



2017 Tatung CSR Report





About this report

GRI guidelines and verification

The contents of this report follow the requirements of AA1000AS:2008 and Global Reporting Initiative (GRI) guidelines (G4) and have been verified by TÜV Asia Pacific Ltd. Taiwan Branch (TUV NORD). The disclosure of this report follows "CORE" in accordance. The assurance statement is enclosed in Annex 6.

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The English version is translated from Chinese version. If there is any conflict between these two versions or any difference in the interpretation between these two versions, the Chinese version shall prevail. Tatung has done the best to ensure the accuracy of this report. If there is any content in this report different to the content provided by the related department of Tatung. The provided content shall prevail.

We follow GRI G4 to produce 2017 Tatung Corporate Social Responsibility Report to present a more focused content to the needs of the stakeholders, as well as sharing the achievements done by Tatung in a systematical manner.

Scope

Tatung's economic, quality and service, social, and environmental performances in Taiwan are disclosed in this report.

Reporting year

The time frame of this report is one year period. All the activities and data disclosed are from 2016/01/01~2016/12/31 unless otherwise stated.

Previous reports

Tatung published her first non-financial report since 2002. The previous report was published in June 2016. All the reports can be downloaded via:
<http://www.tatung.com/Content-EN/csr-report.asp>

Schedule for the next report

2018 Tatung Corporate Social Responsibility Report is scheduled to be published in June 2018.

Subsidiaries

The scope of this report includes the activities and performances of Tatung in Taiwan. The sites include the headquarter, Tayuan Plant, Taoyuan Wires and Cables Plant, Taoyuan 1st Plant and San-Hsia Factory. The activities and performances from subsidiaries are not included in this report except for TCPC¹.

Note: Part of TCPC's information is disclosed in Chapter 4.

Data measurement techniques

The numbers in economic performances were calculated with IFRSs (cited from Annual Report and presented in NTD). The numbers in social and quality performances were gathered by related departments in the company. The numbers (presented in international indicators) in environmental performances were provided by BUs and reviewed/corrected by ESD.



Top management statement

TATUNG – The practitioner in smart city and renewable energy industry

In response to global warming, climate change, and with the government's energy policy, Tatung actively put lots of efforts in the development of smart city and renewable energy. We have participated in Smart City EXPO in Taipei for 3 consecutive years and earned well reputation. In 2015, we brought smart green community "Tatung Manor" into market which certified with Green Building Label and 2015 Taiwan's Excellent Smart Green Building and System. In order to tie in with the government's goal to build a low carbon emission country, we are committed to construct solar PV systems nation-wide. By the end of 2016, we have constructed nearly 35 MW solar PV capacity and expected to have 80 MW by the end of 2017. We are expected to be the practitioner in smart city and renewable energy industry and share such experiences to the world.

In order to slow down the impact of global warming and climate change, governments have worked together to achieve the goal of average temperature not exceeding 2°C through signing Kyoto Protocol and even Paris Climate Agreement. As a company that has committed to environmental protection long time ago, we have make "Development and construction without destroying the environment, growth and prosperity without polluting the earth" become out core value. In the past few years, we have introduced the concept and technology of green production in the company to reduce the impact to the environment. On the other hand, we also actively provide environmental friendly, energy-saving products and systems to help consumers and customers to conserve energies in their places.

For the future carbon reduction directions, high energy efficiency and reduce the dependence on fossil fuels will be two spindles. Tatung took "Green Energy Tatung" as the company's development strategy since 2015. On the one hand, Tatung has spent

tremendous resources to develop various smart solutions by using IOT, cloud computing, and big data analysis to develop various smart solutions. On the other hand, Tatung integrates the solar PV supply chain within Tatung Group to invest in the construction of solar PV systems to help the government to build a low carbon emission city.

Looking forward to the future, according to the development of the IOT, Tatung will continue to march into our vision – the practitioner in smart city and renewable energy industry. We look forward to the future that Tatung not only is the benchmark of smart energy solution but also is a model of sustainable development for the environment. We will work together with the government, industries, and communities to reduce the impact of global warming and create a better future for next generation. As a nearly 100 years old company, we wish us wisdom 100, green 100, and health 100.

Top management statement



Chairman





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Top Management Statement

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Summary of 2016 CSR performances

Summary of 2016 CSR performances



Economy Items / Performances

- Sales revenues / NTD\$ 17.26 billions
- EPS / -1.03 dollars
- Awards / 14 awards
- Memberships in associations and organizations / 31
- Board of directors attendance percentage / 100%
- Independent director percentage / 33%
- Governance / Updated "Tatung corporate social responsibility best practice principles" based on the recommendation issued by the authority
- Ratio between company's basic salary and legal salary / 1.33:1 ~ 1.71:1
- The percentage of managers from local in High level management / 100%
- The percentage of local suppliers / 91.31%
- Disclosure on non-financial information / Published CSR report in 16 consecutive years.

Environment Items / Performances

- New ISO 50001 certification / 2 factories
- 3P Program correction percentage / 97.62%
- Amount of energy consumption / 220,839.05 GJ
- Amount of resource consumption / Water: 658,302 M³
Steel: 6,617 tons
Copper: 15,441 tons
Aluminum: 447 tons
Insulation oil: 376 KL
- Power saving / 2.06 mega kw-hr
- GHG emission reduction / 1,086.26 tons CO₂e
- Percentage of product achieved the target of energy intensity / 66.67%
- No. of green products / 153 models
- No. of product carbon footprint verifications / 2 models

Society Items / Performances

- No. of discrimination incident / 0
- No. of forced or compulsory labor incident / 0
- Percentage of local employees / 94.70%
- Salary ratio between female and male employees / 0.87 ~ 0.89:1
- Percentage of employees who are labor union members / 80.39%
- No. of education/training hours for male and female employees / Male: 10.76 hours, Female: 8.74 hours
- Return to work percentage of employees taken parental leave / Male: 43%, Female: 55%
- FR / Male : 2.00, Female : 1.25
- SR / Male : 15, Female : 17
- No. of non-competitive incident / 0
- No. of product against safety regulation / 0
- Percentage of accurate labeling on products / 100%
- No. of incident against advertisement or promotion regulation / 0
- Customer satisfactory / 94.34%
- No. of complaint about information leaking from the customers / 0



Chapter 1 Identification on the stakeholders and significant topics

Listening and responding to the topics which are concerned by the stakeholders is a key element for a company to achieve sustainable development and carry out corporate social responsibility. Tatung not only actively discloses information about financial performances, corporate governance and social participation in annual report, but also discloses the outcomes of social responsibility practices on company's official website. Tatung finds out the blind spots and gains valuable opinions by communicating with the stakeholders via variety of channels.

1.1 Identification on the stakeholders

Based on AA1000 standard and GRI G4 guidance, Tatung CSR Reporting Group (members are from the top level departments in the headquarters and the factories) identified her stakeholders by her operation experiences and based on the principle that any organizations or persons impacted by the operation of the company or any organization or persons having impacts to the company. In this report Tatung identified 7 stakeholder groups such as shareholders, customers, employees, local communities and parties, authorities, suppliers and consumers.

1.2 Engagement with the stakeholders

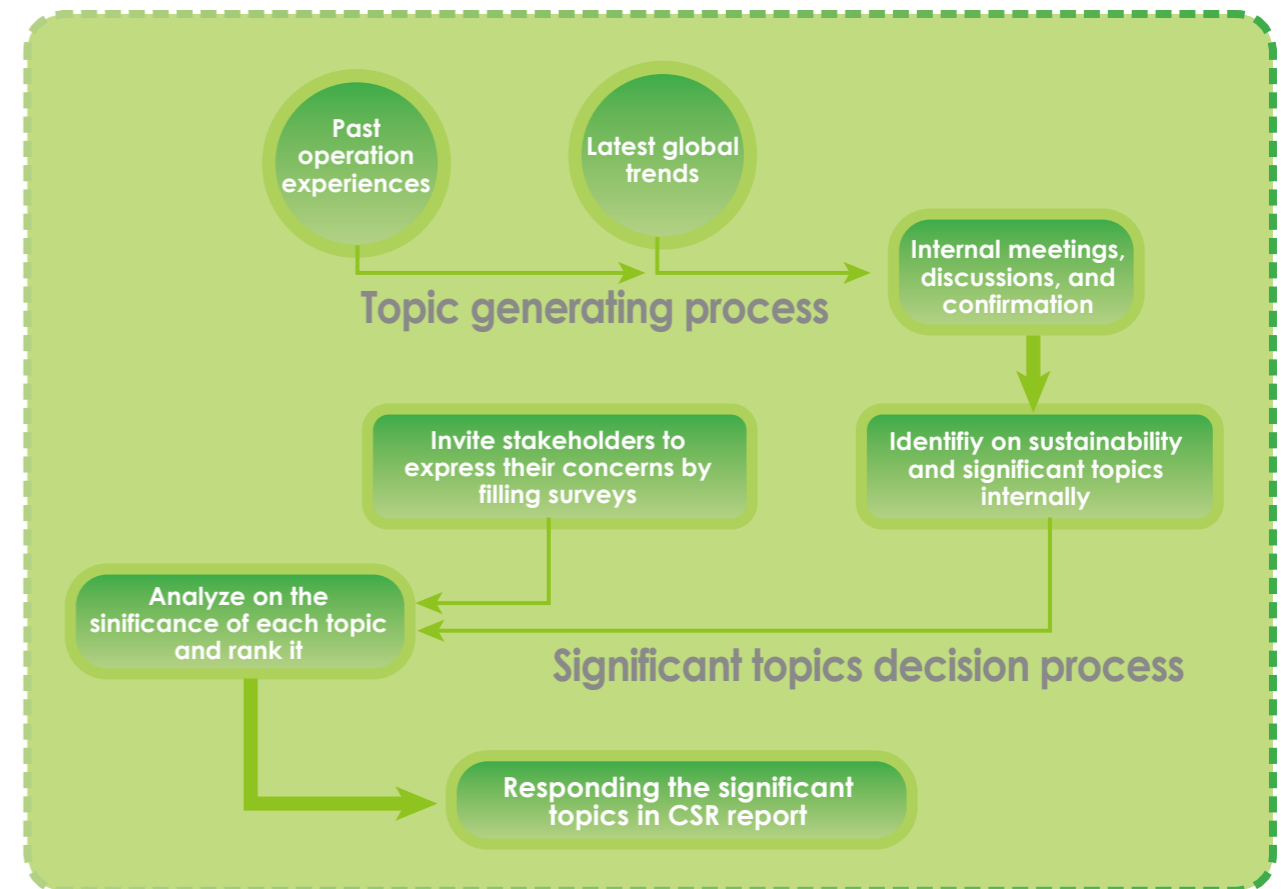
Tatung takes great concern on stakeholders' opinions. We have direct engagement channels for all stakeholders to collect their concerned topics in order to continue improve our CSR performances. Table 1.2-1 shows the list of stakeholders and their communicating channels.

►► Table 1.2-1 List of stakeholders and the communication channels

| Stakeholder groups | Meaning to Tatung | Concerned issues | Communication channels | Communication frequencies |
|-------------------------------|---|---|---|---|
| Shareholders | The investors who support Tatung | Governance and financial performances | -Shareholders' meeting -Irregular shareholders' meetings, direct phone line (+886-2-25925252 ext. 3258/3259), shareholder e-mail -Disclosure of financial information on official website and MOPS (market observation post system) | -Once per year -Irregular -Every month |
| Customers | The companies having business with Tatung | Product quality | Customer service, PM | Irregular |
| Employees | The most valuable assets | Labor rights, welfares | -Chairman's mailbox, HR mail box, complaint mechanism, scheduled education and training, notice board -Biweekly HR newspaper -Health and Safety Committee in the headquarter and factories -Labor-management meeting | -Irregular -Once per 2 weeks -Once per 3 months -Once per 3 months |
| Local communities and parties | Tatung's good neighborhood | Pollutant emissions, interaction with local communities | Direct phone lines, social charity/donation activities | Irregular |

| Stakeholder groups | Meaning to Tatung | Concerned issues | Communication channels | Communication frequencies |
|--------------------|-------------------------------|---|---|---|
| Authorities | Instructors of Tatung | Compliance | -Onsite audits -Hearings, seminars | -Irregular -Irregular |
| Suppliers | Partners grow together | The quality of parts and products, the requirements regarding to hazardous substances | -Supplier complaint mailbox supplier@tatung.com -Supplier evaluation, annually re-evaluation -Supplier assessment | -Irregular -Once per year -Once per month |
| Consumers | Supporters of Tatung products | Product safety and labeling, leakage of personal information | TCPC phone lines (+886-800052666), Tatung 3C Stores, official websites, satisfactory survey, etungo online shopping website | Irregular |

1.3 Identification of significant topics





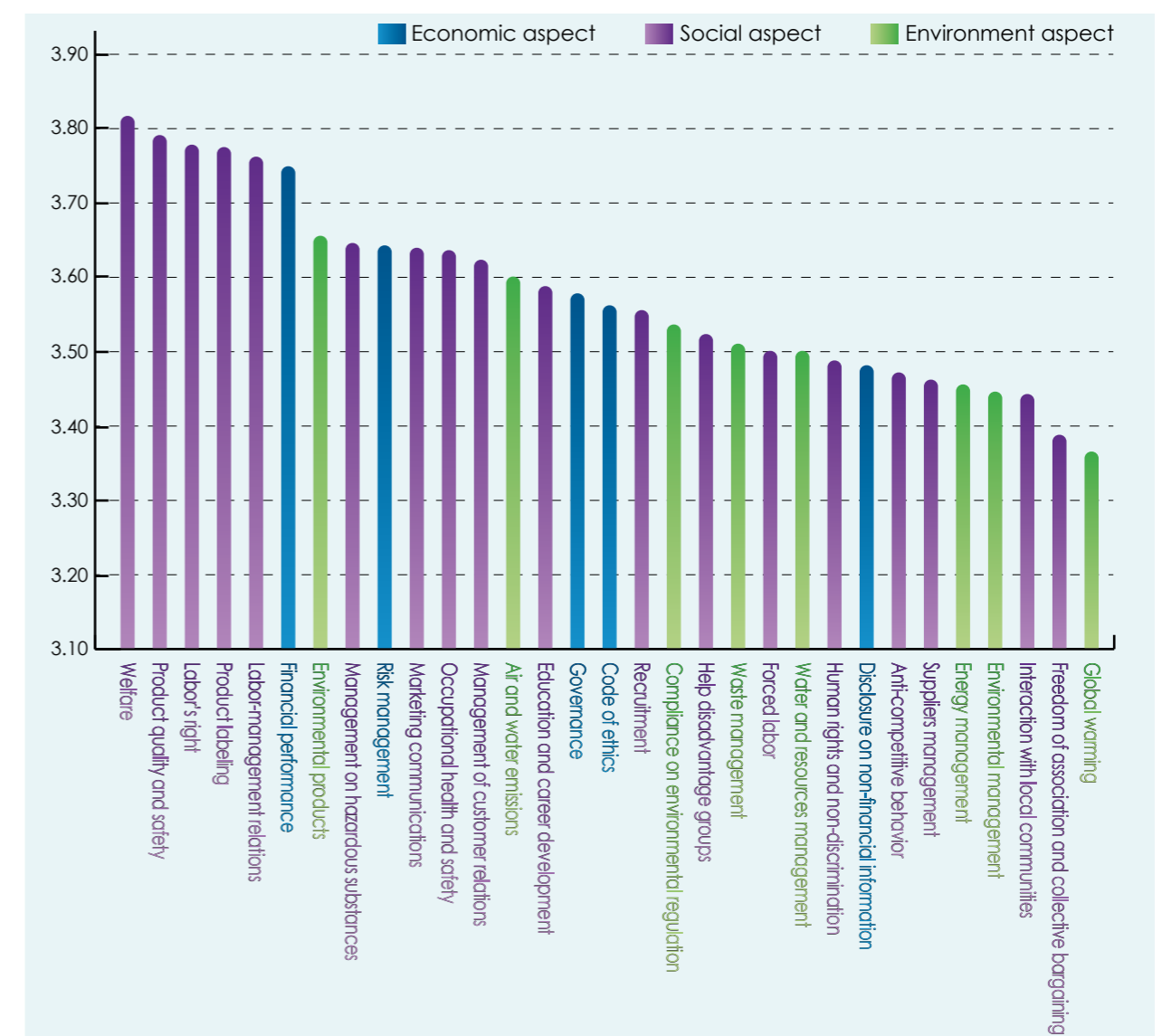
Tatung concluded 31 possible topics that may have impacts to the stakeholders and to the company based on the operation experiences and the latest global trends on sustainability such as GRI G4 indicators and UN Global Compact. The topics are listed on Table 1.3-1.

▶▶ Table 1.3-1 Tatung's sustainable topics

| Economic aspect | Social aspect | Environment aspect |
|---|--|--|
| Financial performance | Supplier management | Global warming |
| Governance | Labor's right | Environmental management |
| Code of ethics | Welfare | Energy management |
| Risk management | Labor-management relations | Air and water emission |
| Disclosure on non-financial information | Occupational health and safety | Wastes management |
| | Education and career development | Water and resources management |
| | Recruitment | Environmental products |
| | Human rights and non-discrimination | Compliance on environmental regulation |
| | Freedom of association and collective bargaining | |
| | Forced labor | |
| | Help disadvantage groups | |
| | Interaction with local communities | |
| | Anti-competitive behavior | |
| | Product quality and safety | |
| | Product labeling | |
| | Management on hazardous substances | |
| | Marketing communications | |
| | Management of customer relations | |

In order to receive opinions from wide range of stakeholders, from 2016.12.23~2017.1.13 Tatung invited stakeholders to fill in surveys which included the 31 identified topics mentioned above. The data was analyzed and the most concerned topics were ranked in Figure 1.3-1.

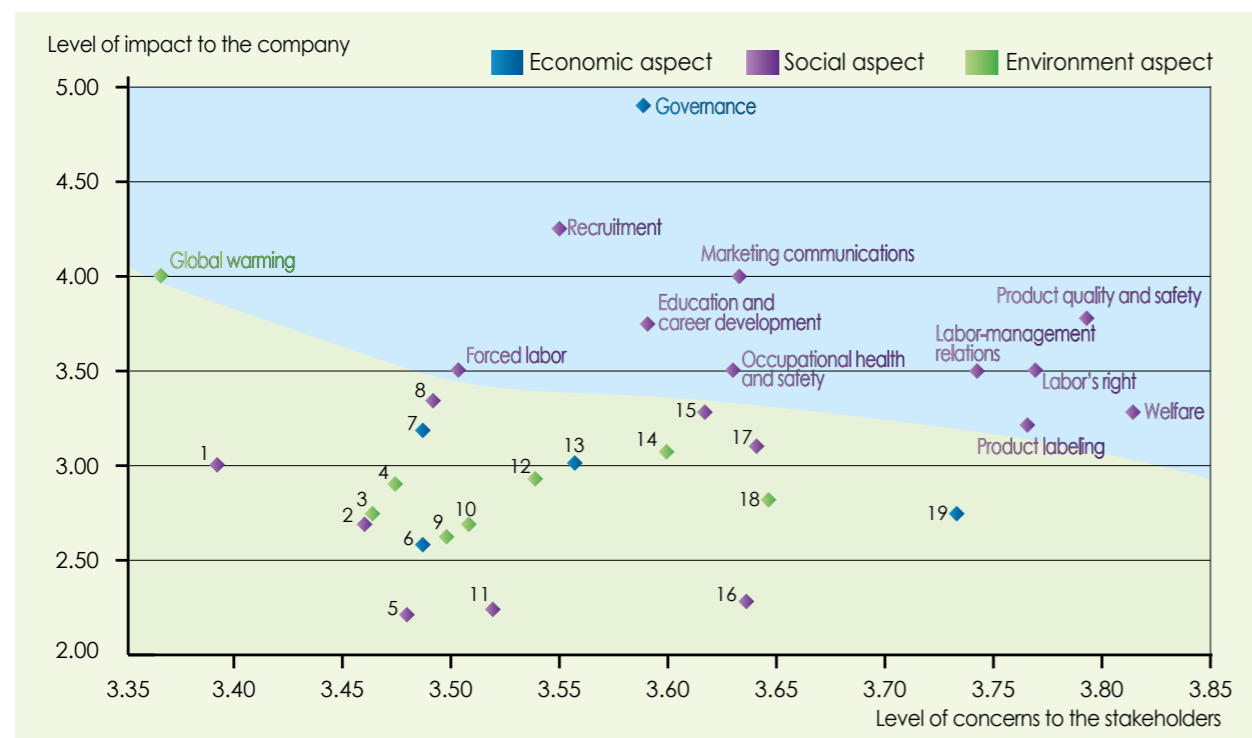
▶▶ Figure 1.3-1 The ranked topics that are concerned by stakeholders





During the identification process, CSR Reporting Group evaluated the probability, the influence, and the level of impacts that brought by the topics and graded them (grade 1~5). At the same time, the grades from inside and outside the company were evaluated and discussed by CSR Reporting Group and the combination grading for the topics that located on blue color region in Figure 1.3-2 were identified as the significant topics.

▶▶ Figure 1.3-2 Demonstration of significant topics



Non-significant topics

| Economic aspect | Social aspect | Environment aspect |
|--|---|--|
| 7. Disclosure on non-financial information | 1. Freedom of association and collective bargaining | 3. Environmental management |
| 13. Code of ethics | 2. Interaction with local communities | 4. Energy management |
| 16. Risk management | 5. Supplier management | 9. Water and resources management |
| 19. Financial performance | 6. Anti-competitive behavior | 10. Wastes management |
| | 8. Human rights and non-discrimination | 12. Compliance on environmental regulation |
| | 11. Help disadvantage groups | 14. Air and water emission |
| | 15. Management of customer relations | 18. Environmental products |
| | 17. Management on hazardous substances | |

Under the identification process, twelve significant topics were identified from 31 topics this year. The significant topics are governance, forced labor, recruitment, education and career development, occupational health and safety, labor-management relations, labor's right, welfare, marketing communications, product labeling, and product safety and quality. Topics in social aspect take great portion among all the significant topics. The most probable explanation could be the intensive media reporting in regarding to the proposal of amendment of "Labor Standard Act" in 2016, which led publics make more concerns on labor issues. In addition, as a responsible company, topics such as governance, product quality, and use of energy and resources are the topics which Tatung always concerns. The significant topics are responded in detail in the following chapters. The relevancy of the significant topics in the value chain is expressed on Table 1.3-2.

▶▶ Table 1.3-2 The boundaries of significant topics

| Group | Significant topics | Aspects in GRI G4 | Within the organization | | Outside organization | GRI indicator | DMA page |
|-------------|----------------------------------|---------------------------------|-------------------------|--------------------------------------|----------------------|---------------------------|----------|
| | | | Tatung Co. | Subsidiaries/re-investment companies | Suppliers | | |
| Economic | Governance | - | ■ | ■ | - | G4-34 | 17~20,24 |
| Social | Forced labor | Forced or compulsory labor | ■ | ■ | ■ | G4-HR6 | 38,39 |
| | Recruitment | Diversity and equal opportunity | ■ | ■ | - | G4-LA12 | 40 |
| | Education and career development | Training and education | ■ | ■ | - | G4-LA9, G4-LA11 | 43,44 |
| | Occupational health and safety | Occupational health and safety | ■ | ■ | ■ | G4-LA5, G4-LA6 | 47,48 |
| | Labor-management relations | Labor-management relations | ■ | ■ | - | G4-LA4 | 42 |
| | Labor's right | Training and education | ■ | ■ | - | G4-LA11 | 43,44 |
| | Welfare | Employment | ■ | ■ | - | G4-LA2 | 40,41,45 |
| | Marketing communications | Marketing communications | ■ | □ | - | G4-PR5, G4-PR7 | 35 |
| | Product labeling | Product and service labeling | ■ | ■ | ■ | G4-PR3, G4-PR4 | 32,36 |
| | Product quality and safety | Customer health and safety | ■ | ■ | ■ | G4-PR1, G4-PR2 | 29,31 |
| Environment | Global warming | Emissions | ■ | □ | - | G4-EN15, G4-EN16, G4-EN19 | 56~59 |

Note: ■ represents that Tatung having influence on; □ represents that Tatung having influence on part of subsidiaries or suppliers; - represents that Tatung have not affecting subsidiaries or suppliers yet.



Chapter 2 Profile of Tatung Co.



2.1 Company profile

Established in 1918 and headquartered in Taipei, Tatung Co. has evolved into a conglomerate from its substantial heritage. From its inception, Tatung has abided by its founding values of "Integrity, Honesty, Industry, and Frugality". Tatung is listed on the Taiwan Stock Exchange (TSE) under the trading code of 2371.

Tatung is a leading brand for energy saving and green energy related systems and services in Taiwan. With the years of experience in smart grid industry, Tatung supports the government policy and has become the only one corporation nationwide that equipped with high-low voltage smart meter. Most of the smart meters, regardless for industry use or domestic use, are designed and produced by Tatung.

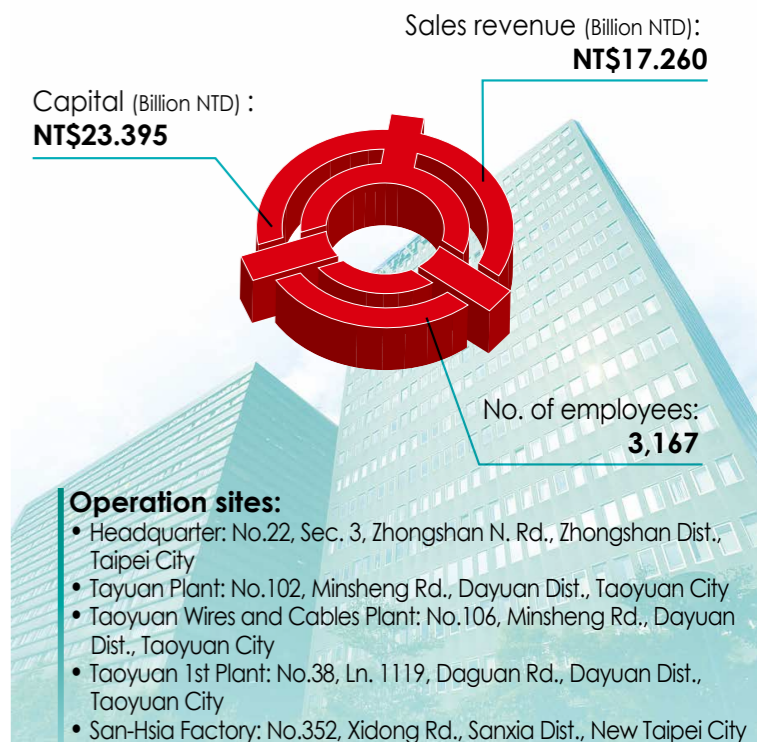
In the era of wide spread of cloud and IoT technologies, Tatung integrates her specialized electrical and systems technologies to provide variety of smart management system services, including smart community, smart building, smart home, smart health care, and smart monitoring solutions, to create a healthy, safe, low-carbon sustainable environment.

Currently, Tatung solar photovoltaic power generation system has been built in the residential, community, factories, dormitories, business premises of the roof to the ground-based landfill and water-type pond and other new areas. In 2016, we won Taoyuan City public housing, Taipei City public housing, Fu De Keng, and Taoyuan Landfills solar photovoltaic power generation system leasing tenders, total capacity of 34.93MW, completed implementations of the fourth phase of New Taipei City, Kinmen, Hsinchu, and Fu De Keng large solar photovoltaic power generation system. In addition, the smart building model "Tatung Palace mansion" also won Green Building Label and Intelligent Building Label, TIBA Gold Award, and APIGBA Silver Award.

As a conglomerate, Tatung's investees involve in some major industries such as optoelectronics, energy, system integration, industrial system, branding retail channel, and asset development. Those that are public listed on the Taiwan Stock Exchange include Chunghwa Picture Tubes (2475), Forward Electronics (8085), Shan Chih Semiconductor (3579), Green Energy Technology (3519), Tatung Fine Chemicals (4738: Emerging stock market), Elitegroup Computer Systems (2331), and Tatung System Technologies (8099). Please refer to Annex 1 for the list of consolidated entities.

Tatung received many awards and certifications on operations and products in 2016 (Table 2.1-3). Tatung also endorses initiatives in regarding care disadvantaged groups and employee's health (Table 2.1-4). All these acknowledgements from all sides are certainly the driving force behind the growth of Tatung.

▶▶ Figure 2.1-1 Information of Tatung Co.





▶▶ Table 2.1-1 Membership status in associations and organizations

| Association/organization | Member | Managing role ¹ |
|--|--------|----------------------------|
| Taiwan Smart Grid Industry Association | ■ | ■ |
| Importers and Exporters Association of Taipei | ■ | |
| Taipei Electrical Commercial Association | ■ | |
| Industrial Association of Taipei City | ■ | ■ |
| Taiwan Electrical Contractors Association | ■ | |
| Taiwan Electric Wire & Cable Industries Association | ■ | |
| Taiwan Electrical and Electronic Manufacturers' Association | ■ | ■ |
| Taiwan Refrigeration and Air-Conditioning Engineering Association R.O.C. | ■ | |
| Taiwan Association of Machinery Industry | ■ | ■ |
| Monte Jade Science & Technology Association of Taiwan | ■ | ■ |
| Taiwan Institute for Climate Change and Energy | ■ | |
| Electric-Electronic & Environmental Technology Development Association of R.O.C. | ■ | ■ |
| The Third Wednesday Club | ■ | |
| Chinese International Economic Cooperation Association | ■ | ■ |
| Taiwan Packaging Association | ■ | ■ |
| Chinese National Association of Industry and Commerce, Taiwan | ■ | ■ |

| Association/organization | Member | Managing role ¹ |
|---|--------|----------------------------|
| CNS Certification Mark Association, R.O.C. | ■ | |
| ROC-USA Business Council | ■ | |
| Industrial Safety and Health Association of the R.O.C. | ■ | |
| Taiwan Digital Television Committee | ■ | ■ |
| SINOCON Industrial Standards Foundation | ■ | ■ |
| Information Service Industry Association of R.O.C. | ■ | |
| Taiwan Telematics Industry Association | ■ | |
| Taiwan Wind Energy Association | ■ | |
| Taiwan Water Pipe Engineering Industries Association | ■ | |
| Taiwan Information Storage Association | ■ | |
| Taiwan Environmental Engineering Association | ■ | |
| Advanced Industrial Cooperation Association | ■ | |
| Chinese Institute of Engineers | ■ | |
| Taiwan Society of Heating, Refrigerating and Air-Conditioning Engineers | ■ | |
| Taiwan Industrial Technology Association | ■ | ■ |

Note¹: Managing role includes director and supervisor.

