PEGATRON

2016 CORPORATE SOCIAL RESPONSIBILITY REPORT OF PEGATRON GROUP

version1.0

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To be in line with the concept of promoting corporate social responsibility, PEGATRON strives to be one of the first-class companies as a corporate citizen. We have issued our corporate social responsibility (CSR) report every year since 2009. The report includes our economic, social, and environmental performances of previous year. In 2017, we issue our eighth CSR report to continuously disclose our commitments, management approaches, strategic goals and performances on each sustainability issue in 2016. Our CSR report is issued in Traditional Chinese, Simplified Chinese and English, and published on PEGATRON's website for stakeholders' reference. The previous version of it was released in June, 2016.

The CSR report is written by CSR implementation committee members and its period is from January 1, 2016 to December 31, 2016. PEGATRON referred in this report is composed by PEGATRON Corporation and its Core Businesses, includes Headquarters (HQ) and Taoyuan Manufacturing Center in Taiwan, Central China, East China and West China Operation Centers in China, Mexico Manufacturing Center in America and Czech Manufacturing Center in Europe. In order to meet IFRS (International Financial Reporting Standards) Consolidated Financial Statements requirement in Taiwan, subsidiaries are included in the financial performances, but the service centers and other listed subsidiaries are excluded from the scope of this report. The entities included in this report account for more than 80% of consolidated revenue.

The framework of this report in line with the principles established according to Global sustainability standard board 's GRI Sustainability Reporting Standards (GRI Standards) with core option level. In order to increase the transparency and reliability of the report, the content is verified by an independent third party, BSI Taiwan, based on the AA1000 AS(2008) for a type 1, moderate level of assurance and complied with core option level of GRI Standards. The assurance statement is attached as appendix of this report.

This report has been prepared in accordance with the GRI Standards: Core option.

If you have any query or comment about this CSR report, please feel free to contact us:

PEGATRON Corporation

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Lead the Change and Create the Future

We are committed to continually improving corporate governance and sustainability indicators, as well as making effort on environmental protection and social inequality.

President and CEO SJ Liao 廖賜政

A look back at 2016, electronics industry continued operating in a challenging environment where end market demand remained sluggish. PEGATRON was affected by the economic environment and industry changes, but our continuous pursuit of product and customer diversification helped us weather through the difficult situation we encountered. Therefore, despite slight decline on year over year basis, PEGATRON's consolidated revenue in 2016 had again achieved over one trillion New Taiwan Dollars. We would like to express our appreciation for the continuous support and encouragement from our stakeholders, which guide us to strive further for innovation amid stable growth.

In addition to operational excellence, PEGATRON also actively respond to sustainable issues concerned by stakeholders, implement the best practices on labor rights, health, safety and environment with certainty to fulfill the corporate social responsibility (CSR). We are fully committed in incorporating the CSR perspective into business operation in order to enhance our competitive edge. With increasing attention on supply chain management, we drive our suppliers to comply with "PEGATRON Supplier Code of Conduct", and promote its requirements via annual supplier conference. We work hard to improve economic, environmental and social aspects, and welcome our stakeholders to re-examine our performance through reading of annual CSR report. To ensure the consistency and report quality, our CSR reports have been verified by external third parties since 2014. Not only did it increase transparency, but also helps improving internal management on CSR .

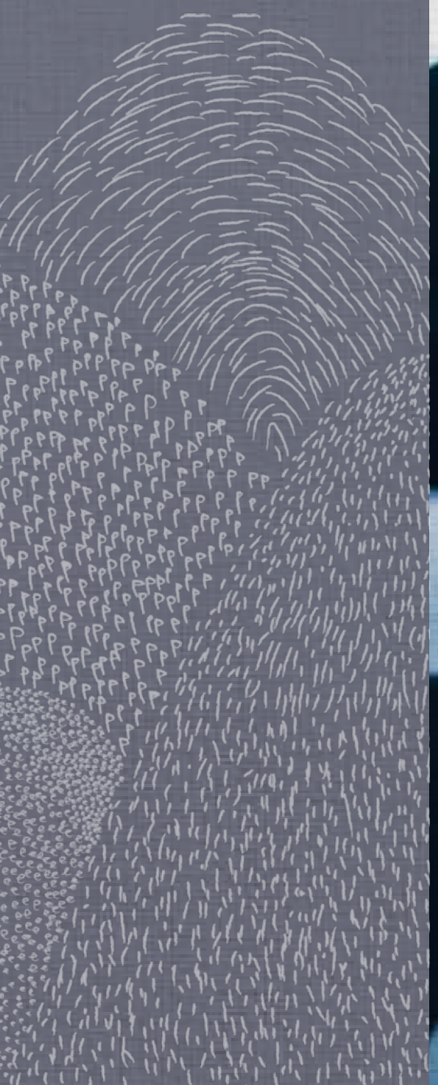
In terms of corporate governance, "Corporate Governance Practice Principles", "Ethical Corporate Management Best Practices Principles", "Code of Conduct" and "Corporate Social Responsibility Best Practices" are formulated and taken as our corporate governance framework so as to safeguard the interests of stakeholders and enhance transparency. PEGATRON's performance on sustainable development was recognized by external parties. We are at the top 5% listed companies in "Second Corporate Governance Evaluation" held by Taiwan Stock Exchange. Additionally, we are also selected as "2016 Channel NewsAsia Sustainability Top 100 Ranking".

Looking ahead at 2017, despite challenging environment and fierce competition, we are committed to continually improving corporate governance and sustainability indicators, as well as making effort on environmental protection and social inequality. Together with our valued partners, PEGATRON endeavors to fulfill social responsibility and maximize profits for our employees, customers and shareholders.

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Identification & Communication

Effective communication with stakeholders is the way to achieve continual improvement and sustainable development.

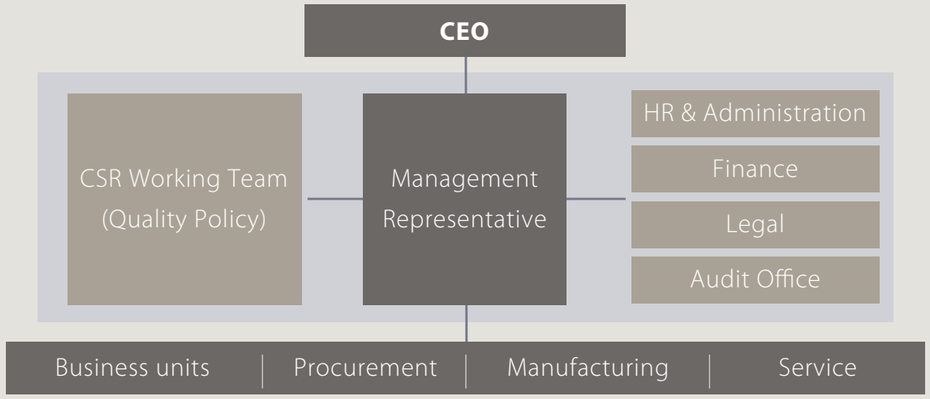


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Social Responsibility Commitment

PEGATRON's corporate social responsibility consist of economic, environmental and social aspects is planned, operated and implemented by PureCSR(PEGATRON's Corporate Social Responsibility) Steering Committee which is led by CEO authorized by its board of directors. The committee members are consisted of relevant departments, including representatives from Corporate Quality Policy Center (CQPC), Human Resource & Administration Center (HR & ADM), Procurement Center, Customer Service Business Unit (CSBU), Finance & Accounting Center, Legal & IPR (Intellectual Property Right) Center, Audit Office, business units and CSR representatives of Operation Centers and Manufacturing Centers. All members identify their fields' stakeholders according to their jobs and respond to stakeholders' concerns in daily operations. Cross unit issues are discussed in PureCSR Steering Committee meeting to reach consensus among related units. CSR implementation status is periodically reported to the CEO and will be escalated to the Company's board if there is a significant impact on the Company.

CSR Organization Chart：



PEGATRON expects to disclose publicly our performance of corporate social responsibility via CSR report, and takes it as a communication platform with stakeholders to understand their requirements so as to have a two-way communication path. At the same time, the CSR report is taken as a strategy of sustainable management to ensure the integration of management system. In order to make economic, environmental and social progress, PEGATRON established the "Corporate Social Responsibility Best-Practice Principles" in 2015 and disclosed it on the company's official website to show our philosophy and determination on the practice of corporate social responsibility.

Corporate Social Responsibility Best-Practice Principles:
http://www.pegatroncorp.com/investorRelation/majorInternalPolicies/lang/en_US

To have a effective management on CSR related issues, PEGATRON establishes PureCSR policy and implements the corporate social responsibility and safety & health management system (PureCSR management system). The Company not only sets up CSR objectives and targets every year, but also performs internal audits, external audits and corrective actions, as well as reviews CSR performances by management review meetings to ensure the efficiency of PureCSR management system.

PureCSR policy

1. Abide by all environmental protection, labor, safety and health laws.
2. Conserve natural resources, and actively prevent pollution.
3. Reduce environmental impact and safety risks.
4. Satisfy customer requirements and become an entirely green enterprise.
5. Enable company-wide promotion of corporate responsibility in a social environment.
6. Summon all employees to participate in the program and continuously improve it.

PEGATRON also commits to implement the following directives with express our intention to fulfill the following:

01. Abide by environmental and labor laws, regulations and other international requirements to meet global environmental protection, labor rights and zero-hazard activity.
02. Educate entire employees, making them aware to protect environment, respect the dignity of life, cherish natural resources, ensure safety and promote physical and mental health of everyone.
03. Achieve the goal of effective resource consumption through reusing and recycling of resources as well as supervise waste management to prevent from being reused or re-sold.
04. Enhance the monitoring and reducing of environmental pollutant and risk management. Meanwhile, improve the efficiency of resource utilization to reduce the impacts on the environment as well as disclose the environmental performance regularly.
05. Promote the independence and reliability of the self-management so as to optimize the quality of occupational hazard control, and reduce occupational risks to build a satisfied working environment.
06. Establish a management system for corporate social responsibility to improve the efficiency for environmental protection, ethics, labor rights, safety and health.
07. Implement greenhouse gas inventory and reduction program to practice energy conservation and carbon reduction as well as improve energy efficiency to meet international trends in environmental protection and customers' requirements.
08. Openly pledge the company's commitment in protecting the environment and labor rights and reducing occupational hazards as well as regularly disclose corporate social responsibility information to enhance the trust and communication with stakeholders.
09. Abide by ethics code of conduct, including business integrity, no improper advantage, not to bribe or take bribes, and to protect the personnel who raise any concerns or inform against illegal acts from being fear of retaliation.
10. Emphasize on equal opportunities as well as prohibit any kinds of harassment and discrimination or inhumane treatment, and establish two-way communication channels to maintain good relationship between employees and employers.
11. Continually address the conflict minerals issues and exercise due diligence on the sources of metal raw materials to conduct responsible procurement for metals.
12. Do our best to summon our suppliers to comply with related corporate social responsibility regulations and Electronic Industry Citizenship Coalition Code of Conduct to sustainably grow together with our suppliers.

As a member of EICC (Electronic Industry Citizenship Coalition) from 2008, we continuously participate in the annual member meeting every year and have discussions with peers on the issues and trends of business sustainability. Also, we actively respond several corporate responsibility projects and initiatives. In order to fulfill the targets of carbon reduction and natural resources conservation, we invite our major suppliers to join sustainable activities and improve their sustainable abilities. In addition to the electronic industry citizen coalition, PEGATRON is also one of members of the Taipei Computer Association(TCA), and our chairman, Tzu-Hsien, Tung, is its chairman of the Board. As a world-class industry association, TCA continues to be an industry promoter on ICT (Information and Communication Technology), and works hard with more than 4,000 members to create another business peak as well as offers huge business opportunities in Taiwan.

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Stakeholder Communication

Stakeholder means a group or individual who impacts or has influence on PEGATRON. Based on the definition, we identify 8 major stakeholders according to the degrees of mutual influences, include employees, customers, investors, government agencies, suppliers, media, NGO (Non-Government Organization) and communities. We communicate with stakeholders through various communication channels to understand stakeholders' requirements and keep good relationships with them. We not only communicate with stakeholders in public, but also take their requirements as reference for sustainable development. In addition, PEGATRON sets the stakeholder's zone and external communication mailbox (Honest_Box@PEGATRONcorp.com) on our official website, as one of communication channel with stakeholders. Through dedicated CSR personnel, we understand the expectations and needs of stakeholders by proper communications and respond to their concerned CSR issues.

PEGATRON's stakeholder：



All issues stakeholders concerned and communication channels are listed in the following table：

Stakeholder	Concerned Issue	Corresponding Chapter	Communication Channel	Communication frequency
Customer	1. Green produc	1. Sustainable Design	QBR(Quarterly Business Review)	Quarterly
	2. Risk management	2. Risk Management	Customer Satisfaction Survey	Yearly
	3. Materials	3. Sustainable Design	Supply Chain Conference	Yearly
	4. Environmental compliance	4. Environmental Protection	Customer Audit	Unscheduled
	5. Ethics and integrity	5. Code of Conduct	Regular / Instant Meeting	Depends on customer
			EICC-ON Platform	Unscheduled
Employee	1. Labor management relations	1. Employee Care	Regular Meeting	Monthly
	2. Occupational health and safety	2. Occupational Health & Safety	Internal Website	Unscheduled
	3. Training and education	3. Attracting and Nurturing	Internal Publication /Announcement	Unscheduled
	4. Employment	4. Labor Relationship	Suggestion Box	Unscheduled
	5. Governance	5. Corporate Government	Coffee Talk	Yearly
			Hotline	Unscheduled
			Labor-Management Meeting	Quarterly
Investor	1. Economic performance	1. Financial Performance	Monthly Business Report	Monthly
	2. Market presence	2. Attracting and Nurturing	Annual Shareholders' Meeting	Yearly
	3. Governance	3. Corporate Government	Quarterly Investor Conference	Quarterly
	4. Ethics and integrity	4. Code of Conduct	Annual Financial Report	Yearly
	5. Socioeconomic compliance	5. Regulatory Compliance	Market Observation Post System (MOPS)	Unscheduled
Supplier	1. Occupational health and safety	1. Occupational Health & Safety	Supplier Conference	Yearly
	2. Ethics and integrity	2. Code of Conduct	Supplier Audit	Yearly
	3. Environmental compliance	3. Environmental Protection	Supplier Relationship Management (SRM) Platform	Unscheduled
	4. Materials	4. Sustainable Design	External Communication	Unscheduled
	5. Employment	5. Labor Relationship	Mailbox	

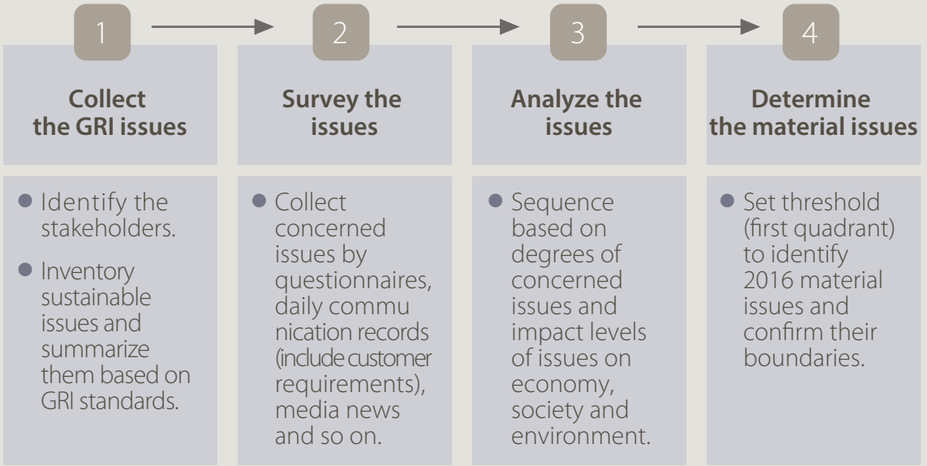
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Stakeholder	Concerned Issue	Corresponding Chapter	Communication Channel	Communication frequency
Community	1. Market presence	1. Attracting and Nurturing	External Communication Mailbox	Unscheduled
	2. Governance	2. Corporate Government		
	3. Ethics and integrity	3. Code of Conduct		
	4. Environmental compliance	4. Environmental Protection		
	5. Socioeconomic compliance	5. Regulatory Compliance		
Government	1. Governance	1. Corporate Government	Public Hearing Questionnaire and Interview Project and Initiative Seminar	Unscheduled
	2. Ethics and integrity	2. Code of Conduct		
	3. Environmental compliance	3. Environmental Protection		
	4. Employment	4. Labor Relationship		
	5. Occupational health and safety	5. Occupational Health & Safety		
Media	1. Economic performance	1. Financial Performance	Press Conference Press Release External Communication Mailbox	Unscheduled
	2. Market presence	2. Attracting and Nurturing		
	3. Employment	3. Labor Relationship		
	4. Labor management relations	4. Employee Care		
	5. Occupational health and safety	5. Occupational Health & Safety		
NGO	1. Emissions	1. Environmental Protection	Participation of Related Organizations Seminar External Communication Mailbox	Unscheduled
	2. Effluents and waste	2. Environmental Protection		
	3. Employment	3. Labor Relationship		
	4. Labor management relations	4. Employee Care		
	5. Occupational health and safety	5. Occupational Health & Safety		

Material Issue Identification

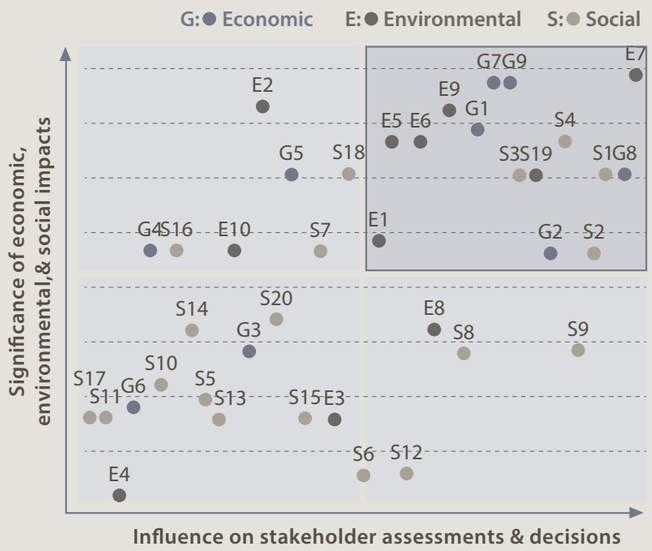
In order to hear voices from different stakeholders, we not only collected suggestions from the employees who may directly contact stakeholders in their daily operations, but also investigate internally and analyze the concerns of different stakeholders through the indirect and direct channels, and present their concerned issues in the CSR report.

In order to achieve effective communication with stakeholders, we identify the issues stakeholders concerned through a systematic approach. Therefore, PureCSR committee identifies material issues through the materiality assessment process to be the main content of this report. There are 39 sustainability issues included in the materiality assessment, and the process is listed as bellows :



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The Sustainability Issue of 2016 CSR Report:



Based on the result of materiality assessment, we identify the material issues in 2016 CSR Report as the following figure. In addition to the response and disclosure in this report,

Economic
- G1 Economic performance
- G2 Market presence
- G3 Indirect economic impacts
- G4 Procurement practices
- G5 Anti-corruption
- G6 Anti-competitive behavior
- G7 Governance
- G8 Ethics and integrity
- G9 Risk Managemnet

Environmental
- E1 Materials
- E2 Energy
- E3 Water
- E4 Biodiversity
- E5 Emissions
- E6 Effluents and waste
- E7 Environmental compliance
- E8 Supplier environmental assessment
- E9 Green product
- E10 Climate change

Social
- S1 Employment
- S2 Labor management relations
- S3 Occupational health and safety
- S4 Training and education
- S5 Diversity and equal opportunity
- S6 Non discrimination
- S7 Freedom of association and collective bargaining
- S8 Child labor
- S9 Forced or compulsory labor
- S10 Security practices
- S11 Rights of indigenous peoples
- S12 Human rights assessment
- S13 Local communities
- S14 Supplier social assessment
- S15 Public policy
- S16 Customer health and safety
- S17 Marketing and labelling
- S18 Customer privacy
- S19 Socioeconomic compliance
- S20 Conflict mineral

PEGATRON also emphasizes on material issues at the communications and improvements. We take the PDCA concept (Plan-Do-Check-Act Cycle) and periodically assess the effectiveness of our management approach.

After the material issues identified, we define the scope covered by related aspects to ensure the information transparency and the suitable boundaries. The boundaries of material issues are defined in the following table:

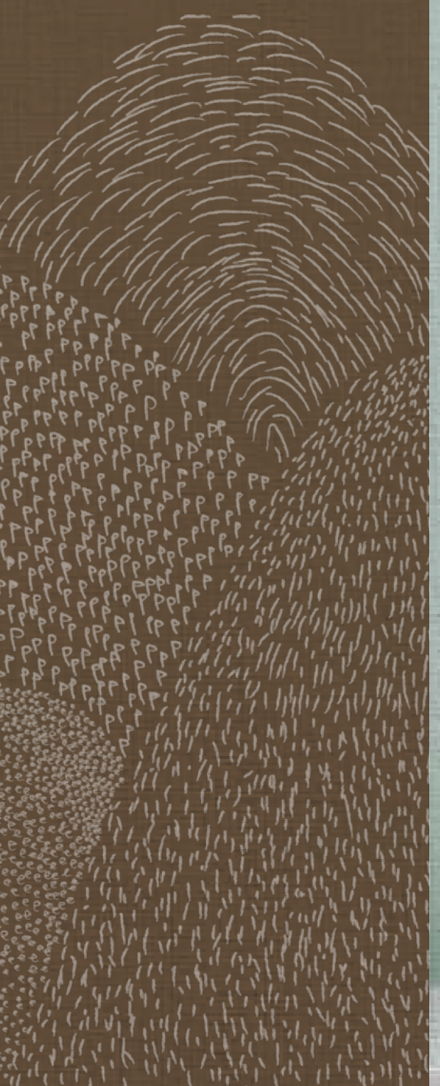
◎ Items disclosed within this report　△ Not included in this report

Category	Material Issue	Chapter	Inside Organization			Outside Organization				
			HQ	Site	Subsidiary	Customer	Supplier	Community	Government	Media/ Investor/ NGO
Economic	Economic performance	Financial Performance	◎	◎	◎					
	Market presence	Labor Relationship	◎	◎	△			◎		◎
	Governance	Corporate Governance	◎	◎	△				◎	◎
	Ethics and integrity	Code of Conduct	◎	◎	△	◎	◎			◎
	Risk management	Risk Management	◎	◎	△	◎	◎			
Environment	Materials	Sustainable Design	◎	◎	△		◎	◎		
	Emissions	Greenhouse Gas	◎	◎	△			◎		◎
	Effluents and waste	Environmental Protection	◎	◎	△			◎	◎	◎
	Environmental compliance	Environmental Protection	◎	◎	△				◎	
	Green product	Sustainable Design	◎	◎	△	◎	◎			
Environment	Employment	Labor Relationship	◎	◎	△				◎	◎
	Labor management relations	Employee Care	◎	◎	△					◎
	Occupational health and safety	Occupational Health & Safety	◎	◎	△				◎	◎
	Training and education	Attracting and Nurturing	◎	◎	△					
	Socioeconomic compliance	Regulatory Compliance	◎	◎	△				◎	

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Company Profile

Competence in both design
and manufacturing to create a new style.





