

Tatung CSR Report



2019



Smart micro-grid system in Qimei island –
Honored with 2018 Smart City Innovation Application Award.

| About this report |

We follow GRI Standards (Core Option) and AA1000 AS: 2018 to compose "2019 Tatung Corporate Social Responsibility Report". We expect this report is able to present a more focused content to the needs of the stakeholders, as well as sharing the sustainable achievements done by Tatung in a systematical manner.

Scope

The contents of this report cover Tatung's activities from the headquarter, Tayuan Plant, Taoyuan Wires and Cables Plant, Taoyuan 1st Plant, and San-Hsia Factory. Part of TCPC's information (sales activity and consumer data management) is also included. The disclosure boundary of some material topics may be beyond the scope above and will be specifically described in its DMA.

Restatements of information

1. Tatung has changed the measurement of investment property from cost model to fair value model starting from January 1, 2018. As a result, Tatung restated its financial statement for year 2017 and the financial data disclosed in this report was updated as well (page 16).
2. Due to the factories completed greenhouse gas emission verifications for year 2017 by the end of 2018 and the government official issued the latest GHG emission factor for 2014~2017, thus the energy consumption data for year 2017 and greenhouse gas emission data for 2014~2017 were restated in this report (page 68, 70).

Reporting cycle and reporting period

Tatung Corporate Social Responsibility Report is published by the end of June annually. Unless otherwise stated, the data and activities in this report are gathered from 2018.1.1~2018.12.31.

Previous reports

2019 Tatung Corporate Social Responsibility Report is our 18th non-financial report since 2002. The previous report was published in June 2018. All the reports are available on: http://www.tatung.com/en/responsibility_rp.asp

Data measurement techniques

The numbers in economic performances were 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 in environmental performances were provided by BUs and reviewed/corrected by Health & Safety Division.

External assurance

The contents of this report were verified by TÜV Asia Pacific Ltd. Taiwan Branch (TUV NORD) based on AA1000AS:2018 (Type 2, high level assurance) and GRI Standards. The assurance statement is enclosed in Annex 5.

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The English version is translated from Chinese version. If there are any conflicts or any differences 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 contents from the related department shall prevail.





Resilience, Adaptability and Sustainability

Today's world is turbulent in such a way that extreme climate change would cause us immense damage in life and property and the edge over the competition shortens due to swift high-tech advancement. All of these have posed a gigantic impact upon and challenge for the corporation. Accordingly, we believe that the corporation for the future must possess resilience, adaptability and sustainability. Tatung had its one-hundredth anniversaries in November, 2018. As we are moving forward through its centennial development, we stick to some values we have always kept and adapt ourselves to new challenges at the same time.

The things we insist upon are:

1. The concepts of integrity, honesty, industry, and frugality as well as a practical working attitude;
2. Innovative research and development as well as cooperative education partnership;
3. Human resource development and interdisciplinary collaboration in the industry.

The challenges we confront are:

1. To adapt ourselves at a faster pace to the ever changing shifts of the market and to cope with the devastating consequences of innovation for the Company;
2. To go for the new way of thinking: from a single product to a system, from the system to the service, and eventually culminating in the interdisciplinary integration;

3. To develop more software than hardware and to shift from the heavy asset business model to the innovative business model.

A sustainable corporation must cultivate its resilience and adaptability. Our corporate sustainability is founded on the competitiveness of our brand—to sustain our competitiveness by designing and manufacturing durable products and to cultivate our adaptability by evolving from the continual shifts in the industry and economy. At the turn of Tatung's one-hundredth anniversary, we are mapping out the next centennial blueprint for the company accordingly.

While observing the challenges brought by environmental changes, we have already transformed such challenges into our long-term development goals in the future. We continued to expand the construction of solar power plants, and by the end of 2018, we had accumulated more than 91.70MW of completed meters, with a target of 150MW by the end of 2019. In accordance with the amendment of the Electricity Law, Tatung is systematically building its capabilities in smart energy systems management with the fact that we built Taiwan's first megawatt-grade energy storage system by assisting ITRI in the regional energy storage project and that we won Taiwan Smart City System Integration Output Award by designing the project "Smart Construction of Bus Terminal in Pisek, Czech Republic." We will stick to the right directions we have been going with our staff and partners in order to meet the important goals of producing better results and interests for our shareholders from better corporate management, laying a solid foundation for societal and environmental sustainability so as to reach the Company's goal of sustainable management and development.

Chairman

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Tatung CSR milestone – Honors in a century!

Establishment of Xie Chih Business Enterprise, the forerunner of Tatung Company, built four fundamental values—Integrity, Honesty, Industry, and Frugality.



Mass production of Tatung rice cookers, a revolutionary step for housewives in Taiwan.



Participated in the Ten Major Infrastructure Projects with the construction of a slag treatment facility for China Steel Corp. and provision of the turnkey solution for the CKS International Airport's power control station.

Implemented ISO 14001 environmental management system to continue improving environmental performances.*

★ All the factories have established and update to ISO 14001:2015.

Established the "Industrial Sanitary Laboratory" to provide the company with working environment testing and complying with health and safety regulation.

Promoted "Green Supply Chain" to assist the company in establishing a green supply chain and avoiding hazardous substances in product design, procurement and production stages to comply with RoHS, WEEE directives and customer requirements.

Ranked No.1 in Taiwan by the Environmental Protection Administration as the most proactive corporation for the promotion of green consumption.*

★
1. In 2018, 31 models were awarded with Green Mark, 33 models were awarded with Energy Label, 9 models were award with Water Label.
2. Currently, 40 Tatung 3C Stores were register in EPA's Green Store Scheme.

Introduced its luxury condominium, "Tatung Tomorrow World", a masterpiece of green architecture, to commemorate Tatung's 90th anniversary.
Started to publish "Tatung Corporate Sustainability Report".

1918 1942 1943 1947 1952 1956 1960 1962 1963 1977 1988 1992 1993 1996 2001 2002 2004 2005 2007 2008 2010

Establishment of Tatung High School.

Provided housing loans to the employees to help them purchasing their houses.

Establishment of Tatung University.

Implemented "Stock Ownership" program to encourage the employees to become the company's shareholders.*

★ Tatung subsidizes employees to buy corporate stocks since 1992 as part of their savings.

Organized "Tatung Welfare Committee" to handle a broad range of employee welfare issues.

Tatung became publicly listed on the Taiwan Stock Exchange.

Founded Tatung Soccer Team which is the only team that has long been supported by a private company.*

★ Champions in 2017 and 2018 in Taiwan Football Premier League.

Established the "Pollution Prevention Educational Center" to promote environmental education and to spread correct ideas of pollution prevention.

The Company subsidized employees to buy corporate stocks since 1992 as part of their savings.

Implemented ISO 9001 quality management system to continue improving quality performances.*

★ All the factories have established and update to ISO 9001:2015.

Implemented "Pollution, Prevention, Pays, 3P" program in the corporation to incorporate the concepts of Clean Production and Design for the Environment into Tatung's culture.*

★ 17 factories and subsidiaries participated in 3P program in 2018.

Implemented OHSAS 18001 occupational health and safety management system to continue improving health and safety performances.*

★ All the factories have established the system.

Established "Electrical and Electronic Equipments Restriction of Hazardous Substances (RoHS) Laboratory" to examine and analysis any hazardous substances existing in electrical and electronic materials, parts and products. The analysis results are able to help the company to meet the requirements from customers and EU, U.S., and Japan regulations.

Carry out greenhouse gases inventory voluntarily in the factories and subsidiaries based on the requirements of ISO14064-1. The emission information is disclosed in the company website and CSR report.*

★ Taoyuan Wires and Cables Plant, Taoyuan 1st Plant, and San-Hsia Factory completed GHG inventory for year 2017 and passed third-party verifications in 2018.

Started to carry out product carbon footprint to disclose carbon emission information for products.*

★ 1 model of motors, 1 model of amorphous transformers, and 1 model of rice cookers completed product carbon footprint inventory.

Organized "Tatung Charity Soccer Summer Camp" since 2010. In an effort to help the underprivileged children to cultivate a proper and healthy hobby, and also to gain happiness and satisfaction as well as positive attitude.



Established "Tatung Environmental Research Center" to provide the company with the most professional environmental analysis systems and to comply with environment regulations.

Started to publish "Tatung Corporate Environmental Report" to disclose environmental information and act as a tool to communicate with the stakeholders.

Tatung CSR milestone – Honors in a century & | 2018 CSR Highlights |

- New Energy BU won Taiwan Power Company's first bid of Low Voltage AMI Pilot Project, a revolutionary milestone for the intelligent management system of electricity usage for households in Taiwan.
- Won the bid of Hualien-Taitung Railway Electrification Project by the Ministry of Transportation and Communications taking part in the national momentous infrastructure project for the green transportation of the East.*
- ★ Won the 2016 Excellence in Engineering Project Award by the Chinese Institute of Engineers.

- Co-organizing "Smart City Summit and Expo" to promote Tatung's unique total solution for smart energy saving system.*
- ★ Participated for 5 consecutive years and won 2018 Smart City Innovation Application Award with the achievement in smart micro-grid system in Qimei island.
- Acquired the certificate of registration of ISO / IEC 27001 by British Standards Institution for the information security management system of both Tatung and eTungGo, Tatung's online shop.
- Established the social responsibility policies and the social responsibility practice principles.

- Formed a board of directors that more than half of the members are independent directors and external directors to further enhance corporate governance.
- Established "Tatung Shan Chih Education Foundation" (temporarily translated), aiming at cultivating professional technology talents.

2012 2013 2014 2015 2016 2017 2018

Won the bid for New Taipei City's Green Campus Project, in which solar panel system and intelligent energy management system are to be installed in 16 selected schools in New Taipei City.*

★ By the end of 2018, Tatung has installed 91.7MW of solar power system in Taiwan which is able to cut off 60,000 tons of CO₂e.

The Company engaged in a multiple academia-industrial cooperation project with the Soochow University marking a new milestone for the Company's cross-campus cooperation.

- Founded eTungGo, Tatung's online shop, to involve in e-commerce business.
- Started to purchase Green Power issued by Bureau of Energy in order to support renewable energy policy in Taiwan since 2015.*
- ★ By the end of 2017, Tatung has purchased 1,391,100 kw-hr of Green Power which is able to cut off 735 tons of CO₂e.
- Implemented ISO 50001 energy management system to continue improving energy performances.*
- ★ San-Hsia Factory, Taoyuan Wires and Cables Plant, and Tayuan Plant have established the system.
- Started to publish "Tatung Corporate Social Responsibility Report".*
- ★ Won Taiwan Corporate Sustainability Report Awards for year 2008, 2013-2018.

- In order to have a sound corporate governance, Tatung has established a corporate governance committee to be responsible for corporate governance related matters.
- After 100 years of entrepreneurship, Tatung will uphold the core values of "Integrity, Honesty, Industry, Frugality" to construct resilience, adaptability and sustainability in order to fulfill corporate social responsibility, strengthening corporate governance, and marching towards corporate growth*.

★ Tatung centennial celebration
<https://www.youtube.com/watch?v=mge309tjAsE>



Economic and governance dimension:

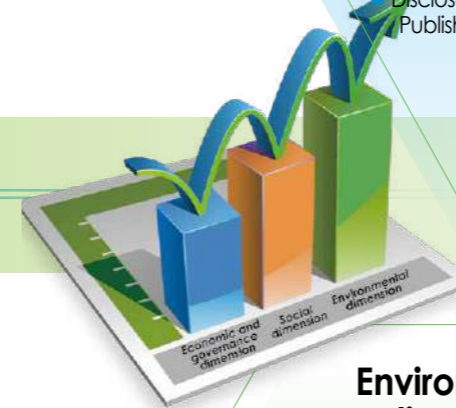
- No. of awards 10 awards
- Percentages of external/independent directors in Board of Directors 62.5%
- Governance.....
 1. Established Corporate Governance Committee.
 2. Complete performance evaluation of the board of directors and the result was "Good".
- Ratio between company's basic salary and legal salary..... 1.21 ~ 1.56 : 1
- Percentages of managers from local in high level management 100%
- Disclosure on non-financial information Publishes CSR report for 18 consecutive years.

Social dimension:

- No. of discrimination, forced, or compulsory labor incident 0
- Percentage of local employees 93%
- Salary ratio between female and male employees 0.89 ~ 0.90 : 1
- Percentage of employees who are labor union members 78.03%
- Average education/training hours 12.12 hours
- Education and training satisfactory..... 92.09%
- Return to work percentage for parental leave..... Male: 100%, Female: 100%
- Correction percentage of "Occupational Accident Prevention Pays" program 98.7%
- Supplier commitment letter 100% signed back
- Incorporate CSR related topics into Supplier Introducing Procedure Followed by Consumer BG, CSR related topics have been incorporated in to Supplier Introducing Procedure for all the suppliers.
- Consumer satisfactory Maintenance: 95.30%
Shipping: 97.6%
- No. of complaint about information leaking received from the consumers 0

Environmental dimension:

- Correction percentage of 3P program 95%
- Electricity reduced 3.02 million kw-hr
- Amount of GHG emission reduced 1,678 tons CO₂e
- The percentage of product which achieved energy intensity target 75%
- Amount of industrial waste reduced 4.07% less than in 2017
- Waste recycling percentage 72.47%
- No. of green product which were certified Green Mark: 31 models
Energy Label: 33 models
Water Label: 9 models
- Solar power system capacity built Accumulated 91.70 MWp



| Chapter 1 |

Identification of the stakeholders and material 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 performances of social responsibility practices on company's official website¹. Tatung finds out the blind spots and gains valuable opinions by communicating with the stakeholders via variety of channels.

1.1 Identification of the stakeholders and engagement channels

Based on AA1000 standard and GRI Standards, Tatung CSR Reporting Group (members are from the top level departments in the headquarters and the factories) identified the stakeholders by past 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.

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 List of stakeholders and engagement channels

Stakeholder groups	Meaning to Tatung	Communication channels and frequencies
Shareholders	The investors who support Tatung.	-Shareholders' meeting / Once per year -Irregular shareholders' meetings, direct phone line (+886-2-25925252 ext. 3258), shareholder e-mail / Irregular -Disclosure of financial information on official website and MOPS (market observation post system) / Every month
Customers	The companies having business with Tatung.	Customer service, PM / Irregular
Employees	The most valuable assets. With their innovated ideas and experiences, Tatung is capable to counter any challenges.	-Chairman's mailbox, HR mail box, complaint mechanism, scheduled education and training, notice board / Irregular -Biweekly HR newspaper / Once per 2 weeks -Health and Safety Committee in the headquarter and factories / Once per 3 months -Labor-management meeting / Once per 3 months
Local communities and parties	Tatung's good neighborhood. By communicating with them, Tatung is able to find out what more we can do to carry out corporate social responsibility.	-Direct phone lines / Irregular -Social charity/donation activities / Irregular
Authorities	Instructors of Tatung. Following the government policies and complying with regulations is the basic principle of Tatung.	-Onsite audits / Irregular -Hearings, seminars / Irregular

¹ : <http://www.tatung.com>

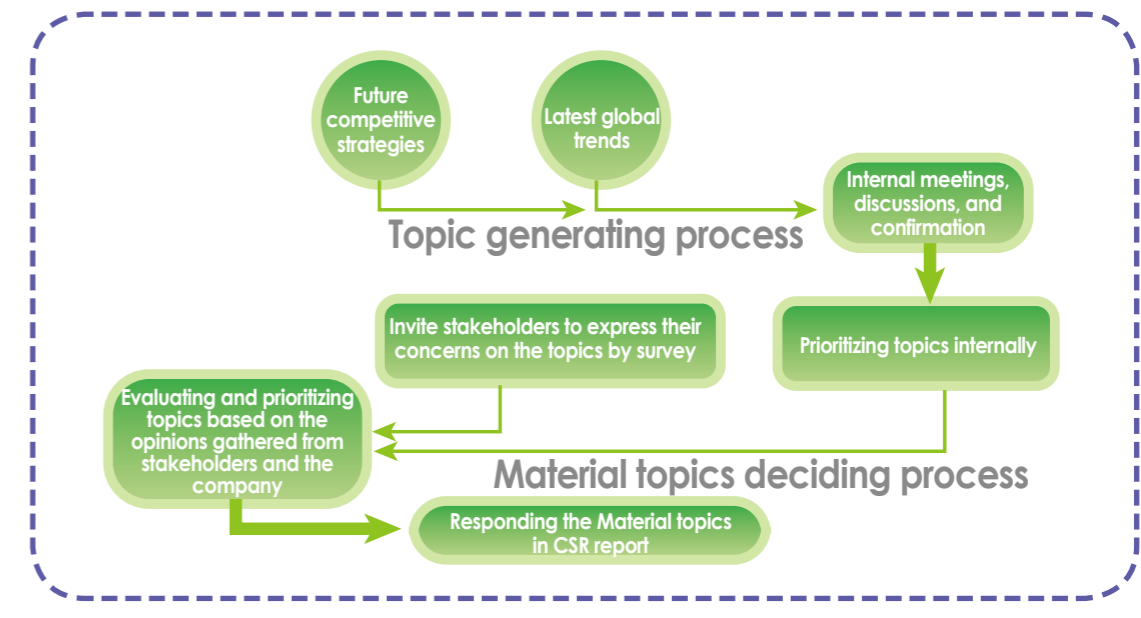
Stakeholder groups	Meaning to Tatung	Communication channels and frequencies
Suppliers	Suppliers are the partners that Tatung has grown up with. With their high quality materials, products, and services, Tatung successfully expanded the business year by year.	-Supplier complaint mailbox supplier@tatung.com / Irregular -Supplier evaluation, annually re-evaluation / Once per year -Supplier assessment / Once per month
Consumers	Supporters of Tatung products. For the past 60 years, Tatung has accompanied countless households in their growing family time.	TCPC phone lines (+886-800052666), Tatung 3C Stores, official websites, etungo online shopping website / Irregular -Satisfactory survey / Upon shopping or repair service

▶▶ Table 1.2-2 Topics concerned by the stakeholders and our responses

Stakeholder groups	Concerned topics	Tatung's responses	Chapters
Shareholders	Governance and financial performances	1. Seeking partner to strengthen Tatung brand and channel business. 2. Establishing core businesses in green energy systems and smart energy solutions (1) Continuing to install small and big solar power plants. (2) Combining micro grid, storage and smart meters to build up business model of smart grid solutions. (3) Securing substation business opportunities for renewable energy industry players. 3. Expediting asset development or disposal for cash flow and bank loan repayment needs. 4. Adjustment of investment portfolio.	2.2, 2.3
Customers	Product quality and customer information management.	1. Establishing ISO 9001, enhancing supplier quality management, products that pass related verifications. 2. Establishing ISO 27001 to enhance information management.	4.1, 4.2, 4.3
Employees	Labor rights, welfares	Complying with labor and health and safety regulations.	5.1, 5.3
Local communities and parties	Pollutant emissions, interaction with local communities	1. Installing air pollutant and wastewater treatment facilities. 2. Participating in community development and charities events through commercial activities, non-cash property endowments, volunteer service and other free professional services.	5.5, 6.3
Authorities	Compliance	Carrying out internal control and internal audit to ensure conformity.	3.2, 6.1
Suppliers	The quality of parts and products, the requirements regarding to hazardous substances	Establishing ISO 9001, enhancing supplier quality management, products that pass related verifications.	4.1
Consumers	Product safety and labeling, personal information management	1. Complying with product safety and labeling regulations, and establishing feedback and anti-recurrence mechanisms. 2. Establishing ISO 27001 to enhance information management.	4.2, 4.3

1.2 Identification of material topics

Tatung concluded 26 possible topics that may have impacts to the stakeholders and to the company based on the past operation experiences, future competitive strategies, and the latest global trends on sustainability such as GRI Standards indicators and UN Sustainable Development Goals (SDGs). The topics are listed on Table 1.2-1.

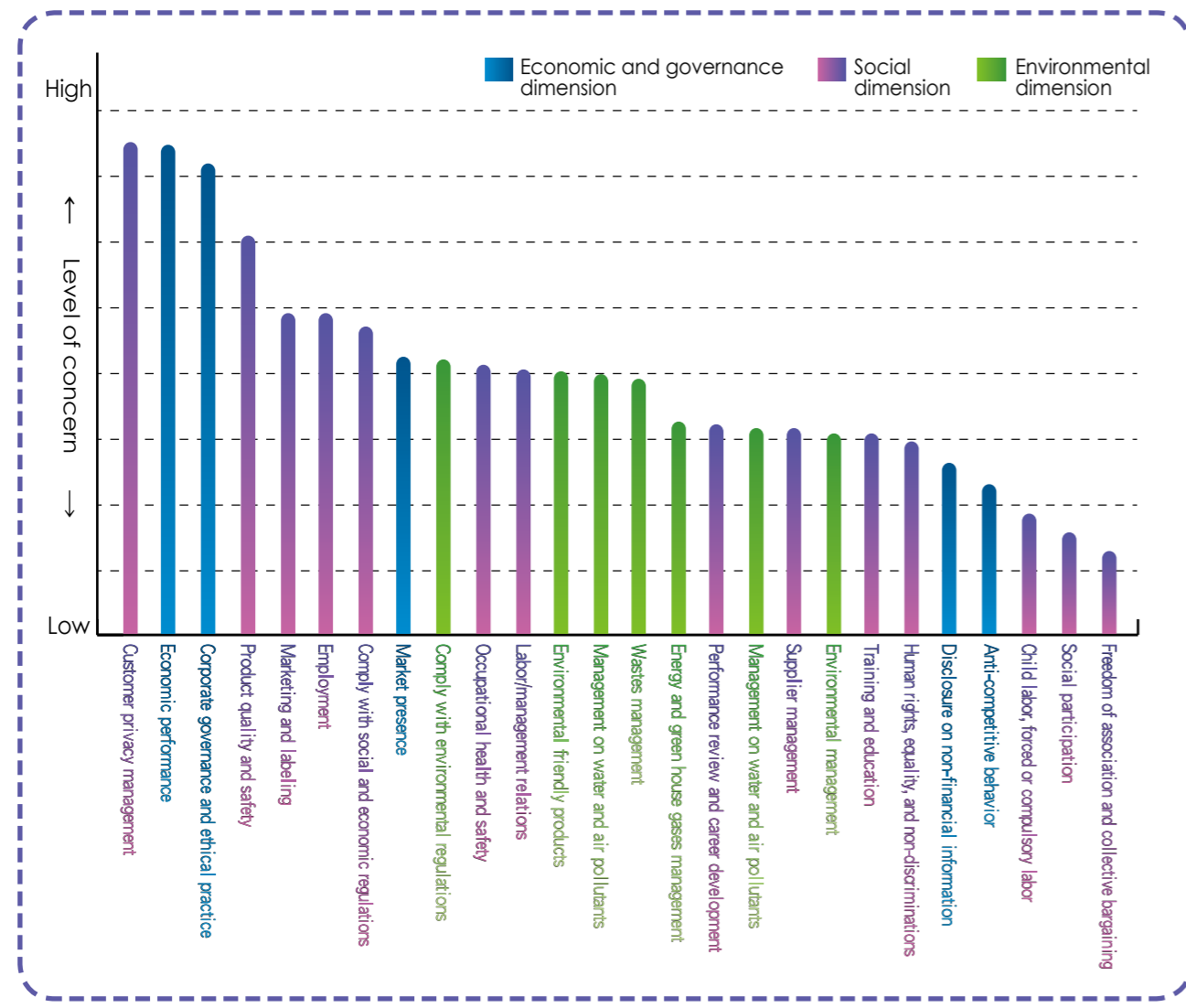


▲ Figure 1.2-1 Material topics identifying process

▶▶ Table 1.2-1 Tatung's sustainable topics

Economic and governance dimension	Social dimension		Environmental dimension
Economic performance	Comply with social and economic regulations	Human rights, equality, and non-discriminations	Energy and green house gases management
Corporate governance and ethical practice	Supplier management	Freedom of association and collective bargaining	Environmental management
Disclosure on non-financial information	Employment	Child labor, forced or compulsory labor	Management on water and air pollutants
Market presence	Performance review and career development	Social participation	Wastes management
Anti-competitive behavior	Labor/management relations	Product quality and safety	Management on water and resources
	Occupational health and safety	Marketing and labeling	Environmental friendly products
	Training and education	Customer privacy management	Comply with environmental regulations

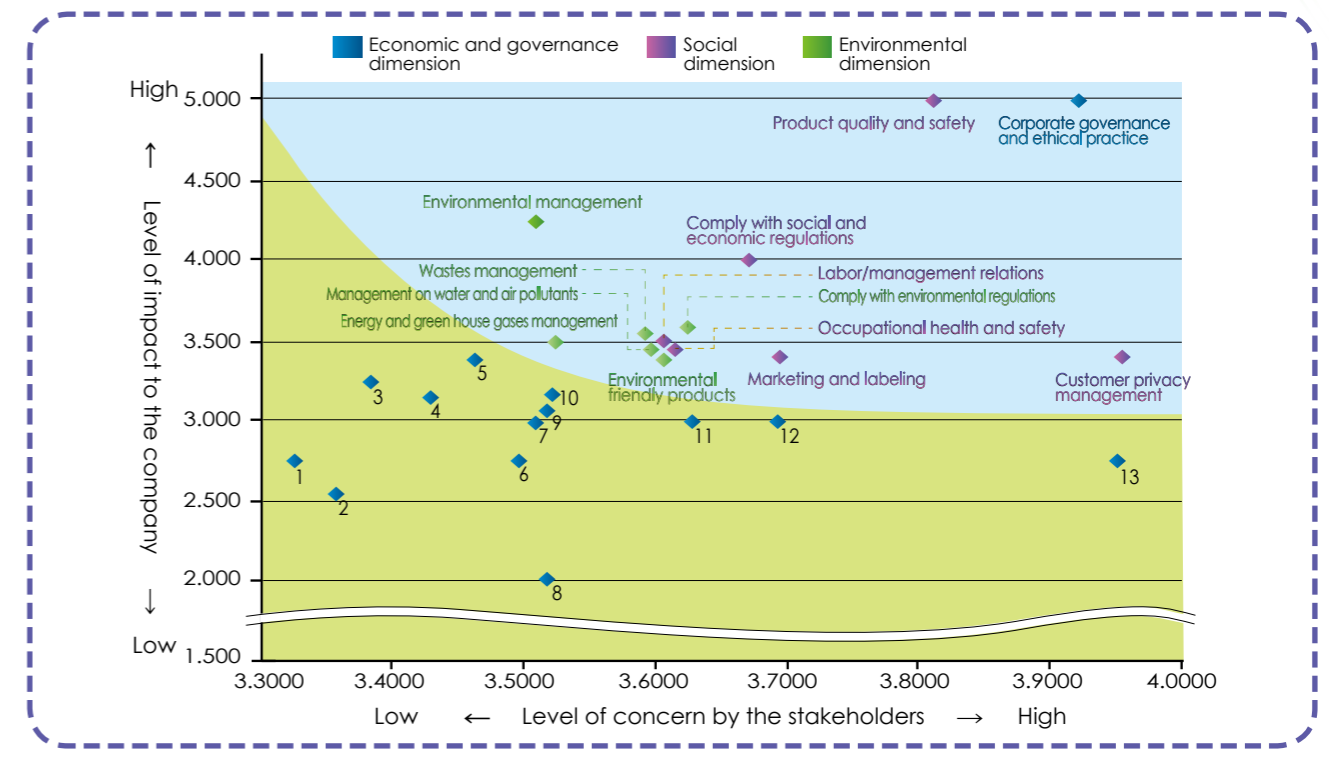
In order to receive opinions from wide range of stakeholders, Tatung invited stakeholders to fill in surveys which included the 26 topics mentioned above during 2018.12.28~2019.2.11. In addition, there were also some opinions received from online survey² on the company's official website. Two hundreds and seventy-three surveys were recovered and the most concerned topics by the stakeholders were ranked in Figure 1.2-2.



▲ Figure 1.2-2 The ranking of concerned topics by the stakeholders

² https://docs.google.com/forms/d/e/1FAIpQLSdqG-YDkzUR_whQzW1LGgs9NPLQau2tAKRINplj6LFbHG4r3Q/viewform?c=0&w=1

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 (12 and above) for the topics that located on blue color region on Figure 1.2-3 were identified as the material topics.



