headquarters has solar panels that generate electricity used for lighting the staircases and basement in 2012. The cumulative total number of solar panels since it was built has reached 90,896 kWh. 2. 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 96,271.4 cubic meters of natural gas in 2018, this translates into an equivalent of NT$1,252,828.21 cost saving and a reduction of 182 metric tons of CO_2e. Note: 1. One cubic meter of natural gas costs NT$13. 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 $kgCO_2e/m^3$).
Heat pumps for air conditioning	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	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. In 2018, additional four parking spaces with power charging stations for electric vehicles have been installed.

Power charging sockets for electric vehicles   Solar panels at Taipei headquarters   Free bicycles for rides

Setup of Renewable Energy Devices

Targeting the construction of a new parking shed in the Taoyuan plant area, HTC planned to use its roof to build a solar power generation system, replacing the metal roof of the parking shed with solar panels, a total generating capacity of 180KW. By means of internal line parallel series, the power was sold in bulk and included in Taiwan Power Company's power supply system, thereby relieving Taiwan's power load and supply constraints and reducing carbon dioxide emissions. The devices was completed in September 2018 and put into trial operation. The application for administration process and the selling of electricity was sent to Taiwan Power Company. It is expected that the application will be approved by Taiwan Power Company in 2019. The total power generated during the trial operation has reached 46,840 kWh.

180kW Solar Power Generation System

Real-time solar information monitoring system
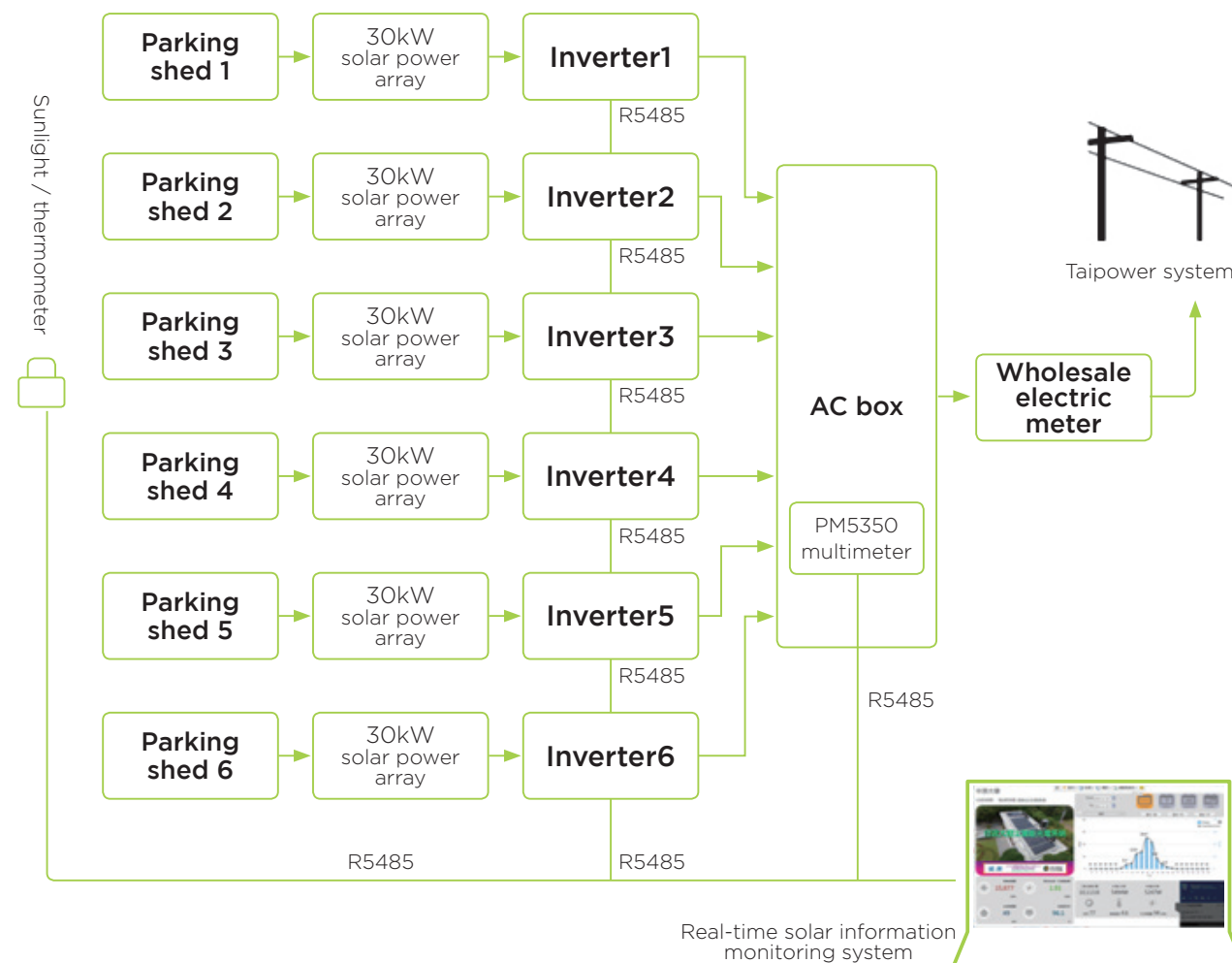
Resource Consumption Statistics in 2018

Green Plant	Unit	2018
City water consumption	degree/year	345,188
Wastewater	River	Dongmen Creek + New Taipei City dedicated sewer
Total city water discharge	Metric Tons	153,729
The amount of rainwater recycled	Metric Tons/year	1,501
Total amount of water recycled/reused	1,000 liter /year	55,094
The ratio of water recycled/reused to total amount of water consumed	%/year	16.32
Total amount of waste recycled	Kg/year	1,771,480.5
Total amount of waste reused	Kg/year	0
Total amount of waste incinerated	Kg/year	415,510
Waste disposal expense	NT$ thousand /year	2,353,257
Environmental management and recycling amount	NT$ thousand /year	3,891,147

Note : 1. 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.

2. In 2018, since the P Building in Taoyuan was rented, the amount of rainwater recovered was zero. Therefore, the overall amount of rainwater recovery was reduced.

3. Domestic garbage at Taipei's headquarters building consists partly of recycled cartons that are unquantifiable. A recycling company has been commissioned for handling.

4. 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.

Green Plant

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

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

An Office Environment with Plants and Green Landscaping

We uphold the concept of environmental sustainability and we regularly increase our green space in Taipei headquarters and Taoyuan. The HTC outdoors green area now totals 30,700 m² and the TPE1 building horticulture planning adhered to the concept of environmental protection and open parks. The planting area on the first floor reached 41% of the total base area. According to the topographic planning, large trees totaling 260 were planted, including camphor trees, Liquidambar, Podocarpus, Taxodium distichum, and cherry trees. Additionally, the plan designated eight shrub planting areas and one ecological pool area to plant about 3,200 plants. In Taoyuan area, there are around 113 tree species native to Taiwan on the grounds, such as Camphor and the Taiwan Golden-rain Tree. Our employees can enjoy the lush green surroundings of their work environment.

Taipei's headquarters building planning covers B1 to 17F. In every floor, the indoor foliage was widely planted, totaling 450 pots. Different plants added for different festive holidays in order to enhance different festive atmospheres. In addition, we also planted beautiful green plants, such as the round pepper, the tiger-tail orchid, the lime pothos, the philodendron, etc., in the lobby of H Building and TY3 Building in Taoyuan. In the office areas, we set the potted plants every 20 to 50 meters and replace them regularly. The annual management fees for our green environment maintenance amounts to NT$ 1.461 million which is used to provide a fresh and green office environment for HTC employees.

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

In 2013, HTC's Taipei headquarters office received the green building mark from Ministry of the Interior and the golden LEED (Leadership in Energy & Environmental Design) certification from the U.S. Green Building Council (USGBC), offering its employees an excellent and comfortable low-carbon and take the responsibility of environmental sustainability. The fully-integrated energy management system was utilized to attain a full real-time management and enhance the efficiency of energy use. The total amount cumulated for the reduction in carbon emission since the inauguration of the building has reached 12,660 metric tons of CO_2e.

The fully-integrated energy management system is constructed in the Taipei headquarter, which covers over 7,000 spots of on-site monitoring, total monitored spots amounted to 20,000. Under the effective control and analysis, the EUI (Energy Usage Intensity) of Taipei headquarters amounted to only 102.91 kWh/m² annually in 2018, which was quite a marvelous result.

LEED gold certification

Unit: EUI (per year)

Building	2016	2017	2018
TPE1	92.88	93.98	102.91
TPE2	263.56	223.14	170
Taoyuan(P, H, TY3, DaZhi)	302.13	262.53	187.06

Green Building Label

Green Procurement

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

In 2018, the amount of green procurement reached NT$ 376,900. From 2012 to 2018, the accumulated expenditure for products with green-product stamp was about NT$27.09 million.

Water Resource Management

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

Office/Facility Water Use and Water

Unit: ton

Plant	Usage in 2018(Metric Tons)	Water Saving Measures
Taoyuan	280,409	Saved 1% on tap water usage
Taipei Headquarters	64,779	The Taipei headquarters building selected water-saving water equipment, using air conditioning condensate and recovered rainwater. The overall daily water-saving rate was 66% (including toilets, urinals, faucets and showerheads).

Sewage Treatment

The wastewater generated by our facilities is mainly domestic sewage from the washroom and for other cleaning uses and restaurant wastewater that contains no process wastewater. We invested NT$ 27,760,000 in building sewage treatment equipment in 2010 and spent NT$ 1,586,226 on operation and maintenance in 2018.

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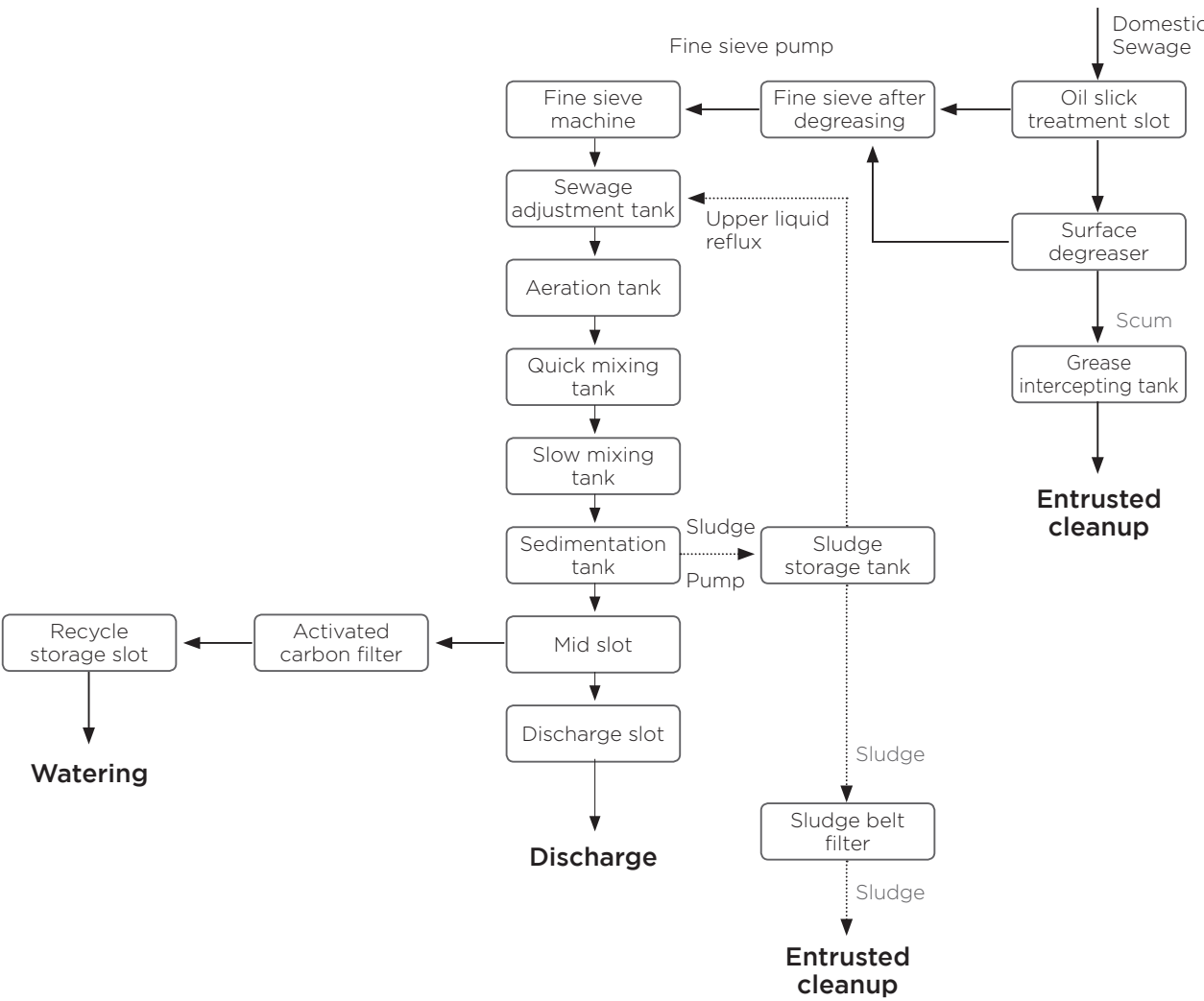
To substantiate sewage control, we have implemented daily maintenance and inspection in accordance with the "Procedures for Sewage System Operation, Repair, and Maintenance." We abide by all the laws and regulations and the sewage is tested every six months by an institution authorized by the Environmental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

Domestic sewage is discharged into the sewage sewer. Based on the average concentration of effluent BOD and COD from 2016 to 2018, there will be no adverse effects on the nearby water bodies. Since 2017, a self-initiated test of effluent heavy metals has shown ND or lower than the test value. Starting January 2013, the average daily treatment capacity of the sewage treatment plant reached 600 metric tons, sufficient to replace the use of tap water for park landscape irrigation and for toilet water use.

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

	Amount of Water Discharge (Metric Tons)	Amount of Recycled Water (Metric Tons)	Average Concentration of BOD(mg/l)	Average Concentration of COD(mg/l)	The Suspended Solids(mg/l)	Test of Effluent Heavy Metals
2016	73,750	194,868	14.95	42.95	10.05	-
2017	63,988	182,002	16.6	50.85	22.35	-
2018	108,459	53,593	7.15	32.2	12.7	None

Note : 1. Tested items of heavy metals: Cd. Cr. Cr+6. Cu. Zn. Ni.

2. In 2018, due to the large reduction in the area of vegetation that needs to be watered, the amount of recovered water decreased and the amount of discharged water increased.

___ Sewage Recycling

The domestic wastewater is discharged into the sewer system and delivered to the wastewater treatment plant. The treated wastewater is discharged into the Dongmen River, which eventually flows into the Nankan River. In 2018, the total domestic wastewater treatment volume was 162,052 metric tons, and the recovered volume from the treatment of domestic wastewater was 53,593 metric tons.

The green fields and planted areas inside the factories are irrigated with recycled sewage water without increasing the total amount of water consumed. Starting from 2012, HTC drafted and implemented water conservation plans. We examine results each year to examine whether or not to adjust the goals. From 2014 to 2018, the amount of recycled water used for irrigation was 911,976 metric tons.

Sewage Recycling Strategy and Effectiveness in 2018

Strategy and Effectiveness	Sewage Recycling
Recycled water for irrigation (Metric Tons)	162,052
Sewage water output (Metric Tons)	53,953
Amount saved (NT$)	696,709
Actual wastewater recycling rate	33.07%

___ Rainwater Storage and Recycling System

HTC has established a rainwater storage and recycling system to collect rainwater for flushing toilets and watering plants. A total of 1,389 metric tons of rainwater was recycled from the Taipei Headquarter Building, effectively saving water resources.
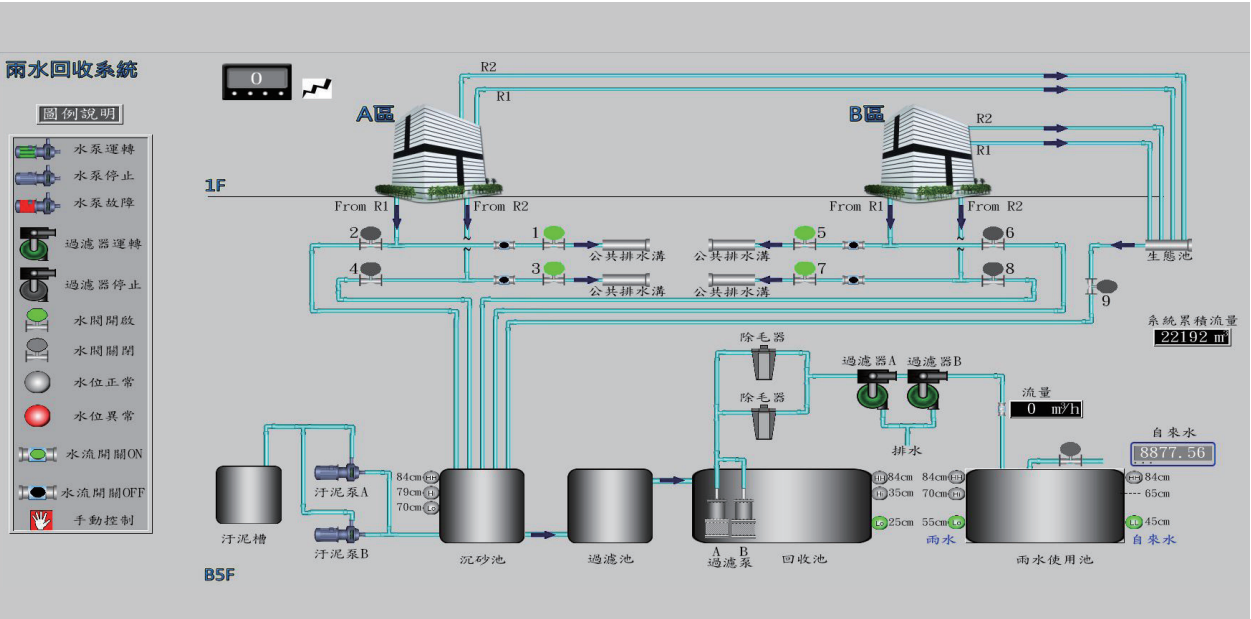
Rainwater monitoring system

Water-saving Sanitation Equipment

HTC gives top priority to the use of sanitary equipment with a water-saving label. The faucet device installed with water-saving spiral allows the faucet to reduce the amount of water outflow and each faucet can save 77 liters of water a day. More than 8,625,500 liters of water have been saved since installation in October 2012. All the toilets and urinals in the bathrooms should be energy efficient and have the Water Sense Label of the United States Environmental Protection Agency and Water Label of water resource agency, MOEA.

Note: For a total of 500 faucets have been installed and each faucet can save 231 liters of water per month. Since the installation, it has been 75 months up to the end of 2018. Therefore, it is calculated as: 75 months * 231 liters * 500 = 8,625,500 liters.

Photocopying Paper Management

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

By the end of 2018, the total number of paper saved was 3,017,500 sheets, achieving the best paper saving management. Compared with 2017, NT$ 340,460 was saved, which is equivalent to a saving rate of 60%.

Print	● Use photocopying papers with carbon footprint labels to support green, low-carbon products ● Link the computer with the employee number, the employee card must be sensed in front of the business machine before printing, effectively reduces the unclaimed printed documents
Fax	● Unified management in the entire factory area, select fax function to send faxes with the employee's computer to eliminate the paper waste with paper fax in the past
Screen	● 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	2016	2017	2018
Paper Use (Piece)	5,102,500	5,027,500	2,010,000
Paper saving (Piece)	4,010,000	75,000	3,017,500
Paper saving target	1%	1%	1%
Achievement rate	44%	1%	60%
Amount saved (NT$)	533,435	12,125	340,460

Note: In response to the company's boundary merging and department downsizing, the paper-saving rate in 2018 has increased significantly.
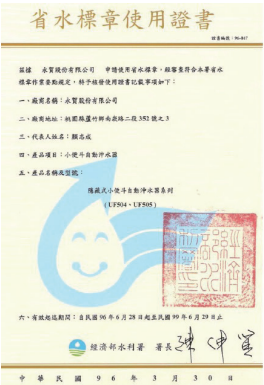
Environmental Protection Education and Promotion

HTC continues to promote and enhance environmental protection consciousness and awareness in employees using a diversified interface. Through the new employee educational training and the provided training materials, the idea of environmental protection is promoted within the organization. Moreover, corporate policy posters are displayed on important bulletin boards to deliver continuously the information on environmental sustainability, allowing employees to feel HTC's efforts in environmental protection and give their full support through actions as well as everyday life habits.

Garbage classification promotion

Environmental Policy Poster

Environmental Protection and Safety and Health Education

New employees and contractor education trainees in 2018

Course	Training Hour (hr)	Training Time/Frequency	Responsible Unit
Environmental protection and safety and health education training	3	New employees when reporting to work	OSH Dept.
Hazardous substance use	3	New employees when reporting to work	OSH Dept.
Operational equipment hazard notifications	3	After arriving at the department of work	Equipment Dept.
General labor safety and health in-service education training	1	Every year/ On-job employees	On-Site
Hazardous chemical use notice	1	Every year/ On-job employees	On-Site

Encourage Employees to Carpool

HTC runs a shuttle bus service on many commuting routes with a daily capacity of 325 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.