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About PEGATRON

Founded in 2008, PEGATRON is a worldwide leader providing DMS (Design, Manufacturing and Service) services. PEGATRON offers assembly service to a wild range of electronics products in computing, communications and consumer electronics segments, including Notebook, DeskTop PC, Mobile Internet Devices (MID), Motherboards (MB), VGA Cards, Cable Modem, Set-Top Box, Smartphones, Game Consoles, Tablet PC and so on. In addition to providing assembly service for brand customers, the Company engages in development, design and manufacturing of peripherals and components of the above-mentioned products. PEGATRON has several service and manufacturing locations including Taiwan, China, United States, Mexico, Czech Republic, Japan, Singapore, Korea and Brazil. With the global operation network, the Company hopes to provide timely support to its customers and offer all value added services to be a one stop shop for total solutions.

PEGATRON File

Company name：PEGATRON Corporation

Establishment：Founded at 1st, Jan, 2008.

Headquarters： No. 76, Ligong St., Beitou District, Taipei City, Taiwan

Stock code：4938 (listed on Taiwan Stock Exchange from 2010)

Chairman of the Board：Tzu-Hsien Tung

Employee size(dispatched labor included)：130,052 employees worldwide in 2016

Capital：NT$25.8 billion

Revenue：Reached NTD 1,157.7 billion in 2016

Main businesses：Computing, communication, and consumer electronics products

Major customers：Renowned global information technology and communication brands

Our Vision

We work with the belief that technology has the potential to transform imaginations into opportunities and challenges into pleasures. With our mission of “navigating the future”, PEGATRON seeks to pursue the goal of becoming an industry-leading company that satisfies its customers throughout the world with its unique design innovations and exceptional services.

Management Philosophy

PEGATRON expects all of our employees to work sincerely and joyfully so that to inspire the potential of each one of them. Through the tight relationship among teams with different functions, PEGATRON employees are able to create truly market-driven products based on maximizing benefit of customers. Ultimately, customer can experience better lives with PEGATRON’s design and innovation.

Financial Performance

The consolidated revenue of PEGATRON reached NT$1,157.7 billion in 2016, decreased by 5% from that of 2015, resulted mainly from the slowdown of growth in mobile device demand. In 2016, PEGATRON received tax benefit of TWD NT$325 million as an encouragement for further investment according to regulations. For more detailed operating performance and financial information, please refer to the Company’s 2016 Annual Report.

http://www.PEGATRONcorp.com/investorRelations/cht/annual.php

The brief consolidated income statement of PEGATRON and its subsidiaries for the year ended 2016 and 2015 are as following:

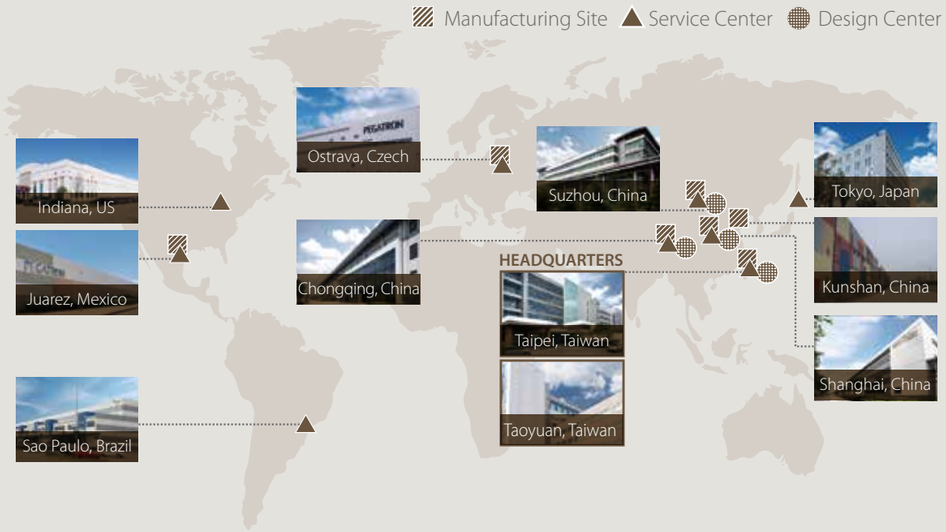
Unit: TWD in million	2016	2015
Operating revenue	1,157,710	1,213,713
Cost of Sales	1,094,643	1,138,438
Gross profit	63,067	75,275
Operating Expenses	30,653	35,600
Operating Income	32,414	39,675
Non-operating income & expenses	-3,334	-489
Profit before tax	29,080	39,186
Tax Expense	6,942	10,314
Profit	22,137	28,872
Income after Income Tax	-8,421	-1,340
Comprehensive Income	13,716	27,532
Profit, attributable to owners of parent	19,340	23,812
Comprehensive income, attributable to owners of parent	12,008	22,810

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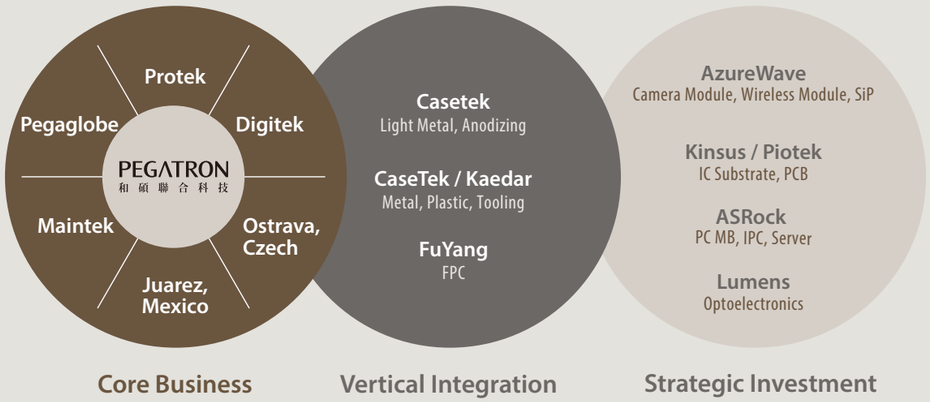
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In the area of high technology industry around the world, Taiwan is placed in a significant position. Many famous brands rely on innovation and flexible researching skills of Taiwan's technology industry. Responding to lower and lower gross margin of OEM, original equipment manufacturing, the company actively thinks about how to overcome this challenge, and moves toward a new model called DMS, Design, Manufacturing and Service.

Our manufacturing facilities and service centers have been strategically established all over the world to provide the most efficient service to our customers. We set up these operation centers based on the strengths of the individual locations to provide the fast and customized processes and solutions to our customers.



Important investment allocation



1. Deployment of Core Manufacturing Business

Maintek Computer (Suzhou) Co., Ltd manufactures Notebook (NB), Desktop (DT), Motherboard(MB), Consumer Electronics(CE), Networking and LCD TV, while Protek (Shanghai) Limited mainly manufactures Consumer Electronics and handheld device, Pegaglobe Eletronics (Kunshan) manufactures Networking and handheld device. Besides, Digitek Computer (Chongqing) Co., Ltd mainly manufactures Notebook. As a result of the free trade zone in North America and tax regulations by European Union and in order to enhance customer service, PEGATRON Mexico, S.A. DE C.V (PMX) and PEGATRON Czech s.r.o. (PCZ) were established as the major Manufacturing Centers in America and Europe respectively.

2. Deployment of Vertical Integration

	Company name	Remark
Mechanical component	Casetek computer (suzhou) co., ltd.	In additional to mental stamping for desktop PC, casetek has gradually developed technology in plastic injection and became the main Manufacturing Center of mechanical components in the company.
	Kaedar electronics (kunshan) co.,ltd. Kai He Computer Accessory (suzhou) co., ltd. Core-tek (shanghai) limited Dongbu zsc	Established via joint venture
	Casetek Holdings Ltd.(Cayman)	A light metal manufacturing company; we merge it through acquisitions.
	Fuyang Technology Corporation	A new established company which focus on FPC module.

3. Deployment of Strategic Investment

Company name	Remark
ASrock incorporation	Manufacturing and sales of low to mid end motherboard and industry computer as the brand "ASrock".
Kinsus interconnect technology corporation/ piotek holding limited	Manufacturing and sales of BGA substrate and PCB.
Azurewave technologies inc.	Major products include Wi-Fi module, camera module, digital TV card and LED products.
Lumens digital optics inc.	Major products include special purpose projectors and light engines for large screen monitors.

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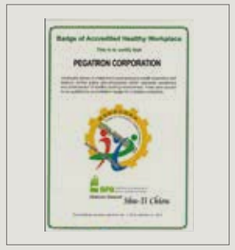
- Ranked #864 among 2016 Forbes The Global 2000 Companies
- Ranked #2 among 2016 CommonWealth Magazine 2000 Survey in Taiwan Manufacturing Companies
- Ranked #60 in the 2016 Channel NewsAsia Sustainability Top 100 Ranking
- Top 5% of the best companies among The Second Corporate Governance Evaluation held by Taiwan Stock Exchange
- Ranked #30 among 2016 Top 100 Patent Granted Ranking in Taiwan
- Badge of Accredited Healthy Workplace Certificated by Health Promotion Administration, Ministry of Health and Welfare (Headquarters and Taoyan Manufacturing Center)
- IDEA(International Design Excellence Awards) Silver award in the US



Channel NewsAsia Sustainability Ranking



Badge of Accredited Healthy Workplace Taipei



Badge of Accredited Healthy Workplace Taoyuan



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Sustainable Management

To respect the stakeholders who have
positive contributions to PEGATRON's development.

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Corporate Governance

In addition to the involvement of managers and employees, the key factor for a successful company governance is the support from stakeholders as well as the transparency of a company's governing mechanism and structure. To carry out the corporate governance, our Board of Directors has approved "PEGATRON's Corporate Governance Best Practice Principles" on November, 2014 and disclosed it in Stock Exchange Market Observation Post System and our official website:

http://www.PEGATRONcorp.com/investorRelations/cht/internalPolicies.php

Our Board of Directors is elected by ballot based on the nominating candidate system. The term of directors had expired in June 2016, so we re-elected eleven directors including three independent directors in 2016. To implement the corporate governance, we've adopted audit committee to replace the supervisors since 2013. Not only the directors should participate in board meetings, but also the independent directors actively provide constructive suggestions according to the operational status of the company. The operating scenario is publicly disclosed in our annual financial report.

The "Compensation Committee" constituted and operated by our Board of Directors since August, 2011, and the reward policy of directors and managers is proposed and reviewed periodically. Remuneration of the directors and managers will be submitted to Board of Directors for discussion after proposed by Compensation Committee. The remuneration information is also disclosed in our annual financial report.

PEGATRON values the importance of disclosing complete, timely and transparent information. In addition to the financial information, financial statements, annual reports and critical information announced on the Stock Exchange Market Observation Post, the relevant information is also available on PEGATRON's official website (http://www.pegatroncorp.com/) as a reference for domestic and foreign investors. There is a dedicated department responsible for the collection and dissemination of information, and we set up spokesman and file the Information according to the requirement of Taiwan Stock Exchange.

To emphasis on shareholder equity, strengthen the function of the Board of Directors and enhance information transparency, PEGATRON sets up Honest_Box@PEGATRONcorp.com on the designated area of our corporate website for communication with stakeholders. Designated personnel are assigned to handle all enquirers and respond to key issues raised by stakeholders.

List of Major Shareholder :

As of 08/08/2016

Shareholder's Name	Shareholding Percentage
Asustek Computer Inc. (Representative: Jonney Shih)	17.42%
T.H.Tung	3.59%
Jonney Shih	2.60%
Cathay Life Insurance Co., Ltd.	2.57%
Ted Hsu	2.19%
Citi (Taiwan) Bank in Custody for Government of Singapore Investment Corporation	2.04%
Infinity Grow International Limited	1.50%
Morgan Stanley & Co. International Plc	1.43%
CTBC Bank in Custody for PEGATRON Corporation	1.26%
Vanguard Emerging Markets Stock Index Fund, A Series Of Vanguard International Equity Index Funds	1.17%

Since PEGATRON corporation is listed on Taiwan Stock Exchange from June 2010, the Company has set up a designated team including the Corporate Information Department and spokespersons to communicate with investors, analysts, media, and institutional investors through quarterly IR conferences, one-on-one meetings, teleconferences, domestic/overseas non-deal road shows, etc. During the meetings, various topics are discussed, including business operation, financial performance, corporate governance, etc. Through interactive communication with investors, their valuable opinions can be delivered to PEGATRON's management.

In order to enhance the communication between PEGATRON and investors, the Company has set up an investor relations section on the corporate website to disclose information regarding to the Company's business operation. The Company also has a designated team to provide services to investors with inquiries. The Company hopes to establish multiple communication channels, so that investors can have a better understanding of PEGATRON's business operation.

In addition, PEGATRON holds investor conferences to announce the results and business outlook on a quarterly basis. Furthermore, according to local regulations, annual general shareholders' meeting is held every year, which allows shareholders to get a better grasp of the Company's performance in the past year as well as business goals in the coming year.

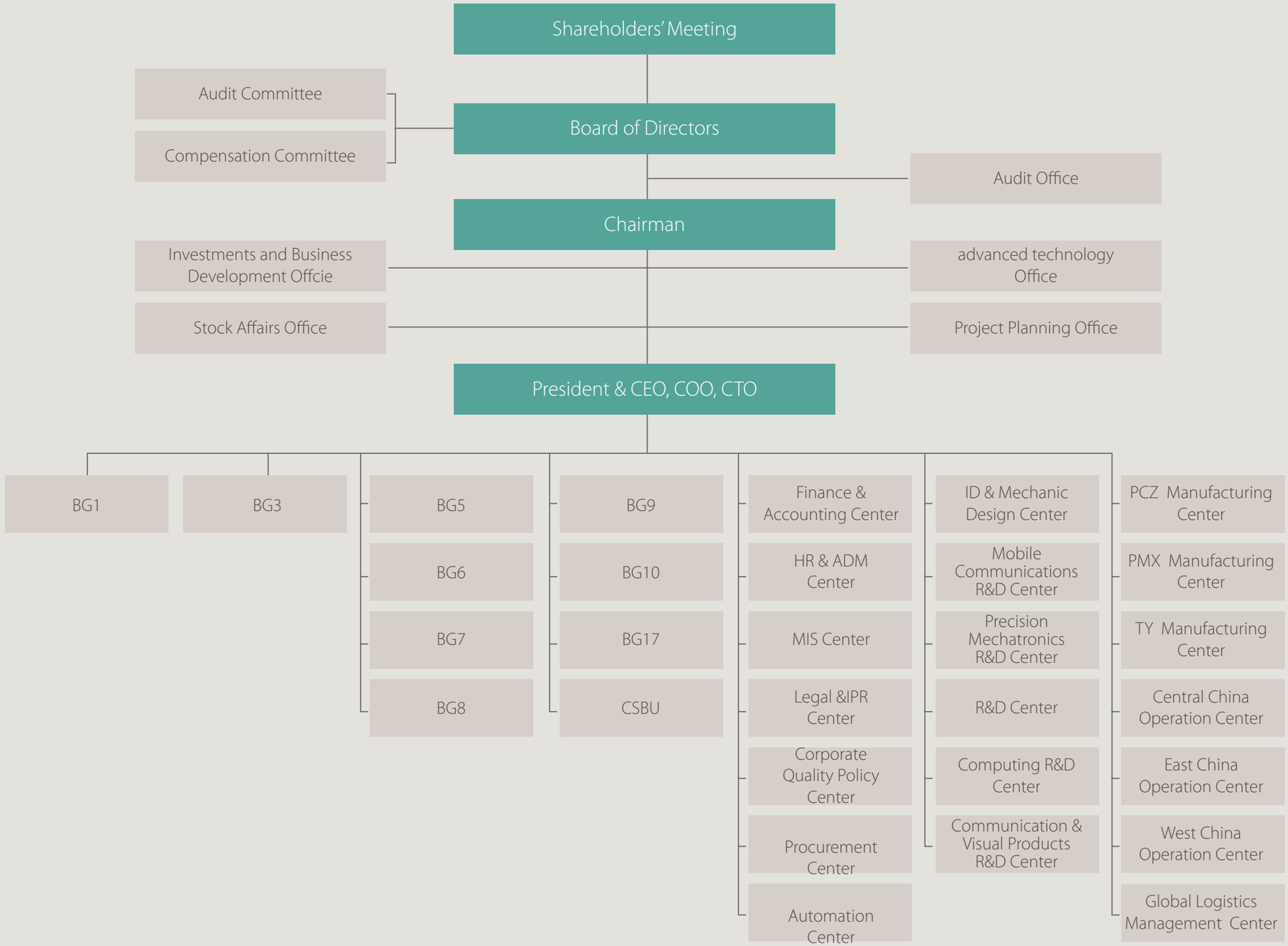
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Information of Board of Directors and Supervisors are listed in the following table:

Title	Name	Education and Experience		Current Duty	
Chairman	T.H. Tung	· Master degree in computer and communication engineering, National Taipei University of Technology · Honorary PH.D in Engineering, National Taipei University of Technology · Vice Chairman of Asustek		· Chairman of PEGATRON Corp. · Director of Kinsus Interconnect Technology Corp. · Director of Asrock Incorporation	· Director of AzureWave Technologies, Inc. · Chairman of Pegavision Corp. · Director of Casetek Holdings Limited (CAYMAN)
Director	Jason Cheng	· Master degree in electrical engineering, University of Southern California · resident and CEO of PEGATRON Corp.	· Deputy General Manager of Asustek	· Deputy Chairman of PEGATRON Corp. · Chairman of Casetek Holdings Limited(CAYMAN) · Chairman of FuYang Technology Corp.	· Chairman of AzureWave Technologies, Inc. · Director of Alcor Micro Corp.
Director	C.I. Chia	· BBA, National Taiwan University · MBA, University of Wisconsin-Madison	· Vice President, Citibank, N.A.Taipei Branch · President, Individual Financial Services Group, Bank SinoPac	· Director of Yangtze Associates · Independent Director of Ardentec Corporation	· Supervisor of Airiti Inc.
Director	C.V. Chen	· LL.B., National Taiwan University · LL.M., University of British Columbia · LL.M., Harvard Law School · S.J.D., Harvard Law School	· Vice Chairman & Secretary General of Straits Exchange Foundation (SEF) · President of The Red Cross Society of The Republic of China	· Chairman and Managing Partner of Lee and Li Attorneys-At-Law · Director of Asia Cement Corporation · Director of Novartis Taiwan	
Director	Shou-Chung Ting	· Bachelor of Political Science, National Taiwan University · PH.D. in International Politics, The Fletcher School of Law and Diplomacy, 1985 · MALD, The Fletcher School of Law and Diplomacy, Tufts University, 1981 · Legislator, The Legislative Yuan of R.O.C., 1990–2001, 2004–2016	· Associate Professor , Graduate School of Political Science, National Taiwan University, 1985 · Visiting Scholar, Fairbank Center, Harvard University, 2016 · Visiting Scholar, Hoover Institution, Stanford University, 2001 · Deputy Executive Director, Central Policy Committee, KMT, 2000–	· Chairman of Chinese Taipei Basketball Association · Director of Chinese Blood Donation Association · Chairman of Bridge Across the Strait Foundation · Director of ChengHsin General Hospital	
Director	Tze-Kaing Yang	· Ph.D of Business Management, National Chengchi University · Political Deputy Minister, the Ministry of Finance, R.O.C. · Chairman of Bank of Taiwan · Executive Secretary of National Development Fund, Executive Yuan · President of China Development Industrial Bank · Associate Professor of MBA at National Chengchi University		· Chairman of Yangtze Associates · President of Huiyang Private Equity Fund Co., Ltd. · Director of Asustek Computer Inc. · Independent Director of ASROCK Incorporation · Independent Director of DBS BANK	· Director of TTY Biopharm Company Limited · Director of Taiwan Stock Exchange · Director of CHIEN KUO Construction Co., LTD. · Director of Airiti Inc.
Director	DAI-HE Investment Co., Ltd. Rep. : Schive, Chi	· Bachelor of Economics, National Taiwan University · Master degree in Economics, National Taiwan University · Ph.D. in Economics, Case Western Reserve University · Assistant Professor, Department of Economics, Ohio State University · Associate Professor, Professor and Department Chair of Economics, National Taiwan University · Dean of School of Management at National Central University	· Professor and Director of Graduate Institute of Industrial Economics at National Central University · Visiting Professor of Freie Universität Berlin, FU Berlin · Deputy Minister of Council for Economic Planning and Development, Executive Yuan · Chief Negotiator of Taiwan's accession to General Agreement on Trade in Services (GATS) · Deputy chairman of Asia-Pacific Economic Cooperation, APEC · Premier of Taiwan Academy of Banking and Finance · Chairman of Taiwan Stock Exchange · Minister without Portfolio of Executive Yuan	· Independent Director of SinoPac Holdings · Independent Director of SinoPac Securities Corp.	· Independent Director of Asia Cement Corp. · Independent Director of Adimmune Corp.
Director	HONG-YE Investment Co., Ltd. Rep. : Syh-Jang Liao	· Bachelor degree in Industrial and Business Management, Tatung Institute of Technology	· Chief Operating Officer of PEGATRON Corp. · Senior Vice President of Unihan Corp.	· Director and CEO of PEGATRON Corp.	· Supervisor of FuYang Technology Corp.
Independent Director	C.B. Chang	· B.S., Statistics, National Chengchi University · Deputy General Manager of China Development Industrial Bank	· Manager of Far Eastern Textile Ltd.,	· Director of Polytronic Technology Corp. · Independent Director of Raydium Semiconductor Corp.	· Independent Director and Managing Director of Far Eastern International Bank · Independent Director of Standard Foods Corporation
Independent Director	Chun-Bao Huang	· Electrical Engineering, National Taipei Institute of Technology	· President & GM of Havix Electronics Co., Ltd.	· President & GM of Havix Electronics Co., Ltd. · Independent Director of Kinsus Interconnect Technology Corp.	
Independent Director	C.S. Yen	· Provincial Keelung Senior High School · Group President of Landis Hotels and Resorts · Country Manager of American Express Inc. Taiwan · General Manager of the Grand Hotel · Chairman of Taiwan Visitors Association	· Pacific Asia Travel Association (PATA) · Vice Chairman of Young Presidents' Organization (YPO) Asia Conference · Chairman for Asia Pacific region of The Leading Hotels of The World	· Independent Director of Shinkong Insurance Co., Ltd.	