▶▶ Figure 2.1-2 Tatung Co. global network





▶▶ Table 2.1-2 The main domestic subsidiaries of Tatung Co.

| | |
|--|---|
| Optoelectronics | *Chunghwa Picture Tubes, Ltd. *Forward Electronics Co., Ltd. |
| Energy Solutions Business | *Shan Chih Semiconductor Co., Ltd. *Green Energy Technology Inc. Tatung Forever Energy Co., Ltd. |
| Retail Channel Business | Tatung Consumer Products (Taiwan) Co., Ltd. |
| Electronics & Information Business | *Tatung System Technologies Inc. Central Research Technology Co., Ltd. |
| Industrial Appliance Business and System | Toes Opto-Mechatronics Co., Ltd. Tatung SM-Cyclo Co., Ltd. |
| Chemical Engineering Business | *Tatung Fine Chemicals Co., Ltd. |
| Asset Development Business | Shan Chih Asset Development Co., Ltd. Chunghwa Electronics Development Co., Ltd. |
| Others | Shan Chih Investment Co., Ltd. Tatung Medical & Healthcare Technologies Co., Ltd. Tatung Die Casting Co., Ltd. Chih Sheng Investment Co., Ltd. |

Note: * Listed/OTC and Emerging companies.

▶▶ Table 2.1-3 Awards received in 2016

| Award | Description |
|--|---|
| Taiwan Excellence Award 2016 | Silver Award: Tatung rice cooker (TAC-03DW), Tatung Microcomputer Controlled Rice Cooker. Excellence Award: Air purifier, DC motor stand fan (wifi), split type air conditioner, split type conditioner. |
| 2016 iF Award | Tatung Fusion Skillet (waterless cooker) |
| System Integration Award | Tatung Smart PV Atmospheric Water Generator |
| 2016 Excellence in Engineering Project Award | Railway Electrification Project for Hualien-Taitung Line |
| Energy Conserving Award by Bureau of Energy | Taoyuan Wires and Cables Plant |
| Energy Saving Model by Ministry of Economical Affairs | - |
| Excellence Award for Leadership in Energy Conservation | - |
| Taiwan Corporate Sustainability Award – Corporate Sustainability Report Silver Award | 2016 Tatung Corporate Social Responsibility Report |
| 2016 New Taipei City Occupational Safety Award | San-Hsia Factory |

▶▶ Table 2.1-4 Initiatives endorsed by Tatung Co.

| Organization | Item |
|------------------------------------|--------------------------|
| Chinese Blood Donation Association | Corporate blood donation |
| Health Promotion Administration | Smoke-free work place |
| Health Promotion Administration | Healthy work place |



2.2 Financial performances

Affected by the global economy in 2016, while Tatung continues to engage in corporate transformations and operational advancement, the overall operation in core business has improved significantly, but failed to make profits due to losses in the investments. Tatung however expects improvements with all the adjustments made and efforts put in over the years.

2016 Tatung standalone revenue was NT\$17.3 billion, operating loss was NT\$0.051 billion, together with non-operating income from investments, the net loss after tax was NT\$2.3 billion, which was NT\$1.0 loss per share. Even though Tatung's core businesses were still in deficit in 2016, our operating losses were greatly reduced to the break-even point, indicating the fruitful results from the company's management and transformations.

Regardless of the declination in appliance, motor and system group businesses, we strive for reducing costs and low-gross profit production lines, and we enhanced our service/maintenance capabilities to gain high margin orders, the overall gross margin is up from last year. Although recognition of one-off loss was made during the process of adjusting the low-gross profit production which led to losses in core businesses, the losses have been reduced substantially comparing to that of 2015. Despite CPT and GET's reduction of losses compared to year 2015, the reduction of losses of several overseas investment businesses has recognized, and the large amount of profits of several overseas investment businesses from asset mobilization has also recognized in 2015, besides, Elitegroup Computer Systems has recognized a huge amount of bad debt provisioning in 2016 and San Chih Assets Development Co., Ltd. has not recognized the profit for the construction projects. Therefore the losses increased compared to year 2015 which led to NT\$1.67 billion net loss in investments in 2016, a slightly increase from year 2015 in which investment profits were recognized.

Tatung operates normally on a daily basis and accepts no financial support from the government. For more detailed financial performances, please look into "Tatung 2016 Annual Report" which can be downloaded at:
<http://www.tatung.com/Content/annual-report.asp>

▶▶ Table 2.2-1 Financial income and expense of Tatung Co.

| Item | 2012 | 2013 | 2014 | 2015 | 2016 |
|-----------------------------------|-------------|-------------|------------|-------------|-------------|
| Operating income | 32,185,089 | 24,087,818 | 21,295,466 | 18,151,104 | 17,259,632 |
| Realized gross profit | 2,960,479 | 2,394,002 | 1,846,739 | 1,581,503 | 2,404,376 |
| Personnel expenses ¹ | 2,966,312 | 2,810,058 | 2,700,133 | 2,518,948 | 2,403,307 |
| Net income | 160,055 | (257,408) | (874,725) | (966,334) | (51,462) |
| Non-operating income and expenses | (4,200,912) | (1,490,473) | 1,209,308 | (2,107,282) | (2,363,313) |
| Income tax benefits | 22,226 | 136,473 | 28,956 | (1,399) | 70,830 |
| Net income after tax | (4,415,092) | (1,364,192) | 1,288,947 | (3,750,958) | (2,765,124) |
| Earnings per share (NT\$) | (1.74) | (0.70) | 0.16 | (1.35) | (1.03) |
| Dividends per share (NT\$) | 0 | 0 | 0 | 0 | 0 |

Note 1: Personnel expenses include salaries, staff labor and health insurance, pension, and others.



2.3 Services and products

Tatung holds three business groups. To sustain strong and long-term growth, Tatung focuses particularly on the development of advanced technologies and global network of operation. With her overseas branches expanding into 12 countries, Tatung is in a solid position to deliver products more efficiently and render customer services more effectively.

Global warming caused by climate change has brought risks to the operation of the business, but also created opportunities. In view of energy saving and carbon reduction has become the subject of global attention; Tatung is committed to the introduction of energy-saving related products, systems and services. The three business groups offers a variety of high efficiency of consumer electronics and home appliances, motors, electrical equipment and automation products, system to smart grid, smart community and smart home (Please see Annex II for product information). Tatung's future development priorities as follows:

Consumer Business Group

Based on the theme of Aesthetic Life, Health and Energy-Saving, our team brings a superior design capability into full play, and we introduced and applied the IoT technologies into our product development of smart appliances and have received approval from international awards. In 2016, to strengthen our promotion on Click-and-Mortar, the Online to Offline (O2O) Business Model, we have launched a campaign of publicity for a series of white colored appliances, which has initiated discussions to increase business sales and to enhance brand image. In 2017, we are releasing more aesthetic-designed home appliances on the market which are combined with product, marketing, and channel. In the international market, we will be focusing on the US and ASEAN markets, coordinating with the overseas subsidiaries and dealers to release the localized products, and we will take part in the Southern Policy to promote the Tatung brand.



System Business Group

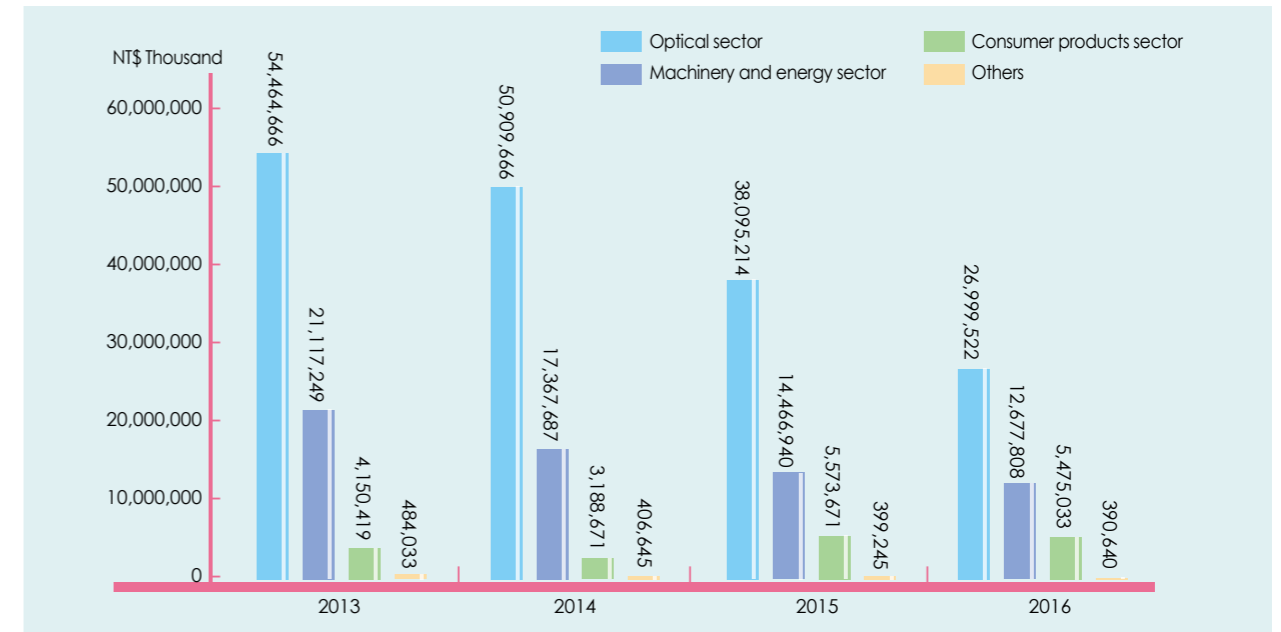
Currently, Tatung solar photovoltaic power generation system has been built in the residential, community, factories, dormitories, business premises of the roof to the ground-based landfill and water-type pond and other new areas. We cooperate with the Time-of-Use (TOU) electric rate policy, to resolve the electricity shortage problem. We also take part in the new generation of smart meter project, and it can be estimated that the implementation of smart meter will contribute to the GDP by NT\$ 41.3 billion. Tatung will become the only one corporation nationwide that equipped with high-low voltage smart meter, and we support the government policy and we grasp the business opportunity.



Power Business Group

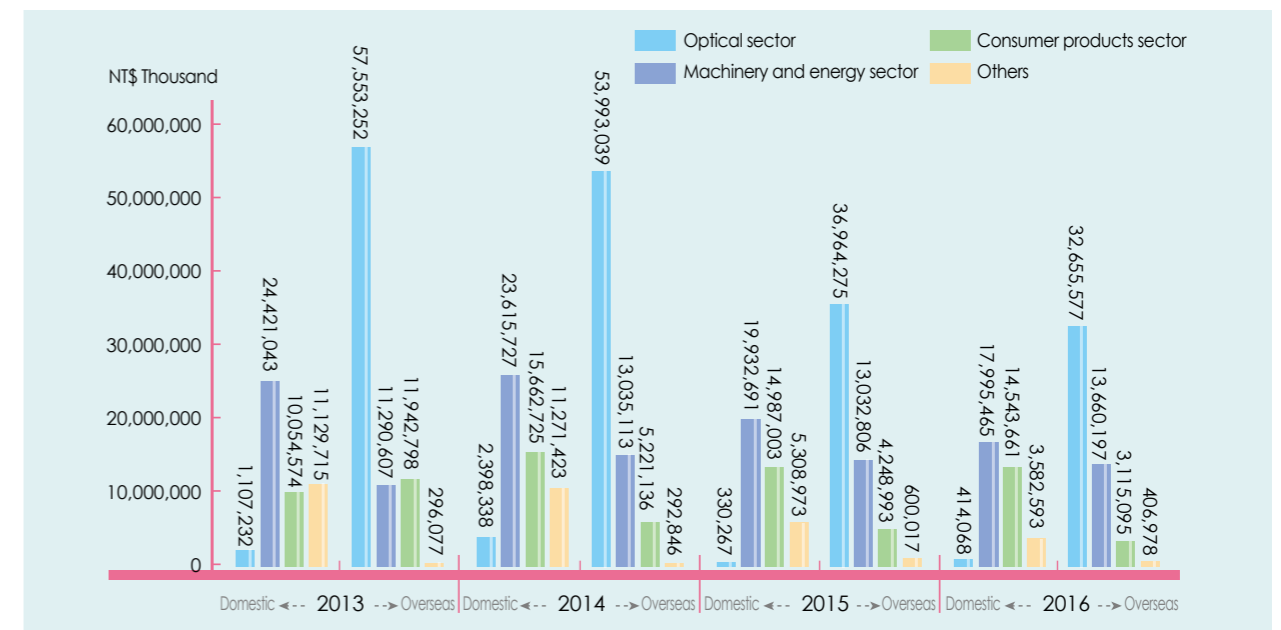
Tatung continued the previous year's adjusted strategy to remove low gross profit production line, we are also in the process of developing new energy-saving, highly efficient products. In 2017, Tatung expects to highly efficient and smart system solutions to provide more energy-saving and safer power and engineering products, to collaborate with overseas investment companies to expand the market share in power plants, business buildings and public construction projects.

The production values and sells information are shown on Figure 2.3-1 and Figure 2.3-2.



Note: Data from consolidate report

▲ Figure 2.3-1 Tatung's production amount



Note: Data from consolidate report

▲ Figure 2.3-2 Tatung's domestic and overseas sales information



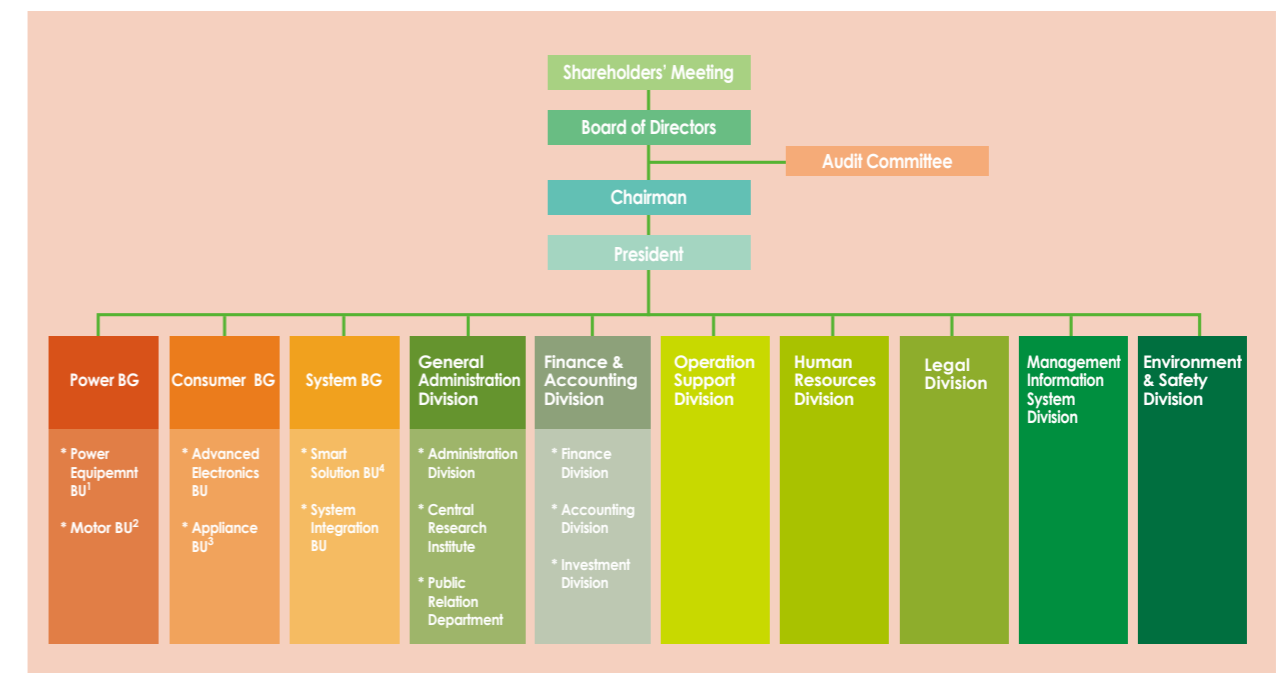
Chapter 3 Structure and governance



| Governance | Disclosure on non-financial information |
|---|--|
| <ul style="list-style-type: none"> Short-term: Establish principles regarding to corporate governance and modify them when receiving new request from authorities. Mid-term: All the operations follow related governance principles and indicators in Corporate Governance Evaluation. Long-term: Managers and employees of Tatung follow ethical principle to avoid breaching regulations and ensuring company's sustainable operation and performance, as well as concerns about social issues and practices corporate social responsibility. | <ul style="list-style-type: none"> Short-term: Publish CSR report every year. Mid-long term: Follow GRI Standards to publish CSR report since 2019 (otherwise requested by the authority). |
| <p>Published the revised Tatung Corporate Social Responsibility Practice Principles in December 2016.</p> <p><i>Performances</i></p> | <p>Published 2016 Tatung Corporate Social Responsibility Report in June 2016 (for the 15th consecutive year) and disclose it on Tatung official website and MOPS.</p> <p><i>Performances</i></p> |

3.1 Corporate structure

The governance structure of Tatung is shown on Figure 3.1-1. The top manager is Chairman, Wei-shan Lin, and he does not have any other administrative position. Apart from the administrative divisions, Tatung is also consisted with Power BG, Consumer BG, System BG, and domestic/overseas subsidiaries.



Note: The chart is updated to April, 2017.
 Note 1: Owns Tayuan Plant and Taoyuan Wires and Cables Plant at Dayuan Industrial Park in Taoyuan City.
 Note 2: Owns San-Hsia Factory in Sanxia district, New Taipei City.
 Note 3: Owns Taoyuan 1st Plant in Dayuan Township, Taoyuan City.
 Note 4: Owns Electrical Meters Center at Tayuan Plant.

▲ Figure 3.1-1 Tatung operation structure



3.2 Governance

Tatung works closely with changing regulations and observes the world current events to the construction of a sound corporate governance framework. In recent years, we have faced serious challenges on business; we not continue with ongoing organizational and physical adjustment, the focus of operations and integration of group resources, but also review and revise the relevant corporate governance approach to enhance the operational efficiency of corporate governance.

Tatung corporate governance best practice principles

In order to establish sound corporate governance system, Tatung adopted the principles of Taiwan Stock Exchange Corporation (TWSE) and the GreTai Securities Market (GTSM) and published "Tatung corporate governance best practice principles". The principles are agreed by board of directors and aiming to achieve the followings:

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

Tatung corporate code of ethics

In order to guide the directors and managers of ethical conduct, for example, prevent conflicts of interest, to avoid the chance of personal interests and fulfill the duty of confidentiality, fair dealing, protection and proper use of company assets, to follow the laws and regulations, to encourage the reporting of any violations of law or ethical behavior and conduct of disciplinary measures, Tatung has developed "Tatung corporate code of ethics" and agreed by the board of directors.

Tatung corporate ethical principles

In order to establish an ethical and sound management of corporate culture development

to build up a good business mode of operation, risk control mechanism and sustainable business environment, Tatung published "Tatung corporate ethical principles". The principles prohibit director, supervisor, manager, employees, and mandataries or persons having substantial control shall not conduct unethical behavior. Ethical training and education are conducted among the mentioned personnel regularly. Persons and companies who have business with Tatung are invited to attend the education to fully understand the commitment made by Tatung.

Shareholders' meeting

Shareholders' meeting is consisted with each shareholder and held once per year. Extraordinary shareholders' meetings are held under exceptional circumstances. Each shareholder has right to express his/her opinions to the company and involves in decision making with votes. Tatung has a group which is responsible for gathering/disclosing company's information and responding to shareholders. Tatung also setup company's official site to disclose the related governance news and company activities and to act as a communication channel between the company and shareholders.

Note 1: Contact window for shareholders
<http://www.tatung.com.tw/home/contactus>

Board of directors

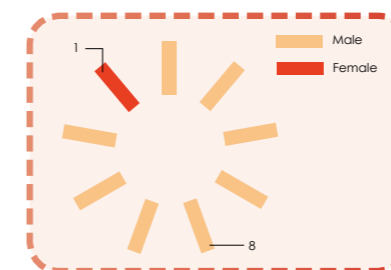
The highest governance body in Tatung is board of directors. The members of the board are voted by shareholders and responsible for company's operation performances. The board had 9 directors and 3 of them were independent directors. All the directors have professional qualifications in many fields and continuously to take trainings to enhance their ability to run a company. The detailed information about the board of directors is shown on Table 3.2-1 and age and gender distributions are showed on Figure 3.2-1 and Figure 3.2-2. In 2016, the board held 8 meetings and the major resolutions are listed on Table 3.2-4. In addition, when there is event of conflicts of interest during board of directors' meeting, Tatung follows related regulations to resolve it. No conflict of interest event was occurred in 2016.

Note: Director Wei-tung Lin resigned on 2017.3.10.

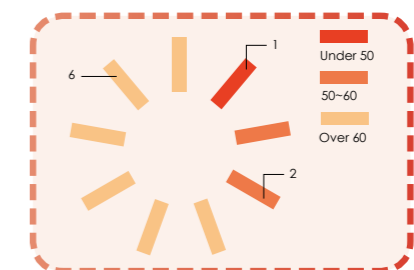
▶▶ Table 3.2-1 List of board of directors and functional committees

| Name | Nationality or corporate seat | Title | Audit committee | Compensation committee | Job title assumed in the Company and any other company |
|---|-------------------------------|----------------------|-----------------|------------------------|---|
| Mr. Wei-shan Lin | Republic of China (Taiwan) | Chairman | | | Chairman of Chunghwa Picture Tubes, Ltd., Chairman of Forward Electronics Co., Ltd., Chairman of Shan Chih Semiconductor Co., Ltd., Chairman of Green Energy Technology Inc., Chairman of Tatung Consumer Products (Taiwan) Co., Ltd., Chairman of Shan Chih Asset Development Co., Ltd., Chairman of Tatung Fine Chemicals Co., Ltd., Chairman of Toes Opto-Mechatronics Co., Ltd., Chairman of Tatung SM-Cyclo Co., Ltd., Chairman of Chunghwa Electronics Development Co., Ltd., Chairman of Tatung Die Casting Co., Ltd., Chairman of Tatung Medical & Healthcare Technologies Co., Ltd., Chairman of Shan Chih Investment Co., Ltd., Chairman of Tatung Company of Japan, Inc., Chairman of Tatung Electronics (Singapore) Ptd. Ltd., Chairman of Tatung Electric (Singapore) Pte. Ltd. |
| Ms. Wen-yen K. Lin | Republic of China (Taiwan) | Director | | | President of Tatung Company, Chairman of Tatung Information (Singapore) Pte. Ltd., Chairman of Tatung Mexico S.A. de C.V., Chairman of Tatung Czech s.r.o., Chairman of Elitegroup Computer Systems Co., Ltd. |
| Mr. Hua Chang | Republic of China (Taiwan) | Director | | | Chairman & President of Shan Chih Asset Development Co., Ltd., Director of Tatung Industry Company, Director of Cheng Sheng Broadcasting Corp., Director of Chunghwa Electronics Development Co., Ltd., Chairman & President of Chih Sheng Realty Co., Ltd., Director of Kuender Co., Ltd. |
| Mr. Lung-ta Lee | Republic of China (Taiwan) | Director | | | Director & President of Shan Chih Semiconductor Co., Ltd., Director of Tatung Fine Chemicals Co., Ltd., Director of Green Energy Technology Inc., Director of Greater Power Ltd., Director of Tatung Company of Japan, Inc., Director of Phecda Technology Co., Ltd., Chairman & President of Chih De Investment Co., Ltd., Chairman of Ultra Energy Holdings Ltd., Chairman of Ultra Energy (Weifang) Technology Co. Ltd., Chairman of Shang Chih International Chemical Industry Co., Ltd., Chairman of Huaian Tatung Advanced Technology Materials Co., Ltd., Chairman of Wujiang Shanghua Material Technology Co., Ltd., Chairman of Wujiang Shang Huah Plastic Co., Ltd., Chairman of Dongguan Tongli Trading Co., Ltd., Director of Chih Sheng Investment Co., Ltd., Director of Chunghwa Electronics Development Co., Ltd. |
| Representative of Tatung University Mr. Huo-yen Chen | Republic of China (Taiwan) | Director | | | President of Tatung High School |
| Mr. Peng-fei Su | Republic of China (Taiwan) | Independent Director | ○ | ○ | Senior Vice General Manager in Investment Department, Cheng Ye Assets Management Co., Ltd., Independent Director, San Chih Semiconductor Co., Ltd. |
| Mr. Tzong-der Liou | Republic of China (Taiwan) | Independent Director | ○ | ○ | Professor, College of Law, National Chengchi University, Director, JinWen University of Science & Technology Managing Supervisor, Central News Agency, Chairman, Teacher Grievances Committee of Ministry of Education, Commissioner, Central Election Commission. |
| Mr. Chi-ming Wu | Republic of China (Taiwan) | Independent Director | ○ | ○ | Associate Professor, Department of Finance, National Chengchi University, Independent Director, TSC Auto ID Technology Co., Ltd. |

Note: Director of Wei-tung Lin had resigned on March 10, 2017.



▲ Figure 3.2-1 Genders distribution of the board of directors.



▲ Figure 3.2-2 Age distribution of the board of directors



▶▶ Table 3.2-3 Status of the board of directors' meeting

| Title | Name | Attendance in person | Attendance by proxy | Attendance rate (%) | Notes |
|----------------------|----------------------------------|----------------------|---------------------|---------------------|------------------------------|
| Chairman | Wei-Shan Lin | 8 | 0 | 100 | |
| Director | Wen-Yen K. Lin | 8 | 0 | 100 | |
| Director | I-Hua Chang | 7 | 1 | 88 | Actual attendance rate: 100% |
| Director | Wei-Tung Lin | 4 | 0 | 50 | |
| Director | Lung-Ta Lee | 7 | 1 | 88 | Actual attendance rate: 100% |
| Director | Tatung University / Huo-Yen Chen | 8 | 0 | 100 | |
| Independent Director | Peng-Fei Su | 8 | 0 | 100 | |
| Independent Director | Tzong-Der Liou | 8 | 0 | 100 | |
| Independent Director | Chi-Ming Wu | 7 | 1 | 88 | Actual attendance rate: 100% |

Note: Director of Wei-Tung Lin had resigned on March 10, 2017.

▶▶ 表 Table 3.2-4 Major resolutions of the board of directors

| Date | Major resolutions |
|------------|--|
| 2016.03.23 | The board of directors resolved to convene the 2016 Regular Shareholder's Meeting. |
| 2016.05.04 | Directors' resolved no dividend distribution in year 2016, no dividend employees' compensation and directors' remuneration in year 2015. Supplementary information on 2016 Annual General Shareholder's Meeting. |

Audit committee

Tatung has Audit Committee (which is responsible to Board of Directors) to review and assess the qualitative aspects of financial reports, the registered accounting firm's selection, independence and qualifications, the effectiveness of the systems of internal control system.

Audit Committee (functional)

The board of directors also has Audit Committee (functional) which is responsible for oversight of the Company Act, Securities and Exchange Act, and such other related laws and regulations. Table 3.2-5 shows the status for the attendance of Audit Committee members.

▶▶ 表 Table 3.2-5 Status for the attendance of Audit Committee member

| Title | Name | Attendance in person | Attendance by proxy | Attendance rate (%) | Notes |
|----------------------|----------------|----------------------|---------------------|---------------------|------------------------------|
| Independent Director | Peng-Fei Su | 8 | 0 | 100 | |
| Independent Director | Tzong-Der Liou | 8 | 0 | 100 | |
| Independent Director | Chi-Ming Wu | 7 | 1 | 88 | Actual attendance rate: 100% |

Compensation committee

The Compensation Committee is responsible for approving the Compensation Committee Charter for intensifying corporate governance and consolidating the director and executive compensation programs. Table 3.2-6 shows the status for the attendance of Compensation Committee members.

In regarding to the Board's performances, Tatung Co. evaluates the performances in accordance to "Corporate governance self-evaluation indicators" and reports the results to Audit Committee (functional). Tatung Co. authorizes the board of directors to determine the directors' traveling expenses and remuneration based on the contribution to the operations of the Company with reference to the domestic and outside the industry standards agreed (shown on Table 3.2-7). The president, vice president and associate adhere to the orders of the Board to deal with the company's business. The appointment, dismissal and remuneration are following the Companies Act. Allocation of rewards such as the company has a surplus, and the other in accordance with the provisions of Companies Act.

▶▶ Table 3.2-6 status for the attendance of Compensation Committee members

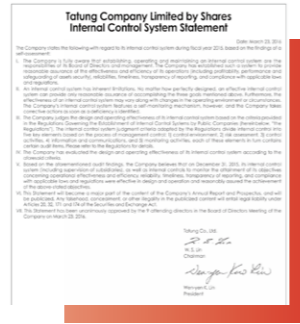
| Title | Name | Attendance in person (B) | Attendance by proxy | Attendance rate(%) (B/A) |
|-----------|----------------|--------------------------|---------------------|--------------------------|
| Convenor | Tzong-Der Liou | 2 | 0 | 100 |
| Committee | Peng-Fei Su | 2 | 0 | 100 |
| Committee | Chi-Ming Wu | 2 | 0 | 100 |

▶▶ Table 3.2-7 Remuneration paid to directors in 2016

Unit NT\$ Thousand

| Job title | Name | Remuneration to directors | | | | | | | |
|----------------------|--|---------------------------|--|------------------------|--|--|--|---------------------------------|--|
| | | Remuneration (A) | | Retirement pension (B) | | Remuneration allocated from earnings (C) | | Business execution expenses (D) | |
| | | The Company | All companies included in Financial statements | The Company | All companies included in Financial statements | The Company | All companies included in Financial statements | The Company | All companies included in Financial statements |
| Chairman | Wei-Shan Lin | 10,059 | 11,109 | - | - | - | 140 | - | 2,714 |
| Director | Wen-Yen K. Lin | - | 4,400 | - | - | - | 1,500 | 120 | 2,950 |
| Director | I-Hua Chang | - | - | - | - | - | - | 120 | 490 |
| Director | Wei-Tung Lin | - | - | - | - | - | - | 120 | 190 |
| Director | Lung-Ta Lee | - | 60 | - | - | - | - | 120 | 600 |
| Director | Huo-Yen Chen (Representative of Tatung University) | - | - | - | - | - | - | 120 | 120 |
| Independent-Director | Peng-Fei Su | 3,200 | 3,632 | - | - | - | - | - | - |
| Independent-Director | Tzong-Der Liou | 2,720 | 2,720 | - | - | - | - | - | - |
| Independent-Director | Chi-Ming Wu | 2,450 | 2,450 | - | - | - | - | - | - |

Note: Please refer to 2016 Tatung Annual Report page 19-20 for completed data.