	2017	2018
Shuttle bus total driving distance	332,002 km	308,525 km
Shuttle bus total gas consumption	55,338 liters	51,421 liters
Total carbon emission volume	190,916.1 KgCO$_2$e	177,402.45 KgCO$_2$e

In 2018, the overall carbon emission was reduced by approximately 13,513.65 KgCO$_2$e (7.08%) compared with 2017.

Annual gasoline consumption and carbon emissions of shuttle buses in 2018

	Bus	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Miles (km)	Wenn-chin	28,105	14,788	28,105	22,400	28,105	25,480	28,435	29,570	22,790	26,510	26,510	22,848
	Taoyuan Bus	440	260	440	360	440	400	440	460	380	440	440	380
	total	28,545	15,048	28,545	22,760	28,545	25,880	28,875	30,030	23,170	26,950	26,950	23,228
Oil consumption (liters)	Wenn-chin	4,684	2,465	4,684	3,733	4,684	4,247	4,739	4,928	3,798	4,418	4,418	3,808
	Taoyuan Bus	73	43	73	60	73	67	73	77	63	73	73	63
	total	4,758	2,508	4,758	3,793	4,758	4,313	4,813	5,005	3,862	4,492	4,492	3,871
Carbon emissions (KgCO$_2$e)	Wenn-chin	16,160	8,503	16,160	12,880	16,160	14,651	16,350	17,003	13,104	15,243	15,243	13,137
	Taoyuan Bus	253	150	253	207	253	230	253	265	219	253	253	219
	total	16,413	8,652	16,413	13,087	16,413	14,881	16,603	17,267	13,323	15,496	15,496	13,356

Note : 1. Kilometers per month=kilometers per ride* total rides per month.

2. Fuel consumption calculated as 6km per liter (km per month/6km).

3. Carbon emissions per km calculated using the coefficient of diesel fuel of 3.45 L/Kg CO$_2$e (mobile source) according to "information disclosure on the carbon footprint calculation service platform".

4. Round-trip distance from Xindian to Taoyuan is 35km/trip and the round-trip distance from Taoyuan to Taoyuan Train Station is 2.5km/trip.

htc U12+

Live on the Edge.

Sustainable Design ____

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

Green Marks Obtained by HTC

Green Mark	Description	Applicable Area
UL Energy Verified	Verified by a third-party verification company (UL) as meeting North American (US and Canada) energy efficiency requirements.	Power supply units
BC	Verified by a third-party verification company (UL/TUV/ITS) as complying with California appliance efficiency regulation.	Mobile phones, virtual reality(VR) device, including Accessories with rechargeable batteries, etc.
RECYCLE (RBRC)	Working with Call2Recyle(RBRC) to properly recycle used batteries in North America.	Batteries

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 including: increased energy efficiency, recyclability and reducing hazardous substances with the serious intention of making our products really green and competitive.

___ Enhancement of Energy Efficiency

An analysis of energy efficiency starts with the raw material used to produce the electronic telecommunications product, its manufacture, life cycle and disposal. The mobile phones raw material carbon footprint is low, as is that of the manufacturing process as well as usage, when most of the greenhouse gas is emitted. We concentrate on energy saving from the early design and research and development phase. All power supply devices used for HTC products must comply with the relevant international energy consumption specifications: US Energy Star, California Energy Commission, the EU Code of Conduct, the EuP, and Energy Efficiency Certification (EEC) with third-party verification. The power supply devices used for all specific models meet the 0.03W standby power minimum energy consumption standard. Taking HTC U12+ as an example, according to the simulation calculation, the annual power consumption is about 7.84 kWh. The improvement includes using charger with standby power of less than 0.03 W, which reduces the energy consumption by about 4.1% compared to charger with standby power of 0.15 W. As for the energy consumption during battery charging process, we took the regulations of the US Department of Energy (DOE) and the California Energy Commission (CEC) as the standards to improve the efficiency of charging and reduce the loss of energy after the battery is fully charged as much as possible, allowing the overall energy consumption to reach minimum.

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.

For issues related to charging the cell phone, we have launched HTC Rapid Charger 3.0, a rapid-charging device with high energy-efficiency. Its energy-efficiency has also reached the highest standard currently set internationally, including Energy Efficiency Level VI and EU CoC Tier 2, whose energy consumption during no-load standby is lower than 0.03W and has reached the highest 5-star level. In terms of design, its volume has also seen 25% of reduction compared to its predecessors. In addition to reducing the use of resources, built-in over current, overheating and short circuit protection, so that the use of security is guaranteed.

Energy Efficiency Regulations of the US Department of Energy and the California Energy Commission for Battery Charging Products

The US Department of Energy (DOE) issued the energy efficiency regulations for battery charging (BC) products in 2016, which was implemented in June 2018. All BC products sold in the US market must comply with the DOE regulations and be registered. Prior to this, the California Energy Commission (CEC) began implementing energy efficiency regulations for battery charging systems in February 2013. These requirements cover almost all electronic products that use rechargeable batteries, including mobile phones and notebook computers.

These two regulations have different criteria for the test results. Nevertheless, they use the same test method and the same test data. The DOE regulation focuses on the unit energy consumption (UEC), that is, the amount of electricity consumed during the charging process must not exceed the limit. On the other hand, the CEC regulation directly regulates the total power consumption within a certain period of time during the charging process which cannot exceed the limit. The limits in both regulations are related to the battery capacity; therefore must be calculated after testing the battery capacity. For products that have been certified in 2018, their energy consumptions are at least 10% below the regulatory limits.

Recyclability

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

We consider material recyclability in the selection of all materials and product disassembly and analysis is carried out by an impartial third-party. All current products such as the HTC U12+ and VIVE Pro. This significantly exceeds the EU WEEE Directive on the mobile phone material recovery standard which is 55%.

>ABS+PC<

4
LDPE

HTC U 12+
Material recovery rate:
80.5%
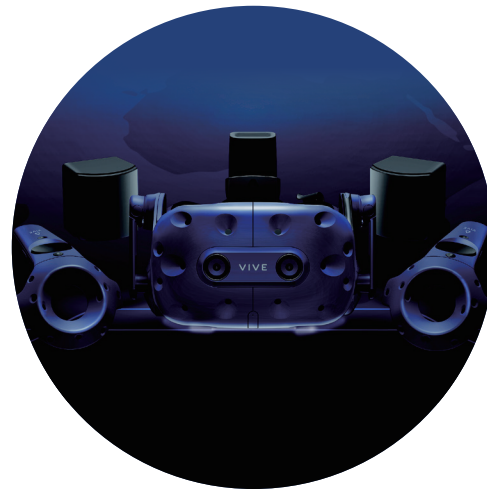
VIVE Pro
Material recovery rate:
75.2%

Phone and Battery Recycling

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

1. HTC promotes cell phone trade-in program (http://www.htctradeup.com/), through online platform 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 2018, the total cumulative units of devices were 1,689 units with the value of US$25,335.

hTC Trade Up™

2. HTC also participates in the industrial management program Call2Recycle that is currently implemented in the United States. 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. In 2018, the project recycled 3.27 million kilograms of batteries and mobile phones in the United States and Canada, among which more than 42,638 kilograms of disposable batteries were recycled in Vermont in 2018, an increase of 16% compared to 2017. Due to the gradual increase in customer awareness and recyclability, more than 52.16 million batteries have been collected and recycled in the United States since the project was launched in 1994.

call2recycle®
Leading the charge for recycling.™

3. HTC takes part in the state-owned e-waste programs of more than 20 states in the US, responsible for recycling Nexus-9 Tablet PC. Due to different recycle mechanism of life cycle termination determined by each state, many states establish the weight of the Company's annual recyclable electronic products by market share, some states charge the cost to the manufacturer based on the price of unit weight of the recycled products, while the remaining states allow the mail recycle plan, and pay the annual registration fee, without having to set the recycling target. For example, in Washington State, we pay a certain percentage of expenses according to the market share of the tablet PCs, the local government is responsible for the recycling collection operations across the entire state, and the recycle firms legally registered with the state ecological department recycle the electronic products to ensure that the recycling operation is held responsibly and appropriately. From 2009 to 2018, there was a total of 16,737,558 kg of electronic waste recycled in the Washington state area.

Positively Cutting Hazardous Substance

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 ten substances controlled by RoHS(Restriction of Hazardous Substances Directive), but also others restrained by international environmental regulations and customer requirements, such as polyvinylchloride (PVC), Brominated Flame Retardant, and Phthalates listed by RoHS 2.0 are prohibited. Moreover, the chemical analysis of new products carried out by third-party verification institutions began since 2017. Four new Phthalates in RoHS 2.0 were included for the analysis.

To further extend the control of hazardous substances into the supply chain. 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. From September 2018, suppliers are also required to provide the RoHS reports containing the above-mentioned test items for the materials supplied. In addition, the Material Inspection Department also begun to evaluate the purchase of related testing equipment to ensure that all HTC products do not contain any hazardous substances.

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

In order to continue to work on the non- hazardous substances. Of products, during the selection of materials in 2015, we replaced the beryllium copper alloy used for contact points in a mobile phone with other safer materials. Although beryllium copper alloy is safe in itself, it can produce beryllium oxide during the recycling process that is harmful to human health. We have thus decided not to use the material in any of our products since 2016.

Active in Compliance with Standards

All HTC mobile phones are verified by international public certification companies. 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 ecological scoring systems and this ensures that all products comply with customer green specification. Among the SAR regulations currently in force, FCC (US) and CE (EU) are the strictest, and all HTC products satisfy meet these requirements.

htc 5G Hub

28 GB USED / 100 GB
FEB 25 - MAR 24

HTC
5G
SIGNAL STRENGTH

150 Mbps
2.6 Gbps
SPEED

Wi-Fi
18 / 20
CONNECTED DEVICES

htc
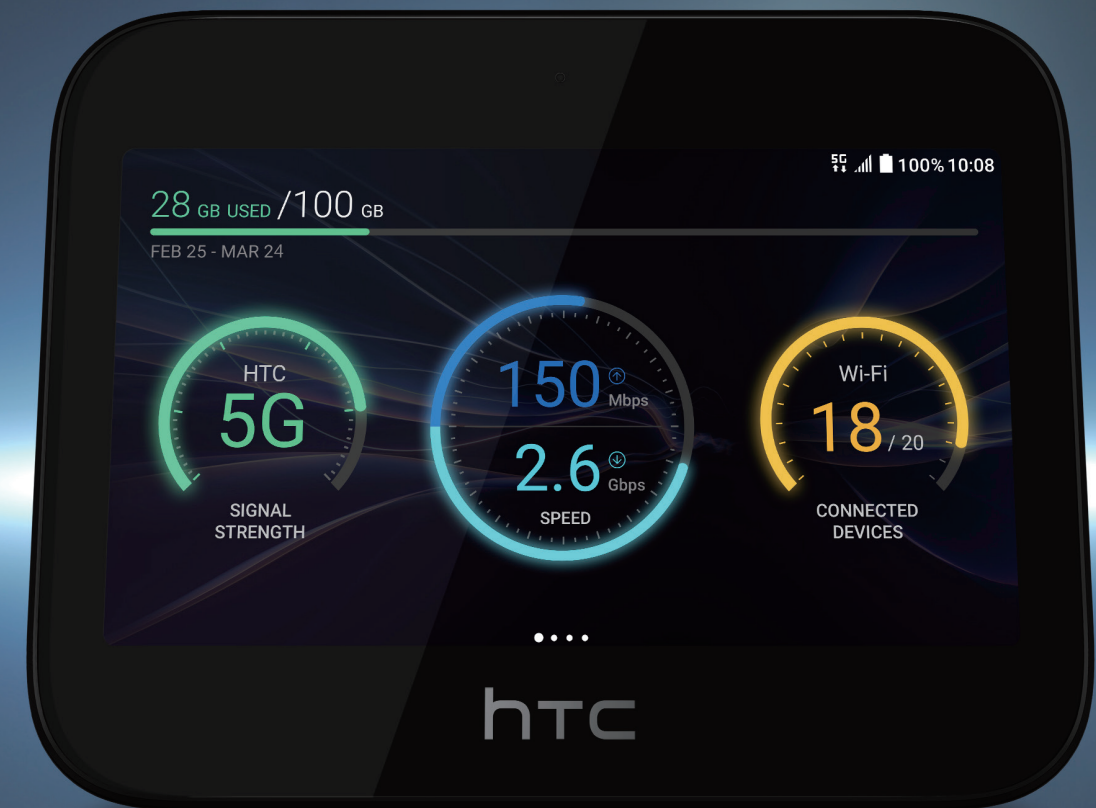
Welcome. Future

Sustainable Manufacturing Process ____

Management of Waste and Hazardous Substances

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

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

Measures	Methods
Set up recycling bins and commission manual sorting of domestic waste.	Set up recycling bins and encourage and propagandize staff to sort domestic waste. The employees recycled 1,771,480.5 kg of domestic waste in 2018.
Used batteries, light tubes and information technology objects must be recycled.	We have recycling stations for used batteries and light tubes available to the employees.

In the process of mobile phone assembly and manufacturing, HTC inevitably generates general business waste and small amounts of harmful business waste. HTC upholds and implements proper disposal of waste, commissioning legal waste removal and processing companies and choosing the best handling approach based on the nature of waste.

	2016	2017	2018
Waste weight of each mobile phone manufacturing (kg/unit)	0.0721	0.0785	0.7
Weights of each mobile phone recycled (kg/unit)	0.3628	0.4037	2.81

NOTE: In 2018, large amount of assets were scrapped due to internal organization change or merging. As a result, the average weight of recycled materials for each mobile phone in 2018 has increased significantly compared with that in 2017.

In 2018, HTC's waste disposal methods consisted of four types:

HTC Waste Statistics

Unit: kg

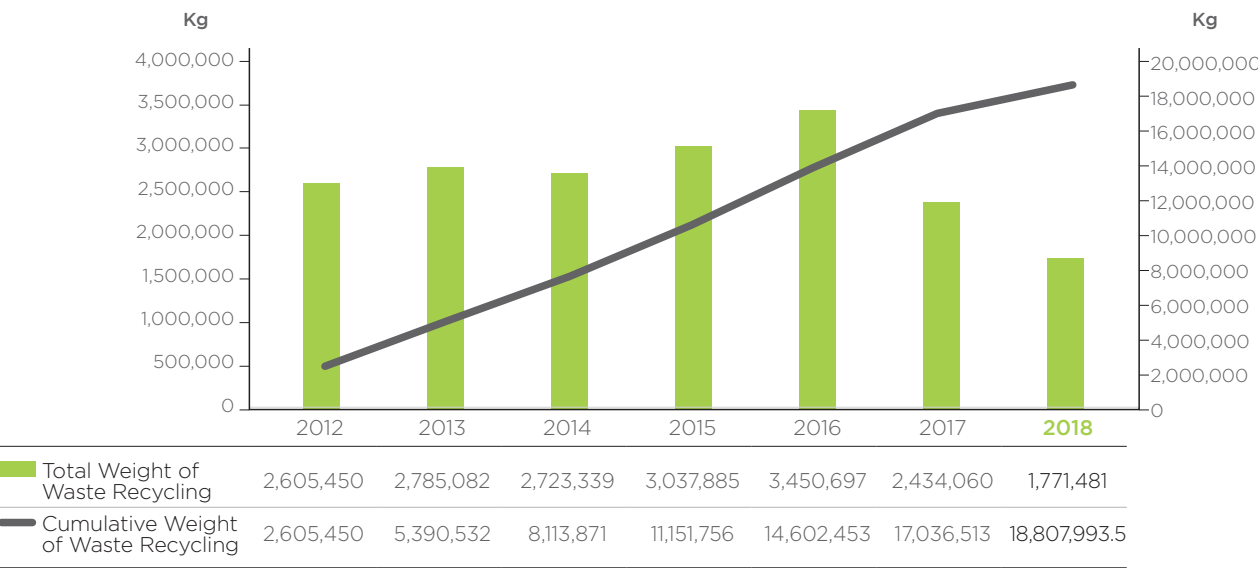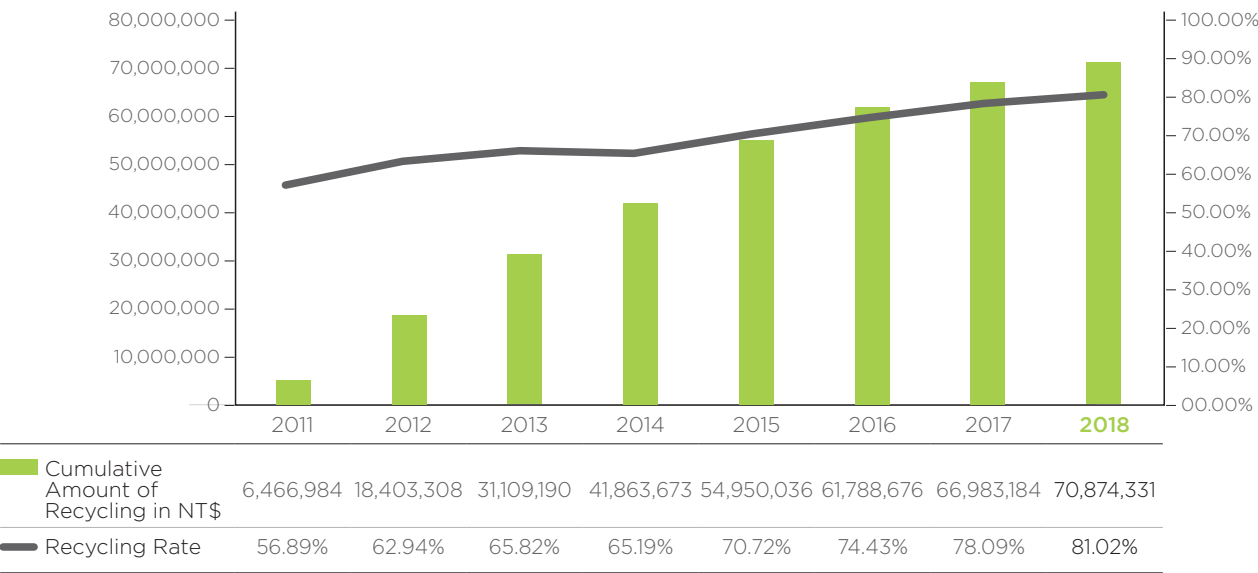| Treatment	Treatment Capacity			Descriptions
	2016	2017	2018	
Recovery (General)	3,450,697	2,434,060	1,771,480.5	Including Tray plate, foam, miscellaneous plastic, waste wood pallets
Incineration (General)	1,143,555	660,540	415,510	Domestic garbage
Burial: Waste bakelite	0	69,960	23,560	Waste bakelite had been produced in 2017, none of which was produced from 2016.
Chemical treatment: Harmful waste liquid containing copper	2,860	0	0	The chemical treatment shall be conducted once every two years for the treatment of the copper-containing waste liquid according to "Criteria Governing Methods of and Facilities for Storage, Clearance and Disposal of Industrial Wastes". No relevant output in 2018
Other (Such as livestock husbandry): kitchen leftover	400,489.1	324,077.5	179,997	The amount of leftover is calculated on a barrel of 189 kilograms.

___ Waste Reduction, Recycling and Reuse

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

We have been taking steps to handle the treatment of waste materials according to type. As an example, we commission contractors to collect and recycle waste trays. In addition, a number of other licensed contractors are employed to recycle other material and much of the waste is purified and turned into industrial raw material. Other waste goes through physical classification which increases reusability. For example, the source control strategy is adopted when the recyclable plates and sponges can be recycled to the production line for reuse. The material that is not recyclable goes to a final destination. We also publish the condition of temporarily stored waste material on the Internet. Our recycled resources reached 1,771,480.5 kg in 2018.

Between 2011 and 2018, the money earned or saved by recycling waste rose year by year to reach NT$3,891,147 by 2018. The waste recycling rate increased from 56.89% in 2011 to 81.02% by 2018 to pass our long-term goal of 80%. By 2018 the accumulated savings and earnings from the recycling of waste had reached NT$85,791,178.

