

2019 HTC CSR Report

HTC Corporation

htc
CORPORATE SOCIAL RESPONSIBILITY REPORT
2019

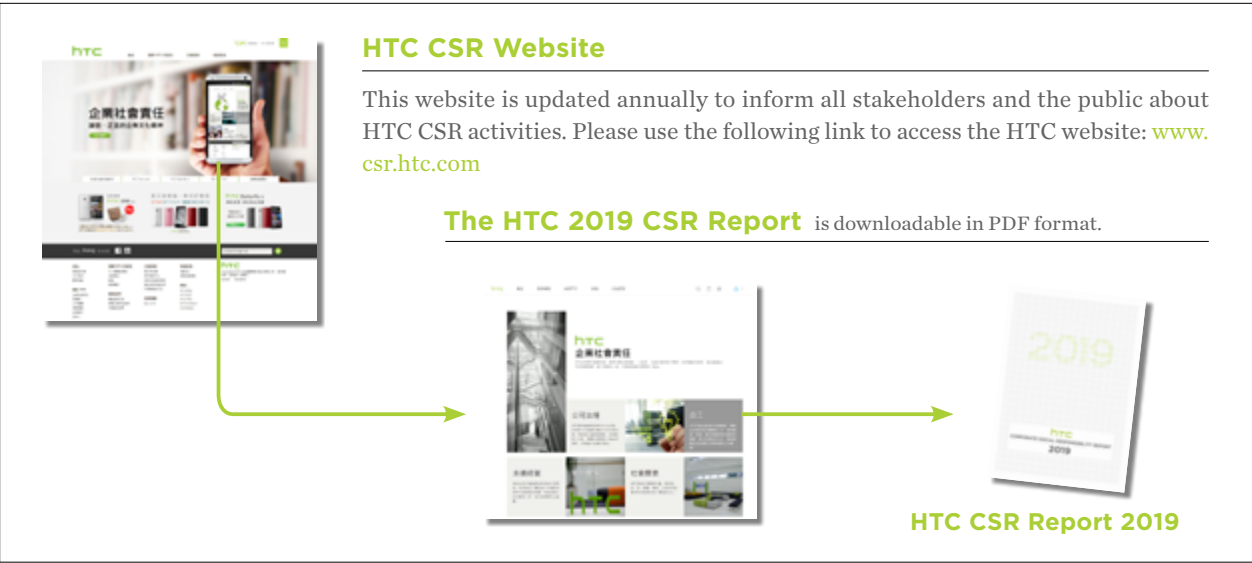
Editorial Principle

Thank you for reading the eighth 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 2019.

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).

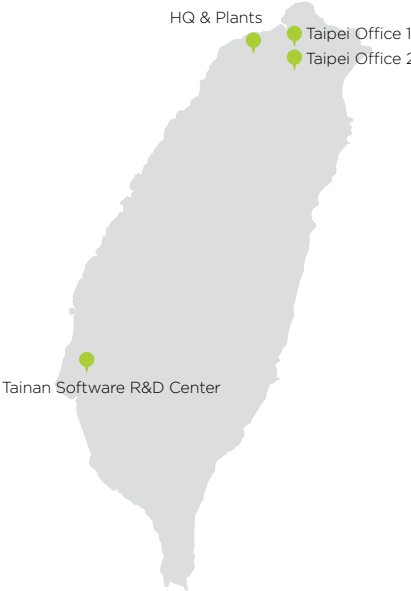


Report Scope and Boundary

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 Tainan Software R&D Center. All HTC business operations in Taiwan are within the boundary.

Geographic Coverage of the HTC CSR Report 2019

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
Tainan Software R&D Center	4F., No.701, Sec. 1, Ximen Rd., West Central Dist., Tainan City, Taiwan	+886-3-3753252



Time Coverage of Disclosure

We plan to issue the HTC Corporate Social Responsibility Report annually. This report generally covers the year 2019 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 2018 to 2020 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.

Process of Reporting Quality Management





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. The information and data of this report were provided by the responsible departments, and were summarized, analyzed and compiled by the CSR department. They were checked and approved by the head of each department to ensure that the information provided meet the requirements of the CSR report.

- Financial data was checked and confirmed by Deloitte & Touche, and was calculated in NT\$.
- ISO14064 greenhouse gas emissions were verified by BellCERT International Inspection and Certification Group.
- The ISO 9001: 2015, IECQ 08000: 2017, BS 10012: 2017, ISO 14001: 2015, OHSAS 18001: 2007 and ISO 50001: 2011 management systems obtained by HTC were verified by SGS Taiwan.
- The AA1000AS Standard was verified by SGS Taiwan.

Feedback

Should you have any questions about this HTC Corporate Social Responsibility Report 2019, please let us know to help us make continuous progress.

Contact us

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Content

Editorial Principle 001

Statement of the Management 007

GRI 103:
The management approach and its components in 2019 182

GRI 103: 2019 Management Approach 184

GRI Standards Content Index 185

Assurance Statement 189

009

About HTC

Global Operation Locations 012

Product and Industry Overview 013

Overview of Financial Performance 022

The Pursuit of Brilliance 023

025

Corporate Social Responsibility Management

The Mechanism for Committee Operation 028

CSR Related Management Procedures and Systems 029

HTC 2019 Material Issues and Boundary 031

The United Nation's Sustainable Development Goals 035

041

Responsibility Management

Corporate Governance 043

Risk Management 047

Innovative R&D Management 054

Supplier Management 060

Customer Management 068

071

Sustainable Agenda

Sustainable Environment 074

Sustainable Design 092

Sustainable Manufacturing Process 101

Sustainable Packaging 105

Sustainable Product 109

111

Friendly Workplace

Staff Management 113

Talent Attraction & Retention 119

Complete Education and Training Plan 120

A Sound Wage and Welfare System 129

Listening to the Voice of the Employee 138

Occupational Health and Safety 141

165

Social Investment and Contributions

HTC Foundation 167

Other Social Engagement Activities 170

Statement of the Management

Thank you for taking the time to peruse the 2019 “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 2019, HTC’s strategy to continuously focus on innovation has achieved fruitful results, and a number of promising products in hardware, software, platforms and services were launched, further strengthening HTC’s position in the global technology market. HTC will continue to promote the vision of VIVE Reality, invest in key items of emerging technologies such as virtual and augmented reality, artificial intelligence, 5G high-speed network, and blockchain, hoping to create a new world based on human experience through cutting-edge technologies.

In terms of product achievement, HTC won 36 awards at the “Consumer Electronics Show (CES)” held in Las Vegas, USA in January 2019, covering a wide variety of hardware, software and platform related products, and was the best record we have ever achieved. Compared to the awards we won at CES 2018, the achievement was 20% more fruitful. In the “Mobile World Congress (MWC)” held month later, the first product of our new 5G product, HTC 5G Hub, also won ten awards, and its powerful network capabilities as well as its versatility have impressed telecommunication operators and consumers attending the event. With such strong technical foundation and rich market experience, HTC will continue to promote innovation in 2020 and the future ahead.

To realize the vision of VIVE Reality, HTC continues to focus on the development and implementation of core technologies such as virtual reality, 5G, blockchain and artificial intelligence. In recent years, besides taking the initiative to enter the VR market and establish a VR ecosystem, HTC will also continue to enhance our position in the smartphone industry. In the future, our primary task is to ensure that HTC plays a key role in the 5G ecosystem during the development of 5G fundamental products.

HTC continues to increase the operation performance of factories, R & D departments and laboratories, improve production processes and quality, and seek to reduce greenhouse gas emissions and enhance energy efficiency. HTC actively promotes practical measures to reduce waste, such as carrying out sorting, recycling and management at the front end, allowing employees to reduce the generation of waste. In addition, designated areas were set up for general waste, recycling and food waste, helping to carry out resource recycling and reuse, reduce the production of waste, and improve the cleanliness of the environment.

In addition to the continuous launching of innovative products, HTC has long been committed to bringing positive influence to our environment, community and employees, and strictly requires all operating units to reduce the impact on the environment and actively give back to the society. HTC continues to work towards the improvement of energy management. For instance, the plants in the factory area are all irrigated with recycled water, which reduces the overall water consumption by increasing the utilization of wastewater.

In September 2019, HTC received the Gold Award for Corporate Social Responsibility from EcoVadis, the international sustainability rating platform. Among the 55,000 companies participating in the EcoVadis Corporate Social Responsibility (CSR) evaluation in 2019, HTC ranked in the top 5%, highlighting HTC’s continued commitment to various fields of sustainable development and reflecting our efforts to become a leader in the industry.

In addition to implementing greenhouse gas inventory and verification every year, HTC voluntarily discloses our climate risks and future development opportunities, emissions information, and management mechanism strategies every year based on the requirements of the International Carbon Disclosure Project (CDP). In 2019, HTC received the Management Level B affirmation from the CDP Climate Change Questionnaire rating, and the Leadership Level A- in the CDP Supplier Participation rating.

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 and R&D innovation, with a view to creating a better life for people. HTC strives to become a world’s leading brand, and you are welcome to give us support, encouragement and suggestions on HTC’s road to a sustainable future.

HTC
Chairwoman



About HTC

Name

HTC Corporation (TWSE stock symbol 2498)

Address

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

Established

May 15, 1997

Sector

Telecommunications network Industry

Main business

Smartphone/HTC phones and accessories/
Virtual reality device

Consolidated revenue

NT\$ 8,188,086,350



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.

Looking forward to 2020, we expect to launch more breakthrough software and hardware products in VR and AR. Since VIVE Reality is the integration of VR with AR, 5G, artificial intelligence and blockchain technology, the commercial 5G products to be launched in 2020 are expected to bring major breakthroughs to the VR and AR industries.

Global Operation Locations



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

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

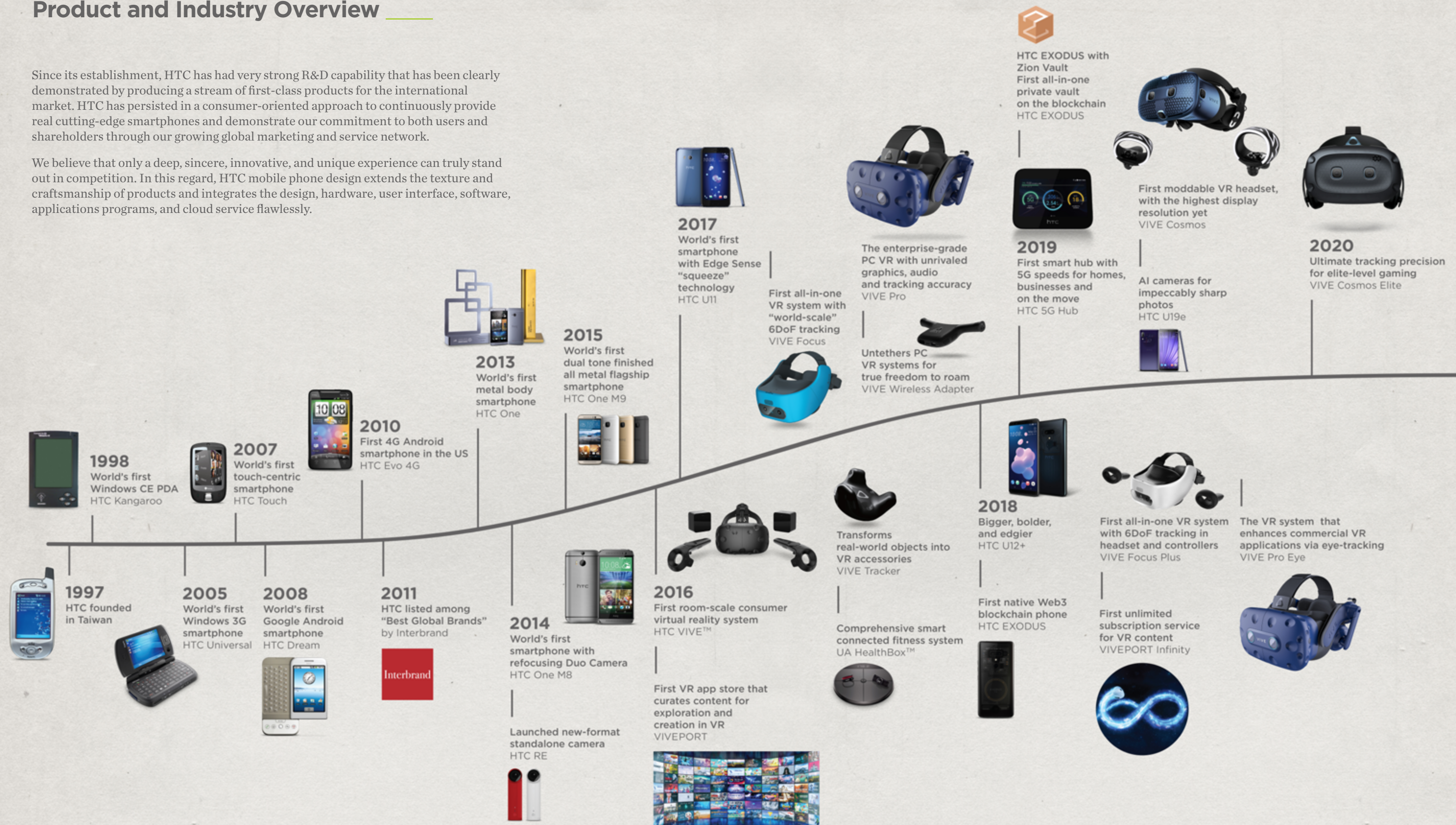
Note: The * is main operating base of HTC, of which “Important Operations Base” is Taiwan.



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: Smart Mobile

Year	Capacity (thousands)	Output (thousands)	Output Value (NT\$ Millions)
2017	9,600	5,015	42,760
2018	7,200	1,673	16,137
2019	6,900	563	5,527

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: Smart Mobile and Others (Accessories)

Year	Domestic Sales		Export Sales	
	Quantity (Thousands)	Value (Millions)	Quantity (Thousands)	Value (Millions)
2017	1,221	6,869	23,343	52,725
2018	791	3,432	14,917	19,552
2019	397	1,847	19,385	7,347

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 Cosmos

VIVE Cosmos is designed with the aim of simple, convenience, versatility and high performance as well as quality to meet the needs of virtual reality users. The all-new VIVE tracking system offers a simplified setup that makes getting into VR faster and easier than ever before, with six camera sensors for wide and accurate inside-out tracking. Cosmos features a 2880 x 1700 combined pixel resolution—an 88% increase over the original Vive—delivering crystal-clear text and graphics. All-new LCD panels reduce the distance between pixels and combined with real RGB displays minimize screen-door effect.

A unique flip-up design allows users to jump between reality and virtual reality in seconds—all without disrupting VR journeys. Superior ergonomics and comfort allow for longer VR experiences and integrated on-ear headphones provide fully immersive sound. Cosmos also features completely redesigned controllers that maximize functionality within VR and offer extended comfort during long play sessions. Cosmos is also compatible with the Vive Wireless Adapter for those who want to enjoy moving in VR without being tethered. Of course, a controller is also essential. Our unique controller design can maximize the versatility of virtual reality and provide a more comfortable experience during a long-playing game. Of course, a controller is also essential. Our unique controller design can maximize the versatility of virtual reality and provide a more comfortable experience during a long-playing game.



VIVEPORT



VIVEPORT is a global virtual reality content store and subscription service platform. With operations in 63 countries, it provides 2,000 types of VR content and more in the future to users around the world, while offering content developers with the best channel for content distribution and profit making. VIVEPORT has more than 2,000 different types of applications and games, and supports various VR head-mounted displays, including computer-connected head-mounted displays, standalone displays, and mobile phone devices. In response to users’ demand for more diversified content, VIVEPORT INFINITY was launched in April 2019, which is the world’s first VR content subscription service that supports different hardware.

Through VIVEPORT INFINITY, users can enjoy diversified VR content such as education, travel, movies, and games more efficiently. Without limiting the service to single head-mounted display not only increases the number of users, but also attracts more content developers to join in, bringing more benefits to independent content developers.

● VIVE ORIGINALS

HTC VIVE ORIGINALS is a content brand and content platform under HTC VIVE, which is committed to the development of native IP and the production as well as the distribution of original content. It also explores the development of VR movies, art, animation, music, cultural collections, and cultural & creative entertainment industries, actively cultivates the cross-domain content creation teams, and establishes VR technical specifications and content production standard operating procedures, providing more diversified VR solutions. Besides making profits through new business models such as cross-domain content broadcast authorization, exhibition and art collection trading, we also actively seek for collaboration opportunities with the government in film and television investment to expand the scope of content and create industrial value, enriching people's culture and life from content clusters in the VIVE Reality ecosystem through new technology and creativity.

The VIVE ORIGINALS team was established in 2017, and its production “The Deserted” was nominated for the VR Competition of the 74th Venice Film Festival. In 2018, the team cooperated with the Golden Horse Awards Executive Committee to produce the VR film “5x1”, among which the “5x1-The Making Of” and the “5x1” -“Mr. Buddha” was nominated for the 2019 South by Southwest Film Festival and the 2019 Tribeca Film Festival, respectively. Furthermore, the original works of VIVE ORIGINALS VR also shined at the 76th Venice Film Festival, setting a record with five films being nominated at the same time for the VR Competition of the 76th Venice Film Festival, including the “5x1-O” and the “5x1-Only the Mountain Remains”, the VR interactive art “INORI” and VR animation, the “Gloomy Eyes”, in addition to the above four works, the “5x1- The Making Of” also won the Best of VR – Out of Competition.

In addition to the production and distribution of original VR content, HTC VIVE ORIGINALS also develops a VR theater management system (TMS) that meets the demand of film exhibitions. To connect contents with commercial channels, the “Blockchain Copyright Trading Commercial System” will be launched next year, serving as a pioneer in theater management system. This integrated platform will help content developers, cultural & creative entrepreneurs, and offline channel operators to integrate resources, allowing contents and commercial channels to collaborate more effectively, and maximizing the expansion of business cooperation models.

● VIVE Arts

VIVE Arts is a global initiative aimed at enhancing artistic creation and appreciation through the latest technologies. VIVE Arts exemplifies the unity of technology, humanity, and imagination that forms the foundation and core values of the VIVE brand. Since 2016, HTC has been actively exploring the potentials of virtual reality in the creation, appreciation, education, and promotion of the arts. The establishment of VIVE Arts in 2017 not only provided artists with a brand new creative medium, and platform, but also opened a portal for humans to appreciate the humanities and arts without time-space limitations.

In 2019, VIVE Arts demonstrated a remarkable global impact through strategic partnerships and high-profile projects with the world's most renowned museums, cultural institutions and artists. A groundbreaking partnership with Musée du Louvre in Paris- the most visited museum in the world with 10.2 million visitors per year-culminated in the Museum's first VR experience, Mona Lisa: Beyond the Glass. The exclusive VR exhibition hall with 11 VIVE Cosmos headsets is located in the center of the retrospective exhibition of the Musée du Louvre commemorating the 500th anniversary of the death of Da

Vinci in France. As the ultimate opinion leader in the museum world, the Louvre's enthusiastic embrace of VR technology for the exhibition and communication of art has generated extraordinary responses across global media, including The New York Times, BBC, Wall Street Journal, Financial Times, Guardian, The Times, and Art Newspaper. These positive reviews further established VIVE Arts' position as the most visible industry leader in art and technology.

VIVE Arts supported the first official VR art commission by the Venice Biennale, the world's oldest and most authoritative contemporary art exhibition, which serves as the indicator of the future trend in art. This commission and exhibition symbolized the mainstream art world's official acknowledgment of virtual reality as an important artistic medium—for the first time, VR is official written into the mainstream art history book. In March 2019, VIVE Arts established a major partnership with the American Museum of Natural History to present their first multi-player, interactive VR experience T. Rex: Skeleton Crew, as part of the Museum's 150th anniversary blockbuster exhibition T. Rex: The Ultimate Predator, on view in New York for 17 months. Also in March, for a second year as the official VR partner of the Art Basel International Art Fair's Hong Kong exhibition, VIVE Arts presented the Asian debut of To the Moon, the latest VR artwork created by the esteemed American avant-garde artist Laurie Anderson and Taiwan's leading new media artist Hsin-Chien Huang. These important cooperation and exhibitions have been reported in great length by major international media.

Other notable partnerships in 2019 include Museo Universitario de Arte Contemporaneo in Mexico City, Singapore's ArtScience Museum, The Old National Gallery in Berlin, Museum of Applied Art in Frankfurt, London Fashion Week, Kaohsiung Museum of Fine Arts, and a major presentation of VR art at the National Palace Museum in Taipei participated by leading international museums. VIVE Arts will continue to expand and deepen its partnerships with the world's top arts and cultural institutions, to bring more beautiful, meaningful and groundbreaking VR experiences to people.






● VIVELAND

VIVELAND is the brand name of HTC VR LBE (location based entertainment) solution provider. Launched in October 2016 on the 3rd floor of Syntrend Creative Park, VIVELAND provides users with various mix reality (MR) and themed experience, such as multiplayer shooting games, VR eSports games, omnidirectional VR haunted house, room escape games, racing games, sports sections and 4D motion seats, etc. The new VIVELAND branch ‘8D-ZONE’ located on the 8th floor of Syntrend Creative Park was launched in 2019, specifically designed for competitive multiplayer games. VIVELAND has accumulated quite a lot of operating experience since its establishment. At the end of 2018, it co-founded VIVELAND Kaohsiung with Kaohsiung City Government. Located in Taroko Park Kaohsiung, VIVELAND Kaohsiung occupies 826.45 m² and is currently the largest VR theme park in Taiwan. After its renovation in July 2019, VIVELAND Kaohsiung can accommodate 20-30% more visitors and provide the best VR experience to more users. VIVELAND is also actively expanding globally. The first overseas VIVELAND franchise was launched in Hong Kong in early 2019, partnering with Easco Telecommunications Limited. VIVELAND will continue to cooperate with global content providers to develop the most suitable VR content for arcade experience. Each game available in VIVELAND has been carefully tested and optimized to ensure that the content is engaging enough to generate profits constantly.

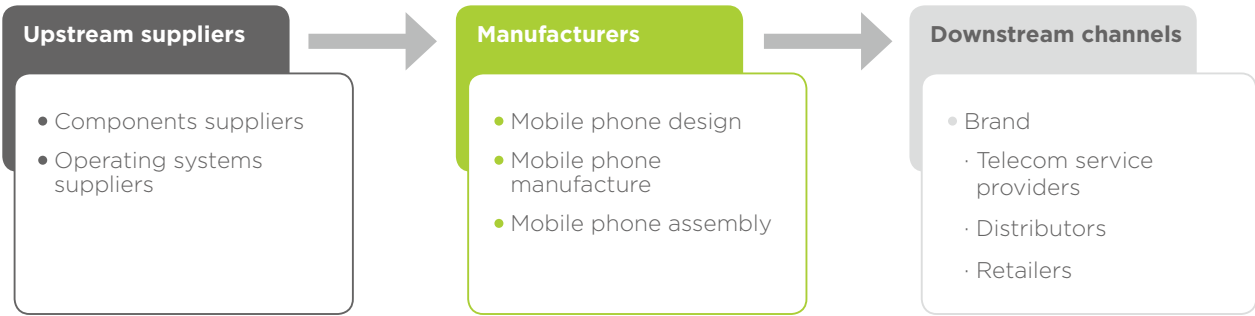
Industry Overview

Smart phone industry overview

The smartphone industry will welcome new technologies in 2020 due to the transfer of new communication technologies. Faster communication speeds in the 5G era will mean various services will leverage communication technologies to offer new applications. Changes in the specifications of the communication chip will drive the possibility of replacement, and more opportunities for new services will drive changes in hardware specifications of smartphones and the emergence of new requirements. Looking at the development of 5G in the future, HTC will continue to leverage its leadership heritage in the market and bring innovative products to the industry.

					
Year	1980	1991	2001	2008	2020
Technology	AMPS	GSM CDMA	WCDMA CAMA2000 TD-SCDMA	LTE	(To be finalized in2020)
Service	Call	Call, Message, Text Mail	Call, Message, Internet, Streaming service	Call, Message, Internet, 1080P Video streaming service	Call, Message, Internet, 4K Video streaming service, VR streaming, Auto Guided Vehicle, Teleoperation
Speed	2 Kbps	10 Kbps	3.8 Gbps	0.1-1 Gbps	1-10 Gbps
Frequency	800-900 MHz	850-1900 MHz	1.6-2.5 GHz	2-8 GHz	3-300 GHz

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

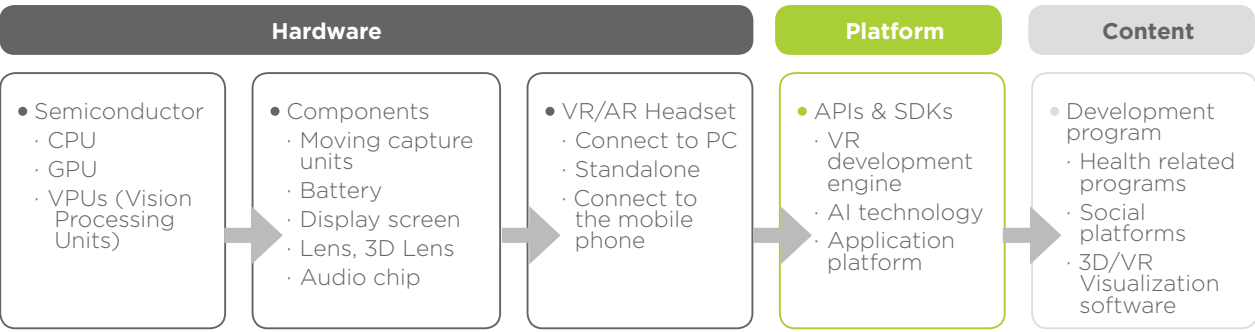


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4 INTELLIGENT CAMERAS
IN ONE ENTERTAINING POWERHOUSE

Virtual Reality industry overview

Virtual reality comes from the human pursuit of immersion. It is also the direction of technology development accumulated by the smartphone industry in the past 10 years from various key technologies such as displays, processors, and controllers. While fulfilling the craving in visual effect, consumers also hope to “be on the scene personally” to experience different virtual worlds. The virtual reality industrial chain is dominated by hardware equipment manufacturers. Brand manufacturers are mainly responsible for R & D and specification formulation, while key component developers then assemble special motion capturing and displaying components, into a virtual reality helmet (headset) that can be connected to a computer operated independently.



At present, the major hardware manufacturers in the VR industry include Oculus created by Facebook, VIVE created by HTC and PS headset created by Sony. Each manufacturer adopts different development directions due to different industrial strategies. The VR industry trends are divided into three major directions: the first one is to improve the hardware specifications of VR headset, the second one is to cooperate with software vendors to develop application services to meet consumer needs, and the third one is to expand more optimized business applications in individual fields.

Since VR products were introduced into the consumer market in 2016, regarded as the “First Year of VR”, hardware manufacturers began by using games to attract people’s attention. Playing games with VR not only enhances the visual enjoyment, but also gives players the opportunity to immerse themselves in games. Moreover, the sensory experience of players can be enhanced with new controllers. In the past, VR headset mainly connected to a computer with powerful graphic computing capability in order to have a better visual experience. The recent direction of development for manufacturers is the standalone VR, which allows users to have more freedom in terms of movement. This eliminates the interference of connecting lines and offers better user experience.

The development of VR hardware requires continuous cooperation with software developers. The well-known game platform “Steam” is a good example. HTC collaborates with developers to independently develop the VIVEPORT platform, enabling developers to launch their application services online. This allows VR not only to have applications in games, but also in movies, social media, drawings, etc. As for VR, we believe that abundant content and application support is the key to attract consumers and stimulate VR market growth. That’s why we are building a VR ecosystem that can integrate software and hardware to expand our penetration into consumer market.

The third major development direction of VR is to develop functions in professional fields. From the currently known applications, medical and architectural industries welcome VR applications. Especially the 3D imaging environment provided by VR can make training and simulation in medical related industries more efficient. For instance, the use of VR for surgery simulation as well as training of medical instrument operation can make virtual scene into full play. In the 5G era, due to the faster networking speed, VR in medical application can make the transmission of real-time images possible, enabling the performance of multi-party diagnosis or even remote operations.

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.

We continue to expand and deepen the virtual reality and augmented reality ecosystem. Through strategic investment and the implementation of the VIVE X accelerator program, we work with potential virtual reality and augmented reality startup teams around the world to jointly solve bottlenecks for the industry, improve user experience of virtual reality and augmented reality, and promote the development of the entire industry. VIVE X operates in six major cities around the world, including Taipei, Beijing, Shenzhen, San Francisco, Tel Aviv and London. VIVE X cooperates with various departments of VIVE to successfully assist the startup teams in operation, technology, product, capital, etc. In addition to VIVE X’s leading position in the industry, VIVE X’s Demo days are also a major event for the VR/AR investment community. Through intensive and professional trainings, VIVE X successfully led the innovation teams to showcase brand-new VR applications for investors and companies around the world, and to demonstrate the creative power of the teams and the unlimited potential of VR. Besides the regular Beijing/Shenzhen and San Francisco events held previously, VIVE X Demo days were held in Tokyo and London for the first time in 2019, with more than 150 investors and companies visiting each event.

Overview of Financial Performance

In 2019, the competition in global mobile phone market continued to be intense, resulting in reduced revenue and gross profit as compared to those in 2018.

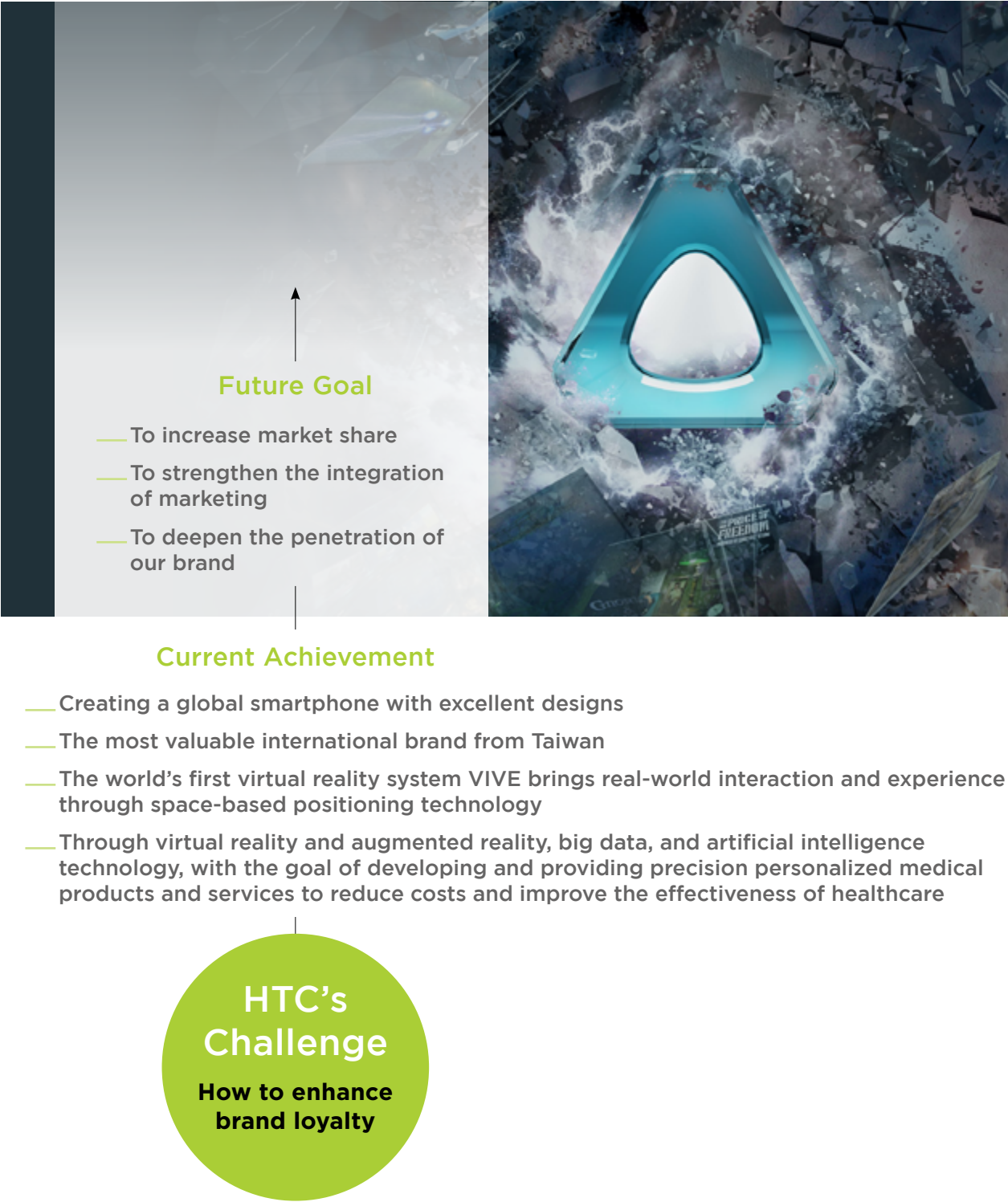
HTC’s consolidated revenue for the whole year of 2019 was NT\$ 10 billion, the consolidated gross profit was NT\$ 2 billion, the consolidated gross profit margin was 20%, the operating income margin was -98%, the net profit after tax was NT\$ -9.4 billion, and the earnings per share (LPS) was NT\$ -11.43. Affected by the competition in the global smart handheld device market, shipments decreased compared with the same period of last year, resulting in a decrease in revenue in 2019 as compared to that in 2018. In addition, due to proper cost control in this year and changes in product combination, the gross profit in 2019 increased as compared to that in 2018. The operating cost has been reduced as compared to that in the previous period due to the continuous implementation of the austerity policy.

The changes in non-operating income and expenses in 2019 and 2018 are mainly due to the cooperative transaction agreement with Google in 2018, the transfer of some personnel and assets, and the gain on disposal of patent authorization.

	Unit	2017	2018	2019
Operating Revenue	NT\$ Million	62,120	23,740	10,015
Operating Costs & Expenses	NT\$ Million	79,545	37,704	19,865
Income Tax	NT\$ Million	-38	5,204	-6
Employee Wages	NT\$ Million	11,825	8,730	6,476
Dividends	NT\$	0	0.38	0
Social Investment /Donation	NT\$ Million	0	0	0

Note: 1. The related figures are those listed in the consolidated statement. 2. Final decision after annual shareholders’ meeting.

The Pursuit of Brilliance



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.



HTC won the 2019 EcoVadis Corporate Social Responsibility Gold Medal

HTC was awarded the Corporate Social Responsibility Gold Medal by EcoVadis, an international sustainability rating platform, in September 2019.

HTC has ranked in the top 5% of the 55,000 companies participating in the 2019 EcoVadis Corporate Social Responsibility (CSR) assessment, this result earned HTC a gold medal in the third year from 2016.

HTC was among the top 11% of all suppliers assessed and ranked in the top 7% of sustainable procurement indicator by EcoVadis in the category of Manufacture of communication equipment; Receiving this gold status once again underlines our continuous commitment to all areas of sustainability and reflects our efforts to be a frontrunner in our industry.

The EcoVadis Supplier Sustainability Rating system assesses a wide range of CSR indicators in the core areas environment, labor & human right, ethics, and sustainable procurement. Since 2007, EcoVadis has been compiling sustainability scorecards for nearly 55,000 companies in around 190 different sectors and by participating in the EcoVadis CSR assessment process, HTC is part of an illustrious group of leading multinationals from 155 different countries committed to efficiently drive CSR & sustainability performance.