▲ Figure 3.2-3 Tatung internal control system statement

Internal control system and internal control committee

In order to promote the effective operation and ethical management of the company, Tatung Co. established "Internal Control System".

The mission is to:

1. Ensure the enforcement of company policies and rules.
2. Avoid the waste, lost and non-efficient use of assets.
3. Ensure the accuracy of accounting and operating information.
4. Evaluate the performances for each division.

Internal control system covers all operations of Tatung, including accounting, finance, planning, organization, control and management, and information about sales, production, purchasing, materials, engineering, personnel and research and development. Tatung follows "Regulations Governing Establishment of Internal Control Systems by Public Companies" proclaimed by Financial Supervisory Commission, dividing the business operations to Sale and receipt cycle, Purchase and payment cycle, Production cycle (environment, health and safety issue included), Labor and wage cycle, Finance cycle, Fixed asset cycle, Investment cycle, and Research and development cycle, as well as setting out the management controls for data access and other activities. Tatung monitors and controls the system and operation procedures continuously by carrying out the internal auditing and review meetings of Internal Control Committee. Such practice can enhance the internal control system and optimize the efficiency of corporate governance. Figure 3.2-4 shows Tatung internal control system statement.

Internal control system is not only applied in Tatung but also applied to Tatung's subsidiaries. The subsidiaries are graded into different levels according to their scales. Different levels have different audit frequencies.

In addition to internal control system, Tatung has introduced and maintained various of management systems in the factories for specific topics, such as ISO14001 (environment), OHSAS18001 (health and safety), ISO9001 (quality) and others. The factories follow the procedures of the management systems to review and update the related laws and regulations. At the same time, the factories conduct internal audit and management review to ensure the operations can comply with the laws and regulations. The administrative in headquarter also announce the latest and related regulations to the employees by publishing on the internal website and/or through e-mails. In this way, the employees will gain the knowledge of regulations and avoid breaching them at work.



▲ Figure 3.2-4 Regulation promotions on internal website



Risk management

When facing on rapid changing business environment and climate change, Tatung assigns responsible departments (Table 3.2-8) to process risk assessment on significant topics. Table 3.2-9 shows Tatung's risks and counter measures.

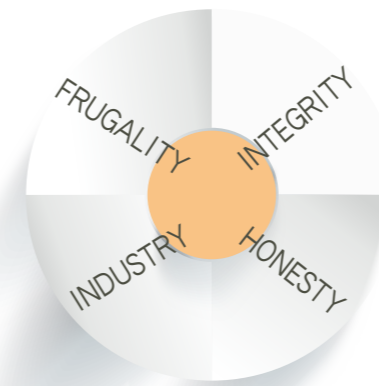
There was a fire incident on Dec. 4th, 2016 at the headquarter and the fire was put out immediately. The space was used to store documents and some of testing instruments. Tatung has insurance on buildings and properties hence such incident had no-significant impact to the company in financial and operating aspect. We will enhance the management on electricity safety and conduct regular audit on electrical devices according to relevant regulations.

▶▶ Table 3.2-8 Structure of risk management

| Risks | Bodies in charge | Responsibilities |
|------------------------------|--|---|
| Strategy and operation risk | 1. Board of directors. 2. High-level management (chairman, president). 3. Management of each factory and division (general manager, director, and center manager). | 1. Stipulation and implementation of management policies. 2. Assessment and analysis of operation performance. |
| Market risk | Sales unit of each factory and division. | Business and sales promotions as well as market research and evaluation. |
| Financial and liquidity risk | Finance & Accounting Division. | Final accounting of cost, funds allocation and control, and hedging of interest and exchange rates. |
| Legal risk | Legal Division | Process of litigation and non-litigation cases |

▶▶ Table 3.2-9 Risks and counter measures of Tatung

| Category | Item | Countermeasures |
|-----------|-------------------------------------|---|
| Operation | Change in management of the company | Tatung has a strong and stable management team, and there is no risk from the change in the management of the company. |
| | Non-ethical behavior | <ul style="list-style-type: none"> ■ Tatung states that the employees are prohibited to perform malpractices or accept gifts of others in regarding to their jobs on company rules, ethical corporate management best practice principles, and business ethics statement for group employees. Tatung Co. also establishes rigorous and effective accounting system and internal control system to prevent bribery and acceptance of bribes, illegal campaign contributions. ■ Tatung has established effective accounting and internal control systems for ensuring the implementation of policies, and the internal auditors formulate annual audit plans based on the results of the risk assessment and report to the Board its audit report. ■ Tatung has a mechanism of processing employees' complaints for employees' unethical conducts. The company maintains secrecy and inspects the reported contents as well as protects informants' rights and interest. |



| Category | Item | Countermeasures |
|-------------------------------|--|--|
| Operation | Changes in technologies on the financial position and operation of the company | <ul style="list-style-type: none"> With the mass demand for energy efficiency & carbon reduction technique to cope with global warming, Tatung has developed deep technical foundation, kept putting efforts on research & development, and expanded the business of key products as well as system aggressively in smart grid to ensure its technology and market leading position in domestic electricity generation, power transmission & distribution and energy management. Tatung has strived to carry on fine tradition, and reinforced to develop high-quality green home appliances with health, environment protection, energy saving and high efficiency concepts to increase the sales performance and profit. Tatung's focus is on developing visual products, such as LCD TVs and LCD monitors, which offer bright market prospects. With the coming of age of personal high-frequency radio communication, Tatung is actively exploring opportunities in 4th generation wireless communications business. |
| Finance | Interest rate | <ul style="list-style-type: none"> Derivatives can be used as a hedge against interest rate fluctuations for Tatung's long-term debts. When considering mid to long-term bond issues, Tatung carefully sets its target interest rate to lower its interest rate risks as much as possible. For example, Tatung's offshore exchangeable corporate bond issue offers a fixed interest rate, while its domestic secured convertible bond offers a zero coupon rate. secured convertible bond offers a zero coupon rate. |
| | Exchange rate | Tatung has a natural hedge against currency fluctuation as its business involves imports and exports. It also utilizes derivatives to hedge the remainder of its foreign exchange position that is exposed to currency exchange risks. The management of risks involving such derivatives are set forth in Tatung's "Operational Procedures for Derivatives Trading." Tatung also has an internal control system to supervise the loss limit of foreign currency transactions. |
| Legal | Changes in policies and laws | Tatung carefully monitors any changes in local and foreign policies and makes appropriate adjustments in Tatung's internal control system and operations when necessary. Tatung's R&D units and financial department continues to avail of and seek various investment incentives, such as tax credit, granted by the Ministry of Economic Affairs and other government agencies. |
| Market | Concentration of sales | Tatung will diversify its customer base in order to reduce the concentration of sales. |
| | Concentration of purchase | Tatung will arrange for alternative sources for purchase in order to reduce the concentration of purchase. |
| Environment/health and safety | Environment | <ul style="list-style-type: none"> Continue to run environmental management system to elevate environmental performance. Conduct "Pollution Prevention Pays" program and internal control system to prevent the violations of regulation. |
| | Health and safety | <ul style="list-style-type: none"> Continue to run occupational health and safety management system to elevate health and safety performance. Conduct "Disaster Prevention Pays" program and internal control system to prevent the violations of regulation. Conduct monitoring on operation site, job safety analysis and establish safety S.O.P. |
| Climate change | Carbon emission | Conduct GHG emission inventory and energy saving projects. |
| | Water resource | Promote water saving projects. |
| | Loss from disasters | Tatung makes property insurance to transfer the risks. Tatung also requests engineers to provide improvement recommendation for the potential flooding areas. The factories then enhance their preventing plans to reduce the level of losses. |

Corporate social responsibility

Policy and management

Established in 1918, the foundation of the company is built on four fundamental values – integrity, honesty, industry, and frugality. They are represented as the essence of the company's commitments to our stakeholders. Mr. T. S. Lin, Chairman Emeritus of the company further extended the precepts behind these core values to serve as the guidelines for the company's continued success and prosperity. To be able to fulfill corporate social responsibility and contribute to the progress of economy, environment and the community, Tatung stipulated "Tatung corporate social responsibility best practice principles" to manage the economy, environment and social risks and impacts in 2014. The principles act as guidance for implementing corporate governance, sustainable development and the environment, the maintenance of social welfare, strengthening CSR disclosure. We updated the principles based on the recommendation issued by the authority in Dec., 2016. General Administration Division is responsible for CSR promoting and managing. The results and performances will be reported to board of directors regularly.

Disclosure on non-financial information

In order to actively and effectively disclose company information and show the achievements in sustainable development, Tatung followed GRI (Global Reporting Initiative) framework and started to publish "Tatung Corporate Environmental Report" since 2002. Starting from 2008, the environmental report was renamed to "Tatung Corporate Sustainability Report" due to the balance of disclosed information. From 2015, with the request from the authority, we once again changed its name to "Tatung Corporate Social Responsibility Report".

GRI published "GRI Standards" in 2016 and this "Standards" can make a company present information in economic, society, and environment easier and more transparent and

hence benefit to communicate with stakeholders. We have made schedule to edit and verify "2019 Tatung Corporate Social Responsibility Report" by using GRI Standards.

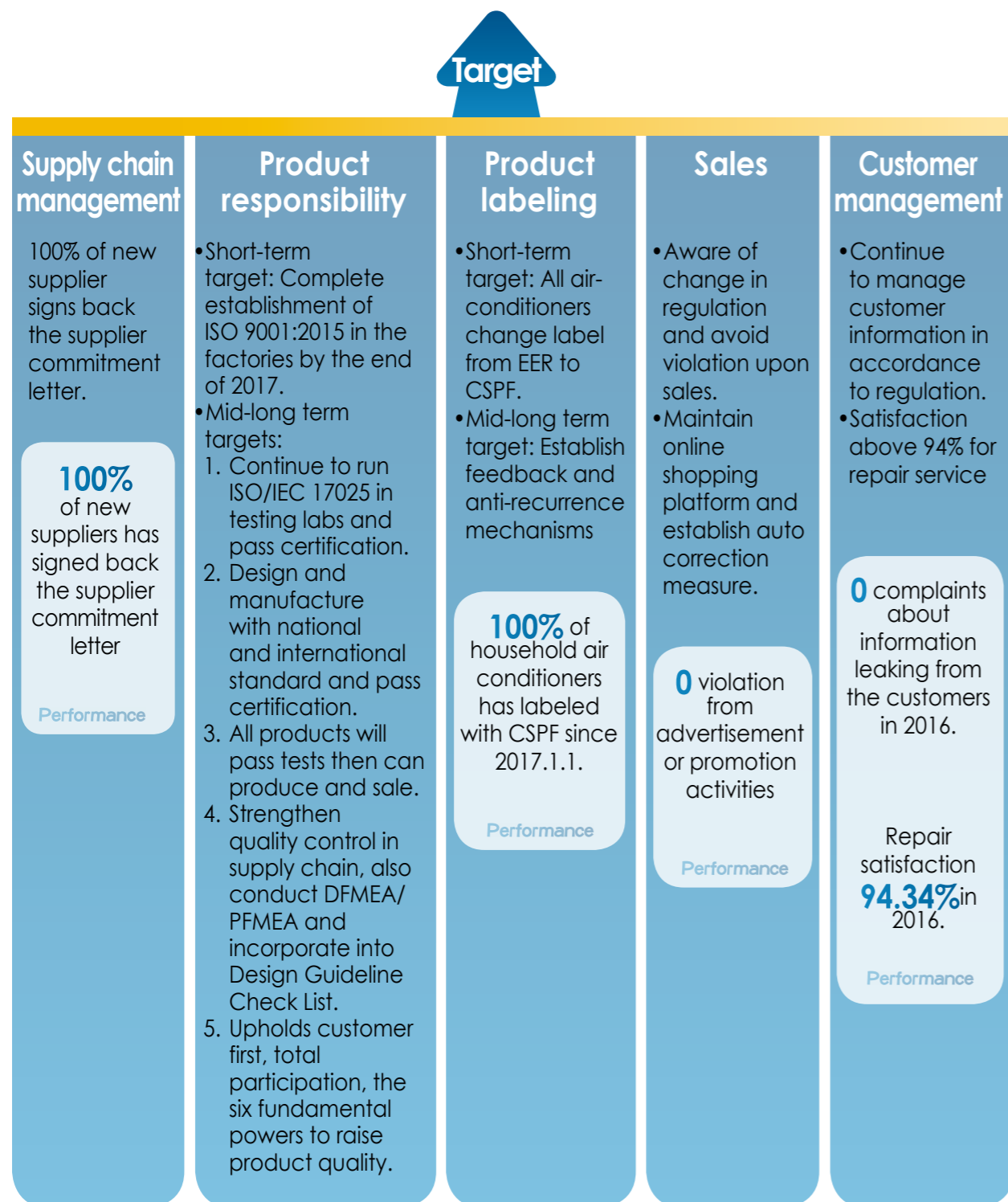
Tatung commits that we will publish CSR report in June every year to be in accordance with our CSR best practice principles and the request by authority to disclose Tatung's performances in the economic, social and environment. The report works as a tool for communicating with stakeholders. Tatung also encourages her subsidiaries to issue CSR report. Currently CPT and GET also issue their CSR report every year.



Note: Previous reports can be downloaded here: <http://www.tatung.com/Content-EN/csr-report.asp>

▲ Figure 3.2-5 Evolution of CSR report

Chapter 4 Supply chain management, product responsibility and customer service

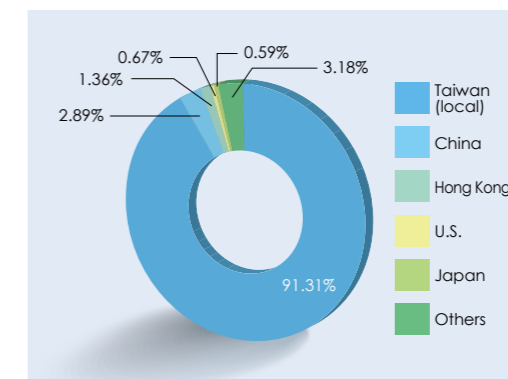


4.1 Supply chain management

Tatung believes that with good relationship with decent suppliers can make sure getting high quality parts/products to raise productivity to share the benefits to the customers around the world. Hence, Tatung conducts internal control and related management procedures to manage and introduce new suppliers. Regular auditing is conducted in BUs and subsidiaries.

Good quality, competitive price, on time delivery, and service are the first consideration when Tatung purchases raw materials, parts and products. Tatung also prefers purchase from local suppliers in Taiwan in order to support local business and fulfill social responsibility. The main suppliers are from Taiwan, followed by China. The details are list in Figure 4.1-1. Meanwhile, in order to maintain excellent product quality, Tatung requests suppliers to use brand new materials in providing main materials, parts, and products.

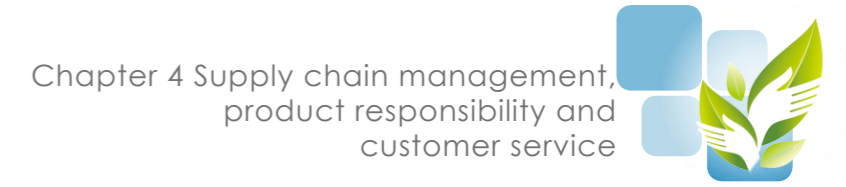
In addition, Tatung requests suppliers to fulfill corporate social responsibility together by adding anti-corruption and human rights (human rights, freedom of association, child labor, and forced labor) clauses in the contract. Also from 2015, we started to request suppliers to sign a commitment letter, which includes health and safety, environmental protection, human rights topics. The commitment letter is a must have document to become Tatung's supplier. In 2016, all the new suppliers have signed back the commitment letters. We will continue this policy and expect the existed suppliers to sign back the commitment letter.



▲ Figure 4.1-1 Suppliers' geographic distribution in 2016

▶▶ Table 4.1-1 Summary of the commitment letter

| Category | Commitment |
|-----------------------------------|--|
| Non-corruption | Refuse to offer or accept any improper advantages. |
| Human rights and labor conditions | Comply with national and international regulations, policies or guidance in regarding to human rights. |
| Environmental protection | Comply with environmental protection regulations. |
| Corporate social responsibility | Comply with Tatung's and the supplier's ethical and CSR policies. |



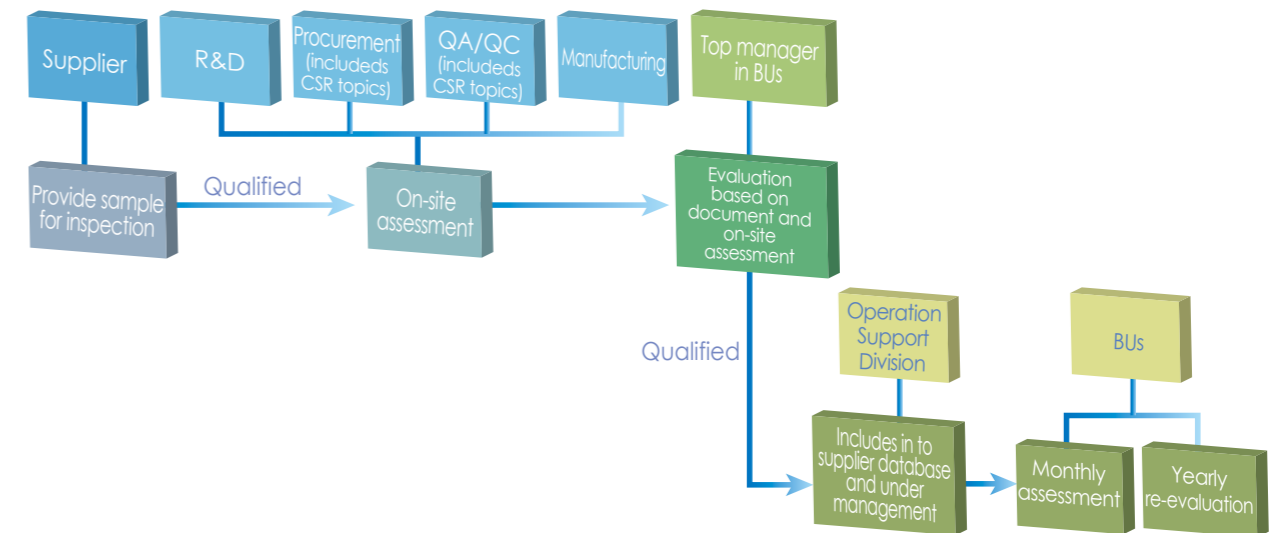
Introduction and management on suppliers

Tatung groups her suppliers into four categories; each category has its own introducing procedures and evaluation standards. The introduction of the new supplier in Category I requires on site assessment by evaluation team. The assessment content mainly includes design, technical capabilities, quality management, manufacturing capabilities and management capacity. The introduction of the new supplier in Category II requires only document review. For construction category, the introduction of the new supplier requires on site assessment. So far, Consumer BU has already implemented CSR related topics into on site assessment, we will implement this mechanism into all BUs from July, 2017. In addition, Tatung also evaluates the management of hazardous substances (RoHS and REACH), conducting safety measures for hazardous job, and implementation of environmental management system as an extra evaluation for introduction of a new supplier. The detailed management measures are shown on Table 4.1-2 and Figure 4.1-2. The supplier with assessment result above B grade can then be introduced. All suppliers are requested to sign procurement contract and commitment letter.

▶▶ Table 4.1-2 Category of suppliers and introducing procedures

| Category | Classification criteria | Introducing procedure | Management |
|--------------|---|---|--|
| Category I | 1. Important materials (parts, components, half-ready products, and products). 2. ODM/OEM 3. Outsourcing (including full case, manufacture only, product only). 4. Significant to product quality that need intensive management and tutoring. | 1. On-site assessment 2. Sign procurement contract 3. Sign commitment letter | 1. Monthly assessment ¹ 2. Annually re-evaluation ² |
| Category II | 1. Suppliers, who provide raw materials, ready to sale products, imported components, with less quality risks. 2. Suppliers who are world famous company with top capability in product and QA/QC. | 1. Document review 2. Sign procurement contract 3. Sign commitment letter | Monthly assessment ¹ |
| Construction | Suppliers who build factory, apartment, office building, system installation, or repair project. | 1. On-site assessment or document review for existed cases 2. Sign procurement contract 3. Sign commitment letter | Evaluation after the case is completed |
| Others | 1. Suppliers who provide office appliances, hard wares, software, waste disposal, verification, etc. 2. Suppliers who provide instruments or equipments. 3. Technical maintenance service. | 1. Sign procurement contract 3. Sign commitment letter | Monthly assessment ¹ |

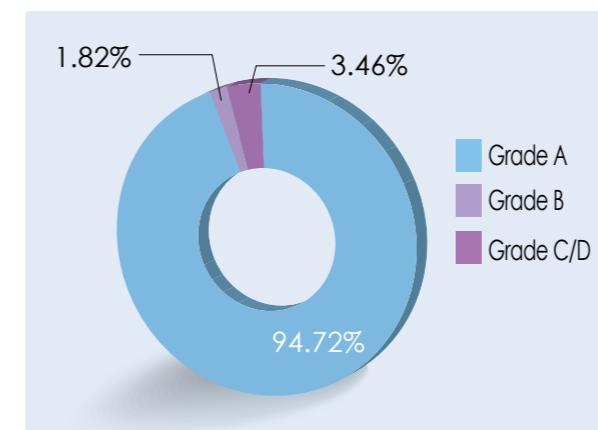
Note 1: Increase or decrease procurement amount based on the result of monthly assessment.
Note 2: Maintain business or search for second source based on the result of re-evaluation.



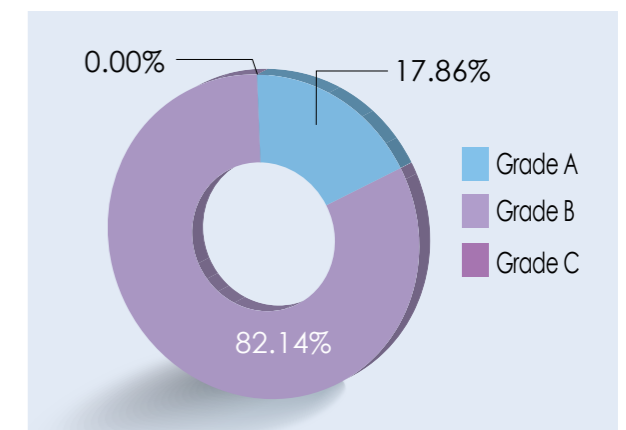
Note: Consumer BU's management procedure

▲ Figure 4.1-2 Supplier management procedures

For suppliers who already cooperate with Tatung are implemented monthly assessment in aspect of quality, delivery, price, and service (Figure 4.1-3). Any non-conformity will be requested to correct. An annually re-evaluation is periodically implemented for main components suppliers, listed component suppliers, and outsourcing suppliers. Tatung wishes the suppliers who collaborate with us can grow together. As for the safety of the service-providing suppliers (construction, waste disposal, repairing) who operate in the factories and subsidiaries, Tatung stipulated "Tatung Health and Safety Management Method for Contract Suppliers" to make sure all this type of suppliers can follow it to reduce the risk from accidents.



▲ Figure 4.1-3 Result of supplier monthly assessment in 2016



▲ Figure 4.1-4 Result of supplier annually re-evaluation in 2016



4.2 Product responsibility

Quality management

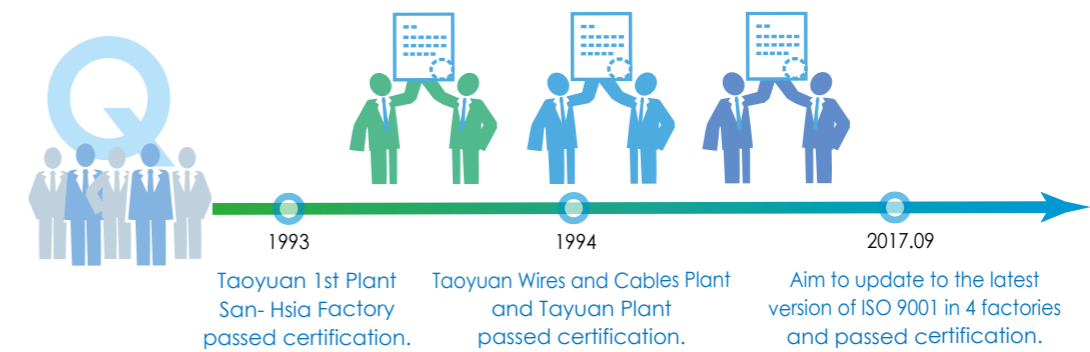
Product quality and safety is the keystone of sustainable operation for a company. By providing high quality and safe products can build the brand image, enhance competitiveness and create high-profit, low-risk business model, and achieve a win-win situation for consumers and company. Based on this philosophy, Tatung have established ISO 9001 and passed the certification since 1993 (as shown in Table 4.2-1). The system can implement standardization, deviation reduction, as well as a tool to pass down the knowledge and experiences internally. In addition, they system can enhance the management capability, product quality stability, reduce product defect rate and reduce complain. The system can also enhance confidence of customers, thus expanding the market and enhancing competitiveness.

ISO published ISO 9001:2015 in September, 2015 and gave three years of time for companies to update their quality management system. Tatung has already put lots of effort into updating work. Our target is set to complete all the version updating and pass certification before September 2017 (as shown in Figure 4.2-1).

Other than the management systems in the factories, Tatung has her own Calibration Lab and Tatung Environmental Research Center in headquarter. These two laboratories provide accurate measuring and calibration test services and hazardous substances testing service. In addition, Tatung has Transformer Testing Lab, Switchgear Testing Lab, Air Condition Facility Testing Lab, and Motor Testing Lab in the factories (as shown in Table 4.2-2) to provide the assurance of excellent quality.

▶▶ Table 4.2-1 Tatung product acquired ISO 9001

| Factory | Registered product | Register date |
|--------------------------------|--|---------------|
| Taoyuan 1st Plant | ISO 9001:2008 → Window mounted air conditioners, separated type air conditioners, dehumidifiers, box shaped air conditioners, water cooling central air conditioning systems, rice cookers, electric fans, refrigerators. | 1993.12.09 |
| San-Hsia Factory | ISO 9001:2008 → Generators (less than 10,560KVA), electrical motors (500HP and above), electrical motors (less than 500HP). | 1993.12.14 |
| Tayuan Plant | ISO 9001:2008 → Oil-immersed transformers (below and including 345KV), Oil-immersed reactors (below and including 345KV), Oil-immersed potential & current transformers (below and including 69KV), Dry type transformers (below and including 36KV), Dry type reactors (below and including 36KV), Cast resin dry type transformers (below and including 36KV), Cast resin dry type potential & current transformers (below and including 36KV), High voltage & low voltage metal-enclosed switchgear & control gear (below and including 72.5KV), Metal-clad switchgear (below and including 36KV), Motor control center (below and including 15KV), Metal-enclosed low voltage power circuit breaker switchgear (below and including 600V), Distribution board (panel) (below and including 600V), Rectifier (below and including 600V), Amorphous metal transformers (below and including 36KV), Gas insulated switchgear, Capacitors, Watt-hour meters. | 1994.08.03 |
| Taoyuan Wires and Cables Plant | ISO 9001:2008 → Power wires and cables (including cross-linked polyethylene insulated shielded power cable rated 161 KV and below), bus-way, electronic wires, telecommunication wires and cables, optical fiber cables, bare copper wire, enameled copper wires, tinned single solid copper wire. | 1994.07.23 |



▲ Figure 4.2-1 Status of ISO 9001 and schedule for updating

▶▶ Table 4.2-2 TAF certified laboratories in Tatung Co.

| Name of laboratory and certification number | Testing item | Date of certification |
|--|---|-----------------------|
| Calibration Lab L0003-120207 | Measuring and calibrating of products | 1990.06.01 |
| Tatung Environmental Research Center L1697-131009 | Waster quantities and quality, hazardous substances of electric and electrical products | 2007.10.24 |
| Tatung Transformer Testing Lab L2306-130411 | Transformer testing | 2010.12.27 |
| Air Conditioning Facility Testing Lab L2270-140417 | Cooling capacity and EER of air conditioners | 2011.01.20 |
| Tatung Switchgear Testing Lab L2308-140316 | Switchgear testing | 2011.03.23 |
| Tatung Motor Testing Lab L2613-120701 | Motor testing | 2012.07.01 |



ISO 9001 certificates



ISO 17025 certificates



Product safety and labeling

Product safety

Most of the countries make the laws and regulations in regarding to product's quality and safety in order to protect their citizens. Brand owners must pass all the tests and acquire certifications then can put their products into markets. In order to comply with related regulations among the world, Tatung designs and manufactures the products (including ODM/OEM products and accessories) to meet the requirements of the regulations. At first, the samples must pass the tests and managed by SAP management system. After all the test results have met the requirements, bulk production and sales then can be made. Table 4.2-3 lists the relevant regulation requirements, standards and verification internationally adopted by Tatung.

In addition, for the defected products from the design or manufacture stage, Tatung makes recall on BSMI official website¹, medias and TCPC website² to prevent the consumers getting harmed from further using of such products. For the problem occurred, Tatung will strengthen overall quality control in supply chain, also conduct Design/Process Failure Modes and Effects Analysis (DFMEA / PFMEA) and incorporated into Design Guideline Check List measures to prevent recurrence. Tatung will do the best for providing consumer healthy, energy-efficiency, and safe products. In 2016, no violation occurred against Regulations Governing Registration of Product Certification.