Waste Recycling Effect and Rate

	2011	2012	2013	2014	2015	2016	2017	2018
Cumulative Amount of Recycling in NT$	6,466,984	18,403,308	31,109,190	41,863,673	54,950,036	61,788,676	66,983,184	70,874,331
Recycling Rate	56.89%	62.94%	65.82%	65.19%	70.72%	74.43%	78.09%	81.02%

	2012	2013	2014	2015	2016	2017	2018
Total Weight of Waste Recycling	2,605,450	2,785,082	2,723,339	3,037,885	3,450,697	2,434,060	1,771,481
Cumulative Weight of Waste Recycling	2,605,450	5,390,532	8,113,871	11,151,756	14,602,453	17,036,513	18,807,993.5

___ Hazardous Substances and Chemical Control

HTC Hazardous Substance Management Policy

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

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

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

1. 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 chemical's label of the using unit is complete
   • Whether the information about the chemicals is complete, such as the safety data sheet (SDS, Safety Data Sheets)
   • Personnel are required to wear basic safety protective gears when using the chemicals
2. Compressed gas fire extinguishers should contain safe eco-friendly agents:
   Replace CO_2 fire extinguishers with safe halogen compound fire extinguishers.
3. Emergency lights should be powered by eco-friendly batteries:
   Replace lead-acid batteries with nickel-cadmium batteries.
4. Set up regulations for the management of chemical agents for cooling water towers:
   Choose cleaning solutions with safety certification.
5. Make sure that suppliers and contractors properly manage the chemicals they sell: The chemical management that suppliers enforce covers aspects ranging from environmental protection, safety and health, to corporate social responsibility. This must include the investigation and auditing of supplier internal management systems and an assessment of the risk levels.

Sustainable Packaging

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

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

This packaging is

98% recyclable   79% fast renewable   PRINTED WITH SOY INK

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

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

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

History of HTC "Sustainable Packaging"

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

Weight — Has been reduced, helps to reduce CO_2 emission resulting from transportation

Transportation — One pallet can carry more packs and help reduce freight

Material — Fast growing materials (sugar cane, bamboo)

Result — Use more fast growing materials to improve material resource regeneration and emit less carbon footprint
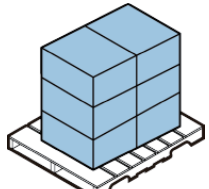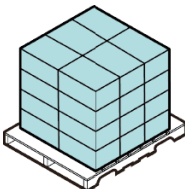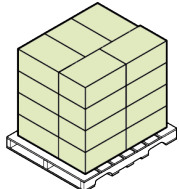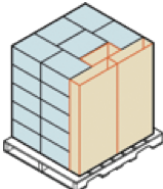
Packaging Material

Through continuous efforts, in 2018, HTC's generation of the carbon footprint from the mobile phone package during transport decreased by 13.94% compared to 2009.

	2009	2013/2014		2015	2016	2017/2018
	Hero box	M7 BOX/M8 BOX		M9 BOX	M10 BOX	U11/ U12+ Box
Dimensions	183x89x60mm	160x160x28mm		160x160x28mm	180.5x150.5x33.5mm	202x165.5x34.5mm
Total Weight	170g	95g		95g	111g	149.2g
Transportation Carbon Footprint (kg CO₂eq)	1.59	0.89		0.89	1.04	1.4
ECO Features	● Package volume reduced by 50%. ● Soy ink used for printing.	● 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.		● Materials consist of current fast renewable plants. ● Fewer colors, less ink used for printing ● No other glazing processing is used for printing. ● Top label: from 5 colors to 1 color printing.	● Materials consist of current fast renewable plants. ● Reduce the printing area, printing color. ● Do not use glazing plastic.	● Packing materials are completely changed to fast-growing materials to reduce the use of paper packaging. ● Direct stamping on the box top reduces the printing area and printing color and ink use. ● Glazed plastic is not used.

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

The Material of VR Packaging

Utilize recyclable packaging materials and lightweight design.

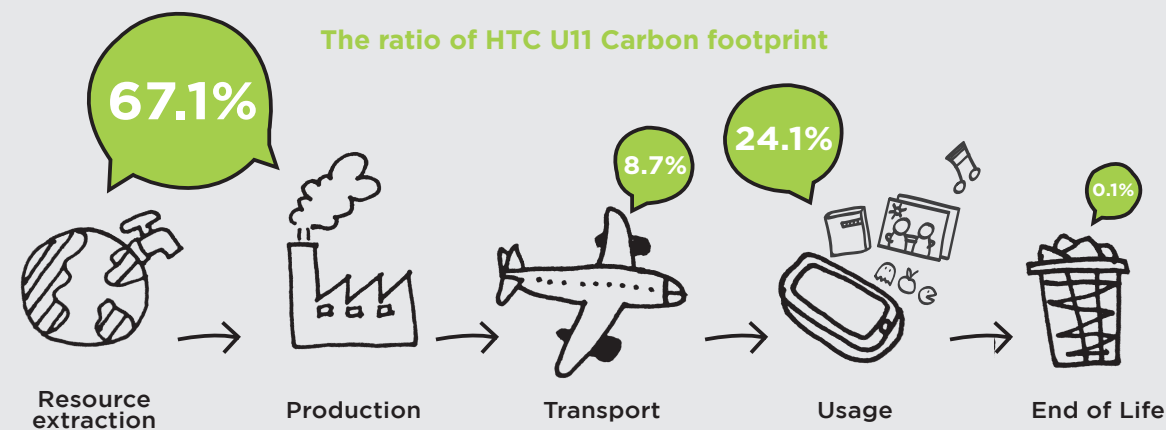|	**2015** Rigid BOX	**2016** Rigid BOX	**2017** Pizza Box	**2018** Pizza Box
Dimensions	574x420x212mm	415x295x181mm	532x344x185mm	418x338x188mm
Weight	3,000g	1,800g	2,250g	1,200g
The Number of Pallets	 6pcs	 24pcs	 20pcs	 30pcs
Transportation Carbon Footprint (kg CO_2eq)	28.14	16.88	21.11	11.26
ECO Features	● Printed with two colors and reduce the ink use.	● Volume reduced by 55%. ● Weight loss by 40%. ● Printed with two colors and reduce the ink use.	● Reduce printing with ink. ● Share packaging to reduce the generation of new packaging materials.	● Reduce printing with ink. ● Extremely simplified packaging design.

Sustainable Products ____

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

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

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.

International Standards for Product Carbon Footprint

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

The ratio of HTC U11 Carbon footprint

| 67.1% | | 8.7% | 24.1% | 0.1% |
| Resource extraction | Production | Transport | Usage | End of Life |

Carbon Footprint and Lifecycle Assessment Related Planning and Reporting Memorabilia

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

1. In 2010, we participated in the Product Environmental Information Disclosure Program of the Industrial Development Bureau MOEA and completed the Environmental Protection Declaration (EPD) with 19 suppliers.
2. In 2011, we participated in the Low Carbon Product Design Program of the Industrial Development Bureau MOEA, and completed carbon footprint analysis and low carbon design counseling with 15 major suppliers.
3. In 2013, we cooperated with 11 suppliers to complete the ISO/TS14067 product carbon footprint inspection.
4. In 2014, our main action plan is to establish carbon reduction targets and action programs by providing the major suppliers with detailed life cycle investigation data analyses.
5. In 2015, cooperated with 8 suppliers, fulfilled two products carbon footprint inspection.
6. In 2016, water footprint inspection and third-party verification have been accomplished.
7. Starting from 2016, the supplier GHG autonomous inventory was initiated. Suppliers are required to submit GHG inventory data in the first half of each year. The response rate in 2018 reached 100%.
8. In 2018, HTC officially became a CDP supply chain project member. In the first year, major suppliers were invited to participate in the CDP Carbon Disclosure Questionnaire and the annual response rate reached 48%.

Friendly Workplace

Staff Management ____

Human Rights and a High Standard of Professional Ethics

HTC is an international corporation, and a member of Responsible Business Alliance (to view the RBA's membership list please visit http://www.responsiblebusiness.org/about/members/), we attach great importance to the human rights of labor, and the principle of equality and anti-discrimination is our core concept for multicultural employees. We provide equal and fair employment opportunities for employees. There is no race, gender, age, physical and mental disabilities, religion or ethnicity. Or any other form of discrimination protected by relevant laws.

___ 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. In countries where HTC has a manufacturing presence, this Code is higher than any local regulations unless a provision is inconsistent with a legal order issued by the local government.

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

To ensure that the "HTC Code of Conduct" is fully implemented, we conducted the external third-party compliance verification for the implementation of the "HTC Code of Conduct" in 2018. The verification was passed and relevant certificates were obtained. We will continue to improve and practice the Code of Conduct in the future.
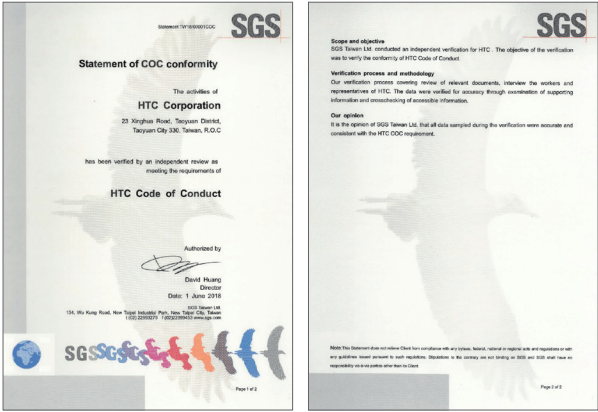
Overview of Human Resource Structure

HTC recruits promising talent from all around the world. At the end of 2018, HTC global employee workforce totaled 4,810. Of these, 34.02% were foreign supervisors, accounting for the total number of executives worldwide; foreign supervisors and professionals together accounted for 23.89% of the total number of executives and professionals worldwide and 24.37% of the supervisors were women.
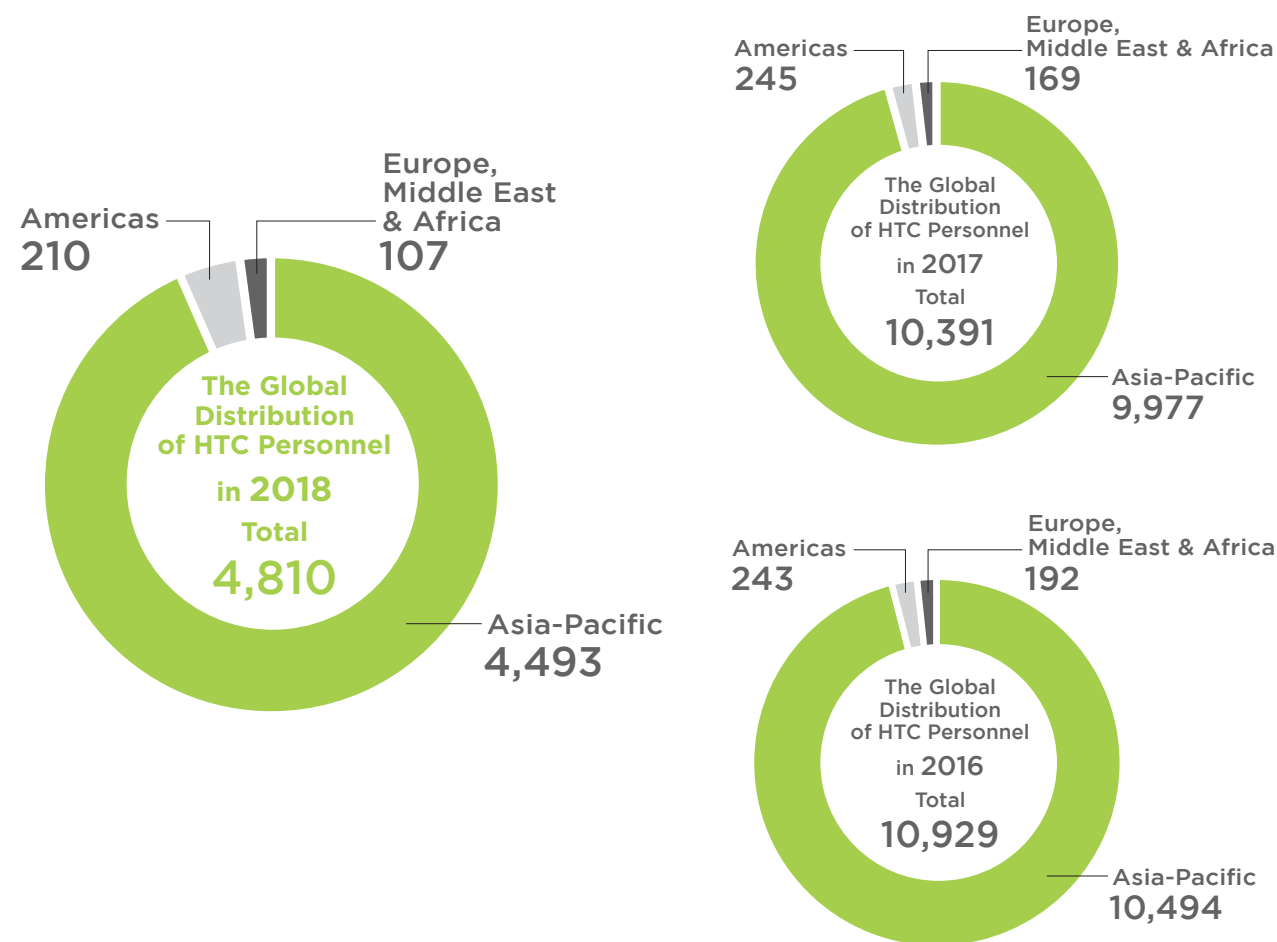
HTC's turnover rate of direct workers in 2018 was 10.23%*, with the statistical frontier encompassing the Taiwan region (including students involved in industry-university cooperation programs, interns, and foreign workers). The indirect workers turnover rate was 16.55%, with the statistical frontier covering the world.

*Note: To calculate the turnover rate, divide the number of employees leaving the company by the total average number of employees per year. The figure does not include employees who were involuntary resigned employee

HTC HR Structure Overview

	Unit	2016	2017	2018
Global Employee (Male)	Person	5,531	5,151	2,679
Global Employee (Female)	Person	5,398	5,240	2,131
Employees under indefinite contract (Male)	Person	5,509	5,113	2,641
Employees under indefinite contract (Female)	Person	5,369	5,204	2,105
Employees under fixed-term contracts (Male)	Person	22	38	38
Employees under fixed-term contracts (Female)	Person	29	36	26
Part-time personnel (Male)	Person	26	28	35
Part-time personnel (Female)	Person	38	36	32
Manufacturing employees (Male)	Person	1,659	1,279	629
Manufacturing employees (Female)	Person	3,841	3,697	1,212
General employees (Male)	Person	3,872	3,872	2,050
General employees (Female)	Person	1,557	1,543	919
Taiwan dispatch personnel (Male)	Person	79	8	2
Taiwan dispatch personnel (Female)	Person	49	3	0
Percentage of employees younger than 29 years old	%	39.69	38.76	27.90
Percentage of employees aged 30 to 50 years old	%	56.27	56.63	66.82
Percentage of employees older than 51 years old	%	4.04	4.61	5.28

Note: 1. The Employees under indefinite contract includes general employees, foreign employees, R&D substitute service, interns, student workers and consultants.
2. The dispatch personnel worked as supportive assistants.

The Global Distribution of HTC Personnel in 2018

Americas **210**
Europe, Middle East & Africa **107**
Asia-Pacific **4,493**

The Global Distribution of HTC Personnel in 2018
Total
4,810

The Global Distribution of HTC Personnel in 2017

Americas **245**
Europe, Middle East & Africa **169**
Asia-Pacific **9,977**

The Global Distribution of HTC Personnel in 2017
Total
10,391

The Global Distribution of HTC Personnel in 2016

Americas **243**
Europe, Middle East & Africa **192**
Asia-Pacific **10,494**

The Global Distribution of HTC Personnel in 2016
Total
10,929

By Country

	Domestic personnel (male)	Domestic personnel (female)	Foreign employees (male)	Foreign employees (female)
2017	4,416	2,899	735	2,341
2018	2,198	1,603	481	528

By Age

Male								
Age	Manufacturing Employee	%	General Employee	%	Middle Supervisor	%	Senior Supervisor	%
≤29	228	4.74	461	9.58	33	0.69	0	0
30-50	377	7.84	294	6.11	1,148	23.87	39	0.81
≥51	24	0.50	4	0.08	58	1.21	13	0.27
Total	629	13.08	759	15.78	1,239	25.76	52	1.08

Female								
Age	Manufacturing Employee	%	General Employee	%	Middle Supervisor	%	Senior Supervisor	%
≤29	388	8.07	214	4.45	18	0.37	0	0
30-50	699	14.53	231	4.80	418	8.69	8	0.17
≥51	125	2.60	9	0.19	17	0.35	4	0.08
Total	1,212	25.2	454	9.44	453	9.42	12	0.25

By Position

Year	Level	Senior	Middle	General	Total
2016	Male	85	2,330	3,116	5,531
	%	0.78	31.32	28.51	48.78
	Female	14	654	4,730	5,918
	%	0.13	5.98	43.28	54.15
	Total	99	2,984	7,846	10,929
2017	Male	75	2,343	2,733	5,151
	%	0.72	22.55	26.30	49.57
	Female	13	674	4,553	5,240
	%	0.13	6.49	43.82	50.43
	Total	88	3,017	7,286	10,391
2018	Male	52	1,239	1,388	2,679
	%	1.08	25.76	28.86	55.7
	Female	12	453	1,666	2,131
	%	0.25	9.42	34.64	44.3
	Total	64	1,692	3,054	4,810

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

Middle: Department Heads, Managers, and Section Chiefs.

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

HTC New Recruits of Employees Worldwide Statistics in 2018

	Unit	Asia		America		Europe, Middle East, Africa	
		Male	Female	Male	Female	Male	Female
≤29	Person	203	84	14	13	0	1
	%	35.12	14.53	2.42	2.25	0	0.17
30-50	Person	145	62	31	16	4	1
	%	25.09	10.73	5.36	2.77	0.69	0.17
≥51	Person	0	2	1	0	1	0
	%	0	0.35	0.17	0	0.17	0
Sum	Person	348	148	46	29	5	2
Total	Person	496		75		7	

HTC Turnover of Employees Worldwide Statistics in 2018

	Unit	Asia		America		Europe, Middle East, Africa	
		Male	Female	Male	Female	Male	Female
≤29	Person	702	1,858	11	12	4	3
	%	11.39	30.15	0.18	0.19	0.06	0.05
30-50	Person	1,984	1,211	57	27	36	27
	%	32.20	19.65	0.93	0.44	0.58	0.44
≥51	Person	78	139	4	4	5	0
	%	1.27	2.26	0.06	0.06	0.08	0
Sum	Person	2,764	3,208	72	43	45	30
Total	Person	5,972		115		75	

Care for Foreign Employees

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

HTC's dormitory area offers air-conditioning, library, and prayer room. The dormitory area in Xinghua Road was renovated to provide Chinese classrooms, employee lounge and other facilities. The public space in the dormitory area is managed by the cleaning unit to carry out regular environment sanitation. We regard foreign employees as regular employees without any discrimination. In January 2019, based on the decision of foreign employees, we decided to change employees traveling subsidy into PX Mark gift certificate, appreciating foreign employees hard work throughout the year.

In addition to providing comprehensive orientation, we also emphasize life care for foreign employees. Apart from hiring translators, administrators and counselors who are skilled in native languages, providing life, language, culture and mental health assistance. In 2018, a total of 899 foreign employees were counseled. Most issues were related to living regulations, such as accommodation, transportation, etc.

Value and Listen to The Voice of Our Employees	● Making detailed records of their feedback ● Express ideas and thoughts of workers ● Keep track of follow-up effects ● Respect workers' decisions
Life & Leisure	● A cleaning unit that cleans the dorm around the clock. ● 24-hour hot water supply ● Free Lesson of learning Chinese
Proper Health Examination Program	● Adjust the welfare and foreign laborers' health inspection frequency regulated by related laws and regulations ● Biennial Health Examination Once ● Health Examination Follow Up ● Entry health check (General physical examination, general items designated by the Council of Labor, intestinal parasites, chest X-ray examination, dengue fever, Han disease check)
Tax Refund Check	● Provide clear information on taxation principles and period of tax refund in advance ● Encourage to keep following tax refund ● Follow up of tax refund check ● Departing before filling out "Receipt Authorization Letter" ● Tracking intermediate rebate cheques ● The announcement of tax-receiving time ● Tax receipts with identification
Enhancing Physical and Mental Health Activities	● Irregular opening of the "Counseling station"

Response to the Foreign Employee Protest Incident in 2018

HTC long-term cares for the well-being of its employees, and adheres to the business philosophy of integrity. The management of employees is conducted in accordance with relevant laws and there is no discrimination for foreign employees. In response to the foreign employee protest incident in 2018, besides carrying out appropriate communications with relevant parties in a timely manner, HTC also continued to listen to the voice of the employees. After the investigation through legal procedures, it has been confirmed that the alleged accusations were inconsistent with the facts.

To prevent similar incidents from happening again, we strengthened the two-way communication mechanism with foreign employees. In July and August of the same year, a formal meeting in three different time-frames was held to explain the severance package in detail. The foreign employees can choose to accept the package and depart after signing the relevant documents, or choose to wait for transfer. For foreign employees who chose to wait for transfer, HTC not only tried to assist them in finding new jobs, but also provided at least 60 days of accommodation in accordance with the laws. In addition, we also negotiated with the Taoyuan Municipal Government Labor Bureau and arranged special personnel to take foreign employees to the municipal government for job match every week. If foreign employees find a new job, we will help them to check the employment documents for any violation of laws before carrying out the transfer. For those who have not found a new job, we will offer assistance for their departure. All the cases were closed in December 2018. To demonstrate our commitment to employee care, HTC will continue to implement corporate social responsibility through practical actions.