The Mechanism for Committee Operation

The HTC CSR committee discuss each year based on the CSR goals set by each department and major annual issues. The HTC CSR Committee convenes a monthly meeting, and each department reports the results of the implementation of CSR related issues, and authorizes the department heads to follow up Track and control the direction and results. Since 2013, CSR affairs and actions have been extended to the supply chain.

In addition to supplier CSR compliance audits, relevant education and training mechanisms will also be implemented. In addition, the CSR performance results of the year will be regularly invited by the CSR department to gather relevant departments for compilation, and a CSR report will be prepared and issued according to the GRI guidelines.

Structure of the HTC CSR Committee



The HTC “Corporate Social Responsibility (CSR) Policy”

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

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

- Using Responsible Business Alliance Code of Conduct as a reference for code of conduct, developing HTC as a good corporate citizen and participating in international Initiatives
- Promotion of energy efficiency, carbon-reduction practices and various environmental protection activities
- Sustainable innovation from creation to development
- Sustainable supply chain managementt
- 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 material issues, 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 2019, online survey questionnaires were sent out extensively and a total of more than 40 responses were received. In 2019, questionnaires were issued to employees of HTC related departments, and more than 40 responses were collected. 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 departments for response and processing, than 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/Audit Committee of the board of directors at least once a year.



CSR related management system

Green Products Management System	Since the end of 2007, HTC’s HQ & Plants and the Taipei offices 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). In Oct 2019, we have obtained the certificate of the latest IECQ QC080000:2017 certificates.
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.
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 2019, there were no penalties for breach of regulations or laws.
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. It is expected to carry out the conversion in 2020 and obtain the certificate.
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.
Personal Information Management System	HTC introduced BS 10012 PIMS (Personal Information Management System), which includes 40 management policies and guidelines, such as the HTC personal information protection management policy, and implemented the System in employee education and training, product development and design, vendor management, and information security incident management.

HTC 2019 Material Issues and Boundary

2019 HTC Material Issues Matrix



Material Issues 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	22, 130	V		V				V		
Market Presence	129	V	V				V			
Environmental Standard										
Emission	76	V								V
Wastewater and Waste	87, 101-104	V								V
Social Standard										
Employment	118, 131-138	V	V				V			
Labor/Management Relations	139	V	V				V			
Occupational Health and Safety	62, 104, 141, 146, 148, 151, 155-164	V	V				V	V	V	
Diversity and Equal Opportunity	44, 114-116, 119, 129	V	V				V			
Customer Health and Safety	69, 97-100	V	V		V	V				
Customer Privacy	47-49, 69	V	V		V	V				
Marketing and labeling	105-107	V			V	V				
Compliance with Socioeconomic Regulations	28, 45-46, 59, 69, 92-100, 113	V	V					V	V	

Diversified Channels for Transparent Information Disclosure

	Investors	Enterprise Customers	General Consumers	Employees	Suppliers	Contractors	Local Communities
	General Shareholders Corporate Shareholders Rating Agencies	Corporate Customers Telecom Distributors		General Employees Dispatch manpower Vocational Students & Trainees Foreign Labor	Raw material suppliers (including Direct/ Indirect/ General Service & Facilities/ Staff Clinic/hospital)	Construction Contractors Cleaning/ Maintenance Service Providers Waste Disposal Vendors	Local Community Associations Local Civic Organizations Local Governmental Agencies Local Media
Significance for HTC	The support of shareholders and investors has positive impact on HTC's sustainable operation	The support of shareholders and investors has positive impact on HTC's sustainable operation Through cooperation and product development, enhance the company's value and pursue growth, gradually improving corporate sustainable operation	Customers satisfying with our after-sales service is essential to maintain customer relations	HTC upholds the people-oriented philosophy, the key to maintaining the company's momentum in innovation comes from employees, which are the company's most precious assets	Partner with suppliers is an indispensable key to the continuous growth of business operations	Maintain a safe working environment in the company, strengthen the company's cohesiveness and enhance the company's image	Maintain good relations with the local government and neighboring communities to enhance the company's image
Concerned Issues	<ul style="list-style-type: none">● Information disclosure (finance, business)● Compliance with laws and regulations● Operation Status● Strengthening corporate governance● Strengthen risk management● Key shareholder shareholding rates	<ul style="list-style-type: none">● Product quality● Service quality● Price competitiveness● On-time delivery● Green products● Carbon footprint/ carbon disclosure● Restricted substance management● Corporate social responsibility	<ul style="list-style-type: none">● Pre-sales consulting● After-service● Product quality● Service quality	<ul style="list-style-type: none">● Learning & growth● Working environment / labor conditions● Wage/welfare● Health & safety● Career development● Work-life balance	<ul style="list-style-type: none">● Raw material quality● Price competitiveness● Continuously stable supply● Supply chain management● Compliance with various regulations● Technical capability● Cooperation with logistics/ transportation providers to conduct effective packing (e.g. packing reduction and reuse)● Raw material selection● Working environment & health● Machine/equipment safety● Carbon management training and contests	<ul style="list-style-type: none">● Construction safety & health	<ul style="list-style-type: none">● Environmental impact (air pollution, sewage discharge, etc.)● Compliance with laws and regulations● Shaping the Corporate image● conomic contribution● Social concerns● Public welfare● Cultivation of talent
Communication Channels and Frequency	<ol style="list-style-type: none">1. Board of Directors meeting 4/year2. Shareholder conference 1/year3. Annual report 1/year4. Investor Conference Quarterly5. Monthly revenue statement Monthly6. Visiting investors Standing7. Investor Relationship Website Standing8. Spokesperson Standing	<ol style="list-style-type: none">1. Business review with key customers (QBR meeting) Quarterly2. Reply to customer inquiries From time to time3. Customer audit and replies to customers questionnaires As required by customers4. Meeting the customer requirements about environmental and social responsibilities As required by customers	<ol style="list-style-type: none">1. Local service hotlines in 22 countries to provide customers with real-time communication and assistance Daily ongoing2. Websites in different languages for customers to give feedback and to access information in a real-time manner (20 established) Daily ongoing3. Dedicated email boxes for different functions (PR, Service, Copyright, Security, etc.) to provide convenient customer contact with HTC Daily ongoing4. Postal service survey for investigating customer satisfaction Daily ongoing5. Contacting customers who give negative feedback in the satisfaction surveys to address their concerns Daily ongoing	<ol style="list-style-type: none">1. Department quarterly meeting Quarterly2. One-on-one interview with supervisors Irregularly3. Annual performance appraisal/ interview 2/year4. New employee seminar Weekly5. Employee assistance hotline and mailbox, Health Center, Employee Aid Scheme From time to time6. Labor-management meeting Quarterly	<ol style="list-style-type: none">1. Supplier communication conference Irregularly2. Guidance and audit for suppliers Annually3. Cooperation project with suppliers for addressing CSR and greenhouse gas issues Continuous project improvement every year. Projects issued in 2019 include supplier CSR audit/ GHG disclosure/ Key supplier CDP questionnaire replied/Banned and restricted substances investigation in the manufacturing process	<ol style="list-style-type: none">1. Induction training Weekly2. Patrol inspection in the facility Daily	<ol style="list-style-type: none">1. Positive employee engagement in public interest activities Irregularly2. 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.

In early 2018, HTC VIVE established a partnership with the World Economic Forum (WEF) to promote the development of the VR/AR for Impact initiative, help global virtual reality partners develop relevant content that helps raise awareness of issues, and bring about a force for change in the world. And the WEF 2018 United Nations Sustainable Impact Hub in Davos showcased its latest content. We firmly believe that the introduction of this virtual reality program will become a powerful way to raise awareness of 17 UN sustainable development goals tool. Please read the following items for details of the 2019 plan results.

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

SDGs Item	Corresponding project	Description
		<p>In Jan. 2019, “Tree” launched on VIVEPORT, it 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.</p> <p>HTC made a corporate donation to the Rainforest Alliance, which works to help prevent deforestation around the world.</p>
		<p>Journey to Kenya in 360° virtual reality, where the futures of wildlife and people are intertwined. “My Africa: Elephant Keeper,” is a groundbreaking liveaction experience that puts you in the shoes of a keeper at the Reteti Elephant Sanctuary caring for the newest arrival, a “baby elephant” named Dudu.</p> <p>In Apr. 2019, My Africa: Elephant Keeper launched on VIVEPORT and debuted at EarthX film festival, in collaboration with Conservation International. All VIVEPORT revenue from the sale of Elephant Keeper go to benefit the Reteti Elephant Sanctuary in Kenya.</p> <p>For more information, please visit the official website of VIVEPORT: https://vrforimpact.com/blog/my-africa-elephant-keeper</p>
		<p>In Nov. 2019, Life-saving Instruction for Emergencies (LIFE), a virtual reality (VR) medical training platform developed by doctors, nurses and researchers at the KEMRI-Wellcome Trust Research Programme (KWTRP) in Kenya and Oxford University with support from HTC, has launched. LIFE uses HTC VIVE Focus Plus for training doctors and nurses to save lives. HTC Focus mobile headsets were deployed to Kenya for on-the-ground training, and VR training application was released on the Engage VR educational distribution platform.</p> <p>For more information, please visit the following website : https://vrforimpact.com/blog/life-vr</p>
		<p>VR for Impact sponsors the 2019 “United Nations Women Global Voices Film Festival” to recognize female film and VR creators from around the world, promote gender equality and empower women.</p> <p>For more information, please visit the following website : https://www.globalvoicesfilmfestival.org/</p>

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

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 2019, the total number of users has reached 17,213 person.

DeepQ Medical Encyclopedia

DeepQ Medical Encyclopedia is committed to provide 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



The Upgraded Disease Control Butler LineBot-UP UP 3.0

HTC DeepQ cooperated with the CDC (Taiwan Centers for Disease Control) to develop the Disease Control Butler LineBot in 2017. In 2019, the Disease Control Butler was upgraded to version 3.0, which is able to provide vaccination consultation and reminding services for pregnant women and infants, becoming a good helper for mothers.

For the upgraded “Disease Control Butler 3.0”, parents simply need to enter the date of birth of the child and it will automatically

provide the vaccination information of the child, determine the date of taking vaccination, and perform pre-vaccination health assessment. Services offered by the Disease Control Butler include searching the nearest vaccination hospitals, sending reminders for vaccination, and answering health related questions, serving as a good helper for parents and doctors.

Important features of the “Disease Control Butler 3.0”

1. Influenza information and vaccination: Before the beginning of the influenza epidemic season, check whether the user is qualified for free vaccination, display medical institutions that offer influenza vaccination, and remind the user to take the vaccination when it is available.
2. Infant vaccination information and vaccination reminder: Based on the child’s date of birth and the date of previous vaccinations provided by the user, the Disease Control Butler can determine the dates for subsequent vaccinations and automatically remind the parents to take their child for vaccination. Moreover, parents can also check the stock of vaccines in each hospital.
3. Epidemic disease information and the status in Taiwan: Users can check Taiwan’s epidemic status for the past week or subscribe the Weekly Domestic Epidemic Report, which is issued every Wednesday to know the infectious diseases that we need to pay attention to in life and the status of the disease. If you encounter a disease that you do not understand, you can ask the Disease Control Butler directly, it will identify common questions through medical natural language processing and provide immediate answers within 24 hours.
4. Foreign epidemic status: Before travelling or going abroad for business trip, users can check the epidemic status and warning level of the local area. The Disease Control Butler will also remind the user to make necessary preparation one month before going abroad.
5. Hospitals for medical treatment: If users experience uncomfortable symptoms and suspect that they may be infected with an epidemic disease, they can check the nearest hospital designated by the National Health Insurance and seek medical treatment immediately.
6. Know the high-risk groups: Pregnant mothers and infants are high-risk groups of many infectious diseases. If your family members are in these groups, you can check the key precautions for these groups from the Disease Control Butler.

As of the end of 2019, the total number of users for the Disease Control Butler has reached 88,303 people.



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.



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.

DeepQ Deep Learning Competition

HTC DeepQ Health and Medical Division held the 2nd and 3rd DeepQ Deep Learning Competition in 2019. The topics of both competitions were based on medical image analysis. The first competition was for the classification of X-ray images when there were only X-ray images available, and the second competition was for the detection of pneumonia lesions from X-ray images. In the first competition, a total of 9 groups, 30 students participated in the event, and 17 students won the prizes. In the second competition, a total of 9 groups, 34 students participated in the event, and 26 students won the prizes. The total prize for each competition was NT\$ 40,000.



Co-produced the “Hospice Care VR Teaching Program” with the School of Nursing, National Taiwan University

In the final journey of life, how to achieve the state of no regrets between life and death is a challenge that every medical staff must face. HTC DeepQ Health Care Division and the School of Nursing, National Taiwan University jointly developed the Hospice Care Teaching Program. By using 360-degree panoramic videos as the main medium and the VIVEPAPER platform developed by HTC, the panoramic-video based interactive teaching program was created. The objective of this project is to help nursing students understand the problems faced by patients and their families at the end of life through the unique “immersion” of VR technology, allowing them to fully experience the atmosphere during the actual clinical work. This teaching program allows students to go beyond the “knowledge and skills”, and to enhance the “attitude” of learning. Through four different scenarios, students can develop correct clinical thinking, including: humanized remain caring, saying goodbye and no regrets, death preparation and respect, psychological peace and reconciliation. The joint results with the School of Nursing of National Taiwan University participated in the 2019 Healthcare Quality Improvement Campaign (HQIC) Award (in the Smart Medical Category), which is an excellent demonstration of cross-field cooperation between VR technology and nursing education.



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.

National Defense Medical Center Partners with HTC DEEPQ to Create Future Accurate Anatomy Teaching

The National Defense Medical Center and HTC DeepQ continue to strengthen the development of new-generation anatomy VR teaching materials, allowing students with interest to learn independently. The teaching material can be adjusted according to the students' VR anatomy assessment results, creating personalized and accurate teaching materials. Next year's international symposium will share the teaching experience of flip anatomy.



HTC DeepQ Joins Hands with Changhua Christian Hospital to Launch “Dr. Lan”, the First Cross-Hospital AI + Blockchain Medical Care Chatbot in Taiwan

HTC DeepQ launches the “Dr. Lan Medical Care Chatbot-LINE Bot”, which is the first artificial intelligence (AI) + blockchain medical care chatbot across 10 hospitals in Taiwan. It uses DeepQ medical blockchain technology to strengthen the information security of inter-hospital medical care network. From AI medical department guidance, pre-consultation question to personal health education after consultation, it combines with the medical blockchain information security to start a comprehensive medical care in 10 hospitals in just one click, completely upgrading the medical care quality and experience before, during and after medical treatment.

Among them, the AI medical department guidance uses the “Taiwan Computing Cloud” of the “National Center for High-Performance Computing” to accelerate deep learning. Through accurate and warm Q & A, smart medical care reduces the communication cost between “doctor-patient”. As for the blockchain, we collaborated with National Taiwan University and Stanford University to co-develop the Multilayer Blockchain for Healthcare technology, which solves the conflict between the nature of traditional blockchain and the privacy of medical data. This not only enables medical data to be shared across hospitals, but also enhances the protection of medical data for the public, extending medical care from within a single hospital to out-of-hospital medical care, and building a complete medical care network. Such achievement is an important milestone towards accurate medical care.



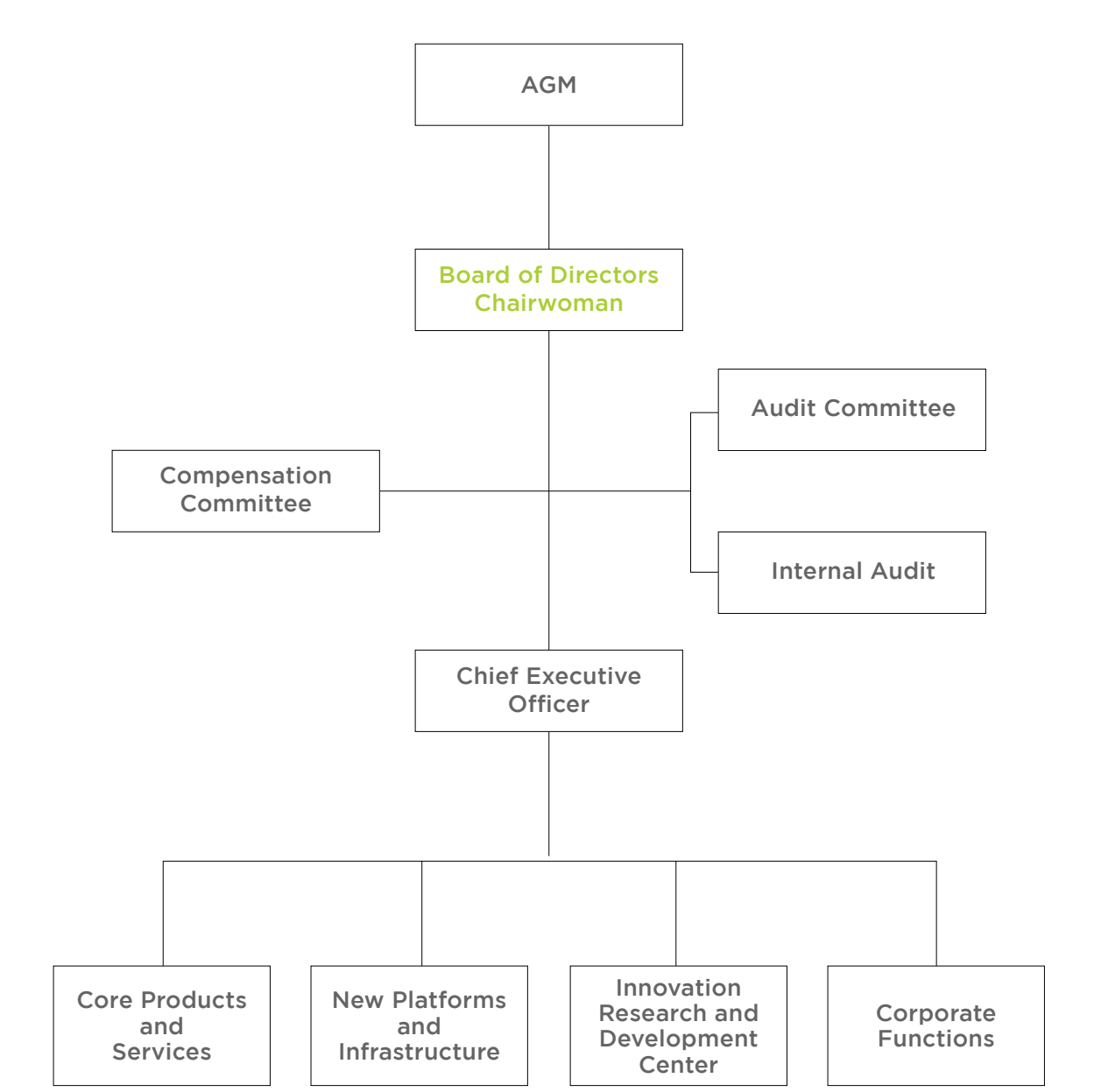
Responsibility Management



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



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 Principles for TWSE/GTSM Listed Companies” as a basis for establishing an effective corporate governance structure . The objectives being:

- 1. Protect the rights and interests of shareholders.
- 2. Strengthen the powers of the board of directors.
- 3. Fulfill the function of the Audit Committee.
- 4. Respect the rights and interests of stakeholders.
- 5. Enhance information transparency.

Board of Directors

There are seven directors on the HTC Board (including three independent directors), the group of directors 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) by Age & Gender

Breakdown by Age	Male	Female	Total
<30 (Excluding 30)	0	0	0
30 - 50	0	0	0
>50 (Excluding 50)	6	1	7
Total	6	1	7

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 re-election of board members (directors and supervisors) in 2019, During the re-election of directors in 2019, three 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 2019 Annual report.

Audit Committee

HTC established the “Audit Committee” to replace the Supervisors, which is composed of all independent directors. The Audit Committee assists the Board of Directors in fulfilling the quality and integrity requirement while carrying out the company’s supervision work in accounting, auditing, financial reporting process and financial control. The Audit Committee has the right to conduct any appropriate audits and investigations, and has direct communication channels with the company’s internal auditors and independent accountants. The Audit Committee convenes a meeting at least once a quarter. The audit supervisor and accountants should report on audit and financial statement review results, and report important discussions and resolutions to the Board of Directors.

Complete Disclosures

HTC is committed to improving the immediacy and transparency of information disclosure. In addition to the timely disclosure of important financial and business-related information at the Market Observation Post System in accordance with regulations, it also actively participates in forums and investor conferences organized by domestic and foreign securities firms to help investors understand more about HTC’s financial and business information.

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	In accordance with the “Corporate Governance Principles for TWSE/GTSM Listed Companies”, a spokesperson and acting spokesperson are appointed to ensure that information that may affect the decisions of shareholders and stakeholders can be promptly disclosed.
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 participates irregularly 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 2019.

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 2019.

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 2019, HTC foreign exports accounted for around 73% 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.

Privacy protection and information security risk management

Protecting the company’s R & D achievements and customer information is the duty and responsibility of all HTC employees. In order to ensure that information security and privacy protection are fully integrated into the organization’s culture and the company’s core values, HTC actively establishes and promotes information security and personal information protection policies, ensuring that they are in compliance with relevant information security and privacy protection regulations from various countries.

In order to fulfill privacy protection and information security requirements, HTC organized a team dedicated for privacy protection and information security, which is composed of legal, product security and information security departments, ensuring the legality and security of privacy protection.

HTC’s privacy protection system complies with Taiwan’s Personal Information Protection Act, and refers to applicable international privacy protection regulations, such as the General Data Protection Regulation the European Union, the Children’s Online Privacy Protection Act of the United States, and the California Consumer Privacy Act. HTC also introduced the BS10012 Personal Information Management System (PIMS) developed by the British Standards Association for personal information management based on OECD, APEC and data protection laws, which includes 40 management policies and guidance documents, and implemented these policies in areas such as employee education and training, product development and design, manufacturer management, and security incident management. HTC passed BS 10012 PIMS certification in December 2018.

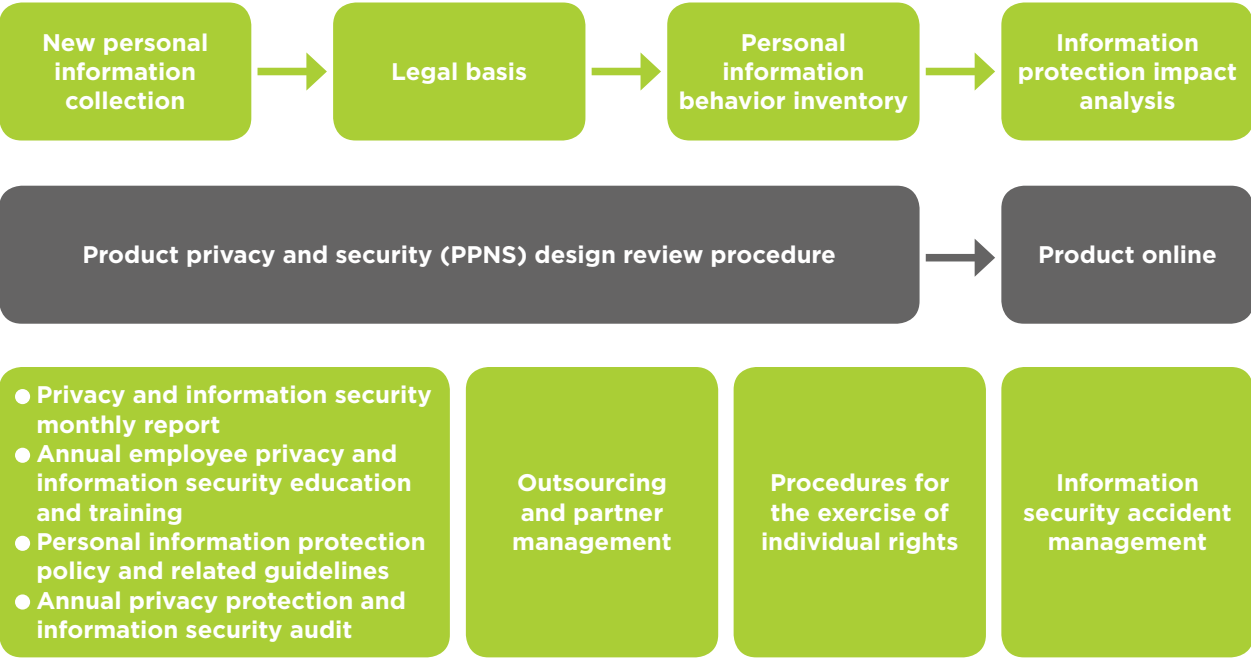


HTC is committed to protecting the security of user data and giving users the right to manage their personal assets. HTC complies with data privacy engineering requirements from the product design stage, including privacy by design/privacy by default, and introduced the privacy and security design review process, which also includes the software security review tool created based on the Building Security In Maturity Model (BSIMM) to ensure that products and services meet the requirements of privacy protection and information security. In order to ensure that HTC employees comply with the policies and guidelines issued by the “HTC Personal Information Management System”, all HTC employees must complete privacy protection and information security education, training and test every year, while personnel responsible for product development must complete product security related education, training and test every year. In addition, HTC sends privacy and information security monthly reports to all employees, providing up-to-date news or policy announcements on privacy protection and information security.

HTC requires its employees to abide by the “HTC Privacy Protection System”, and also requires its outsourced vendors as well as cooperation partners to comply with applicable privacy protection regulations and HTC privacy protection and information security requirements to jointly protect privacy and information security.

HTC attaches great importance to maintaining the value of customer data security and privacy. It provides customers who use our products and services with the ability to control their privacy settings. It also provides ways for customers to exercise their rights on personal information, including acquiring or removing the personal information collected or stored by HTC.

Structure of HTC’s personal information management system



For information security, HTC follows the ISO 27001 information security standards, establishes and promotes various information security management systems, and is committed to passing on the importance of “information security” to all employees, allowing employees to truly understand the company’s information security policies and various security related solutions, especially in mobile application management, account multi-factor authentication, business collaboration, cloud services, etc., making “security” a part of employees’ daily life.

HTC sorts and classifies information assets according to information asset management standards, and determines the level of authorization required for issuing information. In addition, the company provides approved data exchange channels as a way to transmit information within or out of the company.

HTC deploys multiple layers of network security mechanisms to protect the company’s e-networks and services, including application firewalls, intrusion detection and defense systems, spam filtering mechanisms, VPN access control management, and more.

In order to reduce the risk of operation management and ensure the continuous operation of businesses, HTC has moved the core basic systems to the cloud and introduced various cloud services to create a cloud working environment that advances with time. By utilizing the flexibility and high availability of the cloud, deploy and disaster recovery can be performed quickly when failure occurs, effectively improving work efficiency.



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 2019, HTC’s rating on the CDP climate change questionnaire reached B level (the international average level is C).

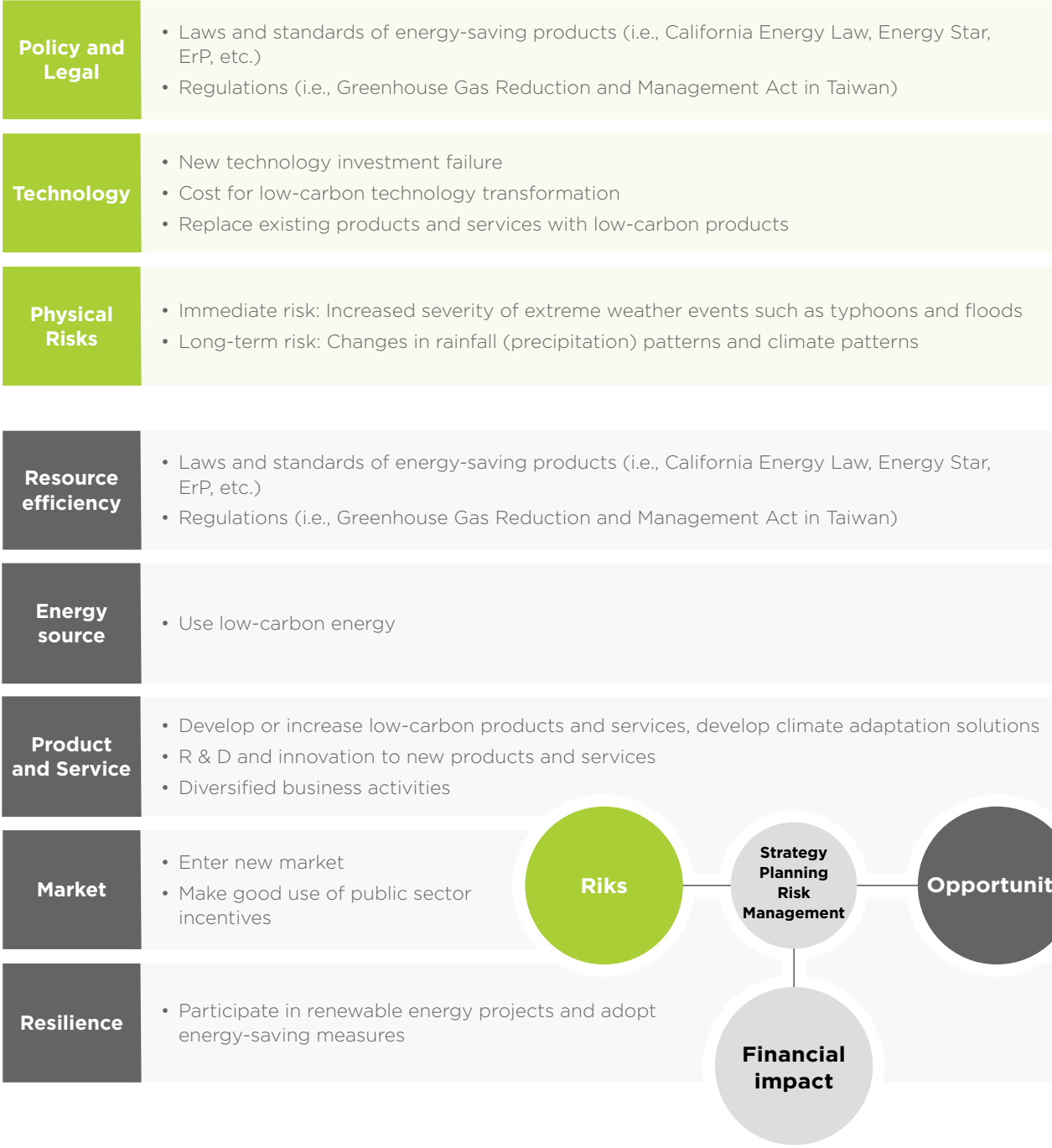


In the 2019 CDP Supplier Engagement Rating (SER), HTC was rated as level A- (international average is level C). The Supplier Engagement Rating uses the responses of the company’s CDP climate change questionnaire in terms of governance, objectives, scope 3 emissions, and value chain participation to evaluate the performance of supplier engagement.

In 2019, HTC continued to join CDP supply chain program members, 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. The supplier response rate in 2019 reached 61%, an increase of 13% compared to 2018.

Climate-related Financial Disclosure

Framework	HTC Action Plan
Governance	<ul style="list-style-type: none">HTC currently does not have an independent group to discuss climate change related issues. The Quality and Sustainability Management Department convenes HTC CSR committee members based on industrial relevance to determine the potential impact of various issues on the organization internally and externally, including the identification and assessment of climate change related risks, and the responses to climate impact.The manager of the Quality and Sustainability Management Department reports to the Audit Committee under the Board of Directors every year on the annual CSR performance and goals for the next year, including issues related to climate change.
Strategy	The smart mobile devices and virtual reality products produced by HTC, combined with a new way of operation, life, work, learning and travel, will help users to achieve the goals of energy saving and carbon reduction. Through continuous performance demonstration, management mechanism promotion and system establishment, as well as planning at different stages of environmental protection cooperation between society and enterprises, short-, medium- and long-term goals of sustainable development can be achieved gradually.
Risk Management	In order to identify and evaluate current and future activities related to sustainable operations, and products and services that may cause significant impacts or risks, the HTC risk assessment team will conduct regular organizational risk assessments, including climate change status, serving as a basis for formulating policies and goals. In the future, the risk assessment mechanism recommended by TCFD will be introduced to assess specific issues of climate change and to understand potential financial impact.
Indicators and Goals	<p>The mid-to-long-term plan is to reduce carbon emissions by 5 ~ 8% in 2025 (2020 is selected as the basis). For details, please refer to the “Green Management Vision and Short-, Medium- and Long-Term Plan” in P.62 of this Report.</p> <ul style="list-style-type: none">Since 2009, ISO 14064-1 verification statement has been introduced and continuously acquired in order to fully grasp the energy use. Therefore, energy-saving strategies and actions can be determined and planed in response to international greenhouse gas and global warming issues.Since 2011, ISO 50001 energy management system has been introduced so that energy management can be implemented more effectively, achieving the goal of sustainable business operations.



HTC climate-related opportunities and financial impact

Type	Climate related opportunities	Potential financial impact	Responding actions in 2019
Resource efficiency	<ol style="list-style-type: none">1. Use of recycling2. Move to more efficient buildings3. Reduced water usage and consumption	<ul style="list-style-type: none">● Reduce operating costs (i.e., reduced costs through the use of solar energy and recycling)● Increase the value of fixed assets (i.e., high-efficiency green buildings)● Benefits to labor management and planning (i.e., improved health and safety, employee satisfaction), which reduces costs	<ul style="list-style-type: none">● Waste reduction strategy was adopted; continue to reduce waste generation from the source through classification and waste-reduction promotion, and take recycling as the first consideration to increase the reutilization of resources● Continued to promote the management of energy performance through various energy-saving improvement and management programs such as improvement of building lightings and air-conditioning systems
Energy source	<ol style="list-style-type: none">1. Use lower-emission sources of energy	<ul style="list-style-type: none">● Reduce operating costs (i.e., reduced costs through the use of solar energy)	<ul style="list-style-type: none">● Continued to use green energy, including the use of low-polluting energy sources and equipment such as solar panels and heat pump systems. Building a low-carbon life through the implementation of various energy-saving measures such as improvement of lightings and air-conditioning systems, and the offering of shuttle buses for work
Products and services	<ol style="list-style-type: none">1. Develop or expansion low emission goods and services2. Development of climate adaptation, resilience and insurance risk solutions3. Development of new products and services through R & D and innovation	<ul style="list-style-type: none">● Increase revenue through the demand for low-carbon products and services● Increase revenue by developing new solutions that meet the needs of climate adaptation (i.e., VIVE virtual reality product applications and services)	<ul style="list-style-type: none">● The use of VIVE virtual reality product applications and services; Use of digital technology can shorten time and distance, which in turn saves transportation time and costs. VIVE enterprise solutions help enterprise users to expand their businesses, creating a framework for enterprise users to reach customers, develop products and train employees in the future
Markets	<ol style="list-style-type: none">1. Access to new markets2. Use of Public-sector incentives3. Access to new assets and locations needing insurance coverage	<ul style="list-style-type: none">● Increased revenues through access to new and emerging markets (i.e., cooperate with government, public agencies, hospitals)	<ul style="list-style-type: none">● For enterprise users, we published contents for applications that are related to training, health care, sports and education● VIVE ORIGINALS- combines films, cultural entertainment and art industries, and is committed to the production of original content. We continue to receive subsidies from the Ministry of Culture● VIVE Arts- uses cutting-edge technology to create unique art and cultural experiences that can be enjoyed all over the world. We continue to cooperate with the world's top art galleries, museums and artists
Resilience	<ol style="list-style-type: none">1. Participation in renewable energy programs and adoption energy-efficiency measures2. Resource substitutes/ diversification	<ul style="list-style-type: none">● Improve market valuation through resilience planning (i.e., infrastructure, land, buildings)	<ul style="list-style-type: none">● Build solar power generation systems, and connect the power lines of the systems to the grid to sell the generated electricity back to Taipower, alleviating the power loading burden in Taiwan and reducing carbon dioxide emissions

Innovative R&D Management



HTC VIVE selected as the world’s most innovative company in 2019



HTC was selected as the 2019 World’s Most Innovative Companies by the US business technology magazine, the “Fast Company”, and won the 3rd place in VR/AR category.