▶▶ Table 4.2-3 Standards, certifications and verifications adopted by Tatung

| Business group | Standards, certifications, and verifications |
|----------------|--|
| Power BG | CNS Standards, China Compulsory Certification, Canadian Standards, American Safety Standards, ETL Verification, EU Network System Verification, Japan PSE Certification, Green Mark, etc. |
| System BG | ANSI International Certification, IEC International Certification, DLMS/COSEM Conformance, etc. |
| Consumer BG | CNS Standards, China Compulsory Certification, American Safety Standards, U.S. Federal Communications Commission for Telecommunications, Product Inspection Label from BSMI, Japanese Emissions Control Standards, Green Mark, Energy Label, Water Label, etc. |

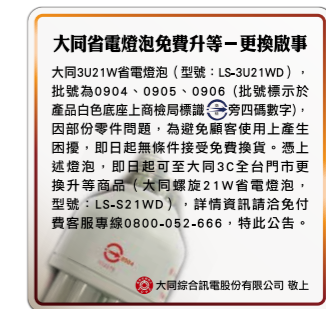
Although we have such measures to ensure the quality of products, we still have 4 types of products that need to be recalled or inspected in the past few years:

- ★ The pc board is likely to be damaged for window type air conditioner with model number TW-252DCN due to water could go into air conditioner along power cord. TCPC has made recall on official site and offered free inspection service;
- ★ Dehumidifiers (with model numbers TWD-500B, TWD-510B, TWD-511B, TWD-711B, TWD-710B, TWD-660B, TDH-200HB, TWD-1400B, and TWD-1400BL, as shown in Figure 4.2-2) are recalled since 2007 due to one defected part provided by a supplier. Such defected part will cause unexpected accident while the machine is running. Consumer who has these particular models, please make a phone call to Tatung or TCPC and the specialist will visit your place for service free of charge;
- ★ One of the fluoresced lamps (Model: LS-3U21WD) (Figure 4.2-3), batch number 0904, 0905 and, 0906, is recalled due to parts problem. All the consumers will have the defected lamp replaced with a new one when they bring the defected one to any of Tatung 3C Stores;
- ★ Two models of electric water boilers (TLK-52Y and TLK-56Y) with the production number list on Table 4.2-4, some parts has quality issue and the customers can take the boiler to TCPC to replace the part for free of charge.

Note 1: BSMI official website
<http://www.bsmi.gov.tw/wSite/xslgip/chinese/index.html>
 Note 2: TCPC official website
<http://tcpc.tatung.com>



▲ Figure 4.2-2 Dehumidifiers that need to be recalled



▲ Figure 4.2-3 Fluoresced lamp that need to be recalled

▶▶ 表 Table 4.2-4 The water boilers that need to be inspected and replaced part

| Model No. | TLK-52Y | TLK-56Y |
|----------------|--------------|--------------|
| Production No. | 3AY7094***** | 3AY8094***** |
| Production No. | 3AY7097***** | 3AY8097***** |
| Production No. | 3AY7098***** | 3AY8098***** |

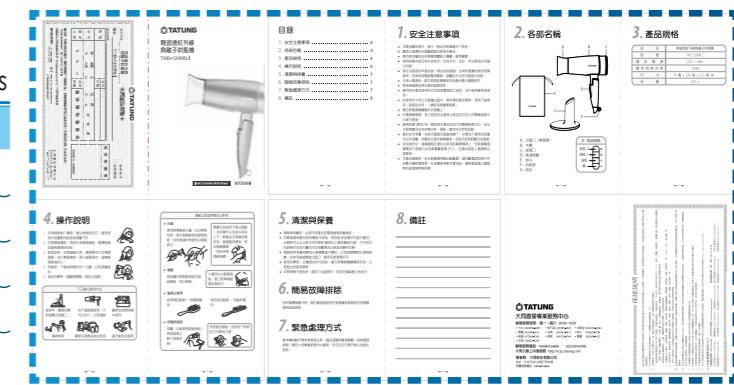
Product labeling

In order to let consumers having accurate and sufficient amount of product information (e.g., energy efficiency information), and instruct consumers using products safely and correctly, Tatung labels required information on the products or on the package or on the instruction manual. In addition, Tatung also includes the instruction guide, maintenance guide and notice in the packages (as shown on Figure 4.2-4).

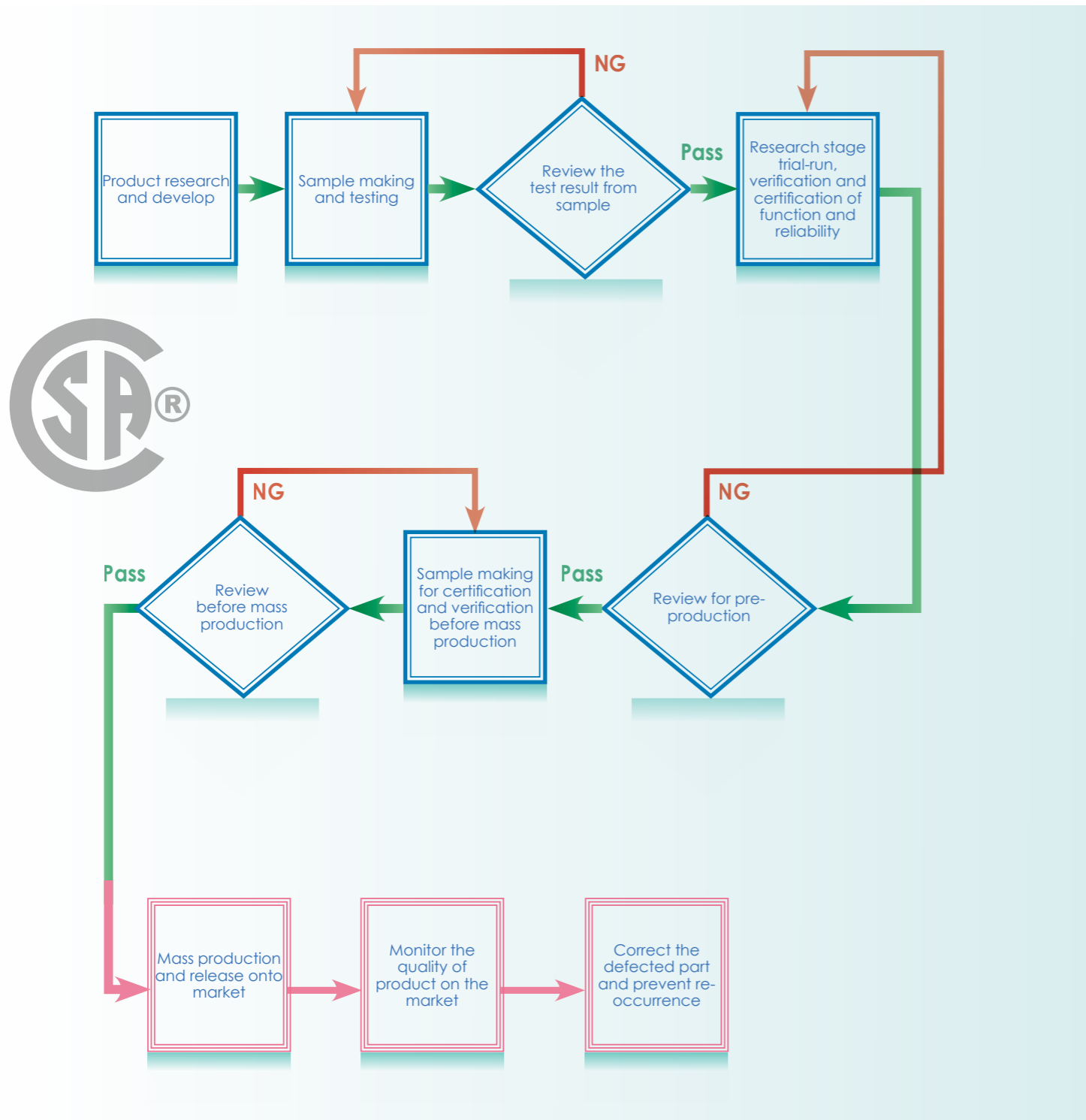
Tatung has responsible department in each BU for the management, review, and monitor of product labeling issue, as well as takes part in BSMI market survey to ensure the correct labeling. There was no incident that violating label regulation.

Label of sustainability on products and services

| | Yes | No |
|---------------------------------|-----|----|
| Manufacturer, ODM/OEM, importer | * | - |
| Hazardous substances | * | - |
| Safety instruction | * | - |
| Disposal treatment | * | - |



▲ Figure 4.2-4 Product labeling and instruction (e.g. hair drier)



Target Commercial air conditioners labeled with CSPF from 2017.07

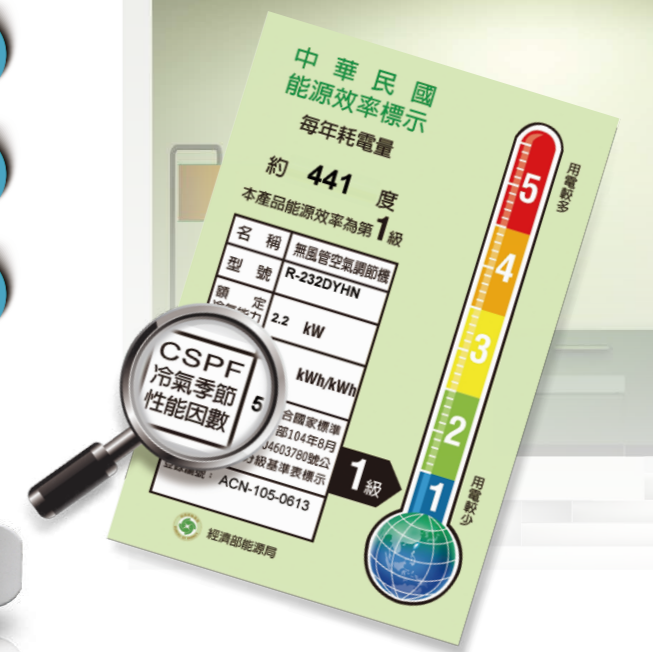
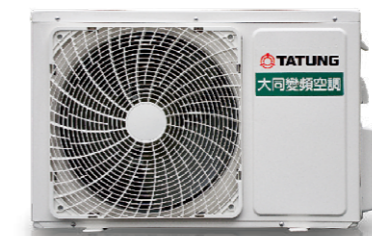
100% of household air conditioners has labeled with CSPF
95% of commercial air conditioners has labeled with CSPF

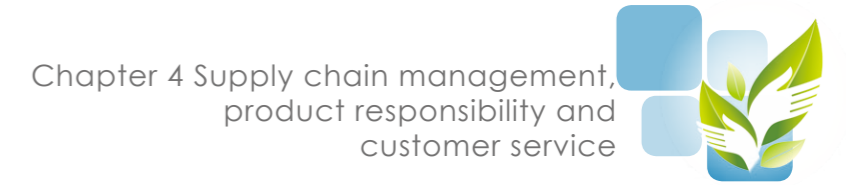
Bureau of Energy requested that the current air conditioner energy efficiency label EER would be replaced by CSPF since 2017.1.1.

CSPF (air conditioning season performance factor) is taking seasonal outdoor temperature into account to test the air conditioner to meet the indoor cooling capacity needs and its corresponding power consumption. CSPF can accurately assess the energy efficiency of air conditioners!

| CSPF (Air conditioning season performance factor) | EER (Energy efficiency ratio) |
|--|----------------------------------|
| ✓ Taking seasonal temperature differences into account | ✗ |
| ✓ Taking different running conditions into account | ✗ |
| ✓ Precise cooling capacity estimation | ✗ |

The higher CSPF value, the more power saving





4.3 Sales and customer service

Fair trade and anti-trust behavior

The commercial advertisements and promotions that made by Tatung are all complied with the regulations. There was no violation against the regulations regarding to advertisements and on sale promotion in 2016. Besides, Tatung requests her dealers to avoid malicious price competition behavior or intent to harm the image of Tatung. Tatung also encourages the employees to participate in seminars regarding to anti-trust and fair trade topics.

Wide-spread service locations and convenient shopping experiences

Tatung upholds "customer first", "having only one phone call, the service is to" and aims to provide fast and excellent services to customers. Tatung lists the service channels on the official website for all the business, including TCPC, information (OA), large-size air conditioners, power equipment, smart grid business, and system solution business. Tatung entrusts her subsidiary company "TCPC" to provide a comfortable shopping environment as well as excellent after-sale services to consumers. TCPC has more than 200 3C Stores spreading from cities to countries, providing professional recommendations on purchasing house appliances and repairing services. In addition, TCPC launched "etungo" online shopping website to provide wide variety of product in kitchen, 3C, living room and make up. Besides, Tatung runs a fan site on Facebook and LINE group to provide instant news and living tips.

In order to provide a more convenient customer service, TCPC has online service that the consumers can access to official website¹ make service request (Figure 4.3-1). The system will assign the service request to the accordance service station and provide rapid and high quality² services. The consumers can also check the repairing progress by assessing online webpage² (Figure 4.3-2). At the end of each case, customers are able to provide any positive or negative feedbacks by filling the online survey which will be used for future improvement. To extend the channels for listening to the customers, Tatung also provides an online feedback service³ which customers can ask questions, express their opinions and give positive feedbacks to us (Figure 4.3-3).

Note 1 : http://tcpcvm01.tatung.com.tw/tatungcp/agent/cust_100.asp

Note 2 : http://tcpcvm01.tatung.com.tw/tatungcp/agent/cust_200.asp

Note 3 : <http://www.tatung.com.tw/home/suggestion>



etungo online shopping mall



FB for Tatung fans



FB for Tatung multi-function cooker fans



▲ Figure 4.3-1 Product online service form



▲ Figure 4.3-2 Inquiry page for repairing progress

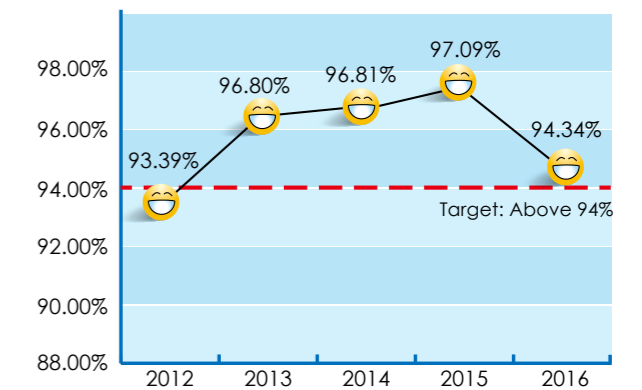


▲ Figure 4.3-3 Online feedback form

Management on customer information and satisfaction

Tatung follows regulations to protect the information that customers provided during purchasing or servicing. The information will not be delivered to other organizations without having consent from the customers. In order to enhance information security, Tatung has established associated management system and passed ISO/IEC 27001. There was no complaint about information leaking from the customers in 2016.

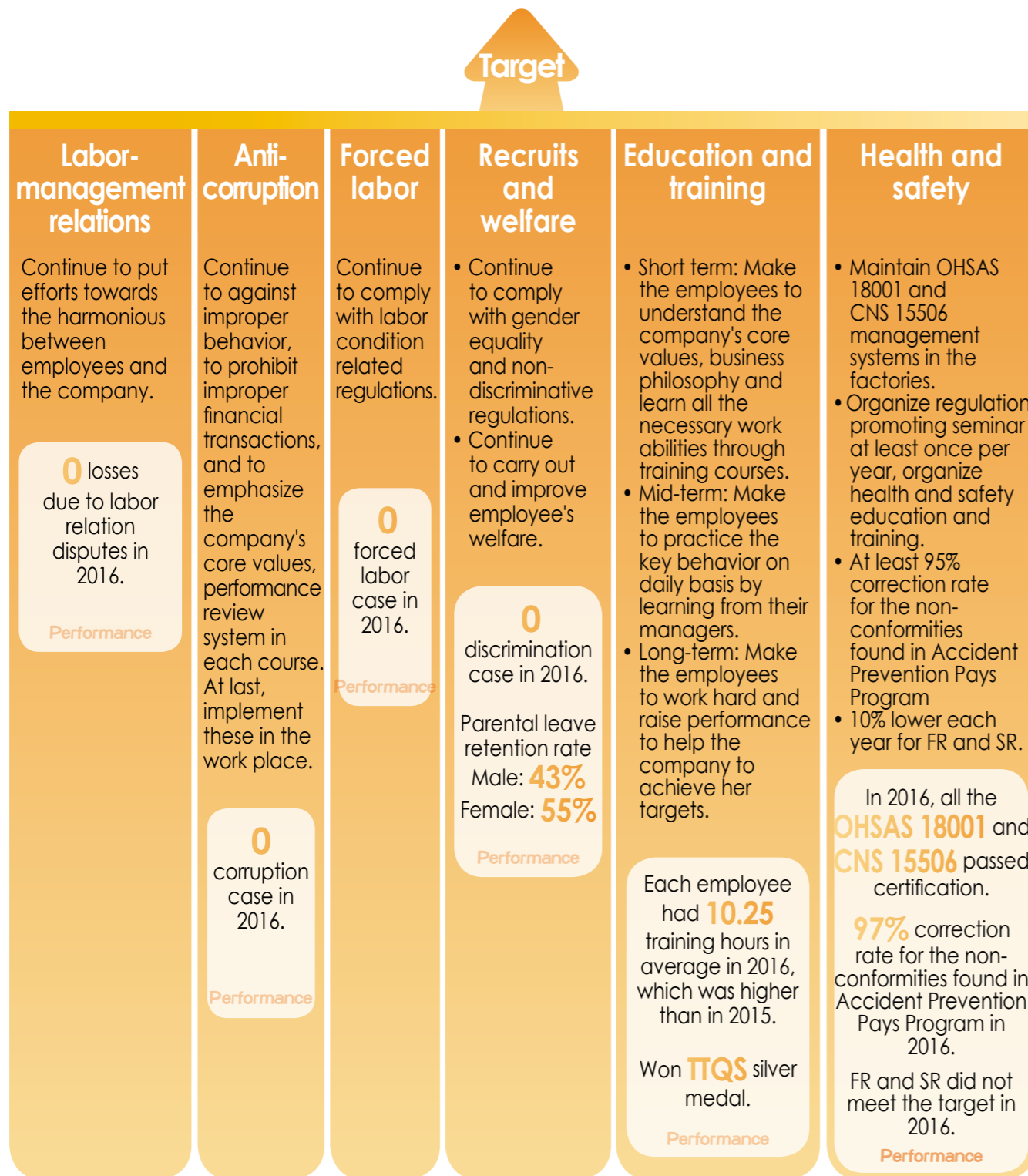
Tatung takes great concern about the customer satisfaction. When a customer makes purchase or approaches Tatung 3C Stores to repair products, Tatung will make his/her information to phone interview list and interview about repairing experience. If the feedback is unsatisfied, Tatung will conduct a second service and make improvement. We set targets for repairing satisfaction (for consumers) to be not lower than 92%. The result was 99.34% satisfied in 2016. Tatung will continue to listen to the customers.



▲ Figure 4.3-4 Results of customer satisfaction



Chapter 5 Social performance



5.1 Human rights and anti-discrimination

An equaled working environment

Tatung takes great concern on human rights. All employees, applicants and contract workers are treated with dignity, fairness and respect regardless of their race, religion, skin colors, genders, marriage status, disables, member of union, birth place, and nationalities etc. Commitments of respect and ensure the benefits of labors, fulfill social responsibility and comply with regulation are clearly stated in our Labor Policy. Tatung hires one handicapped worker per every 100 workers and provides equal opportunities for minority groups.

Tatung also stipulated "Anti-sexual harassment Regulation" and published on the internal website. Sexual harassment in any forms is strictly prohibited in any working places in Tatung. There was no discrimination and anti-human right incident in 2016. Tatung will continue to promote anti-discrimination policy in the company to prevent discrimination.

Trainings on human right

The vision of Tatung is to fulfill the social responsibility. Tatung actively involves in social welfare activities, respects and cares for life. In addition, Tatung helps employees to clarify the values and concepts, as well as respect for dignity and human rights through common educational courses. For example, in general staff training courses we emphasis on ethics, team work, and respect. In management level training courses we emphasis on gender equality, respect different races, colors, languages, religions and so on. As for security personnel, education in regarding to respect the employees' emotion and wills is given before carrying out their duties. This is not only ensuring the employees' human rights but also making security duties go smooth.

Freedom of association

Tatung Labor Union was funded in 1959 for the purposes of taking care of labors' rights, improving labors' living standard, conducting collective bargaining, etc. Each employee has freedom choice to be the member of the union. Currently Tatung has totally 5 labor unions distributed in the HQ and factories. Tatung does not interfere with the wills of the employees to join labor unions; hence the percentages of employees joining labor unions are always over 80%. In 2016, 80.399% of employees are the members of labor unions (Figure 5.1-1).

Child labor and forced labor

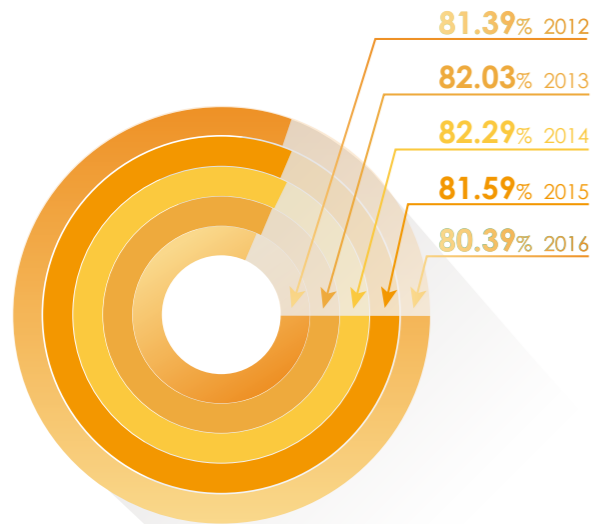
Tatung's recruiting policy is in line with the regulations. Hiring child labor is not allowed by Tatung. In our labor policy, we set out commitments such as "respect for labor, protect of labor rights, and fulfill with social responsibility", "company's labor management measures must comply with labor regulations". In "Company Rules" we defined the working hours for a day and for a week. If there is necessary to adjust or prolong the working hours, the practice only can be implemented after getting the agreement from the labor union or the employee. In order to avoid mismanagement, Tatung has appeal method, chairman box and HR e-mail box for the employees to engage with management level. Tatung also organizes labor-management meetings to communicate and solve the problems between the employees and the company. There was no force labor situation in 2016.



5.2 Employees' code of ethics

Tatung upholds the principles of "integrity, honesty, industry, and frugality" and prohibits any improper behavior and financial dealings. Tatung has established "Tatung ethical corporate management best practice principles" to prohibit every member in the company from doing non-ethical behaviors. Tatung requests the employees not to take advantages in any form at work, nor make external leakage of the technical and business content in the Company Rules. Tatung also established internal control measures such as internal control system, scheduled and unscheduled audits of the internal control committee and audit committee. The contracts signed with the suppliers are added the requirements such as shall not bribe or provide improper benefits to Tatung employees. If there is any corruption case, Tatung will pursue its legal responsibility to put an end to the corruption.

In April and May, 2016, we organized 4 seminars in regarding to anti-corruption. In December, 2016, we organized a seminar in regarding to legal responsibility to run a business. There was no corruption case happened in 2016.



▲ Figure 5.1-1 Percentage of employees who are labor union member



5.3 Employee composition, career development and benefits

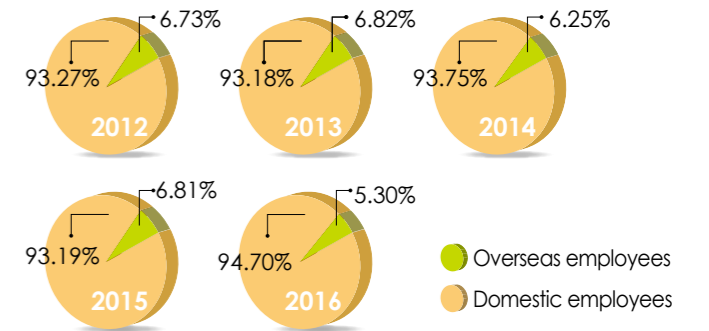
Employee diversity

The recruitment policy of Tatung holds equality as the central concept; only capability is taken into account when recruiting an employee. Every division/factory evaluates the potential developed situation to propose a human resource budget and authorized by the president. When there is an empty position, the division/

factory proposes a request to HR department based on the human resource budgets. HR department will then start to process the recruiting procedure from different channels. Every recruiting procedure is complied with the regulations. Table 5.3-1, Figure 5.3-1, Figure 5.3-2 demonstrate the employee compositions of Tatung. Tatung has more than 94% of local employees and 1.67% of disable employees which is than the requirement by the regulation.

▶▶ Table 5.3-1 Employee compositions of Tatung (by ages)

| | | Younger than 30 | | 30~50 | | Over 50 | |
|--------------------------------------|------|-----------------|--------|-------|--------|---------|--------|
| | | Male | Female | Male | Female | Male | Female |
| No. of employees | 2012 | 550 | 123 | 1773 | 587 | 833 | 192 |
| | 2013 | 456 | 141 | 1727 | 574 | 813 | 191 |
| | 2014 | 362 | 122 | 1606 | 530 | 739 | 176 |
| | 2015 | 356 | 121 | 1534 | 516 | 704 | 175 |
| | 2016 | 226 | 118 | 1280 | 497 | 641 | 183 |
| No. of managers | 2012 | 45 | 0 | 623 | 123 | 264 | 17 |
| | 2013 | 23 | 3 | 611 | 127 | 263 | 27 |
| | 2014 | 26 | 0 | 610 | 123 | 242 | 28 |
| | 2015 | 20 | 6 | 588 | 121 | 231 | 30 |
| | 2016 | 15 | 3 | 555 | 124 | 253 | 32 |
| Percentage of new employee hires (%) | 2012 | 7.34 | 1.40 | 5.79 | 1.21 | 0.86 | 0.00 |
| | 2013 | 3.49 | 1.05 | 4.10 | 1.18 | 0.21 | 0.03 |
| | 2014 | 3.93 | 1.24 | 5.04 | 1.27 | 0.57 | 0.03 |
| | 2015 | 7.90 | 2.70 | 5.96 | 1.61 | 1.91 | 0.29 |
| | 2016 | 4.61 | 2.21 | 3.98 | 1.20 | 1.11 | 0.09 |
| Percentage of employee leaving (%) | 2012 | 4.71 | 0.79 | 7.27 | 1.87 | 2.51 | 0.39 |
| | 2013 | 4.20 | 0.56 | 7.38 | 1.69 | 2.51 | 0.67 |
| | 2014 | 5.77 | 2.18 | 9.00 | 2.29 | 4.02 | 1.05 |
| | 2015 | 6.31 | 2.14 | 7.90 | 2.20 | 4.84 | 0.94 |
| | 2016 | 4.45 | 1.74 | 7.51 | 1.52 | 2.81 | 0.41 |



▲ Figure 5.3-1 Percentages of domestic and overseas employees



Note: The members of senior managers (deputy plant/general manager and above) are all Taiwanese. There were 11 disabled managers in 2016 (1.12%) in Tatung.

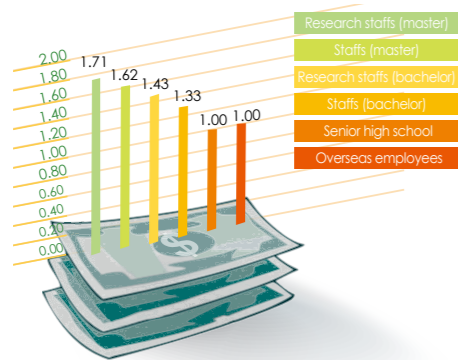
▲ Figure 5.3-2 Employee compositions of Tatung (by genders)



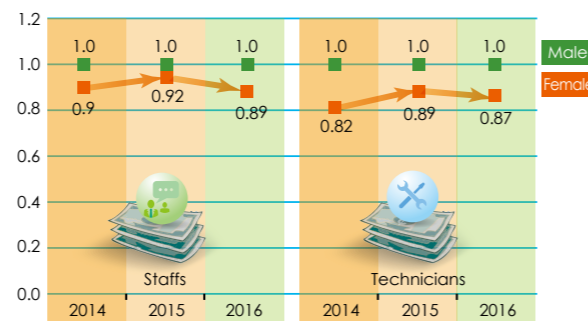
Basic salary and performance review

Due to the deterioration of the employment environment, the starting salary for freshmen is generally low in recent years. Tatung, as a deep plowing corporation for nearly a century in Taiwan, well protects the salaries and benefits for her employees. Tatung enacts her rules and internal control to ensure the minimum salary is complied with regulation. Tatung discloses the structure of the salary and methods of payment on "Company Rules", so that all the employees understand their rights and interests. Based on the concept of equality among genders, the basic salary between female employees and male employees is 1:1. For different employment types, the ratio of basic salary and legal salary for technicians is 1:1; for staffs is from 1.33~1.71:1 (Figure 5.3-3) based on different job types, specialty and qualifications. The above calculation does not include allowances and/or bonuses. In average salary, the female employee to male employee is 0.87~0.89:1 in 2016 (Figure 5.3-4).

Every employee's performance is reviewed regularly based on "Performance management method". The reviewed result is used as the base for training, promoting, salary adjusting, bonus earning, and hiring. The method ensures reasonable alignment between employees' salary and labor contributed.



▲ Figure 5.3-3 Ratio between basic salary and legal salary for different employment types



▲ Figure 5.3-4 Ratio between salary for female and male employees (by employment type)

Parental leave

Tatung takes great concern on employees' family life and care for next generation. Tatung not only provides cash gifts for giving birth but also offers all employees maternity and parental leave in accordance to regulations. The statistics on parental leave is shown in Table 5.3-2.