Talent Attraction & Retention

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

HTC is globally based, and adheres to the business philosophy of "Choose People with Talents" by actively recruiting outstanding R&D talents at the location of its operation bases. To ensure that the knowledge and skills of the talents are in compliance with the needs of the company, HTC regularly participates in the recruitment activities and symposiums held by universities, offering opportunity for students to interact and exchange information with the company. Each year, internship program is offered to undergraduate students, allowing them to get the first taste and adapt to corporate culture, which will help them to develop the workplace skills that are required. After the internship is completed, potential talents will be selected to become the full-time employees of HTC when they graduated from university.

University Talent Recruitment Activities to Welcome New Graduating Students from Various Fields

In the 2018 Campus Job Fair, HTC planned to recruit 250 outstanding talents from home and abroad, including talents from product design, art design, technology R&D, engineering, business management, international marketing and business, e-commerce, digital marketing, etc., to join HTC's big family.

HTC offers rich learning resources and great working conditions, providing diverse work projects and international exchange opportunities. We hope to strengthen our foundation in Taiwan while reaching out to the world and focus on cultivating all kinds of talents, providing opportunities to connect to the world and facing international challenges.

In 2018, we participated in the Campus Job Fairs held at National Taiwan University, National Chiao Tung University, and National Tsing Hua University. We offered job opportunities for internship and Research and Development Substitute Services, a total of 754 resumes were collected in these three Job Fairs.

Engaging Diversified Talent

HTC offer job opportunities for diversified talents. At the end of 2018, 69 disabled people (weighted) were employed, which is 28 more than the required number (the required number is 41). In addition to relying on talent-job matching conducted by the supportive or sheltering bodies, we also allocate jobs in consideration of the characteristics of individual handicapped workers. We can also tailor job descriptions and the working environment, to allow the handicapped to have the opportunity to prove their abilities. Through education and training is also provided to allow the handicapped to make a contribution to society and enhance their own quality of life.

|	2016	2017	**2018**
Disabled employees (male)	64	54	31
Disabled employees (female)	43	42	20

Complete Education and Training Plan ___

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

Diversified Learning Channel, Providing a Comprehensive Learning Environment

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

After reporting to work, Comprehensive training courses will be provided in the following week. "Newsletter" will be sent to colleagues every week within the month after reporting to work to blend into HTC culture and develop all the necessary knowledge and skills as soon as possible. This training also helps them appreciate the corporate environment and recognize the "Quietly Brilliant" culture of the company.
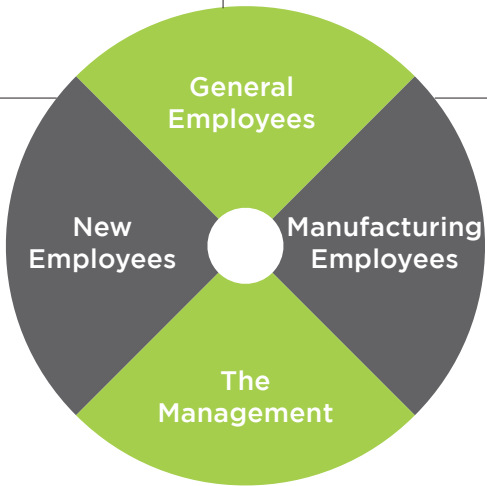
We ensure manufacturing employees gets all the professional knowledge and technical skills training needed for their occupation categories and specialization (basic, professional, advanced).

To foster our key leadership teams, we have specially tailored Leadership Development Framework training for supervisors at all levels. The curriculum is planned and combined with HTC core values, organizational development strategy and direction, as well as leadership and management functions. To ensure that these courses further the daily work of the directors and substantiate their leadership and performance, follow-up action plans are formed for each of these learning courses. These are devised to assess performance both before and after training, in such aspects as the supervisor's counseling records, subsequent presentations, and so on.

Comprehensive Education and Training

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

___ Newcomer Training Courses

HTC provides a complete training system for new recruits. Starting from their reporting, we assist newcomers in quickly integrating into HTC's culture and develop a full range of knowledge and skills through a variety of physical and online courses. Newcomers are encouraged to share all kinds of matters taking place at HTC with a senior employee, Newsletter will be sent to colleagues every week within the month after reporting to work to help newcomers getting familiar with HTC culture quickly, and blending into HTC's big family.

___ Cultivating Key Leaders

HTC actively promotes company culture in the face of rapid changes in the global industry and new patterns of global enterprise competition and cooperation. HTC quickly adapts to a constantly changing environment and cultivates management talent with an international vision, expecting their excellent managers to become present and future drivers who will continuously lead HTC towards steady growth and development in times of hardship and challenge. In 2018, leadership-training courses were given to 206 person-time.

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 Friday with more than 50 articles shared in 2018.

___ Training and Performance Integration

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

The HTC training and development system is closely linked to performance management. General employees 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. For manufacturing employees, on-the-job training will be provided and assessment will be given based on the quality of work and the degree of cooperation.

Learning Management System(LMS)

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

___ Special Training Courses and Resources

Legal Training

HTC stipulated special regulations in its Code of Conduct to regulate confidentiality provisions, company assets, information and personal information protection, employees and their immediate family members and customers, standards of social and business etiquette for suppliers, travel, conflicts of interest, external part-time job, internal trading, etc., to guard against dishonesty, as well as penalties for violations. Employee Reporting Mailbox is also provided as the complaint channel for employees. HTC puts emphasis on legal education, and add legal training as a compulsory course for new employees. Examples were included in the e-Course for promotion.

Anti-corruption training rates for Board of Directors and all levels of the New Employees in 2018

	General Workforce	Middle Supervisors	Senior Supervisor	Highest Governing Institution
Number of training recipient	269	96	3	12
Recipient rate	8.81%	11.35%	4.69%	92%

Note: The calculation for the training recipient rate at each level is based on the number of person completing the training/the number of employees at the specific level. The calculation for the training recipient rate of the highest governing unit is based on the number of Directors completing the training/the total number of employee.

HTC New Employees Legal Training in 2018

Course Content	Number of participants		Course Hours	
	2017	**2018**	2017	**2018**
General new employees legal training - confidentiality and anti-insider trading	819	368	36	36
General new employees legal training – intellectual property rights	819	368	38	38
General new employees legal training – patent litigation	819	368	38	38

Thinker Forum

To allow employees to keep updated on the newest trend and expand their vision in product application, we continued to promote the "Thinker Forum" in 2018, and invited pioneering experts from around the world to give 6 lectures. The themes of the lectures were in line HTC's R&D emphasis. Speakers from various fields were invited to share their knowledge of industrial trends, novel technologies and future technology blueprints with our employees, allowing our employees to share the industrial trends, novel technologies and future scientific knowledge as well from their practical experiences and case studies, expanding their horizons in product application.

Personal Development Seminar

HTC has organized personal development learning seminars based on the five core competencies of the company. Each seminar was opened for two hours and speakers who are experts from various fields were invited. From the sharing of practical experience and case studies, employees can learn ways to make their work more smooth and effective. In 2018, we held two personal development learning seminars. Communication expert Shenglong Li and professional counseling psychologist Cuifen Lin were invited to share some communication skills and workplace pressure relief methods with our staffs, allowing employees to enrich their "soft power".

Future of Work by Jamie Lin

In March 2018, Mr. Jamie Lin, the co-founder of AppWorks, was invited to share his observations and insights of innovation with HTC employees on the topic of "Future of Work".

Mr. Jamie Lin is the co-founder of AppWorks, helping the early team to start a business and promote Taiwan to become a world-class internet industry cluster. He began by talking about the rise of artificial intelligence, robotics, AR/VR, and blockchains, and explained about how these new technologies will dramatically change our daily life, altering the existing industrial structures and business models. Through Q&A session, he discussed with HTC staffs on how to focus on future industry changes and join hands in creating a better future!

On that day, our staffs showed great enthusiasm for the activity. A total of 201 people attended the seminar. After the seminar, the wonderful talk given by Mr. Lin was uploaded to the Learning Management System (LMS) platform, and through the monthly learning newsletter, employees who are unable to attend the event due to business reasons were encouraged to watch the talk through online courses.

Information Security Enhancement and Re-engineering Courses

Since HTC is the leader in technologies and products, such as VR+AR, Smart phone, AI, Blockchain and 5G, protecting company's research and development assets and customer information, is the responsibility of all employees in HTC. To ensure that information security is fully integrated into the organizational culture and the company's core values, HTC actively establishes and promotes information security policies to protect company information and comply with international information protection regulations. In this regard, we continue to enhance and strengthen our employees' awareness on information security through on-going educational and cognitive programs.

In October 2018, HTC held the "Security in Full Operation!" large event, enabling HTC employees to fully understand the company's information security policies and various security related solutions, especially in mobile application management, account multi-factor authentication, endpoints network security management, business collaboration, cloud services, etc. More than 900 employees participated in the event.

English Leadership Resource and External Training Subsidy

As an international brand, HTC provided "Online English Learning" to encourage staff to learn continuously and spontaneously. In 2017, a weekly English-language business English course is set up to provide themes needed for work so that employees can improve their English proficiency. A total of 58 courses were held and a total of 793 people participated in the learning course in 2018.

In addition, HTC encourages employees to continue to absorb professional knowledge and to match their study program to their work to ensure growth. HTC encourages employees to improve their professional knowledge via schools or other academic institutions, and apply the acquired knowledge to their work. The cost of the external training can be reimbursed at the end of the training upon application (reimbursement is based on the actual expenses). The subsidy provided for external training in 2018 was about 3.91 million.

English club

8月商英課程主題：Creativity & Innovation

English study

ENGLISH
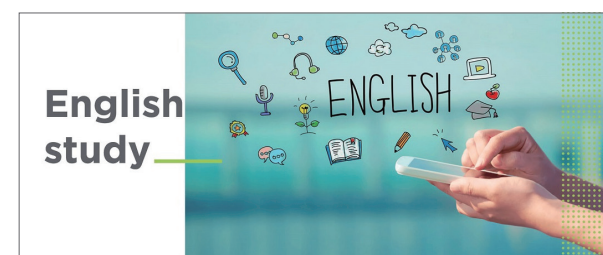
e-Library

HTC relocated its library to the Taipei Headquarter Building in 2018. HTC helps staff develop good reading habits mainly by the provision of a wide range of reading activities and a rich collection of library resources; employees can enjoy a rich literary atmosphere and reading environment. Electronic magazine services are also made available for employees so they can view and read the current editions on their computers or mobile phones anytime anywhere. The number of people subscribing to our electronic magazine reached 33,763 in 2018.

HTC library x flipped thinking

HTC 圖書館 x 翻轉思考

Through organizing "Enjoy the Reading," providing employees with a platform for discussion and enhancing knowledge in various fields. Sharing books with the "HTC Library Book Release Activity", giving new life to old books, enhancing the HTC workplace and promoting a good reading culture, so that learning will never stop. Each season's "Featured Books Digest" allows employees to quickly absorb the essence of the book in addition to their work. We organized a library action book fair with irregular lectures to enable employees to join the ranks of reading and learning. Starting monthly in 2016, the e-newsletter "HTC Learning Charging Station" will be launched, integrating all training resources and information so that employees can grasp all kinds of learning information at the first time, explore learning horizons, and plan for self-learning.

Training Results

In order to cultivate HTC employees to quickly respond to fierce challenges from global technology and grasp the industrial pulse, in addition to upgrading the professional technical annual training courses and department professional courses, in conjunction with HTC's policy, organizational learning planning was conducted, coupled with external training subsidies and other measures. Between 2016 and 2018, HTC invested nearly NT$ 18.6467 million in employee training-related programs. Training hours totaled 456,900 and there were nearly 208,700 attendees, each person receiving 52.39 training hours.

In 2018, HTC male employees received 55,673 hours of training and female employees received 52,686 hours of training. General staff received 77,480 hours of training, supervisors received 30,342 hours and management 537 hours. The table below lists staff training over the years:

Year \ Item	Course (Hours)	Number of Participants	Average Training Hours
2016	193,313	78,627	17.69
2017	155,188	74,425	14.93
2018	108,359	55,633	22.39

Note: 1. 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.

　　　2. The average number of training hours per person in 2016-2018 = total training hours in 3 years / average number of employees in 3 years. (8,720 person)

Employees Training Hours and Sex Ratios at All Levels in 2018

Level \ Sex	Total Training (Hour)		Average Training (Hour)	
	Male	Female	Male	Female
General workforce	30,730	46,750	17.10	25.27
Supervisor	24,447	5,895	28.93	20.54
Manager	496	41	9.92	3.73

A Sound Wage and Welfare System ____

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

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

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

HTC Salary Ratio for Men and Women in Taiwan

General Staff Salary Ratio (General Employees)		General Staff Salary Ratio (Manufacturing Employees)		Mid-Level Management Salary Ratio		High-Level Management Salary Ratio		New Recruits Basic Pay and Taiwan Minimum Wage Rate		
Male	Female	Male	Female	Male	Female	Male	Female	Type	Basic Pay (Manufacturing Employees)	Minimum Wage
107	100	101	100	109	100	114	100	1	100	100
									114	100

Note: 1. Equation = (Average monthly pay for male / Average monthly pay for female) * 100%.

　　　2. Type 1—five-day workweek scheme. ; Type 2—monthly rotating shift scheme.

　　　3. Middle-rank male supervisors are mostly male R&D personnel, while female employees are mostly engaged in administrative work, thus the varied basic salary ratio.

HTC Average Compensation Ratio for Men and Women in Taiwan

General Staff Average Compensation Ratio (General Employees)		General Staff Average Compensation Ratio (Manufacturing Employees)		Mid-Level Management Average Compensation Ratio		High-Level Management Average Compensation Ratio	
Male	Female	Male	Female	Male	Female	Male	Female
108	100	101	100	115	100	130	100

Employee Salary and Benefit Increase Ratio

Item Description	2015	2016	2017	2018
Total employee salary and benefits expenses (NT$)	10,133,909,000	8,704,953,000	8,703,019,000	5,705,420,000

Note: 1. Total employee salary and benefits (proprietary financial statements).

2. The decrease in cost in 2018 is due to the decline in the total number of employees.

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

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

Diversified Employee Welfare

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

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

__ Encouragement for Senior Employees

In addition, trophies are presented in recognition of service to employees who been with the company for five, ten, fifteen and twenty 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, so that an employee who is hospitalized for sickness, injury, or who dies, can still provide some security and protection for their families.

2018 End-of-the-Year Appreciation Banquet

The HTC 2018 End-of-the-Year Appreciation Banquet was held at the Nangang Exhibition Hall in January 2019. The Chairman of the Board, Cher Wang, and the Director, C. T. Cho, together with the senior management of HTC attended the Banquet to thank the employees of HTC for their persistence and hard work over the year, continuing to bring innovations and breakthroughs for the HTC brand, and providing consumers with the best products.

In the 2018 End-of-the-Year Appreciation Banquet, 226 tables were prepared for participants, and nearly 3,000 prizes were drawn, with a total value of more than NT$13 million, of which the biggest prize was NT$200,000 in cash. Compared with last year's total prize value of nearly NT$9 million, this year's prize value was increased by more than 40%. Moreover, several famous celebrities and artists were invited to host the Banquet and perform on the stage, adding lots of excitement and fun to the Banquet.

Activity Clubs

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

Education Scholarships for Children

The HTC Employee Welfare Committee provides scholarships for the children of employees from elementary school to college: NT$800 for elementary school students, NT$1,600 for junior high school students, NT$2,000 for high school and vocational education students, including first, second and third year college students; and NT$3,000 for college students in their fourth and fifth year. A total of 533 person applied for child education scholarship for the first semester of 2018, while 400 person applied for the second semester.

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.

In 2018, TVs were installed in the waiting area for the shuttle buses. With the help of the shuttle-bus GPS, users can keep track of the position of the shuttle bus at any time. Furthermore, shuttle bus questionnaires were sent out to collect the opinions of users, providing better shuttle bus services with more comfort, convenience and safety

Flexible Employee Leave

For compassionate employees, employees can enjoy one day of paid leave (birthday) in the month of their birthday, and they can get off work at 3:00 pm the day before the three important Chinese holidays. Until 2018, these small benefits continue to bring happiness and joy to employees either physically or mentally.

The Meal Subsidy Program

Meal subsidies of NT$130 for during regular office hours and NT$100 during holidays are offered to general employees. Meal subsidies of NT$35 to 50 for working hours to manufacturing employees. HTC also offers afternoon tea every day.

Travel Subsidy

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

Unit:NT$

Employee tenure Base date:2017/12/31	2018 The HTC Employee Welfare Committee	2018 HTC	2018 Total
Over 5-year tenure (Before 2012/12/31)	2,000	4,100	6,100
Over 3-year tenure but less than 5-year tenure (2013/1/1-2014/12/31)	2,000	1,800	3,800
More than 1- year tenure but less than 3-year tenure (2015/1/1-2016/12/31)	2,000	900	2,900
Less than 1-year tenure (later than 2017/1/1)	2,000	0	2,000

A Five Star Gym

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

Use of the Gym

Category	Number of Users in 2018
Use of the Gym (person time)	37,186
Participation in aerobic classes (users)	1,050

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

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

Creating a Happy Workplace

___ A Working Environment Incorporating Brand Spirit

HTC regards the creativity that stems from brainstorming as one of our most valuable assets. To promote interpersonal communication, the R&D headquarters in Taipei is configured with many staff areas that allow our people to interact and talk, this includes interlacing sky bridges between the buildings that link departments together and interaction rooms that project from the floors like transparent boxes. We hope that these interaction-oriented spaces will encourage and promote cross-department synergism and cooperation, supporting the free extension of creativity. HTC believes sharing is the best kind of interaction. To this end we will share the lobby on the first floor of the R&D Building with the community, This HTC Gallery will help young local artists show their creativity and work, promoting social and community interaction. In addition, the HTC Gallery will cooperate with different institutions and artists to regularly showcase new cultural and artistic works. It will be open to the community schools, groups, and the public. Let us all get closer to the arts. All the people who work in this building can also appreciate being in an "art gallery" that will inspire creativity and help HTC launch better and more amazing products.

HTC Gallery & Sense Arena

To enrich and diversify the exhibitions of the HTC Gallery, we collaborated with Taiwan's professional art gallery in 2018. Besides exhibiting the works of Taiwan artists, we also exhibited works of Spanish and French artists. The exhibiting artworks have ranged from one-dimensional paintings to the sculptures and glass arts, making the Gallery lively and rich. This enables HTC staffs and visitors to watch not only the one-dimensional paintings, but also observe the three-dimensional artworks in detail. Visitors can walk freely around the artworks, making the process more exciting and fun.

In August 2018, a very special art miscellany was held in the TPE1 hall. Under the majestic music, the 45-minute Live Painting Show was launched. The artist who performed this marvelous painting is the Japanese new artist Miwa Komatsu. Miwa Komatsu appeared in a signature white dress and prepared to complete in person the two artworks in the "Pray" series. After a moment of meditation, she swayed the paints in the TPE1 hall while the music was playing to draw the guardian beast which is her favorite. The unique style of heroic painting also made the audience stunned. In just 45 minutes, Miwa Komatsu combined Japanese traditions and philosophical elements with a unique style of painting to present the natural world she senses.

___ Valuing Female Employees

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

- A female cancer-screening program is part of the annual health check. This includes the choice of a Pap smear, a breast ultrasound exam, or a mammogram.
- Consideration for the physiological needs of female workers, providing a comfortable environment for rest, the loan of free hot pads, menstrual pain assessment, health knowledge and education, physician consultation or referrals and so on.
- A friendly environment for breastfeeding. We provide a warm and comfortable nursing environment, ultraviolet milk bottle disinfection devices, microcomputer thermos, comfortable sofa, refrigerator for breast milk storage, and infant breast-feeding-related publications and light music. HTC has 17 Breastfeeding room in Taiwan that was visited 25,273 times in 2018.

___ Work-life Balance Support

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

Employees applying for Family care leave

Year	2015	2016	2017	2018
Male	91	56	66	51
Female	151	144	143	136
Total	242	200	209	187

Employees Applying for Unpaid Parental Leave and Resuming Duty after Leave in 2018

	Male	%	Female	%	Total
The Number of Qualified for UPL for Raising Children in 2018	518	58	376	42	894
The Number of Person Actual Applied UPL in 2018	12	15	69	85	81
The Number of Reinstatement-to-be in 2018	21	17	105	83	126
The Number of Application for Reinstatement in 2018	18	23	62	78	80
Reinstatement Rate in 2018	85.71%		59.05%	63.49%	
The number of application for reinstatement in 2017	20	17	98	83	118
The Number of Retention Over 1 Year After Reinstatement in 2017	14	18	62	82	76
Retention Rate in 2018	70%		63.27%	64.41%	

Note: 1. The "number of qualified for UPL for raising children in 2018" was based on the number of employees who had taken maternity or paternity leave within 3 years (2016-2018).
2. The "number of reinstatement-to-be in 2018" includes applied in 2016 and should reinstate in 2018, applied in 2017 and should reinstate in 2018, applied in 2018 and should reinstate in 2018.
3. The "number of application for reinstatement in 2018" includes applied in 2016 and reinstated in 2018, applied in 2017 and reinstated in 2018 and applied in 2018 and reinstated in 2018.
4. The "Reinstatement Rate in 2018" = Number of employees reinstated in 2018 / Number of employees that should have been reinstated in 2018
5. The "Retention Rate in 2018" = Number of employees who had worked one year consecutively after being reinstated in 2017 / Number of employees reinstated in 2017.
6. The "number of application for reinstatement in 2017" includes applied in 2015 and should reinstate in 2017, applied in 2016 and should reinstate in 2017 and applied in 2017 and should reinstate in 2017.