HTC’s core mission is to create the most innovative VR experience for the public. The editor of the “Fast Company” magazine mentioned in the forward that: “Since the launch of VIVE in 2016, it immediately became the benchmark for the quality and features (for VR devices)”. This achievement of being selected as the most innovative companies in the world in 2019 affirms HTC’s continuous effort as well as the latest development in high-end VR. It not only demonstrates HTC’s top technological capability and content, but also its hard work in the ecosystem with different hardware/software platforms, continuing to lead the innovation of top VR experience in design and technology.

HTC’s award record in “Fast Company”

2019: Virtual/Augmented Reality

2017: Augmented Reality/Virtual Reality

2010: Top 50, Consumer Electronics, Mobile

Engaging Diversified R&D Talent

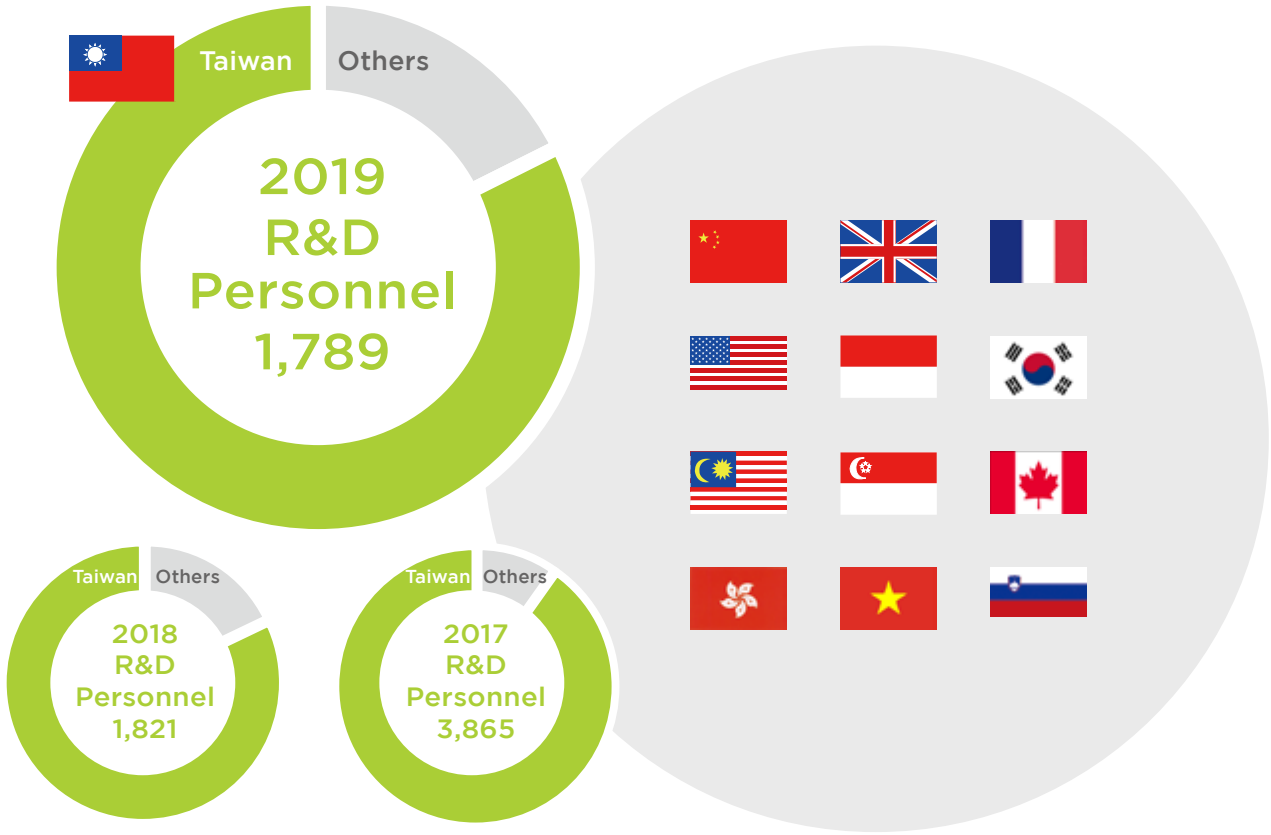
In 2019, a total of 1,789 R&D workers joined HTC globally. In addition to those in Taiwan, we have many R&D employees coming from, or based in, other countries, such as Europe, America, and Asia. We expect that the different cultural backgrounds of our diverse employees will fuse and fuel innovative 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	2017	2018	2019
Fixed R&D Investment	Million(NT)	10,440	7,070	5,652
Total Revenue	Million(NT)	62,120	23,741	10,015
Percentage	%	17	30	56

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 45.81% of all HTC’s global employees, the investment of which is about 56% 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.



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 October 2019, HTC launched EXODUS 1S, the world’s first smartphone that natively supports Bitcoin full nodes, continuing the integration of HTC EXODUS 1’s revolutionary blockchain with innovative smartphone technology, and offering mobile encryption and reliable blockchain application to new customers.

THE FIRST SMARTPHONE TO PUT A FULL BITCOIN NODE IN YOUR POCKET-EXODUS 1S

“EXODUS is about empowering the user”- HTC gave users the ability to own their own keys, and now HTC had gone one step further to allow users to run their own full Bitcoin node. Full nodes are the most important ingredient in the resilience of the Bitcoin network and HTC had lowered the barrier to entry for any person to run a node, which is simply a mobile phone, participating in the global Bitcoin network that propagates transactions and blocks everywhere, which is the foundation and fundamental definition of a eer-to-peer cash system.

EXODUS 1S is the first smartphone with full node function, which contains a complete Bitcoin blockchain to provide a truly decentralized experience. Having a complete node is the only way to realize the full privacy of using Bitcoin and full nodes are the key to ensure the future development of Bitcoin. EXODUS 1S can make users from the emerging economies or those who want to explore the encryption world to enter this field more easily, helping promote mobile encryption technology and blockchain applications to the public, and increase their popularization and usage around the world.

Phil Chen, HTC Blockchain Chief, said: “EXODUS is about empowering the user. We gave users the ability to own their own keys, and now we’ve gone one step further to allow users to run their own full Bitcoin node. We are providing the tools for access to universal basic finance; the tools to have a metaphorical Swiss bank in your pocket. Full nodes are the most important ingredient in the resilience of the Bitcoin network and we have lowered the barrier to entry for any person to run a node, which is simply a computer, mobile in our case, participating in the global Bitcoin network that propagates transactions and blocks everywhere, which is the foundation and fundamental definition of a peer-to-peer cash system.”.

EXODUS 1 is the first smartphone ever built for the new Web 3.0 Internet. HTC EXODUS 1s will make it easier for users to explore and use key blockchain technologies.



HTC joined the newly created blockchain venture capital- “PROOF OF CAPITAL”

In April 2019, HTC joined the newly created blockchain venture capital, “PROOF OF CAPITAL”, and it is the most important investment partner. Proof of Capital is a venture capital that focuses on blockchain and has a fund of 50 million US dollars. It aims to build an Internet ecosystem for everyone and lead the global users to adopt blockchain technology, indicating that HTC has made efforts to bringing better privacy and security protection for global users, and is committed to the development of blockchain technologies and applications.

In 2019, the cooperation between MWC Barcelona and Opera further simplified the originally cumbersome steps, and opened more convenient and friendly interface, allowing more interested consumers to enjoy blockchain applications together with EXODUS.

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.

In September 2019, the medical application DeepQ AI Platform was launched. It is composed of DeepQ AIP workstation and NVIDIA DGX-1 device, and is designed to operate in the hospital IT environment. Doctors can quickly convert their marking data into deployable AI model training without the need of writing and designing deep learning programs. It is a new design concept in medical artificial intelligence model training application-“UaaS (User as a Developer)”.

Protection of IP Rights

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



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

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

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

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. Besides key components, we try to purchase local raw materials and related equipment. The amount of local raw materials purchased accounted for 53.33%. While demanding high-quality services and products, we also use high ethical and environmental standards to manage our supply chain.

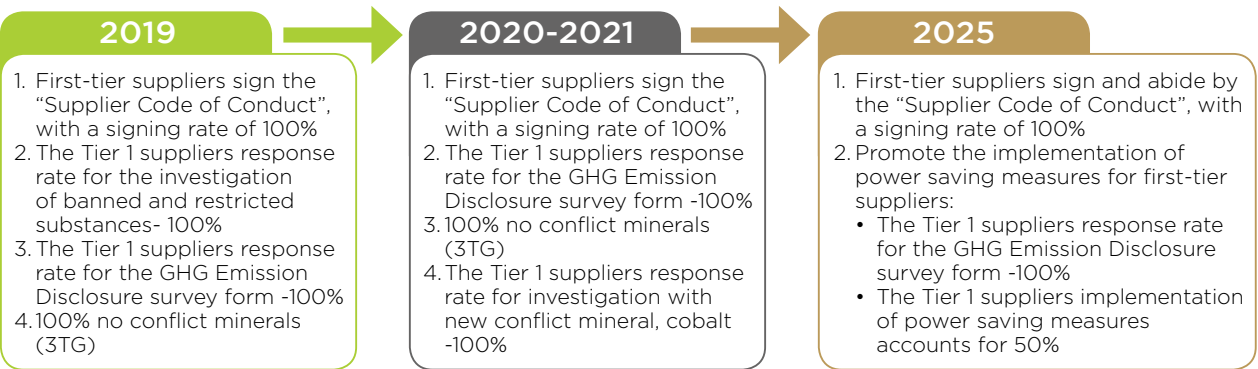
In 2019, HTC continued to be a member of the Responsible Business Alliance (RBA) and has formulated an "HTC Supplier Code of Conduct" according to Responsible Business Alliance Code of Conduct, with the aim of working with our supply chain partners to protect the environment, uphold the human rights 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. At the end of 2019, there were a total of 197 suppliers signed the Supplier Code of Conduct, with the rate of signing reached 100%. Five new ODM suppliers were added in 2020. They are expected to sign and return the Supplier Code of Conduct by the end of March 2020.

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 visit <http://www.csr.htc.com>

Mid- and Long-term Goals for Supplier Management



2019 Supplier Management

	Amount (NT million)	Percentage of Total Purchase Amount (%)	Interests with HTC's stockholders
Others	5,399	100	-
Total Purchase Amount	5,399	100	-

— 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. *Two of these suppliers have HSF issues in 2019 and both have been improved.*



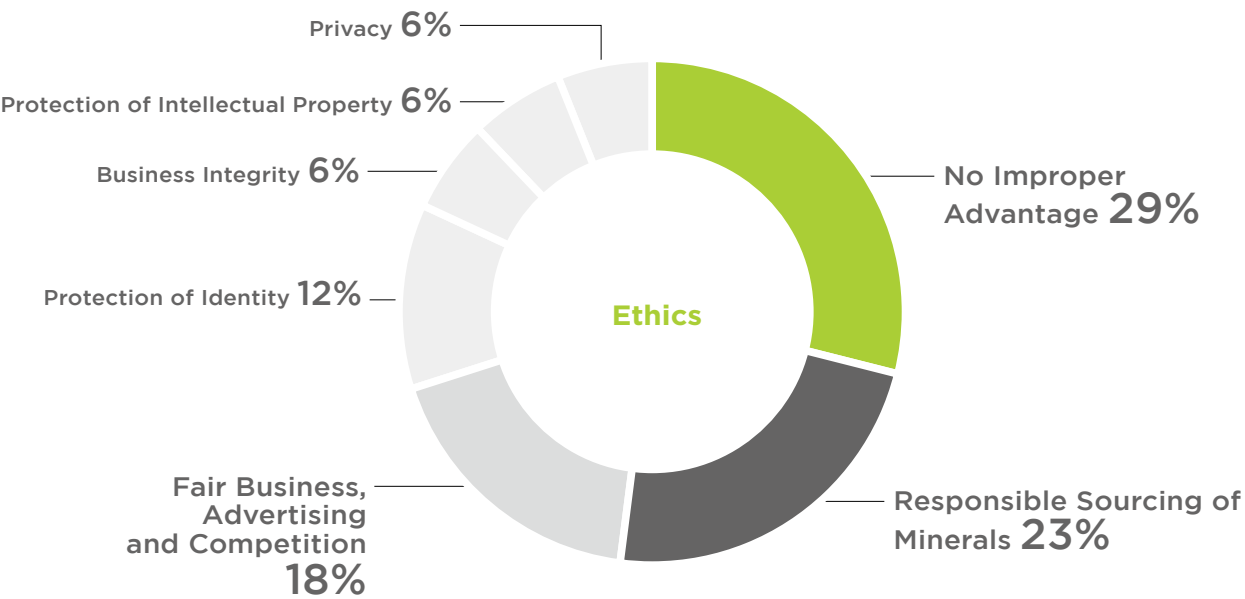
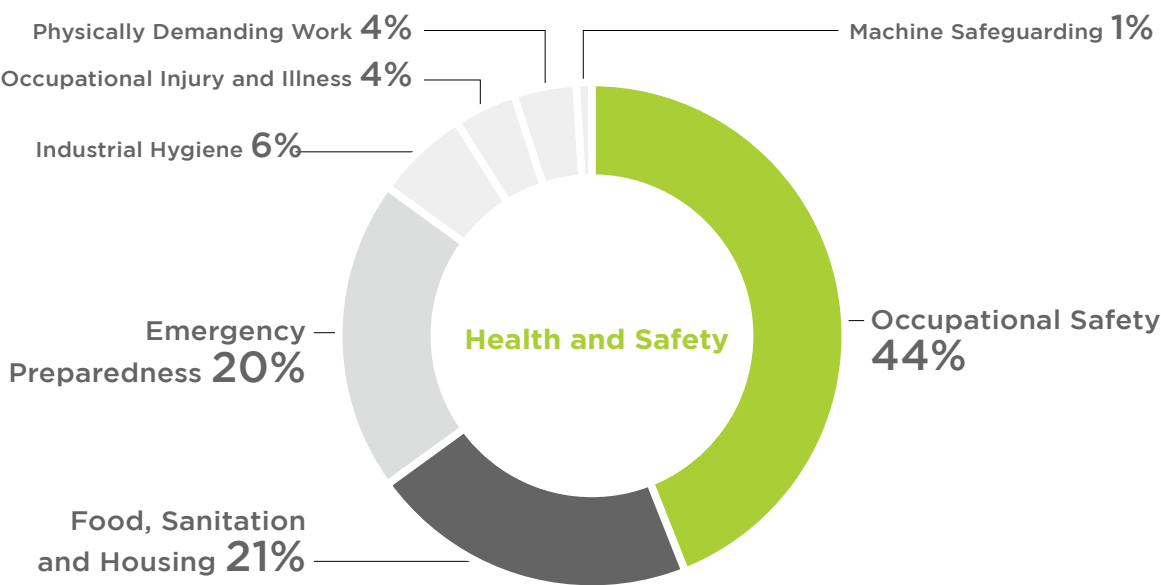
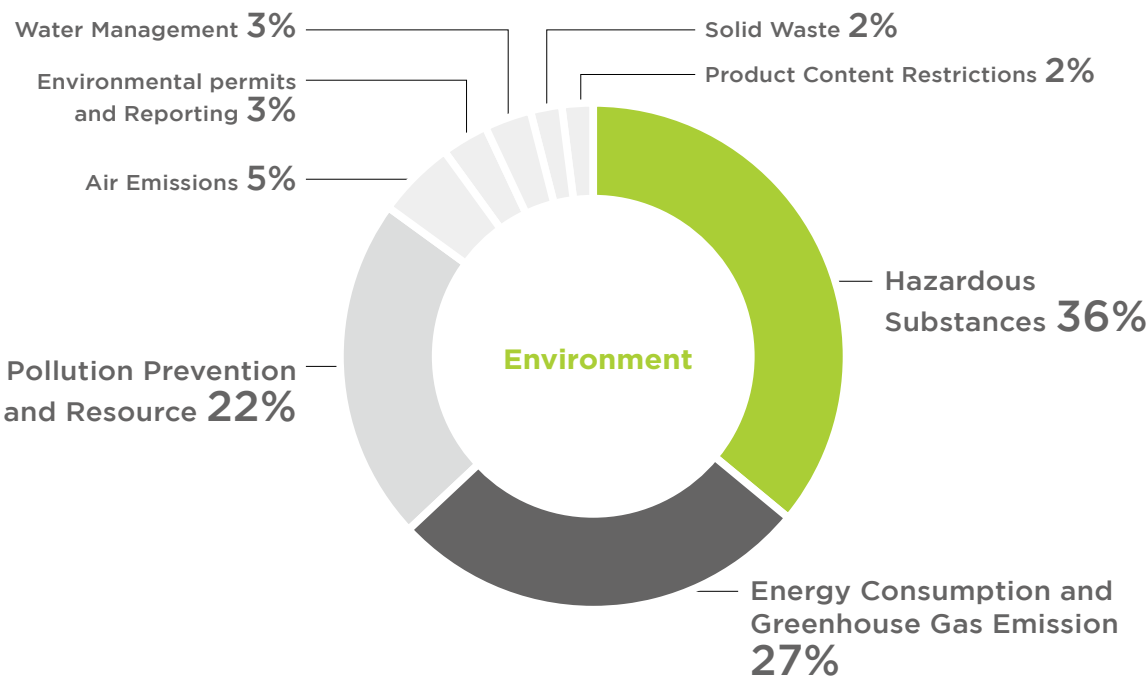
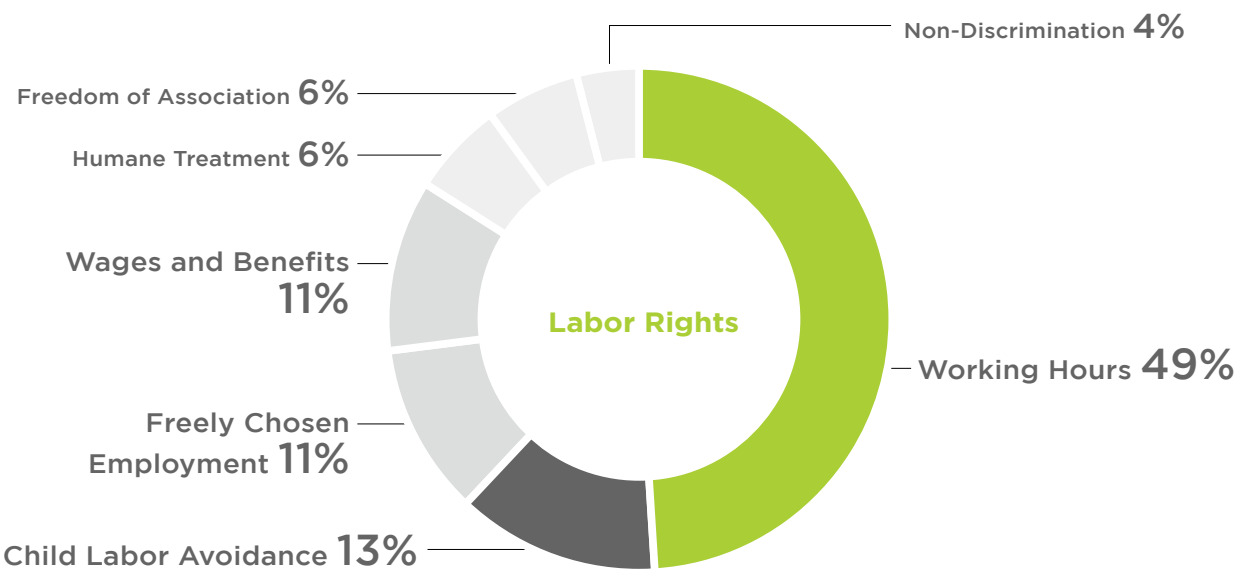
— The HTC Supplier CSR Assessment and Audit

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:	
	<ol style="list-style-type: none">Suppliers' annual amount of transaction representing more than 10% of total purchase.According to the components which vary based on technology, markets and purchase annually, CSR and sourcing departments define critical suppliers of current year based on different situations every year.	
Management Mechanism	Self-assessment Survey	<ul style="list-style-type: none">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.For new suppliers, the CSR self-assessment questionnaire must be filled and returned. The content of the questionnaire is designed based on the five major aspects of HTC's Supplier Code of Conduct: labor, environment, health and safety, ethics and management system. Supporting information is provided for inspection.
	On-site Audit	<ul style="list-style-type: none">"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 15 suppliers had been completed in 2019, and 3 suppliers were submitted RBA-VAP audit reports. The 2020 Supply Chain CSR Compliance Audit will be kick off in the 4th quarterly 2020.
On-site Audit Results (Total of 287 Noncompliance Items in 2019)	Labor Rights	72 cases, mainly about overtime.
	Health and Safety	138 cases, mainly on insufficient occupational safety measures in the operating environment.
	Environment	60 cases, mainly about Inadequate hazardous waste management measures, followed by energy consumption and greenhouse gas emission, and production material control issues.
	Ethics	17 cases, mainly for the failing of establishing management procedures for employees to accept inappropriate payments and gifts, followed by responsible sourcing of minerals.
	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 2020 in order to prevent similar incidents from happening.

Audit Result of 2019





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 Material Assurance Letter” 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 2019, all suppliers also signed an agreement to ban the use of conflict minerals, which will be updated annually. In response to international trends, HTC expects to conduct a source survey of “cobalt” metal mines in 2020.

The intended use of conflict minerals



Point of use:
Contact in the circuit boards
Intended use:
As circuit board contacts to ensure proper connection



Point of use:
Soldering in the circuit boards
Intended use:
Solder to mount circuit board electronic components



Point of use:
Tungsten Alloy used in Vibrator
Intended use:
Tungsten alloy used in the phone vibration motor

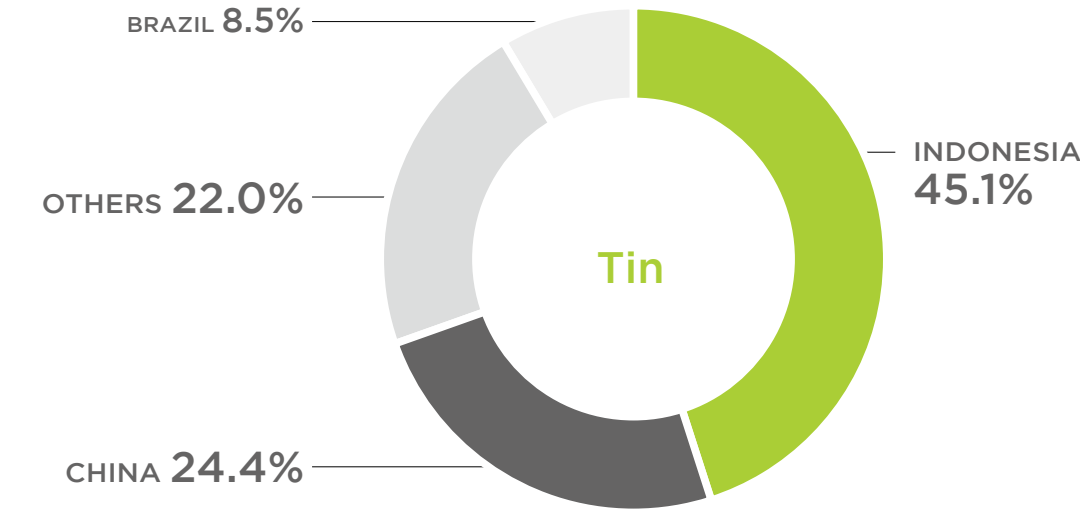
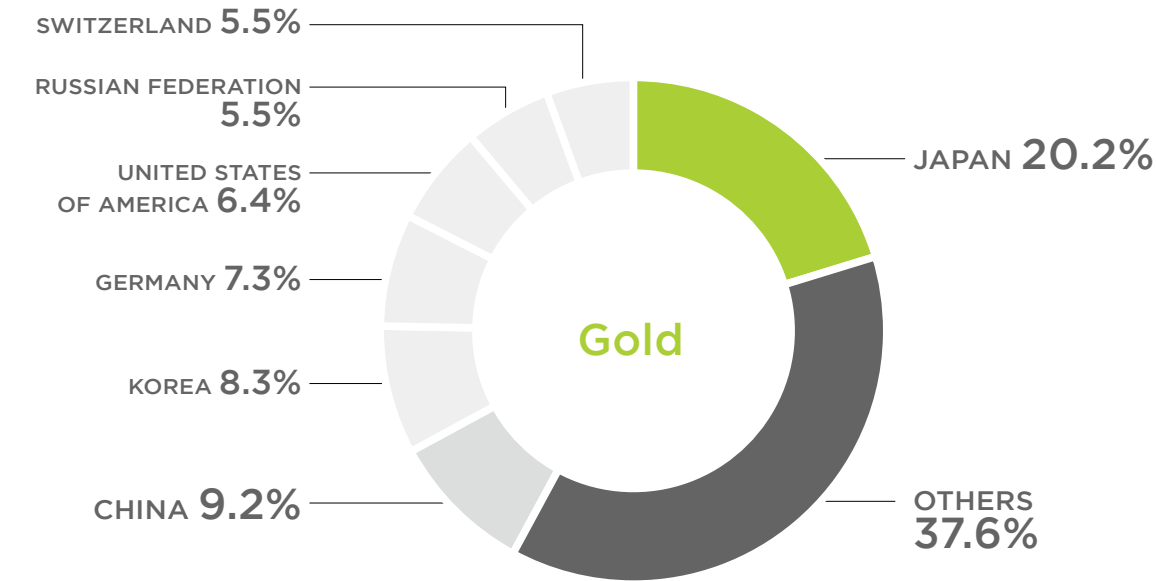


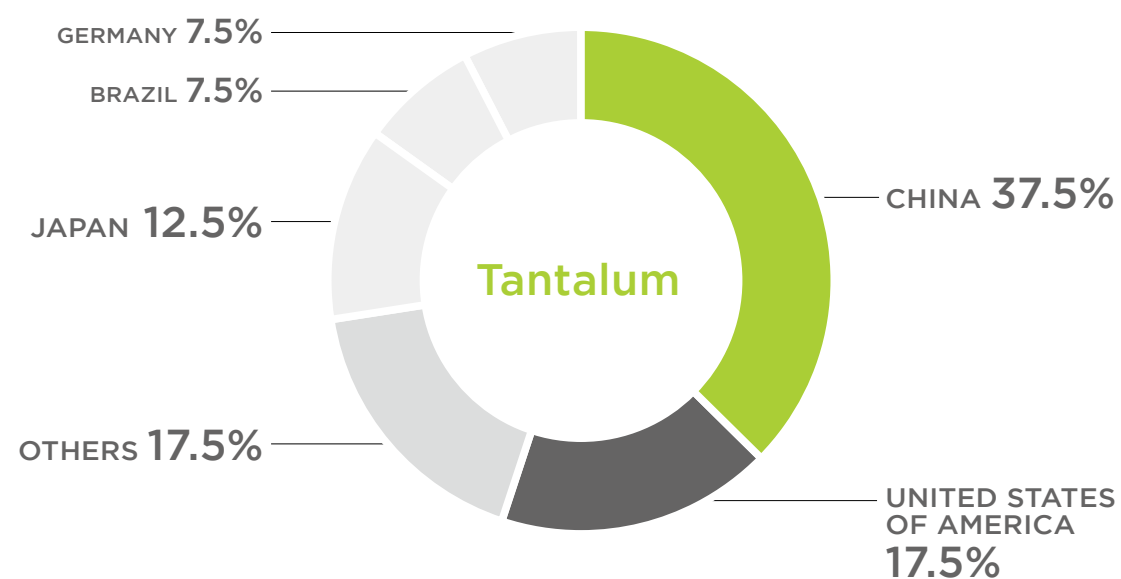
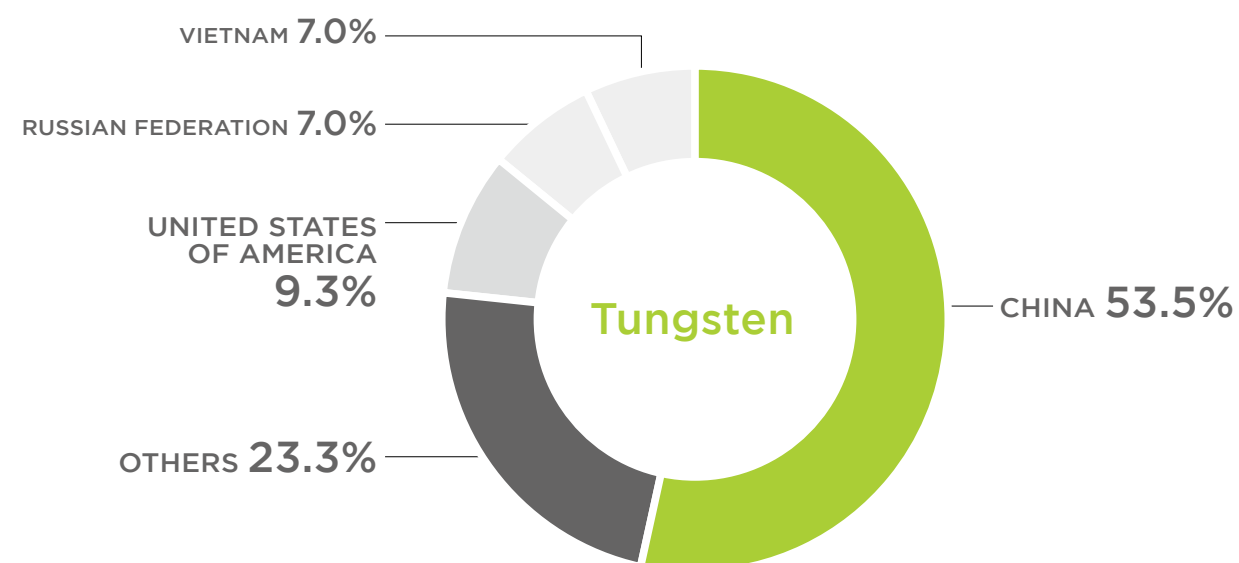
Point of use:
Tantalum-Capacitor
Intended use:
An element used in tantalum capacitors



Point of use:
Used on lithium batteries
Intended use:
As electrode material for lithium battery

Result as follows:





Note: In the smelter country display graph, the Others category is countries with a percentage value of less than 5%. The countries of conflict mineral smelters in this category are as follows:

1. smelter countries of Gold include: Italy, Brazil, Canada, India, South Africa, Taiwan, Turkey, United Arab Emirates, United States, Andorra, Australia, Austria, Belgium, Chile, France, Indonesia, Kazakhstan, Kyrgyzstan, Mexico, Netherlands, Philippines, Poland, Singapore, Spain, Sweden, Uzbekistan
2. smelter countries of Tantalum include: Estonia, India, Kazakhstan, Macedonia, Mexico, Russian Federation, Thailand
3. smelter countries of Tin include: United States Of America, Bolivia, Japan, Malaysia, Thailand, Belgium, Peru, Philippines, Poland, Spain, Taiwan, Viet Nam
4. smelter countries of Tungsten include Germany, Japan, Korea, Austria, Brazil, Philippines, Taiwan

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, 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 2019.*

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.

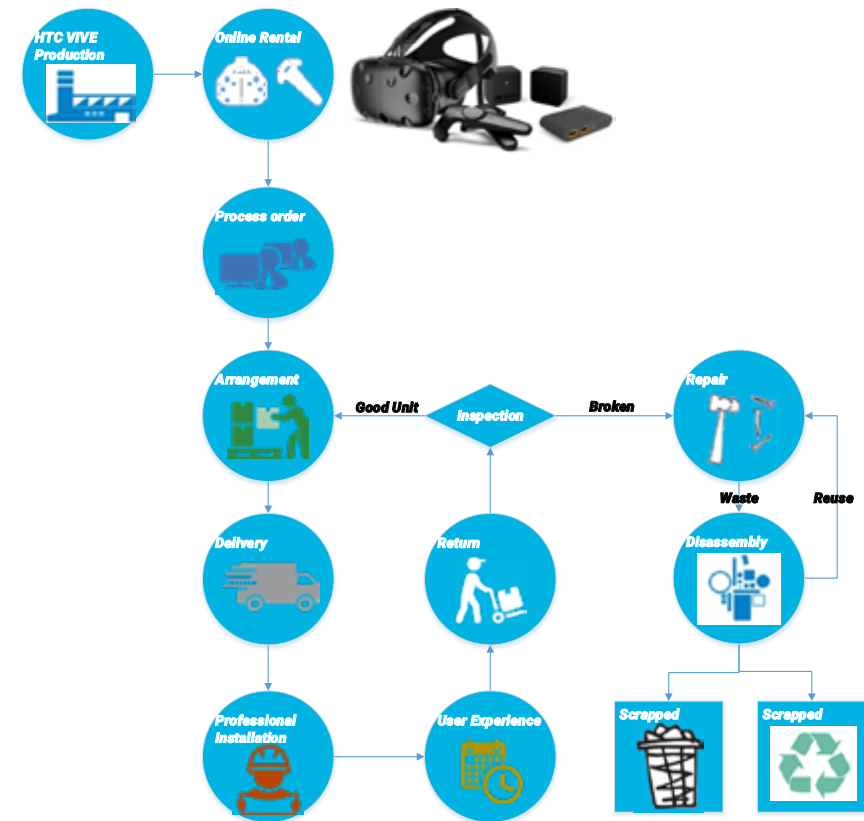
The HTC customer satisfaction management index, in addition to product quality, delivery, and after-sales service, includes evaluation of corporate social responsibility. We have designated a department to regularly aggregate HTC CSR information for communication and response.

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 2019, the “VIVE Leasing program” of HTC was nominated for the CSR Supplier Circular Economy Best Practice Award organized by the Joint Audit Cooperation (JAC) in Europe. This Award aims to identify the best practical cases and leadership of supply chain in the issue of circular economy. The actions we have taken and the results achieved have been highly affirmed by the judges.

Global brand, local touch- A complete service for virtual reality ecosystem, VIVE Leasing program



HTC VIVE is the best virtual reality brand, dedicated to creating high-quality VR software and hardware, and taking human imagination to places without the limits of reality. As the leading VR brand in Taiwan, we feel responsible for making VR experience easy and convenient for the public. Therefore, since 2017, in order to make VR experience easy for everyone, HTC has released a VIVE rental plan in Taiwan, providing installation services at an affordable price. Until now, the VIVE rental service has attracted more than 50,000 users.