▲ Figure 1.2-3 Matrix of the material topics

Economic and governance dimension		Other topics		Environmental dimension	
No.	Topic	No.	Topic	No.	Topic
4	Anti-competitive behavior	1	Freedom of association and collective bargaining	7	Training and education
5	Disclosure on non-financial information	2	Social participation	8	Supplier management
11	Market presence	3	Child labor, forced or compulsory labor	10	Performance review and career development
13	Economic performance	6	Human rights, equality, and non-discriminations	12	Employment
				9	Management on the water and resources

This year, we identified 13 material topics from total 26 topics. They are "Corporate governance and ethical practice", "Product quality and safety", "Comply with social and economic regulations", "Customer privacy management", "Labor/management relations", "Marketing and labeling", "Occupational health and safety", "Comply with environmental regulations", "Wastes management", "Management on water and air pollutants", "Energy and green house gases management", and "Environmental friendly products". From Table 1.2-2 we can find that the most of labor related topics have been dealt and responded by Tatung, and the outcome have been trusted by the employees and the public since 2018. The public and Tatung have then shift the attentions to the environment related topics. The material topics identified in 2019 are not much different to 2018. Only "Marketing and labeling" and "Environmental management" were added in. The detailed management measures and performances in regarding to these 13 material topics will be disclosed in next chapters. Table 1.2-3 shows the relevancy of the material topics amongst our value chain.

▶▶ Table 1.2-2 Comparison of material topics from past years

Material topics in 2017	Material topics in 2018	Material topics in 2019 and their meanings to Tatung	
Corporate governance	Corporate governance and ethical practice	Corporate governance and ethical practice	Good corporate governance and ethical management policies help the company to develop sustainably and show its social value.
Recruitment	Disclosure on non-financial information	Product quality and safety	Good product quality and safety in use are the fundamental to Tatung's operation.
Education and career development	Comply with social and economic regulations	Comply with social and economic regulations	Comply with the laws and regulations and become industry benchmark to avoid violating laws to damage corporate image.
Labor's right	Labor/management relations	Customer privacy management	"Uninterrupted service, no loss of information, personal information not leaked, and enterprise sustainable operation" is our information security policy.
Labor/management relations	Customer relation management	Labor/management relations	Labor and management are committed to working together for the good of the employees and the company. Both sides operate on the principle of promoting a harmonious so that they employees will be contended with their jobs.
Occupational health and safety	Occupational health and safety	Marketing and labeling	Advertise and label our products and services according to relevant regulations and international standards are our corporate responsibility and commitment.
Welfare	Product quality and safety	Occupational health and safety	Provide a safe working environment is our responsibility.
Forced labor	Energy and green house gases management	Environmental management	These 5 topics and our operating strategy: "economic development should not create pollution to the environment but try to forge a marriage between corporative development and environmental protection" echoing each other and are also the core elements of Tatung's CSR policies.
Product quality and safety	Wastes management	Comply with environmental regulations	
Product labeling	Management on water and air pollutants	Wastes management	
Marketing communications	Environmental friendly products	Management on water and air pollutants	
Global warming	Comply with environmental regulations	Energy and green house gases management	
-	-	Environmental friendly products	

▶▶ Table 1.2-3 The boundaries of material topics

Dimensions	Material topics	Tatung	Subsidiaries ¹	Suppliers	DMA pages	GRI indicators	UN SDGs
Economic and governance	Corporate governance and ethical practice	■	△	▲	26, 27, 31	Not Applicable	Not Applicable
Social	Product quality and safety	■	△	▲	37, 38, 39	GRI 416-1 · 416-2	Not Applicable
	Comply with social and economic regulations	■	△	▲	27, 28	GRI 419-1	Not Applicable
	Customer privacy management	■	△	▲	33, 34	GRI 418-1	Not Applicable
	Labor/management relations	■	△	▲	45, 52	GRI 402-1	
	Marketing and labeling	■	△	▲	33, 41, 42	GRI 417-1 · 417-2 · 417-3	Not Applicable
Environment	Occupational health and safety	■	△	▲	46, 57, 58, 59	GRI 403-1 · 403-2	
	Environmental management	■	△	▲	65, 66, 67	Not Applicable	Not Applicable
	Comply with environmental regulations	■	△	▲	28, 63, 67	GRI 307-1	Not Applicable
	Wastes management	■	△	▲	63, 75, 76	GRI 306-2	
	Management on the water and air pollutants	■	△	▲	63, 73, 75	GRI 305-7 · 306-1 · 306-3 · 306-5	
	Energy and green house gases management	■	△	-	64, 69, 71, 72	GRI 302-1 · 302-3 · 302-4 · 305-1 · 305-2 · 305-5	
	Environmental friendly products	■	△	▲	67, 78, 79	GRI 302-5	Not Applicable



Note: ■ represents that the information is disclosed in this report; △ represents that the relevant management measures are applied to the subsidiaries but the related information is unable to retrieve; ▲ represents that the relevant management measures are applied to the suppliers, the detailed information is disclosed in chapter 4.1.





Note 1: Part of subsidiaries with larger scale such as CPT, GET, and Elite Groups, their CSR information in regarding to these material topics is disclosed in their CSR reports and/or their official websites.

1.3 UN Sustainable Development Goals

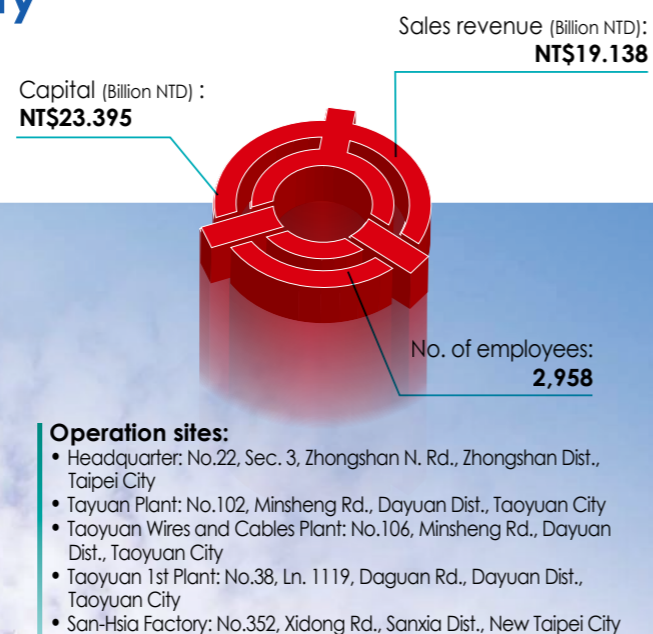
UN announced Sustainable Development Goals (SDGs) in September 2015 to be a roadmap to sustainable development for the next 15 years. Corporations are playing important roles to the success of SDGs. As a local company who has been deeply plowed for a century, Tatung supports SDGs and integrates the goals of "Responsible consumption and production", "Reduced inequalities", "Decent work and economic growth", "Affordable and clean energy", "Clean water and sanitation", and "Climate action" into our sustainable strategies. In the material topics identified this year, "Management on water and air pollutants", "Environmental friendly products", "Occupational health and safety", "Product quality and safety", "Wastes management", and "Energy and green house gases management" are also consistent with goals mentioned above. The measures taken for SDGs are listed on Table 1.3-1.

▶▶ Table 1.3-1 Measures taken for responding UN SDGs

SDGs	Description	Measures
	Ensure access to water and sanitation for all	<ul style="list-style-type: none"> ▶ By 2030, improve water quality by reducing pollution, eliminating dumping and minimizing release of hazardous chemicals and materials, halving the proportion of untreated wastewater and substantially increasing recycling and safe reuse globally.
	Ensure access to affordable, reliable, sustainable and modern energy for all	<ul style="list-style-type: none"> ▶ By 2030, increase substantially the share of renewable energy in the global energy mix. ▶ By 2030, double the global rate of improvement in energy efficiency.
		<ul style="list-style-type: none"> ★ Maintain well function of the waste water treatment facilities in the factories to ensure the quality of the effluents are complied with the standards. ★ Expanding solar power system and aim to achieve 150MWp capacity by the end of year 2019. ★ All motors are met with IE3 standard and working hard to develop IE4 motors ★ Raising energy efficiency on the products and continually applying for Energy Label, Green Mark, and Water Label. ★ Providing consumers Tatung Smart HEMS which offers users total management of home energy consumption with appliance control, energy consumption monitoring, and self-monitoring functions.

SDGs	Description	Measures
	Promote inclusive and sustainable economic growth, employment and decent work for all	<ul style="list-style-type: none"> ▶ By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value. ▶ Protect labor rights and promote safe and secure working environments for all workers, including migrant workers, in particular women migrants, and those in precarious employment.
	Reduce inequality within and among countries	<ul style="list-style-type: none"> ▶ By 2030, empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status. ▶ Ensure equal opportunity and reduce inequalities of outcome, including by eliminating discriminatory laws, policies and practices and promoting appropriate legislation, policies and action in this regard.
	Ensure sustainable consumption and production patterns	<ul style="list-style-type: none"> ▶ By 2020, achieve the environmentally sound management of chemicals and all wastes throughout their life cycle, in accordance with agreed international frameworks, and significantly reduce their release to air, water and soil in order to minimize their adverse impacts on human health and the environment. ▶ By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse. ▶ Encourage companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle.
	Take urgent action to combat climate change and its impacts	<ul style="list-style-type: none"> ▶ Integrate climate change measures into national policies, strategies and planning. ▶ Improve education, awareness-raising and human and institutional capacity on climate change mitigation, adaptation, impact reduction and early warning.
		<ul style="list-style-type: none"> ★ Ensuring the salary paid to employees is complied with the regulations or better. ★ Conducting "Working condition monitoring". ★ Establishing ISO 45001 health and safety management system to replace current OHSAS 18001 by the end of 2021. ★ Complying with human rights regulations, supporting gender equality, and banning discrimination of any form are set in the clauses of "Tatung Corporate Social Responsibility Best-Practice Principles". ★ Recruiting only on capability. The starting salary ratio for male and female employees is 1:1. ★ Complying with RoHS and REACH regulations to ensure a green supply chain. ★ Implementing waste recycling in the factories and aiming the recycling rate higher than 75%. ★ Paying "Recycling and Cleaning Fee" to the government agency (Recycling Fund Management Board) to carry out countrywide waste recycling affairs. ★ Recycling wasted large home appliances, batteries, and CDs in Tatung 3C Stores. ★ Publishing Tatung CSR Report in June every year to disclose company's sustainable information. ★ Carrying out green house gases inventory every year based on ISO 14064-1. ★ Announcing 2nd stage energy saving target – the products' energy intensity will be 6% lower in 2023 when comparing to 2018. ★ Having environmental education courses opened to the employees, and GHG management course to the specialties.

Chapter 2 Profile of Tatung Company



2.1 Company Profile

Established in 1918 and headquartered in Taipei, Tatung 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 dedicated to manufacturing energy-saving products, systems and services with three business groups working on smart grids, smart communities and smart households to produce a number of energy-saving and highly efficient electronic products, household appliances, high-efficiency smart motors, power supply facilities and automatic control products. They are fully integrated with information and communication systems as well as well-rounded and instant services in relation to their products and solutions.

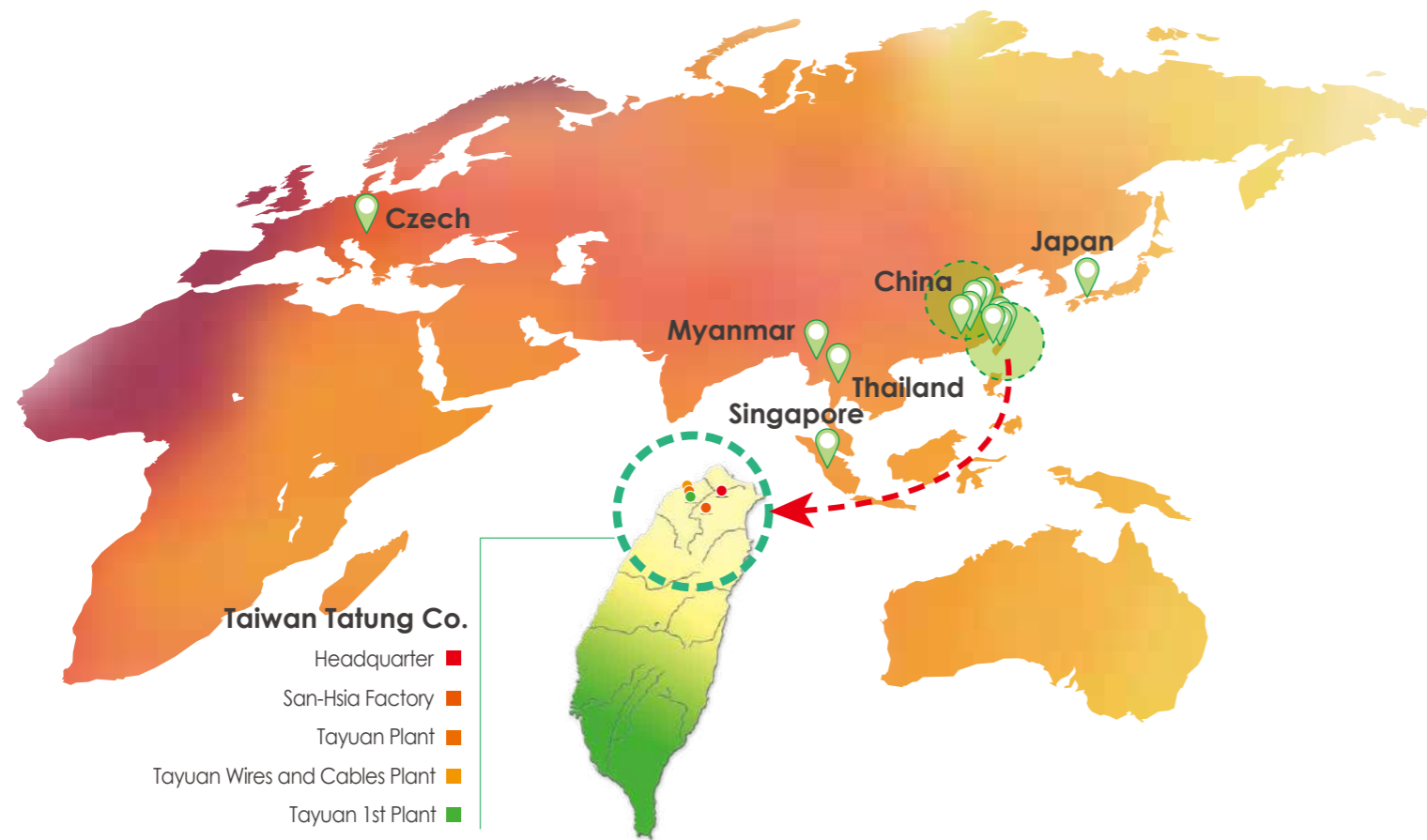
Our smart grids rely upon our system solutions and power business groups for the supply of smart electricity meters, communication modules, concentrators, FTU/FRTU, high-efficiency and energy-saving motors and transformers and switch/control gears, etc. We also provide such fully integrated system solutions and technological services as AMI communication and system control stations, advanced power distribution automation, smart transformer stations and power plants.

Insofar as our smart community is concerned, our business groups of system solutions have integrated solar power systems, energy-saving systems, other recyclable micro-grid systems, the SHMS system (for household energy saving, security, and health care), and the SBMS system (for corporate smart buildings to manage energy saving) into our well-rounded solutions and technological services.

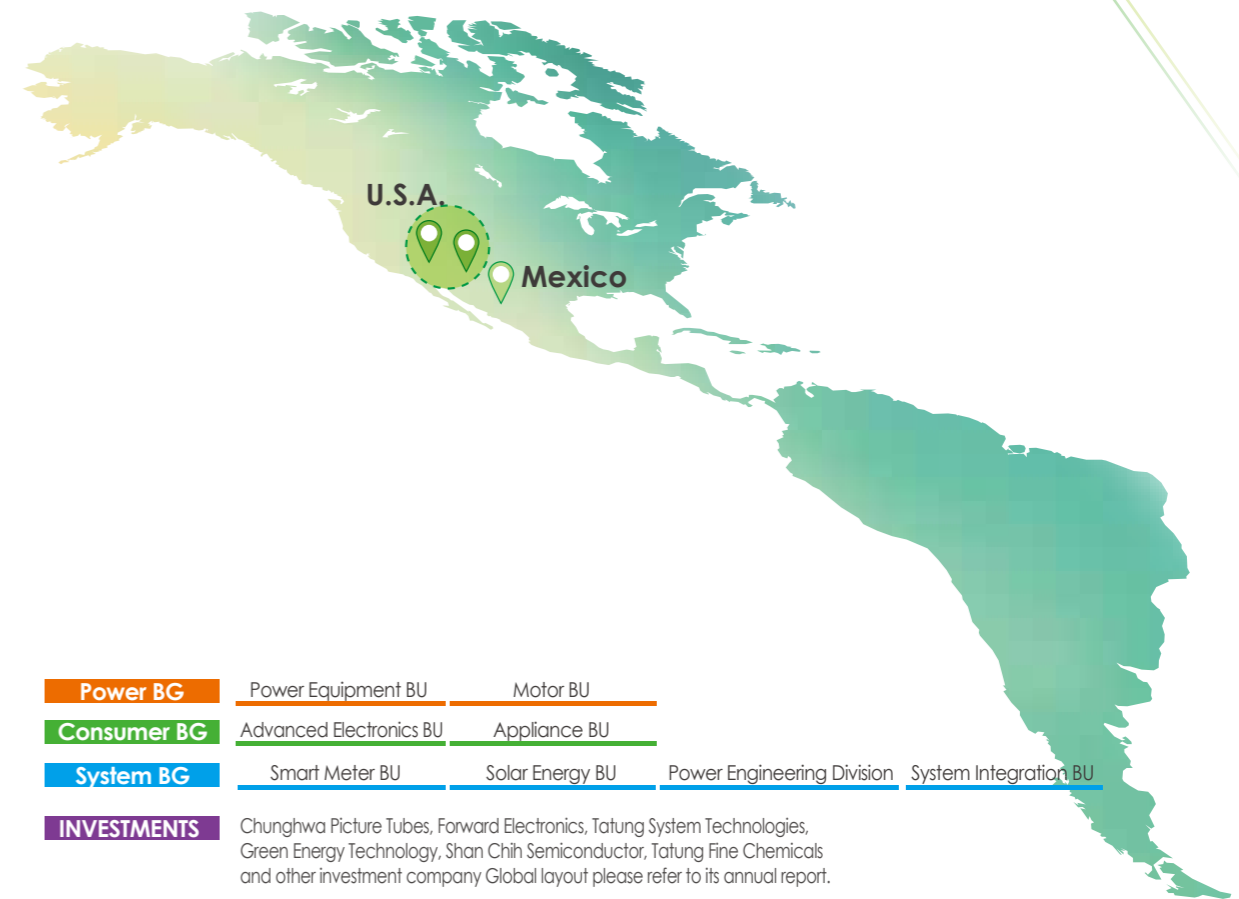
For smart homes, we have integrated the Company's manufactured appliances and system solutions into an advanced solution for smart home applications which can be used on cell phones or tablets. Together with our cloud services, in order to provide an energy-saving, convenient, safe and healthy smart life, we offer smart, energy-saving and environment-friendly household appliances, IP cameras, surveillance systems, smart gateways, energy-saving sensors, environmental sensors, etc.

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 Forward Electronics (8085), 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 2018 (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 drive behind the growth of Tatung.





▶▶ Figure 2.1-2 Tatung Co. global network



▶▶ Table 2.1-1 Membership status in the associations

Association/organization	Member	Managing role	Association/organization	Member	Managing role
The Third Wednesday Club	■		Taiwan Telematics Industry Association	■	■
Chinese International Economic Cooperation Association	■		Taiwan Wind Energy Association	■	
Chinese National Association of Industry and Commerce, Taiwan	■	■	Taiwan Electrical and Electronic Manufacturers' Association	■	■
CNS Certification Mark Association, R.O.C.	■	■	Taiwan Refrigeration and Air-Conditioning Engineering Association R.O.C.	■	
Information Service Industry Association of R.O.C.	■		Monte Jade Science & Technology Association of Taiwan	■	
ROC-USA Business Council	■		Taiwan Institute for Climate Change and Energy	■	
Industrial Association of Taipei City	■	■	Taiwan Motor Industry Association	■	■
Taipei Electrical Commercial Association	■		Taiwan Environmental Engineering Association	■	

Note : Managing role includes director and supervisor.

Association/organization	Member	Managing role	Association/organization	Member	Managing role
Taiwan Smart Grid Industry Association	■	■	Taiwan Electric Wire & Cable Industries Association	■	■
Industrial Safety and Health Association of the R.O.C.	■		Taiwan Association of Machinery Industry	■	■
Taiwan Digital Television Committee	■		Taiwan Water Pipe Engineering Industries Association	■	
Chinese Institute of Engineers	■		Taiwan Metal Industry Association	■	
Electric-Electronic & Environmental Technology Development Association of R.O.C.	■	■	BELLWETHER International Group	■	
SINOCON Industrial Standards Foundation	■	■	European Chamber of Commerce Taiwan	■	
Importers and Exporters Association of Taipei	■		The American Chamber of Commerce in Taipei	■	
Taiwan Electrical Contractors Association	■		Taiwan & Myanmar Economic Cooperation Association for the Advancement	■	

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

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. Tung Yang Energy Co., Ltd. Chih Kuang Energy Co., Ltd. Shang Shin 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.	
Others	Chunghwa Electronics Development Co., Ltd. Shan Chih Investment Co., Ltd. Tatung Medical & Healthcare Technologies Co., Ltd. Tatung Die Casting Co., Ltd. Chih Sheng Investment Co., Ltd.	

Note: * As of 2018/12/31 Listed/OTC and Emerging companies.

▶▶ 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

▶▶ Table 2.1-3 Awards received in 2018

Award	Description
Taiwan Excellence Award 2018	Excellence Award: Tatung smart home cloud service, Tatung fusion skillet (waterless cooker TRC-M61A), and stainless steel rice cooker
2018 Taichung City Renewable Energy Promotion Contribution Award	Tatung Company
Energy Conserving Award by Bureau of Energy	Taoyuan 1st Plant
2018 Taiwan Real Estate Excellence Awards	The Hill of Energy in Taipei city, the first landfill solar power plant in Taiwan
2018 Smart City Innovation Application Award	Achievement in smart micro-grid system in Qimei island
"Top Solar System Awards" by Bureau of Energy, Ministry of Economic Affairs.	No. 12-14 Ponds of Taoyuan Canal, the first Floating Solar PV plant in Taiwan
Taiwan Corporate Sustainability Award – Corporate Sustainability Report Gold Award	2018 Tatung Corporate Social Responsibility Report
Award for Create a Friendly Workplace from Taipei City	Tatung Company



2.2 Financial performances

Year 2018 stands for the 100th anniversary of the founding of Tatung Company. Corporate transformations are still ongoing and the business operating results are gradually seen. However, Chunghwa Picture Tubes, Ltd., and Green Energy Technology, two of our investment companies, faced fierce competition in their respective industries. Although we persisted in the concept of sustainable management, it was difficult to meet the challenges of the environment. The huge losses of the two investment companies in 2018 in turn pressed Tatung to recognize its huge investment losses and made the overall operating results turn into losses. Tatung had a revenue of NT\$19.14 billion, with a loss of NT\$0.39 billion from its primary sector. After adding non-operating net earnings, this term we saw a net loss of NT\$10.64 billion after tax and the loss per share was NT\$4.75.

Tatung's 2018 revenue compared with that of 2017 had 9.5% growth. Consumer Group had slight decline due to mature home appliance market. Smart meters, solar systems and power infrastructure equipment had various growth rates. This resulted in almost 10% sales growth. Among the subsidiaries, CPT applied for restructuring and GET applied for debt negotiations in Dec. 2018 due to financial difficulties resulting from over supply market and price declines. The huge losses forced the two companies' net worth to turn negative, henceforth; Tatung recognized huge investment losses according to the accounting principles. Other subsidiaries continue to improve their operations or down sized their operations to increase profits or reduce losses but Tatung still incurred net investment losses for NT\$9.56 Billion in 2018.

Tatung operates normally on a daily basis and accepts no financial support from the government. For more detailed financial performances, please refer to "Tatung 2018 Annual Report" which can be downloaded at: <http://www.tatung.com.tw/Content/annual-report.asp>

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

Item	2014	2015	2016	2017 ¹	2018
Operating revenue	21,295,466	18,151,104	17,259,632	17,482,835	19,138,488
Realized gross profit	1,846,739	1,581,503	2,404,376	2,164,903	2,064,017
Personnel expenses ²	2,700,133	2,518,948	2,403,307	2,379,086	2,329,118
Income from operations	(874,725)	(966,334)	(51,462)	(177,326)	(391,692)
Non-operating income and expenses	1,209,308	(2,107,282)	(2,363,313)	280,968	(10,313,757)
Income tax benefit	28,956	(1,399)	70,830	36,675	62,543
Net loss attribute to equity attributable to owners of parents	363,539	(3,075,015)	(2,343,945)	140,317	(10,642,906)
Earnings per share (NT\$)	0.16	(1.35)	(1.03)	0.06	(4.75)
Dividends per share (NT\$)	0	0	0	0	0

¹ Tatung has changed the measurement of investment property from cost model to fair value model starting from January 1, 2018. As a result, Tatung restated its financial statement for year 2017 and the financial data disclosed in this report was updated as well.
² Personnel expenses include salaries, staff labor and health insurance, pension, and others.

2.3 Services and products

Service and product scope

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, Tatung is in a solid position to deliver products more efficiently and render customer services more effectively.

Tatung is dedicated to manufacturing energy-saving products, systems and services with three business groups working on smart grids, smart communities and smart households to produce a number of energy-saving and highly efficient electronic products, household appliances, high efficiency smart motors, power supply facilities and automatic control products. They are fully integrated with information and communication systems as well as well-rounded and instant services in relation to their products and solutions. (please see Annex II for product information). Tatung's future development priorities as follows:

Consumer Business Group

We strengthen brand management by providing superior products and expand sales domestically and overseas. We actively participate in international design award competitions to enhance the exposure of the brand in the international market. We hope to integrate different home appliance through IoT technology to form smart homes for energy saving and personalized smart living.

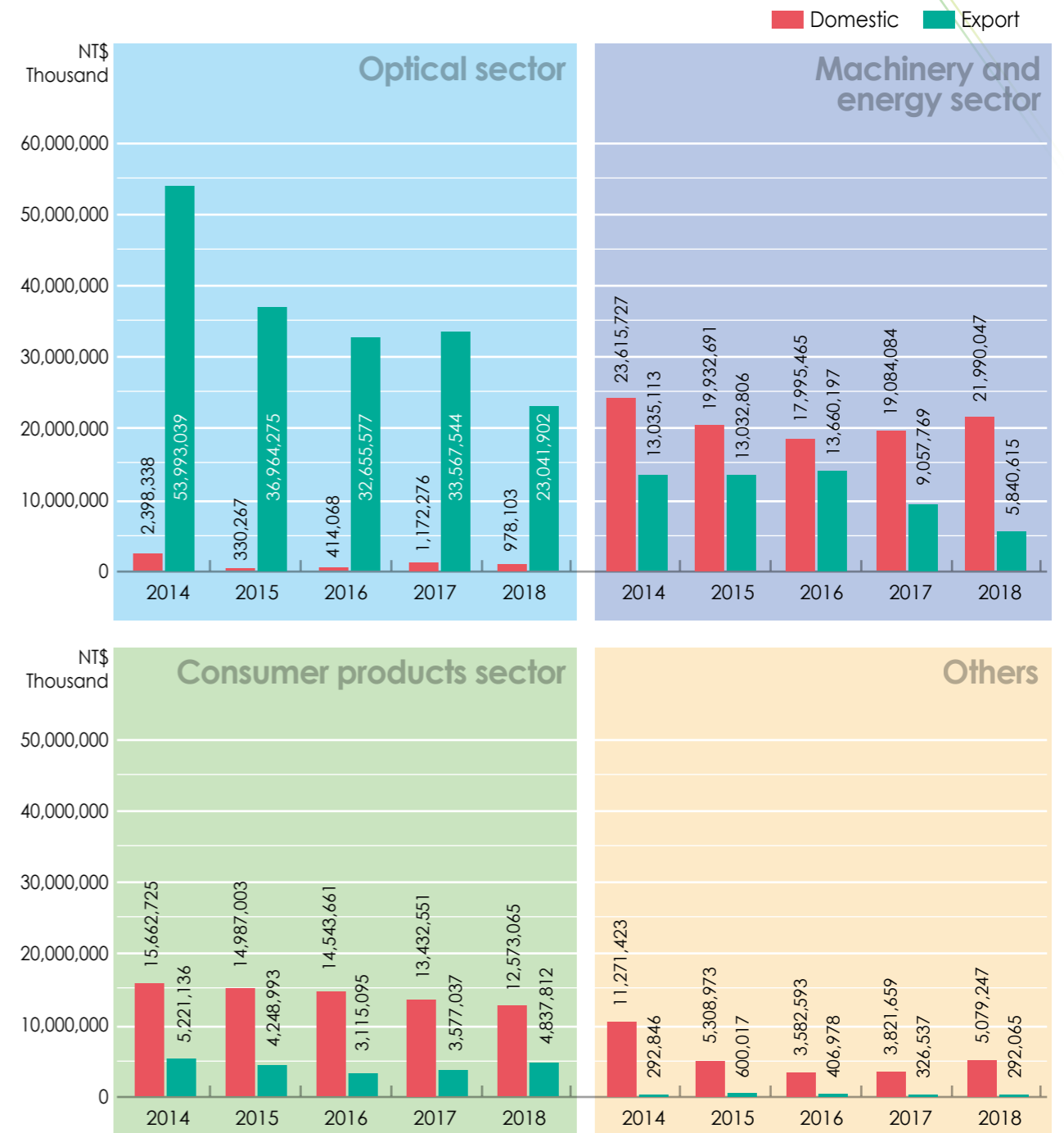
System Business Group

For solar systems, we will move from small rooftop systems into big ground-type systems. We have acquired some land in Chi-Ku, Tainan, and expect to secure all related licenses and permits to start installations in 2019 and complete grid integrations in 2020. Tatung has long years of experience in building substations to support big scale solar system installations. For smart meters, other than continuing to win bids for Tai Power in Taiwan, we also won projects in Japan, Thailand, Malaysia and Middle East. We have completed the first 1MW storage system in Taiwan in Dec. 2018 to pave way for storage businesses in the future. We expect to become leading system company on smart and green energy in Taiwan and overseas. They will become the mainstreams of our revenue and profits in the future.