Listing to the Voice of the Employee ____

HTC employs nearly 5,000 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.

All responses to proposals and the follow-up progress of these meetings are published on the HTC Intranet website for review by all the employees. According to internal HTC statistics, the issues most frequently discussed in the labor-management meetings are "the working environment", "parking and transportation" and "catering management". In 2018, HTC also discussed with the Union on the major changes in human resource allocation. In addition to regular labor-management communication meetings, we also set up diversified feedback channels, including setting up grievance lines, appeal boxes, e-mail address for complaints, and sexual harassment complaint mailboxes. Labor-management meetings and employee opinion surveys are held regularly as a reference for supervisors, internal operations, improvement of employee satisfaction levels and improvement of work commitments. A good communications mechanism results in harmonious labor relations. Labor disputes, bad feelings and losses can all be avoided.

Note: HTC's labor union was established in 2015, but until the end of 2018, no collective agreement has so far been made.

Major changes in human resource allocation in 2018

To effectively utilize resources and professional manpower, HTC launched the organizational optimization plan in the beginning of 2018, and announced a strategic human resource allocation adjustment for Taiwan, planning to reduce 1,500 employees in the manufacturing department.

Owing to the changes in market and production demand, HTC must ensure that operational efficiency and competitive advantage are maintained while providing quality products. After careful evaluation, we believe that this action is a necessary step to achieve HTC's long-term corporate goals. It is hoped that through the implementation of the Lean Management Program, the competitiveness of the company can be further strengthened.

In this regard, we have provided full assist to the affected employees and handled the procedures in accordance with the labor-related laws and regulations. Besides submitting a proposal to the Labor Bureau of Taoyuan City Government, since major changes in human resource allocation is the focus of the Union, we also made agreement with the employee representatives of the Union and actively provided assistance to employees in their job transfer, including organizing more than 10 job-transfer related sessions, offering hundreds of job opportunities, and requesting Taoyuan City Government to assist in organizing job fairs as well as consulting services. HTC strives to protect the rights and interests of the employees, hoping to reduce the impact to the minimum.
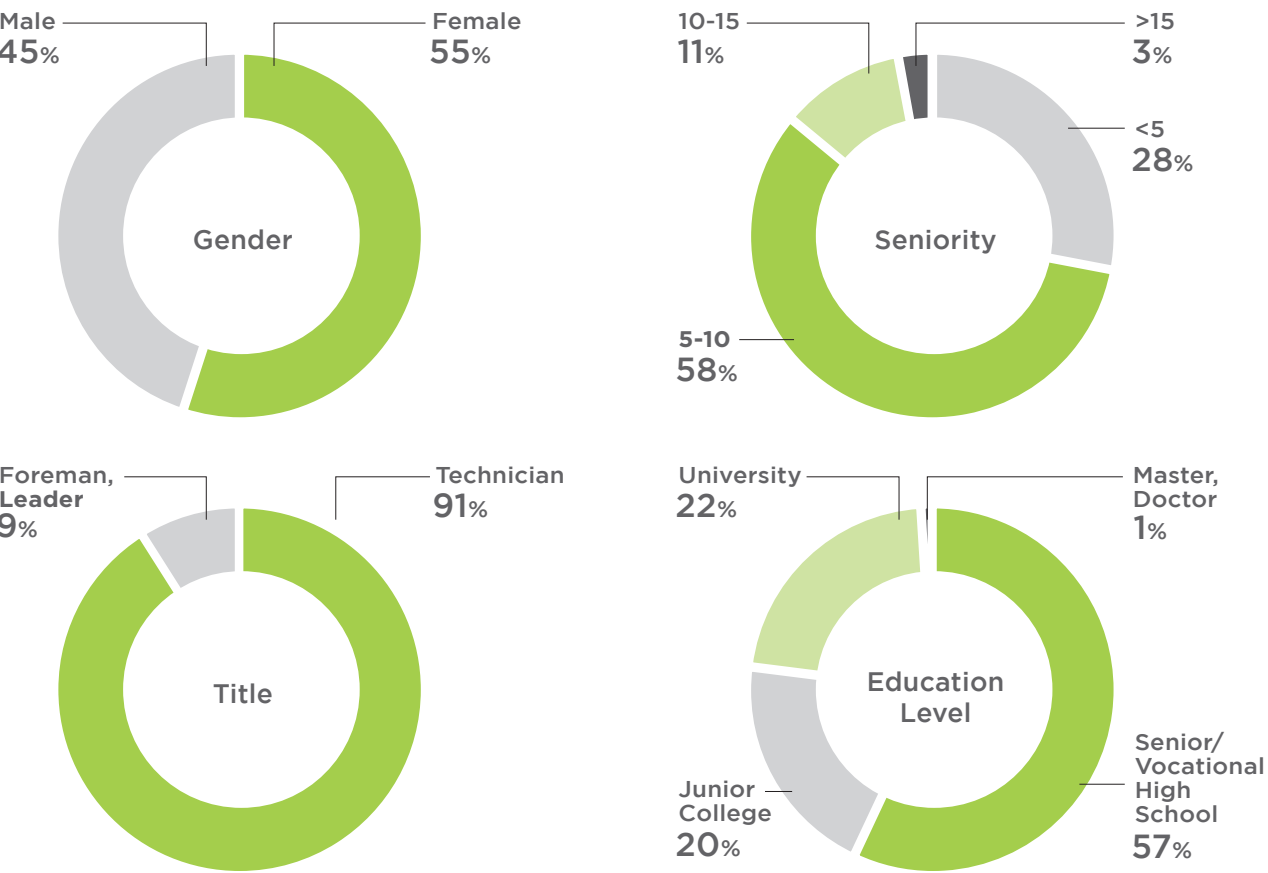
___ Labor-management agreement and employee rights

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 quarter and at least four meetings are held every year. Seven representatives are elected by employees for the meetings while seven others are designated by the company. The minutes of these meeting are referred to in the resulting follow-ups, which include any necessary corrective action. In addition to these regular meetings, employees may also reflect their opinions through various communication channels. On the other hand, the shortest notice period for major operational changes shall be handled by HTC in accordance with Article 16 of the Labor Standards Act.

Employee Satisfaction Survey

Out of consideration for employees ' feelings about working in the company, which can in turn improve work efficiency and effectiveness, and reduce the turnover rate, HTC conducts employee satisfaction survey through questionnaires. The manufacturing employees questionnaire survey conducted in 2018 consists of 6 categories including job content, work environment, salary & benefits, internal communication, gender equality, and organizational commitment. The targeted score for 2018 was 3.50 points (out of 5) and the average score from the actual survey was 3.60 points, reaching the annual target. In summary, the employees concerned more about organizational commitment and work environment. For this reason, relevant activities and plans will be implemented to enhance employees' recognition of the company. The questionnaire survey results were also reported to the senior management team for review, and used as the reference for preparing the annual operational targets and plans. In 2018, employees were highly affirmed by HTC's performance in issues such as the "Implementation of the gender equality law", "No gender-discriminated salary" and "Being confident in doing your current job".

Basic Data Analysis of Survey

Gender — Male 45%, Female 55%

Seniority — 10-15 11%, >15 3%, <5 28%, 5-10 58%

Title — Foreman, Leader 9%, Technician 91%

Education Level — University 22%, Master, Doctor 1%, Senior/Vocational High School 57%, Junior College 20%

Effective Advisory and Assistance Channel

To protect the working rights of our employees, we have set up a diversified and smooth communication channel that an employee can use to pass on information about problems and to receive a response without delay. In addition to the employee care office in the major units that provide a relaxing space for communication, timely help with workplace problems can also be sought using the following channels. In 2018, employee consultation was focused on largely on the issues of manpower optimization. The company established a dedicated line to provide employees with comprehensive consulting services. There was no gender discrimination cases reported in 2018.

Potential Work Problems → **Advisory and Assistance Channels**

- Work problems.
- Leadership style and communication.
- Compensation, benefits, and working hours.
- Workplace sexual harassment, sexual abuse, or sexual discrimination.

- Consultation and Referral to the Employee Assistance Program(EAP).
- Production line manufacturing employees should dial extension 38585.
- General employees should dial extension 28585.
- Employee Help hotline E-mail: HelpMe_8585@htc.com
- Open and registration-exempt staff cares office.

Occupational Health and Safety ____

All our facility management systems comply with the OHSAS18001 standard for Occupational Health and Safety Management. Every new employee is given complete safety and health education training upon entry. We have also published the "ESH Management Manual" and "Safety and Health Rules" which have also been posted on our Intranet website for employees to consult at any time.

Occupational Safety and Health Committee

The Occupational Safety and Health Committee has 20 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 8 department managers, supervisors and directors.

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

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

___Professional Security Service Team

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

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

Food Safety - Hearty and Healthy Meals at HTC

To ensure our employees have "healthy and satisfying food, "HTC cooperates with professional catering service providers and dieticians to design and produce healthy, nutritional, and delicious meals using local ingredients from reputable and certified local food suppliers. The meals are nutritionally balanced and the number of calories is controlled, giving HTC employees the opportunity to enjoy high quality and healthy food. 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. The pantry room also provides freshly made tea and lemonade, allowing employees to drink healthy tea with no food additives. 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.

Besides adhering to the quality of the purchased ingredients, we also take the initiative to arrange on-site audits for the second-tier suppliers, and require suppliers to propose deficiency improvement plans. The supplier on-site audit items are based on the Food Good Hygienic Practice (GHP), and are divided into eleven categories: factory environment and food operation site construction and facilities, product acceptance check and inspection, raw material storage management, food pre-treatment process management, logistics and distribution control operations, inspection sites / toilets / hand washing facilities / changing rooms, and others. A total of 27 suppliers were audited in 2018, and deficiency items have all been corrected and improved.

___ Food Safeguards

Health and Safety Management

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.

Meals are cooked upon ordering. When the meal is ready, SMS text message will be used for notification. The dining environment is designed with floor-to-ceiling windows, designing furniture, green plants and artistic installations to create a variety of styles for employees to enjoy and relax. On the first floor of the Taipei Headquarter Building, there is a tea booth selling selected good tea from Lalashan. With the idea of healthy and nutritious ingredients, carefully selected raw materials are used to provide employees with products that are healthy and delicious. Furthermore, in response to environmental protection, the provided utensils are recycled and cleaned for reuse. To promote waste reduction, customers bringing their own cups will receive discount for their beverages.

In order to enrich the choice of food, the employee cafeteria in Taipei Headquarters Building and the B1 of H-Building in Taoyuan will organize food tasting event every month. After food tasting, questionnaire survey will be conducted to collect feedback from employees. Based on the survey results, adjustment will be made for improvement. The employee cafeteria also collaborates with professional catering service providers to deliver fun activities and interesting dishes during certain festivals, allowing the employees to enjoy the festive atmosphere.

Drinking Water Quality Control

The drinking water quality directly affects the health of employees and drinking water management is closely related to water quality. Therefore, it is an indispensable part of daily life. HTC has set up a comprehensive water fountain inspection plan to ensure the standard of purity of drinking water. Regular maintenance, water sample testing, and records disclosure are done according to the Drinking Water Management Act. The maintenance and care of the drinking fountains are carried out by a professional company and testing of water purity is carried out by an environmental testing agency that is authorized by the EPA to take regular samples and perform the tests every 3 months. The results of the water quality tests are published and the records are also posted in a prominent position close to the drinking fountains. The total bacteria count of drinking water and E. coli colonies have passed the test in 2018.

Smoke-Free Workplace

HTC positively advocates the government policy of a smoke-free workplace. In compliance with the Tobacco Control Act, smoking inside company premises is prohibited. There are outdoor smoking areas. Quit Smoking Clinic has been started at the Employee's Clinic since May 2016 to conduct quit smoking treatment through professional physicians, pharmacists, quit smoking health teachers, allow the participating employees to quit smoking successfully. In 2018, the number of employees participated in the event reached 17 employees.

Environmental Sanitation Agents

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

___Environmental Expenditures

Unit: NT$ Thousand

Year	2016	2017	2018
Environmental expenses	68,737	83,745	42,804

Environmental Maintenance Expenditure in 2018

Unit: NT$

Category	Taipei Headquarters	Taoyuan Plant	Total
Plant cleaning	12,940,714	19,479,690	32,420,404
Restaurant cleaning	3,005,484	5,250,989	8,256,473
Pest disinfection	72,613	234,738	307,351
Rodent control	103,890	282,599	386,489
Carpet cleaning	9,400	--	9,400
Sofa cleaning	19,425	--	19,425
Elevator ladder cleaning	243,800	--	243,800
Water tower cleaning	44,100	203,563	247,663
Gardening	876,165	585,000	1,461,165
Cleaning supplies	1,985,319	3,609,172	5,594,491
Total Expenditure	19,300,910	29,645,751	48,946,661

Note: For the expenditure of Taoyuan Plant, the "Plant Cleaning" item includes the rented P Building, but the rest of the items do not.

Valuing Employee Health

We regard the health of our employees as a key element of our success and sustainable development. In this regard, HTC promotes various health programs with the four main directions of "Health Management", "Health Promotion", "Occupational Health" and "Employee Assistance Program (EAP)" to help employees achieve a balance between work and life. Maintaining physical and mental health and ensuring the health of every employee.

Health Enhancement Scheme for HTC Employees

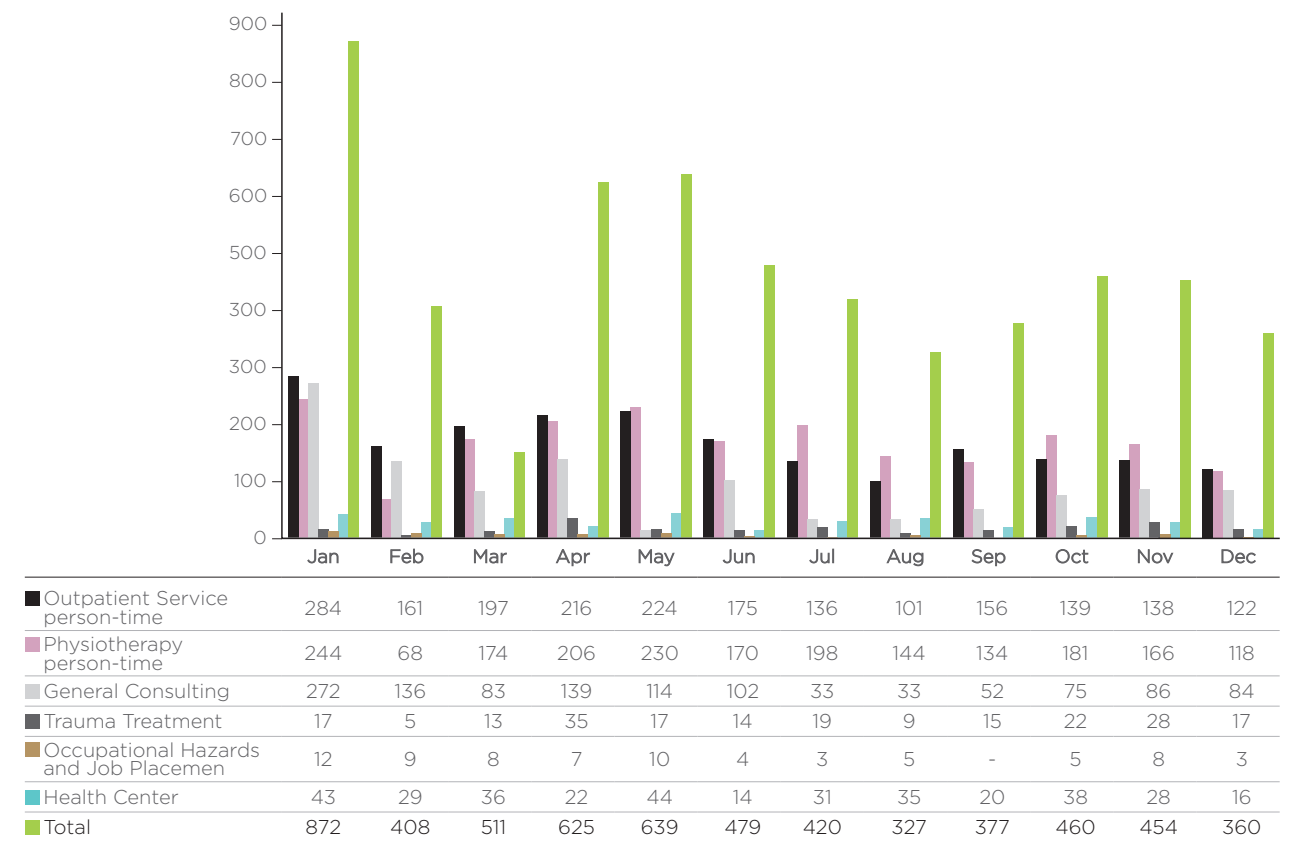| Category	Actions
Health Management	• Health center for managing and planning affairs related to employee health. • General and outpatient rehabilitation services. • Health exam and management for staffs. • Management/tracking for abnormal HE results, Special care and case follow-up management. • Health information webpage.
Health Promotion	• Comfortable breastfeeding rooms, Smoking cessation promotion, Weight-loss Classes, Topic seminars, Blood donation activity. • Influenza vaccination, Cancer screening, Infectious disease control and treatment. • Health ladder (picture/music), aerobics. • Family Day. • CPR & AED course design.
Occupational Health	• 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 Program	• Mental consultations, Special counseling. • EAP promotion activities and leaflets for new employees, EAP advocacy monthly newsletter.

___ Health Management

HTC has established an "Employee Clinics." Professional medical counseling is available for staff and there are resident doctors in the clinic. There is also excellent physical therapy and health management service. Health check services for employees cover the divisions of general medicine, family medicine, rehabilitation medicine, physiotherapy, and radiographic screening. HTC employees are not required to pay a registration fee at the employee clinic. The dependents of employees and suppliers (stationed at HTC to provide service) can be treated at the employee clinic and enjoy the same benefits and services as HTC employees. Offering lower registration fee comparing to other medical institutions. At the end of 2015, the Taoyuan plant's full-time medical specialist reported to work. Through his long stay in the Taoyuan plant area, he fully understood the operating conditions of the plant area and became familiar with the employees' issues, which provided extra protection of the plant staff's occupational safety and health. The health center at Taipei headquarters building provides doctor health services every Thursday and every other Friday, including occupational medicine and family medicine divisions. There are also physicians specialized in baby-friendliness, health policy and management, labor health service and health checkup and promotion.

HTC Taoyuan Employee Clinics provides approximately 5,576 person-times of service and 6,214 people attended Xindian Health Center in 2018. With a one-time entry fee of NT$50, the total amount of deducted registration fees for the year 2018 was NT$94,700, which was equivalent to 1,894 persons, and the total deducted copayment was NT$175,550, which is equivalent to 3,511 persons.