The VR rental service cooperates with professional logistics companies through an online rental platform. Users can easily experience VR even in remote areas. Users can experience 15 types of VR contents for free. The contents are not only fun but also including art and education. For example, through the Lifelique VR Museum, users can observe cell, join ancient dinosaurs for a walk, or visit a prehistoric settlement that dates back to the seventh millennium B.C.

After the user finishes the VR experience, HTC collects and inspects the VIVE product to see if it can be rented again. If the product is damage, it will be repaired. The available parts in the scrapped product will be given priority for repairing the damaged product. Through recycling, reuse and maintenance, the rental service forms a small circular economy. So far, the VIVE products in the rental service have been used for more than two years.

The courage to pursue dreams is our core philosophy. From the interconnection between customer expectation and our capabilities, we look for core issues and propose astonishing innovative solutions.

For details of VIVE rental, please refer to: <https://discover.vive.com/tw/rental/>

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.



Sustainable Environment

HTC provides and maintains a safe and healthy working environment as part of our environmental protection, safety and health, and energy management efforts. In order to achieve our commitment to protect the safety and health of our employees, HTC has established the 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 Environment Protection, Occupational Safety, Health, and Energy 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.



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.

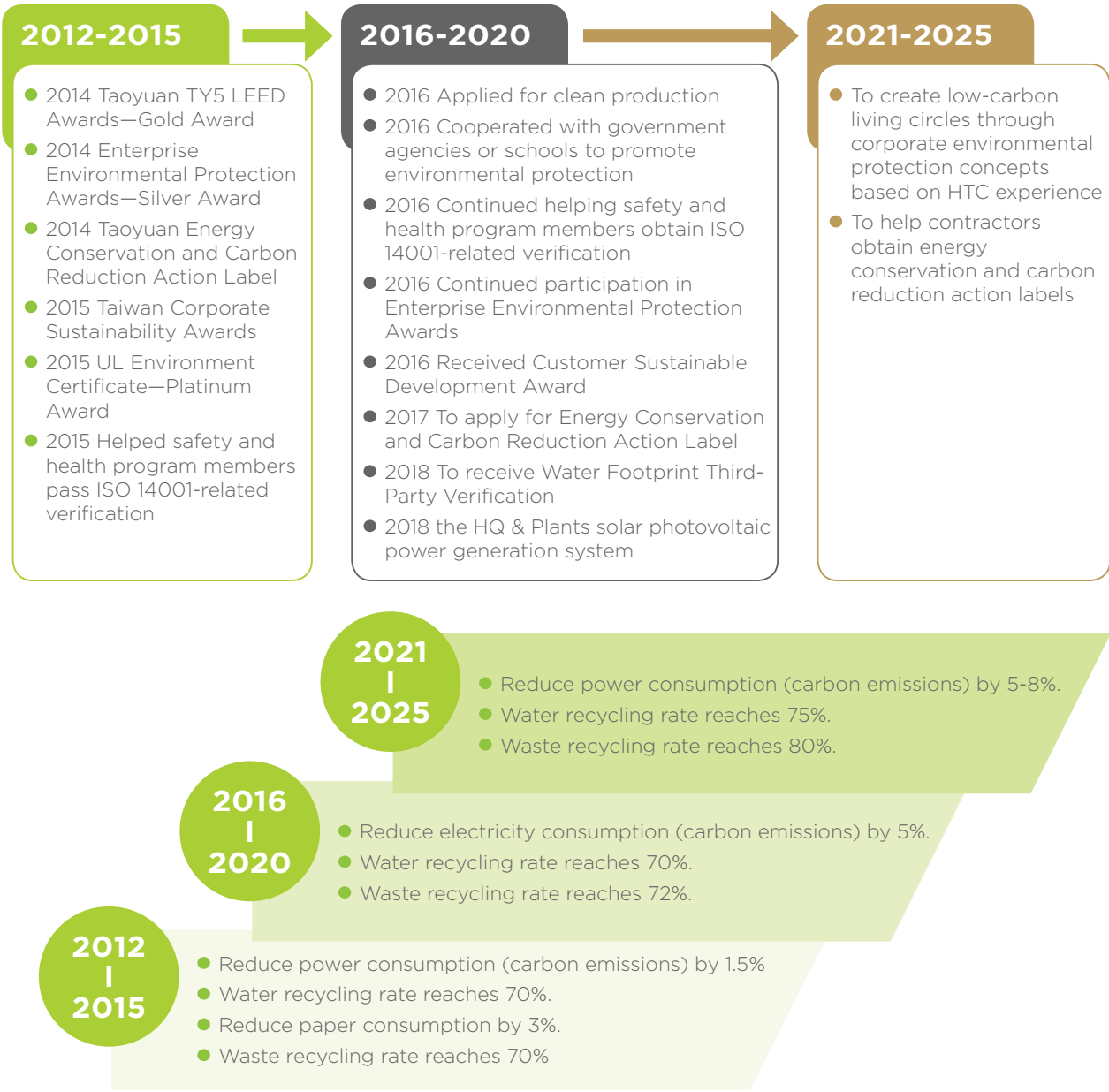
A quick look at HTC management of energy and climate change

- 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



GHG Emission and Reduction

Total greenhouse gas emission by HTC was 14,812.288 t-CO₂e in 2019. 2013 continues to be the base year, and the greenhouse gases inventory in 2019 didn't exceed over 3% of significance threshold. The majority of emitted gas was CO₂. It is notable that HTC's GHG emissions contained little percentage of CH₄, N₂O and HFCs. 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	2017	2018	2019
Total Emission Scope 1	t-CO ₂ e	3,409.3880	2,711.7527	552.461
Total Emission Scope 2	t-CO ₂ e	29,972.2841	21,027.7191	12,601.900
Eco-Efficiency Value	NT\$	1.78	1.00	0.76
Total Emission Scope 3	t-CO ₂ e	1,425.3491	699.0291	1,657.927
Emission:CO ₂	t-CO ₂ e	30,636.6878	21,421.7374	14,417.127
Emission:CH ₄	t-CO ₂ e	882.4375	494.8250	353.032
Emission:N ₂ O	t-CO ₂ e	1.2516	0.6854	0.186
Emission:HFCs	t-CO ₂ e	1,861.2952	1,822.2240	41.943
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 6.0.4 3. The scope includes HTC Headquarters & Plant, Taipei Offices and Tainan Software R&D Center			
Global Warming Potential (GWP value)	2017-2019 based on IPCC 2014 5 th Assessment Report.			

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

Scope 3	Unit	2017	2018	2019
Shuttle Bus	t-CO ₂ e	212.630	170.486	149.197
Rubbish Truck	t-CO ₂ e	30.703	50.873	20.932
Business Travel	t-CO ₂ e	1,182.016	477.670	1,487.798

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. In2019, the design on energy efficiency contributed to 419,895kWh (1,512 GJ) of reduction, and the total amount of reduction in carbon emission was 224 ton of CO₂e which translates into a saving of NT\$1,259,685.

Energy Saving and Carbon Reduction Results of Office buildings and Plants

2019	Total Use of Electricity (GJ)	
HQ & Plants	TY3 Building	34,404
	H Building	18,276
	Xinghua 18	2,523
Taipei office 1		23,999
Taipei office 2		5,380
Tainan Software R&D Center		534
Total		85,116

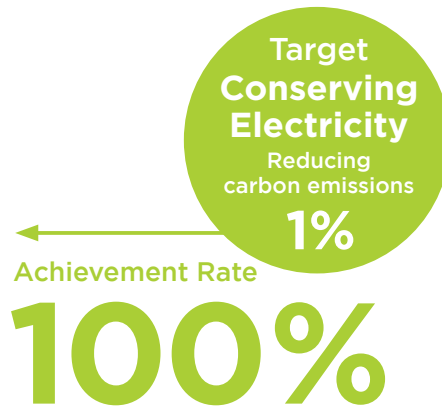
The Eco-efficiency Value of HTC

Environmental Indicators	Unit	2017	2018	2019
Electricity	1,000 kWh/Year	56,658	37,956	23,495
Operating revenue	Million(NT\$)	62,120	23,741	10,015
Eco-efficiency value	NT\$	1.11	0.63	0.43

Note: 1. The eco-efficiency value (revenue generated from each electricity consumption unit) = Operating revenue (millions) / electricity consumption.
2. The scope of electricity usage in 2019 is the HQ & Plants and Taipei Offices.

Energy-saving and carbon reduction Actions

HTC introduced an energy management system as per ISO 50001 to gain a full picture of internal energy use. The applicable regulatory requirements and energy benchmarks were implemented and HTC set energy performance indicators, and short-, middle-, and long-term improvement goals. And gradually develop and implement energy-saving action plans with the target of “conserving electricity and reducing carbon emissions” was set up to eliminate the waste of energy caused by bad habits or incorrect information.



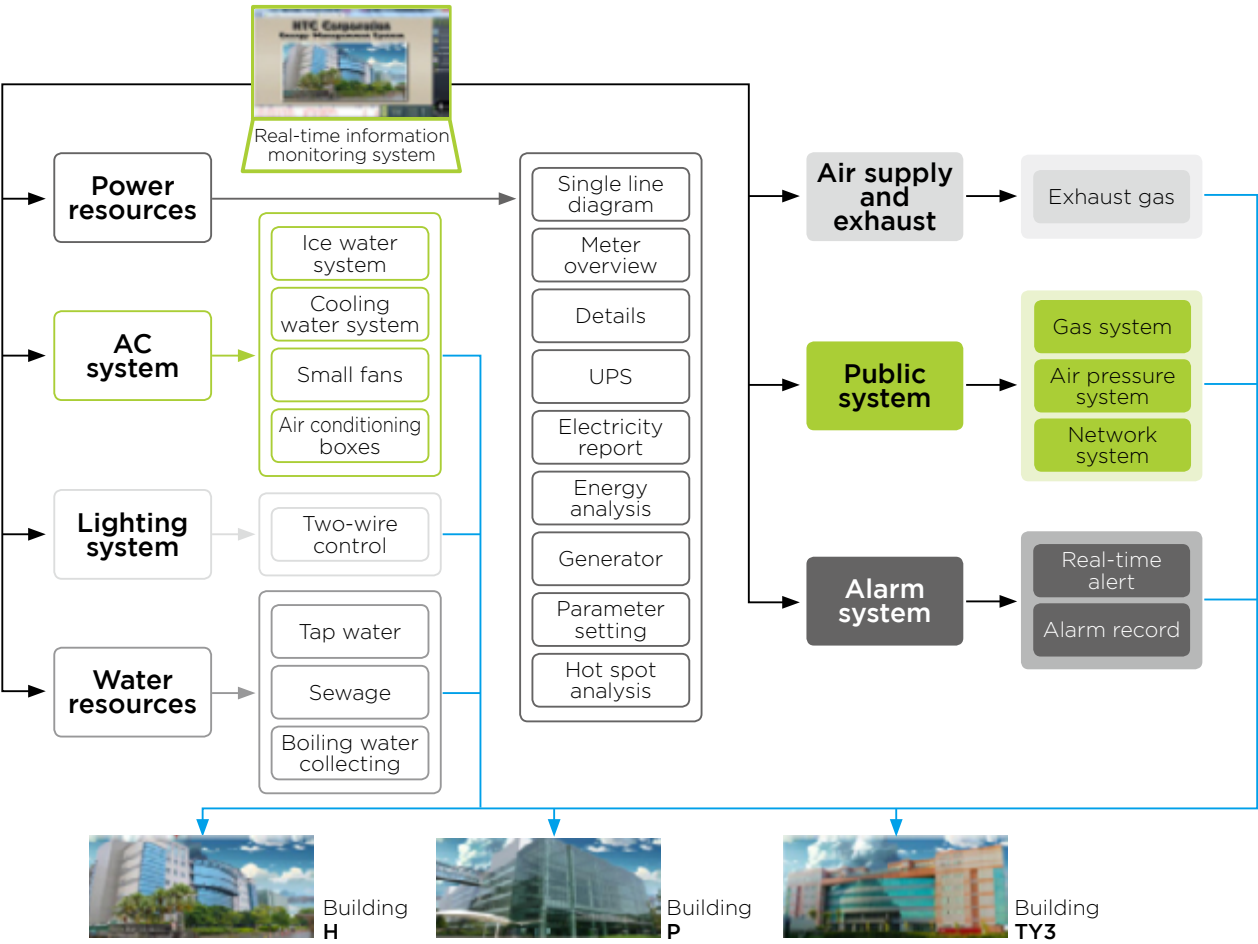
Energy Saving and Carbon Reduction Results in 2019

HQ & Plants						
Program	Energy Savings in kWh		Amount of Money Saved in NT\$	Carbon Emission Reduction in Kg-CO ₂ e/kWh		Saving Rate
	Projected	Actual		Projected	Actual	
The exterior wall mercury street lamps replaced by LED lights in TY3 building	3,888	3,888	11,664	2,072	2,072	100%
Air conditioning energy saving in TY3- 2F Building	3,391	3,391	10,173	1,807	1,807	100%
Lighting change from T8 to LED in TY3- 2F, 3F, 4F back Building	28,512	28,512	85,536	15,197	15,197	100%
IT computer facility air conditioning energy saving in H- 6F Building	4,296	4,296	12,888	2,290	2,290	100%
Exhaust System update of toilet in H- B2F Building	528	528	1,584	281	281	100%
Exhaust System energy saving of male toilet in TY3-1F Building	92	92	276	49	49	100%
Exhaust System energy saving of female toilet in TY3-1F Building	92	92	276	49	49	100%
C stairs air handlind unit energy saving in H-1F	13,575	13,575	40,725	7,235	7,235	100%
B stairs air handlind unit energy saving in H-1F	33,977	33,977	101,931	18,110	18,110	100%
Lighting change from PL to LED of meeting room in H-6F	5,040	5,040	15,120	2,686	2,686	100%
Lamps change from T8 to LED in TY3- 4F&5F Front Building	158,717	158,717	476,151	84,596	84,596	100%
Wharf mercury lamps replaced by LED cast energy-saving lamps in TY3	3,024	3,024	9,072	1,612	1,612	100%
Lighting change from T8 to LED in H-B1F & 7F Building	28,224	28,224	84,672	15,043	15,043	100%
Lighting change from T8 to LED in H-7F Building	61,538	61,538	184,614	32,800	32,800	100%
Energy saving solution of FFU fan in maintenance room in TY3 building	4,095	4,095	12,285	2,183	2,183	100%
C stairs air handling unit energy-saving solution in H-2F	6,129	6,129	18,387	3,267	3,267	100%
A stairs Fan Coil Unit energy-saving solution of toilet in H-1F	264	264	792	141	141	100%
Lobby Fan Coil Unit energy-saving solution in H-1F	2,916	2,916	8,748	1,554	1,554	100%
A stairs Fan Coil Unit Power consumption and energy saving in H-1F	432	432	1,296	230	230	100%
Exhaust System energy saving of male toilet in TY3-5F Building	537	537	1,611	286	286	100%
Exhaust System energy saving of female toilet in TY3-5F Building	537	537	1,611	286	286	100%
Lighting change from T8 to LED of toilet in TY3 Building	2,880	2,880	8,640	1,535	1,535	100%
Taipei Office 1						
Infrared switch added to safety ladder lighting	13,245	13,245	39,735	7,060	7,060	100%
Separate air conditioners in elevator machine room are replaced by VRV in B Building	43,966	43,966	131,898	23,434	23,434	100%
Total	419,895	419,895	1,259,685	223,804	223,804	100%

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 2019: NT\$3/kWh.
2. The CO₂ carbon emission coefficient is calculated on a basis of the 0.533 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.

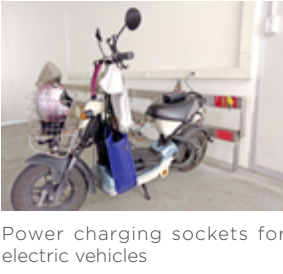
Targeting the HQ & Plants area, HTC plans to build a new energy management system. Through the additional monitoring system, the energy-consuming equipment inside buildings can be monitored. Through monitoring, control, management, analysis, and other steps, an insight is gained into equipment operations 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 was completed in August 2019, and energy-consuming equipment was included in the centralized management of the monitoring system to achieve the goal of continuous energy saving.



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	<p>1. Taipei Office 1 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 102,313 kWh, including 13,806 kWh in 2017, 13,918 kWh in 2018 and 11,418 kWh in 2019.</p> <p>2. HQ & Plants 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 19,274 cubic meters of natural gas in 2019, this translates into an equivalent of NT\$250,556 cost saving and a reduction of 37 t-CO₂e.</p> <p>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 6.0.4 of the Greenhouse Gases Emissions Management Chart (1.888 kg-CO₂e/M³).</p>
Heat pumps for air conditioning	<p>Taipei office 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.</p>
Electric vehicles and bicycles	<p>Taipei office 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.</p>



Power charging sockets for electric vehicles



Free bicycles for rides



Solar panels at Taipei headquarters



Infrared switch of safety ladder lighting

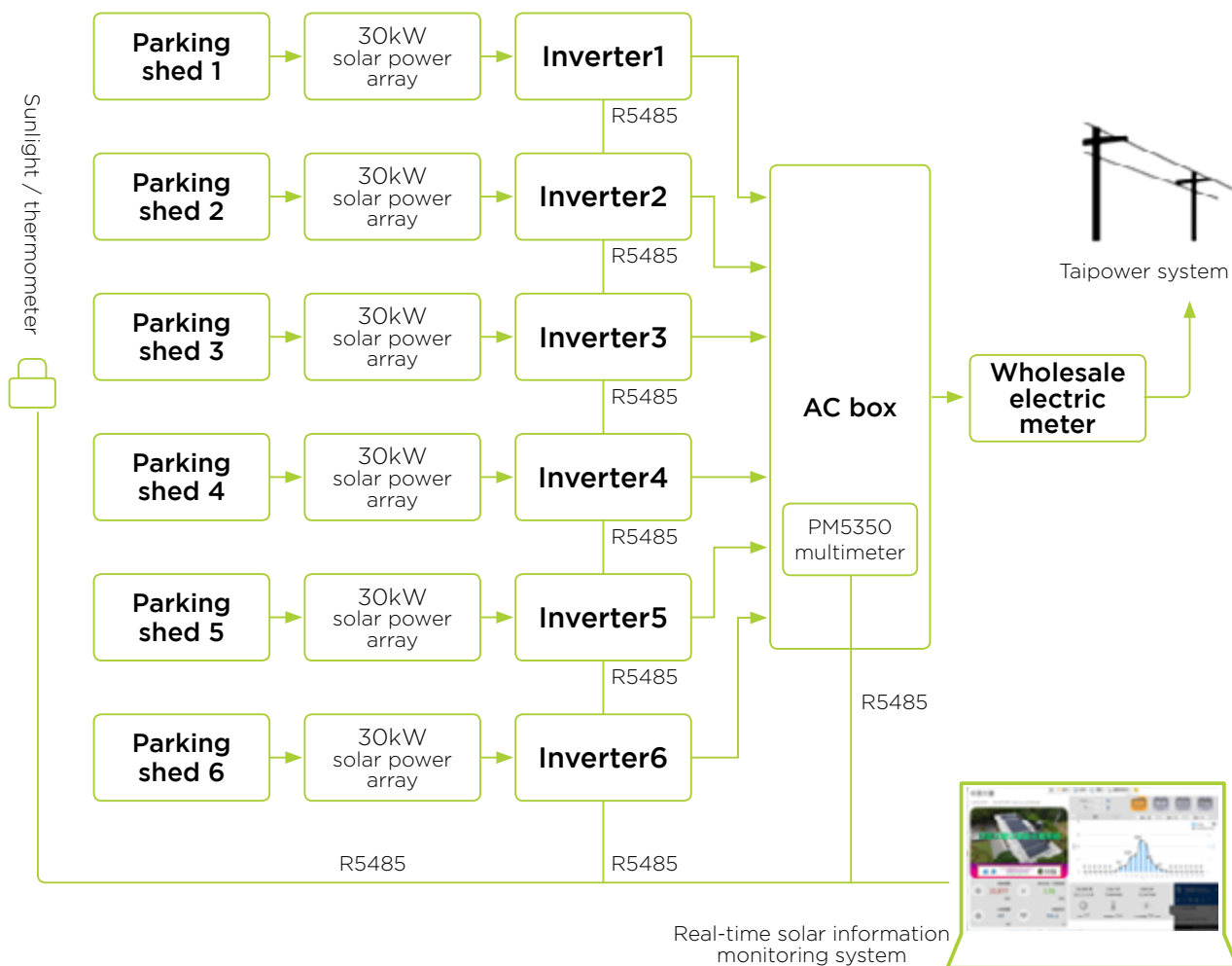
Setup of Renewable Energy Devices

Targeting the construction of a new parking shed in the Headquarter, HTC used 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. This project was completed in September 2018 and put into parallel trial operation, and started electrical energy in in bulk. From the trial operation to January 2020, the cumulative total power generation has reached 198,760 kWh.



Solar Power Generation System

180kW Solar Power Generation System



Resource Consumption Statistics in 2019

Environmental Indicator	Unit	2019
City water consumption	degree/year	213,237
Wastewater	River	Taipei Office- City dedicated sewer HQ & Plants- Dongmen Creek
Total city water discharge	Metric Tons	104,259
The amount of rainwater recycled	Metric Tons/year	1,654
Total amount of water recycled/reused	Metric Tons/year	27,913
The ratio of water recycled/reused to total amount of water consumed	%/year	13.09
Total amount of waste recycled	Kg/year	958,273
Total amount of waste reused	Kg/year	0
Total amount of waste incinerated	Kg/year	170,510
Waste disposal expense	NT\$ thousand /year	1,414,308
Environmental management and recycling amount	NT\$ thousand /year	3,061,345

Note : 1. Since the consumption of Tainan Software R&D Centers is not significant, it is not included in the calculation
 2. In 2018, since the P Building in HQ & Plants was rented, the amount of rainwater recovered was zero. Therefore, the overall amount of rainwater recovery was reduced.
 3. Domestic garbage at Taipei Office 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, disused desktop computers, disused screens, disused laptops ,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 HQ & Plants and Taipei Office. The HTC outdoors green area now totals 30,700 m² and the Taipei Office 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 HQ & Plants area, there are around 131 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 Office 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. The 2019 annual management fees for our green environment maintenance amounts to NT\$ 2.15 million which is used to provide a fresh and green office environment for HTC employees.

HTC Cherry Tree Garden



To allow people passing by to see some common plants, HTC has planted the most popular cherry trees in recent years. In addition to providing a beautiful view at the beginning of the year, cherry blossoms can also feed butterflies. Whether the flying butterflies nearby the cherry trees, or caterpillars that attract birds for foraging, they have increased the richness of ecosystem around HTC.

HTC’s cherry tree garden is located on the right side of the Taipei Office 1 Building. There are 5 Yae Sakura near Zhongxing Road, and 8 Yoshino Sakura and 5 maple trees near the ecological pool at the back. Rock slabs are laid on the grass. When the blossom season arrives, visitors can walk on the cherry blossom trail to enjoy the breath of spring.



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

In 2013, HTC’s Taipei 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 14,372 t- CO₂e.

The fully-integrated energy management system is constructed in the Taipei Office, 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 offices amounted to only 114 kWh/m² annually in 2019, which was quite a marvelous result.

Building \ Year	Unit: EUI (per year)		
	2017	2018	2019
Taipei office 1	93.98	102.91	114
Taipei office 2	223.14	170	172
HQ & Plants(P, H, TY3)	262.53	187.06	97.20



LEED gold certification



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 2019, the amount of green procurement reached NT\$ 3.71 million. From 2012 to 2019, the accumulated expenditure for products with green-product stamp was about NT\$ 30.80 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

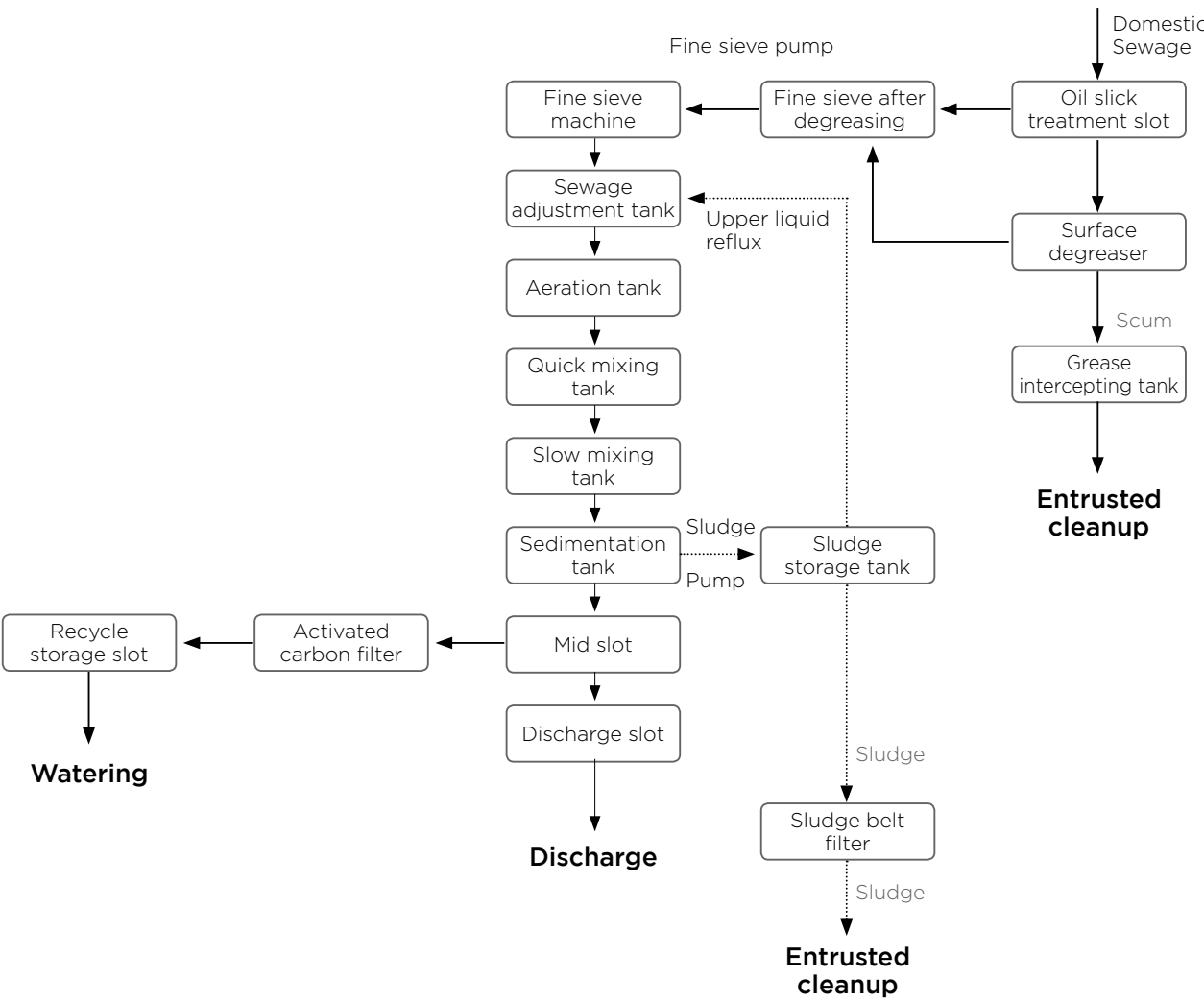
Plant	Usage in 2019(Metric Tons)	Water Saving Measures
HQ & Plants	139,983	Reached 46.56% recovery rate
Taipei offices	73,254	The Taipei building selected water-saving water equipment, using air conditioning condensate and recovered rainwater. The overall daily water-saving rate was 66% (including toilets, urinals, faucets and showerheads).



Sewage Treatment

We invested NT\$ 27,760,000 in building sewage treatment equipment in 2010 and spent NT\$ 1,628,748 on operation and maintenance in 2019.

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 2019, 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

Year	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
2017	63,988	182,002	16.6	50.85	22.35	N.D.
2018	108,459	53,593	7.15	32.2	12.7	N.D.
2019	46,903	26,259	3.38	10.55	<2.5	N.D.

Note: 1. Tested items of heavy metals: Cd, Cr, Cr⁶⁺, 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.
3. The scope of statistical data is HQ & Plants

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 2019, the total domestic wastewater treatment volume was 4,196 metric tons, and the recovered volume from the treatment of domestic wastewater was 1,865 metric tons.

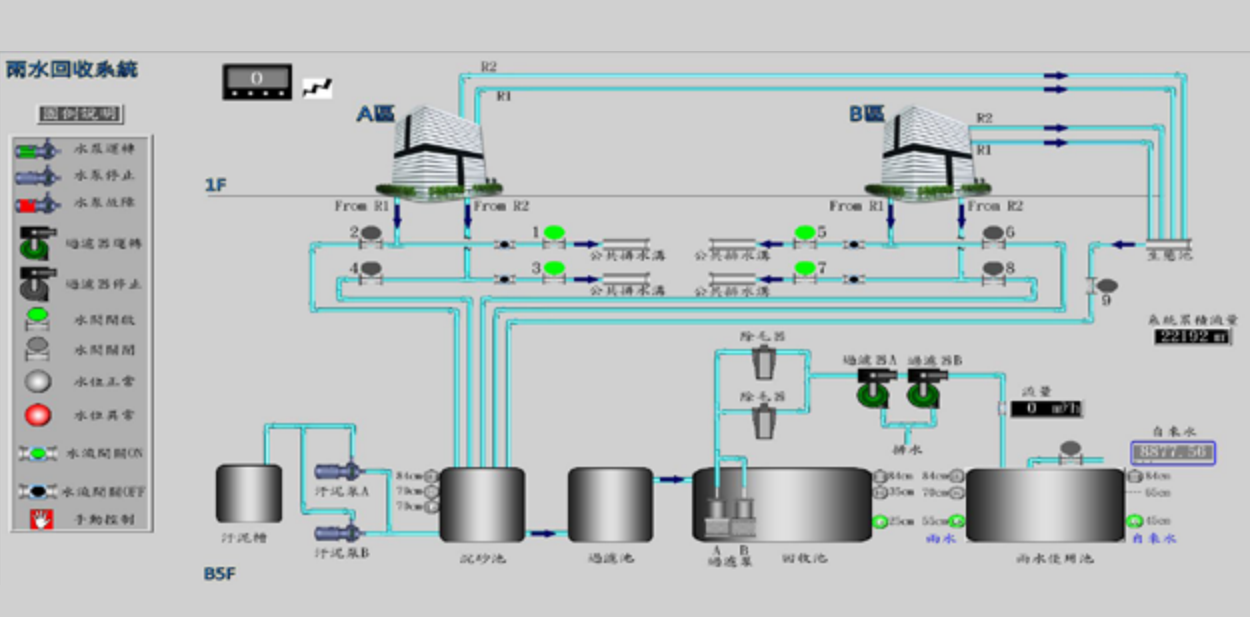
The green fields and planted areas inside the factories are irrigated with recycled sewage water without increasing the total amount of water consumed. Starting from 2012, HTC drafted and implemented water conservation plans. We examine results each year to examine whether or not to adjust the goals. From 2014 to 2019, the amount of recycled water used for irrigation was 938,235 metric tons. It’s bout 375 standard swimming pools (each standard swimming pool is calculated at 2,500 tons)

Effectiveness of domestic sewage recycling in 2019

Strategy and Effectiveness	Sewage Recycling
Sewage water output (Metric Tons)	73,162
Recycled water for irrigation (Metric Tons)	26,259
Amount saved (NT\$)	341,367
Actual wastewater recycling rate	45.56

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 1,896 metric tons of rainwater was recycled from the Taipei office 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 11,434,500 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 99 months up to the end of 2019. Therefore, it is calculated as: 99 months × 231 liters × 500 = 11,434,500 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 2019, the total number of paper saved was 982,500 sheets, achieving the best paper saving management. Compared with 2018, NT\$ 127,005 was saved, which is equivalent to a saving rate of 45.39%.

Print	<div><div></div><div>Use photocopying papers with carbon footprint labels to support green, low-carbon products</div><div></div><div>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</div></div>
Fax	<div><div></div><div>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</div></div>
Screen	<div><div></div><div>Documents can be scanned after the employee card is sensed and reply to the employee's email immediately after the scan is completed</div></div>

HTC Paper-Saving Performance

Year	2017	2018	2019
Paper Use (Piece)	5,027,500	2,010,000	1,027,500
Paper saving (Piece)	75,000	3,017,500	982,500
Paper saving target	1%	1%	1%
Achievement rate	1%	60%	48.88%
Amount saved (NT\$)	12,125	340,460	127,005

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.



Picture Environmental Policy Poster

2019 Goals and Measurement		
	Goals	Measurement
Environment Protection	Power consumption reduction (GHG reduction)	More than 1%
	Waste recycling	More than 82%
	Water conservation	More than 79%
Occupational Safety and Health	Reduce disabling injury frequency rate (FR) (Injury numbers/Every Million man-hours)	Less than 0.3 incidences/ Every Million man-hours
	Reduce disabling injury severity rate (SR) (Lost working days/Every Million man-hours)	Less than 1.8 days/Every Million man-hours
Health Promotion	Improve health examination rate	Achieve 100%

Environmental Protection and Safety and Health Education

New employees and on-the-job staff education training

Course	Hour	Frequency	Responsible Unit	2017		2018		2019	
				Person	Total hours	Person	Total hours	Person	Total hours
Environmental protection and safety and health education training	3	On board	OSH Dept.	1,813	5,439	1,499	4,497	0	0
Hazardous substance use	3	On board	OSH Dept.	1,813	5,439	1,499	4,497	0	0
Operational equipment hazard notifications	3	After arriving at the department of work	Equipment Dept.	93	279	89	267	54	162
General labor safety and health in-service education training	1	Annual (On-job training)	On-Site	4,724	4,724	3,601	3,601	1,694	1,694
Hazardous chemical use notice	1	Annual (On-job training)	On-Site	1,265	1,265	1,538	1,538	779	779
Prevent illegal violations of duties	0.5	Annual (On-job training)	On-Site	-	-	1,978	989	1,583	791.5
Environmental education	1	Annual (On-job training)	On-Site	6,986	6,986	-	-	-	-

Encourage Employees to Carpool

HTC runs a shuttle bus service on many commuting routes with a daily capacity of 319 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.

	2018	2019
Shuttle bus total driving distance	308,525km	294,523km
Shuttle bus total gas consumption	51,421L	49,087L
Total carbon emission volume	177,402.45 KgCO ₂ e	169,350.44 KgCO ₂ e

Annual gasoline consumption and carbon emissions of shuttle buses in 2019

	Bus	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Miles (km)	Wenn-chin	26,355	14,430	24,050	24,050	26,455	22,848	27,728	25,288	22,743	25,253	25,253	25,253
	Taoyuan Bus	440	240	400	400	440	380	460	420	380	420	420	420
	total	26,795	14,670	24,450	24,450	26,895	23,228	28,188	25,708	23,123	25,673	25,673	25,673
Oil consumption (liters)	Wenn-chin	4,393	2,405	4,008	4,008	4,409	3,808	4,621	4,215	3,790	4,209	4,209	4,209
	Taoyuan Bus	73	40	67	67	73	63	77	70	63	70	70	70
	total	4,466	2,445	4,075	4,075	4,483	3,871	4,698	4,285	3,854	4,279	4,279	4,279
Carbon emissions (KgCO ₂ e)	Wenn-chin	15,154	8,297	13,829	13,829	15,212	13,137	15,943	14,540	13,077	14,520	14,520	14,520
	Taoyuan Bus	253	138	230	230	253	219	265	242	219	242	242	242
	total	15,407	8,435	14,059	14,059	15,465	13,356	16,208	14,782	13,295	14,762	14,762	14,762




Note : 1. Kilometers per month=kilometers per ride* total rides per month.
2. Fuel consumption calculated as 6km per liter (km per month/6km).
3. Carbon emissions per km calculated using the coefficient of diesel fuel of 3.45 L/Kg CO₂e (mobile source) according to “information disclosure on the carbon footprint calculation service platform”.
4. Round-trip distance from Taipei to HQ & Plants is 35km/trip and HQ & Plants to Taoyuan Train Station is 2.5km/trip.