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Code of Conduct

Because the business ethics and corporate responsibility are paid more and more attention all over the world, a sustainable corporate should earn the reliability and respect from consumers, partners and the public. PEGATRON's Code of Business Ethics can reflect our core value, and it is the basic discipline for us. To enhance the business integrity management, relevant departments are assigned to establish the "Corporate Ethical Management Policy" and the prevention system against corruption and malfeasance. Designated personnel also report the implementation and compliance status to the Board of Directors. Besides, "Corporate Ethical Management Policy" is clearly stated in the internal and external documents. Board of Directors and management team are fully committed to implement the policy rigorously and thoroughly in internal management and external business dealings.

From the management level to employees, we commit to abide by the business ethics and confidentiality policy. We not only perform it internally, but also promote it to our supply chain. Prior to any business engagement, the Company checks the partner's legality and its records of ethical conduct. All long term suppliers are required to sign the "Statement of Integrity" which stipulated the contractual liability for violation of ethical conduct, to build a good business environment together. The signing rate of Statement of Integrity is up to 82% at the end of 2016. ◦

PEGATRON commits to conduct business ethics and sticks to the path of integrity and anyone should abide by the highest standard of probity. Any kind of corruption, blackmailing or embezzling of public funds is strictly prohibited. All employees in their daily work should abide by the principles as follows:

1. Everyone in the company shall uphold the principle of integrity and fairness when dealing with business matters.
2. It is strictly prohibited to receive for gifts, favorable dealings or other special treatments by taking advantage of their positions.
3. It is strictly prohibited to directly or indirectly receive illegal profit or other corrupt practices by taking advantage of their positions.
4. It is strictly prohibited to extort others property by taking advantage of their positions.
5. It is strictly prohibited to use of the name of the company without authorization except for business related matters.
6. It is strictly prohibited to take advantage of corporate property, information or their positions for personal benefit or to pursue personal gain.

PEGATRON's Board of Directors approved "Ethical Corporate Management Policy" and "Codes of Ethical Conduct" on November, 2014. We stipulated the preventive measures of unethical conduct, penalties and grievance procedure according to our "Business Ethics and Code of Conduct" and "Business Gifts and Entertainment Policy". All employees shall follow these guiding principles of integrity, honest, confidentiality and respect. In addition, we also set the "Business Ethics advocacy website "and organize trainings on ethical corporate management every year to strengthen the ethics concept of our employees.

http://www.PEGATRONcorp.com/investorRelations/cht/internalPolicies.php

In order to seek for sustainable development, PEGATRON not only implements the relevant actions internally, but also joins "Electronic Industry Citizenship Coalition (EICC)" and complies with the "Electronic Industry Code of Conduct". We also formulate "Business Ethics Code of Conduct" as an internal management procedure to request all employees to obey. PEGATRON sets forth penalties for violation of ethical conduct and the grievance mailbox for reporting of any violation. Audit Office handles all reported cases. For the potential conflict of interests, we establish measures to prevent conflict of interests and appropriate reporting channels to reflect any potential risk of conflict of interests.

PEGATRON regular conducts risk assessment related with financial and operation for all major operation sites, and the major risks identified are sales and procurement. We perform the control activities according to the results of risk assessments. For the higher risk of operational activities, we establish an effective accounting system and internal control system, and review them when necessary. Audit Office also develops the annual audit plan based on the results of risk assessments and escalates the results to the Board of Directors with audit reports.

We establish operational procedures for handling reported cases and protect the whistle blowers as the content of the reported cases are handled in confidentiality to avoid any unfair treatment or retaliation. In 2014 and 2015, there were cases regarding leaking the company's trade secrets, which violated the work rule and business code of conduct were handled base on our internal norms for punishment and litigation. Such cases were still under litigation in 2016. We did not have any other similar case in 2016 except for such two cases.

Information Security

As an excellent partner in green design, manufacturing and service for our customers, protect customers' privacy and intellectual property is regarded as a very important duty in PEGATRON. To show our determination of information protection for the products, assets and data of customers, the CEO has approved the "Confidentiality Policy" in 2010. Under the control of the policy and relevant processes, all information about the products and data of customers are confidential. All employees have the responsibility of not disclosing, not collecting and not using the information for non-business scope. By protecting their assets and providing a complete information security environment, we earn customers' trust.

To meet costumer requirements of information security, and protect customers' privacy and intellectual property, PEGATRON has established an enterprise level security information task force for governing the data to reduce the risk level and meet our customer needs. We rigorously review data, business application, operation system, intranet, extranet, physical environment, procedures & policy as well as entirely control when creating an account, requiring a password, applying and setting the access authority, applying an ID, limiting log in authority, recording audit records and getting multiple certifications.

For the actual construction and building protection of information assets, we control the security in all entrances strictly and implement the Disaster Recovery System. Also, we implement the structure of High-Availability System to ensure information continuity. We use encryption system to protect and control the access authority for confidential and sensitive documents, and also adopt encryption and private communication protocol to ensure the confidentiality of important data.

In addition to periodical backup, we implement remote backup mechanism to ensure the completeness of data preservation. To enhance the awareness of security for all relevant personnel, PEGATRON not only propagates information security and confidentiality periodically, but also performs relevant customized trainings for different personnel according to their operations, include security operating concept introduction, standard operating procedure introduction, courses for crime prevention and the compliance with

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security policy. Besides, employees whose operations are related to confidential information need to sign confidentiality agreements and have the obligation of accepting information security audits.

To ensure the effectiveness of information security management system, the Company regularly conducts internal audits every year to meet customer requirements. Through continuous improvement and reduction of threaten posed by information security incidents and impacts, PEGATRON has no breach of each customer's privacy in 2016.

Risk Management

In order to achieve the target of sustainable development and reduce the risks of business continuity efficiently, we identify and control several kinds of risks during corporate operations. Risk management is not only taken into our daily operations, but also regarded as one of the determinant factors in corporate governance.

The identification and management of various risks are listed as below:

Risk Category	Description
I. Finance	1. Market risk：The Company's purchases and sales are denominated mainly in US dollars, and in consequence, it is exposed to the current and future foreign currency risk arose from cash flows of foreign currency assets and liabilities. However, the risk may be regarded as insignificant, because foreign currency losses from sales are subsequently offset by the foreign currency gained from purchases. 2. Credit risk：The primary potential credit risk is from financial instruments include cash, equity securities, and accounts receivable. The Company deposits cash in different financial institutions. The Company manages credit risk exposure related to each financial institution and believes that there is no significant concentration of credit risk on cash and equity securities. The Company only transacted with the approved third parties with good financial conditions and reputation. For those customers with poor financial situations, the Company would transfer the risk through acquiring guarantees or transacting by L/C. Therefore, the Company believes that there is no significant credit risk. In compliance with the Company's customer credibility evaluation policy, the Company evaluates the customer's credibility and collect ability of bill receivables and account receivables regularly before doing business. Thus, there is no significant issue on doubtful accounts. The major customers of the Company are mainly from the high-tech industry. As the customers of the Company have good credits and profit records, the Company evaluates the financial conditions of these customers continually to reduce credit risks from accounts receivables. Moreover, the Company also periodically evaluates the Company's financial positions and the possibility of collecting accounts receivables. Thus, there is no significant credit risk. 3. Liquidity risk：The capital and working funds of the Company are sufficient to meet its entire contractual obligations. Therefore, there is no liquidity risk exists. 4. Cash flow and interest rate risk：The Company's interest rate risk arose from short-term and long-term loans bearing floating interest rates. Future cash flow will be affected by a change in market interest rate.
II. Property	1. Our company has obtained Property Insurance and Public Liability Insurance for our own and rental offices as well as factory buildings. The insurance coverage includes structures, business repairs, equipment, business appliances, miscellaneous equipment and so on. In addition, the loss prevention are conducted and arranged every year (such as infrared detection and plan check). 2. Our company applied STP (Stock throughput) insurance includes standard and excess insurance for all goods. The STP insurance covers 110% of invoice value of goods in transition and arranges the risk prevention course on yearly basis (Cargo transportation risk prevention advice and trainings).
III. Hazardous Substance	PEGATRON builds Material Management e-platform and issues many relevant internal procedures to control material risk. Besides, we not only perform periodically external audits, but also define the specifications for parts and materials to eliminate the risks. In addition, we formulated several technical standards and verification procedures for the forbiddance of hazardous substances according to international regulations and customers' requirements, and request our suppliers to comply with the requirements.
IV. Customers and Legal Requirements Compliance	In order to meet the requirements from customers and make sure all stages of operation, production and service, we have a procedure for external document management, including identification, check and control. For the international and local regulations, we have qualified personnel to check the compliance of all relevant requirements, and modify internal procedures as well as conduct the operational control measures.
V. Raw Materials and Manufacturing Safety	PEGATRON maintains more than two qualified raw material suppliers for key components to ensure supply flexibility and pricing advantages as well as achieve cost reduction. For production security, however, certain manufacturing processes are still required to be conducted manually. In response to this issue, we invest in automation equipment to reduce the reliance on labors and improve product quality. Besides, through allocate labors across Manufacturing Centers appropriately, we minimize the impact of labor shortage.
VI. Information Security	The definition of information security of PEGATRON is to prevent the information related assets from suffering variety of security threatens, and make sure that our business can operate continuously so that the losses can be eliminated or minimized as much as we could. We strengthen the actual construction and buildings, techniques and provide trainings for the relevant personnel to reduce the risk of information security efficiently.
VII. Impact on Community	PEGATRON's headquarters (HQ) located in Taiwan mainly operates activities in R & D, customer service and administrative support, there is no significant negative impacts on local communities. The facilities located worldwide built accordance with local regulations and implemented the environmental impact assessments to meet local requirements. For the noise or pollutant emissions from our manufacturing processes, we regularly conduct environmental sampling checks to avoid direct and indirect impacts on the local community environment, and also continue to do environmental protection works. In addition, we focus on surrounding environment planning including transportation and green area coverage. We did not have any operational cases that cause actual negative impacts on the local communities in 2016.
VIII. Risk management on environmental impact	To reduce the impacts of products for environment, in our early prevention policy, we focus on reducing the known or potential impacts on human and environmental substances and materials. We implement precautionary actions by getting information of substances to avoid potential environment impacts. The resources include current scientific researches, vendors, customers, international treaties and conventions, regulations, non-governmental organizations and our own internal laboratory test results. We eliminate the use of hazardous substances in the design stage after our assessments. Moreover, we seek to go beyond legislated mandates. For example, we eliminate or restrict the usage of materials in our products and processes that may threat human health even though they have not been proven harmful to human health or have not been restricted by laws.

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Regulatory Compliance

Since our inception, PEGATRON complies with relevant laws and regulations and continually follow any policy and law that could have significant impacts on the company's finance and business. Our legal team notifies relevant departments the latest development of laws and regulations and assists our company to comply with them. It not only reduces the direct financial risks, but also avoids the indirect business reputation risks. After receiving the latest laws and regulations, relevant units set the management procedures to ensure the compliance of them accordingly to reduce illegal risk. Our legal team also holds relevant trainings, so that we not only hope colleagues to follow the regulations, but also avoid any operation led to breach. PEGATRON has not involved in any anti-competitive, anti-trust and monopoly events and there is no significant non-compliance with laws or regulations in 2016.

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Responsible Partnership

The function of partnership is to act as a connection role
in entire value chain to benefit sustainable development.





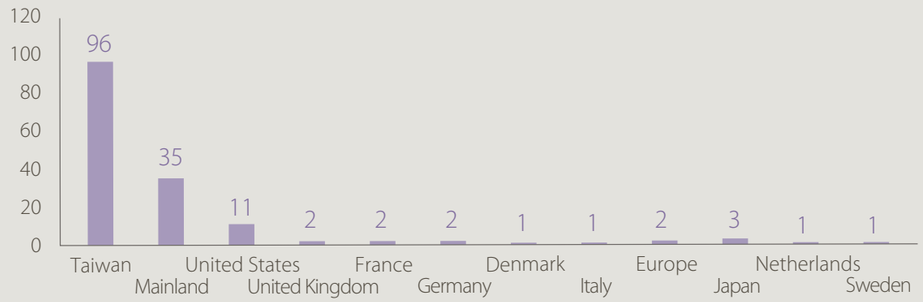
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Customer Service

The business strategy of PEGATRON is to be an expert in design and manufacturing as well as to improve the service process for global arrangement so as to meet customers' best needs. By providing customers with best service, they can focus on brand and channel operations, and we can earn their satisfaction. "Navigate the Future" is PEGATRON's business philosophy, and we uphold the innovative technology and design service to navigate our customers. We provide new integrated service from design, manufacturing to after-sales service. With a complete service experience, we can quickly and efficiently fulfill customers' expectations.

Our research and development teams whole-heatedly serve our customers from the first stage of product development. After an in-depth understanding of customer needs and expectations for new products, we begin with the viewpoints of users and combine with the aesthetics and innovations to develop new products. We completely state to customers from different levels for the positioning of products, special materials and style options, parts selection, product functions, appearances & packaging, production conditions, and even the challenges that we may face in the manufacturing processes or impacts on the environment. Meanwhile, we also pay attention to testing flows. We not only pursue the most advanced testing technologies, but also invest in professional testing equipment. The only purpose is to design a perfect product to be in line with market expectations from a technical viewpoint as well as the principle of maximizing customers' interests.

To enhance the product value and accumulate the core technology, PEGATRON commits to train innovative talents and develops diversified product applications. We got the total number of 157 patents globally in 2016 to create the maximum value for customers.



Our R & D teams constantly engage in the development and improvement of green materials, including the management of hazardous substances, the research of recyclable and biodegradable materials, and the product reliability analysis. We also researched on classification of metals, plastics, coatings, inks and other raw materials, with the best costs for customers to develop the products that meet the environmental objectives. For the development of clean production process, we take the requirements of customers' specifications and carbon reduction as the core elements. The short-term goal is to lean the current processes and the long-term goal is to simplify the processing content and equipment in the current manufacturing process, and to find out a new clean production way. PEGATRON has a very prospective research ability on the ultimate goal of being non-toxic, pollution-free, environmental friendly, energy saving and carbon reduction to achieve the responsibility of a corporate citizen.

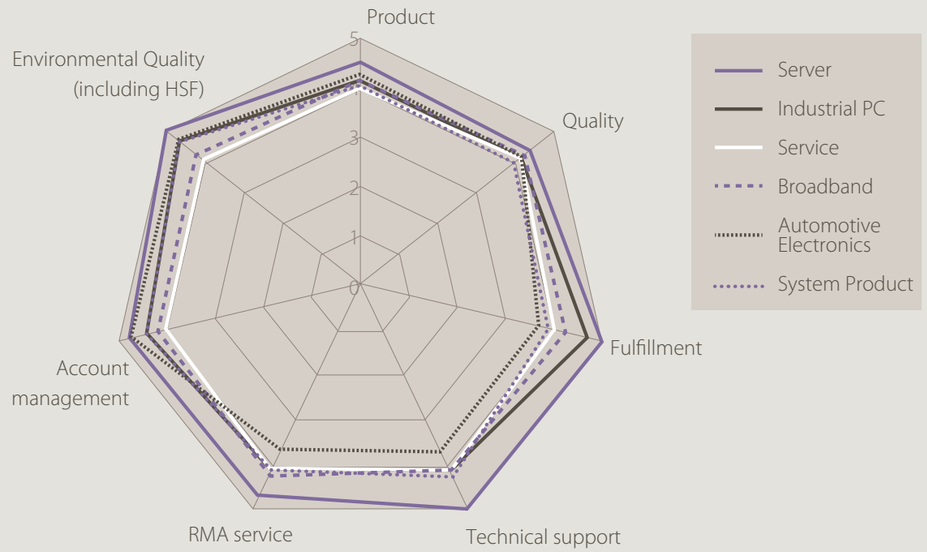
Accompanying with customers' global layouts, our overseas customer service teams are located around the world to meet customers' needs. Therefore, we are able to provide the most immediate and convenient services, as well as offer the most comprehensive support to customers around the world with our well-established service. Furthermore, we provide our customers with customized service plans, immediate and effective technical supports, experienced repair teams, professional supply chain management, friendly IT systems, worldwide service sites, and the greatest enthusiasm to achieve our commitments to customers.

PEGATRON has high expectations and responsibility for our service and quality, also attaches great importance to the voice of consumers. Therefore, in addition to direct contact with customers through daily operations, we also listen closely and directly to customers' suggestions and concerns via QBR (Quarterly Business Review) meetings. Based on the improvement opportunities figured out by our customers, we made internal improvements and developed professional trainings within the time frame to correct the mistakes, and to achieve 100% customer satisfaction.

Besides, we actively investigate the overall management and operational performance through customer satisfaction surveys for the aspects of our products, services, quality, delivery, technical support, business responses, hazardous substance free management and economic performances. We adjust the direction and management after in-depth reviewing and then propose the specific strategies and programs for improvement.

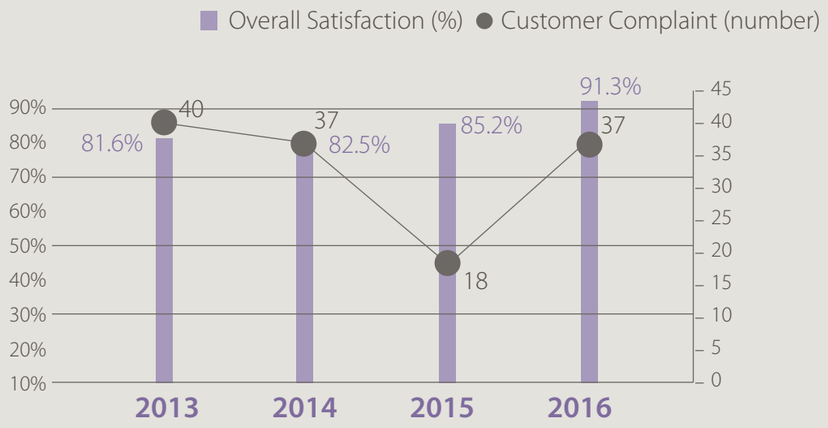
Based on the statistical result of customer satisfaction surveys, the annual average customer satisfaction score of PEGATRON in 2016 is 91.3. We uphold the spirit of continuous improvement to perform improvement projects. When receiving customer complaints, each business group/unit or factory will immediately convene a meeting to review and conduct the improvement measures as well as track the status of improvements. At the same time, we request customer complaints should be solved as soon as possible. Based on the historical information, the customer satisfaction ascends gradually, which shows our attention to customer satisfaction and improvement performance.

Customer Satisfaction Results for Various Products:



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Customer Overall Satisfication in 2013~2016



Our priority is to reach the highest satisfaction of customers and business partners. By implementing the management systems of corporate social responsibility (PureCSR) and quality with hazardous substance free (PureGMS), we continue to improve internal processes and build a good corporate image to meet customer demands. We endeavor to exceed customer expectations to have a better customer service management.

Sustainable Supply Chain

Supply Chain Status

As an enterprise of information, communication and consumer electronics technology industry, PEGATRON provides the service on research, design and manufacturing. Our supply chain consists of raw material suppliers, equipment suppliers, waste disposal vendors, material transportation vendors, service providers(such as security, food, cleaning), human resources agencies and so on. The main raw material suppliers of PEGATRON are electronic component and mechanical parts suppliers. We design and assemble finished goods according to customer demands with components provided by our suppliers, and then delivered them to the designated sale territories. More than 1,900 suppliers cooperated with PEGATRON in 2016, and most of them came from Taiwan, China, United States, Japan and South Korea. Since the main production base is in China, 90% of our suppliers are located in Asia. The supplier type includes manufacturers, authorized agents and so on. Their industry types focus on capital-intensive and technology-intensive. PEGATRON promotes the local purchase continuously. It not only reduces the transportation costs and responds to carbon reduction effort, but also enhances local employment opportunities. Before we cooperate with suppliers, we not only consider on technical, quality, delivery and cost, but also request suppliers to commit to environmental protection, occupational safety and health and labor rights so as to fulfill our corporate social responsibility.

PEGATRON plays an important role in the electronic supply chain, so that the management of supply chain is one of the key issues to us. According to the customer requirements, legal requirements and international trends, we have written internal procedures to monitor the performance of suppliers, including advocacy, promotion and audit. Besides, we hold several trainings to introduce the concept and develop ability of sustainability into the entire electronic supply chain. In addition, we manage our vertical integration affiliates and subsidiaries through the supply chain management process to enhance the sustainable development of electronic supply chain.

Audit & Communication

Base on our supplier quality management procedure, we do daily operations with suppliers and ensure the quality of components provided by suppliers meet the purpose of mutual benefits and on time delivery. Besides, we also establish supplier counseling standard. With this standard, we can help suppliers to setup the HSF(Hazardous Substance Free) management system, quality management system & process control capability monitoring, so as to improve supplier's product environment quality, delivery quality and process capability. Meanwhile, we ask new suppliers to sign "PEGATRON Supplier Code of Conduct" to commit that their operations are in accordance with our PureCSR's policy and requirements.

Supply Chain Management:



1. New Supplier Introduction

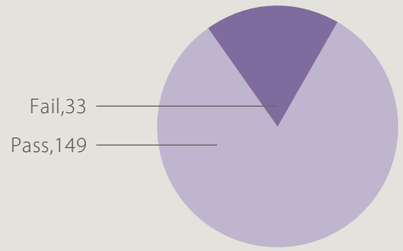
According to the internal procedure, we evaluate new suppliers to ensure their quality system, HSF system and process control could meet our related requirements. Besides, a new supplier of PEGATRON must get one of the certifications of ISO 9001, TS 16949 or TL 9000.

For corporate social responsibility, PEGATRON's new suppliers are asked to sign "PEGATRON Supplier Code of Conduct" and commit their operations are in accordance with our PureCSR policy. The signing rate of PEGATRON Supplier Code of Conduct is 85.7% at the end of 2016. We also evaluate if there is any record of environmental and social violation of our new supplier in order to avoid dealing with the supplier conflicts with our

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CSR policies. In 2016, there were 1183 environmental performance evaluations for suppliers. We searched our suppliers for any records of environmental violation of law via NGO and government's official website. If there is any irregularity, the improvement report and corrective actions will be requested to provide within the time frame, and it will be provided to the Procurement Unit to use as a consideration factor for the transaction in the future .