Employee Clinics Service Result in 2018 (Taoyuan and Xindian)

Category	Person-time
Outpatient Service	2,049
Health Center	356
General Consulting	5,656
Trauma Treatment	866
Occupational Hazards and Job Placement	87
Physiotherapy	2,033
Health management	690
Total	11,737

The Number of People Serviced in Taoyuan Health Center in 2018

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Outpatient Service person-time	284	161	197	216	224	175	136	101	156	139	138	122
Physiotherapy person-time	244	68	174	206	230	170	198	144	134	181	166	118
General Consulting	272	136	83	139	114	102	33	33	52	75	86	84
Trauma Treatment	17	5	13	35	17	14	19	9	15	22	28	17
Occupational Hazards and Job Placemen	12	9	8	7	10	4	3	5	-	5	8	3
Health Center	43	29	36	22	44	14	31	35	20	38	28	16
Total	872	408	511	625	639	479	420	327	377	460	454	360

The Number of People Serviced in Xindian Health Center in 2018

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Health Management	62	37	27	45	62	45	48	85	71	91	53	64
General Consulting	354	109	227	238	248	284	279	251	325	638	659	835
Trauma Treatment	37	11	47	50	74	62	86	65	57	62	46	58
Occupational Hazards and Job Placemen	-	1	1	2	2	2	-	-	2	-	-	3
Health Center	42	25	8	16	22	18	33	41	40	56	52	56
Total	495	183	310	351	408	411	446	442	495	847	810	1,016

The Number of People Serviced in Xindian Health Center in 2018 by Category

Bar chart values:
- Health Management: 690
- General Medicine: 680
- General Surgery: 674
- Obstetrics & Gynecology: 151
- Ophthalmology: 26
- Dentistry: 10
- Dermatology: 44
- Otolaryngology: 138
- Muscle soreness and Ache: 153
- Health Counseling: 3,083
- Mental Health Counseling: 87
- Emergency care: 2
- Public injury tracking: 44
- Bed Rest: 409
- Motherhood Protection: 23
- Total: 6,214
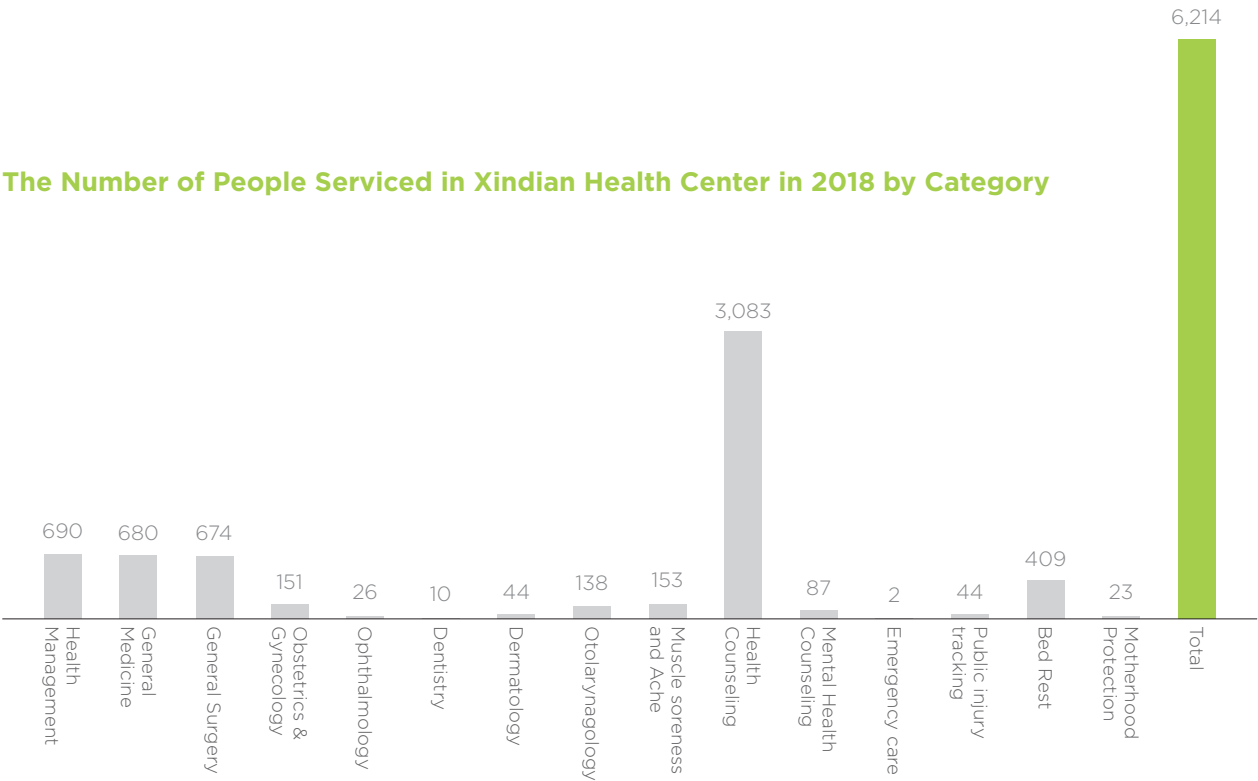
___ Annual Health Check Subsidies

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 2018, HTC spent NT$ 5,017,000 on subsidized health checks for general employees in Taiwan. There were 1,097 benefited employees. Among them, the health check completion rate for general employees in 2018 was 85.36%, while that for manufacturing employees was 100%, 1,296 people completed the health check in 2018. According to the results of the health check, health management and a health education and counseling service were arranged and employees needing further attention met with a physician so that more comprehensive health care and treatment could be arranged. We track the health of these employees on a regular basis according to the severity of their condition, and provide them to receive more comprehensive health care. As a result, no harm caused by overwork occurred in 2018.

HTC Health Check Regulations

Frequency	Manufacturing employees: Once every two years after arrival
	General employees: 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	Manufacturing employees: Implemented by employee clinic
	General employees: Staff can have a health check in numerous hospitals cooperated with HTC
Last check date	Manufacturing employees: Arranged by departments since July 2015
	General employees: In progress

The Accumulated Health check completion rate of general employees in 2018

The Accumulated Health check completion rate of general employees in 2018

85.36%
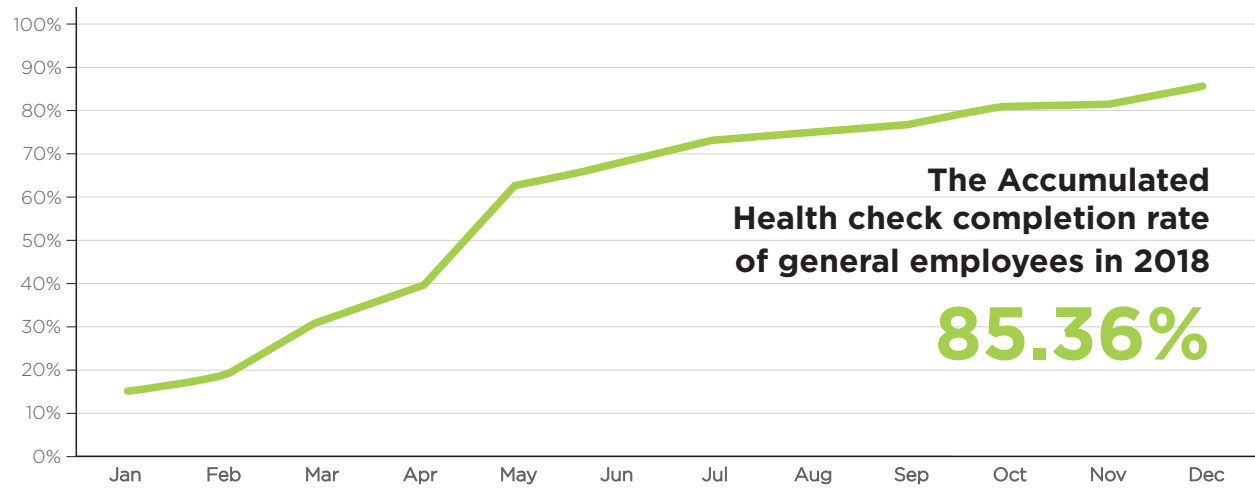
Uncompleted Annual Health Check Tracking Mechanism

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

Health check follow-up and statistics in 2018

The number of new recruits with physical abnormalities follow-up	401
The number of employees with physical abnormalities follow-up	406

Physical Examination Abnormal Education Rate in 2018
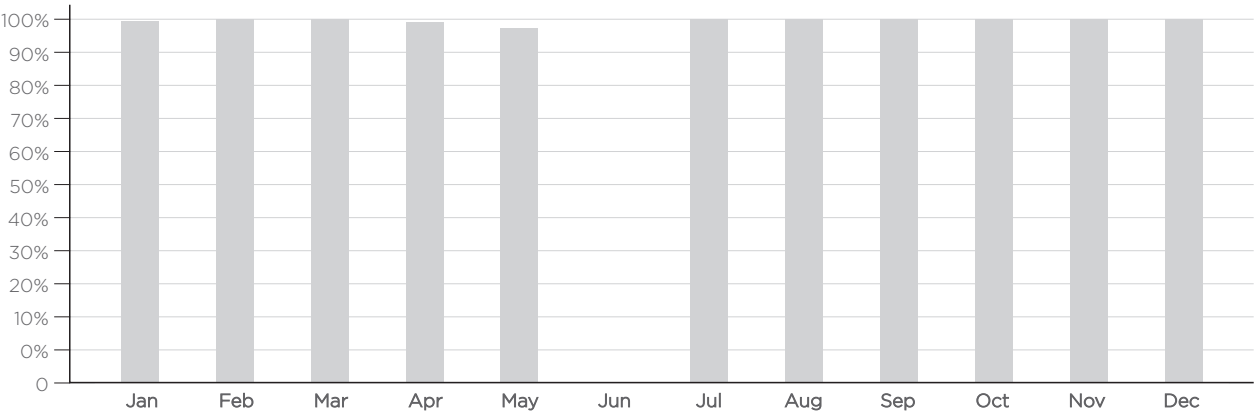
Note: In Jul 2018, there was no case to be tracked, thus the unavailability of completion rate data.

2018 Annual Health Check Abnormal Items and Number of Person

1. Manufacturing Employees

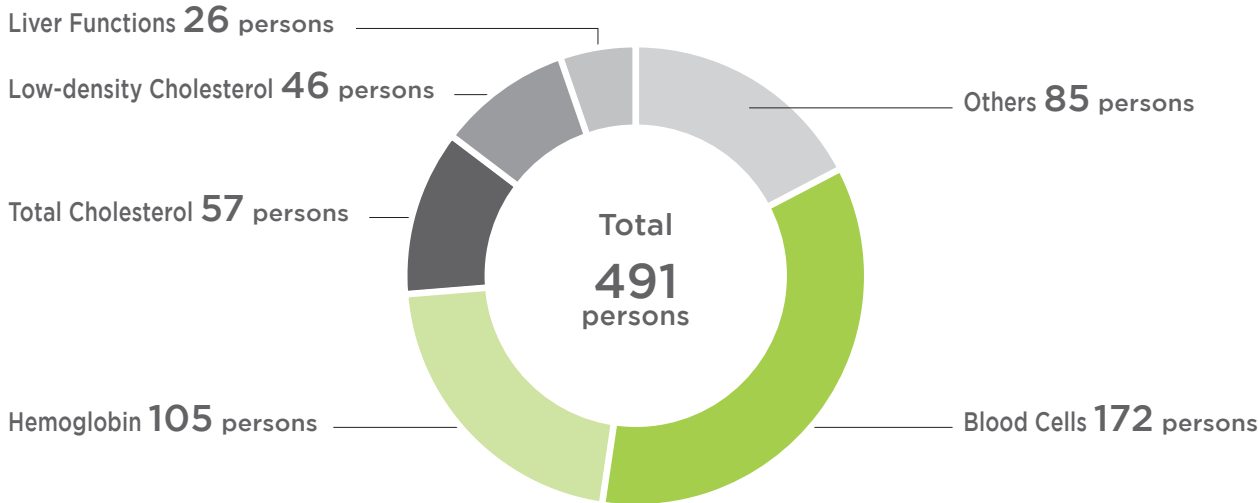491 persons had abnormal health examination results. The top five abnormal items were white blood cells 172 persons, hemoglobin 105 persons, total cholesterol 57 persons, low-density cholesterol 46 persons, and liver functions 26 persons.

2018 Abnormal Items and Number of Persons for Manufacturing Employees

Liver Functions **26** persons

Low-density Cholesterol **46** persons

Total Cholesterol **57** persons

Total **491** persons

Others **85** persons

Hemoglobin **105** persons

Blood Cells **172** persons

2. General Employees

454 persons had abnormal health examination results. The top five abnormal items were low-density cholesterol 69 persons, total cholesterol 67 persons, triglycerides 60 persons, high blood pressure 52 persons, and occult blood 58 persons.
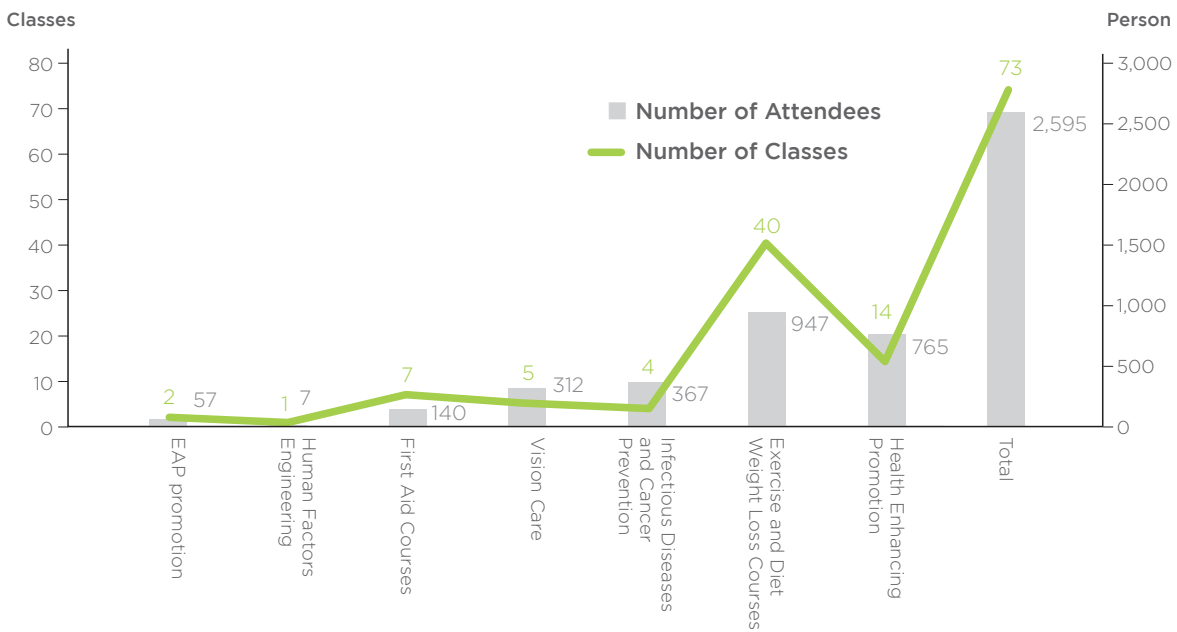
2018 Abnormal Items and Number of Persons for General Employees

Urine Occult Blood **52** persons

High Blood Pressure **58** persons

Total **454** persons

Others **148** persons

Triglycerides **60** persons

Total Cholesterol **67** persons

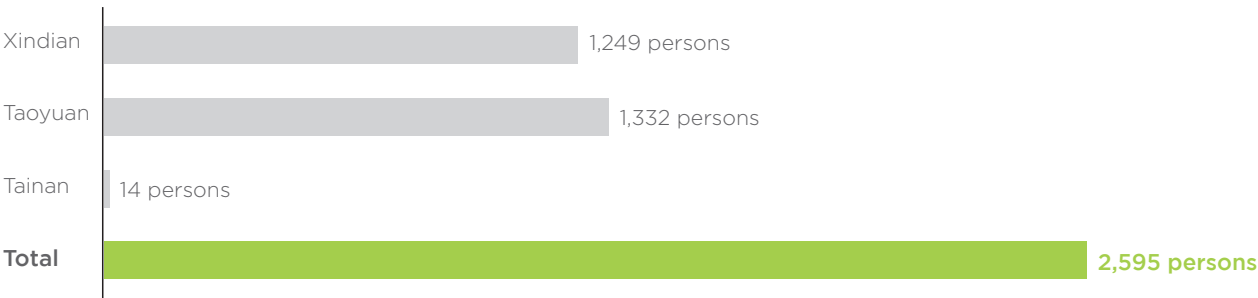Low-Density Cholesterol **69** persons
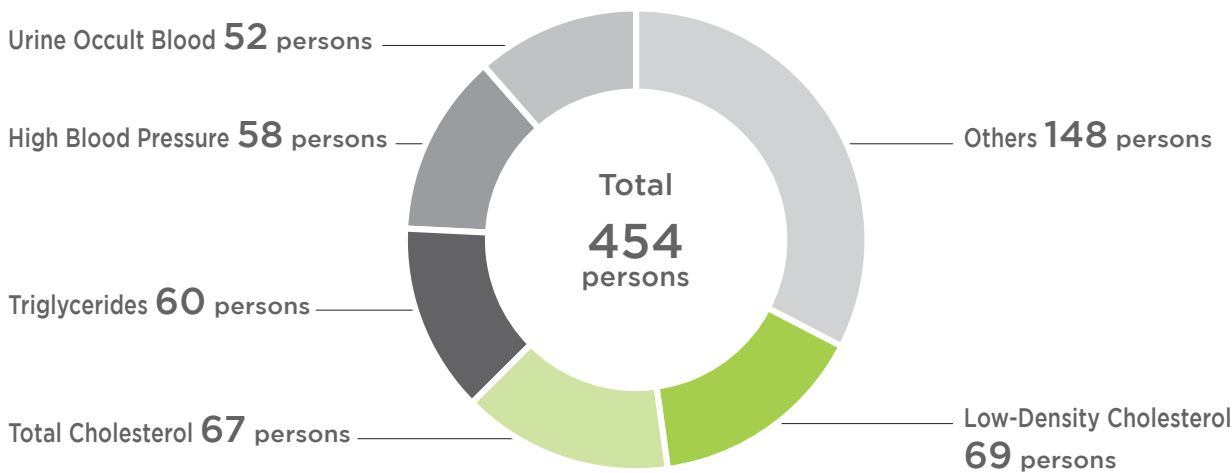
___ Health Promotion Programs

It is a well-known fact that the pressure of a technology industry tends to cause employees to neglect the importance of their health. HTC Employee Clinic will organize seminars and health promotion activities from time to time every month. The annual health promotion courses will be organized based on the previous year's health check abnormal items as well as the topics interested by the employees from the questionnaire survey results. In 2018, 367 people participated in the infectious disease and cancer prevention activities, and 8 people required further health consultations, all of which have completed the follow-up check. For the Health Promotion Courses, a total of 73 classes were held in 2018, with a total of 2,595 participants, and an average satisfaction rate of 94.07%. For the employees with abnormal items during health check, doctors will be arranged for follow-up check and health education will be provided by nurses.

2018 Health Promotion Course Content and Number of Participants

Classes / Person

Course	Number of Classes	Number of Attendees
EAP promotion	2	57
Human Factors Engineering	1	7
First Aid Courses	7	140
Vision Care	5	312
Infectious Diseases and Cancer Prevention	4	367
Exercise and Diet Weight Loss Courses	40	947
Health Enhancing Promotion	14	765
Total	73	2,595

Number of participants in health promotion courses in various regions in 2018

Region	Persons
Xindian	1,249 persons
Taoyuan	1,332 persons
Tainan	14 persons
Total	2,595 persons

HTC Employee Clinic Facebook Page

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

HTC has created a Facebook Fan Page for the employee clinic. Besides promoting health promotion activities, information on the correct health management is provided to employees, cultivating employees' autonomous health management capabilities. As of the end of 2018, the number of fans in FB Fan Page reached 1,009 persons.

Occupational Health

1. Specific Health Check

In 2018, the work environment at the HTC Taoyuan Plant is carefully tested and monitored. The special health hazardous operations such as those involving ionizing radiation, dust, MDI and noise must receive a thorough health checkup. The total number of employees required for special health examination was 108 people, and the examination completion rate was 100%.

The number of workers put under Grade 1 Control was 74; Grade 2 Control was 34. In compliance with "The Labor Health Protection Regulations", all 34 workers subject to Grade 2 Control were sent individually to the company infirmary for health consultation with a doctor, who gave instructions on personal health and how to prevent further problems.

