

2013-2014

# Chicony®

Group Corporate Social Responsibility Report

群光集團企業社會責任報告書





2013-2014 Corporate Social Responsibility Report  
2013-2014 年 群光集團 企業社會責任報告書

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## Chicony Group 2013-2014 Corporate Social Responsibility Report

# Editorial Principles

The Chicony Group ("The Group") has embraced our founding principles of "Customer-oriented, respect individuals, pursuit of excellence, and benefit all mankind" in our corporate culture. To pursuing greater happiness for all human beings, we commit to protect our natural environment and build a sustainable value chain as our goals in leading everyone at Chicony and our partners in becoming the benchmark for "corporate citizenship".

We would like to share our values and what we devoted ourselves in corporate social responsibility with all stakeholders in this report. Meanwhile, thanks for all partners and employees - those are working hard for Chicony's success.

### Reporting Period and Boundary

This report is primarily a disclosure of The Group's business developments in the economic, environmental and social aspects between 2013 and 2014 (from January 1, 2013, through to December 31, 2014). It expresses our value, efforts and commitments on each sustainability issue to all stakeholders in The Group. To give the stakeholders a better understanding of our history and progress in each CSR aspect when reading this report, some of the performance data will be traced back before January 1, 2013, or beyond December 31, 2014.

The geographic boundary of this report includes Chicony Electronics Co., Ltd. ("Chicony Electronics"), Chicony Power Technology Co., Ltd. ("Chicony Power"), and XAVi Technologies Corporation ("XAVi") in Taiwan, and some of the factories in China (Chicony's Dongguan, Suzhou and Chongqing factory; Chicony Power's Dongguan factory; and XAVi's Suzhou factory). Part of the content also expands the scope of disclosure to our partners to encompass the industry supply chain.

The dates mentioned in the report are based on the Gregorian Calendar. Financial data is in New Taiwanese Dollars (NTD) and have been certified by the accounting firm PricewaterhouseCoopers Taiwan. The remaining performance data for the environmental and social aspects are prepared in accordance with indicators and data requirements in common international use or used by the competent authorities.



### Publication

This is the 2<sup>nd</sup> CSR report to be published by Chicony. This report contains no corrections on the previous edition and the scope of disclosure has also been expanded to include the Group's subsidiaries. Reporting frequency will be maintained at one report every two years. The Chinese and English editions of the CSR report can be viewed and downloaded from the CSR section of Chicony and its subsidiaries' corporate websites.

Current release: Published in October, 2015 (Chinese edition)

Previous release: Published in December, 2013

Next release: To be published in June, 2017

### Reporting Principles

This report was prepared in accordance with the Global Reporting Initiative (GRI) G4 Guidelines; editing and disclosure was carried out in accordance with the Electronic Industry Citizenship Coalition (EICC) Code of Conduct 5.0, Best Practice Principles for TWSE/GTSM Listed Companies, the United Nations Global Compact and ISO 26000 Social Responsibility Guide. The content index of the four above indicators and guidelines are provided in Appendix.

### Third-Party Assurance

External verification and assurance of this report was carried out by British Standards Institution (BSI) subsidiary in Taiwan in accordance with GRI G4 Core Options and AA1000 Accountability Principles (Type 1). The BSI independent assurance opinion statement is included in the Appendix.

### Contact Us

Thank you for taking the time to read through this CSR Report. The opinions of our stakeholders is very important to the Chicony Group. If you have any suggestions or criticisms to make, please do not hesitate to contact us through the following methods. Your expectations and advice make an invaluable contribution to our continued efforts towards sustainable development.

### CSR Team, Chicony Group

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Chicony Group CSR website: <http://goo.gl/aHGxEl>



Chairman: Kent Hsu



Vice Chairman and President: M.K. Lin

## From the Chairman

To all partners who support Chicony's sustainable development:

Through the combined efforts of the management team and all employees, the Chicony Group has now become one of leading international electronic companies with sites in Europe, the Americas and Asia. As a member of the worldwide "Electronic Industry Citizenship Coalition", "Chicony Electronics", a member of the Chicony Group, published its first corporate social responsibility report in 2012; the "CSR Code of Conduct" was subsequently passed by the Group Board of Directors in 2014 to demonstrate our commitment to CSR. This year, we decided to continue expanding the boundaries of our CSR disclosure by including our two affiliated companies, Chicony Power Technology and XAVi Technologies. By examining the sustainable corporate development issues under the Group framework, we hope to refine our related management practices by making better use of the Group resources.

Based on our strength in R&D and innovation, the Group delivered an eye-catching performance in our existing computer peripheral and digital imaging products. We have now also set our sights on green energy, smart cloud and IoT(Internet of Things) by investing in photovoltaic converters, energy-saving LED lights and smart energy-saving lighting systems to follow through on our philosophy of green R&D. Apart from providing high value-added products and services to satisfy customer requirements, we also offer friendliness solutions

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Photographer: Cheng, Si-di

to environment. We will move into Chicony Group smart green energy building in the second half of 2015. The building is designed to be a green building that features daily energy-saving, site water retention, green energy and carbon reduction. All effort is made to reduce the environmental impact of its operation and help to keep our homeland green.


More than 35,000 employees are contributing their profession and dedication to the sustainable development of the Group every day. We have provided all Group partners with the best benefits and career development assistance, protection of labor rights, protection against over-working, and solutions for relieving mental and physical stress. Chicony Electronics and Chicony Power were both included in the Taiwan High Compensation 100 Index by the Taiwan Stock Exchange (TWSE) in 2014. We were also named one of the Top 5 happiness enterprises in a comprehensive analysis conducted by the *Economic Daily News*.

The Group actively supports and participates in various domestic and foreign social welfare activities to fulfill our CSR ideals. Our resources are directed along three main axes: "Health promotion and disease prevention", "Minority groups and charity initiatives", and "local community and emergency assistance". To build up the Group's talent pool and enrich our future R&D capabilities, we have expanded our industry-academic cooperation with the National Taipei University of Technology ("Taipei Tech"). In 2013 and 2014 we donated NT\$100 million to Taipei Tech for the construction of the "Chicony Teaching

Building". The "Chicony-Taipei Tech Laboratory" was also established under the concept of "Research in Taipei Tech, start up your career in Chicony group." By providing the highest scholarships in Taiwan and partnering with university research teams, we strive for establishing a successful model for Taiwan industry-academic partnership and cultivating the future global competitiveness of the high-tech industry.

Reviewing the past 32 years of the Chicony Group, we worked with all communities of society to create a sustainable value chain together. In addition to making a contribution to the economy of Taiwan, we have also made green innovation, employee care and social welfare listed in our priorities in future corporate development. We hope the publication of this report will help our various stakeholders understand the efforts we have made in corporate citizenship and establish an effective communication, whether encouragements, criticisms and suggestions of the general public are welcomed. We would like to make progress together towards the goal of building a better society and benefiting all mankind in the coming future.

Chairman 

Vice Chairman and President 



# Group Overview

## About the Chicony Group

We are a global, multinational enterprise with over 35,000 employees. We have production plants in China (Suzhou, Dongguan, Chongqing) and the Czech Republic as well as subsidiaries in the U.S., and Japan. We also invested in Chicony Power Technology Co., Ltd. and XAVi Technologies Corporation. These are known collectively as the Chicony Group and in 2014 the Group's annual revenues exceeded \$80 billion.

Chicony Electronics Co., Ltd. was established in February, 1983, and specialized in developing, manufacturing and selling of computer components and products. Our four main product lines are

input devices, portable keyboards, video image products and camera modules. We are now the global leader for keyboards, web cameras and notebook camera modules. IoT products such as wearable devices and cloud products are now under development. Apart from solid overall operations, our profitability has continued to increase every year. We are one of the top 100 companies in Taiwan, and was selected for the "Taiwan Mid-Cap 100 Index" and "Taiwan High Compensation 100 Index" by the TWSE. In May, 2014, the *CommonWealth* magazine ranked Chicony Electronics No. 45 out of the top 2000 manufacturing companies.


Company Name	Chicony Electronics Co., Ltd.	Chicony Power Technology Co., Ltd.	XAVi Technologies Corporation
Key Products and Technologies	Input devices for computers and smart devices, portable keyboards, camera modules, multi-purpose video image products, wearable devices, cloud IoT etc.	Switching powerSupply, MicroInverter, LED light engine, Server Power etc.	Active/passive highly integrated digital fiber products, xDSL, G.fast/FTTdp Distribution Point(DP) and Client-Premises Equipment (CPE), IP/Android/ IP+DVB set-top box products etc.

Chicony Power was listed in the stock market in November of 2013, and is a 100% investment subsidiary of Chicony that specializes in power supply products. It is one of the top four PSU makers in the global IT industry and was included in the TWSE "Taiwan High Compensation 100 Index" in 2014 as well. Chicony Power is committed to providing customers with the best products and service under our business philosophy of "Full Customer Satisfaction." Our global headquarters is located in the New Taipei Industrial Park and production sites located in China include the Dongguan, Wujiang and Chongqing plants as well as the GSE Nanchang plant. We have a comprehensive product portfolio and provide complete ODM & OEM services. We have also received a number of international safety certifications.

XAVi Technologies Corporation was established in 1997 and a R&D center was set up in Hsinchu in 1998. Its production site is located at Wujiang in

China and it is a leading supplier of professional high-speed digital fiber, DSL terminal, residential gateway and IP set-top box products. The product technologies encompass GPON, Gigabit Fiber Ethernet, ADSL/VDSL, WiFi, IP & OTT STB. These provide high-speed Internet and network multimedia integration solutions to end-user customers. To continue providing users with top-of-the-line high-speed Internet products, XAVi has invested heavily in its R&D unit and hopes to realize win-win relationship with strategic partners and customers.

We value every employee, investor, customer and supplier partner. We strive to respond to the sustainability issues raised by each stakeholder. All employees embrace our business philosophy of making our foundation in Taiwan, paying attention to product R&D and customer opinions, continuing to develop pioneering technologies, becoming the industry leader and devoted ourselves to our society.



	Chicony Electronics	Chicony Power	XAVi
Group Headquarters	◆ Taipei, Taiwan	◆ Taipei, Taiwan	◆ Taipei, Taiwan
Office	<ul style="list-style-type: none"> <li>● Tokyo Office, Japan</li> <li>● Irvine Office, U.S.</li> <li>● Beijing Office, China</li> </ul>	<ul style="list-style-type: none"> <li>● Tokyo Office, Japan</li> <li>● Irvine Office, U.S.</li> <li>● San Jose Office, U.S.</li> <li>● Austin Office, U.S.</li> <li>● Houston Office, U.S.</li> <li>● Beijing Office, China</li> <li>● Hong Kong Office, China</li> <li>● Malaysia Office</li> </ul>	<ul style="list-style-type: none"> <li>● Hsinchu R&amp;D Center</li> <li>● Irvine Office, U.S.</li> </ul>
Plant	<ul style="list-style-type: none"> <li>■ Dongguan (Qingxi), China</li> <li>■ Suzhou (Wujiang), China</li> <li>■ Chongqing, China</li> <li>■ Czech Republic</li> </ul>	<ul style="list-style-type: none"> <li>■ Dongguan (Liaobu), China</li> <li>■ Suzhou (Wujiang), China</li> <li>■ Jiangxi (Nanchang), China</li> <li>■ Chongqing, China</li> </ul>	<ul style="list-style-type: none"> <li>■ Suzhou (Wujiang), China</li> </ul>



# Business Performance

## Awards

Year	Key Awards
2012	<ul style="list-style-type: none"> <li>CommonWealth magazine- No. 6 by revenue, Taiwan's computer peripherals and components industry,</li> <li>CommonWealth magazine- No.41 by net income after tax, Taiwan's manufacturing sector,</li> <li>Digitimes- Tech Top 100, Asia</li> <li>Lenovo Diamond Award</li> <li>Wistron Outstanding Vendor Award</li> <li>Dongguan City, China- "Advanced Foreign Enterprise"</li> <li>Suzhou Wujiang District Human Resources and Social Security Bureau- "2<sup>nd</sup> tier award for 2011 excellent enterprise in innovative HR management."</li> <li>Suzhou Wujiang District Economic and Technological Development Zone Management Committee- "Human Resource Management - Excellent Enterprise"</li> <li>2012 Innovative Human Resource Management - Best Manager</li> </ul>
2013	<ul style="list-style-type: none"> <li>CommonWealth magazine- No. 49, Taiwan's Top 2000 manufacturers</li> <li>CommonWealth magazine- No. 6 by revenue, Taiwan's computer peripherals and components industry,</li> <li>Wistron Outstanding Vendor(Passion &amp; Creativity)</li> <li>Wistron Outstanding Vendor(Initial thoughts &amp; Creativity)</li> <li>NEC Supplier Excellence Award</li> <li>Qingxi Town People's Government, Dongguan City, China- "2012 Advanced Foreign Enterprise"</li> <li>Wujiang District Economic and Technological Development Zone- 2<sup>nd</sup> tier award for 2013 excellent enterprise in innovative HR management.</li> <li>Wujiang Economic and Technological Development Zone: 2013 Best Human Resource Manager</li> </ul>
2014	<ul style="list-style-type: none"> <li>CommonWealth magazine- No. 45, Taiwan's Top 2000 manufacturers (Chicony Electronics)</li> <li>CommonWealth magazine- No. 133, Taiwan's Top 2000 manufacturers (Chicony Power)</li> <li>CommonWealth magazine- No. 47, Taiwan's Most Profitable Manufacturers (Chicony Electronics)</li> <li>Taiwan Stock Exchange- Top 5 Happiness Enterprises</li> <li>LCFC Diamond Award (Chicony Electronics &amp; Chicony Power)</li> <li>7th Technology Trend Golden Awards- Recommendation Gold Medal, Digital Camera Category</li> <li>7th Technology Trend Golden Awards- Design Gold Medal, Digital Camera Category</li> <li>Lenovo Supplier Certificate of Membership</li> <li>GoPro Most Improved Award</li> <li>Qingxi Town Safety Office, China- "Safe Enterprise"</li> <li>Energy-saving and Carbon Reduction Task Force, Qingxi Town, China- "2013 Energy-Saving Advanced Unit"</li> <li>Qingxi Town People's Government, Dongguan City, China- "2013 Advanced Foreign Enterprise"</li> <li>Wujiang District Economic and Technological Development Zone (Tongli Town) 2<sup>nd</sup> tier award for 2014 excellent enterprise in innovative HR management.2</li> <li>Wujiang Economic and Technological Development Zone (Tongli Town)- 2014 Best Human Resource Manager</li> <li>Suzhou Wujiang District- 2014 Harmonious Labor Relations Enterprise</li> </ul>



## Financial Results

Unit: NT\$ Thousands

Company	Chicony Electronics Headquarters		Chicony Power Headquarters		XAVi Technologies Headquarters	
Year	2013	2014	2013	2014	2013	2014
Sales Revenue	30,653,224	32,320,270	23,834,330	25,235,041	1,760,861	2,844,200
Operating costs and expenses	29,175,705	31,176,960	22,995,953	24,803,475	1,741,106	2,777,900
Gross Profit	1,477,519	1,143,310	838,377	431,566	19,755	66,300
Non-operating income & expenses	2,576,470	3,273,717	91,185	798,508	72,722	135,638
Income before Tax	4,053,989	4,417,027	929,562	1,230,074	92,477	201,938
Income tax expenses	271,960	336,088	127,115	101,499	(2,126)	17,735
Net profit	3,782,029	4,080,939	802,447	1,128,575	94,603	184,203
Wages and Salaries	1,197,455	1,250,145	625,138	730,029	129,538	138,680
Land Donates Expense	403,668	-	-	-	-	-
R&D Expense	820,970	838,878	881,771	973,415	111,604	116,941
R&D Tax Credit	Approval pending	Application pending	Approval pending	Application pending	Approval pending	Approval pending
Cash Dividend	4.60	4.65	1.95	2.30	1	0.25
Retained Earnings	11,076,147	11,943,320	1,696,880	2,111,576	125,115	234,548

Unit: NTD\$ Thousands

Company	Chicony Electronics Dongguan Plant		Chicony Electronics Suzhou Plant		Chicony Electronics Chongqing Plant		Chicony Power Dongguan Plant		XAVi Suzhou Plant	
Year	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014
Sales Revenue	16,610,247	18,110,859	21,086,344	19,761,273	1,375,944	2,215,536	10,638,997	11,769,224	1,516,435	2,435,915
Operating costs and expenses	16,179,477	17,757,580	20,444,624	19,301,126	1,320,056	1,964,012	10,647,145	11,616,440	1,507,762	2,406,043
Gross Profit	430,770	353,279	641,720	460,147	55,888	251,524	(8,148)	152,783	8,673	29,872
Non-operating income & expenses	(7,022)	34,498	16,953	56,480	(9,972)	(6,833)	1,429	(7,752)	6,506	10,170
Income before Tax	423,748	387,777	658,673	516,627	45,916	244,691	(6,719)	145,031	2,167	40,042
Income tax expenses	108,373	98,387	149,882	230,151	7,031	34,746	36,629	46,003	0	1,973
Net profit	315,375	289,390	508,791	286,476	38,885	209,945	(43,348)	99,028	2,167	38,069
Wages and Salaries	1,065,391	1,034,433	2,490,086	2,294,549	238,241	421,296	78,449	83,409	99,867	144,377





# Sustainable Management

## Chicony Group CSR Commitment and Guidelines

### CSR Philosophy and Commitment

We have always placed a strong emphasis on stakeholder communication and interaction during our CSR fulfillment. We view the participation and feedback of every stakeholder as an important topic in the Group's development. We refer to them in our formulation of policies and guidelines then convert our commitments into

### The Chicony Group CSR Statement

- ※Create corporate value to enhance the interests and returns of investors and stakeholders.
- ※Maintain sound corporate governance, uphold morals and ethics, comply with law and regulations.
- ※Provide a safe, healthy working environment and encourage employees to engage in social welfare activities.
- ※Join with our partners and customers in promoting social responsibility and creating a sustainable value chain.
- ※Develop green energy-saving products and follow friendly environmental practices to reduce environmental impact.



tangible actions that aim to make a proactive and positive contribution to the economy, environment and society.



## CSR Management Guidelines and EICC Code of Conduct

The adoption of the "CSR Best-Practice Principles" and "Code of Conduct" as the CSR management guidelines for the Group was approved by the Board in 2014, demonstrating the importance of group sustainability to the top governance body. The Group will follow the four main principles of "Enforcing corporate governance", "Developing a sustainable environment", "Supporting social welfare" and "Strengthening information disclosure" in our CSR practices.

As a member of the global electronic industry, the Group not only became a member of the Electronic Industry Citizenship Coalition (EICC®) to join our industry peers in doing our part for the planet but also incorporated the EICC Code of Conduct Ver. 5.0 published in 2014 into the Group's CSR management

guidelines. We are continuing to monitor the key sustainability issues in the electronic industry through our efforts in the five main aspects of "Corporate Governance", "Ethics and Integrity", "Labor Rights", "Safety and Health" and "Environmental Protection." We also care about that social responsibility management could be practiced by our supply chain partners, to create a positive influence and values for the general public and the environment.

To provide all Chicony employees with an understanding of good business practices and our social responsibility, the Group has formulated the "Chicony Group CSR of Conduct". The Code of Conduct lays out the Group's basic principles on labor, health, safety, environment, management systems and business ethics. All Chicony employees are expected to follow and practice the Code of Conduct.

In 2014 the Chicony Group established the CSR Committee. This committee serves as the top body for promoting CSR policy and is composed of top executives from the Chicony Group and chosen companies. Each subsidiary and affiliated enterprise also appoints an executive team for CSR affairs that has full authority from the Board of Directors. In the future, the handling of key issues and feedback from stakeholder engagement will be directly reported to Board Meetings. Rules relating to the Code of Conduct will also be reviewed, with revisions made in response to new regulations or practical requirements as necessary. The Chicony Group listens to our stakeholders by participating in industry associations as well as consulting with external advisors and non-profit organizations. We also keep up to date on the latest industry developments in CSR practices to respond in a timely manner to macro changes in the economy, environment and society.



# Identification of Major Issues and Stakeholder Engagement

## Step1 Identification Sustainability Issues

- Inspect public information, industry trends and key issues of EICC
- Review Chicony's related sustainability issues from 2012
- Define issue benchmark

## Step2 Sorting of Major Issue and Stakeholder Participation

- Interview and discuss issues with BU representatives and top business management/ impact questionnaire survey
- Invite each department to host major issue identification conference
- Collect and sort internal and external stakeholder opinions

## Step3 Disclosure issues and confirm boundary

Convene report meeting to evaluate major issue and aspect boundary. Framework was referred to:

- GRI G4 indicators
- EICC Code of Conduct Version 5.0
- AA1000 Accountability Standards (2008)
- Best-Practice Principles for TWSE/GTSM-Listed Companies
- ISO 26000 Social Responsibility Guide

## Step4 Stakeholder Engagement and Feedback Review

- Establish multiple communication channels with regular communication frequency to each stakeholder and their issues of interest. Use this as reference when the Group is making important CSR decisions in the future and respond to issues in a timely manner.