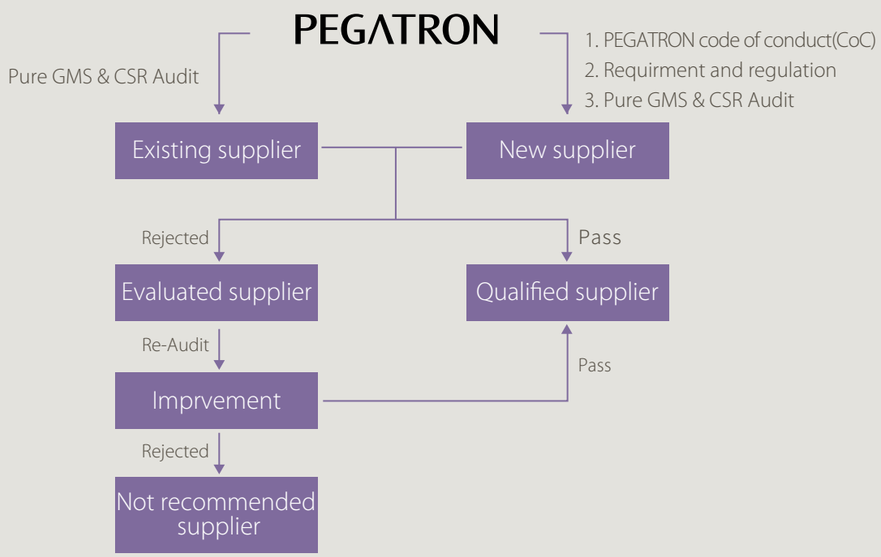
PureGMS New Supplier Audit Result



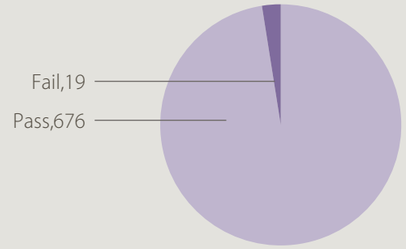
2. Supplier Annual Evaluation

PEGATRON has performed the annual audits to suppliers based on the internal procedure to ensure that suppliers comply with PureGMS and PureCSR requirements. If the supplier failed to pass the audit, it shall provide the improvement report for the non-conformities and complete the corrective actions within deadlines. Those who failed to cooperate with it will be classified as not recommended suppliers and the results of the reports will be provided to our Procurement Unit as a reference for disqualifying.

Introduction Process for New Suppliers:

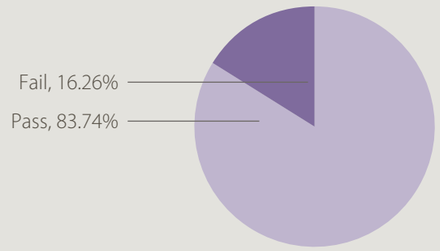


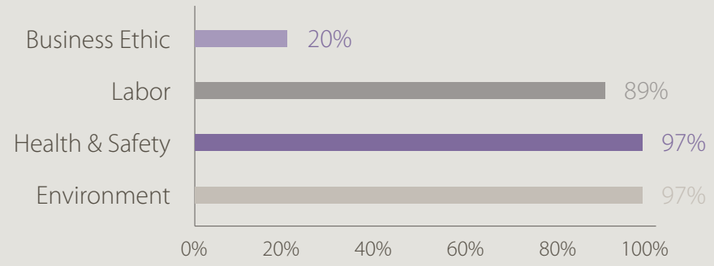
PureGMS Suppliers Annal Audit Result



PEGATRON regularly conducts electronic questionnaires audits for suppliers with large volume of transactions in previous year to ensure that suppliers meet our PureCSR requirements, including the aspects of management systems, labor rights, occupational health & safety, business ethics, product responsibility, greenhouse gas and so on. We screen out a total of 123 electronic suppliers with top 80% of the amount of transaction in 2016 to conduct E-audit. The response rate is 99.1% and the pass rate is 83.74%. For the 20 failed suppliers (including 1 supplier didn't fill up the questionnaire) will be included in the 2017 supplier annual audit program list, and keep following up on their improvements. In addition to E-audits, we performed on-site audits of 5 suppliers, and all non-conformities were closed within the deadline by providing the reports and completing the correction actions. According to the results of electronic questionnaires, most suppliers have relevant certificates and implemented effectively in environmental protection, occupational health & safety and labor rights, only the business ethics needs to be strengthened continuously. We also put the content of business ethics in 2016 supplier conference to strengthen the propagation. For greenhouse gas management, there are 16.5% of the suppliers certificated with ISO 14064-1 and have independent autonomous energy management systems.

2016 PureCSR E-audit Result





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3. Supplier Risk Assessment

To make sure that suppliers meet our requirements of Quality, Cost, Shipping, Service, Technology and Corporate Social Responsibility, they have to participate in PEGATRON's QBR(Quarterly Business Review) regularly. Suppliers with outstanding performances would be the long-term partners and have chances become our Annual Excellent Suppliers. The suppliers with bad performances will be regarded as unqualified suppliers. If the nonconformities are significant, PEGATRON will terminate the Contractual relationships with them when necessary. At the same time, Procurement Unit regularly review the financial statements and conduct the financial risk assessments of suppliers to ensure that they meet the low risk of financial standard.

SRM system (Supplier Relationship Management) is the platform that PEGATRON communicate with our suppliers. We announced and updated the latest news or requirements on this system to let all suppliers know. The annual supplier conference information is uploaded to SRM. Functions related with CSR issues provided by SRM system include:

- Hazardous Substances Management - Suppliers can upload documents, include certificates of non-hazardous substances, composition tables or SDS(safety data sheet) and third party test reports.
- Conflict Minerals Survey System - We follow Conflict Minerals Reporting Template (CMRT) and invite our suppliers to upload their CMRT reports on this system.
- PureCSR Supplier Management- We announced our PureCSR requirements and standard on SRM system so that suppliers can upload them to follow-up.
- Business Ethic Management – The complaint mailbox for business ethic and Statement of Integrity are available for suppliers to download on SRM system.
- PureGMS Supplier Management - Suppliers can regularly update their ISO certificates and reports based on related requirements (e.g. China Compulsory Certification Reports, Finished Product Inspection Reports, and so on).

4. Supplier Propagation

We regularly hold supplier conferences every year to advocacy PureGMS & PureCSR Policy and requirements. PEGATRON held 4 supplier conferences in HQ(Headquarters) and Central China Operation Center in 2016, and there were 670 suppliers and 800 people attended. The main topics of the conferences were the revisions of green technology standards and supplier management. Our corporate social responsibility and conflict mineral management systems were also introduced simultaneously. Through the Supplier Conferences, we delivered the concept of sustainable development to suppliers and had a two-way communication with them.





Through the regular Supplier Conferences, we delivered the concept and communicated with them.

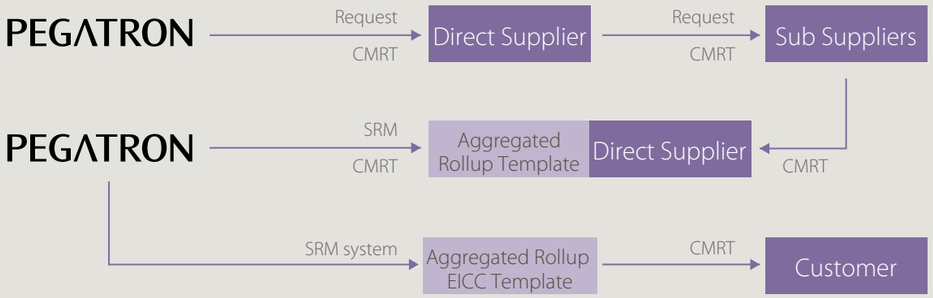
Conflict Minerals

The mining industry in Democratic Republic of the Congo (DRC) and adjoining countries (Sudan, Uganda, Rwanda, Burundi, United Republic of Tanzania, Zambia, Angola, Congo and Central African Republic), as well as disputed areas are occupied by certain non-governmental organizations or non-military groups which may cause serious social and environmental issues in the region, including armed conflict, theft, extortion, illegal child labor, women captivity, deforestation, and so on. To reduce the violation of human rights, many corporations have disclosed the sources of metals to avoid using or importing "Conflict Minerals" from disputed areas illegally, or smuggled through surrounding countries to prevent above events from occurring.

As a corporate citizen and one of Electronic Industry Citizenship Coalition (EICC) members, PEGATRON not only discloses our conflict mineral statement on the official website, but also establishes an internal procedure to conduct the risk management of supply chain. We have launched conflict mineral investigation project since 2012 according to Organization for Economic Co-operation and Development (OECD) Due Diligence Guidance. We follow Conflict Minerals Reporting Template (CMRT) founded by Conflict-Free Sourcing Initiative (CFSI) to establish PEGATRON's Conflict Minerals Survey System and invite our suppliers to disclose the smelters information related to their products. Besides, PEGATRON advocates CFSI Compliant Smelter & Refiner Lists in our supply chain, so as to drive the smelters to join Conflict-Free Smelter Program (CFSP).

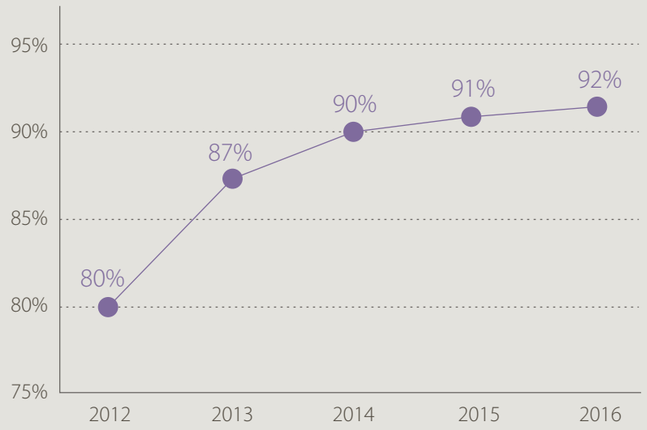
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Conflict Minerals Investigation Process:

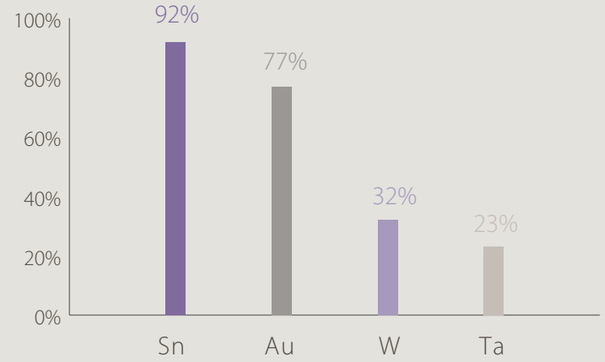


PEGATRON respects human rights and keeps concerning this issue, we continue to share our Conflict Minerals Policy and invite our suppliers to conduct due diligence investigations for the materials of their products to assure the metals sources of Tantalum (Ta), Tin (Sn), Tungsten (W) and Gold (Au) are not derived from mining in conflict region of the Democratic Republic of the Congo (DRC) and its adjoining counties and disputed areas endeavor to fulfill responsibilities of a corporate citizens. According to the survey results, we do risk assessments and encourage them asking non-compliant smelters or refineries in their supply chains to accept the CFSI Conflict-Free Smelter Program(CFSP) audit. As a result, the survey completion rate grows from 80% in 2012, continually enhanced to 91% in 2015 (As below table). For 2016, there were 1861 suppliers need to be surveyed and totally 92% suppliers completed this program. According to the analysis result, 987 suppliers had indicated their products and/or manufacturing processes provided to PEGATRON contained these 4 conflict minerals, including Tin (Sn) has the highest proportion of 92%, followed by gold (Au) 77%, Tungsten (W) 32% and Tantalum (Ta) 23% (Table 2), the source of smelters / refineries in above data were provided to PEGATRON.

Completion Rate of Survey:



2016 Conflict Minerals Ratio



Remark :
The ratio of the conflict minerals in 2016 is calculated as :
(total number of suppliers used one metal / total number of suppliers used tantalum, tin, tungsten and gold (collectively known as 3TG))x100%

In the future, PEGATRON will perform stricter in Conflict Minerals Surveys to ask suppliers to disclose the smelters' information completely and honestly. Furthermore, we will advocate continuously the conflict minerals related requirements in the supplier conferences to reach our purpose that we do not directly or indirectly benefit the armed conflict groups.

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Sustainable Environment

The company commit to the implementation of environmental protection and mitigation of impact results in climate change.



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With the evolution of society, the focus of environmental protection is not limited to the traditional approach of pollution prevention and control. Accompany with rapid industrialization, vast consumption of resources, worldwide resources shortage and climate change cannot be ignored nowadays. As a sustainable corporate, PEGATRON responsibly faces the global issues including climate change, environmental protection and global warming. We issue several procedures and according them to minimize the usage of energy, perform greenhouse gas inventory checking and energy conservation management, so as to reduce the consumption of energy and greenhouse gas emissions. To achieve our commitment, we disclose our concept for environmental protection and greenhouse gas reduction in our PureCSR policy.

As mentioned in our PureCSR policy, we value natural resources preservation, environmental protection and pollution prevention, so as to eliminate any impact on the environment. We also announce our greenhouse gas inventory and verification project in PureCSR principles, and response to carbon reduction requests from our stakeholders. For effective management of environmental issues, an international environmental management system, ISO 14001, is also in place and PEGATRON is certified by third parties periodically.

Low Carbon & Energy

PEGATRON provides solutions to global warming through Eco-friendly design and clean manufacturing. We make great efforts on carbon reduction in product manufacturing, delivery and disposal, and implement energy saving actions in daily operations.

In addition to the direct disclosure of treasuring the natural resources in our PureCSR policy, we have established a long-term energy conservation and carbon reduction goal to show our determination to achieve carbon reduction.

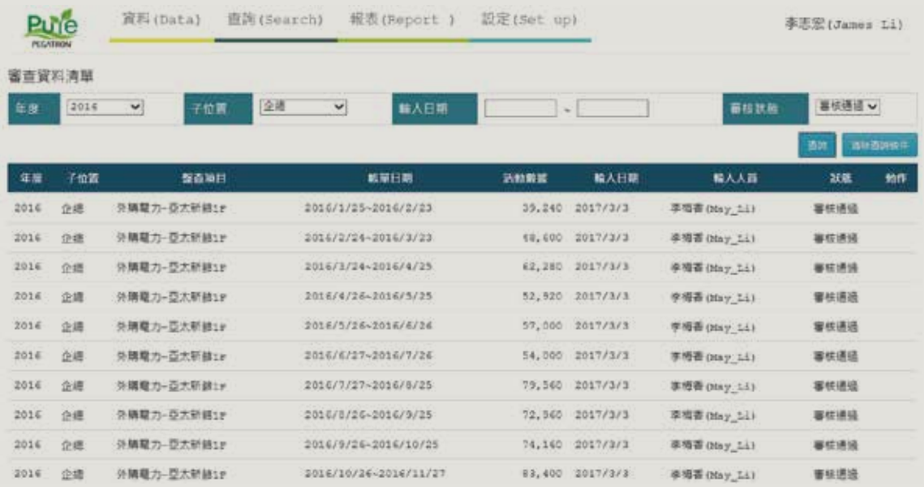
Our targets are reductions of 21 percent on greenhouse gas emissions, and 24 percent electricity consumption by 2020 from the level of 2009 per revenue dollar.

For the ever-increasing problem of climate change, we analyze the risks that may be encountered and their response actions as follows:

Response Object	Risk	Opportunity	Action	Risk after action taken
Regulatory Requirement	Local governments pay more attention on reducing greenhouse gas and energy use.	Response actions can be effectively established based on the exact definitions of regulations.	1. Establish the GHG inventory platform to collect and monitor GHG emissions. 2. Set the company's energy saving and carbon reduction targets. 3. Hold the energy saving experience sharing meetings.	Low
Carbon emissions trading / energy tax	Increase the operating expenses because of carbon emissions trading and energy tax.	Develop the energy saving methods and technologies will assist in reducing the unit product cost.	1. Update or replace the inefficient equipment. 2. Establish the energy monitoring system.	Low
Customer Requirement	Requirements for energy conservation measures and the use of renewable energy.	Accelerate the progress of research and development of energy conservation measures and renewable energy through cooperation with customers.	1. Evaluate the operation efficiency of facilities and equipment. 2. Have observation learning from benchmark enterprises. 3. Evaluate, build or purchase renewable energy.	Median
Extreme climate	Factory equipment, employees commuting, raw materials delivery and shipping will be affected.	Import the new technologies and methods to save travel and transport costs.	1. Use Online meetings, video conferences and so on. 2. Evaluate and establish the emergency response plan.	Low

1. Greenhouse Gas Inventory Platform:

In order to understand and obtain the emissions of greenhouse gas, PEGATRON establishes the greenhouse gas inventory platform to collect, calculate and store the relevant documents.



2. Energy Saving Experience Sharing Meeting:

In order to enhance the awareness of energy conservation and exchange the experience among the factories, we held 7 energy saving experience sharing meetings in 2016.



3. Energy Conservation Measures:

Achieve PEGATRON's goal of carbon reduction and energy saving through the introduction of energy saving equipment and technologies, recycling and implementation of management system.

Category	Item	Reduce carbon dioxide emissions
Introduce the equipment & technology and recycling	Replacement of chiller units, LED lights, cleaning and prevention of biofilms, and heat recovery of air compressors	10061.8 Tons
Management method	Lighting and air conditioning operation plan	1520.49 Tons

Note: The carbon reduction is calculated based on the energy saving measures and the electricity emission factor in each site in 2016.

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4. Evaluate the operation efficiency of facility and equipment:

We cooperate with external units to evaluate the operation efficiency of facility and equipment and take it as the basis of energy efficiency improvements.

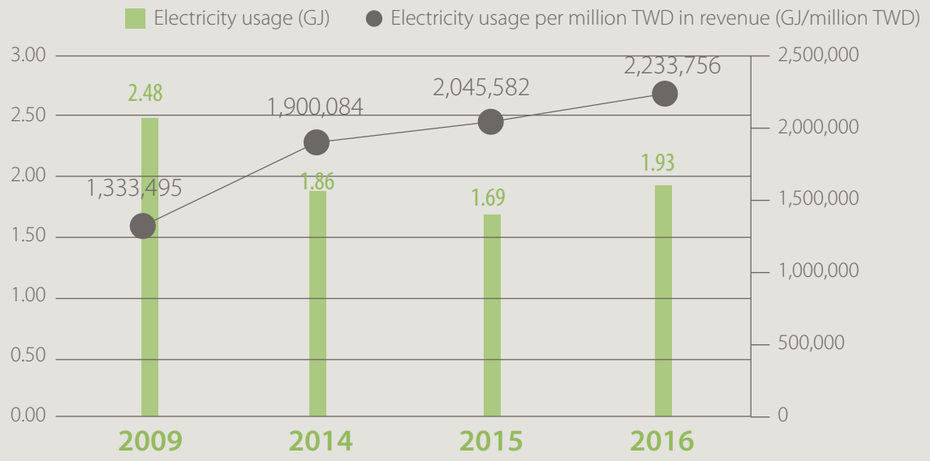
5. Observation Learning from benchmark enterprises:

In addition to hold the unscheduled experience sharing meetings, we also arrange colleagues to jointly visit and learn from benchmark enterprises, to understand and find the best way of energy efficiency improvement in our factories.



As purchased electricity is the main source of greenhouse gas emissions in PEGATRON, we not only produces products with lower energy consumption, but also implements several energy saving actions in our daily operations (such as power usage, illumination and air-conditioning management) to enhance the efficiency of electricity use.

Electricity usage analysis in PEGATRON:



Greenhouse Gas

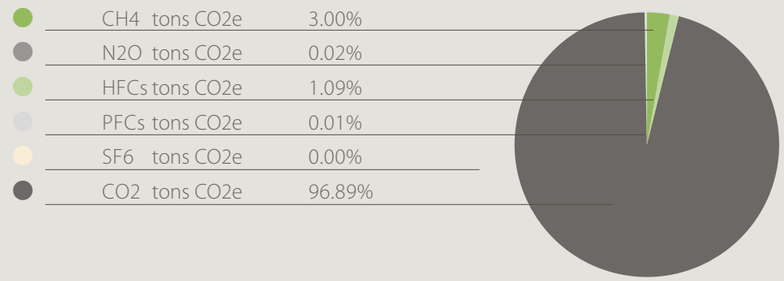
In addition to the direct disclosure of treasuring the natural resources in our PureCSR policy, our commitment to long-term energy conservation and carbon reduction was also disclosed by our chairman, TH Tung. We expect that we can contribute to global greenhouse gas reduction through our efforts.

PEGATRON has committed to develop Eco-friendly design since its inception. To respond the impacts of global climate change, we not only continuously improve the energy efficiency of products, but also develop the easy dismantling, easy recovery and energy saving design and plan for the specific product according to customer requirements. Meanwhile, we establish the internal environmental technology standards for manufacturing of green products, and transform the risks of climate change into business opportunities. Besides, we strives to reach the greenhouse gas reduction target at design and manufacturing stages, through strengthening energy conservation and enhancing the efficiency of operations with the optimal evaluation of energy consumption and cost.

In order to implement the greenhouse gas management of PEGATRON, our headquarters and main Manufacturing Centers set up the “Greenhouse Gas Inventory Committee” to execute the GHG inventory checking and management. We identify significant emission sources and take them as the basis of our reduction targets and plans. We take our responsibility for our environment by reducing impacts from business, production, activities and services.

PEGATRON conducts “Greenhouse Gas Inventory ” based on the Greenhouse Gas Protocol, and we also obey to ISO 14064-1 standard and the internal procedure “Management Procedure for Greenhouse Gases (GHG) Emissions Inventory “ to disclose and verify GHG emissions. The calculation of greenhouse gas emissions is mainly quantified by the emission coefficient method. If there is any other special request or consideration, we will use other reasonable calculation method, such as direct measurement method or mass balance method. The company's greenhouse gas emissions inventory covers direct emissions (scope 1) which owned or controlled by PEGATRON and indirect emissions (scope 2) which from purchased electricity, heat, steam and other energy sources. The inventory results generated are verified by a third party and the verification statements are publicly disclosed on the official website. In 2016, the total greenhouse gas emissions is 512422.49 tons, and the increased GHG emissions is mainly due to the increased capacity. The proportion of six greenhouse gas emissions from operation is listed in the following table. The main source of emissions was electricity usage and its ratio was 90.37%.