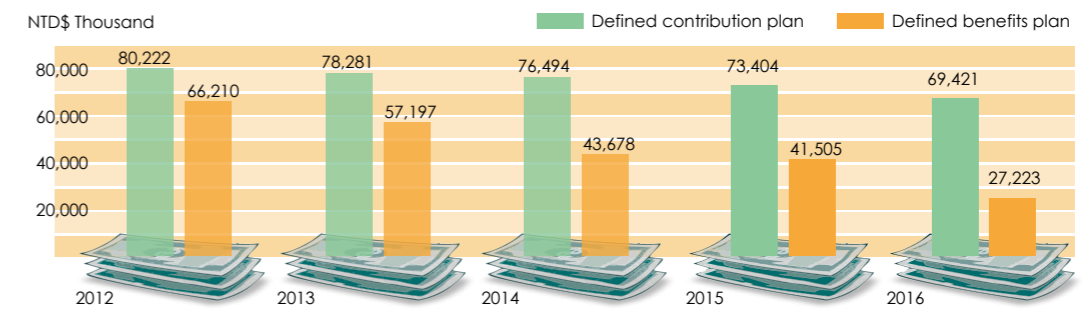
▶▶ Table 5.3-2 Tatung parental leave statistics

| | Male | Female | | Male | Female |
|--|------------|------------|---|------|--------|
| Application for parental leave | | | Retention rate | | |
| Total number of employees that took parental leave in 2016. | 13 | 18 | Total number of employees that applied and returned to work in 2015. | 1 | 6 |
| Total number of employees that shall end parental leave in 2016. | 7 | 11 | Total number of employees who returned to work after parental leave ended who were still employed 12 months after their return to work in 2015. | 0 | 2 |
| Total number of employees who returned to work after parental leave ended in 2016. | 3 | 6 | Percentage of employees who returned to work after parental leave ended who were still employed 12 months after their return to work in 2015. | 0% | 33% |
| Return to work rate | 43% | 55% | Note 1: Changed job due to personal career planning. | | |

Post-employment benefits

Tatung adopts "Defined contribution plan" and "Defined benefits plan" as her post employment benefits. For "Defined contribution plan", Tatung makes monthly contributions of no less than 6% of the employees' monthly wages to the employees' individual pension accounts in accordance with the Labor Pension Act. For "Defined benefits plan", Tatung contributes an amount equivalent to 2% of the employees' total salaries and wages on a monthly basis in accordance to Labor Standard Act to the pension fund deposited at the Bank of Taiwan in the name of the administered pension fund committee. For detailed post-employment benefits, please refer to Tatung 2016 Annual Report page 300~302.

Note 1: <http://www.tatung.com/Content/annual-report.asp>



▲ Figure 5.3-5 Expenses under the post-employment benefits

Procedure for complaints and shortest notice period

Tatung has "Measure of processing employees' complaints" and other practices (Table 5.3-3) in place for the employees to complain about any dispute and provides a channel to deal with. Tatung sets the minimum notice periods (Table 5.3-4) regarding to operational changes on "Company Rules".

▶▶ Table 5.3-3 Labor relation measures

| Management of labor relations | Measures |
|--|---|
| Channels for employees to voice dissent or communicate with management | Measure of processing employees' complaints |
| | Employees' mail box |
| | Voice out opinions in training courses |
| | Present proposals during Q.C. activities |
| | Communication during regular/special meetings between management and the labor unions |

▶▶ Table 5.3-4 The shortest notice period

| | Shortest notice period |
|----------------------------|------------------------|
| Work for 3 months~1 year | 10 days |
| Work for 1~3 years | 20 days |
| Work for more than 3 years | 30 days |



Education and career development

Business' success is relied on talented employees. Tatung believes that only each employee fully shows "Tatung DNA" in their work can help the company to achieve goals and vision. Therefore, Tatung takes "Tatung DNA" as basic to develop an education and training system which provides skill/profession oriented training courses to the employees to help the company to achieve sustainable development.



Tatung plans training courses by taking company's human resource policy into account and identifies the annual capacity gap of organizational functions. The training target is to capacity building of employee management, professional skills, and performance improvement.

Tatung manages her training system by using "Tatung Education and Training Manual" which includes training management manuals, procedures, instructions, and forms. The contents are:

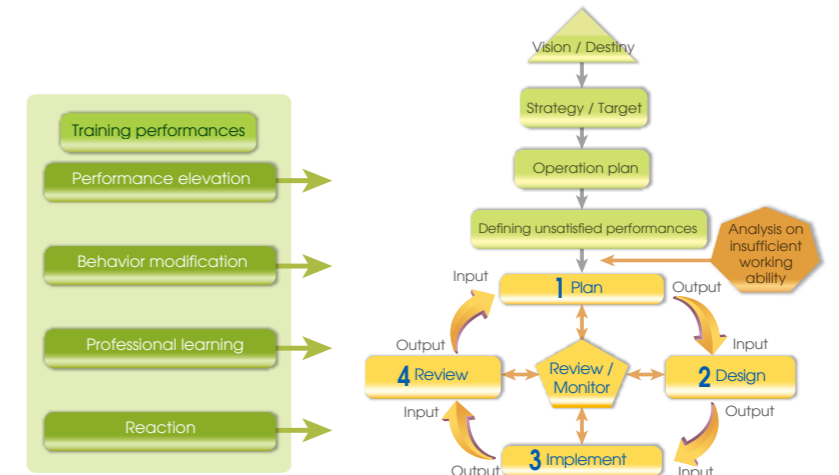
1. Education and training responsibility: Set out the training policy and training responsibility to ensure the implementing thoroughly.
2. Establish education and training system: Set out training scopes, objects, and structures.
3. Develop education and training program:
 - i. Demand planning – Consolidate the training needs and analyze the implementation process.
 - ii. Plan drafting – Draft training course details such as course time, hours, lecturer, etc.

4. Course design:
 - i. Design the contents of the course.
 - ii. Organize the classroom, the lecturers, and the tutors.
5. Conduct the training-
 - i. During the class the tutor observes and assists lecturer to run the course.
 - ii. Document all the records.
6. Course assessment: Assess the outcome and the performance of the course in order to continue improves.
7. Course performance review.

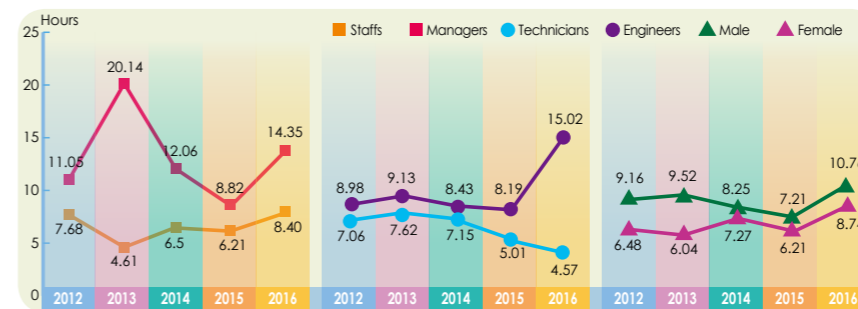
In 2016, we organized 19 general courses which covered from recruits training, environmental protection, occupational health and safety, information safety, etc. For advanced courses we organized 28 specialized courses in each field, 18 courses for managers, 49 business operating related lectures, 5 health lectures, and 5 law lectures. In total there were 32,452 training hours and each employee was given 10.25 hours in average. The detailed training statistics are shown in Figure 5.3-7. Tatung's education and training system also won TTQS(Taiwan TrainQuali System) Silver Medal in 2016.



Tatung awarded with TTQS Silver Medal



▲ Figure 5.3-6 TTQS strategic human resource development system



▲ Figure 5.3-7 Training hours per employee



2016 Q4 Training schedule



Training class for reserved managers



Training class for new recruits



Welfares

Tatung Welfare Committee handles a broad range of employee welfare issues including: daily activities, financial assistance for education, funeral assistance, and interest free installment loans. Table 5.3-5 shows employees' welfare implemented in the factories and subsidiaries. Besides, in order to provide female employees a more comfortable and more convenient way to nurture the next generation without having to sacrifice their own work, or to increase their physical or psychological unnecessary burden, Tatung set up a nursery room for postnatal breast-feeding employees. It is also the company's most intimate birth gift for female employees.

▶▶ Table 5.3-5 Employees' welfare

| Employees' welfare | Implementation |
|------------------------|--|
| Stock ownership | Tatung subsidized employees to buy corporate stocks since 1992 as part of their savings. |
| Subsidies | Education subsidies for employees' children in senior high school and college/university; funeral subsidies for colleagues or their spouses and immediate relatives; financial subsidies for death of employees; cash gifts for weddings and birthdays of employees and their children's birth, subsidies for employee tour. |
| Restaurants | Restaurants, noodle stands, fruits shops and grocery stores are provided in Headquarter and factories/subsidiaries. |
| Benefits | Employees can purchase Tatung products with interest-free installments and price discounts on groceries in corporate stores, free movies, train service on Chinese New Year. |
| Club activities | Tatung organizes education, recreation, physical education, languages, hiking/mountain climbing and photography clubs to provide variety of social activities after work. |
| Health and safety plan | Labor insurance, health insurance, group insurance, retirement pension, free annual health check-up, oversea business trip insurance. |
| Retirement plan | Equal or better than regulation. |

Health promotion and disease prevention

Tatung believes that the health of the employees and their families is a valuable asset to the company. Tatung organizes numerous health speeches, seminars, health checks to let the employees understand the importance of their health and promote to their families. The concreted measures are follows:

- Clean air, healthy and happy workplace environment**
Smoking has been proven to have negative effects to the health and smoking in workplace increases the risk of fire incidents. Smoking within the boundary of the companies/factories has always been prohibited. The employees, contractors, and visitors are not allowed to bring cigarettes, matches and lighters into the company. Tatung also clearly posts/marks "NO SMOKING" notice in the meeting room, at entrances and exits. The reason for Tatung doing this is to build a clean air and healthy workplace for everyone.
- Welfare Committee regularly organizes the physical and cultural activities to encourage the employees having healthy living.** It also establishes aerobic fitness club to provide employees physical activities to stretch and relieve pressures in their spare time.
- Health examination fair**
Tatung works with Health Center of Zhongshan District of Taipei City to organize Health examination fair on a yearly basis. The specialists from Taipei City Hospital are invited to the company to do high blood pressure, hyperlipoidemia and high blood sugar screening, oral cancer screening, and cervical smear, breast cancer screening for women. Tatung also arranges high-quality health check annually in order to find out any premature diseases and treat them in advance to protect employees' health.
- Tatung organizes health promotion seminars**

and also publishes information about serious diseases on the company website and e-publications. The information contains not only about the diseases but also the preventions and treatment channels.

5. Tatung runs first-aid/CPR courses every year to enhance employee's ability.

Health and serious disease seminars took place in HQ in 2016:
A. First aid training was held in May, 2016.
B. Employees regular health check.

By carrying out regular health check can find out potential diseases in advance to heal early. 357 managers and 715 employees were given health check in 2016.

- Tatung works with Zhong Shan District Health Center to organize Health Fair in the company to provide free health check items for the employees.
- Organized health speech for the employees' health knowledge and awareness in the headquarter.



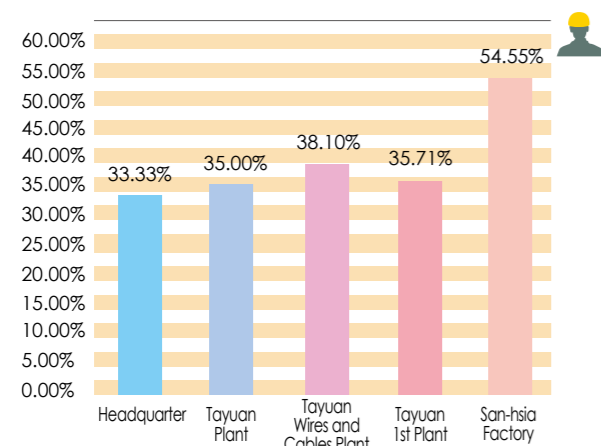
| Topics | Organizers | No. of participants |
|--------------------------------------|--|---------------------|
| Heart disease prevention | Tatung / Pfizer TW | 200 |
| Optimize way of life | Tatung / John Tung Foundation | 200 |
| Acupuncture point massage – easy DIY | Tatung / John Tung Foundation | 200 |
| Easy health exercise in the office | Tatung / John Tung Foundation | 200 |
| Pressure release | Tatung / Taipei City Zhong Shan District Health Center | 200 |



5.4 Health, safety, and disaster free

Health and safety guidebook

In the case that recognition of dangerous materials is unsatisfactory, or that safety management has not been satisfactorily accomplished in the factories, there may be effects of varying degree to the health and safety work, and as a result, causing frequent disasters. This will not only threaten the safety of employees, but also the safety of the publics, as well as adversely impact the surrounding environment. Therefore, Tatung stipulates that the company should be in accordance with relevant health and safety regulations in "Company Rules" and holds employees' health examination (free of charge to the employees). Tatung also issues "Tatung Health and Safety Guidebook" to employees in order to raise their awareness regarding to occupational risks. In addition, Tatung holds "Health and Safety Committee" meetings in headquarter and factories to communicate and review the contents and progress of health and safety issues. The percentage of labor representatives is better than the requirement of regulation (at least 33%), especially in San-hsia Factory the percentage of labor representatives is even up to 50%.



▲ Figure 5.4-1 Percentage of labor representatives in Health and Safety Committees

Occupational health and safety management

Focusing on the issue of health and safety is one of the long standing policies in Tatung. With a regulated system and culture based strategy, Tatung has aggressively participated in education training, regulation consulting, and risk assessing, and has established the procedures to improve the issues of health and safety, as well as setting objectives and reforming projects. These are accomplished through the execution of reform projects and periodical assessments, as well as reviewed by to management, and aided in the continued improvement of health and safety performances, and hence assist Tatung to achieve the goal of a disaster free working environment. Table 5.4-1 shows the status of occupational health and safety management systems in Tatung.

Other than relying on the management systems, Tatung also carries out "Occupational Accident Prevention Pays" program every year and works hard to achieve the final target "disaster free in the factories and subsidiaries". The contents of the program are summarized below:

1. The factories and subsidiaries implement the projects which can improve or prevent health and safety issues, and ESD reviews the performances and provides feedbacks.
2. An annual Accident Prevention Pays seminar is organized to exchange the health and safety experiences between factories and subsidiaries.
3. Recommends outstanding factories or subsidiaries to compete governmental awards.

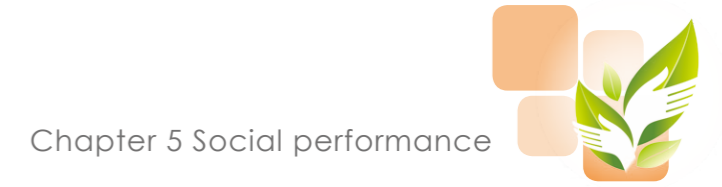
The results from Occupational Accident Prevention Pays program in 2016, 34 (subsidiaries not included) incidents against company rules were found. The incidents were major focused on lack of proper health and safety education for specified employees, and not sufficient preventative measures against electric shock. By the end of 2016, 33 incidents were corrected (97%) which met our target. For that had not been corrected, we will follow up the correction status. In this year's Occupational Accident Prevention Pays program, we will focus on checking electricity safety and self-checking mechanism to protect employees' health and safety.

▶▶ Table 5.4-1 Factories with OHSAS 18001 and CNS 15506

| Factory | OHSAS18001 certified since | CNS15506 certified since |
|-------------------------------|----------------------------|--------------------------|
| Tayuan Plant | 2008.07 | 2010.07 |
| Tayuan Wires and Cables Plant | 2009.06 | - |
| Tayuan 1st Plant | 2010.03 | - |
| San-Hsia Plant | 2011.01 | 2013.01 |

▶▶ Table 5.4-2 Health and safety training results and targets

| Training item | 2015 | 2016 | 2017 |
|---|---------------------|---------------------|-------------------------------|
| | No. of participants | No. of participants | Targeting No. of participants |
| Health and Safety Training Class (new recruits) | 256 | 168 | 120 |
| Health and Safety Training Class (general employees) | 687 | 773 | 900 |
| Health and Safety Training Class (managers) | 213 | 41 | 175 |
| Emergency training class | 41 | 436 | 470 |
| Fire fighting class | 365 | 172 | 240 |
| Stationary Cranes training class (over 3 tons) | 48 | 403 | 40 |
| Forklifters training class (over 1 tons) | 55 | 192 | 60 |
| Health and Safety Training Class (construction contractors) | 26 | 31 | 45 |
| First-aid training | - | 94 | 60 |



Health and safety training and regulation promoting:

In order to raise the awareness of occupational health and safety among the employees and to comply with current regulations, Tatung opens "Health and Safety Training Class" for new recruits, general employees, and managers in headquarter. The training classes introduce the related health and safety regulations such as "Occupational Safety and Health Act" and demonstrate the prevention of the occupational disasters. The factories and subsidiaries also organize training courses for the needs of the business operations such as VOCs & Designated Chemicals class, Job Safety Analysis class, Fork lifters and Stationary Cranes training class, etc.

As for regulation promotion, Tatung organizes "Tatung Corporate OHS Seminar" every year. The seminar was held in March 2016 and the topic was risk assessment of occupational exposures and case study on past occupational disasters. In addition, Tatung complies with "Labor's Working Condition Monitoring Methods" and sets working environment monitoring and conducts monitoring. The results from monitoring are available to the employees. Tatung also educates the employees the potential hazards in the working environment and the necessary prevention measures.





Health and safety performances

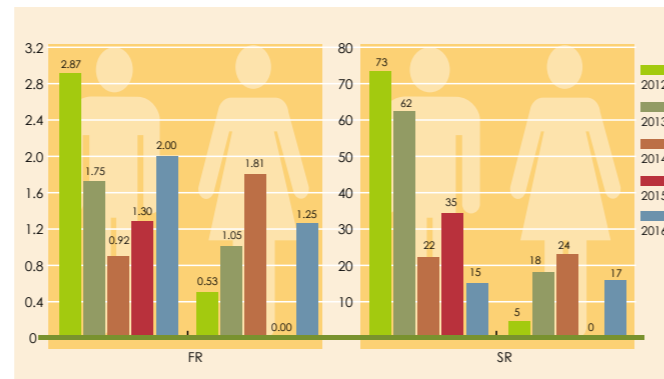
Tatung continues to establish safety culture, reduce occupational disaster risk and provide a safe working environment. When an occupational disaster is occurred, root-cause analysis will be conducted and counter-measures will be implemented to prevent such case happening again. Table 5.4-3 demonstrates Frequency of Disability Rate (FR), Severity of Disability Rate (SR), Occupational Disease Rate, No. of death incidents, and Absentee Rate (AR) in 2016. There was no occupational disease case and death incident in 2016. From Figure 5.4-2, FR in 2016 is higher than in 2015, but SR for male employee in 2016 is greatly lower than in 2015 which indicates that the degree of severity is relatively minor. As for AR, there is no significant change between 2015 and 2016.

Tatung has made a target to lower 10% for FR and SR each year. From the statistics in the past 5 years, Tatung did not meet the target. The main reason was the employees in headquarter having traffic accident at work. In addition, some factories relocated production lines and office areas, so the employees were not familiar with the new environment which also added the result. We have reinforced safety promotion in the factories and requested supervisors on-site to audit more frequently to reduce the accidents.

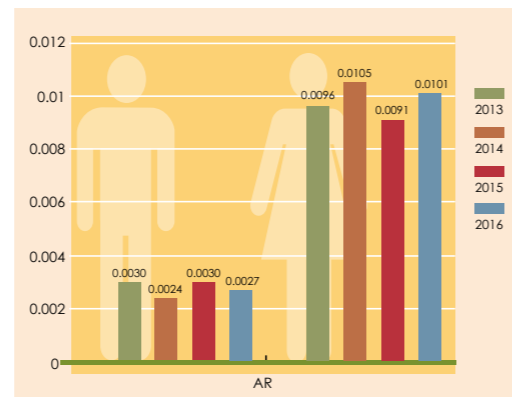
▶▶ Table 5.4-3 Health and safe performance in 2016

| | Male | Female |
|--|------|--------|
| FR ¹ | 2.00 | 1.25 |
| SR ² | 15 | 17 |
| Occupational disease rate ³ | 0 | 0 |
| No. of death incidents | 0 | 0 |
| AR ⁴ | 0.00 | 0.01 |

Note 1: FR is one of the indicators selected by MOL for occupational disaster statistic purpose. The formula is (No. of disability/Total working hours) x 1,000,000
 Note 2: SR is one of the indicators selected by MOL for occupational disaster statistic purpose. The formula is (Total lost days/Total working hours) x 1,000,000
 Note 3: Occupational disease rate's formula is (No. of occupational diseases/Total working hours) x 1,000,000
 Note 4: The formula for AR is (Total days of incapacity of any kind/Total days scheduled to be worked)



▲ Figure 5.4-2 Trends of FR and SR



▲ Figure 5.4-3 Trends of AR



5.5 Participation and benefits to the society

Participation in infrastructure projects, serving the country through industry

Tatung always actively gets involved in government's infrastructure projects with the spirits of serving the country through industry and fulfilling corporate social responsibility. In recent years, we support government's policy to develop solar PV systems and have become the biggest solar PV system provider with the most experiences on government owned roof. In 2016, we won the bidding of solar PV system for the public buildings in New Taipei City. System of micro grid was introduced to the project to enable the emergency supply of electricity when without power supply from state grid in an event of natural disasters. At the same time, we responded to the policy by COA to transform barren farmlands into solar PV green zone for the subsidizing areas in Yulin County, we cooperated with local farmers to run ground-mounted solar power plants for the first time. We also worked with Taipei City to establish Fudekeng Restoration Park Solar PV system which transforming the ex-landfill into the Hill of Energy. In addition, we won the bidding of 2016 Taipei City Public Premises Solar PV Roofing Project, in which two innovative systems including PM2.5 measurement system and light-weighted solar modules would be installed. We have established 43 MW of solar PV systems nationwide which reduces almost 30,000 tons greenhouse gases every year. Tatung will continue to uphold "Green Energy Tatung" development strategy and continue to participate in the renewable energy industry for making an effort to the country.

Integration of education and industry for fostering of talents

The founder of Tatung ended his private business in 1942 and donated his assets to create the "Integrated Research and Development" school and company which is the former of current Tatung High School and Tatung University. The spirit of operating the education in Tatung shows that the company is an annex company factory of the schools and provides the intern opportunities for students to practice their theories learnt from the lectures. In 2016, we not only provided intern opportunities for Tatung University, but also had academia-industrial cooperation with Soochow University.

Tatung charity soccer summer camp

Tatung is the only local private company that owns a soccer team. Tatung used to organize "Tatung Soccer Camp" as welfare to her employees at the beginning and expanding to invite the public. Chairman, Lin Wei-shan, feels that welfare groups and children from disadvantaged families having rare opportunity to participate in camp activities. Therefore, he instructs Tatung to organize "Tatung Charity Soccer Summer Camp" since 2010. In an effort to help the underprivileged children to cultivate a proper and healthy hobby, Tatung started to visit orphanages and welfare groups around Taiwan to experience the joy of playing football. Tatung provides all necessities for football playing and travels to each child's places to introduce international football game and teach the children proper skills of football. The children are also divided into teams to happily experience the game on the field. The main purpose of organizing "Tatung Charity Summer Soccer Camp" is hoping every child can gain happiness and satisfaction as well as positive attitude.

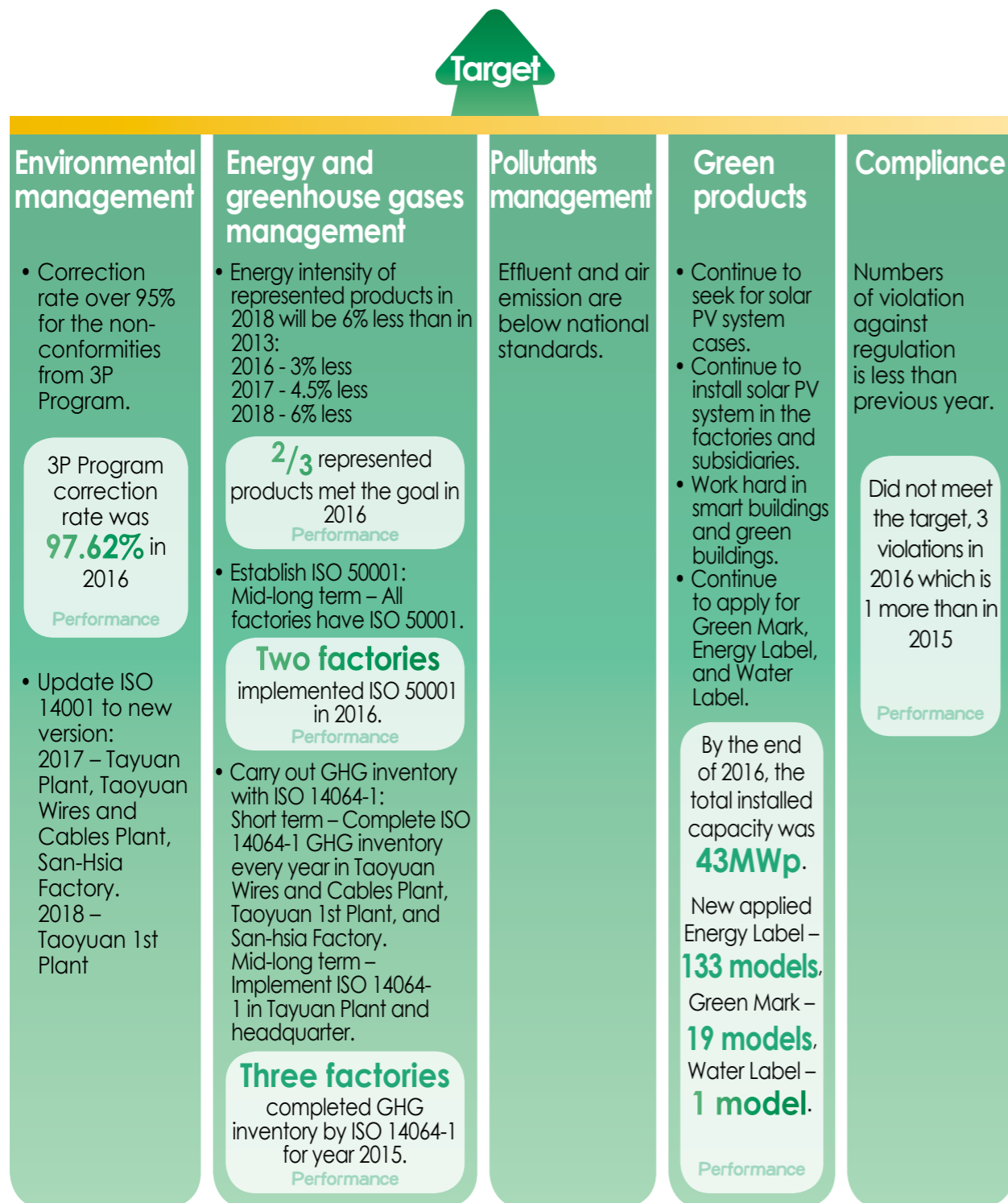
Tatung invited 450 children of grade 1~9 from 24 schools and 5 orphanages in Yilan, Taipei, Penghu, and Kinmen in 2016. Children were taught skill and knowledge of soccer in the field by Tatung's professional team.

Supporting in traditions and arts

Tatung has always been supporting in traditional art and innovation. To preserve Taiwan traditional folk art, Tatung invited Taiwanese paper carving master to create Tatung Boy handheld lanterns as a way of celebrating the Year of Monkey. To support Taiwan folk art creation, Tatung invited folk art artist to make Tatung Boy creative lantern which made its debut in the 2016 Taiwan Lantern Festival, Taoyuan and 2016 Nantou Lantern Festival. To support the creation of performing arts groups, Tatung invited local performing art groups to work together for the children's drama "Tatung Boy Loves the Earth", in which some positive notions such like energy-saving, health and environmental protection were integrated as the key elements of the play. The play was performed to students of some elementary schools in Taiwan helping youngsters develop good habits from their early age.



Chapter 6 Environmental performances



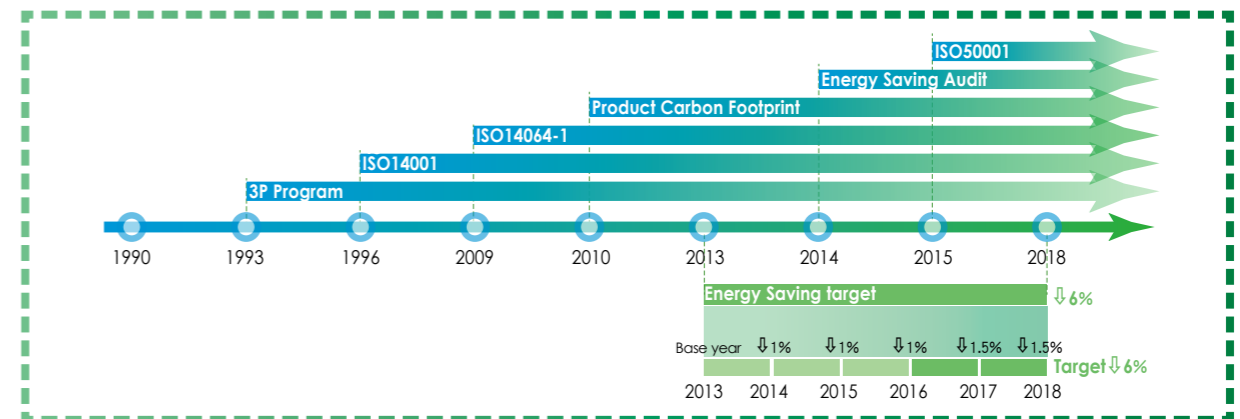
6.1 Environment management

ISO 14001 environmental management system

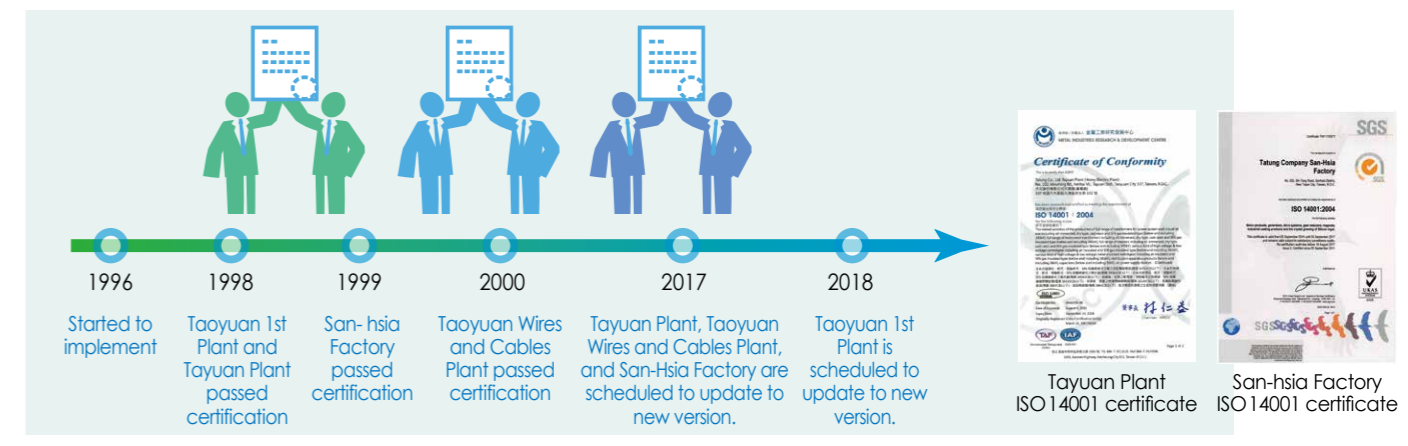
Tatung believes that by implementing ISO14001 is able to continue improve environmental performances, and improve export competitively and company images. Thus, in May, 1996, Tatung started to implement ISO14001 among the factories and the subsidiaries. So far all 4 factories have established ISO 14001 and certified every year. Table 6.1-1 shows the factories which have been certified with ISO14001 certification.