All issues major to stakeholders are important indicators for the Group's sustainability. To benefit stakeholders, society and the environment, we believe that it is essential to identify issues that affect stakeholders and take the appropriate initiatives in order to truly fulfill our CSR.

## Procedure for identifying major issues

The Group uses international CSR proposals and guidelines as our identification framework (including the GRI G4 index, EICC Code of Conduct Ver. 5.0, AA1000 Assurance Standard (2008), Best Practice Principles for TWSE/GTSM-listed Companies and ISO 26000 Social Responsibility Guide). We then invited representatives and managers from the business divisions of 30 related units to carry out interviews and surveys. A Major issue assessment conference was also held. In the future, we will strengthen the participation of external stakeholders to listen to more multiple and different voices.

Stakeholder opinions were compiled, sorted, then analyzed on major and aspect. This helps the Group examine its existing stakeholder communication channels, formulate management policy and achieve transparency, effectiveness and timeliness in overall engagement process.

## Issue major matrix

There are 24 major issues compiled through the above issue identification procedure to serve as the basis of the Group's sustainable development policy and action plans. The major issue matrix is shown as below:



Major Issue Matrix				
Impact of Issues	High			<ul style="list-style-type: none"> <li>• Product and service quality</li> <li>• Law compliance</li> <li>• Financial performance</li> <li>• Business performance</li> <li>• Respect for human rights</li> <li>• Customer privacy and information security</li> <li>• Occupational safety</li> <li>• Research &amp; development</li> <li>• Employee relations</li> </ul>
	Medium	<ul style="list-style-type: none"> <li>• Feedback and communication mechanism</li> </ul>	<ul style="list-style-type: none"> <li>• Ethics and integrity</li> <li>• Investor relations</li> <li>• Supply chain management</li> <li>• Corporate governance and risk management</li> <li>• Major incident and disaster response</li> <li>• Transparency</li> <li>• Salary and benefits</li> </ul>	
	Low	<ul style="list-style-type: none"> <li>• Environmental protection and pollution prevention</li> <li>• CSR conduct</li> <li>• Investment of resources and organizational membership</li> <li>• Talent cultivation</li> <li>• Green product</li> <li>• Charitable activities</li> </ul>	<ul style="list-style-type: none"> <li>• Corporate image management</li> </ul>	
		Low	Medium	High
		Issue Concern		



## Major issues to stakeholders and communication channels

The material issues for the Group's stakeholders and existing channels for communication are tabled below:

Major Issues, Communication Channels and Grievance Mechanism for Stakeholders				
Stakeholder	Major Issues		Communication Channels and Grievance Mechanism	
 <b>Investor</b>	<ul style="list-style-type: none"> <li>• Investor relations</li> <li>• Financial performance</li> <li>• Business performance</li> <li>• Corporate governance and risk management</li> <li>• CSR conduct</li> </ul>	<ul style="list-style-type: none"> <li>• Transparency</li> <li>• Ethics and integrity</li> <li>• Law compliance</li> <li>• Corporate image management</li> <li>• Feedback and communication mechanism</li> </ul>	<ul style="list-style-type: none"> <li>• Investor conference</li> <li>• Monthly and annual financial reports</li> <li>• Investment institution symposium</li> <li>• Business conference</li> </ul>	<ul style="list-style-type: none"> <li>• Government disclosure platform</li> <li>• Corporate website</li> <li>• Investor visits</li> <li>• CSR report and information platform</li> </ul>
 <b>Employee</b>	<ul style="list-style-type: none"> <li>• Respect for human rights</li> <li>• Occupational safety</li> <li>• Employee relations</li> </ul>	<ul style="list-style-type: none"> <li>• Salary and benefits</li> <li>• Talent cultivation</li> <li>• Feedback and communication mechanism</li> </ul>	<ul style="list-style-type: none"> <li>• Employee welfare committee</li> <li>• Employee suggestion channels (employee hotline and president's mailbox)</li> <li>• Regular in-person meetings (Employer-employee meetings)</li> <li>• CSR report and information platform</li> </ul>	<ul style="list-style-type: none"> <li>• Online employee discussion platform</li> <li>• Training</li> <li>• Regular e-newsletter and announcement</li> <li>• Employee satisfaction survey</li> <li>• Employee counseling office</li> </ul>
 <b>Customer</b>	<ul style="list-style-type: none"> <li>• Product and service quality</li> <li>• Customer privacy and information security</li> <li>• Ethics and integrity</li> </ul>	<ul style="list-style-type: none"> <li>• Green product</li> <li>• Corporate image management</li> <li>• Feedback and communication mechanism</li> </ul>	<ul style="list-style-type: none"> <li>• Account liaison team Online customer service platform</li> <li>• Online customer complaint system</li> <li>• Customer audit (Quarter Business Review)</li> </ul>	<ul style="list-style-type: none"> <li>• Customer satisfaction monitoring</li> <li>• EICC website</li> <li>• Product acknowledgment</li> <li>• CSR report and information platform</li> </ul>
 <b>Government and Competent Authority</b>	<ul style="list-style-type: none"> <li>• Law compliance</li> <li>• Research &amp; development</li> <li>• Major incident and disaster response</li> <li>• CSR conduct</li> </ul>	<ul style="list-style-type: none"> <li>• Transparency</li> <li>• Ethics and integrity</li> <li>• Feedback and communication mechanism</li> </ul>	<ul style="list-style-type: none"> <li>• Regulation meetings and public hearings</li> <li>• Announcements and press releases from competent authority</li> <li>• Competent authority conference</li> <li>• R&amp;D conferences and project proposals</li> <li>• Industry development conference</li> </ul>	<ul style="list-style-type: none"> <li>• Occupational safety and health meeting</li> <li>• Reporting and on-site audit</li> <li>• Statutory declarations and interpretations</li> <li>• CSR report and information platform</li> </ul>
 <b>Supplier and Partners</b>	<ul style="list-style-type: none"> <li>• Supply chain management</li> <li>• Law compliance</li> <li>• Respect for human rights</li> <li>• Feedback and communication mechanism</li> </ul>	<ul style="list-style-type: none"> <li>• Occupational safety</li> <li>• Major incident and disaster response</li> </ul>	<ul style="list-style-type: none"> <li>• Vendors conference</li> <li>• Supplier survey, and audit consulting</li> <li>• Supplier training and workshop</li> <li>• Vendors audit report and meeting</li> </ul>	<ul style="list-style-type: none"> <li>• Labor safety and health training seminar</li> <li>• New product and technology conference</li> <li>• EICC supply chain management platform</li> <li>• CSR report and information platform</li> </ul>
 <b>External Consultant</b>	<ul style="list-style-type: none"> <li>• Environmental protection and pollution prevention</li> <li>• CSR conduct</li> </ul>	<ul style="list-style-type: none"> <li>• Research &amp; development</li> <li>• Feedback and communication mechanism</li> </ul>	<ul style="list-style-type: none"> <li>• Regular report</li> </ul>	<ul style="list-style-type: none"> <li>• Ad hoc meeting</li> </ul>
 <b>Local Community and Non-Profit Organization (NGO)</b>	<ul style="list-style-type: none"> <li>• Environmental protection and pollution prevention</li> <li>• CSR conduct</li> </ul>	<ul style="list-style-type: none"> <li>• Charitable activities</li> <li>• Feedback and communication mechanism</li> </ul>	<ul style="list-style-type: none"> <li>• Participation or sponsorship of art, cultural or environmental prevention activities</li> <li>• Participation or donations to charity and rescue activities</li> <li>• Employee volunteering team and awareness event</li> </ul>	<ul style="list-style-type: none"> <li>• Consultation with local groups and NGO</li> <li>• CSR report and information platform</li> </ul>
 <b>Media</b>	<ul style="list-style-type: none"> <li>• Feedback and communication mechanism</li> </ul>	<ul style="list-style-type: none"> <li>• Corporate image management</li> </ul>	<ul style="list-style-type: none"> <li>• Press conference</li> </ul>	<ul style="list-style-type: none"> <li>• Press conference</li> </ul>
 <b>Schools and Academic Units</b>	<ul style="list-style-type: none"> <li>• Research &amp; development</li> <li>• Charitable activities</li> </ul>	<ul style="list-style-type: none"> <li>• CSR conduct</li> <li>• Talent cultivation</li> </ul>	<ul style="list-style-type: none"> <li>• Industry-academic cooperation</li> <li>• Campus internship and recruitment</li> <li>• Scholarship program</li> </ul>	<ul style="list-style-type: none"> <li>• R&amp;D center</li> <li>• CSR report and information platform</li> </ul>
 <b>Industry Association</b>	<ul style="list-style-type: none"> <li>• Research &amp; development</li> <li>• CSR conduct</li> </ul>	<ul style="list-style-type: none"> <li>• Investment of resources and organizational membership</li> </ul>	<ul style="list-style-type: none"> <li>• Technology R&amp;D conferences and topical symposiums</li> <li>• Industry development conferences and technology symposiums</li> <li>• General meeting of industry associations</li> </ul>	<ul style="list-style-type: none"> <li>• Professional alliances</li> <li>• CSR report and information platform</li> </ul>

Note: Regular and ad hoc communication/response conducted in accordance with channel, grievance mechanisms and stakeholder requirements.



Content Index of Material Issues, Report Section and G4 Aspects			
Material Issue	Report Section	GRI G4	
		Indicator Category	Aspect
Product and service quality	Keeps going- For our customers Green R&D and Eco-Design	Social - Product Responsibility	Customers' health and safety, labeling of products and services
Compliance	Chicony Group CSR Commitment and Guidelines Operation of the Board and Committee	Environmental Social - Society Social - Product Responsibility	Compliance Anti-corruption
Business performance	About the Chicony Group Business Performance	Economic	Economic Performance
Financial status	Business Performance	Economic	Economic Performance
Research & development	Taipei Tech Talent Development and R&D Program	Other	Research & development
Labor/Management relations	Employee Rights and Benefits	Social - Labor Practices and Dignified Labor Social - Human Rights	Labor/management relations, training and development, equal remuneration for men and women, labor practices grievance mechanisms, diversity and equal opportunity, freedom of association, and collective bargaining
Respect for human rights	Employee Rights and Benefits	Social - Human Rights	Non-discrimination, child labor, forced or compulsory labor, human rights assessment, supplier human rights assessment, human rights grievance mechanisms
Customer privacy and information security	Keeps going- For our customers	Social - Product Responsibility	Customer privacy
Occupational safety	Occupational Safety and Healthcare	Social - Labor Practices and Dignified Labor	Occupational health and safety
Investor relations	Investor Relations and Risk Management	General Standard disclosure - Stakeholder engagement	
Salary and benefits	Employee Rights and Benefits	Social - Labor Practices and Dignified Labor	Employment, labor/management relations, equal remuneration for men and women
Ethics and integrity	Chicony Group CSR Commitment and Guidelines Operation of the Board and Committee	General Standard disclosure - Business ethics and integrity	
Corporate governance and risk management	Group Governance	General Standard disclosure - Strategy and analysis, governance	
Supply chain management	Sustainability- work with our suppliers	Economic Environmental Social - Labor Practices and Dignified Labor Social - Human Rights Social - Society	Procurement practices Supplier environmental assessment Supplier assessment for labor practices Supplier human rights assessment Supplier assessment for impacts on society
Major incident and disaster response	Investor Relations and Risk Management	General Standard disclosure - Strategy and analysis	
Feedback and communication mechanism	Identification of Major Issues and Stakeholder Engagement	General Standard disclosure - Stakeholder engagement	
Transparency	Entire report	-	-
Investment of resources and organizational membership	Participation in Important Organizations and Initiatives Green Innovation Accomplishments	Other	Research & development
Corporate image management	Entire report	-	-
Environmental protection and pollution prevention	Environmental Sustainability	Environmental	Energy, emissions, products and services
Talent cultivation	Training and Career Development Taipei Tech Talent Development and R&D Program	Social - Labor Practices and Dignified Labor Other	Training and education Research & development
CSR conduct	Entire report	-	-
Green product	Green Innovation	Environmental	Products and services
Charitable activities	Social Concern	Other	Charity

# Aspect Scope and Definition of Major

The Group assessed the significant of each GRI G4 indicator to define the boundary of disclosure to include the Chicony Group itself (Chicony Electronics, Chicony Power, XAVi and some of the plants in China) and external partners such as

suppliers, contract vendors, industry associations/schools, customers and local communities. The scope of disclosure for each aspect is as follows. The associated activities will be presented in the following sections of this report.

Aspect Scope and Definition of Major						
Category	Aspect	Boundary	External			
		Chicony Group	Suppliers and Contractors	Industry Associations/Schools	Customers	Local Communities
Economy	Economic Performance	●				
	Market Presence	●				
	Procurement Practices	●				
Environment	Materials	●				
	Energy	●	○			○
	Emissions	●	○			○
	Effluents and Waste	●	○			○
	Products and Services	●			●	
	Compliance	●	●	●		●
	Overall	●				
	Supplier Environmental Assessment	●	●			
	Environmental Grievance Mechanisms	●				●
Society	Labor Practices and Dignified Labor	Employment	●	○		
		Labor/Management Relations	●			
		Occupational Health and Safety	●	○		
		Training and Education	●	○		
		Diversity and Equal Opportunity	●	○		
		Equal Remuneration for Women and Men	●			
		Supplier Assessment for Labor Practices	●	●		
		Labor Practices Grievance Mechanisms	●			

Category		Boundary Aspect	Internal	External		
			Chicony Group	Suppliers and Contractors	Industry Associations/ Schools	Customers Local Communities
Society	Human Right	Non-discrimination	●	●		
		Freedom of Association and Collective Bargaining	●	○		
		Child Labor	●	●		
		Forced or Compulsory Labor	●	●		
		Human Rights Assessment	●	●		
		Supplier Human Rights Assessment	●			
		Human Rights Grievance Mechanisms	●			
	Society	Anti-corruption	●			
		Anti-competitive Behavior	●			
		Compliance	●			
		Supplier Assessment for Impacts on Society	●			
		Grievance Mechanisms for Impacts on Society	●			●
	Product Responsibility	Customer Health and Safety	●			●
		Product and Service Labeling	●			●
		Customer Privacy	●			●
		Compliance	●			●
Other		Research and development (Non-GRI aspect)	●		●	●
		Charity (Non-GRI aspect)	●			●

Note (1): Disclosure for industry associations, customers and local communities are from the angle of impact effects

Note (2): ● indicates major and disclosure in this report ○ indicates major and planned to disclosure in the future.





# Group Governance

## Operation of the Board and Committee

The Chicony Group is committed to building a sound corporate governance structure. The Code of Conduct serves as highest guiding principle in continuing to strengthen the competency of the directors, ensuring the effective functioning of each committee and maximizing transparency in disclosure for external oversight to protect the interests of investors and all stakeholders as well as respond to shifts in the business environment. The Group has set up a "Board of directors" and "Remuneration Committee". The directors and committee members were selected in accordance with the relevant regulations from candidates with the necessary professional experience and integrity. The "Audit Office" in turn oversees all risk management, audits the execution of the Group's internal controls to ensure that all Group units follow our corporate governance strategy.

### Board of Directors

The Board is the top governance unit of the Group. It is made up of professionals with extensive industry, business and academic experience, and stakeholder opinions are taken into account during the selection process. The Group's governance decisions and activities are disclosed to stakeholders through our financial and CSR reports. Board members follow the Code of Conduct in making important business decisions, voting on company regulations, monitoring management performance, avoiding conflicts of interest, prohibiting of corruption and bribery, ensuring fair market competition, assisting with compliance, and exercising the authority of the shareholders' meeting. Regular external courses are also arranged for board members to further their professional knowledge in corporate governance, securities and taxation laws, and CSR so they can

help the Group make the best decisions for the company's long-term development and ensure the proper development of Group governance.

Board attendance and important decisions will be disclosed in the annual report<sup>1</sup> to facilitate investor and shareholder oversight.

Company	Title	Name
Chicony Electronics Co., Ltd.	Chairman	Kent Hsu
	Vice Chairman and President	M.K. Lin
	Director	Roger Lu, James Wei, Simon Tsai, Jia-sheng Liu
	Supervisor	Huang Chin-shun (Legal Representative, Jing Yuan Investment Co., Ltd.) Chang, Su-cheng (Legal Representative, Hua Tai Investment Co., Ltd.) Ku, Chi-hsuang (Legal Representative, Dong Ling Investment Co., Ltd.)
Chicony Power Technology Co., Ltd.	Chairman	Kent Hsu
	Vice Chairman and CEO	M.K. Lin
	Director and President	Peter Tseng
	Director	Richard To
	Independent Director	Fu, Yow-Shiuam ; Tsai, Duh-Kung ; Chiu, Te-Chen
	Supervisor	Hank Liu ; Yang, Ming-Chu ; Lee, Ming-Shan
XAVi Technologies Corporation	Chairman	M.K. Lin
	Director	Kent Hsu, Hsu ,Cheng Yao, Lin,Hsiu-Li, Lee,Hui-Chin, Hank Liu, Steve Wu
	Supervisor	Roger Lu, James Wei, Sherman Wei

## Remuneration Committee

The Chicony Group Remuneration Committee was established in accordance with the Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter to ensure the independence of each committee member. The chief responsibilities of the Remuneration Committee include annual and long-term performance evaluations of directors, supervisors and managers. The compensation policy and standard takes the opinions of stakeholders such as investors, employees and customers into account. Individual compensation and value is adjusted based on performance targets accomplished to comply with the law. It not only provides investors with a basis for monitoring management performance but also

uses a sound compensation structure to attract high-level talent and improve the overall quality of employees. Please refer to the 2014 annual report for the committee composition and organization. Chicony Electronics and Chicony Power both have a 3-person committee. These were convened twice in 2013 with 100% attendance. XAVi is not yet listed and its remuneration committee is still in the preparatory phase.

## Audit Office

The Audit Office reports directly to the Board. It assists with evaluating the effective operation of internal controls and overseeing the implementation of corporate governance decisions. Key tasks include:

Design of the 8 cycles and the internal controls of each management operation; the execution of effective audits and evaluations as well as tracking of improvements.

The planning, execution, reporting, tracking, improvement and submission of the annual audit plan.

The auditing and analysis of Chicony Group financial statements and management reports as well as suggestions for improvement.

The auditing and analysis of OP Index and Management Index from each business unit and plant in China, assisting with the evaluation of internal controls, review of voluntary reports, auditing of plant finances and tracking of improvements.

Auditing the implementation of CSR and EICC performance by the Chicony Group and at each plant in China, as well as the tracking of improvements.

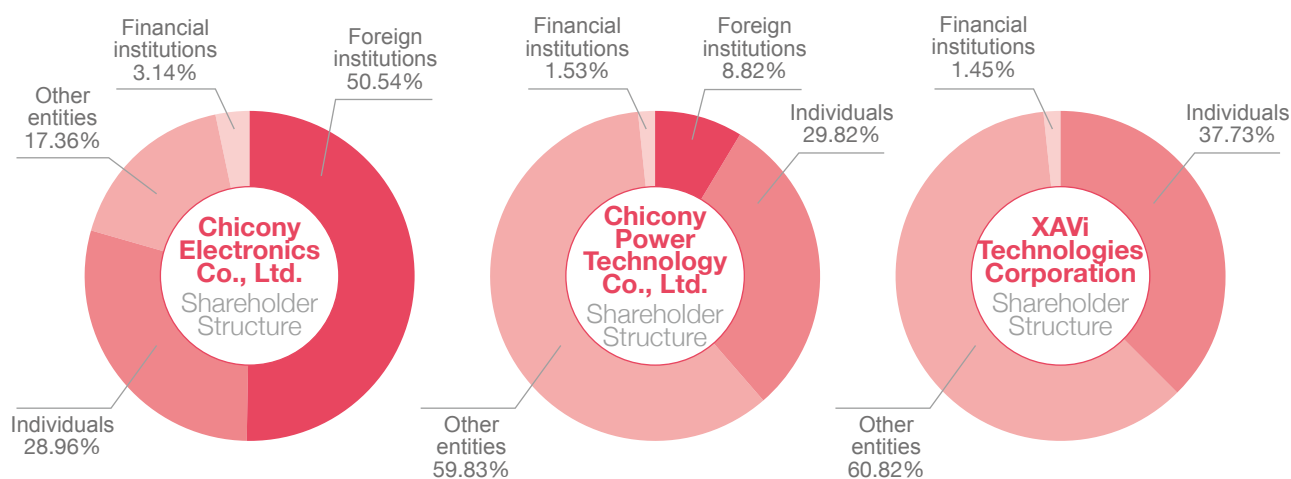
<sup>1</sup>Men account for 87% of the Board of Directors. For more information, please refer to the online annual reports.