Power Business Group

We continued to adjust their product portfolio to be smart, energy saving and eco-friendly. We put emphasis on high technology in special applications to increase gross margin rates. Tai Power has released plans to improve its transmission and distribution systems in the grid. This represents sales opportunities in transformers and power cables. Our transformer products have been accredited with KEMA certification. This is beneficial to our business in the international market.

The sales values are shown on Figure 2.3-1.



Note: The above data are subject before consolidation.

▲ Figure 2.3-1 Tatung's domestic and export sales values

Chapter 3 | Organization structure and governance



Governance

**Short-term target ** 1. Appointing Corporate Governance officer to be responsible for governance related matters.
2. Conducting performance evaluation for the board of directors and the functional committees.
3. Drafting principles regarding to corporate governance and modify them when receiving new request from authorities.

**\ Performances in 2018 ** 1. Established Corporate Governance Committee and operated 3 meetings.
2. Complete performance evaluation of the board of directors and the result was "Good".

**Mid-term target ** All the operations follow related governance principles and indicators in Corporate Governance Evaluation.

**Long-term target ** 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.



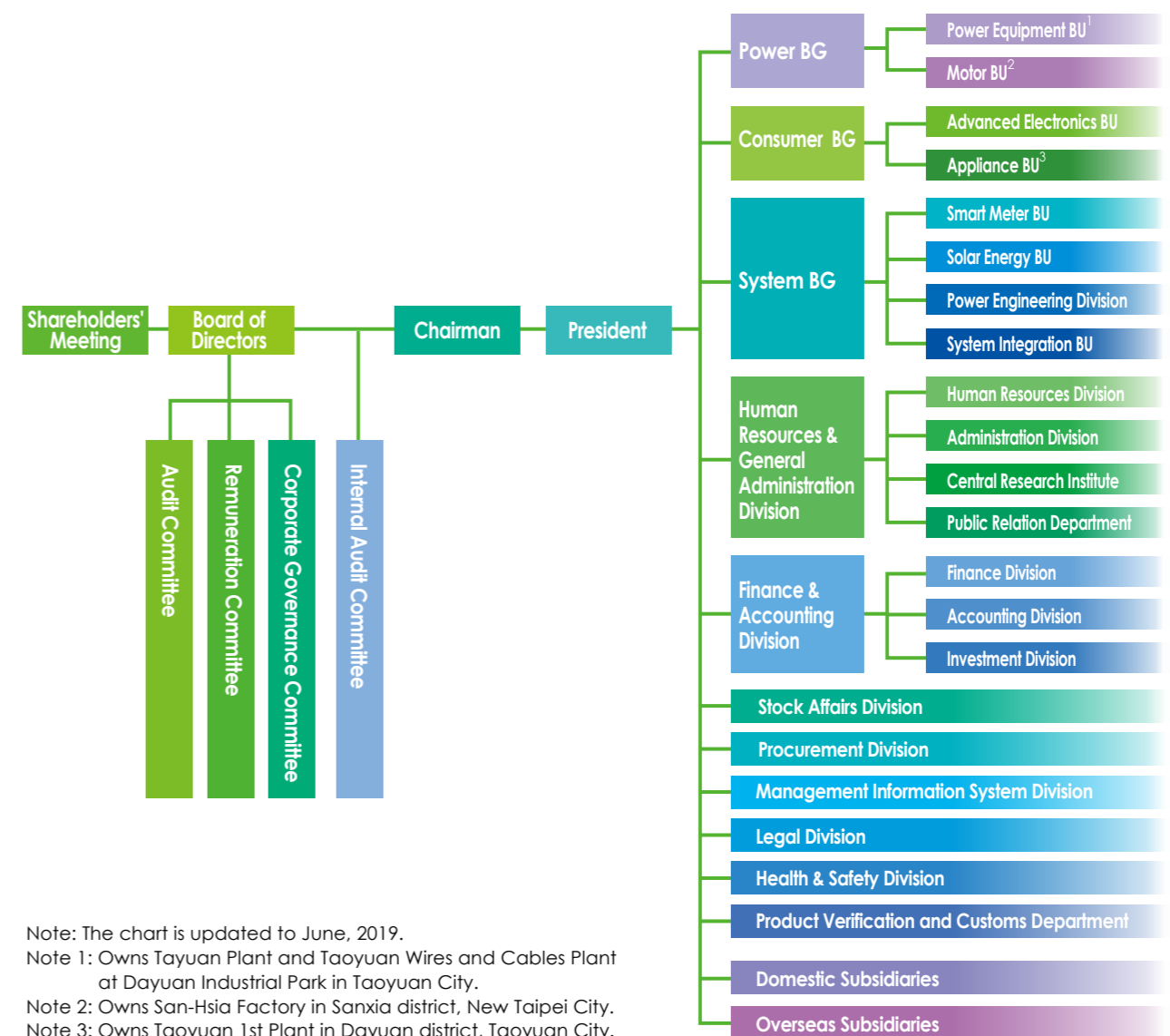
Disclosure on non-financial information

Publish CSR report every year.

**\ Performances in 2018 **
Adopted GRI Standards on 2018 Tatung Corporate Social Responsibility Report and published in June 2018. The report can be downloaded on Tatung official website and MOPS.

3.1 Corporate structure

The governance structure of Tatung is shown on Figure 3.1-1. The top management level is shareholders' meeting, followed by board of directors, chairman, and president. Currently the chairman and president positions are both Wen-yen Kuo Lin. There are three functional committees under board of directors, such as audit committee, remuneration committee, and corporate governance committee, to assist directors. 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 June, 2019.
 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 district, Taoyuan City.

▲ Figure 3.1-1 Tatung Co. operation structure

Shareholders' meeting

The shareholders' meeting is consisted with all shareholders. The annual shareholders' meeting is held regularly and the extraordinary shareholders' meeting is held irregularly according to relevant regulations. In order to improve the information disclosure and fully communicate with the shareholders, during the shareholders' meeting each case will be voted each by each. In order to provide shareholders a more convenient way to exercise their rights, Tatung has implemented the electronic voting system for the first time since the 2007 shareholders' meeting. As of 2018, the number of electronic voting attendances in the shareholder's meeting has reached 52.75%.

Tatung has Spokesman and Stock Affairs Division which is responsible for gathering/disclosing company's information and responding to shareholders. Tatung also setups company's official site in both Chinese and English to disclose the related governance news and company activities and to act as a communication channel between the company and shareholders¹.

Board of directors

Tatung has 8 directors² which consisted with three independent directors and two external directors. All the directors have professional qualifications in many fields and continuously to take trainings to enhance their ability to run a company. In order to take into account the company's operational and development need, we have stipulated diversity in the composition of the board of directors in Tatung Corporate Governance Best Practice Principles. Basic requirements and values, professional background, knowledge and skills of nominators are taken into account. As outcome, the proportion of directors with employees status is 12.5%, while the proportion of female directors in 12.5%, and has included directors with diverse expertise like law and finance and from various industries. Please refer to Table 3.1-1 for our directors' information.

The board of directors has held 10 meetings in 2018. The status for the attendance of directors is list on Table 3.1-2. When there is event of conflicts of interest during board of directors' meeting, Tatung follows related regulations to resolve it. The cases with motion due to conflict of interest in 2018 were: Board meeting on May 17 with proposal submitted by the shareholder of Tatung's 2018 Annual General Shareholders' Meeting, Wen-yen K. Lin took interest avoidance; Board meeting on August 14 with the remuneration system for directors and managers of Tatung will not be amended for the time being, Wen-yen K. Lin, Shou-Huang Chen, Sheng-Wen Tsai, and I-hua Chang took interest avoidance; Board meeting on August with amendments to the remuneration system for independent directors, Peng-fei Su, Tzong-der Liou, and Chi-Ming Wu. Table 3.1-3 shows the major resolutions of the board of directors.

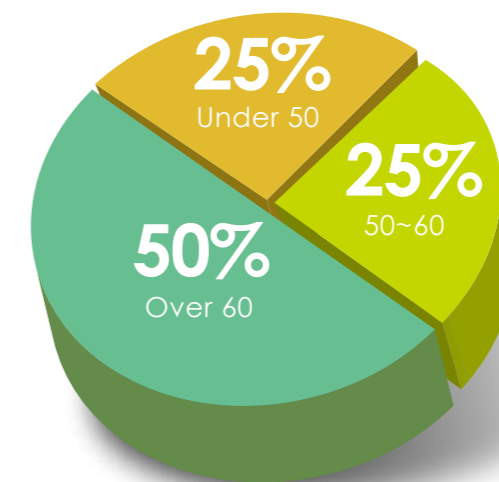
In order to strengthen corporate governance and enhance the functions of the board of directors and various functional committees, the board of directors passed the "Board and Functional Committee Performance Evaluation Guidelines". The board of directors and functional committees of Tatung shall perform at least one internal performance evaluation each year. In addition, the board of directors shall perform at least one external performance evaluation every two years. The results of evaluation shall be completed before the board of directors held within 3 months after the start of the 2nd year and submitted to the board of directors.

The procedures for the establishment of directors' remuneration of Tatung, in addition to the provisions of the Articles of Association, are based on the above criteria and the relevant measures of the functional committees. The relevant performance appraisal and remuneration rationality are reviewed by the functional committees and the board of directors. At any time, the directors' remuneration system will be reviewed in a timely manner depending on the actual operation conditions and relevant laws and regulations.

¹Shareholder's contact information: <http://www.tatung.com/home/contactus>
²Elected in 2017 with 3 years term of office.

▶▶ Table 3.1-1 The policy to diversify the membership of the board

Name / Title	Basic requirements and values		Professional background	Professional knowledge and skills							
	Gender	Nationality	Educational background	Ability to make operational judgments	Ability to perform accounting and financial analysis.	Ability to conduct management administration	Ability to conduct crisis management	Knowledge of the industry	An international market perspective.	Ability to lead	Ability to make policy decisions
Wen-Yen K. Lin Chairman	Female	R.O.C.	Master of Economics, Maryland University	√	√	√	√	√	√	√	√
Representative of Tatung University I-Hua Chang Director	Male	R.O.C.	Bachelor of Mechanical Engineering, Tatung University	√	√	√	√	√	√	√	√
Shou-Huang Chen Director	Male	R.O.C.	Doctor of Philosophy, LLD Institute of the Law of the Sea National Taiwan Ocean University	√	√	√	√	√	√	√	√
Sheng-Wen Tsai Director	Male	R.O.C.	Bachelor of Accounting Fu-Jen University	√	√	√	√	√	√	√	√
Lung-Ta Lee Director	Male	R.O.C.	Ph.D. of Chemical Engineering, Tatung University	√	√	√	√	√	√	√	√
Peng-Fei Su Independent Director	Male	R.O.C.	M.S. in Graduate Institute of Business Administration, National Chengchi University	√	√	√	√	√	√	√	√
Tzong-Der Liou Independent Director	Male	R.O.C.	Ph. D., Nagoya University, Japan Chair Professor, Nagoya University, Japan	√	√	√	√	√	√	√	√
Chi-Ming Wu Independent Director	Male	R.O.C.	Ph.D. in Finance, University of Mississippi, U.S.A.	√	√	√	√	√	√	√	√



▲ Figure 3.1-1 Age distribution of the board members

▶▶ Table 3.1-2 Status of board of directors' meeting

Name	Attendance in person	Attendance by proxy	Attendance rate (%)
Wei-Shan Lin ³	1	0	100
Wen-Yen K. Lin	10	0	100
Tatung University/I-Hua Chang	10	0	100
Shou-Huang Chen	10	0	100
Sheng-Wen Tsai	10	0	100
Lung-Ta Lee	9	1	90
Peng-Fei Su	10	0	100
Tzong-Der Liou	10	0	100
Chi-Ming Wu	10	0	100

▶▶ Table 3.1-3 Major resolutions of the board of directors

Date	Major resolutions
2018/02/01	Chairman Wei-Shan Lin resigned and the board elected director Wen-Yen K. Lin to take up chairmanship. The board resolution of the investment into a Joint-Venture Company for holding solar power plant. The board approved to invest and install the second stage of Tainan Chi-Gu solar plant project.
2018/03/15	The board of directors resolved to convene the 2018 Regular Shareholder's Meeting. The board of directors' resolved no dividend distribution in year 2018. Tatung Co. set up the Corporate Governance Committee and appointed members of Committee.
2018/04/19	The board resolution to adjust the issuance of new common shares for cash in public offering.
2018/05/17	Supplementary information on Tatung's 2018 Annual General Shareholder's Meeting.
2018/08/14	Tatung Co. on behalf of Tatung Co. of Japan, Inc. for endorsements/ Guarantees.
2018/10/11	The board approved to invest and install the Tainan Chi-Gu San Gu Chi section solar plant project.
2018/12/27	Tatung Co. resolved to dispose 100% shares of Tatung Vietnam Co., Ltd. Change in accounting policy.

³ Wei-Shan Lin had resigned on February 1, 2018.

Internal audit committee

Tatung has Internal 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

The Audit Committee of the Board of Directors assists the board in fulfilling its responsibility and duty for oversight of the Company Act, Securities and Exchange Act, and such other related laws and regulations. The committee's purpose is 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, the company's compliance with significant applicable legal and regulatory requirements and Tatung's exiting or potential risk management. Table 3.1-4 shows the status for the attendance of Audit Committee members.

▶▶ Table 3.1-4 Status for the attendance of Audit Committee members

Title & Name	Attendance in person	Attendance by proxy	Attendance rate (%)
Chair, Peng-Fei Su	14	0	100
Member, Tzong-Der Liou	14	0	100
Member, Chi-Ming Wu	14	0	100

Remuneration Committee

The Remuneration committee is responsible for approving the Remuneration Committee Charter for intensifying corporate governance and consolidating the director and executive remuneration programs. Table 3.1-5 shows the status for the attendance of Remuneration Committee members.

The Board of Directors is authorized to determine the transportation allowance and remuneration to directors of Tatung based on their contribution to the company's operation and by taking into consideration the local and foreign standards as applied in the same industry (please refer to Table 3.1-6). Presidents and vice presidents manage the company's business on the order of the Board of Directors. The appointment, dismissal and remuneration of presidents and vice presidents shall be subject to the Company Law. Furthermore, remuneration will also be allocated from the company's earnings, if any, in accordance with Company Regulations.

▶▶ Table 3.1-5 Status for the attendance of Remuneration Committee members

Title & Name	Attendance in person	Attendance by proxy	Attendance rate (%)
Chair, Chi-Ming Wu	2	0	100
Member, Tzong-Der Liou	2	0	100
Member, Peng-Fei Su	2	0	100

▶▶ Table 3.1-6 Remuneration paid to directors in 2018

Unit: NT\$ Thousand

Name	Remuneration		Retirement pensions		Remuneration allocated from earnings		Business execution expenses	
	Tatung	All companies included in financial statements	Tatung	All companies included in financial statements	Tatung	All companies included in financial statements	Tatung	All companies included in financial statements
Wen-Yen K. Lin	-	9,160	-	-	-	277	120	1,360
Wei-Shan Lin	9,504	9,584	-	-	-	43	-	220
I-Hua Chang	-	-	-	-	-	10	120	420
Shou-Huang Chen	1,250	1,250	-	-	-	-	120	120
Sheng-Wen Tsai	1,150	1,150	-	-	-	-	120	120
Lung-Ta Lee	-	120	-	-	-	-	120	600
Peng-Fei Su	3,800	4,232	-	-	-	-	-	-
Tzong-Der Liou	3,620	3,620	-	-	-	-	-	-
Chi-Ming Wu	3,290	3,290	-	-	-	-	-	-

Note: This Table is cited from 2018 Tatung Annual Report page 19-20, please refer to it for completed data.

Note 1: Wei-Shan Lin had resigned on February 1, 2018.

Corporate Governance Committee

In order to have a sound corporate governance, Tatung has established a corporate governance committee with its organizational charter in accordance with the resolutions made by the board of directors in 2018. The board of directors elected 3 independent directors and 2 external directors to be members of the committee and responsible for corporate governance related matters. In 2019, the head of Legal Division was appointed as Corporate Governance officer. The Corporate Governance Committee meetings are held at least once every quarter and the duties are:

- 1.To give considerations to experience, expertise and independence to formulate selection criteria for independent directors and members of various functional committees and submit to the board of directors for resolution.
- 2.Responsible for planning and evaluating the potential candidates for independent directors and functional committee members.
- 3.Give recommendations to Tatung's board of directors regarding the candidates for directors (including independent directors), functional committee members, and candidates for subsidiaries' directors and independent directors.
- 4.Plan to review the implementation of the duties of the chairman, directors, independent directors and members of various functional committees.
- 5.Responsible for the research and analysis, implementation, planning proposals and regulations of the corporate governance system, the rules and regulations of the board of directors, and the review and revision of the relevant rules, regulations and procedures for corporate governance, and submit to the resolution of the board of directors.
- 6.To review the next year's annual plan and to assess the implementation of the current year's annual plan of the board of directors and to submit separately to the board of directors for resolutions and reporting.
- 7.Review the implementation of the information disclosure.
- 8.Review the governance relationship between Tatung and its subsidiaries and other related companies.
- 9.Responsible for reviewing the effectiveness of the implementation of the corporate governance.
- 10.Other duties in accordance with the regulations and board resolutions.

▶▶ Table 3.1-7 Status for the attendance of Corporate Governance Committee members

Title & Name	Attendance in person	Attendance by proxy	Attendance rate (%)
Chair, Tzong-Der Liou	3	0	100
Member, Peng-Fei Su	3	0	100
Member, Chi-Ming Wu	3	0	100
Member, Shou-Huang Chen	3	0	100
Member, Sheng-Wen Tsai	3	0	100

Board and Functional Committee Performance Evaluation

In order to strengthen corporate governance and enhance the functions of the board of directors and various functional committees of Tatung, the board of directors passed the "Board and Functional Committee Performance Evaluation Guidelines" in 2018. The board of directors and functional committees of Tatung shall perform at least one internal performance evaluation each year. The results of internal performance evaluation for 2018 were passed to the board of directors' meeting on Jan 29, 2019 for review.

The evaluation items are list on Table 3.1-8. The evaluation results of the board of directors and various functional committees and the performance of members were "Good"⁴ during 2018.

▶▶ Table 3.1-8 Board and functional committee performance evaluation items

Item	Board of directors	Item	Functional committees
1	Participation in the operation of the company.	1	Participation in the operation of the company.
2	Improvement of the quality of the board of directors' decision making.	2	Awareness of the duties of the functional committee.
3	Composition and structure of the board of directors.	3	Improvement of quality of decision made by the functional committee.
4	Election and continuing education of the board of directors.	4	Makeup of the functional committee and election of its members.
5	Internal control	5	Internal control.
6	Participation in sustainability (Environment, Social, Governance, ESG).		

⁴The evaluation period: 2018.1.1~2018.12.31; The grading over 80% is "Good", 60%~80% is "Standard", below 60% is "Poor".

3.2 Governance

Good corporate governance and ethical management are the keystones for a corporate to achieve sustainable development. Since 1918, we have taken "Integrity, Honesty, Industry, Frugality" as our corporate values and stipulated "Corporate Governance Best Practice Principles", "Ethical Corporate Management Best Practice Principles", "Procedures for Ethical Management and Guidelines for Conduct", "Ethical Conduct Principles", and "Corporate Social Responsibility Best Practice Principles". We keep abreast of global trends and adjust with the times to follow our various businesses. On the other hand, through the implementation of the internal control system, the company's policies and regulations are ensured. In addition to playing the role of a product and service provider, we also combine environmental sustainability with the management of the company. It is expected to not only achieve sustainable business, but also fulfill our responsibility for environmental sustainability and corporate social responsibility.

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 "Corporate Governance Best Practice Principles". The principles are agreed by board of directors and aiming to achieve the followings:

1. Protect the rights and 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.

Ethical Corporate Management Best Practice 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 "Ethical Corporate Management Best Practice Principles". The principles prohibit directors, supervisors, managers, 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.

Ethical Conduct Principles

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 published "Ethical Conduct Principles" and agreed by the board of directors.

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 "Ethical Corporate Management Best Practice Principles" and "Procedures for Ethical Management and Guidelines for Conduct" to prohibit every member in the company from doing non-ethic 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 Internal Audit Committee. The contracts signed with the suppliers are added the requirements such as shall not bribe or provide improper benefits to Tatung employees. Work rotations for

procurement, finance and human resources departments to reduce the risk of corruption. We also announce the "Corporate Ethics Statement for the Group" on the company's internal website from time to time. In addition, we have relevant systems for reporting illegal cases, and unethical or dishonest conduct cases. If there is any corruption case, Tatung will pursue its legal responsibility to put an end to the corruption.

Internal control system and internal control committee

In order to promote the effective operation and ethical management of the company, Tatung 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 3.2-1 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 3.2-1 Tatung internal control system statement

Risk management

When facing on rapid changing business environment and climate change, Tatung assigns responsible departments (Table 3.2-1) to process risk assessment on significant topics. Table 3.2-2 shows Tatung's risks and counter measures.

▶▶ Table 3.2-1 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 promotion 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 3.2-2 Risks and counter measures of Tatung.

Category	Item	Countermeasures
Governance	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.
	Major transfer or swap of stocks	<ul style="list-style-type: none"> The shareholdings of Tatung's directors have been stable during the past years, and there was no major transfer or swap of stocks. Financial Supervisory Commission (FSC) has repeatedly imposed penalties on violations by the same mainland China investment, 4.06% shareholding in May 5, 2017, 8.78% in December 5, 2017 and 18.01% in January 17, 2019 respectively. There must be loopholes in the law enforcement that mainland China could take advantage of and that is why they could continue to violate the laws and regulations in Taiwan, even with repeated penalties. Therefore, we would like to pledge to the authorities to check into the loopholes in the enforcement in order to protect not only Tatung but also all companies in Taiwan. Tatung Board decides to take legal actions to protect corporate and shareholders' interest: <ol style="list-style-type: none"> Regarding the Mainland China investment fined by the Financial Supervisory Commission, it is alleged to be against Article 157 of Securities and Exchange Act. We will engage a law firm to claim for the disgorgement of any profits realized from the buy and sale. Regarding false statements damaging the reputation and credit of our company, we will engage a law firm to initiate private prosecutions against the target individuals.
	Non-ethical behavior	<ul style="list-style-type: none"> Tatung adopted and made public "Ethical Corporate Management Best Practice Principles" and "Procedures for Ethical Management and Guidelines for Conduct" at its official website, issued and announced internally the Company Rules and "Corporate Ethics Statement for Group Employees." Tatung continues to enhance core corporate philosophy – "Integrity, Honesty, Industry, and Frugality," and states that the employees are prohibited to perform malpractices or accept gifts of others in regarding to their jobs. 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, Power Equipment Business Unit and System Business Group of Tatung have 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 marches into oversea market and aims at the energy technology industry leader. With the trend of energy efficiency and carbon reduction, Home Appliance Business Unit 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. With the advent of the digital era, the Company is aggressively pursuing R&D, production and marketing of products that integrate information, communications and home appliance functions to cater to the demand of the digital-age family. 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.
	Information security	<ul style="list-style-type: none"> Tatung established the Information Security and the Personal Information Protection Committee in 2014 and passed ISO 27001 verification, and ensured the security of the company's personnel, data, information systems, equipment and network in accordance with the requirements of BS 10012. To ensure the safety of the company's personnel, data, information systems, equipment and network, Tatung established an information security policy as the highest guiding principle to achieve the goal of "uninterrupted service, no loss of information, personal information not leaked, and enterprise sustainable operation". The actual implementation method is based on the pre-emptive and risk reduction pre-existing issues. Through the discussion of the monthly meeting and the emergency response, the review of the new internal and external security issues will be carried out to the annual plan. In the activities of the planning, the annual budget and security management review meeting hosted by President will be held in October each year, and the results of this year's implementation and the budget plan for the next year will be reported. The annual activities include semi-annual external auditor's audits, two outsourcing consultants' external counseling every year, and an annual internal audit of the audit committee to determine the implementation status of the information security management system and whether to achieve the information security objectives of confidentiality, integrity, availability and compliance of each service.
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.
	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, establish energy management system, and carry out energy saving projects.
	Water resource	Promote water saving projects.

On December 21, 2017, the board of directors passed a resolution on the loans of funds of the wholly owned subsidiary - Tatung Vietnam Co., Ltd., the balance of US\$16,655,000 and the interest receivable of US\$1,622,000. The total amount of US\$17,717,000 was transferred to the capital amount. Since the amount of credit to the capital has reached NT\$300 million, the accountant has not been consulted on the reasonableness of the transaction price before the factual date, and there is a violation of the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" and fined NT\$240,000. Tatung has subsequently provided Financial Supervisory Commission with a written opinion on the reasonableness of the equity price issued by the independent auditor on September 25, 2018.

As for Tong-Da Case with respect to the Former Chairman Lin (Lin hereafter), The Supreme Court revoked Taiwan High Court's decision on Dec 7, 2015, and the case was remanded to Taiwan High Court. Taiwan High Court has sentenced Lin to imprisonment and fine, Lin has filed an appeal to the Supreme Court, the High Court has affirmed the referral of the case. The Securities and Futures Investors Protection Center (SFIPC hereafter) filed suit against Lin seeking compensation for the loss in Taiwan High Court. According to the court decision, Lin has to pay back the company 1.9 billion NT dollars plus interest. Lin authorized his lawyer to appeal to the Supreme Court, the Supreme Court reversed the original judgment and remanded the case to the original court for retrial. As for SFIPC filing suit to remove Lin from the board, the original district court and high court ruled that the SFIPC's lawsuit was groundless, and decided against the SFIPC. Whereas, on Jul. 10, 2017, the Supreme Court rescinded the original judgment and remanded the case to the original court for retrial. On Feb. 21, 2018, SFIPC filed for permission of Taiwan High Court to withdraw the suit. The litigation procedure of this case ended, for Lin had resigned from the board of the Company on Feb. 1, 2018. Tatung remains in normal operation, and is not affected by the litigation.

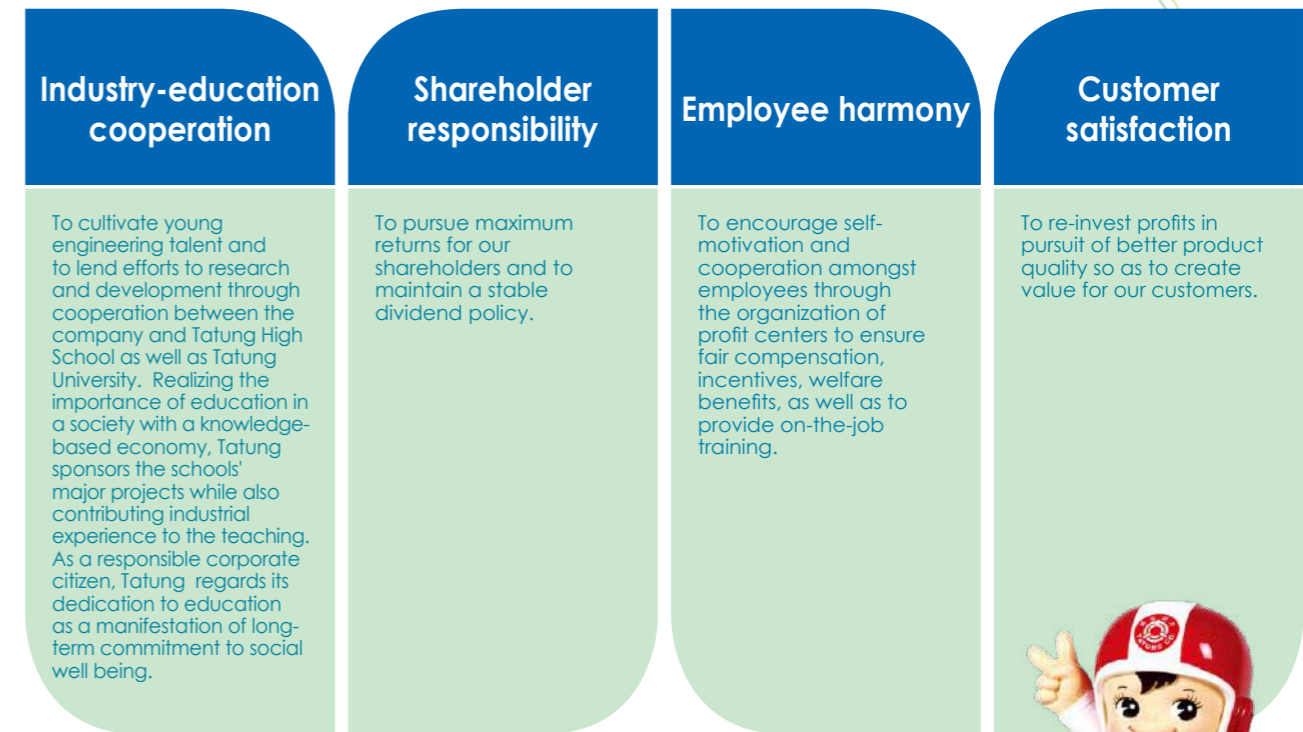
**Corporate social responsibility
Policy and management**

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 (amended on 2018.5.15). The principles act as guidance for implementing corporate governance, sustainable development and the environment, the maintenance of social welfare, strengthening CSR disclosure. The results and performances will be reported to board of directors every year.