▲ EMS establishing and implementing procedure



▲ Tatung environmental management roadmap



▲ Figure 6.1-1 ISO14001 certification status



Pollution Prevention Pays (3P) Program

Tatung started to implement "Pollution Prevention Pays, 3P" program in the factories and the subsidiaries which have manufacturing function since 1993 to help Tatung to develop environmentally sound operations. The elements of 3P program are listed as follows:

| | Measures | Descriptions |
|----------------------|---|--|
| Manufacturing aspect | Promote Clean Production technology, fully utilize resources and materials and to reduce the wastes and the production costs. | Improve the existing manufacturing processes and management operations to eliminate sources of pollution. Also improve upon the recycling/reuse, and exchange/reuse of waste materials. |
| Product aspect | Encourage to develop green products to create additional values for products. | Apply Design for the Environment, DfE, in the design phase to produce "recyclable, low pollution, toxic-free, resource saving, power saving, and durable" products to benefit the environment. |
| Management aspect | Perform 3P Program on-site evaluation in the factories and subsidiaries regularly. | The results can benefit management in their review of environmental performances and draft of new policy and objectives. |
| Conformity | Conduct internal audit. | Conduct internal audit on regulation compliance in order to find out problem at first place and mitigate it. |

When there any incidents found against company rules or with potential to cause environmental pollution, we will list such incidents and request the factories and the subsidiaries to correct them. We also set yearly correction target to be 95%. For the incidents which can not be corrected by the end of year, we will track them and make them to be corrected next year. In 2016, 42 incidents (without subsidiaries) were requested to be corrected and 41 were completed by the end of 2016. The correction rate was 97.62% and met target.



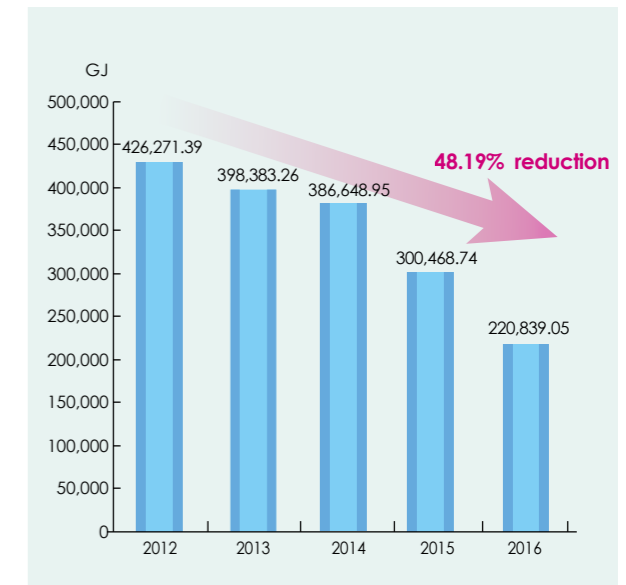
3P Program on-site audit(1/2)



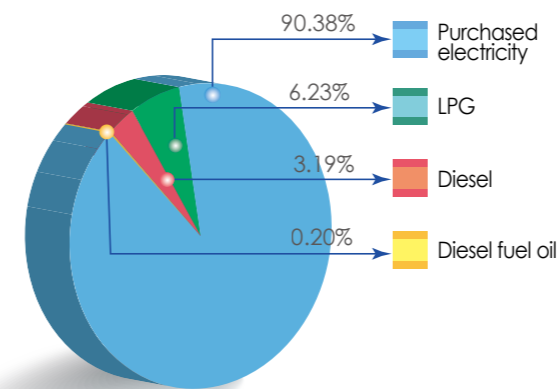
3P Program on-site audit(2/2)

6.2 Energy consumption and GHG management

There are two types of energies that Tatung consumes – direct energy and indirect energy. Direct energy sources are from diesel fuel oil, LPG, and diesel. Indirect energy source is purchased electricity from Taiwan Power Company. The amount of energy consumption is shown on Table 6.2-1, Figure 6.2-1 and Figure 6.2-2. The most consumed energy in 2016 was purchased electricity and the amount was 199,598.13 GJ (90.38%) which equaled to 55,443.93 kkw-hr; followed by LPG with 13,753.87 GJ (6.23%) which equaled to 272.52 tons. The total amount of energy consumption in 2016 was 79,629.69 GJ lesser than in 2015, which was 26.50% reduction. The main reason was Crystal Growing Center was no longer operated by Tatung. When compares to 5 years ago, there is 48.19% reduction in total.



▲ Figure 6.2-2 Trend of energy consumption



◀ Figure 6.2-1 Energy consumption breakdown in 2016 (by category)

▶▶ Table 6.2-1 Tatung Co. energy consumption

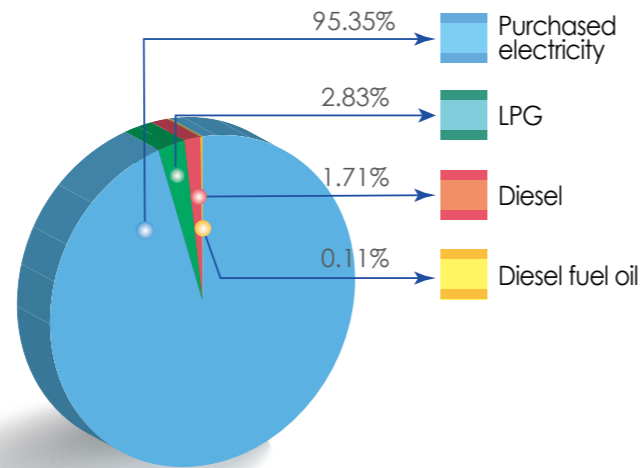
| | 2012 | 2013 | 2014 | 2015 | 2016 |
|-----------------------|------------|------------|------------|------------|------------|
| Diesel fuel oil | 3,695.31 | 5,181.47 | 3,655.14 | 3,454.31 | 441.83 |
| LPG | 24,776.34 | 22,727.29 | 21,323.74 | 17,573.38 | 13,753.87 |
| Diesel | 7,053.35 | 7,445.85 | 7,927.32 | 7,487.31 | 7,045.22 |
| Purchased electricity | 390,746.39 | 363,028.65 | 353,742.74 | 271,953.74 | 199,598.13 |

Note: The data from San-Hsia Factory, Taoyuan Wires and Cables Plant, Taoyuan 1st Plant in 2012~2015 is collected based on ISO14064-1 and have been certified. The data in 2016 is collected based on ISO14064-1 but have not been certified yet. The data from H.Q. and Taoyuan Plant is collected from power bills and receipts.

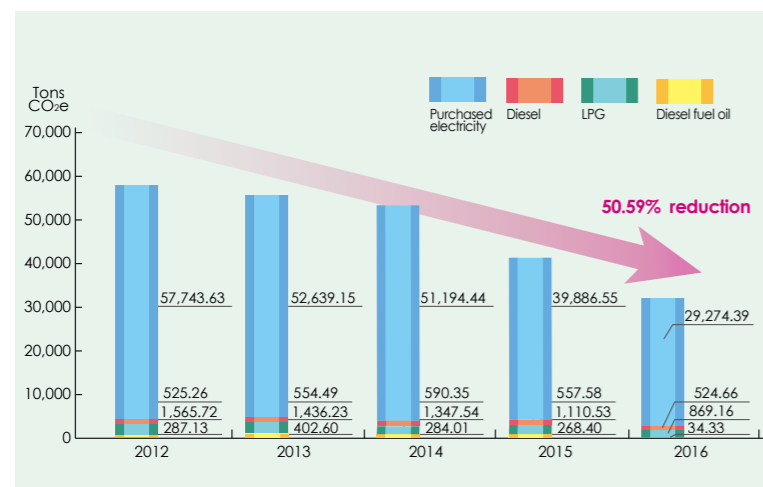


Greenhouse gas emission

Due to Tayuan Plant and headquarter is still undergoing the establishment of ISO14064-1, the GHG emissions (scope 3 is not included) in this report are calculated as follows: the amount of energy sources disclosed in previous paragraph multiplied by each emission factor. The total GHG emission in 2016 was 30,702.54 tons CO₂e (Figure 6.2-3), 95.35% of the emission was from purchased electricity. The second largest portion was from LPG which was 2.83% (Figure 6.2-4). The emission was 11,120.52 tons CO₂e lesser than in 2015. When compares to 5 years ago, there is 50.59% reduction in total.



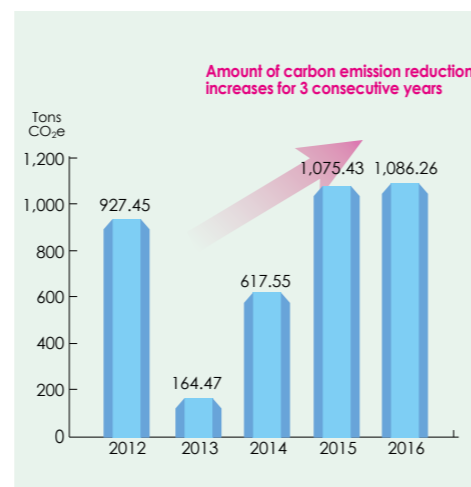
▲ Figure 6.2-4 GHG emission percentage by source in 2016



Note 1: The data from San-Hsia Factory, Taoyuan Wires and Cables Plant, Taoyuan 1st Plant in 2012~2015 is collected based on ISO14064-1 and have been certified. The data in 2016 is collected based on ISO14064-1 but have not been certified yet. The data from H.Q. and Tayuan Plant is collected from power bills and receipts.

Note 2: The greenhouse gases are CO₂, CH₄, N₂O and calculated with GWP (IPCC, 1995)

▲ Figure 6.2-3 Amount of GHG emissions



▲ Figure 6.2-5 Amount of carbon emission reduction

Energy saving and GHG reduction

Global warming greatly increases the frequency of extreme weather and directly causes impacts to the operation of a business. In order to fulfill corporate social responsibility and reduce operating costs, Tatung sets short and medium term goals which are based on energy intensity per product and the baseline year is 2013. The goals are: Short term – reduce 3% in 2016, Medium term – reduce 6% in 2018. The result for each year is listed on Table 6.2-2.

From the table we can see there are few represented products did not meet the target due to the production amounts were less. In order to understand where are the significant power consumption areas, the headquarter and the factories have completed "The first phase: smart power monitoring system" project. The project installed smart meters and monitoring systems on the main power circuits to instantly monitor the real-time energy consumption, energy demand, power factor and other important information. The historical records were used to enable more accurate energy management works. We will have "The second phase: the monitoring and management of significant energy consumption equipments" project in 2018. The project will implement temperature control and power scheduling management to the air conditioners at public area, the office, and the telecommunication room. For the production equipments which have large energy consumption and long operating times will be installed monitoring systems to define the variables may affect the energy efficiency. The variables will be managed to save the energy. Other the other hand, energy management staffs in the factories will inspect the work sites from time to time to find out a place where energy is wasted or can save energy and propose energy saving plans. The company will also participate in Taipower Company's demand suppression activity to supplement the power supply system's reserve capacity in order to make efforts to energy conservation and carbon emission reduction to the nation.

To achieve the goal, Tatung conducts annual energy audit and reports the energy consumption information to the government as well as implements energy saving projects in the headquarter and the factories. In the subsidiaries, Tatung checks the energy saving performances during 3P program on-site audit to ensure the energy saving target can be achieved. In 2016, Tatung reduced about 2 million kwh of purchased electricity consumption via 5 dimensions (Table 6.2-3) which equaled to 1,086 tons of GHG emission reduction (2.8 Daan Forest Park's carbon reduction amount). Figure 6.2-5 indicates that the amount of GHG emission increases in 3 consecutive years since 2013. Note 1: One Daan Forest Park can absorb 389 tons of GHG every year.

In addition, San-Hsia Factory has implemented ISO 50001 energy management system and passed certification in 2015. In 2016, Tayuan Plant and Taoyuan Wires and Cables Plant have also completed implementation of ISO 50001 and passed the certifications. The company's ISO 50001 status can be found in Figure 6.2-6. We commit that we will continue to conduct energy review to find out where the energy is greatly consumed according to ISO 50001 and tries hard to reduce the amount of energy without compromising the quality of products.

▶▶ Table 6.2-2 Energy saving target status of Tatung main products

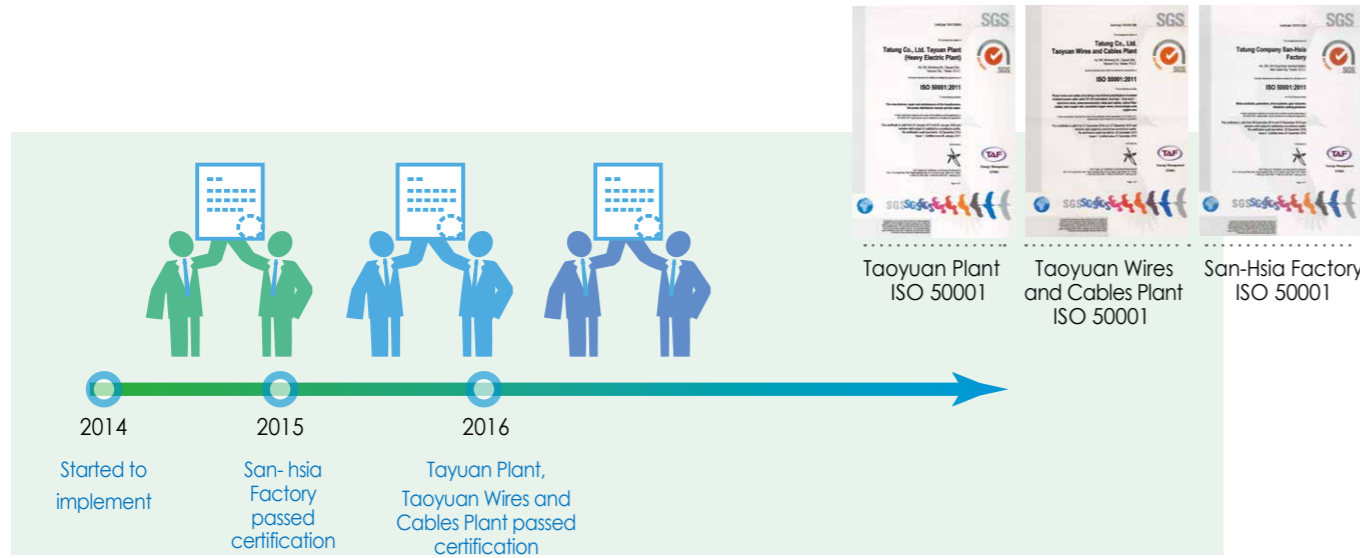
| Main product | 2014 | 2015 | 2016 |
|--|------|------|------|
| Motors/generators | ⊙ | × | × |
| Rice cookers | × | × | × |
| Domestic air conditioners | ⊙ | ⊙ | ⊙ |
| Business air conditioners | ⊙ | ⊙ | ⊙ |
| Transformers/Switch gears ¹ | × | × | × |
| Mechanical meters | × | ⊙ | ⊙ |
| LAN cables | × | ⊙ | ⊙ |
| Power cables | × | ⊙ | ⊙ |
| Wires | × | ⊙ | ⊙ |

Note: ⊙ represents it meet the target, × represents it does not meet the target.
 Note 1: The unit for transformers and switch gears are the same, and the energies consumed are allocated which may have possible errors. Therefore, these two products are calculated together since 2016 and the results are traced back to 2013 (base year).

▶▶ Table 6.2-3 Tatung energy saving projects and results

| Energy saving projects | Amount of electricity saved (kw-hr) | GHG reduction (ton CO ₂ e) |
|---|-------------------------------------|---------------------------------------|
| Utilized manufacturing process to reduce operation time. | 529,695 | 279.68 |
| Replaced with high energy efficient and energy saving equipments | 663,082 | 350.11 |
| Installed controllers or inverters on massive energy consumed equipments and/or managed the operation time and temperature. | 464,521 | 245.27 |
| Centralized operation areas and shut down unnecessary air conditioners and lightings. | 277,601 | 146.57 |
| Increased the frequency of maintenance for air conditioners and installed curtains to avoid leakage of cooled air. | 122,410 | 64.63 |
| Total | 2,057,309 | 1,086.26 |

Note: 1 kw-hr of electricity emits 0.528 kg CO₂e.

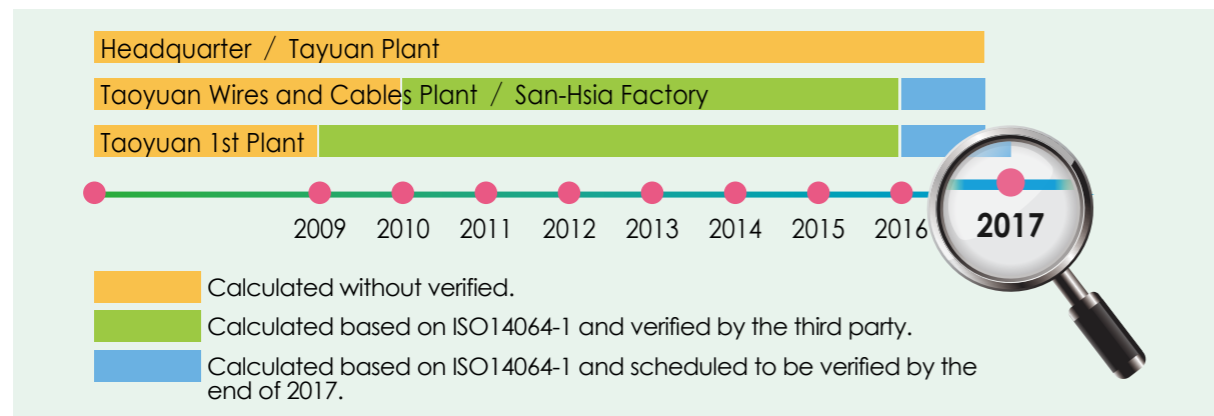


▲ Figure 6.2-6 The status of Tatung's ISO 50001

Greenhouse gas emitted by human activities have already caused global warming and led to the threat on the sustainable development. Corporations actively to reduce the greenhouse gas emissions are not only to show a responsible image to the public but also able to reduce the operation costs from running the business. The stakeholders and publics nowadays are expecting corporations to disclose their greenhouse gas emissions information, too. In order to investigate the amount of GHG emission thoroughly and comply with the regulation, Tatung actively implements ISO14064-1 greenhouse gas management system into the factories. Once the factory completes GHG inventory, verification will be conducted by the third party based on

reasonable level of assurance. Figure 6.2-7 shows the factories have done GHG inventory and verified by third party. Tatung also encourages her subsidiaries to implement ISO 14064-1. So far, CPT and GET have implemented such system to work out GHG inventory.

For the purpose of enhancing the ability to do greenhouse gas inventory in the factories, Tatung runs ISO14064-1 Internal Verification Class every year. We are expecting to have more well-trained employees through these classes and they are able to do the greenhouse gas inventory well and pass the verification by the third party in the future. At the same time, the factories will continue to reduce GHG emissions by any possible measures.



▲ Figure 6.2-7 The status of GHG inventory in the factories

Disclosure on product carbon information

As global warming issue become more and more concerned, we begin to disclose carbon information on products and hope to provide more detailed information to consumers and customers for the purpose to select products with less environmental impacts. In the past few years, we have completed product carbon footprint for motor, vehicle panel (CPT), silicon wafer for solar power generation (GET). We also issued PCR (product category rule) for electric cookers (15-044 V. 2.0) and electronic cookers (15-045 V. 2.0) for industry to use. In 2016, we completed a product carbon footprint for oil-immersed amorphous core transformer (3φ 60Hz-2000kVA-420/242-6600V) based on ISO 14067 and passed verification. We also completed product carbon footprint for Tatung's signature product – multi-function cookers (TAC-10L-SR) in 2016, and acquired EPA's Carbon Footprint Label in Apr, 2017. In the future, we will continue to conduct product carbon footprint to disclose the product carbon information and make effort to conserve energy and reduce GHG.



Oil-immersed amorphous core transformer carbon footprint verification statement



Carbon Footprint Label for multi-function cooker (TAC-10L-SR)



▲ Carbon information on each life cycle stage for multi-function cooker (TAC-10L-SR)



6.3 Resources consumption and pollutants management

Consumption and management on main materials

Tatung puts quality, price, supply days, and after sale service into account when selecting a supplier. In order to ensure a good quality, Tatung requires suppliers to provide new resources. Table 6.3-1 shows the consumption amount of main materials and the percentage from local purchase.

▶▶ Table 6.3-1 The consumption of main materials and the percentage from local purchase

| Main materials | Amount of consumption | Local purchase percentage |
|--------------------------------|-----------------------|---------------------------|
| Steel (silicon steel included) | 6,617 tons | 88% |
| Copper | 15,441 tons | 8% |
| Aluminum | 447 tons | 100% |
| Insulation oil | 376 KL | 100% |

Note: Tatung produces hundreds of different products. Some of them are OEM/ODM made. Therefore, the main materials are only selected from the above four fundamental materials and disclosed in this report.

Consumption and management of water resource

The sources of water for Tatung are from tap water, ground water, and river water. Tatung consumed 658,302 M³ (Figure 6.3-1) of water in 2016 which was 1,376 M³ less than the consumption in 2015. In 2015, 18.24% of waste water was recycled (equaled to 120,087 M³). Tatung will continue to conduct water conserving project in order to reduce water consumption.

As for the waste water management, all the factories and subsidiaries have granted government approved "water pollution prevention measures" and "permit for effluent", as well as setup waste water treatment facilities based on the prevention measures. All the waste water treatment facilities are operated in accordance to the prevention measures and the amount and quality of the effluent are regularly tested and reported to the authorities. The rest results are all below the effluent standard in 2016. In addition, the factories are located in industrial area and/or industrial zone where do not have bio-sensitive sites nearby.

Therefore the effluent from Tatung will not have significant impacts to the biodiversity of the recipient water bodies. The detailed effluent information is disclosed on Table 6.3-2.

Air pollutant emissions and management

Tatung sets up and operates air pollutant treatment facilities in the factories in accordance to the regulation. Pollutant concentration is regularly tested and met the standard. The main air pollutants from the factories are NO_x, SO_x, and VOC. Tatung declares the amount of emissions and pays air pollution control fee to the authority. The amount of air pollutants in recently 5 years is shown in Figure 6.3-2 and Figure 6.3-3.

Emission of ozone-depleting substances

In order to reduce the usage of ozone-depleting substances, Tatung started to use R-410A coolant in some of the air conditioners which was the first local company to do so. In addition, Tatung actively applies Green Mark for the air conditioners and the basic requirement is using zero ozone depleting substances. In 2016, 19 models of air conditioners were granted Green Mark.

On the other hand, the authority regulates that the air conditioners with cooling capability less than 7.1kw is forbidden to use R-22 as coolant since 2011. Therefore, Tatung stopped using R-22 coolant on the air conditioners with cooling capability less than 7.1kw from 2011.

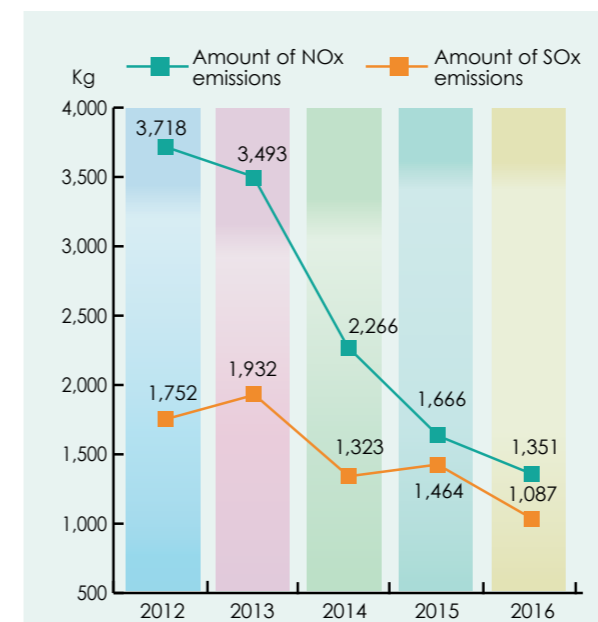
▶▶ Table 6.3-2 Waste water treatment and effluent description in 2016

| Factory | San-Hsia Factory | Tayuan Plant | Taoyuan Wires and Cables Plant | Taoyuan 1st Plant | Total |
|--------------------------------------|--|------------------|--------------------------------|-------------------|----------|
| Treatment method | Factory owned waste water treatment plant in accordance to the requirement by the regulation | | | | |
| Average COD concentration (mg/L) | 22.11 | 11.50 | 14.21 | 11.10 | 782.31kg |
| Average SS concentration (mg/L) | 15.26 | 4.19 | 3.64 | 2.65 | 238.48kg |
| Amount of effluent (m ³) | 2,268 | 1,637 | 51,275 | 3,992 | 59,172 |
| Recipient water body | Heng River | New Street River | New Street River | Tianxinzhi River | |
| Effluent reused by others | None | | | | |

Note: Effluent standard COD: 100, SS: 30.

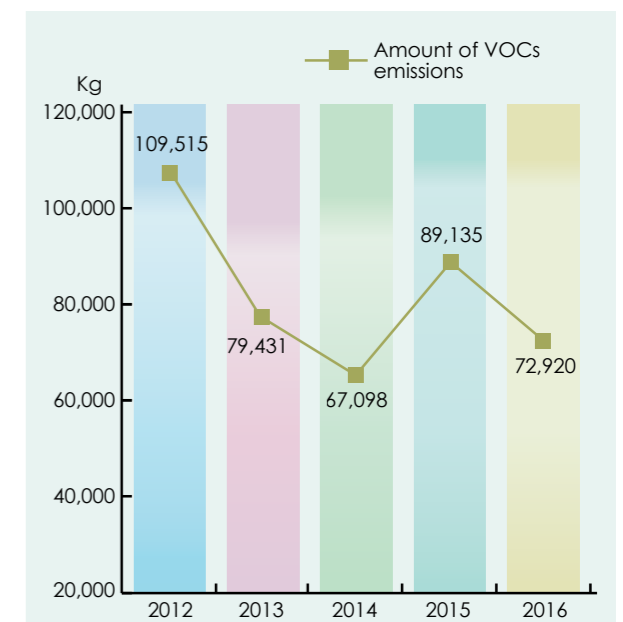


▲ Figure 6.3-1 Tatung water consumption by sources



Note: Based on EPA'S calculation method

▲ Figure 6.3-2 Air pollutant emission (NO_x, SO_x)



Note: Based on EPA'S calculation method

▲ Figure 6.3-3 Air pollutant emission (VOCs)



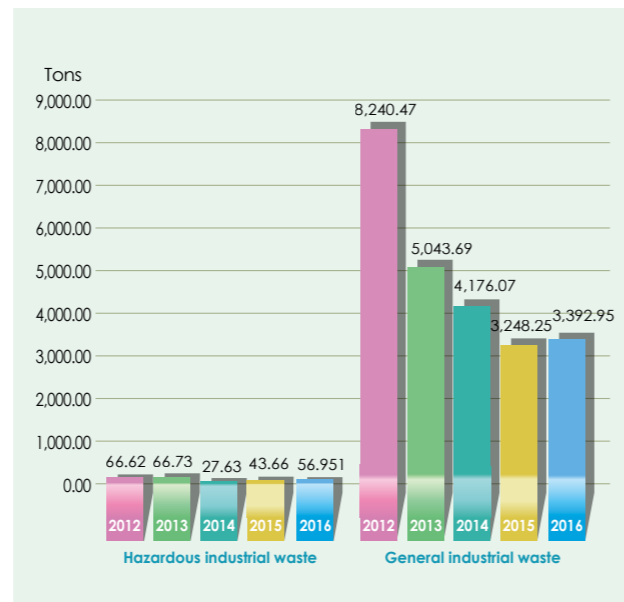
Waste reduction and management

Tatung has already implemented plenty of pollution reduction measures in the factories, mostly resulting from green product design phase and improvement of manufacturing process. Tatung generated 3,449.90 tons of industrial wastes which included 3,392.95 tons of general industrial wastes and 56.95 tons of hazardous industrial wastes in 2016. The largest portion (49.91 tons) of hazardous industrial wastes was wasted varnish or wasted solvent. From Figure 6.3-4, the amount of industrial wastes generated in recent years gradually decreases besides in 2012 which is due to clean up event in the factory.

The industrial wastes are stored in the way accordance to the regulation and then entrusted by licensed treatment agencies in Taiwan for treatment. None of the hazardous industrial waste is exported to overseas. Table 6.3-3 shows the methods used for waste treatment. The factories also have been working hard to recycle and/or reuse the wastes in order to minimize the impact to the environment. In 2016, 2,646.45 tons of wastes were reused (76.71% of total wastes).