## Investor Relations and Risk Management

Producing returns for shareholders is one of our responsibilities. The Group provides all investors with transparent disclosure and has established two-way channels of communication to listen to shareholders' advice on Group governance. We also analyze and manage all internal and external risk factors to respond to changes in a timely manner to reduce the Group's losses and maximize returns for all investors.



Note: The data for Chicony Power Technology Co., Ltd. as of April 17, 2015.



### Investor Communication and Disclosure of Financial Information

The Group has established a spokesperson system. Our corporate finances, business information, important resolutions of the shareholders' meeting and Board, and corporate governance activities are publicly disclosed to investors through revenue reports, the market observation post system website<sup>2</sup>, institutional

<sup>2</sup>The corporate website of each company is as follows:

Chicony Electronics: <http://www.chicony.com.tw>; Chicony Power: <http://www.chiconypower.com.tw>; XAVi: <http://www.xavi.com.tw>



investor conferences, newspapers, magazines and corporate websites . We have also established a dedicated Investor Relations Office for handling investor suggestions and feedback. The Administration department, Finance department and General Management Office have also been tasked with compiling the opinions and messages of all stakeholders on issues such as recruitment, investor relations, public relations, products and services. The appropriate responses are formulated internally then communicate to each stakeholder. The provision of open, transparent information establishes a smooth channel for two-way communication that investors can use as a reference in their decision-making and boost investor confidence.

### Risk Management

Risk factors from external market changes and internal operations are monitored by the Group on a continuing basis and classified as high, mid or low for management. Corresponding response measures have also been developed to ensure



a timely response to environmental or business changes. The prevention of crises protects the interests of customers and investors. It also lays a solid foundation for the sustainable development of the Chicony Group.



### Risk Factors and Preventive Measures

External Market	Supply of Materials	Talent flow	Product Research & Development
<ul style="list-style-type: none"> <li>Triggered by changes in market factors external to the company such as product obsolescence, competition, government policies and regulations, capital and financial markets. Each department tracks market changes relevant to their competency and carry out response measures to prevent crises.</li> </ul>	<ul style="list-style-type: none"> <li>The bulk of materials are imported from reputable foreign suppliers to ensure quality of product. Sound, long-term relationships are maintained and new suppliers actively sought to diversify sourcing risk.</li> </ul>	<ul style="list-style-type: none"> <li>Continue to improve HR management system; implementing a performance bonus scheme, pension plan, healthcare and other benefits; budget for dividends in accordance with the governance policy.</li> <li>To support the demands of business expansion, the HR division is continuing to build up a talent pool and engage in an aggressive campaign of external recruitment.</li> <li>Each business unit also has a proxy system in place to ensure that changes in personnel do not influence the targets of performance.</li> </ul>	<ul style="list-style-type: none"> <li>The Group has established a R&amp;D department for development new products staffed by researchers with professional know-how and extensive hands-on experience. The green R&amp;D concept has been introduced to satisfy industry trends and customer requirements.</li> </ul>
Customer Credit and Collection	Foreign Exchange	Corporate Finance	MIS System
<ul style="list-style-type: none"> <li>Customers undergo regular checks on their industry attributes and credit ratings.</li> <li>Regularly review customers' credit lines and payment terms; conduct annual credit reviews to examine the customer's operations and avoid unexpected risks.</li> <li>Special transactions and excess shipments are inspected everyday; track customers' payables account to ensure the recovery of collectibles; rigorous credit enforcement.</li> </ul>	<ul style="list-style-type: none"> <li>Daily monitoring of foreign exchange rates, revenue targets, changes in inventories, estimate monthly YTD and foreign exchange profit/loss at the end of each month.</li> <li>Set up predictive financial model for foreign exchange rates to carry out timely hedging.</li> <li>Monthly review of exchange rate forecast differences and causes of foreign exchange profit/loss, use foreign currency assets and liabilities to reduce business risks caused by exchange rate fluctuations.</li> </ul>	<ul style="list-style-type: none"> <li>Finance department tasked with asset management, tracking changes in the capital market, use of derivative financial products for hedging, and acquiring the necessary operating capital for the lowest cost.</li> <li>The management takes the Group's core competitiveness, industry trends and international economy along with the business plan to evaluate mid and long-term investment strategies and their yields. Management is also responsible for evaluating, reviewing, supervising and managing investment subsidiaries to reduce investment risk.</li> </ul>	<ul style="list-style-type: none"> <li>To protect against the risk of computer crashes, all major systems have now been computerized and file data is backed up every day.</li> <li>To ensure information security, the Group has defined IT security measures and rules governing all personnel, data, systems, equipment and networks. This controls and reduces IT security risks to provide users with the most secure and convenient service.</li> </ul>

## Participation in Important Organizations and Initiatives

The Group actively participates in industry associations and exchanges with industry partners to enhance the overall body of knowledge, coordinate our recommendations to provide the competent authority with a reference for policy-making, and bring even more pioneering innovations and breakthroughs for the technology industry. We also actively support international initiatives to fulfill our role as a global corporate citizen and fulfill our CSR obligations.

### Participation in Important Organizations and Initiatives

Initiatives Name	Organization Name
<ul style="list-style-type: none"> <li>EICC Code of Conduct</li> <li>Conflict Minerals Reporting</li> <li>Carbon Disclosure Project (CDP)</li> </ul>	<ul style="list-style-type: none"> <li>Electronic Industry Citizenship Coalition</li> <li>Taiwan Electrical and Electronic Manufacturers' Association</li> <li>Taiwan Lighting Fixture Export Association</li> <li>Fujian Power Supply Society</li> <li>Taipei Computer Association</li> <li>Tai Chung Computer Association</li> <li>New Taipei Enterprises Development Association</li> <li>Taiwan Stock Affairs Association</li> <li>Chunghwa Institute of International Taxation</li> <li>Industrial Safety and Health Association of the R.O.C.</li> <li>GS1 Taiwan</li> <li>North Electronic Human Resource Association (NeHR)</li> <li>Taipei Bar Association</li> </ul>



## Special edition Partnership for Sustainability

The support of our supply chain partners is indispensable to the CSR fulfillment of the Chicony Group. "Continue to provide customer satisfaction" comes first in the Group's business philosophy. Listening to our customers, satisfying their requirements and building loyalty is crucial to our pursuit of progress and sustainable development. We therefore invite our supplier partners worldwide to join with us in complying with the EICC Code of Conduct in their operations and compliance commitments in order to become an electronic industry citizen.

In this special edition, the Group shall present our joint accomplishments with other stakeholders to show our appreciation for the unwavering support from our customers and supplier partners in our forging of a sustainable value chain.

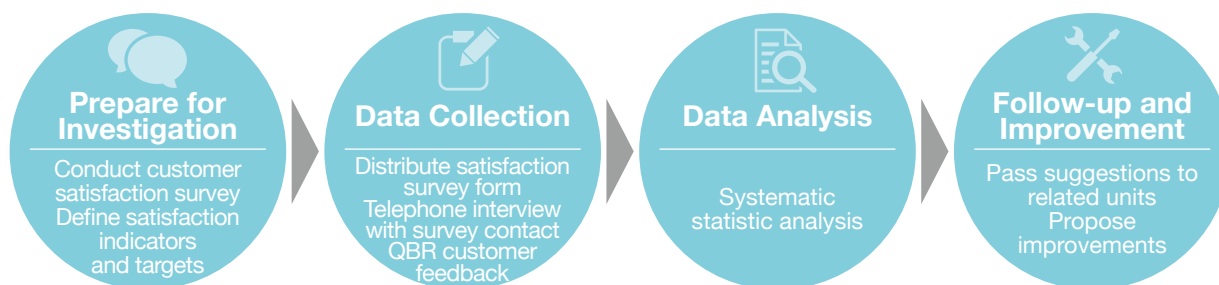
## Keeps going -For our customers

We place great importance on how customers rate the Group's overall image as well as product and service quality. Chicony is committed to the pursuit of excellence and customer satisfaction. Our processes for product design, mass production, global supply and after-sales services link our business units together into one seamless quality management system.

### Customer Satisfaction Survey

We believe that we must listen to what customers are saying to realize the best quality and achieve utmost customer satisfaction. Customer satisfaction surveys on the Group as whole and main products are therefore conducted every quarter, every 6 months and every year. These are combined with customer feedback from the Quarter Business Review (QBR) and scored using a questionnaire survey. For key customers, individual reports are

submitted to the management. The 2013 - 2014 survey statistics showed that our customers were generally satisfied with our technical capability, quality, price, new products and customer services. There was however room for improvement on response to non-conformities and punctual delivery. In the future, we will not only continue to make improvements across the board but also review the areas that customers were dissatisfied with. Data from customer satisfaction surveys are systemically analyzed then verified by the Audit Office according to ISO standards. From there, it is passed to sales, QC and R&D units for tracking and used as a reference for future improvements to product quality and customer satisfaction. This exacting and comprehensive control process is what won the Group the approval of many customers including best supplier awards from Wistron, Lenovo, LCFC, NEC and GoPro.



### Total Quality Management for Products

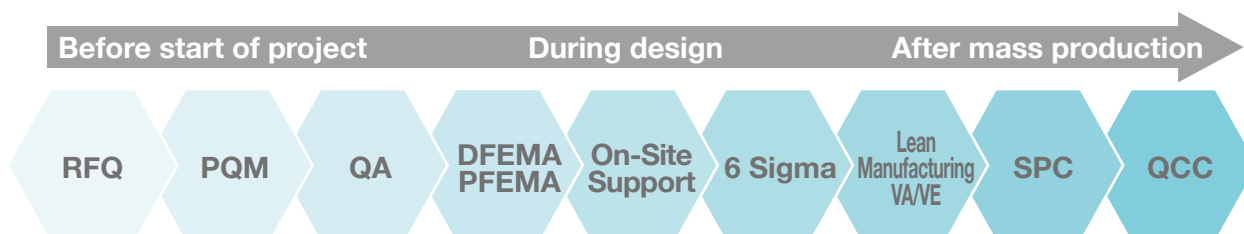
"Quality first" is our promise to customers. The key to maintaining good customer relations is commitment to good quality and is the key to the sustainable management of the Group. Apart from setting up dedicated teams to serve key accounts, we have also set up a "Customer Quality Service Team" (CQS Team) to directly answer customer quality requirements on the spot. We therefore have on-site customer service staff at our ODM plants to study and resolve customer issues in a timely manner. The Group also rigorously enforces Total Quality Management (TQM) in conjunction with the ISO 9001 quality management system. In 2014, we made system-wide adjustments to quality management to place greater emphasis on bi-directional communication with our customers before the project, during design and after mass production. We also set up the Listen Learn scheme

and On-site Support to understand the customer's end-user application and production requirements. By providing tailored solutions and advice, we do our best to satisfy the customer and in turn, enable sustainable product development at Chicony.

Once a project has been opened, between the Request for Quotation (RFQ) and mass production phase Chicony proactively provides the customer with the most professional assistance and design advice. We carry out Project Quality Management (PQM) through testing and analysis of product specifications, function, performance and environment as well as quality assurance (QA). We also introduce quality-oriented Design Failure Mode and Effects Analysis (DFMEA) and Process Failure Mode and Effects Analysis (PFMEA) to push for stability of production quality and yield maximization.

Overall design quality is therefore ensured to be up to customer standards in every way.

Quality improvement efforts are continued even once mass production begins with rigorous product quality screening based on 6-Sigma. Lean manufacturing and Value Analysis/Value Engineering (VA/VE) are also applied to reduce cost and waste during production to maximize end value for the customer. Statistical Process Control (SPC) is performed on the related data and used with the Quality Control Circle (QCC) to continuously refine the overall production process. The goal is to supply high-quality, zero-defect products. Quality is the core competitiveness of the Chicony Group and the source of the faith that our customers worldwide have in us.



## RMA Process and After-Sales Service

To respond to customer requirements in a timely manner and effectively solve customer problems, the Group established customer support hotlines at our plants and service sites. We also have professional technicians stationed on-site to provide the most efficiently and timely after-sales service. In the event of a serious defect, the Group's response mechanism follows the principle of "minimizing customer loss as quickly as possible". We respond to the customer and conduct an on-site inspection within 3 hours. A task force is also set up to apply the "8 Disciplines Problem Solving" process; a short-term suggestion is proposed within 3 days followed by the long-term solution and quality improvement

report within 7 days. A quality certification process is immediately conducted on the customer end. The situation is monitored for one month to track the results of corrective action plan. A full review is then held to avoid a repeat of similar incidents in the future.

## Protection of Customer Data

The Group remains true to our goal of sustainable development in managing our customer relations. Extensive customer intellectual property (IP) and patent protection measures form the basis of mutual trust. To protect the competitiveness of customer products, Chicony practices the following information security measures:

All assigned teams sign a Non-Disclosure Agreement (NDA) on their customer's project in order to fully focus on the customer product. Unauthorized employees are barred from accessing project information.

We actively confirm the NDA with the customer and expand the scope of the agreement from project team members to suppliers as well.

R&D and production units have restricted access zones protected by biometric identification systems based on advanced fingerprint and facial recognition technologies.

We have adopted the Control Objectives for Information and Related Technology (COBIT) framework and an organizational "IT Security Management Guidelines" is in place.

We organize personal data protection forum, explain the provisions of the Personal Data Protection Act to all employees and partners, and have formulated the "Personal Data Protection and Control Regulations".

## Sustainability- work with our suppliers

The Group's supply chain consists mainly of contracts for process outsourcing, materials, equipment and waste disposal. The Group has an environmental protection oversight unit headed by the Environment, Health and Safety (EHS) Division. It is responsible for the supervision and auditing of internal and external environmental, energy-saving, safety and hygiene matters. In accordance with EICC, ISO 14001 and OHSAS 18001 standards, environment, safety & hygiene, occupational health, labor practices, human rights and social impacts are all consolidated under this unit. It conducts the CSR audit of the Group to form a sustainable value chain that links customers, the Chicony Group and suppliers together.

### Supplier and Procurement Attributes

Creating a sustainable value chain requires partners who are also committed to becoming corporate citizens. Apart from the economic contributions, it also yields benefits in terms of environmental ecology and social progress. The Group's headquarters are responsible for R&D and sales development. The main production sites are located in China with the five main plants spread between Huanan, Huadong and Huazhong.

Quality materials must be managed from the source to produce high-quality products that enhance customer satisfaction and boost Group revenues. Chicony Electronics, Chicony Power and XAVI production sites around the world generally purchase



semi-finished components from suppliers along with small amounts of plastics, iron, tin, aluminum and silver. A material monitoring system is being developed that will improve material management quality as well as the tracking and assessment of performance data. Our Taiwan headquarters and China plants all strive to follow the principle of "local purchasing". Take Chicony Power for example, the percentage of local purchasing is now up to 72%. It not only improves supply efficiency and stimulates the local economy but also reduces the carbon footprint from product transportation in keeping with the Chicony Group's green product philosophy.





### Sustainable Procurement from Suppliers

Green design and toxin-free products are our commitment to the environment. Green design must start at the source by managing the raw materials. The Group has set up three material management mechanisms: "Environmental Controlled Substances Standard", "Restricted Substances" and "Conflict Minerals". These ensure that suppliers conform to the requirements of the Group and international customers as well as the sustainability of the green supply chain.

#### ※ Restricted Substance Management Mechanism

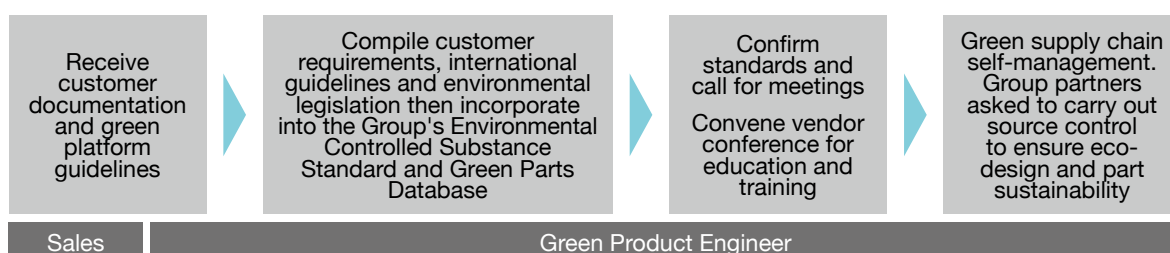
To achieve the goal of using environmental-friendly materials and conform to international guidelines, the Group has voluntarily adopted the Environmental Controlled Substances Standard on restricted or banned hazardous substances along with the OHSAS occupational safety and health management system, the ISO 14001 environmental management system and QC 080000 hazardous management system as our basis for supplier auditing and selection.

Our R&D, QC and procurement teams as well as supplier partners therefore have a set of standards for managing environmental-harmful substances. By clearly defining the management of environmental controlled substances (including banned, restricted and controlled substances), we can prevent the accidental use of materials, components, parts and products containing hazardous substances within the Group. This ensures that we provide products that are low in toxicity and pollution, reducing their danger to the environment.

#### ※ Environmental Controlled Substances Standard

In response to the EU RoHS, REACH (Registration, Evaluation, Authorization and Restriction of Chemicals) directives and related restricted substance guidelines of international customers, the Group has since 2006 required our plants and supply chain partners to use manufacturing and packaging materials that have low environmental toxicity. We have now achieved IECQ QC08000 and ISO 14000 international environmental certifications. The Green Product Management System (GPMS) has also

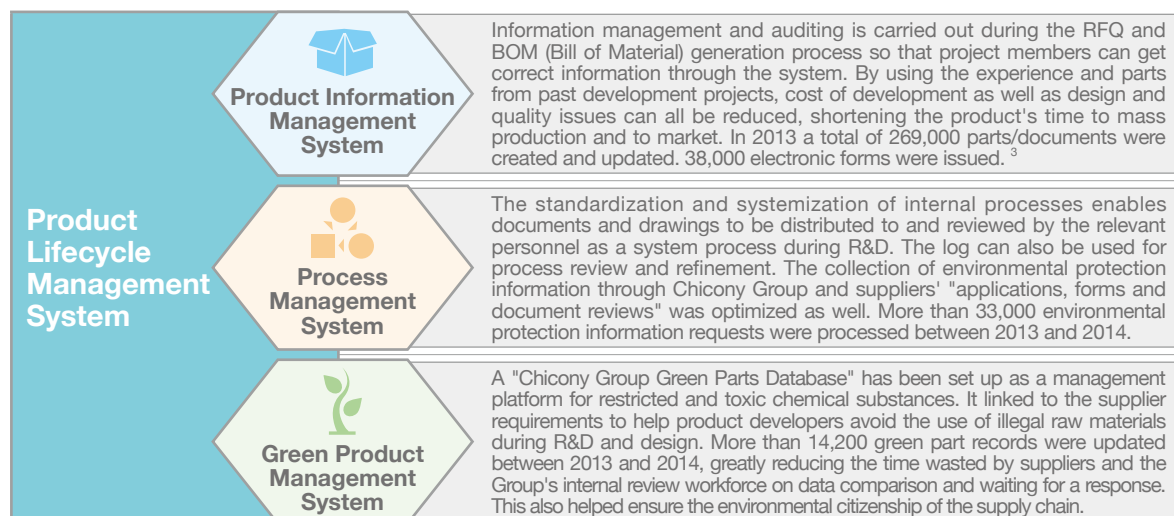
#### Environmental controlled substance standard



been incorporated into Product Lifecycle Management (PLM) at Chicony Group. Through the "Chicony Group Green Parts Database", we actively push for the "non-purchase", "non-design", "non-acceptance", "non-production" and "non-leak" of products that contain any hazardous substances from the production process. At the same time, as large amounts of printed drawings and documents are generated during product development, the Group has now developed the Product Data Management (PDM) system for environmental friendliness, conservation and effective communications. The three main functions of this green platform are "Product Design Resume", "Product Information Management" and "Process Management System". All team members can access and share the information they need for product R&D through this platform. This reduces the waste of work force, materials and resources. In addition to the product design process, we believe that being green on even the smallest detail can lead to change in terms of environmental friendliness, energy conservation and carbon reduction.