Proportion chart of the six main greenhouse gases

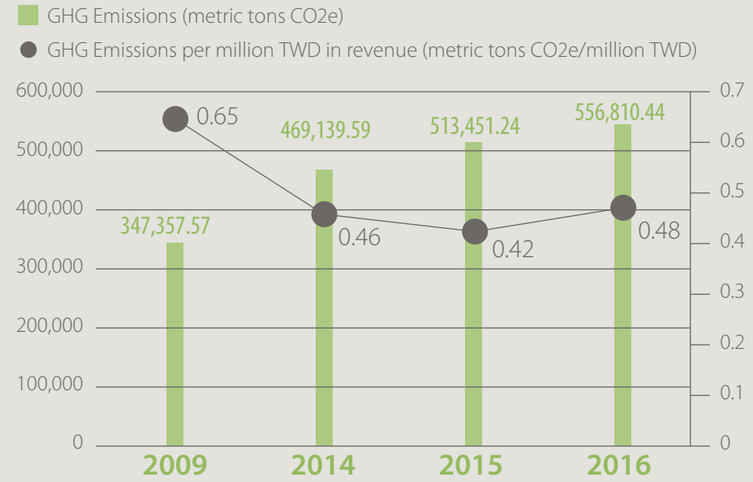


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Scope 1 and Scope 2 GHG emissions of PEGATRON in the past three years:

	2014	2015	2016
Scope 1 (tons)	33,801.62	42,951.55	40,747.33
Scope 2 (tons)	435,337.96	469,470.93	516,063.11
Total Emission(tons)	469,139.58	512,422.49	556,810.44

Greenhouse gas emissions in PEGATRON :



【Remark 1: The base year is 2009.】

PEGATRON actively participates in the CDP (Carbon Disclosure Project) since 2009, we responded to its greenhouse gas emissions and climate-related investment risks and opportunities through the questionnaire. We have been awarded a performance rank of C by the CDP in 2016, and will continue to take it as a driving force to participate in international projects and initiatives in the future.

Response	Year	Score
Climate Change	2016	Performance Band-C (No disclosure score since 2016)
Climate Change	2015	Performance Band-D ; Disclosure Score -94
Climate Change	2014	Performance Band-C ; Disclosure Score -78

Sustainable Design

As a professional DMS, PEGATRON designs innovative and high-end technology electronic products, with the concept of economic, society and ecology sustainability. We not only value the impacts of products and services on users' safety and health throughout the life cycle, but also respond to the issues of global warming and limited natural resources. We also focus on the enhancement of product energy efficiency to reduce the impacts on the environment, control the usage of hazardous chemicals, and use recyclable materials to reduce or eliminate possible negative impacts on health and safety at design and manufacturing stages .

"PEGATRON continually pursues improved product quality through innovation, efficient manufacturing, Eco-friendly design, on-time delivery, reliable service, lean process and comprehensive training to earn customer satisfaction and exceed customer expectations" is our Green Management System's (PureGMS) policy. Our product quality management activities are based on ISO 9001 Quality Management System. Our QC080000 management system is developed to ensure all our products under control to avoid hazardous substances used or products contaminated from the stage of customers' requests to the stage of product delivery. Meanwhile, we establish GP management system and has gotten certifications of TL9000, ISO/TS 16949 and ISO 13485 to meet specific customer requirements.

PEGATRON tracks and summaries all international environmental regulations including hazard substances, green marks, environmental labels and so on. Relevant units report the regulatory compliance and response measures on the regularly Steering Committee (SC) meetings.

The latest environmental regulations are also communicated internally via the monitoring platform for regulations. PEGATRON had no case of noncompliance led to be fined with regulations concerning about the health and safety impacts or information labeling by products and services in 2016.

Pegatron Green Management System:



Hazardous Substance

PEGATRON has professional experience in integration of design with production and service. In addition to green supply chain reinforcement, we also provide customers with

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creative energy saving and hazardous substance free (HSF) product design concept to facilitate the introduction of green products. We meet and implement customers' green requirements as well as legal requirement at the stage of designing and choosing materials. We banned substances which have serious environment impacts include Pb, Cd, Hg, Cr6+, PBB and PBDE regulated by RoHS. The relevant harmonized standard EN 50581 has also became one of our specifications since 2013.

Since RoHS 2.0 directive extended to 10 substance restrictions in 2015, the corresponding measures on Phthalate restriction are developed in PEGATRON. Furthermore, we've phased in halogen-free products since 2009 to align with customers' green product requirements, and introduced low halogen system in 2012. Therefore, Br and Cl are listed into our control list accordingly. We parse customers' requests and the current international green product regulations (such as REACH) of hazardous substances and then list and combine them with our hazardous substance free management system gradually to reach our corporate social responsibility.

To meet the international environment regulations and customers' requirements, PEGATRON has issued PureGMS HSF/ Technical Standard and PureGMS Low Halogen and Halogen-Free Technical Standards and we also tailor customers' green product specifications upon requests. Parts and products provided by suppliers are required to meet PEGATRON standards or our customers' requirements. In addition to the 10 hazardous chemical substances restricted by RoHS directive and other controlled substances required by laws, we have further control for more than 50 chemical substances on ozone depletion substances and radioactive materials. Also, we have defined hazardous substances restrictions on the use of batteries and packing materials. Since 2009, the EU REACH covering dangerous Substances of Very High Concern (SVHC) has been included in the "PureGMS HSF technical standard". To assess the safety and health impacts of in the products, life cycles for employees and users, we conduct regular internal and external audits of QC080000 hazardous substance management system every year to ensure the implementation results and progress of our continuous improvements.

PEGATRON considers that the trend of global environmental regulations for the hazardous substance management will be more stricter. Therefore, PEGATRON not only sets up the hazardous substance reduction program within all components yearly to improve human health & safety and reduce the impacts on environment, but also monitor the international environmental regulations periodically so as to comply with the requirements in time. In addition, important regulations and their actions will be reviewed and discussed in the bi-weekly PureCSR & PureGMS Steering Committee Meetings.

Besides, in order to enhance all employees' understandings on the HSF management system, all new employees need to complete HSF basic,intermediate and advanced training courses based on different levels of works. The HSF re-training course materials will be prepared based in the international green product regulations and standards changes in the previous year. Employees are required to complete their compulsory HSF courses within time frame. PEGATRON has achieved its annual completion rate of HSF training every year. These HSF courses let our employees understand the relevant HSF requirements and the changes in the International green product regulations. In general, PEGATRON will comply with customers' environmental requirements and the international regulations effectively.

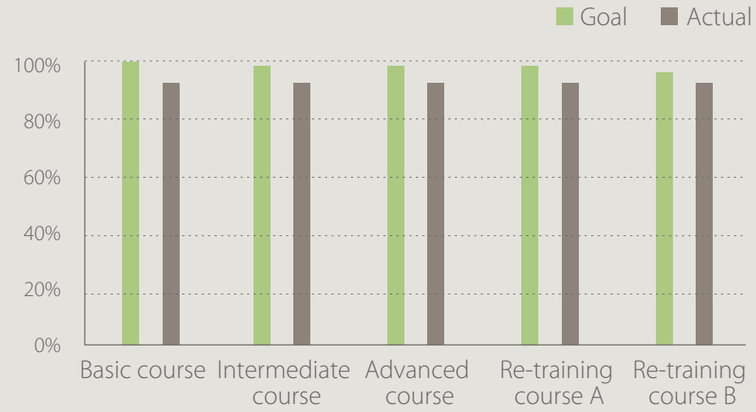
At parts approval stage, all components chosen need to follow PEGATRON's requests of green product specifications to reduce the hazardous substances of products. To make sure all products meet the international regulations and customer's specifications of the hazardous substances, the control of hazardous substances usage is divided into multiple stages :

Classification of HSF course:

HSF course trainee	Course Type	HSF course trainee	Outline
Basic course	e-learning	All employees	1. Introduction of International environmental regulations 2. Introduction of PureGMS
Intermediate course		All members who operate or manage with HSF related works	1. The flag coding standard of green parts 2. Introduction of PureGMS HSF Technical Standard
Advanced course		Related employees who execute HSF parts approval	1. Introduction of HSF Parts Approval 2. Introduction of eGreen Platform
Re-training course A		Related employees who execute HSF parts approval	1. Mandatory - Hazardous Substance related international regulations 2. Mandatory - Energy related international regulations 3. Voluntary - Eco label requirements 4. Introduction of the revised content of HSF Basic course
Re-training course B		For the employees who need to complete intermediate or advanced HSF courses	1. Mandatory - Hazardous substance related international regulations 2. Mandatory - Energy related international regulations 3. Voluntary- Eco label requirements 4. Introduction of the revised content of HSF Basic / Intermediate / Advanced course

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HSF Training:



【Remark：The completion rate of HSF courses is up to more than 97% at the end of 2016.】

Restricted Hazardous Substances Management:

1 Hazardous Substance Evaluation & Analysis
- Establish technical standards to control hazardous substances
- Produce green products by implementing hazardous substance reduction plan.
- Meet customer requirements by using green product specification comparison tables.

2 Parts Approval
- Review third party test reports, composition tables or SDS forms from suppliers.
- Ask suppliers to provide certificates of Non-Use Hazardous Substances.

3 Incoming Quality Control
- Incoming materials will be randomly tested to ensure their compliance.

4 Manufacturing
- Unqualified products will be pasted with HSF / HF unqualified labels and isolated to prevent contamination of other products.

5 Outgoing Quality Control
- Finished products will be sampling tested by XRF to ensure their compliance.

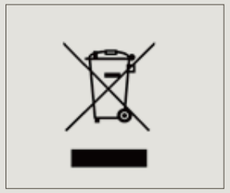
Environmental Labeling

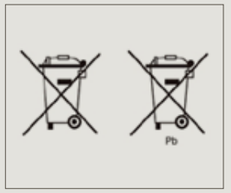
All products designed and manufactured by PEGATRON are complied with customer requirements, international regulations and related regulations in sales territories. The environmental information are marked on the products based on the requirements. Except to concern the use of hazardous substances of electronic products in the design phase, we also need to have ErP compliance assessments before exporting them to European market, so as to ensure that the products meet the requirements of ErP and its enforcement measures, and CE Marks should also be posted on the products to show the products comply with EU health, safety and environmental regulations.

Furthermore, EU not only sets the targets for collection, recycling and recovery of waste electrical and electronic equipment, but also strengthens the recycling responsibility of manufacturers to ensure that the overall activities of computer manufacturers have environmental awareness. Based on customer requirements, PEGATRON posts the recycling labels and energy labels in the bodies of the products or packagings, so as to promote the idea of energy conservation and resource recycling to consumers. We will continue to follow the progress of international environmental regulations and provide the corresponding measures according to customers' requirements to ensure that we provide high quality products and enhance products' environmental value.

Environmental Labeling in each county:


CE Mark


Directive on Waste Electrical and Electronic Equipment (WEEE)


EU Battery Directive



Taiwan BSMI Label


Japanese RoHS (J-moss)



China RoHS


Energy Efficiency Label



Energy Efficiency Label

The focus of our research and development of electronic products is to save energy. From the beginning of product development, we consider the energy related requirements of different nations. In order to enhance power consumption efficiency, we not only meet current requirements of energy usage, but also anticipate customers' needs and set targets according to the requirement of new version of Energy Star.

In October 2011, we built the energy consumption laboratory in our headquarters to comply with the SMTL (Supervised Manufacturers Testing Laboratory) program, and it is certified by UL (Underwriters Laboratories Inc.) which is accredited by the US EPA to ensure electronic products manufactured by PEGATRON meet the energy efficiency requirements.

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Sustainable packaging

We include resource conservation, reusability and recyclability concepts in our packing design assessments. Meanwhile, we also consider minimizing the environmental impacts of packing materials and manufacturing process as well as the final disposal of no longer needed packing materials during package design. PEGATRON's requires the use of environmental friendly materials. For example, the use of inks on the packages complied fully with green requirements. "To be simpler" is our principle on packaging. To change the structure of inner buffer materials so as to reduce the volume of outer carton is our current method on reduction of packaging wastes. Most of the packing materials are made from recycled materials to increase the shipping quantity. For the Eco-friendly design, the details on the package design are listed as bellows.

1. Use renewable raw materials.
2. Use bottom separators to substitute polyurethane (PU) foam materials.
3. Prohibit the use of polyvinyl chloride (PVC).
4. Strive to only use single color packing materials to facilitate material recycling.
5. Comprehensive limitation for the concentrations of lead (Pb), cadmium (Cd), mercury (Hg), hexavalent chromium (Cr6+) to comply with EU Packing and Packing Waste Directive.

Product Safety Regulation

To ensure the lives and property safety of users, many countries have set safety and electromagnetic compatibility specifications and testing standards for a variety of products. To protect the rights of customers and end users, PEGATRON establishes an internal certification process according to the national standards and regulatory requirements. Through the standardized process, our RD conducts overall assessments and testing for products accordingly. In addition, we also follow the related safety and EMC specifications and requirements at the manufacturing stage. PEGATRON had no violation case or penalty by government due to product safety related issues in 2016.

International regulations regarding product safety are reviewed in the annual management review meetings. If there is any update, we will instantly notify relevant personnel to ensure the regulatory compliance. We provide regular trainings for relevant personnel, including safe operating standard introduction, safety inspection introduction, plastic material selection guidelines, materials and parts safety requirements to ensure that personnel have the necessary skills when operating the product safety activities.

To protect the health and safety of consumers' lives and properties, and safeguard the interests of them, PEGATRON performs internal safety audits to verify the effectiveness of the quality system. According to the internal rule, we also develop the abnormal handling process of product safety. When the product safety performance against the requirements while procurement, manufacturing or inspection, the identification, isolation and disposal of it shall be taken immediately and the relevant units shall then be informed to re-test the repaired or reworked products.

Environmental Protection

Sustainable development is a long-term direction of PEGATRON. For products, we merged environmental friendly concept with our product design. For daily operations, we comply with international and local regulations to reduce the impacts on the environment. This philosophy is disclosed in our PureCSR policy and implemented in our daily environmental management. Beyond this, we take the natural ecology into consideration when we plan the landscape of each site.

For internal and external communications of environmental issues, the company sets up the grievance mailbox and hotline for external stakeholders to provide suggestions or make appeals. We also set internal communication channels for employees to propose their recommendations on living and working environment conditions, such as air quality, water pollution, noise, waste pollution, energy conservation. Each site has dedicated unit to deal with environmental complaints and be responsible for the implementation of environmental protection, including regular assessment of compliance status, the establishment of management procedures and regular testings performed by third parties, so as to reduce the environmental pollution and impacts of the organization's activities. There was no significant violation of environmental laws and regulations in 2016. (Significant violation is defined as being fined for over 5 million NTD.)

In order to improve awareness of environmental protection and respond to the World Environment Day (June 5th), PEGATRON organized "Environmental Protection Month" with a series of activities in 2016. In the entire month, we promoted and established a workplace which focused on environmental protection. The activities including stairs climbing activities, 3C waste product recycling and used book recycling, and we donated all recycle and reusable materials to countrysides' elementary schools. There were over 1000 participants in all activities and recycled over 80 3C products and 600 used books. Through these activities, we not only practice the environmental protection to love the Earth, but also spread the love to remote countryside.

Waste Handling & Disposal

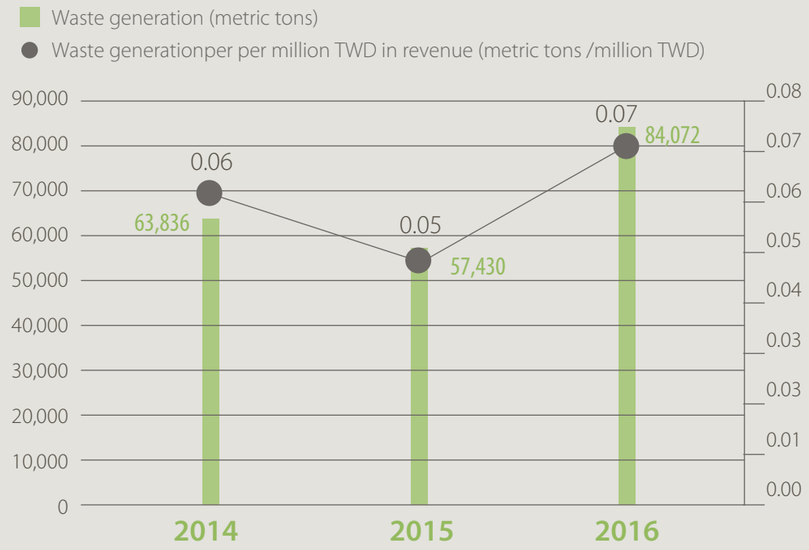
The challenge of waste handling is one of the major environmental aspects in PEGATRON. As a professional DMS(Design, Manufacturing and Service) company, we follow our internal procedures to control all wastes produced at each stage. At present, we have conducted statistics on waste disposal of headquarters as well as main Manufacturing Centers. Almost all wastes are treated and disposed off for recycling. However, since we have screened almost all recyclable wastes from domestic waste, the major handling methods for domestic waste is incinerated. We will strive to enhance the proportion of recycling treatment and set it up as one of the corporate targets in the future.

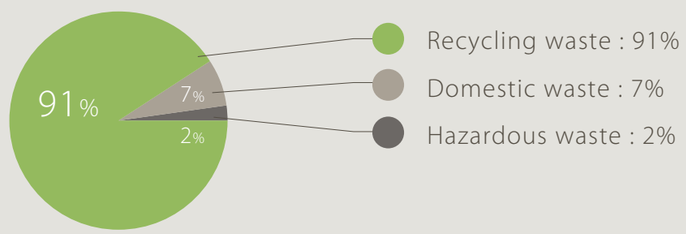
For the management of waste generated in production activities, we develop the waste management procedure to achieve the reasonable and effective recycling treatment, as well as effective control of hazardous waste collection, identification and Storage. Also, we cooperate with qualified waste handling suppliers to legally deal with them, and keep the relevant records to ensure that the process will not pollute environment. The principle of waste management in PEGATRON is to give priority to reduce the amount of raw materials from the source, so as to minimize the usage of raw materials. In addition to the source reduction, we pay attention to recycling the package materials to improve the recycling rate. Furthermore, we have set waste management unit in each site to make an

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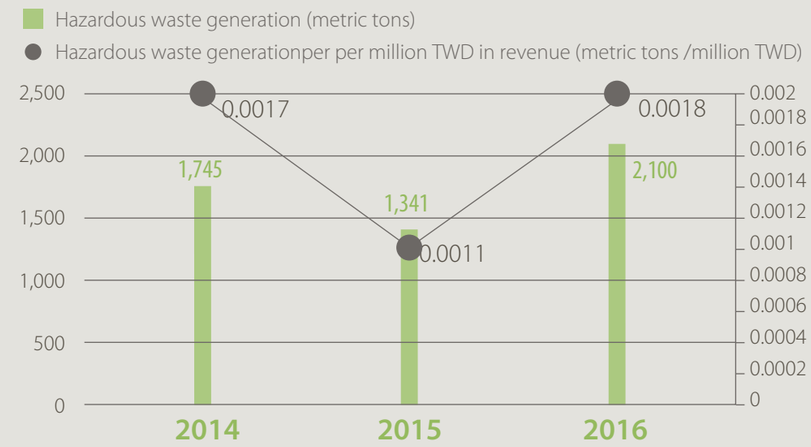
overall plan for daily operations and waste statistics, and help other units to implement waste reduction and recycling.

Waste generation analysis for PEGATRON:

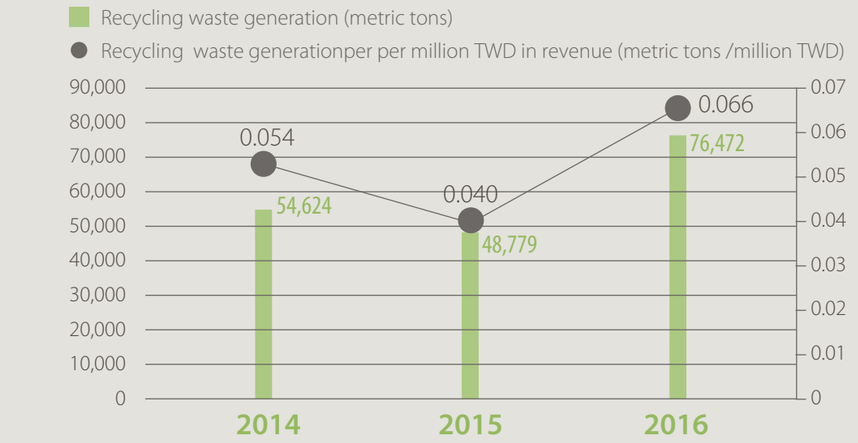




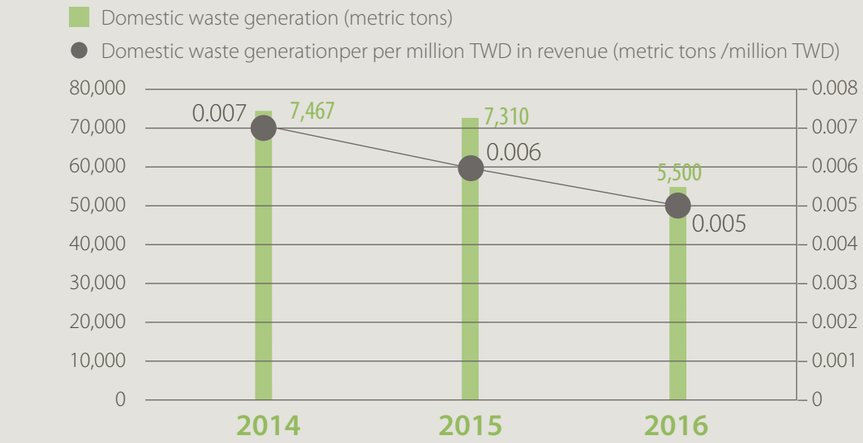
Hazardous waste generation analysis for PEGATRON :



Recycling waste generation analysis for PEGATRON :



Domestic waste generation analysis for PEGATRON :



Hazardous and Non-hazardous waste generation analysis in each site:

	Total weight of hazardous waste				Total weight of non-hazardous waste			
	Taiwan	China	Mexico	Czech	Taiwan	China	Mexico	Czech
Reuse	0.0	0.0	0.0	0.0	0.0	11,805.7	0.0	0.0
Recycling	21.7	542.4	0.0	0.0	457.4	63,566.9	122.0	519.9
Recovery	0.0	0.0	0.0	0.0	9.6	0.0	0.0	0.0
Composting	0.0	0.0	0.0	0.0	0.0	0.0	18.5	0.0
Incineration	0.0	1,453.2	0.0	1.8	150.0	2,128.1	0.0	0.0
Landfill	0.0	0.0	0.5	0.0	83.1	3,017.7	0.0	92.8
On-site storage	0.0	27.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	24.8	32.8	0.0	0.0	0.0	0.0	0.0	0.0

【Remark: Non-hazardous waste includes the recycling waste and domestic waste.】

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To ensure all hazardous wastes are processed in compliance with local regulations and through efficient manners, each site has to follow our internal procedures to make an overall plan of waste vendor bidding process. We verify each waste disposal vendor's qualification in a transparent, fair and impartial manner. Through this process, we are able to select the lowest risky vendor to prevent any environmental impact from improper disposal of wastes. All our hazardous industrial wastes are disposed by legal disposal vendors.