Sustainable Design



HTC starts from the product life cycle, analyzes the product process in detail, and adopts different measures at various stages through innovative thinking, especially in the product design and development stage, it uses the concept of The Precautionary Principle to carefully select the ones with lower environmental risks. The material confirms that it complies with the internationally Restriction of Hazardous Substances Directive, reduces the environmental impact of products, and develops sustainable products that are more environmentally friendly.

Green Marks Obtained by HTC

Green Mark	Description	Applicable Area
	Verified by a third-party verification company (UL) as meeting North American (US and Canada) energy efficiency requirements.	Power supply units
	Verified by a third-party verification company, through the US Department of Energy (DOE) and the Canadian Department of Natural Resources (NRCan), the energy consumption requirements for battery products	Mobile phones, virtual reality(VR) device, including
	Accessories with rechargeable batteries, etc.	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

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: Energy Star (U.S.), California Energy Commission (U.S.), Energy-related Products and are approved with energy efficiency verification by third-party verification companies, and the energy efficiency has reached the highest level of Level VI requirements, of which the Level VI standard requires standby power of less than 0.1W, and the currently used chargers are lower than 0.075W or 0.03W, which has greatly exceeded the standard requirements.



Type	Product	Energy Efficiency	Standby energy consumption(115V)
TC P5000	Smartphone (U11, U11+, U12, U19e)	Level VI	<= 0.03W
TC NE5W	VR (VIVE, VIVE Pro, Cosmos)	Level VI	<= 0.03W
TC NE18W		Level VI	<= 0.075W
TC NE30W		Level VI	<= 0.03W

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 the energy consumption during battery charging, we use the regulations of the US Department of Energy (DOE) and Natural Resources Canada (NRCan) as standards to try our best to improve the efficiency of charging and reduce the loss of energy consumption when the battery is fully charged to minimize the overall energy consumption.



Type	5G Hub	VIVE Focus	VIVE Mobile locator
Unit energy consumption (Represented value of UEC)	6.06	4.17	2.02
Regulatory limits	6.98	4.84	3.36
Unit	kWh/year		

Note: The unit of energy consumption (Represented value of UEC) is tested and calculated according to the regulations of the US Department of Energy. It represents the additional energy consumption in addition to the power obtained by the battery during the charging process. The lower the number represents the charging process; there is Better power conversion efficiency and lower standby power.

Energy efficiency regulations for battery charging products by the US Department of Energy(DOE) and Natural Resources Canada(NRCan).

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. Natural Resources Canada (NRCan) enforced the same regulations in June 2019.

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. Nevertheless, 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.



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 5G Hub VIVE Focus VIVE Cosmos and VIVE Cosmos Controller. This significantly exceeds the EU WEEE Directive on the mobile phone material recovery standard which is 55%.



5G Hub
Material recovery rate
82.0%



VIVE Focus
Material recovery rate
76.3%



VIVE Cosmos
Material recovery rate
74.9%



VIVE Cosmos Controller
Material recovery rate
75.3%

EU
WEEE
Standard
55%

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 2019, the total cumulative units of devices were 41 units with the value of US\$ 615.

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 2019, the project recycled 3.402 million kilograms of batteries and mobile phones in the United States and Canada, among which more than 75,296 kilograms of disposable batteries were recycled in Vermont in 2019, an increase of 13% compared to 2018. Due to the gradual increase in customer awareness and recyclability, more than 55.792 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 2019, there was a total of 186,685,749 kg of electronic waste recycled in the Washington state area.

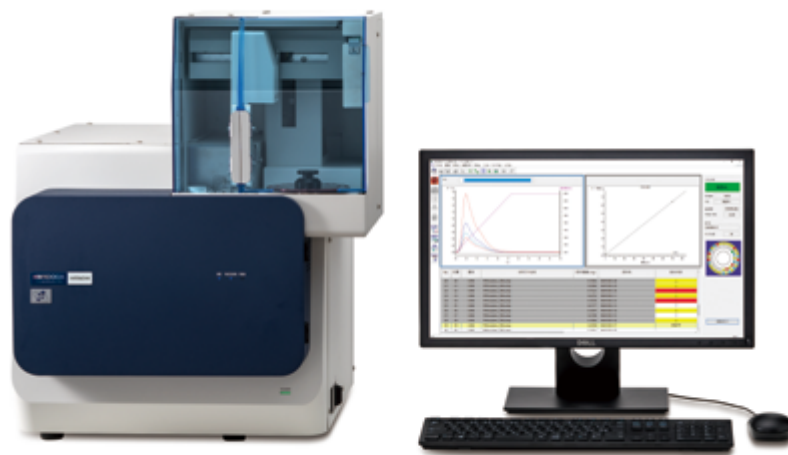
Positively Cutting Hazardous Substance

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.

To further extend the control of hazardous substances into the supply chain. The green supply chain management platform was established in 2006, and R&D engineers can select green materials that meet international environmental regulations and customer requirements in the product database, and import green materials from the source design to improve the reliability of green products and the relevant verification schedule.

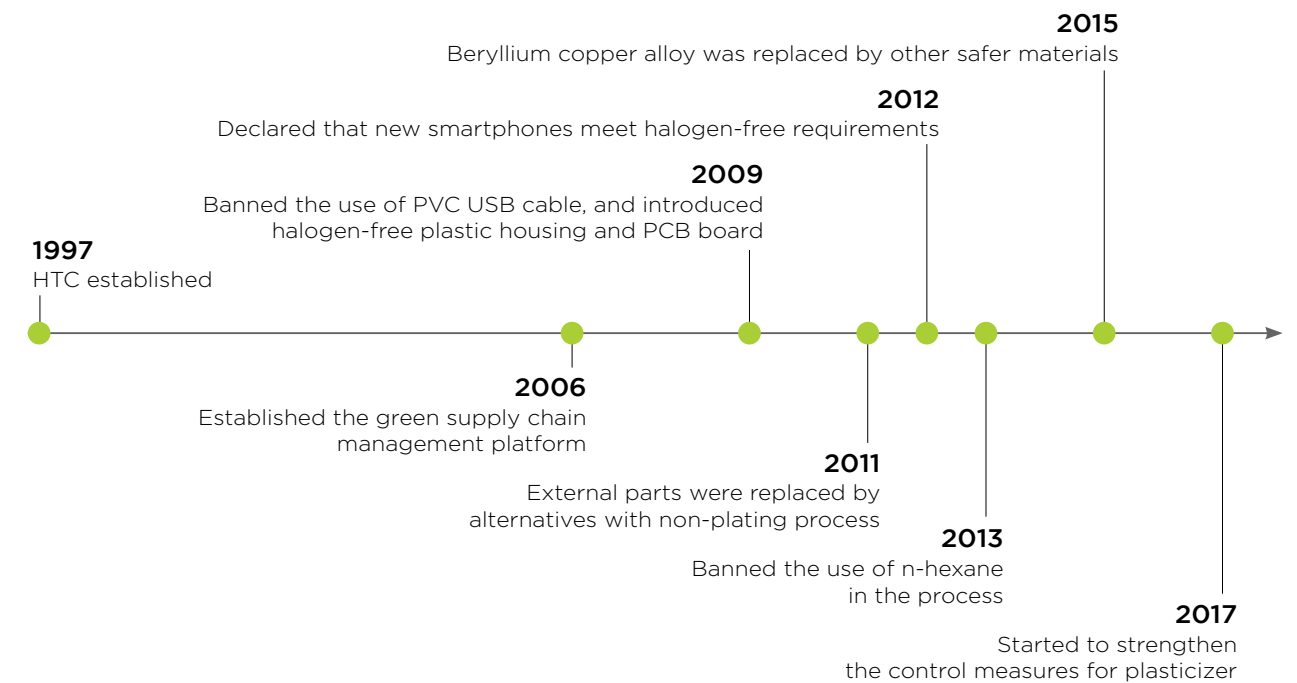
In terms of material selection, in response to international trends, HTC introduced halogen-free materials in 2009. USB cable uses thermoplastic elastomer (TPE) instead of polyvinyl chloride (PVC). In terms of product design, the mobile phone plastic shell and PCB board are both using halogen-free materials, it was announced in 2012 that the new smartphone meets the halogen-free requirements. In order to continue to be committed to clean production and non-toxic products, non-electroplating processes have been used in the appearance of products in the manufacturing process since 2011. The use of n-hexane was also banned in 2013. The product design will be used in mobile phones in 2015, the beryllium copper alloy at the connection point is replaced by other safer materials. Although the beryllium copper alloy itself is a material with good safety and good characteristics, it may produce beryllium oxide that is harmful to the human body during waste recycling, so we decided to replace it. From 2016, new products will no longer be used.

To prevent the harm of plasticizers to the human body, the European Union has officially implemented the directive on restricting plasticizers for electronic motor products on July 21, 2019. HTC has launched plasticizer control since 2009, and added a plasticizer control item to the hazardous substance control list. In 2017, it began to conduct plasticizer testing and verification of all products to ensure compliance with regulatory requirements, and also required suppliers Obtain a third-party laboratory verification report. Before the regulations are formally implemented, HTC Headquarters and the factory establish a plasticizer inspection laboratory to conduct random sampling of incoming materials to ensure that all parts can meet the plasticizer regulations.

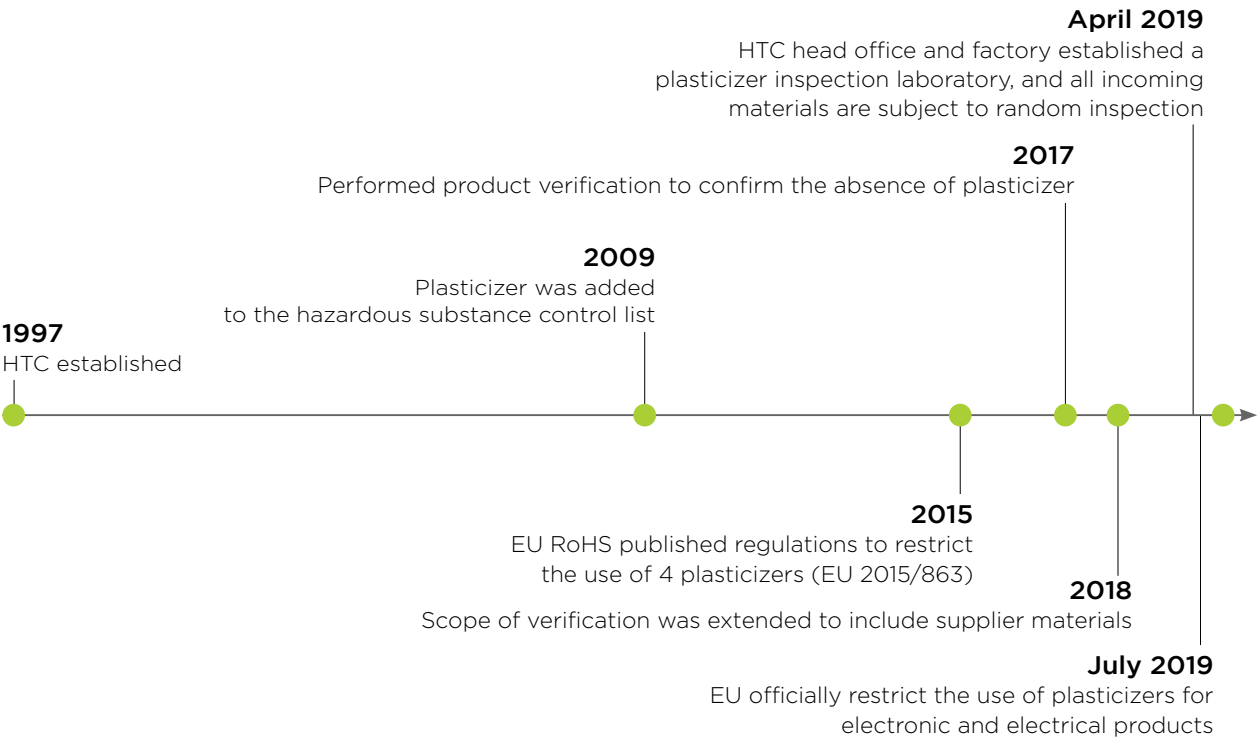


TD-GC/MS is used to check plasticizer

HTC Hazardous Substance Control schedule



HTC plasticizer (Phthalate) control schedule



Citizen Group Initiative - Taiwan Watch Institute PVC Cable Market Survey

In view of the fact that PVC (polyvinyl chloride) can cause damage to the environment and human body from its production, use and disposal, the Taiwan Watch Institute, a citizen group in Taiwan, plans to expand their initiative by conducting a large market survey on individual household supplies and releasing the results of the survey, utilizing the power of consumers to ban the use of PVC. In 2019, they started to investigate the market survey of charging cables and earphone cables for small 3C (computer, communication, and consumer electronics) products. Among the 74 brands of charging cables tested, 85% of them contained halogen, suggesting that these materials are made of PVC. There were 42 brands of earphone cables tested, and 29% of which contained PVC.

HTC introduced halogen-free materials in 2009 and replaced PVC with TPE (thermoplastic elastomer) to protect the environment and the safety of consumers. For more information about the “Taiwan Watch Institute,” please visit <https://www.taiwanwatch.org.tw/node/1342>

EU RoHS-Restriction of the Use of Hazardous Substances

RoHS is the abbreviation of the Restriction of the use of certain Hazardous Substances in electrical and electronic equipment. Currently, the major Directives include 2011/65/EU and EU 2015/863.

RoHS restricts the use of four plasticizers

Abbreviation	Name	The limit	The main application.
DEHP	Bis (2-ethylhexyl) phthalate	<1,000pm	Mainly used as the PVC plasticizer; PVC is used as an insulator in electrical and electronic equipment such as cables and wires. A small amount of DEHP is used for other non-polymer applications, such as ceramics for electronic products or electrolytes for capacitors.
BBP	Butyl benzyl phthalate	<1,000pm	Mainly used in combination with other plasticizers in PVC components such as cables, sockets, pipes, shock absorbers, and used in some non-polymers such as paints, adhesives, sealants and printing ink.
DBP	Dibutyl phthalate	<1,000pm	It is mainly used as a plasticizer in PVC floors, and may be present in synthetic leather, textile coatings, PVC materials, printing inks, sealants and adhesives for electrical and electronic equipment.
DIBP	Diisobutyl phthalate	<1,000pm	Used as a plasticizer for PVC, as a substitute for DBP, and as a plasticizer for cellulose resin, vinyl resin, nitrile rubber and neoprene.

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 ULE and ecological scoring systems and this ensures that all products comply with customer green specification. Among the SAR regulations currently in force, FCC (US) and CE (EU) are the strictest, and all HTC products satisfy meet these requirements.

Sustainable Manufacturing Process

Management of Waste and Hazardous Substances

The major manufacturing operation at HTC is the assembly of Smartphone and virtual reality device , 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 170,510 kg of domestic waste in 2019.
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 and virtual reality device assembly /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.

Year	2017	2018	2019
Waste weight of each unit manufacturing (kg/unit)	0.0785	0.7	0.44
Weights of each unit recycled (kg/unit)	0.4037	2.81	3.25

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 2019, HTC’s waste disposal methods consisted of four types:

HTC Waste Statistics

Treatment	Unit	Treatment Capacity			Descriptions
		2017	2018	2019	
Recovery (General)	kg	2,434,060	1,771,481	958,273	Including Tray plate, foam, miscellaneous plastic, waste wood pallets , Computer peripherals (host, screen, laptop, electronic waste)
Incineration(General)	kg	660,540	415,510	170,510	Domestic garbage
Burial: Waste bakelite	kg	69,960	23,560	0	No waste bakelite had been produced in 2019
Chemical treatment: Harmful waste liquid containing copper	kg	0	0	1,785	The chemical treatment shall be conducted once every two years for the treatment according to "Methods and Facilities Standards for the Storage, Clearance and Disposal of Industrial Waste".
Chemical treatment: Harmful waste liquid	kg	0	0	2,780	The chemical treatment shall be conducted once every two years for the treatment according to "Methods and Facilities Standards for the Storage, Clearance and Disposal of Industrial Waste".
Other: kitchen leftover	kg	324,078	179,997	146,343	The amount of leftover is calculated on a barrel of 189 kilograms.

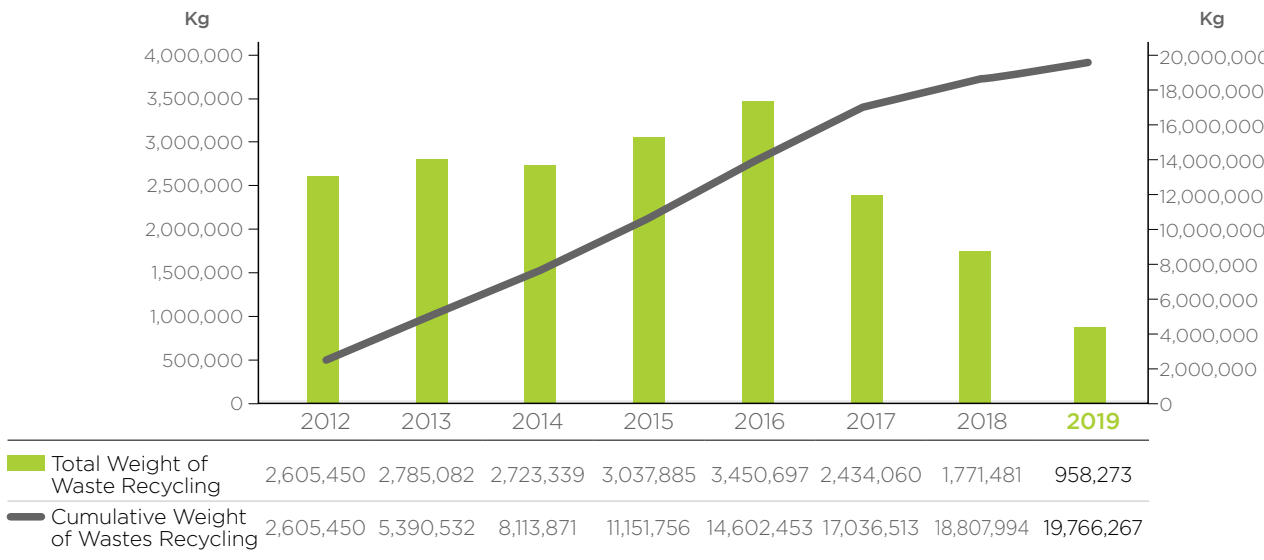
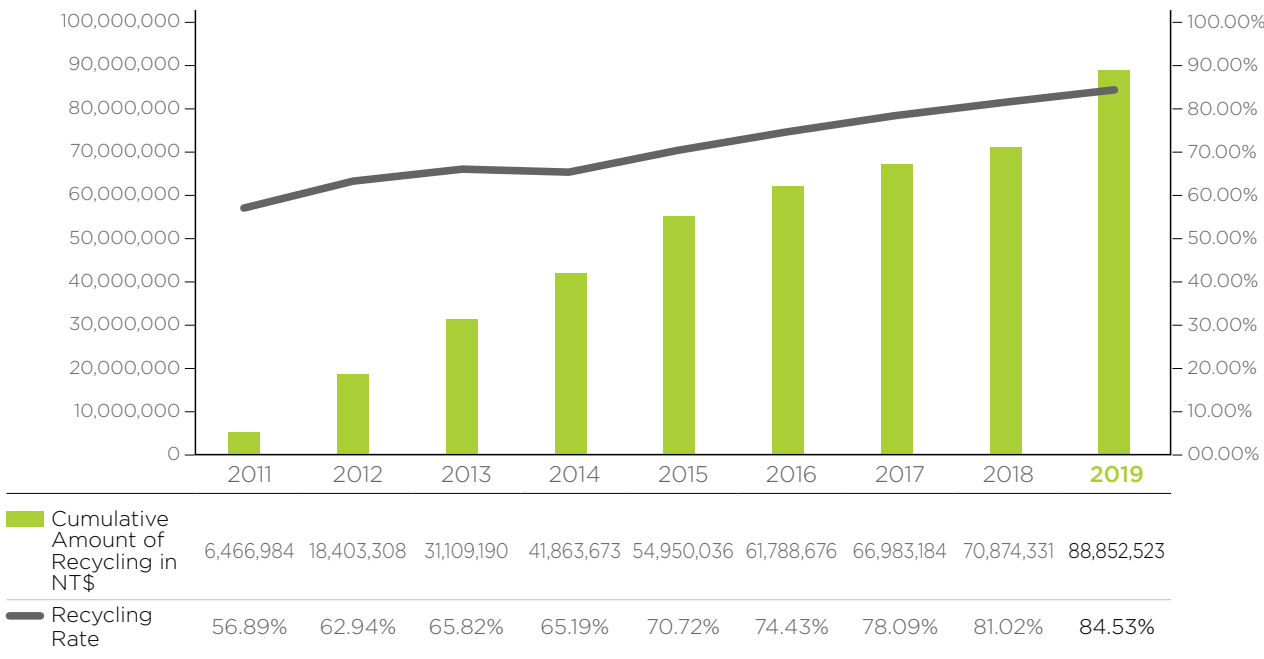
Waste Reduction, Recycling and Reuse

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 958,273 kg in 2019.

Between 2011 and 2019, the money earned or saved by recycling waste rose year by year to reach NT\$3,061,345 by 2019. The waste recycling rate increased from 56.89% in 2011 to 84.53% by 2019 to pass our long-term goal of 80%. By 2019 the accumulated savings and earnings from the recycling of waste had reached NT\$88,852,523.

Waste Recycling Effect and Rate



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.

The European Union published Directive (EU) 2015/863 on June 4, 2015, and included four plasticizers phthalate- DEHP, BBP, DBP and DIBP in the list of restricted substances. The implementation date is July 22, 2019. In response to the requirements of this directive (RoHS 2.0), HTC manufacturing units have built a new device-Thermal Desorption MS to detect the newly added restricted substance list to ensure that all incoming parts can be detected Restrict the substance content of the substance list, and operate according to the mechanism of the hazardous substance process management system (IECQ QC080000:2017)

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 CO₂ fire extinguishers with safe halogen compound fire extinguishers.
3. Emergency lights should be powered by eco-friendly batteries:
Replace lead-acid batteries with nickel-cadmium batteries.
4. Set up regulations for the management of chemical agents for cooling water towers: :
Choose cleaning solutions with safety certification.
5. Make sure that suppliers and contractors properly manage the chemicals they sell:
The chemical management that suppliers enforce covers aspects ranging from environmental protection, safety and health, to corporate social responsibility. This must include the investigation and auditing of supplier internal management systems and an assessment of the risk levels.

Sustainable Packaging

HTC mobile phone products are packed using materials that make transportation safe and add aesthetics to the products upon delivery. We also consider the impact the packaging materials will have on the environment when they are discarded. The materials we use must be 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 CO₂ emission resulting from transportation

Transportation

One pallet can carry more packs and help reduce freight






Material

Fast growing materials (sugar cane, bamboo)

Results

Use more fast growing materials to improve material resource regeneration and emit less carbon footprint






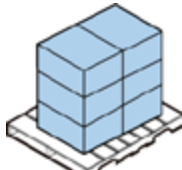
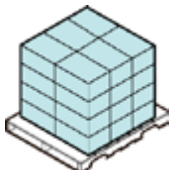
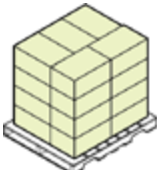
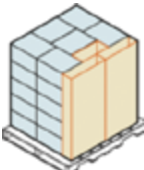

The achievements of mobile phone packaging over the years

2009		2013/2014		2015		2016		2017/2018		
Hero Box		M7 /M8 Box		M9 Box		M10 Box		U11/U12+ Box		
										
Dimension	183x89x60mm	160x160x28mm		160x160x28mm		180.5x150.5x33.5mm		202x165.5x34.5mm		
Total weight	170g	95g		95g		111g		149.2g		
Transportation Carbon Footprint(kg CO ₂ eq)	1.59	0.89		0.89		1.04		1.4		
ECO Features	<ul style="list-style-type: none">● Package volume reduced by 50%.● Soy ink used for printing.		<ul style="list-style-type: none">● This box is 98% composed of recyclable paper and material.● It is made at least 75% from fast-growing bagasse (a sugar cane product and bamboo).● It was printed using vegetable-based ink rather than petroleum-based ink.		<ul style="list-style-type: none">● Materials consist of current fast renewable plants.● Fewer colors, less ink used for printing● No other glazing processing is used for printing.● Top label: from 5 colors to 1 color printing.		<ul style="list-style-type: none">● Materials consist of current fast renewable plants.● Reduce the printing area, printing color.● Do not use glazing plastic.		<ul style="list-style-type: none">● 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	2016	2017	2018	2019
	Rigid Box	Rigid Box	Pizza Box	Pizza Box	Pizza Box
					
Dimensions	574x420x212mm	415x295x181mm	532x344x185mm	418x338x188mm	520x302x182mm
Weight	3,000g	1,800g	2,250g	1,200g	1,570g
The Number of Pallets	 6pcs	 24pcs	 20pcs	 30pcs	 24pcs
Transportation Carbon Footprint (kg CO ₂ eq)	28.14	16.88	21.11	11.26	14.73
ECO Features	<ul style="list-style-type: none">Printed with two colors and reduce the ink use.	<ul style="list-style-type: none">Volume reduced by 55%.Weight loss by 40%.Printed with two colors and reduce the ink use.	<ul style="list-style-type: none">Reduce printing with ink.Share to reduce the generation of new packaging materials.	<ul style="list-style-type: none">Reduce printing with ink.Extremely simplified packaging design.	<ul style="list-style-type: none">Reduce inner packaging with plasticUse higher recycled materials on the outer box



Sustainable Products

Life Cycle Assessment and Carbon Footprint Reduce

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.

Taking circular economy as the direction for development

In order to achieve the goal of sustainable development, the thinking of circular economy is adopted to design and manufacture HTC products. We think about how to use the limited resources of the earth cautiously so that maximum efficiency can be generated and the effectiveness can be maintained within the industrial system to achieve sustainable operation. The following are some of our practices:

- Easy to recycle product design
- Extend the lifetime of products, including continuous software updates and good after-sales service
- Use recycled materials for manufacturing and packaging
- Reduce the environmental impact of the manufacturing process, use recycled water and renewable energy
- Innovative business model, launching HTC VR rental service

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 2019 reached 100%.
8. In 2018, HTC officially became a CDP supply chain program member. In the first year, major suppliers were invited to participate in the CDP Carbon Disclosure Questionnaire and the annual response rate reached 48%. In 2019, invited more major suppliers to participate in the survey and the annual response rate reached 61%.

Friendly Workplace



Staff Management

Human Rights and a High Standard of Professional Ethics

HTC is an international corporation and continued to be a member of the Responsible Business Alliance (RBA) in 2019, 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 and anti-corruption and sexual harassment issues were also included. 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 2019, HTC global employee workforce totaled 3,905. Of these, 33.41% were foreign supervisors, accounting for the total number of executives worldwide; foreign supervisors and professionals together accounted for 23.22% of the total number of executives and professionals worldwide and 24.60% of the supervisors were women.

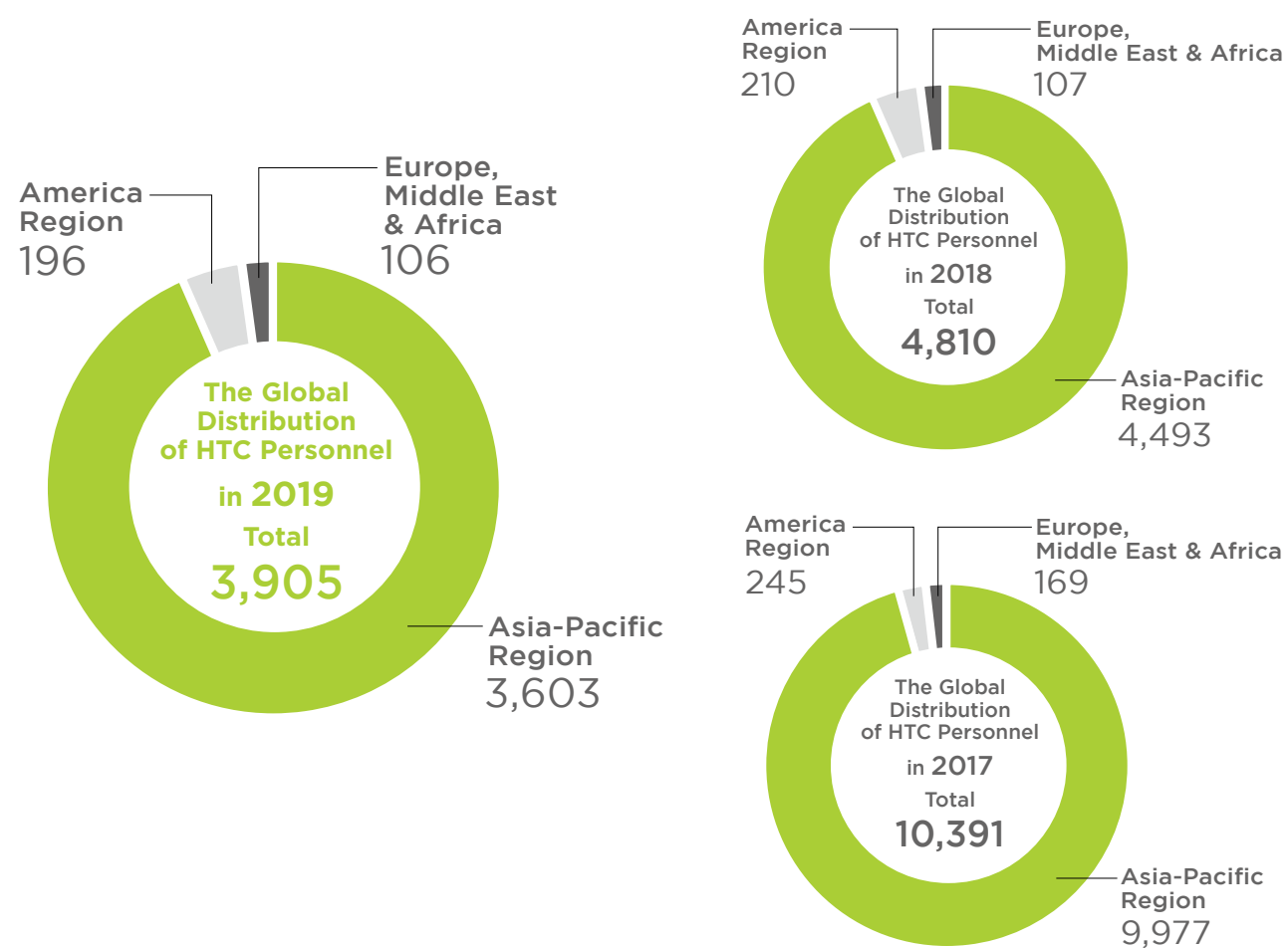
HTC’s turnover rate of direct workers in 2019 was 12.5%*, with the statistical frontier encompassing the Taiwan region (including students involved in industry-university cooperation programs, interns, and foreign workers). The indirect workers turnover rate was 11.4%, with the statistical frontier covering the world.

*Note: Turnover rate= the number of employees leaving the company/ the total average number of employees per year. The figure does not include employees who were involuntary resigned employ

HTC Human Resource Structure Overview

	Gender	Unit	2017	2018	2019
Global Employee	Male	Person	5,151	2,679	2,304
	Female	Person	5,240	2,131	1,601
Employees under indefinite contract	Male	Person	5,113	2,641	2,269
	Female	Person	5,204	2,105	1,555
Employees under fixed-term contracts	Male	Person	38	38	35
	Female	Person	36	26	46
Part-time personnel	Male	Person	28	35	29
	Female	Person	36	32	31
Manufacturing employees	Male	Person	1,279	629	359
	Female	Person	3,697	1,212	709
General employees	Male	Person	3,872	2,050	1,945
	Female	Person	1,543	919	892
Taiwan dispatch personnel	Male	Person	8	2	1
	Female	Person	3	0	0
≤29 years old	-	%	38.76	27.90	23.10
30-50 years old	-	%	56.63	66.82	70.91
≥51 years old	-	%	4.61	5.28	5.99

Note: 1. The percentage is calculated as the number of employees in each category divided by the number of employees worldwide.
2. 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.



By Country

	Domestic Personnel		Foreign employees	
	Male	Female	Male	Female
2017	4,416	2,899	735	2,341
2018	2,198	1,603	481	528
2019	1,856	1,285	448	316

By Age

Age	Male							
	Manufacturing Employee	%	General Employee	%	Middle Supervisor	%	Senior Supervisor	%
≤29	79	2.02	427	10.93%	31	0.79	0	0
30-50	261	6.68	274	7.02%	1,083	27.73	41	1.05
≥51	19	0.49	6	0.15%	66	1.69	17	0.44
total	359	9.19	707	18.10%	1,180	30.22	58	1.49

Age	Female							
	Manufacturing Employee	%	General Employee	%	Middle Supervisor	%	Senior Supervisor	%
≤29	138	3.53%	209	5.35	18	0.46%	0	0
30-50	474	12.14%	217	5.56	409	10.47%	10	0.26
≥51	97	2.48%	6	0.15	17	0.44%	6	0.15
total	709	18.16%	432	11.06	444	11.37%	16	0.41

Note: The percentage is calculated as the number of employees in each category divided by the number of employees worldwide.

By Position

Year	Level	Senior	Middle	General	Total
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
2018	Total	88	3,017	7,286	10,391
	Male	52	1,239	1,388	2,679
	%	1.08	25.76	28.86	55.7
	Female	12	453	1,666	2,131
2019	%	0.25	9.42	34.64	44.3
	Total	64	1,692	3,054	4,810
	Male	58	1,180	1,066	2,304
	%	1.49	30.22	27.30	59
2019	Female	16	444	1,141	1,601
	%	0.41	11.37	29.22	41
	Total	74	1,624	2,207	3,905

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 2019

	Unit	Asia		America		Europe, Middle East, Africa	
		Male	Female	Male	Female	Male	Female
≤29	Person	161	101	10	10	3	5
	%	30.26	18.98	1.88	1.88	0.56	0.94
30-50	Person	139	55	20	10	8	1
	%	26.13	10.34	3.76	1.88	1.50	0.19
≥51	Person	3	1	2	2	1	0
	%	0.56	0.19	0.38	0.38	0.19	0
Sum	Person	303	157	32	22	12	6
Total	Person	460		54		18	

Note: The percentage of each age range is calculated as the number of employees in each category divided by the total number of new employees.