#### ※ Conflict Minerals Management Mechanism

The Chicony Group has answered the call from human rights groups and peers in the EICC to uphold the spirit of CSR by requiring all suppliers to sign the "Conflict Minerals Reporting Template". This includes avoiding the use of conflict minerals (Gold, Tin, Tungsten, Tantalum) from African Congo and surrounding countries that violate labor rights, and non-use of conflict minerals from forced or child labor. Our supplier responsibility survey results for 2013 and 2014 found no suppliers that were in violation of their commitment to non-use of conflict minerals.



<sup>3</sup>System was updated in 2014. The methods for calculating data were revised and the updated data will be provided at a later date.

## Supplier Sustainability Audit

Chicony Group actively supports the sustainable supply chain management initiative of the EICC. We not only encourage self-monitoring by all suppliers in accordance with the EICC Code of Conduct but also require them to pass the Group's ESG audit (Environment, Society, and Governance). The design of the supplier audit indicators were based on:

- ISO 14000 environmental management system;
- ISO 9001 quality management system;
- ISO 26000 social responsibility performance evaluation;
- EICC Supplier Sustainability Declaration and Self-Assessment Questionnaire (SAQ);
- EU Restriction of Hazardous Substances Directive (RoHS);
- Conflict Minerals Reporting Template
- Local regulations on occupational safety and health and the management of toxic chemical substances.

The Group has an audit team made up of the R&D, QC, Purchasing, HR departments, the Audit Office

and the Environmental, Health and Safety Division to regularly review the supplier performance on the quality of products (or services), green purchasing, environmental safety and health, labor rights and code of conduct. This ensures the stability of the partnership and the continuation of the sustainable value chain. We now have more than 700 partners. For existing suppliers, the appropriate management units develop an annual audit plan based on the amount of transactions, transaction volume and quality, and delivery times. Defective areas are tracked until improvement is made. More than 170 suppliers were audited between 2013 - 2014. The most common defect was labor issues at 436 items. All were completed in the same year. To date, there has been no termination of supplier partnership due to failed audits. For first-time partners, we also require them to pass the full audit process before any transactions are undertaken so the audit ratio is 100%. In the future, the Chicony Group will continue to work with our partners to realize the ideal of the sustainable supply chain.

New Supplier Audit Procedure	
Introduction	<ul style="list-style-type: none"> <li>• Investigate the supplier's size, credit rating and production quality. If Group's requirements could be satisfied then ask supplier to provide sample for quality testing.</li> <li>• Initial assessment on conformance to EICC Code of Conduct.</li> <li>• Supplier Risk Assessment.</li> </ul>
Assessment	<ul style="list-style-type: none"> <li>• The supplier fills out a self-assessment questionnaire. The QC department validates the supplier's plans and reports on design, process and quality carries out quality System Audit (QSA), Quality Process Audit (QPA), RoHS and other quality control functions.</li> <li>• The Chicony supplier audit team invites the supplier to go through the document review to verify their key processes, key inspection items and social responsibility performance. Face-to-face discussion is undertaken on each party's requirements and suggestions for improvement made.</li> </ul>
Validation	<ul style="list-style-type: none"> <li>• Draw up on-site audit plan. The Chicony supplier audit team then conducts an on-site inspection.</li> <li>• Confirm the Continual Improvement Plan (CIP).</li> </ul>
Improvement	<ul style="list-style-type: none"> <li>• Add to Approved Vendor List if validated.</li> <li>• Establish supplier communication channel and reporting mechanism.</li> <li>• Carry out training and improvement plans.</li> <li>• New suppliers must satisfy the requirements and pass the audit 100% to be included in the approved vendor list. From then on, they are managed under the "Existing Supplier Management Policy".</li> </ul>

Existing Supplier Management Policy
<ul style="list-style-type: none"> <li>• Regular monthly, quarterly and annual assessments along with random inspections on quality, delivery time, price, production yield, environmental safety and health, and social responsibility. Increased weighting is assigned to timely notification and handling of quality non-conformities (40%). Supplier Quality Management (SQM) is carried out with three grades, A, B and C.</li> </ul>
<ul style="list-style-type: none"> <li>• The non-conformity notification mechanism is used in conjunction with the monthly Supplier Corrective Action Request (SCAR).</li> </ul>
<ul style="list-style-type: none"> <li>• Regular submission of the EICC and Global e-Sustainability Initiative (GeSI) supplier management forms.</li> </ul>
<ul style="list-style-type: none"> <li>• Convening of Vendor Quality Assurance management meetings with general purchasing, engineering, QC and R&amp;D departments convened to conduct quality reviews and supervise key supplier production processes.</li> </ul>
<ul style="list-style-type: none"> <li>• Call for vendor conferences at different times for training on social responsibility and environmental safety and health as well as updates on new regulations and proposes international standards. The best vendors are rewarded.</li> </ul>
<ul style="list-style-type: none"> <li>• Conduct Quarter Quality Review (QQR) for C-grade suppliers. Carry out training reviews and on-site counseling. If improvement is still not made then the vendor goes into the elimination process.</li> </ul>



# Environmental Sustainability

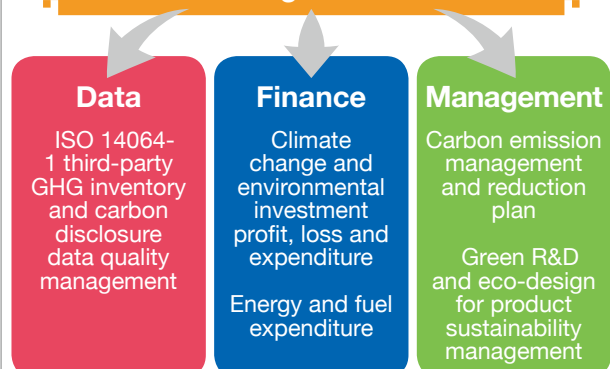
## Environmental Protection

As a citizen of planet Earth, the Chicony Group is committed to environmental protection and pollution prevention. To promote green R&D and ecological design, we practice green self-management throughout our R&D, design, purchasing, manufacturing and the entire supply chain. We strive to introduce green concept into our corporate culture and work towards creating a clean homeland through our insistence on environmental-friendly design and green innovation.

### Greenhouse Gas Inventory and Carbon Disclosure

The Chicony Group voluntarily supports the Carbon Disclosure Project (CDP), an international independent non-profit organization. The measurement of data and statistics, the accounting of environmental expenditure along with GHG emission controls on the management

#### Chicony Group Carbon Disclosure and GHG Management Framework



level are used to develop a carbon reduction plan and introduce a product sustainability management mechanism that reduces the impact of climate change and enforces the self-management of carbon emissions. Our plants have now all passed third-party certification on ISO 14064-1 GHG inventory. These are also verified every year.




## Pollution Prevention and Waste Management

Advanced in technology means new production technologies uses of materials. This inevitably leads to byproducts harmful to the environment being generated during the production process. The Group is actively strengthening and improving our pollution prevention efforts on effluent, emissions, noise and toxic chemicals to reduce our environmental impact. Our ultimate goal is reducing environmental harm through zero waste and zero pollution.

Pollution Prevention and Waste Management Measures at the Chicony Group		
Air Pollution Prevention	Water Pollution Prevention	Waste Management
<p>Emissions permits were secured in 2008 in accordance with local environmental regulations and annual inspections carried out. The following pollution prevention and treatment measures for emissions generated by production and domestic activities have been adopted:</p> <ul style="list-style-type: none"> <li>Emissions from tin soldering and wave soldering are treated using electrostatic precipitation equipment before high-altitude discharge;</li> <li>Organic emissions from transfer printing machines are treated using activated carbon absorption equipment before high-altitude discharge;</li> <li>Emissions from generators are treated using alkaline sprays before high-altitude discharge;</li> <li>Environmental monitoring organization commissioned to monitor emissions generated during production every year;</li> <li>Cooking oil smoke is treated with oil smoke purifier before high-altitude discharge.</li> </ul>	<p>The Group generates no production-related effluent. Most consist of domestic sewage. Pure water from production processes and cooling water from air-conditioning are recycled and reused.</p> <p>For domestic sewage management, rainwater and sewage are separated. Kitchens and cafeterias are required to use environmentally friendly cleaning agents and install grease traps to ensure their effective treatment. Domestic sewage is discharged into the city sewers for centralized treatment at the sewage treatment plant. Environmental monitoring organizations are also commissioned every year to monitor the water quality of domestic sewage discharged into the city sewers.</p>	<p>Group waste mainly consists of three types: domestic waste, recyclable waste and hazardous waste.</p> <ul style="list-style-type: none"> <li>Domestic wastes are placed at designated locations for disposal by public sanitation authorities.</li> <li>Recyclable waste generated during the production process (e.g. waste paper packaging, waste material trays, waste parts) are collected by certified vendors for recycling;</li> <li>Hazardous waste produced during the production process such as waste containers (e.g. waste oil and ink cans, waste adhesive bottles), certified vendors in accordance with local regulations treat wipe cloths containing chemicals and solder spatter. Solid waste are sorted then bagged or placed in anti-spill tanks during storage and management to prevent secondary pollution. The Group reviews the qualifications of recycling vendors and conducts on-site audits to ensure the disposal process is in compliance. The amount of hazardous waste generated is also tracked and reported to the environmental authorities.</li> </ul>

## Energy & Resource Conservation and Management

The Chicony Group recognizes the fact that all resources on Earth are finite and precious. As a citizen of Earth and a leader of the technology industry, the onus is on us to do all we can do for the conservation and management of energy and resources. A series of energy and resource conservation mechanisms have therefore been developed:

Electricity Resource Conservation and Management		
<p>The consumption of electricity is the main source of GHG emissions. The Group is committed to reducing carbon emissions from routine operations and the promotion of green energy. To realize our target of reducing electricity consumption, we are actively working to improve the efficiency of our plant facilities and the energy-savings of production lines through the following initiatives:</p>		
Lighting Energy-Saving Plan	Process and Site Energy-Saving Plan	Other Energy-Saving Plans
<p>As part of our energy-saving program, the Group replaced conventional T8 and T5 fluorescent lights with LED lighting energy-saving include:</p> <ul style="list-style-type: none"> <li>Introduction of the smart lighting cloud management system co-developed by Chicony Power and XAVI;</li> <li>Continuing to replace conventional lighting with LED lighting;</li> <li>LED lighting used in new buildings;</li> <li>Stepped up public awareness on turning off the lights when not in use to conserve electricity.</li> </ul>	<p>The energy-saving UV machine introduced by the Mobile Keyboard BU has a power consumption of 6KW, saving about 60% than the original one; the Camera Module BU changed the mercury lamps inside the UV machine to LED lamps to save 7,488 kWh per year.</p> <p>The Group regularly inspects the compressed air hose in each plant, replaces the parts of energy-intensive equipment or switches to more energy-saving equipment to avoid energy waste.</p> <p>The absorption dryers in the compressed air systems at each plant are being progressively replaced by heater systems, reducing power consumption by 94 MWh per year.</p> 	<ul style="list-style-type: none"> <li><b>Renewable Energy:</b> The photovoltaic (PV) inverter produced by Chicony Group can be used to supply our plants in the place of grid power. We are also working with well-known domestic vendors to promote this application. The roof of the Taipei headquarters now has 5.8kW (PolySi 290W x 20 pcs) installed to generate around 6,418 kWh of power a year.</li> <li><b>Waste Heat Recovery:</b> Dongguan and other plants are progressively recovering waste heat generated during the operation of air compressors to supply hot water to employee dormitories. This saves around 354.46 MWh of electricity a year, which equivalent to 326.92 t-CO<sub>2</sub>e per year in reduced emissions.</li> <li><b>Vehicle Management:</b> In response to the Group's expanding organization and increasing workforce, we are actively promoting carbon reduction measures for commuting and business travel. These include ride sharing and shuttle buses at fixed locations.</li> </ul>
Water Resource Conservation Management		
<ul style="list-style-type: none"> <li>The cooling water and water level controller float at each plant are regularly maintained and replaced to avoid wasted water from overflows.</li> <li>We are continuing to replace taps and flush toilets with water-saving models to realize water-savings in everyday use;</li> </ul>		

## E-Office Operations

Our office workflow used to generate a large amount of printed forms. The Group accelerated the introduction of the e-forms system<sup>4</sup> for environmental conservation and communications that are more efficient. In 2014, the Group generated 2.05 million

electronic forms. This was equivalent to 26.85 tonnes of paper and 644.4 trees, for annual carbon reductions of 7.49 tonnes. Operational efficiency was increased while the consumption of paper and ink was reduced.

## Environmental Protection Investments and Results

### Emissions Output and Performance ( Main Greenhouse Gas Emissions )

Category/Plant	Dongguan Plant (Chicony Electronics)		Suzhou Plant (Chicony Electronics)		Chongqing Plant (Chicony Electronics)		Dongguan Plant (Chicony Power)	
	2013	2014	2013	2014	2013	2014	2013	2014
Scope 1: Direct GHG emissions	924.27	716.66	3,907.00	3716.00	209.22	183.43	222.12	93.10
Scope 2: Indirect GHG emissions	18,189.52	18,186.13	29,242.00	28,214.00	4103.91	5419.03	30,729.29	32,126.93
Sum of Scope 1 and Scope 2	19,113.79	18,902.79	33,149.00	31,930.00	4313.13	5602.46	30,951.41	32,220.03
GHG emission intensity	0.0011	0.0010	0.0016	0.0018	0.0030	0.0025	0.0028	0.0027

### Emissions Output and Performance ( Other emissions )

Category/Plant	Dongguan Plant (Chicony Electronics)		Suzhou Plant (Chicony Electronics)		Chongqing Plant (Chicony Electronics)		Dongguan Plant (Chicony Power)	
	2013	2014	2013	2014	2013	2014	2013	2014
Nitrous Oxide (N <sub>2</sub> O) emissions	3.61	2.83	24.00	26.00	0	0	1.16	0.17
Hydro Fluorocarbon (HFCs) emissions	125.25	133.49	0.00	0.00	N/A	N/A	163.14	69.43
Methane (CH <sub>4</sub> ) emissions	349.77	362.22	1,457.00	1,294.00	0.09	0.07	12.05	12.01

Note (1): The unit for emissions is t-CO<sub>2</sub>e/year.

Note (2): The GHG emissions disclosed in this report are for the main production sites of Group subsidiaries such as Chicony Electronics, Chicony Power and XAVi in China. The XAVi Suzhou plant data was consolidated with the Chicony Electronics Suzhou plant.

Note (3): The formula for calculating GHG emission intensity is "emissions (t-CO<sub>2</sub>e/year) divided by revenue (1000 NTD/year)" (GHGs emitted per unit of revenue). A lower value is more environmental-friendly.

Note (4): Chicony Electronics' Chongqing and Suzhou plants as well as Chicony Power's Dongguan plant are expected to achieve ISO14064-1 certification in 2015. The above data were calculated internally and provided for reference only.

Note (5): Based on the results of the GHG inventory, in 2014 Chicony's Taiwan headquarters and the plants in China produced total GHG emissions of 88,656.69 tCO<sub>2</sub>e. Of these, 94.69% (83946.09 tCO<sub>2</sub>e) came from externally purchased electricity (Scope 2); Scope 1 emissions from vehicle fuel, emergency generator and steam boilers accounted for 5.31% (4709.19 t-CO<sub>2</sub>e).

Note (6): For other indirect GHG emissions produced from outsourced activities (Scope 3), the difficulty in gathering such data and the involvement of the external supply chain means this currently consists mainly of qualitative inventories. Work on related statistical methods will be developed in the future. The primary sources of Scope 3 emissions at Chicony include outsourced operations owned or controlled by the Group such as the cafeterias, transportation vehicles, the removal of sludge and waste. It also includes other company operations such as employee commutes, official travel and business trips.

### Energy and Resource Inputs

Quantitative Indicator / Plant	Chicony Electronics Headquarters		Dongguan Plant (Chicony Electronics)		Suzhou Plant (Chicony Electronics)	
	2013	2014	2013	2014	2013	2014
Electricity Consumption (MWh/Year)	1584.90	1517.80	19662.25	19327.50	36,100.45	34,853.40
Energy Intensity (Electricity consumption/ Revenue)	N/A	N/A	0.0011	0.0010	0.0017	0.0019
Domestic consumption by kitchens/dormitories LPG consumption (kg/year)	N/A	N/A	8882.50	8,180.00	5519.78	3693.97
LNG consumption (m <sup>3</sup> /year)	N/A	N/A	N/A	N/A	868,564.53	833,602.41
Gasoline consumption (KL/year)	N/A	N/A	36.12	32.97	157.74	151.44
Diesel consumption (KL/year)	N/A	N/A	147.50	15.00	28.87	54.94
Water consumption (KL/year)	19,685.00	18,214.00	591,800.00	700,700.00	1,187,019.39	1,006,928.02

<sup>4</sup>The data on savings from the e-forms system comes from the "Online Approval Promotion Strategy and Benefits" article published by the Research, Development and Evaluation Commission of the Executive Yuan.

Quantitative Indicator / Plant	Chongqing Plant (Chicony Electronics)		Chicony Power Headquarters		Dongguan Plant (Chicony Power)		XAVi Technologies Headquarters	
Year	2013	2014	2013	2014	2013	2014	2013	2014
Electricity Consumption (MWh/year)	4,196.65	5,572.84	972.00	1,033.00	33,401.00	35,490.00	142.24	153.59
Energy Intensity (Electricity consumption/ Revenue)	0.0029	0.0025	N/A	N/A	0.0030	0.0030	N/A	N/A
Domestic consumption by kitchens/dormitories LPG consumption (kg/year)	N/A	N/A	N/A	N/A	1,140.00	1,140.00	N/A	N/A
LNG consumption (m <sup>3</sup> /year)	28,903.68	21,294.00	N/A	N/A	N/A	N/A	N/A	N/A
Gasoline consumption (KL/year)	53159.28	51,618.14	N/A	N/A	N/A	N/A	N/A	N/A
Diesel consumption (KL/year)	N/A	N/A	N/A	N/A	11,000.00	5,000.00	N/A	N/A
Water consumption (KL/year)	87,085.00	110,968.00	7,406.00	14,193.00	470,932.00	527,418.00	843.00	664.00

Note (1): The energy and resource input data disclosed in this report are for the main production sites of Group subsidiaries such as Chicony Electronics, Chicony Power and XAVi in China. The XAVi Suzhou plant data was consolidated with the Chicony Electronics Suzhou plant; there are no production activities at the Taiwan headquarters so the only inputs are routine electricity and water resource consumption.

Note (2): The energy intensity formula is "electricity consumption divided by revenue (1000 NTD/year). A lower value is better for environmental protection and energy conservation.

Waste Output (Unit: Tonnes/year)									
Quantitative Indicator / Plant		Chicony Electronics Headquarters		Dongguan Plant (Chicony Electronics)		Suzhou Plant (Chicony Electronics)		Chongqing Plant (Chicony Electronics)	
Year		2013	2014	2013	2014	2013	2014	2013	2014
General Waste	Reusable	0.7	0.8	204.01	146.35	694.80	487.42	144.30	250.60
	Non-reusable	33.86	33.04	573.00	573.00	437.50	505.80	202.00	198.00
	Total	34.56	33.84	777.01	719.35	1,151.00	1,018.30	346.30	448.60
Hazardous Waste	Reusable	N/A	N/A	0	0.00	0	0.00	0.00	0.00
	Non-reusable	N/A	N/A	9.23	9.79	7.29	6.10	0.00	8.10
	Total	N/A	N/A	9.23	9.79	7.29	6.10	0.00	8.10

Quantitative Indicator / Plant		Chicony Power Headquarters		Dongguan Plant (Chicony Power)		XAVi Technologies Headquarters		Suzhou Plant (XAVi)	
Year		2013	2014	2013	2014	2013	2014	2013	2014
General Waste	Reusable	0.80	1.20	493.00	472.00	Disposed via management of leased building		241.50	247.29
	Non-reusable	0.20	0.30	67.00	62.00			0.47	0.51
	Total	1.00	1.50	560.00	534.00			241.97	247.80
Hazardous Waste	Reusable	N/A	N/A	0.00	0.00	N/A	N/A	0.03	0.03
	Non-reusable	N/A	N/A	3.12	3.12	N/A	N/A	0.25	0.25
	Total	N/A	N/A	3.12	3.12	N/A	N/A	0.28	0.28

Note: The waste output data disclosed in this report are for the main production sites of Group subsidiaries such as Chicony Electronics, Chicony Power and XAVi in China. The XAVi Suzhou plant data was consolidated with the Chicony Electronics Suzhou plant; there are no production activities at the Taiwan headquarters so the only inputs are routine electricity and water resource consumption.