Water Resource

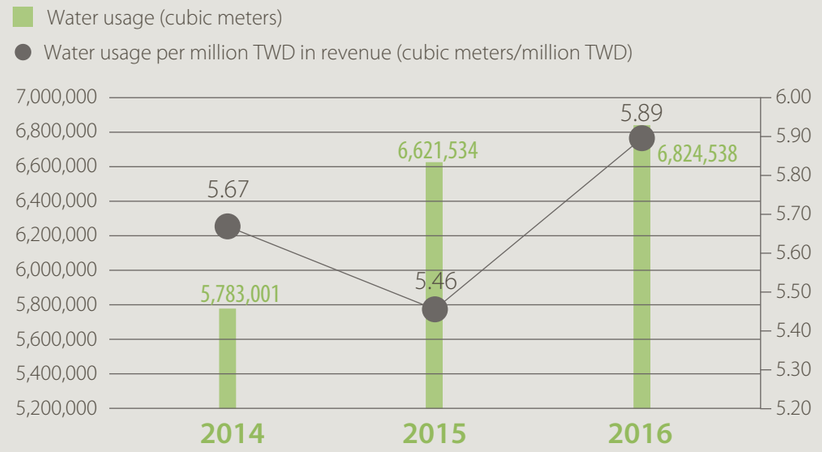
Water resource is not a significant environmental aspect for PEGATRON. However, water shortage caused by climate change and the large variation of rainfall distribution is a global issue. Our principle for water resource management adopts two measures. First, we devote ourselves to reduce the use of water and improve internally on how we handle wastewater. Secondly, we pay attention to promote water conservation concept into our supply chain. PEGATRON engages in enhancement of the efficient water resource usage and reduces environmental impacts caused by industrial development, to meet the international environmental protection trend. We promoted green concept and implemented corporate social responsibility actions for sustainable resource cycle to achieve coexistence with economic growth and environmental protection. For source reduction, we focus on the improvement of facilities and the propagation of water resource treasuring in each site.

To enhance the efficiency of water using, we conduct rational utilization of water resources as well as feasible pollution prevention and control techniques. The water conservation is part of our resource utilization control program in 2016. Take water recycle efficiency as our target, we periodically review water conservation performance for continuous improvement. Currently, the main source of water for each site is tap water. We actively promote water conservation activities and each site has developed and implemented control measures for water conservation. Water resource management and water pollution prevention should start from water saving. All sites of PEGATRON have setup and implemented several control procedures for water saving and explore possible ways of water recycling in each kind of water using facilities.

Water Resource Saving Measures :

Office	Factory
1. Publish posts and slogans to propagate the importance of water conservation. 2. Water saving trainings for employees through activities. 3. Install water saving devices in faucets to reduce the amount of water usage. 4. Install water and energy saving devices. 5. Use induction faucets and induction flushing devices for urinal bowls. 6. Paste labels on water use devices for information of repair notice. 7. Daily checking of water usage and the leakage investigation of water pool to promptly improve abnormalities.	1. Introduce the condensed water recycling system for chillers and enhance the efficiency of water curtain pumps. 2. Optimal design of water consumption in chillers. 3. Individual water meter for each water usage device. 4. Water run-off warning devices for water pools and water tanks to prevent abnormal water drainage for a long time. 5. Setup process of irrigation. 6. The reclaimed water project.

Water usage analysis for PEGATRON :

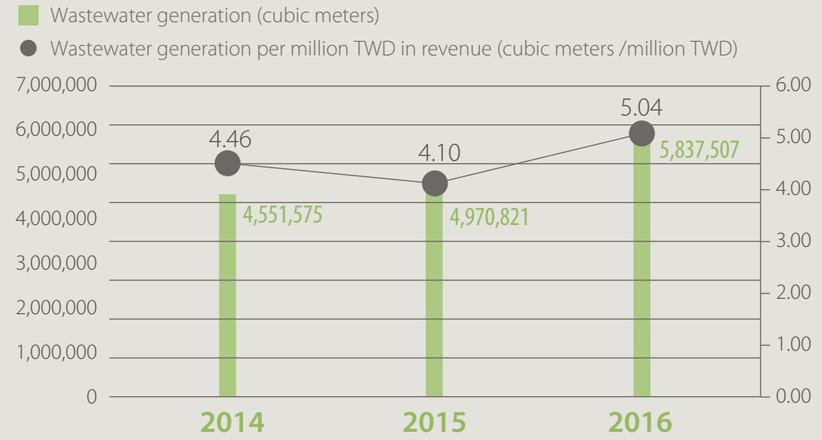


Total Amount of Water Usage during 2016 in each site

Site	Taiwan	China	PMX	PCZ
Total Amount of Water Usage (ton)	241,007	6,567,592	5,009	10,930

The major wastewater of PEGATRON in each site is domestic wastewater. In order to ensure the wastewater quality meet the relevant legal requirements, we issue the "Water Control Management Procedure" and conduct regular testings for water quality which testing items are based on local regulatory requirements. All testing results in 2016 were complied with the regulatory requirements and wastewater were discharged to the sanitary sewer systems.

Wastewater generation analysis for PEGATRON :



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We have a dedicated wastewater testing laboratory to monitor the quality of wastewater at East China Operation Center. The instruments for checking water quality are calibrated periodically to make ensure the accuracy of testing results. We improved the wastewater treatment system to ensure water quality by:

1. Improving the facilities to enhance the treatment efficiency of oils. Conduct the daily inspection and maintenance of sewage handling facilities to ensure the wastewater quality.
2. For the project of treatment of canteen wastewater with oils, we regulate the specifications of grease interceptor, and perform the daily cleaning and maintenance to ensure the wastewater quality.

Green Transportation

In order to reduce consumption and increase the efficiency of energy using in transportation, we continue to promote the green transportation and business communications:

Transportation of Goods	1. We design lightweight products and packages to reduce the fuel consumption of transportation. When we select a supplier, we also consider the location of that supplier to confirm whether the components will be transported efficiently or not. 2. To cooperate with our policy of environmental protection and carbon reduction, we consider the sea transportation to cooperate first so as to reduce carbon emissions. For air flight, direct flights are preferred so as to reduce the traffic time and distance. 4. Establish the centralized transportation policy to reduce the time of transportation. 5. For overseas transportation, we cooperate with the shipping company which is willing to reduce the vessel speed. For inland transportation, replace the truck transport with the rail transport which is more environmental friendly.
employee Transportation	Daily commuting: In Taiwan, more than half of employees arrive our factory or headquarters by public transportation. Our company also provides shuttle bus service between different working places.
Business Exchange	Replace face to face meetings with video / voice / communication software meetings is our actively promoting practice.

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Joyful Working

To develop the philosophy of “Priest” and “Parents”,
and to respect the characteristics of each employee.



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PEGATRON's philosophy is based on a work-life balance of "Joyful Working, Happy Living". We encourage our employees to confront work duties with a positive attitude and to increase their potential by welcoming challenges, working above and beyond expectations and constantly improving themselves, while working within a team environment. When all team members work together to achieve excellence, all employees can enjoy a "Happy Life". This is PEGATRON's ultimate goal.

Labor Relationship

To promote the protection of human rights and prevent human rights violations, PEGATRON is in compliance with the labor standard and the internationally recognized basic labor rights to protect employees' legal rights. Moreover, we also develop policies and procedures to protect the basic human rights of employees.

Employee Profile

At the end of 2016, PEGATRON employed a total of 130,052 employees included dispatched workers. PEGATRON respects equal right opportunity and anti-discrimination of each candidate's race, color, religion, sex, national origin, and political party. When we recruit a new employee, our primary consideration is the candidate's skills and the abilities to perform the job duty. Our recruitment policy is specified clearly to assure the fairness of recruitment, employment, development, performance assessment and reward for both applicants and employees. The company provides the same working conditions under an identical management system. For the management of employees, the work category (including operator, assistant engineer / administrator, senior engineer / administrator, deputy section manager / specialist, section manager, manager and so on.) is corresponding to the required abilities and performance. There is no unfair treatment because of gender, age, region, religion, nationality or political party. Under the spirit of appraisal and promotion system, employees with the same abilities have the same opportunities for promotion.

As a global company, we not only pay attention to the importance of the global markets, but also care about local development. All of our employees who exhibit their competence in their positions have the same promotional opportunities. Over 60% of our managers were local people in our major operation sites so as to practice the concept of talent localization. Furthermore, we strengthen employment of handicapped workers and provide adequate job opportunities for disadvantaged groups. At the same time, we actively cooperate with government to implement the policy and procedures of local employment.

PEGATRON annual manpower structure in 2016

Location	Total No	Gender		Age			Type of Contract			
							Permanent Contract		Temporary Contract	
		Male	Female	Under 30 yrs.	31-50 yrs.	Over 51 yrs.	Male	Female	Male	Female
Taiwan	7,343	5,051	2,292	2,116	4,956	271	4,843	1,949	208	343
China	121,342	87,363	33,979	104,802	16,515	25	2,063	1,457	85,300	32,522
Mexico	268	175	93	134	115	19	100	43	71	54
Czech	1,099	574	525	461	482	156	215	204	359	321

Remark: There are 7 part-time employee (5 males and 2 females) in Taiwan, and 1 female part-time employee in the Czech.

Location	Taiwan	China	Mexico	Czech
Management proportion of local people (%)	99.3%	73.4%	65.2%	84.0%

Notes: (1)Ratio (%) = total number of management who were local residents / total number of management.
(2)The management were the employees who had the management responsibilities.
(3)The local people were the employees who were born or lived in local country, but the scope of Czech Republic is extended to European Union (EU).

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Labor Rights

In order to clearly define the rights and obligations between labors and management, improve the management system, promote work cooperation and seek business development, PEGATRON regulates the labor rights related requirements based on the Code Conduct of Electronic Industry Citizenship Coalition (EICC) and local labor regulations. Through the practice of PureCSR management system, we ensure that employees' rights can be respected. The implementation guidelines related with labor rights are included:

【Prohibition of child labors and Protect young workers】

The appointment and recruitment processes of PEGATRON are in accordance with local regulations, and comply with the requirements of Electronic Industry Code of Conduct. We set the minimum age requirement and developed the identification systems and control measures to confirm that the employment of child labors was strictly prohibited in each site. We also developed the" Child Labor Remediation Procedure" in 2015 to respond and commit the measures taken when hire a child labor carelessly. For young workers under the age of 18, we promised not to let them responsible for the work which may endanger their health or safety, and provide the appropriate support and trainings.

【Prohibit discrimination and Provide fair remuneration】

PEGATRON prohibits any form of harassment and unlawful discrimination. We prohibit any discriminate in employment because of race, color, age, gender, sexual orientation, ethnicity, gender identity and expression, disability, pregnancy, religion, political affiliation, union membership, veteran status, genetic information and marital status while employee hiring and working. Meanwhile, we prohibit forcing workers or potential workers to accept discriminatory health check or physical examinations. We follow the principle of pay equity and regularly review the market information to setup the competitive pay levels, there is no difference because of gender, race, religion, class and so on. In addition, our salary and benefits are complied with regulations and industry standard, the deductions of wages due to disciplinary purposes are prohibited.

【Prohibition of forced labors and Freedom of occupational choice】

PEGATRON has labor contracts based on local laws , and the hiring relationship is established based on mutual consent in the contract and prohibit to use any forced labor. In addition to against illegal human trafficking and slavery, we also prohibit to hire any forced or compulsory labor. Control measures for agencies are carried out, and compliance with local regulations is included in the contracts signed with the agencies. PEGATRON complies with the requirement of Electronic Industry Code of Conduct to have no unreasonable restriction for labors to move freely in and out of the workplaces. Employees have the rights to leave or terminate their employment relationships at their free wills.

【Prohibition of inhuman treatment and Keep communication channel open】

PEGATRON prohibits any tangible or intangible sexual harassment, violence, abuse, corporal punishment , mental or physical oppression and other kinds of discrimination in the workplaces. In addition to the clear rules and policies (e.g. Work rules, Prevention, Correction, Complaint and Enforcement of Sexual Harassment for workplace Procedure), we also set up an email mailbox and a hotline which employees can use to report sexual harassment. There is a strictly confidential rule in place to protect the whistleblowers. PEGATRON will not retaliate against any employee who file a complaint. All changing terms of employment have been duly notified based on regulatory requirements and the information also provided through EIP websites, emails or TVs/bulletins.

Complaint hotline for sexual harassment and workplace violence：
886-2-8143-9001 EXT 33395

Complaint mailbox for sexual harassment and workplace violence：
i-PEGA@PEGATRONcorp.com

【Respect for freedom of association and Protection of labor rights】

In order to be in compliance with local regulations, we respect the fact that each employee has the rights to join and participate in a union, collective bargaining and participate in peaceful assemblies. Simultaneously, we also respect the right of non-participation. Nearly 97% of employees have been covered by collective negotiation agreements. We not only take into account the interests of both sides, but also protect the rights of employees through an open and equitable consultative mechanism.

When the company has any major operational change may affect employees, we inform employees in advance based on labor regulations in Taiwan. And overseas sites will inform employees and their representatives at least four weeks before. Besides, there is no union organized in Taiwan. But the labor and Management meeting is held quarterly to ensure the interests of employees. Rules for Labor and Management meeting are also set and posted on the company's website for colleagues to review. Most overseas sites have employee's representative meetings or unions to effectively promote the relationship between labors and management as well as ensure the rights for exercising freedom of association and collective bargaining. West China Operation Center has established the employee's representative meeting and the meeting is held in November each year according to the management procedure. The meeting agenda will be collected by employee representatives before meeting.

Location	Channel for collective bargaining
HQ	Labor and Management Conference
Taoyuan Manufacturing Center	Labor and Management Conference
East China Operation Center	Union
Central China Operation Center	Employees' Representative Meeting
West China Operation Center	Employees' Representative Meeting
Mexico Manufacturing Center	Union
Czech Manufacturing Center	Union

【Establishment of working time control mechanism to protect labor rights and interests】

In accordance with regulations and EICC code of conduct, under the premise of full rest time and meal time, employees can apply to voluntary overtime, and the voluntary application should be applied before overtime and approved by the managers. All sites have setup the warning mechanism and automatic notification mechanism of overtime to control the overtime hours, and the overtime hours in the application system can be distinguished by different colors. When the overtime hours is more than the minimum overtime hours, the signature level will be increased. The management report also can be created for different working hour requirements, then provided to the departments and the factory management for reference. Working hours inquiry system is also set for the responsible personnel of business units to check the working hours, so as to arrange for reasonable overtime.

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【Ensure the dormitory environment is clean and safe】

Central China Operation Center :
We provide employees the community type accommodations, surrounded by all-inclusive living facilities such as food court, supermarkets, salons, health center, banks, libraries, gyms, to enrich employees' lives.

East China Operation Center :
We provide free WIFI for internal and external dormitories since 2016, so as to improve employees' satisfaction of the dormitory environment.

West China Operation Center :
We provide accommodations of one, two, four and eight people rooms for the employees to choose, and cooperate with property management company responsible for routine cleaning, to ensure employees' accommodations are clean and tidy.

Attracting & Nurturing Talent

Employees are our most valuable assets. Cooperation between employees and the company is the solid basis for future development. We believe "where there have excellent talents, the company will become an excellent corporation". Therefore, we work for developing our employees to further their knowledge, with encouragement and respect. A diverse and innovative company culture is created. We also invest in employee's benefits and health cares to create a high performance and happy life working atmosphere.



Retention & Recruitment

We value our employees and provide a safe and comfortable working environment along with extensive trainings and career developments. The employee stability is also an important indicator of the company's efforts. PEGATRON works on employee retention by providing career developing opportunities, work-life balance and enhancing our leaders' management abilities. Our actions are the same as our business concept "Happy Working, Joyful Living".

We value the contributions of our diverse employees and keep attracting global talents to join us by providing good working environments and development opportunities. We also cooperate with academic and summer internship programs to recruit good talents. Besides, we provide employment opportunities for local labors and disabilities to attract diverse talents and achieve corporate social responsibility. PEGATRON provides professional HR trainings including professional testing tools and a series of interviewing techniques for managers to ensure fairness and equality of recruitment as well as the quality of talents. In addition to professionalism, candidate's abilities, value, contributions and the ability to integrate with company's culture are also important indicators. We have the principle in place for selecting the best talents for the tasks at hand so that employees can fully demonstrate their talents in the workplaces. The salary we paid to workers comply with the relevant remuneration laws, including minimum wages, overtime, statutory benefits and so on. We review and adjust the salary levels by referring to economic indicators and industry wage level every year. For the employees who are resigned or retired, they can legally have employment termination compensations or pensions. We also corporate with governments on measures, such as unemployed trainings, to promote their continued employability.

Our internal assessment system covers all employees worldwide, and we announced a clear appraisal system specification and assessment process. The working incentives and disincentives are internally disclosed, and we clearly communicate the execution process with all employees. All employees (with the exception of operators and new employees less than 3 months) have twice performance appraisals per year. Annual employee development plans are set according to assessment results. The principle for employee retention of PEGATRON is to respect, cultivate and value our employees, which is combined with their interests and performance results. We provide complete training programs and job rotation plans according to employees' IDP analysis results combined with their own career goals. In addition, we have personal development projects for employees which helps them to find their potential abilities to perform better.

East China, Central China and West China operation centers develop competitive salary standards based on the minimum wage levels announced by local government, wage guidance and the level of industry wages, and raise a certain proportion of the existing employee income. In addition to the basic wages and overtime pays, we set up additional bonuses or allowances, which let our employees are paid far more above local minimum wages, so as to protect the salary levels meet the requirements of company's competitiveness development .

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PEGATRON's monthly average new employee rate in 2016 (%)

Location	Gender		Age			Type of Contract	
	Male	Female	Under 30 yrs.	31-50 yrs.	Over 51yrs	Long Term	Short Term
HQ & Taoyuan Manufacturing Center	0.9%	1.0%	2.0%	0.5%	0.2%	0.9%	0.0%
East China Operation Center	24.3%	19.8%	23.1%	23.1%	0.0%	17.6%	35.2%
Central China Operation Center	19.1%	15.4%	21.4%	4.4%	0.0%	17.3%	24.1%
West China Operation Center	31.0%	22.0%	29.3%	7.8%	0.0%	21.7%	36.7%
Mexico Manufacturing Center	27.7%	38.6%	39.0%	24.9%	19.4%	3.8%	62.8%
Czech Manufacturing Center	9.8%	8.7%	13.8%	6.1%	6.8%	1.0%	22.3%

Remark: New employee rate (%) = monthly average number of new employees / (the sum of employees at the end of each month/12)

PEGATRON's monthly average turnover rate in 2016 (%)

Location	Gender		Age			Type of Contract	
	Male	Female	Under 30 yrs.	31-50 yrs.	Over 51yrs	Long Term	Short Term
HQ & Taoyuan Manufacturing Center	0.8%	1.0%	1.5%	0.6%	0.4%	0.9%	0.0%
East China Operation Center	26.7%	21.7%	25.3%	25.3%	0.0%	18.1%	41.3%
Central China Operation Center	17.2%	15.4%	20.2%	2.3%	0.0%	15.9%	23.2%
West China Operation Center	36.2%	19.8%	32.4%	5.1%	0.0%	28.3%	33.9%
Mexico Manufacturing Center	25.5%	33.3%	35.1%	22.6%	14.6%	2.9%	56.9%
Czech Manufacturing Center	5.8%	4.8%	8.0%	3.5%	3.8%	1.8%	10.8%

Remark: Turnover rate (%) = monthly average number of employee turnover / (the sum of employees at the end of each month/12)

Employee Training

We emphasis on career plannings and talent developments for employees by encouraging them to attend internal and external training programs. Internal training programs include courses for core competency and professional competency development to enhance employees' capabilities. At the same time, we also assign employees to attend external training programs which include seminars or conferences organized by external parties that provide excellent and professional trainings. For employee who change their jobs or roles, the company will provide general, management and professional trainings to reduce their insufficiencies, we also designate mentors to help them to adapt to the environments as soon as possible.

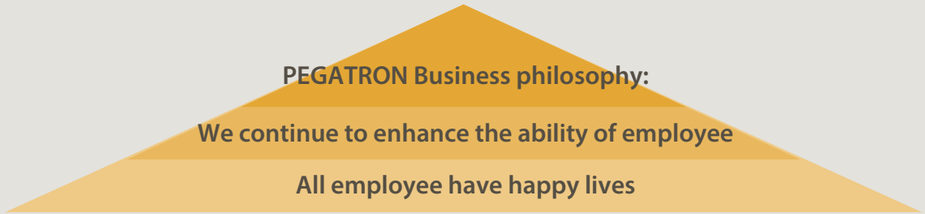
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Resources of Learning :

Resources of Learning	Description
New employee orientation	• Corporate introduction, corporate culture, corporate rules and regulations, PureCSR and PureGMS management systems introduction are included in orientation training to help new employees know about PEGATRON and adapt to the new working environment. • In order to help new employees be familiar with the environment and the internal procedures quickly, each new employee may have his/her own mentor.
EHS(Environmental, Occupational Health and Safety) Training	According to regulatory requirements, we provide different trainings for general and special operators.
Core competency training	We plan training programs of each level's employees based on their competencies, such as assistant training, cadres of basic level training and training for level 3 or 4 cadres.
Management training	We plan management training programs such as new section manager orientation and new manager orientation based on roles and responsibilities of managers. The courses include performance interview, interview skills, communication, problem solving, business strategy and so on.
Professional skill training	Each unit plans professional competency training programs based on needs of professional knowledge and skills.
Train the trainer training	In order to propagate the internal knowledge, the trainer trainings are held regularly every year. And both of e-learning and classroom training' instructors are included.
General lecture	Art, aesthetics, life management, psychological and heath lectures are included.
IDP	After communicated with employee, managers selected the next year development capabilities of employees. Employee learn and develop them through courses, projects and then have the competent feedback from managers.
Pega e-library	Offers employees over one thousand books to borrow and read.