▶▶ Table 3.2-3 Tatung CSR responsible units

Topic	Responsible unit	Reporting issue
Corporate social responsibility	Legal Division	Tatung has reported to the board of directors the implementation of CSR for 2018 on 2019.2.14.
Environmental management	Healtht & Safety Division	Tatung has reported to the board of directors the implementation of environmental management for 2018 on 2019.2.14.
Ethical management	Human Resources & General Administration Division, Legal Division	Tatung has reported to the board of directors the implementation of ethical management for 2018 on 2018.12.27.



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". In order to implement CSR policies and activities and disclose such information to the stakeholders, we promise to issue a CSR Report⁵ after approval by the Chairman in June each year.

In response to the release of the GRI Standards and in line with the international trend, with the efforts of all departments, we adopted the GRI Standards (previous version: G4) since the previous version: 2018 Tatung Corporate Social Responsibility Report which was one year in advance.

⁵ <http://www.tatung.com/Content-EN/csr-report.asp>

Chapter 4 | Supply chain management, product responsibility and customer service



Supply chain management

Target \ 1. 100% of new supplier signs back the supplier commitment letter.
2. Incorporate CSR related topics into Supplier Introducing Procedure from 2018.

Performance in 2018

1. 100% of new supplier signed back the supplier commitment letter.
2. Followed by Consumer BG, CSR related topics have been incorporated in to Supplier Introducing Procedure for all the suppliers since 2018.



Customer management

Target \ 1. Continue to manage customer information in accordance to regulation.
2. Satisfaction for shipping service: 97% and repair service: 94%.

Performance in 2018

1. No. of complaints in regarding to violating customer privacy or losing customer information: 0.
2. Satisfaction for shipping service: 97.6%; repair service: 96.2%



Product responsibility

Short-term target \ 1. Meet annual quality target.
2. All the products are complied with product inspection and labeling regulations.

Performance in 2018 \ No. of products violated product inspection and labeling regulations: 2.

Mid-long term target \ 1. Continue to run ISO 17025 in testing labs and pass certification.
2. Continue to run ISO 9001 in the factories and pass certification.
3. Zero deflection in quality.



Sales

Target \ 1. Aware of change in regulation and avoid violation upon sales.
2. Maintain online shopping platform and establish auto correction measure.

Performance in 2018

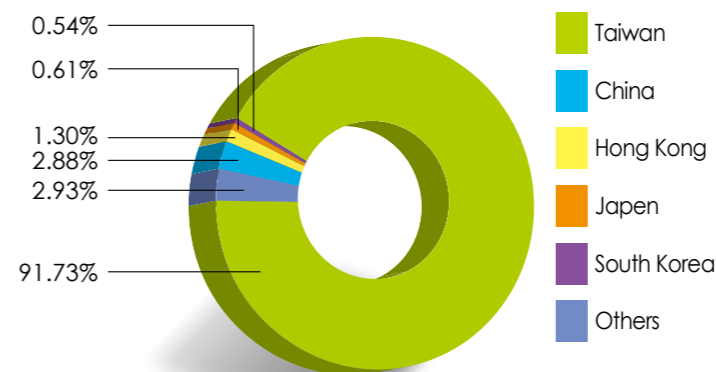
No. of advertisements or promotions violated related regulations: 1.

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.

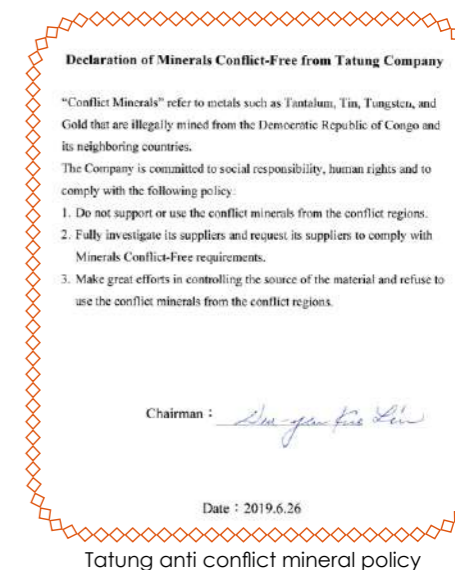
On the other hand, Tatung requests suppliers to fulfill corporate social responsibility together by adding anti-corruption and human rights (human rights, freedom of association, child labor, and forced labor) clauses in the contract. Also from 2015, we started to request suppliers to sign a commitment 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 response to the attention to conflict minerals internationally, Tatung has issued "Declaration of Minerals Conflict-Free from Tatung Company" this year and started to carry out a supplier survey.



▲ Figure 4.1-1 Suppliers' geographic distribution in 2018 (by numbers)

▶▶ Table 4.1-1 CSR contents in 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

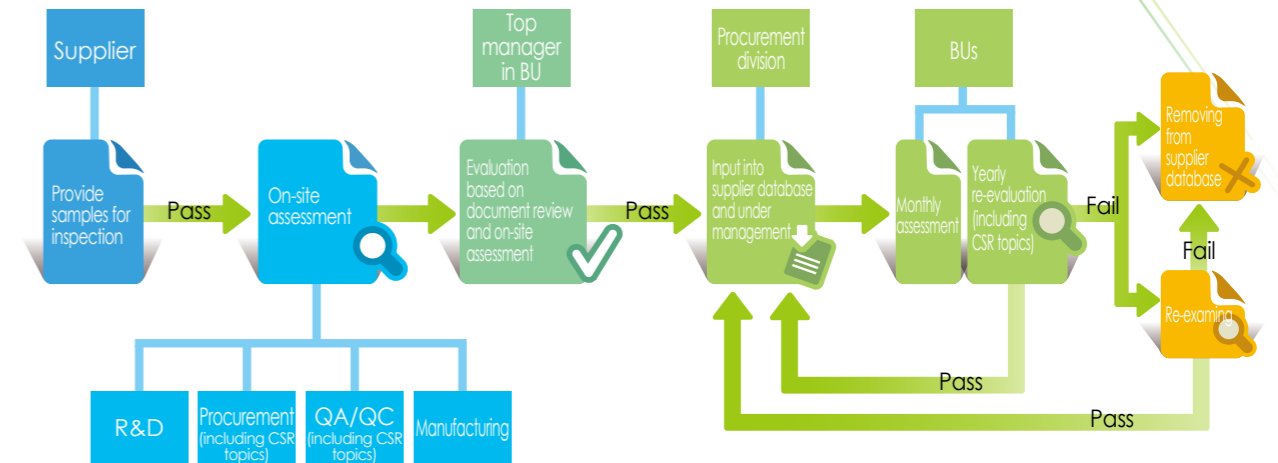
Tatung groups its suppliers into four categories; each category has its own introducing procedures and management standards. The introduction of the new supplier in Category I requires on site assessment by evaluation team. The assessment content mainly includes design, technical capabilities, quality 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. Starting from Feb, 2018, CSR related contents were incorporated into on site assessment for all business units. 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.

For suppliers (construction category not included) 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. The annually-re-evaluation is focusing on suppliers' operation policy, CSR policy, quality management, R&D capability, manufacturing management, servicing ability. 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.

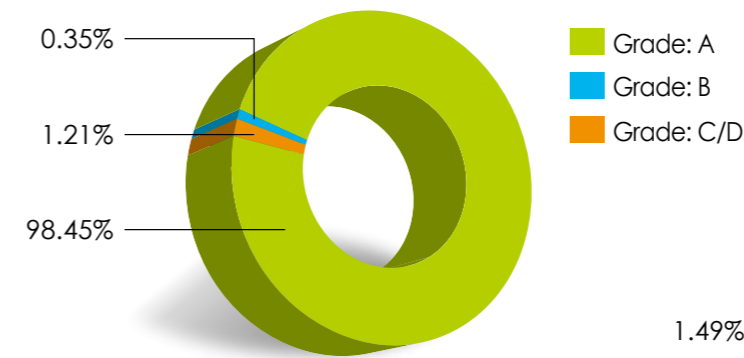
▶▶ Table 4.1-2 Category of suppliers and introducing/management measures

Category	Classification criteria	Introducing procedure	Introducing procedure
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.	☆ On-site assessment ☆ Sign procurement contract ☆ 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.	☆ Document review ☆ Sign procurement contract ☆ Sign commitment letter	Monthly assessment
Construction	Suppliers who build factory, apartment, office building, system installation, or repair project.	☆ On-site assessment or document review for existed cases ☆ Sign procurement contract ☆ 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.	☆ Sign procurement contract ☆ Sign commitment letter	Monthly assessment

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.

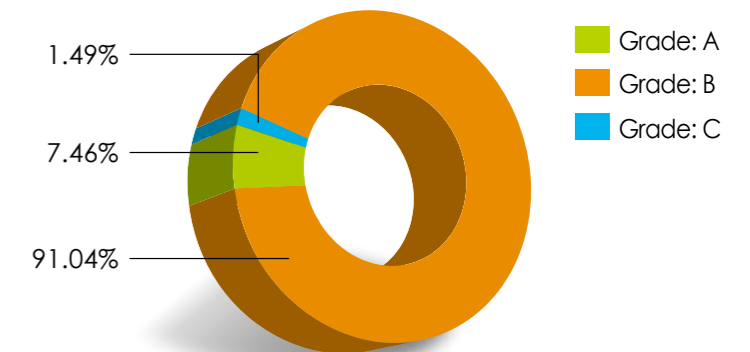


▲ Figure 4.1-2 Supplier introducing and managing procedure



Note: Grade A and B are qualified suppliers; Grade C/D is failed from monthly assessment and requested to be improved within limited time.

▲ Figure 4.1-3 Result of supplier monthly assessment in 2018



Note 1: Grade A and B are qualified suppliers; Grade C is failed from Yearly re-evaluation. If BU managers require them to be re-examined, the failed suppliers have to be improved with limited time and to be re-examined again.

Note 2: Grade C disqualified suppliers was 1.49% in 2018. The main reason was due to the suppliers reduced their business scales and being disqualified from our supplier list.

▲ Figure 4.1-4 Result of supplier annually re-evaluation in 2018

4.2 Product responsibility

Quality management

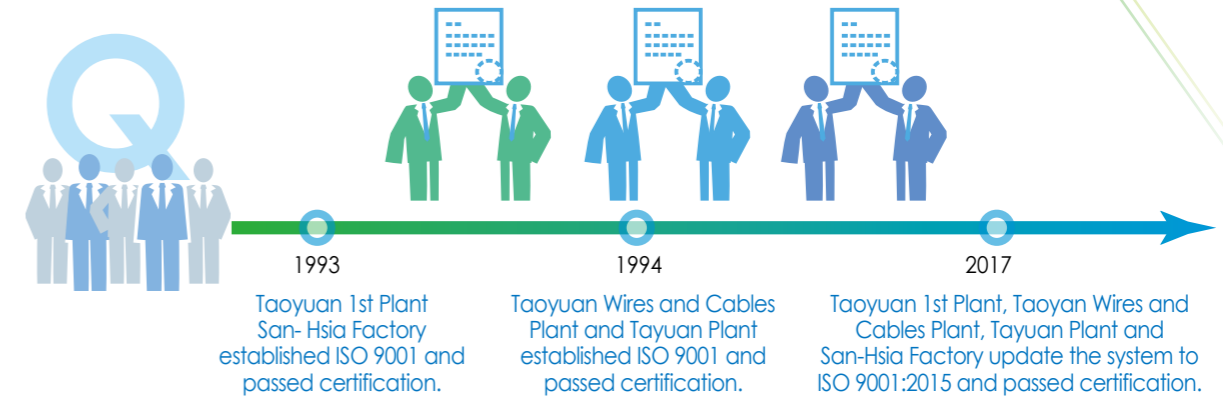
Product quality and safety is the keystone of sustainable operation for a company. By providing high quality and safe products can build the brand image, enhance competitiveness and create high-profit, low-risk business model, and achieve a win-win situation for consumers and company. Based on this philosophy, Tatung has established ISO 9001 and passed the certification (as shown in Table 4.2-1) in the factories. 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.

Tatung is constantly improving product quality by using quality key performance indicator (KPI) and setting quality targets as the target of quality achievement every year (Short-term: achieving annual quality objectives; Mid-term: increasing/decreasing 10% target per year; Long-term: zero disadvantages). The detailed process of management and implementation is shown in Figure 4.2-2. Each BU proposes a specific target for the project whose annual target is not up to standard. After review and confirmation, the HQ conducts on-site audit to effectively improve product quality and achieve annual quality objectives.

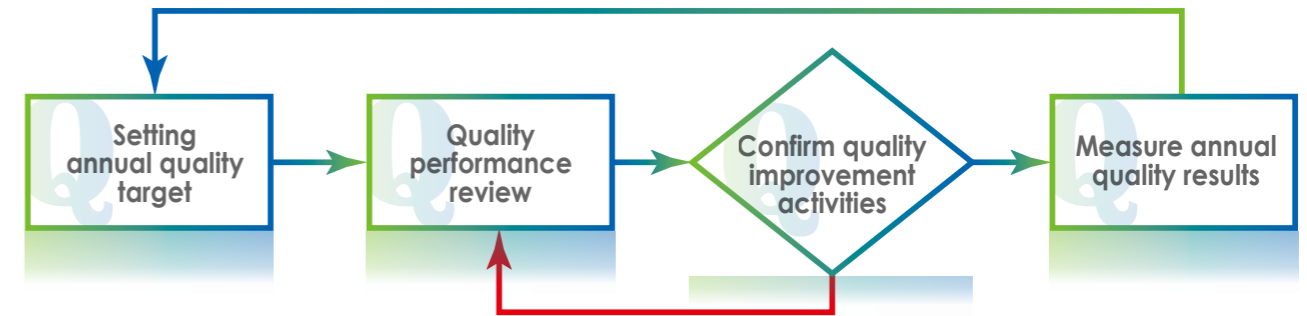
Other than the management systems in the factories, Tatung has its own Calibration Lab and Tatung Environmental Research Center in headquarter. These two laboratories provide accurate measuring and calibration testing services and hazardous substances testing service. In addition, Tatung has Transformer 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 products that acquired ISO 9001:2015

Factory	Registered product	Register date
Taoyuan 1st Plant	Window mounted air conditioners, separated type air conditioners, dehumidifiers, box shaped air conditioners, water cooling central air conditioning systems, rice cookers, electric fans.	2017.12.28
San-Hsia Factory	Generators (less than 10,560KVA), electrical motors.	2017.10.20
Tayuan Plant	Oil-immersed transformers (below and including 345KV), Oil-immersed reactors (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.	2017.06.30
Taoyuan Wires and Cables Plant	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.	2017.12.05



▲ Figure 4.2-1 Status of ISO 9001



▲ Figure 4.2-2 Quality KPI management flowchart

▶▶ Table 4.2-2 TAF certified laboratories in Tatung

Name of laboratory and certification number	Testing item	Date of certification
Calibration Lab L0003	Measuring and calibrating of products	1990.06.01
Tatung Environmental Research Center L1697	Waster quantities and quality, hazardous substances of electric and electrical products	2007.10.24
Tatung Transformer Testing Lab L2306	Transformer testing	2010.12.27
Air Conditioning Facility Testing Lab L2270	Cooling capacity and EER of air conditioners	2011.01.20
Tatung Switchgear Testing Lab L2308	Switchgear testing	2011.03.23
Tatung Generator Testing Lab L2442	Generator testing	2011.10.12
Tatung Motor Testing Lab L2613	Motor testing	2012.07.01
Tatung Taoyuan Wire and Cable Testing L2964	Wires and cables testing	2015.04.29



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 2018, we had a refrigerator (TR-150HT) that did not attach the inspection label according to the regulations which violated the regulation. The violation has been improved and listed as an internal case example for a new product management mechanism and recurrence prevention measures.

Some dehumidifiers (Models: TWD-500B, TWD-510B, TWD-511B, TWD-711B, TWD-710B, TWD-660B, TDH-200HB, TWD-1400B, and TWD-1400BL) have been 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 can make a phone call to Tatung or TCPC and the specialist will visit your place for service free of charge. Tatung 3C also launched the dehumidifier replacement campaign to provide preferential repurchase programs for the above-mentioned models to attract consumers to review the models of dehumidifiers in order to increase the number of recalls.

¹ <https://safety.bsmi.gov.tw/wSite/ct?xItem=70813&ctNode=4735&mp=65>
² <http://tcpc.tatung.com>



▲ Figure 4.2-2 Dehumidifiers that need to be recalled

◀ Figure 4.2-3 Dehumidifier replacement campaign poster



▶▶ 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.
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.

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. In 2018, we had a dehumidifier (TDH-121MB) that not being labeled in accordance to the regulations. The violation has been improved and listed as an internal case example for a new product management mechanism and recurrence prevention measures.



▲ Figure 4.2-4 Product labeling and instruction (e.g. rice cooker)



▲ Figure 4.2-5 Hazardous substances containing information (e.g. rice cooker)



★ Label of sustainability on products and services ★

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



4.3 Sales and customer information management

Fair trade and anti-trust behavior

Mutual competition among enterprises helps to improve the quality of products and provide consumers with variety of products, improve operational capabilities and reduce cost waste to create profits. Anti-competitive behavior will weaken the efficiency and fairness of the market and make consumers with less choice and fail to obtain reasonable services, and eventually hurt the core value of the company. Therefore, Tatung manages the retailers through the control of the contract and ensure the detailers not maliciously cut prices or intent to damage the image of Tatung in order to achieve the goal of fair trade. For the production, promotion and other activities of advertising, Tatung complies with relevant laws and regulations. However, after the implementation of the new energy efficiency standards in 2018, we have not corrected the information on the dehumidifiers (models: TDH-121MB and TDH-460B) on the official website in time and been fined NT\$200,000. We have corrected the information on the website immediately when we received the ruling. We will strengthen the control of advertising and propaganda, and continue to encourage employees to participate in anti-trust law, fair trade law related seminars to raise awareness of relevant laws and regulations and avoid similar situations.

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 currently has 176 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.



etungo online shopping mall



FB for Tatung fans



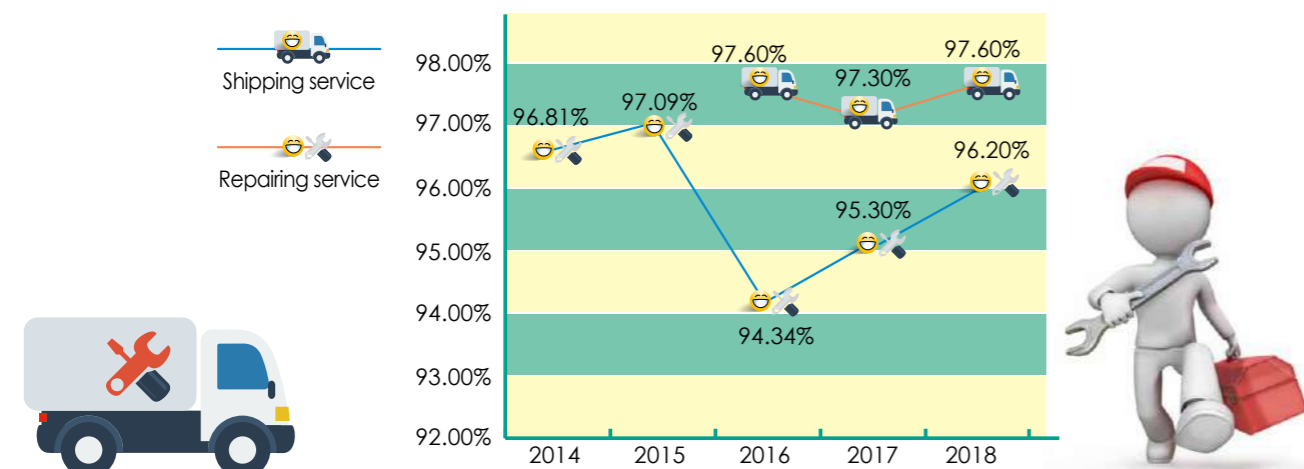
FB for Tatung multi-function cooker fans

In order to provide a more convenient customer service, TCPC has online service that the consumers can access to official website³ make service request (Figure 4.3-1). The system will assign the service request to the accordance service station and provide rapid and high quality services. The consumers can also check the repairing progress by assessing online webpage⁴ (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 service⁵ which customers can ask questions, express their opinions and give positive feedbacks to us (Figure 4.3-3).

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 shipping or repairing experience. If the feedback is unsatisfied, Tatung will conduct a second service and make improvement. We set consumer satisfaction targets for shipping service to be not lower than 97%, repairing service⁶ to be not lower than 94%. The results in 2018 were 97.6% satisfied for shipping service and 96.2% satisfied for repairing service. Both results were met our targets.



▲ Figure 4.3-1 Product online service from ▲ Figure 4.3-2 Inquiry page for repairing progress ▲ Figure 4.3-3 Online feedback form



▲ Figure 4.3-4 Results of consumer satisfaction

³ http://tccvm01.tatung.com.tw/tatungcp/agent/cust_100.asp
⁴ http://tccvm01.tatung.com.tw/tatungcp/agent/cust_200.asp
⁵ <http://www.tatung.com.tw/home/suggestion>
⁶ Restarted to commence satisfaction survey for shipping service since 2016.



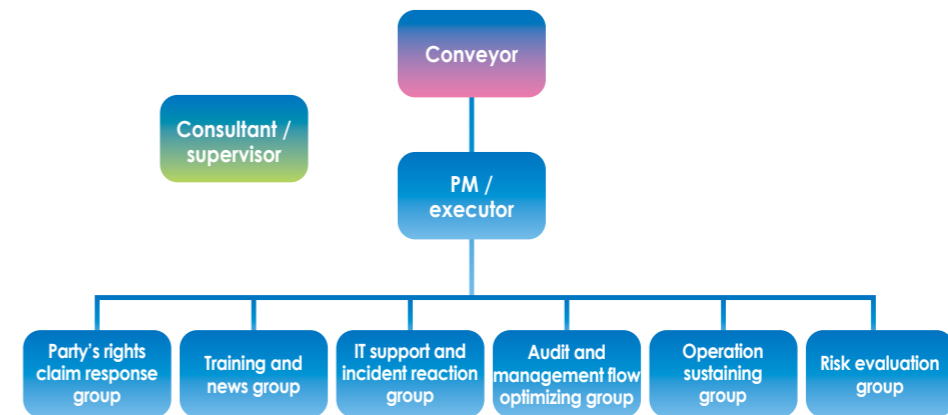
▲ ISO 27001 certificate

Information security management

In response to personal information protection and information security needs, Tatung established the Information Security and the Personal Information Protection Committee as early as 2014, passed the ISO 27001 information security management system verification, and ensured the security of the company's personnel, data, information systems, equipment and network in accordance with the requirements of the BS 10012 personal data protection standard. To ensure the safety of the company's personnel, data, information systems, equipment and network, establishing an information security policy as the highest guiding principle of the company's information security management system, achieving the goal of "uninterrupted service, no loss of information, personal information not leaked, and enterprise sustainable operation".

The actual implementation method is based on the pre-emptive and risk reduction pre-existing issues. Through the discussion of the monthly meeting of the Information Security Monthly Meeting and the emergency response, the review of the new internal and external security issues will be carried out to the annual plan. In the activities of the planning, the annual budget and security management review meeting hosted by President will be held in October each year, and the results of this year's implementation and the budget plan for the next year will be reported. The annual activities include semi-annual external auditor's audits, two outsourcing consultants' external counseling every year, and an annual internal audit of the audit committee to determine the implementation status of the information security management system and whether to achieve the information security objectives of confidentiality, integrity, availability and compliance of each service.

In 2018, there were no complaints related to infringement of customer privacy or loss of customer information. In addition, in recent years, there have been cases of fake official community accounts for fraudulent use. When we were informed of such news, we immediately went to the company's official website and our social group to announce warning messages to prevent consumers from being victimized.



▲ Figure 4.3-5 Structure of Tatung Information Security and the Personal Information Protection Committee



▲ Internal website for Information Security and Personal Information management

▲ Tatung reminds its consumers to pay attention to fraud news on the official website and social network sites.

| Chapter 5 | Social performance



Employee performance management

Short-term target \ Through performance review to ensure that employees pay attention to correct performance projects and review the daily work performance to link with company strategies.

Mid-term target \ Giving rewards for outstanding personnel; coaching personnel with poor performance for improvement.

Long-term target \ Using long-term performance review system to identify potential talents, and link with promotion or salary adjustment.

\ **Performance in 2018** \ 94.5% of employees were conducted with performance review.



Labor-management relations

Short-term target \ Continue to put efforts towards the harmonious between employees and the company.

Mid-term target \ Sign collective bargain.

Long-term target \ Labor and management cooperate and coexist to share common prosperity.

\ **Performance in 2018** \ No significant labor relation dispute in 2018.



Education and training

Short-term target \ Make the employees to understand the company's core values, business philosophy and learn all the necessary work abilities through training courses.

\ **Target for 2018** \ 1. Total education and training hours reach 35,000 hours.
2. Degree of education and training satisfactory higher than 90%.

\ **Performance in 2018** \ 1. Total education and training time were 35,856 hours.
2. 92.09% satisfaction for education and training.

Mid-term target \ Make the employees to practice the key behavior on daily basis by learning from their managers.

Long-term Target \ Make the employees to work hard and raise performance to help the company to achieve the strategic targets and visions.



Health and safety

1. Maintain health and safety management systems in the factories.

Short-term target \ 1. San-Hsia Factory is aiming to complete the establishment of ISO 45001 and pass the certification in 2019.
2. Rest of factories pass OHSAS 18001 annual certification.

\ **Target for 2018** \ All four factories pass health and safety management systems annual certification.

\ **Performance in 2018** \ All 4 factories passed OHSAS 18001 and/or CNS 15506 certification.

Mid-term target \ Implement ISO 45001 in all 4 factories and pass certification before 2021.

Long-term target \ Continue to run occupational health and safety systems in the factories.

2. At least 95% correction rate for non-conformities found in Accident Prevention Pays Program.

\ **Performance in 2018** \ The correction rate for non-conformities was 98.70%.

3. 10% lower each year for FR and SR.

\ **Performance in 2018** \ Did not meet the target: FR and SR for male employees were higher than in 2017.

5.1 Building a friendly working environment

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.

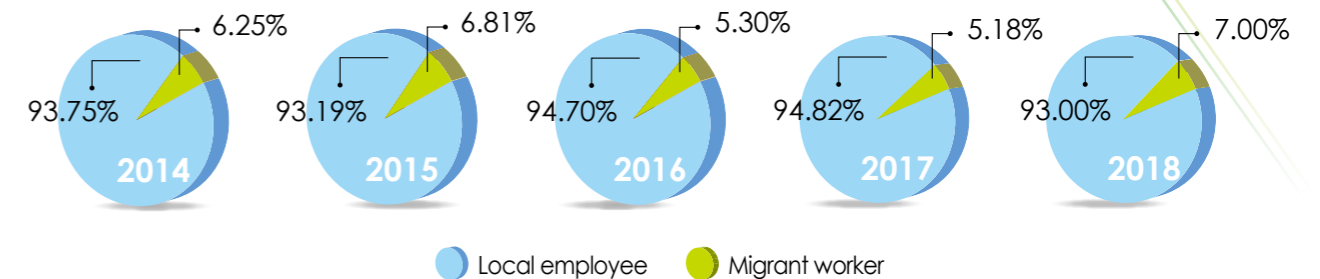
Tatung also stipulated "Anti-sexual harassment Regulation" and published on the internal website. Sexual harassment in any forms is strictly prohibited in any working places in Tatung. There was no discrimination and anti-human right incident in 2018. Tatung will continue to promote anti-discrimination policy in the company to prevent discrimination.