## Energy-Saving Management Information and Performance for 2013 and 2014

Quantitative Indicator / Plant	Air Compressor waste heat recovery			Upgrade air compressor from absorption dryer to heated dryer			Replace old lighting with energy-saving LED lighting			Replace energy-intensive equipment with energy-saving equipment		
	Year	Electricity (MWh/year)	t-CO <sub>2</sub> e / 年	Year	Electricity (MWh/year)	t-CO <sub>2</sub> e / 年	Year	Electricity (MWh/year)	t-CO <sub>2</sub> e / 年	Year	Electricity (MWh/year)	t-CO <sub>2</sub> e / 年
Dongguan Plant (Chicony Electronics)	2013	242.46	223.62	2013	94.35	87.02	2013	257.40	237.40	2014	165.40	151.89
							2014	17.07	15.68			
	Upgrade with inverter pump or equipment			Energy conservation for air-conditioning (addition of smaller chiller for more efficient operation; improvement of water treatment and operating times)						Maintenance and improvement of air compressor conduit leaks		
	Year	Electricity (MWh/year)	t-CO <sub>2</sub> e/ year	Year		Electricity (MWh/year)	t-CO <sub>2</sub> e/year		Year	Electricity (MWh/year)	t-CO <sub>2</sub> e/ year	
	2013	153.60	141.67	2013		186.26	171.79		2013	70.59	65.10	
	2014	112.37	103.19	2014		1365.62	1254.05		2014	13.18	12.10	

Quantitative Indicator / Plant	Replace old lighting with energy-saving LED lighting			Maintenance and improvement of air compressor conduit leaks		
	Year	Electricity (MWh/year)	t-CO <sub>2</sub> e/year	Year	Electricity (MWh/year)	t-CO <sub>2</sub> e/year
Suzhou Plant (Chicony Electronics)	2013	279.93	226.74	2013	536.00	434.16
	2014	84.12	68.09	2014	433.63	351.02

Quantitative Indicator / Plant	Replace old lighting with energy-saving LED lighting			Install heat pump instead of electric water heater in dormitories			Introduction of new, smart energy-saving UV machine			Maintenance and improvement of air compressor conduit leaks		
	Year	Electricity (MWh/year)	t-CO <sub>2</sub> e/year	Year	Electricity (MWh/year)	t-CO <sub>2</sub> e/year	Year	Electricity (MWh/year)	t-CO <sub>2</sub> e/year	Year	Electricity (MWh/year)	t-CO <sub>2</sub> e/year
Chongqing Plant (Chicony Electronics)	2013	369.37	361.20	2014	120.23	116.91	2013	775.01	757.88	2014	24.78	24.23
	2014	204.18	198.54				2014	129.17	125.60	2014	23.76	23.11

Quantitative Indicator / Plant	Air Compressor waste heat recovery			Replace old lighting with energy-saving LED lighting			Replace energy-intensive equipment with energy-saving equipment		
	Year	Electricity (MWh/year)	t-CO <sub>2</sub> e/year	Year	Electricity (MWh/year)	t-CO <sub>2</sub> e/year	Year	Electricity (MWh/year)	t-CO <sub>2</sub> e/year
Dongguan Plant (Chicony Power)	2013	112.00	103.30	2013	6.88	6.35	2014	105.30	96.70
	Heating room changed to energy recycle system (ERS)			Maintenance and improvement of air compressor conduit leaks					
	Year	Electricity (MWh/year)	t-CO <sub>2</sub> e/year	Year	Electricity (MWh/year)	t-CO <sub>2</sub> e/year			
	2014	214.20	196.70	2013	105.88	97.66			
				2014	70.59	64.82			

Note (1): The unit for emissions is t-CO<sub>2</sub>e/year.

Note (2): The energy management data disclosed in this report are for the main production sites of Group subsidiaries such as Chicony Electronics, Chicony Power and XAVi in China. The XAVi Suzhou plant data was consolidated with the Chicony Electronics Suzhou plant.

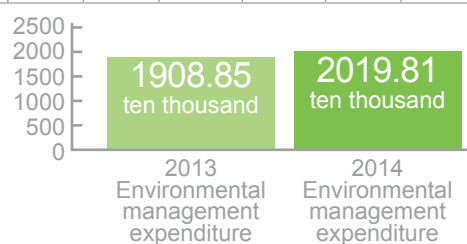


Environmental Accounting												
Quantitative Indicator / Plant	Chicony Electronics Headquarters		Dongguan Plant (Chicony Electronics)		Suzhou Plant (Chicony Electronics)		Chongqing Plant (Chicony Electronics)		Chicony Power Headquarters		Dongguan Plant (Chicony Power)	
Year	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014
Cost of waste disposal	15.12	15.12	21.30	36.20	289.08	319.28	28.46	34.39	3	3	10.06	10.06
Cost of emissions treatment	0	0	182.02	8.55	41.08	58.72	0	0	N/A	N/A	0	0
Remedial environmental expenditure	2.5	3.15	0	0	202.80	214.98	0	0	N/A	N/A	111.73	20.11
Preventive environmental expenditure	37.28	29.19	15.08	15.08	681.42	1,343.25	2.42	25.98	N/A	N/A	10.26	30.07
Environmental management expenditure	258.86	268.84	332.37	332.37	957.90	1,065.73	22.86	3.55	209.95	215.32	126.91	134.00

Note (1): Disclosed here are the environmental accounting for Group subsidiaries Chicony Electronics, Chicony Power and XAVI. XAVI Suzhou plant was consolidated with Chicony Electronics Suzhou plant.

Note (2): Remedial environmental expenditure includes environmental levies; preventive environmental expenditure includes environmental inspection by occupational safety and health associations; environmental management expenditure includes the operation of the industrial safety and health office, waste disposal and building janitors.

Note (3): Unit: NT\$10,000.

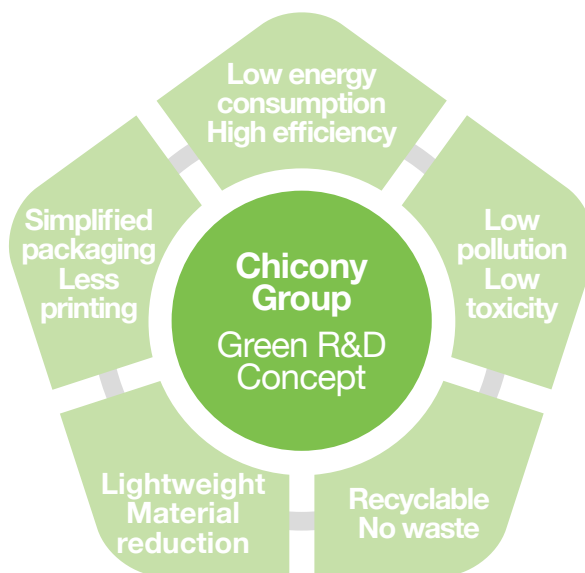


## Green Innovation

### Green R&D Concept and Eco-Design

The growing environmental impact of global warming makes green products an urgent priority. Product sustainability management is now the challenge for businesses worldwide as well. The Group hopes that the promotion of green R&D concept and eco-design will spur the development of high-efficiency and low-consumption products with higher proportions of recycled materials. The Group established an environmental protection supervise unit (CE) to integrate green parts databases, review environmental information of products provided by suppliers, ask suppliers to use materials that conform to the relevant environmental systems and regulations, actively support the EU "Waste Electrical and Electronic Equipment Directive" (WEEE) and "Restriction of Hazardous Substances" (RoHS) directive, and have now passed independent safety and environmental certifications such as UL, CCC, TUV and FCC. Many of our products have now received platinum-grade 909289 energy-efficiency certification, which means we reduces annual emissions by 88,474 kgCO<sub>2</sub>e<sup>5</sup>.

The Group has also conducted product lifecycle carbon footprint audits to determine the



environmental impact of products starting with their materials through parts, manufacturing, transportation, consumption, disposal, and recycling. Establishing their energy usage, pollution, waste and carbon footprint provides the Group with a baseline for setting green targets. Green supply chain management can then be carried out and green product engineers provided with a reference for innovative R&D and eco-design.

<sup>5</sup>The Environmental Protection Administration of Executive Yuan stated that each kWh of electricity in Taiwan generates 0.522kgCO<sub>2</sub>e

PSU shipment : 120,144pcs (Platinum shipments)

$\eta_{\text{platinum}}$  : Platinum efficiency = 0.89 (100%load)

$\eta_{\text{Gold}}$  : Gold efficiency = 0.87 (100%load)

PC power operating time : Assuming 8 hours of use per day (8\*7\*4\*12) = Run-time in one year = 2688 hr.

$$\begin{aligned} \text{Total power savings} &= \frac{\left( \frac{P_o}{\eta_{\text{Gold}}} - \frac{P_o}{\eta_{\text{platinum}}} \right) * \text{run-time in one year} * \text{PSU shipment}}{1000} \\ &= \frac{\left( \frac{240W}{0.87} - \frac{240W}{0.89} \right) * 2688 \text{ hr.} * 120,144}{1000} = 1,702,057 \text{ kWh} \end{aligned}$$

Reduction in CO<sub>2</sub>e emissions = Total power savings \* 0.522 kgCO<sub>2</sub>e = 1,702,057 kWh \* 0.522 kgCO<sub>2</sub>e = 888.474 kgCO<sub>2</sub>e

※ The Environmental Protection Administration of Executive Yuan stated that each kWh of electricity in Taiwan generates 0.522 kgCO<sub>2</sub>e

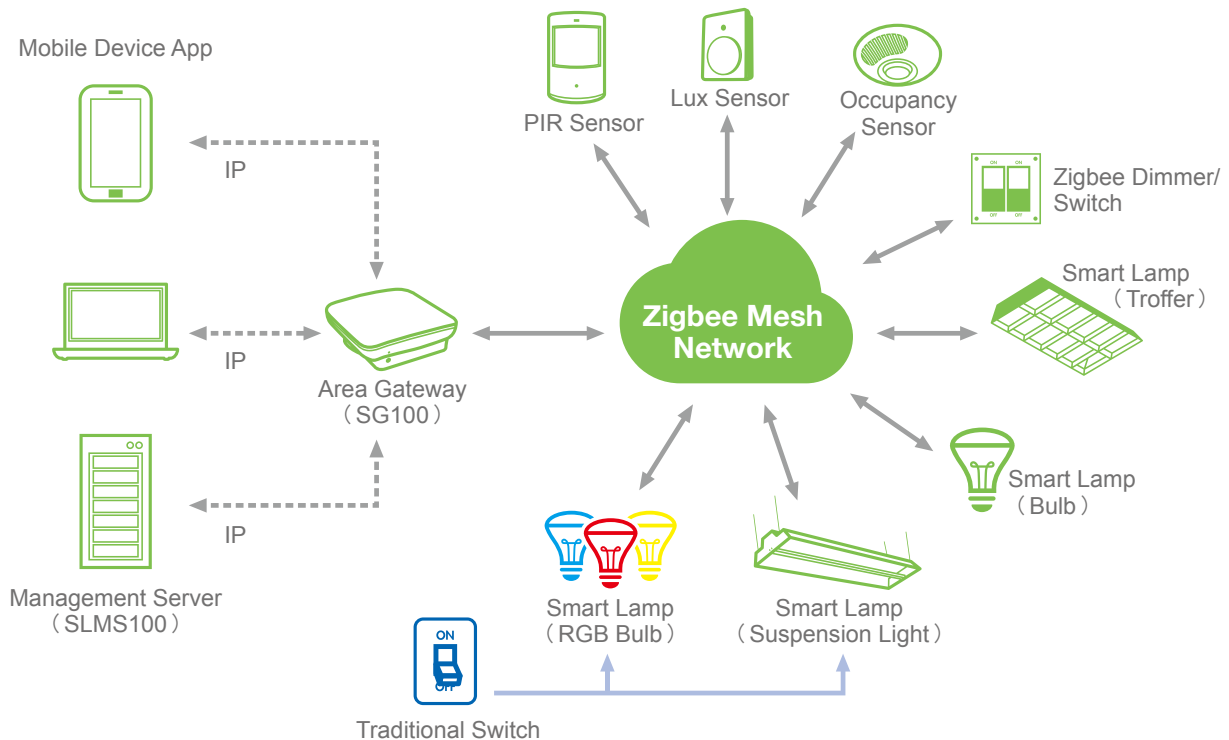
## Green Innovation Accomplishments

### Smart Lighting and Green Energy Project

The "Smart Lighting and Green Energy R&D Project" aims to apply technologies developed by Chicony Power and XAVi to develop a suite of smart lighting solutions for energy-saving management. Such a "smart lighting and energy management system" will draw on developments in green LED, Information and Communications Technology (ICT), Internet-of-Things (IoT/M2M) and Cloud to help customers achieve the gold rating of "Exceptional Intelligence" (score of 80 ~ 100) for the Intelligent Building Label.

This will help with energy conservation, carbon reduction and CSR fulfillment.

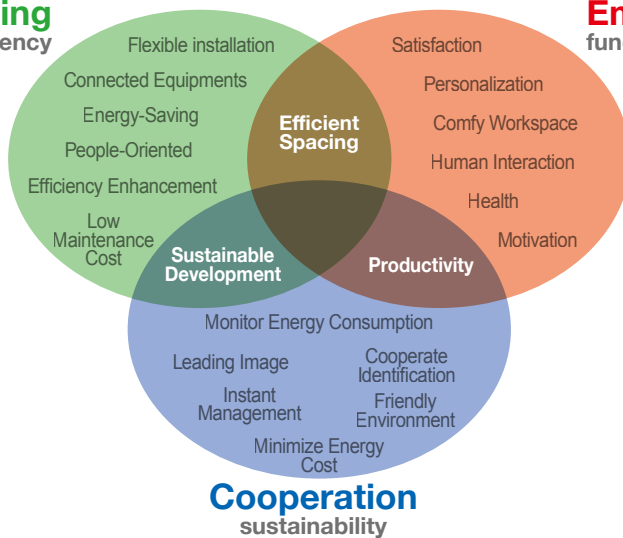
This smart lighting and energy management system is based on an IOT Area Gateway. ZigBee wireless technology and sensors are used to control lighting fixtures. WiFi or Ethernet is simultaneously used to connect to remote devices or the management server to deliver smart monitoring for lighting and energy saving. The system architecture is shown below:



Apart from energy-saving management over the cloud, the Chicony Power LED department is also working on green LED lighting that will offer the following long-term energy benefits:

Chicony Power Green LED Lighting	
<b>High luminous efficiency:</b>	LED lighting have a luminous efficiency as high as 70 ~ 90% (fluorescent lights just have an efficiency of 10~20% for visible light);
<b>Healthy light source:</b>	The LED light spectrum does not contain UV or IR. Being low-heat and radiation-free it is better for health;
<b>Low energy consumption:</b>	High luminous efficiency means LED lighting uses 40% or less power than conventional light sources;
<b>Long lifecycle:</b>	LEDs have a standard service life of 30,000 ~ 50,000 hours. This is 5 ~ 10 times that of conventional light sources so offers savings in manpower and replacement costs.
<b>Durable:</b>	No easily damaged parts such as tungsten filament or glass body. The failure rate is low and maintenance cost low as well.
<b>Green:</b>	LED waste can be recycled and does not cause pollution. Conventional lamps or bulbs contain hazardous substances such as mercury.
<b>Savings on Air-conditioning:</b>	LED lights have a temperature between 30 ~ 35°C . This is lower than the 60 ~ 80°C of conventional lighting and reduces air-conditioning costs by over 10%.

## Building efficiency



## Chicony Group Green Build Building

The Group has invested in urban regeneration in New Taipei City's Sanchung and Dingkan districts to give back to the community. Our goal is to become the benchmark for green transformation in the industrial park. An eco-friendly design and smart green buildings forms the core of the project. Upon completion, we will apply for the Green Building gold medal and Intelligent Building label to satisfy indicators on daily energy saving, site water retention, green energy and carbon reduction.

In terms of eco-design, the Chicony Group Smart Green Building voluntarily reduced the building coverage ratio to 15% and the floor space to 1,814m<sup>2</sup>. We also donated 3,075m<sup>2</sup> of green space that worthy over \$200 million to New Taipei City for building a playground and green park. The park landscaping and disabled access space are maintained by the Group to help build a green community space. The project not only stimulated industry development but also provided the neighborhood with a friendly, high-quality recreational space.

The Chicony Group Smart Green Building is expected to be completed in 2015 and will integrate the Group's communications, sensing, cloud computing and IoT technologies. Smart and related energy-saving control technologies were also incorporated into the planning, design and construction of the building along with system adjustment and validation. We hope that the creation of well-illuminated spaces will satisfy the health and emotional needs of users, boost employee productivity and job satisfaction, as well as achieve effective energy management.

### Green Energy Management at the Chicony Group Smart Green Building

Installation of smart energy-saving management system, deployment of wireless sensing system and air-conditioning optimization algorithm, auto-adjustment of LED lighting brightness and reduction in air-conditioning power consumption not only reduce the waste of electricity but also extend equipment service life.

Established energy management platform that monitors and collects the building's power consumption data. Keep continuous intelligent learning and system optimization to increase the efficiency of energy management.

Respond appropriately of incidents to minimize the energy hazard and increase the safety of people and the building.



# Social Sustainability

## Employee Care

### Global Talent and Employment

The Group has a worldwide presence with sites across Asia, Europe and the Americas. There are currently more than 35,000 employees around the world all doing their part for the sustainable development of the Group. (Note: This disclosure covers only employees in Taiwan and China. It does not include employees in Europe and the Americas)



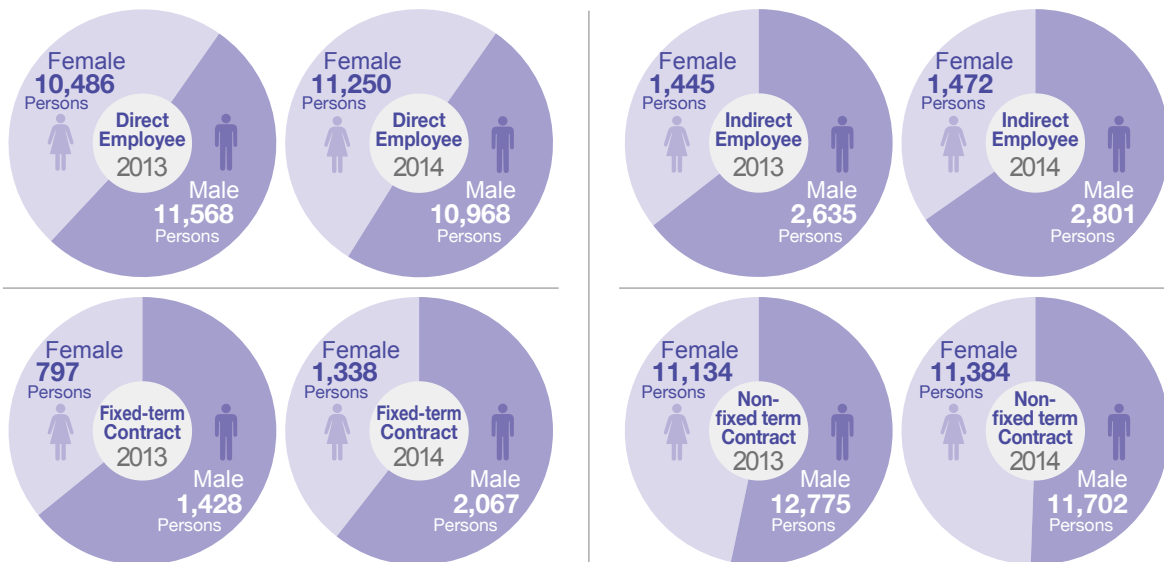
Note: Chicony Electronics (Chongqing), Chicony Power and Xavi were excluded in the disclosure of Year 2011 and 2012.



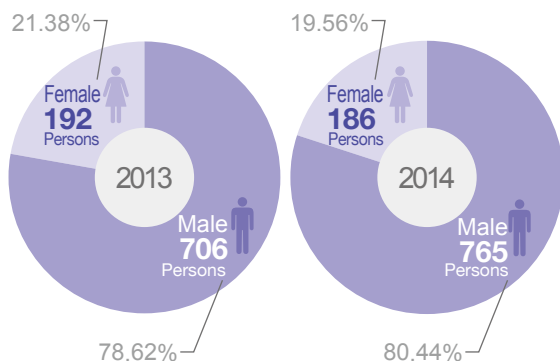
Note: Other regions include the Philippines, Thailand, Japan and Korea

## Employee Demographics

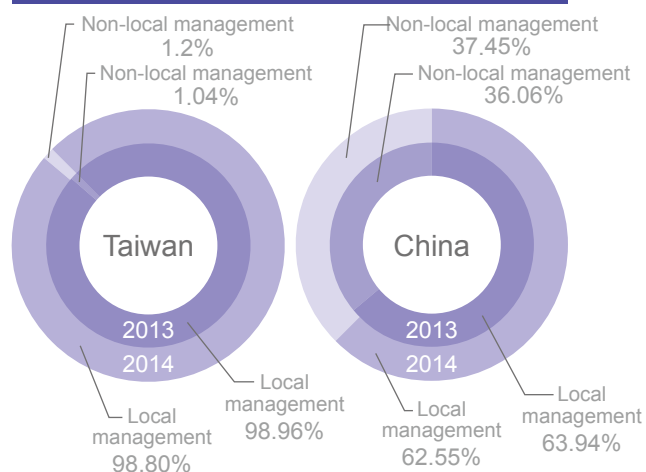
Definition of non-fixed term contract and fixed-term contract employees: Regular employees are on non-fixed term contracts. Only temporary workers and students on industry-academic cooperation are on fixed-term contracts.