▶▶ Table 6.3-3 Waste treatment methods

| Treatment method | Reuse | Incinerate | Solidify | Landfill | Physical | Chemical | Total |
|--|----------|------------|----------|----------|----------|----------|----------|
| General industrial waste (tons) | 2,646.45 | 675.77 | 17.61 | 31.24 | 21.88 | 0.00 | 3,392.95 |
| Hazardous industrial waste (tons) | 0 | 49.91 | 3.87 | 0 | 3.16 | 0.016 | 56.95 |
| Treatment method percentages (by weight) | 76.71% | 21.03% | 0.62% | 0.91% | 0.73% | 0.00% | 100.00% |



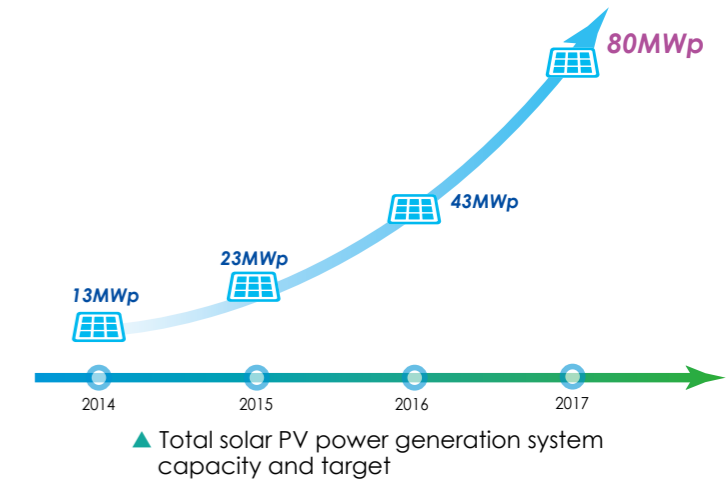
▲ Figure 6.3-4 Amount of industrial wastes

6.4 Green products for a better earth

Establishing Solar PV systems

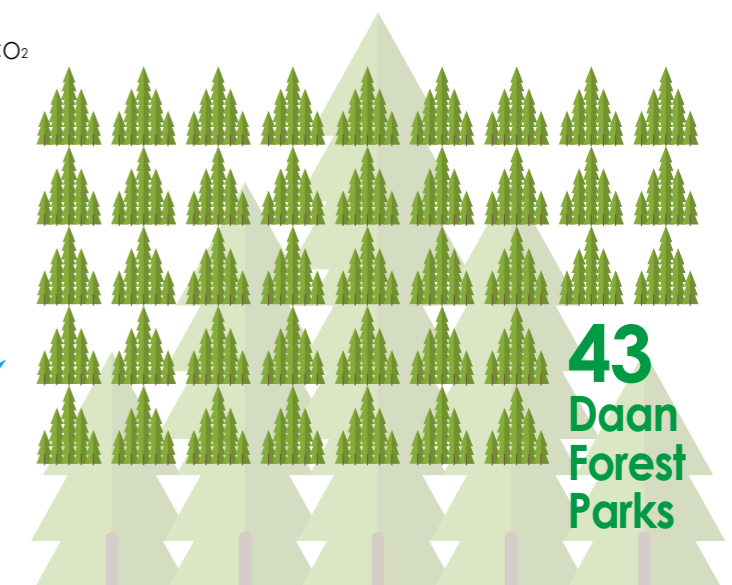
"Green Energy Tatung" is Tatung's development strategy. Tatung actively transforms the existed business to smart energy and energy saving provider in recent years. Whether in renewable energy field, smart building field, and green building field, Tatung has made lots of efforts in them. Currently, Tatung solar photovoltaic power generation system has been built in the residential, community, factories, dormitories, business premises of the roof to the ground-based landfill and water-type pond and other new areas. In 2016, we won Taoyuan City public housing, Taipei City public housing, Fu De Keng, and Taoyuan Landfills solar photovoltaic power generation system leasing tenders, completed implementations of the fourth phase of New Taipei City, Kinmen, Hsinchu, and Fu De Keng large solar photovoltaic power generation system. By the end of 2016, we have installed capacity up to 43MWp and targeted to expand to 80MWp by the end of 2017. The systems generated 32 million kw-hr electricity which was equated to 17,000 tons CO₂ reduction, and approximately 43 Daan Forest Parks equivalent. For more details about our PV solar power system, please browse: <http://www.tatung.com/solution/detail/16>

Note 1: 1 kw-hr electricity emits 0.528 kg CO₂e.
 Note 2: One Daan Forest Park absorbs 389 tons of CO₂ per year.



Tatung solar PV systems

▲ 2016 Tatung solar power generation system performance





Smart buildings and green buildings

In the growing problem of global warming, advanced countries have incorporated energy conservation and carbon reduction into the build projects. Buildings will combine technology transforming from automation to smart type. Through the automatic monitoring equipments, towards safety, health, comfort, and energy saving, green building and sustainable management has become a trend. The purpose of a smart commercial building is to provide energy-efficient operation and staff comfortable to improve working efficiency. Since 2014, Tatung implemented smart building solutions into ECS headquarter. The solutions included ECS's gateways (Quark) and Tatung's smart building management system (SBMS). After implementing SBMS, the building achieved 8% power saving target in 2015, and achieved 30% power saving target in 2016. For more details about Tatung smart buildings, please visit <http://www.tatung.com/solution/detail/11>.



Tatung smart building-ECS Headquarter building

Tatung pools its R&D strengths together within the group to introduce smart systems and green energy efficiency into smart building project, and utilizes the design ideas of smart and green building to create a sustainable smart community. This will connect Taiwan to the world and make Tatung one of the pioneers in smart innovated applications. Tatung brings together the entire group, as Shan-Chih Development works on the development of "Tatung Smart Manor," Tatung, Tatung System Technologies and Tatung Medical and Healthcare Technologies join force for the smart system and apply for a "smart green community" of smart building at the diamond level and green building at the gold level. This will be the first demonstrational community in Taiwan that is moving toward a smart city. This smart green community project consists of 5Ss, Smart Community, Smart Property Management, Smart Safety and Security, Smart Living and Smart HealthCare and Smart Energy Saving. We are trying to achieve not only 30% of saving in water and power and reduction of 40% of CO2 emission, but also create new energy as renewable source. On basis of the latest intelligent system platform of Tatung, all building facilities are connected and all the tenants have to do is to move a finger to exploit the public facilities of community or smart home appliances through cloud information APP while staying on top of the information of what they need for everyday life. For more details about Tatung's smart green building, please visit <http://www.tatung.com/Solution/Detail/12>.



Tatung Manor "5S"

Devote in developing environmental friendly products

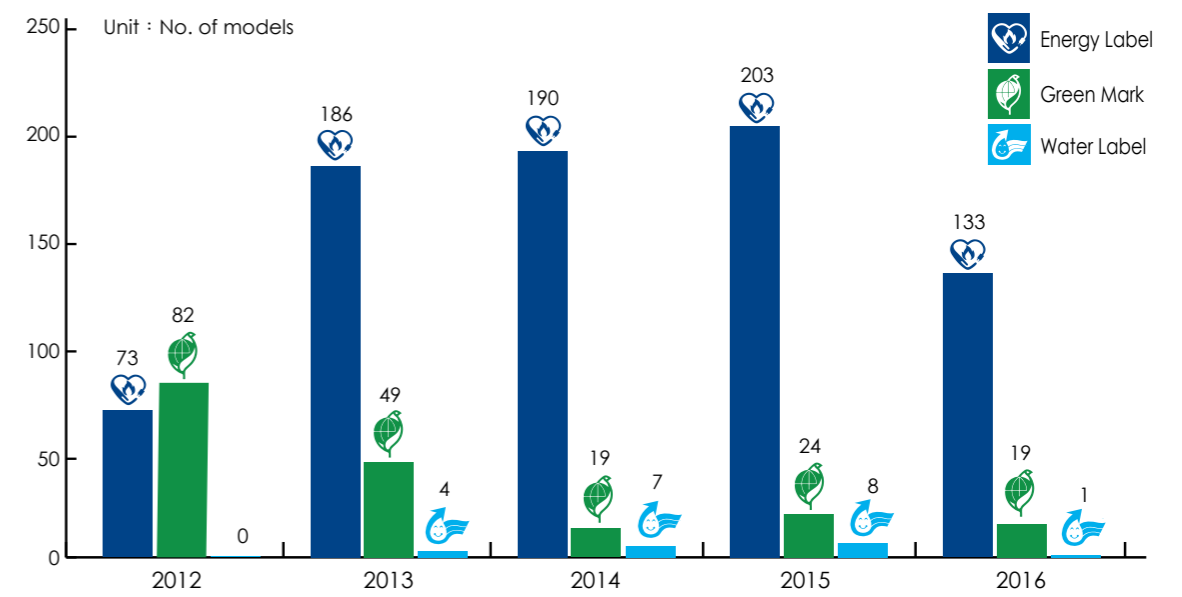
Tatung tirelessly dedicates to the development of green products and many of them have been awarded with "Green Mark", "Energy Label", and "Water Label". There were 19 models awarded with Green Mark, 133 models awarded with Energy Label, 1 model awarded with Water Label in 2016. Please refer to Table 6.4-1 and Figure 6.4-1 for more details. As for toxic free products, Tatung has followed EU RoHS directive and REACH regulation, through supply chain management and manufacturing management to ensure there is no hazardous substance in the products shipped to EU.

▶ Table 6.4-1 Lists of green products

| Products | Green Mark ¹ | Energy Label ² | Water Label |
|--|-------------------------|---------------------------|-------------|
| Electric fans | — | ⊙ | — |
| Refrigerators | — | ⊙ | — |
| Washing machines | — | ⊙ | ⊙ |
| Monitors | — | ⊙ | — |
| Water dispensers (warm/hot water) | — | ⊙ | — |
| Electric ovens | — | ⊙ | — |
| Dehumidifiers | — | ⊙ | — |
| Domestic air conditioners | ⊙ | ⊙ | — |
| Amorphous cast-resin dry type transformers | ⊙ | — | — |
| Amorphous oil-immersed type transformers | ⊙ | — | — |

Note 1: Taiwan EPA established "Green Mark" program in order to encourage manufacturers to reduce pollution emissions, consumption of energies and resources during the life cycle of a product as well as to awake the consumers to choose resource saving, low pollution, recyclable products. The products with "Green Mark" represent the environmental performances ranked from top 20-30% in their product category.

Note 2: Bureau of Energy, Ministry of Economic Affairs, Taiwan initiated the voluntary "Energy Label" program. The products with "Energy Label" indicate that the energy efficiency of the product is 10-50% higher than national energy efficiency standard.



▲ Figure 6.4-1 Numbers of Green Mark, Energy Label, and Water Label awarded.



Product and package recycling at the end of life

As for the recycle on the wasted products, Tatung takes great attention on this issue. Tatung pays "Recycling and Cleaning Fee" to the government agency (Recycling Fund Management Board) to carry out country-wide waste recycling affairs. Based on the statistics¹ in 2016, the average recycling rate for electric and electronic devices was 58.91%, the average recycling rate for information devices is 30.91%. In addition, as a corporate who has her own retailing system, Tatung works together with TCPC to set up battery and fluorescent lamp recycling box at each Tatung 3C Store to recycle consumers' wasted batteries and fluorescent lamps, as well as consumers' large wasted house appliances upon request when purchasing. By doing this, the wastes can be fully recycled under the control of regulation and avoided damage to the environment. Apart from paying the fees and fulfilling producer responsibility, Tatung also works hard to use more recyclable materials through design and manufacturing stages and actively to apply for Green Mark.

In regarding to the packaging materials of household appliances and consumer products, Tatung believes that the packaging materials are fully recycled. The reason behind this is the recycling channels in Taiwan are well established and residences are highly educated and aware to do recycle in their households. For packaging materials (mainly wood/iron pallets or axles) used on large industrial products such as cables, transformers, power generators, motors, they are recycled and reused on daily operations. Tatung commits herself to continue designing and producing more energy efficient and environmental friendly products to be consistent with her vision.

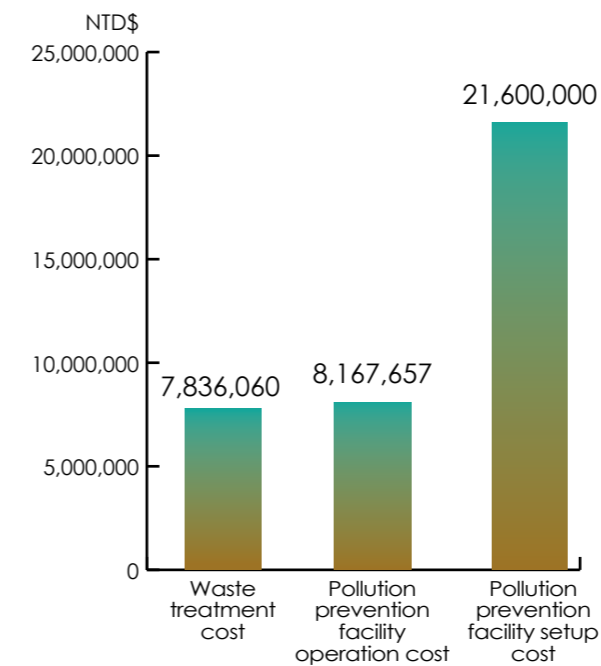
Note 1: The official website of Recycling Fund Management Board
<http://recycle.epa.gov.tw/recycle/epa/ShowPage2.aspx?key=6&sno=1010&subsno=293&subsubsno=252>



6.5 Environmental costs and conformity of regulation

Environmental protection expenditures and investments

Tatung evaluates any possible pollutants occurred from the operations and has installed pollution prevention facilities in the factories. The environmental protection expenditures and investments in 2016 were NTD\$ 37,603,717 and shown in Figure 6.5-1.

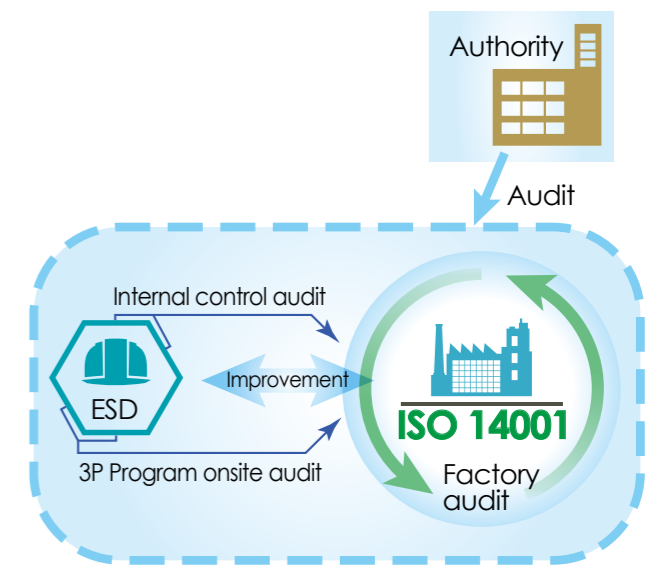


Note: Salary not included

▲ Figure 6.5-1 Environmental protection expenditures and investments in 2016

Failure to comply with regulations and significant spills

Tatung takes great concern on the development of environmental protection regulations. When there are public hearings or seminars for new regulations, Tatung assigns professions to receive the latest information. In spite of environmental management system and internal audit have been implemented in the company, there were 3 incidents which breach the regulations in 2016. San-Hsia Factory was fined NTD\$26,000 due to violations of Waste Disposal Act and Water Pollution Control Act. The violations have been corrected in accordance to the regulation and accepted by the authority. The numbers of violation in 2016 were more than in 2015 which led to fail of our target. We will further strengthen management in the factories and enhance compliance education to the staffs and the managers. In addition, we will continue to conduct internal audit and 3P Program evaluation to prevent such incidents happened again. Besides, there was not significant spill in 2016.



▲ Figure 6.5-2 Conformance measures in Tatung

Annex 1 Subsidiaries notes to consolidated financial statements

The consolidated entities are listed as follows

| Investor | Subsidiary | Main businesses | December 31, 2016 | December 31, 2015 |
|---|--|---|----------------------|----------------------|
| The Company, Chunghwa Electronics Development Co., Ltd., Green Energy Technology Inc., Chih Sheng Realty Co., Ltd. and Tatung Global Strategy Investment and Trading (BVI) Inc. | Chunghwa Picture Tubes, Ltd. ("CPT") | Manufacture, research and sale of picture tubs and TFT-LCD products | 41.25% | 24.22% |
| The Company, Shan-Chih Investment Co., Ltd. and Shan-Chih Asset Development Co. | Tatung System Technologies Inc. ("TSTI") | Software and hardware service and system integration | 54.40% | 54.40% |
| The Company, CPT, SCSC and Chunghwa Electronics Development Co., Ltd | Forward Electronics Co., Ltd. ("FD") | Manufacture and sale of electronics | 40.75% | 40.75% |
| The Company | Taiwan Telecommunication Industry Company Ltd. | Telecommunication devices. | 100.00% | 100.00% |
| The Company and Chunghwa Electronics Development Co., Ltd. | San-Chih Semiconductor Co., Ltd. ("SCSC") | Manufacture and sales of semiconductors and chips | 58.20% | 58.20% |
| The Company | Central Research Technology Co. | EMCIRF testing and certification services | 100.00% | 100.00% |
| The Company | Tatung Consumer Products (Taiwan) Co., Ltd. | Sales of home appliances and digital computer products | 99.10% | 99.10% |
| The Company | Tatung SM-Cycle Co. | Manufacture of speed reducers, speed aviators | 85.33% | 85.33% |

| Investor | Subsidiary | Main businesses | December 31, 2016 | December 31, 2015 |
|---|--|---|----------------------|----------------------|
| The Company, Chunghwa Electronics Development Co., Ltd. and Chih-Sheng Investment Co., Ltd. | Tatung Fine Chemicals Co., Ltd. ("TFC") | Industrial coatings, electrocution coatings resistor coatings, photo-catalyst, inkjet ink | 54.63% | 54.63% |
| The Company | Shan-Chih Asset Development Co. ("SCAD") | Development and leasing of real estate | 100.00% | 100.00% |
| The Company, SCAD and Chih Sheng Investment Co., Ltd. | Chunghwa Electronics Development Co., Ltd. | Professional investment holding | 99.86% | 99.86% |
| The Company | Tatung DIE Casting Co. | Manufacturing and sales of casting mold | 51.00% | 51.00% |
| The Company and Tatung Wire & Cable (Thailand) Co., Ltd. | Tatung (Thailand) Co., Ltd. | Manufacturing and sales of IT products, home appliances and AI meter | 100.00% | 100.00% |
| The Company | Tatung Co. of Japan, Inc. | Sales and purchase of electronic parts, home appliances and IT products | 100.00% | 100.00% |
| The Company | Tatung Electronics(S) Pte. Ltd. | Purchases, sales and services of raw material | 90.00% | 90.00% |
| The Company | Tatung Wire & Cable (Thailand) Co., Ltd. | Manufacture and sales of wire and cable | 100.00% | 100.00% |
| The Company | Tatung Information (Singapore) Pte. Ltd. | Professional investment holding | 100.00% | 100.00% |
| The Company | Tatung Electric (Singapore) Pte. Ltd. | Professional investment holding | 100.00% | 100.00% |
| The Company | Tatung Co. of America Inc. | Sales and service of IT and household electronics products in the US | 50.00% | 50.00% |
| The Company | Tatung Mexico S.A de C.V. ("TMX") | Manufacture of electronic products | 100.00% | 100.00% |
| The Company | Tatung Science and Technology, Inc. | Sale and purchase of IT products | 100.00% | 100.00% |
| The Company | Tatung Electric Company of America, Inc. | Manufacture and sales of motor products in the U.S. | 100.00% | 100.00% |
| The Company | Tatung Netherlands B.V. | Sales of electronic products | 100.00% | 100.00% |
| The Company | TATUNG CZECH s.r.o | Manufacture of IT products | 100.00% | 100.00% |
| The Company | Tatung Medical Healthcare Technologies Co., Ltd. | Design and sales of medical instruments. | 95.08% | 95.02% |
| The Company | Toes Opto-Mechatronics Co. | Manufacture of data storage and process equipment | 85.00% | 85.00% |
| The Company | Tatung Vietnam Co., Ltd. | Manufacture and sales of home appliances | 100.00% | 100.00% |

| Investor | Subsidiary | Main businesses | December 31, 2016 | December 31, 2015 |
|---|---|---|----------------------|----------------------|
| The Company | Tatung Electric Technology (VN) Co., Ltd. | Manufacture and sales of wire and cable | 100.00% | 100.00% |
| The Company | Chih Sheng Investment Co., Ltd. | Professional investment holding | 100.00% | 100.00% |
| The Company and Chunghwa Electronics Development Co., Ltd. | Shan Chih Investment Co., Ltd. | Professional investment holding | 100.00% | 100.00% |
| The Company | Tatung Global Strategy Investment and trading (BVI) Inc. | Professional investment holding | 100.00% | 100.00% |
| The Company | Absolute Alpha Limited | Professional investment holding | 100.00% | 100.00% |
| The Company | Tatung Forever Energy Co., Ltd. | Solar energy related business | 98.12% | 100.00% |
| The Company | Leap High Limited | Professional investment holding | 65.00% | - |
| CPT | Giantplus Technology Co., Ltd. ("Giantplus") | Research, development, production and sales of LCD. | 53.67% | 53.67% |
| CPT | Chunghwa Picture Tubes (Bermuda) Ltd. ("CPTB") | Investment holding and sales of TFT-LCD | 100.00% | 100.00% |
| The Company, CPT and CPTB | Chunghwa Picture Tubes (Labuan) Ltd. ("CPTL") | Investment holding and sales of TFT-LCD | 100.00% | 100.00% |
| CPTB and CPTL | Chunghwa Picture Tubes Technology (Group) Co., Ltd. ("CPTTG") | Research, design, manufacturing, sales and service of flat-panel display device, monitor display model and components | 30.42% | 67.49% |
| CPTB | Dalemont Investment Ltd. | Professional investment holding | 100.00% | 100.00% |
| CPTB | Daliant Investment Ltd. | Professional investment holding | 100.00% | 100.00% |
| CPTB | Bangalor Investment Ltd. | Professional investment holding | 100.00% | 100.00% |
| CPTB | Bensaline Investment Ltd. | Professional investment holding | 100.00% | 100.00% |
| CPTB | New Kingston Enterprises Limited ("NKEL") | Professional investment holding | 100.00% | 100.00% |
| CPTB, CPTL, CPTM and CPTTG | Chunghwa Picture Tubes (Wujiang) Ltd. ("CPTW") | Assembly final module of TFT-LCD | 100.00% | 100.00% |
| CPTB, CPTL and CPTTG | Chunghwa Pictures Display Technology (Fujian) Ltd. ("FDT") | Assembly final module of TFT-LCD | 100.00% | 100.00% |
| CPTB, CPTL and CPTTG | CPTF Optronics Co., Ltd. | Assembly final module of TFT-LCD | 100.00% | 100.00% |
| CPTB | Chunghwa Picture Tubes (Malaysia) Sdn. Bhd. ("CPTM") | Manufacture and sale of CRT | 100.00% | 100.00% |
| CPTF Optronics Co., Ltd., NKEL, and Forward Development Co., Ltd. | CPTF Visual Display (Fuzhou) Ltd. ("FVD") | Manufacture components of TFT-LCD | 100.00% | 100.00% |
| CPTF Optronics Co., Ltd. | Huallar Optronics (Fuzhou) Co. Ltd. | Manufacture components of TFT-LCD | 51.00% | 51.00% |

| Investor | Subsidiary | Main businesses | December 31, 2016 | December 31, 2015 |
|--|---|--|----------------------|----------------------|
| CPTTG | Chunghwa PictureTubes Technology (Labuan) Ltd | Investment holding and sales of TFT-LCD | 100.00% | 100.00% |
| CPTTG | Fuzhou YingYuan Equity Investment Management Co., Ltd. | Professional investment holding | 100.00% | 100.00% |
| CPTTG | Vibrant Display Technology CO., Ltd. | R&D, design and manufacture components of TFT-LCD | 100.00% | 100.00% |
| CPTB and CPTTG | CPT TPV Optical (Fujian) Co., Ltd. | Manufacture components of TFT-LCD | 80.00% | 80.00% |
| CPTB | CPTF Optronics (Shen-Zhen) Co., Ltd. | Sales and service of flat-panel display | 100.00% | 100.00% |
| CPTTG, CPTF Optronics Co., Ltd., and Goldmax Asia Pacific Ltd | Komerstone Materials Technology Co. Ltd. | R&D, design and manufacture components of TFT-LCD | 100.00% | 100.00% |
| Komerstone Materials Technology Co. Ltd. | DDD3Empire | Manufacture, research and sales of optical glass | 55.00% | - |
| CPTF Optronics Co., Ltd | CPTF Optronics (HK) Co., Ltd. | Sales of TFT-LCD | 100.00% | 100.00% |
| Giantplus Technology Co., Ltd. | Giantplus (Samoa) Holding Co., Ltd. | Investment | 100.00% | 100.00% |
| Giantplus Technology Co., Ltd. | Hsh Heng Investment Co., Ltd. | Investment | 100.00% | 100.00% |
| Giantplus (Samoa) Holding Co., Ltd. | Giantplus Holding L.L.C | Investment | 100.00% | 100.00% |
| Giantplus Holding L.L.C | Kunshan Giantplus Optoelectronics Technology Co., Ltd. | Manufacture components of LCD display | 100.00% | 100.00% |
| Giantplus Holding L.L.C | Shenzhen Giantplus Optoelectronics Display Co., Ltd. | Manufacture components of LCD display | 100.00% | 100.00% |
| Giantplus Holding L.L.C | Kunshan Giantplus Optronics Display Technology Co., Ltd | Sales of touch panel | 100.00% | 100.00% |
| Forward Electronics Co., Ltd. | Forward Development Co., Ltd. | Investment holding | 100.00% | 100.00% |
| Forward Electronics Co., Ltd., Green Energy Technology Inc. and Toes Opto-Mechatronics Co. | Gintung Energy Co., Ltd. | Manufacture and sale of solar module and related component | 45.82% | 45.82% |
| Forward Development Co., Ltd. | Forward Electronics Equipment (Dong Guan) Co., Ltd | Manufacture and sale of tuner, keyboard, mouse, remote controller, switch, socket and potentiometer. | 100.00% | 100.00% |
| Forward Development Co., Ltd. | Suzhou Forward Electronics Technology Co., Ltd. | Manufacture and sale of backlight unit for TFT-LCD, driving board, tuner, keyboard, mouse, switch, socket and connector. | 100.00% | 100.00% |





| Investor | Subsidiary | Main businesses | December 31, 2016 | December 31, 2015 |
|--|---|---|----------------------|----------------------|
| SCSC , Shan Chih Investment Co., Ltd. and SCAD , Chih Sheng Investment Co., Ltd. | Green Energy Technology Inc. ("GET") | Manufacture and sales of electronic parts and devices. | 36.22% | 36.57% |
| SCSC | Greater Power Limited | Investment holding | 100.00% | 100.00% |
| SCSC | Chih De Investment Co., Ltd. | Investment holding | 100.00% | 100.00% |
| GET | Energy Well International Limited | Investment holding | 100.00% | 100.00% |
| GET | Green Energy Global Investment | Investment holding | 100.00% | 100.00% |
| Greater Power Limited and Energy Well International Limited | Ultra Energy Holdings Limited | Investment holding | 100.00% | 100.00% |
| Energy Well International Limited | Golden Sunny Limited | Investment holding | 100.00% | 100.00% |
| Ultra Energy Holdings Limited | Ultra Energy (WEIFANG) Technology Co. Ltd | Solar silicon wafer slicing. | 100.00% | 100.00% |
| TFC | Tatung Coatings (Kunshan) Co., Ltd. | Manufacture and sale of industry coating and electro-deposition coating. | 100.00% | 100.00% |
| TFC | Huaian Tatung Advanced Technology Materials Co., Ltd. | Manufacture and sale of positive material of lithium battery, printer ink, electro-deposition high performance coating. | 100.00% | 100.00% |
| TFC | Shang Chih International Chemical Industry Co., Ltd. | Investment holding | 100.00% | 100.00% |
| TFC | Wujiang Shang Huah Plastic Co., Ltd. | ABS plastic, color dyes | 100.00% | 100.00% |
| Shang Chih International Chemical Industry Co., Ltd. | Wujiang Shanghua Material Technology Co., Ltd | Manufacture and sale of ABS plastic. | 100.00% | 100.00% |
| Shang Chih International Chemical Industry Co., Ltd. | Dongguan Tongli Trading Co., Ltd. | Wholesale of painting, coating and chemical products. | 100.00% | 100.00% |
| Tatung Information (Singapore) Pte. Ltd. | Tatung Information Technology (Jiangsu) Co., Ltd. | Manufacture and sales of TV, monitor and PCs. | 100.00% | 100.00% |
| Tatung Information (Singapore) Pte. Ltd. | Tatung Wire And Cable Technology (Wujiang) Co., Ltd. | Manufacture and sales of wire and cable | 100.00% | 100.00% |
| Tatung Information (Singapore) Pte. Ltd. and Shan-Chih International Holding Corporation | Tatung Compressors (ZHONGSHAN) Co., Ltd. | Manufacture and sales of reciprocating compressors. | 100.00% | 100.00% |
| Tatung Electric (Singapore) Pte. Ltd. and Shan-Chih International Holding | Tatung (Shanghai) Co., Ltd | Manufacture and sales of motors, generators, diesel engine | 100.00% | 100.00% |


| Investor | Subsidiary | Main businesses | December 31, 2016 | December 31, 2015 |
|---|--|---|----------------------|----------------------|
| Corporation | | generators, variable speed motors, inverters and PLCs, transformers and switchboards. | | |
| TMX | TMX Logistics, Inc. | Hub service | 100.00% | 100.00% |
| TMX | TMX Technologies Inc. | Technologies & business development | 100.00% | 100.00% |
| Shan Chin Investment Co. Ltd | Shan-Chih International Holding Corporation | Investment holding | 100.00% | 100.00% |
| Shan-Chih International Holding Corporation | Shan-Chih Wire&Cable Technology (Wujiang) Co. , Ltd. | Manufacture and sales of wire and cable | 100.00% | 100.00% |
| TSTI | Chyun Huei Business Technology Inc. | Information software Service | 100.00% | 100.00% |
| TSTI | Tatung System Technologies Holding Ltd. | Investment holding | 100.00% | 100.00% |
| TSTI | Tisnet Technology Inc. | Software design and development | 100.00% | 100.00% |
| Tatung System Technologies Holding Ltd. | TSTI Technologies (Shanghai) Co., Ltd. | Information software Service | 94.00% | 94.00% |
| Chih Sheng Investment Co., Ltd. | Chih Sheng Investment (BVI) | Investment holding | 100.00% | 100.00% |
| Chih Sheng Investment Co., Ltd. | HEDA Biotechnology Co., Ltd. | Produce, food retail and wholesale industry | 52.17% | 52.17% |
| Chih Sheng Investment (BVI) Co., Ltd | Chih Sheng Holding Co., Ltd. | Investment holding | 100.00% | 100.00% |
| Chih Sheng Holding Co., Ltd. | Goldmax Asia Pacific Ltd | Investment holding | 51.26% | 51.26% |
| Chih Sheng Holding Co., Ltd. | Chih Sheng Holding HK Limited | Investment holding | 100.00% | 100.00% |
| Absolute Alpha Limited | Tatung Information Technologies Corp. | Sales of electronic products | 100.00% | 100.00% |
| Chih Sheng Holding HK Limited | Wu-jiang Tatung Electronics Trading Co. LTD | Sales of information products | 100.00% | 100.00% |
| Shan-Chih Asset Development Co. and Taipei Industry Corporation | Tatung Forestry and Construction Co. | Design and construction of structural engineering. | 99.87% | 99.87% |
| Shan-Chih Asset Development Co. | Taipei Industry Corporation | Production and sales of mixing concrete. | 50.61% | 50.61% |
| Shan-Chih Asset Development Co. | Chih Sheng Realty Co., Ltd. | Realty management | 100.00% | 100.00% |
| Shan-Chih Asset Development Co. | Shan-Chih Asset International Holding Corporation | Investment Holding | 100.00% | 100.00% |
| Shan-Chih Asset International Holding Corporation | Tatung Management Consultant (Shanghai) Co., Ltd. | Realty and Leasing Service | 100.00% | 100.00% |

| Investor | Subsidiary | Main businesses | December 31, 2016 | December 31, 2015 |
|--|---|---|-------------------|-------------------|
| Shan-Chih Asset International Holding Corporation | Shan-Chih Asset International (Hong Kong) Holding Limited | Realty and Leasing Service | 100.00% | 100.00% |
| Shan-Chih Asset International (Hong Kong) Holding Limited | Suqian Zhiwei Real Estate Co., Ltd. | Realty management | 100.00% | 100.00% |
| Tatung Forever Energy Co., Ltd. | Sheng Yang Energy Co., Ltd. | Battery Material Retail | 100.00% | 100.00% |
| Tatung Information (Singapore) Pte. Ltd. and Tatung (Thailand) Co., Ltd. | Myanmar Tatung Co., Ltd. | Sales and customer service of solar energy, industrial motor, home appliances, industrial air conditioner | 100.00% | - |
| Tatung Information (Singapore) Pte. Ltd. | Tatung Myanmar JV Holding Co., Ltd. | Investment Holding | 100.00% | - |