To support the management philosophy of PEGATRON, which is "Happy Working, Joyful Living", we expect all employees to work pragmatically and positively, and to inspire the potential of each other by working through various challenges. Since "talent" is one of the determining factors in corporate competition, we emphasize on talent nurturing to encourage our employees to achieve more excellent performances. We continuously invest resources in nurturing talents and trainings for employees to enhance their core and professional abilities. Environments are built for all employees to develop their specialties and skills, and help them to achieve job satisfaction while working. We hope all employees can balance their lives and work happiness.

We emphasize on the trainings and developments of employees. Employees can have their own IDP (Individual Development Plan), and they can understand their development goals, combine them with works, and access their learning resources through a wide range of learning pathways, such as learn from other colleagues, read books, participate in internal and external courses, and so on. The courses include orientation, core skill trainings, new management training, professional trainings, new director training, internal lecturer training, seminars and external trainings. Through the process, our employees will work together with managers to develop their own plans and have better job performances via the feedbacks provided by managers. The training objects include all employees and the annual training programs are set. The employees can also learn through online learning system "e-learning" regardless of time and places.



Professional Training	Competency Training	Self-Development	On-Job Training
• Special Skill Training • Department/ Cross Department Professional Training • External Training • Overseas Training (ex: Conference, exhibition, courses, etc.)	• New Employee Orientation • New Manager Orientation • Management Training • Core Competency Training • Talent Development Program for High Level Managers • General and Management Lectures • Management Case Study	• Business English On-Line Program • Culture and Arts Lectures • Associations • Pega-e Library	• Job-Rotation • Job Following • Project Drill • Mentor • Deputy Program
Improve professional knowledge and skills through trainings or exercises planned by managers or Learning & Department.	With systematical learning map, employees can prepare for their future careers, develop and stimulate their management talents and potentials.	Encourage proactive and autonomous learning development.	Individual development plans with managers' assistance will help employees improve and enhance their work skills.

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PEGATRON IDP participation rates in 2016(%)

Location	Participation rate (%)	
	General Employee	Manager
HQ& Taoyuan Manufacturing Center	79.8	71.2
East China Operation Center	95.0	93.4
Central China Operation Center	91.2	96.7
West China Operation Center	85.1	77.1

Remark:
(1) IDP participation rates (%) = No. of IDP Participants / No. of employees who shall participate IDP
(2) Managers including frontline supervisors, middle level managers and senior directors.
(3) No. of employees who should participate IDP in Taiwan contains employees who are level 3 and above. No. of employees who should participate IDP in China contains employees who are level 5 and above.
(4) Mexican and Czech Manufacturing Sites do not have the IDP program currently.

PEGATRON's training performance in 2016

Location	Average training hours (hrs.)			
	General Employee		Manager	
	Male	Female	Male	Female
HQ& Taoyuan Manufacturing Center	14.9	14.1	17.3	17.5
East China Operation Center	12.1	12.1	10.5	8.1
Central China Operation Center	11.2	10.4	11.1	6.8
West China Operation Center	6.7	9.2	17.8	19.1
Mexico Manufacturing Site	24.0	20.6	35.3	37.1
Czech Manufacturing Site	6.2		5.2	

Remark：
(1) Average training hours (hrs.) = total hours of employees involved in training / number of employees.
(2) Managers include frontline supervisors, middle level managers and senior directors.
(3) The annual training hours of the Czech manufacturing site is not collected by gender and the kind of data will be disclosed in the 2017 annual CSR report.

Occupational Health & Safety

In addition to the establishment of communication channels, we also pay attention to the employee health care and the workplace safety. To meet local regulatory requirements is the basic requirement for us and we build not only health seminars and checkups, but also suitable health promotion projects for different needs. In addition, for occupational safety and health issues, we have implemented several management procedures and operational controls to reduce the work related incidents. We also write the preparedness and response plans for different risk levels and scenarios to strengthen the safety and health in working environments.

Occupational Safety

【Management system】

PEGATRON pays attention to the risk assessments and management of our overall operations. We periodically perform CSR related risk identifications, evaluations, controls and reviews. We have defined the standards of procurement management and management of changes (MOC) in our PureCSR management procedures. In addition, each site obeys to its local regulatory requirements to perform working environmental monitoring and occupational exposure assessments to ensure occupational safety and health of all employees as well as the quality of working environments. For the communication, in addition to PureCSR Steering Committee Meetings, Review Meetings and the employee suggestion boxes, we have put risk identification and control as important items in our trainings and regular communications.

Based on OHSAS 18001 occupational safety and health management standard, PEGATRON has established an appropriate occupational safety and health management system, and is verified by third parties. Through the daily inspections and audits, we continuously promote the safety and health of the working environments, and in accordance with internal procedures and regulations through holding corporate social responsibility trainings, including entitiy and online courses of occupational safety & health related trainings, corporate social responsibility audit trainings and corporate social responsibility management system introduction, and so on.

Headquarters in Taipei is regarded as the information center of our global EHS (Environmental, Occupational Health and Safety) organizations to integrate the information and reports. Each site has set up a dedicated EHS management unit and the PureCSR Committee in accordance with PureCSR policy. The PureCSR Steering Committee Meetings are regularly held to review, coordinate and recommend the EHS related operations, and the results are reported to the general managers of all sites.

Each site sets up its annual targets and various kinds of management procedures, and the PureCSR management review meetings are regularly held to communicate with the employee representatives, so as to achieve the CSR communication and consultation. In addition to meet the local regulations, the daily operations of each site is in line with international regulations, customer requirements and PureCSR policy has been continuously improved.

Proportion of employee representatives of PEGATRON in 2016(%)

Location	Taiwan	China	Mexico	Czech
Proportion (%)	48.3	39.8	11.8	11.5

Proportion (%)= number of worker representatives / number of members in PureCSR EHS committees * 100 %

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【Occupational Hazards】

The causes of occupational hazards could be attributed to unsafe behaviors and lack of evaluations and controls. To prevent occupational hazards and protect employees' safety & health, we have set dedicated units to conduct the overall plans to address environmental, safety and health matters. We conform to the local occupational safety & health regulatory requirements and identify the potential risks as well as ask all employees to comply with occupational safety & health standard operating procedures. Also, we hold safety & health trainings to practice self-checks for operations and maintain facilities. In addition, the representative and universal accidents will be shared with labor representatives in the monthly EHS reviewing meetings to synchronize with other sites to check, improve and avoid similar incidents happen again.

For the risk management of high risk jobs, EHS units will review the chemical safety data sheets (SDS) prior to parts approval to avoid using highly hazardous chemicals. Based on the results of risk assessments, we identify the high risky jobs and develop the occupational hazards notice cards, personal protective equipment(PPE) lists and their instructions for employee trainings. At the same time, the pre-employment, regularly and termination medical examinations are required yearly for special jobs employees. We have systems to preserve the examination reports. Our ESH units also follow up the health status, and any abnormal situation will be addressed immediately.

According to the historic data, the injury cases occurred in 2016 included traffic accidents on the way to work, accidents caused by the unsafe environments and disabilities with improper operations of the equipment. In addition to immediately inform relevant units, the responsible units conducted the accident investigations and reviewed them in accordance with regulations to prevent similar accidents from happening again. At the same time, we enhanced the emergency response capabilities of relevant personnel via internal trainings so as to minimize the injury losses. Related management measures are also be implemented continuously to actively build safe and healthy working environments in the future. For the occupational disease case in Czech factory, the carpal tunnel syndrome was caused by work. In addition to assist the employee removed from the original position, we avoid the employee to engage in the work type of repetitive hand movements. We request all personnel regularly take the health examinations, and enhance the ergonomic hazards knowledge of employees through trainings.

【Contractor Management】

For the management of contractors, the qualifications of contractors will be reviewed and audited to confirm that they meet the company's requirements before their entrances. EHS units express the requirements of " Contractor Environmental and Health Safety Regulation" to contractors or request them to sign back the "Security Agreement" when signing contracts, and also communicate the relevant procedures of the Company's major environmental and security aspects to the contractors. In order to improve the emergency response capabilities of the contractors, EHS units regularly carry out the contractors' EHS trainings include the basic EHS training, working environment and hazard factors notice, PureCSR policy and related management procedures.

We not only setup the identification system for all contractors with access management, but also use a work permission system for all kinds of constructions. We request the contract issuing units to arrange qualified supervisors as well as responsible for the EHS inspections during the construction. Special operation applications and work permission system shall be used for special operations such as fire operations, high elevation operations, hanging operations and limited space operations. The safe construction conditions (such as personnel qualification, safety measures and so on) must be confirmed by EHS units before the beginning of construction.

PEGATRON's work related injury statistics in 2016

Location	Gender	Disabling injury frequency rate (FR)	Disabling injury severity rate (SR)	Absence rate (AR)	Occupational disease rate (ODR)	Death accident for work related
Taiwan	Male	0.80	10	0.74%	0.00	0
	Female	0.80	8	1.98%	0.00	0
China	Male	0.88	10	0.99%	0.00	0
	Female	0.24	5	1.21%	0.00	0
Mexico	Male	0.00	0	1.07%	0.00	0
	Female	0.00	0	1.50%	0.00	0
Czech	Male	0.00	0	1.73%	0.00	0
	Female	1.53	24	4.18%	0.10	0

(1) Disabling injury frequency rate (FR) = number of disabled employees / total working hours*1,000,000
(2) Disabling injury severity rate (SR) = number of lost days / total working hours* 1,000,000
(3) Absence rate for work related injury (AR) = number of absence days / total working hours* 100 z(The total number of absence days includes sick leave, personal leave, menstrual leave and work related injury leave)
(4) Occupational disease rate(ODR) = number of employees with occupational diseases / total working hours* 200,000
(5) Minor injuries are not included in this table.

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【Emergency Response】

Sustainable development is the main target of business operation in PEGATRON. In response to the impacts on our company by climate change, we have implemented corresponding emergency response procedure and plans comply with relevant regulations of each site. Furthermore, the responsibility of emergency response team member is clearly defined. We have reduced potential damages and impacts by setting up a response mechanism, response plans as well as periodic trainings and drills. The emergency response plans of Central China Operation Center include the fire escape plan, special machinery and equipment contingency plan, chemical spill contingency plan, confined space rescue plan and food poisoning contingency plan. East China Operation Center also establishes a number of contingency plans and cooperated with the local government's response mechanism.

PEGATRON has issued preparedness and response procedure and established the emergency notification mechanism in each site to reduce the risks of fire, typhoon, flood, earthquake, chemical leakage and liquid gas leakage. We improve the abilities of our response teams and enhance the awareness of all employees through periodical trainings and drills.

We have also established the epidemic prevention team and developed the infectious disease reporting mechanism to monitor the epidemic conditions, integrate epidemic prevention and materials, and adjust the control procedure based on the levels of epidemic conditions. Once the critical infectious disease occurs, the reporting mechanism can reduce the chance of infection and prevent the negative impacts on operations.

Each site of evacuation drills and emergency training in in 2016

Location	Times of evacuation drill	Times of emergency response training
HQ	2	17
Taoyuan Manufacturing Center	2	2
Central China Operation Center	57	62
East China Operation Center	137	48
West China Operation Center	10	3
Mexico Manufacturing Site	2	1
Mexico Manufacturing Site	2	4

【Occupational Health】

Because employees are the most important asset in our company, we pay more attention to their health cares. We allocate certain amount of turnover as a health care fund to maintain and promote employees' work and life quality through a multiple integration project for work and life balance, including health management, health promotion, occupational health, and employee assistance programs. In order to actively strengthen the management of labor conditions, the HR units and EHS units will conduct and work together on the projects. The working hours of employees with major abnormal cardiovascular diseases are provided by HR units so as to assist EHS units formulate the strategies for prevention of occupational diseases more effectively and improve their health in the workplaces.

For the management of health, each Manufacturing Center has set up its Infirmary to provide outpatient services by professional physicians. Also, several health checkups are conducted as regulated by local authorities. The results of the health checkups are classified into different levels for follow up actions. We have held many health related activities, include weight management, stair climbing activity, ergonomic program, relaxation massage, vaccine injections and health lecture courses.

For the facilities in HQ, we set up a health care room with professional doctors. According to the health care system, employees can use their health insurance cards to see doctors. We also set up a comfort and warmth feeding room for female employees in the workplace to feed the breast milk and encourage breastfeeding. PEGATRON acquired Taipei City Government's 2015 Certification for Excellent Breastfeeding Room. We also have massage rooms to provide employees relieve from stress. The health website is built as a platform to promote health activities and provide employees related online information as well.

2016 Health Promotion Activities in HQ

Item	Topic
1	Women Cancer Prevention Activity
2	Health Care for High Risk Groups
3	Climbing Stairs for Health and Energy Saving
4	Influenza Vaccination Introduction Activity
5	Physical Fitness Activities
6	Massage for Relaxation
7	Oral Health Screening
8	Weight Management Activity





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Health Promotion Activities in HQ 11(Articles)

2016 Health Promotion Lectures in HQ

Topic	Topic
Musculoskeletal and Eyes care	• Prevention and Correction in Ergonomic Postures • Eyes Care Course
Weight Management	• Enhance Basal Metabolic Rate, Eat in Young • Fitness Exercises to Increase the Amount of Muscle • Roller Course • Elastic Rope
Cardiovascular Care	• Cardiovascular Disease Prevention • Cessation Program
Health Topics	• Dialogue with Dream - Growth and Regeneration of Mind

2016Health Promotion Activities 【Taoyuan Manufacturing Center】

Activity	Number of participants
Health Checkup Upgrade Program and Cancer Screening Activity	102
Abdominal Ultrasound Examination Activity	25
Care for Women with Female Cancer Screening Activity	20
Re-examination Activity for Abnormal Annual Health Checkup	18
Influenza Vaccination Introduction Activity	17
Health Care Education and Propaganda	11(Articles)
Risk Assessment of Cardiovascular Disease and Related Health Education	55
Health Assessment for Maternal Health Care and Education	4







【Central China Operation Center】

Activity	Number of participants
Occupational Health Checkup	3721
Health Examination for Manager	669
Health Care Seminar	208
First Aid Training	260
Activities for Health Promotion Month	960
Caring Employees in Winter- Supply the Hot Ginger Soup	>6000







【East China Operation Center】

Activity	Number of participants
Health Promotion Activity for Washing hands	403
Health Promotion Activity for Tuberculosis Hazards	116
Health Activities	440
Health Promotion Activity for using stretchers	35
Health Promotion Activity for World No Tobacco Day	129
Health Promotion for Chickenpox Prevention	150
Mother Classroom Activity	66
First Aid Training	354
Prevention Activity of High Blood Pressure	220



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【West China Operation Center】

Activity	Number of participants
Occupational Health Checkup	174
Periodic Testing of Drinking Water	64
Periodic Testing of Food Samples	52 internal testing and 26 external testing
Preventive Health Care Lecture	20
First Aid Training	51

【Czech Manufacturing Center】

Activity	Number of participants
Vitamin Package Providing	1099
Health Checkup, Including Electromyography(EMG)	201
Carpal Tunnel Syndrome Prevention Information Video	1099





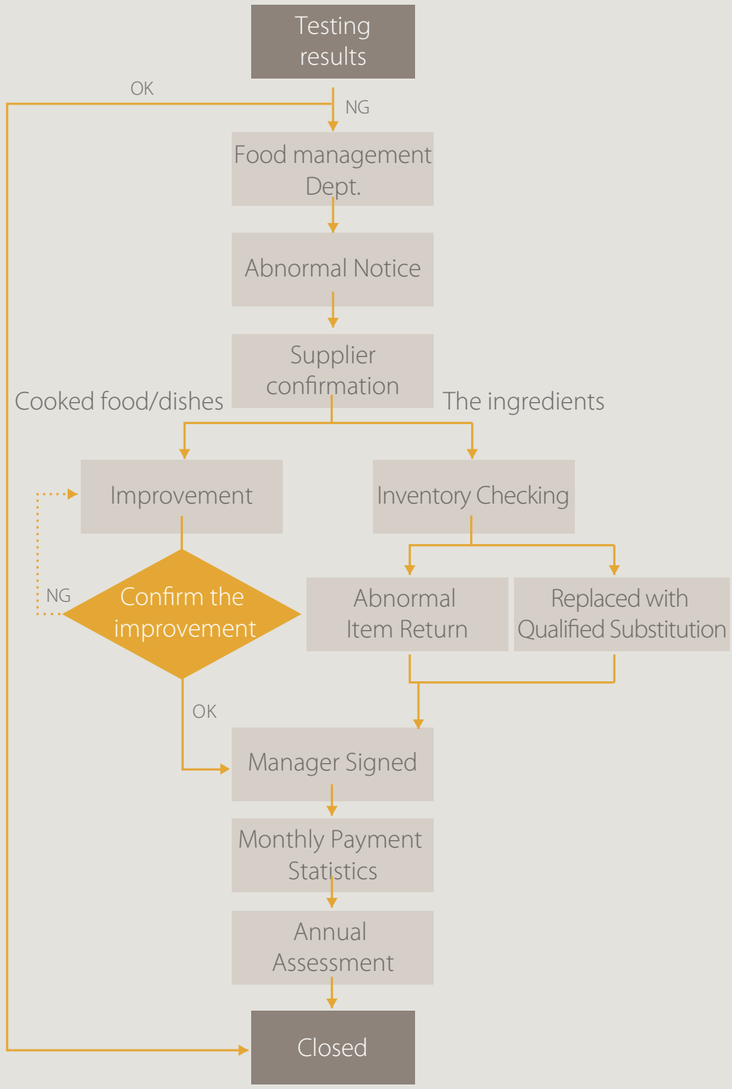
【Mexico Manufacturing Center】

Activity	Number of participants
Promote Health Care : Skin Cancer	222
Promote Health Care : Prostate Cancer	215
Promote Health Care : Pulmonary Tuberculosis	209
Promote Health Care : Autism	201
Promote Health Care : Anemia	274
Early Detection of Diabetes Program	289
Visual Care Program	280
Pest Education Program	276
Promote Health Care : Pneumonia	280
Influenza Vaccination	290
Promote Health Care : Winter Recommendations	223

【Food safety control - food testing laboratory】

The food safety events are endlessly in recent years. In order to ensure meal safety for employees, food testing laboratories(FTL) have been set up in Central China and East China Operations Centers successively. In Central China Operation Center, FTL has established since 2008 and hired the persons who were certified by national labors and the social security departments to manage the testings of food, tablewares, drinking water and ingredients. The FTL has biochemical incubators, high-pressure steam sterilizer, multi-functional food safety detector and so on. There are 28 food testing items currently. We will increase to test high risk items and promote the food safety management system to other sites continuously in the future. Each plant will also follow ISO/IEC17025 to manage laboratory operation, and strive for a better service so that employees can eat healthy and relieved.

Food testing results process:



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Employee Care

Our employees are encouraged to provide their suggestions through various channels that have been set up for them. We believe the company's culture and work atmosphere can be improved by listening to the voices of our employees. PEGATRON considers our employees to be a very important asset. In order to let our employees have productive contributions, PEGATRON pays attention to the work-life balance of our employees. We provide timely cares and helps for employees, while enhancing our company's productivity as well as reducing employees' turnover rate.

Communication Channel

The company emphasizes on the employee welfares and cares to have a harmonious relationship between the company and employees. Employees can communicate with the management through email suggestion boxes, meetings and emails to express their feelings and raise questions so as to maintain the good relationship between labors and management.

PEGATRON has set up multiple communication channels including the employees' suggestion box (i-PEGA BOX), departmental service hotlines, EAP (Employee Assistant Programs) and so on. There are also counseling hotlines, health hotlines, and a grievance mechanism at place in our sites, to effectively help to solve employees' problems. Employees can choose different channels depending on their needs. For example, in Central China Operation Center, it has a variety of communication channels for employees, including "Big Sister Studio", "Recruitment Counseling Office", "Living Area Employee Service Center", Employee Representative Meeting", "Employee Regular Interviews" and so on, so as to timely and effective solve their problems. The purpose of "Big Sister Studio" is "service with care , care with love ", providing not only a variety of communication channels (WeChat, QQ, hotline 62450, email Hi_Sister@PEGATRONcorp.com, mailbox, message, interview), but also psychological counseling, personality analysis, career planning and other services, so as to promote the healthy development and enhance the sense of belonging of employee.