2. Emerging Health Issues

HTC's employee clinic, environmental safety department, human resources division, and other undertaking units planed the Protection Program in four themes, which was implemented gradually since 2016.
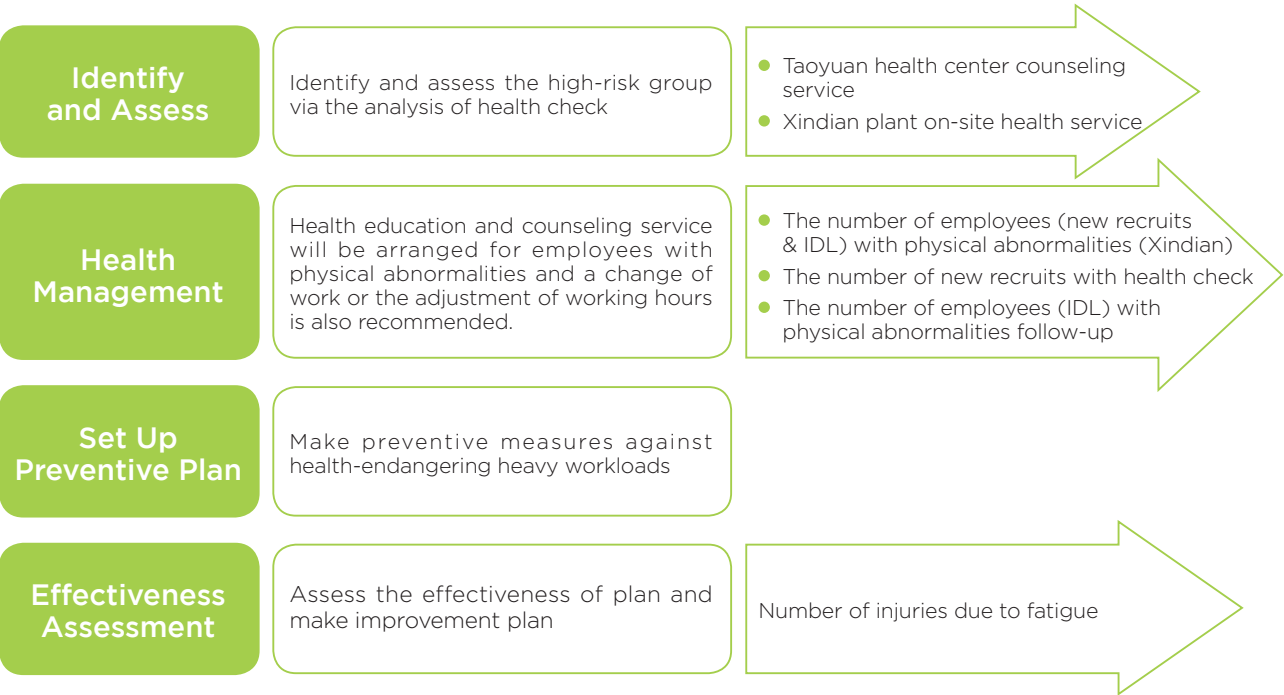
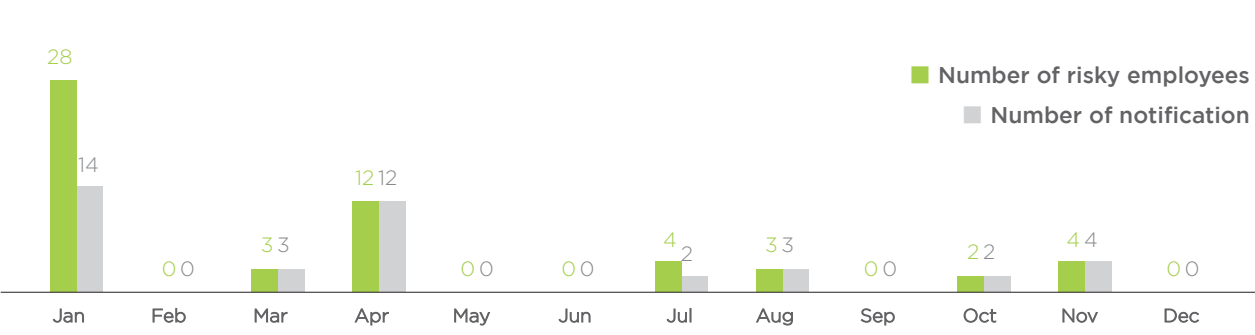| Topic	Organizer
Overload and Health Hazard Operation Prevention	Employee Clinic
Maternal Health Protection Plan	Employee Clinic
Ergonomics Hazard Prevention	ESH Department
Execution Infringement Prevention	HR Department

(1) Preventive measures against health-endangering heavy workloads

According to related regulations, employers have the obligation to plan and take the necessary safety and health measures for employees taking rotational shifts, night shifts or who work for long hours, in case medical conditions might occur which are related to an unusually heavy workload. Appointments are made with medical doctors, or health consultants for employees should a medical check find them to have a health problem. A change of work or the adjustment of working hours is usually recommended. In 2018 screening and notification, 40 risky employees were interviewed by doctors. Work adjustment was applied to 3 employees. There was no incident of injury caused by overload in 2018.

Preventive Measures Against Health-endangering Heavy Workloads

Identify and Assess	Identify and assess the high-risk group via the analysis of health check	• Taoyuan health center counseling service • Xindian plant on-site health service
Health Management	Health education and counseling service will be arranged for employees with physical abnormalities and a change of work or the adjustment of working hours is also recommended.	• The number of employees (new recruits & IDL) with physical abnormalities (Xindian) • The number of new recruits with health check • The number of employees (IDL) with physical abnormalities follow-up
Set Up Preventive Plan	Make preventive measures against health-endangering heavy workloads	
Effectiveness Assessment	Assess the effectiveness of plan and make improvement plan	Number of injuries due to fatigue

2018 Employees with Overload Risk Management in 2018

■ Number of risky employees
■ Number of notification

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Number of risky employees	28	0	3	12	0	0	4	3	0	2	4	0
Number of notification	14	0	3	12	0	0	2	3	0	2	4	0

(2) Maternal Health Protection Plan

When safety and health hazard factors exist in the workplace, there may be adverse effects on pregnancy and breastfeeding. When female employees' presence in the workplace is indispensable, the importance of the protection of maternal health is highlighted. HTC has since June 2016 launched the Motherhood Health Protection Program, which includes all female employees one year after childbirth or breastfeeding women as protected subjects. In accordance with the Program, the list survey, risk identification, individual medical consultations, work assignment and work/ return to work, and other procedures were carried out. By the end of 2018, 92 employees completed the risk classification and protective measures, indicating the considerably safe work enjoyment and contents.

2018 Maternal Health Protection Plan Risk Level and Numbers of Employee

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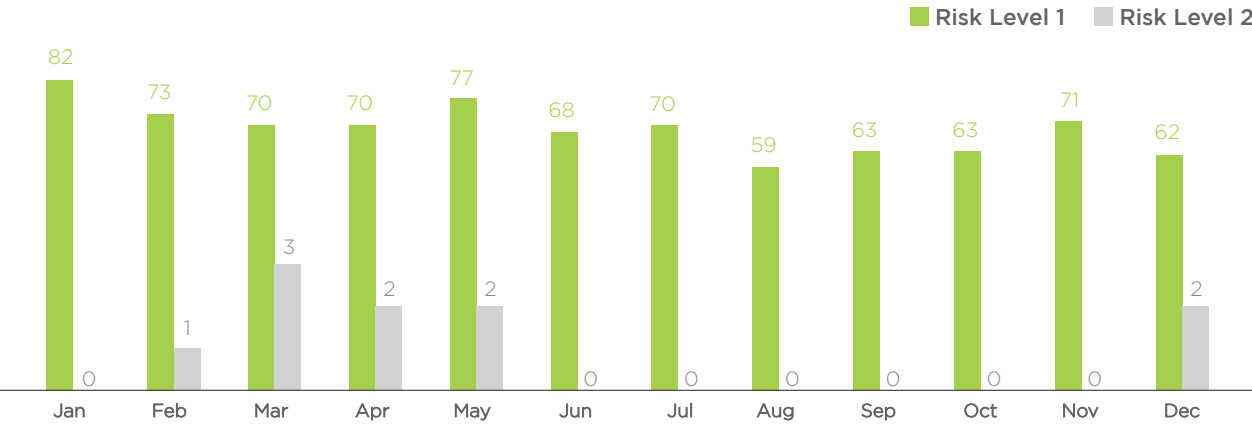
Note: Risk level 1: Evaluated by the doctor as harmless to the mother, fetus, or infant.
　　　Risk level 2: Evaluated by the doctor as possibly harmful to the mother, fetus, or infant.
　　　Risk level 3: Evaluated by the doctor as harmful the mother, fetus, or infant.

___ Employee Assistance Program (EAP)

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

HTC has been working with the Hsinchu Lifeline Association since February 2009 to provide employees with psychological counseling and guidance with respect to working career, relationships, family and parenting, gender sentiments, mental illness, and physical and mental stress. Each year, employees can enjoy unlimited telephone consultations and 6 free face-to-face consultation services, which are paid in full by the company. In 2018, a total of 442 employees used the telephone consultation services. The analysis and recommendation on employee consultation topics are reported regularly to the Occupational Safety and Health Committee.

● Appointment Hours: Monday ~ Friday 9 am ~ 7 pm
● Reservation Tel: Mobile: 035-260415

Employee Assistance Program (EAP) Results

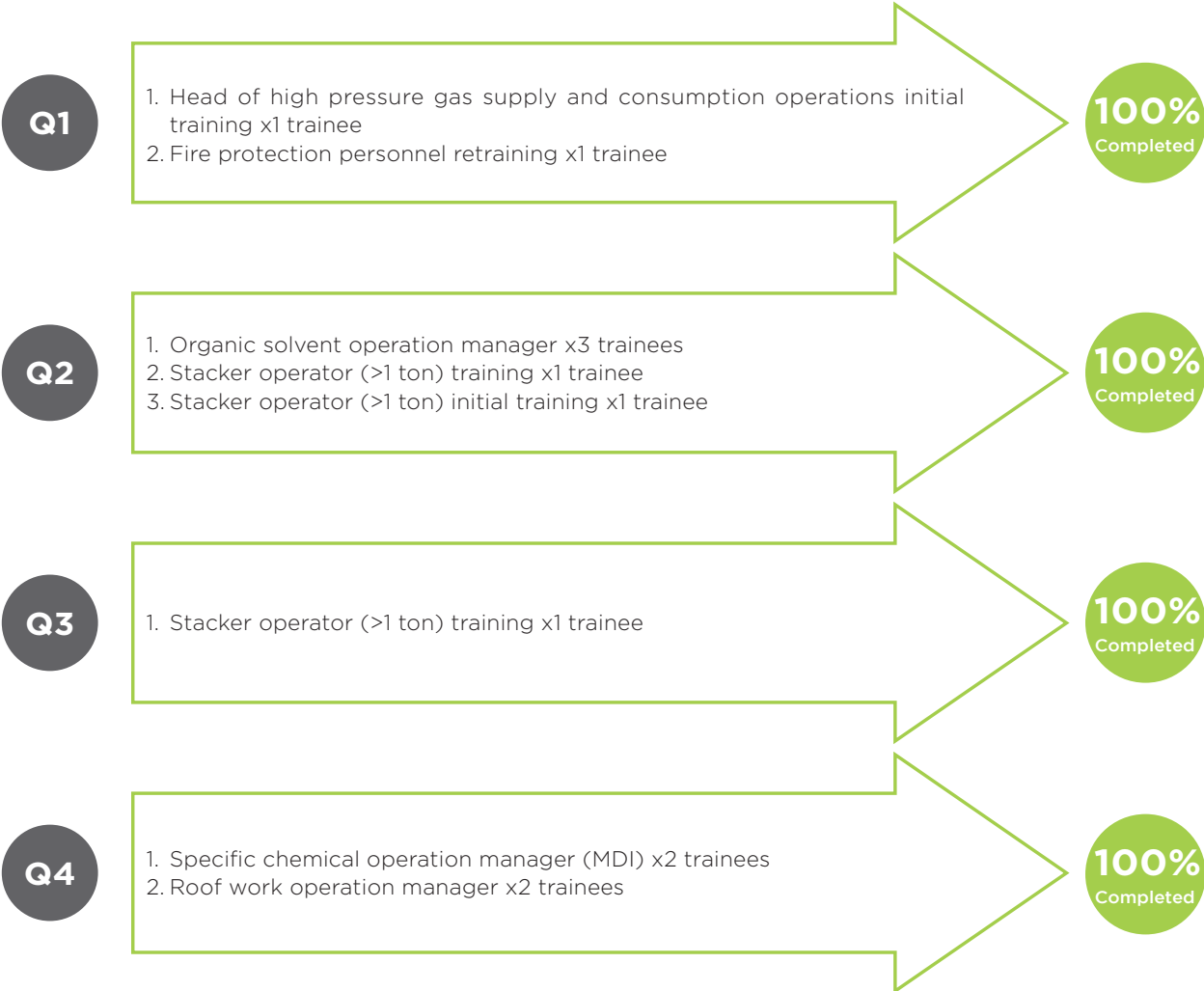|	2016	2017	2018
Number of Telephone Counseling (Free)	111	141	351
Number of Interviews	79	130	91
Hours of Interviews	106	140	100
Number of Interviews (Male)	46	44	38
Number of Interviews (Female)	33	86	53
Number of Interviews (manufacturing employees)	3	6	2
Number of Interviews (general employees)	76	125	89
Invested expense (NT$)	443,000	566,400	460,000

Positively Preventing Occupational Accidents

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

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

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

2018 Full-time Environmental Safety and Health Personnel Training

2018 (Re) training for Certificate Training Completion Rate

Q1
1. Head of high pressure gas supply and consumption operations initial training x1 trainee
2. Fire protection personnel retraining x1 trainee

100% Completed

Q2
1. Organic solvent operation manager x3 trainees
2. Stacker operator (>1 ton) training x1 trainee
3. Stacker operator (>1 ton) initial training x1 trainee

100% Completed

Q3
1. Stacker operator (>1 ton) training x1 trainee

100% Completed

Q4
1. Specific chemical operation manager (MDI) x2 trainees
2. Roof work operation manager x2 trainees

100% Completed

Comprehensive Emergency Rescue Measures

- A 24-hour emergency rescue Hot Line has been set up as part of a fully comprehensive emergency notification system.
- Sufficient rescue personnel 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.
- Since 2010, CPR seminars are held regularly each year

These related measures have been effectively carried out at HTC. In 2018, most occupational injuries were the result of traffic accidents (24 cases) that happened during commutes. There were 11 other injury cases that occurred within the facility. Falls are the most frequently reported incident (3 cases), with 12.5 days of labor lost.

The average employee injury frequency rate (FR) was 0.83 person-time/per million hours worked, average injury severity rate (SR) was 7.53 days/per million hours worked in 2018. Our annual target will have been missed.

We will promote safety education for employees who commute to and from work in the future and will also provide them with work safety concepts and necessary training. Warning signs are to be placed in conspicuous places to reduce the incidence of accidents.

Average FR in Taiwan Plant in 2018

	Target	Result
Average Injury Frequency Rate (FR)	0.3	0.83
Average Injury Severity Rate (SR)	1.8	7.53

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

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

Year	2016	2017	2018
Taiwan	0.61	0.61	0.83
Taoyuan plant (male)	0.98	1.82	2.08
Taoyuan plant (female)	0.58	0.39	0.64
Taipei HQ (male)	0.21	0.21	0
Taipei HQ (female)	0	0	0
Management Target	0.30	0.30	0.3

Note: Injury Frequency Rate = Incidence of Lost-Time Injury×1,000,000/total hours worked.

Injury Severity Rate (SR)
Lost Day Injury Frequency Rate per Million Hours Worked

Year	2016	2017	2018
Taiwan	13.00	10.89	7.53
Taoyuan plant (male)	24.87	17.37	27.33
Taoyuan plant (female)	12.59	16.00	1.29
Taipei HQ (male)	0.42	1.25	0
Taipei HQ (female)	0	0	0
Management Target	1.80	1.80	1.8

Note: Injury Severity Rate=Days Lost for Lost-Time Injury×1,000,000/Total Hours Worked.

GRI Injury Indicators

Incidence Rate (IR)
= Total Incidences / Total Hours Worked × 200,000*

Year	2016	2017	2018
Taiwan	0.12	0.12	0.17
Taoyuan plant (male)	0.2	0.36	0.42
Taoyuan plant (female)	0.12	0.08	0.13
Taipei HQ (male)	0.04	0.04	0
Taipei HQ (female)	0	0	0

Occupational Disease Rate (ODR)
= Occupational Disease Cases / Total Hours Worked × 200,000*

Year	2016	2017	2018
Taiwan	0	0	0
Taoyuan plant (male)	0	0	0
Taoyuan plant (female)	0	0	0
Taipei HQ (male)	0	0	0
Taipei HQ (female)	0	0	0

Day Lost Rate (LDR)
= Total Days Lost/ Total Hours Worked × 200,000*

Year	2016	2017	2018
Taiwan	2.6	2.18	1.51
Taoyuan plant (male)	4.97	3.47	5.47
Taoyuan plant (female)	2.52	3.2	0.26
Taipei HQ (male)	0.08	0.25	0
Taipei HQ (female)	0	0	0

Absence rate (AR)
= (Total Days Lost/Total Days Worked) ×100%

Year	2016	2017	2018
Taiwan	0.01	0	0.01
Taoyuan plant (male)	0.03	0.02	0.03
Taoyuan plant (female)	0.01	0.02	0
Taipei HQ (male)	0	0	0
Taipei HQ (female)	0	0	0

Note: 1. *: 200,000 means for 50 weeks a year, 40 working hours per week, and per 100 employees
2. In 2018, there was no case of temporary worker injury; therefore, the injury rate (IR), occupational disease rate (ODR), loss day ratio (LDR), and absenteeism rate (AR) were all zero
3. If employees were injured due to work, it is regarded as occupational sickness leave. Therefore, the days of personal leave and sick leave were zero

Contractor Management

HTC attaches great importance to the safety of contractors. Each year, according to the status of contractor safety and health management, a complete occupational safety and health management plan is drawn up to prevent and prevent occupational disasters. 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 Second Item of the HTC Environmental, Safety and Health Policy states that "We regard the safety and health of employees, customers, suppliers and contractors as equally important". During the operation of the contractor, project officer will be at the site. If there is an accident, the project officer can call 831919 to ask the medical staff to perform treatment at the site or take the injured contractor to HTC employee clinic for treatment. As long as the injury is due to work, whether it is small or severe, the notification must be completed and recorded. In the case of severe injury, an accident investigation will be conducted to examine and analyze the cause of the incident, and correction or improvement is required for the site.

The HTC Family was created in cooperation with the Taoyuan City Government in 2014. The City organized the safety and health seminars and field trips and also shared actual case studies with the contractors every year. This caused small and medium-sized enterprises to work for occupational safety just like a mother hen leads her children. From 2016 to 2018, the contractor's injury rate (IR) was 0*.

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.
- Personnel access control.
- Ensuring construction site safety.
- Conducting safety and health management for new facility construction.
- 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. On-site inspections and audits are conducted on a regular/irregular basis., 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.

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* Note: 1. The total number of working days for men is 666,244.72 days, and the total working hours is 6,089,188.47 hours in 2018.
2. The total number of working days for women is 750,380.28 days and the total working hours is 7,196,702.79 hours in 2018.
3. IR rate = total number of work injuries / total work hours × 200,000* (*: 50 weeks in a year, 40 working hours per week, the ratio for every 100 employees.)
4. The statistics of occupational injuries for contractors are based on the same criteria as the regular employees, excluding minor injuries with day of loss less than one day and traffic accidents.

Social Investment
and Contribution

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

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

HTC Foundation _____

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

We engage in public interest activities to espouse humanitarianism and contribute to a peaceful and harmonious society. The Foundation plays an important part in community engagement and social services to instill the core values of integrity, honesty, care, love, positive thinking, and respect for natural resources. The HTC Foundation invested NT$ 9.4 million on education in 2018, while HTC Social Welfare and Charity Foundation spent NT$ 61.42 million on charity business.

Vision

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

Mission

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

Objectives

1. To encourage the development of good campus culture by influential education projects and the continuous and systematic encouragement of teachers, parents, and students.

2. To encourage the development of good urban character culture by influential education projects and urging local communities to work towards this end.

3. Care for disadvantaged families and the provision of educational opportunities for young people to give them the knowledge and character that allow them to become contributive members of the society.

Character Statement

1. To actively and enthusiastically influence others with honesty and good character in both personal and professional life and to set a good example with our own conduct;

2. To protect the environment and to develop a cultural and aesthetic disposition through readings; and

3. To be a world citizen, to make reasonable efforts to help the poor and the disadvantaged in the world, and to encourage people to respect and support one another.

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

Many Blessings Courses

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

Summer Institute for Character Education

HTC Foundation has been dedicated to the implementation of character education. For many years, it has been providing high-quality, systematic, and diverse resources for education and training through the "rock education implementation program" to help schools across Taiwan to implement character education more effectively. To help schools cultivate a character-based campus culture, nurture those school practicing character education, promote academic and practical dialogue for the character education to strengthen the ability of the schools' leadership teams in implementation, the foundation has been inviting Dr. Marvin Berkowitz, lecturing professor on character education from College of Education, the University of Missouri at St. Louis, to give a lecture in the "Summer Institute for Character Education" in Taiwan since 2012. As of 2018, there have been 256 people in total from the leadership teams made up of school principals and administration members from 40 schools who have participated in the five-day intensive immersion training. There are five different campus schools in 2017-2018 from Bina Bangsa School in Indonesia.

This course has been taught in Missouri and other areas for 20 years. According to feedback from the 27 schools that participated in the last 5 years after the course, the course has been beneficial to both the participating teams and their members in core topics of the character education and nature of education or buildup of consensus for the leadership team. HTC Foundation will continue to hold this training course through its summer institute. It hopes that this course would help schools build up their own leadership teams for the character education on their campuses. Through collective efforts by the team members, the campus-based culture of character would be shaped to cultivate students' growth and development in characters.

Character Town

HTC foundation not only launches character education in schools but also signs "Character Town" with various towns in Taiwan. Character Learning Course is launched every month with a way of character and setting a good example with our own conduct. Group discussion and experience sharing with different themes and related to work will be arranged timely.

Participants include township police station public hospital fire department land office & household registration office-affiliated institutes.

Parts of institutes turn into membership in the character association. Leaders in the institutes encourage good deed via communication and integration of thoughts, which becomes the internal operating mechanism.