Annex 2 List of Tatung products and services

Products and services provided by Tatung

| Business Groups | Business Units | Products and services | Important Certifications |
|-------------------------|-------------------------|---|---|
| Power Business Group | Power Equipment BU | <p>Industrial Appliance: Researching, developing and manufacturing all kinds of transformers rated 345kV 1000MVA and under, all kinds of reactors rated 345kV 100MVAR and under, gas insulated switchgears and outdoor gas circuit breakers up to 161kV class, 36kV series of switchgear, power distribution equipment, and other industrial equipment.</p> <p>Cable: With more than fifty years of technical experience, this business unit is responsible for manufacturing and sale of various wires, cables, optical fiber cables and busway which are widely used in telecommunication, power transmission and distribution system, industrial equipment, home appliance and IT network & electronic device.</p> |  |
| | Motor BU | <p>Tatung's motors business has been operating for over six decades with sales worldwide. With "Tatung Motors Drive the World" as its theme. Integrating of all aspects of electric machine which covered for designing, manufacturing, and selling of electric motors, immersible pump motors, PM motors, EV motors, drives, water jacket motors, generator sets, and total solutions of power systems.</p> |  |
| Consumer Business Group | Advanced Electronics BU | <p>AEBU focuses on providing global ODM customers with design and manufacturing products & solutions. The product lines include 2 main lines: digital entertainment and Internet-of-Things (IoT) products. The digital entertainment line includes gaming headsets, smart noise cancelation headsets, and entertainment accessories. The IoT products include IP camera, smart energy management and sensing-&-control products. Tatung's customers can benefit from Tatung's fast reaction to accommodate market needs and flexibility in design customization. The on-going research and development will further enhance the customers' competitiveness in their products.</p> |  |
| | Appliance BU | <p>To reinforce brand management, the company has expanded internal sales pipeline and overseas market sales through innovative design, qualitative products and technical integration to</p> |  |

| Business Groups | Business Units | Products and services | Important Certifications |
|-------------------------|-------------------|---|--|
| Consumer Business Group | Appliance BU | <p>increase brand value. The product types are plentiful, including ecological energy saving air conditioning for business and home use, smart LED display panels, 4K UHD LED display panels, leading brand of Multi-functional Cooker in Taiwan, Easy Cooker, multi-functional combi-ovens, juice blenders and household appliances such as electric fans, refrigerators, washers, hair dryers and used in compressor of refrigerator and dehumidifier. Many products have won awards from Taiwan Excellence, MIT mark and safety standard qualification in many countries. To conquer the severe problem of food safety, we have launched a new brand "in fresh" to focus on "non-toxic vegetables", use technology to overcome limitation in farming techniques and use water farming cultivation to create a comfortable and pure environment for growth.</p> <p>To comply with the trend of online internet connection, Tatung appliances have integrated resources in the smart and ecological field through sensor and network technology to link various end devices. According to user's demand, it provides a way to smart life. Through smart home system and smart appliance APP, it could control all kinds of smart appliances by wireless network to achieve electricity management, remote control, schedule management, personalized situation mode, etc. to reduce energy waste in appliances and reach the goal of energy saving for a better world.</p> |  |
| System Business Group | Smart Solution BU | <p>Tatung Smart Solution Business Unit drives the Internet of Things and cloud computing, data analytics and other technology platforms to develop smart solutions pursuing environmental sustainability been Taiwan's leading brand in green energy.</p> <p>Tatung IoT Solutions - Reinventing our products from motors, switchboards, transformers to home appliances. Products with capabilities such as predictable maintenance and malfunction identification which informs the customer in advance to reduce risks and avoid losses all aiming for an extended product life. Energy Management for IoT - Tatung's Smart Grid supports electricity transmission to utility's end customers allowing electricity management and demand control achieving improved energy conservation.</p> | |

| Business Groups | Business Units | Products and services | Important Certifications |
|-----------------------|-----------------------|--|--------------------------|
| | Smart Solution BU | <p>With this technology utility companies can provide a flexible billing system giving the end users convenient payment options.</p> <p>The Smart Grid Solutions include all kinds of smart meters and AMI system. In addition, we are capable of integrating the Micro Grid system, developing and designing the solar system and related solar solutions for worldwide power utilities, governments, and residential users.</p> | |
| System Business Group | System Integration BU | <p>System Integration BU mainly provides ICT (Information Communication Technology) system, solar energy system and infrastructure services. In the ICT system, BU primarily focus on ICT system integration services and software development, including Tatung's smart energy management system, document management system, attendance management system, enterprise resource management system and various information management systems, etc. The services are across government agencies, schools and related businesses. Besides, as early as 1992, BU has already won the achievement of CMMI (Capability Maturity Model Integration) maturity level 3.</p> <p>In the solar energy system, from north to south in Taiwan, there are hundreds of public buildings and cases, integrated with Tatung's high-performance solar energy products, to provide professional energy creation management and establishment services. The main services are electricity grid systems, stand-alone solar energy systems and related applications. With rich experiences in Taiwan, the establishment of various types of solar power plants has been extended from public housing roofs to ground-based landfill sites and water-based photoelectric ponds. In the infrastructure, BU provides high-quality total solution to customers, combined with interdisciplinary professionals covering all kinds of technologies such as electrical engineering, electronics, mechanics, smart control, information, communication, civil engineering, transportation and project management, and coordinates cross interfaces, integrated design, implementation, project management with related technical support.</p> | |

Annex 3 Factories and subsidiaries participated in 3P program and Occupational Accident Prevention Pays program in 2016.

| Factories owned by Tatung. | Subsidiaries | |
|---------------------------------------|-----------------------------------|--|
| Tayuan Plant | Tatung Die Casting Co., Ltd. | Chunghwa Picture Tubes, Ltd. ² |
| Taoyuan Wires and Cables Plant | Tatung SM-Cyclo Co., Ltd. | Forward Electronics Co., Ltd. |
| San-Hsia Factory | Tatung Fine Chemicals Co., Ltd. | Green Energy Technology Co., Ltd. ³ |
| Taoyuan 1st Plant | Shan Chih Semiconductor Co., Ltd. | |
| Electrical Meters Center ¹ | Toes Opto-Mechatronics Co., Ltd. | |

Note: Only factories and subsidiaries with manufacturing function participate in 3P program and Occupational Accident Prevention Pays program. The information disclosed in this report is from Tatung's Factories (the light tan color background).

Note 1: Locates at Tayuan Plant.

Note 2: Includes Lungtang Plant, and Yanmei Plant.

Note 3: Includes Kuanyin Plant, Kuanyin II Plant, Tayuan Plant, and Green Energy Technology Inc. Branch of Southern Taiwan Science Park.

Annex 4 List of GRI indicators

GRI content index for "in accordance" CORE

| General standard disclosures | Pages | Note |
|--|--------------------------|-----------------------|
| Strategy and analysis | | |
| G4-1 Provide a 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. | Top Management Statement | |
| G4-2 Provide a description of key impacts, risks, and opportunities. | 22,23 | |
| Organization profile | | |
| G4-3 Report the name of the organization. | 8 | |
| G4-4 Report the primary brands, products, and services. | 8,13,Annex 2 | |
| G4-5 Report the location of the organization's headquarters. | 8,9 | |
| G4-6 Report the number of countries where the organization operates, and names of countries where either the organization has significant operations or that are specifically relevant to the sustainability topics covered in the report. | 9,10 | |
| G4-7 Report the nature of ownership and legal form. | 8 | |
| G4-8 Report the markets served. | 9,10 | |
| G4-9 Report the scale of the organization. | 8 | |
| G4-10 Report the total number of employees by employment type, contract, region, and gender. | 40 | |
| G4-11 Report the percentage of total employees covered by collective bargaining agreements. | 38 | |
| G4-12 Describe the organization's supply chain. | 26,27,28 | |
| G4-13 Report any significant changes during the reporting period regarding the organization's size, structure, ownership, or its supply chain. | – | No significant change |
| G4-14 Report whether and how the precautionary approach or principle is addressed by the organization. | 22,23 | |
| G4-15 List externally developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes or which it endorses. | 8 | |
| G4-16 List memberships of associations and national or international advocacy organizations. | 9,10 | |
| Identified material aspects and boundaries | | |
| G4-17 List all entities included in the organization's consolidated financial statements or equivalent documents. | Annex 1 | |
| G4-18 Explain the process for defining the report content and the Aspect Boundaries. | 2 | |
| G4-19 List all the material Aspects identified in the process for defining report content. | 5,6 | |
| G4-20 For each material Aspect, report the Aspect Boundary within the organization. | 6 | |

| General standard disclosures | Pages | Note |
|---|-------------------|-----------------------|
| G4-21 For each material Aspect, report the Aspect Boundary outside the organization. | 6 | |
| G4-22 Report the effect of any restatements of information provided in previous reports, and the reasons for such restatements. | 56 | |
| G4-23 Report significant changes from previous reporting periods in the Scope and Aspect Boundaries. | – | No significant change |
| Stakeholder engagement | | |
| G4-24 Provide a list of stakeholder groups engaged by the organization. | 1,2 | |
| G4-25 Report the basis for identification and selection of stakeholders with whom to engaged. | 1 | |
| G4-26 Report the organization's approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group, and an indication of whether any of the engagement was undertaken specifically as part of the report preparation process. | 1,2 | |
| G4-27 Report key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting. Report the stakeholder groups that raised each of the key topics and concerns. | 1,2 | |
| Report profile | | |
| G4-28 Reporting period for information provided. | About this report | |
| G4-29 Date of most recent previous report. | About this report | |
| G4-30 Reporting cycle. | About this report | |
| G4-31 Provide the contact point for questions regarding the report or its contents. | About this report | |
| G4-32 Report the "in accordance" option the organization has chosen. | About this report | |
| G4-33 Report the organization's policy and current practice with regard to seeking external assurance for the report. | About this report | |
| Governance | | |
| G4-34 Report the governance structure of the organization, including committees of the highest governance body. Identify any committees responsible for decision-making on economic, environmental and social impacts. | 17~20,24 | |
| G4-35 Report the process for delegating authority for economic, environmental and social topics from the highest governance body to senior executives and other employees. | 24 | |
| G4-36 Report whether the organization has appointed an executive-level position or positions with responsibility for economic, environmental and social topics, and whether post holders report directly to the highest governance body. | 24 | |
| G4-38 Report the composition of the highest governance body and its committees. | 17~20 | |

| General standard disclosures | Pages | Note |
|--|-------|------|
| G4-41 Report processes for the highest governance body to ensure conflicts of interests are avoided and managed. Report whether conflicts of interest are disclosed to stakeholders. | 17 | |
| Ethics and integrity | | |
| G4-51 Report the remuneration policies for the highest governance body and senior executives. | 20 | |
| G4-52 Report the process for determining remuneration. Report whether remuneration consultants are involved in determining remuneration and whether they are independent for management. Report any other relationships which the remuneration consultants have with the organization. | 20 | |
| G4-56 Describe the organization's values, principles, standards and norms of behavior such as codes of conduct and code of ethics. | 17,24 | |

Note: All the above have been verified by third party.

Specific standard disclosures

| Category | Aspect | DMA/Indicator | Pages | Level of disclosure ¹ | Note |
|---|---|---|-------------|----------------------------------|----------------|
| Economic | Economic performance | DMA | 12,42 | Not Applicable | |
| | | G4-EC1 Direct economic value generated and distributed | 12 | ● | |
| | | G4-EC2 Financial implications and other risks and opportunities for the organization's activities due to climate change | 13 | ● | |
| | | G4-EC3 Coverage of the organization's defined benefit plan obligations | 42 | ● | |
| | Market presence | DMA | 40,41 | Not Applicable | |
| | | G4-EC5 Ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation | 41 | ● | |
| | | G4-EC6 Proportion of senior management hired from the local community at significant locations of operation | 40 | ● | |
| | Indirect economic impacts | DMA | 49,62 | Not Applicable | |
| | | G4-EC7 Development and impact of infrastructure investments and services supported | 47,62 | ● | |
| | Procurement practices | DMA | 59 | Not Applicable | |
| | | G4-EC9 Proportion of spending on local suppliers at significant locations of operation | 59 | ● | |
| | Governance (Material Aspect) | DMA | 17-21 | Not Applicable | |
| | Disclosure on non-financial information | DMA | 24 | Not Applicable | |
| | Environment | Materials | DMA | 59 | Not Applicable |
| G4-EN1 Materials used by weight or volume | | | 59 | ● | |
| Energy | | DMA | 54,56,62~64 | Not Applicable | |
| | | G4-EN3 Energy consumption within the organization | 54 | ● | |
| | | G4-EN6 Reduction of energy consumption | 56 | ● | |
| | | G4-EN7 Reductions in energy requirements of products and services | 62-64 | ● | |
| Water | | DMA | 59 | Not Applicable | |
| | | G4-EN8 Total water withdrawal by source | 59,60 | ● | |
| | | G4-EN10 Percentage and total volume of water recycled and reused | 59 | ● | |

| Category | Aspect | DMA/Indicator | Pages | Level of disclosure ¹ | Note | |
|---|--|--|--|----------------------------------|----------------|--|
| Environment | Emissions (Material Aspect) | DMA | 56-59 | Not Applicable | | |
| | | G4-EN15 Direct greenhouse gas emissions (scope 1) | 55 | ● | | |
| | | G4-EN16 Energy indirect greenhouse gas emissions (scope 2) | 55 | ● | | |
| | | G4-EN19 Reduction of greenhouse gas emissions | 56 | ● | | |
| | | G4-EN20 Emissions of ozone-depleting substances | 59 | ○ | | |
| | | G4-EN21 NOx, SOx and other significant air emissions | 60 | ● | | |
| | Effluents and waste | DMA | 59,61 | Not Applicable | | |
| | | G4-EN22 Total water discharge by quality and destination | 59,60 | ● | | |
| | | G4-EN23 Total weight of waste by type and disposal method | 61 | ● | | |
| | | G4-EN24 Total number and volume of significant spills | 66 | ● | | |
| | | G4-EN25 Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention annex I, II, III, and VIII, and percentage of transported waste shipped internationally | 61 | ● | | |
| | Products and services | DMA | 62~65 | Not Applicable | | |
| | | G4-EN27 Extent of impact mitigation of environmental impacts of products and services | 62~64 | ● | | |
| | | G4-EN28 Percentage of products sold and their packaging materials that are reclaimed by category | 65 | ○ | | |
| | Compliance | DMA | 66 | Not Applicable | | |
| | | G4-EN29 Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations | 66 | ● | | |
| | Overall | DMA | 66 | Not Applicable | | |
| | | G4-EN31 Total environmental protection expenditures and investments by type | 66 | ● | | |
| | Social (labor practices and decent work) | Employment (Material Aspect) | DMA | 40,41,45 | Not Applicable | |
| | | | G4-LA1 Total number and rates of new employee hires and employee turnover by age group, gender and region | 40 | ● | |
| | | | G4-LA2 Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation | 45 | ● | |
| G4-LA3 Return to work and retention rates after parental leave, by gender | | | 41 | ● | | |
| Labor/management relations (Material Aspect) | | DMA | 42 | Not Applicable | | |
| | | G4-LA4 Minimum notice periods regarding operational changes, including whether these are specified in collective agreements | 42 | ● | | |

| Category | Aspect | DMA/Indicator | Pages | Level of disclosure ¹ | Note | |
|--|---|---|---|----------------------------------|----------------|--|
| Social (labor practices and decent work) | Occupational health and safety (Material Aspect) | DMA | 47,48 | Not Applicable | | |
| | | G4-LA5 Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs | 47 | ● | | |
| | | G4-LA6 Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender | 49 | ● | | |
| | Training and education (Material Aspect) | DMA | 43,44 | Not Applicable | | |
| | | G4-LA9 average hours of training per year per employee by gender, and by employee category | 44 | ● | | |
| | | G4-LA11 Percentage of employees receiving regular performance and career development reviews, by gender and by employee category | 41 | ● | | |
| | Diversity and equal opportunity (Material Aspect) | DMA | 40 | Not Applicable | | |
| | | 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 | 40 | ● | | |
| | Equal remuneration for women and men | DMA | 41 | Not Applicable | | |
| | | G4-LA13 Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation | 41 | ● | | |
| | Supplier assessment for labor practices | DMA | 26 | Not Applicable | | |
| | | G4-LA14 Percentage of new suppliers that were screened using labor practices criteria | 26 | ● | | |
| | Social (human rights) | Non-discrimination | DMA | 38 | Not Applicable | |
| | | | G4-HR3 Total number of incidents of discrimination and corrective actions taken | 38 | ● | |
| Forced or compulsory labor (Material Aspect) | | DMA | 38,39 | Not Applicable | | |
| | | 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 | 38,39 | ● | | |
| Indigenous rights | | DMA | 40 | Not Applicable | | |
| | | G4-HR8 Total number of incidents of violations involving rights of indigenous peoples and actions taken | 40 | ● | | |
| Indigenous rights | Anti-competitive behavior | DMA | 35 | Not Applicable | | |
| | | G4-SO7 Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes | 35 | ● | | |
| | Supplier assessment for impacts on society | DMA | 26 | Not Applicable | | |
| | | G4-SO9 Percentage of new suppliers that were screened using criteria for impacts on society | 26 | ● | | |

| Category | Aspect | DMA/Indicator | Pages | Level of disclosure ¹ | Note |
|---------------------------------|---|--|-------|----------------------------------|----------------|
| Social (product responsibility) | Customer health and safety (Material Aspect) | DMA | 29,31 | Not Applicable | |
| | | G4-PR1 Percentage of significant product and service categories for which health and safety impact are assessed for improvement | 29~31 | ● | |
| | | 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 | 31,32 | ● | |
| | Product and service labeling (Material Aspect) | DMA | 32,36 | Not Applicable | |
| | | 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 | 32 | ● | |
| | | G4-PR4 Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes | 32 | ● | |
| | | G4-PR5 Results of surveys measuring customer satisfaction | 36 | ○ | |
| | | Marketing communications (Material Aspect) | DMA | 35 | Not Applicable |
| | G4-PR7 Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship, by type of outcomes | | 35 | ● | |
| | Customer privacy | DMA | 36 | Not Applicable | |
| | | G4-PR8 Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data | 36 | ● | |
| | Compliance (Material Aspect) | DMA | 29~31 | Not Applicable | |
| | | G4-PR9 Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services | 31,32 | ● | |


Note: The above DMA and indicators have been verified by third party.

Note 1 : ● represents such indicator is fully disclosed, ○ represents such indicator is partially disclosed.

Annex 5 List of UN Global Compact – The Ten Principles

| Category | The Ten Principles | Page | Note |
|-----------------|---|----------|------|
| Human rights | Businesses should support and respect the protection of internationally proclaimed human rights. | 25,38 | |
| | Businesses should make sure that they are not complicit in human rights abuses. | 38 | |
| Labor | Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining | 38 | |
| | Businesses should uphold the elimination of all forms of forced and compulsory labor. | 38,39 | |
| | Businesses should uphold the effective abolition of child labor. | 38 | |
| | Businesses should uphold the elimination of discrimination in respect of employment and occupation. | 38 | |
| Environment | Businesses should support a precautionary approach to environmental challenges. | 52,53 | |
| | Businesses should undertake initiatives to promote greater environmental responsibility. | 52,53,58 | |
| | Businesses should encourage the development and diffusion of environmentally friendly technologies. | 62,63,64 | |
| Anti-corruption | Businesses should work against corruption in all its forms, including extortion and bribery. | 17,25 | |

Annex 6 Third-party Assurance Statements (1/2)



Assurance Statement

TUV Asia Pacific Ltd. Taiwan Branch ('TUV NORD') has been commissioned by the management of TATUNG CO. ('the Company') to carry out an independent assurance of the 2017 TATUNG Corporate Social Responsibility Report for the fiscal year 2016 ('CSR Report') against the AA1000 AS (2008), TUV Asia Pacific CSR Assurance Protocol for Assurance of Sustainability Reporting and the Global Reporting Initiative 2013 Sustainability Reporting Guidelines Version 4 ('GRI G4').

TATUNG CO. is responsible for the collection, analysis, aggregation and presentation of information within the Report. TUV NORD's responsibility in performing this work (assurance of the report) is in accordance with terms of reference agreed in the scope of engagement with the Company. The management and stakeholders of TATUNG CO. are the intended users of this statement.

The assurance engagement is based on the assumption that the data and information provided to in the Company's CSR report is complete and true.

Nature and Scope the Assurance
The scope of the assurance, based on the AA1000 AS (2008) Assurance methodology, include the text, and data in accompanying tables, contained in this report.

TUV NORD has developed a set of protocols for the Assurance of Corporate Social Responsibility Report based on AA1000 AS (2008) and guidance provided in the Global Reporting Initiative Sustainability Reporting Guidelines (2013).

The assurance of the Company's CSR report for the fiscal year 2016 related to its TATUNG CO. businesses (Headquarter, Tayuan Plant, Taoyuan Wires and Cables Plant, Taoyuan 1st Plant, and San-Hsia Factory) includes the following:

- 1) Reporting of economic, environmental, and social indicators; the year of activities covered in the CSR Report is 01.2016 to 12.2016;
- 2) Information related to the Company's issues, responses, performance data, case studies and underlying systems to manage Sustainability related data and information;
- 3) Information related to the Company's adherence to inclusivity, materiality and responsiveness and stakeholder engagements;
- 4) Evaluation of the Accountability Principles (Type II) and specified performance information with a HIGH level of Assurance, according to AA1000 AS (2008)
- 5) The report is "in accordance" with the G4 Sustainability Reporting Guidelines – CORE option

Assurance Methodology
TUV NORD is a licensed global assurance provider of Sustainability services, with quality, environmental, social and sustainability assurance specialists working all over the world.

Our assurance engagement was planned and carried out in accordance with the AA1000 AS (2008) and the TUV Asia Pacific CSR Assurance Protocol for Assurance of Sustainability Reporting. Assessment of TATUNG adherence to inclusivity, materiality and responsiveness and stakeholder engagements was based on AA1000 AS (2008)

Our assurance involved the following activities:

- * Gather objective evidence on the performance indicators as mentioned in the report.
- * Review any issues raised by external parties that could be relevant to the Company's policies.
- * Review of expectations of local and national regulations; international standards and those of general concern both in the public eye and/or raised by expert opinion.
- * Documentation; record review and evaluation of the report contents against the GRI's G4 application requirements.
- * Discussion with managers and relevant staff on the Company's approach to stakeholder engagement.
- * Interviews with relevant staffs involved in sustainability management, gathering information and report preparation.
- * Review key organizational developments.
- * Review of internal and external audits findings.
- * Review of supporting evidence based on the information made in the report.
- * Sampling method used to ensure the correctness of the data

Page 1 of 2

Third-party Assurance Statements (2/2)

Opinion Statement
 The Company's CSR report (2017 TATUNG Corporate Social Responsibility Report) provides an appropriate view of the Company's CSR programs and performances during fiscal year 2016.

The economic, social and environment performance indicators as mentioned in the CSR report are represented appropriately. The CSR performance indicators disclosed in the report demonstrate the Company's efforts recognized by its Top Management and stakeholders.

Inclusivity: TATUNG conducted the participation of all stakeholders with 280 effectiveness questionnaires. After consolidation each material impacts in Economic, Environment and social aspect by CSR Reporting Group and adopted 31 aspects from the operation experience as well as integrated with the trends of domestic and oversea. The scope for this report is covered headquarter and 4 plants/factories. To ensure the transparency on the governance structure and composition of the organization, it was recommended TATUNG could build CSR committees for decision-making on economic, environmental and social impacts.

Materiality: Acceptable. TATUNG has established related procedures at the corporate level, as the issues which were identified by all departments were prioritized according to the extent of impact and applicable criterion for sustainable development of the company. For further report, it was recommended to declare more to show how TATUNG endeavors and influences the supply chain.

Responsiveness: Acceptable. TATUNG has committed to implement the CSR practice and demonstrate related performance information to respond to the expectations and perceptions of its stakeholders as appropriate. To show the overall vision and strategy for TATUNG's sustainability outcome, the planning and actions for the objectives which needs to enhance or dis-satisfactory is expected to declare in further report.

Reliability and accuracy of performance information:
 In accordance to Type II, High level of assurance requirements, it can be concluded that the contents mentioned in the sustainability report is reliable. The company has a robust management system for obtaining objective evidences and data for the reporting in the Company's CSR Report.

Statement of Independence and Competence
 TUV NORD Group is the world's leader in inspection, testing and verification, operating in more than 70 countries throughout the world and providing services which includes management systems and product certification; quality, environmental, social and ethical auditing and training; environmental; social responsibility and sustainability report assurance.

TUV Asia Pacific Ltd. Taiwan Branch, affirms its' independence from TATUNG CO. and confirms that there are no conflicts of interest with the organization or any of its subsidiaries and stakeholders when performing the assurance of the CSR Report. TUV Asia Pacific Ltd. Taiwan Branch was not involved in any manner with the said Company, when the latter was preparing the CSR report.

The assurance team consists of well experienced, qualified and registered Quality - ISO 9001, EMS - ISO 14001, GHG - ISO 14064-1, OHSAS 18001, SA 8000 Lead Auditors and AA1000 AS (2008) Accountability trained CSAP - Certified Sustainability Assurance Practitioner. The team based on their qualifications, extensive knowledge and experience of the industry provided the much required expertise for this assignment.

Jack Yeh
 Vice President of TUV NORD Greater China General
 Manager of TUV NORD Taiwan
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Annex 7 Feedback Survey Form

Thank you for reading "2017 Tatung Corporate Social Responsibility Report", and sharing Tatung's achievements toward sustainable development. Tatung welcomes your opinions and believes that communication should be a dialogue. In order to present the next edition in clearer and understandable way, please take a few minutes to fill in your opinions or advices and return it to us.

→ Mailing address: Environment & Safety Division, Tatung Co.,
 No. 22, Chungshan North road. 3rd sec., Taipei, Taiwan
 E-mail: csrreport@tatung.com

1. What is your overall impression of this report?
Excellent Good Average Poor
 Opinions: _____
2. In what chapters are you most impressed in this report ?
Top Management Statement
Identification on the stakeholders and significant topics
Profile of Tatung Company. Structure and governance
Supply chain management, product responsibility and customer service
Social performances Environmental performances
 Opinions: _____
3. In what chapters do you think needed to be improved in this report?
Top Management Statement
Identification on the stakeholders and significant topics
Profile of Tatung Company. Structure and governance
Supply chain management, product responsibility and customer service
Social performances Environmental performances
 Opinions: _____
4. Please use the space below to express your opinions and advices.

| | | | | |
|--|--------|--------|--|------------|
| Name | | Gender | <input type="checkbox"/> Male <input type="checkbox"/> Female | Occupation |
| Address | | | | |
| TEL | | | | |
| FAX | E-mail | | | |
| <input type="checkbox"/> Yes, I would like to receive the next Tatung Corporate Social Responsibility Report | | | | |



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