Employee diversity

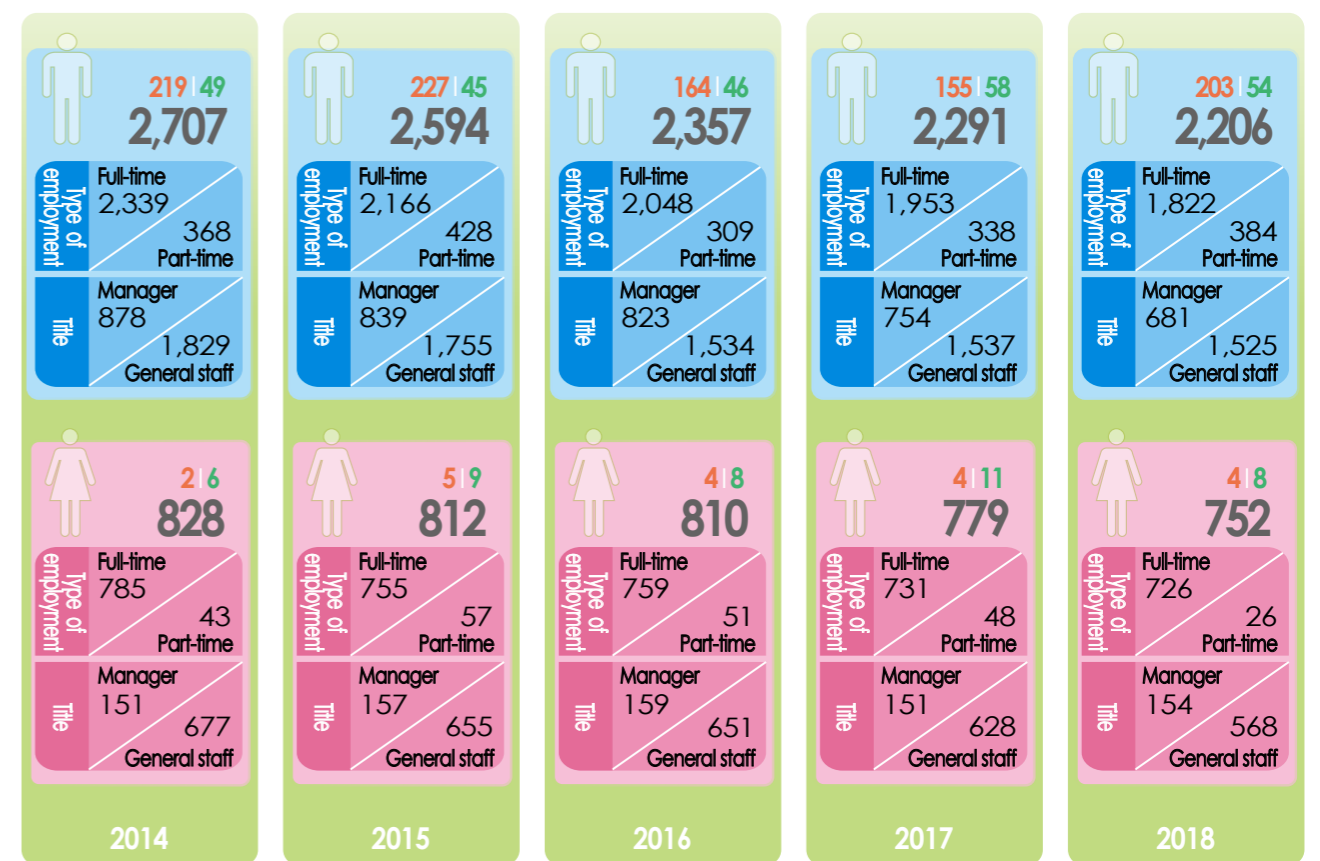
The recruitment policy in Tatung is based on the principle of meritocracy. It does not discriminate against any age, gender or race but only take applicants' talents into account. The recruitment process follows the relevant regulations and selects the right applicants in a fair and equitable manner. Table 5.1-1, Figure 5.1-1, Figure 5.1-2 demonstrate the employee compositions of Tatung. Tatung has more than 93% of local employees and 2.10% of disable employees which is more than the requirement by the regulation.

▶▶ Table 5.1-1 Employee compositions (by ages)

	Year	Younger than 30 years old		30~50		Over 50 years old			Year	Younger than 30 years old		30~50		Over 50 years old	
		Male	Female	Male	Female	Male	Female			Male	Female	Male	Female	Male	Female
No. of employees	2014	362	122	1,606	530	739	176	Percentage of new recruits (%)	2014	3.93	1.24	5.04	1.27	0.57	0.03
	2015	356	121	1,534	516	704	175		2015	7.90	2.70	5.96	1.61	1.91	0.29
	2016	226	118	1,280	497	641	183		2016	4.61	2.21	3.98	1.20	1.11	0.09
	2017	279	112	1,342	460	670	207		2017	5.80	1.27	4.92	1.30	0.94	0.16
	2018	273	105	1,289	439	644	208		2018	5.38	1.12	5.85	1.25	1.39	0.14
No. of managers	2014	26	0	610	123	242	28	Percentage of employee leaving (%)	2014	5.77	2.18	9.00	2.29	4.02	1.05
	2015	20	6	588	121	231	30		2015	6.31	2.14	7.90	2.20	4.84	0.94
	2016	15	3	555	124	253	32		2016	4.45	1.74	7.51	1.52	2.81	0.41
	2017	14	5	493	106	247	40		2017	4.72	0.85	6.25	1.50	2.54	0.75
	2018	8	6	448	105	225	43		2018	3.52	0.88	6.52	1.96	3.99	0.88



▲ Figure 5.1-1 Percentages of local employee and migrant worker



■ No. of all employees ■ No. of migrant workers ■ No. of disabled employees

Note: The members of senior managers (deputy plant/general manager and above) are all Taiwanese. There were 7 disabled managers in 2018 (0.841%) in Tatung.

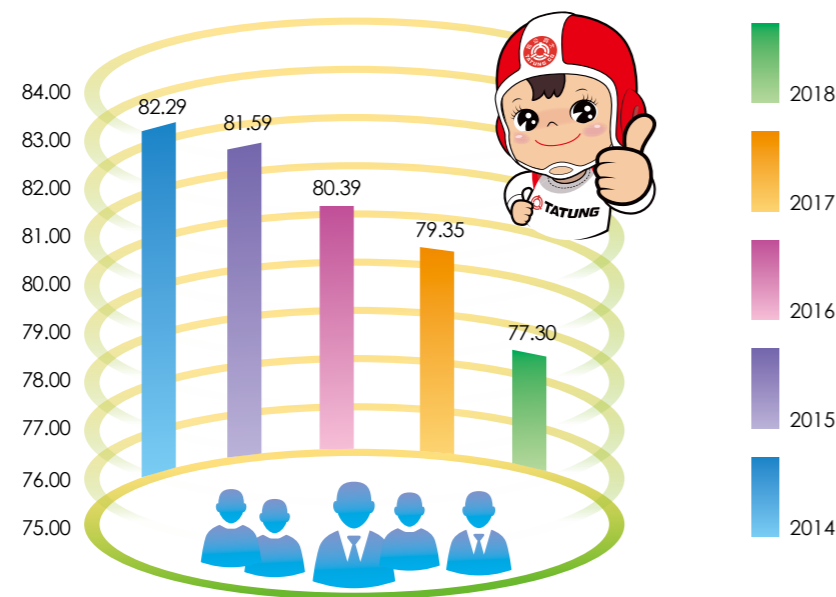
▲ Figure 5.1-2 Employee compositions (by genders)

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 founded 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. In 2018, 77.30% of employees are the members of labor unions (Figure 5.1-3).



▲ Figure 5.1-3 Percentage of employees who are labor union member

Child labor and forced labor

Tatung's recruiting policy is in line with the regulations. Hiring child labor is not allowed by Tatung. 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. There was no force labor situation in 2018.

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 5.1-2.

▶▶ Table 5.1-2 Tatung parental leave statistics

	Male	Female		Male	Female
Application for parental leave			Retention rate		
Total number of employees that took parental leave in 2018.	9	23	Total number of employees that applied and returned to work in 2017.	2	4
Total number of employees that shall end parental leave in 2018.	5	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 2017.	2	4
Total number of employees who returned to work after parental leave ended in 2018.	3	8	Percentage of employees who returned to work after parental leave ended who were still employed 12 months after their return to work in 2017.	100%	100%
Return to work rate	60%	73%			

Note: Changed job due to personal career planning.

Welfare

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 5.1-3 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 5.1-3 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; cash gifts for weddings and birthdays of employees and their children's birth, subsidies for employee tour.
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, overseas business trip insurance.

5.2 Good working condition and career development

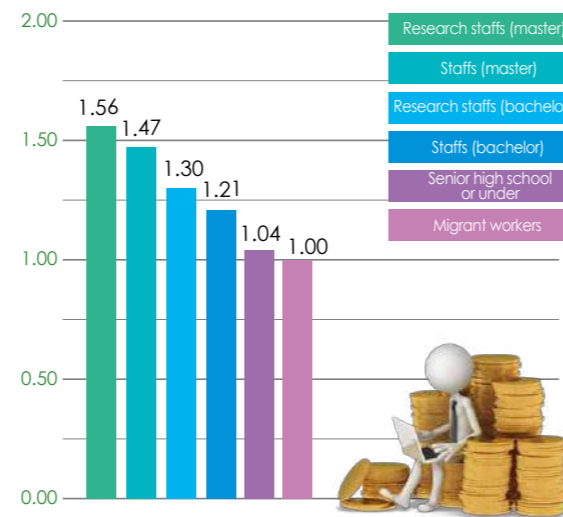
Salary and performance review

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.

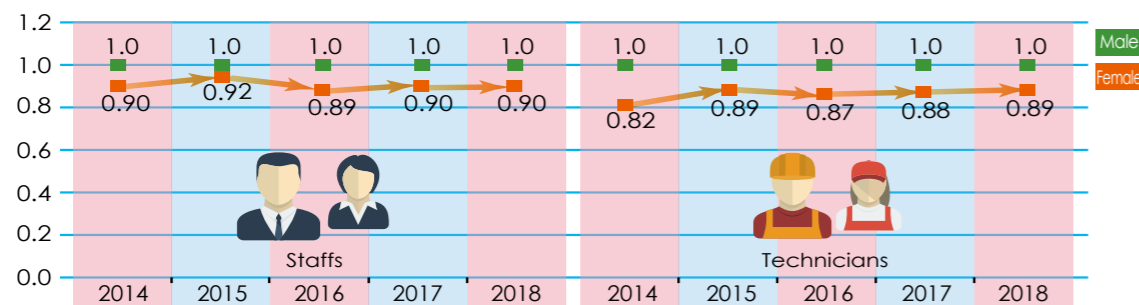
Based on the concept of equality among genders, the basic salary between female employees and male employees is 1:1. For different employment types, the ratio of basic salary and legal salary for migrant workers and technicians are 1:1 and 1:1.04; for staffs is from 1.21~1.56:1 (Figure 5.2-1) based on different job types, specialty and qualifications.

In average salary, the female employee to male employee is 0.89~0.90:1 in 2018 (Figure 5.2-2); the average annual salary is NT\$627,213 and the median annual salary is NT\$569,127 for non-management employees (2,833 employees). Please refer to Table 5.2-1 for detail.

Tatung takes great concern to the overall performance of individuals, departments and organizations, and encourages employees to perform better. Through the performance review counseling mechanism and career development, it helps to enhance and affirm the performance of employees. Employees are assessed according to the "Performance Management Method" regardless of gender. The purpose of the assessment is to identify talents with high performance potential and poor performance and effectively links the performance with bonuses, rewards or promotions. The employee ratio for performance review in 2018 is 94.5%¹.



▲ Figure 5.2-1 Ratio between basic salary and legal salary for different employment types



▲ Figure 5.2-2 Ratio between salary for female and male employees (by employment type)

¹ Employees who are in probation period, leave of absence, and short-term contract are not reviewed.

▶▶ Table 5.2-1 No. of non-management employees, average salary, and median salary

Year	2017	2018
No. of employees	2,974	2,833
Average salary (NT\$)	620,570	627,213
Median salary (NT\$)	568,129	569,127

Post-employment benefits

Tatung adopts "Defined contribution plan" and "Defined benefits plan" as its 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. Expenses under the defined contribution plan for 2018 were NTD 69,311 thousand.

For "Defined benefits plan", Tatung contributes an amount equivalent to 4% 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. Before the end of each year, Tatung assesses the balance in the designated labor pension fund. If the amount is inadequate to pay pensions calculated for workers retiring in the same year, Tatung will make up the difference in one appropriation before the end of March the following year. Pension costs recognized in profit or loss for 2018 were NTD 35,677 thousand. For detailed post-employment benefits, please refer to Tatung 2018 Annual Report² page 404~406.

Labor/management relationship

Tatung has "Measure of processing employees' complaints" and other practices in place for the employees to complain about any dispute and provides a channel to deal with. The employees can not only propose questions in labor-management meetings or to labor unions, but also can directly mail the questions to Chairman's Box or HR e-mail. There was no major labor-management dispute in 2018.

Tatung sets the minimum notice periods (Table 5.2-2) regarding to operational changes on "Company Rules". When there is any major change in operation and may affect employees, Tatung shall notify the employees according to it and give severance pay.

▶▶ Table 5.2-2 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

² <http://www.tatung.com.tw/Content/annual-report.asp>

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.

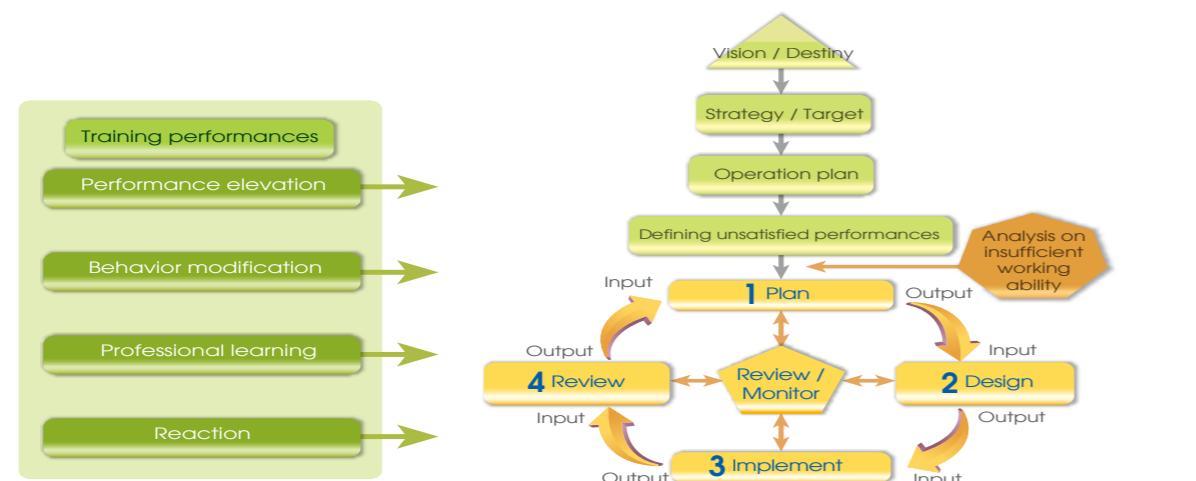
Tatung plans training courses by taking company's human resource policy into account and identifies the annual capacity gap of organizational functions. The training target is to capacity building of employee management, professional skills, and performance improvement. Figure 5.2-3 shows the structure of Tatung HR development. Tatung has formulated the "Tatung Company Education and Training Manual" as a norm for education and training, including: education and training management manuals, procedures, specifications, various forms, etc., and managed through various operations such as Plan, Design, Do, Review, and Outcome. The manual is published on internal website to let employees retrieve freely. We arrange class tutors for each course to be assistance and students with any questions can respond to them. After the class, we conduct satisfaction survey and the results and responses will be feedback to the students and relevant managers to improve the quality of education and training in the future.



Tatung awarded with TTQS Silver Medal



Education courses in season 4, 2018



▲ Figure 5.2-3 Tatung strategic human resource development system

In 2018, we organized 32 general courses which covered from recruits training, environmental protection, occupational health and safety, information safety, etc. For advanced courses we organized 15 specialized courses in each field, 13 courses for managers, 11 business courses, 31 business operating lectures, 6 health lectures, 2 law lectures, 2 financial lectures, 1 sales lecture, 1 procurement lecture, and one environment and safety lecture. In total there were 35,856 training hours and each employee was given 12.12 hours in average with the average satisfaction 92.09%. The detailed training statistics are shown in Figure 5.2-4. Tatung's education and training system also won TTQS (Taiwan TrainQuali System) Silver Medal in 2018.



Lecture for reserved managers



Lecture for junior managers



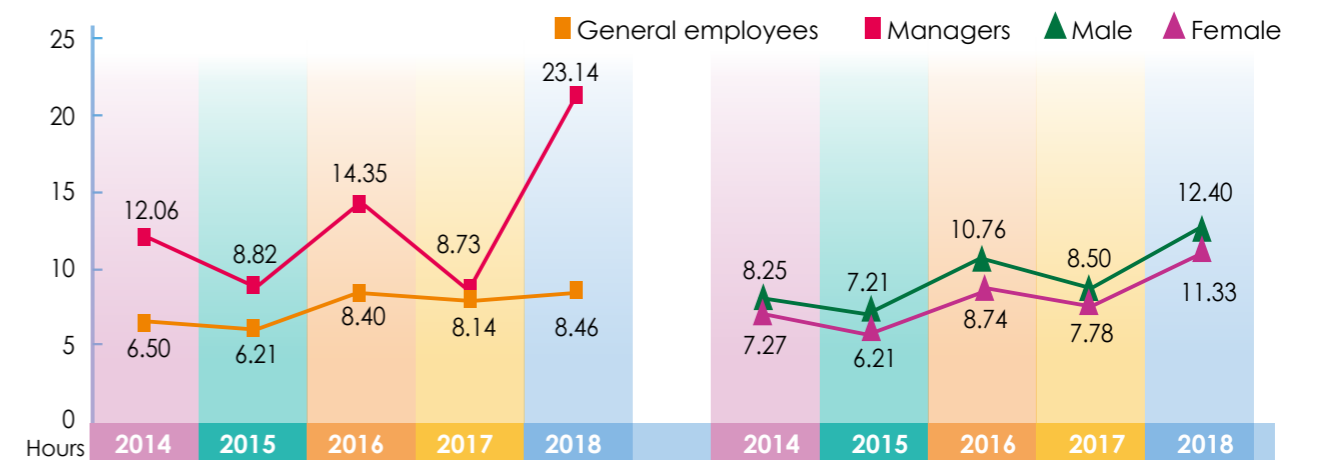
Performance management class



Presentation skill class



Fire prevention and first-aid class



Note: The training hours including business operating lectures since 2018.

▲ Figure 5.2-4 Training hours per employee

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 concentered measures are follows:

1. 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.
2. 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.
3. 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, hyperlipidemia 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.
4. 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.



Influenza vaccination and Three-Hypers screening

Health fair in H.Q.



▶▶ Table 5.2-3 Health promotion and disease prevention activities in 2018

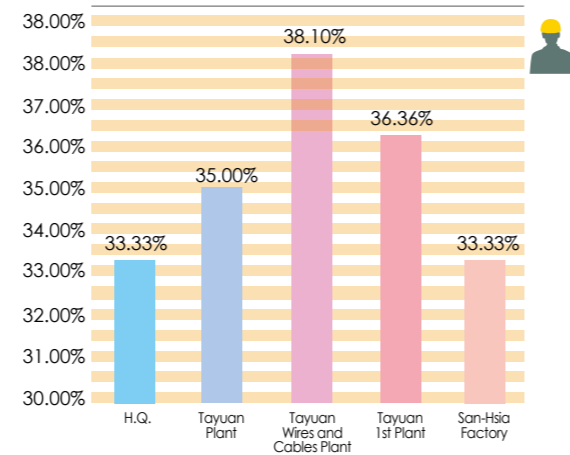
Time	Activity	Location
2018/1	Blood donation, health seminar: irregular heartbeat.	H.Q.
2018/1 -12	Health management.	H.Q.
2018/1 -12	Health risk evaluation for female employee.	H.Q.
2018/3	Health fair.	H.Q.
2018/4 -7	Weight losing class.	H.Q.
2018/6	Health seminars: heart disease prevention, skeleton muscle injury survey, pressure due to heavy loading workload evaluation.	H.Q.
2018/7	Health seminars: office aerobatic, liver protection.	H.Q.
2018/8	Blood donation, health seminar: pressure relief activities.	H.Q.
2018/9	CPR and AED training class.	H.Q.
2018/10	Blood donation, influenza vaccination.	H.Q.
2018/11	Three-Hypers screening, influenza vaccination.	H.Q.
2018/12	Health seminars: digesting disease, special health check.	H.Q.
2018/1-12	Health promoting activity.	Taoyuan 1st Plant
2018/3 ∨ 7	Blood donation.	Taoyuan 1st Plant
2018/7-10	HRV testing.	Taoyuan 1st Plant
2018/9-11	Weight losing class.	Taoyuan 1st Plant
2018/10	Annual health check for employees.	Taoyuan 1st Plant
2018/12	Influenza vaccination.	Taoyuan 1st Plant
2018/2	Noise tracking.	Min-Sheng Hospital
2018/3 ∨ 9	Blood donations.	Taoyuan Wires and Cables Plant
2018/4 ∨ 9	Health seminars.	Taoyuan Wires and Cables Plant
2018/5 ∨ 11	Pressure relief activities.	Taoyuan Wires and Cables Plant
2018/12	Health check for employees.	Taoyuan Wires and Cables Plant
2018/1-12	Health management.	Tayuan Plant
2018/3	Blood donation, CPR and AED training.	Tayuan Plant
2018/5	Cancer screening.	Tayuan Plant
2018/6	Health promotion.	Tayuan Plant
2018/6-7	Skeleton muscle injury survey.	Tayuan Plant
2018/7-12	Health care activities (HRV ∨ Baby Bot) .	Tayuan Plant
2018/7-8	Pressure due to heavy loading workload evaluation.	Tayuan Plant
2018/9-11	Weight losing activity, CPR and AED training.	Tayuan Plant
2018/9	Blood donation, health risk evaluation for female employee.	Tayuan Plant
2018/11	Influenza vaccination, health seminars: pressure relief, lung cancer.	Tayuan Plant
2018/12	Health check for employees, CPR and AED training.	Tayuan Plant
2018/2 ∨ 8	Blood donation.	San-Hsia Factory
2018/3	Health seminar: eyes protection.	San-Hsia Factory
2018/5	Health seminar: common diseases and prevention for elders.	San-Hsia Factory
2018/8	Cancer screening activities.	San-Hsia Factory
2018/8	Pressure due to heavy loading workload evaluation, skeleton muscle injury survey.	San-Hsia Factory
2018/8	Annual health check for employees.	San-Hsia Factory
2018/12	Health seminar: hyper blood pressure.	San-Hsia Factory

5.3 Health, safety, and disaster free

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 (Figure 5.3-1). The percentage of labor representatives is better than the requirement of regulation (at least 33%). The headquarter also organizes regular health and safety committee meetings and invites the representatives in the factories to enhance the communications within the company.



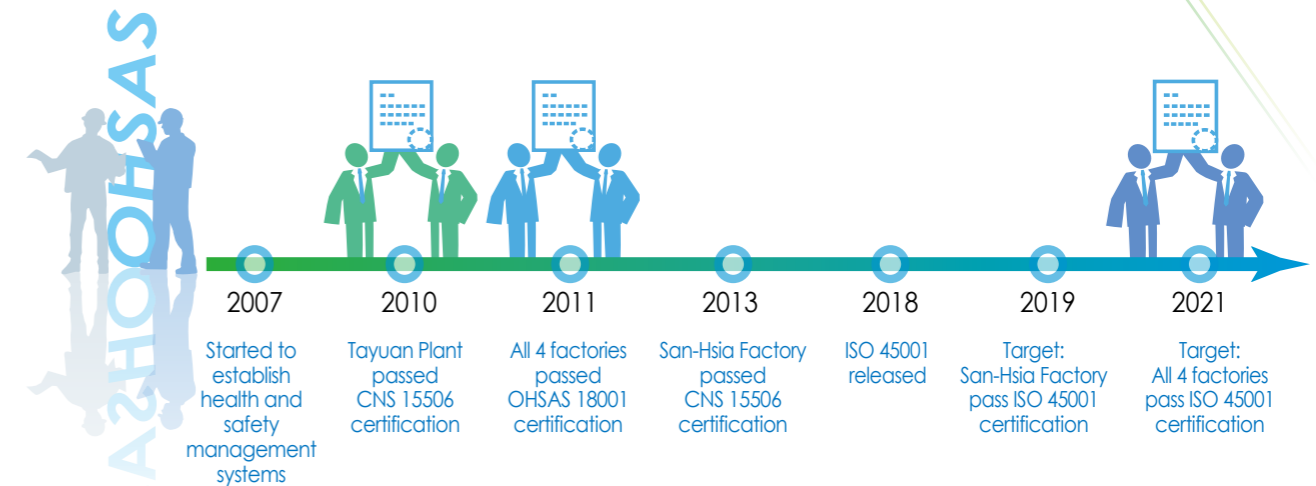
▲ Figure 5.3-1 Percentage of labor representatives in Health and Safety Committees

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. International Standard Organization (ISO) published ISO 45001 Health and Safety Management System in 2018. We are now managing to transform current OHSAS 18001 to ISO 45001 in the factories. The goals are firstly establish ISO 45001 in San-Hsia Factory and pass certification by the end of 2019 and the rests are set before the end of 2021. Figure 5.3-2 shows the status of occupational health and safety management systems and goals 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 HSD 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.



▲ Figure 5.3-2 Status of occupational health and safety management systems and goals

Seventy-seven non-compliances against company rules were found in 2018's Occupational Accident Prevention Pays on-site audit. The incidents were mainly laid on lacking proper preventative measures for electric shock and lack of protection cover for machinery equipments. By the end of 2018, 76 non-compliances were corrected (98.7%) which met our target. For that had not been corrected, we will follow up the correction status.

In 2019's Occupational Accident Prevention Pays program, we will focus on compliance status , implementation of working environment monitoring, and confined space prevention to protect employees' health and safety.



Occupational Accident Prevention Pays on-site audit (1)



Occupational Accident Prevention Pays on-site audit (2)

Health and safety training and regulation promoting

In order to raise the awareness of occupational health and safety among the employees and prevent occupational accidents, Tatung opens health and safety related training classes 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 measures 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 2018 and the topic was introducing labor health protection act amendment and case study on occupational accidents.

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.



TATUNG Corporate OHS Seminar



Health and safety notice board in the factories

▶▶ Table 5.3-1 Health and safety training results and targets

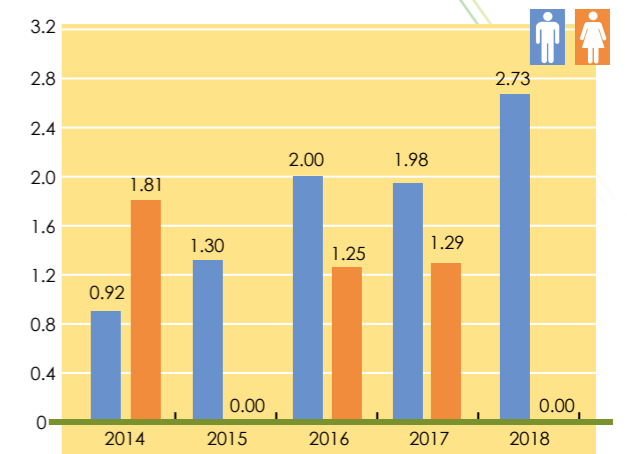
Training topics	2015	2016	2017	2018	2019
	No. of participants	No. of participants	No. of participants	No. of participants	Targeting No. of participants
Health and Safety Training Class (new recruits)	256	168	256	507	205
Health and Safety Training Class (general employees)	687	773	796	589	594
Health and Safety Training Class (managers)	213	41	191	130	184
Emergency training class	41	436	927	864	880
Fire fighting class	365	172	132	257	294
Stationary Cranes training class (over 3 tons)	48	403	24	69	319
Forklifters training class (over 1 tons)	55	192	53	85	144
Health and Safety Training Class (construction contractors)	26	31	15	16	20
First-aid re-training	-	94	89	11	77
First-aid training	-	-	-	-	25
Fork-lifter training	-	-	-	25	-
Training class for Preventing Workplace Violence	-	-	-	66	120

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. In 2018, there was no occupational disease case and death incident; however there were 5 non-compliances and fined NT\$360,000 in total. The non-compliances have all been corrected.