HTC Turnover of Employees Worldwide Statistics in 2019

	Unit	Asia		America		Europe, Middle East, Africa	
		Male	Female	Male	Female	Male	Female
≤29	Person	255	274	9	5	0	1
	%	17.37	18.66	0.61	0.34	0	0.07
30-50	Person	394	390	27	16	15	6
	%	26.84	26.57	1.84	1.09	1.02	0.41
≥51	Person	22	54	0	0	0	0
	%	1.50	3.68	0	0	0	0
Sum	Person	671	718	36	21	15	7
Total	Person	1,389		57		22	

Note: The percentage is calculated as the number of employees in each category divided by the total number of turnover of Employees

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, prayer rooms, TV entertainment and other facilities. The public compound space can be used as a Chinese classroom and employee lounge. 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 2019, a total of 269 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	<ul style="list-style-type: none">● Making detailed records of their feedback● Express ideas and thoughts of workers● Keep track of follow-up effects● Respect workers' decisions
Life & Leisure	<ul style="list-style-type: none">● A cleaning unit that cleans the dorm around the clock.● 24-hour hot water supply● Free Lesson of learning Chinese● TV Entertainment
Proper Health Examination Program	<ul style="list-style-type: none">● Regulate the frequency of foreign labor health examinations in accordance with relevant laws and regulations● Health Examination Follow Up● Entry health check (General physical examination, general items designated by the Council of Labor, intestinal parasites, chest X-ray examination, dengue fever, Han disease check)
Tax Refund Check	<ul style="list-style-type: none">● Provide clear information on taxation principles and period of tax refund in advance● Encourage to keep following tax refund● Follow up of tax refund check● Departing before filling out “Receipt Authorization Letter”● Tracking intermediate rebate cheques● The announcement of tax-receiving time● Tax receipts with identification
Enhancing Physical and Mental Health Activities	<ul style="list-style-type: none">● Irregular opening of the “Counseling station”

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.

Campus Recruitment Campaign to Welcome New Graduates from Various Fields

In 2019, HTC participated in the Job Expo organized by the National Taiwan University and the Yourator Innovative Career Platform, the Job Expo organized by the National Chiao Tung University and the National Tsing Hua University, and seminars such as Jcconf, Kubernetes Submit, ICIP IEEE, Mobile HCI, etc. to recruit talents in Taiwan and worldwide. We have recruited top talents in product design, art design, R & D technology, engineering, business management, international marketing, e-commerce, digital marketing, and other related fields. We continue to promote international talent cultivation, increasing the overall competitiveness of the company.



Engaging Diversified Talent

HTC offer job opportunities for diversified talents. At the end of 2019, 42 disabled people (weighted) were employed, which is 10 more than the required number (the required number is 32). 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.

	2017	2018	2019
Disabled employees (male)	54	31	25
Disabled employees (female)	42	20	17

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.

Mid- and Long-term Goals for Talent Cultivation

Target yea: 2025

- According to the annual training plan signed every year, the actual rate of trainings implemented must reach 95%
- For the annual training courses, students' overall after-training satisfaction score must reach 4.5/5

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 2019, leadership-training courses were given to 195 person-time.

To cultivate key leadership teams, the company tailored a series of leadership courses for leaders at different levels. The design of the course not only combines the core values of HTC and the direction of organizational development strategy, but also strengthens the three functional aspects of company leadership management:

- Leading People
- Leading Change
- Strategic Thinking & Decision Making



HTC Manager Week

To allow supervisors (management) to learn new ideas and concepts from the best practices in the industry, change their inherent thinking patterns, and trigger new behaviors or approaches in work and management, we implemented the Manager Week event. In this event, we shared with supervisors articles that are related to the 3 major management competencies on Friday of every week. In 2019, a total of 49 articles have been shared, allowing supervisors to get the latest management information by reading the shared articles every week during their busy work, and keeping them connected with the world.

Manufacturing Department Management Course

In 2019, HTC also conducted several management courses for supervisors of the Manufacturing Department; a series of courses has been planned for junior and mid-level supervisors. In this series of courses, 2 course sessions have been arranged for junior and mid-level supervisors separately, with a total of 81 people attended the event. An average satisfaction score of 4.63/5 was achieved.

The courses for junior supervisors are focused on the skills and application of work implementation management. This series of courses provides junior supervisors with skills and tools for work planning, employee problem solving, and follow-up evaluation. At the same time, they also strengthen supervisors' communication, coordination, supervising and checking skills, and focus on how to establish good employee relations. Through the courses, junior supervisors will understand the roles and responsibilities of a supervisor and the required capabilities. In addition, the management competency of supervisors can be improved through practice, and related leadership skills and tools can be applied to the actual work to improve work efficiency and interaction with employees, effectively reducing employee complaints.

The courses for mid-level supervisors are focused on departmental performance management and guidance. This series of courses provides mid-level supervisors with skills and tools for work planning, employee problem solving, career goal setting, and decision making. They also strengthen supervisors' skills in communication and coordination, performance evaluation, reward and punishment, and subordinate development. Through the courses, middle-level supervisors can develop their capability in work management and execution, and use situational leadership to guide their subordinates, achieving the effect of talent retention and motivation.

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 2019

	General Workforce	Middle Supervisors	Senior Supervisor	Highest Governing Institution
Number of training recipient	252	75	2	8
Recipient rate	11.4%	4.6%	2.7%	80%

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 Directors.

HTC New Employees Legal Training

Course Content	Number of participants		Course Hours	
	2018	2019	2018	2019
General new employees legal training - confidentiality and anti-insider trading	368	329	36	36
General new employees legal training - intellectual property rights	368	329	38	38
General new employees legal training - patent litigation	368	329	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 2019, and invited pioneering experts from around the world to give 3 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.



Thinker Forum Case Sharing

In addition to smartphone and virtual reality (VR) businesses, HTC also extended its territory to blockchain. It released the second-generation blockchain mobile phone in 2019 and was selected by Forbes in 2019 as the world’s top 50 enterprises who lead in blockchain.

On October 15, 2019, HTC was honored to invite the 23-year-old Taiwanese blockchain star Jeff Yao-Jie Hu to share with us on the topic of “Blockchain from Zero to One”. Jeff not only was an invited scholar at the Blockchain Research Institute in University of California, Berkeley, but also the Chief Technical Director of New York News Blockchain, BlackbirdAI. He is also the co-founder and CEO of the Turing Chain. He has published three blockchain papers in the authoritative forum ACM, IEEE and international journal CPE, and was awarded the best paper in 2018 at the CryBlock in Munich, Germany. He has won more than a dozen international awards including the Microsoft Dream Cup 2017 Hong Kong runner-up and South Korea 2018 UpTown financial technology competition runner-up.

On the day of the event, nearly 150 employees from various departments who wanted to learn about blockchain participated in the lecture. Jeff gave a wonderful speech to the audiences with his rich practical experience. He guided the audiences from the basic introductory knowledge of blockchain in an easy-to-understand way, and then used more advanced materials and tools to explain related applications and future trends.



Individual Development Talk

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. In 2019, a total of 3 personal development and learning lectures were held, inviting brain science expert Hong Lan, Chinese top 100 lecturer He-Quan Li and cognitive scientist Zhi-Hao Cai to give wonderful speeches to our employees. A total of nearly 360 people participated in the three lectures, allowing our employees to enrich their soft power in addition to their professional skills. From the practical experience and case sharing of experts in various fields, new methods can be learned to make work easier and more effective.



English Leadership Resource and External Training Subsidy

As an international brand, in order to encourage employees to continue learning, HTC has opened weekly business English courses since 2017, providing themes needed for work so that employees can improve their English proficiency.

All courses are guided by professional foreign teachers and the topics of discussion are based on situations that may be encountered in the workplace. Topics of the courses that have offered include: business email, business negotiation, customer complaint handling, business meetings, etc., allowing employees to make full use of the weekly gathering at noon to strengthen their English communication skill and apply it in the workplace! In 2019, a total of 40 courses have been conducted, and a total of 621 people attended the courses.

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 2019 was about 2.55 million.



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 38,600 in 2019.



Through organizing “Enjoy the Reading,” providing employees with a platform for discussion and enhancing knowledge in various fields. In 2019, HTC Library held the “Lending King” activity, and the top three who had the most accumulated physical books in the year received exquisite gifts at the end of the year, enhancing the HTC workplace and promoting a good reading culture, so that learning will never stop. Each season’s “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. In 2016, the monthly learning e-newsletter “HTC Learning Charging Station” was 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 Result

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 2017 and 2019, HTC invested nearly NT\$ 16.447 million in employee training-related programs. Training hours totaled 336,000 and there were nearly 164,700 attendees, each person receiving 52.8 training hours.

In 2019, HTC male employees received 41,496 hours of training and female employees received 31,753 hours of training. General staff received 50,297 hours of training, supervisors received 22,656 hours and management 297 hours. The table below lists staff training over the years:

Year \ Item	Course (Hours)	Number of Participants	Average Training Hours
2017	155,188	74,425	14.93
2018	108,359	55,633	22.39
2019	73,249	34,713	18.76

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 2017-2019= 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 2019

Level \ Sex	Total Training (Hour)		Average Training (Hour)	
	Male	Female	Male	Female
General workforce	23,353	26,943	21.9	23.6
Supervisor	17,869	4,787	15.14	10.78
Manager	274	23	4.72	1.43

Note: Average training hours per person of each gender level = total training hours of each gender level / number of employees of each gender level in the current year.

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				Mid-Level Management Salary Ratio		High- Level Management Salary Ratio		New Recruits Basic Pay and Taiwan Minimum Wage Rate		
General Employees		Manufacturing Employees								
Male	Female	Male	Female	Male	Female	Male	Female	Type	Basic Pay (Manufacturing Employees)	Minimum Wage
110	100	101	100	114	100	115	100	1	100	100
								2	105	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				Mid- Level Management Average Compensation Ratio		High- Level Management Average Compensation Ratio	
General Employees		Manufacturing Employees					
Male	Female	Male	Female			Male	Female
116	100	101	100	124	100	131	100

Employee Salary and Benefit Increase Ratio

Item Description	2016	2017	2018	2019	2019 vs. 2018
Total employee salary and benefits expenses (NT\$)	8,704,953,000	8,703,019,000	5,705,420,000	4,201,438,000	26% reduction

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.

Mean and median of full-time employees in non-supervisory positions

Item	Unit	2018	2019	2019 vs. 2018
Full-time employees	person	5,632	3,658	65%
Average salary	NT\$	868,000	1,097,000	126%
Median salary	NT\$	Not applicable	790,000	NA

Note: 1. Total salary: refers to the employee's salary attributable to the current year with accrual basis, including regular salary (primary salary and monthly fixed allowances and bonuses), overtime pay (whether taxable or tax-free) and non-regular salary (non-monthly allowances, bonuses, employee compensation, etc.), but does not include retirement pension.
2. Supervisory position: The definition of manager is based on the scope of “manager” stipulated by the competent authority’s Letter No. 920001301 issued on March 27, 2003, which is consistent with the scope disclosed by the company's annual report.
3. Full-time employees in non-supervisory positions: refer to the number of full-time employees (including Taiwanese and foreign employees) in the company, which is calculated by deducting those with supervisory positions, employees of overseas offices, part-time employees, and those who are eligible for exemption from statistics from all employees of the company (or permanent 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%. In May 2019, since the reserve for old retirement pension had reached the standard level, the issuing of old pension was suspended for one year upon approval by the competent authority.

Diversified Employee Welfare

In addition to providing all employees with labor, health insurance, club activity subsidies, departmental dinners and employee gyms, it also provides full-time employees with labor retirement and group insurance, employee health checks, allowance on the Dragon Boat, Mid-Autumn, and Chinese New Year holidays, wedding and funeral subsidies, employee subsidies, and annual travel subsidies and other benefits.

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.

Activity Clubs of HTC

The available clubs are Badminton , Orphanage, The Way club, Basketball and other diverse clubs

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 466 person applied for child education scholarship for the first semester of 2019, while 407 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.

2019 End-of-the-Year Appreciation Banquet

The 2019 HTC End-of-the-Year Appreciation Banquet was held in Nangang Exhibition Center, Hall 2 in January 2020. During the event, Chairwoman Cher Wang and CEO Yves Maitre, together with the management team attended the Party to thank the employees for their hard work in the past year, thanking all employees from the HTC team for their perseverance, efforts, and persistence in developing innovative and breakthrough technologies, hoping to bring consumers with greater and better products.

More than 200 tables were served at the 2019 HTC Year-End Party, with Mickey Huang and Pink Yang as the hosts, and singer Eric Chou was invited to perform. The opening ceremony began by Chairwoman Cher Wang and CEO Yves Maitre jointly completing the “HTC” LOGO sand painting and giving thanks to employees for their hard work hard in the past year. During the Party, several singers and bands also performed on stage, making the event fun and enjoyable.



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 library, reading and common rooms, as well as the provision of full-time administrators and guards who form a joint force with the police and citizens to ensure the safety and security of the residents.

Transportation Vehicles

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

The shuttle bus waiting area is equipped with shuttle bus GPS monitoring system to allow 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.

Travel subsidy

Based on seniority, details as below:

Employee tenure Base date:2018/12/31	2019 The HTC Employee Welfare Committee	Unit:NT\$	
		2019 HTC	2019 Total
Over 5-year tenure (Before 2013/12/31)	3,000	4,100	7,100
Over 3-year tenure but less than 5-year tenure (2014/1/1-2015/12/31)	3,000	1,800	4,800
More than 1- year tenure but less than 3-year tenure (2016/1/1-2017/12/31)	3,000	900	3,900
Less than 1-year tenure (later than 2018/1/1)	3,000	none	3,000

2019 HTC Sports Season

The 2019 HTC Sports Season includes “Basketball Full-Court Game”, “Badminton Team Competition”- Men’s Singles, Women’s Singles, Men’s Doubles, Women’s Doubles, Mixed Doubles, and “Fun Team Games”- table tennis, basketball shooting machine, VR boxing. The contestants used their sweat to show the attitude, vitality and enthusiasm of HTC people, and to create a journey of love and dreams together. During the event, the participating teams showed the sportsmanship of courage, challenge, and teamwork. The cross-department teams and the cheering of the cheerleaders on the courtside have greatly enhanced the cohesiveness among employees, and triggered the vitality of the whole company. Let’s keep our body and mind healthy and strong by continuing to exercise, and prepare for better performance next year.



— 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. Free weight training equipment and weight training mat floor were added in 2019. Various modern fitness equipment and coaches are available on schedule to provide guidance and advice.

HTC has commissioned professional fitness management consulting firms and professional suppliers to manage the gym and to provide full-time services. These include onsite fitness instruction, fitness curriculum planning, and advice about the prevention of sports injuries. Six coaches with an emergency card or sports injury protection license were on shifts at the site. This provides employees with the best health consulting services and the environment. Employees get help for the establishment of positive sports safety and healthcare. Courses are planned and arranged on various health topics and activities and employees can participate according to their preferences. In addition, the gym uses HTC’s online form to register for courses, allowing employees to click on their computers and mobile phones to register, saving on-site waiting time.

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



Use of the Gym

Category	Number of Users in 2019
Use of the Gym (person-time)	38,800
Participation in aerobic classes (users)	826

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 Taipei Office 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 Korean and Japanese 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. Through the demonstration of artistic works such as color and light to improve the quality of rest and enhance the creativity of employees. Visitors can walk freely around the artworks, making the process more exciting and fun.



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 14 Breastfeeding room in Taiwan that was visited 20,417 times in 2019.

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	2016	2017	2018	2019
Male	56	66	51	42
Female	144	143	136	103
Total	200	209	187	145

Employees Applying for Unpaid Parental Leave and Resuming Duty after Leave in 2019

	Male	%	Female	%	Total
The Number of Qualified for UPL for Raising Children in 2019	339	54.6	282	45.4	621
The Number of Person Actual Applied UPL in 2019	6	11.8	45	88.2	51
The Number of Reinstatement-to-be in 2019	9	11.4	70	88.6	79
The Number of Application for Reinstatement in 2019	7	12.7	48	87.3	55
Reinstatement Rate in 2019		77.8		68.6	
The number of application for reinstatement in 2018	18	22.5	62	77.5	80
The Number of Retention Over 1 Year After Reinstatement in 2018	9	22.5	31	77.5	40
Retention Rate in 2019		50.0		50.0	

Note: 1. The "number of qualified for UPL for raising children in 2019" was based on the number of employees who had taken maternity or paternity leave within 3 years (2017-2019).
2. The "number of reinstatement-to-be in 2019" includes applied in 2017 and should reinstate in 2019, applied in 2018 and should reinstate in 2019, applied in 2019 and should reinstate in 2019.
3. The "number of application for reinstatement in 2019" includes applied in 2017 and reinstated in 2019, applied in 2018 and reinstated in 2019 and applied in 2019 and reinstated in 2019.
4. The "Reinstatement Rate in 2019" = Number of employees reinstated in 2019 / Number of employees that should have been reinstated in 2019.
5. The "Retention Rate in 2019" = Number of employees who had worked one year consecutively after being reinstated in 2018 / Number of employees reinstated in 2018.
6. The "number of application for reinstatement in 2018" includes applied in 20165 and should reinstate in 2018, applied in 2017 and should reinstate in 2018 and applied in 2018 and should reinstate in 2018.

Listening 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 2019, 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 2019, no collective agreement has so far been made.

Labor-management Agreement and Employee Rights

HTC is committed to creating an atmosphere of mutual trust between employer and employees while also focusing on internal communications. HTC convenes labor-management meetings every 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.

Major human resource allocation changes in 2019

To effectively use resources and professional skills, HTC carried out an organization optimization plan in 2019. Owing to changes in market and production needs, HTC must ensure that VIVE and mobile phone businesses can be well developed in the future while providing high-quality products. After careful evaluation, we believe that this action is a necessary step to achieve HTC's long-term corporate goals. We hope the refining of the overall operation can further strengthen the company's future competitiveness.

In this regard, we are fully committed to assisting the affected employees. We help employees to arrange job transfers and counseling, etc. in accordance with the laws and regulations of the Labor Standards Act to protect employees' rights and interests, hoping to minimize the impact.

Employee Satisfaction Survey

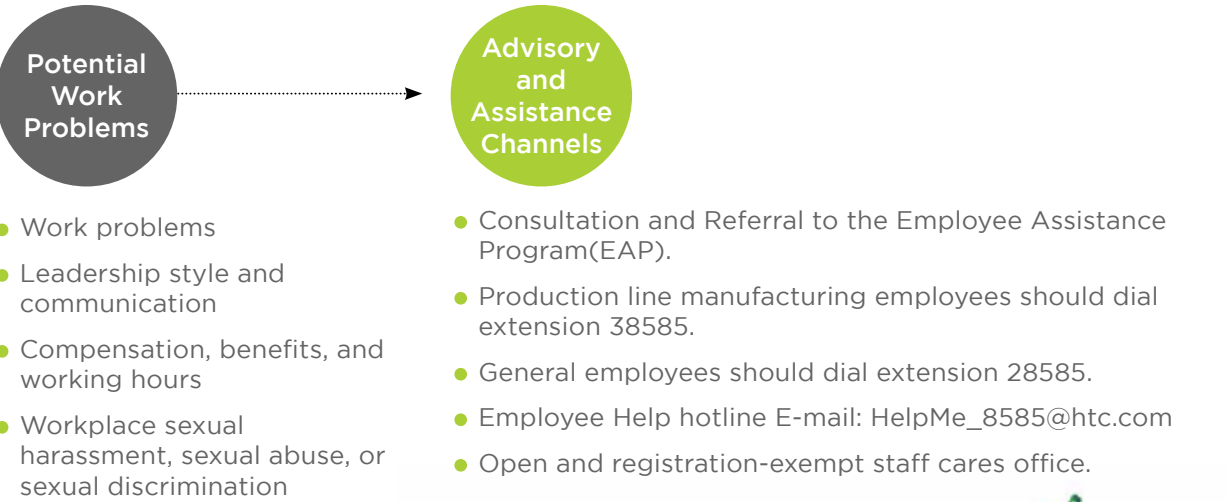
Out of consideration for employees ‘ feelings about working in the company, which can in turn improve work efficiency and effectiveness, and reduce the turnover rate, HTC conducts employee satisfaction survey through questionnaires. The manufacturing employees questionnaire survey conducted in 2019 consists of 6 categories including job content, work environment, salary & benefits, internal communication, gender equality, and organizational commitment. The targeted score for 2019 was 3.50 points (out of 5) and the average score from the actual survey was 3.72 points, reaching the annual target. In summary, the employees concerned more about organizational commitment and salary & benefits. 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 2019, 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”.

The manufacturing employees questionnaire survey conducted in 2019



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 2019, 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 2019.



Occupational Health and Safety

All our facility management systems comply with the OHSAS18001 standard for Occupational Health and Safety Management. The scope of system management includes all operations within the factory area (including contractors), and is expected to be changed to ISO 45001 in 2020. 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 19 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 7 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. In 2019, 2 hours of training on service SOP and communication skills were conducted for guards and their supervisors. A total of 59 people attended the training. In addition, 15-minute training on recent faults is implemented daily before the service.

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 14 suppliers were audited in 2019, and deficiency items have all been corrected and improved.

Food Safeguards



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



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 HQ & Plants and Taipei Office 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.

Taipei Office Dining Activities

Valentine’s Day Special

On Valentine’s Day (February 14th), the Juice Bar at the 9F Restaurant in the Taipei Office introduced the Valentine’s Day Special, “Fruits Fall in Love with Ice Cream”, which used seasonal fruits, the strawberry ice cream from Mövenpick, and a small umbrella for decoration, allowing employees to enjoy a sweet Valentine’s Day.



Thanksgiving Turkey Sharing

On Thanksgiving Day, HTC invites chef from the Monarch Plaza Hotel to serve huge turkeys at the Taipei Office restaurant. In addition to turkeys, original turkey sauce or cranberry sauce were provided, together with fresh and crispy mixed garden salad to enhance the overall flavor of the meal. The meal was provided to employees for free, allowing them to experience the atmosphere of Thanksgiving and sharing.



Christmas Alcohol-Free Drink

On December 24 (Christmas Eve), HTC invited church brothers and sisters to sing church music with employees. In addition to experiencing the joyful Christmas atmosphere, we also prepared alcohol-free sparkling drinks for employees to enjoy, spending a happy Christmas Day together.

VR Experience Activity

HTC collaborated with the National Palace Museum and the world’s top museums to demonstrate the excitement of virtual reality. In addition to inviting employees and their families to experience HTC’s VR technology and products, foods were also served during the activity, allowing employees to enjoy the meal and have fun.



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 2019.

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	2017	2018	2019
Environmental expenses	83,745	42,804	41,792



Environmental Maintenance Expenditure in 2019

Category	Taipei Headquarters	Taoyuan Plant	Unit: NT\$
			Total
Plant cleaning	14,227,128	14,057,386	28,284,514
Restaurant cleaning	3,133,620	3,055,366	6,188,986
Pest disinfection	59,444	377,662	437,106
Rodent control	125,329	374,250	499,579
Carpet rental	-	48,960	48,960
Elevator ladder cleaning	-	10,500	10,500
Water tower cleaning	-	208,000	208,000
Gardening	1,491,533	661,450	2,152,983
Cleaning supplies	1,944,648	2,017,121	3,961,769
Total Expenditure	20,981,702	20,810,695	41,792,397

Note: For the expenditure of HQ & Plants, 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	<ul style="list-style-type: none">● Health center for managing and planning affairs related to employee health.● General and outpatient rehabilitation services.● Health exam and management for staffs.● Management/tracking for abnormal HE results, Special care and case follow-up management.● Health information webpage.
Health Promotion	<ul style="list-style-type: none">● Comfortable breastfeeding rooms, Smoking cessation promotion, Weight-loss Classes, Topic seminars, Blood donation activity.● Influenza vaccination, Cancer screening, Infectious disease control and treatment.● Aerobics.● CPR & AED course design.
Occupational Health	<ul style="list-style-type: none">● Establishment and maintenance of HE Database for Special-Operation Staff.● First-aid training, Prevention and treatment of occupational injuries and illness, Workers return to work management.
Employee Assistance Program	<ul style="list-style-type: none">● Mental consultations, Special counseling.● EAP promotion activities and leaflets for new employees, EAP advocacy monthly newslette



Employee Clinic Service Result in 2019

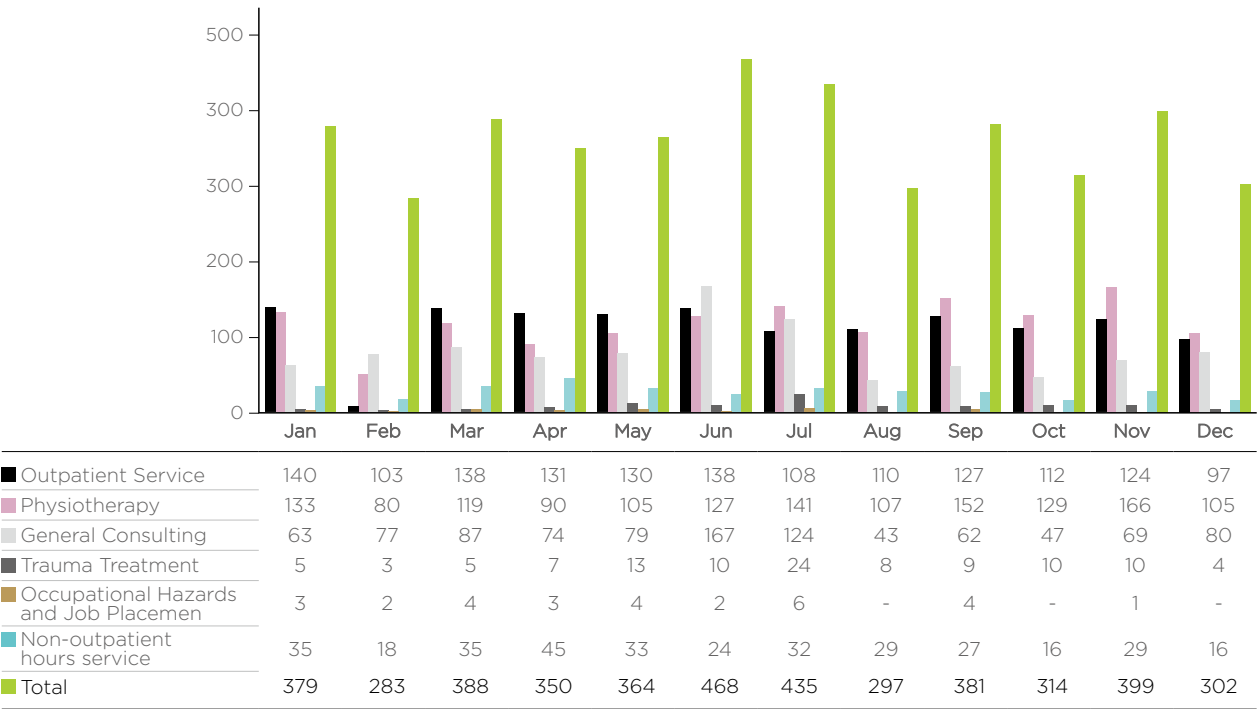
Category	Person-time
Outpatient Service	1,458
Physiotherapy	1,454
General Consulting	972
Trauma Treatment	108
Occupational Hazards and Job Placement	29
Non-outpatient hours service	339
Total	4,360

Health Management

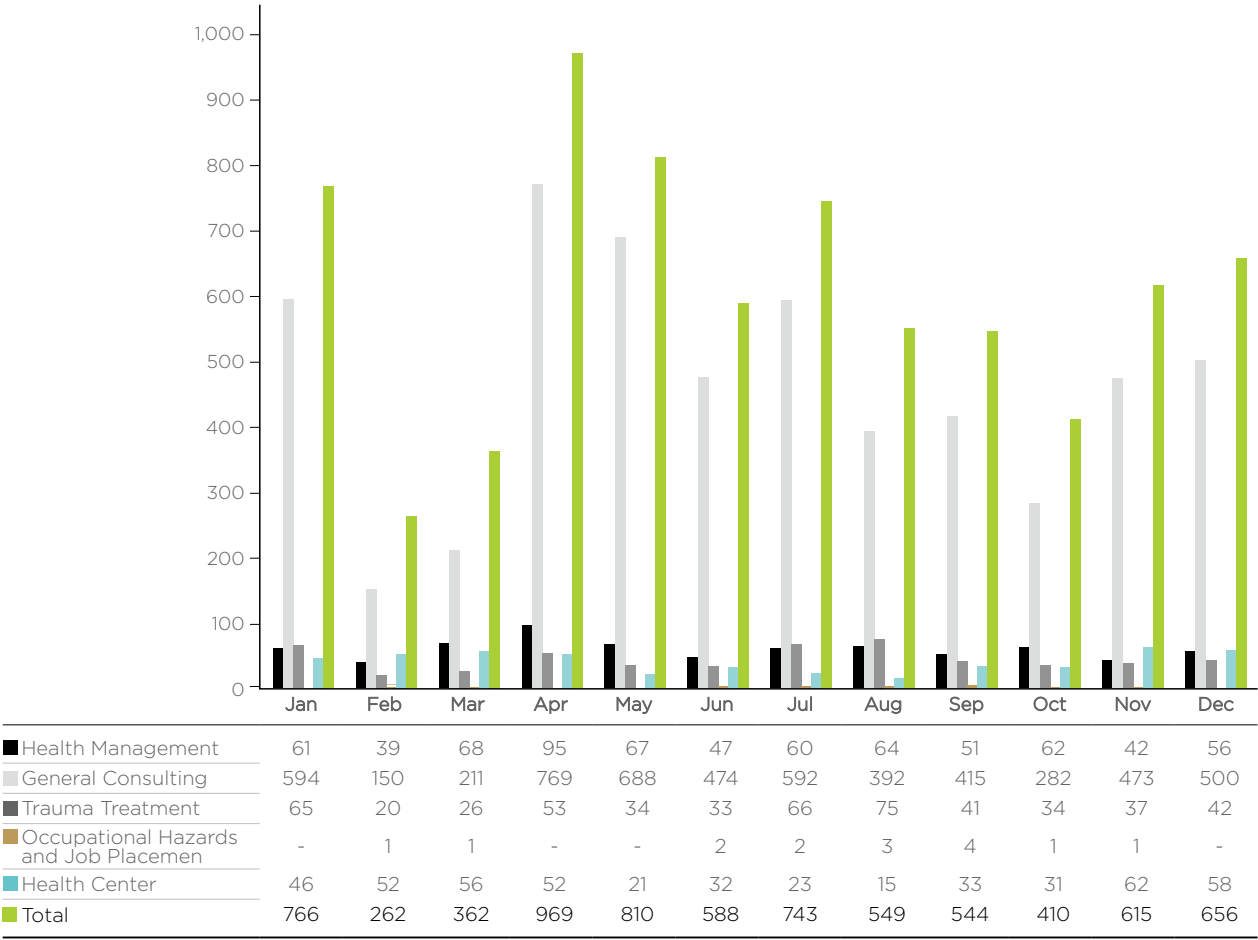
HTC has established an “Employee Clinics.” Professional medical counseling is available for staff and there are resident doctors in the clinic. There is also excellent physical therapy and health management service. Health check services for employees cover the divisions of general medicine, family medicine, 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 HQ & Plant’s full-time medical specialist reported to work. Through his long stay in the HQ & Plants 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 office 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 HQ & Plants’s Employee Clinics provides approximately 4,021 person-times of service and 7,274 people attended Taipei Office Health Center in 2019. With a one-time entry fee of NT\$50, the total amount of deducted registration fees for the year 2019 was NT\$685,500, which was equivalent to 1,371 persons, and the total deducted copayment was NT\$133,250, which is equivalent to 2,665 person-times.

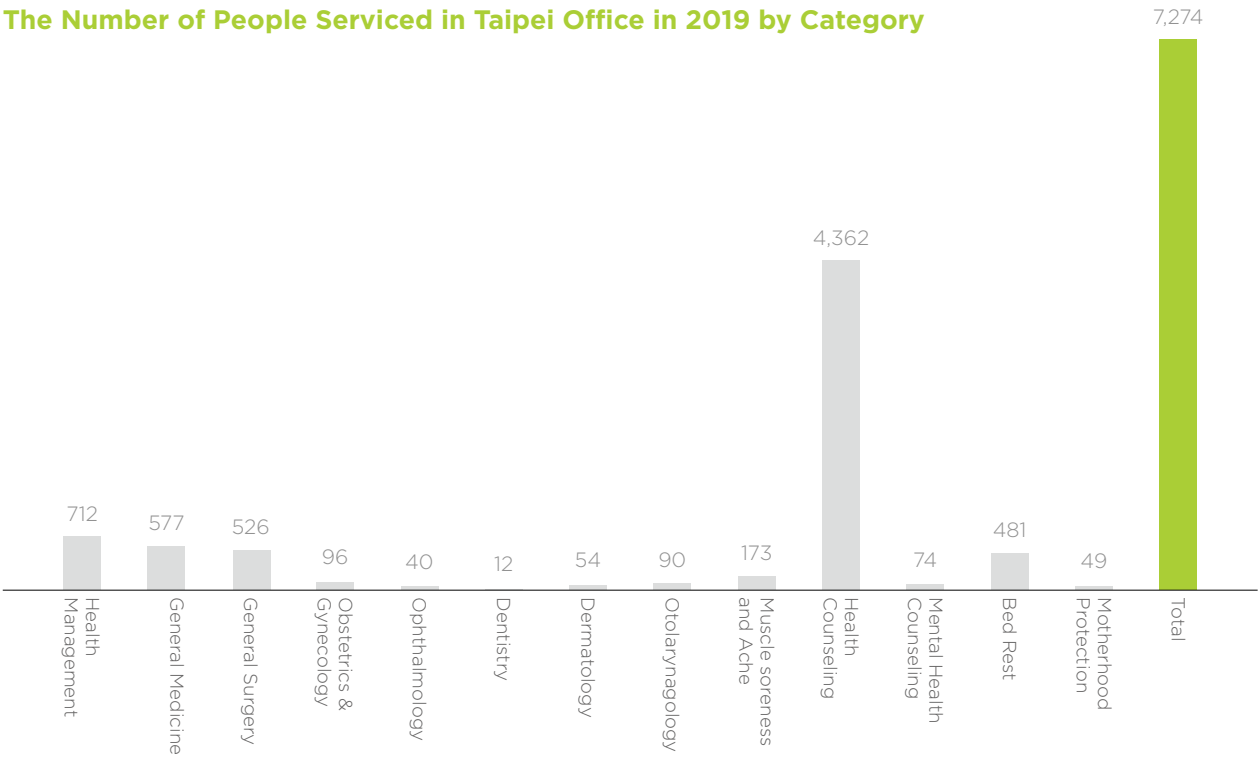
The Number of People Serviced in HQ & Plants Employee Clinic in 2019



The Number of People Serviced in Taipei Office Health Center in 2019



The Number of People Serviced in Taipei Office in 2019 by Category



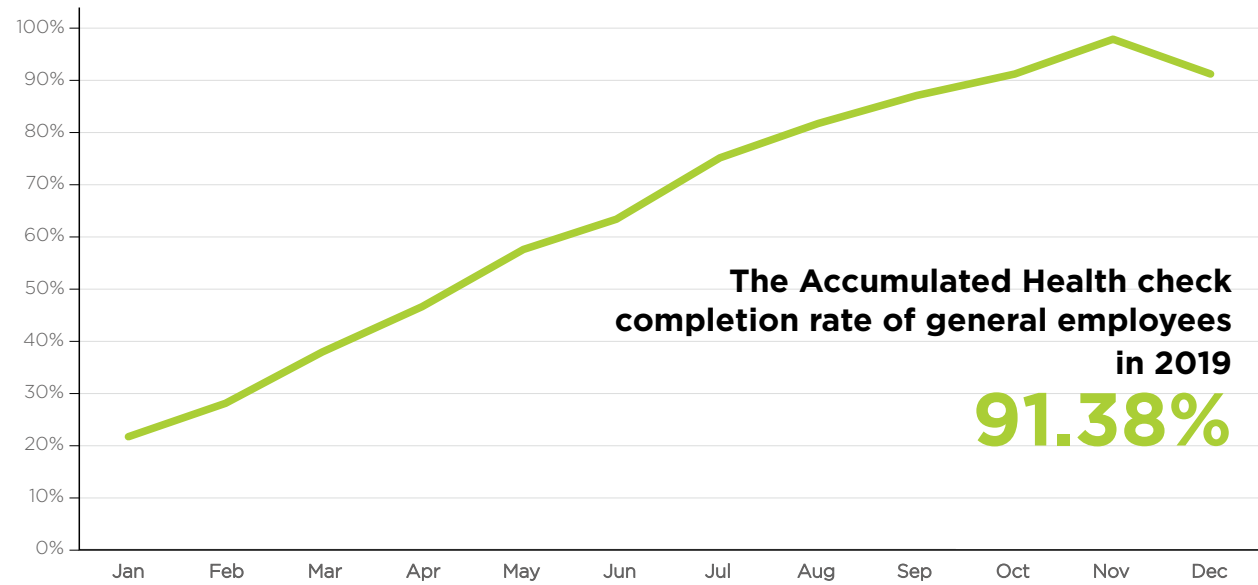
Annual Health Check Subsidies

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

In 2019, HTC spent NT\$ 4,096,083 on subsidized health checks for general employees in Taiwan. There were 843 benefited employees. Among them, the health check completion rate for general employees in 2019 was 91.38%, while that for manufacturing employees was 100%, 1,069 people completed the health check in 2019. 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 2019.