## Ratio of Management Gender



## Ratio of Local Employees in Management



# Training and Career Development

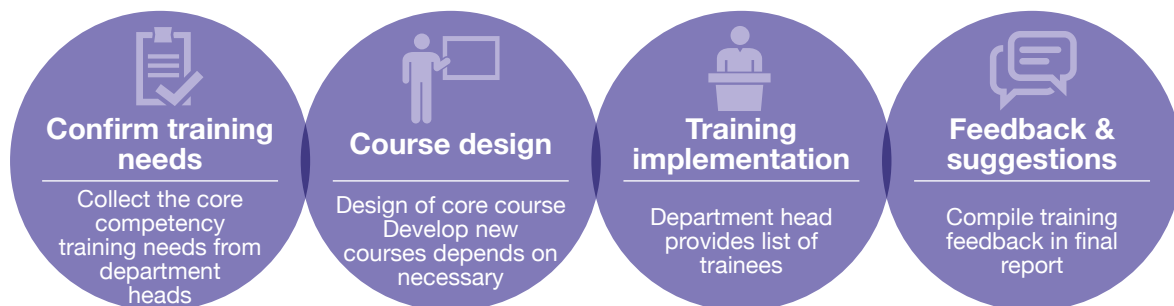
The sustainable development of the Group depends on having quality talent. We strive to provide talented people with the space to perform and grow. We help employees to be not only productive but also achieve their goals in life and prosper together with the Group.

## Chicony Group College of Competitiveness

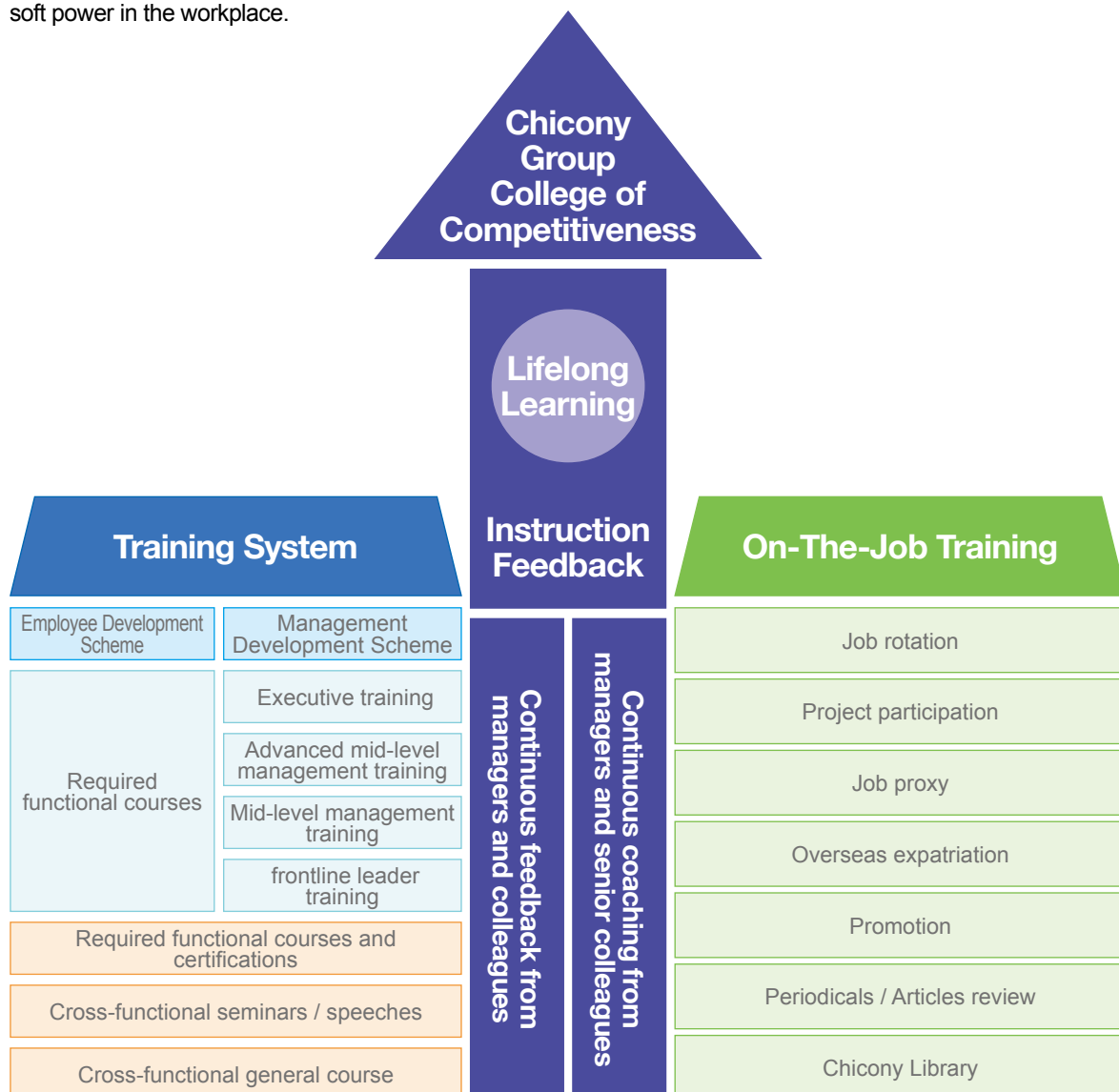
Innovative R&D is the source of an enterprise's core competitiveness. The leadership and management

skills of management talent decide the direction of sustainable development. The Group has designed variety of courses tailored to different specialties, departments and management positions. The "Chicony Group College of Competitiveness" serves as the main framework for training and career development to provide employees with all the resources they need for the pursuit of excellence and lifelong learning. After each course, the HR division compiles the feedback from all trainees. A final

report is then made available to trainees and their managers for their reference so they can see how the results of each training. Feedback and suggestions are also compiled at the end of the year for planning next year's training program.



To encourage active participation by employees, the "Chicony Group Scholarship Award" was established to reward employees based on the number of training hours. In 2013, a total of 10 employees were presented with the award a public meetings to inspire other employees' motivation to learn, enhance their skills and boost their soft power in the workplace.



Training Framework	
<b>Managerial Employees</b>	Divided into four tiers based on their position: frontline leader management, mid-level management, advanced mid-level management and high-level management. Managers at each level are expected to possess the necessary skills for their scope of responsibilities and their position in the Group hierarchy. The skill requirements are used by the Group to develop the core courses for managers at each level.
<b>non-managerial Employees</b>	The emphasis is on improving the professional skills of employees in each department supplemented by various general-knowledge courses and topical seminars. The company encourages employees to not only take the compulsory cores and certifications relevant to their grade/specialty but also attend the courses and seminars for other specialties as well. This enhances the knowledge, productivity and core competitiveness of the Chicony Group as a whole.

Managerial Employees			
Level	Job Title	Core competency	Course
Frontline leaders	Supervisor / Principal Engineer	Ability to express Coaching skills Problem solving Improvement ability	<ul style="list-style-type: none"> <li>• Expression and presentation skills</li> <li>• On the Job Training (OJT)/ Job Coaching skills / Training Within Industry (TWI)</li> <li>• Problem analysis and solving</li> <li>• Project management</li> </ul>
Mid-level management	Deputy Manager/ Manager	Team management ability Interpersonal skills Recruitment Leadership Planning ability Talent development	<ul style="list-style-type: none"> <li>• Guiding and motivating subordinates</li> <li>• Communication, coordination and conflict management</li> <li>• Selecting and recruiting talent / interview skills</li> <li>• Management Training Program (MTP)</li> <li>• Management by objectives and performance appraisal</li> <li>• Staff counseling</li> </ul>
Advanced Mid-level management	Senior Manager/ Division Head	Decisiveness Innovation Leadership Analytical	<ul style="list-style-type: none"> <li>• Systematized thinking and decision-making</li> <li>• Innovative thinking and creative execution</li> <li>• Leadership</li> <li>• Cost analysis and control</li> </ul>
High-level management	AVP and above / Functional leader	Decision-making ability Adaptability	<ul style="list-style-type: none"> <li>• Financial statement analysis for use in investment and decision-making</li> <li>• Industry trends</li> <li>• Risk and crisis management</li> <li>• Change of management</li> </ul>

Non-managerial Employees		
Job function	Core competency	Course
Sales	Marketing Persuasiveness Communication	<ul style="list-style-type: none"> <li>• Sales skills</li> <li>• Interpersonal relationships and communication</li> <li>• Persuasive presentations</li> <li>• Customer complaints handling</li> <li>• Product quality and inventory control</li> </ul>
R&D	Innovation Trend insight Technology applied ability	<ul style="list-style-type: none"> <li>• Industry-academic cooperation courses in Taipei Tech</li> <li>• Internal symposiums with experts in related fields</li> </ul>
All employees	Language skills Lifelong learning Professionalism	<ul style="list-style-type: none"> <li>• Foreign language and multi-culture courses</li> <li>• General-knowledge seminars on health, financial planning, photography, travel, and emotional management etc.</li> <li>• Professional skills and certification courses</li> </ul>

Company	Chicony Electronics								Chicony Power				XAVi			
Region	Taiwan HQ		Dongguan Plant		Suzhou Plant		Chongqing Plant		Taiwan HQ		Dongguan Plant		Taiwan HQ		Suzhou Plant	
Year	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014
Average hours of training in management	8.00	6.00	30.33	17.96	35.50	40.25	N/A	N/A	5.90	3.80	21.90	19.20	9.90	15.90	1.00	7.80
Average hours of training for non-management employees	4.20	7.30	33.55	28.55	70.78	63.65	18.90	22.80	13.80	12.90	16.50	22.30	13.30	22.20	31.4	33.2

Note (1): The ratio of male to female employees was 1.13:1.

Note (2): The Chongqing plant did not track training statistics for management so the data is not available.

Note (3): Chicony's Suzhou plant hosted more courses between 2013 - 2014 such as instrument calibration, basic equipment maintenance, forklift certification, electrician certification, EICC policy awareness, ISO 14064 emission source identification and inventory, first-aid, team leader responsibility and recruit instruction, corporate culture/quality policy/workshop management regulations, team spirit and team cooperation, accountability, basic management training, communication skills, effective execution and time management. This meant its training hours were slightly higher than other plants.



## Intellectual Property Program

Corporate Patent Strategy Training was developed to lay the foundations of the intellectual property (IP) management strategy at the Chicony Group. The project team invited legal counselor Chen Da-Ren as well as attorney Chen Chi-Tong at the Taiwan Tech Law Office to design a 4-stage course targeted at R&D engineers in different positions. Recognizing the need for high-level

leadership on IP and patents, we hosted two "IP Consensus Camp" sessions for mid- and high-level managers in 2014 that were attended by more than 70 people. After the IP consensus camps the IP center was formed. In the future, the Group will continue to work on IP and patent training to protect the R&D results of our employees and emphasize their importance.

Course Framework					
Stage	Purpose	Type	Course Name	Target	
Stage 1	Consensus Building	IP Consensus Camp	<b>A</b> IP Consensus Camp ▼	Compulsory for mid- and high-level management (division head and above)	
		IP Competency Camp	<b>B</b> IP Basis ▼	Chosen RD from each BU	
Stage 2	Establish Practical Capability		<b>C</b> RD skills ▼	Chosen RD from each BU	
			<b>D</b> IP skills	Chosen Rd from each BU qualification as RD IP representative	



## Performance Appraisal and Competency Assessment

The Group's performance management for all personnel is based on an open, fair and transparent evaluation system and competency assessments in the hopes that managers and employees can come to a consensus on work goals. Performance indicators are adjusted

based on differences between individual employees to serve as a reference for career development. This will then improve both their individual competitiveness and the organizational performance of the Group. Evaluations are conducted by the Group in July for the first half of the year and then in December for the second half of the year.

Category	Time	Target	Evaluation Method
Probation assessment	3 months after on board	All new employees	15 days prior to the end date of the probation for new employees, the HR hands out "Employee self-assessment for completing the trial period" forms. After the form has been filled out it's submitted to the director for initial assessment and comments. This form as well as a "Completion of probation assessment and reporting form" that includes the employee's score, will be submitted to the review managers who will return it to HR for final approval of the authority.
Annual Performance Appraisal	Every July and December	All employees completing probation.	During the performance appraisal, HR hands out forms for various categories. The procedure: Self-assessment → first review → second review → approval.

## Recruiting, Hiring, Promotion, Resignation and Suspension System

### Recruiting and Hiring

The Group HR division compiles the personnel requirements of each unit to draw up the annual HR plan. Job openings are published through various recruiting channels (e.g. Taipei Tech Industry-academic Program, campus recruitment, job banks). The recruitment and screening process is conducted based on local regulations and the personnel standards of each unit in order to bring high-quality talent into the Group.

### Promotions and Transfers

If an employee performs as well as expected after reporting for duty and shows potential for even more important positions, their manager and HR may nominate them for promotion. The manager must check with an employee and secure their approval before making any personnel changes. HR personnel

then fills out an application for the original and destination units' managers to sign. The employee is notified of the change date and all personnel changes are announced at the end of the month.

### Resignation and Suspension

The Group in accordance with local regulations announces turnover and transfers. All positions must have a acting assigned by the unit head in order to cater for employee turnover. When an employee notifies their manager of their intention to resign, the manager must first find out their reason. HR is then invited to host a resignation interview, and for outstanding employees, help them solve their problem so they can stay with the company. For employees who can't stay with the company due to family or health reasons, HR will stay in contact by phone or e-mail after they resign from the company. If they left due to health reasons then assistance will be provided for seeking medical treatment.

Unpaid Parental Leave and Reinstatement Application							
Company	Gender	2012		2013		2014	
		Male	Female	Male	Female	Male	Female
Chicony Electronics	No. of applicants	0	4	0	3	3	11
	No. of applicants reinstatement	0	4	0	3	1	7
	No. of applicants retained	0	4	0	3	n/a	n/a
	Reinstatement rate	n/a	100%	n/a	100%	33%	64%
	Retention rate	n/a	100%	n/a	100%	n/a	n/a
Chicony Power	No. of applicants	1	1	0	2	2	0
	No. of applicants reinstatement	0	0	0	0	2	0
	No. of applicants retained	0	0	0	0	n/a	n/a
	Reinstatement rate	0%	0%	n/a	0%	100%	n/a
	Retention rate	0%	0%	n/a	0%	n/a	n/a

Note (1): N/A means no applicants or the data has not been collected for that year yet.

Note (2): There were no applications for unpaid parental leave at XAVi between 2013 - 2014.



# Occupational Safety and Healthcare

For employees, the mental and physical balance from being healthy in body and relaxed in mind is what enables them to keep contributing to society. To create a positive working environment and atmosphere for employees, the Group takes a particular interest in environmental health and safety (EHS), health management, first-aid, overwork prevention and relaxation.

## Operation of the Environment, Safety and Health Committee

An EHS Office was established at the Group headquarters in 2010 to oversee all workplace EHS matters. Each plants in China have their own safety and health committees. Safety officers are appointed in accordance with local laws and monthly meetings are held to report on plant EHS accomplishments, discuss EHS improvements, assist with related training, build a positive work environment, carry out prevention and control of hazardous chemicals and restricted substances,

### The Chicony Group Occupational Safety and Health Management System and Key Activities

Monthly reporting and analysis of occupational disasters and injuries
Regular maintenance of plant facilities and random inspections of labor rights
Conduct EHS training, fire fighting and emergency response training on a regular basis
Annual fire safety equipment inspection and report
Regular building public safety inspection and report
Monthly reporting of restricted substances and general waste as well as regular reporting of industrial waste
Management and maintenance of hazardous machinery in accordance with the law as well as assisting personnel with external training and certification
Formulation of the occupational safety and health management plan as well as code of practice.

and assist with supply chain audits and workplace health promotion. In 2014 average worker participation in the EHS committee was 76%.

### Composition of the ESH Committee in 2013 and 2014

Company and Site	Chicony Electronics							
	Headquarters		Dongguan Plant		Suzhou Plant		Chongqing Plant	
Year	2013	2014	2013	2014	2013	2014	2013	2014
Proportion of workers on the EHS Committee	80%	80%	77%	61%	82%	82%	87%	87%

Company and Site	Chicony Power				XAVi			
	Headquarters		Dongguan Plant		Headquarters <small>Note</small>		Suzhou Plant	
Year	2013	2014	2013	2014	2013	2014	2013	2014
Proportion of workers on the EHS Committee	89%	89%	73%	68%	N/A	N/A	71%	71%

Note: No EHS committee has been established at XAVi according to legal requirement.





## Occupational Disasters and Injuries

The Group's production plants are located in China. Occupational disasters and injuries mainly occur at these plants and there were 94 disabling injuries. The Group will continue to reduce related incidents and numbers to create a friendly, safe and healthy workplace/corporate culture.

Company and Site	Year	Chicony Electronics				Chicony Power		XAVi	
		Headquarters	Dongguan Plant	Suzhou Plant	Chongqing Plant	Headquarters	Dongguan Plant	Headquarters	Suzhou Plant
Disabling Frequency Rate (FR) No. of disabling injuries/10 <sup>6</sup> working hours	2013	0.00	1.51	0.48	1.44	0	0.39	0	0
	2014	0.76	0.92	0.31	1.00	0	0.65	0	0
Disabling Severity Rate (SR) Work days lost/ 10 <sup>6</sup> working hours	2013	0.00	15.52	17.24	12.98	0	5.40	0	0
	2014	38.51	10.40	9.86	7.28	0	5.71	0	0
Total injury index	2013	0.00	0.15	0.09	0.14	0	0.05	0	0
	2014	0.17	0.10	0.06	0.09	0	0.06	0	0
Absenteeism Rate (AR)	2013	0.01	0.01	0.03	0.02	0.01	0.01	0.00	0.03
	2014	0.01	0.01	0.03	0.02	0.01	0.01	0.00	0.04

Note (1): Occupational injuries were counted if they occurred on-site.

Note (2): The formula is as follows

- ① Disabling Frequency Rate (FR) = Number of disabling injuries \* 106/total working hours.
- ② Disabling Severity Rate (SR) = Number of days lost due to disabling injuries \* 106/total working hours.
- ③ Total injury index =  $\sqrt{(FR \times SR / 1000)}$ .
- ④ The total injury index was calculated for every 1 million work hours based on the critical occupational injury statistics index published by the Council of Labor Affairs, Executive Yuan. It is 5 times that of the International Labor Organization (every 200,000 working hours).
- ⑤ Absenteeism Rate (AR) = Days absent due to sick or personal leave/ total working days x 100%.
- ⑥ The only one occupational injury at Chicony Electronics was an hand injury that took longer to recovery from. This significantly increased the total number of working days lost.

## Health Management and Promotion Plan

Employees' quality of health is of extreme importance to the Group so a series of employee health management and promotion plans have been rolled out. Apart from providing timely care of physical and mental health through medical clinics, counseling rooms and plant medical personnel, regular health seminars are held and professional physicians are invited to organize employee health management and the follow-up process for anomalies from

medical checks. Employees are provided with health examinations and counseling. Individual advice is given based on the health reports and assistance given with follow-ups and treatment.

Since 2011, the Group and our customers have lent our support to the "HER Project" under Business for Social Responsibility (BSR). A number of seminars were organized to promote health education on

topics such as the female reproductive system, breast health and safe sex. These seminars for many female employees at our Suzhou, Dongguan and Chongqing plants will hopefully improve the health and quality of life of women at the Chicony Group. Our efforts were recognized in 2014 by our customers and BSR. We were nominated as the "Health Ambassador of Excellence" and have continued to support the program.



## Overwork Prevention and Relaxation

Employee overwork is an important issue in labor rights. Excessive overtime causes fatigue and stress for employees. It not only affects productivity but also increases the risk of accidents due to inattention. The Group has established an overtime evaluation mechanism that includes requiring supervisors to check working hours, filling out the overwork self-assessment form, overwork counseling and distribution of preventive handbooks at the medical clinic, referrals and follow-ups for high-risk group, and providing employees with stress-relieving activities and plans.