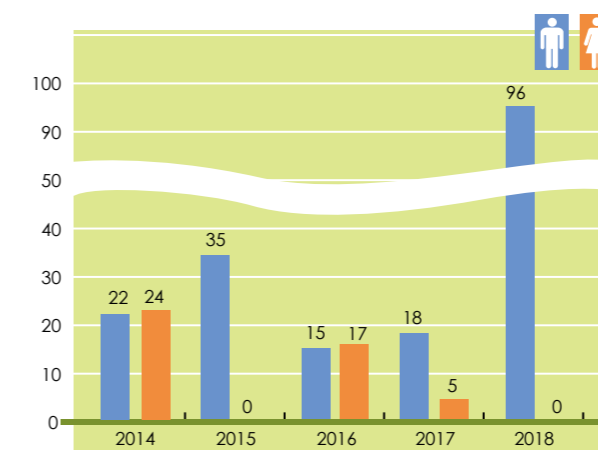
FR and SR for male employees in 2018 were both higher than in 2017. The main reasons were the employees had traffic accident during office hour and injured at the company's 100th Anniversary Sport Fair. There was no occupational accident for female employees in 2018. As for AR, there was no significant change between 2018 and 2017. Please refer to Figure 5.3-3 and Figure 5.3-4 for details.

Tatung has set a target to lower 10% for FR and SR year by year. From the statistics in the past 5 years, Tatung did not meet the target. The main reason was the employees in the factories having injury due to having traffic accidents during office work and having injuries at the company's sports fair. We have enhanced the promotion of traffic safety awareness and requested supervisors on-site to audit more frequently to reduce the accidents.



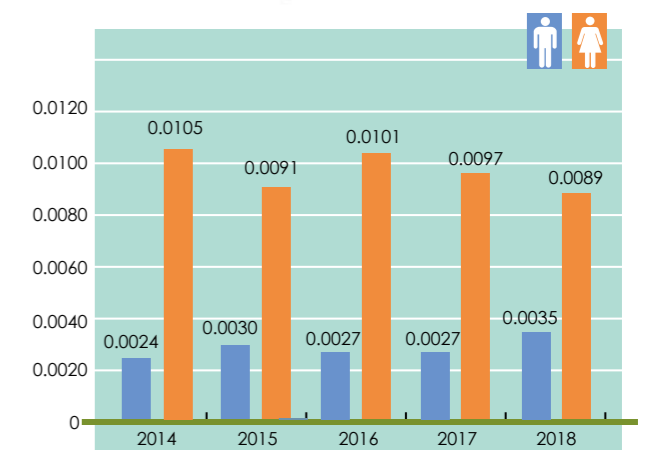
Note: FR is one of the indicators selected by MOL for occupational disaster statistic purpose. The formula is (No. of disability/Total working hours) x 1,000,000

▲ Figure 5.3-3 Trend of FR



Note: 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

▲ Figure 5.3-4 Trend of SR



Note: The formula for AR is Total days of incapacity of any kind/Total days scheduled to be worked

▲ Figure 5.4-5 Trend of AR

5.4 Participates 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. Tatung has a very deep connection in every stage of development in Taiwan. We brought Rice Cookers into market because of caring mothers' hard work from cooking in the past. Now we are more committed to support national energy transformation and develop smart energy technology to build a "energy security, green economy, and environmental sustainability" with smart, energy-saving and green energy products and systems to protect our beautiful homeland. In 2018, our major achievements of solar PV system reached 21.76MWp include Energy Hill 2.0 SanSuiLu Restoration Park landfill ground type PV system, Changhua Farm oceanfront ground type PV system, Taoyuan private factory PV system, LEXUS Group PV system, and Evergreen Airline Service Corp. PV system. We 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.

Supporting in traditions, arts and raising environmental protection awareness

In support of preserving and innovation of traditional arts, Tatung invited Taiwan indigenous paper carving master to design Tatung Boy small lanterns of 12 Chinese zodiac. As a token of celebrating the Year of Dog in 2018, the small lanterns served as a promotion gift for Tatung 3C to its customer. To support of the inheritance of traditional lantern art, Tatung invited local lantern artists to make Tatung Boy creative lanterns, which were exhibited in Chiayi, Nantou, and Jiji. Tatung supported local performing arts groups by co-creating children's drama, "Rescuing Power Kingdom", that was performed to more than 2,400 students in a tour nationwide. Concepts of energy saving, healthy living, and environmental protection were incorporated in the play to better influence students on their daily habits.

Missions of Tatung's 100th anniversary

In 2018, Tatung celebrated the 100th anniversary. In order to promote the company's vision of "energy saving, environmental protection and healthy living", we have organized a series of activities to give back to the society. We climbed to the peak of Mt. Jade and clean the left over trashes; we recycled 31kg of waste batteries to support the recycling policy; we responded to the government's national sports promotion and organized a 100-year celebration Sports Day; we organized blood donation marathon in the factories and subsidiaries and collected a total of 3,037 bags of blood; we held two road running activities with the theme of "love" and the income was also donated to charity groups to care for more disadvantaged groups; we organized Family Day activities to promote employees' parent-child relationship and family relationships.



Energy Hill 2.0



LEXUS factory



Evergreen Airline Service Corp



Chapter 6 | Environmental performances



Environmental management

1. Correction rate over 95% for the non-conformities from 3P Program.

\ Performance in 2018 \ Correction rate was 95%.

2. Maintain ISO 14001 in the factories.

\ Target for 2018 \ Updating ISO 14001 to 2015 version and passed certification in Taoyuan 1st Plant.

\ Performance in 2018 \ Completed the updating and passed certification. So far all 4 factories' environmental management systems are ISO 14001:2015.



Waste reduction management

Target \ Reduce the amount of wastes by 5% every year.

\ Performance in 2018 \ 4.07% waste reduction in 2018 which did not meet the target.



Pollutant management

Target \ Effluent and air emission are below national standards.

\ Target for 2018 \ Complete the installation of a RTO facility in Tayuan Plant.

\ Performance in 2018 \ RTO facility was installed and obtained operating permit from the authority.



Compliance

Target \ Numbers of violation against regulation are less than previous year.

\ Performance in 2018 \ Did not meet the target due to there were 2 violations which was 1 violation more than in 2017.



Energy and GHG management

1. Energy intensity of represented products in 2023 will be 6% less than in 2018.

\ Target for 2018 \ Energy intensity of represented products is 6% less than in 2013.

\ Performance in 2018 \ Electric cookers, commercial air conditioners, electric meters, LAN cables, power cables and wires met the target. The percentage of meeting the target was 75%.

2. Energy saving rate will be at least 1% in the headquarter and the factories in 2019~2022.

3. Establish ISO 50001

Short-term target \ Factories have ISO 50001:2011 update to ISO 50001:2018 by the end of 2019.

\ Target for 2018 \ Factories with ISO 50001 pass re-certification.

\ Performance in 2018 \ Tayuan Plant, Taoyuan Wires and Cables Plant, and Taoyuan 1st Plant passed annual re-certification.

Mid-long term target \ Implement ISO 50001 in Taoyuan 1st Plant.

4. Carry out GHG inventory with ISO 14064-1

Short-term target \ Complete ISO 14064-1 GHG inventory every year in Taoyuan Wires and Cables Plant, Taoyuan 1st Plant, and San-Hsia Factory.

\ Performance in 2018 \ Taoyuan Wires and Cables Plant, Taoyuan 1st Plant, and San-Hsia Factory completed GHG inventories for year 2017 and verified by the third parties.

Mid-long term target \ Implement ISO 14064-1 in Tayuan Plant and headquarter.



Green product management

1. Continue to seek for solar PV system cases.

Target \ Aiming to install 150MWp capacity by the end of 2019.

\ Target for 2018 \ The total installed capacity will reach 100 MWp by the end of 2018.

\ Performance in 2018 \ The total installed capacity was 91.7 MWp which was 21.7 MWp more than in previous year.

2. Continue to research and design environmental friendly, energy saving, water saving products.

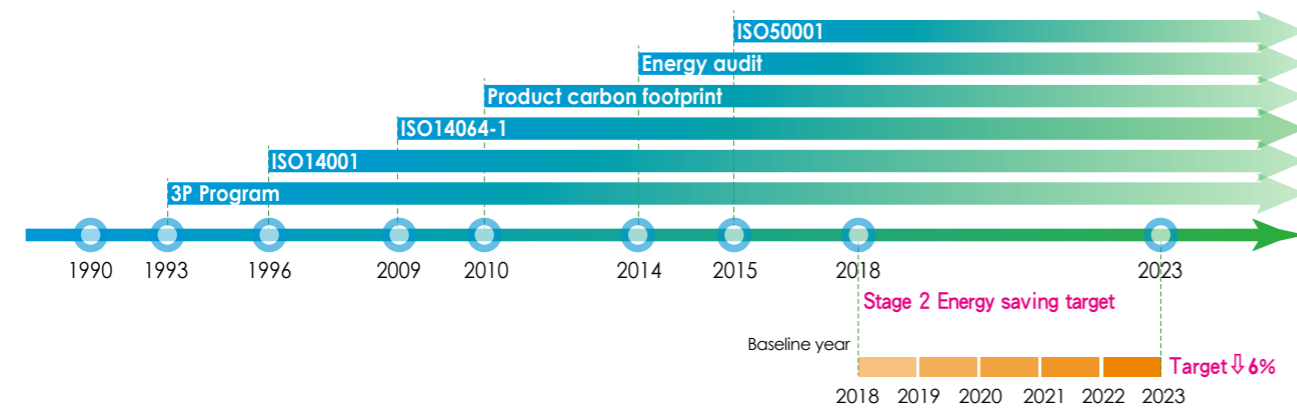
Short-term target \ Continue to apply for Green Mark, Energy Label, and Water Label.

\ Performance in 2018 \ New applied Energy Label – 33 models, Green Mark – 31 models, Water Label – 9 models.

Mid-long term target \ Research and design IE4 industrial use motors.

6.1 Environment management

"Economic development should not create pollution to the environment but try to forge a marriage between corporative development and environmental protection" is a sentence that Tatung's employees familiar with. We set up "Pollution Prevention Education Center" in 1988 to promote environmental education in the factories and subsidiaries. At this time, our management measures for sustainable environment are through the implementation of "Pollution, Prevention, Pays (3P) Program" and "ISO 14001 Environmental Management System" in the factories and subsidiaries.



▲ Tatung environmental management road map

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. Seven-teen factories and subsidiaries were participated in 2018 (Annex 2). The elements of 3P program are listed as follows:

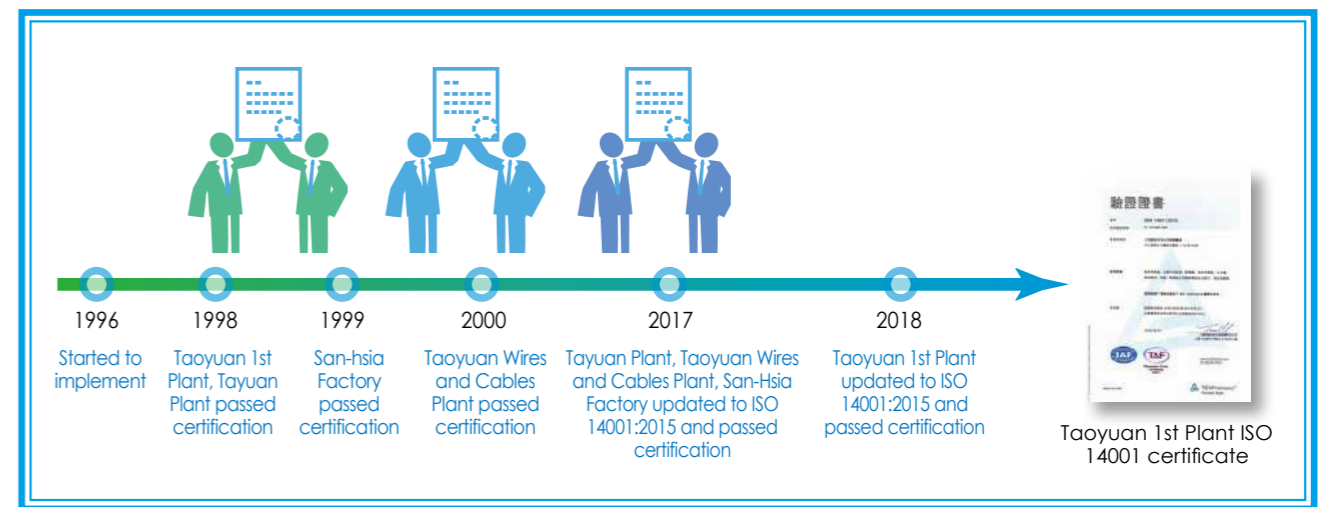
Aspects	Measures	Descriptions	Performances
Manufacturing aspect	Promote Clean Production technology, fully utilize resources and materials and to reduce the wastes and the production costs.	Improve the existing manufacturing processes and management operations to eliminate sources of pollution. Also improve upon the recycling/reuse, and exchange/reuse of waste materials.	Amount of industrial wastes in 2018 reduced 4.07% than in 2017. 72.47% of the wastes were reused in 2018.
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.	In 2018, we applied Green Mark: 31 models; Energy Label: 33 models; Water Label: 9 models.
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.	Seven-teen factories and subsidiaries were participated in 3P program.
Conformity	Conduct internal audit.	Conduct internal audit on regulation compliance in order to find out problem at first place and mitigate it.	Non-conformity correction percentage was 95% in 2018.

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 2018, 99 incidents were requested to be corrected and 94 were corrected by the end of year. The correction rate was 95% and met target.

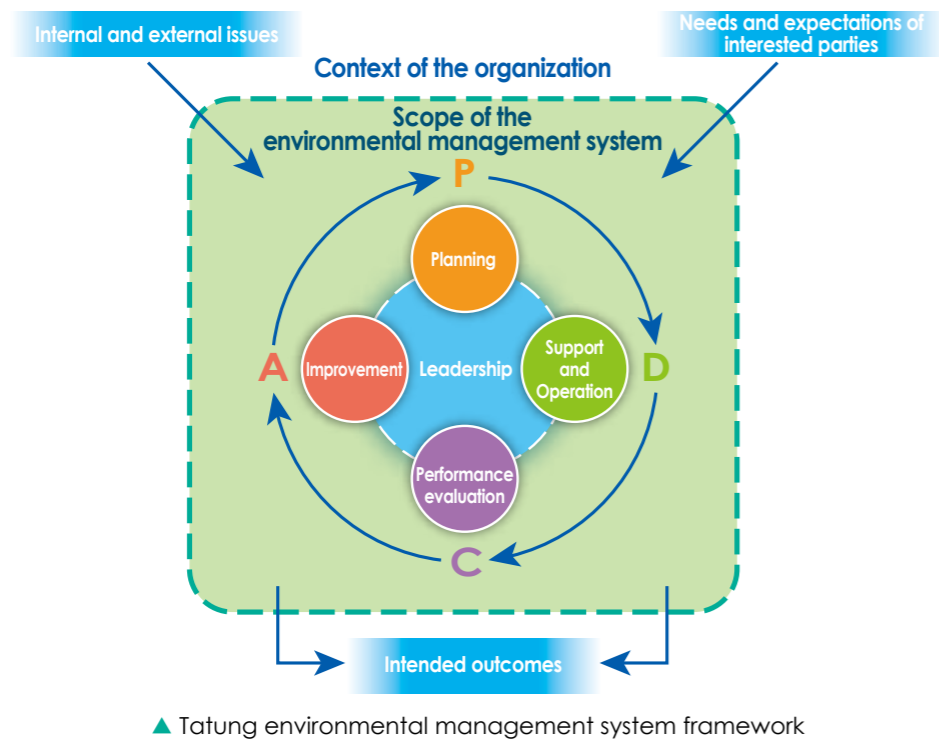


ISO 14001 environmental management system

Tatung believes that by implementing ISO14001 is able to continue improve environmental performances, and improve export competitively and company images. Thus, in 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. ISO published ISO 14001:2015, we have updated the management system to new version for Tayuan Plant, Taoyuan Wires and Cables Plant, and San-Hsia Factory in 2017, and Taoyuan 1st Plant in 2018. We will continue to run ISO 14001 in the factories and subsidiaries to improve environmental performances in the future. Table 6.1-1 shows the factories which have been certified with ISO14001 certification.



▲ Figure 6.1-1 ISO14001 certification status



Compliance and major leaks

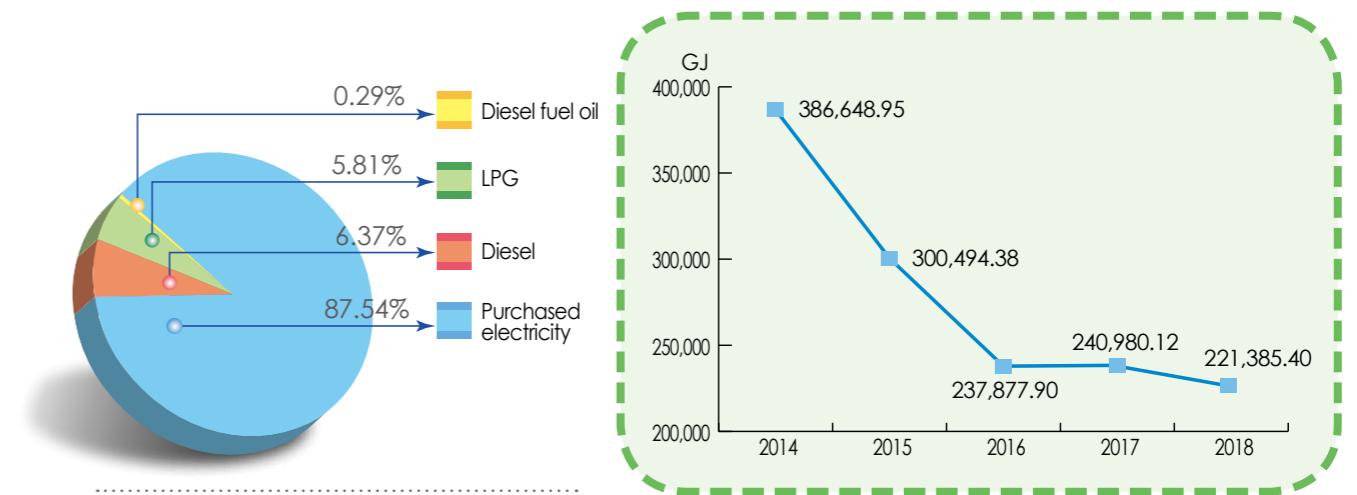
Tatung takes great concern on the development of environmental protection regulations. When there are public hearings or seminars for new regulations, Tatung assigns professions to receive the latest information. In spite of environmental management system and internal audit have been implemented in the company, there still were 2 incidents which breached the regulations in 2018. San-Hsia Factory was fined NTD\$200,000 due to violating Air Pollution Control Act. The violations have been corrected in accordance to the regulation and accepted by the authority. 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 no significant spill in 2018.



6.2 Energy consumption and GHG management

Energy consumption

There are two types of energy 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 in 2018 is shown on Table 6.2-1, Figure 6.2-1 and Figure 6.2-2. The most consumed energy in 2018 was purchased electricity and the amount was 193,792 GJ (87.54%) which equaled to 53,831.11 kkw-hr; followed by diesel with 14,092.20 GJ (6.37) which equaled to 401.35 kilo-liters. The total amount of energy consumption in 2018 was 19,594.72 GJ less than in 2017, which was 8.13% decreased.



▶▶ Table 6.2-1 Tatung energy consumption

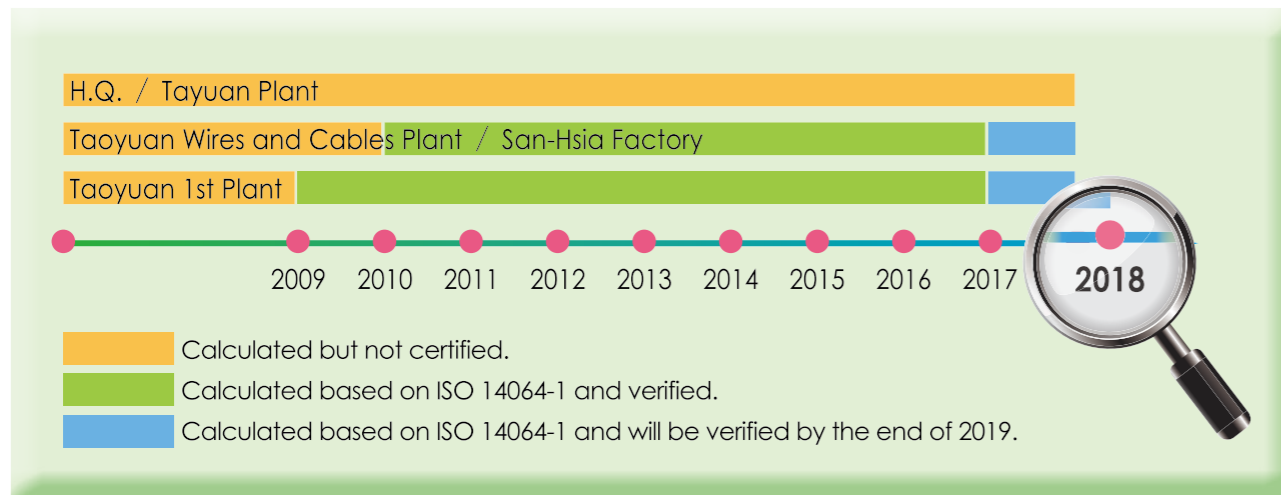
	2014	2015	2016	2017	2018
Diesel fuel oil	3,655.14	3,454.31	441.83	1,044.33	642.66
LPG	21,323.74	17,599.02	14003.49	13,462.16	12,858.54
Diesel	7,927.32	7,487.31	7597.62	12,410.45	14,092.20
Purchased electricity	353,742.74	271,953.74	215834.96	214,063.20	193,792.00
Total	386,648.95	300,494.38	237,877.90	240,980.12	221,385.40

Unit:GJ

Note: The data from San-Hsia Factory, Taoyuan Wires and Cables Plant, Taoyuan 1st Plant in 2014-2017 was collected based on ISO14064-1 and have been certified. Therefore, the numbers in 2017 were re-edited when compared to last year's version. The data in 2018 was collected based on ISO14064-1 but have not been certified yet. The data from H.Q. and Tayuan Plant was collected from power bills and energy receipts.

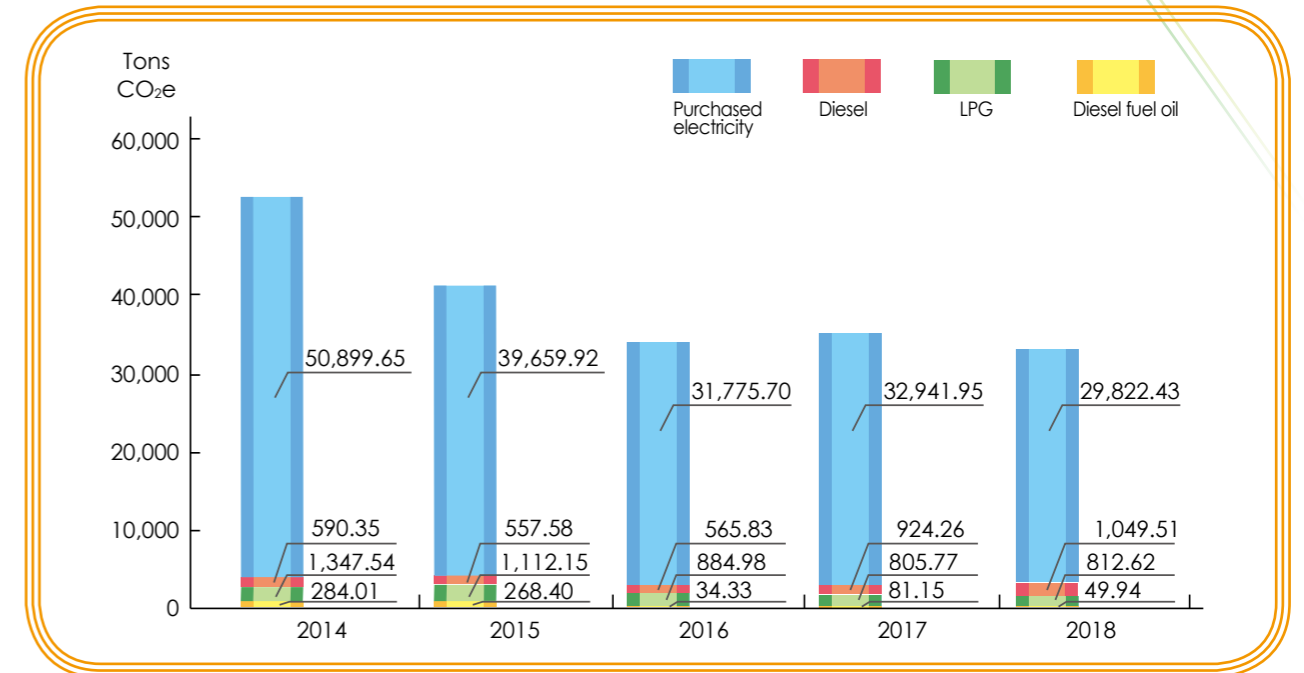
Greenhouse gas emission

Greenhouse gases 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. 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. So far, San-Hsia Factory, Taoyuan Wires and Cables Plant, and Taoyuan 1st Plant carry out GHG inventory and get verified by third parties based on reasonable level of assurance every year. Figure 6.2-3 shows the factories have done 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.



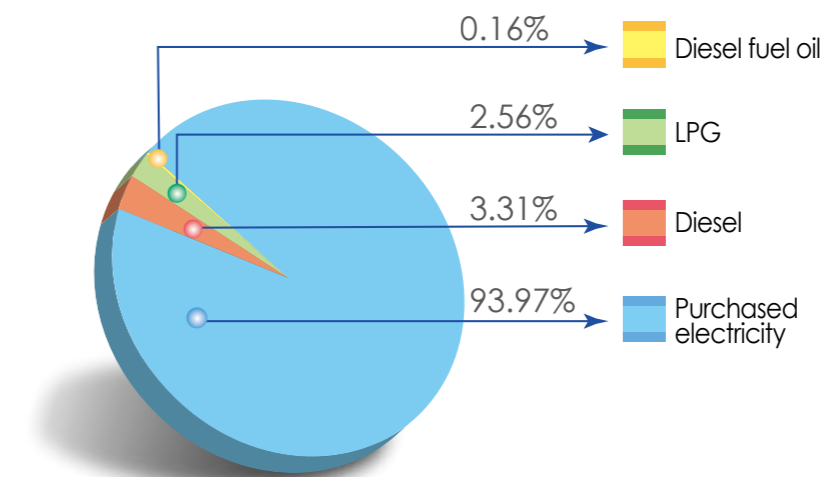
▲ Figure 6.2-3 Tatung GHG inventory and verification status

Due to Tayuan Plant and H.Q. are still undergoing the establishment of ISO14064-1, the GHG emissions (scope 3 is not included) disclosed in this report are calculated as follows: the amount of energy sources disclosed in previous paragraph multiplied by each emission factor. The total GHG emissions in 2018 were 31,734.51 tons CO₂e (Figure 6.2-4) which was 3,063.62 tons CO₂e (8.80%) less than in 2017. The emissions from diesel, LPG and diesel fuel oil were 1,912.07 tons CO₂e, and from purchased electricity was 29,822.43 tons CO₂e (Figure 6.2-5).



Note 1: The data from San-Hsia Factory, Taoyuan Wires and Cables Plant, Taoyuan 1st Plant in 2014~2017 was collected based on ISO14064-1 and have been certified. Therefore, the numbers in 2017 were re-edited when compared to last year's version. The data in 2018 was collected based on ISO14064-1 but have not been certified yet. The data from H.Q. and Tayuan Plant was collected from power bills and energy receipts.
 Note 2: The greenhouse gases are CO₂, CH₄, N₂O. The GWP for 2014~2015 was based on IPCC 1995, the GWP for 2016 onward was based on IPCC 2007.