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

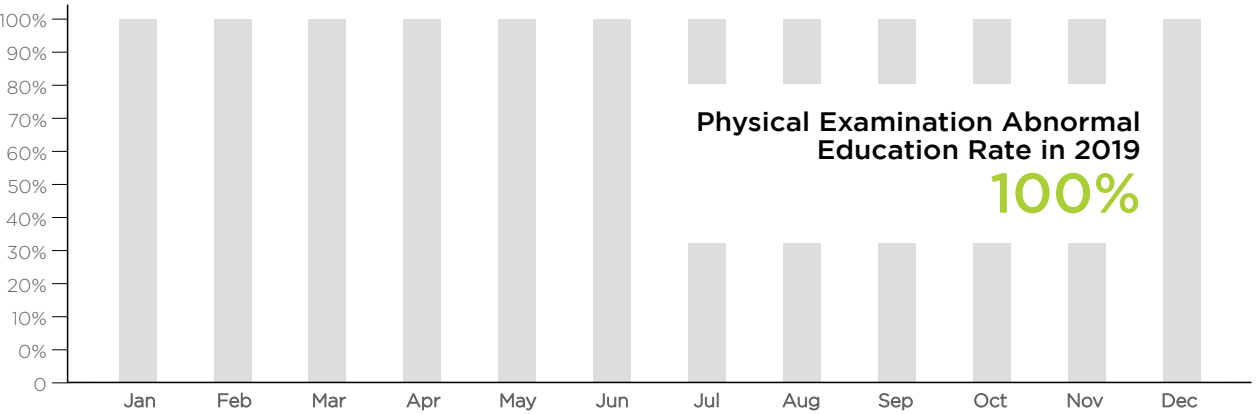


Uncompleted Annual Health Check Tracking Mechanism

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 2019

The number of new recruits with physical abnormalities follow-up.	72
The number of employees with physical abnormalities follow-up.	727

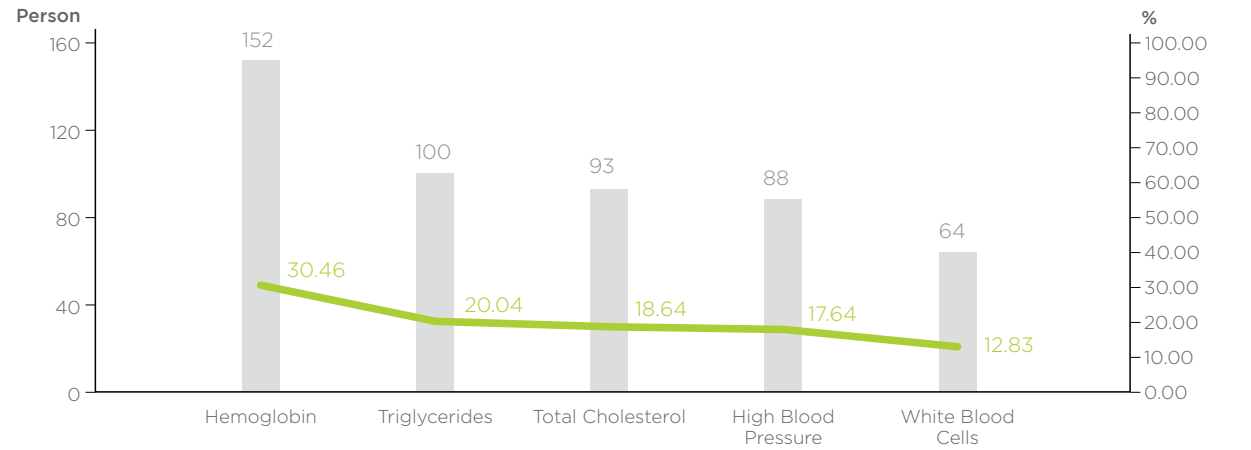


2019 Annual Health Check Abnormal Items and Number of Person

1. Manufacturing Employees

499 persons had abnormal health examination results. The top five abnormal items were hemoglobin 152 persons, Triglycerides 100 persons, total cholesterol 93 persons, High Blood Pressure 88 persons, and white blood cells 64 persons.

2019 Abnormal Items and Number of Persons for Manufacturing Employees

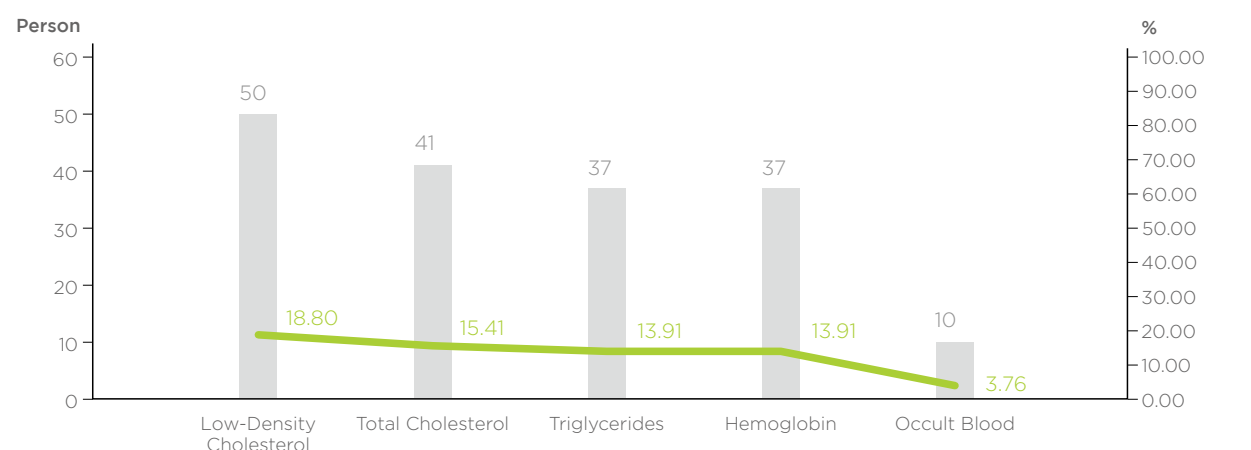


Note: This statistic includes departing employees.

2. General Employees

266 persons had abnormal health examination results. The top five abnormal items were low-density cholesterol 50 persons, total cholesterol 41 persons, triglycerides 37 persons, hemoglobin 37 persons, and occult blood 10 persons.

2019 Abnormal Items and Number of Persons for General Employees

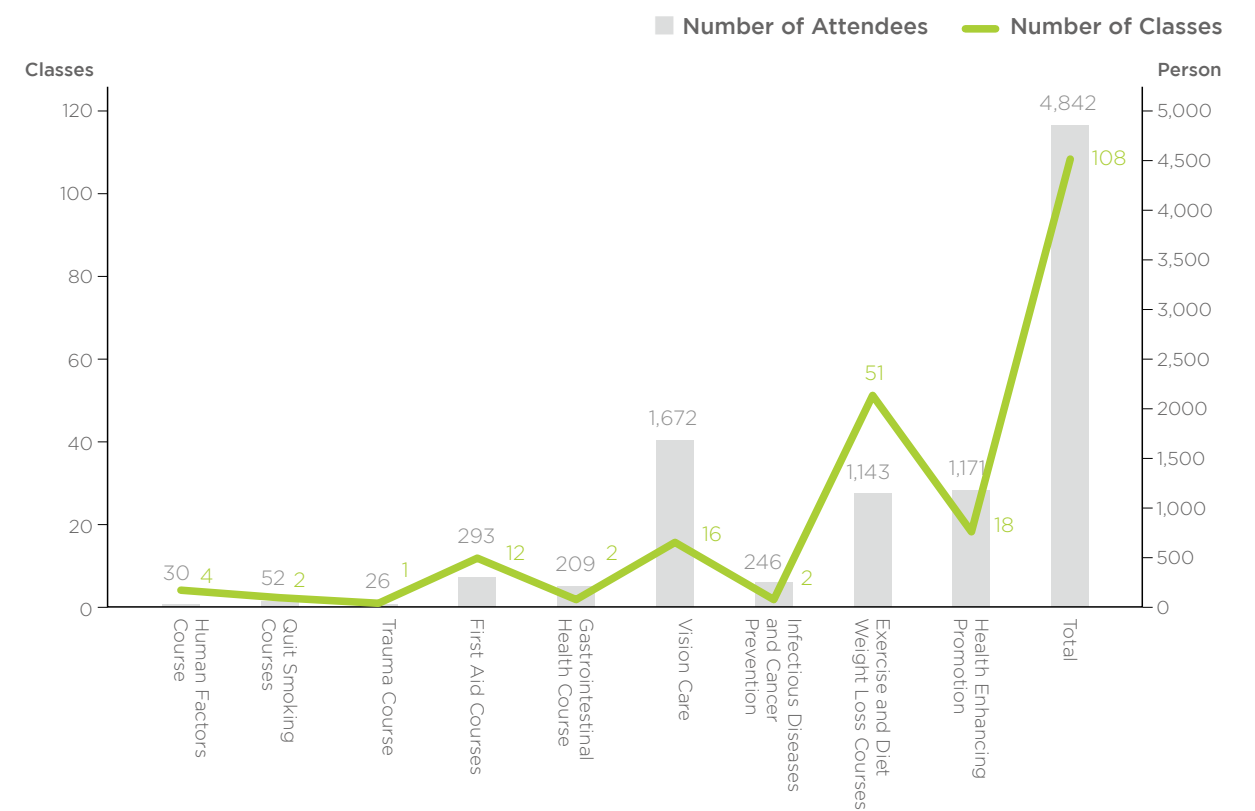


Note: This statistic includes departing employees.

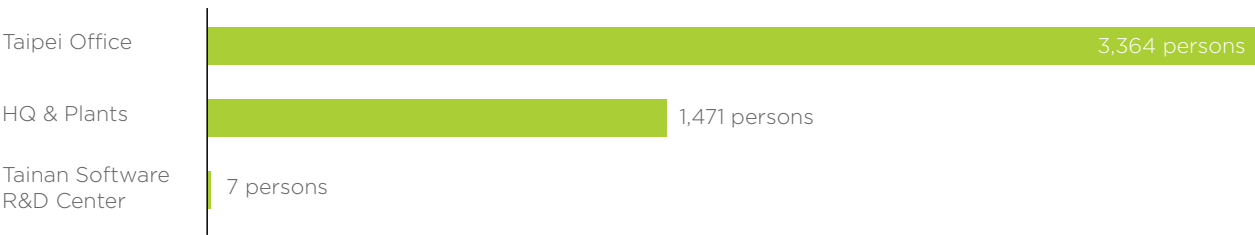
Health Promotion Programs

It is a well-known fact that the pressure of a technology industry tends to cause employees to neglect the importance of their health. 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. 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..

2019 Health Promotion Course Content and Number of Participants



Number of participants in health promotion courses in various regions in 2019



HTC Employee Clinic Facebook Page

<https://www.facebook.com/HTCEmployeeClinic>

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 2019, the number of fans in FB Fan Page reached 1,022 persons.

2019 Employee Clinic Special Event

Physical fitness enhancement activity

Since some employees have been sitting for work for a long period of time and have limited exercise, their health and physical strength may become poor, leading to abnormal results in their health examination report. The employee clinic conducted physical fitness enhancement activity to build a healthy and good posture for our employees. The activity is comprised of 12 weeks of sports-related courses, which spanned from April to June of 2019. The activity includes technical fitness test, blood test and 20 sports introduction and field courses. A total of 34 employees completed all sports courses. In addition, employees were also allowed to participate in individual courses, with a total of 670 people attended the courses.

Results of physical fitness enhancement activity:

The results show that 76% of employees have a significant decrease in body fat percentage, 76% of employees have improved cardiovascular endurance, 59% of employees have increased muscular endurance, and 56% of employees have increased body flexibility. Employees also felt that their health became better and their physical strength was greatly improved. Moreover, 62% of employees had increased good cholesterol “high-density lipoprotein” value. Among them, the obese group (a total of 18 people) had significant improvement as compared with the healthy (control) group (a total of 16 people), which reduces the risk of cardiovascular disease. The metabolic syndrome high-risk group in was reduced from 4 people to 2 people.



2019 Employee Clinic Special Event

Cerebral and cardiovascular health promotion activity

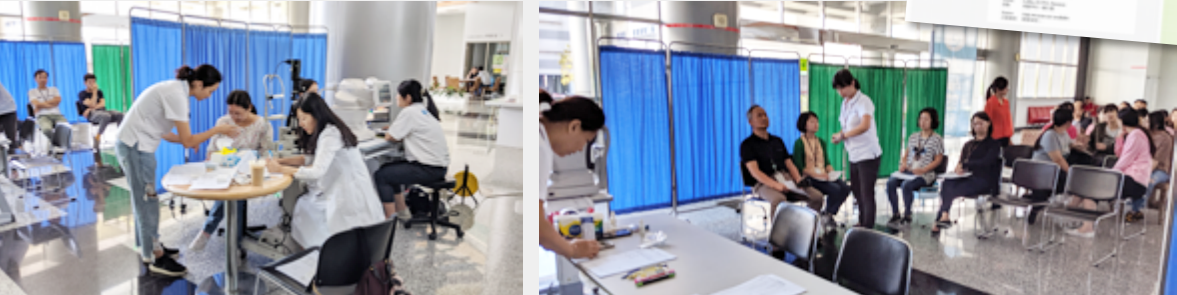
HTC actively promote in the government's smoke-free workplace policy. Besides formulating smoke control measures and implementing a comprehensive smoking bans in the factory area, smoking quitting consultation service has been offered in employee clinic since May 2016 for employees with smoking habits. Smoke-quitting treatments were conducted by professional doctors, pharmacists, and smoking-quitting counselors, allowing the participated employees to quit smoke successfully. As of 2019, 17 employees have participated in the treatment. In 2019, a series of 26 smoke-quitting related courses were held, with a total of 491 people attended the courses. The courses include: cerebral and cardiovascular disease lectures, cerebral and cardiovascular risk screening tests, good diet and good health lectures, sports lectures and fresh air lectures.



Eye care - eye inspection activity

Eye is the window of our soul. "It" leads you to explore this colorful world and shows you the beauty of life. However, people nowadays are under a lot of stress and 3C (computer, communication and consumer electronics) products have become indispensable part of their life, placing a great burden on their eyes. The latest research found that as vision deteriorates, memory and mobility also decline, accompanied by dementia and depression. Let us understand and protect our eyes, restoring our vision and brain power to youth. For this event, we invited the Universal Eye Center to provide quality eye inspection for our employees. The HTC Employee Welfare Committee provided subsidy for each eye inspection (up to NT\$ 1,500). Employees can receive free corneal slit lamp examination, fundus retinal tomography, and dry eye screening.

The total of 1,672 people attended the activity. Among them, 77 people required further health consultation.



HTC's response to the COVID-19 epidemic

First Stage (2020/1/31-2020/3/4)

1. To avoid the potential threat in the working environment that some employees may have visited the area with epidemic or had contact with people who has been infected with COVID-19 during the Chinese New Year holidays, all the employees who originally planned return to work on January 31 were required to Work From Home (WFH), and not allowed to enter the office. It was also announced that all employees entering the office, must fill in and submit the "Health Declaration Form" before entering the office area
2. Employees must honestly declare on the Health Declaration Form their contact and travel history to apply for Work From Home :
 - Those who visited China, Hong Kong, and Macao must Work From Home (WFH) for 14 days; those who have contacted people travelling from/to China, Hong Kong, and Macao must Work From Home (WFH) for 7 days.
 - All passengers who enter Taiwan through "transfer" in China, Hong Kong and Macau must Work From Home (WFH) for 14 days.
3. Disinfection of the entire working environment was completed on January 31 (Friday) using bleach and alcohol. The disinfection will be implemented once every two weeks.
4. For the disinfection of public areas, the cleaning staff wipes the buttons and panels inside and outside the elevator with alcohol or bleach every hour, as well as the door handles of the conference room and the desktop of the sofa area on the first floor; the disinfection of the interior of the elevator is conducted using with hypochlorous acid every hour.
5. The dining area of the restaurant is closed. The kitchen serves meals as usual; however, lunch boxes are served instead. Employees are asked to eat their meals at their own seating area. The collection area for food waste and lunch boxes is temporarily located in the pantry of each building.

Second Stage (2020/3/5-)

1. All employees must pass the temperature test when entering the building. Masks must be worn throughout the day, especially during meetings and close-distance discussions.
2. Everyone must complete the "Voluntary Health Management Feedback" on the computer or mobile phone every day.
3. In case the epidemic continues to expand to affect our entire life, drills were conducted according to the "Guidelines for Enterprises to Continue Operation in Response to the COVID-19 Epidemic" issued by the Central Epidemic Command Center, to prepare the scenario that employees are unable to take transportation or cannot enter the office to work.
4. After the WFH exercise, 50% WFH was officially implemented depending on the situation of the epidemic, reducing the opportunity for group work as well as the density of personnel in the office.
5. Employees who return to Taiwan from abroad, regardless of the country or region, must stay home for quarantine and Work From Home (WFH) for 14 days; within the 14 days, please do not enter the office or meet with colleagues. Use video conference for meetings.
6. Employees who have been in contact with family, relatives and friends traveling to and from the above areas must Work From Home (WFH) for 7 days.
7. Strengthen the protection against mild symptoms. Those who have fever or respiratory symptoms must Work From Home (WFH) for 7 days; to avoid seasonal flu or other diseases to spread during this epidemic, which puts more burden on the medical resources, regardless of whether there is any contact or travel history, anyone who has fever or respiratory symptoms must Work From Home (WFH) for 7 days, and inform the employee clinic as well as the corresponding department supervisor immediately.

Occupational Health

1. Specific Health Check

In 2019, 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 and MDI must receive a thorough health checkup. The total number of employees required for special health examination was 60 people. In addition, according to the regulation that “Employer Shall Provide Certain Items of Health Examination to Its Employee Designate for Long-Term Night Work” issued by the Ministry of Labor on January 5, 2018, employees who are engaged in night work were arranged to complete their specific health examination. The number of people to be inspected was 267 and the inspection completion rate reached 100%. The inspection results showed that the number of employees qualified for the first-level management of special health check up was 33 people, and the number of employees qualified for the second-level management of special health check up was 27 people. According to the “Labor Health Protection Regulations”, the 27 employees qualified for the second-level management and the 87 employees with abnormal results from night work health examination were asked to visit to the employee clinic individually, and health consultation service was offered by doctors, providing them personal health guidance and strengthening their disease and health related knowledge. The follow-up environmental inspection and cause review were completed to continue monitoring the health of our employees.

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	OSH Department
Execution Infringement Prevention	HR Department



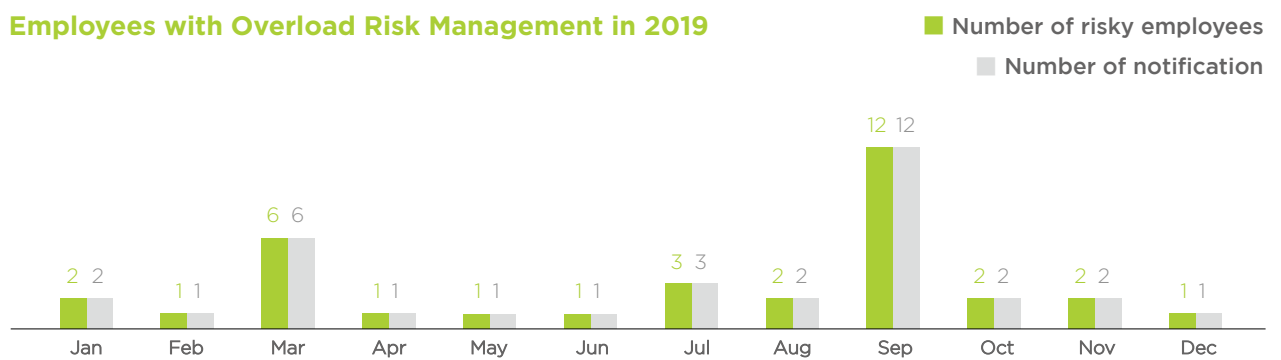
(1) Preventive measures against health-endangering heavy workloads

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 2019 screening and notification, 34 risky employees were interviewed by doctors. There was no incident of injury caused by overload in 2019.

Preventive Measures Against Health-endangering Heavy Workloads



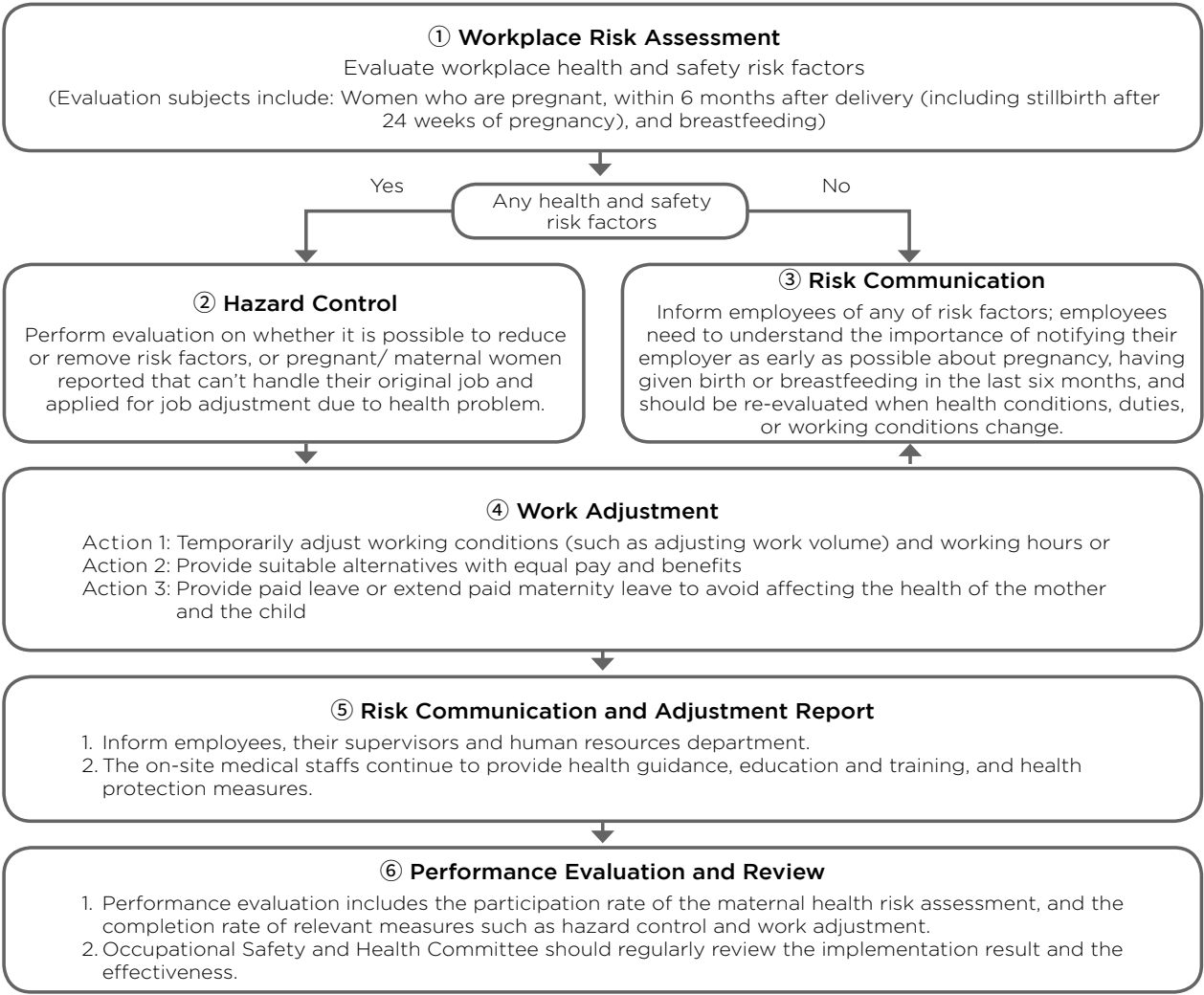
Employees with Overload Risk Management in 2019



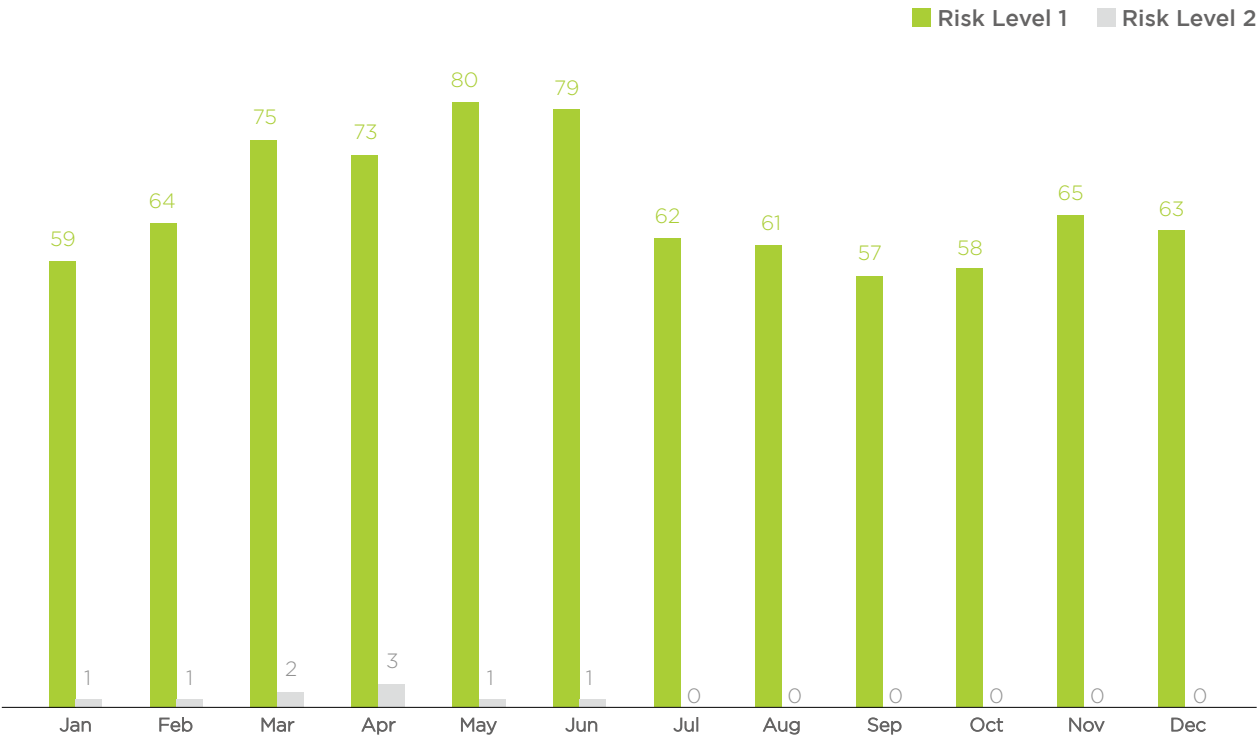
(2) Maternal Health Protection Plan

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 2019, 63 employees completed the risk classification and protective measures, indicating the considerably safe work enjoyment and contents. Female worker maternal health risk assessment and its processes are as follows :

Maternal Health Risk Assessment and Process



2019 Maternal Health Protection Plan Risk Level and Numbers of Employee



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)

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 2019, a total of 661 employees used the telephone consultation services. The analysis and recommendation on employee consultation topics are reported regularly to the Occupational Safety and Health Committee.

The number of people using EAP in 2019 has increased significantly as compared to that in 2018, indicating that most employees accept and are willing to use this service, and the satisfaction after using the service is quite high. It is suggested that the current promotion model, channels, and professional services can be kept to maintain the well-being of employees. The recommended evaluation criteria are as follows:

1. Stabilize labor productivity and reduce the absence and turnover rate of employees.
2. Prevent the occurrence of employees' deviated behavior (such as suicide), effectively reduce the problem handling cost.
3. Improve management efficiency and assist newcomers to adapt to work and environment.
4. Improve employees' work enthusiasm and initiative to activate the working atmosphere in the office.
5. Promote the physical and mental health of employees, and strengthen their cohesiveness and sense of identification with the organization.
6. Improve employees' emotional stability and work efficiency.

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

Employee Assistance Program (EAP) Results

	2017	2018	2019
Number of Telephone Counseling (Free)	141	351	532
Number of Interviews	130	91	129
Hours of Interviews	140	100	132
Number of Interviews (Male)	44	38	52
Number of Interviews (Female)	86	53	77
Number of Interviews (Manufacturing employees)	6	2	10
Number of Interviews (General employees)	125	89	119
Invested expense (NT\$)	566,400	460,000	549,600

Positively Preventing Occupational Accidents

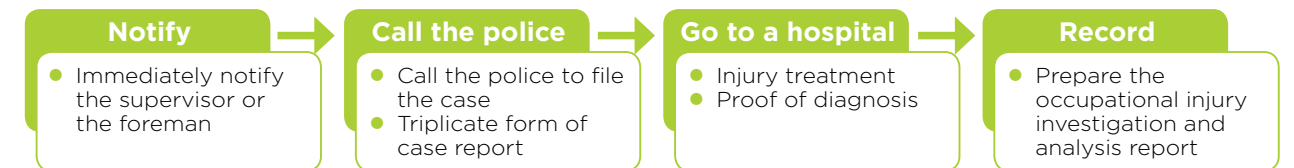
HTC has identified the prevention of occupational accidents as a top priority of facility management. By following the "Occupational Accident Prevention and Self-Inspection Plan", we prevent occupational accidents and perform self-inspection to achieve our zero-accident goal.

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.

The hazard identification in 2019 is Class 3 and Class 4, which are low-risk. The types of injuries with higher severity are falling, electric shock, and confined-space operations. The current control methods include implementing checkpoints before/during/after operations, education and training, and promotion.

In the event of an occupational injury, our notification procedure is as follows:

● Traffic accidents outside the factory area



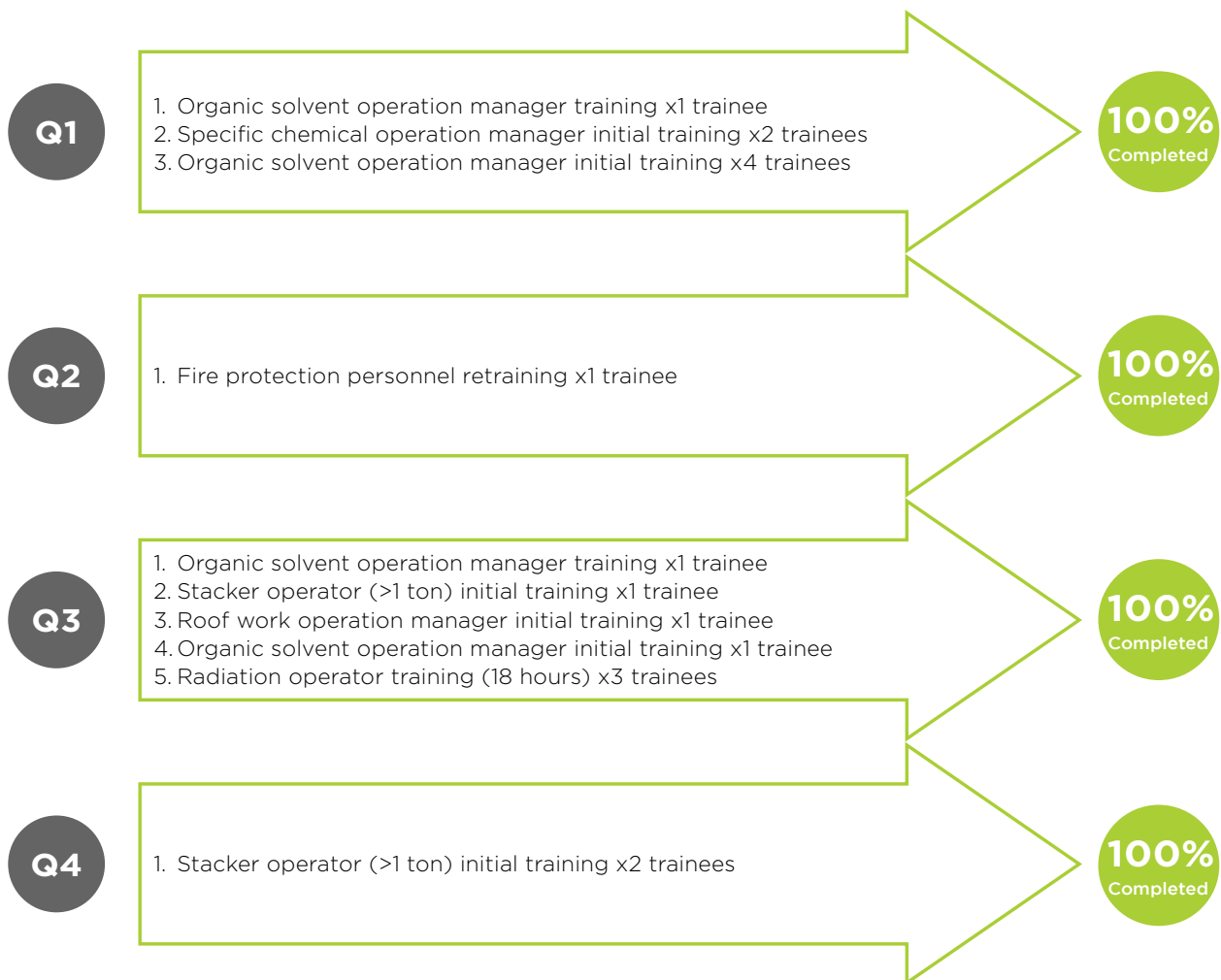
● Accidents in the factory area



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.