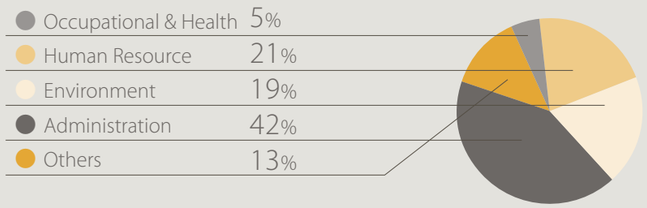
PEGATRON Employee Suggestion in 2016 :

Location	Communication Channel		Number	Status
HQ & Toayan Manufacturing Center	1.I-PEGA (i-PEGA@PEGATRONcorp.com) 2.Suggestion Box	3.Sexual Harassment Mailbox (i-PEGA@PEGATRONcorp.com) 4.Business Ethic Mailbox (i-PEGA@PEGATRONcorp.com)	255	100% closed
East China Operation Center	1.Employee Service Center 2.Help Center (HappyHelpCenter_HR@PEGATRONcorp.com)	3.Union	63173	100% closed
Central China Operation Center	1. Employee Service Center (Hi_Sister@PEGATRONcorp.com) 2.Employee Representative Meeting 3.Consulting Services for New Employees	4.Contact windows for employee relationship 5.Meeting with Factory Directors	168	100% closed
West China Operation Center	1.Hotline 17885 (023-8850-9888#17885) 2.I-pega box 3.Email for Employee Relationship 4.Wechat Online Service Platform	5.HR service center 6.Meeting with factory teachers 7.Meeting with Factory Directors and General Manager	868	100% closed
Mexico Manufacturing Center	1.Suggestion Box	2.Email Box (ethicsline@PEGATRONcorp.com)	22	100% closed
Czech Manufacturing Center	1.Suggestion Box	2.Email Box (PCZREPORT@PEGATRONcorp.com)	158	100% closed

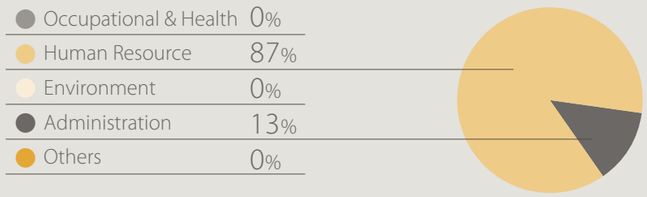
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Classification table of PEGATRON employee communication type in 2016 :

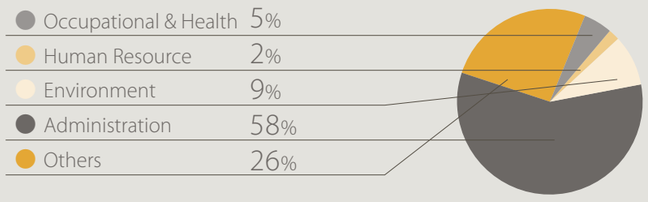
HQ& Toayan Manufacturing Center



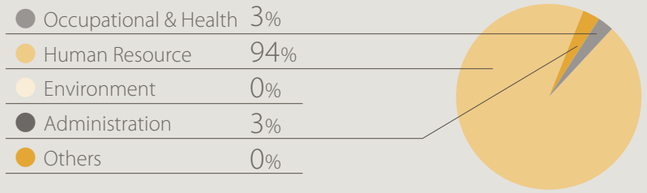
East China Operation Center



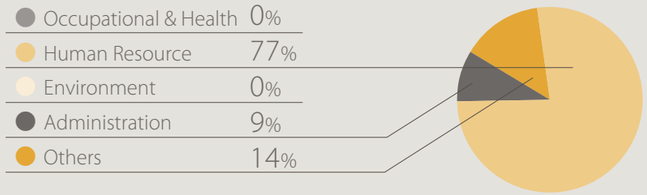
Central China Operation Center



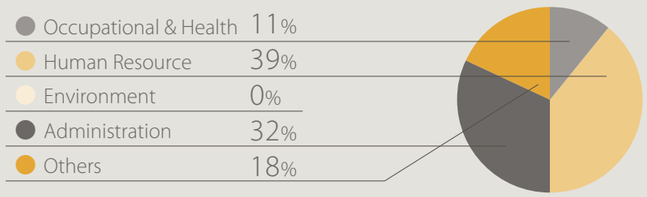
West China Operation Center



Mexico Manufacturing Center



Czech Manufacturing Center



In order to let our employees have better understandings of the company's operating status and directions, our CEO holds face-to-face CEO dating meetings regularly every year. This helps our employees to have more in-depth understandings of the company's decision making processes. Headquarters held 3 Coffee Talk meetings in 2016.



Furthermore, employee benefits are discussed in our quarterly employee welfare committee meetings. The employee representatives are responsible for expressing opinions of our employees to communicate with the company.

For mental health, PEGATRON has implemented many programs in each Manufacturing Center to provide calm and relaxing channels for employees. We also set up specific psychological consultation rooms to assist employees to solve the difficulties they are facing.

On the other hand, we offer many types of care activities to assist employees, including consultation hotlines, counseling rooms, suggestion boxes and regular interviews. We also combines social workers and psychologists in a special cooperation model to provide psychological counseling services. We select suitable teachers and provide psychological consultation services based on employee issues and help employees to solve their psychological problems.

Channels for Caring Employees :

Location	Channels for Caring Employees
HQ	Employee Mental Health Hotline, Employee Assistance Program(EAP)
Touyan Manufacturing Center	Regular employee Interview, Employee Assistance Program(EAP), Suggestion Box
Central China Operation Center	Hi_Sister workroom, Hiring Counseling Office, Employee Service Center of Living area, Employee Representative Meeting, Regular Employee Interview
East China Operation Center	Employee Service Station, HR Unit On-site Help, Counselor, Suggestion Box
West China Operation Center	Hotline, Regular employee Interview, Suggestion Box, Counseling Center
Mexico Manufacturing Center	Suggestion Box, Employee interview
Czech Manufacturing Center	Suggestion Box, Regular Department Meeting, Employee Survey, Line Representative Monthly Meeting, Canteen Committee

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Employee welfare

"Joyful Working; Happy Living" is PEGATRON's philosophy to employees. PEGATRON endeavors to show our cares to all employees. We hope our employees can focus more on family during spare time and have the rights of unpaid parental leave for raising children care and the retirement program. Welfare measures of PEGATRON are divided into two parts, benefits provided by the company and welfare committee. Benefits are disclosed through the announcement, official website or email, so that employees are aware of benefits and know how to apply for them. We provide labor health insurance and group insurance in Taiwan, and regularly held cultural lectures. Our leave and attendance standards are also better or meet local regulations.

For the compassion of employee cares of family burdens, we provide several benefits. For example in Taiwan, welfare committee provides scholarships for employees' children every year to encourage them study hard. Our welfare committee also provides different benefits for option such as travel, medical care and recreation. Year-End party, community activities, arts activities and sport contests are all provided for employees to choose. We hope our employees can focus on their families during spare time. A more favorable consumer channel is also provided to colleagues by our welfare committee, and our discount shops cover 11 types include dining, sports, learning, leisure, arts, home, education and so on, so as to offer preferential treatments for our employees.

To promote teamwork among colleagues and personal reliefs, HQ has held planting activities providing colleagues to have fun at planting on the roof since 2014. In addition to the benefit of greenery, the process of planting also increases the environmental awareness. We regularly invite experts to teach colleagues about planting techniques. From 2015, the activity holds twice per year and around 700 people participated in each plant every year. We have a lottery system due to the limitation of the cultivation area, and the number of participants of each cycle is around 400 people.





We provide excellent welfare for all employees at each site. Welfare in PEGATRON is divided to benefits, incentives, gifts and events to express our group's willing of "Joyful Working; Happy living". Some welfare might be different according to different workplaces, but all welfare programs are in comply with or better than the requirements of local regulations. For example, Central China Operation Center regularly organized cultural activities to enrich the lives of employees, such as the Spring Festival, Lantern Festival, Dragon Boat Festival, Mid-Autumn Festival, Sports Day, Group Dating, Parent-Child Carnival, and so on.







Employee Benefits in each site:

Location	Item
HQ & Taoyuan Manufacturing Center	birthday gift, festival bonus, meal allowance, voucher, reunion day, family day
East China Operation Center	marriage gift, fertility gift, funeral compensation, birthday gift, emergency assistance payment
Central China Operation Center	marriage gift, fertility gift, funeral compensation, birthday gift, group dating, parent-child carnival
West China Operation Center	marriage gift, fertility gift, funeral compensation, sunshine activity fund, meal allowance
Mexico Manufacturing Center	meal allowance, saving fund, Medical Insurance (ADM)
Czech Manufacturing Center	pension insurance , meal allowance

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For who chooses the new pension fund system, PEGATRON allocates 6% of employees' monthly salary as his/her pensions based on "Labor Pension Act for new system" and put the pensions in personal retirement accounts established by the Bureau of Labor Insurance. Employees can make voluntary contributions from 0% to 6% for their own pensions and the voluntary submissions will be fully deducted from their annual personal consolidated income tax. For who chooses the old pension fund system, PEGATRON allocates 2% of employees' monthly salary as his/her pensions based on "Labor Standards Law for old system " and put the pensions in old pensions fund system account to meet the retirement needs of current relevant employees.

http://www.pegatroncorp.com/investorRelations/cht/annual.php

PEGATRON has held our "Super Basketball League" since 2014. It not only enhances the sporting habit, but also makes the team spirit stronger. Furthermore, it also promotes colleague friendships and improves work efficiency. We built a public website for the tournament schedule and team member introduction. The activity has gained praise from employees and is planned as an annual event.



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Social Care

Contribute within 0.5% of net income every year
toward charity so as to develop public service activities.

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Social Welfare

PEGATRON supports and participates in various CSR activities to reach the PureCSR policy from it is founded. We fully implement social responsibility from inside to outside, and positively encourage all employees around the world to join. Furthermore, our board of directors unanimously approved contribute within 0.5% of annual net income every year for charity in 2010. For the plannings of activities, community participation and empathy actions, we start internally and promote them to neighboring communities, then extend to where it is most needed.

ADOC 2.0 program initiated by private companies is committed to promote social welfare. When Stan Shih attended the APEC leaders' meeting in 2007, ADOC 2.0 program was proposed to assist APEC members work together with Taiwan to effectively reduce the digital divide and create digital opportunities. They also asked private sectors and non-profit organizations to join in. Our chairman Tzu-Hsien, Tung has became its convener since 2014. In addition to take technology industry as main public service unit, they continue to expand the influence on arts and cultural community to introduce more powers with arts and cultural elements.

PEGATRON actively participates in public events, sponsors many kinds of organizations, and commits to care for the weak and poor. For 0206 Tainan earthquake, we not only donated to “Tainan City Government Bureau of Social Affairs” and “Ministry of Health and Welfare” for post-disaster reconstruction, but also paid attention to the psychological construction and long-term counseling of children and families impacted by the earthquake commissioned through “North Tainan Home Support Center” and “World Vision”. Furthermore, we pay attention to the reading and digital drop problems of children in remote area of the eastern countryside, so that we provide necessary materials and equipment for them. PEGATRON has also involved in cultural development, arts events and sports events in recent years, and sponsored activities in music, drama, dancing as well as literary creation, academic seminars and health promotion to fulfill our corporate social responsibility commitment.

Community Involvement

All our major operation centers and Manufacturing Centers also involved in local public welfare activities for a long term to make contributions to local communities.

【PEGATRON Headquarters (HQ)】

1. HQ has sponsored the dinners for impoverished students in adjacent schools since 2012. The meals are prepared by our food suppliers in cafeteria and supervised by a professional nutritionist to ensure the nutrition, balance and sanitation of them.
2. Through series activities of 2016 environmental month held at HQ, we recycled 3C products, elementary students reading books and reusable materials, and donated them to countryside schools.



From the beginning of the establishment, PEGATRON’s club started with happiness to care for the disadvantaged groups, and dedicated to the environmental protection. The public welfare activities participated in 2016 are listed as follows :

- Kuntai Cultural and Educational Foundation - “2016 Happy Countryside and Christmas Wishes Adoption Activities”
- ASUS Cultural and Educational Foundation - Used Shoes Save Lives for African
- ASUS Cultural and Educational Foundation - "Recycle Computer, Hope Project" donation activities
- Chinese Christ Miracle Concerning Association - Fund raising event and second hand clothing donation activities
- Hushan elementary school in Taipei , Taniguchi and Guanyu elementary schools in Changhua - second hand laptop donation activities



【Taoyuan Manufacturing Center (TY)】

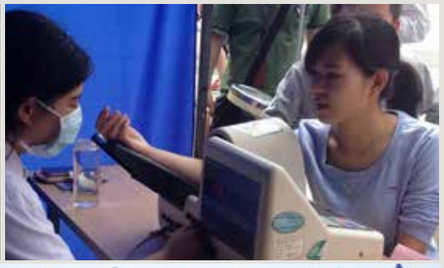
1. Waste recycling activity : TY responded to 422 World Earth Day Activity by recycling the waste electronic products brought by employees and handled them properly to protect environment
2. Material donation activities: TY donated second hand clothing, quilts and daily necessities to social welfare institutions.



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【Central China Operation Center (PSZ)】

In 2016, Central China Operation Center not only responded to the company public events, but also invested in long-term public welfare activities to contribute to the local community. PSZ contacted the local community and the health sector to organize public welfare activities and volunteer activities, with a total of 200 participants. Beside, there is a total of 337 employees participated in two donation activities in 2016.




【East China Operation Center (PSH)】

Our East China Operation Center held a lot of local public welfare activities in 2016 to build a harmonious community culture and propagate the fitness concept. These activities has attracted public attention and obtained high social evaluation :

1. Participated in the tree planting activity held by Pudong New Area Park Management Agency.
2. Participated in the hiking activity in Pudong New Area, Shanghai.
3. Participated in the blood donation activity in Kangqiao of Pudong New Area.
4. Organized the "World No Tobacco Day" of health promotion campaign.
5. Organized the “Family Planning Care Events”.
6. Organized the road running activity in Dripping Lake.










【West China Operation Center (PCQ)】

Our West China Operation Center held many local public welfare activities in 2016, included the Arbor Day activity, banner inscription activity, hiking activity and blood donation to contribute to the local community.







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【Czech Manufacturing Center (PCZ)】

1. Held the blood donation activity and provided the certificates for our employees.
2. Cooperated with Technical University of Ostrava to support the science researches.







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	102-2	Activities, brands, products, and services	9
	102-3	Location of headquarters	9
	102-4	Location of operations	10
	102-5	Ownership and legal form	9
	102-6	Markets served	9
	102-7	Scale of the organization	9
	102-8	Information on employees and other workers	36
	102-9	Supply chain	21
	102-10	Significant changes to the organization and its supply chain	21
	102-11	Precautionary Principle or approach	17
	102-12	External initiatives	4
	102-13	Membership of associations	4
	102-14	Statement from senior decision-maker	2
	102-16	Values, principles, standards, and norms of behavior	16
	102-18	Governance structure	13
	102-40	List of stakeholder groups	5
	102-41	Collective bargaining agreements	37
	102-42	Identifying and selecting stakeholders	5
	102-43	Approach to stakeholder engagement	5,6
	102-44	Key topics and concerns raised	5,6
	102-45	Entities included in the consolidated financial statements	1
	102-46	Defining report content and topic Boundaries	7
	102-47	List of material topics	7
	102-48	Restatements of information	None
	102-49	Changes in reporting	None
	102-50	Reporting period	1
	102-51	Date of most recent report	1
	102-52	Reporting cycle	1
	102-53	Contact point for questions regarding the report	1
	102-54	Claims of reporting in accordance with the GRI Standards	1
	102-55	GRI content index	55
	102-56	External assurance	1

Material topics

Economic-Economic performance

GRI Standards	Disclosure		Page number
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	9
	103-2	The management approach and its components	9
	103-3	Evaluation of the management approach	9
GRI 201: Economic Performance 2016	201-1	Direct economic value generated and distributed	9
	201-2	Financial implications and other risks and opportunities due to climate change	26
	201-3	Defined benefit plan obligations and other retirement plans	48, 49
	201-4	Financial assistance received from government	9

Economic-Market presence

GRI Standards	Disclosure		Page number
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	38, 39
	103-2	The management approach and its components	38, 39
	103-3	Evaluation of the management approach	38, 39
GRI 202 Market Presence 2016	202-2	Proportion of senior management hired from the local community	36

Economic-Corporate government

GRI Standards	Disclosure		Page number
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	13
	103-2	The management approach and its components	13
	103-3	Evaluation of the management approach	13

Economic- Ethics and integrity

GRI Standards	Disclosure		Page number
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	16
	103-2	The management approach and its components	16
	103-3	Evaluation of the management approach	16
GRI 205 Anti Corruption 2016	205-1	Operations assessed for risks related to corruption	16
	205-3	Confirmed incidents of corruption and actions taken	16

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Economic-Risk management

GRI Standards	Disclosure		Page number
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	17
	103-2	The management approach and its components	17
	103-3	Evaluation of the management approach	17

Environmental -Materials

GRI Standards	Disclosure		Page number
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	28
	103-2	The management approach and its components	28
	103-3	Evaluation of the management approach	28
GRI 301: Materials 2016	301-3	Reclaimed products and their packaging materials	Related product recycling programs are requested by customers.

Environmental -Emissions

GRI Standards	Disclosure		Page number
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	27
	103-2	The management approach and its components	27
	103-3	Evaluation of the management approach	27
GRI 305: Emissions 2016	305-1	Direct (Scope 1) GHG emissions	28
	305-2	Energy indirect (Scope 2) GHG emissions	28
	305-4	GHG emissions intensity	28
	305-5	Reduction of GHG emissions	28

Environmental -Effluents and waste

GRI Standards	Disclosure		Page number
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	31-33
	103-2	The management approach and its components	31-33
	103-3	Evaluation of the management approach	31-33
GRI 306: Effluents and Waste 2016	306-1	Water discharge by quality and destination	33
	306-2	Waste by type and disposal method	33
	306-3	Significant spills	None
	306-4	Transport of hazardous waste	31
	306-5	Water bodies affected by water discharges and/or runoff	None

Environmental - Environmental compliance

GRI Standards	Disclosure		Page number
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	31
	103-2	The management approach and its components	31
	103-3	Evaluation of the management approach	31
GRI 307: Environmental Compliance 2016	307-1	Non-compliance with environmental laws and regulations	31

Environmental - Environmental compliance

GRI Standards	Disclosure		Page number
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	31
	103-2	The management approach and its components	31
	103-3	Evaluation of the management approach	31
	301-3	Reclaimed products and their packaging materials	None

Social-Employment

GRI Standards	Disclosure		Page number
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	36
	103-2	The management approach and its components	36
	103-3	Evaluation of the management approach	36
GRI 401: Employment 2016	401-1	New employee hires and employee turnover	39
	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	48

Social-Employment

GRI Standards	Disclosure		Page number
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	46
	103-2	The management approach and its components	46
	103-3	Evaluation of the management approach	46
GRI 402: Labor Management Relations2016	402-1	Minimum notice periods regarding operational changes	37

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Social-Occupational health and safety

GRI Standards	Disclosure	Page number
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	41
	103-2 The management approach and its components	41
	103-3 Evaluation of the management approach	41
GRI 403: Occupational Health and Safety2016	403-1 Workers representation in formal joint management–worker health and safety committees	41
	403-2 Types of injury and rates of injury, occupational | diseases, lost days, and absenteeism, and number of work-related fatalities	42
	403-3 Workers with high incidence or high risk of diseases related to their occupation	42
	403-4 Health and safety topics covered in formal agreements with trade unions	41

Social-Training and education

GRI Standards	Disclosure	Page number
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	39, 40
	103-2 The management approach and its components	39, 40
	103-3 Evaluation of the management approach	39, 40
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	41
	404-2 Programs for upgrading employee skills and transition assistance programs	39
	404-3 Percentage of employees receiving regular performance and career development reviews	39

Social- Socioeconomic compliance

GRI Standards	Disclosure	Page number
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	18
	103-2 The management approach and its components	18
	103-3 Evaluation of the management approach	18
GRI 419: Socioeconomic Compliance 2016	419-1 Non-compliance with laws and regulations in the social and economic area	18

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Category	Principle	Chapter	Page
Human Rights	Businesses should support and respect the protection of internationally proclaimed human rights.	Labor Rights	37
	Businesses should make sure that they are not complicit in human rights abuses.	Labor Rights	37
Labor	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.	Labor Rights	37
	Businesses should uphold the elimination of all forms of forced and compulsory labor.	Labor Rights	37
	Businesses should uphold the effective abolition of child labor.	Labor Rights	37
	Businesses should uphold the elimination of discrimination in respect of employment and occupation.	Labor Rights	37
Environment	Businesses should support a precautionary approach to environmental challenges.	Sustainable Design	28-30
	Businesses should undertake initiatives to promote greater environmental responsibility.	Environmental Protection	25-34
	Businesses should encourage the development and diffusion of environmentally friendly technologies.	Labor Rights	37
Anti-Corruption	Businesses should work against corruption in all its forms, including extortion and bribery.	Code of Conduct	16

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INDEPENDENT ASSURANCE OPINION STATEMENT

PEGATRON Corporation 2016 Corporate Social Responsibility Report

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

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

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

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

Scope

The scope of engagement agreed upon with PEGATRON includes the followings:

1. The assurance scope is consistent with the description of PEGATRON Corporation 2016 Corporate Social Responsibility Report.
2. The evaluation of the nature and extent of the PEGATRON's adherence to all three AA1000 AccountAbility Principles in this report as conducted in accordance with type 1 of AA1000AS (2008) assurance engagement and therefore, the information/data disclosed in the report is not verified through the verification process.

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

Opinion Statement

We conclude that the PEGATRON 2016 Corporate Social Responsibility Report provides a fair view of the PEGATRON CSR programmes and performances during 2016. The CSR report subject to assurance is free from material misstatement based upon testing within the limitations of the scope of the assurance, the information and data provided by the PEGATRON and the sample taken. We believe that the 2016 economic, social and environmental performance indicators are fairly represented. The CSR performance indicators disclosed in the report demonstrate PEGATRON's efforts recognized by its stakeholders.

Our work was carried out by a team of CSR report assurors in accordance with the AA1000 Assurance Standard (2008). We planned and performed this part of our work to obtain the necessary information and explanations we considered to provide sufficient evidence that PEGATRON's description of their approach to AA1000 Assurance Standard and their self-declaration of 'in accordance' with the GRI Standards (2016): the Core(Comprehensive) option were fairly stated.

Methodology

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

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

Conclusions

A detailed review against the AA1000 AccountAbility Principles of Inclusivity, Materiality and Responsiveness and the GRI Standards (2016) is set out below:

Inclusivity

This report has reflected a fact that PEGATRON has sought the engagement of its stakeholders. The participation of stakeholders has been initiated in developing and achieving an accountable and strategic response to sustainability. The reporting systems are being developed to deliver the required information. There are fair reporting and disclosures for economic, social and environmental information in this report, so that appropriate planning and target-setting can be supported. In our professional opinion the report covers the PEGATRON's inclusivity topics.

Materiality

PEGATRON publishes sustainability information that enables its stakeholders to make informed judgements about the company's management and performance. In our professional opinion the report covers the PEGATRON's material topics.

Responsiveness

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

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

GRI Standards

PEGATRON provided us with their self-declaration of 'in accordance' with the GRI Standards (2016): the Core option (at least one disclosure related to each identified material topic). Based on our review, we confirm that social responsibility and sustainable development disclosures with reference to the GRI Standards' disclosures are reported, partially reported or omitted. In our professional opinion the self- declaration covers the PEGATRON's social responsibility and sustainability topics. However, the future report will be improved by the following areas:

- Continuously focus on the implementation of CSR procedures and programs as to correspond the updated relative standards.

Assurance level

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

Responsibility

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

Competency and Independence

The assurance team was composed of Lead Auditors and Carbon Footprint Verifiers experienced in industrial sector, and trained in a range of sustainability, environmental and social standards including AA1000 AS, ISO 14001, OHSAS 18001, ISO 14064 and ISO 9001. BSI is a leading global standards and assessment body founded in 1901. The assurance is carried out in line with the BSI Fair Trading Code of Practice.

For and on behalf of BSI:

Peter Pu
Managing Director BSI Taiwan
2017-05-19

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The framework of this report in line with the principles established according to Global sustainability standard board 's GRI Sustainability Reporting Standards (GRI Standards) with core option level. In order to increase the transparency and reliability of the report, the content is verified by an independent third party, BSI Taiwan, based on the AA1000 AS(2008) for a type 1, moderate level of assurance and complied with core option level of GRI Standards. The assurance statement is attached as appendix of this report.

If you have any query or comment about this CSR report,
please feel free to contact us:

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