▲ Figure 6.2-4 Amount of GHG emissions

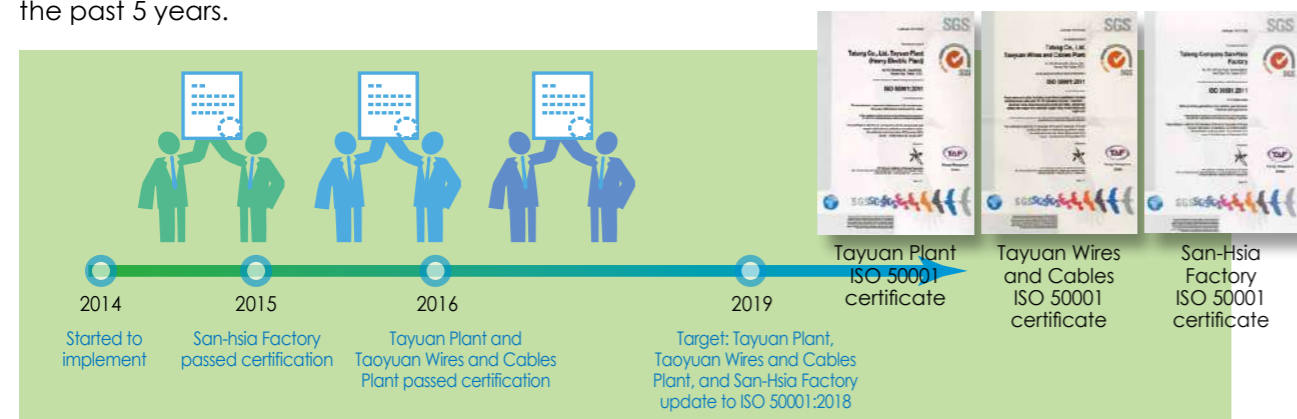


▲ Figure 6.2-5 GHG emission percentage by source in 2018

Energy saving and GHG reduction

Global warming greatly increases the frequency of extreme weather events and directly causes impacts to the operation of a business. In order to fulfill corporate social responsibility and reduce operating costs, Tatung proposed Stage 1 energy reduction target in 2014: the energy intensity per product in 2018 is reduced by 6% than in 2013 (baseline year).

To achieve the target, we have implemented ISO 50001 in the factories to sharpen up company's energy performance. So far San-Hsia Factory, Tayuan Plant, and Taoyuan Wires and Cables Plant have established ISO 50001 and passed certification. As ISO 50001:2018 was published in 2018, we are aiming to adopt the new version of ISO 50001 in the factories by the end of 2019. Please refer to Figure 6.2-6 for more details. In addition, we conduct annual energy audit and report the energy consumption information to the government as well as implements energy saving projects in H.Q. and the factories. In 2018, Tatung reduced about 3.03 million kwh of purchased electricity consumption via 4 dimensions (Table 6.2-2) which equaled to 1,678 tons of GHG emission reduction (4.3 Daan Forest Park's carbon reduction amount¹). Figure 6.2-7 shows carbon reduction results for the past 5 years.



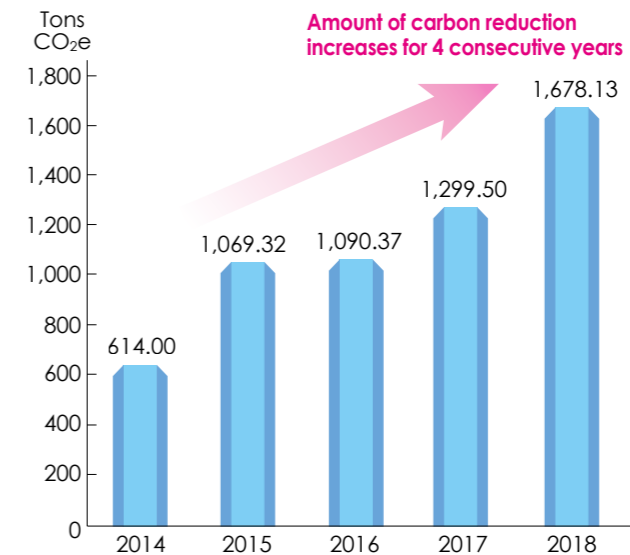
▲ Figure 6.2-6 Status of Tatung's ISO 50001

▶▶ Table 6.2-2 Tatung energy saving projects and results in 2018

Energy saving projects (by category)	Amount of electricity saved (kw-hr)	GHG reduction (ton CO ₂ e)
Utilized manufacturing process to reduce operation time.	129,855	71.94
Replaced with high energy efficient and energy saving equipments	1,229,919	681.37
Centralized operation areas and shut down unnecessary air conditioners and lightings.	903,272	500.41
Increased the frequency of maintenance for majored energy using equipments and installed curtains to avoid leakage of cooled air.	752,464	416.87
Others	13,601	7.53
Total	3,029,112	1,678

Note: 1 kw-hr of electricity emits 0.554 kg CO₂e.

¹ One Daan Forest Park can absorb 389 tons of GHG every year.



▲ Figure 6.2-7 Amount of carbon emission reduction

In 2018, we examined the results of our Stage 1 energy reduction target, 6 out of the 8 major products achieved the goal of reducing energy intensity by 6%, and the achievement rate was 75% (shown as in Table 6.2-3). The products failed to achieve the target are the motor/generator of San-Hsia Factory and the transformer/distributor of Tayuan Plant. The main reasons were:

1. In order to improve air quality and match production line adjustments, San-Hsia Factory has newly installed RTO air pollution control equipment at the end of 2016 and a new 600T die-casting machine in 2018, which resulting in a significant increase in electricity consumption and diesel consumption.
2. The increase in the number of returned transformers for repairing (still in warranty period) has led to an increase in purchase electricity consumption in Tayuan Plant.

The future improvement in San-Hsia Factory, we will focus on the air compressor system. We will shut down the air valve or modify the pipeline in the area where the compressed air is not needed. The small air compressor will be used in the area where the air pressure system is too far and the amount required is not large in order to prevent the pressure drop and air leakage. We will also regularly repair broken pipeline and replace old joint parts (estimated to save 10% of the air pressure system loading). In addition, the air pressure system will be installed smart meter and the flow meter will be integrated with Tatung EMS to establish air pressure system energy performance indicators, and through the government energy-saving diagnostic resources to find out that the air compressors with poor efficiency and gradually replaced with higher energy efficiency ones. We will check the power consumption from the factory maintenance for the transformers still in warranty period in Tayuan Plant, and use the air-cushion truck to assist the handling of products into the oven to reduce the power consumption from the operation of the large cranes.

In order to continue to carry out energy-saving measures, we have set a Stage 2 energy saving target this year: to achieve the goal of further reduction of 6% in 2023 based on the energy intensity of each major product in 2018.

All the factories will simultaneously carry out the second phase of "Major Energy Equipment Monitoring and Management" project in order to reduce energy consumption. The energy conservation team will be formed by the headquarter and the factory energy managers. The team will carry out power consumption monitoring of major power-consuming equipments and establish a historical database of electricity consumption to identify future energy-saving potentials.

▶▶ Table 6.2-3 Status of energy saving target for major products

Main product (Unit)	2014 (↓ 1%)	2015 (↓ 2%)	2016 (↓ 3%)	2017 (↓ 4.5%)	2018 (↓ 6%)
Motor/generator (HP)	◎	X	X	X	X
Electric cooker (piece)	X	X	X	X	◎
Commercial air conditioner (KW)	◎	◎	◎	◎	◎
Transformer/switchgear (MVA)	X	X	X	X	X
Mechanical meter (piece)	X	◎	◎	◎	◎
Lan cable (M)	X	◎	◎	◎	◎
Power cable (M)	X	◎	◎	◎	◎
Wire (kg)	X	◎	◎	X	◎

Note: The baseline year is 2013. ◎ represents it meet the goal, X represents it does not meet the goal. Domestic air conditioner was removed from the list since 2018 due to production adjustment.

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 supplies. 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 Amount of main materials and the percentage from local purchase

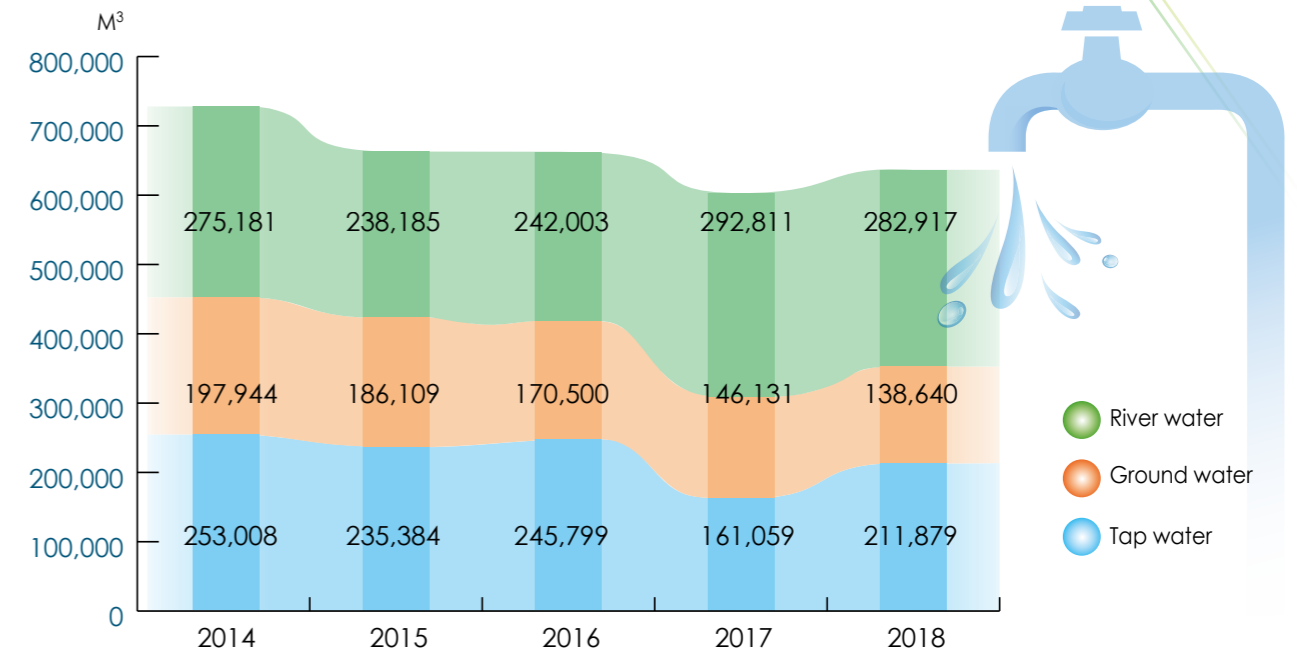
Main materials	Amount of consumption	Local purchase percentage
Steel (silicon steel included)	6,127 tons	99%
Copper	15,932 tons	2%
Aluminum	340 tons	100%
Insulation oil	1,626 KL	100%

Note: Tatung produces hundreds of different products. Some of them are OEM/ODM made. Therefore, in this report only discloses the amount of the above 4 fundamental materials.

Consumption and management of water resource

The sources of water for Tatung are from tap water, ground water, and river water. Tatung consumed 633,436M³ (Figure 6.3-1) of water in 2018 which was 33,435M³ more than the consumption in 2017. We will continue to conduct water conserving projects in order to reduce water consumption.

As for the wastewater management, all the factories and subsidiaries have granted government approved "water pollution prevention measures" and "permit for effluent", as well as setup wastewater treatment facilities based on the prevention measures. All the wastewater 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 test results are all below the effluent standard. 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.



▲ Figure 6.3-1 Tatung water consumption by sources

▶▶ Table 6.3-2 Wastewater treatment and effluent status in 2018²

Factory	Treatment method	Average COD concentration (mg/L)	Average SS concentration (mg/L)	Amount of effluent (M ³)	Recipient water body	Effluent reused by others
San-Hsia Factory	Factory owned wastewater treatment plant in accordance to the requirement by the regulation	17.32	8.59	7,967	Heng River	None
Tayuan Plant		N.D. ³	2.50	2,865	New Street River	
Taoyuan Wires and Cables Plant		N.D.	2.65	52,145	New Street River	
Taoyuan 1st Plant		11.14	5.25	10,590	Old Street River	
Total				73,567		

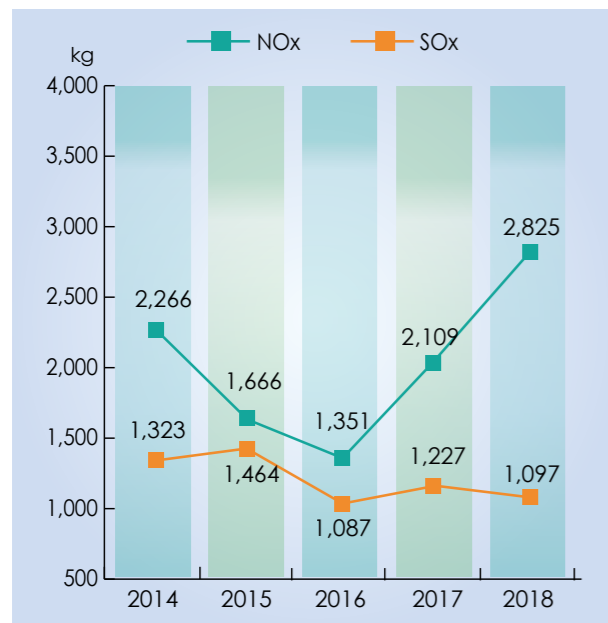
²The data is collected from EPA's declaration system. Effluent standard COD: 100, SS: 30.

³The detection limit is 9.5 mg/L. N.D. represents the concentration is below the detection limit.

Air pollutant emissions and management

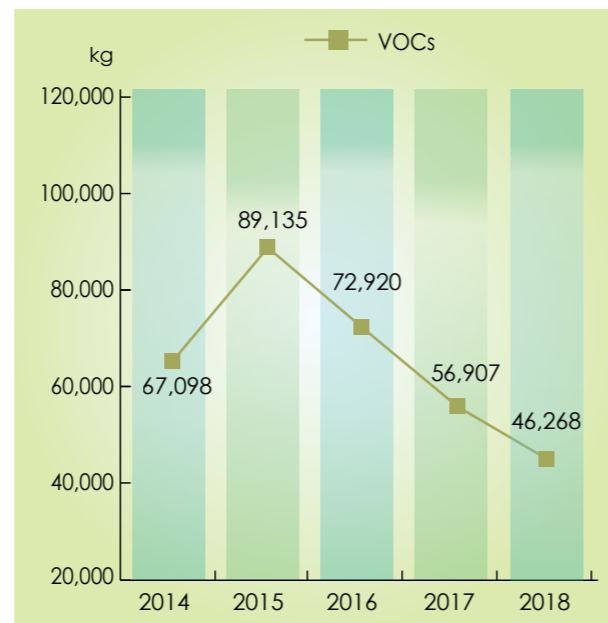
The main air pollutants from the factories are NOx, SOx, and VOC. Tatung declares the amount of emissions and pays air pollution control fee to the authority. From Figure 6.3-2 and Figure 6.3-3 we can see the emissions of VOC have reduced gradually since 2015. The emissions for NOx have slightly increased. The reason could be more diesel were consumed by RTO.

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. In addition to meet emission standards, we are committed to optimize the air quality around the factories. In the past few years, we have implemented pollutant removal facilities with higher removal efficiency, such as RTO (Regenerative Thermal Oxidizer). We have added a set of RTO at Tayuan Plant in 2018 and obtained operation permit from local authority. In 2019, we are going to change the part of treatment process from activated carbon adsorption to existing RTO in San-Hsia Factory to reduce the impact on the surrounding environment.



Note: Data is from EPA declaration system

▲ Figure 6.3-2 Air pollutant emission (NOx, SOx)

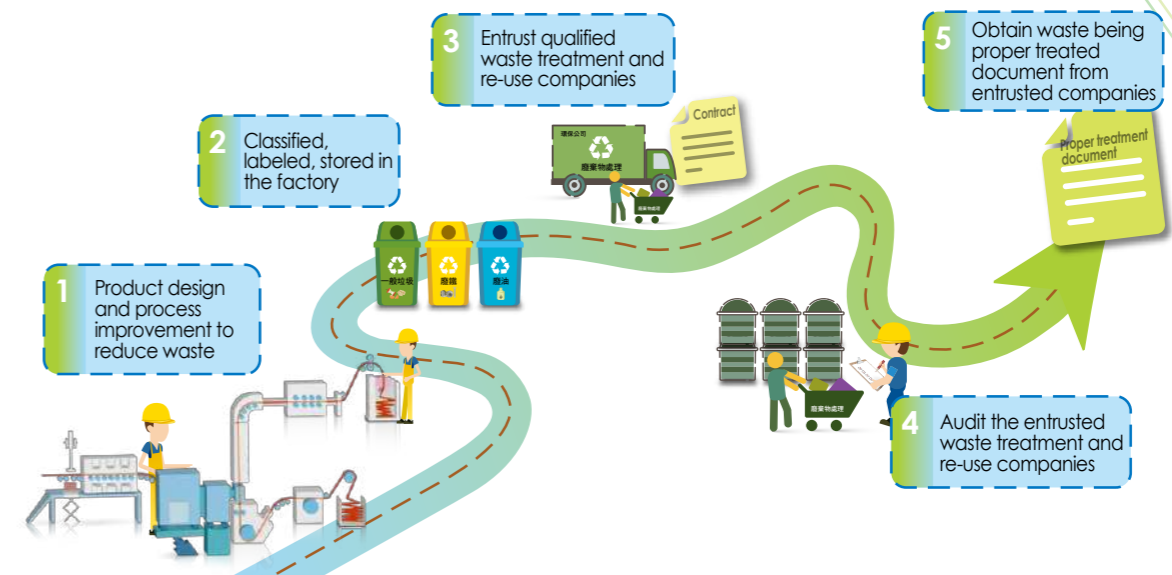


Note: Data is from EPA declaration system

▲ Figure 6.3-3 Air pollutant emission (VOCs)

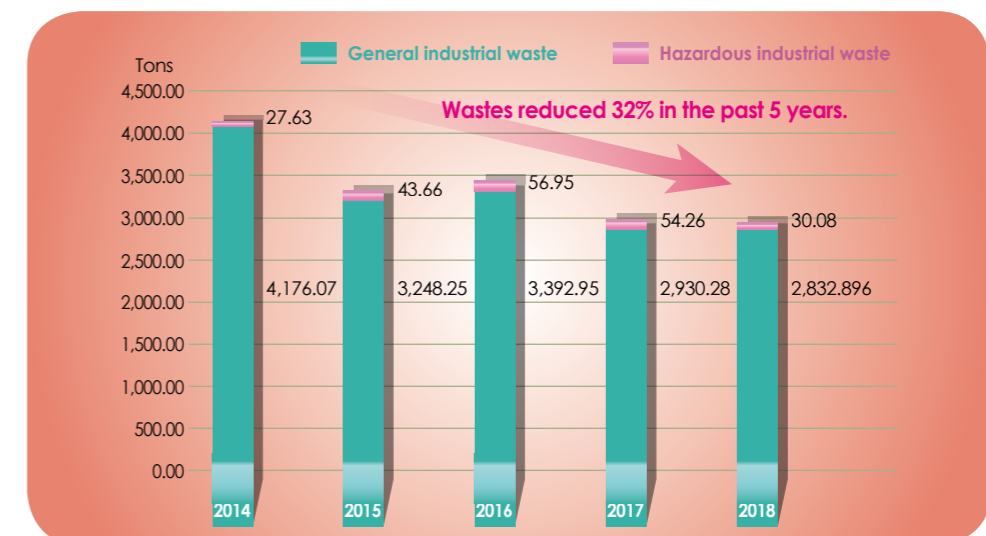
Waste reduction and management

Tatung's waste reduction concept is mostly from product design and process improvement to reduce the amount of industrial wastes. The wastes produced are properly classified and stored according to relevant regulations, and finally commissioned by domestic qualified treatment companies or reuse companies. Tatung audit the entrusted companies from time to time to ensure that the wastes are properly cleaned up.



▲ Tatung wastes clean up and treatment flowchart

In 2018, Tatung produced 2,862.98 tons of industrial wastes, of which 2,832.90 tons were general industrial wastes and 30.08 tons were hazardous industrial wastes (Figure 6.3-4). Although the amount of wastes have been reduced by 32% in the past 5 years. However, compared with year 2017, the amount of wastes produced in 2018 was only 4.07% less which did not meet our waste reduction target of 5% per year. We will continue to work hard through green design to reduce the amount of wastes in the future.



Note: The data was from governmental declaration system and entrusted receipts in the factories.

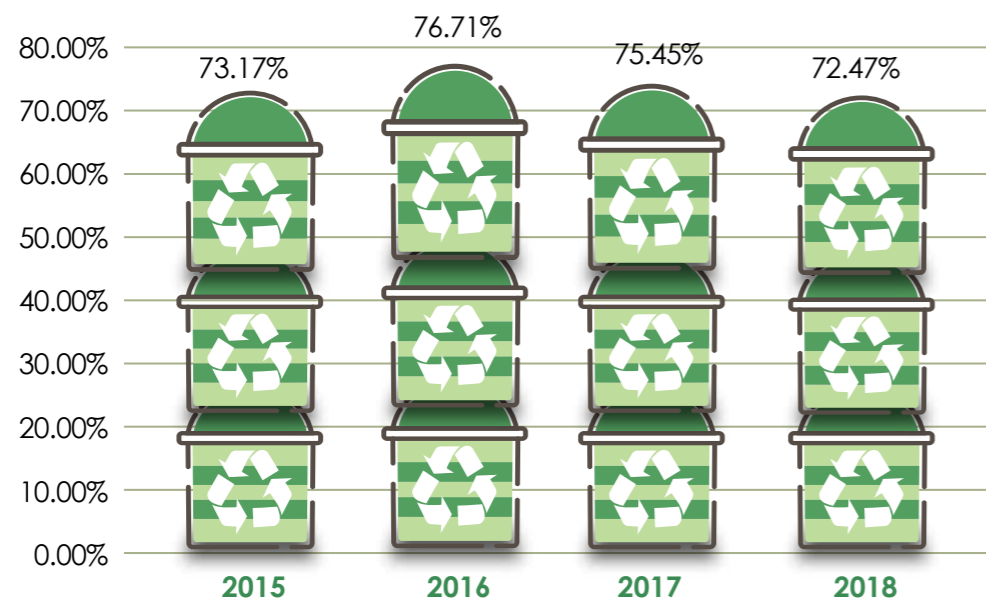
▲ Figure 6.3-4 Amount of industrial wastes

Six methods were used for wastes treatment in 2018 (as shown on Table 6.3-3). The factories also have been working hard to recycle and/or reuse the wastes in order to minimize the impact to the environment. In 2018, 2,074.85 tons of wastes were reused (72.47% of total wastes). The reuse rates in the past 4 years were all above 70%.

▶▶ Table 6.3-3 Waste treatment methods and amount in 2018

Treatment method	Reuse	Incinerate	Solidify	Landfill	Physical	Heat	Total
General industrial waste (tons)	Total	494.07	26.77	115.17	103.38	18.66	2,832.90
Hazardous industrial waste (tons)	0	16.24	7.56	0	0	6.28	30.08
Treatment method percentages (by weight)	72.47%	17.82%	1.20%	4.02%	3.61%	0.87%	100.00%

Note: The data was cited from EPA's waste declaration system or entrusted receipts in the factories.



▲ Figure 6.3-5 Waste reuse percentages in the past 4 years

6.4 Green products for a better earth

Establishing solar PV systems to minimize air pollution and greenhouse gases

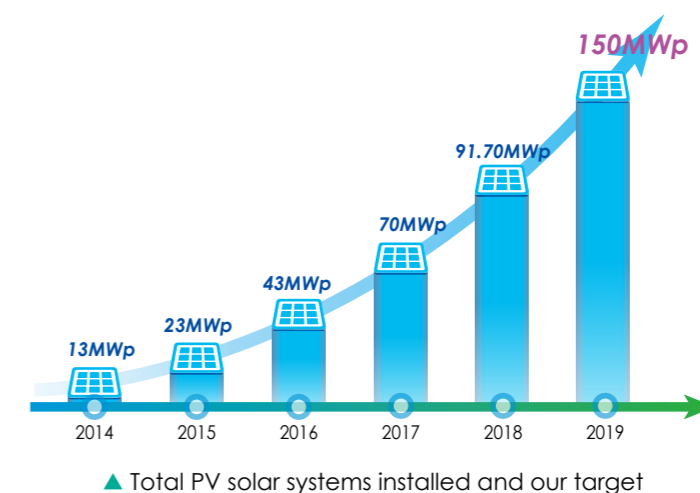
"Green Energy Tatumg" is Tatumg's development strategy. We plan to promote PV solar projects with steady paces and continue to innovate in combination with smart technology and have achieved leading performance in PV solar system industry. We have successfully finished PV solar systems in kinds of place, such as residential area, community, factory, dormitory, and commercial building. We are offering the solutions of rooftop, ground-mounted and floating types and will move into big ground-type systems since 2018.

We cooperated with Taipower Company and the NEPII to build a smart micro-grid system in Qimei island, Peng-hu County. We firstly built the smart micro-grid demonstration system and verification platform. In early 2018, we completed the integration of the island's 400kW solar photovoltaic power generation system and the 300kWhr energy storage system. During the off-peak period, the proportion of renewable energy reached more than 50% of the system load. The case won the "2018 Smart City Innovation Application Award" for its achievement in smart micro-grid system.

By the end of 2018, we have completed 91.70 MWp of PV solar systems in accumulatively. The systems can generate 107,000,000 kwh of electricity each year and cut off 60,000 tons⁴ CO₂e which equals to the forests carbon absorbing capability with area size of 5,400 international standard soccer fields⁵.

Looking forward to the future, Tatumg will adhere to the sustainable development strategy and actively promote the energy transformation of non-nuclear homes in line with the government's green energy policy. The goal is to complete 150 MWp solar PV systems accumulatively by the end of 2019. We are aiming to lead the solar power industry to reciprocate and innovate through various industry cooperation and to expand setup area for PV solar systems. We will provide more opportunities for cooperation in the solar energy industry. For more details about Tatumg PV solar projects, please browse:

<http://www.tatumg.com/solution/detail/16>



⁴ 1 kw-hr electricity emits 0.554 kg CO₂e.

⁵ According to Forest Bureau (<http://lifetree.forest.gov.tw/cp05.asp>), the carbon absorbing capability is 14.9 tons CO₂e/hectare/year. The area of one international standard soccer field is approximately 7,350 m².



Devote in developing environmental friendly products

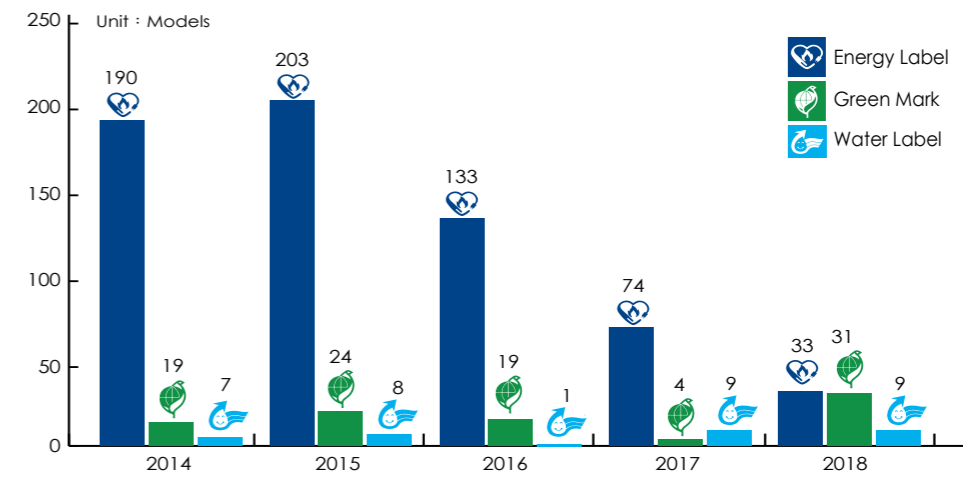
Tatung tirelessly dedicates to the development of green products and many of them have been awarded with "Green Mark", "Energy Label", and "Water Label". There were 31 models awarded with Green Mark, 33 models awarded with Energy Label, 9 models awarded with Water Label in 2018. Please refer to Table 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 ⁶	Energy Label ⁷	Water Label
Electric fans	—	◎	—
Refrigerators	◎	◎	—
Washing machines	—	◎	◎ (all series)
Monitors	—	◎	—
Air purifiers	—	◎	—
Electric ovens	—	◎	—
Dehumidifiers	◎	◎	—
Domestic air conditioners	◎	◎	—
Amorphous transformers	◎	—	—
Cast resin dry type transformer	◎	—	—
Amorphous cast-resin dry type transformers	◎	—	—

⁶ 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.

⁷ 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 statistics⁸ in 2017, the average recycling rate for electric and electronic devices was 62.14%, the average recycling rate for information devices is 57.83%. 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.



Publishing wasted household appliances recycling information on etung online shopping site.



Publishing wasted household appliances recycling information on products filers.



⁸ <https://recycle.epa.gov.tw/epa/ShowPage2.aspx?key=6&sno=1010&subsno=293&subsubno=252>

Annex 1 Subsidiaries notes to consolidated financial statements

The consolidated entities are listed as follows

TATUNG CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Thousands of New Taiwan Dollars unless otherwise Specified)

Subsidiaries are fully consolidated from the acquisition date, being the date on which the Company obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using uniform accounting policies. All intra-group balances, income and expenses, unrealized gains and losses and dividends resulting from intra-group transactions are eliminated in full.

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction.