2019 Full-time Environmental Safety and Health Personnel Training

2019 (Re) training for Certificate Training Completion Rate



License type	Person	Hour	Total
Organic solvent operation manager initial training	5	18	90
Organic solvent operation manager initial training	2	6	12
Fire protection personnel retraining	1	8	8
Roof work operation manager initial training	1	18	18
Specific chemical operation manager initial training	2	18	36
Stacker operator (>1 ton) initial training	4	18	72
Radiation operator training (18 hours)	3	18	54

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.
- 17 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 2019, most occupational injuries were the result of traffic accidents, with 21 cases in the HQ & Plants and 2 cases in the Taipei Office. There were 4 injury cases that occurred within the HQ & Plants and there was no accidents in the Taipei Office. Falls are the most frequently reported incident (2 cases), with 3 days of labor lost. In 2019, the average employee injury frequency rate (FR) of HTC employees was 0.91 person-times/million man-hours for the HQ & Plants, and 0 for the Taipei Office. The average injury severity rate (SR) of HTC employees was 4.56 days/per million hours for the HQ & Plants, and 0 for the Taipei Office.

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 & SR in Taiwan Plant in 2019

	Target	Result (QH & Plant)	Result (Taipei Office)
Average Injury Frequency Rate (FR)	0.3	0.91	0
Average Injury Severity Rate (SR)	1.8	4.56	0

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.

Absence rate (AR)

Total hours absent / total hours worked x 200,000*

Year	2019
Taiwan	1
HQ& plant(male)	1.06
HQ& plant(female)	2.18
Taipei Offices(male)	0.29
Taipei Offices(female)	0.67

Note: In 2019, the number of days of absenteeism is calculated as the number of days of absenteeism due to incapacity for any reason, not limited to work-related injuries or illnesses but excluding approved holidays, such as: festive holidays, training, maternity leave, paternity leave and funeral false.

Injury Frequency Rate (FR)

Injury Frequency Rate per Million Hours Worked

Year	2017	2018	2019
HQ& plant	0.61	0.83	0.91
Taipei offices	0	0	0
Management Target	0.30	0.3	0.30

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	2017	2018	2019
HQ& plant	10.89	7.53	4.56
Taipei Offices	0	0	0
Management Target	1.80	1.8	1.80

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

Occupational injury in Taiwan Plant in 2019

The main types of occupational injuries in HTC plant and for contractors include falling over, clamping, colliding, cutting, etc. Among them, clamping is an occupational hazard that causes serious occupational injury. When occupational injuries occur, should shut down machines immediately and perform simple remediation. Operators should be advised to pay attention to the conditions of the machine/equipment to minimize the risk. The following data calculation covers all workers.

Severity Occupational Injury Rate (excluding deaths)

Number of serious occupational injuries (excluding deaths)/working hours (total hours worked) x 1,000,000

Year	2017	2018	2019
HQ& plant	0	0	0
Taipei Offices	0	0	0
Contractor and Supplier of HQ & plants	0	0	0
Contractor and Supplier of Taipei Offices	0	0	0

Note: 1,000,000 refers to the ratio of every 500 employees based on 50 weeks per year and 40 working hours per week.

Recordable Occupational Disease Rate

Year	2017	2018	2019
HQ& plant	0	0	0
Taipei Offices	0	0	0
Contractor and Supplier of HQ & plants	0	0	0
Contractor and Supplier of Taipei Offices	0	0	0

Occupational Injury Death Rate

Number of occupational injury death / working hours (total hours worked) x 1,000,000

Year	2017	2018	2019
HQ& plant	0	0	0
Taipei Offices	0	0	0
Contractor and Supplier of HQ & plants	0	0	0
Contractor and Supplier of Taipei Offices	0	0	0

Note: 1,000,000 refers to the ratio of every 500 employees based on 50 weeks per year and 40 working hours per week.

Recordable Occupational Injury Rate

Recordable number of occupational injuries/working hours x 1,000,000

Year	2017	2018	2019
HQ& plant	4.88	5.45	3.19
Taipei Offices	0	0	0
Contractor and Supplier of HQ & plants	0	0	0
Contractor and Supplier of Taipei Offices	0	0	0

Note: 1. 1,000,000 refers to the ratio of every 500 employees based on 50 weeks per year and 40 working hours per week.
2. Occupational injuries that can be recorded are accidents in the plant, minor injuries in the factory, and traffic accidents.

Occupational Disease Death Rate

Number of deaths due to occupational diseases / working hours x / 1,000,000

Year	2017	2018	2019
HQ& plant	0	0	0
Taipei Offices	0	0	0
Contractor and Supplier of HQ & plants	0	0	0
Contractor and Supplier of Taipei Offices	0	0	0

Note: The total number of employees is calculated based on the total number of employees on December 31, 2019.

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. It is expected to be converted to ISO 45001 in 2020. 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.

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.

* Note: 1. The total number of male working days in head HQ & Plants is 189,243 days, and the total working hours are 1,751,798.91 hours in 2019.
2. In 2019, the total number of female working days in the HQ and Plant was 275,565, and the total working hours were 2,635,456.39 hours.
3. In 2019, the total number of male working days in the Taipei office was 495,277 days and the total working hours were 4,348,543.84 hours.
4. In 2019, the total number of working days for women in the Taipei office was 386,232 and the total working hours were 3,611,211.04 hours.
5. Work-related injury rate=total number of work-related injuries/total working hours*200,000 (based on 50 weeks per year, 40 working hours per week, rate per 100 employees)
6. The contractor's occupational disaster statistics standard is the same as that of ordinary employees, excluding minor injuries with a loss of less than 1 day, and excluding traffic accidents.
7. Since 2016, the company's contractors have not had any accidents, so the total working hours of the contractors in 2019 are not included in the statistics.

Social Investment and Contribution

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

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



HTC Foundation

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

We engage in public interest activities to espouse humanitarianism and contribute to a peaceful and harmonious society. The Foundation plays an important part in community engagement and social services to instill the core values of integrity, honesty, care, love, positive thinking, and respect for natural resources. The HTC Foundation invested NT\$ 16 million on education in 2019, while HTC Social Welfare and Charity Foundation spent NT\$ 41 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 2019, there have been 287 people in total from the leadership teams made up of school principals and administration members from 47 schools who have participated in the five-day intensive immersion training. There are five different campus schools in 2017-2019 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.

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 2019, our accomplishments in social works included:

International and domestic social welfare and sponsorship actions, combining business development and brand value.

VIVE Original

VIVE Originals is the original content brand of HTC VIVE virtual reality (VR). We believe in the vision of virtual reality “VIVE Reality”. “VIVE Reality” is the sum of virtual reality (VR), augmented reality (AR), 5G, and artificial intelligence (AI). In the future, it will create a better life for mankind across every industry in every aspect of daily life.

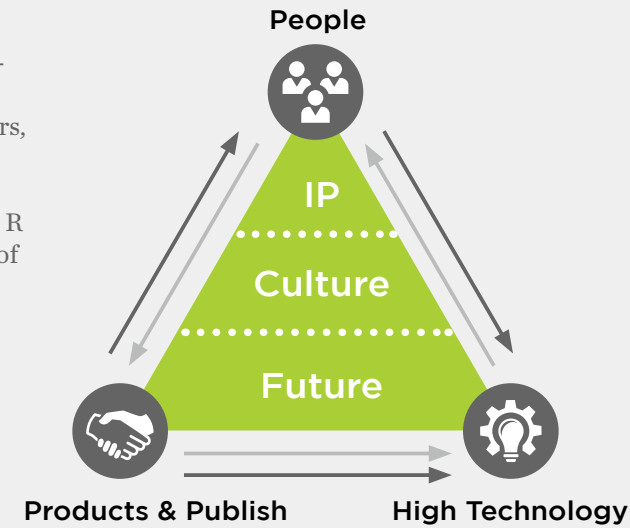
In order to accelerate the realization of the “VIVE Reality” ecosystem, besides collaborating with thousands of content developers around the world, HTC also established a Virtual Reality Content Center in 2016, announcing the launch of the VIVE Originals original brand. Starting from the core team of the pan-entertainment industry, we are fully committed to the development, production and distribution of original content and native IP in virtual reality.



Establishment of the “Taiwan Virtual Content Film & Television Base”

HTC VIVE Originals was established in 2017. We learned that Taiwan is a unique place that can have both superior IP and advanced technology; however, it lacks the role of hardware and software integration such as the Korean Creative Content Agency (KOCCA) or the Hengdian World Studio. HTC hopes to use its advantages in the VR business to lead various technology and cultural industries, creating a virtual content film and television ecosystem. This ecosystem is different from the ecosystems that have been developed so far. We are aware that if we were to compete in the existing ecosystem, we can only be a good replicator. However, judging from the current film and television situation in Taiwan, it is even more important to have the first standardizer to open up the new blue ocean. The first task is to promote the project of the “Taiwan Virtual Content Film & Television Base” that integrates local culture and technology companies. The project is mainly carried out from three aspects :

- Academic Resources (People): introduction of supply chain (MIX type), talent supply chain, knowledge supply chain
- Technology Development/Connection (High-Technology): technology chain connection (international technology/local manufacturers, National Center for High-Performance Computing)
- Business Integration (Production & Publish): R & D/commercialization/technology transfer of content



Establishment of the “Cultural Digital Bank-Collection and Application”

In the project of the “Taiwan Virtual Content Film & Television Base”, one of the social missions is to preserve cultural record. In addition to popular content, culture has some forms of performance that are less noticeable or difficult to record. With the passage of time, they may be “Lost” or “Damaged”. Even if they were not lost, they are not the same as the original piece created by the Master. Therefore, we believe that it is extremely important to preserve the soft assets of traditional culture. For this project, HTC collaborated with Li-Hua Yang, a national treasure-class Taiwanese opera artist. New technologies such as “motion capture”, “puppet construction”, “scene scanning”, and “VR360 shooting” were adopted to make traditional culture sustainable and everlasting.

Going international: VIVE Originals’ original works were nominated twice for the Venice Film Festival

“The Deserted” produced by VIVE Originals and directed by Ming-Liang Tsai was nominated for the 74th Venice Film Festival in 2017. In 2019, five more VR original works from VIVE Originals, namely “INORI”, “5×1-O”, “5×1- Only the Mountain Remains”, “Gloomy Eyes”, “5×1-The Making Of”, were nominated for the VR Competition of the 76th Venice Film Festival. The VR interactive art “INORI” was designated as the first representative to set foot on the red carpet among the 39 works nominated and selected for the VR competition. In addition, “INORI” was also the first work to be shown in the VR screening exhibition area.

In addition to the iconic Venice Film Festival, VIVE Originals’ original works were also invited to participate in internationally renowned film festivals, including the South by Southwest Film Festival (SXSW), the Tribeca Film Festival, the Sundance Film Festival, the Geneva International Film Festival, the International Film Festival Rotterdam, etc., with outstanding achievements.

The 74th Venice Film Festival in 2017

HTC extended its territory to the production of virtual reality content and gained international attention from the Venice Film Festival.



From the left, the famous director Ming-Liang Tsai, the internationally renowned musician Ryuichi Sakamoto and the General Manager of HTC VIVE Originals Si-Ming Liu.

Going international: VIVE Originals’ original works were nominated twice for the Venice Film Festival

The 76th Venice Film Festival in 2019

Five VR original works of HTC VIVE ORIGINALS, setting foot on the red carpet of the 76th Venice Film Festival.



From the left of the first photo, director Midi Zhao, musician Kay Huang, HTC VIVE ORIGINALS General Manager Si-Ming Liu, Japanese contemporary artist Miwa Komatsu, director Wei-Liang Zeng, actor Jack Yao.



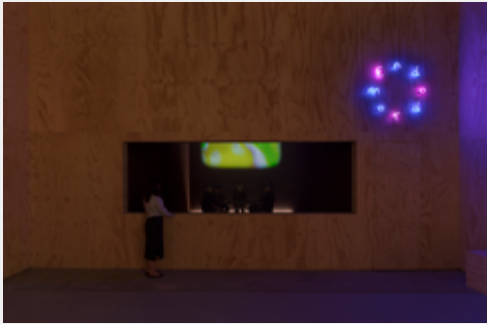
From the left is Taiwan’s representative in Italy (Ufficio di Rappresentanza di Taipei in Italia) Sing-Ying Lee, Chairwoman of the Taiwan Creative Content Agency Xiao-Jing Ding, and HTC VIVE Originals General Manager Si-Ming Liu, attending the “Taiwan VR Content International Meeting” held in Venice on the 30th.



Japanese artist Miwa Komatsu performs live painting show in Venice.

Endodrome - 2019 Venice Biennale

Endodrome is the first VR artwork created by Dominique Gonzalez-Foerster, a well-known French contemporary avant-garde artist, and assisted by VIVE Arts. The production team included Lucid Realities who is responsible for production coordination, and VR studio Novelab. The artwork was invited to debut in the main exhibition of the “58th Venice International Art Biennale” in 2019. The Biennale was curated by Ralph Rugoff, with May You Live in Interesting Times as the theme. The exhibition period was from May 11 to November 24, 2019, and the venue was the main exhibition hall of the Arsenale Biennale. This exhibition displayed a large number of art works that are created through digital technology, showing the mainstream of art, and the recognition of contemporary art works that are created through digital media such as VR, AR, AI.



Gonzalez-Foerster, who has repeatedly made breakthroughs in his creative technique, used virtual reality for the first time as the medium for his work, Endodrome, as natural as the flow of water. The title of his work “Endo” comes from the Greek word “endon”, which means “inner”, and “drome” comes from the Greek word “dromos”, which means “running, track.” Through the work Endodrome, the artist continues his exploration of space, inner mind and another level of consciousness. Endodrome utilized a stage environment involving five people at a time. It was presented in a séance-like drama scene, which includes sound, light and shadow, and screen projection from a VR head-mounted display, combined with interactive VR experience. At the beginning of the 8-minute VR art work, the audience will be immersed in a liquid, hypnotic monochrome environment, and gradually move in an abstract visual space into a layer of bright color gamut that interact with their sight and breath.



T. Rex: Skeleton Crew - American Museum of Natural History

“T. Rex: Skeleton Crew” is the first interactive multiplayer virtual reality experience launched jointly by the American Museum of Natural History and HTC VIVE Arts. The experience is part of the T-rex: The Ultimate Predator exhibition at the American Museum of Natural History. This exhibition presents the latest scientific research on the remarkable abilities of famous dinosaurs and the life history of their ancient relatives. The home edition of the “T. Rex: Skeleton Crew” can be downloaded through VIVEPORT, which provides games in both Chinese and English. This home edition also contains a wide range of information, including audiovisual guides from the exhibition curator and leading paleontologist Dr. Mark Norell.



In the Museum’s exhibition, the “T. Rex: Skeleton Crew”, visitors are taken to the Saurischian Dinosaur Exhibition of the American Museum of Natural History, inviting 3 people in a group to build a Tyrannosaurus Rex (T. Rex) skeleton from bones. Through specimens and the latest researches, this virtual skeleton is by far the most accurate 3D model of a T. Rex skeleton. Once completed, the legendary dinosaur will come to life and visitors will arrive at the T. Rex Habitat in Hells Creek Montana, United States, 66 million years ago. For users who experience the single-player home edition, the journey also provides the opportunity for new experience, including historical facts, museum archive videos, and animations. They will reveal the answers to the questions, including “How fast does Tyrannosaurus Rex run?” and “What happens when they lose teeth?”

In order to create the “T. Rex: Skeleton Crew”, the scientific visualization team of the American Museum of Natural History worked closely with scientists to ensure that the details, including the physiological structure and movement, of dinosaurs accurately reflected the latest research results. This unprecedented virtual reality experience is part of the 150th anniversary celebration of the American Museum of Natural History; the celebration also includes a series of cross-year events, programs, and exhibitions.



To the Moon - 2019 Art Basel Hong Kong

HTC VIVE has once again become the official virtual reality partner of the Art Basel Hong Kong, and will exhibit for the first time in Asia the VR work, “To the Moon”, which was created by the Grammy Music Award winner Laurie Anderson and Taiwan New Media artist Xin-Jian Huang.

The creation, “To the Moon”, takes the audience into outer space and explores the moon in a virtual reality world that feels real, commemorating the 50th anniversary of the landing of the moon for mankind in 2018. In the 15-minute virtual reality experience, the audience will be transformed into astronauts, walking and flying on the low-gravity moon surface, bringing the audience a new perspective from the commanding height of outer space.

Prior to this, the installation art, “La Camera Insabbiata”, created by Laurie Anderson and Xin-Jian Huang has won the “Best VR Experience” award at the 2017 Venice Film Festival. This exhibition of “To the Moon” is the debut in Asia, following its first appearance at the Louisiana Museum of Modern Art in 2018, allowing people to experience this unique VR installation art in Hong Kong. This work will be exhibited in the HTC VIVE booth at Level 3 Concourse of Hong Kong Convention and Exhibition Center from March 29 to 31, 2019.



Mona Lisa - Beyond the Glass Musée du Louvre

“Mona Lisa – Beyond the Glass” uses virtual reality technology to reinterpret the most famous painting “Mona Lisa” by Leonardo Da Vinci (1452-1519). To commemorate the 500th anniversary of the death of Da Vinci in France, the Musée du Louvre in Paris organized a retrospective exhibition of “Leonardo Da Vinci”, and the “Mona Lisa – Beyond the Glass” is the first work that uses virtual reality technology in the Musée du Louvre, which is also the focus of the retrospective exhibition. This work will be displayed in the Hall Napoléon in the Musée du Louvre from October 24, 2019 to February 24, 2020. In addition, the virtual reality content of the “Mona Lisa – Beyond the Glass” will be launched simultaneously on VIVEPORT and other online platforms on the opening day of the exhibition, allowing such wonderful to reach audiences around the world.



Through the application of virtual reality technology, the museum’s curatorial team can fully present the essence of this world-famous painting in the retrospective exhibition. The audience will enter a virtual art space that has never been seen before, watching “Mona Lisa” up close and understanding the story behind the painting and the artist’s creative process. The “Mona Lisa – Beyond the Glass” will present the latest scientific discoveries, expose details that cannot be seen with the naked eye, and analyze in depth the painting techniques used by this great artist as well as the identity of the main character in the painting.

The “Mona Lisa – Beyond the Glass” released on VIVEPORT and other online platforms will provide more extended content. The audience will enter the Grand Gallery of the Musée du Louvre through the glass Pyramid designed by the late architect master Ieoh Ming Pei via virtual reality technology. This edition will also present Da Vinci’s other paintings, allowing the audience to have a more incisive understanding of the important works of the great artist.

The “Mona Lisa – Beyond the Glass” was curated by HTC VIVE Arts, and jointly developed by Emissive and the curatorial team of the Musée du Louvre. Through the virtual reality experience, the audience can appreciate Da Vinci’s most famous painting “Mona Lisa” alone without being surrounded by the crowd and enjoy freely the mountain landscapes in the painting. The “Mona Lisa – Beyond the Glass” takes the audience to Da Vinci’s art world and inspires new generations through the innovative thinking of this great artist.



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 2019, employees responded enthusiastically to blood donation activities, and the participation rate increased substantially by nearly 1.5 times. The total blood donated in HQ & Plants was 127,000 ml, while the total blood donated in Taipei Office was 173,250 ml.

Year	2017	2018	2019
Number of incumbents	9,239	4,096	3,226
Blood Donation	748	695	799
Donation Rate(%)	8.10	16.97	24.76
Total blood donation(ml)	288,500	265,250	300,250

Note: The annual number of incumbents only counts the number in Taiwan

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 2019, a total of 62 children were adopted, including 54 in China and 8 in foreign countries (including Guatemala, Jordan, the Philippines, Senegal, Sri Lanka, Kyrgyzstan, Paraguay etc.).

Maternal Love in the Heart, Beauty of Sharing Love

2019 Mother’s Day is different because of you! For this year’s Mother’s Day activities, besides skin care products and beauty courses, the highlight was the second-hand item charity bazaar that was held for 3 days. HTC employees supported the “Taipei Orphan Welfare Foundation” and the “Taitung Joy After-school Program” by taking concrete actions, allowing these children and families to receive help.



HTC held the second-hand item charity bazaar in the HQ & plants and Taipei Office, and received enthusiastic support and response from employees. Within the three days, more than 500 items were sold, and the cumulative sale income exceeded NT\$ 40,000. All the proceeds from the second-hand item charity bazaar will be donated to the “Taipei Orphan Welfare Foundation” and the “Taitung Joy After-school Program”, allowing the love of our employees to turned into practical support and help those children and families who are in need. In addition to the second-hand item charity bazaar, HTC would also like to thank many of its employees for their generosity and support through direct donations, raising a total of more than NT\$ 100,000 for the Taitung Joy After-school Program.

2019 Christmas season X Cross+ Market

In cooperation with Cross +, HTC invited young entrepreneurs to come to the HTC Christmas bazaar to give back to the community by support good people and good products. HTC employees gave the most direct support through practical actions and exerted the value of “giving”. These young startup owners have given back to the community by supporting 10% of their income to the Rainbow Heaven, who has long been committed to the development of young people’s physical and mental health, delivering warmth at the end of the year.



GRI 103:

The management approach and its components in 2019

Standard	Economic			
Material Topics	● Economic Performance ● Marketing Presence			
How HTC manages the topic		The purpose of the management approach	Related policies	Grievance mechanisms
<ul style="list-style-type: none">● Pay attention to corporate governance and operational transparency, and formulate and implement a corporate governance structure in accordance with relevant laws such as the “Company Law” and “Securities Exchange Act”, and continuously improve management performance.● 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.		<ul style="list-style-type: none">● Properly and effectively assign the powers and responsibilities of the board of directors, managers, and shareholders to establish and maintain an operating team that is accountable to shareholders● 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.	<p>“Corporate Governance Practice Principles”</p> <p>“HTC Code of Conduct”</p> <p>“Rules for Derivatives Transaction”</p> <p>“Regulations for the Appointment of Directors/Supervisors in Re-investment”</p> <p>“Salary & Compensation Committee Organizational Procedures”</p> <p>“Board of Directors Rules of Procedure”</p>	<ul style="list-style-type: none">● 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	● Emission ● Waste water and waste			
How HTC manages the topic		The purpose of the management approach	Related policies	Grievance mechanisms
<ul style="list-style-type: none">● 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.		<ul style="list-style-type: none">● 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.	<p>“ESH Management Manual”</p> <p>“HTC Corporate Social Responsibility Policy”</p> <p>“Process for Removal and Handling Business Waste Manual”</p> <p>“Procedures for Sewage System Operation, Repair, and Maintenance”</p> <p>“HTC Supplier Code of Conduct”</p> <p>“Vendor Management Procedure”</p> <p>“Vendor Survey Procedure”</p> <p>“Supply Chain CSR and QMS Audit Procedure”</p> <p>“Contractor Environmental, Safety and Health Management Procedures”</p> <p>“Environmental, Safety and Health, and Energy Regulations Requirements Management Procedures”</p> <p>“Supplier Environmental, Safety and Health, and Energy Management Procedures”</p>	<ul style="list-style-type: none">● 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”

Summary of the communities and associations participated

Organization Name	Membership
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	Group member
NMEA (New Media Entertainment Association)	Group 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
CITA (Cellular Telecommunications Industry Association)	Operators and industry members Member of the board

Standard	Social			
Material Topics	<div><div>● Employment</div><div>● Occupational Health and Safety</div><div>● Customer Health and Safety</div><div>● Marketing and Labeling</div><div>● Labor/Management Relations</div><div>● Employee Diversity and Equality</div><div>● Customer Privacy</div><div>● Socioeconomic Compliance</div></div>			
How HTC manages the topic		The purpose of the management approach	Related policies	Grievance mechanisms
<div><div>● HTC has a well-established parental leave application mechanism to protect the rights of employees.</div><div>● Provide diverse and fair employment opportunities for employees.</div><div>● 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.</div><div>● Provide attractive, motivating salary and benefits programs.</div><div>● The company convenes a labor-management conference every quarter and records and tracks problems and improves results.</div><div>● The Ministry of Environmental Protection and the Department of Labor and Social Security are responsible for the implementation of the implementation of the occupational safety and health and energy management system and draw up the annual plan.</div><div>● Refer to the “Code of Conduct for Responsible Business Alliances” to formulate relevant labor regulations in the HTC Supplier Code of Conduct.</div><div>● Build inspection standards for hazardous substances.</div><div>● Mark product information, and add environmental protection material certification on the packaging.</div><div>● Set up internal control mechanisms to control technical data, software and hardware, and customer patents or intellectual property rights.</div><div>● Reference Responsibility Business Alliance Code of Conduct Developing Corporate Social Responsibility Policy and Set up a supplier assessment and management mechanism.</div><div>● Reference Responsibility Business Alliance Code of Conduct Developing “HTC Supplier Code of Conduct”, and periodically assess whether suppliers meet and implement the guidelines.</div><div>● 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.</div></div>		<div><div>● Ensure the rights and interests of all employees.</div><div>● Promote good labor relations.</div><div>● Protect the labor rights of multiple employees.</div><div>● Reduce the turnover rate of employees.</div><div>● Reduce the risk of workplace hazards to employees and reduce occupational hazards.</div><div>● Attract and retain outstanding talents.</div><div>● Reduce the negative impacts of end career employees.</div><div>● Ensure that the products are non-toxic and harmless green products and comply with national laws and customer specifications.</div><div>● Protect customer health and safety.</div><div>● Protect customer privacy.</div><div>● Reduce product harmful substances and packages. Conformity to relevant socioeconomic regulations.</div></div>	<div><div>“HTC Code of Conduct”</div><div>“Customer Satisfaction Management Program Specification”</div><div>“HTC Corporate Social Responsibility Policy”</div><div>“HTC ESH Policy”</div><div>“ESH Management Manual”</div><div>“Safety and Health Rules”</div><div>“HTC hazardous substance management policy”</div><div>“HTC Supplier Code of Conduct”</div><div>“HTC Information Security Policy”</div><div>“Personal Information Protection Management Policy”</div><div>“Privacy Policy”</div><div>“Customer Service Privacy Protection Declaration”</div><div>“HTC Supplier Code of Conduct”</div><div>“Vendor Management Procedure”</div><div>“Vendor Survey Procedure”</div><div>“Supply Chain CSR and QMS Audit Procedure”</div><div>“HTC Conflict Mineral Procurement Policy”</div><div>“Supplier Environmental, Safety and Health, and Energy Management Procedures”</div></div>	<div><div>● The grievance mechanism includes employee complaint hotline, complaint suggestion box, grievance e-mail, and sexual harassment grievance mail box</div><div>● manufacturing employees of the production line company extension 38585</div><div>● Other general employees company extension 28585</div><div>● Employee helpline e-mail HelpMe_8585@htc.com</div><div>● Customer service hotline: 0809-090-166, please call: 02-2162-6788</div><div>● Set up local customer service hotlines in 22 countries around the world</div><div>● Build more than 20 websites in different countries</div><div>● Provide PR, Service, Copyright, Security and other different types of e-mail</div></div>

Standard	Material Topic	Mechanism of Evaluation	The result of Evaluation (referring page)
Economic	Economic Performance	Independent director, supervisor system, the internal audit system Internal Audit System Corporate Governance Evaluation of TWSE	22, 44-46, 130
	Market Presence	Compensation Committee	44, 129
Environmental	Emission	HTC CSR Committee Responsible Business Alliance (RBA) ISO 14001 Environmental Management Domestic related environmental regulations	76, 87, 101-104
	Waste Water and Waste	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	28-29, 43-45, 59, 60, 113, 118, 131-140
	Labor/Management Relations	Labor contract Industry union Grievance mechanisms	
	Occupational Health and Safety	Employee satisfaction survey Labor-management meetings	
	Employee Diversity and Equality		
	Customer Health and Safety	HTC CSR Committee Responsible Business Alliance (RBA) IECQ QC080000 Hazardous Substance Process Management System UL Certificate Third-party insitution (TUV/ITS) Meets California Energy Efficiency Regulations Meets the SAR standards of the US FCC and EU CE Customer satisfaction survey	69, 97-100
	Customer Privacy	Information security /privacy management Corporate customer satisfaction management General Data Protection Regulation(GDPR) Domestic and foreign related capital regulations	47-49, 69
	Marketing and Labeling	Marketing related regulations(domestic and foreign)	105-107
	Socioeconomic Compliance	Other social and economic related regulations(domestic and foreign)	28, 45-46, 59, 69, 92-100, 113

GRI Standards Content Index

GRI Standard	Disclosed Topic	Referring Page	Remark
GRI 102: General Disclosures 2016	102-01 Name of the organization	9	
	102-02 Activities, brands, products, and services	9	
	102-03 Location of headquarters	12	
	102-04 Location of operations	9	
	102-05 Ownership and legal form	9	
	102-06 Markets served	12	
	102-07 Scale of the organization	14, 22, 114	
	102-08 Information on employees and other workers	114-116	
	102-09 Supply chain	13-22	
	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	47-53	
	102-12 External initiatives	35-40, 49	
	102-13 Membership of associations	181	
	102-14 Statement from senior decision-maker	7-8	
	102-15 Key impacts, risks, and opportunities	47-53	●
	102-16 Values, principles, standards, and norms of behavior	23-24	
	102-17 Mechanisms for advice and concerns about ethics	43-44	●
	102-21 Consulting stakeholders on economic, environmental, and social topics	27-29, 33-34	●
	102-22 Composition of the highest governance body and its committees	Please refer to HTC 2019 Annual Report P.26-27, 83, 91	●
	102-23 Chair of the highest governance body	Please refer to HTC 2019 Annual Report P.26	●
	102-25 Conflicts of interest	Please refer to HTC 2019 Annual Report P.70-74, 94	●
	102-36 Process for determining remuneration	44	●
	102-40 List of stakeholder groups	33-34	
	102-41 Collective bargaining agreements	No agreement	

Note: ● represents the topic disclosed voluntarily by HTC, not a major topic identified in 2019.

GRI Standard	Disclosed Topic	Referring Page	Remark
GRI 102: General Disclosures 2016	102-42 Identifying and selecting stakeholders	33-34	
	102-43 Approach to stakeholder engagement	33-34	
	102-44 Key topics and concerns raised	33-34	
	102-45 Entities included in the consolidated financial statements	Please refer to HTC 2019 Annual Report P.146	
	102-46 Defining report content and topic Boundaries	2, 31-32	
	102-47 List of material topics	31-32	
	102-48 Restatements of information	None	
	102-49 Changes in reporting	None	
	102-50 Reporting period	2	
	102-51 Date of most recent report	2019/6	
	102-52 Reporting cycle	Once a year	
	102-53 Contact point for questions regarding the report	4	
	102-54 Claims of reporting in accordance with the GRI Standards	2	
	102-55 GRI content index	185-188	
	102-56 External assurance	189-190	
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	32	
	103-2 The management approach and its components	182-183	
	103-3 Evaluation of the management approach	184	
Topic-Specific Disclosures: GRI 200 (Economic topics)			
GRI 201: Economic Performance 2016	201-01 Direct economic value generated and distributed	22	
	201-03 Defined benefit plan obligations and other retirement plans	130	
GRI 202: Market Presence 2016	202-01 Ratios of standard entry level wage by gender compared to local minimum wage	129	
GRI 205: Anti-corruption 2016	205-01 Operations assessed for risks related to corruption	46	●
	205-02 Communication and training about anti-corruption policies and procedures	46, 124	●
	205-03 Confirmed incidents of corruption and actions taken	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	77	<div></div>
	302-04	Reduction of energy consumption	77-81	<div></div>
	302-05	Reductions in energy requirements of products and services	92-93	<div></div>
GRI 305: Emissions 2016	305-01	Direct (Scope 1) GHG emissions	76	
	305-02	Energy indirect (Scope 2) GHG emissions		
	305-03	Other indirect (Scope 3) GHG emissions		
	305-05	Reduction of GHG emissions	76	
GRI 306: Effluents and Waste 2016	306-01	Water discharge by quality and destination	87	
	306-02	Waste by type and disposal method	101-104	
GRI 308: Supplier Environmental Assessment 2016	308-01	New suppliers that were screened using environmental criteria	60-67	<div></div>
	308-02	Negative environmental impacts in the supply chain and actions taken	62-67	<div></div>
Topic-Specific Disclosures: GRI 400 (Social topics)				
GRI 401: Employment 2016	401-01	New employee hires and employee turnover	117	
	401-02	Benefits provided to full-time employees that are not provided to temporary or part-time employees	131-137	
	401-03	Parental leave	137	
GRI 402: Labor/ Management Relations 2016	402-01	Minimum notice periods regarding operational changes	138	
GRI 403: Occupational Health and Safety 2018	403-01	Occupational health and safety management system	141	
	403-02	Hazard identification, risk assessment, and incident investigation	160, 164	
	403-03	Occupational health services	155-159	
	403-04	Worker participation, consultation, and communication on occupational health and safety	141	
	403-05	Worker training on occupational health and safety	161	
	403-06	Promotion of worker health	146, 148, 151	
	403-07	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	62, 104, 164	

GRI Standard	Disclosed Topic		Referring Page	Remark
GRI 403: Occupational Health and Safety 2018	403-09	Work-related injuries	163	
	403-10	Work-related ill health	163	
GRI 404: Training and Education 2016	404-01	Average hours of training per year per employee	128	●
	404-02	Programs for upgrading employee skills and transition assistance programs	120-128, 138	●
	404-03	Percentage of employees receiving regular performance and career development reviews	123, 128	●
GRI 405: Diversity and Equal Opportunity 2016	405-01	Diversity of governance bodies and employees	44, 114-116, 119	
	405-02	Ratio of basic salary and remuneration of women to men	129	
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	141	●
GRI 414: Supplier Social Assessment 2016	414-01	New suppliers that were screened using social criteria	60, 62-67	●
	414-02	Negative social impacts in the supply chain and actions taken	62-67	●
GRI 416: Customer Health and Safety 2016	416-01	Assessment of the health and safety impacts of product and service categories	97-100	
	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	105-107	
	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 TAIWAN LTD.'S REPORT ON SUSTAINABILITY ACTIVITIES IN THE HTC CORPORATION'S CORPORATE SOCIAL RESPONSIBILITY REPORT FOR 2019

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 2019 (hereinafter referred to as CSR Report). The scope of the assurance, based on the SGS Sustainability Report Assurance methodology, included the sampled text, and data in accompanying tables, contained in the report presented during on-site verification. SGS reserves the right to update the assurance statement from time to time depending on the level of report content discrepancy of the published version from the agreed standards requirements.

The information in the HTC's CSR Report of 2019 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 2019.

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. In response to COVID-19 pandemic situation the assurance process was conducted via Teams. Financial data drawn directly from independently audited financial accounts and Task Force Climate-related Financial Disclosures 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 2019 verified is accurate, reliable and provides a fair and balanced representation of HTC sustainability activities in 01/01/2019 to 12/31/2019.

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 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.

GLOBAL REPORTING INITIATIVE REPORTING STANDARDS CONCLUSIONS, FINDINGS AND RECOMMENDATIONS

The report, HTC's CSR Report of 2019, 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.

David Huang
Senior Director
Taipei, Taiwan
4 June, 2020
WWW.SGS.COM



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Licensed Assurance Provider
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