### Physical and Mental Stress Scale

Professional counseling and medical personnel assist employees at high risk of overwork through assessments and follow-ups.



### Employee Assistance Program

Employee work hours and frequency are regularly checked. Supervisors required making improvements and follow-ups conducted on the physical and mental health of high-risk groups.



### Chicony Group Stress Relief Plans

#### Stress Relief Area

Sports and recreational clubs have been set up along with employee activity space such as gyms, cafeterias and recreation rooms. This help employees relax and achieve a balance between work and life.



#### Counseling Service

On-site physicians and medical professionals in the medical clinics carry out health counseling. Physical and mental management seminars/ courses are organized to help employees enhance their workplace and quality of life.





## Employee Rights and Benefits

The only way to reduce employee turnover and retain the Group's talents is to protect employee rights and provide generous benefits. In accordance with the EICC Code of Conduct, we designed the human rights policy, benefits mechanism and the communication/grievance channels for our employees to follow two key themes: "Labor rights" and "Management system". During a grievance, the confidentiality of all personnel is protected in accordance with the Personal Data Protection Act and local legislation. The Group takes local labor regulations seriously and strives to implement even more comprehensive human rights management.

### Human Rights Management

The Group promises all employees that we will adhere to the EICC Code of Conduct, the International Labour Convention and the Global Sullivan Principles in implementing human rights management across the board. The Group's internal employee handbooks and our supply chain partners have all made firm commitments with regular audits to ensure humane treatment. All new employees also undergo human rights training. Nor is race, gender, age, religion, or political bias used as the criteria for employee retention, salary & benefits, performance evaluations, promotions and transfers. This ensures

equality and liberty in the labor rights of Group employees. Between 2013 and 2014, there were no incidents of inhumane treatment or human rights abuse at our Taiwan headquarters or plants in China.

### Employee Relations

The establishment of harmonious employee relations and working together for the prosperous development of the Chicony Group is what we all strive for. The Group has set up a number of labor/management communication channels. We value employee grievances and their feedback on any issue. These are compiled and passed to HR, departmental management and business units for strategic consideration, creating a two-way communication process where labor and management treat each other as equals.

#### Labor/Management communication and grievance channels

Labor/management meeting
Workers congress
Meeting with the President
Employee website
Grievance hotline and mailbox

### Employee Benefits

Employees are our most important asset. Improving employee happiness is what we have always

worked to achieve. In 2014, the Chicony Group was rated one of the top 5 happiness enterprises in Taiwan by Economic Daily News. In the same year, Chicony Electronics and Chicony Power were both included in the Taiwan Top Salary Index 100 by the TWSE. The index aims to encourage businesses to fulfill

their social responsibility through employee benefits and compensation. The remuneration and benefits package offered by the Group is not only in line with local regulations on pay and industry standards, we also offer a 4% salary increase<sup>6</sup> and provide employees with a very rewarding incentives scheme.



The Group has established a Worker Welfare Committee ("Welfare Committee") made up of employees from different departments united by their passion for service. The Committee makes decisions on employee welfare policy during its regular meetings and organizes the following activities:

Item	Amount
Holiday Gifts	Around \$1,000 ~ \$3,000 are distributed each time based on the annual budget. We also provide gift vouchers for Labor Day, Chinese New Year, Dragonboat Festival, Mid-Autumn Festival and birthdays.
Employee Activities	<b>Sporting activities:</b> Road runs, hoop machine competitions, ten-pin bowling competitions. <b>Charity activities:</b> Donation of money to the "Saving Star" Children's Home, donation of money and goods to the Chung Yi Social Foundation, and donation of money to the Xinzhuang Animal Shelter. <b>Other friendship activities:</b> Escape games, matchmaking events.
Employee Assistance Program	Employees' retirement arrangements, emergency assistance for employees and employee travel subsidies.
Employee Insurance	<b>Insurance:</b> Apart from labor and national health insurance, we also offer group insurance, life insurance, hospital cover, accident insurance and cancer insurance. Dependents can also be enrolled at own cost. <b>Group Insurance:</b> All employees are enrolled with premiums paid by the Group.

#### ※ Employee Support and Emergency Assistance

Qing (anonym name), an employee at Chicony Electronics' Chongqing Plant, suffered from congenital arteriovenous malformation led to acute intracerebral hemorrhage and imminent death. Qing came from a poor family and the cost of surgery amounted to millions of RMB. The medical costs were far beyond the means of Qing's parents and sent them deep into debt. In 2014, the employee support team worked tirelessly to raise donations amounting to NT\$395,200 and RMB 6,145.7 from more than 200 employees. Qing is now recovering after the surgery.



#### ※ Retirement Scheme

It is the responsibility of the Chicony Group to take good care of retiring employees to thank him or her for their contribution. In Taiwan, actuaries evaluate the net pension costs on a monthly basis. The pension costs are listed in our costs and 2% of the total salary is paid into our Group's pension fund at the Bank of Taiwan; in accordance with "Labor Pension Act", for employees who opt for the new scheme 6% of their salary will be paid into their personal accounts overseen by the Labor Insurance Supervisory Committee. The pension application process, scale and payment method are based on the "Labor Standards Act" and new labor pension system. For overseas plants, it is handled in accordance with local regulations.



#### ※ Encouraging Childbirth and Parental Leave

We strive to build a healthy working and living environment for employees. We also promise to look after our employees so they can consider the company their home. Starting with pregnancy, all production plants in China now have dining areas set aside for expectant mothers; after giving birth, breastfeeding rooms are available at headquarters and each plant. We have also collaborated with local daycare centers with the medical clinics enlisted to look after the health of the mother and newborn. To support government policy and boost national competitiveness, we encourage and reward employees to have children while also lightening the burden of child rearing. For Taiwan employees, we introduced an incentive program for having children. All full-time employees who have at least 3 years seniorities receive NT\$66,000 when they have a second child; NT\$88,000 when they have a third child, and NT\$128,000 for every additional child thereon. If both parents are Group employees then only one may apply. Since the childbearing bonus was increased in 2013 there has been more than 20 applicants. The number of those who applied for the bonus in 2014 is triples that of 2013.



Year/ Company	Chicony Electronics	Chicony Power	XAVi	Total
2013	4	2	0	6
2014	15	8	2	25

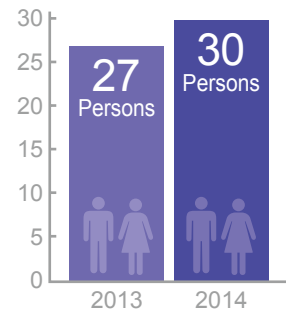
<sup>6</sup>Source: <http://www.chinatimes.com/newspapers/20140708000226-260206>



### Chicony Stars

In 2013, we set up a visitation and training program for outstanding employees from the plants in China to encourage a better understanding of headquarters and increase employee loyalty. By visiting the Group's Taipei headquarters, seeing how the departments operate and being briefed by top executives on the company's status and future prospects, this boosted understanding of our corporate culture, loyalty to the company and willingness to stay with the company for the long haul. They can be groomed for greater responsibilities and as seeds of the corporate

culture. Employees chosen for Chicony Stars are all high-potential personnel from each site, key cadre, and important talent or made an outstanding contribution to the company.



The program has been held twice with 25 ~ 30 employees invited each time. Chosen employees all have very positive feedback on the program.

## Social Concern

To fulfill the ideal of sustainable development in a tangible manner, the Chicony Group strives to improve our various mechanisms on the governance level. We work with our supply chain partners to reduce the environmental impact of the production process, treat our employees like family by paying attention to their labor rights and career development. At the same time, we also try to project our corporate resources into every corner of society. Apart from actively assisting with major natural disasters and emergencies, the Group also launched an industry-academic cooperation project with Taipei Tech to provide sponsorships and support for charities involved in education, health

promotion and minority groups. We hope this will realize the Group's goal of "continuing to shape good human relations".

### Taipei Tech Talent Development and R&D Program

The Chicony Group has a long history with a centenary institution like Taipei Tech. Group Chairman Ken Hsu, Chicony Electronics President M.K. Lin and many other exceptional employees are all Taipei Tech alumni. In accordance with the ideals of CSR, the Group launched a series of "Taipei Tech Talent Development and R&D Programs" to give back to Taipei Tech by developing talents in



electronics, electrical engineering, IT and opto-electronics. This builds a talent pool for the Group, enhances the overall quality of employees and the academic-industry exchange in response to trends in technology development will help us consolidate the most important asset in sustainable development - every current and future partner at the Chicony Group.

### C&T Lab

The Chicony Group established a joint R&D center with Taipei Tech in 2014 based around the mission of "Research in Taipei Tech, start up in Chicony Group". The core design of "knowledge sharing" enabled research teams made up of Taipei Tech teachers and students as well as Chicony Group's engineers to engage in free-flowing discussion in an open space and produce world-stunning innovation.



The C&T Lab is focused on high-efficiency power conversion, opto-electronics engineering and power electronics. The research equipments and engineers are funded and assigned by the Group. They work with teachers and students from Taipei Tech and the research resources and results are shared with the Chicony Group to serve as a model for successfully industry-academic upgrades.

- English scholarship program
- \$100 million donated for Chicony teaching building

2013

- Set up the Chicony & Taipei Tech Laboratory (C&T Lab) in Taipei Tech. Equipment, research funding and work force are invested every year

2014

- Established the Chicony Group R&D Excellent Scholarship.

2014





Director of the C&T Lab,  
**Simon Huang, Ph.D.**

Unlike past industry-academic cooperation: Emphasis on an industry-academic cooperation model where everyone wins. The C&T Lab not only cooperates with Chicony but also more like an extension of Chicony's advanced technology center.

- 1 Chicony defines the R&D direction and provided teachers and students with the most direct benefits.
  - Scholarship students must participate in the C&T Lab so their research can meet the company's requirements.
  - Scholarship students work directly with the R&D supervisor and engineer with clear targets and full resources. Discussion was very positive and many technologies were shared.
  - For students, this offered a way to improve their future odds in the R&D system before joining the company.
- 2 Chicony not only invested R&D funds (\$10 million a year) but also equipment and an experienced research team. This enabled project problems to be discussed right away. Compared to past industry-academic model, C&T Lab is more direct and effective.
- 3 Success and failure is not what really matters during the development of new technologies. Learning from the experience of failure is another kind of learning. As schools aren't under pressure on cost, this will allow the true cause of R&D failure (e.g. special material and process patents), shorten the time needed to find an answer and help with improvements; at the same time, if a newly discovered technology is confirmed then this will help Chicony carry out its patent strategy in advance.
- 4 The academic environment and resource that the R&D center is tapped into is what allows Chicony to link up with the world's top universities.

## Group R&D Excellent Scholarship

Apart from providing undergraduates with internships and helping them improve their English skills, we consolidated the resources of the C&T Lab and studied the incentive system at many world-class universities. The Chicony Group provides selected Ph.D. students with NT\$1.5 million (NT\$250,000 per semester); and Master's degree students NT\$800,000 (NT\$200,000 per semester). Paid internships and regular employment after graduation is offered to develop trainee early. We hope that the incentive system of world-class academic institutions will persuade talented people to stay in Taiwan, lighten the economic pressure on students while offering them guaranteed employment. This will in turn allow them to focus completely on their R&D project. Practice brings theory closer to the industry so that they are really learning by doing. This will set a model of success for industry upgrades in Taiwan, boost the Group's competitiveness and arrive at a winning outcome for the Group, Taipei Tech and students.

Five students were chosen in the first selection. Their specialties included power electronics and automation. Each scholarship student was assigned



Taipei Tech Cooperation Project	2013
Chicony building, Eastern Campus	100,000,000
English Scholarship Program	2,000,000
<b>Total amount (NTD)</b>	<b>102,000,000</b>

Taipei Tech Cooperation Project	2014
Chicony & Taipei Tech Laboratory	10,000,000
Group R&D Excellent Scholarship	1,150,000
Other scholarships	30,000
<b>Total amount (NTD)</b>	<b>11,180,000</b>

2 corporate mentors who worked with the instructing professor to supervise the scholarship students' work instruction, problem-solving and adaptation during the training period. After establishing the scholarship student's learning performance through regular checks in each semester, adjustments are made based on each person's particular condition. All scholarship students are now involved with R&D projects at the C&T Lab.

## Chicony Building in the Eastern Campus of Taipei Tech

The Chicony Group donated \$100 million in 2013 to Taipei Tech for building the Chicony teaching building in the eastern campus. The building has 3 underground levels and 15 floors. It is used for teaching and setting advanced experimental equipment by opto-electronic engineering, chemical engineering, molecular, environmental engineering and management research departments. Teachers and students are provided with a high-quality learning and research environment that will boost the Group's R&D practices and the NTUT's research growth.



# Social Contribution and Charitable Activities



## Health Promotion and Disease Prevention

"Healthy citizens make a sound society". Chicony Group believes that health is humanity's greatest wealth. We sponsor non-profit organizations involved with health promotion and preventive treatment to spread proper knowledge on disease prevention and encourage innovative medical research. The goal is health promotion for the whole population and a better quality of life for all.

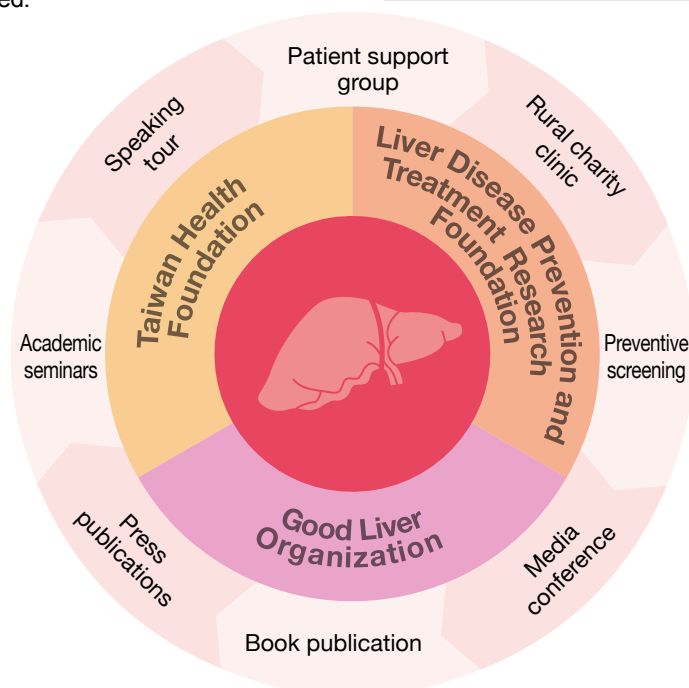
Liver cancer has been No.2 among the top 10 causes of death in Taiwan. Diseases of the liver (Hepatitis B and C, hepatitis, cirrhosis, fatty liver and cancer) often lack initial symptoms so patients are often diagnosed when the disease is the terminal phase when it's already too late. For this reason, the Group sponsors the "Taiwan Health Foundation", "Liver Disease Prevention & Treatment Research Foundation", and the "Good Liver Organization" to use speaking tours, publications, hepatitis and liver cancer screening, rural charity clinics, patient support groups, academic seminars and media conferences for promoting the prevention and treatment of liver diseases to the public. Early screening is also used to ensure early treatment. This in turn realizes the goals of "prevention is better than the cure", and "early treatment, early recovery". In this way, Taiwanese mortality from liver diseases can be reduced and national health improved.

## Minority Groups and Charity Initiatives

"Good of society" is one of the corporate values of the Chicony Group. We take an active interest in the public and assist minority groups in the spirit of charity. "Childhood, Youth, Adulthood to Old Age" are all stages that everyone will pass through. For minorities such as the handicapped and socially mal-adjusted in every phase, the Group provides social services with resources for care giving and development. This helps the beneficiaries return to society, achieve a reasonable quality of life and find their own worth once more. Apart from Group resources, employees also support charities on their own initiative including asking colleagues to donate to the "Saving Star" Children's Home. The company's "Humanitarian Club" also embraces the philosophy of "Helping Others, Defining Yourself and Making up for Deficiencies in Life" by volunteering at the Ai-Wei Mercy Home in Bali.

### Thoughts from Visit to the Ai-Wei Mercy Home in Bali

March 8<sup>th</sup> (Saturday) turned out to be a rainy day. The group of 10 (including family members) from the Humanitarian Club braved the drizzle to travel to the Ai-Wei Mercy Home in Bali to take part in Mr. Zhao's Charity Crepe event. Upon stepping into the Ai-Wei Mercy Home, what we saw were not dull faces cut off from the world but faces lit up with enthusiasm and a desire to help. Their handicaps and difficult lives did not suppress their sheer vitality. Instead, it made the residents more eager to live a life of color.





### Local Feedback and Emergency Assistance

As a benchmark electronics enterprise in Taiwan, the Group spares no effort when it comes to giving back to this land. We immediately leap into action whenever a natural disaster occurs. We hope to stand by our local community and prosper together in order to create sustainable value for the neighborhood. When a petrochemical explosion ripped through Kaohsiung in July, 2014, the Chicony Group immediately donated \$10 million to the emergency relief fund. Chicony hoped that its example would spur more donations from the public towards emergency supplies for Kaohsiung residents and the re-construction fund.

The Group is currently located in Wugu District of New Taipei City. We will relocate to our new headquarters in Sanchung District in the second half of 2015. We have continued to support the local community throughout all this time. The Chicony Group has continued to sponsor the charitable activities of Xianse Temple, the cultural and religious center of the Sanchung-Wugu districts, and support Li Qianlong, the temple president, in his support for local cultural education. Since 2013, Mr. Li invited the

Social donations
Chunghwa Institute of International Taxation
ROC Friends of the Police Association
Julun Art Development Association
Taiwan Catholic Foundation of Alzheimer's Disease and Related Dementia
Taipei Autism Children Social Welfare Foundation
Taipei County Xianse Temple Foundation
Taiwan Health Foundation
Kaohsiung Medical University
Liver Disease Prevention & Treatment Research Foundation
Heart Lighting Nursing Foundation, Taoyuan County
Kindgarden Sheltered Workshop, Taoyuan County
Ai-Wei Mercy Home, Tien Hospital
Tzih Huai Social Welfare Foundation
Kaohsiung City Government
Good Liver Organization
<b>Total:NT\$40,013,000</b>

principals of 22 local senior and junior high schools to set up a total of 40 "Charity Essay-writing Classes". These are targeted at students from migrant and low-income families to improve their reading and writing skills. This will hopefully bring their language skills up to the standard required for schoolwork and society.





# Appendix

# Third-Party Assurance Statement



## INDEPENDENT ASSURANCE OPINION STATEMENT

### Chicony Group 2013-2014 Corporate Social Responsibility Report

The British Standards Institution is independent to Chicony Group (hereafter referred to as Chicony Group in this statement) and has no financial interest in the operation of Chicony Group other than for the assessment and assurance of this report.

This independent assurance opinion statement has been prepared for Chicony Group only for the purposes of assuring its statements relating to its corporate social responsibility (CSR), more particularly described in the Scope below. It was not prepared for any other purpose. The British Standards Institution will not, in providing this independent assurance opinion statement, accept or assume responsibility (legal or otherwise) or accept liability for or in connection with any other purpose for which it may be used, or to any person by whom the independent assurance opinion statement may be read.

This independent assurance opinion statement is prepared on the basis of review by the British Standards Institution of information presented to it by Chicony Group. The review does not extend beyond such information and is solely based on it. In performing such review, the British Standards Institution has assumed that all such information is complete and accurate.

Any queries that may arise by virtue of this independent assurance opinion statement or matters relating to it should be addressed to Chicony Group only.

### Scope

The scope of engagement agreed upon with Chicony Group includes the followings:

1. The assurance covers the whole report and focus on systems and activities during the 2013-2014 calendar years on the Chicony Group in Taiwan including Chicony Electronics Co., Ltd., Chicony Power Technology Co., Ltd., XAVi Technologies Corporation and few operations in mainland China).
2. The evaluation of the nature and extent of the Chicony Group's adherence to all three AA1000 AccountAbility Principles in this report as conducted in accordance with type 1 of AA1000AS (2008) assurance engagement and therefore, the information/data disclosed in the report is not verified through the verification process.

This statement was prepared in English and translated into Chinese for reference only.

### Opinion Statement

We conclude that the 2013-2014 Chicony Group Corporate Social Responsibility Report provides a fair view of the Chicony Group CSR programmes and performances during 2013-2014. We believe that the 2013-2014 economic, social and environmental performance indicators are fairly represented. The CSR performance indicators disclosed in the report demonstrate Chicony Group's efforts recognized by its stakeholders.