Total comprehensive income of the subsidiaries is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

If the Company loses control of a subsidiary, it:

- A. derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- B. derecognizes the carrying amount of any non-controlling interest;
- C. recognizes the fair value of the consideration received;
- D. recognizes the fair value of any investment retained;
- E. recognizes any surplus or deficit in profit or loss; and
- F. reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss.

(a) The consolidated entities are listed as follows:

Investor	Subsidiary	Main businesses	December 31,	
			2018	2017
The Company, Chunghwa Electronics Investment Co., Ltd., Green Energy Technology Inc., Chih Sheng Realty Co., Ltd.	Chunghwa Picture Tubes, Ltd. ("CPT")	Manufacture, research and sale of picture tubes and TFT-LCD products	41.16%	41.25%
The Company, Shan-Chih Investment Co., Ltd. and Shan-Chih Asset Development Co.	Tatung System Technologies Inc. ("TSTT")	Software and hardware service and system integration	54.40%	54.40%
The Company, CPT, SCSC and Chunghwa Electronics Investment Co., Ltd	Forward Electronics Co., Ltd. ("FD")	Manufacture and sale of electronics	20.16%	40.75%
The Company	Taiwan Telecommunication Industry Company Ltd.	Telecommunication devices.	100.00%	100.00%

TATUNG CO., LTD. AND SUBSIDIARIES
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Investor	Subsidiary	Main businesses	December 31,	
			2018	2017
The Company and Chunghwa Electronics Investment Co., Ltd.	San-Chih Semiconductor Co., Ltd. ("SCSC")	Manufacture and sales of semiconductors and chips	57.08%	58.20%
The Company, SCSC, SCAD, Shan Chih Investment Co., Ltd., and Chih Sheng Investment Co., Ltd.	Green Energy Technology Inc. ("GET")	Manufacture of electrical parts and retail sales and wholesale of electrical materials	38.48%	39.04%
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%
The Company, Chunghwa Electronics Investment 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 Investment Co., Ltd.	Professional investment holding	100.00%	100.00%
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	99.99%	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%
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.	Manufacture of electronic products	100.00%	100.00%

TATUNG CO., LTD. AND SUBSIDIARIES
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Investor	Subsidiary	Main businesses	December 31,	
			2018	2017
	(“TMX”)			
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.	95.56%	95.33%
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%
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 Investment Co., Ltd.	Shan Chih Investment Co., Ltd.	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	97.12%	98.55%
The Company	Leap High Limited	Professional investment holding	65.00%	65.00%
The Company	Tungyang Energy Co., Ltd.	Solar energy related business	100.00%	100.00%
The Company	Zhiguang energy Co., Ltd	Solar energy related business	100.00%	-
The Company	Shanshin energy Co., Ltd.	Solar energy related business	100.00%	-
The Company and Shan-Chih Asset Development Co.	Taipei Industry Corporation	Manufacturing, sales of construction related materials and property rental business	50.61%	50.61%
The Company and CPTB	Chunghwa Picture Tubes (Labuan) Ltd. (“CPTL”)	Investment holding and sales of TFT-LCD	-	100.00%
CPT	Chunghwa Picture Tubes (Bermuda) Ltd. (“CPTB”)	Investment holding and sales of TFT-LCD	100.00%	100.00%
CPTB	Chunghwa Picture Tubes Technology (Group) Co., Ltd. (“CPTTG”)	Research, design, manufacturing, sales and service of flat-panel display device, monitor display model and components	Note	26.37%
CPTB	New Kingston Enterprises Limited (“NKEL”)	Professional investment holding	-	100.00%
CPTB	Chunghwa Picture Tubes (Malaysia)	Manufacture and sale of CRT	100.00%	100.00%

TATUNG CO., LTD. AND SUBSIDIARIES
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Investor	Subsidiary	Main businesses	December 31,	
			2018	2017
	Sdn. Bhd. (“CPTM”)			
CPTB	CPTF Optronics (Shen-Zhen) Co., Ltd.	Investigation of market information	100.00%	100.00%
Chunghwa Picture Tubes Technology (Labuan) Ltd. (“CPTTG(L)”) and CPTTG	Chunghwa Picture Tubes (Wujiang) Ltd. (“CPTW”)	Assembly final module of TFT-LCD	Note	100.00%
CPTW, FDT and CPTTG	CPTF Optronics Co., Ltd.	Assembly final module of TFT-LCD	Note	100.00%
CPTF Optronics Co., Ltd., NKEL, and Forward Development Co., Ltd.	CPTF Visual Display (Fuzhou) Ltd. (“FVD”)	Manufacture components of TFT-LCD	Note	100.00%
CPTF Optronics Co., Ltd.	Hwallar Optronics (Fuzhou) Co. Ltd.	Manufacture components of TFT-LCD	Note	51.00%
CPTTG	Chunghwa Picture Tubes Technology (Labuan) Ltd. (“CPTTG(L)”)	Investment holding and sales of TFT-LCD	Note	100.00%
CPTTG	Fuzhou YingYuan Equity Investment Management Co., Ltd.	Professional investment holding	Note	100.00%
CPTTG	Vibrant Display Technology CO., Ltd.	R&D, design and manufacture components of TFT-LCD	Note	100.00%
CPTB and CPTTG	CPT TPV Optical (Fujian) Co., Ltd.	Manufacture components of TFT-LCD	Note	80.00%
CPTTG, CPTF Optronics Co., Ltd., and Goldmax Asia Pacific Ltd	Kornerstone Materials Technology Co. Ltd.	R&D, design and manufacture and sale of panel components	Note	100.00%
Kornerstone Materials Technology Co. Ltd.	DDD3Empire	Manufacture, research and sales of optical glass	Note	55.00%
CPTF Optronics Co., Ltd	CPTF Optronics (HK) Co., Ltd.	Sales of TFT-LCD	Note	100.00%
Vibrant Display Technology CO., Ltd.	Huajiyuan Co., Ltd.	Development, investment, sale, leasing of real estate; estate management and lodging	Note	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%

TATUNG CO., LTD. AND SUBSIDIARIES
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Investor	Subsidiary	Main businesses	December 31,	December 31,
			2018	2017
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%
Ultra Energy (WEIFANG) Technology Co. Ltd	Weifang Jianeng Jingmao Co., Ltd.	Sale of solar energy related products	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.	Manufacture and sale of ABS plastic.	-	100.00%
Shang Chih International Chemical Industry Co., Ltd.	Wujiang Shanghua Material Technology Co., Ltd	ABS plastic, color dyes	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 various electrical products	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%
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 Corporation	Tatung (Shanghai) Co., Ltd	Manufacture and sales of motors, generators and transformers	100.00%	100.00%

TATUNG CO., LTD. AND SUBSIDIARIES
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Investor	Subsidiary	Main businesses	December 31,	December 31,
			2018	2017
TMX	TMX Logistics, Inc.	Hub service	100.00%	100.00%
TMX	TMX Technologies Inc.	Technologies & business development	100.00%	100.00%
Shan Chih Investment Co. Ltd	Shan-Chih International Holding Corporation	Investment holding	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%
TSTI	Tisnet Technology Inc.	Software design and development	100.00%	100.00%
TSTI	TSTI Technologies (Shanghai) Co., Ltd.	Information software Service	94.00%	-
Tatung System Technologies Holding Ltd.	TSTI Technologies (Shanghai) Co., Ltd.	Information software Service	-	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. and CPTB	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.	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%
Shan-Chih Asset International Holding Corporation	Shan-Chih Asset International (Hong Kong) Holding Limited	Investment Holding	100.00%	100.00%
Tatung Forever Energy Co., Ltd.	Sheng Yang Energy Co., Ltd.	Solar energy business	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%	100.00%

TATUNG CO., LTD. AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 (Expressed in Thousands of New Taiwan Dollars unless otherwise Specified)

Investor	Subsidiary	Main businesses	December 31,	
			2018	2017
Tatung Information (Singapore) Pte. Ltd.	Tatung Myanmar JV Holding Co., Ltd.	Investment Holding	100.00%	100.00%
Tatung Medical Healthcare Technologies Co., Ltd.	Tatung Medical & Healthcare Technologies Inc.	Investment Holding	100.00%	100.00%
Tatung Medical Healthcare Technologies Co., Ltd.	Insured Pharmaceuticals Co., Ltd.	Pharmaceuticals and warehousing and transportation service	100.00%	100.00%
Tatung Medical & Healthcare Technologies Inc.	Elite Oxygen And Healthcare Co., Ltd.	Sale of Oxygen generator	100.00%	100.00%
Tatung (Shanghai) Co., Ltd	Tatung Xinji (Guangdong) Technology Co., Ltd.	Electrical engineering system installation service	100.00%	100.00%

The Company signed contract to sell stocks in the fourth quarter 2018, expecting to sell all of the stocks of Tatung Electric Technology (VN) Co., Ltd. and Tatung Vietnam Co., Ltd. Such transaction is expected to be completed within a year. The Company recognized assets and liabilities of Tatung Electric Technology (VN) Co., Ltd. and Tatung Vietnam Co., Ltd. as non-current assets and liabilities held for sale as at December 31, 2018 according to IFRS 5 — Non-current Assets Held for Sale and Discontinued Operations.

Chunghwa Picture Tubes (Labuan) Ltd. (“CPTL”), subsidiary of the Group, has completed the liquidation procedures on December 23, 2018. Tatung Wire And Cable Technology (Wujiang) Co., Ltd., subsidiary of the Group, has completed the liquidation procedures on September 28, 2018. Tatung Wire & Cable (Thailand) Co., Ltd., subsidiary of the Group, has completed the liquidation procedures on June 13, 2018. Wujiang Shang Huah Plastic Co., Ltd., subsidiary of the Group, has completed the liquidation procedures on June 30, 2018. Tatung System Technologies Holding Ltd., subsidiary of the Group, has applied for cancellation on May 15, 2018 and has completed the cancellation procedures on June 20, 2018. New Kingston Enterprises Limited (“NKEL”), subsidiary of the Group, has completed the liquidation procedures in April 2018 and hence the Group’s direct and indirect holding percentage of the subsidiaries decreased from 100% to 0%.

San Chih Semiconductor Co., Ltd. (“SCSC”), Chunghwa Picture Tubes, Ltd. (“CPT”), and Chunghwa Electronics Development Co., Ltd., subsidiaries of the Company, sold stocks of FD during the second half of the year 2018 and hence the Group’s direct and indirect holding percentage of FD decreased from 40.75% to 20.16%.

Annex 2 Products and services provided by Tatung

Products and services provided by Tatung

Business Groups	Business Units	Products and services	Important Certifications
Power Business Group	Power Equipment BU	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. 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 etc.	
	Motor BU	With more than 70 years of techniques and experience in R&D and producing for all kinds of energy saving high-efficiency, single-phase, and three phase high-low-voltage motor from 1/8 – 50,000 HP, full specification included a variety of special motor and application of the system such as premium high-efficiency motors, high temperature resistant motors, electric vehicle motors, explosion proof motor, new automatic brush lifting device equipped wound rotor motor, vertical high thrust pump motor, gear reducer, inverter motor, aluminum frame motor, brake motor, oil well motor, water pump motor, immersible pump motor, built-in type spindle motor, rolling mill motor, elevator motors, crane motors, permanent magnet motors, IoT connected smart electric motor surveillance component and system; railway traction motors, inverters, control panel etc., as well as providing total solutions to supply for electrical machine testing equipment and plant power equipment based upon systematic engineering consideration for serving a variety of industries.	
Consumer Business Group	Advanced Electronics BU	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, streaming microphone, 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.	
	Appliance BU	To boost sales in both domestic and overseas markets, apart from improving brand operations, we enhance brand value with innovative design, quality products, and technology integration. Our wide variety of products includes eco-friendly air-conditioning systems for business and home; 4K smart LCD displays; smart DC fans; slim fashionable refrigerators; and top-loading high-level inverter washers. In addition, we have won awards worldwide for a great number of products awards due to our persistence in technology innovation and esthetic design. We have also launched healthy cooking gadgets including Multi-Functional Cooker, Fusion Cooker and Steam Oven. As a title sponsor of the 55th Golden Horse Awards, we have successfully promoted Tatung X Golden Horse collection, limited multifunctional cookers and vintage fans to the world and enhance the brand value. To make farm-to-table a reality, we persistently promote our health food brand “In Fresh” through careful selection of smallholding farmers. With the rise of the Internet of Things (IoT), we integrate resources to develop a wide variety of smart and energy-efficient appliances equipped with touch/sensing and internet technologies to provide consumers with total smart life solutions. With the smart appliance system and smart appliance app, consumers can control various Tatung smart appliances wirelessly to achieve electricity management, remote control, schedule management, and scenario personalization to save energy and protect the Earth smartly.	

Business Groups	Business Units	Products and services	Important Certifications
System Business Group	Smart Meter BU	Smart Meter BU provides various types of smart meters and AMI systems. Tatung has the ability of integrating the systems of smart meter infrastructure and integrating different communication technologies such as RF, PLC, 4G and NBloT communications to develop smart meter application functions to meet customer needs and improve system performance. It also became the sole aggregator of demand response in Taiwan. Furthermore, cooperating with the design and development of solar energy systems to become the development of micro-grid system integrators, and serve the global power companies, governments and households.	—
	Solar Energy BU	Tatung Solar Energy BU owns hundreds of solar project in Roof / Ground / Floating types, from north to south in Taiwan, including offshore islands. We can provide professional energy creation management and construction services via Tatung's high-performance solar energy products. 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 building roofs to ground-based landfill sites and water-based photoelectric ponds. With electromechanical integration capabilities and high monitoring technology, Tatung deeply develops in power plants and maintenance business.	—
	Power Engineering Division	To comply with Government Renewal Energy policy, Tatung Company has integrated the resources of three plants of the Power BG within Tatung Group and the advantage of our electrical power products for the expanding of the business scope of electrical power system integration and providing total solution services. Business scope: 1. PV power substation system. 2. Small scale Hydro Power Plant system. 3. Wind Mill Power substation system. 4. Electrical Power Engineering System.	—
	System Integration BU	System Integration BU is committed to specializing in the fields of information and communication systems as well as electromechanical systems. Information and Communication Systems: For more than 30 years, we have been helping customers deal with the computerization and automation of their systems and have endeavored to meet the needs of the information market in the era of technology. We are already a representative manufacturer of high-quality system integration in the country. We specialize in information system integration, network security planning & construction, and application software development. We have rich large-scale system integration capabilities and experience. The service team has owned a wide range of IT professional skills, certificates and services network throughout the Taiwan by 13 direct branch offices to provide customers fast services. In the future, we will continue to devote ourselves to deepening the fields of information and communication integration, cloud applications, information security, outsourcing services, business intelligence and system development, and then will become the leading manufacturer in those fields. Electromechanical Systems: As various infrastructure projects at Taiwan started between the 1960s and 1980s, this Company made an important contribution to the infrastructure construction such as power generation, power transmission as well as power supply. Electrical and mechanical systems related businesses are: 1. Provide power plants, large substations, transmission & distribution systems, solar power generation and motor related electromechanical integration services. 2. Residential and factory-built electromechanical engineering, including planning as well as construction for smart building. 3. Sewage (waste water) treatment, which has reached the industrial waste water Zero Discharge standard. 4. Traffic mechanical and electrical engineering for Rails and roads as well as sign control systems. We has owned cross-disciplinary professionals, which covers various functionalities such as power, electronics, mechanics, smart control, information, communications, transportation and project management. They are responsible for integrating cross-disciplinary professionals, coordinating cross-organizational interfaces, providing integrated design, project management and maintenance services.	—

Annex 3 Factories and subsidiaries participated in 3P program and Occupational Accident Prevention Pays program in 2018.

Factories and subsidiaries participated in 3P program and Occupational Accident Prevention Pays program in 2018.

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 are participated in 3P program and Occupational Accident Prevention Pays program. The information disclosed in this report is from Tatung's Factories (with green 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 GRI Standards content index

GRI Content Index			
GRI Standard	Disclosure	Page numbers/ UR	Note
GRI 101: Foundation			
GRI 102: General Disclosures			
Organization profile	102-1 Name of the organization	12	
	102-2 Activities, brands, products, and services	12	
	102-3 Location of headquarters	11	
	102-4 Location of operations	11, 13, 14	
	102-5 Ownership and legal form	12	
	102-6 Markets served	13, 14	
	102-7 Scale of the organization	11	
	102-8 Information on employees and other workers	47, 48	
	102-9 Supply chain	34, 35, 36	
	102-10 Significant changes to the organization and its supply chain	-	No significant change
	102-11 Precautionary Principle or approach	29, 30	
	102-12 External initiatives	15	
	102-13 Membership of associations	13, 14	
Strategy	102-14 Statement from senior decision-maker	Top management statement	
	102-15 Key impacts, risks, and opportunities	Top management statement, 17	
Ethics and integrity	102-16 Values, principles, standards, and norms of behavior	27, 31	
Governance	102-18 Governance structure	21, 22	
	102-19 Delegating authority	31	
	102-20 Executive-level responsibility for economic, environmental, and social topics	26	
	102-21 Consulting stakeholders on economic, environmental, and social topics	3, 4	
	102-22 Composition of the highest governance body and its committees	22	
	102-23 Chair of the highest governance body	22	
	102-24 Nominating and selecting the highest governance body	21	

GRI Content Index				
GRI Standard	Disclosure	Page numbers/ UR	Note	
GRI 101: Foundation				
GRI 102: General Disclosures				
Governance	102-24 Nominating and selecting the highest governance body	21		
	102-25 Conflicts of interest	22		
	102-26 Role of highest governance body in setting purpose, values, and strategy	22		
	102-27 Collective knowledge of highest governance body	26		
	102-28 Evaluating the highest governance body' s performance	26, 31		
	102-29 Identifying and managing economic, environmental, and social impacts	26, 31		
	102-31 Review of economic, environmental, and social topics	26, 31		
	102-32 Highest governance body' s role in sustainability reporting	24		
	102-35 Remuneration policies	24		
	Stakeholder engagement	102-40 List of stakeholder groups	2, 3	
		102-41 Collective bargaining agreements	-	Tatung does not have any collective bargaining agreements at the moment.
102-42 Identifying and selecting stakeholders		2, 3		
102-43 Approach to stakeholder engagement		2, 3		
102-44 Key topics and concerns raised		2, 3		
Reporting practice	102-45 Entities included in the consolidated financial statements	Annex 1		
	102-46 Defining report content and topic Boundaries	8		
	102-47 List of material topics	7		
	102-48 Restatements of information	About this report		
	102-49 Changes in reporting	16, 68, 70		
	102-50 Reporting period	About this report		
	102-51 Date of most recent report	About this report		
	102-52 Reporting cycle	About this report		

GRI Content Index			
GRI Standard	Disclosure	Page numbers/UR	Note
GRI 101: Foundation			
GRI 102: General Disclosures			
Reporting practice	102-53 Contact point for questions regarding the report	About this report	
	102-54 Claims of reporting in accordance with the GRI Standards	About this report	
	102-55 GRI content index	Annex 4	
	102-56 External assurance	Annex 5	
Material topics			
Corporate governance and ethical practice			
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundary	8	
	103-2 The management approach and its components	26, 27, 28, 31	
	103-3 Evaluation of the management approach		
Product quality and safety			
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundary	8	
	103-2 The management approach and its components	37, 38, 39	
	103-3 Evaluation of the management approach		
GRI 416: Customer health and safety	416-1 Assessment of the health and safety impacts of product and service categories	37, 38	
		39	
Comply with social and economic regulations			
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundary	8	
	103-2 The management approach and its components	27, 28	
	103-3 Evaluation of the management approach		
GRI 419: Socioeconomic compliance	419-1 Non-compliance with laws and regulations in the social and economic area	31, 60	


GRI Content Index			
GRI Standard	Disclosure	Page numbers/URL	Note
Customer privacy management			
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundary	8	
	103-2 The management approach and its components	33, 44	
	103-3 Evaluation of the management approach		
GRI 418: Customer privacy	418-1 Substantial complaints concerning breaches of customer privacy and losses of customer data	44	
Labor/management relations			
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundary	8	
	103-2 The management approach and its components	45, 52	
	103-3 Evaluation of the management approach		
GRI 402: Labor/management relations	402-1 Minimum notice periods regarding operational changes	52	
Marketing and labeling			
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundary	8	
	103-2 The management approach and its components	33, 41, 42	
	103-3 Evaluation of the management approach		
GRI 417: Marketing and labeling	417-1 Requirements for product and service information and labeling	41	
	417-2 Incidents of non-compliance concerning product and service information and labeling	41	
		42	
Occupational health and safety			
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundary	8	
	103-2 The management approach and its components	46, 57, 58, 59	
	103-3 Evaluation of the management approach		
GRI 403 Occupational health and safety	403-1 Workers representation in formal joint management-worker health and safety committees	57	Still using GRI 403:2016
	403-2 Types of injury and rates of injury, occupational diseases, lost days and absenteeism, and number of work-related fatalities	60	

GRI Content Index			
GRI Standard	Disclosure	Page numbers/ URL	Note
Environmental management			
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundary	8	
	103-2 The management approach and its components	65, 66, 67	
	103-3 Evaluation of the management approach		
Comply with environmental regulations			
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundary	8	
	103-2 The management approach and its components	28, 63, 67	
	103-3 Evaluation of the management approach		
GRI 307: Environmental compliance	307-1 Non-compliance with environmental laws and regulations	67	
Environmental friendly products			
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundary	8	
	103-2 The management approach and its components	64, 78, 79	
	103-3 Evaluation of the management approach		
GRI 302: Energy	302-5 Reductions in energy requirements of products and services	78, 79	
Management on water and air pollutants			
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundary	8	
	103-2 The management approach and its components	63, 73, 75	
	103-3 Evaluation of the management approach		
GRI 305 : Emissions	305-7 NOx, SOx, and other significant air emissions	75	
GRI 306: Effluents and waste	306-1 Water discharge by quality and destination	74	
	306-3 Significant spills	67	
	306-5 Water bodies affected by water discharges and/or runoff	73	
Wastes management			
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundary	8	
	103-2 The management approach and its components	63, 75, 76	
	103-3 Evaluation of the management approach		

GRI Content Index			
GRI Standard	Disclosure	Page numbers/ URL	Note
GRI 306: Effluents and waste	306-2 Waste by type and disposal method	77	
Energy and green house gases management			
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundary	8	
	103-2 The management approach and its components	64, 69, 71, 72	
	103-3 Evaluation of the management approach		
GRI 302: Energy	302-1 Energy consumption within the organization	68	
	302-3 Energy intensity	72, 73	
	302-4 Reduction of energy consumption	71	
GRI 305: Emissions	305-1 Direct (Scope 1) GHG emissions	69, 70	
	305-2 Energy indirect (Scope 2) GHG emissions	69, 70	
	305-5 Reduction of GHG emissions	69, 70	
Other topics			
Economic performance			
GRI 201: Economic performance	201-1 Direct economic value generated and distributed	16	
	201-2 Financial implications and other risks and opportunities due to climate change	17	
	201-3 Defined benefit plan obligations and other retirement plans	52	
Disclosure on non-financial information			
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundary	19, 32	
	103-2 The management approach and its components		
	103-3 Evaluation of the management approach		
Market presence			
GRI 202: Market presence	202-1 Ratios of standard entry level wage by gender compared to local minimum wage	51, 52	
	202-2 Proportion of senior management hired from the local community	48	
Anti-competitive behavior			
GRI 206: Anti-competitive behavior	206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	42	

Annex 5 Third-party assurance statements

GRI Content Index			
GRI Standard	Disclosure	Page numbers/ URL	Note
Supplier management			
GRI 308: Supplier environmental assessment	308-1 New suppliers that were screened using environmental criteria	34, 35	
GRI 414: Supplier social assessment	414-1 New suppliers that were screened using social criteria	34, 35	
Employment			
GRI 401: Employment	401-1 New employee hires and employee turnover	47	
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	50	
	401-3 Parental leave	50	
Training and education			
GRI 404: Training and education	404-1 Average hours of training per year per employee	54	
Performance review and career development			
GRI 404: Training and education	404-2 Programs for upgrading employee skills and transition assistance programs	51	
	404-3 Percentage of employees receiving regular performance and career development reviews	51	
Human rights, equality, and non-discriminations			
GRI 405: Diversity and equal opportunity	405-1 Diversity of governance bodies and employees	22, 47	
	405-2 Ratio and basic salary and remuneration of women to men	51	
GRI 412: Human rights assessment	412-1 Operations that have been subject to human rights reviews or impact assessment	49	
Freedom of association and collective bargaining			
GRI 407: Freedom of association and collective bargaining	407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	49	
Child labor, forced or compulsory labor			
GRI 408: Child labor	408-1 Operations and suppliers at significant risk for incidents of child labor	50	
GRI 409: Forced or compulsory labor	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor	50	
Management on water and resources			
GRI 301: Materials	301-1 Materials used by weight or volume	73	
	301-3 Reclaimed products and their packaging materials	80	
GRI 303: Water	303-1 Water withdrawal by source	74	Still using GRI 303:2016



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 TATUNG Corporate Social Responsibility Report for the fiscal year 2018 against the AA1000 AS (2018), TUV Asia Pacific CSR Assurance Protocol for Assurance of Sustainability Reporting and the Global Sustainability Reporting Standards (GRI Standards).

TATUNG Co. is responsible for the collection, analysis, aggregation and presentation of information within CSR 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 of the Company is 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

TUV NORD has developed a set of protocols for the Assurance of Corporate Social Responsibility Report based on our professional experience, international assurance best practice and the Global Sustainability Reporting Standards (GRI Standards). The scope of the assurance, based on the AA1000 AS (2018) Assurance methodology, include the text, and data in accompanying tables, contained in this report.

The assurance of the Company's CSR Report for the fiscal year 2018 related to TATUNG Co. businesses (Headquarter, Tayuan Plant, Taoyuan Wires and Cables Plant, Taoyuan 1st Plant, and San-Hsia Factory).

The content of the report includes the following:

- 1) Reporting of economic, environmental, and social indicators; the year of activities covered in the report is 01.2018 to 12.2018;
- 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 (2018)



5) The report is "in accordance" with the GRI Standards – 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 GRI Standards and the TUV Asia Pacific CSR Assurance Protocol for Assurance of Sustainability Reporting. Assessment of the Company's adherence to inclusivity, materiality and responsiveness and stakeholder engagements was based on GRI Standards.

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 Standards 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.

Opinion Statement

The Company's CSR Report (2019 TATUNG Corporate Social Responsibility Report) provides an appropriate view of the Company's CSR programs and performances during fiscal year 2018.

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. The report also presents the Company's performance in the wider context of sustainability.



Inclusivity

The Company well identified its stakeholders through CSR Reporting Group and collected 273 effectiveness questionnaires, evaluating and prioritizing 13 material impacts in Economic, Environment and social aspect based on the opinions gathered from stakeholders and the Company. The effort has been showcased in. The report has responded to the main stakeholders' reasonable expectations and interests.

Materiality

The Company follows the GRI Standards guidance and decides the material topics based on prioritization exercise is carried out using the Stakeholder Inclusiveness and the Materiality principles. The Materiality principle identifies material topics based on the two dimensions: the significance of the organization's economic, environmental, and social impacts; and their substantive influence on the assessments and decisions of stakeholders. The Company also refers to Sustainable Development Goals (SDGs) to declare their report. For corresponded with SDGs objectives, the sustainability objectives could be considered to link the SDGs goals in the further report.

Responsiveness

The CSR Report well included coverage of material topics, sufficient to reflect significant economic, environmental, and social impacts. It was found the supply chain management focus on the Category I suppliers (such as: Important materials, ODM/OEM, outsourcing and significant to product quality suppliers), it was expected to expand the management on Category II ~ IV and disclose in the report gradually.

Impact

The CSR Report has fairly attempted to disclose the relationship between sustainability and organizational strategy. General and topic-specific Standard disclosures including the disclosure on management approach and performance indicators for identified material aspects are clear. However, the Company could consider to create and disclose a comprehensive and balanced understanding of the measurement and evaluation of the Company's impacts on stakeholders and on the Company itself.



Annex 6 Feedback Survey Form

Thank you for reading "2019 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: Health & Safety Division, Tatung Co.,
 No. 22, Chungshan North road, 3rd sec., Taipei, Taiwan
 E-mail : csrreport@tatung.com

一、What is your overall impression of this report?

- Excellent Good Average Poor

Opinions :

二、In what chapters are you most impressed in this report?

- Top Management Statement Identification of the stakeholders and material topics
 Profile of Tatung Company Organization structure and governance
 Supply chain management, product responsibility and customer services
 Social performances Environmental performances

Opinions :

三、In what chapters do you think needed to be improved in this report?

- Top Management Statement Identification of the stakeholders and material topics
 Profile of Tatung Company Organization structure and governance
 Supply chain management, product responsibility and customer services
 Social performances Environmental performances

Opinions :

四、Please use the space below to express your opinions and advices.



**Health & Safety Division
Tatung Co.**

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