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

Other Social Engagement Activities

In addition to sponsoring the social work upheld by the HTC Foundation, HTC also positively engages in public interest activities through other channels. In 2018, our accomplishments in social works included:

Blood Donations

Eight times every year HTC cooperates with the Taipei Blood Center and Hsinchu Blood Center to hold blood donation drives. Many of our kind-hearted employees have developed the habit of regular blood donation since 2006. Every time the mobile vehicle from the Blood Center comes by our employees all line up to make donations to give back to society. HTC is recognized by Hsinchu Blood Center as a standing Honorable Blood Donor Group. In 2018, employees responded enthusiastically to blood donation activities, and the participation rate was nearly doubled. The total blood donated in Taoyuan Plant was 144,000 ml, while the total blood donated in Taipei Headquarter Building was 121,250 ml.

giving love by donating blood
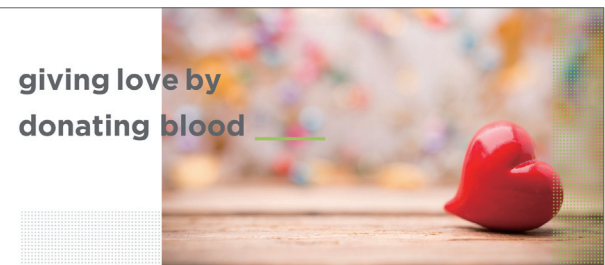
Year	2016	2017	2018
Number of incumbents	9,688	9,239	4,096
Blood Donation	857	748	695
Donation Rate (%)	8.85	8.10	16.97
Total blood donation (ml)	311,500	288,500	265,250

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 2018, a total of 66 children were adopted, including 58 in China and 8 in foreign countries (including Guatemala, Indonesia, the Philippines, Senegal, Sri Lanka, Kyrgyzstan, Paraguay, etc.).

2018 Christmas Charity Sale

"Light up the dream and grow together" – In 2018 Christmas Concert, we offered love and donations to protect the minority children!

Many children lost their parents when they were young because of family problems, illnesses or accidents. There are also many children who become highly concerned minority children because of their parents' deviated behavior. When these children are helpless in facing their future and thinking to give up on themselves, there are many groups to offer them love and to help them to face the difficult challenges, allowing them to get rid of the pain and seeing the precious value within them. In the Christmas concert of 2018, HTC employees supported the children and families of the "Taipei Orphan Welfare Foundation" and "Taitung Senior Caring Club" through practical actions.

2018 Christmas concert

繽紛聖誕音樂會

Come enjoy the moment
12/20 12:30 Lobby, Building H, Taoyuan
12/21 12:30 Lobby, TPEI, Xindian

Summary of the Communities and Associations Participated

Organization Name	Member qualification
SDA (Secure Digital Card Association)	General member
Wi-Fi (WECA Wireless Ethernet Compatibility Alliance)	General member
TCA (Taipei Computer Association)	General member
RBA (Responsible Business Alliance)	General member
GSM Association	Member
TAICS (Taiwan Association of Information and Communication Standards)	General member
AirFuel Alliance	General member
VESA (Video Electronics Standards Association)	General member
Khronos Group-OpenGL (Open Standards for media Authoring and Acceleration) (The Industry's Foundation for High Performance Graphics)	Member
Industry-Academy Alliance 3D & AR/VR image display Industry-Academy Alliance	General member
NMEA (New Media Entertainment Association)	General member
JBRC (Japan Battery Recycling Collection)	General member
Taoyuan importers & exporters chamber of commerce	General member
CCSA (China Communications Standards Association)	General member
OPEN Alliance (One-Pair-Ether-Net Alliance)	General member
GTI (Global TD-LTE Initiative)	General member
3GPP (3rd Generation Partnership Project)	General member
MIPI (Mobile Industry Processor Interface Alliance)	General member
Bluetooth SIG (Bluetooth Special Interest Group)	General member

GRI 103:
The Management Approach and Its Components ____

Standard	Economic		
Material Topics	● Economic Performance ● Marketing Presence		
How HTC manages the topic	The purpose of the management approach	Related policies	Grievance mechanisms
● Pay attention to corporate governance and operational transparency, and formulate and implement a corporate governance structure in accordance with relevant laws such as the "Company Law" and "Securities Exchange Act", and continuously improve management performance. ● Establish a Salary & Compensation Committee to evaluate professionally and objectively the salary & compensation policy and system, and assess progress in achieving the goals. ● Provide attractive and stimulating salary & benefit plans, establish relevant rules to return operational performance to the employees; and develop various welfare measures and training mechanisms. ● Conduct performance evaluation for all employees every year, and offer salary adjustments and incentive bonuses based on the performance evaluation results to ensure the compensation and growth of employees. This can link together company's finance and performance.	● Properly and effectively assign the powers and responsibilities of the board of directors, managers, and shareholders to establish and maintain an operating team that is accountable to shareholders ● Protect the rights of investors and other interested parties through a comprehensive and systematic CSR implementation system. ● Ensure that the company's salary & compensation are in compliance with relevant laws and regulations and are sufficient to attract talents. ● Enable employees to do their best to maximize their strengths, and encourage employees to continue to work hard and innovate in their positions.	"Corporate Governance Practice Principles" "HTC Code of Conduct" "Rules for Derivatives Transaction" "Regulations for the Appointment of Directors/Supervisors in Re-investment" "Salary & Compensation Committee Organizational Procedures" "Board of Directors Rules of Procedure"	● Investor Liaison : Telephone: +886-2-8912-4138 E-mail: ir@htc.com Company spokesperson and investor relations Shen Daobang spokesman@htc.com

Standard	Environmental		
Material topics	● Effluents and Waste ● Supplier Environmental Assessment		
How HTC manages the topic	The purpose of the management approach	Related policies	Grievance mechanisms
● Import ISO 14001 environmental management system and verify it with external third parties. ● Set up sewage treatment equipment in the plant area, and regularly test and report online. ● Entrust lawful disposal agencies to properly dispose of wastes, and carry out irregular inspections. ● Periodic inspections of waste storage and temporary storage areas will be conducted through inspection schedules. ● Establish supplier evaluation and management system. ● Refer to the "Code of Conduct for Responsible Business Alliances" to develop relevant environmental specifications in the "HTC Supplier Code of Conduct" to periodically assess suppliers' compliance with and implementation of the Code.	● Reducing waste through classification and advocacy, and increasing the efficiency of recycling. ● Reduce the impact of operations on the natural environment. ● Extend the concept and requirements of social responsibility management to the supply chain and implement supply chain responsibility.	"ESH Management Manual" "HTC Corporate Social Responsibility Policy" "Process for Removal and Handling Business Waste Manual" "Procedures for Sewage System Operation, Repair, and Maintenance" "HTC Supplier Code of Conduct" "Vendor Management Procedure" "Vendor Survey Procedure" "Supply Chain CSR and QMS Audit Procedure" "Contractor Environmental, Safety and Health Management Procedures" "Environmental, Safety and Health, and Energy Regulations Requirements Management Procedures" "Supplier Environmental, Safety and Health, and Energy Management Procedures"	● Internal: e-mails, announcement methods, proposal improvement bills, or discussions with the Health and Safety Committee ● External stakeholders can file an appeal through Corporate Social Responsibility Corporate_responsibility@htc.com. The case will be transferred internally to the EA. According to the "EP-00000010 Procedures for the Control of Environmental documents"

Left Table

Standard	Social	
Material Topics	● **Labor/Management Relations** ● **Employment** ● **Occupational health and safety** ● **Training and education**	● **Customer health and safety** ● **Customer Privacy** ● **Supplier social evaluation** ● **Socioeconomic Compliance**

How HTC manages the topic	The purpose of the management approach	Related policies	Grievance mechanisms
• HTC has a well-established parental leave application mechanism to protect the rights of employees. • Provide diverse and fair employment opportunities for employees. • The board of directors set up a salary compensation committee to assess the salary and remuneration policy and system of the directors, supervisors, and managers and achievement of performance goals. • Provide attractive, motivating salary and benefits programs. • The company convenes a labor-management conference every quarter and records and tracks problems and improves results. • The Ministry of Environmental Protection and the Department of Labor and Social Security are responsible for the implementation of the occupational safety and health and energy management system and draw up the annual plan. • Refer to the "Code of Conduct for Responsible Business Alliances" to formulate relevant labor regulations in the HTC Supplier Code of Conduct • Build inspection standards for hazardous substances. • Mark product information, and add environmental protection material certification on the packaging. • Set up internal control mechanisms to control technical data, software and hardware, and customer patents or intellectual property rights. • Reference Responsibility Business Alliance Code of Conduct Developing Corporate Social Responsibility Policy and Set up a supplier assessment and management mechanism. • Reference Responsibility Business Alliance Code of Conduct Developing "HTC Supplier Code of Conduct", and periodically assess whether suppliers meet and implement the guidelines. • HTC adopts the Conflict Minerals Survey Template to conduct annual assessment on suppliers' mineral sources. Establish KPIs, and progress feedback mechanisms to effectively manage the supply chain.	• Ensure the rights and interests of all employees. • Promote good labor relations. • Protect the labor rights of multiple employees. • Reduce the turnover rate of employees. • Reduce the risk of workplace hazards to employees and reduce occupational hazards. • Attract and retain outstanding talents. • Reduce the negative impacts of end career employees. • Reduce the potential risk of excessive use of violence or other human rights violations by security personnel on duty. • Ensure that the products are non-toxic and harmless green products and comply with national laws and customer specifications. • Protect customer health and safety. • Protect customer privacy. • Reduce product harmful substances and packages. The use of wood. • Extend the concept and requirements of social responsibility management to the supply chain and implement supply chain responsibility. • Conformity to relevant socioeconomic regulations.	"HTC Code of Conduct" "Customer Satisfaction Management Program Specification" "HTC Corporate Social Responsibility Policy" "HTC ESH Policy" "ESH Management Manual" "Safety and Health Rules" "HTC hazardous substance management policy" "HTC Supplier Code of Conduct" "HTC Information Security Policy" "Personal Information Protection Management Policy" "Privacy Policy" "Customer Service Privacy Protection Declaration" "HTC Supplier Code of Conduct" "Vendor Management Procedure" "Vendor Survey Procedure" "Supply Chain CSR and QMS Audit Procedure" "HTC Conflict Mineral Procurement Policy" "Supplier Environmental, Safety and Health, and Energy Management Procedures"	• The grievance mechanism includes employee complaint hotline, complaint suggestion box, grievance e-mail, and sexual harassment grievance mail box • manufacturing employees of the production line company extension 38585 • General employees company extension 28585 • Employee helpline e-mail HelpMe_8585@htc.com • Employee Services APP notification system • Customer service hotline: 0809-090-166, please call: 02-2162-6788 • Set up local customer service hotlines in 70 countries around the world • Build more than 20 websites in different countries • Provide PR, Service, Copyright, Security and other different types of e-mail

Right Table

Standard	Material Topic	Mechanism of Evaluation	The result of Evaluation (referring page)
Economic	Economic performance	Independent director, supervisor system, the internal audit system Corporate Governance Evaluation of TWSE	16, 38-40, 114
	Market Presence	Compensation Committee	38, 114
Environmental	Effluents and waste	HTC CSR Committee Responsible Business Alliance (RBA) ISO 14001 Environmental Management Domestic related environmental regulations	19-22, 48-55, 59, 71, 73, 85-88
	Supplier Environmental Assessment	Supplier assessment and management mechanism. ISO 14064-1 Greenhouse Gases	
Social	Employment	HTC CSR Committee Responsible Business Alliance (RBA) The Universal Declaration of Human Rights (UDHR) Corporate Governance Evaluation of TWSE OHSAS 18001 Occupational Health and Safety Management System Labor contract Industry union Grievance mechanisms Employee satisfaction survey labor-management meetings	21-22, 37-38, 47, 48, 97, 102-103, 113, 117, 121-124, 129-138, 143
	Labor/Management Relations		
	Occupational health and safety		
	Training and education		
	Customer health and safety	HTC CSR Committee Responsible Business Alliance (RBA) IECQ QC080000 Hazardous Substance Process Management System UL Certificate Third-party institution (TUT/ITS) Meets California Energy Efficiency Regulations Meets the SAR standards of the US FCC and EU CE Customer satisfaction survey	56, 79-83
	Customer Privacy	Information security /privacy management Corporate customer satisfaction management General Data Protection Regulation(GDPR) Domestic and foreign related capital regulations	56, 111
	supplier social assessment	Supplier assessment and management mechanism. Responsible Business Alliance(RBA) (OHSAS 18001/ISO 45001) Occupational Health and Safety Management System IECQ QC080000 Hazardous Substance Process Management System UL Certificate	21-22, 48-55, 59, 143
	Socioeconomic Compliance	Other social and economic related regulations(domestic and foreign)	39-40, 47, 56, 79-83, 88, 97, 123

GRI Standards Content Index ____

GRI Standard		Disclosed Topic	Referring Page	Remark
	102-01	Name of the organization	7	
	102-02	Activities, brands, products, and services	7	
	102-03	Location of headquarters	10	
	102-04	Location of operations	7	
	102-05	Ownership and legal form	7	
	102-06	Markets served	10	
	102-07	Scale of the organization	11-12, 16, 98	
	102-08	Information on employees and other workers	98-100	
	102-09	Supply chain	11-16	
	102-10	Significant changes to the organization and its supply chain	Please refer to Market Observatory Post System https://mops.twse.com.tw/mops/web/t146sb05	
	102-11	Precautionary Principle or approach	41-42	
GRI 102: General Disclosures 2016	102-12	External initiatives	27-34, 48, 97	
	102-13	Membership of associations	151	
	102-14	Statement from senior decision-maker	5-6	
	102-15	Key impacts, risks, and opportunities	41-42	●
	102-16	Values, principles, standards, and norms of behavior	17-18	
	102-17	Mechanisms for advice and concerns about ethics	37	●
	102-21	Consulting stakeholders on economic, environmental, and social topics	21-22, 25-26	●
	102-22	Composition of the highest governance body and its committees	Please refer to HTC 2018 Annual Report P.28-30, 82-87, 105	●
	102-23	Chair of the highest governance body	Please refer to HTC 2018 Annual Report P.28	●
	102-25	Conflicts of interest	Please refer to HTC 2018 Annual Report P.110	●
	102-36	Process for determining remuneration	38	●
	102-40	List of stakeholder groups	25-26	
	102-41	Collective bargaining agreements	No agreement	

Note:* represents the topic disclosed voluntarily by HTC, not a major topic identified in 2018.

GRI Standard		Disclosed Topic	Referring Page	Remark
	102-42	Identifying and selecting stakeholders	25-26	
	102-43	Approach to stakeholder engagement	25-26	
	102-44	Key topics and concerns raised	25-26	
	102-45	Entities included in the consolidated financial statements	Please refer to HTC 2018 Annual Report P.288-291	
	102-46	Defining report content and topic Boundaries	1, 21-24	
	102-47	List of material topics	23-24	
GRI 102: General Disclosures 2016	102-48	Restatements of information	None	
	102-49	Changes in reporting	None	
	102-50	Reporting period	2	
	102-51	Date of most recent report	2018/6	
	102-52	Reporting cycle	Once a year	
	102-53	Contact point for questions regarding the report	2	
	102-54	Claims of reporting in accordance with the GRI Standards	2	
	102-55	GRI content index	155-158	
	102-56	External assurance	159-160	
GRI 103: Management Approach 2016	103-01	Explanation of the material topic and its Boundary	24	
	103-02	The management approach and its components	152-153	
	103-03	Evaluation of the management approach	154	
Topic-Specific Disclosures: GRI 200 (Economic topics)				
GRI 201: Economic Performance 2016	201-01	Direct economic value generated and distributed	16	
	201-03	Defined benefit plan obligations and other retirement plans	114	
GRI 202: Market Presence 2016	202-01	Ratios of standard entry level wage by gender compared to	114	
GRI 205: Anti-corruption 2016	205-01	local minimum wage	40	
	205-02	Operations assessed for risks related to corruption	40, 108	
	205-03	Communication and training about anti-corruption policies and procedures	None	

GRI Standard		Disclosed Topic	Referring Page	Remark
Topic-Specific Disclosures: GRI 300 (Environmental topics)		
GRI 302: Energy 2016	302-01	Energy consumption within the organization	63	
	302-04	Reduction of energy consumption	63-67	
	302-05	Reductions in energy requirements of products and services	80	
GRI 305: Emissions 2016	305-01	Direct (Scope 1) GHG emissions		
	305-02	Energy indirect (Scope 2) GHG emissions	62	
	305-03	Other indirect (Scope 3) GHG emissions		
	305-05	Reduction of GHG emissions		
	305-06	Emissions of ozone-depleting substances (ODS)	62	
	305-07	Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions		
GRI 306: Effluents and Waste 2016	306-01	Water discharge by quality and destination	73	
	306-02	Waste by type and disposal method	85-88	
GRI 308: supplier environmental assessment 2016	308-01	New suppliers that were screened using environmental criteria	48, 50	
	308-02	Negative environmental impacts in the supply chain and actions taken	50	
Topic-Specific Disclosures: GRI 400 (Social topics)		
GRI 401: Employment 2016	401-01	New employee hires and employee turnover	101	
	401-02	Benefits provided to full-time employees that are not provided to temporary or part-time employees	115-118	
	401-03	Parental leave	120	
GRI 402: Labor/ Management Relations 2016	402-01	Minimum notice periods regarding operational changes	121	
GRI 403: Occupational Health and Safety 2016	403-01	Workers representation in formal joint management-worker health and safety committees	124	
	403-02	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	141-143	
GRI 404: Training and Education 2016	404-01	Average hours of training per year per employee	113	
	404-02	Programs for upgrading employee skills and transition assistance programs	105-113, 121	
	404-03	Percentage of employees receiving regular performance and career development reviews	107, 114	

GRI Standard		Disclosed Topic	Referring Page	Remark
GRI 405: Diversity and Equal Opportunity 2016	405-01	Diversity of governance bodies and employees	38, 98-100, 104	
	405-02	Ratio of basic salary and remuneration of women to men	114	
GRI 406: Non-discrimination 2016	406-01	Incidents of discrimination and corrective actions taken		None
GRI 410: Security Practices 2016	410-01	Security personnel trained in human rights policies or procedures	124	
GRI 414: supplier social assessment 2016	414-01	New suppliers that were screened using social criteria	48, 50, 53-55	
	414-02	Negative social impacts in the supply chain and actions taken	50, 53	
GRI 416: Customer Health and Safety 2016	416-01	Assessment of the health and safety impacts of product and service categories	83	
	416-02	Incidents of non-compliance concerning the health and safety impacts of products and services		None
GRI 417: Marketing and Labeling 2016	417-01	Requirements for product and service information and labeling	89	
	417-02	Incidents of non-compliance concerning product and service information and labeling		None
	417-03	Incidents of non-compliance concerning marketing communications		None
GRI 418: Customer Privacy 2016	418-01	Substantiated complaints concerning breaches of customer privacy and losses of customer data		None
GRI 419: Socioeconomic Compliance 2016	419-01	Non-compliance with laws and regulations in the social and economic area		None

Assurance Statement ____

![SGS logo]

ASSURANCE STATEMENT

SGS TAIWAN LTD.'S REPORT ON SUSTAINABILITY ACTIVITIES IN THE HTC CORPORATION's CORPORATE SOCIAL RESPONSIBILITY REPORT FOR 2018

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 2018 (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 2018 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 2018.

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

The SGS protocols are based upon internationally recognized guidance, including the Principles contained within the Global Reporting Initiative Sustainability Reporting Standards (GRI Standards) 101: Foundation 2016 for accuracy and reliability and the guidance on levels of assurance contained within the AA1000 series of standards and guidance for Assurance Providers.

This report has been assured using our protocols for:
- evaluation of content veracity of the sustainability performance information based on the materiality determination 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 requirements of Global Reporting Initiative Sustainability Reporting Standards (100, 200, 300 and 400 series) claimed in the GRI content index as material and in accordance with.

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

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

The assurance team was assembled based on their knowledge, experience and qualifications for this assignment, and comprised auditors registered with ISO 26000, ISO 20121, ISO 50001, SA8000, RBA, 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 2018 verified is accurate, reliable and provides a fair and balanced representation of HTC sustainability activities in 01/01/2018 to 12/31/2018.

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

AA1000 ACCOUNTABILITY PRINCIPLES (2008) CONCLUSIONS, FINDINGS AND RECOMMENDATIONS

Inclusivity
HTC has demonstrated a good commitment to stakeholder inclusivity and stakeholder engagement. A variety of engagement efforts such as survey and communication to investors, customers, consumers, employees, suppliers, and communities are implemented to underpin the organization's understanding of stakeholder concerns.

Materiality
HTC has established 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, where the material issues are also responded in a balanced manner to the stakeholders.

GLOBAL REPORTING INITIATIVE REPORTING STANDARDS CONCLUSIONS, FINDINGS AND RECOMMENDATIONS

The report, HTC's CSR Report of 2018, is adequately in line with the GRI Standards in accordance with Core Option. The material topics 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 topics and boundaries, and stakeholder engagement, GRI 102-40 to GRI 102-47, are correctly located in content index and report. For future reporting, it is recommended to have more descriptions of HTC's involvement with the impacts for each material topic (103-1). Elements of management approach (103-2) for each material topics, such as goals and targets, are suggested to be reported in more details in future reports.

Signed:
For and on behalf of SGS Taiwan Ltd.

![signature]

![AA1000 Licensed Assurance Provider 000-8]

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hTC

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