Our work was carried out by a team of CSR report assurers in accordance with the AA1000 Assurance Standard (2008). We planned and performed this part of our work to obtain the necessary information and explanations we considered to provide sufficient evidence that Chicony Group's description of their approach to AA1000 Assurance Standard and their self-declaration in accordance with the core option of GRI G4 sustainability reporting guidelines were fairly stated.

### Methodology

Our work was designed to gather evidence on which to base our conclusion. We undertook the following activities:

- a top level review of issues raised by external parties that could be relevant to Chicony Group's policies to provide a check on the appropriateness of statements made in the report.
- discussion with managers and staffs on Chicony Group's approach to stakeholder engagement. However, we had no direct contact with external stakeholders.
- 26 interviews with staffs involved in sustainability management, report preparation and provision of report information were carried out.
- review of key organizational developments.
- review of the findings of internal audits.
- review of supporting evidence for claims made in the reports.
- an assessment of the company's reporting and management processes concerning this reporting against the principles of Inclusivity, materiality and responsiveness as described in the AA1000 AccountAbility Principles Standard (2008).

### Conclusions

A detailed review against the AA1000 AccountAbility Principles of Inclusivity, Materiality and Responsiveness and the GRI G4 sustainability reporting guidelines is set out below:

### Inclusivity

This report has reflected a fact that Chicony Group has been seeking the engagement of its stakeholders. The participation of stakeholders has been initiated in developing and achieving an accountable and strategic response to sustainability. The reporting systems are being developed to deliver the required information. There are fair reporting and disclosures for economic, social and environmental information in this report, so that appropriate planning and target-setting can be supported. In our professional opinion the report covers the Chicony Group's inclusivity issues, however, the future report should be further enhanced by the following areas:

- Continually watch latest CSR development to correspond in society's needs for future reporting.

### Materiality

Chicony Group publishes sustainability information that enables its stakeholders to make informed judgements about the company's management and performance. In our professional opinion the report covers the Chicony Group's material issues, however, the future report should be further enhanced by the following areas:

- Encouraging during the enhancement of the materiality identification process, it may adopt international peers' practices in dealing CSR risks.

### Responsiveness

Chicony Group has implemented the practice to respond to the expectations and perceptions of its stakeholders. An Ethical Policy for Chicony Group is developed and provides the opportunity to further enhance Chicony Group's responsiveness to stakeholder concerns. Issues that stakeholder concern about have been responded timely. In our professional opinion the report covers the Chicony Group's responsiveness issues, however, the future report should be further enhanced by the following areas:

- Encouraging to work towards a type 2 of AA1000AS (2008) engagement with a view to providing the reliability of sustainability performance information that stakeholder concerns.

### GRI-reporting

Chicony Group provided us with their self declaration of 'in accordance' with the Guidelines: the Core option (at least one Indicator related to each identified material Aspect). Based on our review, we confirm that social responsibility and sustainable development indicators with reference to the GRI Index are reported, partially reported or omitted. In our professional opinion the self-declaration covers the Chicony Group's social responsibility and sustainability issues, however, the future report will be improved by the following areas:

- Continuously focus on the implementation of sustainability procedures and programs within the peers' practices along with the newly developed Standards.

### Assurance level

The moderate level assurance provided is in accordance with AA1000 Assurance Standard (2008) in our review, as defined by the scope and methodology described in this statement.

### Responsibility

This CSR report is the responsibility of the Chicony Group's chairman as declared in his responsibility letter. Our responsibility is to provide an independent assurance opinion statement to stakeholders giving our professional opinion based on the scope and methodology described.

### Competency and Independence

The assurance team was composed of Lead Auditors and Carbon Footprint Verifiers experienced in industrial sector, and trained in a range of sustainability, environmental and social standards including AA1000 AS, ISO14001, OHSAS18001, ISO14064 and ISO 9001. BSI is a leading global standards and assessment body founded in 1901. The assurance is carried out in line with the BSI Fair Trading Code of Practice.

For and on behalf of BSI:



Peter Pu  
Managing Director BSI Taiwan  
01 June, 2015

**bsi.**



**AA1000**  
Licensed Assurance Provider  
000-4

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# GRI G4 Index

Strategy and Analysis			
GRI	General Standard Disclosures	Page(s)	External Assurance (page)
G4-1	Statement from the most senior decision-maker of the organization about the relevance of sustainability to the organization and the organization's strategy for addressing sustainability.	3-4 、 9	-
G4-2	Description of key impacts, risk and opportunities.	3-4 、 9 、 20	-

Organizational Profile			
GRI	General Standard Disclosures	Page(s)	External Assurance (page)
G4-3	Name of the organization	5	-
G4-4	Primary brands, products, and services	5-6	-
G4-5	Location of the organization's headquarters.	5-6	-
G4-6	Number of countries where the organization operates, and names of countries where either the organization has significant operations or that are specifically relevant to the sustainability topics covered in the report.	5-6	-
G4-7	Nature of ownership and legal form	5-6	-
G4-8	Market served	5-6	-
G4-9	Scale of organization	5-6	-
G4-10	Breakdown of workforce	37-38	-
G4-11	Percentage of total employees covered by collective bargaining agreements	There' s no labor union in the group, but we still have diverse communication channels between employees and employers.	-
G4-12	Describe the organization's supply chain	25	-
G4-13	Significant changes during the reporting period	No significant changes in 2013 & 2014	-
G4-14	Report whether and how the precautionary approach or principle is addressed by the organization.	20	-
G4-15	List externally developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes or which it endorses.	21	-
G4-16	Memberships in associations	21	-





### Identified Material Aspects and Boundaries

GRI	General Standard Disclosures	Page(s)	External Assurance (page)
G4-17	Report coverage of the entities in the consolidated financial statement	5-6	-
G4-18	Process for defining the report content and the aspect boundaries	11	-
G4-19	List all the material Aspects identified in the process for defining report content.	15-16	-
G4-20	For each material Aspect, report the Aspect Boundary within the organization.	15-16	-
G4-21	For each material Aspect, report the Aspect Boundary outside the organization.	15-16	-
G4-22	Report the effect of any restatements of information provided in previous reports, and the reasons for such restatements.	No restatement	-
G4-23	Report significant changes from previous reporting periods in the Scope and Aspect Boundaries.	1-2	-

### Stakeholder Engagement

GRI	General Standard Disclosures	Page(s)	External Assurance (page)
G4-24	List of stakeholder groups engaged by the organization	13	-
G4-25	Report the basis for identification and selection of stakeholders with whom to engage.	11	-
G4-26	Approaches to stakeholder engagement	13	-
G4-27	Response to key topics and concerns raised	13	-

### Report Profile

GRI	General Standard Disclosures	Page(s)	External Assurance (page)
G4-28	Reporting period	1	-
G4-29	Date of most recent previous report (if any)	2	-
G4-30	Reporting cycle (such as annual, biennial)	2	-
G4-31	Contact point for questions	2	-
G4-32	'In accordance' option, the GRI content index and external assurance	2 、 56-69	-
G4-33	Policy and current practice regarding external assurance	2	-

Governance			
GRI	General Standard Disclosures	Page(s)	External Assurance (page)
G4-34	Governance structure	9-10、17-18	-
G4-35	The process for delegating authority for sustainability topics	9-10、17-18	-
G4-36	Executive-level positions with responsibility for sustainability topics	9-10、17-18	-
G4-37	Processes for consultation between stakeholders and the highest governance body	9-10、17-18	-
G4-38	Composition of the highest governance body and its committees	17-18	-
G4-39	Position of the chair of the board of directors	No related incidents in 2013 & 2014.	-
G4-40	Nomination and selection processes for the highest governance body and its committees	17-18	-
G4-41	Avoiding conflicts of interest	17-18	-
G4-42	The role of the highest governance body and senior executives in setting purpose, values and strategy	9-10、17-18	-
G4-43	Measures taken to enhance the Board of Directors' collective knowledge of sustainability topics	17	-
G4-44	Evaluating board performance with respects to sustainability topics	18	-
G4-45	The role of Board of Directors in the identification and management of economic, environmental and social impacts, risks and opportunities	9-10、17-18	-
G4-46	The role of Board of Directors in reviewing the risk management processes for economic, environmental and social topics	9-10、18	-
G4-47	The frequency of the Board of Directors' review of sustainability impacts, risks, and opportunities	The frequency information is refer to 2014 annual reports.	-
G4-48	The highest committee or position to formally approve this report and its materiality review	Every release of CSR report was permitted by Board of Directors.	-
G4-49	Process for communicating critical concerns to the highest governance body	9-10、17-18	-
G4-50	Nature and number of critical concerns communicated to the highest governance body	9-10、17-18	-

GRI	General Standard Disclosures	Page(s)	External Assurance (page)
G4-51	Remuneration policies for the Board of Directors and senior executives	18	-
G4-52	Process for determining remuneration	18	-
G4-53	Inclusiveness of stakeholders' views regarding remuneration	18	-

### Ethics and Integrity

GRI	General Standard Disclosures	Page(s)	External Assurance (page)
G4-56	Values, principles, standards and norms of behavior such as codes of conduct and codes of ethics.	9-10、17-18、21	-
G4-57	Mechanisms for finding advice on ethical and lawful behavior, and matters related to organizational integrity	13	-
G4-58	Mechanisms for reporting concerns about unethical or unlawful behavior, and matters related to organizational integrity	13	-

### Economic

Aspect	GRI	DMA & Indicator	Pages	Omissions	External Assurance(page)
DMA- Economic Performance			17-21	-	-
Economic Performance	G4-EC1	Direct economic value generated and distributed	8	-	-
	G4-EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change	34	-	-
	G4-EC3	Coverage of the organization's defined benefit plan obligations	46-48	-	-
	G4-EC4	Financial assistance receive from government	8	-	-
DMA- Market Presence			37-38	-	-
Market Presence	G4-EC5	Ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation	The wage of entry-level workers is higher than minimum wage and local regulation.	-	-
	G4-EC6	Proportion of senior management hired from the local community at significant locations of operation	38、42	-	-
DMA- Procurement Practices			25	-	-
Procurement Practices	G4-EC9	Proportion of spending on local suppliers at significant locations of operation	25	In this report, we adopted qualitative disclosure, we are consisting materials management system to response more local procurement data in the future.	-

Environment					
Aspect	GRI	DMA & Indicator	Pages	Omissions	External Assurance(page)
DMA- Materials			25	-	-
Materials	G4-EN1	Materials used by weight or volume	25	We mainly disclose qualitative information in this report. We are establishing materials management system to calculate and disclose more detailed data in next report.	-
DMA- Energy			30	-	-
Energy	G4-EN3	Energy consumption within the organization	31-32	-	-
	G4-EN4	Energy consumption outside of the organization	31-32	We only collected internal data, and we are consisting tracking system to calculate information outside of the organization.	-
	G4-EN5	Energy intensity	31-32	-	-
	G4-EN6	Reduction of energy consumption	30 ~ 33	-	-
	G4-EN7	Reduction in energy requirements of products and services	35-36	-	-
DMA- Emissions			29	-	-
Emissions	G4-EN15	Direct greenhouse gas(GHG) emissions (SCOPE1)	31	-	-
	G4-EN16	Energy indirect greenhouse gas(GHG) emissions(SCOPE2)	31	-	-
	G4-EN17	Other indirect greenhouse gas(GHG) emissions(SCOPE3)	31	For other indirect GHG emissions produced from outsourced activities (Scope 3), the difficulty in gathering such data and the involvement of the external supply chain means this currently consists mainly of qualitative inventories.	-
	G4-EN18	Greenhouse gas(GHG) emissions intensity	31	-	-
	G4-EN19	Reduction of greenhouse gas (GHG) emissions	30 ~ 33	-	-



Aspect	GRI	DMA & Indicator	Pages	Omissions	External Assurance(page)
DMA- Effluents and Waste			29	-	-
Effluents and Waste	G4-EN23	Total weight of waste by type and disposal method	29-30 、 32	-	-
DMA- Products and Services			34	-	-
Products and Services	G4-EN27	Extent of impact mitigation of environmental impacts of products and services	34-36	-	-
	G4-EN28	Percentage of products sold and their packaging materials that are reclaimed by category	34	We are establishing materials management system to calculate and disclose more detailed data in next report.	-
DMA- Compliance			9-10	-	-
Compliance	G4-EN29	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	No related incidents in 2013 & 2014.	-	-
DMA- Overall			29-34	-	-
Overall	G4-EN31	Total environmental protection expenditures and investments by type	34	-	-
DMA- Supplier Environmental Assessment			25-28	-	-
Supplier Environmental Assessment	G4-EN32	Percentage of new suppliers that were screened using environmental criteria	25-28	-	-
	G4-EN33	Significant actual and potential negative environmental impacts in the supply chain and actions taken	25-28	-	-
DMA- Environmental Grievance Mechanisms			25-28 、 13	-	-
Environmental Grievance Mechanisms	G4-EN34	Number of grievances about environmental impacts filed, addressed, and resolved through formal grievance mechanisms	No related incidents in 2013 & 2014.	-	-



Social: Labor practices and decent work					
Aspect	GRI	DMA & Indicator	Pages	Omissions	External Assurance(page)
DMA- Employment			38-42 46-48	-	-
Employment	G4-LA1	Total number and rates of new employee hires and employee turnover by age group, gender and region	42	We adopted qualitative disclosure in the report. We are developing common standards to disclose more detailed data in the next report.	-
	G4-LA2	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation	46-48	-	-
	G4-LA3	Return to work and retention rates after parental leave, by gender	42	-	-
DMA- Labor/Management Relations			38-42 46-48	-	-
Labor/Management Relations	G4-LA4	Minimum notice periods regarding operational changes, including whether these are specified in collective agreements	42、46	-	-
DMA- Occupational Health and Safety			43-45	-	-
Occupational Health and Safety	G4-LA5	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety program	43	-	-
	G4-LA6	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number or work-related fatalities, by region and by gender	44	-	-
	G4-LA8	Health and safety topics covered in formal agreements with trade unions	43	-	-
DMA- Training and Education			38-42	-	-
Training and Education	G4-LA9	Average hours of training per year per employee by gender, and by employee category	40	In this reporting period, we didn't take gender into consideration, we'll add related data in next report.	-
	G4-LA10	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	38-42	-	-
	G4-LA11	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category	42、46	-	-
DMA- Diversity and Equal Opportunity			46	-	-
Diversity and Equal Opportunity	G4-LA12	Composition of Governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity	17-18 37-38	-	-



Aspect	GRI	DMA & Indicator	Pages	Omissions	External Assurance(page)
DMA- Equal Remuneration for Women and Men			46	-	-
Equal Remuneration for Women and Men	G4-LA13	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation	There's no gender difference, and the group is in compliance with local laws.	-	-
DMA- Supplier Assessment for Labor Practices			25	-	-
Supplier Assessment for Labor Practices	G4-LA14	Percentage of new suppliers that were screened using labor practices criteria	25	-	-
	G4-LA15	Significant actual and potential negative impacts for labor practices in the supply chain and actions taken	28	-	-
DMA- Labor Practices Grievance Mechanisms			13 、 25 、 28	-	-
Labor Practices Grievance Mechanisms	G4-LA16	Number of grievances about labor practices filed, addressed, and resolved through formal grievance mechanisms	No related incidents in 2013 & 2014.	-	-

Social:Human rights					
Aspect	GRI	DMA & Indicator	Pages	Omissions	External Assurance(page)
DMA- Non-discrimination			46	-	-
Non-discrimination	G4-HR3	Total number of incidents of discrimination and corrective actions taken	No related incidents in 2013 & 2014.	-	-
DMA- Freedom of Association and Collective Bargaining			25 、 28	-	-
Freedom of Association and Collective Bargaining	G4-HR4	Operations and suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and measures taken to support these rights	13 、 25 、 28	-	-
DMA- Child Labor			46 、 25 27-28	-	-
Child Labor	G4-HR5	Operations and suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor	46 、 25 27-28	-	-
DMA- Forced or Compulsory Labor			46 、 25 27-28	-	-

Aspect	GRI	DMA & Indicator	Pages	Omissions	External Assurance(page)
Forced or Compulsory Labor	G4-HR6	Operations and suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of all forms of forced or compulsory labor	28	-	-
DMA- Assessment			46	-	-
Assessment	G4-HR9	Total number and percentage of operations that have been subject to human rights reviews or impact assessments	43	-	-
DMA- Supplier Human Rights Assessment			25 、 27-28	-	-
Supplier Human Rights Assessment	G4-HR10	Percentage of new suppliers that were screened using human rights criteria	28	-	-
	G4-HR11	Significant actual and potential negative human rights impacts in the supply chain and actions taken	28	-	-
DMA- Human Rights Grievance Mechanisms			13 、 28	-	-
Human Rights Grievance Mechanisms	G4-HR12	Number of Grievances about human rights impacts filed, addressed and resolved through formal grievance mechanisms	No related incidents in 2013 & 2014.	-	-

Social:Society					
Aspect	GRI	DMA & Indicator	Pages	Omissions	External Assurance(page)
DMA-Anti-corruption			17-18	-	-
Anti-corruption	G4-SO3	Total number and percentage of operations assessed for risks related to corruption and the significant risks identified	No related incidents in 2013 & 2014.	-	-
	G4-SO4	Communication and training on anti-corruption policies and proceduresCommunication and training on anti-corruption policies and procedures	25-28 、 13	-	-
	G4-SO5	Confirmed incidents of corruption and actions taken	No related incidents in 2013 & 2014.	-	-
DMA-Anti-competitive behavior			17-18	-	-
Anti-competitive behavior	G4-SO7	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes	No related incidents in 2013 & 2014.	-	-
DMA-Compliance			9-10 17-18	-	-



Aspect	GRI	DMA & Indicator	Pages	Omissions	External Assurance(page)
Compliance	G4-SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	No related incidents in 2013 & 2014.	-	-
DMA-Supplier Assessment for Impacts on Society			25 、 27-28	-	-
Supplier Assessment for Impacts on Society	G4-SO9	Percentage of new suppliers that were screened using criteria for impact on society	28	-	-
	G4-SO10	Significant actual and potential negative impacts on society in the supply chain and actions taken	25 、 27-28	-	-
DMA-Grievance Mechanisms for Impacts on Society			13 、 28	-	-
Grievance Mechanisms for Impacts on Society	G4-SO11	Number of grievances about impacts on society on society filed, addressed, and resolved through formal grievance mechanisms	No related incidents in 2013 & 2014.	-	-

Social:Product Responsibility					
Aspect	GRI	DMA & Indicator	Pages	Omissions	External Assurance(page)
DMA- Customer Health and Safety			34	-	-
Customer Health and Safety	G4-PR1	Percentage of significant product and service categories for which health and safety impacts are assessed for improvement	36 、 34	-	-
	G4-PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services during their life cycle, by type of outcomes	No related incidents in 2013 & 2014.	-	-
DMA-Product and Service Labeling			23-24	-	-
Product and Service Labeling	G4-PR3	Type of product and service information required by the organization's procedures for product and service information and labeling, and percentage of significant product and service categories subject to such information requirements	In accordance with clients requirements	-	-
	G4-PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and services information and labeling, by type of outcomes	No related incidents in 2013 & 2014.	-	-
	G4-PR5	Results of surveys measuring customer satisfaction	23	-	-

Aspect	GRI	DMA & Indicator	Pages	Omissions	External Assurance(page)
DMA-Customer Privacy			24	-	-
Customer Privacy	G4-PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	No related incidents in 2013 & 2014.	-	-
DMA-Compliance			9-10 17-18	-	-
Compliance	G4-PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	No related incidents in 2013 & 2014.	-	-

Other Standard Disclosures					
Aspect	GRI	DMA & Indicator	Pages	Omissions	External Assurance(page)
DMA-Research & Development (Non-GRI aspect)			34、48-50	-	-
Research & Development	Chicony-RD1	Put efforts into eco-friendly and sustainable research projects, turn research results into revenue and value.	34、35	-	-
	Chicony-RD2	Improve industry-academic cooperation and technology development.	48-50	-	-
DMA- Charity (Non-GRI aspect)			51-52	-	-
Charity	Chicony-CH1	Social Contribution and Charitable Activities about Health Promotion and Disease Prevention, Minority Groups and Charity Initiatives.	51-52	-	-

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	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining	Social Sustainability	46
Labor	Businesses should uphold the elimination of all forms of forced and compulsory labor	Special edition Social Sustainability	25 27-28 46
	Businesses should uphold the effective abolition of child labor	Special edition Social Sustainability	25 27-28 46
	Businesses should uphold the elimination of discrimination in respect of employment and occupation	Special edition Social Sustainability	25 27-28 46
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